



SOUTH AFRICAN LOCAL
GOVERNMENT ASSOCIATION

SALGA

Inspiring service delivery

ORGANISATIONAL
REPORT:

**Progress in
strengthening LG &
SALGA for the period
2011-2016**

**Cllr Thabo Manyoni
National Chairperson**

Introduction

In presence in this NMA of:

- 640 delegates
- 230 municipalities
 - (83% overall attendance
 - Of those attending, 56% in good standing)
- Minister CoGTA and Deputy Ministers CoGTA
- MEC COGTA of the Eastern Cape Province
- NCOP and Eastern Cape Provincial Legislature

I am please to present you the **organisational report** for the period 2011 – 2016

Overview of Organisational Report

1. State of LG (Progress since 2011)

2. Progress on our SALGA mandate

3. State of SALGA as your Institution

1. STATE OF LOCAL GOVERNMENT (PROGRESS ON KEY OBJECTS)

- Deepening local democracy, good governance and accountability
- Service provision to communities and its sustainability
- Integrated social and economic development
- Safe and healthy environment for communities
- Financial performance and resilience

1.1 Deepening local democracy & accountability

- Constitution & LG legislation create a mandatory duty for municipalities to include communities in the planning and delivery work
 - Communities participate in IDPs, council decisions & service delivery processes
 - Many muns have strong public consultation & participatory mechanisms
- **Since 2011, Municipal Public Accounts Committees (MPACs) were established and are functional in all 278 municipalities** – to strengthen detailed oversight and accountability processes to foster appropriate checks and balances
 - Recent 2014-15 audit outcomes in themselves indicate progress with AG specifically lauding consequences for wrongdoing / poor performance

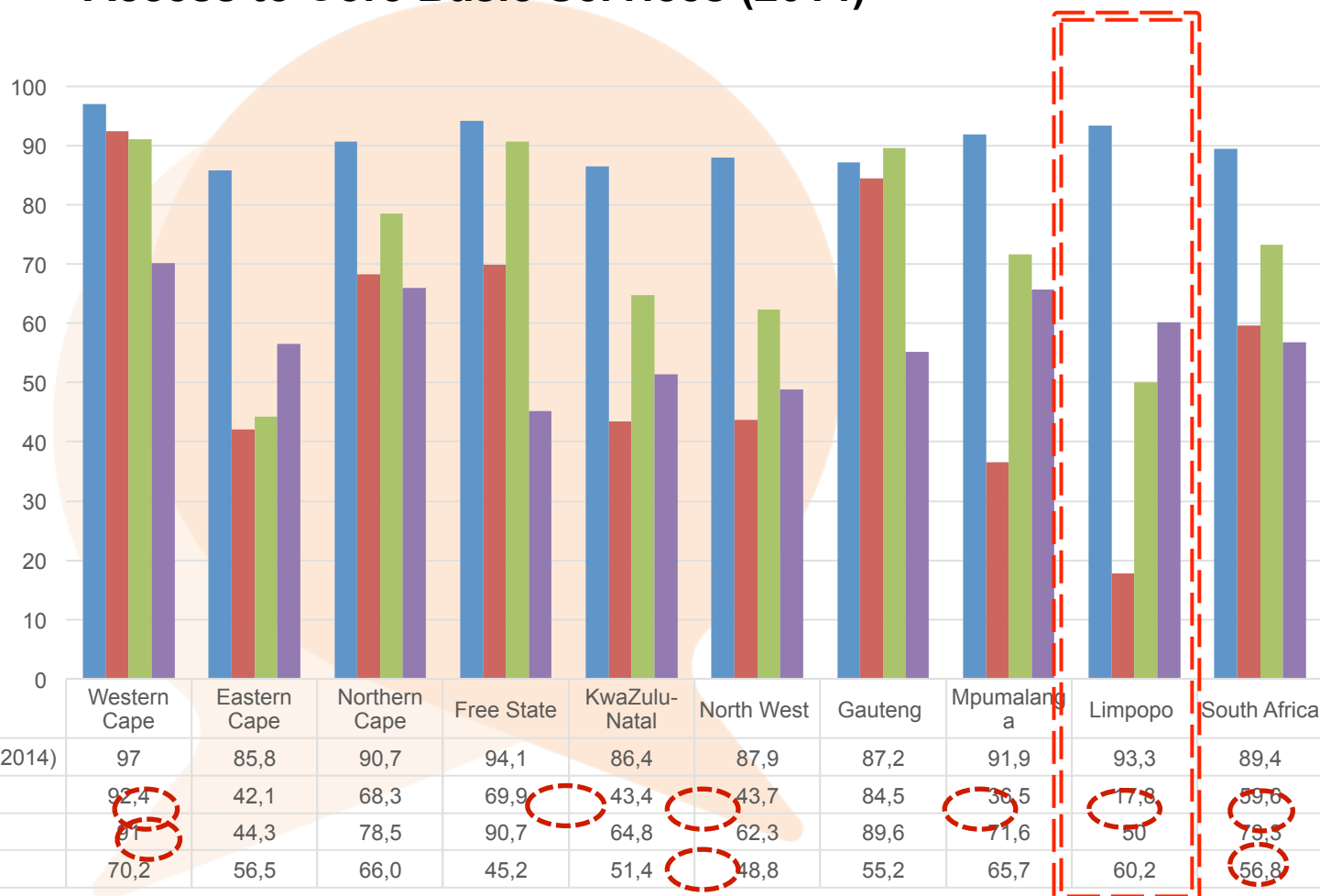
Deepening local democracy & accountability

- Governance turnaround in **Nelson Mandela Bay Metro** is a case in point
 - Reaching out to communities across the Metro through the Mayoral Imbizo programme, which has had overwhelming levels of participation and is helping to reconnect govt with the people
- The city's finances have shown a corresponding improvement, moving from a budget deficit position in the previous financial year, **to a cash positive position in excess of R1 billion**
- The City's finances have stabilized and the metro is in a position to start accelerating service delivery and transformation
 - Such as the Port Elizabeth waterfront development and Operation Phakisa project as an important Indian Ocean port, with connections to both east and west, capitalising on strategic location of PE and make Ocean economy defining feature of Nelson Mandela Bay

1.2 Service provision and its sustainability

- Official and disaggregated statistics show tremendous progress particularly in historically neglected areas like former homelands
 - Eastern Cape, Limpopo, KwaZulu-Natal, Free State and Mpumalanga, despite continually chasing a moving target due to population growth & in-migration
- **KEY TO NOTE:** Definitions of access have changed between 2011 and 2014, while urbanisation has intensified, creating an impression of decline

Access to Core Basic Services (2014)



Service Delivery Trends

- **Water** provision increased nationally to over 90% in 2014, from just under 11 million consumer units in 2011 to over 12 million in 2014
 - In 2014, **eThekwini** Municipality's Water and Sanitation unit was bestowed with the coveted 2014 Stockholm Industry Water Award for the "Most innovative and progressive water utility in Africa"
- **Electricity** provision increased from 84,7% in 2011 (just over 9 million units) to 89.4% (over 10.5 million units) in 2014 (a 5.3% increase in provision)
- No of consumer units receiving **Sewerage and Sanitation services** increased nationally, from 9,2 million in 2010 to 10,4 million in 2014
- The number of consumer units supplied with **Solid Waste Management services**, increased from just under 8 million in 2011 to 8,9 million in 2014

Service Delivery Trends

- **2012 Review of Equitable Share Formula relating to horizontal allocations** between muns effected key changes to improve sustainability in re
 - demographics;
 - extent of poverty; and
 - a new formula structure;which resulted in **municipalities with high numbers of poor now receives the highest allocations**
- Service delivery is occurring against a backdrop of declining revenues from services
 - Less people are paying more but expectations are ever increasing
 - Huge implications on under funding and cost of services...
- Trends highlight both progress as well as the current economic challenges

Service Provision – Electricity

Going forward, and based on one of our critical areas of delivery, remains the finalisation of the work of Eskom / municipalities to enter into service level agreements

- SALGA had engaged in serious defence of the sector in 2015 to defend the assault on municipalities by Eskom and Treasury in respect of the withholding of the equitable share allocations due to bulk supplier non-payments

Integrated socio-economic development

- Joburg has been rated as the best destination on investment attraction and economic growth by **2015 PWC report entitled “Into Africa: The Continent’s Cities of Opportunity”**
 - Its game changing socio-economic investments are highlighted by the *City’s Rea Vaya BRT public transportation system*
 - 1ST to pioneer a large-scale, municipal-run, mass-transit system in South Africa, which created employment & connected outlying suburbs with city
- Jhb also prioritised a wide-ranging **broadband capacity to be the backbone of their smart city initiatives** = installing household with smart meters to manage energy consumption and reduce energy losses (as in **NEWCASTLE LM**)

Integrated social and economic development

- **Thaba Chweu** is a major attraction doing considerable work in investing in tourism infrastructure, while Nkomazi is taking advantage of its close proximity to Mozambique, Swaziland, and Kruger National Park, attracting thousands of visitors
- **Mbombela** has introduced City Improvement District model, which is special rating areas, where property owners pay additional levies towards their property taxes
- Similarly, **Nkangala DM** currently implementing an Agri-Parks programme (a Presidential programme), which seeks to establish agricultural villages, a network of innovation systems of agro-production, processing, logistics, marketing, training and extension services
- The Govan Mbeki best integrated residential development programme has been awarded to **Bitou**, the best upgraded informal settlements programme has been awarded to Swellendam and the greenest municipality awarded to Hessequa
- **Sol Plaatje Municipality's** project on Breaking New Ground (BNG) Housing has been identified by National Treasury as the best in the country

Integrated social and economic development

- **City of Tshwane**, through Project Isizwe, has rolled out some 800 free Wi-Fi sites to date, offering coverage to over 1.4 million people
 - Joburg & Ekurhuleni are not far behind with over 400 free Wi-Fi sites in each city
- Opportunities of access and in changing the socio-economic landscape in context of general deprivation and exclusion
- While the broader economy is shedding jobs, the **City of Tshwane** is not only stemming the tide by creating employment, it is creating entrepreneurs in the manufacturing industry
- It just last week launched a refuse plastic bag manufacturing facility in Refilwe, Cullinan
 - It is part of the township economies revitalisation programme
 - The project employs previously unemployed local youth and women

Integrated social and economic development

TSHWANE has attracted key investments in the automotive sector of the our economy

- which currently accounts for over 40% of automotive exports for South Africa & 10% of total export of the country
- Ford investing R2.5 billion, to produce the new Everest SUV at its Silverton Plant in Tshwane
 - Will create further 1200 much needed jobs in the local economy
- Follows on the recent expansion plans by BMW (R6 billion) and Nissan (expansion from 40 000 to 80 000 units) in their plants in Rosslyn

Integrated social and economic development

City of Cape Town continues to invest in becoming a smarter, more liveable city, demonstrating that public-private partnerships are essential

- An estimated R8bn worth of dev underway in City Improvement influencing growth in the CBD – rollout of accessible and affordable broadband in a pilot project to the night-time economy & residential units
- Public and private sectors play a huge collaborative role – as a result, the value of property has risen R6bn around 2005 to well over R24bn
- R1.7bn being spent by the City throughout the metro to connect its own buildings and facilities, as well as those of Prov Govt
 - Also using this infrastructure to provide competitive, high-speed fibre-based services to tenants of commercial buildings

Integrated social and economic development

- **eThekweni is the first public-sector entity to trial a smart city mobile application** – the ‘Smart City’ app integrates a number of services offered & is available on smart phones & tablets, allowing it to interact with their customers in real time
- **Ballito in the Kwadukuza Local Municipality in KZN**
 - Used to be a small holiday town, but today has grown into a suburban paradise which achieved substantial growth – King Shaka Int. Airport and Dube trade port
 - Now anchor economy to rural hinterlands with large commercial park
- **Butterworth in Eastern Cape** saw installation of basic street lighting in the main rd. become an attraction to a well-known food outlet setting up – which changed business operating culture in the area and had a knock-on effect on businesses
- **George** has also initiated a public transit system that is now operational & this is intended to expand to Knysna, Mossel Bay and Oudtshoorn
 - **eThekweni Transport Authority (ETA)** has bagged a prestigious award for being the best public transport provider in KwaZulu-Natal

1.4 Safe and Healthy environment for communities

- South Africa successfully hosted **COP17 from 29 November to 5 December 2011 in the eThekweni Metro Municipality**
 - COP 17 programme included a South African Mayors Conference on Climate Change, BRICS session on climate change and International Conference of LG's on Climate Change
 - Event marked a shift in the approach to climate change with a focus on **mitigation** as opposed to adaptation
- In June 2012 the LG Climate Change Champions Committee (LGCCC) developed a Programme of Action spanning a period from 2012 to 2016
 - Many municipalities have since incorporated **environmental sustainability and mitigation** into their Integrated Development Plans
 - As a signatory to the **2015 Paris Accord on Climate Change**, the appreciation of this effort has certainly intensified during this term

Safe and Healthy environment for communities

- Climate change strategies have been adopted by **eThekweni, uMgungundlovu and KwaDukuza** in Kwazulu-Natal, + renewable energy programmes in and **uMlalazi**
- Recognising Africa month, we must re-emphasise that more than 6 decades ago, South Africans declared to the world that upon acquiring freedom, we will strive to maintain world peace and friendship amongst all peoples of the world
- The struggle for liberation in South Africa wouldn't have been possible without the role played by the international community
- Our call to all South Africans is to build communities that are welcoming of our fellow citizens from all corners of the world
- **We must say no to Xenophobia, No Afrophobia!**

Safe and Healthy environment for communities

On safer and healthier communities

- Over the last few years municipalities have invested tremendously in development of sport facilities as key to healthier & safer communities
- Through Municipal Infrastructure Grant (MIG) municipalities can now not only build sports facilities but also **upgrade facilities to develop all sporting codes**
 - Grant also allows for those areas who have ltd resources to have modern facilities where women, children and ppl with disabilities can access it

1.5 Financial performance & resilience

- Almost 60% of municipalities now have unqualified audits
 - In 2010/ 11, there were 87 municipalities and entities in the red zone and 18 clean audits
 - In 2014-15 audit outcomes, there were **54 clean audits** and the **red zone reduced to 40 municipalities** and entities

Financial performance & resilience

- Sarah Baartman District Municipality achieved its 2nd consecutive Clean Audit, making it a model of clean administration in the Eastern Cape
- The AG gave the municipality a clean bill of health in crucial municipal management areas such as financial management, compliance, governance and performance against pre-determined objectives and effective internal controls and good governance
- Prior to achieving its first Clean Audit in the 2013/2014 financial year, the municipality achieved an unprecedented **seven consecutive Unqualified Audit Reports**

Financial performance & resilience

- In Limpopo
 - **Francis Baard** and **ZF Mgcawu** have been receiving clean audits for the past three years
- In Western Cape, new clean audits were registered in **Matzikamma**, **Swellendam** and **Overberg**, which are low capacity municipalities
 - 22 of the provinces' 30 municipalities had clean audits in the 2014-15 outcomes
- In KZN, new municipalities with clean audit outcomes for 2014/15 were
 - **eThekwini; Msundizi and Umdoni Municipality**
 - Municipalities with consistent 'clean' audit outcomes for the last three years were **uMhlathuze, uThungulu and uBuhlebezwe Municipality**

Financial performance & resilience

- **In Mpumalanga,**
 - Ehlanzeni achieved clean audits for the whole term
 - Steve Tshwete had clean audits throughout the period except for 2014/15 where they obtained an unqualified opinion
 - Nkangala obtained its first clean audit in 2014-15
- **In North West**
 - Bojanala Platinum consistently received unqualified audits since 2007
 - Tlokwe consistently received unqualified audits from 2011-12 until now
 - Naledi LM (Vryburg) improved from disclaimer to unqualified opinions since 2012-13 until now
 - Ramotshere Moiloa in 2013-14 moved from disclaimer to unqualified audits in the 2014-15 outcomes

Financial performance & resilience

- Quarterly MFMA section 71 reports = positive trends as at end June 2015:
 - Total expenditure was R305.8 billion (88%) of the total adjusted budget of R347,3 billion, maintaining the percentage expenditure from 2011
 - Aggregate billing and other revenue stood at 93.2% (R319 billion) on average of the total revenue budget, in line with the percentage figure recorded in 2011
 - **Aggregate expenditure on conditional grants was 91.9 % of the R25.5 billion direct allocations to municipalities vs to 75% expenditure recorded in 2011**
 - (In Limpopo, Ba-Phalaborwa, Greater Letaba, Maruleng and Lephalale are among those that have spent over 90% of their budgets)

Financial performance & resilience

- Billed revenue measured against adjustment budgets, the **performance of metros** shows surpluses across three of the four core services
 - Actual collection rate was 90% among metros
- **Metro expenditure amounted to 92.8% vs 85% in 2011**
 - Secondary cities at 86.6% (remaining steady compared to 2011)
- Outstanding debt amounted to **R106 billion**, compared to R64 billion at the beginning of our term
- As at 30 Sept 2015, total investments by municipalities = R27.1 billion

Financial performance & resilience

- Ratings agency Moody's Investors Service upgraded both the **global scale ratings and national scale ratings of Johannesburg and Ekurhuleni by four notches**, citing prudence and consistency in managing finances
- Ekurhuleni which is the leading manufacturing metro, received a rating of Aaa, a four-notch upgrade
- Moody's raised Joburg's global scale ratings from Baa3 to Baa2, the same as its sovereign rating
 - The city's national scale rating was raised by four notches, from A2 to Aa1
- **Global scale rating of Baa2 is the highest possible rating that can currently be achieved**
- **This rating makes it easier for these cities to compete in international bond markets as well as other project finance / investment opportunities**

Financial performance & resilience

Buffalo City has substantially turned around its financial position

- Now has enough cash available and low borrowings, and the City has improved its infrastructure investment with further room to accelerate its growth
- BCMM spent 98% Expenditure of Grants received during 2014/2015 financial year
- Collection rate of the Metro for 2014/15 financial year was 91.79 %
- Treasury assessed the Metro as having a credible, relevant and sustainable 2015/16 MTREF Budget
 - Total budget for capital and operating projects amounts to ± R2 billion with over R500 million financed from own funding
 - Capital budget has grown by 19% over the 2015/16 MTRF period increasing from R1.3 to R1.5 billion
- Metro achieved a credit rating of A, signalling a strong cash position with minimum exposure to long-term debt. The rating outlook is stable for both long-term and short-term Short term – A1(za) stable outlook Long term – A(za) stable outlook

2. PROGRESS ON SALGA MANDATE

- Representation, Lobbying and Advocacy
- Employer Body Role
- Capacity Building
- Support and Advice
- Strategic Profiling
- Knowledge Sharing and Peer Learning

2.1 Representation, Lobbying and Advocacy

- SALGA pioneered the 2012 inaugural and 2013 follow up LG Week's in Parliament, in partnership with NCOP
 - to create a platform for national dialogue reflecting on key issues affecting LG and to profile the work of LG
- In 2015 we held the 3rd LG Week
- Appointment during this term of 9 part-time SALGA representatives to the NCOP has strengthened SALGA's representation role and gives us a permanent voice in the Parliamentary dialogue

Representation, Lobbying and Advocacy

- **Improved Cllr support and Welfare** – a number of gains have been made towards a decent, fair and equitable councillor remuneration and support framework since the 2011 SALGA National Conference
- Some of the gains that have been registered include:
 - CLLRS received **tools of trade** that enable them to fulfil their duties efficiently in the most cost effective manner
 - **Life and disability cover for cllrs** attacked during riots, protest or public disorder
 - Contribution towards the **payment of capacity building training** for cllrs by municipalities
 - Improved **administration of MCPF** – most cllrs are members of the fund

2.2 Employer Body Role

- **In 2012 we oversaw the conclusion of a multi-year Salary and Wage Agreement for the sector for the period 2012 – 2015**
 - Foundation of labour peace and stability for the next 3 years and aided municipalities to achieve their medium-term budgeting objectives
 - Ushered in a new cost containment dispensation that saved municipalities enormous amounts of money in terms contingent liabilities
- **A collective bargaining agreement was again concluded without incident for the 2015 – 2018 period with the relevant parties and significant progress on working towards a service charter agreed upon**
 - The agreement covers over 270 000 employees in 278 municipalities
- Effective legal intervention by SALGA resulted in the long standing Wage Curve dispute being finalized in favor of municipalities – saving municipalities from retrospective wage curve back-payment

2.3 Capacity Building

- Over **8800 CCLRS** have benefited from SALGA's induction and portfolio based training since 2011, and **over 800 Senior Managers** have received training support from SALGA since 2011
- Launch of the **SALGA Centre for Leadership and Governance at the 2015 SALGA NMA** is one of major milestones of this term, already pioneering a comprehensive integrated councillor learning and dev paradigm
- SALGA successfully piloted Executive Leadership Development which was basis for dev of **Executive Leadership Coaching Programme**

Small town regeneration programme and related professional dev programme have seen more than 250 cllrs & practitioners trained on their role as change agents

2.4 Support & Advice

- On oversight, accountability and good governance, we played a fundamental role in establishing and building the capacity of **MPACs**
 - By 2014 all provinces had MPACs, with SALGA providing capacity support to MPAC members
- SALGA initiated and hosted, in partnership with CoGTA, a National **Local Govt Anti-Corruption Summit** in November 2013, alongside our NMA in Cape Town
 - An anti-corruption pledge was signed by all municipalities to commit to leading the fight against corruption and maladministration & red card shown to corruption
- SALGA launched **Municipal Audit Support Programme in 2014** targeted at red zone municipalities
 - Results and impact of this initiative are clear – in the 2014-15 audit outcomes, a number of improvements have been registered, notably a sharp reduction in the no. of municipalities in red zone

2.5 Strategic Profiling

The pursuit of democratic LG in our neighbouring countries and abroad, and the profiling of our LG is a key mandate of the 2011 National Conference

- Played crucial role in re-unifying the United Cities and Local Governments of Africa (UCLGA) and are currently leading the Southern African chapter (UCLGA-SARO)

SALGA co-hosted the 2015 Africities Summit in the City of Johannesburg to profile our local government system to the continent and world, in particular in taking forward the localisation of the post 2015 sustainable development agenda

- United Cities and Local Governments (UCLG) held the World Summit of Local and Regional Leaders and 4th UCLG Congress convened from 1 – 4 October 2013
 - A key outcome of the Congress was the **election of SALGA as a member of the UCLG World Council and UCLG Executive Bureau**
- Emerging strength of SALGA's participation and standing in the global arena is evident in the City of Johannesburg's bid for the UCLG Presidency

2.6 Knowledge Sharing and Peer Learning

- In 2014, we launched a successful **benchmarking for water and sanitation services project**, which produced a set of national benchmarks for water and sanitation services in the rural and urban context
 - Benefits to members = peer learning network, structured performance indicators, a web tool for performance improvement and data sharing
- Over 120 municipalities have taken part in knowledge sharing and peer learning platforms on energy efficiency and renewable energy over the last few years, including a **web platform**
- SALGA's **Municipal Barometer and Knowledge Hub** over the last 3 years, as a centre of intelligence for LG data and information, will increasingly form the basis of informed decision making, accurate data & access to information

3. STATE OF SALGA AS YOUR INSTITUTION

- Good Governance
- Organisational Performance and Audit Outcomes
- Financial Resilience and Funding Model

3.1 Good governance

- 2012 Special National Conference collectively and unanimously adopted the **new SALGA Constitution** which further strengthened the governance machinery and member centric nature of our organisation

During this term, SALGA's governance machinery has been characterised by:

- The NEC meeting regularly, supported by strong oversight structures
 - Audit Committee
 - Performance Management and Remuneration Panel
- Vibrant and expanded Working Groups to ensure inclusivity and mandating, particularly at provincial level

Groundbreaking conferences, NMAs / PMAs and Summits

- Anti-Corruption Summit 2013
- NMA 2015 adopts consequence and accountability framework and launches SALGA Centre for Leadership and Governance
- Inaugural SALGA-SASCOC Conference was successfully held on 10-11 July 2015 (Mangaung) to clarify roles & responsibilities & programs on S&R
- The 4th SALGA Women's Commission National Lekgotla was convened
- SALGA successfully co-hosted (with Jhb, CoGTA and SACN) the 2015 AfriCities Summit in Sandton, Johannesburg, 29 Nov - 3 December
- Inaugural SALGA Small Towns Conference (*#SmallTownmustRise*) was successfully hosted on 22 and 23 October 2015 in Mangaung
- NMA 2016 repositioning and re-branding SALGA to take LG into future

3.2 Organisational performance and audit outcomes

BASELINE REFERENCE:

- 2010-11 the organisation's performance against Annual Performance Plan stood at 73%
- Organisation had obtained two consecutive clean audits when we took office

AND NOW

- Following 3 consecutive yrs of unqualified opinions, SALGA achieved **3 consecutive 'clean' audits in the last 3 years (2012-13, 2013-14 and 2014-15)** making us a credible voice in leading the sector
- Over the last 3 years the organisation has **maintained performance levels of over 90%** against its predetermined objectives and key areas of our mandate

= SALGA as a high performance organisation with an increasing return on the investment

3.3 Financial sustainability and funding model

Value for money return on investment during this term:

- **Total revenue has grown by 76.6 percent** between 2011-12 financial year vs 2015-16 financial year, to R522.9 million
- Total net assets have increased by over 100% between 2011-12 financial year and 2015/2016 financial year, to R138.1 million
- Liquidity _organisation's **current ratio has improved by over 100%** between 2011-12 financial year vs 2015-16 financial year, to R 2-43 worth of current assets for each R1 of current liabilities
- Solvency: **asset coverage rate of 18 times**, indicating an improvement of over 100% between the 2011-12 financial year vs 2015-16 financial year (from 7 times)
- **Cash and cash equivalents have increased by over 100%** from R 18.9 million in 2011-12 financial year to R120.2 million in 2015-16 financial year
- Member levy payment levels has been maintained close to 90% over the period

State of your SALGA

- This demonstrates the significant financial management improvement and enhancement of member value in SALGA (community wealth)
- Significance of this community wealth is particularly important in view of member municipalities being the main funding source of the organisation (over 90%), which in turn ensures accountability to you, the members
- **On behalf of the NEC we would like to extend our appreciation to you, our member municipalities, for your collective ownership of this organisation**

Moving LG Forward

- Moving forward, the **SDGs**, the new **Habitat** agenda and the **NDP** imperatives, finding expression through the **IUDF**, will be high on the agenda of SALGA
 - The next generation of IDPs must reflect the post 2015 development agenda indicators
- We will implement a city sustainable development agenda and financial resilience and innovations like pooled financing mechanisms, a smart cities programme, including safe cities agenda, as well as a carbon bond and other green financing instruments
 - These initiatives = establishing a specially focused **national working group on Cities** to strengthen our city development strategies and innovative programmes to lead the sustainable development agenda

Moving Forward

- Intensification of the **Back to Basics programme** will be the anchor of the next phase of strengthening municipal institutional performance, innovation and resilience
 - We know and must acknowledge that there are indeed too many municipalities that are not resilient, responsive and people centered
- Let us re-iterate our **mission**: communities and leaders who care to collaborate in building a better and more prosperous South Africa

- Finally, let us appreciate all PEC & NEC members of SALGA that have served so diligently during this term
 - Thanks to management & staff of SALGA for their dedication and commitment to making LG a better sphere of service to our people



**MOST OF ALL, WE THANK YOU FOR
BELIEVING IN SALGA'S PROMISE TO YOU!**