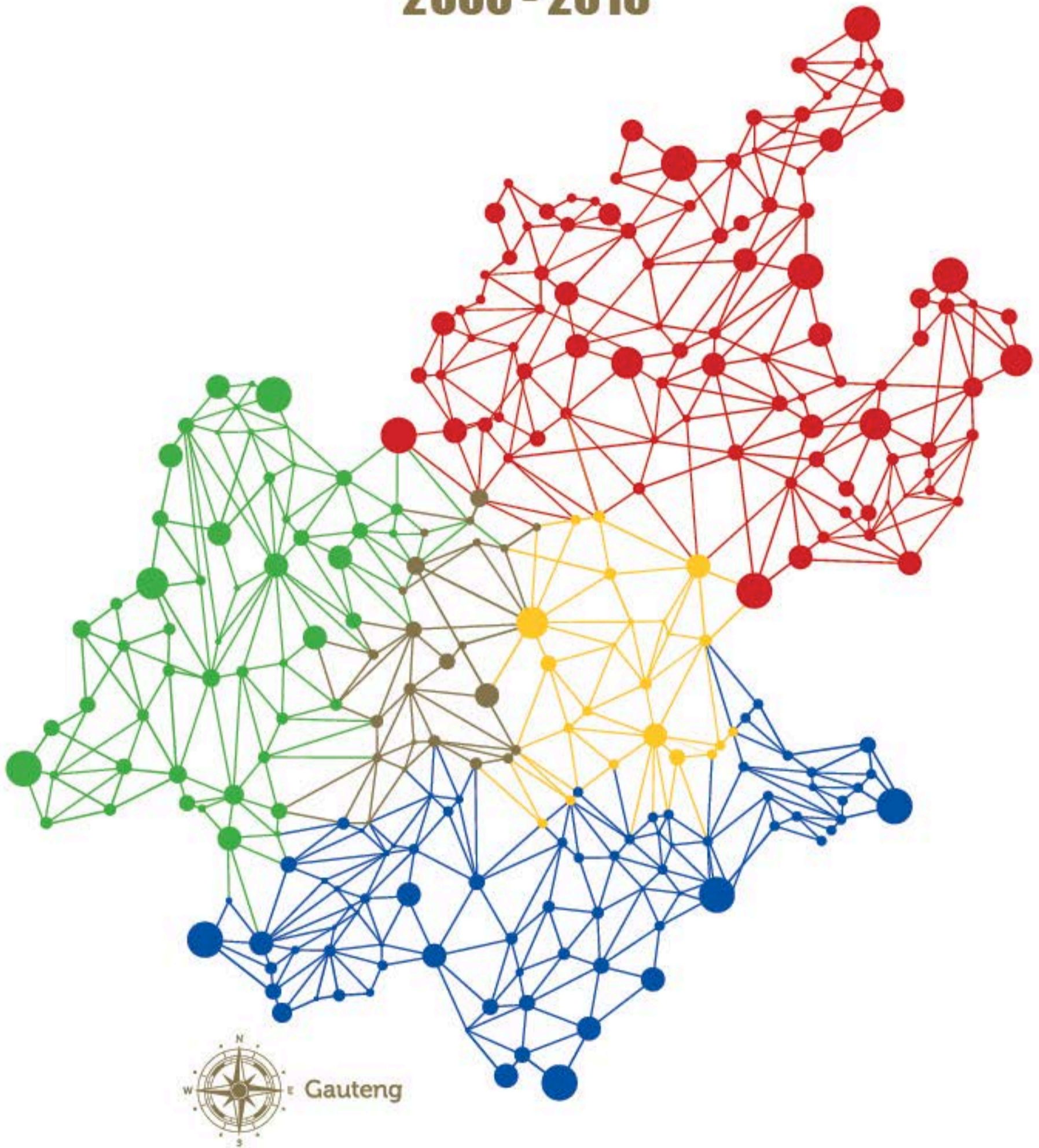


15 YEAR REVIEW OF DEMOCRATIC AND DEVELOPMENTAL LOCAL GOVERNMENT IN GAUTENG 2000 - 2016



GAUTENG PROVINCE
CO-OPERATIVE GOVERNANCE AND
TRADITIONAL AFFAIRS
REPUBLIC OF SOUTH AFRICA

Together, Moving Gauteng City Region Forward



15 YEAR REVIEW OF DEMOCRATIC AND DEVELOPMENTAL LOCAL GOVERNMENT IN GAUTENG

**Reflecting on Local Government Performance in Gauteng for the period
2000 – 2016**

ABBREVIATIONS AND ACRONYMS

AG / AGSA	Auditor General of South Africa
ANC	African National Congress
APP	Annual Performance Plan
ATR	Annual Training Report
B2B	Back to Basics Policy
BBBEE	Broad Based Black Economic Empowerment
BEPP	Built Environment Performance Plan
BNG	Breaking New Ground Policy (2008)
BRT	Bus Rapid Transport
CDW	Community Development Worker
CFO	Chief Financial Officer
COGTA	Department of Cooperative Governance and Traditional Affairs
COJ	City of Johannesburg
COT	City of Tshwane
CS	Community Survey
CWP	Community Works Programme
DLGH	Department of Local Government and Housing
DM	District Municipality
DPLG	Department of Provincial and Local Government
DPME	Department of Performance Monitoring and Evaluation
DWS	Department of Water and Sanitation
EMM	Ekurhuleni Metropolitan Municipality
EPWP	Expanded Public Works Programme
EXCO	Executive Council
FBS	Free Basic Services
FSDM	Front Line Service Delivery Monitoring
GCR	Gauteng City Region
GCRA	Gauteng City Region Academy
GCRO	Gauteng City Region Observatory
GDP	Gross Domestic Product
GDP-R	Gross Domestic Product per Region
GDS	Growth and Development Strategy
GEYODI	Gender, Youth and People with Disability
GHS	General Household Survey
GIS	Geographic Information System
GPD	Gauteng Planning Division
GPG	Gauteng Provincial Government
GVA	Gross Value Add
HH	Households
HOD	Head of Department

HR	Human Resources
HRM&D	Human Resources Management and Development
ICT	Information and Communication Technology
IDP	Integrated Development Plan
IGR	Intergovernmental Relations
IR	International Relations
IRPTN	Integrated Rapid Public Transport Network
KPA	Key Performance Area
KPI	Key Performance Indicator
LED	Local Economic Development
LGSETA	Local Government Sector Education Training Authority
LGTAS	Local Government Turn Around Strategy
LM	Local Municipality
M&E	Monitoring and Evaluation
MDB	Municipal Demarcation Board
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act (No.56 of 2003)
MIG	Municipal Infrastructure Grant
MINMEC	Ministers and Members of Executive Councils
MM	Municipal Manager / City Manager
MMC	Member of the Mayoral Committee
MPAC	Municipal Public Accounts Committee
MSA	Municipal Systems Act (No.32 of 2000)
MSAA	Municipal Systems Amendment Act (No.7 of 2011)
MTSF	Medium Term Strategic Framework
NDP	National Development Plan
NGO	Non-Governmental Organisation
OD	Organisational Development
OHS	Occupational Health and Safety
OOP	Office of the Premier
PBC	Premier's Budget Council
PCF	Premier's Coordinating Forum
PFMA	Public Finance Management Act (No.29 of 1999)
PMS	Performance Management System
POA	Programme of Action
PPM&E	Planning, Performance Monitoring and Evaluation
QLFS	Quarterly Labour Force Survey
QOL	Quality of Life
R&D	Research and Development
RDP	Reconstruction and Development Programme
ROI	Return on Investment

RSC	Regional Service Council
SADC	Southern African Development Community
SALGA	South African Local Government Association
SCM	Supply Chain Management
SDBIP	Service Delivery and Budget Implementation Plan
SEDA	Small Enterprise Development Agency
SEFA	Small Enterprise Finance Agency
SM	Senior Manager
SMART	Specific, Measurable, Attainable, Reliable, Time-bound
SMME	Small, Medium and Micro Enterprise
SONA / SOPA	State of the Nation / Province Address
StatsSA	Statistics South Africa
T&D	Training and Development
TMR	Transformation, Modernisation and Reindustrialisation Agenda
USDG	Urban Settlements Development Grant
WSP	Workplace Skills Plan

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**15 YEAR REVIEW OF DEMOCRATIC AND
DEVELOPMENTAL LOCAL GOVERNMENT IN GAUTENG**



MEC'S FOREWORD

15-YEAR GAUTENG LOCAL GOVERNMENT REVIEW

The findings of this 15-year review, fills me with pride and reminds me of the most appropriate words uttered by the Phillipine's President (2009-2016), President Beningho Aquino, when he said: *"What we are doing can actually be summed up in a few words: We are giving this country back to its people. We are giving them a government that knows that it is ultimately accountable to them."*

This significant document should be seen as a tool that not only reflects many findings - both achievements and challenges - on the levels of performance delivered during the 15-year period, but is also testament to the fact that improved performance, as depicted within, will strengthen both the Gauteng Department of Co-operative Governance and Traditional Affairs (CoGTA) and the municipalities' ability to successfully transform and modernise the public service in line with the Transformation, Modernisation and Reindustrialisation (TMR) agenda and the Gauteng City Region (GCR) objective of "a developmental, transformed, integrated, capable and modernised Public Service in Gauteng, underpinning the achievement of the *GCR vision of a strong, globally competitive and integrated city-region that is characterised by social cohesion and economic inclusion and being the leading economy on the continent that supports sustainable socio-economic development*" over the period and well into 2030.

Gauteng CoGTA has not only displayed evidence of commitment to enhanced accountability and transparency in commissioning this 15-Year Gauteng Local Government Review but also a sincere commitment to improving ways of meeting the requirements for successful governance.

Given that monitoring and evaluation is key to the success of any institution or organisation in establishing planning parameters and institutional innovations aimed at improving governance and programme implementation, the Gauteng CoGTA as a people-orientated and mandated institution of government is no exception to this. Hence the systems that we have put in place to enable us to effectively monitor and evaluate the work of the Department and municipalities across our province.

Having said that, I am also mindful of the huge responsibility we have as a government and how important it is to remain focused and dedicated to our mandate. Another wise man, Potter Steward, once said: *"Ethics is knowing the difference between what you have a right to do and to do what is right"*.

With these words in mind, this review is clearly a step in the right direction in establishing an institutional baseline for future reviews. However, it is of critical importance that the instruments of analysis be enhanced and refined over time. CoGTA will further develop and implement a targeted programme monitoring and evaluation methodology to enhance its ability to measure the real impact of the programmes launched by CoGTA and the municipalities.

In conclusion, I would like to share that, from sanitation to storm water drains and from accelerating service delivery to extinguishing fires, as an ever progressing Provincial Government department, we will continue to strive to improve the service we render to the people of this province and commit ourselves without question to build on the very best Gauteng has to offer.

SP Mashatile, MPL

Member of the Executive Council: Department of Cooperative Governance and Traditional Affairs and Human Settlements



Foreword of the HOD

This is the review of the local government performance covering year 2000 to 2016. During this period, we witnessed the consolidation of the developmental local government, coupled with institutional capacity building in Gauteng municipalities.

Over the period under review, the number of municipalities were reduced to eleven (11) following rigorous rationalisation process, which also included fundamental social change of the local government sector to meet the future needs of the City region. The appointment of competent managers, development of effective PMS, reduction of vacancy rate and investment in

personnel development are some of the key findings of the review.

Notwithstanding these positive developments, some challenges have been noted in the review and these include, amongst others, inappropriate organisational designs, lack of transversal HRM & D framework and dichotomy and contrast posed by political/ administration nexus, to mention the few. These challenges will be addressed as we pursue the 2030 vision of achieving a strong, capable, developmental local government, as articulated in the NDP, 2011.

It is my sincere belief that the review information will assist the readers to take note of the road well-travelled to shape the Gauteng local government discourse and define the way forward to achieve the set 2030 objective. It is informative, educational and empowering to those who have interests in the sector.

A handwritten signature in black ink, consisting of stylized initials 'BN' followed by a horizontal line and a vertical stroke.

Mr BN Nkontwana

Head of Department: Gauteng Cooperative Governance and Traditional Affairs



EXECUTIVE SUMMARY

The Constitution envisages a local government capable of providing democratic and accountable local government; ensuring sustainable provision of services to communities; promoting social and economic development; promoting a safe and healthy environment; and ensuring community participation in local government matters.

While local government in South Africa operates in a challenging and complex environment - with citizens understandably demanding quality services, value for money and social justice - it is clear that since the advent of democracy in 1994, government has succeeded in massively expanding access to basic services and that South Africa is indeed a better place to live in now than it was then. However, it is equally recognised that many challenges remain and that government must radically and fundamentally change its approach if the dream of a “better life for all” is to be achieved.

It is within this context that Gauteng COGTA commissioned this 15 year review of democratic and developmental local government in Gauteng, reflecting on local government performance in Gauteng for the period 2000–2016 (the Review). The overall objective was to document key achievements and challenges in local government performance over the period covering three 5 year electoral terms, with a special emphasis on the third term (2011-2016), and to highlight best practice approaches and critical issues to inform targeted and meaningful interventions moving into the 2016–2021 local government planning cycle.

The Review constituted a primarily desk based analysis of available data and reports, with opportunity for validation of report findings with key stakeholders later in the process. The Review reflects on the latest and most up-to-date audited information and statistical releases available, strengthened by a wide variety of credible secondary data sources.

The Review seeks to maintain a balance, in that:

- 1) It does not attempt to be a review of the Gauteng City Region (GCR), as it is framed by the mandate of COGTA. However, the Review attempts to contextualise local government as one of the key actors in the GCR;
- 2) It does not attempt to be a review of the TMR as this emerged late in the period (2014). However, the Review is contextualised against the TMR and alignment is considered throughout;
- 3) It does not attempt to be a review of Gauteng COGTA departmental performance over the period; and
- 4) It does not attempt to provide detailed individual performance reviews of the twelve municipalities.

The strength of the Review lies more in its analytical value - how data and information has been brought together and synthesised under key themes and trends, rather than attempting to reflect all data or discuss every programme or performance area.

The Review attempts a consolidated and synthesised narrative of local government performance and strategic alignment over the phases of local government transition; founded on the Constitution and the White Paper on Local Government; and the aligned legislative prescripts, government policies and key medium and long term planning priorities that have emerged over the fifteen years.

The Review has been packaged under the five local government KPAs (defined in 2001); thus allowing for drawing on trends from the previous end of term reviews. However, considering the NDP, the GCR perspective, the Gauteng Ten Pillars of the TMR and the Back To Basics 10 Point Plan, it was necessary to consider the alignment of these key policies to the five KPAs, as is reflected in the table below:

B2B Pillar and Gauteng B2B 10 Point Plan priority	Local Government KPA (2001)	TMR Pillar (2014)
1) Put people and their concerns first – Work to ensure a positive community experience.	KPA 4: Governance and Public Participation	PILLAR 3: Accelerated Social Transformation PILLAR 4: Transformed State and Governance
2) Deliver municipal services at the right quality and standard – efforts to enhance services and infrastructure and specific interventions in Randfontein, Merafong and Emfuleni LM's; and develop spatial regional integration zones and/or spacial contracts.	KPA 2: Service Delivery and Infrastructure	PILLAR 7, 8 & 2: Decisive Spatial Transformation PILLAR 3: Accelerated Social Transformation PILLAR 4: Transformed State and Governance
3) Good governance and sound administration – Strengthen support to municipalities receiving disclaimers for over three years; implement the findings of forensic reports; implement a metropolitan B2B programme; and strengthen the role of district municipalities.	KPA 4: Governance and Public Participation	PILLAR 4: Transformed State and Governance PILLAR 5: Modernised Public Service
4) Sound financial management and accounting – Implement a revenue enhancement programme with specific focus on Merafong, Emfuleni, Randfontein, Westonaria, Lesedi and Midvaal LM's	KPA 5: Municipal Financial Viability and Management	PILLAR 4: Transformed State and Governance
5) Building institutional and administrative capabilities – Monitor and support the appointment of senior managers in municipalities; and strengthen the capacity and role of Gauteng COGTA.	KPA 1: Institutional Transformation and Organisational Development	PILLAR 4: Transformed State and Governance
N/A	KPA 3: Local Economic Development	PILLAR 1, 6 & 9: Economic Transformation and Modernisation

In chapters 3 to 6 of the main report, the content of the Review is presented under the following headings, and similarly summarised below:

Ch3 – The review of performance of local government over the period 2000 to 2016, packaged under the five KPAs;

Ch4 - Review of performance in relation to certain cross-cutting or transversal issues;

Ch5 - Synthesis of the observations and findings of the review; and

Ch6 - Recommendations and actions / considerations arising from the Review.

CHAPTER 3

REVIEW OF PERFORMANCE OF LOCAL GOVERNMENT OVER THE PERIOD 2000-2016

KPA1 INSTITUTIONAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

PERFORMANCE TREND OVER THE PERIOD

Packaged under the focus areas of this KPA, the performance trend over the first ten years, and the third term is summarised below:

Focus Area	2000-2011	2011-2016
Organisational design	5-10 years to establish / stabilise structures. Alignment and capacitation constraints for many municipalities.	Institutional reviews move structures towards improved alignment to IDP's – with varying degrees of success in implementation.
Human resources strategy and policy frameworks	Policy frameworks developed by all municipalities. Strategies pitched at transactional level – lacking strategic relevance.	HRM&D strategies in place. Increasing awareness of strategic role of HRM&D - maturing systems.
Employee profile and employment equity	Relatively rapid progression towards achieving racial transformation of the workforce.	Struggling to meet the 50% target for women in senior positions (24% in 2015) and the 2% target for people with disabilities.
Municipal vacancy rates	Overall vacancy rates between 10-50%, settling at 30% in 2011/12. S57 vacancy rates down from 18% in 2005 to 14% (18/128) in 2011. 20% of Municipal Managers female in 2005, down to 13% in 2011.	By 2015, overall vacancy rate reduced to 23%. By 2015, S57 vacancy rate at 13% (18/140). Evident focus on appointing competent managers. 2016 – Zero female Municipal Managers. Many service delivery / technical units within municipalities have high vacancy rates (between 30% & 71% in cases).

Focus Area	2000-2011	2011-2016
Skills development	<p>Lack of quantitative reporting on T&D planned budget vs. spend.</p> <p>Greatest shortages in the professional and technical associated skill categories.</p> <p>Especially for smaller municipalities – difficulties in attracting, and retaining skilled and experienced engineers and finance professionals.</p>	<p>Compliance with submission of workplace skills plans and annual training reports - however accessing funds through mandatory and discretionary grants not optimised.</p> <p>Skills audits conducted – but focus more on determining baselines for training requirements rather than for determining competency levels.</p> <p>Impact of skills development in closing the skills gap not assessed.</p> <p>5 municipalities spending >1% of salary bill on skills development.</p> <p>Skills development funds focused on MFMA compliance requirements.</p> <p>Return on investment from training not assessed or reported.</p>
Performance management	<p>By 2005, all but 2 municipalities had signed S57 Performance Contracts.</p> <p>2006 National Assessment confirmed that performance management was in a poor state.</p> <p>By 2011, alignment between PMS and IDPs strengthened - link between organisational and individual performance remained unclear.</p>	<p>By 2016, all municipalities:</p> <ul style="list-style-type: none"> • Had functional PMS Units; • Complied with the development and adoption of IDPs and SDBIPs; • Had PMS frameworks and policies in place. <p>Improved discipline in completing performance agreements - however level of alignment between organisational and individual performance assessment not monitored or reported on.</p> <p>Effectiveness of PMS approaches yet to be determined.</p>

KEY OBSERVATIONS ARISING FROM THE REVIEW

The following **successes** were realised over the fifteen year period:

All municipalities have approved organisational structures; and have increasingly better aligned their organisational structures with IDPs and SDBIPs.

Progress has been made in the third term in realising the strategic role of HRM&D, evident by the nature of HRM&D policy – specifically by the metros.

Municipalities have all done well to achieve the racial transformation of the workforce.

Overall vacancy rates have been progressively reduced (30% in 2011 to 23% end 2015).

S57 vacancy rate at 13% in 2015 (18/140), with evident focus on appointing competent managers.

Municipalities generally comply with the submission of WSP's and ATR's.

Skills audits have been conducted; and under-expenditure of training budgets reduced.

Increased investment in ensuring compliance with financial competence requirements.

All municipalities have functional PMS units and PMS frameworks and policies in place.

However, the following **challenges and/or constraints** have been identified:

- Organisational design has narrowly been regarded as dealing with “approved structure” - insufficient organisational development and change management interventions have been put in place to enable the effective implementation of reviewed structures.
- The SALGA Assessment of the State of HR Practices (2010) highlighted that few municipalities had attained sustainability in relation to innovative, strategic and integrated HRM&D Systems – limited evidence of focus in this area in the period since:

Narrative reports speak to HR as a “strategic partner”, but implementation remains at the level of “transactional services”.

Insufficient specialist expertise and capacity to drive the strategic elevation of the HR function.

Lack of a transversal and integrated strategic GCR HRM&D framework and approach - to build a capable, professional and motivated local government to drive the TMR agenda.

Lack of clarity on the approach to the separation of the political / administrative nexus at local level (in light of High Court ruling).

- Ineffective capacitation of approved structures - unfunded positions; financial constraints; and the inability to effectively attract, retain and develop technical / professional employees (especially in LM's):

Highest turnover rates have been in the CFO position.

Two Municipal Managers have been in acting positions for the last 3 years.

Recruitment processes to fill senior vacant positions range between 6 to 12 months.

No evidence of succession plans in place.

Besides the ability to attract and retain talent, moratoriums due to pending mergers have had an impact on filling vacancies.

The following functions display a high vacancy trend: Planning, Housing, Infrastructure, Economic Development, and Regional Service Delivery.

- Challenges remain in the transformation of the municipal workforce:
 - >50% women representation at Senior Management level (currently 24% in 2015).

Zero female Municipal Managers as at end 2015.

Municipalities have not reported consistently on issues related to people with disabilities - challenges in meeting equity targets in this area.

- Skills development challenges continue:

Tracking only the overall vacancy rate tends to conceal critical capacity challenges in individual municipalities, particularly the LM's.

Baselines not available for determining overall competence levels of municipalities (and for SM's), and a lack of reporting on how competency levels have been improved.

Most municipalities have not maximised their access to the skills levy through discretionary grants.

Lack of detailed analysis on spending patterns and the benefits achieved through investment in skills development - ROI measures.

- Performance management not optimised in day-to-day practices:

The level of alignment of organisational and individual performance assessment has not been monitored.

Performance management has been regarded as a compliance process rather than a business imperative and effective management tool, and has not been cascaded to all levels.

STRATEGIC ISSUES MOVING FORWARD

Arising from the review, the following **strategic issues** need to be considered:

- 1) To **drive effective organisational design and development** to ensure effective service delivery, the critical issues are to:
 - a) Conduct a study to review and analyse the effectiveness of service delivery models and institutional arrangements for municipalities; and
 - b) Develop and implement comprehensive change management and communication frameworks and processes and organisational culture transformation processes, especially for proposed mergers.
- 2) To **drive the professionalisation of local government** by building a cadre of leaders and professionals to lead the service delivery agenda, the critical issues are to:
 - a) COGTA to champion for a decision on the approach to the separation of the political / administrative nexus at local level (in light of the High Court ruling);

- b) Implement a Transversal Human Capital Management and Development Strategy in support of the TMR – informing targeted province-wide human resources interventions;
- c) Strengthen HRM&D capacity to drive the elevation and impact of HRM&D functions as a true strategic business partner to the municipalities they serve;
- d) Strengthen the institutional leadership and staff capacity available to municipalities, particularly in areas of critical skills; and
- e) Establish and build an ethical code, underpinned by a shared value base of integrity and professionalism, to guide day-to-day behaviours.

KPA2: BASIC SERVICE DELIVERY AND INFRASTRUCTURE

Note: All available statistical releases from StatsSA and the GCRO have been used to assess performance. The release of the StatsSA Community Survey 2016, on 30 June 2016, was too late for full interrogation and inclusion in the Review, however, key statistics have been highlighted as notes to the analysis.

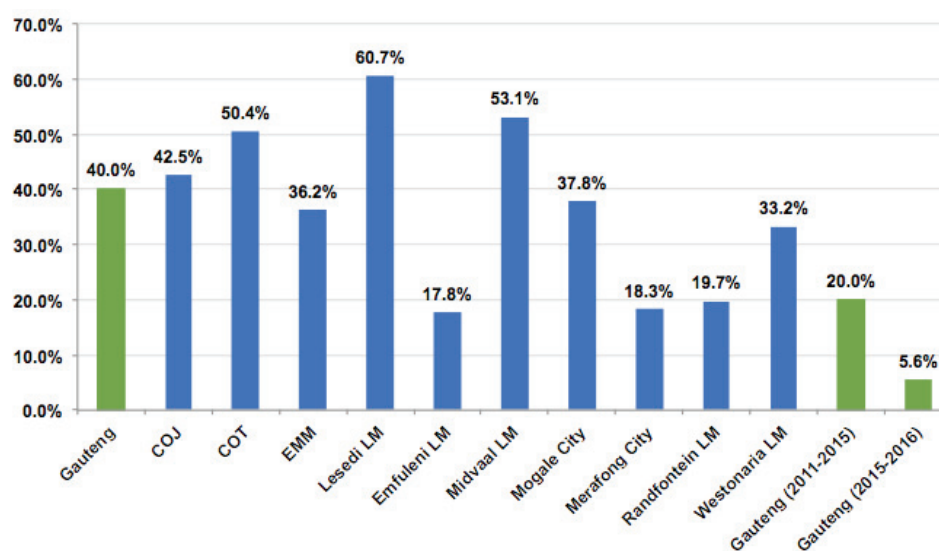
CONTEXT – POPULATION AND HOUSEHOLD GROWTH DYNAMICS

The overall population growth rate of 30.7% between 2001 and 2011, and a further 7.5% between 2011 and 2015, reflects the high levels of in-migration into Gauteng, mostly into the urban areas of the metros, but also into the economic hubs of the local municipalities.

The additional 1% growth in population between 2015 and 2016 (131,725 people) reflected in the StatsSA Community Survey (2016) reaffirms the ongoing in-migration trend.

The high level of in-migration into the province has provided municipalities with the opportunity for revenue growth through an increased tax base, however, it has also placed pressure on municipalities to keep pace with the demand for basic services and infrastructure, particularly for those in need of free basic services.

Household growth



Source: StatsSA Census 2001 & 2011, StatsSA General Household Survey 2015, StatsSA Community Survey 2016

The number of households grew by 40% (2.8 million in 2011, to 3.9 million) in the period 2001-2011, and by a further 20% in the period 2011-2015 (3.9 million to 4.7 million in 2015); a growth of 1.9 million households over the fifteen year period. Household growth in Gauteng is at least triple that of other provinces.

Note: Further growth of 261,137 households to 4.95 million households in 2016 (CS 2016).

Compounding the challenge is that many of the in-migrants live in informal settlements and many fall within the free basic services category. In Gauteng, the number of households in informal dwellings (Informal settlements and backyards) has increased from 667,114 to 996,140 in 2015.

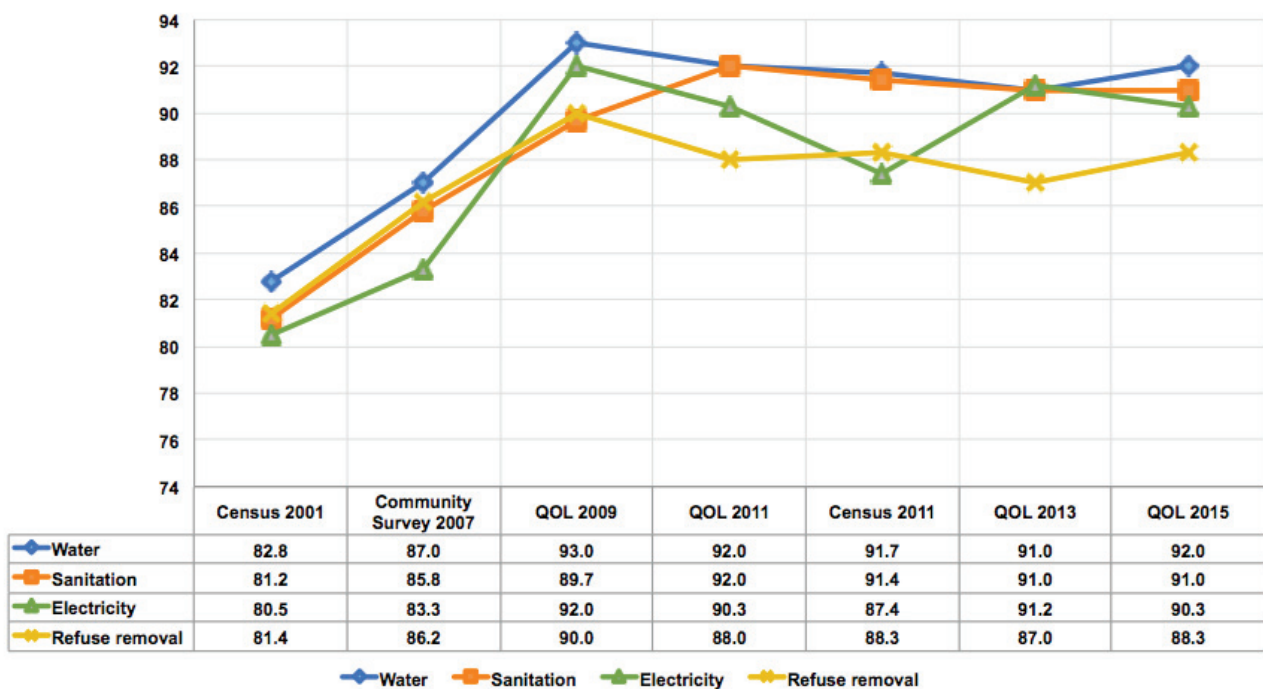
Note: The number of households living in informal dwellings reduced to 878,246 in 2016. A positive trend, when considering total households grew to 4.95million (CS 2016).

PERFORMANCE TREND OVER THE PERIOD

Access to Basic Services

The figure below provides a global view of how the Gauteng municipalities have progressed in expanding access to the four basic services. (The RDP standard has been used for all services, except in the case of access to basic water where the improved standard of piped water in a dwelling or yard has been used).

Consolidated view of basic services access levels in Gauteng (2001–2015)



Sources: StatsSA Census 2001, 2011; StatsSA Community Survey 2007; GCRO Quality of Life Surveys 2009,2011,2013,2015

Note: Whereas the data from GHS 2015 reflects very similar performance to that of the QOL 2015 data reflected in the figure above, CS 2016 reflects a downward trend in aggregated access levels for water, sanitation and electricity in Gauteng, to 89.7%, 87.8% and 89.1% respectively in 2016.

The main report provides a detailed review per municipality for each of the 4 services, and the key performance trends over the period 2001-2015 are summarised below.

Service	Gauteng Backlog 2001 (HHs)	Gauteng Backlog 2011 (HHs)	Further HHs with access 2011-2015	Gauteng Backlog 2015 (HHs)	Highest Access 2015	Lowest Access 2015
Water (Piped water in dwelling or yard)	480 098	324 448	730,227	375,200	COJ, 94.3% Emfuleni 95%	COT 91.2% Westonaria 73.2%
Sanitation (Flushed, chemical, VIP)	524,758	336,175	695,054	422,100	COJ 94.3% Lesedi 94%	COT 85.1% Westonaria 82.2%
Electricity (For lighting)	544,298	492,537	818,585	454,930	COT 93.6% Emfuleni and Lesedi 94%	EMM 88.6% Westonaria 73.7%
Refuse Removal (Curbside removal once per week)	519,176	457,355	689,603	548,730	EMM 92.3% Midvaal 86.2%	COT 84.5% Merafong 73.7%

Sources: StatsSA Census 2001, 2011; GCRO Quality of Life Survey 2015, StatsSA GHS 2015

Considering the growth in the number of households, the Gauteng municipalities have done well to expand access. The challenge of in-migration is, however, visible when considering that only access to electricity for lighting expanded at a faster rate than the number of households; and backlogs over the third term have increased for the other basic services.

Generally, access levels for the metros have been maintained above 90%; the exception being the COT for access to sanitation and refuse removal. The LM's have been somewhat more challenged, particularly Westonaria LM, although over the period there has been a progressive improvement off a very low base in 2001. Other notable trends include:

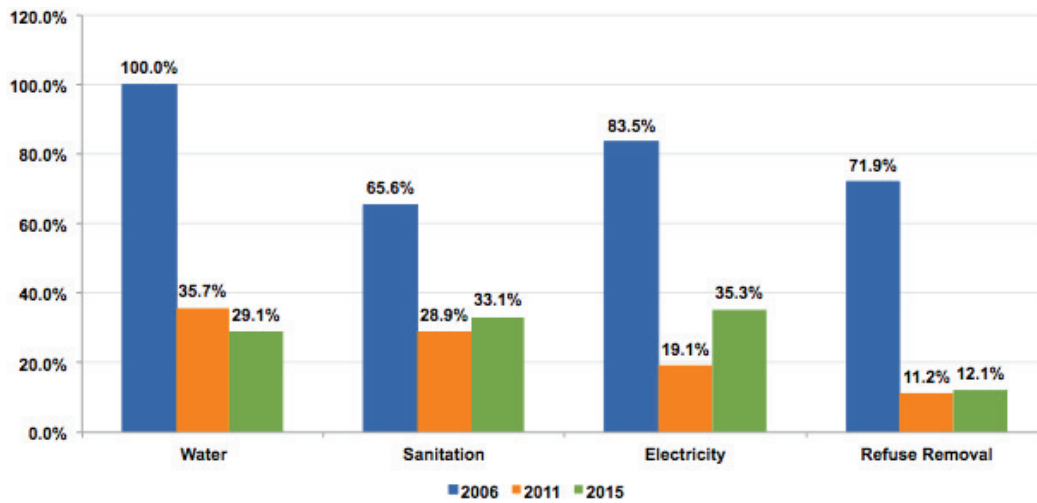
- 1) The progressive decline in access to water at Midvaal over the period 2007 to 2015 (from 88.7% to 74.7%), while performing well in all other services;
- 2) The consistently high access levels at Emfuleni and Lesedi;
- 3) Merafong appears to be struggling with the provision of refuse removal services.

Against the local government target to eradicate the bucket system by 2007; the Gauteng municipalities had achieved 98.7% (with buckets only in remote rural areas). While the bucket system did re-emerge from time to time, by June 2015 Gauteng was one of only three provinces to confirm zero use of the bucket system (others being Limpopo and KZN).

Access to Free Basic Services (FBS)

In line with the National Indigent Policy (2006), the Gauteng municipalities have progressively moved away from the broad approach of providing FBS's to all households, towards the more targeted approach of providing free services exclusively to indigent households, as reflected in the table below.

Percentage of households receiving free basic services (2006, 2011, 2015)



Source: StatsSA Non-financial census of municipalities for the year's ended June 2006, 2011 and 2015

While the above figure reflects the significant reduction in the proportion of consumer units receiving the FBS benefit, it does not reflect whether the beneficiaries are in fact indigent households.

Discussed in detail in the report; while there was a moderate increase in the number of indigent households identified by municipalities in the period to 2011 (to 322,182); the standout feature was the significant increase in the number of indigent households identified in 2014 and 2015 (to 689,859).

As at end 2014/15, the increase in indigent households only matched by an increase in free basic electricity access. Clearly, the intent of the municipalities in the latter part of the third term was on supporting poorer communities with free basic electricity, while not expanding the other three services.

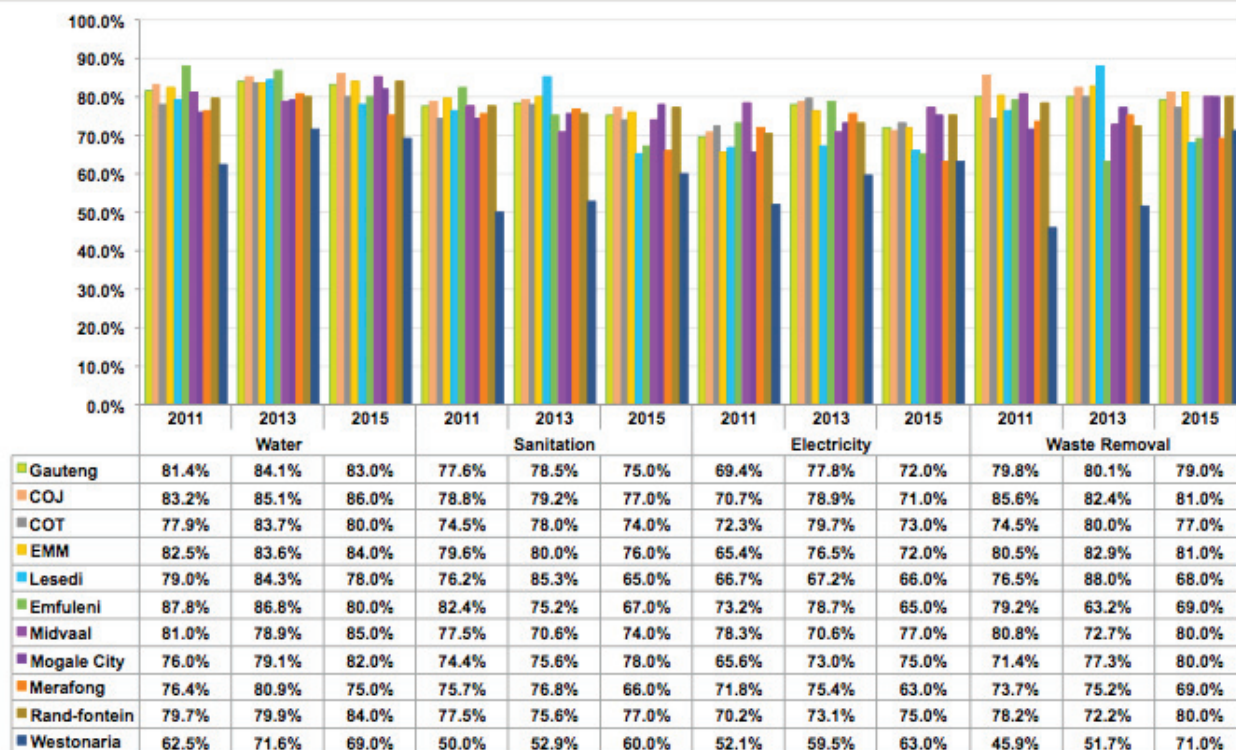
Note: *The Review has brought into question the accuracy and thus credibility of the indigent registers of certain municipalities.*

Notwithstanding challenges in managing indigent registers, the benefit to the between 300,000 to 689,000 indigent households has been massive, considering that the cost to municipalities of providing the FBS exceeds the monthly income of indigent households. Without FBS, the beneficiaries would have been spending a large portion of their income on basic services, leaving them without the means to attend to other needs. FBS thus remains a critical support programme for the poor.

Citizen Satisfaction with Basic Services

Community feedback obtained through the GCRO Quality of Life surveys provides comparative insight into citizen satisfaction with basic services:

Satisfaction with basic services - Gauteng municipalities (2011, 2013 and 2015)



Source: GCRO Quality of Life Surveys 2011, 2013 and 2015

Aggregated across the four basic services, between 2011-2013 citizen satisfaction improved from 77.1% to 80.1%; however the period 2013-2015 has seen a decline to 77.3%.

Infrastructure Provision – Roads and Transport, Community Facilities and Housing

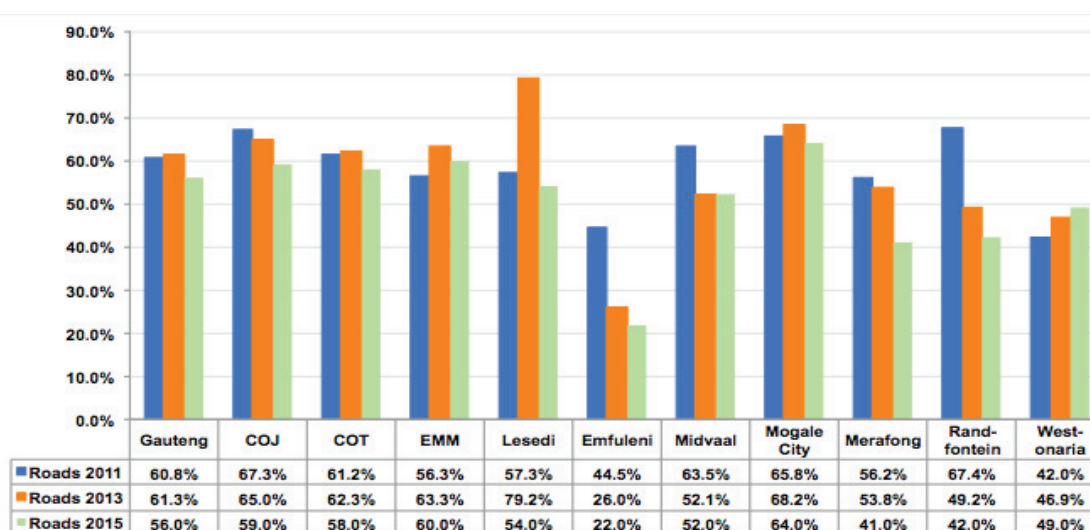
There was a general lack of statistical data at a consolidated level. Based on the available data, the performance trend over the first ten years and the third term is summarised below:

Focus Area	2000-2011	2011-2016
Roads and transport infrastructure	<p>Municipal roads backlogs ± 1,300 km in 2004.</p> <p>By end 2005/06, MIG funding and R3 billion Public Transport Infrastructure and Systems Grant for transport projects.</p> <p>Road maintenance and transport infrastructure prioritised leading up to 2010 World Cup.</p> <p>COJ investment in Rea Vaya BRT system.</p>	<p>COJ continued investment in Rea Vaya BRT.</p> <p>COT - A Re Yeng BRT operational since 1 December 2014.</p> <p>EMM - Harambee IRPTN operational from 2015/16.</p> <p>Strong emphasis on Eco Mobility. In support of 'green transport' initiatives, metros have rolled out pedestrian and cycle lanes spanning hundreds of km's.</p>

Focus Area	2000-2011	2011-2016
<p>Community service infrastructure</p> <p>(As a key enabler of MTSF Outcome 14 - Social cohesion and nation building)</p>	<p>Expansion in the provision of various community facilities – libraries, parks, community, recreation and sport facilities.</p> <p>Good examples of transforming townships, e.g. COJ's Flagship Parks Programme, Thokoza Park in Soweto, among other.</p>	<p>Further expansion of infrastructure and operationalisation of facilities, e.g.:</p> <p>COT two parks per ward programme; further regional and local parks developments by the COJ; EMM regional parks upgrades, among other.</p> <p>12 new libraries and many libraries Wi-Fi enabled, techno-literacy training and other eLearning initiatives.</p> <p>EMM focus on building communities – move towards qualitative operationalisation of facilities – programmes for youth development, women, social ills, etc.</p> <p>LM's mostly focused on maintenance of existing facilities.</p>
<p>Housing provision</p>	<p>Housing backlog in Gauteng in 2001 estimated at 870,246.</p> <p>Delivered 323,193 housing opportunities between 2001-2005.</p> <p>Move from RDP to BNG in 2008 – focus on improved quality of homes and a mixed human settlements approach.</p>	<p>Total housing demand in Gauteng of 687,015 units in 2012.</p> <p>Total housing delivery by Province, GPF and municipalities over 15 year period = 714,238. However, sluggish performance in the third term.</p> <p>Focus turning towards human settlements in line with spatial transformation objectives.</p>

In light of the absence of consolidated quantifiable data, the perceptions of citizens regarding the state of roads infrastructure provides some insight: (GCRO QOL Surveys).

Satisfaction with roads in Gauteng municipalities (2011, 2013 and 2015)



Source: GCRO Quality of Life Surveys 2011, 2013, 2015

There was an improvement in the overall satisfaction level across all municipalities, from 60.8% in 2011 to 61.3% in 2013; however, 2015 reflects a decline to 56%. When comparing the satisfaction ratings for roads infrastructure with that of basic services provision, it is apparent that communities are much less satisfied with roads infrastructure, at around 20 percentage points less satisfied. The concerns relate to both maintenance of existing roads and the need for new roads. The prevalence of potholes and the long lead times to repairing / refurbishing ageing roads requires focused attention.

Not reflected here, but detailed in the main report, satisfaction with community facilities and amenities was high, mostly above 80%, with a few exceptions. Most notably, Lesedi LM received significantly lower citizen satisfaction ratings for libraries, sports facilities and gardens and parks over the period.

KEY OBSERVATIONS ARISING FROM THE REVIEW

The following **successes** were realised over the fifteen year period:

Access to Basic Services

Although the number of households increased by 39% in Gauteng between 2001 and 2011, backlogs in access to basic services for all services was reduced. The trend continued in terms of access to electricity for lighting in the third term. The bucket system was also totally eradicated by June 2015.

The vast majority of municipalities in Gauteng have attained and retained their Blue Drop water quality status. An average of just under 80% of consumers surveyed in 2015 reported that the quality of water provided was good. The metros also rated among the top performers in the country in terms water delivery interruptions.

Municipalities have made progress in the use of innovation to address the challenge of electrification of informal settlements, including the use of solar street lighting and portable photovoltaic panels for lighting and charging.

The proportion of consumers on prepaid electricity has increased consistently over the period, with the proportion of prepaid meters exceeding that of conventional meters at end June 2015; positively impacting levels of unaccounted for electricity.

Gauteng municipalities have more than doubled the provision of free basic electricity to indigent households over the third term – from 307,536 households in 2011 to 689,018 households in 2015. A further 60,000 indigent households have also been provided with free basic waste removal services.

At 77.3% average citizen satisfaction for basic service provision in 2015, indications are that citizens are generally satisfied with the standard of basic services provision.

In expanding delivery of basic services, a number of sustainability and environmental management initiatives have been undertaken, with progress made in better managing air quality, implementing waste management programmes (separation at source and waste to energy) and maintaining Blue Drop water quality standards. Municipalities have also actively managed various environmental protection programmes such as wetlands management, tree planting and alien vegetation management.

To curb non-technical losses, a number of municipalities, particularly the metros, reported on the policing of illegal connections. The COJ, specifically, reported that 761 citations were issued for illegal water connections in 2014/15.

Roads and Transport Infrastructure

Although difficult to quantify, focus of the Gauteng municipalities on developing the road networks of townships has progressively transformed many townships over the period, to formalised, established neighbourhoods with high quality tarred roads, storm water channels and pavements for pedestrian mobility.

Initiated by the COJ in the second term, the three metros made significant progress with the development of their integrated BRT systems, with networks extending across the City's and connecting townships to economic nodes.

Non-motorised transportation – eco-mobility – has been extensively rolled out by the metros, promoting the use of alternative modes of transportation in the form of walking, running and cycling, in the interests of a cleaner environment and healthy lifestyles.

The acquisition of 'green' buses for the BRT systems has demonstrated the commitment of municipalities to reducing greenhouse gas emissions.

The Gauteng Transport Commission (GTC) was established in 2014 to facilitate joint planning and coordination of transport in the GCR. Although established post the implementation of the individual metro BRT systems, the GTC will play an increasingly important role in integrated the systems moving into the future.

Community Services Infrastructure and Services

The Gauteng municipalities have done well to expand access to a range of community facilities, including parks and recreation facilities, libraries, sports precincts and community halls.

The metros, in particular, have allocated significant resources to the development of new community and recreational facilities. The many new parks, libraries and recreation facilities in townships have contributed to their transformation.

Modern equipment, such as play equipment for children with disabilities and outdoor gyms have broadened the utilisation of facilities and contributed to the promotion of healthy lifestyles.

Municipalities have focused on operationalising the various community facilities, with an intent to measure the qualitative benefit of programmes focused on youth development and creating awareness of issues around women abuse, early childhood development, drug abuse and other social ills.

With the exception of Lesedi LM for certain facilities, all municipalities have received high citizen satisfaction ratings for community facilities, mostly in the range of 80-90%.

Housing Provision

Housing backlogs in Gauteng have progressively been reduced over the period, particularly in the period to 2012, which realised an 88% growth in housing formation in Gauteng as compared to the national average of 59.6%.

Although progress was somewhat slower in the third term, the province managed to provide a total of 714,238 housing opportunities over the period to 2015.

In terms of the quality of houses built, only 9.8% of households stated that the walls of their RDP houses were weak and 9.7% stated that the roofs were weak – better than the national average of 14.2% and 13.8% respectively.

However, the following **challenges and/or constraints** have been identified:

Access to Basic Services

- The impact of in-migration did not lessen over the period as the Gauteng municipalities struggled to keep up with the demand for basic services, especially in informal settlements. In the third term, backlogs increased for access to basic water, sanitation and refuse / waste removal.
- Expanding access to electricity remained a challenge, due to the legal and safety constraints of providing electricity to informal settlements, as well as the related technical constraints imposed by high density, asymmetrical designs. In many instances, the provision of high mast lights and/or portable PV units were the only feasible option.
- Environmental constraints, such as informal settlements being located far from cities, implied higher construction costs to supply bulk infrastructure. Dolomitic land (which is not suitable for development) also constrained the supply of bulk infrastructure, particularly for water and sanitation.
- The interventions by municipalities to address the high rates of electricity and water losses and unaccounted for electricity and water have been characterised by a stop / go approach.
- High rates of electricity and water losses and unaccounted for electricity and water, for both technical (ageing, failing infrastructure) and non-technical (theft, meter tampering, vandalism) reasons, prevailed and impacted on revenue and service reliability.
- Below standard infrastructure maintenance and refurbishment, compounded by theft and vandalism of critical infrastructure (pumping station equipment, electrical equipment and cables, pipelines, etc.), resulted in breakdowns in service delivery with often costly consequences.
- Instances of illegal dumping and littering have increased over the period, and generally achieving the minimum RDP standard of weekly curbside collection has proven to be challenging for certain municipalities, particularly in less densely populated areas.
- Municipal by-law enforcement and policing has been inadequate to address issues of theft and vandalism of basic services infrastructure and equipment, as well as illegal water and electrical connections and illegal dumping.
- In certain localities, adequate capital funding was made available through MIG for expanding bulk infrastructure for water and sanitation, as well as electricity. However, capacity, skills and SCM constraints hampered implementation in many municipalities.
- Due to the progressive reduction in the number of beneficiaries of free basic services, issues of affordability and willingness to pay has impacted on the collection rates of municipalities, more so in the municipalities impacted by the downturn in the mining sector and the concomitant increase in unemployment and poverty.
- The management of indigent registers has been varied over the period, impacting on the equitable share allocation and the equity of free basic services provision.

The cost of providing free basic services has escalated by more than inflation in many instances, largely due to the rising cost of bulk purchases from Eskom.

Due to low collection rates brought on by the economic recession, particularly in the mining municipalities, and the increase in the number of indigent households, certain municipalities have become indebted to Eskom.

None of the informal areas within Lesedi LM and Midvaal LM were provided with access to electricity over the period under review. Midvaal LM indicated that this was due to budget constraints impacting bulk supply to these areas.

- Compliance with the Green Drop waste management assessment process has been varied and a number of municipal waste water treatment plants have been placed under regulatory surveillance by the DWS due to the risk ratings received.
- With landfill sites filling up, municipalities have been challenged to pursue approaches to minimise waste through the separation at source and recycling.
- The low satisfaction levels with basic services for Westonaria LM (average of 65.8% in 2015), and the significantly reduced satisfaction levels (as compared to 2011) in Emfuleni, Lesedi and Merafong, allude to sluggish progress in expanding access to certain of the basic services, as well as issues of service reliability and quality.

Roads and Transport Infrastructure

- Lack of availability and shortages of resources and capacity, especially for roads maintenance in rural areas, and the cost of construction versus the usage rate of tarred roads in rural areas, has constrained municipalities.
- The necessary prioritisation of resources to the development of the roads networks of townships meant that the maintenance of existing roads was compromised over the period. Municipalities have thus experienced increased roads maintenance backlogs and the need to allocate more resources to reactive repairs, for example, to potholes.
- The implementation of three separate BRT initiatives across the GCR, each with its own shareholders, managing company, fare structure, ticketing system and name, suggests that more needs to be done towards driving integrated planning across the GCR, possibly through the elevation of the GTC to that of a GCR Transport Authority.
- A number of municipalities reflected declining and low levels of citizen satisfaction with regards to roads infrastructure, in particular Emfuleni LM, Randfontein LM and Westonaria LM, highlighting the impact of resources and capacity constraints.
- Lack of focus by municipal police on managing and improving the flow of traffic, reducing vehicle accidents and ensuring the efficiency of licensing processes.

Community Facilities

- Facilities of concurrent functions, such as libraries and heritage facilities, have often been developed by national or provincial departments. Consequently, such developments have not always aligned with municipal IDP's and the operationalisation of the facilities has been impacted through the lack of resources and capacity to manage and maintain the facilities post development.
- In many instances, the allocation of and resources availability for maintaining new and existing facilities was inadequate, resulting in the progressive deterioration in the quality and useability of the facilities. Vandalism and the over-utilisation of facilities created additional pressures on municipalities in light of resource constraints. Municipal police have also been challenged to reduce crime in public open spaces and facilities.
- Challenges exist in developing and maintaining relationships with community volunteers and associations interested in contributing to the upkeep and operationalisation of facilities. Therefore, the facilities have not

been effectively leveraged as mechanisms to transform communities and build social cohesion.

- The provision of community facilities have often been considered as an afterthought in the development of human settlements and roads and transport infrastructure.
- There has been inconsistent reporting in terms of provisioning against targeted standards, and the quality standard of facilities has varied significantly between municipalities. It is therefore not known whether municipalities are over or under providing facilities, and whether there is an equitable spread of facilities across wards.

Housing Provision

- Although inroads have been made, just under 1million households, out of a total of 4.7million households in 2015, lived either in informal settlements or in informal dwellings in backyards across the municipalities in Gauteng.
- The unavailability of useable land within metropolitan areas has resulted in unregulated township and informal settlement development, and the proliferation of backyard shacks, which has led to overcrowding and worsening living conditions.
- Approximately 40% of households living in informal dwellings live in backyards, having grown from 305,683 in 2011 to approximately 387,000 in 2015.
- Role clarity between the municipal and provincial spheres of government remained a concern over the period, especially in light of the delays in finalising the assignment of the housing function to municipalities (particularly the metros).
- Budgetary constraints, low rental collection rates for affordable housing, environmental issues relating to the nature of land (dolomitic and other), and the cost of purchasing privately owned land, have prevailed as challenges over the period.
- The sluggish progress in housing delivery in the third term may be a constraint to achieving the human settlements development target of the GCR of 620,000 units by the end of the MTSF (2019/20). The target translates to 550,000 units over the remaining 3 years, which appears unrealistic given that 30,000 units were provided in 2014/15 and the target for 2015/16 is 50,000 units.
- The impact of sustainable cities on urban settlement planning has not been well understood, especially in relation to the sustainable / future city concept, premised on spatial transformation. Approaches have remained fragmented and un-integrated with little impact on redressing the Apartheid-era spatial patterns. While making reference to the intent to create sustainable human settlements, reports are largely restricted to the number of houses built.
- The lack of delegation of the authority for the provision of bulk engineering services by district municipalities to support of the LM's has posed a challenge; this is in contrast to the role of DM's in this regard in other provinces.

STRATEGIC ISSUES MOVING FORWARD

Arising from the review, the following **strategic issues** need to be considered:

- 1) To **develop a sustainable response to address in-migration and basic services delivery in informal settlements**, the critical issues are to:
 - a) Develop a policy stance on in-migration and urbanisation that curtails the growth of more informal settlements, with current informal settlements progressively formalised in line with the spatial plans of municipalities (and the GCR);

This may include a review of the Prevention of Illegal Eviction Act (No.19 of 1998);
 - b) Review the Urban Development Framework to ensure the inclusivity of people migrating from rural to urban areas;
 - c) Attend to all QOL (2015) recommendations related to influx controls; and
 - d) Develop and implement innovative solutions to the provision of basic services to informal settlements, particularly access to lighting and waste management.
- 2) To **provide a holistic response to infrastructure development and maintenance**, the critical issues are to:
 - a) Enable integrated and coordinated infrastructure planning, development and maintenance across the GCR;
 - b) Ensure municipal alignment with Treasury recommended minimum maintenance allocation for CAPEX budget and formally track municipality maintenance expenditure budgets to ensure 100% utilisation;
 - c) Prioritise roads maintenance and refurbishment;
 - d) Consider the adoption of a shared services model or anchor municipality centre of excellence model to support low capacity municipalities and/or consider allocating functions such as bulk engineering and project management to district municipalities - resourced and capacitated; and
 - e) Strengthen and capacitate the municipal safety and security function for better by-law enforcement of illegal connections and illegal dumping, to curb the instances of theft of critical infrastructure and to reduce crime in community facilities and public open spaces.
- 3) To **deliver positive community experiences** at local level, the critical issue is to:
 - a) Implement a province-wide case management system to enable an improved response capability to community interactions.
- 4) To **strengthen access to the basket of free basic services by indigent households**, the critical issues are to:
 - a) Establish policy coherence and common qualifying criteria / standards for the equitable provision of the free basic services basket across the GCR; and
 - b) Ensure up-to-date and accurate indigent registers through more regular survey and registration processes.

- 5) To **strengthen transport coordination and planning across the GCR**, the critical issues are to:
 - a) Ensure that an appropriate coordination and oversight forum exists to coordinate transport infrastructure planning and implementation across the GCR; and
 - b) Develop integrated transport planning and implementation frameworks across the GCR.
- 6) Moving forward, to **enhance the delivery of human settlements across the GCR**, the critical issues are to:
 - a) Review the decision to suspend the assignment of the human settlements function to the metros; and
 - b) Ensure that municipal spatial development plans are aligned to the GSDF - contribute to the Mega Cities developments that are earmarked, and aligned to the five corridors of the TMR.
- 7) Moving forward, to **strengthen local government reporting of basic service delivery and infrastructure**, the critical issue is to:
 - a) Implement a standardised baseline and reporting framework for adoption by all municipalities.

KPA3: LOCAL ECONOMIC DEVELOPMENT

CONTEXT – ECONOMIC FEATURES OVER THE PERIOD

- 1) In South Africa, >80% of the country's GDP is generated in urban areas (Gauteng is the main province underpinning the economy). In 2012, Gauteng contributed 33.8% of SA GDP; and in 2015 this was 36% of the SA GDP. (Approx. 10% of African GDP).
- 2) The Gauteng Metros contribute 32% of national GVA (COJ 14%; COT 9%; EMM 9%).
- 3) Nationally, COJ accounts for 47% of all exports, followed by COT at 7% and EMM at 6%. COT showed the highest export growth rate between 2004 and 2015, followed by COJ and EMM.
- 4) Sedibeng DM had highest GDP-R growth over the period. GDP-R growth for districts reached negative territory in 2009. Despite the economic recovery in 2010, economic growth remained volatile from 2011 onwards.
- 5) Capital investment in infrastructure is recognised as the critical driver of LED.

PERFORMANCE TREND OVER THE PERIOD

Packaged under the focus areas of this KPA, the performance trend over the first ten years, and the third term is summarised below:

Focus Area	2000-2011	2011-2016
Job creation	<p>Unemployment rate improved from 36.4% to 25.8% between 2001 and 2011; despite the loss of 300,000 jobs due to the global economic crisis.</p> <p>Job creation initiatives included capital infrastructure projects and partnering in strategic programmes like Blue IQ and the EPWP.</p> <p>EPWP Phase 1 target was 1 million job opportunities by 2009 - achieved one year ahead of time.</p>	<p>Unemployment rate improved from 25.8% to 24.6% at end 2014, declining again in 2015/16.</p> <p>117% increase in total work opportunities, from 64,801 in 2011/12 to 140,871 p/a in 2014/15:</p> <p>EPWP: 59,593 to 126,805 (+113%).</p> <p>CWP: 2,120 to 3,285 (+55%).</p> <p>LED: 3,088 to 10,781 (+249%).</p> <p>Gauteng annual target of 324,000 work opportunities per annum = a big shortfall from the 600,000 target required as Gauteng's contribution to the National EPWP III target of 2m work opportunities p/a by 2020.</p>
Enterprise development and support	<p>Focus primarily on the use of own procurement processes. Adopted and implemented supply chain management policies to channel procurement spend to SMME's and Cooperatives.</p> <p>Leading up to the 2010 World Cup, increased support to the tourism sectors within municipal local economies.</p> <p>The SMME incubator concept developed and municipalities implemented supportive interventions for entrepreneurs and investors.</p> <p>Note: <i>lack of consistent, quantitative data for comparative performance trend.</i></p>	<p>Municipalities embarked on a number of different initiatives to support SMME's, cooperatives and emerging farmers.</p> <p>In line with the TMR agenda (2014 onwards), efforts to revitalise and build township economies, by supporting the development of township enterprises.</p> <p>From available data:</p> <p>Decline in the number of coops supported: -70.32% (2013 to 2014) and -73.61% (2014 to 2015).</p> <p>Number of emerging farmers supported decreased by 94.84% between 2013 and 2015.</p> <p>Number of SMME's supported increased by 40.38% between 2012/13 and 2013/14, but decreased by 50.85% to 2015.</p>

Focus Area	2000-2011	2011-2016
LED strategy	<p>2005 Review found that municipalities were not doing enough to facilitate a conducive environment to stimulate and facilitate local economic development and investment.</p> <p>In 2010, SALGA identified the need for an integrated approach to LED to achieve the success and impact intended with LED initiatives.</p> <p>By 2011 - Gauteng had not yet been sufficiently able to achieve the structural alignment and intergovernmental cooperation required to plan and implement sustainable LED interventions. (End of Term Review 2006-2011).</p>	<p>By 2016, there is narrative reporting that municipalities have continuously strengthened their LED strategies and plans to ensure alignment with IDPs.</p> <p>However, Westonaria, Randfontein and Emfuleni had not completed their LED Strategies by 2015.</p>
LED capacity and resourcing	LED capacity was mainly reported on in narrative form during the first ten years, without quantitative data to establish a performance trend over this period.	<p>Vacancy rates remain high and range between 0% for Midvaal LM (however, only 1 LED practitioner) to 72% for the COT. COJ consistently below 10%.</p> <p>Capacity remains a critical constraint.</p> <p>33% of municipalities - no provision for LED capital budget.</p> <p>25% of municipalities - no report on the portion of the capital budget allocated to LED.</p> <p>Of 5 municipalities where financial data was available, 3 underspent their allocated capital budgets in 2015.</p> <p>Investments facilitated by metros (reported):</p> <p>COJ: R3.26billion in 2014/15 and R2.6billion in 2013/14.</p> <p>COT: R2.1billion in 2014/15; R 2.175billion in 2013/14; R2billion in 2012/13; R362million in 2010/11.</p> <p>EMM: R7.6billion in 2014/15.</p>

KEY OBSERVATIONS ARISING FROM THE REVIEW

The following **successes** were realised over the fifteen year period:

EPWP Phase 1 target of 1 million job opportunities by 2009, was achieved one year ahead of time.

Increase in overall job creation numbers for EPWP, CWP and LED initiatives over the period. Biggest percentage increase in jobs created through LED initiatives - but the quantum is still low.

Municipalities have increased their focus on planning for and implementing specific interventions to benefit youth and women.

Good progress to date in profiling and data basing informal businesses in townships.

In line with the TMR, recent narrative reports reflect targeted efforts towards building and revitalising township economies.

While quantitative data reported on enterprise development has shown a decline over past term, narrative reports cite numerous examples of enterprise development initiatives by all municipalities, presented in detail in the main report.

Evidence that most municipalities have strengthened their LED strategies and plans over the period.

An enhanced focus on facilitating investments and forming partnerships in the implementation of LED strategies and plans, especially by the metros.

Stakeholder forums are fully functional and have resulted in the implementation of a number of joint programmes to develop local economies.

However, the following **challenges and/or constraints** have been identified:

- Municipalities focused on direct job creation through EPWP as default, rather than through broader LED initiatives.
- Current job creation numbers are not close to national targets. *(If one assumes that Gauteng accounts for 30% of the total employment in SA, then expected that Gauteng facilitates 600,000 job opportunities per annum by 2020).*
- Insufficient quantitative performance reporting on job creation and enterprise development baselines and targets, in particular for the mainstreaming of GEYODI. No consistent and standardised target setting, M&E and reporting - most municipalities did not distinguish between permanent / temporary and direct / indirect jobs created.
- Whilst the province launched the Tshepo 500 000 project in 2014 and 700 young people were placed, unclear how municipalities contributed to the project.
- The return on investment in enterprise development and support not assessed or reported – the impact of support and development initiatives in relation to the size of investments and sustainability.
- The decrease in the number of enterprises supported, towards the end of the period, is a concern - however, unclear if this is a 'real' reduction or quantitative reporting issue?
- There appears to be a misalignment and/or lack of integration between SEDA, SEFA, the Gauteng Enterprise Propeller and municipal enterprise development programmes.

- Interventions to develop the informal economy were focused almost exclusively on informal traders – there is a need to support other informal economy sectors in line with N/GIBUS (including implementing ILO Resolution 204). LED capacity to support informal economy interventions needs to be strengthened and developed.
- Evident need to strengthen the alignment of LED strategies and plans with IDPs and Spatial Development and Land Use Management Plans and with the GCR Economic Development Plan.
- Evident need for recognition that investment, especially capital investment in infrastructure, is the critical driver of LED.
- Evident need to professionalise and capacitate the LED discipline (including Informal Business Sector competency requirements). Financial resources should be made available to ensure municipalities work with funded LED mandates.

STRATEGIC ISSUES MOVING FORWARD

Arising from the review, the following **strategic issues** need to be considered:

- 1) To **drive economic growth at local level**, the critical issues are to:
 - a) Ensure alignment of spatial planning and long term planning linked to the comparative advantage of the various localities;
 - b) The GCR Economic Plan (aligned to the SONA 9 point plan) and its focus on targeted development needs to be cascaded to local level – local government to set its priorities around the five competitive areas of trade, innovation, talent, infrastructure and governance; and in line with the comparative advantages and unique strengths of the five development corridors; and
 - c) Strengthen the vertical and horizontal economic linkages within and across municipal jurisdictions, and at intergovernmental level.
- 2) To **enhance job creation, enterprise development and support**, the critical issues are to:
 - a) Undertake a mapping and scoping exercise of all LED opportunities and activities throughout the province, to identify which programmes might be implemented – where, scale and scope;
 - b) Undertake a comprehensive process to review the by-laws and regulations that govern trading in order to make it easier for informal / small businesses and township enterprises to thrive in line with the Township Economy Strategy;
 - c) Support ongoing efforts by municipalities to reduce the time taken to approve development applications and other red tape negatively impacting on doing business in the GCR;
 - d) Define additional incentives and land use approaches that will support specific clusters and industries located in the different GCR development corridors; and
 - e) Define province-wide enterprise development and support indicators that will measure sustainability and return on investment, in addition to the number of beneficiaries and Rand value of support and procurement spend.
- 3) To **strengthen LED capacity and resourcing**, the critical issues are to:
 - a) Professionalise the LED discipline and capacity in Gauteng municipalities, and strengthen LED expenditure

management to ensure that budgets available are optimally applied;

- b) Enable disciplined, consistent, accurate and complete reporting on critical province-wide agreed LED indicators and reporting standards;
- c) Improve the facilitation of investment and partnerships in the implementation of LED plans, and report on initiatives and successes in terms of attracting investment; and
- d) Support municipalities to continue to optimise the functioning and benefits of LED forums.

KPA4: GOVERNANCE AND PUBLIC PARTICIPATION

PERFORMANCE TREND

Packaged under the focus areas of this KPA, the table below reflects the performance trend of the first ten years and the third term:

Focus Area	2000-2011	2011-2016
Political and administrative governance	<p>To 2005, Section 80 Committees reporting to the Executive; oversight and accountability lacking.</p> <p>To 2011, Pilot Section 79 Committees Separation of Powers Model at COJ.</p> <p>MPAC S79 committees established in all municipalities - yet to be institutionalised.</p>	<p>Separation of powers further strengthened through rollout of the model to COT and EMM.</p> <p>MPACs further strengthened and signs of positive contribution to attaining clean audit outcomes, together with standing committees of Audit, Risk and Performance.</p>
Public participation and accountability – Ward committee system	<p>To 2005, reports that ward committees established in 95% of all wards, but no standardisation.</p> <p>DPLG gazetted guidelines for the establishment and operation of ward committees.</p> <p>By 2011, 466 ward committees established, 83% reported as functional.</p> <p>Functionality and sustainability issues: access to resources and skills deficiencies, remuneration for ward committee members.</p>	<p>Ward committee operational plans in place since 2012/13.</p> <p>Against MTSF 2009-2014 target for functional ward committees in 90% of established wards by 2013/14, performance was inconsistent - declining trend in last two years to 62% in 2014/15.</p> <p>Dec 2015, 165 ward committees assessed as non-functional.</p>

Focus Area	2000-2011	2011-2016
P u b l i c participation and accountability – CDW Programme	<p>By 2011, deployment of 464 CDWs across the Gauteng municipalities.</p> <p>In the period, the scope and scale of the CDW project varied across the municipalities, ranging from income generating projects in Sedibeng to social relief projects in Ekurhuleni.</p>	<p>Declining trend, to 386 in July 2015. The biggest decrease in the number of CDWs in the metros; mainly due to attrition - resignations and deaths.</p> <p>Generally, relationship between ward committees, ward councillors and CDW's strained over the period.</p> <p>Key concerns cited - role clarification (political vs. administrative interface); and ward councillor performance.</p>
I n t e r - governmental relations	<p>To 2005, IGR based on provisions of Municipal Structures Act. IGR lacked formality and discipline.</p> <p>Role of DM's came to the fore - role clarity, lack of support from LM's.</p> <p>IGR Framework Act enacted in 2005, and Gauteng IGR Framework in 2010 in response to MTSF and to support LGTA.</p>	<p>IGR structures supported but issues of implementing decisions of the structures become a concern.</p> <p>The voluntary association of IGR emerges as a challenge, as well as IGR taking too long and fragmented.</p> <p>Moves underway to strengthen IGR as the mechanism to drive the GCR and TMR.</p>
C o r p o r a t e governance	<p>To 2005, lack of oversight and monitoring mechanisms to timeously detect and act against corruption and mismanagement.</p> <p>To 2011, approved anti-corruption, fraud prevention and risk assessment plans in place.</p> <p>Whistleblowing systems introduced.</p> <p>Most Risk and Audit Committees established but effectiveness lacking.</p>	<p>Risk management processes more advanced - risk registers in place with mitigation plans.</p> <p>Internal Audit Units and Audit Committees established and functionality improving, but still gaps in assurance and oversight capabilities (AG).</p> <p>Anti-corruption strategies developed and approved, but issues related to capacity and effectiveness remain.</p> <p>Range of fraud and corruption hotlines established – big increases in reported cases.</p> <p>Investigation units established but capacity and skills issues still to be addressed.</p>

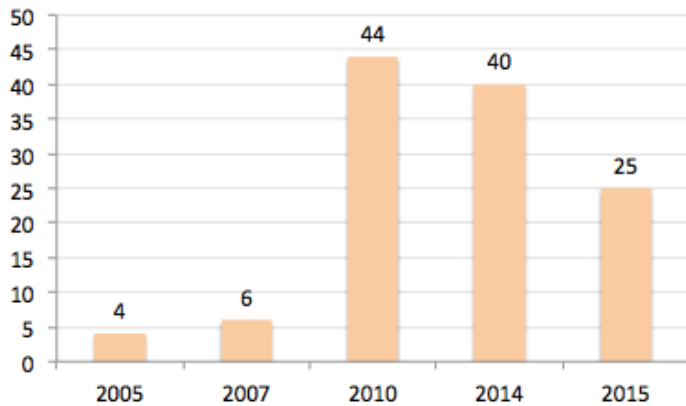
Community Protests: 2005-2015 Trend

Following the upward trend in community protests in the first decade, reaching a peak of 44 in 2010, 2015 has realised a significant drop to 25 protests as compared to 40 in 2014.

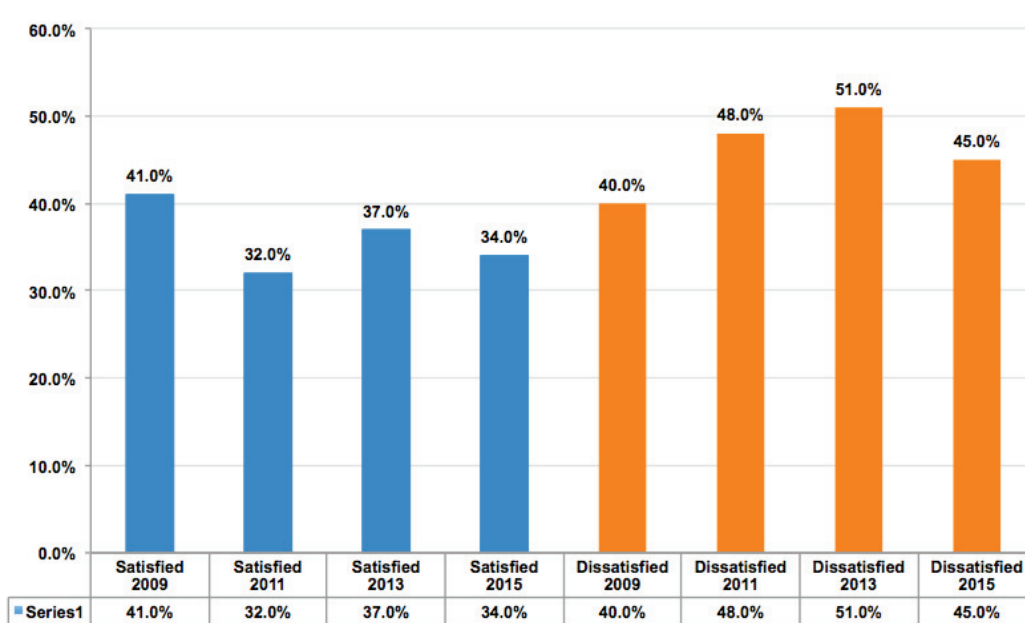
The violent nature of protests has remained a concern, with most protests taking place in informal settlements – unorganised constituents and ineffective public participation processes

A concerning trend over the period 2009-2013 was the increasing level of citizen dissatisfaction with local government, however, the latest GCRO QOL

Survey (2015) indicates that the trend has reversed, from 51% dissatisfied in 2013 to 45% in 2015. However, the survey results point to the ongoing disjuncture between satisfaction with services (63%) and satisfaction with government itself (34%).



Trend - citizen satisfaction / dissatisfaction in Gauteng local government



Source: GCRO Quality of Life Survey's (2009,2011,2013,2015)

KEY OBSERVATIONS ARISING FROM THE REVIEW

The following **successes** were realised over the fifteen year period:

The metros have successfully implemented the Separation of Powers and Functions governance model – the evaluation studies have revealed more effective oversight and accountability. Together with strengthened MPACs, there are signs of a positive contribution to attaining clean audit outcomes.

Evidence of increasingly strong internal audit units, risk committees and audit committees (oversight) in the metros and

particularly at the 4 municipalities with clean audits.

Anecdotal evidence that Ntirhisano programme has played a significant role in bringing down Gauteng's share of national community protests (from 25% in 2014/15 to 15% in 2015/16).

Participation in IGR forums is good and evidence of a move towards an aligned cooperative governance approach by local government.

Evidence that, particularly the metros, have upgraded their call centres to enhance call taking capacity and turnaround times for a better customer experience.

Increased public awareness of the mechanisms for reporting fraud and corruption resulted in a significant increase in the number of cases reported in the third term.

The trend of increasing levels of citizen dissatisfaction with local government was reversed in 2015; realising an improved rating of 45% dissatisfied (51% in 2013).

However, the following **challenges / constraints** have been identified:

- MPACs and oversight structures still lack full functionality at certain municipalities, particularly in terms of their investigative and scrutiny capabilities and the ability to hold officials to account and supported by the consistent application of consequence management by the administration.
- A lack of robust monitoring and follow through on audit findings and issues identified by the committees.
- The disjuncture between what communities expect and what municipalities provide requires a move from public participation for compliance purposes towards building an active and engaged citizenry. Survey outcomes have revealed high levels of citizen dissatisfaction with the performance of ward councillors, who are pivotal to participatory governance.
- Lack of a tracking system to monitor decisions and the implementation thereof and the fact that there are no indicators in place to measure the functionality and effectiveness of IGR; further constrained by the voluntary association of role-players in IGR structures and the lack of a mechanism to compel implementation of decisions.
- In terms of corporate governance, the AG has highlighted prevailing deficiencies:

Risk assessments not identifying the correct business risks, lack of follow up and closure of mitigations.

Internal audit reports not submitted timeously due to slow responses from management.

Lack of action plans to address OCA deficiencies and AG audit items not implemented stringently.

Internal audit functions not fully capacitated, especially in LM's.

Need to strengthen consequence management.

- In terms of fraud and corruption, the improved systems for communication have resulted in challenges:

Consolidation of cases reported difficult due to a lack of a system for consolidating cases reported from various hotlines, and the lack of a system to consolidate reporting / tracking of progress on reported cases.

Below par investigative capacity of forensics investigations teams and the need to improve the quality of recommendations to provide for decisive action to be taken against transgressors.

- The low levels of citizen satisfaction with local government, as compared to the relatively high levels of satisfaction with services, points to the need for the modernisation of the local government governance model to one that more comprehensively addresses the higher needs of citizens, beyond basic services.

STRATEGIC ISSUES MOVING FORWARD

Arising from the review, the following **strategic issues** need to be considered:

- 1) To further **strengthen the separation of powers and functions for enhanced oversight and accountability**, the critical issue is to:
 - a) Institutionalise the separation of powers and functions model at the metros and rollout to all municipalities; and strengthen the functionality and oversight capabilities of MPAC's.
- 2) To **determine a best practice service delivery model for metros in support of the metropolitan system of government in the GCR**, requiring:
 - a) An evaluation into the different service delivery models adopted by the metros and posture a best practice model for the GCR.
- 3) To **strengthen the processes of participatory governance through a 'people and their concerns' first approach**, the critical issues are to:
 - a) Prioritise the functionality of the 165 non-functional ward committees and sustain the functionality of all ward committees, including an assessment of the role and performance of ward councillors;
 - b) Modernise and standardise the approaches to public participation through the development of a provincial public participation policy; including all structures, communication methods, relationships between role-players and a unique approach for informal settlements;
 - c) Develop a dynamic, ward based service delivery monitoring and tracking system that enables the coordination and communication of the activities of the three spheres of government and establish a case management system to track, monitor, feedback and report on all matters raised by communities; and
 - d) Increase visibility and activism through active participation in the Ntirhisano Service Delivery Outreach Programme.
- 4) To **improve citizen satisfaction with local government** the critical issue is to:
 - a) Conceptualise and adopt a good governance model premised on inclusivity, productivity, sustainability and a well governed municipality; and centred around GCR-aligned spatial transformation and the pillars of the TMR.
- 5) To **support the institutionalisation of the GCR through a GCR aligned and integrated system of intergovernmental relations**, the critical issues are to:
 - a) Develop local government IGR strategies to support institutional coherence in the GCR, based on the Gauteng policy intent to move IGR in Gauteng from a voluntary association to one that compels support for and implementation of GCR related resolutions; and
 - b) Decide on and finalise the delegation of powers and functions.
- 6) To **strengthen the assurance and oversight structures to enable the achievement of clean audit**

outcomes by all Gauteng municipalities by 2017/18, the critical issues are to:

- a) Improve the quality of risk assessments and monitor the implementation of mitigation actions;
 - b) Capacitate and resource Internal Audit Units and Audit Committees, as well as forensics investigations teams; and
 - c) Rollout the Local Government Management Improvement Model (LGMIM) after an evaluation of the 2015/16 pilot.
- 7) To **improve the customer experience through enhanced systems and processes for handling customer complaints and petitions**, the critical issue is to:
- a) Establish a centralised repository for the tracking, monitoring and analysis of customer complaints and petitions in order to gain insights into key customer needs and concerns for planning purposes.

KPA5: FINANCIAL VIABILITY AND MANAGEMENT

The relative performance of the Gauteng municipalities is assessed and discussed under the following focus areas: revenue management, expenditure management, financial health and viability, and financial management (including supply chain management).

PERFORMANCE TREND OVER THE PERIOD

Select and consolidated performance trends are reflected - the main report contains full detail of trends and factors impacting performance, to a municipal level in most instances.

Revenue Management – Operational

The performance trend related to revenue from property rates, service charges, grants and subsidies and other revenue is reflected in the table below:

Summary of municipal revenue (2005/06, 2010/11 to 2014/15)

FY	Property Rates	RSC Levies	Service Charges	Grants & Subsidies	Other	Total	Annual % Increase
2005/06	5 648 799	3 824 682	17 085 229	3 487 545	5 655 344	35 701 504	-
% 2005/6	15.8%	10.7%	47.9%	9.8%	15.8%	-	
2010/11	11 197 588	-	38 044 851	14 520 241	5 714 269	69 476 949	Baseline
Cont. 2010/11	16.1%	-	54.8%	20.9%	8.2%	-	-
2011/12	12 445 592	-	45 811 836	18 127 198	6 385 884	82 770 510	19.1%
2012/13	13 987 675	-	49 933 648	18 968 165	6 087 371	88 976 859	7.5%
2013/14	16 368 441	-	53 308 967	20 808 119	7 541 590	98 027 117	10.2%
2014/15	17 846 731	-	58 028 631	23 084 449	7 958 719	106 918 530	9.1%
Total 2011-15	60 707 034	-	206 989 280	81 003 076	27 904 193	376 603 583	95.7%
% 2011-15	16.7%	-	55.1%	21%	7%	-	-

Sources: Municipal Audited Annual Financial Statements, 2010/11 to 2014/15, Second Term End of Term Report for 2005/06

Over the period, growth in revenue has consistently beaten inflation. The total revenue generated in the first four years of the third term amounted to R376bn, at a billing rate of 95.8%, which amounted to a billing shortfall of R16bn over the four years.

- 1) Revenue from property rates increased from 15.8% at the end of the first term to 16.7% in 2014/15.
- 2) Revenue from service charges increased from 47.9% in the first term to an average of 55% over the second and third term.
- 3) Following the scrapping of the RSC levy in the second term, the average contribution to the revenue mix from grants and subsidies has been 21%.
- 4) Revenue from other sources has progressively declined, ending the period at 7% of total revenue.

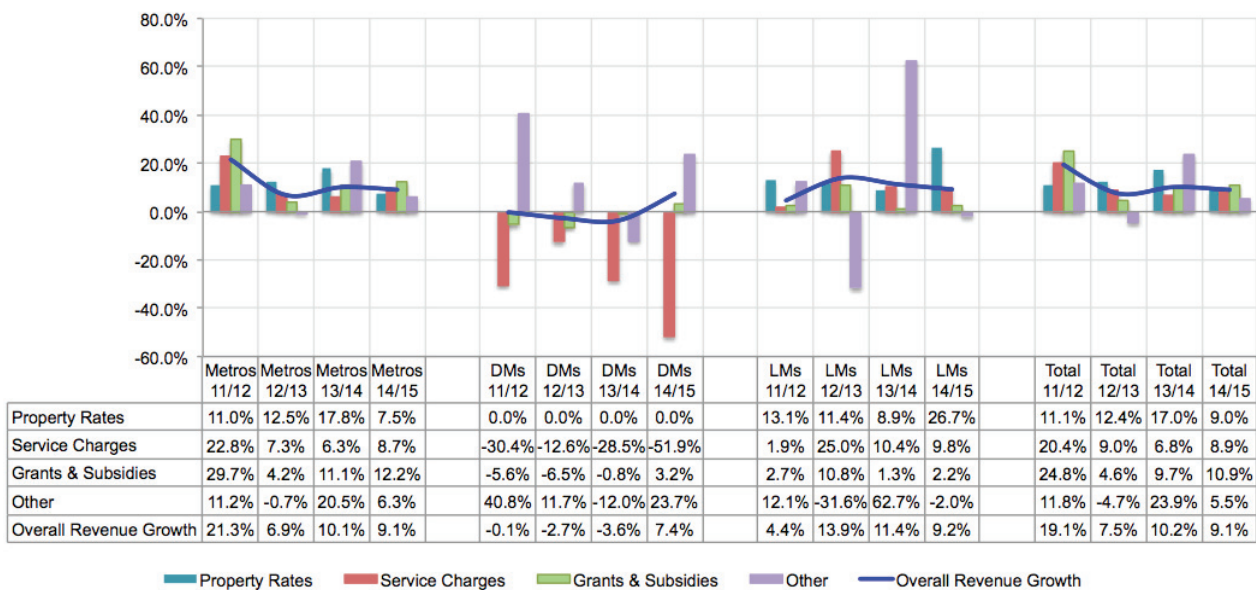
The annual growth in revenue per category of municipality over the third term is presented in the next table, which reflects:

Metros: Above inflation annual growth in revenue - lowest 6.9% and highest 21%; growth in property rates peaked at 17.8%, lowest 7.5%; annual increases in grants, mostly >10%; and 6-8% annual growth in service charges.

DM's: Except for 2014/15, negative revenue growth per annum. Average 2.4% per annum decline in primary revenue source - grants and subsidies. Fluctuations in other revenue sources.

LM's – Consistent growth in revenue from property rates over the period, peaking at 26.7% in 2014/15, following the latest valuation roll. Other revenue erratic and average 2% growth in grants and subsidies per annum.

Annual revenue growth by category of municipality (2011/12 - 2014/15)



Source: Municipal Audited Annual Financial Statements, 2011/12 to 2014/15

Municipal revenue trends in the third term (2011/12 - 2014/15):

- 1) Contribution of revenue from property rates:
Lowest at Emfuleni (10.8%), Merafong (11.3%) and Randfontein (12.5%). The COT (19%) and COJ (18.3%) tended

towards 20%, while EMM only managed to generate 13.4% of its revenue from property rates.

At 17.3%, property rates was an above average revenue source for Midvaal and Mogale City. Westonaria increased the contribution of revenue from property rates to 35%, through the implementation of its commercial valuation roll.

2) Contribution of revenue from service charges:

All municipalities averaged >50%, except Merafong (40%) and Westonaria (41%). Service charges accounted for 60% of revenue at EMM and 63% at Emfuleni, the highest proportion of all municipalities.

3) The average annual increase in the equitable share across all municipalities was 8.4%, accounting for 7.3% of total revenue.

For the DM's, the average annual increase was 2.4% over the period, while the LM's of Merafong, Emfuleni and Randfontein also averaged low increases of 0.1%, 2.3% and 3.4% per annum respectively.

Metros - annual increases of 10-15%, with the highest being COT at 15% to support the merger with Metsweding DM and its local constituent municipalities.

4) Revenue from other sources for all municipalities progressively declined over the period.

5) Lost revenue due to unaccounted for water and electricity increased at >5% per annum, to in excess of R7.7billion in 2014/15.

Revenue Management – Capital Funding Sources

The table below reflects the contribution of the various sources of capital funding to finance the capital development programmes of municipalities.

Total of capital funding sources for the period 2011-2015 (comparison to second term)

R'million and (% contribution) to total capital funding	Capital grants	Public contributions and donations	Borrowing	Internally generated and other	Total
Metros Total	23 081 811 (46%) (29% previous term)	1 141 762 (2%) (4% previous term)	15 265 174 (30%) (41% previous term)	10 923 855 (22%) (27% previous term)	50 412 602
DM's Total	3 205 (5%)	0 (0%)	0 (0%)	58 782 (95%)	61 987
LM's total	2 341 832 (59%)	197 722 (5%)	519 126 (13%)	887 722 (22%)	3 946 402
Total Gauteng Municipalities	25 426 848 (47%) (32% previous term)	1 339 484 (2%) (4% previous term)	15 784 300 (29%) (38% previous term)	11 870 359 (22%) (27% previous term)	54 420 991

Sources: Section 71 Reports for 2011/12 to 2014/15, accessed on www.localgovernment.co.za, Gauteng DLGS Second Term End of Term Review Report for 2006-2011

When comparing the second term and third term, use of borrowing as a funding source has declined from 38% to 29%; and grant dependency has increased from 32% to 47%; and the use of internally generated funds has reduced from 27% to 22%.

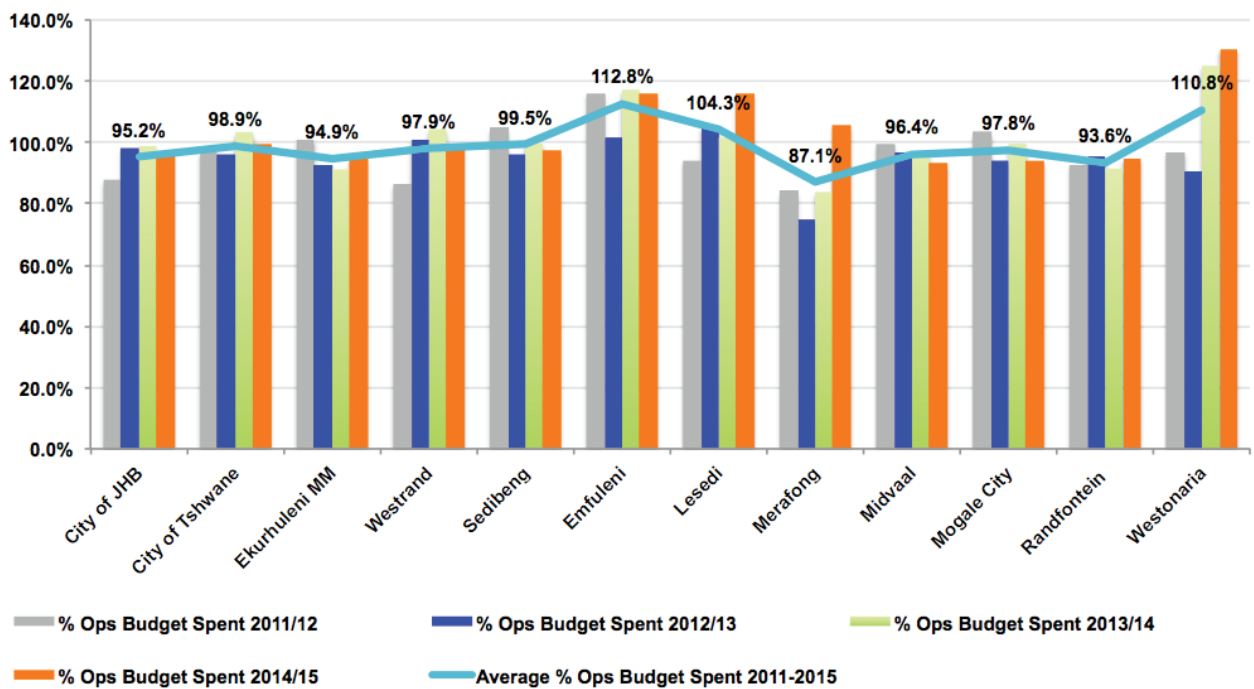
Expenditure Management

Performance in terms of expenditure management has been assessed against the MTSF policy intent for municipalities to reduce over-expenditure on operational budgets and to reduce under-expenditure on capital budgets.

2000-2011	<p>First term, over and under expenditure up to 40% variance to operational budget. Capital budget spend as low as 16%.</p> <p>By 2011, operational budget spend improved to 6% underspend.</p> <p>Capital budget spend progressed to 92% spend for metros, 54% for DM's and 40% for LM's by 2010/11.</p>	2011-2016	<p>Operational budget under-expenditure 3.2% in total for the 3rd term. However, 3 municipalities overspent by up to 10%.</p> <p>Capital budget spend 92.5% overall; 93.8% for metros, 78.5% for LM's,</p>
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Further detail is provided below for the third term:

Percentage operational budget spend per annum (2011-2015)



Source: Municipal Audited Annual Financial Statements, 2011/12 to 2014/15

* Prior year restated actual expenditure measured as a percentage of adjusted budget.

** Data labels in percentage reflect the average actual vs. budget operational budget spend for the period.

Consolidated spend of 96.8% was achieved on operational budgets in the third term, an overall good achievement, however, three local municipalities overspent - Emfuleni, Lesedi and Westonaria. Generally the management of expenditure on the key cost drivers has been good, noting the following:

- 1) Personnel expenditure averaged 25% of total expenditure (good practice) for the metros and LM's, however, personnel costs exceeded 60% of the operational budget of DM's – supporting the question of future sustainability.

- 2) The metros all managed to spend in excess of 9% of their operational budgets on repairs and maintenance in the third term, however, Randfontein LM, Westonaria LM, Emfuleni LM and Sedibeng DM struggled with budget constraints and thus very low spend on R&M.

Expenditure Management – Capital Budgets

In terms of expenditure on capital budgets, the performance trend per category of municipality is reflected below:

Total capital expenditure by Gauteng municipalities (2011/12-2014/15)

Municipality R'000	Capital Budget (Adjusted) (2012-2015)	Actual Expenditure (2012-2015)	Capital Variance	% Capital Budget Spend over the Period
Total Metros	55 297 530	51 842 238	(3 455 292)	93,8%
Total LM's	5 027 157	3 947 226	(1 079 931)	78,5%
Total Gauteng Municipalities	60 324 687	55 789 464	(4 535 223)	92,5%

Source: Municipal Annual Financial Statements and MFMA S71 reports for 2011/12 to 2014/15, accessed on www.localgovernment.co.za

The 7.5% capital budget under-expenditure amounted to an opportunity cost of R4.5billion in terms of infrastructure development and renewal that could have taken place over the period since 2011. The COJ and COT both managed to achieve the minimum capital expenditure target of 95%, while Westonaria overspent and certain municipalities such as Randfontein, Merafong and Emfuleni and Lesedi underspent by over 20%.

Financial Health and Viability

The main report contains a detailed assessment of the viability of the Gauteng municipalities, against a selection of indicators drawn from the Gauteng Viability Assessment Framework. The outcome of the assessment is summarised below:

Liquidity, net assets and cash position, as at end 2014/15

Municipality	Current Asset Ratio	Cash and Cash Equivalents	* Net Assets	Going Concern Assessment
City of Joburg	1.1:1	4 897 554	39 284 442	Strong financial position. Work on further improving liquidity.
City of Tshwane	0.72:1	600 518	18 983 830	Marginal liquidity. Low cash reserves. Payment constraints.
Ekurhuleni MM	1.8:1	7 821 728	45 044 578	Good liquidity. Strong asset base and high cash reserves.
Total metros		13 319 800	103 312 850	
Westrand	0.8:1	32 775	(7 076)	Marginal liquidity, running low on cash. Negative total assets.
Sedibeng	0.4:1	10 414	92 365	Poor liquidity. Low cash reserves. Payment constraints.

Municipality	Current Asset Ratio	Cash and Cash Equivalents	* Net Assets	Going Concern Assessment
Total DM's		43 189	85 289	
Emfuleni	0.56:1	123 981	10 595 871	Poor liquidity. Payment constraints. Net assets good.
Lesedi	0.6:1	18 976	673 596	Poor liquidity. Payment constraints. Running low on cash.
Merafong	0.89:1	85 947	2 701 270	Marginal liquidity. Payment constraints. Good asset base.
Midvaal	1.8:1	75 520	1 983 993	All round satisfactory.
Mogale City	0.85:1	165 853	5 152 589	To improve liquidity. Need close management but net assets good.
Randfontein	0.46:1	31 510	2 321 279	Poor liquidity, declining cash availability but net assets reasonable. Payment constraints. Adverse audit opinion.
Westonaria	0.5:1	(855)	1 196 881	In serious trouble. Negative cash flow. Unable to make payments when due. Adverse audit opinion.
Total LM's		500 932	24 625 479	
Total Gauteng Municipalities		13 863 921	128 023 618	

Source: Municipal Audited Annual Financial Statements: 2011/12 to 2014/15 (Prior year restated for 2011/12, 2012/13 and 2013/14)
* Community wealth / equity

Five of the municipalities were not in a favourable financial position as at end 2014/15, due to low levels of liquidity, low cash reserves and a deteriorating asset base: WRDM, Sedibeng DM, Lesedi LM, Randfontein LM, Westonaria LM.

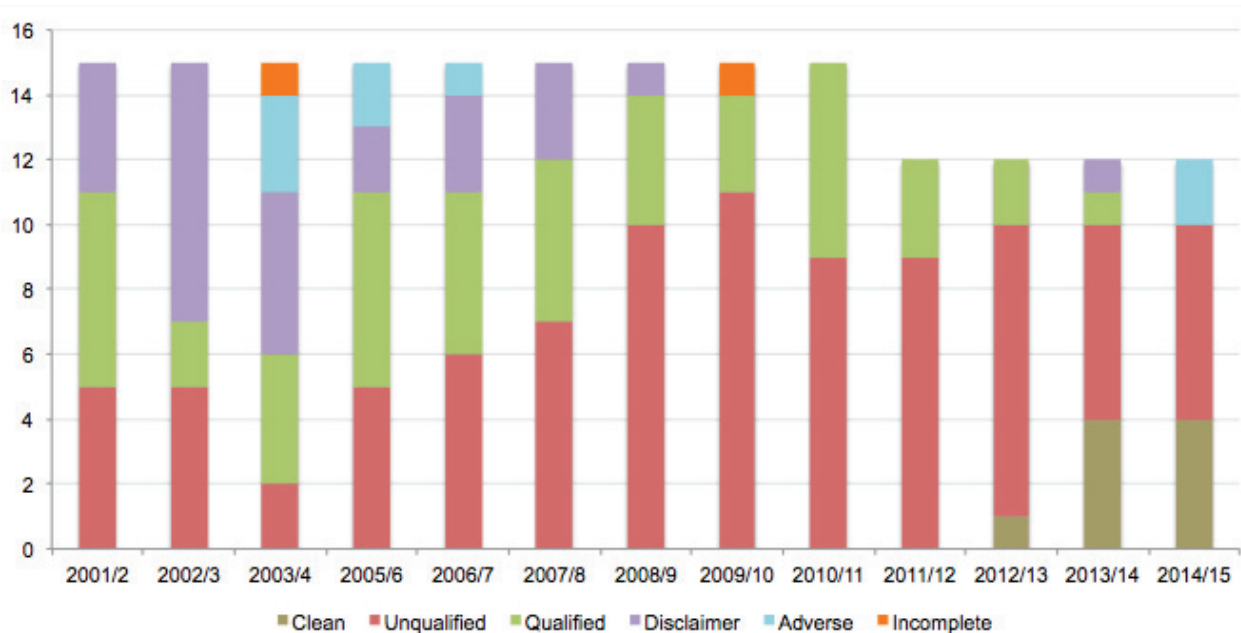
Three of the municipalities were in a marginal position: COT, Emfuleni LM, Merafong LM.

Four municipalities were in a relatively sound financial position: EMM, COJ, Mogale City and Midvaal LM.

Financial Management and Supply Chain Management

The figure below reflects a progressive improvement in AG audit outcomes since the latter part of the first term. In the third term, while four municipalities achieved and retained a clean audit opinion, Randfontein LM and Westonaria LM both regressed to an adverse audit opinion. Six municipalities retained an unqualified audit opinion for most of the third term and are challenged to take the next step to a clean (unqualified with no matters of emphasis) audit opinion.

Summary of Auditor General audit outcomes for the period 2002-2015



Source: For the period 2001-2010/11 End of Term Review Reports and COGTA S47 Municipal Reports, AGSA Audit Reports for 2014/15

Source: Auditor General MFMA 2013-14 Gauteng Report

At the time of the Review, the detailed breakdown of municipal performance in Gauteng in terms of unauthorised, irregular and fruitless and wasteful expenditure for 2014/15 was not as yet released, however, the consolidated AGSA report indicated that irregular expenditure due to SCM non-compliance had decreased by approximately R400million over the five years between 2010/11 and 2014/15 (excluding an isolated contract at the COT of close to R1billion in 2014/15).

The inclusion of the new clause in the Division of Revenue Bill, which allows Treasury to change the nature of its funding to municipalities if they fail to follow proper procurement procedures, is noted. Moving forward, this should be considered and a Gauteng response ensured.

KEY OBSERVATIONS ARISING FROM THE REVIEW

The following **successes** were realised over the fifteen year period:

There has been a progressive improvement in the management of the valuation roll in line with the MPRA, resulting in the contribution of property rates to the revenue mix tending towards 20% for a number of municipalities.

Although the contribution of property rates to total revenue was the highest at the COJ and COT in the third term, both metros have implemented rebate policies that have limited the impact of property rates increases on the poor.

The EMM was identified as having the most progressive and affordable municipal tariffs structure in the country, one which favours poorer households.

Municipalities have done well to increase their revenue from service charges and to mostly cope with the substantial bulk supply increases towards the end of the second term and the regular above inflation increases in the period since 2011.

The COJ and EMM achieved best in class credit ratings, therefore able to borrow at favourable rates that place a less

onerous debt repayment burden on residents in leveraging borrowing to finance their capital development programmes.

The COJ increased the use of internally generated funds to 32% of its capital funding mix in the third term. Mogale City and Randfontein LM also contributed 30% of own funds to capital financing.

The COT and EMM, at 37% and 32%, adopted a relatively aggressive approach to borrowing as a source of capital funding.

The COJ pioneered the Green Bond in 2014, providing the metro with the means to fund climate change mitigation projects.

The financially healthy municipalities spent upwards of 5% of their operational budgets on R&M; the metros spend was within the recommended 8-10% range specified by National Treasury.

Total spend on capital budgets improved to 92.5% in the third term, attributed to improved project planning and management, supported by more efficient SCM processes.

The COJ and EMM were the only municipalities to consistently achieve operational surpluses over the period through a targeted strategy, particularly in the third term, to drive operational surpluses and build cash reserves.

Over the period, the COT has consistently achieved a consumer collection rate of between 95-100% per annum. Of the LM's, Midvaal LM has averaged 95%.

Government debt has trended downwards in the third term as compared to the second term; after rising from R500million in 2005 to R1.8billion in 2011, the total government debt owed to the Gauteng municipalities receded to an estimated R900million as at end 2014/15.

Progress has been made by many municipalities in complying with the MFMA stipulation of paying creditors within 30 days. For 2014/15, the COT, EMM, Midvaal LM and SDM were in full compliance.

The progressive improvement in audit outcomes has been attributed to a political leadership committed to the vision of clean audits by all municipalities and working with and holding the administrative leadership accountable.

Most municipalities have progressively established and institutionalised internal controls and sound financial disciplines, and through the assurance and oversight structures, ensured the implementation of action plans and audit recommendations, and implemented and monitored the key controls related to financial and performance management and governance.

However, the following **challenges/constraints** have been identified:

- The accuracy of revenue budgets has remained a challenge. The opportunity cost of a billing rate of 95.8% amounted to R16billion in the third term, reflecting less than optimal budgeting by most of the municipalities.
- Operational grant dependency levels have remained relatively flat over the period, ending at 21% of total revenue.
- The role of the district municipalities has been brought into question. Since the scrapping of the RSC levies in 2007/08, the district municipalities have struggled for survival with low grant allocations per annum. Increases in the equitable share to DM's averaged only 2.4% per annum in the period since 2011.
- A number of the local municipalities, particularly Emfuleni LM, Merafong LM and Randfontein LM, averaged equitable share increases of less than inflation over the third term, significantly impacting on their ability to service their indigent households. Merafong LM was hardest hit, averaging a 0.1% increase over the period.

- Municipalities still experienced challenges with managing the annual valuation roll process in terms of timeframes, inaccuracies and mismatches between the revenue billing system and the valuation roll. Resource and capacity constraints were found to be the main reasons.
- At only 13% contribution to the revenue mix, the EMM significantly lagged the other metros in terms of revenue from property rates.
- Capital grant dependency levels to fund capital projects increased from 32% in the second term to 47% in the third term. The increased reliance on government grants to finance capital programmes is unsustainable in light of the pressures on the fiscus.
- Although indicative of the financial strain faced by many municipalities, the overall reduction in the use of borrowing (from 38% in the second term to 29% in the third term) and own funding (from 27% in the second term to 22% in the third term) has placed a limitation on the capital development programmes of most municipalities.
- At least two of the metros had regressive municipal billing tariff structures in place, which made it more unaffordable for poorer households to pay for services upon the implementation of each annual cycle of tariff increases.
- The high increases in bulk supplies was found to be unsustainable as, for affordability reasons, municipalities were mostly unable to pass the full extent of the increases on to the consumer.
- The implementation of the commercial valuation roll in the mining municipality of Westonaria has received strong appeals and the new tariff structure appears to have negatively impacted affordability levels across all sectors in the municipality.
- Tariff structures and incentives to generate revenue through climate change mitigation and green technologies are yet to be exploited.
- The management of property asset registers has been less than effective, resulting in under-utilised properties and thus lost revenue and often squalid living conditions for tenants of buildings that have been taken over by slumlords.
- Particularly, the smaller LM's do not have access to adequate skills and resources to address the challenges of ageing infrastructure, theft, negligence and meter tampering and to address the challenge of revenue loss due to electricity and water losses.
- The spend on R&M by Merafong LM, SDM, Randfontein LM, Westonaria LM and Emfuleni LM was negligible and therefore cause for concern.
- The average spend of 78.5% on capital budgets by the LM's in the third term alludes to the technical, project and supply chain management constraints that the LM's face.
- Most municipalities, with the exception of the COJ and EMM, have been challenged with operational and often net deficits due to inadequate revenue to meet expenditure requirements.
- The COT merger with the Metsweding DM and its local municipalities in 2011 directly impacted the liquidity and cash flow of the COT. The key challenge being the lack of transitional funding to support the merger.
- For most municipalities, debt collection has remained a challenge over the period. As at end 2014/15, a total of

R13.2billion (after impairment) was owed to Gauteng municipalities.

- The rand value of consumer creditors has grown steadily, ending the term at R15.2billion, with a number of municipalities not complying with the 30 days payment stipulation of the MFMA.
- The AG highlighted key areas impacting the attainment of a clean audit outcome, including: insufficient monitoring of the implementation plans and audit mitigation actions; ineffective assurance and oversight structures; inconsistent implementation of consequence management; non-compliance to legislation, particularly pertaining to expenditure management through the supply chain management processes; lack of compliance with GRAP17 in terms of immovable assets registers.

Besides the above, Westonaria LM and Randfontein LM encountered a relapse in their audit outcomes (from qualified to adverse) due to a lack of basic accounting disciplines and instability and vacancies in key positions.

STRATEGIC ISSUES MOVING FORWARD

Arising from the review, the following **strategic issues** need to be considered:

- 1) To **maximise the revenue generated from property rates**, the critical issues are to:
 - a) Ensure optimally functioning, fully integrated municipal billing and collection systems; and
 - b) Ensure a well-managed, legally compliant annual valuation roll process for the on-time promulgation and implementation of the annually revised rates policies each year.
- 2) To **adopt progressive property and services tariff structures that enhance consumer affordability and improve billing and collection rates for improved budgeting**, the critical issues are to:
 - a) Review rates and services tariff structures to minimise the impact of annual increases on lower income bracket consumers while ensuring the tariffs are cost reflective; and
 - b) Negotiate with national government to ensure inflation linked annual increases in bulk supply costs.
- 3) To **assess the equitable share allocations as a basis to engage with national government and to support decision making**, the critical issues are to:
 - a) Develop a clear understanding of the revised equitable share allocations and its implications to support policy and decision making; and
 - b) Ensure regularly updated and accurate indigent registers for an equitable share allocation that supports a targeted approach of providing free basic services only to indigent households.
- 4) To **increase the revenue from other sources**, the critical issues are to:
 - a) Adopt tariffs, taxes and incentives to support energy efficiency and a green, clean environment, in support of climate change adaptation and a liveable city;
 - b) Improve the systems and processes for collection of revenue for existing 'other' revenue (including fines, rentals, licences and permits, etc.); and
 - c) Better leverage municipal property portfolios for revenue generation.

- 5) To **reduce capital grant dependency levels and pursue alternative capital funding**, the critical issues are to:
 - a) Ensure optimal financial gearing of borrowing to support capital development;
 - b) Develop partnerships with the private sector and local and international donors and development finance institutions.
- 6) To **ensure operational expenditure is managed within budget**, the critical issues are to:
 - a) Ensure cost containment and waste elimination measures in place and closely monitored;
 - b) Monitor, control and report on the costs of providing free basic services and attending to unfunded mandates; and
 - c) Implement an integrated multi-year infrastructure asset masterplan that accounts for the status of assets, informs repairs and maintenance plans and is fully costed and funded.
- 7) To **ensure between 95-100% annual expenditure on capital budgets**, the critical issue is to:
 - a) Develop and implement progressive project planning and implementation processes, supported by procurement plans aligned to project milestones.
- 8) To **enhance the financial viability of municipalities**, the critical issues are to:
 - a) Finalise and rollout the financial viability policy and procedures framework, including the indicators and norms and standards as an early warning system for targeted support interventions;
 - b) Ensure adequate transitional and longer term funding is provided to support municipal mergers; and
 - c) Strengthen the debt management processes for all categories of debtors.
- 9) To **monitor, control and address the bottlenecks to achieving clean audit outcomes by 2017/18**, the critical issues are to:
 - a) Support and capacitate the assurance and oversight structures to drive the clean audit objective and to ensure the robust monitoring and control of progress in addressing audit findings in terms of financial and performance management;
 - b) Implement stringent consequence management to curtail irregular, unauthorised and fruitless and wasteful expenditure;
 - c) Ensure compliance with GRAP17 in terms of immovable assets registers; and
 - d) Leverage on the best practices of Mogale City in achieving a clean audit outcome for the benefit of the other municipalities in the West Rand.

CHAPTER 4

REVIEW OF PERFORMANCE IN RELATION TO CERTAIN CROSS-CUTTING OR TRANSVERSAL ISSUES

MAINSTREAMING OF GEYODI (GENDER, YOUTH AND PEOPLE WITH DISABILITY)

Observations of the review over the period are:

- 1) Municipalities are developing targeted programmes for the purpose of mainstreaming issues of GEYODI, however consistent quantitative reporting remains weak.
- 2) The absence of clear targets and integrated qualitative and quantitative reporting on the mainstreaming of issues relating to GEYODI limits performance trend analysis.
- 3) The youth remain the largest group of beneficiaries, followed by women; however, people with disabilities appear to be seldom included in the planning, target setting and delivery of the programmes of municipalities (based on municipal annual reports).
- 4) The increasing prevalence of drug and substance abuse in communities requires municipalities to broaden the scope of support to communities within their current capacity and available resources.

Moving forward, to **strengthen the mainstreaming of GEYODI across all TMR aligned programmes:**

- 1) Strengthen the coordination, monitoring, reporting and oversight of the mainstreaming of GEYODI; and
- 2) Develop a policy position and strengthen capacity to support communities in the fight against drug and substance abuse.

DEMOCRATISING THE INSTITUTION OF TRADITIONAL LEADERSHIP

- 1) Two traditional communities integrated into Gauteng through the municipal demarcation.
- 2) Promulgation of the Act in 2003 - defined the role of traditional leaders, and proposed partnerships between local government and traditional leaders to improve service delivery to traditional communities. The Gauteng Provincial Traditional Leadership and Governance Act adopted in 2011.
- 3) Throughout the period, reporting on support provided to the institution of traditional leadership mainly in narrative form and not backed up with quantitative data to provide a sense of the outcomes.
- 4) A number of support initiatives have been undertaken during the period - awareness campaigns, training activities, mayoral imbizos, budget provision for the development of a heritage site, and building collaborative relationships.
- 5) The impact of the collaborative relationship between government and the institution of traditional leaders on the traditional communities is not adequately assessed or monitored in quantitative terms.
- 6) From 2015, critical initiative prioritised by provincial and local government is issue of Illegal Initiation Schools.
- 7) Gauteng cannot function effectively and optimally with two systems of governance alongside each other - requiring a subtle modernisation of traditional communities within the context of the TMR and the vision of an integrated GCR.

Moving forward, to realise **the subtle modernisation of traditional communities within the context of the TMR and the vision of an integrated GCR**:

- 1) Ensure active participation and collaborative buy-in by Traditional Leaders into both the planning process and the outcomes defined in local government plans.

DISASTER MANAGEMENT

- 1) All metros and district municipalities in Gauteng are deemed to have the structures and plans in place to be ready to mitigate the risks of disasters.
- 2) However, a number of structural and systemic challenges impact on the effective functioning of the Disaster Management Centres, which need to be addressed.
- 3) Dedicated capacity for disaster management is required.
- 4) The Disaster Management Amendment Act promulgated in 2015, specified further fundamental minimum requirements at local government level, in order to be deemed ready and able to deal with and mitigate disasters. Compliance in this regard is a critical issue going forward.
- 5) The provincial DMC needs to be positioned and mandated to ensure compliance with legislative requirements throughout the province.

Moving forward, to ensure the establishment of **minimum disaster management and response capacity levels within municipalities**, compliant with legislative requirements:

- 1) Review the institutional form and positioning of the Provincial Disaster Management Centre to enable the effective functioning of the Centre and ensure the appointment of dedicated resources to drive the implementation of disaster management; and
- 2) Develop and implement a disaster management strategy - to develop minimum capacity levels in municipalities and sector departments in compliance with the amended legal requirements.

PLANNING, PERFORMANCE MONITORING AND EVALUATION

- 1) The Gauteng Spatial Development Framework is currently being revised, but there continues to be some incoherence in spatial development planning across the GCR.
- 2) The differentiated approach of corridor development across the GCR is not yet fully aligned with municipal spatial development objectives.
- 3) Roles of the different actors (across spheres) in the planning space needs to be addressed.
- 4) The Built Environment Performance Plan (BEPP) enables consolidation of grant funding to match a more integrated approach to planning and the implementation of projects. However, metros are not yet optimising the use of BEPP.
- 5) Misalignment continues in planning, monitoring and evaluation cycles of the spheres of government, e.g. Municipal IDPs are finalised in November and cannot be changed without repeating the lengthy public participation process or undermining their credibility.

- a) Municipalities can only accommodate strategic priority shifts from Province (Feb) in the following year's municipal planning cycle.
 - b) Ideally, Province should inform municipalities of priority shifts by December of each year, to ensure that municipalities can still attempt to align priorities before IDPs are approved.
- 6) Alignment to critical national and provincial policy imperatives are often introduced in narrative, but are not clearly reflected in performance metrics.
 - 7) There is a need to review the local government data set and performance metrics to ensure alignment with the GCR and TMR priorities and focus areas.
 - 8) Apparent lack of a Gauteng-wide local government performance management framework (e.g. a results matrix) - different municipalities use different indicators and targets for the same / similar issue, and reporting not consistent from year to year or over different periods.
 - 9) There is evident improvement in the level of compliance and the quality of content in the IDPs over the period. However, a key gap is that baseline information is not always captured, making it difficult to assess progress over a 5 year term.
 - 10) Progress towards SMART indicators and results based principles, but there is scope for further improvement (e.g. inclusion of technical indicator descriptions).
 - 11) Indicators used for KPA's have not been consistent, which limits meaningful evaluation and assessment of progress from one period to the next.
 - 12) From year to year, instances where outputs in IDP's and SDBIP's are not reported in corresponding quarterly or annual reports.
 - 13) Data reported for the KPIs does not always reflect accurate baselines and targets (quarterly and annual targets).
 - 14) Predetermined reporting formats and templates are not always comprehensively completed or are interpreted differently by different municipalities.
 - 15) In some instances, municipalities overwrite updated information into previous period reports, leading to errors and instances where previous information is left unchanged. This brings into question the reliability and/or integrity of the whole performance report.
 - 16) In some instances, actual performance is reported but the target not is indicated in the report, making it difficult to assess performance.
 - 17) At the provincial level, it seems that there is inadequate infrastructure, such as document management systems or a provincial-wide database, to both safeguard data, as well as enhance the monitoring capacity of the province.

Moving forward, to **further strengthen spatial development and long term planning and realise one developmental vision of the Gauteng City Region:**

- 1) Ensure long term growth and development strategies of the municipalities are aligned to the Gauteng Spatial Development Perspective - 2030, and the long term Infrastructure Master Plan; and reflect GCR wide consideration and alignment; and

- 2) Development and implementation of a GCR response to the Spatial Planning and Land Use Management Act and its regulations. This should include the revisiting of the powers and functions whether or not the devolution of key built environment functions occurs.

Moving forward, to **enhance the planning and budgeting discipline at both provincial and local level:**

- 1) Enhance municipal planning, budgeting and target setting at all planning levels and ensure relevance to beneficiaries or communities and value for money is prioritised; and
- 2) Assess the service delivery plans of both spheres of government, including the SOE's operating in the Province, to ensure their alignment to the TMR agenda and to municipal IDPs.

Moving forward, to **strengthen the quality, accuracy and useability of performance information** at both provincial and local level:

- 1) Put in place processes, systems and interventions to strengthen performance information; and
- 2) Establish both integrated and municipal repositories and data mining approaches.

CHAPTER 5

SYNTHESIS OF THE OBSERVATIONS AND FINDINGS OF THE REVIEW

While the review has presented successes generally under the focus areas of each KPA above, chapter 5 of the main report presents notable numerous achievements over the period for each municipality, not reflected here.

The Review has also highlighted certain good practices that, moving forward, might be replicated across other municipalities, notably:

Accessing mandatory and discretionary grants - Midvaal LM, Randfontein LM and Lesedi LM improved their claiming of discretionary grants from the LGSETA, with levies received at levels above 60%.

Centre of Excellence Model for Scarce Skills – the concept of an Engineering Centre of Excellence (ECoE) was adopted by COJ, to better manage professional/ technical skills in the city. The concept has potential for duplication in other municipalities or at a provincial level.

Tackling the challenge of electricity for lighting in informal settlements – EMM installed 7,243 portable photovoltaic solar lights in households in informal settlements. Municipalities might similarly invest in projects in informal settlements that do not have short-medium term upgrade / relocation plans.

Managing the accuracy and enhancing the credibility of indigent registers – Merafong LM contracted 28 ward based community workers to assist with the identification and verification of indigent household applicants, thus facilitating the provision of FBS to 7,109 registered indigent households. This approach might be further adopted and feed into a centralised indigent register for the Province.

A targeted approach to the provision of free basic services – municipalities have progressively moved away from providing free basic services to all consumers towards an approach targeting indigent households. As at 2015, all indigent households identified were provided with free basic electricity. The opportunity should be explored to expand access by all indigent households for water, sanitation and waste removal.

Enhancing eco-mobility, the promotion of healthy lifestyles – the COJ ‘complete’ streets programme, the eco-mobility approaches of the COT and the non-motorised transport programme of the EMM are noted.

Bus Rapid Transport (BRT) Systems – pioneered by the COJ in the second term, the three metros all have BRT systems in place, with growing networks contributing to the spatial transformation of the cities. Once integrated across the cities and expanded, the BRT systems will contribute to a seamless Gauteng City Region.

EMM “Mintirho Ya Vulavula” Community Economic Transformation Package – a ring-fenced procurement budget to create procurement opportunities from prequalified businesses. Of note is the R1m per ward for the Lungile Mtshali Community Development Programme (targeting community businesses in 101 wards and involving councillors in the process).

COJ “Jozi@Work Programme” – a co-production programme, as a “hand up” and not “hand out” initiative; with work packages valued at just over R1bn - to create an opportunity for communities to partner with the City in the delivery of municipal services in their own neighbourhoods.

COJ Cooperation agreement with Standard Bank SA for R250M SMME Working Capital Fund - to meet the funding requirements of the city’s service providers, in line with an enhanced focus on SMME development in the city.

COT Wi-Fi rollout - treating free Wi-Fi access as a basic municipal service, in the same category as water and electricity. In collaboration with Project Isizwe, long-term plan to provide free Wi-Fi to all government and educational institutions by 2016 for the purposes of education and economic upliftment.

Implementation of the Separation of Powers and Functions governance model by metros – assessments at COJ and EMM have been conducted and findings for enhancements are available, and the model should be rolled out to both districts and local municipalities early in the next term.

Gauteng Ntirhisano Service Delivery outreach programme - strengthening collaboration between government and its partners to accelerate service delivery and build a visible, activist and responsive government. Continued and enhanced rollout must be a priority, supported by an integrated “case management” system.

Financing a low carbon economy, the COJ Green Bond – as a funding source to improve and expedite the implementation of the COJ climate change mitigation strategy. The model should be considered for other municipalities.

Reducing the cost of rates and services to poorer households – the EMM has in place the most progressive municipal bill rated as most affordable (of all metros in the country) to lower income households. A Gauteng-wide rates policy guiding the implementation of progressive municipal rates policies is required to enable fairness and equity across the GCR, and the EMM approach might be considered.

Reducing the burden of borrowing on residents – the COJ and EMM have attained best in class credit ratings and are thus firmly placed to raise debt at favourable rates; putting less onerous debt repayment costs on residents and allowing them to leverage borrowing to finance their capital programmes. Prudent financial management, driving operational surpluses and effective cash management and high quality service delivery are the enablers of improved credit ratings.

The chapter then presents an analysis of the key findings and observations of the Review, as a foregrounding to the recommendations and considerations moving into the next term, then presented in chapter 6.

CHAPTER 6

RECOMMENDATIONS AND ACTIONS / CONSIDERATIONS ARISING FROM THE REVIEW

The recommendations and/or considerations are in full alignment to the Gauteng TMR agenda and the B2B Phase 2 implementation plan, and are presented at three levels.

Note: *In the main report, each recommendation is then unpacked to reflect actions and/or areas requiring attention at two levels, namely:*

- 1) Requiring attention and/or action by Gauteng COGTA at provincial level; and
- 2) Requiring attention and/or action by the municipalities themselves.

It is further noted that in both instances, local government does not and cannot operate in isolation, and that in order for local government to work effectively and efficiently, all other sectors and spheres must enhance their partnership with local government and improve on their role in relation to the local developmental space.

RECOMMENDATIONS REQUIRING A POLICY DECISION AND/OR RESPONSE:

- 1) To give effect to the GCR through a sustainable approach to implementing a metropolitan system of government:
 - a) Investigate alternative form of municipality - a hybrid form in the short term - with a view to full metro development as the TMR corridor developments take effect and better link the economic nodes of the individual municipalities of the GCR.
 - b) A policy decision on the role and/ or future of district municipalities is urgent (until a wall-to-wall metropolitan system is in place); as this category of municipality, in its current form, is not financially viable nor value-adding in the two-tier municipal system. Consider the delegation of bulk engineering and other shared services to the Gauteng DM's.
 - c) Careful consideration needs to be given to ensuring the viability of the amalgamation of poorer, more rural municipalities with urban municipalities, based on the learnings of the merger between the City of Tshwane and Metsweding DM and its local constituencies:

Specifically, a policy approach is required for the amalgamated municipality to be provided with both transitional funding and long term financial backing, until the merged entity has been stabilised.

Develop and implement province-wide change management and culture transformation frameworks and processes to support future mergers.

Note: *The immediate priority is to support the pending merger of Randfontein LM and Westonaria LM.*

- 1) To allocate of powers and functions to the sphere of government best placed to deliver on a service in support of the GCR:
 - a) Actively advocate for the devolution and/or assignment of some, if not all, of the built environment functions to metropolitan municipalities, but assess the capability of district and local municipalities as possible executors of these functions as well.

- b) Conduct an in-depth analysis of the impact of the devolution of each function in each municipality preceding the takeover of such functions. It is imperative to assess the financial and fiscal implications of prospective functions including: capital grant allocations, operational funding, transfer of immovable and moveable assets, possible transfer of staff, and transfer of project and contractual obligations.
 - c) As transport is a shared competence of all spheres of government, a policy framework must be developed to determine powers and functions and governance structures for a transport authority that has full responsibility for planning and operational control of public transport in the Province.
 - a) In addition, the metros may also establish a fully-fledged Transport Authority (TA), and this must be considered.
- 1) To develop a sustainable response to inequality and to address in-migration and urbanisation:
 - a) Develop a policy stance on in-migration and urbanisation - that addresses the pre-arrival of migrants as a means to encourage the right mix of migrants, and the post-arrival of migrants to facilitate their integration into society and the social system – review the Urban Development Framework.
 - b) Consider initiating a process for a review of the Prevention of Illegal Eviction Act (No.19 of 1998) to better support the formalisation processes and to curb the establishment of new informal settlements.
 - c) Ensure the findings and recommendations of the task team on inequality in the GCR, led by the Executive Mayor of Johannesburg, find expression in the strategic posture of COGTA and the municipalities moving into the next term.
 - 2) To assess the equitable share allocations as a basis to engage with national government and to support decision making:
 - a) Gauteng COGTA to work in partnership with the SACN and the work of the Treasury Cities Support Programme, towards a better understanding and response to the impact of the current fiscal policy pertaining to the equitable share on local government.
 - b) Work with the GCRO to develop a plan to generate annual census data for updating of a centralised, consolidated, indigent register as input to the treasury process for determining the equitable share. To drive the policy approach at directing the provision of FBS's to indigent households.
 - c) Investigate the extent to which the revised equitable share, to take full effect in 2017/18, will benefit the municipalities; and whether the revised ES formula will adequately respond to the expenditure needs of municipalities, as informed by the regional demographic and socio-economic factors.
 - d) Ensure a clear understanding of the revised equitable share allocations and the implications to support policy and decision making.
 - e) To ensure progressive property and services tariff structures that enhance consumer affordability and improve collection rates:

Develop and implement a GCR policy on progressive rates and service tariffs that are biased towards the poor, against which municipalities can benchmark themselves and move towards charging more standardised rates and service charges across the GCR.

Make provision for the competitive advantage of each region (e.g. EMM - more commercial as manufacturing hub, the west – agriculture and agro-processing, etc.).

Ensure tariffs are cost reflective and support the long term sustainability of the municipalities.

- f) Implement a consistent and legally compliant annual valuation roll policy approach to ensure revised rates policies are promulgated and enforced on time each year.
- 3) To enhance the financial viability of municipalities:
- a) Finalise and rollout a financial viability policy and procedures framework, which includes indicators and norms and standards for managing the financial viability of municipalities and support requirements from stakeholders.
 - b) This should be supported, in the short term, by a mitigation plan to address the issues of financial viability – urgently address the low levels of liquidity and progressive depletion of the net asset base in at least five municipalities.
 - c) Develop and implement a policy on financial leveraging, which includes benchmarks in terms of the extent to which municipalities should be leveraging their assets base to borrow - to assist in reducing the burden on the fiscus through borrowing and the use of internally generated funds to finance capital programmes.
 - d) Develop a provincial policy response and monitor implementation of the differentiated approach to the allocation of infrastructure grants to the different categories of municipality.
- 4) To ensure alignment with key international protocols and conventions:
- a) Ensure that the local government strategic posture aligns to the work of the GCR SDG Steering Committee, and that the GCR SDG Indicator Framework is incorporated into the Growth and Development strategies and the aligned IDP's of municipalities.
 - b) Ensure that the objectives of the Africa 2063 Agenda finds expression in the strategic posture of COGTA and the municipalities into the next term. This will be achieved through the effective cascading of the GCR International Relations strategy to local government level.

RECOMMENDATIONS TO STRENGTHEN GCR AND INTERGOVERNMENTAL ALIGNMENT, INTEGRATION AND COORDINATION:

- 1) To further strengthen spatial development and long term planning so as to realise one developmental vision for the Gauteng City Region:
- a) Ensure that the long term growth and development strategies of all municipalities are aligned to the Gauteng Spatial Development Perspective, 2030 and long term Infrastructure Master Plan.
 - b) Develop and roll out a GCR Implementation Plan to give effect to the Spatial Planning and Land Use Management Act and its regulations, taking into account the Constitutional Court judgment on the Development Facilitation Act (DFA).
 - c) This should include the revisiting of powers and functions of local government related to the built environment and identify the response required, whether or not devolution occurs.
 - d) Ensure all municipalities have integrated human settlements plans in place by 2017 – aligned to the mega city approach.
 - e) The GCR Economic Plan (aligned to the SONA 9 point plan) needs to be cascaded to local level – set priorities

around the competitive areas of trade, innovation, talent, infrastructure and governance; and in line with the five development corridors of the TMR.

- f) Strengthen vertical and horizontal economic linkages within and across municipal jurisdictions - and at intergovernmental level - linked to the comparative advantage of the various localities.
 - g) Undertake a mapping and scoping exercise of all LED opportunities and activities throughout the province, to identify which programmes might be implemented, where and at what scale and scope.
 - h) Support efforts by municipalities to reduce the time taken to approve development applications and to ensure the alignment of various laws and by-laws to the TMR agenda.
- 2) To support the institutionalisation of the GCR through a GCR aligned and integrated system of intergovernmental relations:
- a) Support efforts to introduce provincial protocol's or legislation that will give real authority to GCR institutions such as the expanded Gauteng Premiers Coordinating Forum (PCF), Gauteng Planning entity, Transport Authority, Infrastructure Coordinating Commission, e-Governance Committee, Aerotropolis Steering Committee, Energy Commission and other coordinating structures.

Develop and implement local government IGR strategies to support institutional coherence in the GCR, based on the Gauteng policy intent to move IGR in Gauteng from a voluntary association to one that compels support for and implementation of GCR-related resolutions.

Participation in and support for mechanisms such as a proposed expanded technical PCF and extended Technical Cluster and HOD / MM forum.

- b) Support the provincial government with the finalisation of the delegation of powers and functions required for an integrated and joined up approach to giving effect to the GCR.
 - c) Ensure that appropriate coordination and oversight forums exist to coordinate transport and other infrastructure planning and implementation across the GCR.
- 3) To determine a best practice service delivery model for metros, districts and local's in support of the GCR:
- a) An in-depth investigation into a good practice service delivery model for metropolitan municipalities is required, towards the development of an approach to support the metro system of government in the GCR.
 - b) Initiate a process aimed at defining the roles and responsibilities of District and Local Municipalities in the context of the GCR.
 - c) Strengthen the role of district municipalities with a view to expanding their current value add, notwithstanding a policy decision on the future of DM's - ensure line of sight between service delivery indicators and district level accountability.
 - d) Conduct a feasibility study on adopting a shared services approach to service delivery across the GCR.
- 4) To effect a subtle modernisation of traditional communities within the context of the GCR and the TMR imperatives:
- a) Seek an improved level of collaboration with Traditional Leaders and their integration into the GCR governance system; and their active participation and buy-in into both the planning process and the outcomes defined in local government plans.

RECOMMENDATIONS TO STRENGTHEN OPERATIONAL EFFICIENCIES AND/OR ADMINISTRATIVE PROCESSES AND SYSTEMS:

- 1) To strengthen assurance and oversight structures to enable the achievement of clean audit outcomes by all Gauteng municipalities by 2017/18.
 - a) Institutionalise the separation of powers and functions model at all metros and roll out to other municipalities.
 - b) Strengthen the functionality and oversight capabilities of MPAC's:

Develop a tracking system to monitor the implementation of MPAC resolutions.

Provide targeted training of MPAC members to build their capacity for effective oversight and investigations capabilities.

- c) Evaluate the functionality and effectiveness of Internal Audit Units and Audit Committees of municipalities that have not achieved clean audit outcomes and ensure the processes are in place, at a municipal level, for robust monitoring and control of progress in addressing audit findings.
 - d) Assess municipal capacity and competency, particularly at the municipalities that received adverse audit outcomes, in the areas of accounting, SCM and investigations and support to close the competency gaps.
 - e) Establish a local government clean audit committee to share best practices of municipalities that achieved clean audit outcomes and to drive the implementation of audit action plans and compliance matters.
 - f) In partnership with municipalities, build ethics management capacity through a programme targeted at Ethics Officers and public representatives responsible for oversight.
 - g) Roll out the Local Government Management Improvement Model (LGMIM) after an evaluation of the 2015/16 pilot.
- 2) To strengthen the processes of participatory governance through a 'people and their concerns' first approach:
 - a) Prioritise the functionality of the 165 non-functional ward committees and sustain the functionality of all ward committees.
 - b) Modernise and standardise the approaches to public participation, including all structures, communication methods, relationships between role-players.
 - c) Develop a customised public participation approach for informal settlements.
 - d) Increase visibility and activism through enhanced rollout of the Ntirhisano Service Delivery Outreach Programme.
- 3) To strengthen access to the basket of free basic services by indigent households:
 - a) Establish consistency and coherence in the equitable provision of the free basic services basket across the GCR.
 - b) Review and update indigent registers - as the provision of free basic services has a direct impact on municipal financial viability. Develop a centralised province-wide indigent register.
 - c) Monitor the implementation of indigent registers closely, and update indigent registers as input to the processes of determining the equitable share allocation.
 - d) Develop rates and services tariff structures that favour lower income bracket consumers.

- 4) To enhance the community experience of service delivery and implement modernised and digitised front and back-end systems to support service delivery:
 - a) Gauteng COGTA to continue to support the work of the Inter-Ministerial Task Team on basic services with National COGTA, Water and Sanitation and Human Settlements.
 - b) Implement a province-wide case management system to enable an improved response capability to community interactions - track, monitor, feedback and report on all matters raised by communities.
 - c) Implement a dynamic, ward based service delivery monitoring and tracking system that enables the coordination and communication of the activities of the three spheres of government.
 - d) Strengthen capacity to support communities in the fight against drug and substance abuse.
- 5) To ensure the establishment of minimum disaster management and response capacity levels within municipalities:
 - a) Implement a DM strategy to develop minimum capacity levels in municipalities and sector departments in compliance with the amended legal requirements.
- 6) To ensure a holistic response to infrastructure development and maintenance:
 - a) Implement an integrated multi-year infrastructure asset master plan which accounts for the status of current assets and planned repairs and maintenance.
 - b) Ensure municipal alignment with Treasury recommended minimum maintenance allocation of 10% of total Capex budget, and formally track municipal maintenance expenditure to ensure 100% utilisation.
 - c) Coordinate the sharing of expertise between the larger, more well-resourced cities and the resource-poor local municipalities.
- 7) To enhance LED, job creation and enterprise development and support:
 - a) Professionalise the LED discipline and strengthen LED capacity in Gauteng municipalities.
 - b) Define additional incentives and land use approaches that will support specific clusters and industries located in the TMR development corridors.
 - c) Consider ambitious LED programmes which can redefine the economic landscape of a municipality or region.
 - d) Undertake a comprehensive process to review the by-laws and regulations that govern trading in order to make it easier for small businesses and township enterprises to thrive in line with the Township Economy Strategy.
 - e) Define province-wide enterprise development and support indicators that will measure sustainability and return on investment, in addition to the number of beneficiaries, Rand value of support and procurement spend.
 - f) Improve the facilitation of investment and partnerships in the implementation of LED plans.
 - g) Improve linkages with SEDA, SEFA, GEP and other development agencies.
- 8) To strengthen financial viability and management:
 - a) Strengthen the application of multi-year planning and budgeting principles – especially at DM and LM level.

- b) Ensure budgets reflect realistically anticipated revenue, and revise tariffs to ensure they are cost reflective.
 - c) Ensure procurement plans are aligned to cash flow management realities.
 - d) Improve revenue management by ensuring that all consumers have water and electricity meters.
 - e) Manage revenue losses due to unaccounted for water and electricity within acceptable norms and standards (for technical and non-technical losses).
 - f) Ensure optimal financial gearing for borrowing to support capital development.
 - g) Implement a consistent and comprehensive approach to collections and debt management across all categories of municipalities in the GCR.
 - h) Implement tariffs, taxes and incentives to support energy efficiency and a green, clean environment (in support of climate change adaptation and a liveable GCR).
 - i) Ensure well managed systems and processes for collection of existing 'other' revenue (fines, rentals, licences, permits, etc.)
 - j) Implement and closely monitor cost containment and waste elimination measures.
- 9) To strengthen the quality, accuracy and useability of performance information at both provincial and local level:
- a) Reposition and strengthen the capacity of Gauteng COGTA to effectively support and oversee municipal performance in driving the achievement of the TMR.
 - b) Enhance municipal planning, budgeting and target setting at all planning levels, to ensure higher order targets and indicators and to ensure that relevance to beneficiaries or communities and value for money is prioritised.
 - c) Support municipalities with processes and capacity to enhance and strengthen the culture of monitoring and evaluation and reporting.
 - d) Strengthen monitoring and evaluation capacity - to enable disciplined, consistent, accurate and complete reporting on province-wide agreed indicators and standards.
 - e) Strengthen the coordination, monitoring, reporting and oversight of the mainstreaming of GEYODI across all TMR aligned programmes.
 - f) Establish both integrated and municipal repositories and data mining approaches, including a Provincial knowledge repository of best practice in the local government space.
- 10) To drive the professionalisation of local government to ensure effective service delivery:
- a) Champion for a final decision on the approach to the separation of the political / administrative nexus at local government level, in light of High Court ruling.
 - b) Implement a Transversal Human Capital Management and Development Strategy in support of the TMR-informing targeted Province-wide HR interventions.
 - c) Strengthen the institutional leadership and staff capacity available to municipalities, particularly in areas of critical skills shortages. Partner with GCRA in this regard.

- d) Build an ethical and values driven Public Service that holds integrity, honour and service as its key principles.
- e) Conduct a study to review effectiveness of service delivery models and institutional arrangements of municipalities.
- f) Develop and implement province wide change management and culture transformation frameworks and processes in support of future mergers.

CHAPTER 7: CONCLUSION

Chapter 7 then concludes the report, and thanks every person who participated in the Review and so willingly gave of their time to support its successful conclusion.



CHAPTER 1

INTRODUCTION, CONTEXT, SCOPE AND
APPROACH TO THE REVIEW

CHAPTER 1

Introduction, Context, Scope and Approach to the Review

1.1 INTRODUCTION AND CONTEXT TO THE REVIEW

South Africa is governed by a constitutional democracy that combines elements of a federal and unitary system of governance, designed to effectively deal with the legacies of Apartheid and to enable the transformation of government and the creation of a more just and equitable society. Local government is increasingly recognised and acknowledged as the appropriate sphere for more effective and efficient interventions to transform the spatial legacy and current form of towns and cities, and to deliver effective service.

As the supreme law of the Republic of South Africa, the Constitution¹ lays the foundation for the intergovernmental governance and fiscal system, stating that 'government is constituted as national, provincial and local spheres of government', distinctive and yet also interdependent and interrelated; and enjoining the three spheres of government to 'cooperate with one another in mutual trust and good faith'. This cooperative relationship between the spheres of government requires a clear understanding of each sphere's powers and functions, so that one sphere 'does not encroach on the geographical, functional or institutional integrity of government in another sphere'.

The powers and functions of municipalities are listed in Section 156 of the Constitution, which states that national and provincial governments must assign the administration of functions to a municipality if 'that matter would most effectively be administered locally' and 'the municipality has the capacity to administer it'. Sections 9 and 10 of the Municipal Systems Act² then outline the processes to ensure that sufficient funding and capacity building initiatives are made available to local government when a function is assigned.

The Constitution intends that cooperation and sound relations between the spheres of government are maintained and facilitated through a number of intergovernmental structures. These institutions exist primarily within the executive or implementing branches of government, in line with the Intergovernmental Relations Framework Act, which establishes mechanisms and processes relating to intergovernmental relations.

The Constitution envisages a local government capable of playing a developmental and transformative role, through enhanced cooperative governance and participatory democracy, with the constitutional mandate of Local Government summarised as:

- 1) Providing democratic and accountable local government;
- 2) Ensuring sustainable provision of services to communities;
- 3) Promoting social and economic development;
- 4) Promoting a safe and healthy environment; and
- 5) Ensuring community participation in local government matters.

While local government in South Africa operates in a challenging and complex environment - with citizens understandably demanding quality services, value for money and social justice - it is clear that since the advent of democracy in 1994, government has succeeded in massively expanding access to basic services and that South Africa is indeed a better place to live in now than it was then. However, it is equally recognised that many challenges remain and that government must

¹ *The Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996)*

² *The Municipal Systems Act (Act No. 32 of 2000, as amended)*

radically and fundamentally change its approach if the dream of a “better life for all” is to be achieved³.

The National Development Plan, Vision 2030 (2012) (NDP) (while emerging later in the period of this Review), serves as the policy roadmap for South Africa and envisions that by 2030 South Africa will have a developmental local state that is accountable, focused on citizen’s priorities and capable of delivering high quality services consistently⁴. In fact, the NDP places local government at the forefront of participatory democracy and service delivery - involving citizens meaningfully in governance and development; being responsive to citizens’ priorities; and requiring skilled, competent and committed capacity that is able to deliver accessible and quality services, cost effectively.

The NDP cautions, however, that to achieve a transformed and effective local government system, this must be consciously built and sustained and will require strong leadership through a clear and consistent long term policy and strategy approach. In addition to ensuring universal access to services, the challenge is to improve the quality and consistency of such services, which will require improvements in the performance of the public service, municipalities and service providers collectively. Monitoring and evaluation is thus a critical undertaking.

The NDP further recognises that each municipality is unique in terms of its socio-economic, cultural and political environment and that the uneven capacity of local government is a major constraint to effective and efficient service delivery. Measures to address weaknesses in local government have to take account of these variations and the intergovernmental system needs to be managed proactively, so as to provide differentiated support to address the specific needs of individual municipalities. A balance must be struck between proactive centralised support offered to municipalities, while respecting the competence, autonomy and local accountability of municipalities⁵.

The National and provincial departments of Cooperative Governance and Traditional Affairs (COGTA) are then mandated to improve their targeted oversight and the support they provide to municipalities, as they fulfil their mandate in terms of the following legislation:

Table 1: COGTA mandate for local government performance oversight

Section 154 of the Constitution	Enjoins national and provincial government to support and strengthen the capacity of municipalities to manage their own affairs, exercise their powers and perform their functions.
Section 105 of the Municipal Systems Act	Mandates the Provincial MEC for Local Government to put in place mechanisms, processes and procedures to monitor municipalities.
Section 47 of the Municipal Systems Act	Obligates the Provincial MEC for Local Government to report on the performance of municipalities.

In turn, the Gauteng Department of Cooperative Governance and Traditional Affairs (Gauteng COGTA) is responsible for monitoring and supporting local government and promoting the development of local government capacity in the Province, so as to enable the municipalities to efficiently and effectively perform their functions and manage their affairs.

1.2 OBJECTIVE AND APPROACH OF THE REVIEW

In line with its mandate and in the interest of enhanced accountability and transparency, the Gauteng COGTA, in November 2015, commissioned a retrospective 15 year review for consolidation into a report titled: *“A 15 year Review of Democratic and Developmental Local Government: Overview of Local Government Performance in Gauteng”*. The 15 year review considers the period 2000/01 to 2015/16, which marks the final year of the 2011–2016 local government term.

³ *Gauteng Provincial Government, Gauteng: A better place to live: Review of 20 years of democracy 1994–2014, 2014*

⁴ *The Presidency, National Development Plan - Chapter 13, November 2011, adopted by Cabinet September 2012*

⁵ *The Presidency, National Development Plan - Chapter 13, November 2011, adopted by Cabinet September 2012*

The review therefore covers three 5 year terms of democratic local government in Gauteng since 2000/01, when the Municipal Systems Act (Act 32 of 2000, as amended) formalised the recommendations of the 1998 White Paper on Local Government and constituted the current system of local government in South Africa. The 2011-2016 term is also, importantly, the first full 5 year cycle of local government alignment to the Outcomes-Based Planning Approach which was adopted by Cabinet in 2010.

The broad themes for each of the three terms are defined in the NDP and in the local government strategic frameworks for each term, as follows:

- 1) Electoral Period 2000 to 2005:** Establishment and consolidation of democratic and developmental local government;
- 2) Electoral Period 2006 to 2010:** Building the sustainability of democratic and developmental local government;
- 3) Electoral Period 2011 to 2016:** Consolidating the transformation and sustainability of local government and accelerating access of basic services to the poor.

Through the Review, Gauteng COGTA sought to take stock of how local government in Gauteng has performed over the past fifteen years in relation to its constitutional mandate and the evolving policy and strategic framework over the period. The Review seeks to document key achievements and challenges in local government performance in the Province over the period, and to highlight best practice approaches as well as common bottlenecks that might be mitigated; so as to inform targeted and meaningful interventions to local government structures moving into the 2016–2021 local government term.

The overall objective of the 15 year review is, therefore, to provide COGTA and key stakeholders with an evidence-based and independent assessment of the key trends, challenges, successes and best practices over the last fifteen years of democratic and developmental local government in Gauteng. The review seeks to identify policy issues affecting local government that require engagement as part of an ongoing policy discourse, not only in the Gauteng Province, but also throughout the country.

In this regard, the review seeks to maintain a balance, in that:

- 1) It does not attempt to be a review of the Gauteng City Region (GCR) over the period, as it is framed by the mandate of COGTA and therefore limits its focus to the performance of one sphere of government. However, the Review attempts to contextualise local government as one of the key actors in the GCR;
- 2) It does not attempt to be a review of the Transformation, Modernisation and Reindustrialisation (TMR) agenda, as this emerged late in the period (2014) and began to reflect in local government plans from 2015. However, the Review is contextualised against the TMR and alignment is considered throughout, and the TMR is positioned as the critical consideration moving forward;
- 3) It does not attempt to be a review of Gauteng COGTA departmental performance over the period, as this data is presented in National and Gauteng Provincial Government performance reviews; and
- 4) It does not attempt to provide detailed individual performance reviews of the twelve municipalities, as these are contained in their own annual reports and term reviews published over the period.

Rather the Review seeks to present a consolidated and synthesised narrative of local government performance and strategic alignment over the period; which might then set the tone for the strategic posture of local government in Gauteng for the upcoming term, aligned to the key medium and long term planning priorities of the Gauteng Provincial Government in support of the development of the Gauteng City Region.

The Terms of Reference commissioning the review stated that the review should constitute a primarily desk based analysis of all available data and reports, with opportunity for validation of report findings with key external stakeholders later in the process, but constituting less than 5% of the total process time allocation. The review should culminate in a Review Report (Review) that addresses the following requirements, and hence inform the content of this report:

- 1) Provide an evidence-based reflection on the performance of the Gauteng municipalities for the fifteen years (2000/01 to date 2015/16), including strategic issues, challenges and constraints that have impacted on the performance of local government in Gauteng;
- 2) Determine whether Gauteng local government has performed within the context of the Gauteng City Region (GCR) and geared itself for realisation of the GCR model of governance;
- 3) Document key achievements, lessons learnt and best practices, as well as key bottlenecks and challenges facing Gauteng municipalities; and
- 4) Make key recommendations to inform the local government agenda and the support interventions for the next term of local government in Gauteng (2016–2021).

The project inception meeting, held on 17 November 2015, agreed that the Review would employ a combination of descriptive and explanatory methods, using primarily document analysis and a literature review of secondary sources, such as policy papers, reviews, reports and articles, to generate the data.

It is further agreed that once a solid first draft of the Review was in place, working sessions with certain key stakeholders would be convened to engage on and deepen the findings and recommendations of the Review, to be included in the final draft of the Review to be produced in June 2016. In this regard, this Review is intended more as a period-focused review, looking broadly at key themes, successes and challenges within local government from 2000/01 to 2015/16, which may or may not be linked to stated strategy.

It does not attempt to be a summative or programme evaluation or impact assessment and does not attempt to critique the IDPs or performance reports of individual municipalities. It rather seeks to draw out key information towards gaining an overall comparative sense of the performance of the municipalities collectively – with a specific focus on identifying challenges, bottlenecks, best practices or key learnings that might inform recommendations for future strengthening. In other words, the value of this Review lies more in its analytical value - how data and information from a wide variety of sources and periods is brought together and synthesised under key themes and trends - rather than in it attempting to be a repository of data or cover every issue, programme or performance area in detail.

While the Review has attempted to reflect on the latest and most up-to-date information available, a cut-off point was inevitable. For municipal data, the last audited municipal annual reports (2014/15) were used, although as quarterly reports for 2015/16 became available, these reports were used to gain a sense (unaudited) of trends and to strengthen the narrative on performance.

The municipal data is then strengthened by numerous credible secondary data sources as cited throughout the document (including StatsSA, SACN, SALGA, Municipal IQ, GCRO, COGTA, and others). In line with the timing of the Review, statistical releases for 2015, primarily the StatsSA GHS 2015 (2 June 2016) and the GCRO QOL Survey 2015 (28 June 2016) have been used. The release of the StatsSA Community Survey 2016 (30 June 2016) was too late for full inclusion in the Review, however, where relevant, key statistics have been highlighted.

1.3 SCOPE AND SOURCES OF CONTENT FOR THE REVIEW

Local government planning is influenced by the programme of action established by provincial government, which in turn is aligned to the National Medium Term Strategic Framework (MTSF) for a five year period, which itself is aligned to the longer term planning trajectory of the country, recently in the form of the NDP Vision 2030.

In Gauteng specifically, the Gauteng City Region (GCR) perspective (2008/09) and the Ten-Pillars of the Transformation, Modernisation and Reindustrialisation (TMR) agenda (2014) are the key strategic policy initiatives of the province – the non-negotiables of strategic alignment for all of government in Gauteng. The TMR has, however, only come about since 2014 and the Review therefore also considers the key planning alignment and priorities influencing local government in Gauteng in earlier periods – in other words, the evolution of the strategic framework over fifteen years.

Furthermore, the scope of the 15 year review necessarily considers the constituent municipalities in Gauteng. At the beginning of the period of the Review in 2000 and in terms of the new system of metropolitan, district and local municipalities, the number of municipalities in the Province was reduced from 51 to 15. The period to 2011 then saw further adjustments through changes in demarcations and municipality mergers, notably:

Note: *The specific experience related to the mergers will be discussed in later chapters of the Review. They are only introduced here in framing the scope of the Review.*

Merafong was transferred to the North West Province in 2005, following the abolition of cross-border municipalities. The municipality was part of the North West Province until 2009, when it was reincorporated into Gauteng following protests in Khutsong.

The Metsweding District Municipality and its two Local Municipalities, Kungwini and Nokeng tsa Taemane, were disestablished and amalgamated into the Tshwane Metropolitan Municipality in 2011.

This results in the current twelve municipalities in 2016, as reflected in the following figure:





Figure 1: Geographical view of the Gauteng municipalities




As a baseline to the Review on performance, the following table reflects the key demographic profile of the twelve Gauteng municipalities (source: 2001 and 2011 Census data⁶ for consistency, with secondary sources where applicable⁷); with Gauteng Province demographic data presented by way of comparison:

⁶ Statistics South Africa, *Census 2001 and 2011 Municipal Fact Sheets*, accessed from www.statssa.gov.za
⁷ Localgovernment.co.za, *Local Government Handbook*, 2015

Table 2: Key demographic data of the municipalities in Gauteng, with Gauteng as comparison

	Gauteng Province (GP)			3 Metropolitan (Category A) Municipalities (2015/16)			2 District (Category C) and 7 Local (Category B) Municipalities (2015/16)								
				Ekurhuleni Metropolitan Municipality (EMM)	City of Johannesburg Metropolitan Municipality (COJ)	City of Tshwane Metropolitan Municipality (COT)	Sedibeng District Municipality	Emfuleni Local Municipality	Lesedi Local Municipality	Midvaal Local Municipality	West Rand District Municipality	Merafong City Local Municipality	Mogale City Local Municipality	Randfontein Local Municipality	Westonaria Local Municipality
 Geographical Area	2001	17,010km ²	POPULATION	1 975km ²	1 645km ²	2 199km ²	4 173km ²	966km ²	1 484km ²	1 722km ²	4 087km ²	1 631km ²	1 342km ²	475km ²	640km ²
	2011	18,178km ² (1.4% of RSA landmass)	8,837,178	2,481,762	3,226,055	2,142,322	794 088	657 949	71 868	64 271	744 627	210 481	295 505	128 842	109 799
 Total Population	2001	(Approx. 19.2% of SA population)	12,272,263	3 178 470	4 434 827	2 921 488	916 484	721 663	99 520	95 301	820 995	197 520	362 422	149 286	111 767
	2011	(Approx. 23.6% of SA population)		4 05%	4.02%	3.57%	2.43%	1.93%	1.64%	3.72%	2.64%	0.07%	5.32%	3.58%	-1.03%
 Est. Growth Rate	2001	-		2.47%	3.18%	3.10%	1.43%	0.92%	3.26%	3.94%	0.98%	-0.64%	2.04%	1.47%	0.18%
	2011	1.90%													
 HOUSEHOLD PROFILE															
	2001	2,790,754		745 576	1,006,910	606 025	Not provided	186 926	18 467	19 573	Not provided	56 336	85 194	36 165	30 098
2011	3 909 022		1 015 465	1 434 856	911 536		279 768	267 397	29 668	29 965	267 397	117 373	43 299	40 101	

		2 District (Category C) and 7 Local (Category B) Municipalities (2015/16)											
		3 Metropolitan (Category A) Municipalities (2015/16)			2 District (Category C) and 7 Local (Category B) Municipalities (2015/16)								
		Ekurhuleni Metropolitan Municipality (EMM)	City of Johannesburg Metropolitan Municipality (COJ)	City of Tshwane Metropolitan Municipality (COT)	Sedibeng District Municipality	Emfuleni Local Municipality	Lesedi Local Municipality	Midvaal Local Municipality	West Rand District Municipality	Merareng City Local Municipality	Mogale City Local Municipality	Randfontein Local Municipality	Westonaria Local Municipality
		74.1%	77.40%	74.90%	Not provided	81.80%	79.40%	80.80%	Not provided	67.70%	69.30%	79.20%	42.90%
Formal Dwellings	2001	80.00%	81.40%	80.70%	84.80%	85.30%	85.50%	80.20%	72.70%	74.70%	73.50%	80.00%	59.00%
	2011	(Estimate number of informal settlements btwn 303 and 6251)											
Population Break Down	2001	Not provided	<14 - 22.70%	<14 - 24.60%	Not provided	<14 - 25.80%	<14 - 27.00%	<14 - 23.80%	Not provided	<14 - 22.40%	<14 - 23.90%	<14 - 25.00%	<14 - 22.70%
	2011	<15 - 43.20%	<14 - 23.20%	<14 - 23.20%	<15 - 25.40%	<14 - 25.60%	<14 - 26.0%	<14 - 23.2%	<14 - 24.10%	<14 - 24.10%	<14 - 23.70%	<14 - 24.90%	<14 - 24.50%
	EMPLOYMENT												
	2001	Not provided	No Education - 7.30%	No Education - 9.10%	Not provided	No Education - 9.60%	No Education - 16.80%	No Education - 11.60%	Not provided	No Education - 12.90%	No Education - 9.80%	No Education - 10.20%	No Education - 13.90%
Skills Profile (Age 20+)	2001	No Education - 8.40%	No Education - 3.60%	No Education - 4.20%	No Education - 4.50%	No Education - 4.0%	No Education - 7.40%	No Education - 5.20%	No Education - 5.20%	No Education - 6.50%	No Education - 4.70%	No Education - 4.00%	No Education - 6.20%
	2011	Matric - 28.00%	Matric - 34.70%	Matric - 34.00%	Matric - 32.00%	Matric - 32.40%	Matric - 28.40%	Matric - 30.10%	Matric - 30.10%	Matric - 26.30%	Matric 32.60%	Matric 32.10%	Matric 26.20%
		HE - 12.60%	HE - 19.20%	HE - 23.40%	HE - 13.00%	HE - 12.90%	HE - 11.20%	HE - 15.20%	HE - 10.80%	HE - 7.10%	HE - 14.10%	HE - 11.70%	HE - 5.30%

		2 District (Category C) and 7 Local (Category B) Municipalities (2015/16)																							
		3 Metropolitan (Category A) Municipalities (2015/16)					2 District (Category C) and 7 Local (Category B) Municipalities (2015/16)																		
		Gauteng Province (GP)		City of Johannesburg (COJ)		City of Tshwane Metropolitan Municipality (COT)		Sedibeng District Municipality		Emfuleni Local Municipality		Lesedi Local Municipality		Midvaal Local Municipality		West Rand District Municipality		Merafong City Local Municipality		Mogale City Local Municipality		Randfontein Local Municipality		Westonaria Local Municipality	
Unemployment Rate (Official)	2011	36.40%	25.80%	37.40%	25.00%	31.60%	24.20%	Not provided	47.20%	35.00%	22.80%	Not provided	28.10%	33.60%	36.10%	31.80%									
		2011	28.80%	37.40%	25.00%	24.20%	31.90%	34.70%	25.90%	18.80%	26.30%	27.20%	24.60%	27.10%	29.50%										
Gross Domestic Product Per Region (GDP-R)	2014	ECONOMIC PROFILE																							
		36% of the South African GDP	Approximately R254bn	Approximately R674.9bn	Approximately R151bn	Approximately R42.7bn	Approximately R19.0bn	Approximately R1.9bn	Approximately R3.8bn	Approx. 3.8% of Gauteng's GDP-R	Not provided	Approximately R12.5bn	Approximately R3.7bn	Not provided	Approximately R12.5bn	Approximately R3.7bn	Not provided								
Key Economic Sectors ²	2014	Contribution of circa 10% to the African GDP	Approx. 27% of Gauteng's GDP-R	Approx. 46% of Gauteng's GDP-R	Approx. 20% of Gauteng's GDP-R	Approx. 3.5% of Gauteng's GDP-R	Manufacturing (40.8%), community services (22.3%), finance (16%), trade (7.4%), transport (4.4%), construction (3.5%), electricity (3.3%)	Manufacturing (38.8%), community services (29.4%), financial services (18.6%)	Manufacturing (25.1%), community services (22.5%), finance (20.4%), trade (11.4%), transport (6.1%), electricity (5.7%), construction (5.7%), agriculture (2.6%)	Manufacturing (22%), mining (19%), community services (19%), finance (16%), trade (10%), transport (6%), construction (4%)	Not provided	Mining services, transport, energy, manufacturing, tourism, agriculture	Manufacturing, trade, government services, mining, agriculture	Not provided	Mining services, transport, energy, manufacturing, tourism, agriculture	Manufacturing, trade, government services, mining, agriculture	Not provided	Mining (50.7%), trade and business services (9.9%), community services (9.2%), general government (9.1%)	Mining (52%)						
		Gauteng dominates the South African economy in every major sector, except agriculture, mining and quarrying	Manufacturing (23%), finance and business services (22%), community services (19%), trade (15%), transport (11%), construction (5%), electricity (3%), mining (2%)	Finance and business services, community services, manufacturing, trade (collectively 82%)	Community services (34%), finance (25%), transport (12%), trade (10%), manufacturing (10%), construction (3%), mining (2%), electricity (2%), agriculture (1%)	Manufacturing (30.8%), government services (17.8%), business services (17.8%), trade (13.7%)	Manufacturing (40.8%), community services (22.3%), finance (16%), trade (7.4%), transport (4.4%), construction (3.5%), electricity (3.3%)	Manufacturing (38.8%), community services (29.4%), financial services (18.6%)	Manufacturing (25.1%), community services (22.5%), finance (20.4%), trade (11.4%), transport (6.1%), electricity (5.7%), construction (5.7%), agriculture (2.6%)	Manufacturing (22%), mining (19%), community services (19%), finance (16%), trade (10%), transport (6%), construction (4%)	Not provided	Mining services, transport, energy, manufacturing, tourism, agriculture	Manufacturing, trade, government services, mining, agriculture	Not provided	Mining services, transport, energy, manufacturing, tourism, agriculture	Manufacturing, trade, government services, mining, agriculture	Not provided	Mining (50.7%), trade and business services (9.9%), community services (9.2%), general government (9.1%)	Mining (52%)						

The above is intended as a baseline view only, as it informs the scope of the Review. More detailed discussion on specific performance trends will be presented in relevant chapters, as the Review seeks to draw out key information towards gaining an overall sense of comparative performance of the municipalities.

A further consideration was the sheer volume of data contained in the numerous performance reports of the municipalities over the fifteen year review period. Owing to the volume of data and information, the review sought to identify and discuss broad strategic areas or themes rather than attempting to discuss in detail programmes, projects or operations.

In this regard, the Municipal Planning and Performance Management Regulations (2001)⁸ defined five Key Performance Areas (KPA) for municipalities, as follows:

- 1) Institutional Transformation and Organisational Development;
- 2) Basic Service Delivery and Infrastructure;
- 3) Local Economic Development;
- 4) Good Governance and Public Participation; and
- 5) Municipal Financial Viability and Management.

These KPAs have formed the basis for strategic planning within local government over the period since 2000/01, through the municipal longer term strategies and the Municipal Integrated Development Plans (IDP) and aligned Service Delivery and Budget Implementation Plans (SDBIP) over the period. In addition, local government performance assessments have been consistently conducted by Gauteng COGTA against these five KPA's over the fifteen year period. In other words, these KPA's have informed the themes of both the 2000–2005 and 2006–2011 End of Term Reviews, as well as the 2014 Mid-term Review of Local Government in Gauteng, with the following term review reports available and forming part of the data source for this Review:

Gauteng Local Government Performance Review: Reflecting on the first five years of Democratic Local Government in Gauteng (2000-2005), February 2006;

Gauteng Local Government Midterm Performance Review Report (2006–2008), 2009;

Gauteng Local Government Performance Review: Reflecting on the 2006–2011 Term of Democratic Local Government in Gauteng, April 2011;

Gauteng Local Government Midterm Performance Review Report (2011-2016), June 2015.

It was therefore agreed with the Gauteng COGTA Project Team to use these same five KPA's to inform the thematic structure and content of this Review. As the quantum of performance data over the period was so large, the assessment sought to identify those focus areas under each of the five themes that have remained relatively constant over the fifteen year period. As in many instances the indicators under each KPA have shifted or changed over the fifteen years, the Review sought to identify themes and/or focus areas as opposed to specific indicators under each theme, and sought to highlight and discuss trends and highlights under these themes.

In addition to the above term reviews, this Review draws on a wide range of annual and performance reports and research publications available both within COGTA and the municipalities and developed by external experts and organisations over the fifteen year period. These sources are referenced throughout the review, where applicable.

⁸ Minister for Provincial and Local Government, *Local Government: Municipal Planning and Performance Management Regulations, 2001*

This Review is not intended to duplicate the review work previously done; and the approach is rather to reflect on the past findings, conclusions and recommendations stemming from the above review reports, which then define the starting point for the more detailed review of the current term (2011 to latest available audited data). In this regard, this Review does not replicate the data contained in these previous review reports, as they are available separately and, if necessary, detailed findings can be read in these specific reports.

The Review therefore draws heavily on the cumulative body of information produced through the regular reporting cycles of COGTA, but recognises that some of the data – particularly for the last year of the review Period (2015/16), will only be available after this review has concluded in June 2016.

There are, however, certain limitations and data issues arising from and impacting on the development of this Review that require highlighting, as follows:

1) It appears that there has not been a consistent Gauteng-wide (GCR aligned) approach to strategic planning in the local government space and/or the development of municipal IDP's over the period.

Immediately apparent from the review of performance reports, and more especially municipal annual reports, is the start / stop approach to planning reflected in the shifting quantum of performance metrics over the period. Both “result areas” and/or “objectives” and “performance indicators” appear and/or disappear between years or over the period. This may point to a weakness in planning processes generally, or an inconsistency in how the municipalities apply the standardised reporting templates (a technical weakness).

In some instances, key policy and strategic focus imperatives are not appropriately articulated or outlined in the strategic documentation of municipalities. In other instances, alignment to critical national and provincial policy imperatives are briefly introduced in narratives, but are not clearly reflected in performance metrics and data.

2) There appears to be a lack of a Gauteng-wide local government performance management framework (e.g. a results matrix) that details consistent and standardised five year targets on specific key performance indicators, against which municipalities could be measured.

Different municipalities report on different indicators and different targets and reporting is in cases not consistent from year to year or over different periods. These inconsistencies, in certain cases, make it difficult to draw comparisons between municipalities and create challenges in the ability to track trends and patterns.

The use of SMART indicators has not yet been fully embedded in the planning and reporting processes, resulting in a weakening in the quality of analysis. The data reported for the KPIs do not always reflect accurate baselines and targets (quarterly and annual targets), thus making it difficult to analyse and contextualise performance.

While there are broad sectoral studies upon which to draw (and a broad sample of these have been referenced), these studies do not necessarily correspond to the COGTA stated strategic intent. It is not always possible to state categorically that the evident successes, and there are many, are as a result of direct interventions and/or involvement by COGTA or municipalities. For this reason, this review deliberately stops short of programmatic evaluation or an attempt at an impact assessment.

3) At the provincial level, it would further seem that there is inadequate infrastructure (such as document management systems or a provincial-wide database) to both safeguard data, as well as enhance the monitoring capacity of the province.

This is evidenced by missing quarterly and annual reports, difficulty in accessing data in some instances, or having to rely on draft reports. In such cases, the project team has relied on COGTA consolidated reports and other secondary reports.

We do not offer proposals on addressing the above challenges and weaknesses at this point, as recommendations to address the above issues will be discussed in later Review chapters under the relevant theme.

Notwithstanding the above challenges, every effort was made to ensure the use of reliable data from a variety of sources, which it is believed, has resulted in a quality of analysis and credible findings contained in the Review.

This Review attempts a synthesis and consolidation of the data contained in all these reports, reviews and studies; and attempts to find common topics and trends against which to describe the journey, as well as the challenges and successes in Gauteng local government performance over the fifteen years. While it may not have covered everything, owing to the complexity and volume of information to consider, it hopes to become a core report that the Department might release in the public domain as a basis for information, discussion, reflection and learning.

The target audience for this Review are the citizens of Gauteng and the leadership and officials in national, provincial and local government, the legislature, as well as individuals and other institutions that may have an interest in local government issues. It is hoped that the information captured in this Review can be used to gain a broad sense of the state of local government in Gauteng in 2015/16; and provides insights that might assist in dealing with challenges moving forward.

The findings and recommendations arising from the Review are then packaged in the body of the Review Report in a series Chapters, as follows:

- Chapter 1:** Introduces the Review, outlines the terms of reference and key objectives of the Review, and discusses the approach, scope and sources of content.
- Chapter 2:** Discusses the broad evolution and context to democratic and developmental local government and the evolving legislative and policy frameworks of local government in South Africa over the period 2000 to 2016, with an emphasis on the Gauteng response.
- Chapter 3:** Presents the performance review of local government in Gauteng over the period 2000 to 2015, packaged under the five Key Performance Areas defined.
- Chapter 4:** Discusses local government performance in relation to certain cross-cutting or transversal issues.
- Chapter 5:** Synthesises the observations and findings from chapters 3 and 4 above in the context of the strategic priorities of the Gauteng government and specifically the TMR agenda.
- Chapter 6:** Presents the recommendations and related actions/ considerations arising from the Review.
- Chapter 7:** Concludes the report.



CHAPTER 2

THE EVOLUTION OF DEMOCRATIC AND
DEVELOPMENTAL LOCAL GOVERNMENT IN
SOUTH AFRICA



CHAPTER 2

The Evolution of Democratic and Developmental Local Government in South Africa

Discussing:

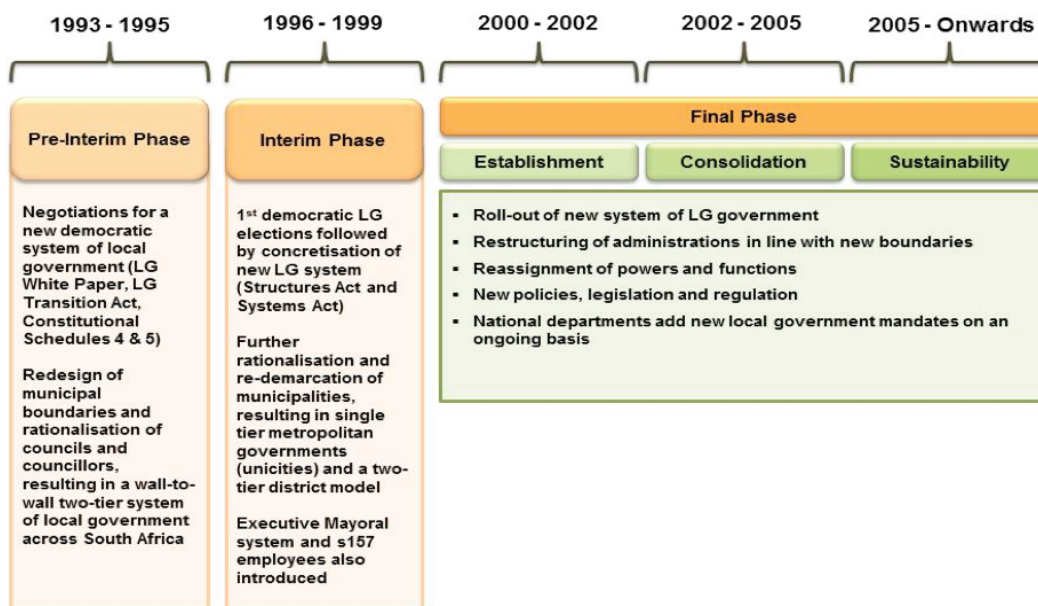
- The transition phases in the establishment of democratic local government
- The evolving local government legislative and regulatory framework (2000 to date)
- The evolving local government policy and strategy framework and support interventions (2000 to date)
- Other National and/or Provincial policy and strategy priorities considered (2000 to date)

The establishment of democratic local government in South Africa was a long and challenging process⁹ and was influenced by pre-1994 events¹⁰. Apartheid had resulted in massive inequality, with relatively well-developed services and infrastructure in formerly white areas in cities and towns, alongside underdeveloped and poverty stricken townships and rural areas, particularly in the former Bantustan areas, which were deprived of resources. This resulted in severe service delivery backlogs and a stubborn legacy of spatially-based inequalities in access to social and economic opportunities¹¹.

2.1 THE TRANSITION PHASES IN THE ESTABLISHMENT OF DEMOCRATIC LOCAL GOVERNMENT

National debate about the future of local government took place in the Local Government Negotiating Forum, conducted alongside the national negotiating process. The Local Government Negotiating Forum negotiated the Local Government Transition Act (Act 209 of 1993) which, while it did not provide a blueprint for a new local government system, sketched a process for change. The Local Government Transition Act provided for three phases of transition, spanning the period 1993 to 2005 and onwards. The figure below reflects the key phases of transition that local government was to undergo:

Figure 2: Transition process towards democratic local government in South Africa¹²



⁹ SUN MeDIA MeTRO, Author D Powell: Imperfect transition – Local government reform in South Africa 1994-2012, 2012

¹⁰ South African Local Government Association (SALGA), 15 years of developmental and democratic local government (2000-2015), December 2015

¹¹ Institute of Race Relations, 80/20 Report: Local Government in 80 Indicators After 20 Years of Democracy, May 2014

¹² Adapted from South African Local Government Association, 15 years of developmental and democratic local government (2000-2015), December 2015

The transformation of local government was directed at removing racially-based governance and making it a vehicle for the integration of society and the redistribution of municipal services from the well-off to the poor¹³.

While the first two transition periods predate the scope of this Review, they are discussed in brief so as to provide context and to introduce key legislation and regulations arising in these periods, which inform local government and have relevance to this Review.

2.1.1 The Pre-Interim Phase (1993-1995)

During the pre-interim phase, local negotiating forums became statutory structures and were tasked with the appointment of temporary councils, which would govern until municipal elections were held. This involved defining municipal boundaries, appointing councillors and establishing a financial system for local government¹⁴. By the time municipal elections were held in December 1995, 843 local authorities had been established.

The pre-interim phase came to a close with the municipal elections of December 1995, which allowed for transitional local government structures to be established.

2.1.2 The Interim Phase (1995-1999)

The interim phase started with the first local government elections in 1995 and saw the implementation of the final constitutional model of local government in 1997 (although power sharing arrangements remained in effect until 2000). During the interim phase, much of the foundation for the final phase in local government transformation was established¹⁶.

Most critically during this phase was the adoption of the **Constitution of the Republic of South Africa (Act 108 of 1996)** (The Constitution), which in Chapter 7 provided the founding legislation for the establishment of local government. At the time, having a chapter in the Constitution dealing specifically with a framework for Local Government was an innovation, as until that point, previous constitutions had only made passing reference to local government¹⁸.

The importance of local government is entrenched in the Constitution; providing for a uniform governance system consisting of inclusive “wall-to-wall” municipalities – meaning that the entire country falls under the jurisdiction of local government, including rural areas that were previously under provincial control. Local government is to treat all residents equitably, providing them with opportunities to participate actively in the governance of municipalities.

The Constitution further laid the foundation for the intergovernmental governance system, and emphasises that municipalities must structure and manage their administration and their budgeting and planning processes to give priority to the basic needs of the community and to promote the social and economic development of the community, ensuring that all citizens have access to housing, health care, education, food, water and social security¹⁹.

Section 156 of the Constitution outlines the powers and functions of municipalities and defines three distinct categories of municipalities. It provides that national legislation must define the different types of municipalities that may be established within each category, as follows:

- 1) Category A (Metropolitan Municipalities):** exercise exclusive authority over their own area of jurisdiction and are responsible to coordinate the delivery of services to the whole metropolitan area. The municipality is

¹³ Institute of Race Relations, *80/20 Report: Local Government in 80 Indicators After 20 Years of Democracy*, May 2014

¹⁴ SUN MeDIA MeTRO, Author D Powell: *Imperfect transition – Local government reform in South Africa 1994-2012*, 2012

¹⁵ SALGA, *15 years of developmental and democratic local government (2000-2015)*, December 2015

¹⁶ SUN MeDIA MeTRO, Author D Powell: *Imperfect transition – Local government reform in South Africa 1994-2012*, 2012

¹⁷ SALGA, *15 years of developmental and democratic local government (2000-2015)*, December 2015

¹⁸ Shah, 2006, as cited in SACN, *State of City Finances – Basics + Innovation*, 2015

¹⁹ SALGA, *15 years of developmental and democratic local government (2000-2015)*, December 2015

broken into wards, where the residents in each ward are represented by a ward councillor;

- 2) **Category B (Local Municipalities):** share their authority with the district municipality where they fall. Each municipality is broken into wards and the residents in each ward are represented by a ward councillor; and
- 3) **Category C (District Municipalities):** administer a number of local municipalities that are located one district and the local municipalities come together in a district council. Some district municipalities also include district management areas, which fall directly under the district council and have no local council. The district municipality has its own administration and needs to coordinate development and delivery in the whole district.

The Constitution further provides for the demarcation of boundaries by an independent authority, outlines the powers and functions to be performed by municipalities, provides for the establishment of councils and related matters, and outlines the fiscal powers and revenue generation mechanisms of municipalities.

The Constitution provided the basis for the development of the **White Paper on Local Government (1998)**²⁰ (White Paper), which remains the preeminent policy document for local government; setting out the vision and approach for the establishment of a new developmental local government system structured against four developmental outcomes, namely:

- 1) Provision of household infrastructure and services;
- 2) Creation of liveable, integrated urban and rural areas;
- 3) Local economic development; and
- 4) Community empowerment and redistribution.

The tools and approaches to assist municipalities to become more developmental include integrated development planning and budgeting, performance management and working together with local citizens and partners. Importantly, the White Paper suggested ways in which municipalities can engage citizens and community groups in the affairs of the municipality in their capacities as voters, citizens, consumers and end-users of municipal services, and partners in resource mobilisation for the development of the municipal area.

The White Paper in turn provided the framework for the development of further key legislation in the period to 1999, aimed at facilitating the developmental duties of local government²¹, as follows:

- 1) The **Municipal Demarcation Act (No. 27 of 1998, as amended)**, provides the criteria and procedures for the determination of municipal boundaries by an independent authority. The Municipal Demarcation Board was established in 1999.
- 2) The **Municipal Structures Act (No. 117 of 1998, as amended)**, provides the framework for the establishment of municipalities, outlines the appropriate division of powers and functions between district and local municipalities and regulates the governance structures and electoral systems for demarcated municipalities. A number of amendments have since taken place, including, of relevance to this Review, to address matters relating to municipal manager contracts and ensuring effective systems for interventions in the case of under or non-performance by municipalities²².

In Gauteng specifically during this period, efforts were focussed on giving effect to these national legislative and policy imperatives, and the transformation of the local government system resulted in the creation of 51 municipalities within Gauteng by 1999.

²⁰ Department of Constitutional Development, *White Paper on Local Government, 1998*

²¹ Institute of Race Relations, *80/20 Report: Local Government in 80 Indicators After 20 Years of Democracy, May 2014*

²² SALGA, *15 years of developmental and democratic local government (2000-2015), 2015*

2.1.3 The Final Phase: Democratic Local Government (2000-2005 and Onwards)

The Constitution required the establishment of wall-to-wall municipalities, and this system of local government was finally established in December 2000, informing the first term of fully democratic non-racial local government²³.

Aligned to the period of this Review, the final phase of local government transformation was planned to evolve over three distinct sub-phases, namely:

- 1) Establishment (2000-2002): Establishment of new structures and systems.
- 2) Consolidation (2002-2005): New structures and systems taking root and bedding in.
- 3) Sustainability (2005 and onwards to the present): Progress towards self-sustainable municipalities and enhanced service delivery.

Coming into 2000, the new local government system did bring about some stability, but also presented certain establishment challenges such as the allocation of powers and functions, developing a functional two tier system of district and local municipalities, fair and transparent fiscal arrangements, credible Integrated Development Plans (IDPs), building political and administrative capacity, addressing extensive service delivery backlogs, ensuring adequate systems of public participation and the management of intergovernmental relations^{24,25}.

In response to these challenges over the period of the three sub-phases, the legislative, policy and strategy framework informing democratic and developmental local government in South Africa has evolved, as is introduced in the sections below.

Note: *The goal is to introduce key legislation, policy and/or strategy frameworks here, to avoid needing to introduce them repeatedly in later chapters of the Review.*

2.2 THE EVOLVING LOCAL GOVERNMENT LEGISLATIVE AND REGULATORY FRAMEWORK (2000 TO DATE)

The period post 2000 has seen the development of a suite of legislation to support the strengthening of developmental local government, towards self-sustainability and enhanced service delivery. Key Legislation arising in the period since 2000 and relevant to this Review is briefly introduced below^{26,27}:

Note: *The implementation of and performance against the below legislation, as well as findings and recommendations in this regard, will be discussed in later chapters of this Review under specific focus areas.*

- 1) The **Municipal Systems Act (No. 32 of 2000, as amended)**, establishes a framework for municipal planning and performance management, as well as systems for municipalities to report on their performance. It sets out frameworks to govern service tariffs as well as credit control and debt collection. The Act also details why and when the provincial government is allowed to place a municipality under administration. Later amendments included issues related to professionalising local government by ensuring that professional qualifications and experience are the criteria governing the appointment of senior managers; that senior political party office bearers may not be appointed to top municipal jobs; and that staff members dismissed for misconduct may only be employed in a municipality after a period, prescribed by the minister, has lapsed.

²³ SALGA, *15 years of developmental and democratic local government (2000-2015)*, 2015

²⁴ SUN MeDIA MeTRO, Author D Powell: *Imperfect transition – Local government reform in South Africa 1994-2012*, 2012

²⁵ Auditor General of South Africa, *Briefing Notes on Local Government Performance*, 28 April 2011

²⁶ SALGA, *15 years of developmental and democratic local government (2000-2015)*, 2015

²⁷ Institute of Race Relations, *80/20 Report: Local Government in 80 Indicators After 20 Years of Democracy*, May 2014

- 2) The **Municipal Electoral Act (No. 27 of 2000, as amended)**, regulates all aspects of municipal elections.
- 3) The **Disaster Management Act (No. 57 of 2002, as amended)**, provides for an integrated and coordinated disaster management policy focused on preventing or reducing the risk of disasters, mitigating the severity of disasters, emergency preparedness and rapid and effective responses to disasters and disaster recovery. It sets out the roles and responsibilities for all categories of municipalities in this regard.
- 4) The **Municipal Finance Management Act (No. 56 of 2003, as amended) (MFMA)**, provides the framework for secure sound and sustainable management of the fiscal and financial affairs of municipalities and municipal entities by establishing norms, standards and other requirements for ensuring transparency, accountability and appropriate lines of responsibility.
- 5) The **Municipal Property Rates Act (No. 6 of 2004, as amended)**, provides for municipalities to implement a transparent and fair system of rates on property, exemptions, reductions, and rebates in rating policies.
- 6) The **Public Audit Act (No. 25 of 2004, as amended)**, provides for the auditing of institutions in the public sector by the Auditor General.
- 7) The **Intergovernmental Relations Act (No. 13 of 2005, as amended)**, provides for the implementation of the cooperative governance principles defined in the Constitution. It provides a framework for establishing intergovernmental forums and other mechanisms to coordinate the work of the three spheres of government. Municipalities are represented on the national intergovernmental structures by the South African Local Government Association (SALGA), but are usually directly involved at provincial level²⁸.

Gauteng has responded with the development of the **Gauteng Intergovernmental Relations Framework** in 2010.

- 8) The **Municipal Fiscal Powers and Functions Act (No. 12 of 2007, as amended)**, to facilitate proper coordination of macro-economic tax policy objectives across all three spheres of government; and ensure that municipal fiscal powers and functions are exercised in a manner that will not materially and unreasonably prejudice national economic policies or economic activities.
- 9) The annual **Division of Revenues Act** allows for the equitable division of revenue raised nationally among the national, provincial and local spheres of government for each financial year; and the responsibilities of all three spheres pursuant to such division and allocations.
- 10) The **Cross-boundary Municipalities Laws Repeal and Related Matters Act (No. 8 of 2009, as amended)**, informed the redetermination of provincial and municipal boundaries. In Gauteng specifically, this resulted in the reincorporation of Merafong Local Municipality under the West Rand District Municipality in March 2010.
- 11) The **Spatial Planning and Land Use Management Act (No.16 of 2013) (SPLUMA)**, effective from 1 July 2015, provides a framework to govern planning permissions and approvals, set parameters for new developments and provide for different lawful land uses. As a framework law, it provides the broad principles for a set of provincial laws to regulate and ensure aligned planning across the three spheres of government.

The above listed Acts and legislation are not intended to be exhaustive, and it is recognised that local government must comply with all legislation and regulations, including numerous governance and sector specific legislation, applicable to its operations.

²⁸ *South African Cities Network, State of City Finances – Basics + Innovation, 2015*

2.3 THE EVOLVING LOCAL GOVERNMENT POLICY AND STRATEGY FRAMEWORK AND SUPPORT INTERVENTIONS (2000 TO DATE)

Where the legislative and regulatory framework informs the mandate and prescribes how local government must operate, numerous and evolving policy and strategy frameworks define the priorities and focus of local government as it seeks to implement its mandate. The local government policy and strategy framework has been additionally bolstered by various support interventions driven by national and/or provincial government, as well as by strategic partners.

The key local government policy and strategy frameworks and support interventions in the period since 2000 and relevant to this Review are briefly introduced below, as they emerged over the period^{29,30,31}.

Note: *The implementation of and performance against the below frameworks, as well as findings and recommendations in this regard, will be discussed in later chapters of this Review under specific themes.*

- 1) The **Consolidated Municipal Infrastructure Programme (2001) (CMIP)**, was introduced to support RDP initiatives by providing bulk, connector and internal services and community services and facilities to low income households; and to support the integration of the previously racially divided areas. The CMIP included a component towards “the transfer of skills, the promotion of small, medium and micro-sized enterprises, the use of labour intensive methods and the maximising of job creation opportunities”. The programme provided a “top-up” fund of R7,000 per site, for households with an income of less than R3,500, to assist with access to services.
- 2) The **Municipal Demarcation Board Annual Capacity Assessments (from 2002/03 to 2008/09)**, assessed functional capacity and made related recommendations to the MECs on the possible adjustment, or the reversal thereof, of local and district functions. Adjustments were also made by MECs in order to implement a provincial policy, but often without the necessary capacity building strategies put in place³².
- 3) Although emerging later in the period, and linked to the above, are the debates since the second term of democratic local government over the **allocation of powers and functions**³³. While the provision for the housing accreditation process was included in legislation in 1997, the continued separation of the housing function from other built environment functions has not only hampered effective planning, but also programme implementation. Chapter 13 of the NDP³⁴ recognises this issue and raises the following:
 - a) As municipalities continue to perform provincial functions, provincial and national government have also assumed the responsibility for some local government functions;
 - b) The confusion related to how responsibilities are divided, shared and monitored across the three spheres of government requires a rethink; and should include a decision on the allocation of powers and functions to the sphere of government best placed and most adequately capacitated to deliver on the service;
 - c) This requires a more coherent set of powers for metropolitan municipalities, a more focused role for provinces, regionalisation as a response to capacity constraints in district and local municipalities and a more proactive approach to resolving problems. Intergovernmental consensus and implementation of such an approach then needs to be supported by a joined up intergovernmental framework enabling all role-players to direct their programmes in the same strategic direction.

²⁹ Auditor General of South Africa, *Briefing Notes on Local Government Performance*, 28 April 2011

³⁰ SALGA, *15 years of developmental and democratic local government (2000-2015)*, 2015

³¹ Institute of Race Relations, *80/20 Report: Local Government in 80 Indicators After 20 Years of Democracy*, May 2014

³² SALGA, *15 years of developmental and democratic local government (2000-2015)*, 2015

³³ Department of Provincial and Local Government, *Current distribution of powers and functions and impact of devolution to local government sphere with strategy for management of this process*, November 2005

³⁴ The Presidency, *National Development Plan - Chapter 13*, November 2011, adopted by Cabinet September 2012

Through policy documents such as the **Accreditation and Assignment Framework for Municipalities to Administer National Human Settlements Programmes**³⁵, and others, the issue of assignment and accreditation is raised and to date six metropolitan municipalities have been accredited at level 2 (including Joburg, Tshwane and Ekurhuleni in Gauteng), meaning that responsibility for programme management and administration for all national and provincial housing programmes (as well as the level 1 responsibilities for subsidy budget planning and allocation) have shifted to those metros. The next and final step is full assignment of the housing function to these metropolitan municipalities. The target date to have had Assignment Agreements in place for each of the metros was 1 July 2013. To date, the Executive Assignment Agreements have not been concluded and, in fact, the NDHS has put the process on hold³⁶.

4) Project Consolidate (2004), was introduced with the primary focus on targeted, hands-on engagement programmes at the local government level for a period of two years from 2004-2006. Among these were initiatives to rally the local government sphere in discharging its service delivery and development mandate; to mobilise social partners around this programme; to entrench a people-centred orientation and a new approach to local government's mode of operation; and to establish a new and practical benchmark for local government performance excellence. Through the programme, some R500million was channelled to underperforming municipalities³⁷.

In May 2007, the programme was stopped as "the programme could not resolve persistent internal challenges such as high staff turnover of the municipal management, corruption and non-compliance in practices"³⁸. It is suggested that the main problem with Project Consolidate was the lack of capacity and short duration of the programme, which could have been remedied if there had been the opportunity for long term transfer of skills and expertise to municipal staff.

5) Various municipal support grants over the period since 2005 (e.g. MIG, USDG, MSIG, CWP, EPWP and others). With regard to many of the support grant programmes, (including the Municipal Infrastructure Grant Programme) the challenge has consistently been identified as the inability of the municipalities to spend the grant allocation on an annual basis³⁹. Programmes such as Siyenza Manje were therefore put in place to support the capacity at municipal level to implement capital programmes.

6) The Siyenza Manje Programme (2006), was an initiative managed by the Development Bank of Southern Africa (DBSA) to provide operational and strategic capacity to distressed municipalities and to fast-track the development of new infrastructure, towards reducing the backlogs in low capacity municipalities. The initial programme was for a period of four years from April 2006 to March 2010, but based on its success, Treasury granted an extension to the programme until March 2012. The deployments to municipalities were in the form of a Task Force composed of civil engineers, spatial and development planners, financial expertise, as well as young professionals and artisans. The deployment of Task Teams to municipalities was triggered by requests from municipalities, provinces, COGTA and/or Treasury.

³⁵ Department of Human Settlements, *Accreditation and Assignment Framework for Municipalities to Administer National Human Settlements Programmes*, 2012

³⁶ SACN, *Strategic Framework: Enhancing Built Environment Integration and Coordination*, 2015, Pages 5 – 6.

³⁷ SALGA, *15 years of developmental and democratic local government (2000-2015)*, 2015

³⁸ SALGA, *15 years of developmental and democratic local government (2000-2015)*, 2015

³⁹ SALGA, *15 years of developmental and democratic local government (2000-2015)*, 2015

While largely recognised as a successful programme, one of the cornerstones for success was linked to the recipient municipality making use of the deployees. In some respects, like with Project Consolidate, the municipalities did not make adequate use of the deployees and the opportunity was lost⁴⁰.

- 7) The **Local Government Strategic Agenda (2007-2011) (LGSA)**, was seen as an extension of Project Consolidate and aimed at mainstreaming hands-on support to local government to improve municipal governance, performance and accountability; address the structures and governance arrangements of the State in order to better strengthen, support and monitor local government; and refine and strengthen the policy, regulatory and fiscal environment for local government.

There is general agreement that substantial progress was made towards achieving the national set of service delivery targets through the implementation of the LGSA⁴¹. The LGSA supported an improvement in municipal compliance and created a government-wide platform for supporting local government in local development and service delivery. However, the implementation of the LGSA exposed the lack of adequate involvement of all sector departments in achieving the service delivery goals. Moreover, the programme had no direct influence over external factors such as political leadership, weak intergovernmental practices and poor integrated development planning and spatial planning⁴².

- 8) The **“State of Local Government in South Africa Overview Report” (October 2009)**, aimed to better understand the ‘state of distress in many of the country’s municipalities’. In its findings, the report pointed to the need for adjustments and reforms in the leadership, regulatory and oversight environment of local government.

In summary, the State of Local Government Report in South Africa identified the following key challenges:

- a) Tensions between the political and administrative interface;
- b) Poor ability of many councillors to deal with the demands of local government;
- c) Insufficient separation of powers between political parties and municipal councils;
- d) Lack of clear separation between the legislative and executive;
- e) Inadequate accountability measures, support systems and resources for local democracy;
- f) Poor compliance with the legislative and regulatory frameworks for municipalities; and
- g) Decreasing trust in the system of local government by citizens, as evidenced by a spike in the number of service delivery protests.

The study found that there was weak national and provincial oversight over local government and stated that “intervention mechanisms were not well-supported by national government or sufficiently institutionalised, due to the absence of post intervention measurement of improvement and the weak application of intergovernmental checks and balances, i.e. the oversight and review process by the Minister, the National Council of Provinces (NCOP) and the Provincial Legislatures”.

Note: *With reference to the developed municipal classification (which classed municipalities in terms of Class 1: most vulnerable; Class 2: second most vulnerable; Class 3: second highest performing and Class 4: highest performing municipalities), the Gauteng municipalities (2009) were all classified as class 4 municipalities, except for Nokeng tsa Taamane Local Municipality which was classified as a class 3 municipality at the time.*

⁴⁰ SALGA, *15 years of developmental and democratic local government (2000-2015)*, 2015

⁴¹ SALGA, *15 years of developmental and democratic local government (2000-2015)*, 2015

⁴² SALGA, *15 years of developmental and democratic local government (2000-2015)*, 2015

- 9) The **Local Government Turnaround Strategy (2009) (LGTAS)**, largely informed by findings of the “State of Local Government in South Africa Overview Report” (2009). The LGTAS was formulated with a view to counteracting the negative elements that undermined the local government system, especially in municipalities where there was evidence of performance failures. The LGTAS aimed to implement a comprehensive, but differentiated, programme of action and supporting interventions to:
- a) Ensure that municipalities meet the basic service needs of communities;
 - b) Build clean, effective, efficient, responsive and accountable local government;
 - c) Improve performance and professionalism in municipalities;
 - d) Improve national and provincial policy, oversight and support; and
 - e) Strengthen partnerships between local government, communities and civil society.

In response to the national LGTAS, Gauteng Exco adopted a provincial Turn-Around Strategy Implementation Plan in early 2010; and by 2011, all twelve municipalities had strategies approved by Council and incorporated into their IDP's. The process for the development of municipal turn-around strategies highlighted certain issues, notably⁴³:

- a) Some of the issues that required turn-around were beyond the financial means of a municipality, thus requiring resource injection from other spheres. However, there was no sphere that was prepared or in a position to inject financial resources as part of support. Therefore, municipalities had to focus on the areas in which they had the resources to implement.
- b) Some of the problems impacting on local government were a result of factors outside the control of local government. These issues included local government funding, the provincial approach to local government support, the efficacy of IGR structures, issues related to powers and functions, as well as synergy between provincial and local government planning and prioritisation.
- c) The notion of a ‘single window of coordination’ outlined in the 2009–2014 MTSF required that the province consolidate the support and monitoring oversight it provides to municipalities. This required the now Gauteng COGTA and the OOP to strengthen the coordination of sector involvement in municipal support and provincial wide planning and prioritisation.
- d) There was and continues to be a need to strengthen the mobilisation of Gauteng citizens and other societal actors to support municipal turn-around and play an active role in governance.

The conclusion raised by the Gauteng COGTA End of Term Review (2011) was that unless these strategic issues were addressed, the sustainability of the municipal turn-around strategy approach was questionable⁴⁴.

- 10) Operation Clean Audit (2009-2014)**, was introduced as part of the Local Government Turnaround Strategy with the vision that “by 2014, all municipalities and provinces’ departments will have achieved clean audits on their Annual Financial Statements; and maintaining systems for sustaining quality financial statements and management information”. The programme included quarterly monitoring by provinces and the National Treasury, capacity building programmes, the establishment of shared services for internal audit functions and other related activities.

While there was an improvement in the number of clean audits in the 2012/13 financial period, certain key challenges

⁴³ Gauteng DLGH, *End of Term Review 2006 - 2011, 2011*, pages 37 – 39

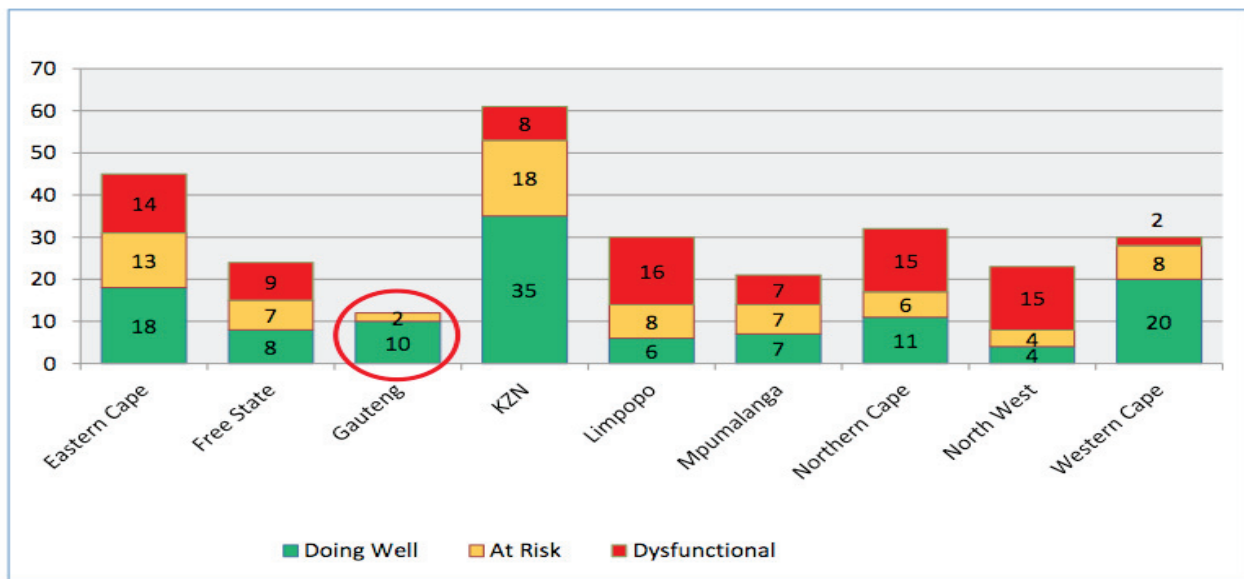
⁴⁴ Gauteng DLGH, *End of Term Review 2006 - 2011, 2011*

remained and Operation Clean Audit was pronounced an ineffective sector intervention by the Multi-Level Governance Initiative for three primary reasons⁴⁵:

- a) Clean audit strategy was not based on evidence, which led to the setting of targets that had no connection to the condition of municipalities.
 - b) Targets set were not adjustable on a scale of results, which led to a gap forming between the reality and the declared targets. As time went on, the targets became increasingly abstract.
 - c) COGTA did not have the legislative mandate to enforce compliance.
- 11) The **Back to Basics Programme (B2B) (2014)**, was launched on 18 September 2014 and the Gauteng B2B Programme was then launched in August 2015; late in the period of this Review. The B2B acknowledges that the primary issues affecting local government capacity are related to the governance, public participation, institutional capacity and financial management structures and mechanisms of local government⁴⁶.

In the lead up to the launch of the B2B programme, the National Department of Cooperative Governance and Traditional Affairs undertook a diagnostic exercise on the 278 municipalities in the country and rated municipalities against three categories: “doing well, at risk and dysfunctional”, as is reflected in the figure below:

Figure 3: Back to Basics performance of municipalities per province, highlighting the Gauteng municipalities (September 2014)



In Gauteng, ten municipalities were rated as “doing well”, while two municipalities were seen to be “at risk” of becoming dysfunctional or indeed with the possibility to do well, namely Westonaria and Randfontein LM’s. None of the Gauteng municipalities were rated as dysfunctional⁴⁷.

⁴⁵ SALGA, *15 years of developmental and democratic local government (2000-2015)*, 2015

⁴⁶ National COGTA, *State of Local Government, Back to Basics Perspective*, July 2015

⁴⁷ Gauteng COGTA, *Gauteng Back-to-Basics Consolidated Report*, July 2015

The recent Gauteng B2B Status Report (December 2015)⁴⁸ reflects that the Gauteng province is under no illusion that it is in the clear due to its relatively positive findings, and notes that there are specific challenges in Emfuleni and Merafong LM's that could potentially lead these two regressing to the status of municipalities at risk". The Report also highlights certain governance related matters emerging in Lesedi LM.

In response and through a process of engagement with all municipalities, the Gauteng B2B Ten Point Plan⁴⁹ was endorsed by the Political MinMec in February 2016, and outlines a ten point action plan aligned to the five B2B pillars, which themselves align to the 10 pillars of the TMR agenda, as follows:

Table 3: 5 B2B pillars and actions, reflecting alignment to local government KPA's and the 10 pillars of the TMR agenda

B2B Pillar and Gauteng 10 Point Plan priority (2015)	Local Government KPA (2001)	TMR Pillar (2014)
1. Put people and their concerns first - Work to ensure a positive community experience	KPA 4: Governance and Public Participation	PILLAR 3: Accelerated Social Transformation PILLAR 4: Transformed State and Governance
2. Deliver municipal services at the right quality and standard - through efforts to enhance services and infrastructure and specific interventions in Randfontein, Merafong and Emfuleni LM's; and develop spatial regional integration zones and/or spatial contracts	KPA 2: Service Delivery and Infrastructure	PILLAR 7,8 & 2: Decisive Spatial Transformation PILLAR 3: Accelerated Social Transformation PILLAR 4: Transformed State and Governance
3. Good governance and sound administration - Strengthen support to municipalities receiving disclaimers for over three years; implement the findings of forensic reports; implement a metropolitan B2B programme; and strengthen the role of district municipalities	KPA 4: Governance and Public Participation	PILLAR 4: Transformed State and Governance PILLAR 5: Modernised Public Service
4. Sound financial management and accounting - Implement a revenue enhancement programme with a specific focus on Merafong, Emfuleni, Randfontein, Westonaria, Lesedi and Midvaal LM's	KPA 5: Municipal Financial Viability and Management	PILLAR 4: Transformed State and Governance

⁴⁸ Gauteng COGTA, *Local Government Ten Point Plan: Back-To-Basics Perspective - Presentation Prepared for the Second Phase of B2B Meeting, 11 April 2016*

⁴⁹ Gauteng COGTA, *Second Phase of the Back to Basics Perspective: The 10 Point Plan, 11 April 2016*

B2B Pillar and Gauteng 10 Point Plan priority (2015)	Local Government KPA (2001)	TMR Pillar (2014)
5. Building institutional and administrative capabilities - Monitor and support the appointment of senior managers in municipalities and strengthen the capacity and role of Gauteng COGTA	KPA 1: Institutional Transformation and Organisational Development	PILLAR 4: Transformed State and Governance
N/A	KPA 3: Local Economic Development	PILLAR 1,6 & 9: Economic Transformation and Modernisation

The defined B2B action plans are aimed at ensuring municipalities are able to deliver basic municipal services in an equitable, transparent and accountable manner; and also identify the necessary enhanced support and collaboration from both the national and provincial spheres of government.

Note: *The detailed action plans are detailed in the Gauteng B2B Report and not repeated here. However, many of the actions will find their way into the conclusions and recommendations of this Review (Chapter 6).*

2.4 OTHER NATIONAL AND/OR PROVINCIAL POLICY AND STRATEGY PRIORITIES CONSIDERED (2000 TO DATE)

In addition to the above local government specific policy and strategic frameworks, it is necessary to introduce certain significant National and/or Gauteng Province frameworks that, while not specific to local government, required a local government response in the period of this Review.

Note: *It is noted that certain of these policy and/or strategic frameworks have emerged later in the period of this Review and will therefore relate more to the discussion on a proposed strategic posture and recommendations for the next term discussed in Chapters 6 and 7 of this Review.*

- 1) The **Gauteng (Global) City Region Perspective (2006)**⁵⁰ and the **Gauteng City Region (GCR)**. Although discussions had emerged earlier, the GCR Perspective was published as a document that outlined the key elements of a globally competitive city region and the steps deemed necessary for its full realisation. It called for the establishment of a shared vision and strategy, enhanced cooperation and coordination amongst all regional stakeholders, improved governance practices, better urban management and a focus on acting together in the global arena. The “GCR Road Map” followed in 2008, detailing eleven strategic pathways for the establishment of the GCR, including an emphasis on long term planning. This led to a process that resulted in “Gauteng Vision 2055: The Future Starts Here”⁵¹, a strategy that outlined a vision of the best-attainable long term scenario for the City Region.

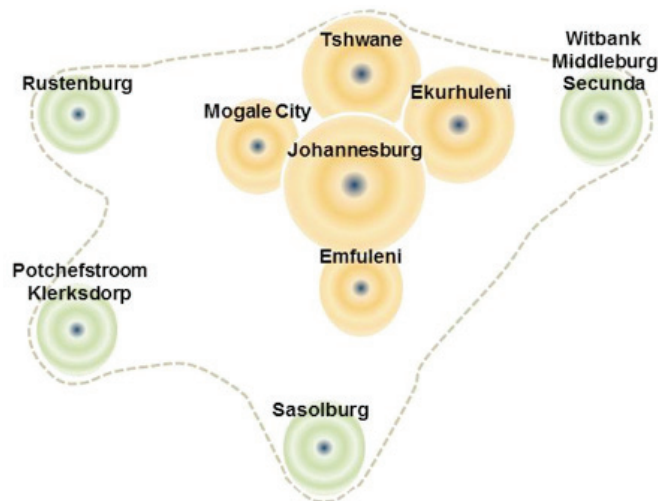
The Gauteng City Region (GCR) concept aims at building Gauteng’s future as that of an integrated and globally competitive region, where the economic activities of different parts of the region complement each other in consolidating it as an economic hub of Africa and an internationally recognised global City Region. The GCR thus benchmarks itself and competes against other city regions around the globe.

⁵⁰ Gauteng Provincial Government, *The GCR Perspective. A golden opportunity: Building Gauteng as a Globally Competitive Global City-Region, 2006*

⁵¹ Gauteng Department of Economic Development, *Gauteng Vision 2055: The Future Starts Here (Working Paper), April 2009*

The Gauteng City Region (GCR) is not an actual territorially defined space with administrative boundaries or a designated budget, rather it is conceptualised to consider linkages with economies beyond even the boundaries of Gauteng, for example Rustenburg (resources), Sasolburg (energy), Potchefstroom / Klerksdorp (biotech, R&D and biofuels strategy), and Witbank / Middelburg / Secunda (petrochemicals and coal / steel)⁵².

Figure 4: The Gauteng City Region⁵³



The basic concept of the GCR is that planning and organisation cannot be limited to the territorial extent of an individual city or province, but must take into account the critical flows of infrastructure, information, services, finance, people and skills that make up the economic system of the region. The GCR approach is positioned to ensure that Gauteng fulfils its place as a catalytic region in the South African, SADC and African context.

The concept of the GCR has been given added impetus by the fifth administration of the Gauteng government since 2014. In fact, the development of the GCR is the backbone and apex outcome of all medium to long term planning of the province, towards the vision for the GCR, which is stated as:

“Building Gauteng into a Globally Competitive City-Region and leading economy in Africa. Seamlessly integrated governance, social cohesion, economic inclusion, knowledge and innovation as the key drivers of smart and sustainable industrial development”⁵⁴

The lack of a “GCR mind-set” has manifested itself in silo planning, with departments and municipalities almost competing against each other in terms of infrastructure investment and development; instead of adopting a catalytic or integrated, mega-project approach to the benefit of the GCR and its citizens. The following areas have been identified as critical to make the GCR “alive” in the 2014-2019 term⁵⁵:

- a) **Institutional coherence** in the GCR so as to strengthen social transformation, economic integration and spatial equity;
- b) A defined **institutional character** beyond the current voluntary and informal approach, and locating the roles of players in both the public and private sectors, provincial and local government spheres and various sectoral groups (traditional leaders, community bodies and forums, civil society, etc.);

⁵² Organization for Economic Co-operation and Development, *Territorial Reviews: The Gauteng City-Region, South Africa, 2011*. Accessed from Gauteng City-Region Observatory - www.gcro.ac.za

⁵³ Gauteng Department of Economic Development, *Gauteng Vision 2055: The Future Starts Here (Working Paper)*, April 2009

⁵⁴ Gauteng Office of the Premier, *Governance and Planning Cluster Roadmap, 2015*

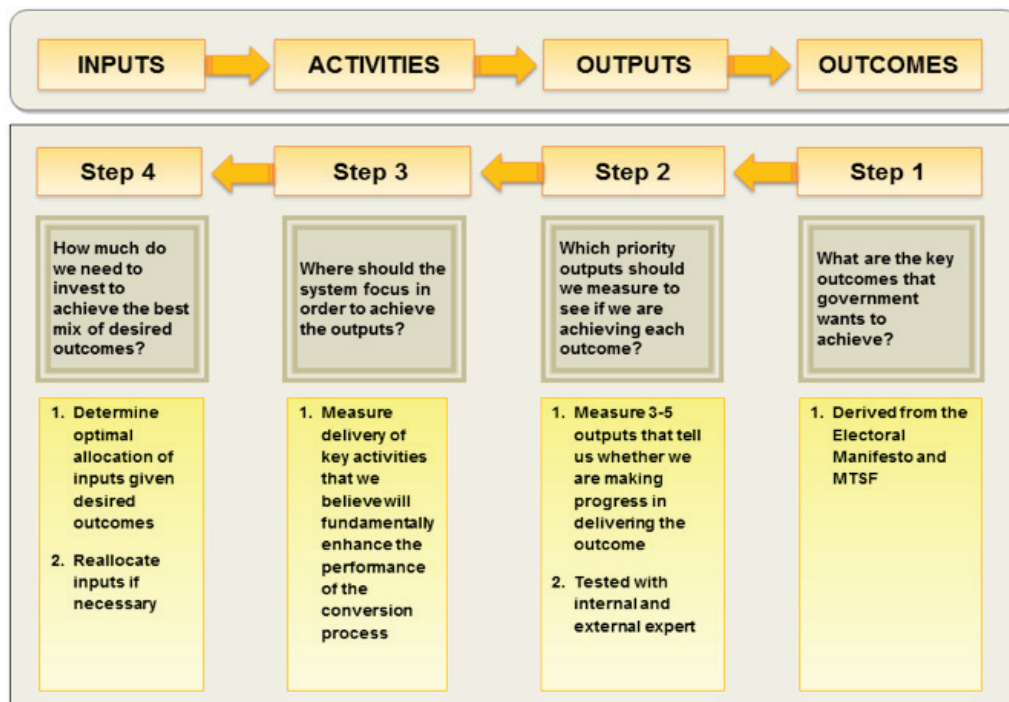
⁵⁵ Gauteng Office of the Premier, *Governance and Planning Cluster Roadmap, 2015*

- c) **Integrated and coordinated planning and governance regime** for the GCR, including provincial and municipal alignment to a GCR Spatial Development Perspective and Framework;
- d) **Institutional capacity** to drive a GCR long term vision and integrated short term and medium term planning, monitoring and evaluation; and
- e) **Integrated systems and mechanisms of governance**, including systems, processes, structures and the political and administrative regime.

The GCR perspective therefore challenges the current make up of and functioning of municipalities in Gauteng towards the GCR vision. A key GCR consideration is the ultimate aim of “wall-to-wall” metropolitan municipalities (i.e. five metros) in the province by 2021. The question as to whether it is possible to have only a metropolitan form of government in Gauteng (i.e. wall-to-wall metros), implying the merging and discontinuation of certain district and local municipalities, the existence of which are constitutionally defined, is being debated. However, the desirability of fewer municipalities in the operationalisation of the GCR perspective must be recognised in terms of the efficiencies that will be required towards the effective and seamless manner in which municipalities will be required to operate. The potential impact of this view should not be taken lightly, especially when considering the evolution of the metropolitan form of local government.

- 2) The **Outcomes Based Planning and Monitoring and Evaluation Approach** (adopted by Cabinet in 2010) (OBPA)^{56 57}. The latter part of the second term and into the third term was informed by the emergence of the OBPA, which encompasses a focus on results based planning and management. The approach seeks to make explicit the relationship between outcomes, outputs, inputs, and resources through the application of a clear theory of change and/or a delivery value chain, as reflected in the figure below:

Figure 5: The Outcomes-Based Planning Approach (OBPA): Results-based management



Source: Adapted from *The Presidency, Enhancing Government Performance - The Outcomes Based Approach* (2010)

⁵⁶ *The Presidency, Improving Government Performance: Our Approach*, 2009.
⁵⁷ *The Presidency, Guide to the Outcomes Approach*, 2010.

The OBPA makes a critical assumption that dependencies exist between governmental entities as they implement their strategies and programmes. Importantly therefore, the OBPA imposes a logic of collaboration on governmental entities at all spheres and across all sectors of government. Shared responsibility for producing the desired outcomes defined as national priorities for South Africa demands that entities look beyond the confines of their legislative mandates and determine how their interdependencies can be leveraged through collaboration.

The OBPA was given effect in Gauteng through the Exco approval of the **Gauteng Province-Wide Planning, Monitoring and Evaluation Policy Framework (GPWPM&E)** in 2010. Later work in 2011 and 2012 then sought to expand the instruments of this policy and to extend it to intergovernmental planning, monitoring and evaluation. This included the Gauteng approach to Frontline Service Delivery Monitoring, GEYODI monitoring and mainstreaming and the integration of the outcomes-based approach at intergovernmental level.

- 3) The OBPA culminated, in 2009/10, in the development of the government-wide **Medium term Strategic Framework (MTSF) for 2009/10–2013/14**, framed around twelve Countrywide Outcomes aligned to the electoral manifesto; and which underpinned government planning, budgeting, monitoring and evaluation activities for the Period to 2014. The outcomes reflected a single set of priorities with a clear rationale and with outputs and indicators to be used to measure and track progress for the period 2009–2014.

Notwithstanding the role of local government across all the Outcomes, the MTSF articulated a specific posture for Local Government under **Outcome 9: A responsive, accountable, effective and efficient local government system**, and defined the outputs expected in this regard:

- Output 1: Implement a differentiated approach to municipal financing, planning and support.
- Output 2: Improve access to basic services.
- Output 3: Implement the community works programme and cooperatives supported.
- Output 4: Actions supportive of human settlement outcomes.
- Output 5: Deepen democracy through a refined ward committee model.
- Output 6: Improve municipal financial and administrative capability.
- Output 7: Develop a single window of coordination.

The Gauteng MTSF and outcome plans, and the annual Programmes' of Action for the period 2009–2014 were informed by and aligned to the MTSF and twelve Outcomes. Local government also began to frame their strategies and IDP's to align with the outcomes during the third term.

- 4) The **National Development Plan, Vision 2030⁵⁸ (2012) (NDP)**, adopted as the visionary blueprint of government and the rest of society. The NDP seeks a collaborative partnership towards reducing poverty and unemployment and building a national democratic society that is socially inclusive; and envisages that by 2030 South Africa should start enjoying: "liveable, safe, resource-efficient cities and towns that are socially integrated, economically inclusive and globally competitive, where residents actively participate in urban life." This vision is based on the following imperatives:
 - a) Access: To ensure people have access to social and economic services, opportunities and choices;
 - b) Growth: To harness urban dynamism for inclusive, sustainable economic growth and development;

⁵⁸ *The Presidency, National Development Plan - Chapter 13, November 2011, adopted by Cabinet September 2012*

- c) Governance: To enhance the capacity of the state and its citizens to work together to achieve social integration; and
- d) Spatial transformation: To forge new spatial forms in settlement, transport, social and economic areas.

Specific to local government, *Chapter 13 of the NDP: A Capable and Developmental State*, states that by 2030 South Africa will have a developmental state that is accountable, focused on citizen's priorities, and capable of delivering high quality services consistently and sustainably through cooperative governance and participatory democracy. Local government must be at the forefront of participatory democracy, involving citizens in meaningful deliberations regarding governance and development; is responsive to citizens' priorities and enjoys high levels of trust and credibility amongst the public; whose employees are skilled, competent and committed to delivering quality services; is able to cost effectively increase the quantity and quality of services, and operates within a supportive and empowering intergovernmental system.

The NDP, however, cautions that municipalities operate in a complex environment, and municipal performance is impacted at the institutional, environmental and macro-socio-economic levels. The priority issues within these levels that are negatively impacting on municipal performance include:⁵⁹

⁵⁹ Department of Performance Monitoring and Evaluation, *MTSF 2014-2019: Appendix 9, Outcome 9*

Table 4: Priority issues identified by the NDP as impacting negatively on municipal performance

Institutional Capacity	Enabling Environment	Macro Context
Technical skills gaps and lack of relevant competencies	Lack of central coordination support, information and M&E	Huge pressures of poverty, unemployment and inequality
High staff turnover and vacancy levels	Financial viability of municipalities Bulk infrastructure gaps	Huge service delivery backlogs Weak public participation
Weak understanding of policies	Lack of clarity with regards to decentralisation of powers and functions and role of the districts	Huge social issues, such as crime, drug abuse, gender-based violence
Political deployments - not always competent appointments	Role of DCOG unclear	Weak revenue base of municipalities with low levels of affordability
Lack of career progression	Lack of planning alignment amongst the three spheres – IDP not taken seriously by other spheres	Political dynamics, including coalitions resulting in inertia
Poor attitudes and values of staff	Local government financing system, including Equitable Share, needs to be reviewed	Pressures of in-migration and urbanisation
Lack of professionalism & regulation thereof by professional bodies	Inconsistent, incoherent and complex local government legislative environment	Weak education system – and lack of critical skills in key areas (engineering, financial management and internal control, project management, strategic and systems alignment, trade artisans, etc.)
Corruption at all levels with no consequences	Lack of customised support to municipalities, and support focused on compliance	
Unclear administrative / political interface		
Weak strategy – focus on compliance		
Weak financial management and low budget spend		
Weak council decisions, often contrary to technical advice		
Organisational instability, including S57 contracts linked to political term of office		
Lack of oversight and accountability		
Lack of legal compliance or regulatory support		

The NDP notes that responding to the above issues will require a proactive approach to managing the intergovernmental system, in order to address specific weaknesses in collaboration and capacity support. National and provincial departments and entities impacting on local government must cooperate better and act with greater synergy in providing oversight and support. Moreover, provincial departments of local government must improve the way they monitor and support local government – a key consideration for this Review.

- 5) The **Medium Term Strategic Framework (MTSF) for 2014–2019**⁶⁰ - the first of three MTSF's towards the realisation of Vision 2030. Aligned to the NDP, Vision 2030; the 2014–2019 MTSF has two overarching themes – radical socio-economic transformation and improving service delivery. While it continues the outcomes-based approach adopted by the previous administration, it now defines fourteen outcomes with the inclusion of Outcome 13: Social Protection and Outcome 14: Transforming Society and Uniting the Nation.

⁶⁰ Department of Performance Monitoring and Evaluation, MTSF 2014-2019: Appendix 9, Outcome 9

The 2014–2019 MTSF identifies the critical actions to be undertaken during the period to 2019 and identifies indicators and targets to be achieved in the period, incorporated into the Delivery Agreements of relevant Ministers. Again, although local government plays a role and contributes indirectly to most of the outcomes, it is directly aligned to the implementation of Outcome 9, through the Delivery Agreement of the Minister of COGTA, and the following five sub-outcomes:

- a) Members of society have sustainable and reliable access to basic services;
- b) Intergovernmental and democratic governance arrangements for a functional system of cooperative governance and participatory democracy strengthened;
- c) Sound financial and administrative management;
- d) Promotion of social and economic development; and
- e) Local public employment programmes expanded through the Community Works Programme.

The specific actions and targets for the 2014–2019 period are detailed in the MTSF and are not repeated here, as they only emerged in the final year of this Review – too late to influence the planning and/or reporting of the municipalities for the period to 2015/16. However, these outcomes and their actions, as well as the Gauteng specific response, will inform the packaging of the future recommendations outlined later in this Review.

In Gauteng specifically, coming in to 2014 and in aligning to the NDP Vision 2030, the Gauteng Provincial Government (GPG) acknowledged that a dramatic turnaround related to the following is required⁶¹:

- a) Improving the delivery of services;
- b) Transforming the economy;
- c) Creating employment;
- d) Improving socio-economic conditions, i.e. cost of living;
- e) Active engagement with communities; and
- f) Building integrity in the system of governance and addressing corruption in the state, the private sector and society.

In this regard, the political imperatives and policy priorities of the Gauteng Provincial Government for 2014–2019 are aimed at giving programmatic effect to radical transformation and change in all aspects of governance, towards ensuring an equitable and prosperous province⁶².

- 6) The **Gauteng Transformation, Modernisation and Reindustrialisation (TMR) Agenda (2014)**. Adopted in 2014/15, the TMR Agenda is aligned to the NDP and MTSF and presents a ten-pillar programme aimed at radically transforming, modernising and reindustrialising Gauteng over the next fifteen years, as follows:

⁶¹ *Gauteng State of the Province Address, 27 June 2014*

⁶² *Gauteng Office of the Premier, Strategic Plan 2015/16 – 2019/20*

Table 5: Gauteng Ten Pillars of Transformation, Modernisation and Reindustrialisation (TMR)⁶³

No.	Component	No.	Pillar
1.	Transformation	1.	Radical economic transformation
		2.	Decisive spatial transformation
		3.	Accelerated social transformation
		4.	Transformation of state and governance
2.	Modernisation	5.	Modernisation of the public service
		6.	Modernisation of the economy
		7.	Modernisation of human settlements and urban development
		8.	Modernisation of public transport infrastructure
3.	Reindustrialisation	9.	Reindustrialisation of Gauteng province
		10.	Taking the lead in Africa's new industrial revolution

Mainstreamed across above 10 pillars are issues of Gender, Youth, Elderly, Military Veterans and People with Disability.

Reiterated by the Gauteng ANC Caucus in February 2016⁶⁴, the TMR agenda is the driver of the GCR to 2030. It aims to change the structure of the economy and the infrastructure and spatial landscape of the City Region through a range of focused interventions, corridor developments and game changers for each of the ten pillars of the TMR. The corridor developments and game changers seek to consolidate and entrench the GCR developmental agenda, create greater efficiencies in governance both at the provincial and local spheres, and enhance the collaborative efforts of individual municipalities, as well as ensure the revitalisation of local spaces, especially township economies, across the GCR.

Fundamental to the Corridors of Development Programme is the delineation of the City Region into five development corridors, namely: Central, Northern, Southern, Eastern and Western Development Corridors. Each of the Corridors is anchored by a municipality in the province, i.e. Johannesburg region, Tshwane region, Ekurhuleni region, West Rand region and Sedibeng region, respectively. For each of the Corridors there are then specific development outcomes, whose successful implementation rests not only on the interventions of the provincial government, but also on the viability, efficiency and dexterity of the municipalities forming the core of those particular regions⁶⁵.

Particularly informing the final year of the current local government term (2015/16) and beyond into the next term, key milestones have been set that are relevant to local government and will be managed through the Executive Council System.

- 7) The transformed **Gauteng Executive Council System (2014)**⁶⁶, to enhance the effectiveness of the Executive Council in driving the strategic agenda of the Province and the ideals of the GCR. Three Clusters have been established as the policy, strategy and programme oversight support mechanisms of the Executive Council. The Clusters seek to ensure the rational integration and coordination of government programmes and to allow for intensive and focused debate and dialogue on strategic choices before issues are taken to the Executive Council for decision-making. At the technical level, the Clusters further ensure that the deployment of departmental resources is in step with the agenda set by the Executive Council. This is to ensure that all the technical issues are resolved; leaving the Executive Council to deal with the political and policy choices they have to make as per their constitutional mandate.

A cornerstone of the design of the transformed Executive Council System is to better link local government to the Cluster approach and to provide for the integration of IGR forum programmes. The line of sight and responsibility of each respective Cluster in terms of the specific role of local government in the Province is reflected in the table below:

Table 6: Gauteng Cluster 2014-2019 MTSF priorities, of direct relevance to local government⁶⁷

⁶³ Gauteng Office of the Premier, *Gauteng 2014 – 2019 MTSF*

⁶⁴ News24. *Media Briefing: We remain committed to the TMR programme: Gauteng ANC Caucus, 20 February 2016*

⁶⁵ Gauteng Office of the Premier, *Gauteng 2014 – 2019 MTSF*

⁶⁶ Gauteng Office of the Premier, *Governance and Planning Cluster Roadmap, 2015*

⁶⁷ Gauteng Office of the Premier, *Gauteng 2014 – 2019 MTSF*

TMR Pillars	Cluster Priorities to 2019, directly relevant to Local Government
<p>The Economic Cluster is aimed at radically transforming the structure of the economy and unlocking the potential of different sectors. At local government level, the following key priorities will be addressed:</p>	
<p>Radical Economic Transformation</p>	<p>Revitalise and build township economies by supporting the development of township enterprises, cooperatives and SMME's that will produce goods and services that meet the needs of township residents. Provincial government and municipalities shall work together to provide training, funding, economic infrastructure and markets for township and community enterprises.</p> <p>Develop key and new economic sectors that have the potential to address the twin policy imperatives of creating decent employment and greater economic inclusion.</p> <p>Develop innovation driven, knowledge-based, smart and green economy by working with research institutions to vigorously promote innovation within the provincial economy and fast-track the development of new industries.</p> <p>Expanding youth employment by encouraging the involvement of youth in all the planned interventions.</p> <p>Reindustrialisation through strategic infrastructure development - the massive rollout of public transport infrastructure across the province to revitalise and modernise old industries and locally manufacture or assemble buses, trains and locomotives. Work closely with SOE's to reindustrialise the province and boost employment creation and economic inclusion.</p> <p>Province-wide internet connectivity rollout - provincial government and municipalities will work together with the private sector in the massive rollout of broadband and free Wi-Fi across the province.</p> <p>Strengthening of a comprehensive and integrated EPWP & CWP that will create over 1 million job opportunities within a period of five years. This will be linked to providing temporary relief for a longer duration and offer training to women, youth and people with disability.</p> <p>Transformation of ownership of agro-processing industries in Gauteng and ensure links to markets.</p> <p>Expansion of the Gauteng Biotechnology Science Park's Research and Development and manufacturing facilities.</p> <p>Improve and expand agro-processing industries in Gauteng with a special emphasis on smallholder agro-industries.</p>
<p>The Social Cluster is aimed at accelerating social transformation in Gauteng and, specifically, the modernisation of human settlements and transformed urban development. While some of the Cluster focus areas are not the competence of local government, at local government level the following key priorities will be addressed:</p>	

TMR Pillars	Cluster Priorities to 2019, directly relevant to Local Government
Human Settlements	<p>Ensure universal access to basic services by 2016/17.</p> <p>Develop integrated human settlements in line with the Gauteng Spatial Development Framework and ensure a radical shift towards housing provision in economic and mixed-use nodes with an improved mix of typologies.</p> <p>Eradicate the backlog of title deeds and ensure that title deeds for new developments are issued timeously.</p> <p>Repair damaged houses and replace houses where asbestos was used as building material.</p>
Social Development	<p>Improve access to quality ECD by introducing a comprehensive ECD programme and services, which also takes into account home and community based ECD. Work with the GDE to improve the professionalisation, regulation and registration of ECDs.</p> <p>Combat substance abuse and gender based violence and ensure integration with Department of Community Safety programmes.</p> <p>Expand the War on Poverty Programme to ensure a comprehensive profiling of all households situated within the 50 poorest wards.</p> <p>Upscale the Welfare to Work Programme making extensive use of the cooperative model and EPWP opportunities.</p>
Community Safety	<p>Implement Smart Policing Initiatives including real-time information systems linked to the Disaster Management Centre and EMS services.</p> <p>Enhance the community centred policing model through mobilising the community, strengthening ward based and sector policing, establishing street committees and involving the community in policing needs and priorities.</p> <p>Improve social crime prevention through an urban social crime prevention model using local safety plans that take into account the role of Metro Police. Reorientate and skill community patrollers on community policing.</p> <p>Reduce road fatalities through increased visibility, enforcement, road blocks and awareness campaigns.</p> <p>Combat corruption in Law Enforcement Agencies by improving conviction rates and initiating anti-bribery campaigns.</p>
Sports, Arts, Culture and Recreation	<p>Promote competitive sports, creative industries and high impact events to drive inclusive growth and tourism.</p> <p>Expand community based sport and culture amenities.</p> <p>Build social cohesion by fostering and highlighting Constitutional values, the Bill of Responsibility, national symbols, non-racialism, anti-xenophobia, moral regeneration, civic education and an active citizenry.</p>
<p>The Governance and Planning Cluster is aimed at strengthening good governance and enhancing planning in Gauteng on an intergovernmental basis. In strengthening and promoting good governance at local government level, the following key priorities will be addressed:</p>	

TMR Pillars	Cluster Priorities to 2019, directly relevant to Local Government
<p>Decisive spatial transformation</p>	<p>Building new post-apartheid cities by taking radical steps to transform the spatial configuration and landscape of Gauteng province. This will be done through public transport infrastructure development and the creation of new integrated and sustainable human settlements and post-apartheid cities that are more connected, liveable, smart and green.</p> <p>Aligning spatial planning and land use management frameworks across the province in order to strengthen social and economic integration and spatial equity.</p>
<p>Transformation of the state and governance</p>	<p>Monitoring the quality of public services through a formalised monitoring and evaluation system combined with unannounced service delivery inspections.</p> <p>Promoting participatory governance to fundamentally change the way state institutions relate to society, to build an active citizenry and ensure inclusive community development.</p> <p>Strengthen municipal financial viability and sustainability.</p> <p>Leverage fiscal resources to catalyse and transform the economy by providing information on how much, where and on what fiscal resources are spent as well as enabling enterprise development, localisation, empowerment of targeted groups (youth, women and PwD's), etc.</p> <p>Promoting better planning and budgeting across all spheres of government. Budget review and reform to ensure developmentally focused allocation of resources and impact analysis.</p> <p>Explore alternate sources of revenue generation to enable province and municipalities to fund priorities.</p> <p>Support all departments, entities and municipalities to achieve unqualified audit outcomes and the progression towards clean audits.</p> <p>Human resources development strategy to ensure an efficient, effective and development oriented public service.</p> <p>Reduce and eradicate corruption through improved disclosure frameworks and build effective institutional capacity.</p> <p>Advancing and protecting the rights of youth, women, people with disabilities and older persons.</p> <p>Building a Municipal Knowledge and Information Repository (benchmark, and share innovations and best practice); review and review by-laws to support municipal viability, economic growth and development.</p>
<p>Modernisation of the public service</p>	<p>Establishing integrated research and information management systems through the adoption of paperless information management systems and the prioritisation of research.</p> <p>Strategic investment in Gauteng Broadband Network (GBN) through establishing core network; Connect government (phase 1) – broadband access to government buildings and VOIP; connect Thusong centres, 20 priority townships, urban renewal and key economic zones.</p> <p>Re-engineer and transform back office services to realise savings and improve frontline service delivery.</p>

To give effect to the above cluster priorities, an annual Gauteng Programme of Action (POA) will be developed, which is aimed at translating the Gauteng MTSF and TMR into measurable results and targets for the period 2014-2019. It is critical that both COGTA and Local Government priorities are both aligned to and reflected in this POA.

With the above legislative and policy context in mind, focus now turns to an assessment and reflection on the performance of local government in Gauteng over the fifteen year period 2000–2016, so as to inform findings and recommendations moving into the 2016–2021 term.



CHAPTER 3

THE 15 YEAR REVIEW OF LOCAL
GOVERNMENT PERFORMANCE IN
GAUTENG 2000 – 2016

CHAPTER 3

The 15 year Review of Local Government Performance in Gauteng

2000 – 2016

Key Performance Areas Assessed:

- Institutional Transformation and Organisational Development
- Basic Service Delivery and Infrastructure
- Local Economic Development
- Good Governance and Public Participation
- Financial Viability and Management

The evolution of democratic and developmental local government in South Africa, and the emerging legislative and policy framework over the 2000-2016 period specifically, then form the basis for the review of the performance of municipalities in Gauteng over the fifteen year period.

As has been discussed in the introductory chapter to this Review, five local government Key Performance Areas⁶⁸ have guided municipal planning and reporting; and performance and term assessments have been consistently conducted against these KPA's over the fifteen year period.

It was, therefore, agreed that for consistency this Review should utilise the same KPA's to inform its thematic structure and content. However, as was noted in the previous chapter, the five pillars of the Gauteng B2B Ten Point Plan⁶⁹ are closely aligned to the KPA's and also to the 10 Pillars of the TMR agenda, and so, while the review is packaged under the five KPA's, it reflects a natural alignment to the B2B Action Plan and TMR agenda.

As the quantum of performance data over the period was so large, the assessment has sought to identify those focus areas under each of the five KPA's that have remained relatively constant over the fifteen year period.

Importantly, this Review does not duplicate previous reports, but rather attempts to analyse and summarise the critical successes, issues and trends impacting on local government performance over the review period.

Additional information has also been gathered from a wide range of other reports, as referenced, including the quarterly and annual COGTA municipal performance reports and data or reports from key stakeholders such as National and Provincial Treasury, SALGA, FFC, SA Cities Network, Municipal IQ and a range of other credible government and independent sources.

The structure of the Review of performance under each KPA is as follows:

- 1) Firstly, a critical reflection on performance in the first ten years, 2000 to 2011. This part of the performance review is largely based on the findings and recommendations of the first and second end of term review reports⁷⁰ and the mid-term report of the second term⁷¹.

Where applicable, numerous secondary source documents have been referenced and cited, to strengthen the analysis.

- 2) Secondly, a detailed review of performance for the third term and the identification of the critical issues to be considered moving forward, and to inform a discussion on overall performance for the fifteen year period.

This more detailed review is based on the critical issues of the first decade, the mid-term review report of the third term⁷², COGTA and municipal quarterly and annual reports over the period, and an extensive list of other source documents are referenced and cited.

- 3) Finally, the outcome of the above analysis per focus area is consolidated into the key performance observations and critical issues relating to the key performance area for the fifteen year period.

The critical issues identified then inform the synthesis in chapter 5 and the recommendations in chapter 6 of this Review.

⁶⁸ Minister for Provincial and Local Government, *Local Government: Municipal Planning and Performance Management Regulations, 2001*

⁶⁹ Gauteng COGTA, *Second Phase of the Back to Basics Perspective: The 10 Point Plan, 11 April 2016*

⁷⁰ Gauteng DLGH, *Local Government Performance Review: Reflecting on the first five years of Democratic Local Government in Gauteng (2000-2005), February 2006*

⁷¹ Gauteng DLGH, *Local Government Performance Review: Reflecting on the 2006-2011 Term of Democratic Local Government in Gauteng, April 2011*

⁷² Gauteng DLGH, *Local Government Midterm Performance Review Report (2006-2008), 2009*

⁷³ Gauteng COGTA, *Local Government Midterm Performance Review Report (2011-2016), June 2015.*

SECTION 3.1

KPA 1: INSTITUTIONAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

Aligned to:

- B2B Pillar 5: Building institutional and administrative capabilities
- TMR Pillar 4: Transformed state and governance

Focus Areas Considered:

- Organisational design
- Human resources strategy and policy framework
- Municipal employee profile and employment equity
- Municipal vacancy rates
- Skills development
- Performance management

A key consideration of any transformation and organisational development process must be the impact it is expected to have on service delivery and the potential impact it may have on the people responsible for delivering the services. This is especially the case where different organisational cultures are merged and people experience a sense of uncertainty about the unknown future state.

This was the situation in Gauteng in 2000, which saw the amalgamation of fifty-one municipal authorities into fifteen municipalities; and in 2011, when the number of municipalities was further reduced to twelve with the merger of the COT and the Metsweding District Municipality and its two local municipalities, Nokeng Tsa Taemane and Kungwini.

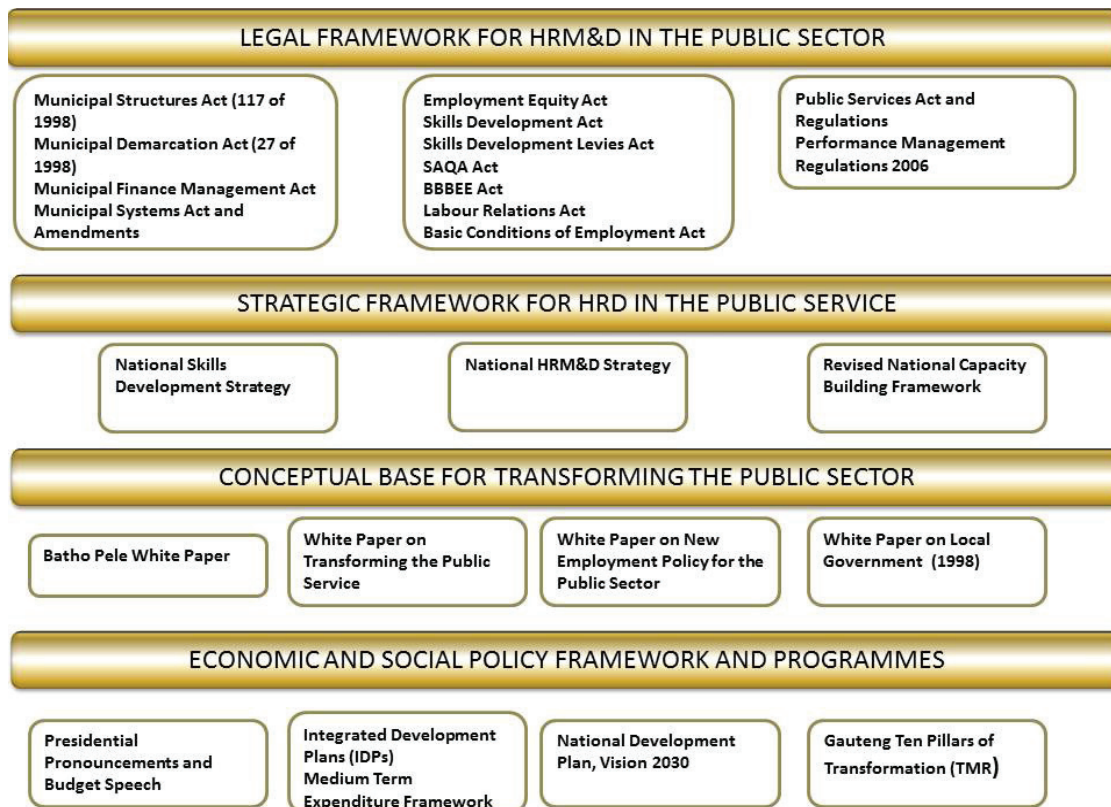
Municipal transformation and organisational development (OD) processes require detailed planning, resource allocation, constant and meaningful communication and careful monitoring and evaluation of the progress made; both with the implementation of the change management plan, and peoples' response to the implementation of the plan. The stakeholders involved need to share a common vision and understanding of the various transformational issues and challenges confronting the institution. In addition, it is essential that internal processes which enable service delivery, together with systems to improve on these processes, be considered as part of the transformation process.

In the local government context, institutional transformation and organisational development is premised on the Constitution of the Republic of South Africa (Act No.108 of 1996), the White Paper on Local Government (1998) and the overarching legislation described in the previous chapter. The legislative prescripts are not duplicated here, but specifically inform the Review in terms of requirements for the:

- 1) Development of a performance management system;
- 2) Attraction and development of suitably qualified and competent staff in local government;
- 3) General and minimum competence and qualifications for the various classes of senior management; and
- 4) Professionalising local government so as to ensure fair, efficient and transparent municipal administration.

The following diagram provides a summary of key legislation and strategic frameworks governing Human Resources and Development (HRM&D) in the public sector.

Figure 6: Legislative and strategic frameworks impacting on HRM&D in the public service⁷⁴



Source: SALGA - National Human Resources Management and Development Strategy (HRM&D) – Blueprint For Local Government, February 2013 (Adjusted)

In this context, this Key Performance Area is concerned with the transformation of the institutional form of municipalities and the development of organisational capacity to accelerate service delivery in order to meet the needs of communities serviced.

Whilst there have been differences in the focus areas from term to term, the following focus areas were consistently referred to over the fifteen year period:

- 1) Organisational design,
- 2) Human resources strategy and policy framework,
- 3) Municipal employee profile and employment equity,
- 4) Municipal vacancies,
- 5) Skills development,
- 6) Performance management.

⁷⁴ Adjusted from SALGA HRM&D Framework - National Human Resources Management and Development Strategy (HRM&D) – Blueprint For Local Government, February 2013

3.1.1 Organisational Design

Municipal transformation and organisational design will remain a consideration in the local government sphere, and also in other spheres of government, as long as the environment in which it operates is constantly changing. Thus, organisational design and development, and change management strategies, will always be required to ensure that the municipalities keep abreast of the changing circumstances and latest developments, aimed at maximising sustainable service delivery and development.

Reflection on performance in the first ten years (2000-2011)

During the first term, municipalities were expected to establish and transform their institutions to reflect the newly adopted democratic ideals, whilst effecting change and delivering services to a much broader target population. In addition, they were expected to comply with numerous local government legislative directives and establish the necessary administrative capacity, systems and leadership to enable effective service delivery⁷⁵.

Organisational design

Only three municipalities completed the organisational design
of the newly created municipalities within expected timeframe for establishment:

1. COJ – within 6 months
2. Midvaal – within a year
3. Sedibeng – within two years

The timeline for the establishment phase of local government was two years (2000–2002). The COJ, Sedibeng DM and Midvaal LM were the only three municipalities to complete their respective establishment processes within the two years. Of the fifteen municipalities, five (Metsweding, West Rand, Emfuleni, Randfontein, Westonaria) had not yet finalised their organisational structures at the end of 2005 (the time when the consolidation phase was expected to have been completed).

A key concern during this period was that there was little evidence, in the municipal annual reports, of the development of change management frameworks and processes to underpin the OD processes and cultural integration required to establish the newly formed municipal institutions – this partly explains why the establishment processes took longer and were relatively ineffective during the first term.

During the second term, all municipalities concluded the establishment phase, with the implementation of approved and established structures. The focus started shifting from establishment to strengthening and better alignment of the institutional structures, to enable the imperatives of a democratic and developmental local government which finds expression in the IDPs.

The development and approval of establishment structures were, however, only the first step towards successfully transforming organisational forms. During the implementation of the reviewed institutional structures, many municipalities – especially the smaller ones, experienced challenges in the effective capacitation of their reviewed structures. This was partly due to financial constraints to fill funded positions and the continued inability of smaller municipalities to effectively

⁷⁵

Gauteng Department of Local Government and Housing (DLGH), End of Term Report, 2000-2005

attract, retain and develop technical and professional employees, especially in the scarce and critical skill categories⁷⁶.

Note: *Organisational reviews and restructures are intended to make organisations more effective and efficient. However, the manner in which the change is implemented often results in the opposite. This is mainly due to 1) leadership's inability to effectively manage and drive change processes; 2) lack of well-planned supporting and enabling strategies, frameworks and systems; 3) the time it takes from start to finish – the pace of implementation needs to be informed by the readiness of the organisation and its people to embrace the change.*

Review of performance in the third term (2011-2016)

During the period, a number of structural reviews were conducted to better align the institutional forms of municipalities with IDPs, and certain municipalities continued with the design of amended structures. The organisation design processes, were lengthy, as is reflected below:

1) At the beginning of the third term, in 2011, the COJ conducted a high level institutional review to better align the institutional structure with the shifting strategic demands and the need to become more effective at delivering services to the citizens of Johannesburg. During this process, the need to better look after and optimally utilise the scarce engineering professionals in the City and its MOEs was highlighted. As part of the structural review process, an Engineering Centre of Excellence was established to better manage some of their skills retention, development and deployment⁷⁷.

Centre of Excellence model for scarce skills

The concept of an Engineering Centre of Excellence (ECoE) was adopted by COJ in 2011 during its high level institutional review, to better manage skills shortages in the city.

The aim of the ECoE is to provide for the oversight and coordination of the professionalisation, development, retention and optimal utilisation of engineers throughout the city.

This concept could be investigated and potentially duplicated with scarce skills categories at municipal or provincial level.

- 2) The EMM conducted a structural review in 2014/1578. However, its implementation may run into the next electoral period. This is not ideal, as the unsettling impact of the OD intervention on staff may be exacerbated by the delay and the electoral process.
- 3) Sedibeng DM completed a structure review in 2012, however, reports refer to the fact that the municipality is currently in the transition to become a metro.
- 4) Emfuleni LM has been on a recruitment drive for the last few years to fill vacancies.
- 5) Midvaal LM approved a revised structure in 2013/14.
- 6) The Merafong LM reflected in the 2013/14 and 2014/15 annual reports that their organisational structure was not yet finalised, resulting in the inability to fill positions in newly established units.

76 Gauteng Department of Local Government and Housing (DLGH), End of Term Report, 2006-2011
77 City of Joburg (COJ), High Level Institutional Review Report, Version 1, 28 June 2011
78 Ekurhuleni Metro Municipality (EMM), Annual Report, 2014/15

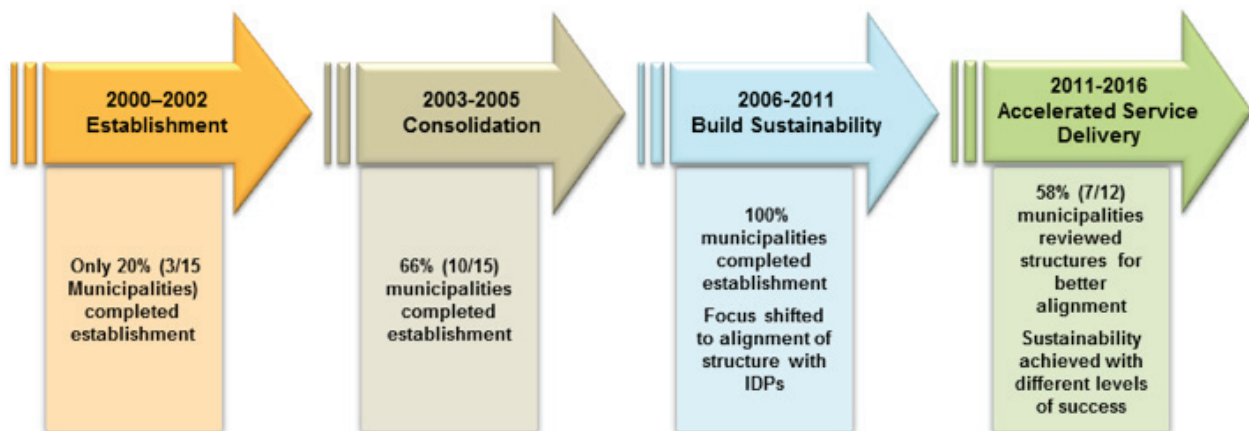
- 7) In 2013/14 – mid-way through the term - Mogale LM had an amended organisational structure that was not as yet approved.
- 8) Randfontein reported on the fact that replacements were made within the confines of budget constraints and the moratorium that has been passed, due to the pending merger with Westonaria LM79.

There was still little evidence that the necessary supportive frameworks and processes were put in place to enable the effective implementation of OD related processes. This is indicative of the fact that many human resources units were still operating at transactional levels of support, rather than positioning themselves as strategic partners - leading and guiding the leadership of municipalities to effectively implement change.

Key observations arising from the review (2000-2016)

The diagram below then reflects the high level performance trend for organisational design over the period:

Figure 7: Performance trend of organisational design (2000-2016)



Organisational design is one of the foundation blocks for successful organisational transformation. In terms of organisational design, all municipalities concluded the establishment phase and have structures in place; and have started shifting focus to better aligned structures to enable the service delivery mandates of the municipalities, as expressed in the IDPs.

However, the following **challenges and/or constraints** have been identified:

- 1) Challenges in effective capacitation of the reviewed structures, such as financial constraints to fill funded positions and the continued inability to effectively attract, retain and develop technical and professional employees, especially in the smaller municipalities.
- 2) It would appear that there was a limited understanding of the fact that organisational design and organisational development (OD) are separate yet supportive processes. Organisational design has narrowly been regarded as relating to the “approved structure”, with limited consideration for the impact on, and changes required in, the rest of the organisational system to ensure efficiencies and effective service delivery.
- 3) In this regard, there is an apparent need to commission a study to investigate the different institutional forms and service delivery models that exist within the metros to develop a good practice approach for the GCR. This matter is discussed further under the Governance KPA, as a prelude to a potential best practice model.

- 4) There were insufficient OD interventions to enable the effective implementation of reviewed structures - i.e. organisational culture transformation interventions, and change management and communication frameworks. This has resulted in uncertainty, low staff morale, and people placed in an acting position for prolonged periods due to inability to capacitate structures, among others.
- 5) There remains a need to establish, promote and institutionalise organisational values that will transform organisational cultures within municipalities - to drive the achievement of accelerated service delivery, sustainability and the TMR intent.
- 6) Arising from the above, there is a need to strengthen the OD capacity and support to effectively manage the eminent merger of Westonaria LM and Randfontein LM; and others. These processes will require well-conceived change management and communication frameworks to underpin OD and contribute to the successful integration of different municipalities and their organisation systems.

3.1.2 Human Resources Strategy and Policy Framework

The Human Resources Strategy and Policy Framework did not feature as a focus area during the first ten year period. However, it has become increasingly important, especially during the third term, as the administrative leaders of municipalities understand the true role of human resources as a strategic business partner, to optimise results through people.

Reflection on performance in the first ten years (2000-2011)

The major gap in municipal transformation during the first ten years was the limited attention given to human resource management and development as a professional discipline. In the main, most municipalities remained weak in the manner in which these functions were exercised⁸⁰. This was reflected in, amongst other, the absence of quantitative information and reporting on vacancy rates, equity targets, or the quality of human resource development strategies.

In 2010, SALGA, in partnership with the Department of Cooperative Governance and Traditional Affairs (COGTA) and GIZ, undertook quantitative and qualitative assessments to determine the current state of human resources practices adopted by different municipalities, and the impact such practices had on the vision of a developmental local government system.

The research report concluded that very few municipalities had attained sustainability in relation to the creation of innovative and strategic administrations and integrated human resource management systems⁸¹. Whilst a generic HRM&D Framework and Strategy had been provided to all municipalities, the absence of or limited technical skills in some municipalities resulted in challenges in customising and institutionalising HRM&D support.

Review of performance in the third term (2011-2016)

Important strategic policy frameworks were introduced with the White Paper on Human Resources Management in 2010 and the National HRM&D strategy in 2013. This magnified the need to elevate human resources management and development to a strategic level in order to capacitate municipalities through the development of progressive and innovative human resources strategies and policy frameworks.

Most municipalities have established a comprehensive HRM&D policy suite in the period. However, it is not possible to comment on the quality, or relevance to current human capital and business challenges in each municipality, or the level of legal compliance, as information is not reported.

80
81
2013

Gauteng DLGH, End of Term Review, 2006-2011
National Human Resources Management and Development Strategy (HRM&D) – Blueprint For Local Government, February

Table 7: Development and implementation of specific human resources policies and systems per municipality

Municipality	Recruitment & Selection Policy			Skills Development Plan			Employment Equity Plan			HRM&D Policies		
	Reviewed / Developed	Approved	Implemented	Reviewed / Developed	Approved	Implemented	Reviewed / Developed	Approved	Implemented	Reviewed / Developed	Approved	Implemented
COJ	Yes	Yes	Yes	Yes	Yes	In Progress	Yes	Yes	Being Reviewed	Yes	Yes	Yes
COT	Yes	Yes	Yes	Yes	Yes	Satisfactory	Yes	Yes	Satisfactory	Yes	Yes	Satisfactory
EMM	Yes	Yes	Yes	Yes	Yes	Partially	Yes	Yes	Partially functional	Yes	Yes	Yes
Sedibeng DM	Yes	Yes	Yes	Yes	Yes	Satisfactory	Yes	Yes	Satisfactory	Yes	Yes	Satisfactory
Emfuleni LM	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Lesedi LM	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Partially functional
Midvaal LM	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Satisfactory
Westrand DM	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Satisfactory	Yes	Yes	Yes
Mogale City LM	Yes	Adopted and Approved in Dec. 2014	Yes	Yes	Yes	Policies developed - draft stage	Yes	Yes	Yes	Yes	Yes	Satisfactory
Randfontein LM	Yes	Yes	Yes	Yes	Yes	Yes	No	No	Yes	Yes	Yes	Yes
Merafong LM	Yes	Yes	Yes	Yes	Yes	Satisfactory	Yes	Yes	Satisfactory	Yes	Yes	Yes
Westonaria LM	Yes	Yes	Reviewed 2013	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Source: COGTA Municipal Performance Report 2014/15

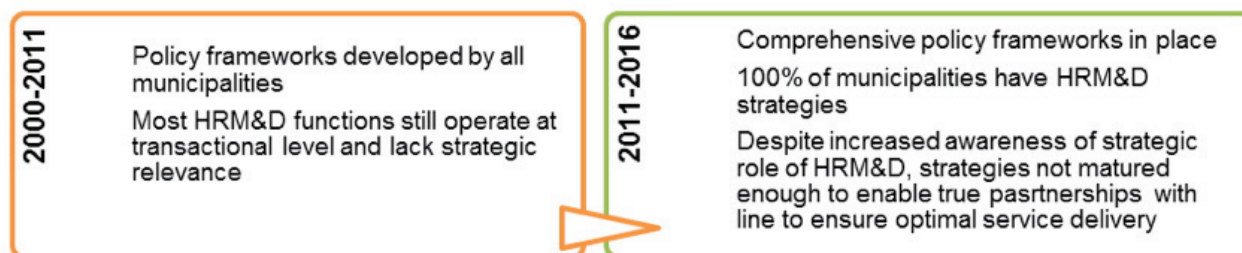
Despite increasing policy awareness of the strategic role that HRM&D should play, the human resources management strategies and processes had not yet significantly matured to effectively enable the achievement of the strategic objectives of most municipalities. Many HRM&D functions were still struggling to optimise performance on transactional HRM&D services, rather than taking their rightful place as recognised and consulted strategic business partners to the municipalities they serve.

In fact, capacity levels in HRM&D functions remained a challenge in elevating the HRM&D functions as centres of excellence and strategic partners. Even the metros have insufficient capacity to deliver at this level, despite the establishment of the institutional form to achieve this through group services functions.

Key observations arising from the review (2000-2016)

The diagram below then reflects the high level performance trend in terms of HRM&D policy and strategy over the period:

Figure 8: Performance trend in terms of the human resources strategy and policy framework (2000-2016)



In terms of the HRM&D strategy and policy framework, the following **successes** have been realised over the fifteen year period:

- 1) All municipalities have HRM&D policy frameworks in place, informing an increased awareness of the strategic role of HRM&D functions.
- 2) HRM&D strategies have been developed in most municipalities, however the strategic level of the strategies still needs to be elevated to adequately support and enable the municipalities.

However, in terms of the HRM Strategy and Policy Framework, the following **challenges and/or constraints** are identified:

- 1) Most HRM&D functions have not yet successfully elevated their strategic impact in the municipalities, and many units continue to have internal capacity challenges to achieve this. The shift beyond “transactional excellence” to “strategic partner” has not taken place.
- 2) There is evident need for a transversal and integrated Human Capital Management Framework and Strategy and Workforce Plan - to enable municipalities to target province wide imperatives of the TMR and build a capable, professional and motivated local government.

3.1.3 Municipal Employee Profile and Employment Equity

Section 13 of the Employment Equity Act requires municipalities to implement affirmative action measures to ensure that suitably qualified people from designated groups (historically disadvantaged people, women and people with disabilities) have equal employment opportunities and are equitably represented in all occupational categories and levels.

Reflection on performance in the first ten years (2000-2011)

Employment equity achievement

Towards the end of the first term, 80% of Municipalities achieved the racial transformation target of >50% Black.

Compliance with Employment Equity requirements strengthened across all municipalities; and by 2005, most municipalities had developed Employment Equity plans and policies to underpin the transformation of the municipal workforce.

During the first five year period, municipalities made progress with the implementation of affirmative action measures in order to achieve employment equity targets. By 2005, most municipalities (80%) had managed to transform their top three levels of management, from a race perspective, crossing the important threshold of 50% Black. The City of Tshwane, Midvaal LM and Lesedi LM, however, did not achieve this target.

Whilst it is recognised that female appointments increased during the first term, there was a concern that the many white female appointments worked against racial transformation initiatives.

Women in Local Government Awards

In recognition of women in local government, the MEC for Local Government launched the Women in Local Government Awards in 2004, to recognise the contribution made by municipalities towards promoting women empowerment and gender equality, both within the workplace and community at large.

The City of Tshwane won the award as it had satisfactorily met all the assessment criteria.

At the end of the first term, 3/15 (20%) Municipal Managers were female, however, only 24/153 (16%) of senior management positions were filled with females. The COJ and Mogale City achieved the highest female representation, of over 40%, in the top three levels of management.

At the end of the second term in 2011, 2/15 (13%) of the Municipal Managers were female; and 36% of senior management employees were female - the COJ fell just short of the 50% female target with female representation of 46.4%.

Only a few municipalities reported on the employment of people with disabilities (PWD) over the period. By 2011, in most instances, the suggested percentage was between 0.2% and 0.5%, significantly below the 2% target.

Review of performance in the third term (2011-2016)

It is concerning that most municipalities do not report on their employee profiles and EE status in their performance reporting over the term. Instead, annual reports reflect on interventions required to comply with legislation and to provide employment equity targets, however, it is not clear how municipalities perform against these targets.

Discipline of reporting on composition of workforce EE profile

COT is the only municipality to consistently report on employee profile and provides racial, gender and PWD achievements.

The only municipality to have consistently reported on the composition of its employee profile in the period is the City of Tshwane, with the most recent profile depicted in the 2014/15 Annual Report.

The COJ adopted the Gauteng Economically Active Population (EAP) percentages as their EE Targets, as per the table below (EAP percentages released by Stats SA, in QLFS 3 - 201382).

Table 8: Statistics SA – Composition of the Economically Active Population (EAP) of Gauteng

Gender	African	Coloured	Indian	White	Total
Male	41.2%	1.8%	1.7%	9.9%	54.6%
Female	35.0%	1.5%	1.1%	7.8%	45.4%
Total	76.2%	3.3%	2.8%	17.7%	100%

Source: Statistics South Africa, (QLFS 3 2013) (all percentages are rounded to one decimal point)

From the limited information available, the following table details the percentage of women appointed in senior management positions, within Gauteng municipalities, in 2013/14 and 2014/15.

Table 9: Women appointed in municipal senior management positions⁸³

Municipality	2013/14			2014/15		
	No. of Senior Manager Posts Approved	Women appointed in Senior Management posts	% Women in Senior Management Positions	No. of Senior Manager Posts Approved	Women appointed in Senior Management posts	% Women in Senior Management Positions
COJ	20	3	15%	21	3	14%
COT	16	4	25%	28	7	25%
EMM	29	8	28%	16	6	38%
Sedibeng DM	6	2	17%	8	2	25%
Emfuleni LM	9	1	18%	11	2	18%
Lesedi LM	11	3	13%	8	1	13%
Midvaal LM	10	3	22%	8	2	25%
Westrand DM	7	2	33%	6	2	33%
Mogale City LM	9	2	27%	11	3	27%
Randfontein LM	11	2	11%	6	1	30%
Merafong LM	6	1	30%	10	3	30%
Westonaria LM	8	1	29%	7	1	19%
TOTAL	142	32	23%	140	33	24%

Source: COGTA Section 47 Municipal Performance Reports – info only available for these 2 years

In terms of the above table, EMM and WRDM achieved the highest percentages of 38% and 33% women respectively, followed by Randfontein LM and Merafong LM at 30%.

There remained a lack of a complete set of information across all municipalities to determine the status quo of the percentage of people with disabilities employed. It is inferred that the lack of information points to a general lack of priority and weak performance in this regard.

Note: In order to effectively measure Employment Equity progress, the following is required:

- EE targets per category and level;
- Snapshot view of employee profile, per category and level, at the beginning of the year;
- Staff movements during the year, per category and level;
- Snapshot view of employee profile, per category and level, at the beginning of the year to determine progress towards targets.

⁸³ Gauteng COGTA – Section 47 Annual Municipal Performance Reports (2013/14 and 2014/15)

Key observations arising from the review (2000-2016)

The diagram below reflects the high level performance trend in terms of employment equity over the period:



Employment Equity is a transformational requirement of all municipalities. In light of the performance review above, the following **successes** have been realised over the fifteen year period:

- 1) Compliance with Employment Equity requirements strengthened across all municipalities.
- 2) The municipal workforce has been transformed from a racial perspective.

However, in terms of Employment Equity, the following **challenges and/or constraints** are identified:

- 1) Gender transformation targets have not been achieved. Gender transformation needs to be strengthened and prioritised, especially in S57 and Municipal Manager positions.
- 2) Transformation targets regarding people with disabilities have not been achieved. This needs to be prioritised, and the 2% target must be achieved across Gauteng Municipalities.
- 3) Target setting and reporting on EE remains inconsistent – especially related to people with disabilities.

3.1.4 Municipal vacancy rates

The number of posts that are vacant in municipalities is only one indicator of a municipality's capacity to perform its functions. How well employees meet minimum qualifications, competency and experience requirements are other important factors. This is typically established through skills and competency audits.

Given that only vacancy rates were monitored as part of municipal performance over the period, the review is constrained in this regard.

Whilst there is evidence that some municipalities did conduct skills audits through the period, it seems as if the results of the audits were used to inform training plans, rather than to provide a baseline competency level from which to determine the existing skills gaps in municipalities⁸⁴.

OVERALL VACANCIES

Reflection on performance in the first ten years (2000-2011)

At the end of the first term in 2005, local government reflected considerably high levels of unfilled vacant posts, ranging from 10% to almost 50%. The three metros recorded vacancy levels of 27% for COJ, 30% for COT and 50% for EMM. The Sedibeng DM recorded vacancy levels in the order of 30%, with Emfuleni above 30% and Lesedi LM and Midvaal LM below 20%. While Westrand DM came in under 10%, the local municipalities in the district recorded much higher vacancy rates of between 20% and 40%.

⁸⁴ Gauteng COGTA, *Mid Term Review, 2011-2016*

Whilst the second term provided little quantitative data on the overall vacancy rates of municipalities, it was noted that municipalities continued to be challenged with effectively managing employee numbers.

The lack of financial resources to fill vacancies, unfunded approved positions, the availability of competent and qualified talent and the inability to attract and retain suitable talent were cited as some of the challenges experienced by municipalities.

Review of performance in the third term (2011-2016)

The state of municipal vacancies continued to be a hindering factor to satisfactory service delivery in communities in the last term. The table below reflects the average total vacancy rate in the respective municipalities in Gauteng over the period.

Table 10: Municipal staff vacancies

Municipality	2011/12			2012/13			2013/14			2014/15		
	Total Positions	Total Vacant Positions	Total Vacancy %	Total Positions	Total Vacant Positions	Total Vacancy %	Total Positions	Total Vacant Positions	Total Vacancy %	Total Positions	Total Vacant Positions	Total Vacancy %
COJ	32826	5777	17.6%	38102	5934	21.2%	17520	* 3214	18.3%	30 404	2156	7%
COT	29100	10019	34.4%	25153	14974	59.5%	20 045	12253	61%	19 499	11698	60%
EMM	18193	2397	13.2%	18203	2552	14.1%	18939	2729	14.7%	18674	2734	14.6%
Sedibeng DM	884	0	0.0%	614	0	0.00%	604	7	1%	604	27	4%
Emfuleni LM	5138	2273	44.2%	6040	3256	53.9%	6292	3567	56.7%	6292	3555	56%
Lesedi LM	601	15	2.5%	590	15	2.5%	543	19	3.5%	685	53	7.8%
Midvaal LM	632	21	3.3%	632	5	0.8%	649	27	4.2%	664	31	4.7%
Westrand DM	449	11	2.4%	464	21	4.5%	509	37	7.3%	548	82	15%
Mogale LM	2503	845	33.8%	2425	773	31.9%	2329	788	34%	2329	677	29%
Randfontein LM	1058	204	19.3%	1009	200	19.8%	848	681	80%	817	248	30%
Merafong LM	1683	583	34.6%	1360	292	21.5%	1253	283	22.6%	1348	355	26.4%
Westonaria LM	906	44	5.0%	463	33	7.2%	918	309	34%	908	501	55%
TOTAL	93973	22189	23.6%	91876	28683	31%	70449	23977	34%	72281	22117	23%

*Note: Black obtained from Municipal Annual Reports and Blue verified by COGTA and has resulted in data extracted from Annual Reports to be altered - * In 2013/14 it seems as if COJ only reported on the Core Metro numbers, excluding that of the MOEs*

The COJ reflected a significant reduction in its vacancy rate during the 2014/15 year, from an average of 18% to 7%. EMM reflected relatively constant vacancy rates of between 13% and 15%. The COT reduced vacancy rates in 2014/15. Metro vacancy rates however remain high - despite the fact that Metros typically have a larger skills pool to draw from.

Sedibeng, Midvaal and Lesedi local municipalities maintained vacancy rates below 10% over the period. However, Emfuleni LM reflected alarmingly high vacancy rates of between 44% and 56% - a concern when considering the active recruitment drive over the last few years, and especially when considering the vacancy rates in service delivery units (Basic Services - 70%, Public Safety and Community Development - 56%, Housing - 48%, Building Control - 61%, Land Use Management 41%, LED - 41%, Asset Management - 83%, Project Planning and Construction - 63%). Skills shortages

in the area, unsatisfactory recruitment processes and timelines, and financial constraints posed further challenges in the effective management of staff complements.

The Westrand DM experienced a sudden spike in vacancies during the 2014/15 financial year from 7.3% to 15%. Mogale City LM, Randfontein LM and Merafong LM continued with vacancy rates between 25% and 30%, whilst Westonaria LM experienced a spike in vacancy rates from 7.3% to 55% in 2014/15 (*As corrected through the process of verification of data with Gauteng COGTA*).

Key observations arising from the review (2000-2016)

- 1) The overall vacancy rate of 23% in 2014/15 returned to the level it was at in 2011/12, but overall municipal vacancy rates are still high.
- 2) There is an alarming trend that many service delivery units within municipalities have very high vacancy rates (between 30% and 71% in some cases).
- 3) Whilst the spread of vacancies differ between municipalities, the following functions seem to display a high vacancy trend across the Province: Planning, Housing, Infrastructure, Economic Development, and Regional Service Delivery.

Note: *The overall vacancy rate of municipalities does not reflect the entire story and, in some cases, disguises the extent of challenges in specific municipalities and service delivery functions.*

VACANCIES IN SENIOR MUNICIPAL LEADERSHIP

According to Section 57 of the Municipal Systems Act (No.32 of 2000) and Section 56 of the MSA, municipal senior managers are described as “Municipal Managers and managers directly accountable to the Municipal Manager”. These managers are sometimes referred to as “Section 57 employees” / more recently “Section 56 employees”. The appointment of competent and suitably qualified municipal senior managers provide the municipality with a level of stability, as competent administrative leadership, governance and effective management can be provided to ensure that energy and effort is directed at achieving the service delivery needs of the respective communities.

Reflection on performance in the first ten years (2000-2011)

With regard to the placement of Municipal Managers, 33% (5/15) were placed in an acting capacity during the first term, which raised questions about succession planning and the speed of the resolution of cases where senior officials were suspended, pending investigations.

Note: *Municipal Managers carry significant responsibilities as Accounting Officers. These positions should ideally not be filled in an acting capacity, as people who are appointed in an acting capacity are more reluctant to make firm decisions.*

During the second term, the filling of senior management and Section 57 positions was regarded as a priority. Whilst vacancy levels differed a lot from year to year, at the end of the first term 18% (34/187) of the Section 57 positions were vacant, and at the end of the second term 14% (18/128) of Section 57 positions were vacant – a reduction of 4% overall.

The 2011 End of Term Review commended municipalities for bringing a level of stability in the leadership levels.

Review of performance in the third term (2011-2016)

The MSAA and the Local Government Regulations on the Appointment and Conditions of Employment of Senior Managers were promulgated during this period and seemed to enhance the focus on the appointments of senior managers in Gauteng municipalities⁸⁵.

Since the promulgation of the Regulations in January 2014, municipalities focused on employing people who met the minimum competency requirements for senior manager positions. However, most municipalities did not report on progress made in this regard.

Table 11: Vacancy rates of municipal senior manager positions in critical posts

Critical Post	2012/2013			2013/14			2014/15		
	No of Posts Filled	No of Vacant Posts	Vacancy %	No of Posts Filled	No of Vacant Posts	Vacancy %	No of Posts Filled	No of Vacant Posts	Vacancy %
Municipal Manager	10	2	17%	10	2	17%	10	2	17%
Chief Financial Officer	8	4	33%	11	1	8%	10	2	17%
Engineer / Technical Services	11	1	8%	12	0	0%	11	1	8%
Human Resources	12	0	0%	12	0	0%	9	3	25%
Community Service	NA	NA	NA	12	0	0%	11	1	8%
Town Planner	11	1	8%	12	0	0%	12	0	0%
TOTAL	46	14	30%	69	3	4%	63	9	14%

Source: COGTA Section 47 Annual Municipal Performance Reports

Over the term, ten of the twelve Municipal / City Managers have been appointed, whilst Merafong LM and Randfontein LM appointed Municipal Managers in an acting capacity for the last three years, far extending the acceptable term for the placement of a person in an acting capacity.

A concerning trend was that by 2005, 20% of Municipal Managers were female; by 2011, 13% of Municipal Managers were female; and by 2016 none of the Municipal Managers are female.

Further apparent from the table above, the highest turnover has taken place in the CFO position, followed, in 2014/15, by turnover in human resources related senior management positions.

In terms of senior management vacancy rates overall, the following table reflects performance over the period:

Table 12: Vacancy rates of municipal senior managers

Municipality	2011/2012			2012/2013			2013/14			2014/15		
	S56 Posts	Vacant S56 Posts	Vacancy %	S56 Posts	Vacant S56 Posts	Vacancy %	S56 Posts	Vacant S56 Posts	Vacancy %	S56 Posts	Vacant S56 Posts	Vacancy %
COJ	22	5	22.7%	35	1	2.9%	20	6	30%	21	2	10%
COT	27	1	3.70%	133	16	12%	16	1	6%	28	6	21%
EMM	104	34	32.7%	171	98	57%	29	4	14%	16	2	12%
Sedibeng DM	7	0	0%	7	0	0%	6	1	17%	8	1	12%
Emfuleni LM	9	1	11.1%	15	1	6.7%	11	2	18%	11	1	9%
Lesedi LM	6	2	33.3%	6	1	16.7%	8	1	12.5%	8	2	25%

⁸⁵ Gauteng COGTA, Mid Term Review, 2011-2016

Municipality	2011/2012			2012/2013			2013/14			2014/15		
	S56 Posts	Vacant S56 Posts	Vacancy %	S56 Posts	Vacant S56 Posts	Vacancy %	S56 Posts	Vacant S56 Posts	Vacancy %	S56 Posts	Vacant S56 Posts	Vacancy %
Midvaal LM	8	0	0%	8	0	0%	9	0	0%	8	0	0%
Westrand DM	3	0	0%	4	0	0%	6	1	17%	6	1	17%
Mogale City LM	9	0	0%	8	0	0%	11	1	9%	11	0	0%
Randfontein LM	7	0	0%	7	0	0%	9	4	44%	6	1	17%
Merafong LM	7	4	57.1%	8	1	12.5%	10	1	10%	10	1	10%
Westonaria LM	5	0	0%				7	0	0%	7	1	14%
TOTAL	209	47	22%	402	118	29%	142	22	15%	140	18	13%

Note: Black obtained from Municipal Annual Reports and Blue verified by COGTA and has resulted in data extracted from Annual Reports to be altered

From the above table, it is noted that there is a significant variance in vacancy rate of municipal senior managers, year-on-year.

In 2014/15, of the 140 senior management positions, 18 were vacant, resulting in an overall average vacancy rate of 13% (a 2% reduction from the previous year). In the 2014/15 year the Emfuleni, Mogale and Midvaal local municipalities recorded vacancy rates below the national average of 10%, whilst the COJ and Merafong LM recorded vacancy rates of 10%.

Holding of Political Office:

Section 56A of the Municipal Systems Amendment Act (No.7 of 2011) (MSAA) provides that a Municipal Manager or a manager directly accountable to a Municipal Manager may not hold political office in a political party, whether in a permanent, temporary or acting capacity. This does not, however, apply to municipal managers or managers directly accountable to the Municipal Manager already appointed when the said provision took effect.

The Act defines 'political office', in relation to a political party or its structures, as the position of chairperson, deputy chairperson, secretary, deputy secretary or treasurer of the party nationally or in any province, region or other area in which the party operates. Whether the person holds such a position permanently, temporarily or in an acting capacity is irrelevant. Furthermore, a position in a political party that bears a different name but is equivalent to any of the above positions also does not escape the meaning of 'political office' in terms of the Act.

Whilst the above section seeks to support the professionalisation of the local government and ensures separation of powers between the political and administrative levels, the validity of the MSAA has been challenged in the High Court⁸⁶. The case considered two issues (1) Validity of the entire MSAA; and (2) whether section 56A of the Act is a justifiable limitation.

It was ordered by the High Court that the MSAA is invalid in its entirety for want of compliance with the procedures set out in Section 76 of the Constitution, and the matter has been referred to the Constitutional Court for confirmation. The result is, therefore, that it is unnecessary to deal with the substantive issue of Section 56A – therefore the limitation that Section 56 employees may not hold political office cannot be legally enforced.

However, in the absence of being able to enforce the legal requirements, the Professionalisation Framework for Local Government⁸⁷ determines that twelve mandatory professional ethical principles and values must be observed by both

⁸⁶ High Court Ruling (Gauteng), SAMWU Vs. Minister of COGTA (3558/2013)

⁸⁷ SALGA, Professionalisation Framework for Local Government, 23 April 2013

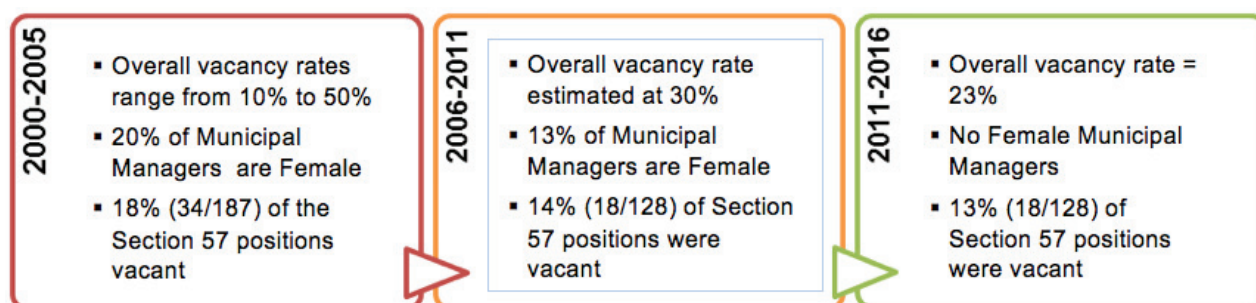
elected and appointed officials, to improve the standards of professional behaviour. One of the principles is Political Neutrality (appointed local government officials should maintain a strict professional detachment from partisan political activity that otherwise could impair public confidence in the impartial performance of their functions and duties. At the same time, elected political office holders should not unduly interfere with or try to influence the powers, duties and responsibilities that fall within the specific competence of appointed public officials).

It is important to note that a well-established and institutionalised ethical code is required as part of the further professionalisation of Local Government.

Key observations arising from the review (2000-2016)

The diagram below reflects high level performance trend in terms of senior management vacancy rates over the period:

Figure 10: Performance trend on vacancy rates (2000-2016)



In terms of vacancies in municipal senior leadership positions, the following successes have been realised over the fifteen year period:

- 1) An increased focus on placing competent people in senior management positions.
- 2) Vacancy rates in senior management positions have been reduced over the period – now at 13%.

In terms of vacancies in municipal senior leadership positions, the following challenges and/or constraints are identified:

- 1) Vacancy rates in Senior Management positions (at 13%) are still high despite a level of stabilisation that was reached during the Review.
- 2) Recruitment processes to fill senior vacant positions typically range between six and twelve months, and there seems to be a lack of succession plans in place.
- 3) A lack of clarity on the approach to the separation of the political / administrative nexus at local level (in light of High Court Ruling). There is a need for COGTA to champion a final decision in this regard in the context of the professionalisation of the local government.
- 4) Despite increased placing of competent senior managers; there is a need to develop a baseline of competency levels in senior management positions, so as to understand the competency gap that currently exists relative to what is required to drive service delivery - and then to focus all recruitment and retention interventions towards closing this gap.

3.1.5 Skills Development

The Skills Development Act (No.97 of 1998) mandates a municipality to develop and improve the skills of its workforce. The Municipal Systems Act (No.32 of 2000) S68(1) requires municipalities to develop their human resource capacity to a level that enables them to perform their functions and exercise their powers in an economical, effective, efficient and accountable way. Municipalities have a further obligation in terms of the provisions of the Municipal Finance Management Act regulations⁸⁸ that relevant employees of the municipality undergo competency training and that senior managers meet the minimum competency requirements.

COMPLIANCE REPORTING (WSP AND ATR)

Municipalities submit their Workplace Skills Plans (WSP) and Annual Training Reports (ATR) informed by their identified training needs. In meeting the compliance requirements, municipalities are able to claim a guaranteed portion of their skills levies back from the LGSETA to reinvest in training.

Reflection on performance over the fifteen year period (2000-2016)

It is noted in the municipal annual reports over the period that workplace skills plans and annual training reports were developed and submitted on time. Most municipalities also indicated that their workplace skills plans were aligned with their IDPs, SBDIPs and business imperatives.

Note: *Compliance and a sound discipline to submit reports on time, however, do not provide a sense of the quality of the reports and how well the training interventions are aligned with the IDPs and SDBIPs.*

However, most municipalities indicated numerous challenges in implementing their plans. These ranged from the commitment of senior leadership to the availability of resources for skills development interventions.

Accessing Mandatory and Discretionary Grants

The percentage of skills levies received in rebate from the LGSETA can be used as an indicator to measure municipal performance in skills development. Municipalities who comply with the submission of WSP get a mandatory grant from LGSETA – 20%.

Midvaal LM, Randfontein LM and Lesedi LM improved their available funds with the claiming of discretionary grants from the LGSETA, with % levies received above 60%.

Key observations arising from the review (2000-2016)

In terms of skills development compliance reporting, all municipalities comply with the submission of Workplace Skills Plans and Annual Training Reports. Municipalities are therefore receiving mandatory grants from LGSETA.

However, the accessing of discretionary grants is not yet optimised in all municipalities.

⁸⁸ National Treasury, *Minimum Competency Regulations, 2007*

SKILLS DEVELOPMENT AND INVESTMENT IN TRAINING AND DEVELOPMENT

Reflection on performance in the first ten years (2000-2011)

During the first term, a review of the skills shortages, by occupation, for all Gauteng municipalities indicated that the greatest shortages were in the professional and technical associated skill categories. Skills shortages continued to plague municipalities throughout the second term.

Smaller municipalities tended to find it difficult to attract and retain skilled and experienced engineering and finance professionals, mainly due to financial constraints and the geographic location of the municipalities. Qualified professionals tended to migrate to the metros and private sector for lucrative financial offers, rather than being employed in the more remote local municipalities. This inability to attract and retain engineering skills was exacerbated by a general lack of career planning and development during the period.

Information regarding the training budgets allocated, and expenditure against these budgets, was reported in an adhoc, inconsistent and incomplete manner throughout the first ten year period. A detailed analysis of the investment in training and development over the period is therefore not possible.

Review of performance in the third term (2011-2016)

During the third term, many of the Gauteng municipalities conducted skills audits to identify skill gaps, analyse the training needs of their employees. However, many of these audits were performed purely to provide a baseline for training requirements, rather than providing a comprehensive baseline to track overall competency levels within the municipalities.

Note: *A clear understanding of the skills gap in municipalities is a prerequisite for building a cadre of competent leaders and to support the process of professionalisation in local government.*

In an attempt to move towards compliance to the MFMA requirements for competency levels in the financial discipline, municipalities started monitoring and reporting on progress made during the latter part of the term (the deadline for compliance was 30 September 2015). Municipalities made concerted efforts to channel skills development funds towards becoming compliant.

The baseline for the competency levels in most municipalities was very low; however, progress was made towards the end of the current term⁸⁹. The table below reflects the % competence per municipality in 2014/15.

Table 13: Compliance with MFMA competency requirements

Municipality	2013/14			Total No of Officials	2014/15		Comments
	Total No of Officials	Total meeting competency requirements	Competency %		Total meeting competency requirements	Competency %	
COJ			Not Reported			Not Reported	
COT			Not Reported			Not Reported	
EMM	579	108	19%	Not Reported	Not reported	28%	
Sedibeng DM	24	11	46%	8	0	0%	

Municipality	2013/14			2014/15			Comments
	Total No of Officials	Total meeting competency requirements	Competency %	Total No of Officials	Total meeting competency requirements	Competency %	
Emfuleni LM						Not reported on	All Section 56 employees achieved compliance with completion of MFMA
Lesedi LM	46	19	41%			Not Reported	
Midvaal LM	75	15	20%	71	13	18%	Plans in place to meet requirements
Westrand DM	8	1	13%	18	11	61%	
Mogale City LM	164	22	13%	60	34	57%	
Randfontein LM	13	3	23%	13	2	15%	All Managers have been enrolled in programme
Merafong LM			Not Reported	60	21	35%	
Westonaria LM	58	3	5%	35	2	6%	Committed to fast-track compliance

Source: Municipal Annual Reports

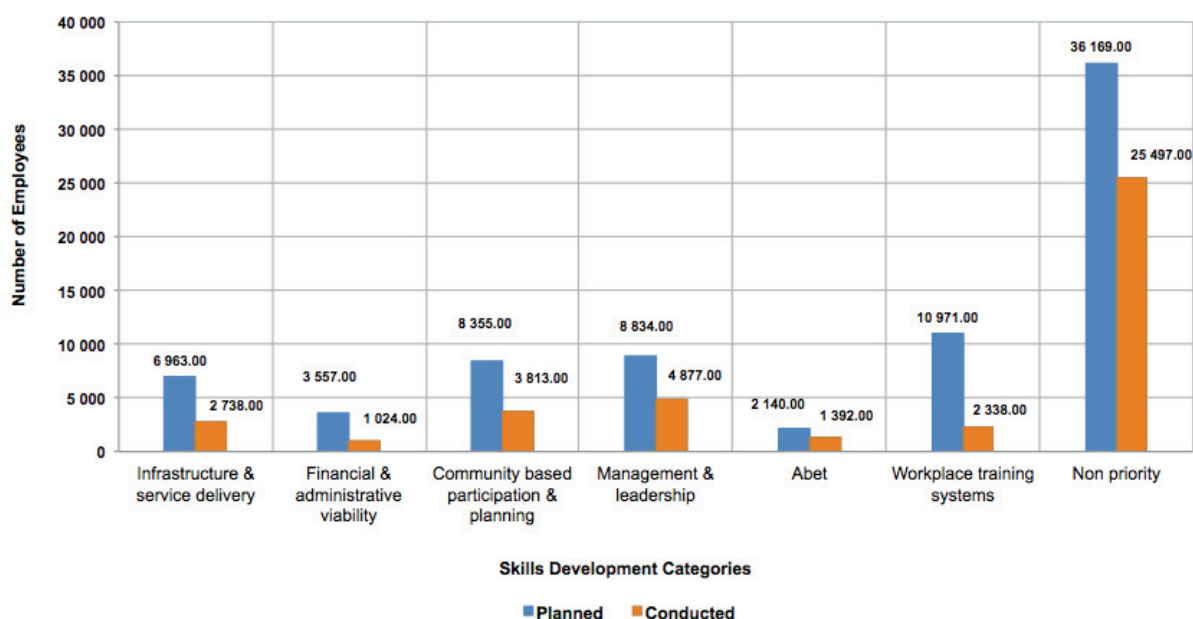
In 2014/15, Emfuleni reported full compliance of all Section 56 employees. Westrand achieved an overall 61% compliance, followed by Mogale City with 57% and Merafong with 35% compliance. Midvaal, Randfontein and Westonaria all noted that they had plans in place to meet the compliance deadline of September 2015. The COJ and COT have not reported on progress in this regard.

The results of a workplace skills planning study (SALGA: 2013) found that the metros in the country planned for and conducted more training interventions of a “non-priority” nature, than training classified to have a more direct link with municipal deliverables⁹⁰. In addition, there was a general trend that actual training levels were typically lower than planned training levels.

The graph below shows the spread of planned vs. actual training in the different categories for 2011/12.

⁹⁰ SALGA, *Workplace skills planning in South Africa's largest Municipalities, July 2013*

Figure 11: Training conducted against training planned (nine metros) (2011/2012)



SALGA, Workplace skills planning in South Africa's largest Municipalities, July 2013

The table below provides information from the latter half of the term regarding the over and under expenditure of training budgets and, where available, the training spend as a percentage of the total salary bill for the 2013/14 and 2014/15 financial years.

Table 14: Training budget and expenditure

Municipality R'000	2013/14					2014/15				
	Training Budget	Training Spend	% Spend	Total Salary Bill	Spend as a % of Salary Bill	Training Budget	Training Spend	% Spend	Total Salary Bill	Spend as a % of Salary Bill
COJ	No budget provided			7 450 682		65 675	70 375	107%	7 561 093	1.27%
COT	8 047	11 478	143%	5 304 964	0.22%	No budget provided			5 304 964	
EMM	44 181	13 810	31%	4 276 576	0.32%	45 347	32 368	71%	4 276 576	0.76%
Sedibeng DM	2 100	2 042	97%	202 732	1.01%	1 199	1 213	101%	202 732	0.60%
Emfuleni LM	NA	5 657		754 322	0.75%	10 950	9 813	90%	754 322	1.30%
Lesedi LM	No budget provided			92 694		No budget provided			92 694	
Midvaal LM	1 006	853	85%	151 169	0.56%	1 030	890	86%	151 169	0.59%
Westrand DM	30	45	150%	153 172	0.03%	2 210	2 873	130%	153 172	1.88%
Mogale City LM	Not readable in annual report - Cut off			457 016			1 129		457 016	0.25%
Randfontein LM	No budget provided			206 059		2 502	2 144	86%	206 059	1.04%
Merafong LM	1 153	1 111	96%	259 800	0.43%	2 754	2 754	100%	259 000	1.06%
Westonaria LM	389	851	218%	130 153	0.65%	30	45	150%	130 153	0.03%
TOTAL (Municipalities with Complete Data)	56 909	30 192	53.0%	10 478 568	0.29%	131 699	123 607	93.8%	14 151 295	0.8%

Source: COGTA provided Total Salary Bill and the Training Budget and Expenditure information was obtained from the Municipal Annual Reports

In 2013/14, of the seven municipalities for which complete data is available, only one spent more than 1% (the national target) of the total salary bill on training and development (Sedibeng LM). The overall average of “spend as a percentage of the total salary bill” for the seven municipalities was 0.29%, which is well below the national target of at least 1% of total salary bill.

The overall performance improved in 2014/15 - of the ten municipalities for which complete data was found, only five (CoJ, Emfuleni LM, Westrand DM, Randfontein LM and Merafong LM) spent more than 1% (the national target) of the total salary bill on training and development. The overall average of “spend as a percentage of the total salary bill” for the ten municipalities was 0.87%, which is again below the national target of at least 1% of total salary bill.

What is clear from the above is that municipalities do make large investments, on an annual basis, to capacitate their workforce. However, the level of alignment with business needs, and the quality and impact of the investments and interventions on closing the skills gaps has not been assessed or reported on.

Key observations arising from the review (2000-2016)

The diagram below reflects the high level performance trend in terms of skills development over the period:

Figure 12: Performance trend on skills development (2000-2016)



In terms of Skills Development, the following **successes** have been realised over the fifteen year period:

- 1) Increased focus and investment in ensuring compliance with financial competence requirements.
- 2) Many municipalities have conducted skills audits.
- 3) Under expenditure of available training budgets decreased from 46.95% to 6.14%.
- 4) Large investments are made to develop municipal capacity.

However, the following **challenges and/or constraints** are identified:

- 1) Whilst a number of skills audits have been conducted, they were used to inform training requirements rather than the development of a baseline for competence levels in municipalities.
- 2) Only 5 municipalities are spending >1% of salary bill on skills development.
- 3) Full compliance with financial competency requirements has not yet been verified, due to a lack of quantitative data in this regard.
- 4) Return on investment in training and development is not assessed or reported on.

3.1.6 Performance Management

Section 40 of the Municipal Systems Act (No. 32 of 2000) stipulates that “a municipality must establish mechanisms to monitor and review its performance management system (PMS)”. The MSA further provides that a performance management system applied by a municipality must be devised in such a way that it may serve as an early warning indicator of underperformance. Some of the core components of the performance management system should include appropriate key performance indicators as a yardstick for measuring performance, including outcomes and impact, with regard to the municipality’s development priorities and objectives set out in its integrated development plan (IDP).

Additionally, Section 38 (b) and (c) of the MSA state that the establishment of a performance management system by a municipality must promote a culture of performance management among its political structures, political office bearers, councillors and administration. The significance of the performance management system is to administer the municipality’s affairs in an economical, effective, efficient and accountable manner.

Reflection on performance in the first ten years (2000-2011)

At the end of the first term, most municipalities, with the exception of Emfuleni LM and Midvaal LM, had their Municipal Managers and Section 57 employees on contract, supported by performance management systems.

In addition, most municipalities complied with the requirement to submit annual performance reports to the DPLG. However, the number of reports submitted decreased towards the end of the five year period, attributed mainly to the lack of capacity to implement an aligned process from planning to monitoring and evaluation, the lack of council commitment and accountability to effectively manage municipal performance, and the different timeframes for submission to provincial and national departments.

The period to 2011 saw the introduction of the Municipal Performance Regulations for Section 57 employees, which prescribed criteria for assessing employee performance based on two components - Key Performance Areas (KPAs) and Core Competency Requirements (CCR). Some municipalities continued to struggle to fully apply the core competency requirements of the performance management regulations.

The 2006 National Assessment confirmed that performance management was in a dismal state in Local Government, and the AG Report for the 2007/08 financial years also raised a number of issues around the implementation of the PMS in municipalities. The DPLG targeted municipalities with support interventions, and the assessment was repeated in 2009 to review progress made and to create a baseline for the future.

Organisational and individual performance management in most municipalities was not clearly linked, which compromised measurement of success and accountability for non-performance. In addition, municipalities continued to experience challenges in the improved alignment of performance management systems with key municipal strategic documents - IDPs, SDBIP and WSP.

The cascading of individual performance management to officials below Section 57 remained a challenge throughout the ten year period.

Review of performance in the third term (2011-2016)

In the 2013/14 COGTA Municipal Performance Review, it was reported that all twelve municipalities had functional PMS Units and complied with the development and adoption of the IDPs and SDBIPs.

In 2013/14 all municipalities, except Sedibeng DM, reported that they had performance management system frameworks

and policies adopted; and in the 2014/15 year, this was in place for all twelve municipalities.

The following table reflects the progress made by municipalities regarding the discipline to comply with the requirements to sign and submit performance agreements for all Section 56 employees.

Table 15: Compliance with signing and submission of Section 56 performance agreements

Municipality	2010/11	2011/12	2012/13	2013/14	2014/15
City of JHB (MM)	No	No	NA	Yes	No
City of Tshwane (MM)	Yes	No	NA	Yes	Yes
Ekurhuleni (MM)	No	17 out of 20	NA	Yes	Yes
Sedibeng (DM)	No	No	NA	Yes	Yes
Emfuleni (LM)	3 out of 9	Yes	NA	Yes	Yes
Lesedi (LM)	No	2 out of 6	NA	Yes	Yes
Midvaal (LM)	Yes	7 out of 8	NA	Yes	Yes
Westrand (DM)	2 out of 3	No	NA	Yes	Yes
Mogale City (LM)	Yes	No	NA	Yes	Yes
Randfontein (LM)	No	No	NA	No	No
Merafong (LM)	No	No	NA	Yes	Yes
Westonaria (LM)	No	No	NA	Yes	Yes

Source: COGTA Annual Municipal Performance report 2014/15

In 2010/11, only COT, Midvaal LM and Mogale City completed performance agreements for their Section 56 Employees. In 2011/12, only Emfuleni completed performance agreements. In 2013/14 all municipalities, with the exception of Randfontein had signed performance agreements for their Section 56 employees; and during 2014/15 letters from the MEC: COGTA were sent to the Executive Mayors of nine out of the twelve municipalities to request the submission of outstanding performance agreements. At the end of the 2014/15 financial year, the COJ and Randfontein LM had not yet completed and submitted their performance agreements for the Section 56 employees.

In the 2010/11 DLGS Section 47 Consolidated Annual Municipal Performance Report, it was reported that municipalities continued to struggle to align performance management agreements with the IDP and SDBIPs. Whilst a number of municipalities refer to the alignment of performance agreements with the organisational strategies, there is little evidence to substantiate the extent to which this alignment has been achieved.

In the 2012/13 COGTA Section 47 Consolidated Annual Municipal Performance Report, it was reported that municipalities still experienced challenges with the cascading of the PMS to all levels in the respective municipalities. There is no evidence to confirm that any municipality has successfully implemented PMS at all relevant levels.

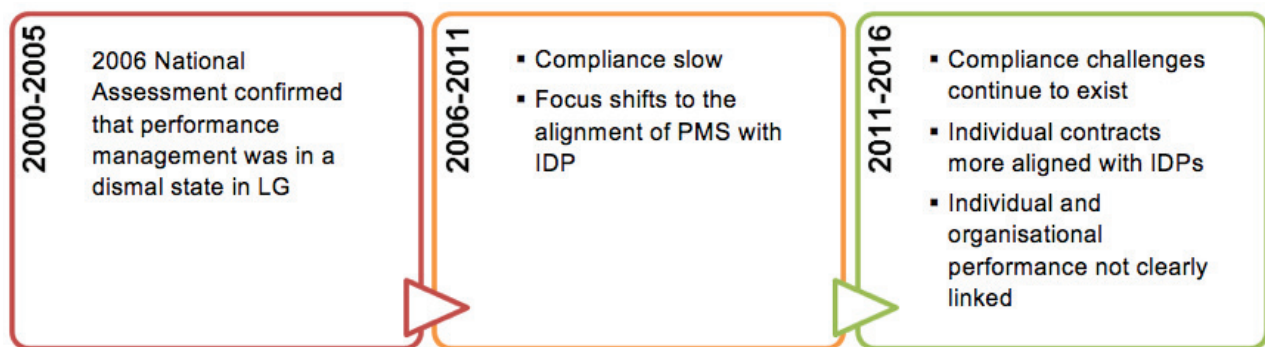
In 2014/15, COGTA facilitated a Performance Management System Indaba, targeting individual cascading of PMS in all Gauteng municipalities⁹¹.

Key observations arising from the review (2000-2016)

The diagram below reflects the high level performance trend in terms of performance management over the period:

⁹¹ Gauteng COGTA, Section 47 Report, Consolidated Annual Municipal Performance Report, 2014/15

Figure 13: Performance trend on performance management (2000-2016)



The development and implementation of best practice performance management systems and practices has been sluggish over the fifteen year period. Although, in the third term, it is evident that municipalities are improving their discipline of compliance, the value of performance management systems as a management and employee tool is not optimised at the level of mere compliance – it can only start delivering benefit when municipalities embrace performance management as a business imperative and a foundation block for improved service delivery.

In terms of Performance Management, the following **successes** have been realised over the fifteen year period:

- 1) Compliance and discipline to complete performance management agreements has improved significantly.
- 2) There is evidence of increased awareness of the need for alignment of performance agreements with IDP and SDBIP priorities.

However, municipalities have a long road ahead in building true high performance cultures, supported and underpinned by a performance management system that enables accelerated service delivery. In this regard, the following **challenges and/or constraints** are identified:

- 1) Performance management has been implemented as a compliance initiative rather than a business imperative and management tool. There is an evident need to promote the maturing of performance management beyond mere compliance, and to strengthen alignment between organisational and individual performance.
- 2) The level of alignment of organisational and individual performance has not been assessed or reported on.
- 3) Performance management has not been cascaded effectively to all levels in municipalities.

3.1.7 Consolidated View on Institutional Transformation and Organisational Development over the Fifteen Year Period

In terms of organisational design, all municipalities in Gauteng have completed the establishment and consolidation phases and progressed towards building and strengthening sustainable institutions. The Gauteng municipalities have also increasingly better aligned their structures with IDPs and SDBIPs. In some cases, however, the review of organisational structures was not supported with processes to ensure their implementation, the end result being uncertainty, staff in acting positions for prolonged periods and a lack of accountability.

Over the period, at different stages, HRM&D strategies have been developed by the municipalities and most have established a comprehensive HRM&D policy suite to guide their day-to-day people practices. However, the human

resources management strategies and processes of the majority of the municipalities have not yet adequately matured to effectively enable the achievement of accelerated service delivery.

While municipalities, especially the metros, have increasingly realised the need to focus on building a professional cadre of human resources, internal capacity levels in HRM&D functions remain a challenge to successfully elevate HRM&D as centres of excellence and strategic partners to the operations of the municipalities.

All municipalities have developed employment equity plans and policies to underpin the transformation of the municipal workforce. While all municipalities, by 2011, achieved the racial transformation of their employee profile, they still struggle to meet employment equity targets for women in senior positions and people with disabilities.

High vacancy rates have continued to challenge municipalities, with the latest overall vacancy rate reflected at 23%. In addition, due consideration must be given to the fact that an overall vacancy rate often “hides” critical shortages of staff in the different service delivery and administrative governance departments.

In contrast to overall vacancy levels, municipalities have made solid progress in stabilising the number of vacancies at senior management levels, achieving a 13% vacancy rate by 2015. The fluctuation in vacancy levels in the six critical senior management positions (MM, CFO, SM Technical Services; SM HRM&D, SM Community Service and SM Town Planning) have been pronounced over the period; and requires close management moving forward.

In terms of skills development, all municipalities have shown high levels of legal compliance and discipline in developing and submitting work place skills plans and annual training reports. However, there was little evidence to enable an assessment on whether these plans were aligned with business needs, skills shortages and strategic objectives. Gauteng municipalities have clearly invested sums of money in training and development of their workforce; however, they do not reflect on assessments of the impact of training and development investments, especially in terms of critical and scarce skills development.

Most of the Gauteng municipalities have put plans in place to achieve full compliance to the MFMA requirements for prescribed financial management competency levels. However, there is limited reporting on progress made with ensuring all senior managers have the required competencies.

All municipalities have approved performance management system frameworks and policies in place, and have complied with the requirements to submit quarterly and annual performance reports. The discipline around individual performance management contracts at senior management levels has continued to improve, and it appears as if there is an increased awareness of the need to align performance agreements with the strategic targets of the IDP and SDBIPs. There is however little evidence that the results of individual performance assessments are aligned with the organisational performance assessments of IDP and SDBIP targets.

Whilst municipal performance has been assessed in terms of municipal transformation and organisational development over the period, there is a need for a strategic shift towards the professionalisation of local government, with officials that are recognised for their professionalism, competence and ethical conduct”. In this regard:

1) *Moving forward, to **drive effective organisational design and development** to ensure effective service delivery, the critical issues are to:*

- a) Conduct a study to review and analyse the effectiveness of service delivery models and institutional arrangements for municipalities; and
- b) Develop and implement comprehensive change management and communication frameworks and processes and organisational culture transformation processes – especially for proposed mergers.

- 2) *Moving forward, to **drive the professionalisation of local government** by building a cadre of leaders and professionals to lead the service delivery agenda, the critical issues are:*
- a) COGTA to champion for a decision on the approach to the separation of the political / administrative nexus at local level (in light of the High Court ruling);
 - b) Implement a Transversal Human Capital Management and Development Strategy in support of the TMR – informing targeted province-wide human resources interventions;
 - c) Strengthen HRM&D capacity to drive the elevation and impact of HRM&D functions as a true strategic business partner to the municipalities they serve;
 - d) Strengthen the institutional leadership and staff capacity available to municipalities, particularly in areas of critical skills; and
 - e) Establish and build an ethical code, underpinned by a shared value base of integrity and professionalism, to guide day-to-day behaviours.

The above findings and critical issues then inform the recommendations in chapter 6 of this Review.

SECTION 3.2

KPA 2: BASIC SERVICE DELIVERY AND INFRASTRUCTURE

Aligned to:

- B2B Pillar 2: Deliver municipal services at the right quality and standard
- TMR Pillar 2: Decisive spatial transformation
- TMR Pillar 3: Accelerated social transformation
- TMR Pillar 4: Transformed state and governance
- TMR Pillars 7 and 8: Modernised transport and transformed human settlements

Focus Areas Considered:

- Population and household dynamics
- Access to basic services
- Roads and transport infrastructure access
- Community services infrastructure provision
- Housing provision

In addition to the Constitution and the White Paper on Local Government (1998), the Municipal Systems Act (No.32 of 2000) sets out the duties for the provision of services by stating that municipalities must ensure that all members of the local community have equitable access to at least the minimum level of basic municipal services, and that these services must be provided in a manner that is sustainable and results in improved quality standards over time⁹².

While there are a number of legislative prescripts and policy directives informing the provision of basic services and infrastructure, mostly described in Chapter 2 above, the following laws and policies in particular have shaped service delivery over the period.

Table 16: Key legislation and policy informing basic services and infrastructure

Legislation / Policy	Main purpose in terms of the Review
National Water Act (No.36 of 1998) (NWA)	NWA guides water resources management and the WSA guides water services provision.
Water Services Act (No. 108 of 1997) (WSA)	Managing the water value chain is complex, consisting of all three spheres of government, including local government as the water authority, the DWS as the regulator and water boards managing water distribution.
Free Basic Services Policy (2001) National Indigent Policy (2006)	Aimed at the provision of a basket of free basic services to all and linked to an indigent policy in combination, has become an integral tool towards the alleviation of poverty amongst poorer households ³ .
Housing Act (No.107 of 1997)	Places housing development squarely within the realm of each municipality's IDP; such that housing development should be one of the most critical areas of each municipality's IDP. Complexity is brought about by the delegation of the housing function to provincial government.
Breaking New Ground Policy (2004)	Framework for the development of sustainable human settlements; addressing the mistakes of the RDP, with strategies to help achieve government's overall housing aim.
National Land and Transport Act (No.5 of 2009)	Provides for a process for the development of land transport frameworks and provides strategic direction to transport in a province.
Spatial and Land Use Planning Act (No.16 of 2013)	A framework for spatial planning and land use management. Amongst others, it governs planning permissions and approvals, sets parameters for new developments and provides for different lawful land use.

Notwithstanding the delegation of powers and functions relating to service delivery defined in the legislation, a number of issues have prevailed over the period:

- 1) Lack of role clarity and alignment among the spheres of government in the process of delivering municipal functions that significantly transcend those in Part B of the Schedules of the Constitution;
- 2) Misinterpretation and a lack of clarity of the powers and functions of district and local municipalities; and
- 3) Policy directives with financial implications exceeding fiscal capacity and power, resulting in 'unfunded mandates' within municipalities.

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South African Local Government Association, 15 Years of developmental and democratic local government 2000–2015, 2015

Below then, is a brief description of the focus areas for the assessment of local government performance in terms of basic service delivery and infrastructure provision over the period:

- 1) **Access to Basic Services:** An assessment of progress made by local government over the period in terms of expanding access to basic water, sanitation, electricity and solid waste removal. A reflection on the provision of free basic services, in line with the Free Basic Services Policy (2001) and the National Indigent Policy (2006), is included here, as well as highlighting some of the initiatives of local government in driving future sustainability and environmental management.
- 2) **Roads and Transport Infrastructure Provision:** Local government is responsible for municipal roads, municipal bus services, public transport interchanges and ranks⁹³. The Review discusses progress made in terms of road infrastructure and the provision of transport infrastructure by municipalities.
- 3) **Community Services Infrastructure Provision:** An overview of progress made in terms of social development in terms of the delivery and operationalisation of sports and recreation facilities, community centres, parks, libraries and other local amenities.
- 4) **Housing Provision:** The extent to which local government has been able to address housing backlogs and the challenges experienced in terms of housing delivery.

In assessing performance relating to the above focus areas, the following primary sources of statistical data have been utilised:

- 1) StatsSA Census (2001⁹⁴)
- 2) StatsSA Community Survey (CS) (2007⁹⁵ and 2016⁹⁶)
- 3) GCRO Quality of Life Survey (2009⁹⁷, 2011⁹⁸, 2013⁹⁹, 2015¹⁰⁰)
- 4) StatsSA Census (2011¹⁰¹)
- 5) StatsSA General Household Survey (GHS) (2013¹⁰², 2014¹⁰³, 2015¹⁰⁴)
- 6) StatsSA Non-financial Census¹⁰⁵ of Municipalities (end June 2006, 2011 and 2015¹⁰⁵)

To reduce report clutter, the above references, fully annotated here as footnotes, are only cited in the rest of the chapter.

Notes:

- 1) StatsSA Census 2001 sets the baseline for the reflection on performance in the first ten years while StatsSA Census 2011 sets the baseline against which progress in the third term has been measured, unless otherwise stated.

93 South African Cities Network, *State of the Cities Report, 2006*
 94 Statistics South Africa, *Census 2001*, accessed from www.statssa.gov.za
 95 Statistics South Africa, *Community Survey 2007, Basic Results Gauteng and Northwest Province, 2009*
 96 Statistics South Africa, *Community Survey 2016, Statistical release, 30 June 2016*
 97 Gauteng City Region Observatory, *Quality of Life Survey 2009*
 98 Gauteng City Region Observatory, *Quality of Life Survey 2011*
 99 Gauteng City Region Observatory, *Quality of Life Survey 2013*
 100 Gauteng City Region Observatory, *Quality of Life Survey 2015*
 101 Statistics South Africa, *Census 2011*, accessed from www.statssa.gov.za
 102 Statistics South Africa, *General Household Survey 2013*
 103 Statistics South Africa, *General Household Survey 2014*
 104 Statistics South Africa, *General Household Survey 2015*
 105 Statistics South Africa, *Non-financial census of municipalities for the year's ended 30 June 2006, 2011, 2015*

- 2) In line with the timing of the Review, statistical releases for 2015 have been used as the cut-off point for assessing performance. The primary data sources being the StatsSA GHS 2015 (released on 2 June 2016) and the GCRO QOL Survey 2015 (launched on 28 June 2016).
- 3) The release of the StatsSA Community Survey 2016 on 30 June 2016 was too late for full interrogation and inclusion in the Review, however, where relevant, key statistics have been highlighted as notes to the analysis for further reference and insight.
- 4) As the GCRO QOL surveys provide data to the local municipal level and the GHS does not, GCRO survey data has been used for assessing access to various services. The differences in data between the two survey's at a provincial and metro level was generally found to be marginal, with no impact on the credibility of the analysis. Where significant differences were found, they have been noted in the discussion.

Considering the above and as a context to the discussion of the above focus areas, the population and household dynamics of Gauteng and its constituent municipalities are presented in the next section.

3.2.1 POPULATION AND HOUSEHOLD DYNAMICS

The table below reflects the population growth in Gauteng and for individual municipalities, using the StatsSA census data for 2001 and 2011, and the StatsSA GHS 2015 data for Gauteng in 2015 (the GHS does not provide statistics at a municipal level). As noted above, the StatsSA Community Survey 2016 statistical release was too late for full inclusion in this Review. However, for reference purposes and to provide further insight, the 2016 population and household statistics have been noted below, but not included in the analysis.

Table 17: Population growth in Gauteng and Gauteng municipalities (2001-2011) and for Gauteng (2011-2015)

	StatsSA Census 2001	StatsSA Census 2011	StatsSA GHS 2015	Pop Growth Rate (2001-2011)	Pop Growth Rate (2011-2015)
Gauteng	9 388 854	12 272 263	13 268 000	30.7%	7.5%
COJ	3 226 055	4 434 827	Note: StatsSA Community Survey 2016: Further growth of 131 725 to a population of 13 399 725 in 2016.	37.5%	Note: StatsSA Community Survey 2016: Further 1% growth in population between 2015 and 2016.
COT	2 142 322	2 921 488		36.4%	
EMM	2 481 762	3 178 470		28.1%	
Lesedi LM	71 868	99 520		38.5%	
Emfuleni LM	657 949	721 663		9.7%	
Midvaal LM	64 271	95 301		48.3%	
Mogale City	295 505	362 422		22.6%	
Merafong City	210 481	197 520		-6.2%	
Randfontein LM	128 842	149 286		15.9%	
Westonaria LM	109 799	111 767		1.8%	

Source: StatsSA Census 2001 & 2011, StatsSA General Household Survey 2015, StatsSA Community Survey 2016

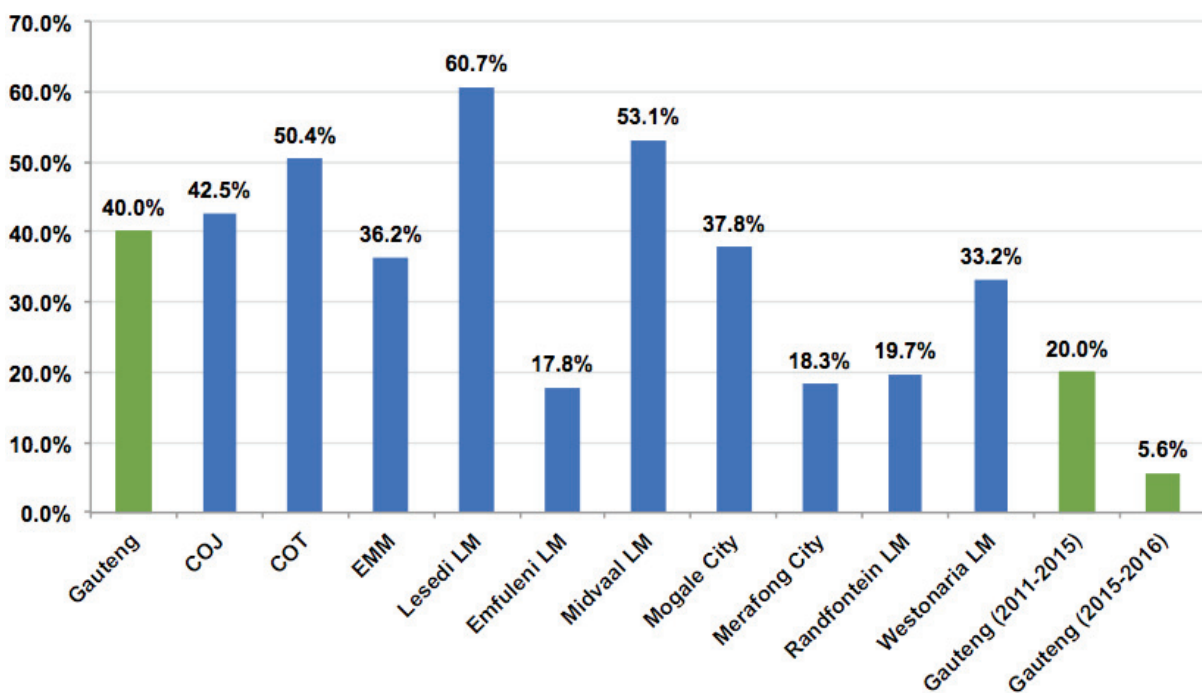
The overall growth rate of 30.7% between 2001 and 2011 (and a further 7.5% between 2011 and 2015) reflects the high levels of in-migration into the Gauteng province, mostly into the urban areas of the metros, but also into the economic hubs of the local municipalities. Growth rates across the municipalities varied from only 9.7% in Emfuleni LM to over 35% in the COJ and COT, to 48% in Midvaal LM. The only municipalities to have experienced very low growth and negative growth were Westonaria LM (1.8%) and Merafong LM (-6.2%).

Note: The additional 1% growth in population between 2015 and 2016 reflected in the StatsSA Community Survey (2016) reaffirms the ongoing in-migration trend.

On the one hand, the high level of in-migration into the province has provided municipalities with the opportunity for revenue growth through an increased tax base. On the flipside, it has placed pressure on municipalities to keep pace with the demand for basic services and infrastructure, particularly for those in need of free basic services.

Of direct relevance to the provision of basic services, the below figure reflects the growth in household numbers between 2001 and 2011 for the province and all municipalities. The growth in households for the period 2011-2015 is also reflected for the Gauteng province, with further insight provided by the growth between 2015 and 2016 as per the Community Survey 2016 statistical release.

Figure 14: Household growth in Gauteng and Gauteng municipalities (2001-2011) and for Gauteng (2011-2015)



Source: StatsSA Census 2001 & 2011, StatsSA General Household Survey 2015, StatsSA Community Survey 2016

The number of households grew by 40% across the province in the period 2001-2011, and by a further 20% in the period 2011-2015, i.e. from 2.8million in 2001, to 3.9million in 2011, to 4.7million in 2015; a growth of 1.9million households over the fifteen year period.

Note: Further growth of 261,137 households to 4.95million households in 2016 (CS 2016).

While the COJ, COT, Lesedi LM and Midvaal LM grew at faster rates than the Gauteng total; the slowest growth in households, at under 20% each, was in Emfuleni LM, Merafong LM and Randfontein LM. The household growth rate for EMM (36.2%) and Mogale City (37.8%) fell just short of the overall Gauteng household growth rate of 40%. Beyond 2011, for the four year period to 2015, households grew by a further 20% across Gauteng.

Between 2002 and 2013, the household growth rate for the Gauteng province in total was 39%, while the next closest was the Western Cape at 12.3%.⁴ Even Emfuleni LM in Gauteng, which had the lowest growth in households of all municipalities in the province (17.8%), exceeded the household growth rate of the Western Cape.

This growth trend has continued into 2016, resulting in Gauteng having 29.3% of all households; KZN, 17% and the Western Cape, 11.4%.

StatsSA General Household Survey, 2014; StatsSA Community Survey, 2016

The high rate of growth in the number of households alludes to the impact of in-migration, which is most pronounced in the Gauteng province, making the work of the Gauteng municipalities that more challenging.

Compounding the challenge is that many of the in-migrants live in informal settlements and many fall within the free basic services category. In Gauteng, the number of households in informal settlements (not living in backyards) grew over the period 2001-2011, as highlighted by the following table.

Table 18: Households living in informal settlements in Gauteng 2001 vs. 2011

Municipality	Households living in informal settlements (2001)		Households living in informal settlements (2011)	
	Number	%	Number	%
COJ	75 255	7.2%	125 748	9%
EMM	144 733	18.6%	138 099	14%
COT	50 548	10.5%	112 167	12%
Metsweding DM	4 155	10.2%		
Sedibeng DM	34 474	15.0%	19 431	7%
West Rand DM	30 333	11.8%	38 629	14%
Gauteng	339 497	12%	434 075	11%

Source: Housing Development Agency: Gauteng Informal Settlements Status (2012 and 2013)^{106 107}

Excludes households living in backyards

Households in Gauteng living in informal dwellings (informal settlements + backyards)
 2001: 667,114 (StatsSA Census 2001)
 2011: 738,805 (StatsSA Census 2011)
 2015: 996,140 (StatsSA GHS 2015)

The number of households living in informal settlements increased by 27.8% between 2001 and 2011 (from 339,497 to 434,075); constituting 9% of the 1.1million growth in total households. In 2011, the number of informal dwellings in backyards in Gauteng totalled 305,683 households¹⁰⁸, similar to what it was in 2001.

¹⁰⁶ Housing Development Agency, Gauteng Informal Settlements Status, 2012
¹⁰⁷ Housing Development Agency, Gauteng Informal Settlements Status, 2013
¹⁰⁸ Housing Development Agency, Gauteng Informal Settlements Status, 2013

Although the total number of households living in informal dwellings (informal settlements and informal dwellings in backyards) increased by 49% between 2001 and 2015, the percentage of households living in informal dwellings as compared to the total number of households has decreased from 23.9% to 20.6% over the same period. Inroads have thus been made, however, in-migration and the associated socio-economic challenges of unemployment, poverty and inequality are eminent when considering that just under 1 million households out of a total of 4.7 million households in 2015 lived either in informal settlements or in informal dwellings in backyards across the municipalities in Gauteng.

Note: The number of households living in informal dwellings reduced to 878,246 in 2016 (CS 2016).

This challenge of urbanisation and in-migration is applicable to the provision of all basic services and infrastructure development discussed in the sections below.

3.2.2 Access to Basic Services

ACHIEVEMENT AGAINST DEFINED BASIC SERVICES TARGETS

The provision of basic services is driven by an overarching vision to ensure that all citizens have access to at least minimum levels of basic services as enshrined in the Constitution. To this end, a basic level of acceptable service has been defined for all basic services (RDP Standard). In the first term of local government, targets were set for achieving the RDP standard for basic services provision¹⁰⁹ and the table below reflects the consolidated achievement of the Gauteng municipalities against these set targets:

Table 19: Achievements against basic services targets (RDP standard)

Target	RDP Standard	Achievement by target date
Clean water by 2008	Piped water in dwelling, yard or within 200m of yard	97.1%
Hygienic Sanitation by 2010	Flush, chemical toilet, or VIP	91.2%
Eradication of the bucket system by 2007	Better than bucket-type	98.7%
Access to electricity by 2012	As at 2011 – achievement against the RDP standard of electricity for lighting (StatsSA, Census 2011)	87.4%
(No comparable statistical data available for 2012 – Stats SA GHS 2012 only provides data on higher standard of connection to mains supply)	As at 2013 – achievement against the RDP standard of electricity for lighting (GCRO, QOL Survey 2013)	91.2%
Access to solid waste removal by 2013	Curbside refuse removal at least once per week	90.1%

Source: StatsSA Census 2001, 2011 and GCRO Quality of Life Survey 2013

Of the above RDP targets, the most fundamental of human rights is the provision of clean and accessible water (97.1% access achieved by 2008) and basic sanitation (91.2% achieved by 2010, with only 1.3% of households utilising a bucket system or worse as at 2007). The only households in Gauteng not to have had access to the basic RDP standard were those in the more remote rural areas and where new informal settlements emerged.

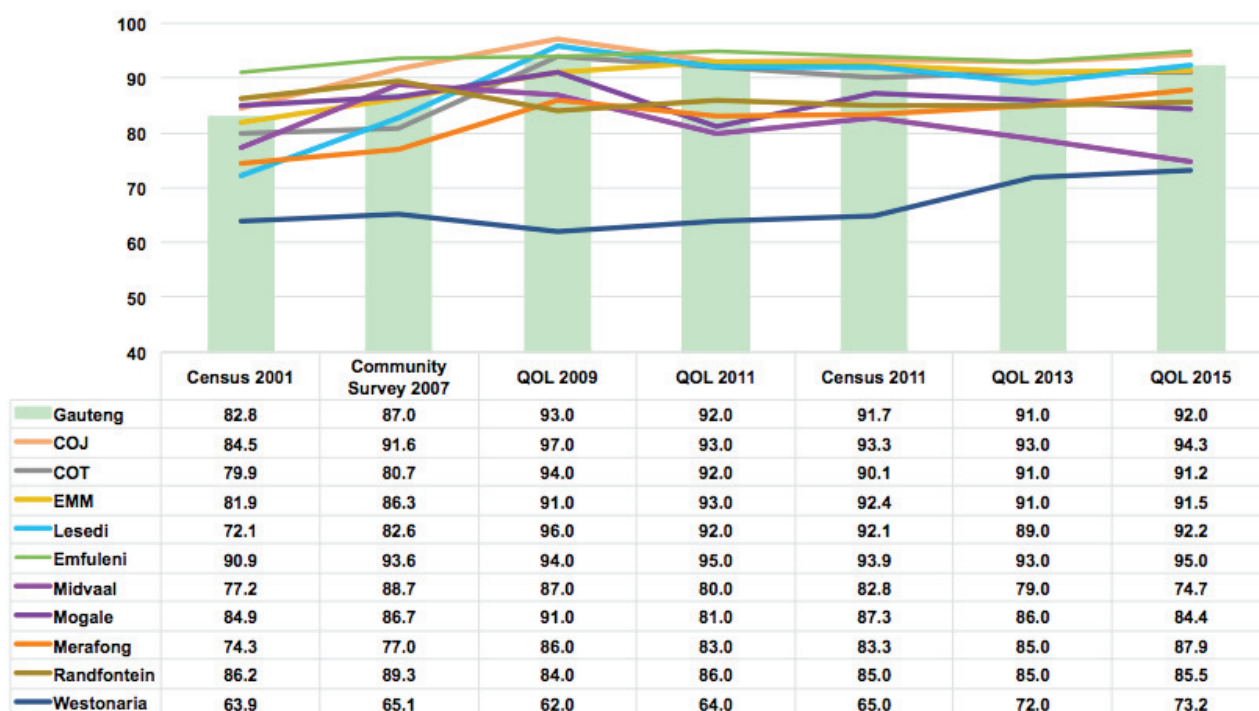
The below sections provide a more detailed view of the performance trend for each of the basic services, followed by a consolidated discussion of the key observations.

¹⁰⁹ Gauteng COGTA, Gauteng Local Government Midterm Performance Review Report (2011–2016), 2016

ACCESS TO WATER

The minimum RDP standard for measuring access to water is the provision of piped water or a tap in the dwelling, yard or within 200m of the dwelling. However, the improved standard which has been used here, is the provision of piped water in the dwelling or in the yard – the standard used by the GCRO as an indicator / dimension of “Quality of Life” in Gauteng.

Figure 15: Water access - Households with piped water in dwelling or yard (%)



Sources: StatsSA Census 2001, 2011; StatsSA Community Survey 2007; GCRO Quality of Life Surveys 2009,2011,2013,2015

Reflection on performance in the first ten years (2000-2011)

By 2011, Gauteng municipalities had reduced the backlog of access to piped water in dwelling or yard from 480,098 households to 324,448 households (2001-2011), although the number of households grew by 1.1 million

StatsSA Census 2001, 2011

The figure above reflects that access to piped water in the household’s dwelling or yard across all municipalities in Gauteng in 2001 was 82.8%. The lowest of the metros was the COT at 79.9% and the lowest of all municipalities was 63.9% in Westonia. Over the period to 2011, most municipalities managed to make significant progress in expanding water access, the result being that 91.7% of households in Gauteng, or 3.58million out of 3.9million households, had access to piped water in their dwelling or yard by 2011.

The achievement is even more telling when considering that in the period 2001-2011, the number of households in Gauteng grew by 1.1million.

While there were many achievements in the first ten years, a few municipalities struggled to cope with the ongoing demand for new water access, largely due to the inability to keep pace with the establishment of informal dwellings. The water access levels in Midvaal, Mogale City, Randfontein and Westonaria remained stagnant in percentage terms, although progressing in terms of actual households provided with access to piped water in their dwelling or yard.

Review of performance in the third term (2011–2016)

In percentage terms, aggregated performance remained mostly flat in the period between 2011 and 2015. The biggest improvement was realised by Westonaria LM, expanding access to water in a dwelling or yard from 64% in 2011 to 73.2% by 2015. Of the metros, the COJ had the highest access level, at 94.3% in 2015, and Emfuleni LM had the highest access level of all Gauteng municipalities, at 95% in 2015.

By 2015, 4.31million of 4.69million households in Gauteng had access to water in their dwelling or yard. Water access levels in Midvaal dropped steeply over the period, from 82.8% to 74.7% in 2015; a trend in sharp contrast to that of seven of the ten municipalities that expanded access to varying levels over the period.

Between 2011 and 2015, a further 730,227 households were provided with access to piped water in dwelling or yard.

However, due to household growth of 780,978, the backlog increased by 50,751 households to 375,200 households when compared to 2011.

Highest water access (2015) – Emfuleni LM (95%)

Lowest water access (2015) – Westonaria (73.2%)

StatsSA Census 2011, GCRO QOL 2015, StatsSA GHS 2015

StatsSA Census 2011, GCRO QOL 2015, StatsSA GHS 2015

The annual reports of the municipalities provide insights into the difficulties of coping with the growing demand for basic water, particularly in remote rural areas and informal settlements. Special interventions were thus required, including, by way of example, in the 2014/15 financial year¹¹⁰:

- 1) The COJ transported 101million litres of water by water tankers in the year to ensure water access in communities where there was a lack of infrastructure;
- 2) In Ekurhuleni, a total of 150 water service points were installed for informal settlement dwellers within a 200 metre radius; and
- 3) The COT provided 50 informal settlements with rudimentary water supply in the form of JoJo tanks and water tankers.

Note: In percentage terms, access to piped water in dwelling or yard reduced to 89.7% in 2016, however, due to household growth, the number of households with access to water increased to 4.45million (CS 2016).

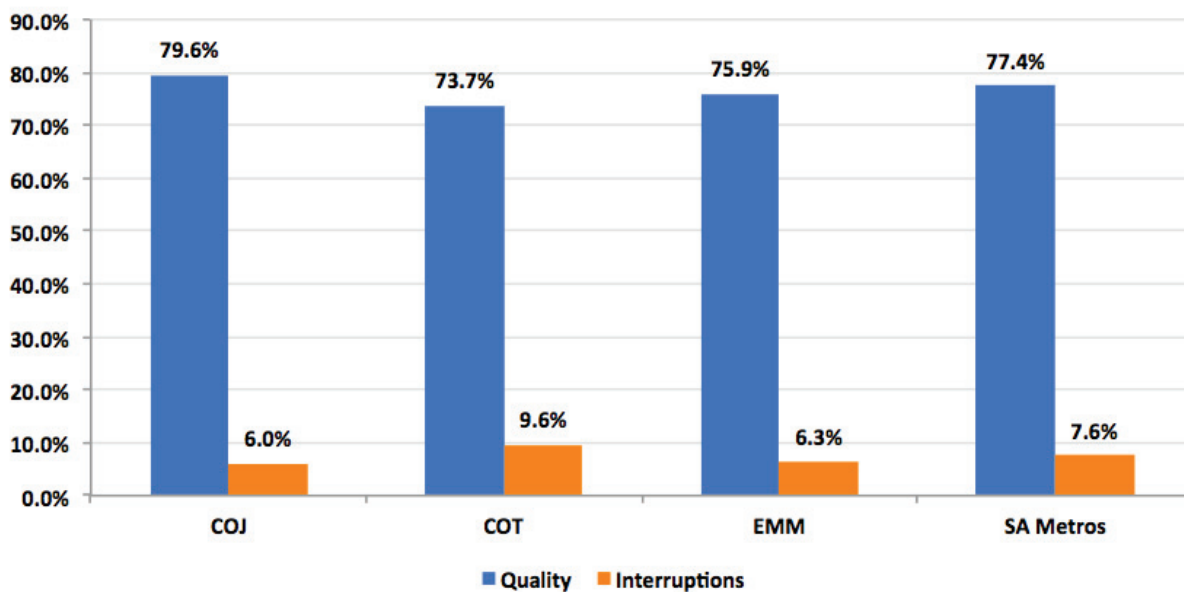
In terms of the quality of water supply, the Blue Drop accreditation provided by the Department of Water and Sanitation

¹¹⁰ Gauteng COGTA, S47 Municipal Annual Performance Report, 2014/15

(DWS) as per SANS 0241, is the yardstick against which the quality of water supply is measured. All municipalities, except Lesedi LM, reported in their 2014/15 annual reports that they had either attained or retained Blue Drop status of their water supply.

From a consumer perspective, the figure below reflects the percentage of households that rated the quality of water services provided by municipalities as good and those that reported water interruptions. The data is available for Gauteng metros and the Gauteng province in total, as compared to all municipalities in South Africa¹¹¹.

Figure 16: Percentage of Gauteng metro households rating the quality of water services as good and those that reported water interruptions, 2015



Sources: StatsSA General Household Survey 2015 (first year that data is provided for metros; no detail for the LM's)

From the above, the COJ had a higher percentage of citizens (79.6%) in Johannesburg that rated the quality of water services as good as compared to the national average across all metros of 77.4%¹¹². The perceived quality of water services in Tshwane and Ekurhuleni was slightly down on that of their peers in the country. Both the COJ and EMM had a lower number of reported interruptions that lasted longer than two days than the SA metros average. There appears to be an inverse relationship between perceived quality and the number of interruptions.

Aggregated, the three metros and seven LM's in Gauteng achieved the second best rating in the country in terms of interruptions that lasted more than two days at a time, at 6.6%, against the 25.4% national average¹¹³.

Notwithstanding the above, high rates of water losses and unaccounted for water, for both technical (ageing, failing infrastructure) and non-technical (theft, meter tampering, vandalism) reasons, continued to impact the municipalities financially and operationally, alluding to maintenance quality concerns and contributing to service delivery interruptions.

To curb non-technical losses a number of municipalities, particularly the metros, reported on the policing of illegal connections. The COJ, specifically, reported that 761 citations were issued for illegal water connections in 2014/15¹¹⁴. It would however appear that water by-law enforcement and visible policing of illegal connections requires further

111 Statistics South Africa, General Household Survey 2015

112 Statistics South Africa, General Household Survey 2015

113 Statistics South Africa, General Household Survey 2015

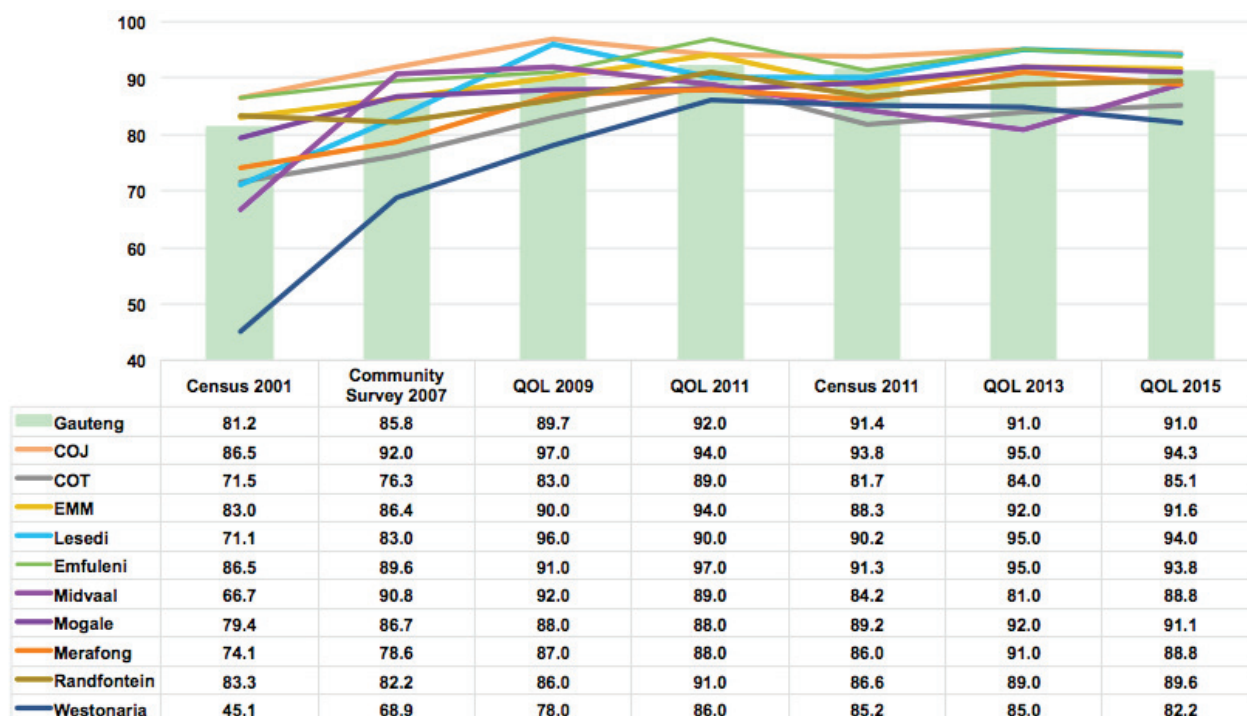
114 City of Johannesburg Metropolitan Municipality, Final Annual Report 2014/15

prioritisation by the municipal police departments.

ACCESS TO SANITATION

The minimum RDP standard for access to sanitation is the provision of a flush toilet, a chemical toilet or a ventilated improved pit latrine (VIP) in rural or low density urban areas.

Figure 17: Sanitation access: Households with adequate sanitation (flush, chemical, VIP) (%)



Sources: StatsSA Census 2001, 2011; StatsSA Community Survey 2007; GCRO Quality of Life Surveys 2009,2011,2013,2015

Reflection on performance in the first ten years (2000-2011)

The figure above reflects that access to a flush, chemical or VIP toilet across all municipalities in Gauteng in 2001 was 81.2%. The lowest of the metros was the COT at 71.5%, and the lowest of all municipalities was 45.1% in Westonaria. Over the period to 2011, most municipalities managed to make significant progress in expanding sanitation access, the result being that 91.4% of households in Gauteng, or 3.57million out of 3.9million households had access to a flush, chemical or VIP toilet in 2011.

Emfuleni LM had the highest achievement of 97% sanitation access, while all other municipalities ranged from 86% to 94% access to basic sanitation. The achievement of Westonaria is particularly noteworthy, having expanded sanitation access from 45% to 86% over the ten year period.

By 2011, Gauteng municipalities had reduced the backlog of access to sanitation from 524,758 households to 336,175 households (2001-2011), although the number of households grew by 1.1million.

StatsSA Census 2001, 2011

Notwithstanding the overall good performance in reducing sanitation backlogs, environmental and physical constraints related to the remote location of many informal settlements and their location on dolomitic land that is not suitable for development, inhibited the supply of the bulk infrastructure for further expansion of access. Chemical and VIP toilets were, thus, important forms of minimum standard sanitation employed by municipalities.

Note: *Informal settlements are often established on land that is unsafe for human occupation. The constraints imposed by the Prevention of Illegal Eviction Act (No.19 of 1998) means that action needs to be taken within 48 hours. The role of the police in preventing land invasions is thus critical, however, only a few of the municipalities have reported on policing activities in this regard.*

Review of performance in the third term (2011–2016)

Between 2011 and 2015, a further 695,054 households were provided with access to basic sanitation.

However, due to household growth of 780,978, the backlog increased by 85,924 households to 422,100 households when compared to 2011.

Highest sanitation access (2015) – COJ (94.3%)

Lowest sanitation access (2015) – Westonaria LM (82.2%)

StatsSA Census 2011, GCRO QOL 2015, StatsSA GHS 2015

For the period, sanitation access averaged around 91% across all municipalities, comprising 4.27million of 4.69million households. The three metros continued the upward trend, improving access from 93.8%, 81.7%, and 88.3% to 94.3%, 85.1% and 91.6% for the COJ, COT and EMM respectively. By 2015, Lesedi LM (94%) and Emfuleni LM (93.8%) had the highest access levels of the local municipalities. Besides Mogale City, at 91.1% access to sanitation, the rest of the LM's had access levels below 90%, with Westonaria the lowest, at 82.2%, having declined from 85.2% in 2011.

The re-emergence of the bucket system occurred in both Mogale City and the EMM during 2014/15. Of the 6,975 households below minimum standard sanitation access in Mogale City, 3,702 instances of the bucket system were recorded and 2,302 had no access to sanitation¹¹⁵. The EMM reported the existence of 23,594 bucket toilets¹¹⁶. However, interventions were rapidly put in place by both municipalities to again eradicate the bucket system.

By end June 2015, the Gauteng province was one of only three provinces to confirm zero use of the bucket system by municipalities (the others being municipalities in Limpopo and KZN)¹¹⁷.

Note: *In percentage terms, access to improved sanitation (defined by CS 2016 as flushed and chemical toilets, but no reference to VIPs) was 87.8% across Gauteng municipalities in 2016, comprising 4.35million of 4.95million households (CS 2016).*

Reporting on Green Drop status in 2014/15 Municipal Annual Reports has been limited, with only Lesedi LM, Randfontein LM and Mogale City LM providing information. Of these, there was a lack of consistency in reporting to allow for comparison. According to the DWS Green Drop System website, there were five waste water works that were Green Drop

¹¹⁵ Mogale City Local Municipality Annual Report 2014/15, Chapter 3, Table 3.2.3.

¹¹⁶ Gauteng COGTA MSA Section 47: Consolidated Municipal Annual Performance Report for 2014/15

¹¹⁷ Statistics South Africa, Non-financial census of municipalities for the year ended 30 June 2015, 7 June 2016

certified in Gauteng, comprising four in Johannesburg and one in Ekurhuleni¹¹⁸.

In its assessment of Gauteng water treatment plants, the Green Drop Report (2014)¹¹⁹ found that in Gauteng:

- 1) 5 plants were considered 'High Risk' (1x Midvaal LM, 2x Ekurhuleni MM and 2x COT MM); and
- 2) 22 plants were considered 'Medium Risk' – (1x Randfontein LM, 2x Midvaal LM, 9x Ekurhuleni MM, 7x COT MM, 1x Mogale City LM, 1x Emfuleni LM and 1x Lesedi LM).

Owing to the risk rating received, these plants were placed under regulatory surveillance by the DWS. A key performance constraint over the period related to ageing infrastructure and below standard maintenance due to a lack of resources and capacity, particularly in the local municipalities; the impact of which is illustrated by the below insert.

Sedibeng District Municipality reported that some of its pump station infrastructure has been in operation for over 50 years and is past its technical lifespan.

The result has been an increased frequency of breakdowns and outages at pump stations, as well as discharge of raw sewage and non-compliant effluent into the local Vaal River.

Sedibeng Annual Report 2014/15

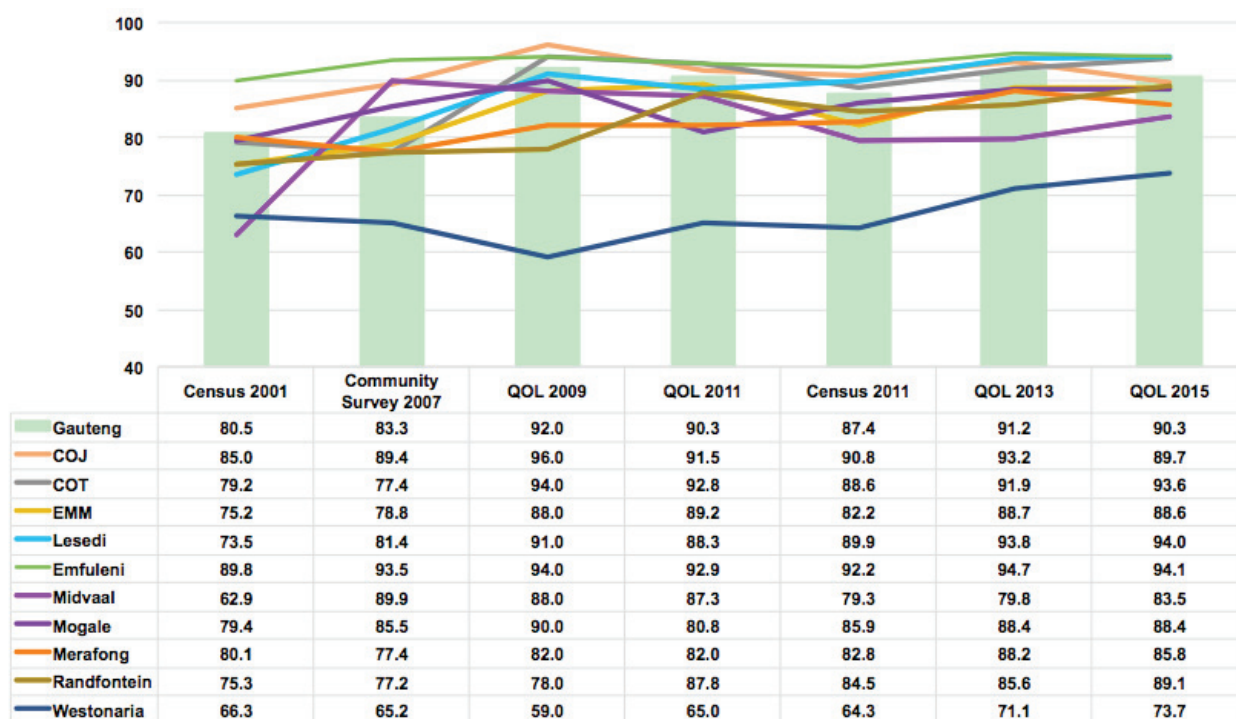
118
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*Green Drop System – Wastewater works list and GDS overview. Accessed from www.dwaf.gov.za, 12 May 2016
Department of Water and Sanitation, 2014 Green Drop Progress Report, Chapter 6*

ACCESS TO ELECTRICITY

The minimum RDP standard for access to sanitation is electricity for lighting.

Figure 18: Electricity access: Households using electricity for lighting (%)



Sources: StatsSA Census 2001, 2011; StatsSA Community Survey 2007; GCRO Quality of Life Surveys 2009,2011,2013; StatsSA General Household Survey 2015 (data not provided for electricity for lighting, only the higher standard of connection to a mains supply, therefore there is no directly comparable data for 2015)

Reflection on performance in the first ten years (2000-2011)

The figure above depicts that access to electricity for lighting across all municipalities in Gauteng in 2001 was 80.5%. The lowest of the metros was the COT at 79.2% and the lowest of all municipalities was 62.9% in Midvaal.

By 2011, Gauteng municipalities had reduced the backlog of access to electricity for lighting from 544,298 households to 492,537 households (2001-2011), although the number of households grew by 1.1million.

StatsSA Census 2001, 2011

Over the period to 2011, most municipalities managed to make substantial progress in expanding electricity access, the result being that 87.4% of households in Gauteng, or 3.42million out of 3.9million households, had access to electricity for lighting by 2011; a growth of 1.17million households over the period.

Among the basic services, expanding access to electricity was the most challenging, due to the legal and safety constraints of providing electricity to informal settlements, as well as the related technical constraints (high density, asymmetrical design, inaccessibility, etc.).

Midvaal LM made the biggest progress in providing electricity for lighting access, from 63.3% in 2001 to 88% in 2011. Although Westonaria LM did well to improve electricity access from 43% to 65% by 2011, the low 2001 base, combined with the increase of 10,000 in the number of households, means that the electricity access backlog only reduced by around 3,000 households (from 17,155 in 2001 to 14,035 in 2011).

Between 2011 and 2015, a further 818,585 households were provided with access to electricity for lighting.

Considering household growth of 780,978, the backlog decreased by 37,607 households to 454,930 households when compared to 2011.

Highest electricity for lighting access (2015) – Emfuleni LM (94.1%), Lesedi LM (94%)

Lowest electricity for lighting access (2013) – Westonaria LM (73.7%)

StatsSA Census 2011, GCRO QOL 2015, StatsSA GHS 2015

The challenge of in-migration and growth in informal settlements is thus apparent, particularly for a rates-base poor municipalities such as Westonaria. The downturn in the mining sector has further compounded the challenge in the municipalities most reliant on mining to drive their economy – discussed further under KPA 5 in this Review.

Review of performance in the third term (2011–2016)

For the period 2011-2015, the percentage of households in Gauteng with electricity for lighting access expanded from 87.4% to 90.3%, comprising 4.24million of 4.69million households. Most noteworthy was the 6.7% increase by Westonaria LM from 64.3% to 73.7%, albeit off a low base, while the COJ actually receded somewhat, from 90.8% to 89.7% in 2015.

The metros and the local municipalities of Lesedi and Emfuleni reported in their annual reports that all formal dwellings had access to electricity, the limiting factor having been the provision of electricity for lighting to informal and more rural settlements.

Note: In percentage terms, access to electricity was 89.2% across Gauteng municipalities in 2016, comprising 4.42million of 4.95million households (CS 2016).

A number of innovations were implemented by the municipalities to address the challenge of providing electricity in informal settlements. The below insert is an example of the efforts of one municipality, among many others, of such innovation.

As an alternative to connecting informal settlements to the electrical mains supply, which was not possible due to informal settlement structural constraints, the EMM installed 7,243 portable photovoltaic solar lights in households in informal settlements, with a view to expanding this rollout in the next five years until a viable solution for addressing informal settlements is devised.

EMM has also installed 10 solar high mast lights in an informal settlement (Marikana) aimed at overcoming infrastructure and environmental obstacles and the adoption of renewable energy practices.

A photovoltaic solar farm has been established at the O R Tambo Precinct in Wattville with an installed capacity of 200kW, enough to power 133 low cost houses.

Source: Ekurhuleni MM, Annual Report 2014/15

Cable theft, theft of generators and other equipment from power stations, illegal connections and unaccounted for electricity presented financial and technical concerns for municipalities. The EMM, for example, budgeted R30million per year in the third term to combat cable and copper theft, a key function of the Ekurhuleni Metro Police; the COJ reported that a total of 2,136 citations had been issued for illegal electricity connections in 2014/15; and the COT established a special task team to combat cable theft in priority areas.

Furthermore, most of the municipalities actively pursued the installation of prepaid meters as a means to curb the problem. As at end June 2015, the percentage of prepaid users per municipality was as follows¹²⁰:

- 1) Metros:
COJ, COT and EMM – 62%, 57.8% and 62.3% respectively;
- 2) Local municipalities:
 - Lesedi, Midvaal, Mogale City, Merafong and Randfontein – 48.6%, 36.3%, 22.1%, 72.7% and 78.6% respectively;
 - Emfuleni LM and Westonaria LM have both reported on the installation of prepaid meters, but have not clearly indicated the proportion of total users on prepaid vs. conventional.

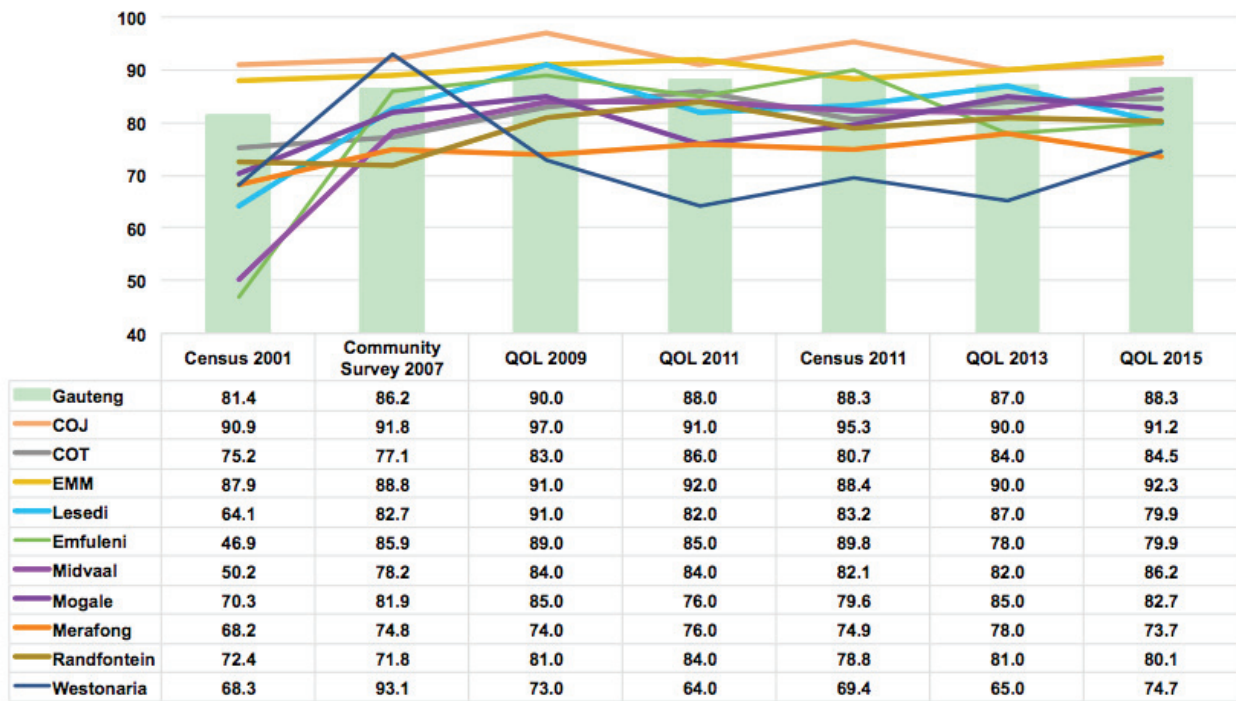
Although prepaid meters have contributed to reducing the incidences of unaccounted for electricity, the municipalities have had to remain vigilant of the potential for illegal by-passing of the meters; which required operations departments to work closely with the municipal police.

WASTE / REFUSE REMOVAL ACCESS

The minimum RDP standard for access to waste / refuse removal is curbside collection of solid waste at least once a week in urban areas.

Note: Waste and/or refuse removal has been used interchangeably, meaning the removal / collection of solid waste from households on, at least, a weekly basis.

Figure 19: Waste / Refuse Removal Access: Households with refuse removal collection once a week (%)



Sources: StatsSA Census 2001, 2011; StatsSA Community Survey 2007; GCRO Quality of Life Surveys 2009,2011,2013, 2015

Reflection on performance in the first ten years (2000-2011)

The figure above reflects that access to solid waste / refuse removal, as measured by curb side collection once a week, aggregated across all municipalities in Gauteng in 2001 was 81.4%. The lowest of the metros was the COT at 75.1% and the lowest of all municipalities was 46.9% in Emfuleni. Over the period to 2011, overall access to refuse removal for Gauteng improved by 6.9% to 88.3%, i.e. 3.45million out of 3.9million households.

By 2011, Gauteng municipalities had reduced the backlog of access to refuse removal from 519,176 households to 457,355 households (2001-2011), although the number of households grew by 1.1million.

StatsSA Census 2001, 2011

The LM's of Lesedi, Emfuleni and Midvaal made significant progress off a low base in 2001 to achieve refuse removal access levels of 83.2%, 89.8% and 82% respectively. While Westonaria LM improved access from 68.3% to 69.4% between 2001 and 2011, the municipality actually regressed from a high of 93.1% in 2007, when it had the highest access levels of all municipalities.

Note: The downturn in the economy since 2008/09 and the continued decline in mining has impacted the mining municipality of Westonaria the hardest, followed by Randfontein LM and Merafong LM. Due to the closure of mines, unemployment and poverty levels have soared while the rates and paying services base has declined, placing a major financial strain on the municipalities to deliver services; particularly free basic services to an increasing indigent population.

The financial costs of providing services to low density areas impacted the frequency with which solid waste removal

services were provided, exacerbated by the high capital and maintenance costs of the refuse removal trucks. The ageing trucks and other refuse removal assets and equipment had reliability problems and, therefore, impacted on refuse removal service levels.

Review of performance in the third term (2011–2016)

Access to refuse removal services in Gauteng, aggregated across all municipalities, remained flat at around 88.3% between 2011 and 2015. In 2015, this translated to 4.14million of 4.69million households. When comparing access levels of the metros between 2011 and 2015, the COJ declined from 95.3% to 91.2%, while the EMM improved from 88.4% to 92.3%, the highest access level of all municipalities.

Between 2011 and 2015, a further 689,603 households were provided with access to weekly curbside refuse removal services.

Considering household growth of 780,978 the backlog increased by 91,374 households to 548,730 households when compared to 2011.

Highest refuse removal access (2015) – EMM (92.3%)

Lowest refuse removal access (2015) – Merafong LM (73.7%)

StatsSA Census 2011, GCRO QOL 2015, StatsSA GHS 2015

Apart from the COJ and EMM, none of the municipalities achieved refuse removal access levels above 90%, providing insight into the difficulties of keeping pace with the rapid increase in household numbers in Gauteng and the difficulty in servicing informal settlements, the result being an increase in the backlog to 91,374 households over the period.

Note: *The available CS 2016 statistical release of 1 July 2016 only provided statistics on access to refuse removal at a national level, indicating a 1% decline as compared to Census 2011(CS 2016).*

The volume of waste to be removed and processed has become increasingly more difficult to manage, with indications that incidences of illegal dumping and littering increased from 3.8% to 5.2% in Gauteng over the period 2002-2015¹²¹.

By-law enforcement is particularly important in terms of illegal dumping, however, little detail of policing interventions has been provided in the municipal annual reports. The COJ, however, reported that in 2014/15 2,152 citations had been issued for illegal dumping and littering.

The resource-poor municipalities were also impacted by ageing and unreliable equipment and limited resources and expertise – combined effect being service delivery interruptions and difficulties in expanding services to more remote areas.

Considering the challenge of providing waste / refuse removal services to a growing population, the Gauteng municipalities have actively sought other means of managing and improving waste management, including the distribution of wheelie-bins, recycling initiatives and clearing of landfill sites with a trend towards greener initiatives. Some examples of these initiatives are highlighted below:

- 1) Waste recycling initiatives have been implemented by numerous municipalities, including the COJ, EMM and Westonaria LM.

¹²¹ *Statistics South Africa, General Household Survey 2015*

- 2) Mogale City reported that through engaging with big generators of waste, a 'separate at source' initiative has started to bear fruits.
- 3) The COT indicated that it entered into a partnership in 2013/14 with a private sector company to develop a multi-purpose recycling facility.
- 4) In 2011, the COJ initiated a waste recycling programme, whereby garden and building waste is separated at landfill sites. A pilot waste separation-at-source scheme for 56,000 households has also been undertaken¹²².

ACCESS TO FREE BASIC SERVICES

The National Framework for Municipal Indigent Policies (2006) (National Indigent Policy-NIP)¹²³, was developed as a guide to municipalities for the provision of Free Basic Services (FBS) to indigent households. The key intent was to consolidate the various sectoral and separate policies of municipalities to enable a more uniform approach to serving the needs of indigents across all municipalities in the country in terms of free basic water, sanitation, electricity and refuse removal.

The table below reflects the trend in the provision of FBS's as a percentage of total basic services provision since the adoption of the NIP in 2006¹²⁴.

Table 20: Proportion of consumers benefiting from Free Basic Services provided by Gauteng municipalities as at end June 2006, 2011 and 2015

	Water Services	Sewerage and Sanitation	Electricity Services	Refuse removal services
As at end June 2006				
Consumer units receiving basic service	2 240 571	2 174 231	1 674 008	2 302 212
Consumer units receiving free basic service	2 240 085	1 427 019	1 398 011	1 655 544
Proportion benefiting (Gauteng)	100%	65.6%	83.5%	71.9%
Proportion benefiting (SA)	76%	50.1%	47.3%	46.8%
As at end June 2011				
Consumer units receiving basic service	2 913 107	2 811 322	1 972 984	2 876 257
Consumer units receiving free basic service	1 040 232	812 887	376 637	320 718
Proportion benefiting (Gauteng)	35.7%	28.9%	19.1%	11.2%
Proportion benefiting (SA)	46.7%	34%	27.8%	24.1%
As at end June 2015				
Consumer units receiving basic service	3 201 590	2 617 211	2 519 827	2 986 330
Consumer units receiving free basic service	930 300	866 635	888 748	360 154
Proportion benefiting (Gauteng)	29.1%	33.1%	35.3%	12.1%
Proportion benefiting (SA)	36.7%	30.4%	25.2%	25.5%

Source: StatsSA Non-financial census of municipalities for the year's ended June 2006, 2011 and 2015

¹²² South African Cities Network, *State of the Cities Report, 2006*

¹²³ Department of Provincial and Local Government, *National Framework for Municipal Indigent Policies, 2006*

¹²⁴ Statistics South Africa, *Non-financial census of municipalities for the year's ended 30 June 2006, 2011, 2015*

Indigent Register Management

Merafong LM appears to have found a way to ensure that its indigent register is accurate through the use of 28 contracted ward based community workers to identify and verify indigent household applicants.

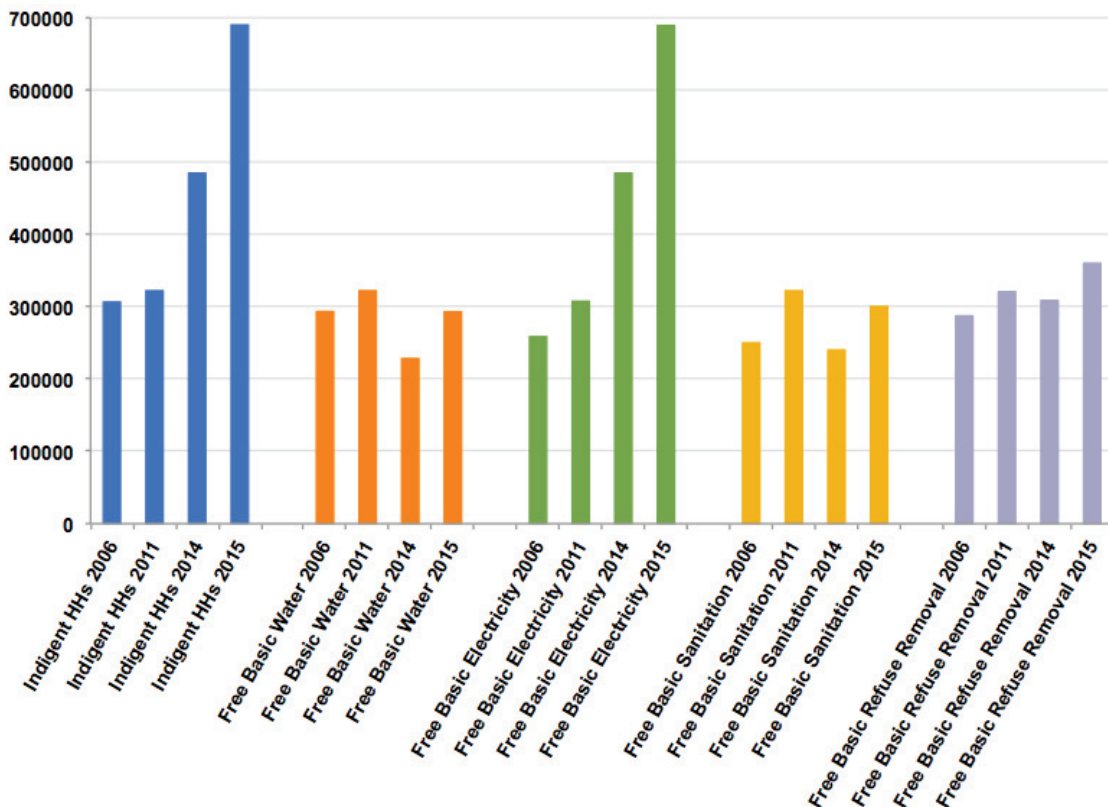
Source: COGTA S47 Consolidated Municipal Annual Performance Report for 2014/15

From the above, the trend over the period has generally been a reduction in the number of households receiving free basic services; reflecting the move from a broad approach to providing free basic services, to a targeted approach focused on providing free basic services to indigent households. This has been possible as municipalities have gradually improved the management of their indigent registers.

Unfortunately, for purposes of municipal level comparisons, it was not possible to gain access to the indigent registers and number of households benefitting from FBS's for all of the individual municipalities. It would appear that there are still gaps regarding the effective management and control of indigent registers at certain municipalities.

On a consolidated basis, the figure below reflects the alignment between the number of indigent households identified by Gauteng municipalities and the number of households benefiting from the four basic services¹²⁵.

Figure 20: Number of indigent households in comparison to the number of households benefiting from free basic services in Gauteng (2006, 2011 and 2015)



Source: StatsSA Non-financial census of municipalities for the year's ended June 2006, 2011, 2014 and 2015

While there was a moderate increase in the number of indigent households identified by municipalities in the first decade, from 306,474 in 2006 to 322,182 in 2011; the standout feature of the above figure is the significant increase in the number

¹²⁵ Statistics South Africa, Non-financial census of municipalities for the year's ended 30 June 2006, 2011, 2014, 2015

of indigent households identified by the Gauteng municipalities in 2014 and 2015. Between 2011 and 2015, the number of indigent households identified more than doubled to 689,859.

Gauteng municipalities have more than doubled the provision of free basic electricity to indigent households over the period 2011 to 2015, from 307,536 households in 2011 to 689,018 households in 2015.

Source: StatsSA Non-financial census of municipalities for the year's ended June 2011 and 2015

While the increase in the number of indigent households identified has realised a similar increase in the number of beneficiaries of free basic electricity and an increase of approximately 60,000 beneficiaries of free basic refuse removal, the provision of free basic water and sanitation has fluctuated between 225,000 and just over 300,000 households over the full period, notwithstanding the increase in the number of indigent households as mentioned above.

Clearly, the intent of the Gauteng municipalities in the latter part of the third term was on supporting poorer communities, particularly those in informal settlements, with free basic electricity provision while not extending the same benefit for water and sanitation provision.

However, the value of the basket of free basic services on the livelihoods of poor communities has been huge. Although the cost to municipalities of providing the free basket of basic services varies significantly between municipalities¹²⁶, a rudimentary estimate of R1,300 per household per month in 2011, escalating to approximately R2,000 per household per month in 2015, provides a sense of the value of this free service to the poor, when considering that generally (although varied between municipalities) the monthly household income threshold of R1,300.00 is used for classifying an indigent household.

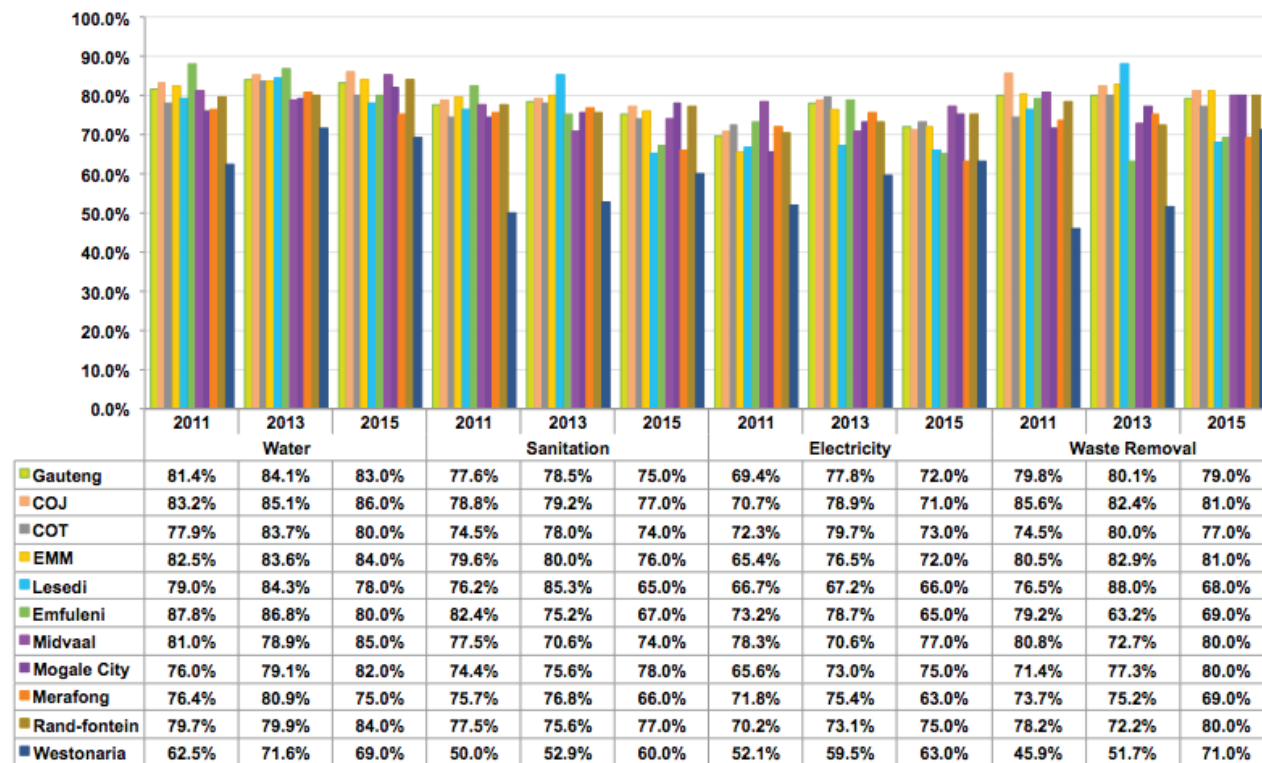
Without the free basic services provision, between 300,000 and 689,000 indigent households (at different points over the fifteen year period) would have been spending their entire monthly income (plus additional by 2015) on paying for these services, leaving them without the means to attend to their other basic needs. Furthermore, municipalities should be commended for going beyond the provision of only the basket of free basic services, through various other initiatives such as food banks and emergency allocations.

SATISFACTION LEVELS WITH BASIC SERVICE DELIVERY

In support of the reported levels of access to basic services, community feedback obtained through the GCRO Quality of Life surveys is presented below, providing comparative insight into the level of satisfaction with basic services provision by the Gauteng municipalities.

¹²⁶ Including Stellenbosch University Working Paper 14/09: Main findings of free basic services from National Treasury Fiscal Incidence Report, 2009

Figure 21: Satisfaction with basic services - Gauteng municipalities (2011, 2013 and 2015)



Source: GCRO Quality of Life Surveys 2011, 2013 and 2015

Average citizen satisfaction levels across the four basic services:

2011 – 2013: Improved from 77.1% to 80.1%

2013 – 2015: Declined from 80.1% to 77.3%

Source: GCRO Quality of Life Survey 2011,2013,2015

The survey results of 2013, as compared to 2011, suggest that satisfaction levels for the four basic services generally trended upwards; however, satisfaction levels receded somewhat between 2013 and 2015, although to a still high satisfaction level of approximately 77.3%.

The key performance trends for the metros and LM's are highlighted below:

Metros:

- 1) The COJ achieved the highest rating for satisfaction with water in 2011, 2013 and 2015 at 83.2%, 85.1% and 86% respectively.
- 2) The EMM performed the best for sanitation provision in 2011 and 2013, at 79.6% and 80% respectively, however, the COJ received the highest rating for 2015, at 77%, although having realised a decline from 79.2% in 2013.
- 3) While all the metros attained big improvements in satisfaction with electricity provision between 2011 and 2013, with the COT achieving the best result of 79.7% in 2013, the results receded substantially in 2015, to 71%, 73% and 72% for the COJ, COT and EMM respectively.

4) Having achieved the highest rating of 85.6% for satisfaction with waste removal in 2011, the COJ receded to 82.4% in 2013 while the EMM performed the best at 82.9%. The three metros all realised slight reductions in satisfaction levels in 2015 – 81% of citizens were satisfied with waste removal services in both the COJ and EMM in 2015.

Below then, is the average satisfaction rating achieved by the metros across the four services in 2015 (from highest to lowest). The change, as compared to the average in 2013 and 2011 is reflected in brackets (2015 minus 2013; 2013 minus 2011):

- 1) COJ : 78.8% (-2.7%; +1.8%)
- 2) EMM : 78.3% (-2.5%; +3.8%)
- 3) COT : 76.0% (-4.3%; +5.5%)

Local municipalities:

- 1) Although a marginal drop in satisfaction with water was realised by Emfuleni LM in 2013, at 86.8% compared to 87.8% in 2011, Emfuleni LM still performed best of the local municipalities in 2013. In 2015, Emfuleni LM declined further, to 80%, while satisfaction with water in Midvaal increased to the highest of all LM's, to 85%.
- 2) Lesedi LM progressed from 76.2% satisfaction with sanitation in 2011 to 85.3% in 2013, but receded dramatically to 65% satisfaction in 2015. Mogale City continued its upward trend, to 78% satisfaction in 2015, the highest of the local municipalities.
- 3) While Emfuleni LM received the highest satisfaction rating in 2011 for electricity provision, at 73.2% and for 2013, at 78.7%, satisfaction levels dropped substantially to 65% in 2015. Midvaal LM realised a 6.4% increase in satisfaction levels between 2013 to 2015, to 77% in 2015, the highest of the local municipalities.
- 4) Mogale City was rated the best performing municipality for waste removal in 2013, at 77.3% satisfaction, having improved from 71.4% in 2011. In 2011 Midvaal had the highest levels of satisfaction, at 80.8%. However, a significant drop to 72.7% was realised in 2013, with a similar situation for Emfuleni LM. In 2015, Midvaal LM, Mogale City and Randfontein LM all achieved satisfaction levels of 80%.
- 5) Over the three surveys, Westonaria LM had the lowest satisfaction ratings for all the services, averaging around 60% satisfaction. Encouragingly, most satisfaction levels have trended upwards, however, much work is required for a step change to take place. The LM's of Lesedi, Emfuleni and Merafong also require close monitoring, in light of substantial declines in satisfaction levels, particularly between 2013 and 2015.

Below then, is the average satisfaction rating achieved by the LM's across the four services in 2015 (from highest to lowest). The change, as compared to the average in 2013 and 2011 is reflected in brackets (2015 minus 2013; 2013 minus 2011):

- 1) Midvaal : 79.0% (+5.8%; -6.2%)
- 2) Randfontein : 79.0% (+3.8%; -1.2%)
- 3) Mogale City : 78.8% (+2.5%; +4.4%)
- 4) Emfuleni : 70.3% (-5.7%; -4.7%)
- 5) Lesedi : 69.3% (-12.0%; +6.6%)

- 6) Merafong : 68.3% (-8.8%; +2.7%)
- 7) Westonaria : 65.8% (+6.8%; +6.3%)

Apart from the 65.8% average satisfaction level achieved by Westonaria in 2015 and the poorer performance by three of the LM's in 2013 and 2015, the overall rating of 77.3% aggregated across the three metros and seven LM's in Gauteng, suggests that citizens were generally happy with the standard of basic services provision.

Note: *Satisfaction with basic service delivery is contrasted against the level of satisfaction with government itself under KPA 4: Governance.*

HIGHLIGHTING SUSTAINABILITY AND ENVIRONMENTAL MANAGEMENT EFFORTS

Towards driving future sustainability and improved environmental management, municipalities have increasingly adopted 'green' approaches to delivering services in the areas of waste management, air quality and water quality, among others. A summary of some of the initiatives and programmes reported in the municipal annual reports is highlighted below:

- 1) In terms of air quality and reducing greenhouse gas emissions, the metros have been acquiring air monitoring equipment and commissioning air quality monitoring stations:
 - a) The COT has an annual budget allocation for an Atmospheric Pollution Monitoring Network in the municipality. Demonstrating its commitment to reducing greenhouse gas emissions, the COT purchased ten Nissan Leaf electric vehicles as part of its vehicle fleet.
 - b) The EMM reports annually on the issuing of atmospheric emissions licences for industries with listed activities. The metro also has in place at least seven air monitoring stations.
 - c) The COJ has in place targets for reducing greenhouse gas emissions. A specific example reported is that greenhouse gas emissions have been reduced at the landfill gas-to-energy project at two of its landfill sites.
 - d) There has been progress across the metros to provide solar street lighting and/or photovoltaic panels for household lighting and charging electronic devices. This has not only created access to the service, but also highlights the use of sustainable forms of energy towards addressing the electrification challenge.
- 2) Considering the challenge of providing waste removal services to an ever increasing population, the Gauteng municipalities have actively sought other means of managing and improving waste management, including the distribution of wheelie-bins, recycling initiatives and clearing of landfill sites with a trend towards greener initiatives. Some examples of these initiatives are highlighted below:
 - a) Waste recycling initiatives have been implemented by numerous municipalities, including the COJ, EMM and Westonaria LM.
 - b) Mogale City reported that through engaging with big generators of waste, a 'separate at source' initiative has started to bear fruits.
 - c) The COT indicated that it entered into a partnership in 2013/14 with a private sector company to develop a multi-purpose recycling facility.
 - d) In 2011, the COJ initiated a waste recycling programme, whereby garden and building waste is separated at landfill sites. A pilot waste separation-at-source scheme for 56,000 households has also been undertaken¹²⁷.

¹²⁷ South African Cities Network, *State of the Cities Report, 2006*

3) In terms of water quality, all municipalities have reported that they have attained and retained their Blue Drop status for water supply, with the exception of Lesedi LM in 2014/15. The reporting on the status of Green Drop has, however, been more varied and possibly requires more attention, particularly considering the number of waste treatment plants that have been placed under monitoring by the DWS due to high risks of failure.

4) The management and protection of wetlands, invasive alien vegetation and the fauna and flora at municipal-owned nature reserves and protected areas has been actively undertaken by all municipalities, often in partnership with other stakeholders (e.g. “Working for Water” and “Trees for Africa”) and national and provincial government departments:

The City of Joburg won the DAFF 2015 National Arbor City Award for the impact that Joburg City Parks made through the planting of 300,000 trees since 2010, transforming landfill sites into world class parks and the development of over 50 community-based food gardens.

Source: Joburg City Parks and Zoo website, accessed 12 June 2016

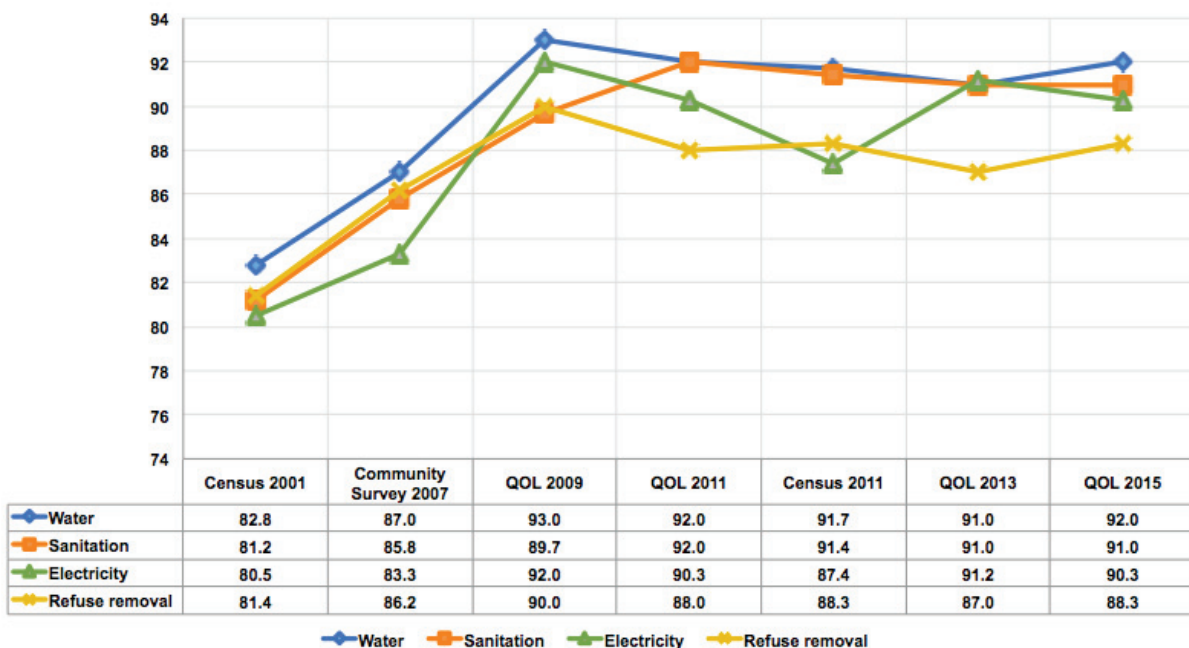
a) All municipalities have in place targets for the planting of indigenous trees in open spaces and on the pavements of roads, aimed at increasing the size of the urban green canopy.

b) A key step in the various infrastructure development programmes of the municipalities has been the strict adherence to the Environmental Impact Assessment processes.

CONSOLIDATED VIEW – ACCESS TO BASIC SERVICES OVER THE PERIOD

A summary of the performance trend discussed in the preceding sections is reflected in the figure below, highlighting that delivery levels for each service have improved significantly between 2001 and 2015; however, that the high levels of in-migration have made it increasingly difficult, particularly in the third term, to keep pace with demand.

Figure 22: Consolidation of basic services access levels in Gauteng (2001–2015)



Sources: StatsSA Census 2001, 2011; StatsSA Community Survey 2007; GCRO Quality of Life Surveys 2009,2011,2013,2015

Note: Whereas the data from GHS 2015 reflects very similar performance to that of the QOL 2015 data reflected in the figure above, CS 2016 reflects a downward trend in aggregated access levels for water, sanitation and electricity in Gauteng, to 89.7%, 87.8% and 89.1% respectively in 2016 (CS 2016).

The challenge of keeping up with the high growth in households is reflected in the table below.

Table 21: Consolidated view of access to basic services performance (2001-2015)

Service	Gauteng Backlog 2001 (HHs)	Gauteng Backlog 2011 (HHs)	Further HHs with access 2011-2015	Gauteng Backlog 2015 (HHs)	Highest Access 2015	Lowest Access 2015
Water (Piped water in dwelling or yard)	480 098	324 448	730,227	375,200	COJ, 94.3% Emfuleni 95%	COT 91.2% Westonaria 73.2%
Sanitation (Flushed, chemical, VIP)	524,758	336,175	695,054	422,100	COJ 94.3% Lesedi 94%	COT 85.1% Westonaria 82.2%
Electricity (For lighting)	544,298	492,537	818,585	454,930	COT 93.6% Emfuleni and Lesedi 94%	EMM 88.6% Westonaria 73.7%
Refuse Removal (Curbside removal once per week)	519,176	457,355	689,603	548,730	EMM 92.3% Midvaal 86.2%	COT 84.5% Merafong 73.7%

Sources: StatsSA Census 2001, 2011; GCRO Quality of Life Survey 2015, StatsSA GHS 2015

Considering the growth in the number of households, the Gauteng municipalities did well to reduce backlogs for all basic services in the period 2001-2011. The challenge of in-migration is however visible when considering that, in the third term, only access to electricity for lighting expanded at a faster rate than the number of households in the period. Backlogs over the third term have thus increased for the other basic services.

KEY OBSERVATIONS ARISING FROM THE REVIEW OF ACCESS TO BASIC SERVICES (2000-2016)

In terms of access to basic services, the following **successes** have been realised over the fifteen year period to 2015:

- 1) Notwithstanding the 39% increase in the number of households in Gauteng between 2001 and 2011, backlogs in access to basic services for all services were reduced. The trend continued in terms of access to electricity for lighting in the third term.
- 2) The vast majority of municipalities in Gauteng have attained and retained their Blue Drop water quality status. An average of just under 80% of consumers surveyed in 2015 reported that the quality of water provided was good. The Gauteng metros also rated among the top performing metros in the country in terms of the number of water delivery interruptions.

- 3) As at end June 2015, the Gauteng province was one of only three provinces to confirm zero use of the bucket system by municipalities (the others being municipalities in Limpopo and KZN)¹²⁸.
- 4) Municipalities have made progress in the use of innovation to address the challenge of electrification of informal settlements, including the use of solar street lighting and photovoltaic panels for household lighting and charging cellphones and other electronic devices.
- 5) The proportion of consumers on prepaid electricity has increased consistently over the period, with the proportion of prepaid meters exceeding that of conventional meters at end June 2015. Unaccounted for electricity has therefore been reduced and revenue improved.
- 6) Gauteng municipalities have more than doubled the provision of free basic electricity to indigent households over the third term – from 307,536 households in 2011 to 689,018 households in 2015. A further 60,000 indigent households have also been provided with free basic waste removal services.
 - a) Over the period, the Gauteng municipalities have progressively adopted a more targeted strategy for the provision of free basic services. The focus has been on strengthening the municipal indigent registers and billing systems to ensure that the provision of free basic services was targeted at indigent households, thus improving the revenue of municipalities and better utilising the equitable share for its intended purpose.
 - b) If it were not for the provision of free basic services to indigent households, over 300,000 households in Gauteng would have been pushed deeper into poverty, resulting in less disposable income to attend to their other basic needs such as rent, food and clothing. Effective and equitable management of municipal indigent registers is thus vital to the livelihoods of a significant portion of Gauteng's population.
- 7) The average increase in citizen satisfaction levels across the four basic services improved from 77.1% in 2011 to 80.1% in 2013. Although average satisfaction levels receded to 77.3% in 2015, satisfaction levels are indicative of a citizenry that is generally satisfied with the standard of basic services provision.
- 8) In expanding the delivery of basic services, a number of sustainability and environmental management initiatives have been undertaken over the period, with progress made in better managing air quality, implementing waste management programmes (separation at source and waste to energy) and maintaining water quality standards in line with Blue Drop criteria. Municipalities have also actively managed various environmental protection programmes such as wetlands management, tree planting and alien vegetation management in partnership with other stakeholders and applicable national and provincial government departments.

However, the following **challenges and/or constraints** to the expansion of access to basic services have been identified:

- 1) The impact of in-migration did not lessen over the period as the Gauteng municipalities struggled to keep up with the demand for basic services, especially in informal settlements. In the third term, backlogs increased for access to basic water, sanitation and refuse/ waste removal.
 - a) Expanding access to electricity remained a challenge, due to the legal and safety constraints of providing electricity to informal settlements, as well as the related technical constraints imposed by the high density, asymmetrical designs of most informal settlements. In many instances, the provision of high mast lights and/or portable PV units were the only feasible option.
 - b) Environmental constraints, such as informal settlements being located far from cities, implied higher construction costs to supply bulk infrastructure. Dolomitic land (which is not suitable for development) also constrained the supply of bulk infrastructure, particularly for water and sanitation.

¹²⁸ Statistics South Africa, *Non-financial census of municipalities for the year ended 30 June 2015, 7 June 2016*

- 2) High rates of electricity and water losses and unaccounted for electricity and water, for both technical (ageing, failing infrastructure) and non-technical (theft, meter tampering, vandalism) reasons, prevailed over the period and impacted on revenue and service reliability.
- 3) Below standard infrastructure maintenance and refurbishment, compounded by theft and vandalism of critical infrastructure (pumping station equipment, electrical equipment and cables, pipelines, etc.), resulted in breakdowns in service delivery with often costly consequences.
 - a) The high cost of maintenance of ageing infrastructure, the lack of capital funding for replacement of outfall sewer lines and rising maintenance costs of sewer pump stations has left municipalities vulnerable to outages. For example, infrastructure failure in the Sedibeng District resulted in raw sewerage and non-compliant effluent being discharged into the Vaal River, with both ecological and financial consequences.
- 4) In certain localities, adequate capital funding was made available through MIG for expanding bulk infrastructure for water and sanitation, as well as electricity. However, capacity, skills and SCM constraints hampered implementation in many municipalities. On the other hand, there was insufficient funding to expand bulk infrastructure, particularly to the more remote and less densely populated areas.
- 5) Due to the progressive reduction in the number of beneficiaries of free basic services, issues of affordability and willingness to pay has impacted on the collection rates of municipalities, more so in the municipalities impacted by the downturn in the mining sector and the concomitant increase in unemployment and poverty.
 - a) Fewer beneficiaries of free basic services has also challenged municipalities to ensure higher quality services – value for money. The relatively high incidences of service interruptions, particularly in the local municipalities, need to be addressed.
 - 6) The management of municipal indigent registers has been varied over the period, impacting on the equitable share allocation and the equity of free basic services provision.
 - a) The cost of providing free basic services has escalated by more than inflation in many instances, largely due to the rising cost of electricity bulk purchases from Eskom.
 - b) Due to low collection rates brought on by the economic recession, particularly in the mining municipalities, and the increase in the number of indigent households, certain municipalities have become indebted to Eskom. For example, Westonaria LM and Randfontein LM were among the top 20 municipalities in the country indebted to Eskom with reports that a combined amount of R141,582,715 was owed to Eskom by these two municipalities as at end June 2015¹²⁹.
 - c) None of the informal areas within Lesedi LM and Midvaal LM were provided with access to electricity¹³⁰ over the period under review. Midvaal LM indicated that this was due to budget constraints impacting bulk supply to these areas.
- 7) Compliance with the Green Drop waste management assessment process has been varied and a number of municipal waste water treatment plants have been placed under regulatory surveillance by the DWS due to the risk ratings received.
- 8) Municipal by-law enforcement and policing has been inadequate to address issues of theft and vandalism of basic services infrastructure and equipment, as well as illegal water and electrical connections and illegal

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COGTA, *State of Government – Back to Basics Report. First edition July 2015*
Midvaal Local Municipality, Draft Annual Report 2014/15

dumping.

- 9) Instances of illegal dumping and littering have increased over the fifteen year period, and generally achieving the minimum RDP standard of weekly curbside collection has proven to be challenging for certain municipalities, particularly those in less densely populated areas.
- a) Ageing waste collection trucks and equipment have impacted certain municipalities.
 - b) With landfill sites filling up, municipalities have been challenged to pursue approaches to minimise waste through the separation at source and recycling. As outlined earlier, there have been a number of initiatives and pilot projects; the challenge is to massify the approaches.
- 10) The low satisfaction levels with basic services for Westonaria LM (average of 65.8% in 2015), and the significantly reduced satisfaction levels (as compared to 2011) in the local municipalities of Emfuleni, Lesedi and Merafong, allude to the sluggish progress in these municipalities in expanding access to certain of the basic services, as well as issues of service reliability and quality.

3.2.3 Roads and Transport Infrastructure access

In reviewing roads and transport infrastructure, consideration has been given to how Gauteng municipalities have dealt with roads development and maintenance and the provision of integrated motorised and non-motorised public transport infrastructure and services.

Reflection on performance in the first ten years (2000-2011)

Rea Vaya

Phase 1A of the Rea Vaya was completed in 2009, comprising 33 stations and covering 25.5 kilometres of special lanes and intersections. The first bus began operating on the route on 30 August 2009. Approximately 307,000 passengers travelled along the Phase 1A routes during the Fifa World Cup 2010/11.

Average passenger numbers (per day): 2010/11: 30,000; 2011/12: 42,000; 2012/13: 35,953; 2013/14: 32,865; 2014/15: 37,579.

Sources: www.reavaya.org.za; COJ Annual Reports

The backlog of municipal roads was estimated to be around 1,300 km in 2004. By the end of 2005, MIG funding had contributed to addressing about 10% (122 km) of the roads backlog. Moving into the second term, government's announcement of a R3billion Public Transport Infrastructure and Systems Grant for transport projects, with an initial focus on FIFA World Cup host cities, stimulated planning for improved roads and transport infrastructure.

During the second term (2006–2011), road maintenance and transport infrastructure was prioritised, due to the availability of additional funding in the run-up to the Fifa World Cup in 2010.

The COJ invested heavily in its public transportation network with the development and completion of a number of key projects, including the Rea Vaya Bus Rapid Transit (BRT) system and its linkages.

The goal of the BRT is to, over time, ensure that 85% of the city's population lives within 500 metres of a stop¹³¹, whilst at the same time providing better public transport, reducing congestion on public roads, minimising the impact of public transport on the environment and creating jobs.

¹³¹ *South African Cities Network: State of the Cities Report (2011)*

The COT initiated a BRT system feasibility study during this period, aligned to the City's Integrated Transport Plan developed in 2007. On completion of the feasibility study and the approval of the implementation plan for the Tshwane BRT by the COT Council, the Tshwane Transport Authority was approved for establishment in 2007. The timing of the feasibility allowed for the COT to leverage the experiences of the COJ Rea Vaya implementation.

The under-allocation of budget for repairs and maintenance was highlighted as a key area to be addressed, with municipalities reportedly allocating half of the percentage generally deemed acceptable for repairs and maintenance. The 5.2% allocation in 2006/07 improved to 8% in 2009/10, but was still short of the norm of 10% of the total expenditure budget. A similar sentiment was expressed in the 2006 State of the Cities Report, which highlighted the inadequacy of the then current spend level of R45 per household compared to the suggested R65 per household¹³².

Review of performance in the third term (2011–2016)

Gauteng Municipalities continued with maintenance, construction and rehabilitation of their road networks in the third term, including both gravel and tarred roads. Although it was not possible to consolidate the data reported by individual municipalities due to varied and inconsistent reporting, the municipalities reported on their efforts to upgrade the gravel roads in townships to asphalt, while maintaining existing road networks and storm water infrastructure. The maintenance of potholes was a key focus and consumed a significant portion of municipal resources, alluding to the declining state of many municipal roads.

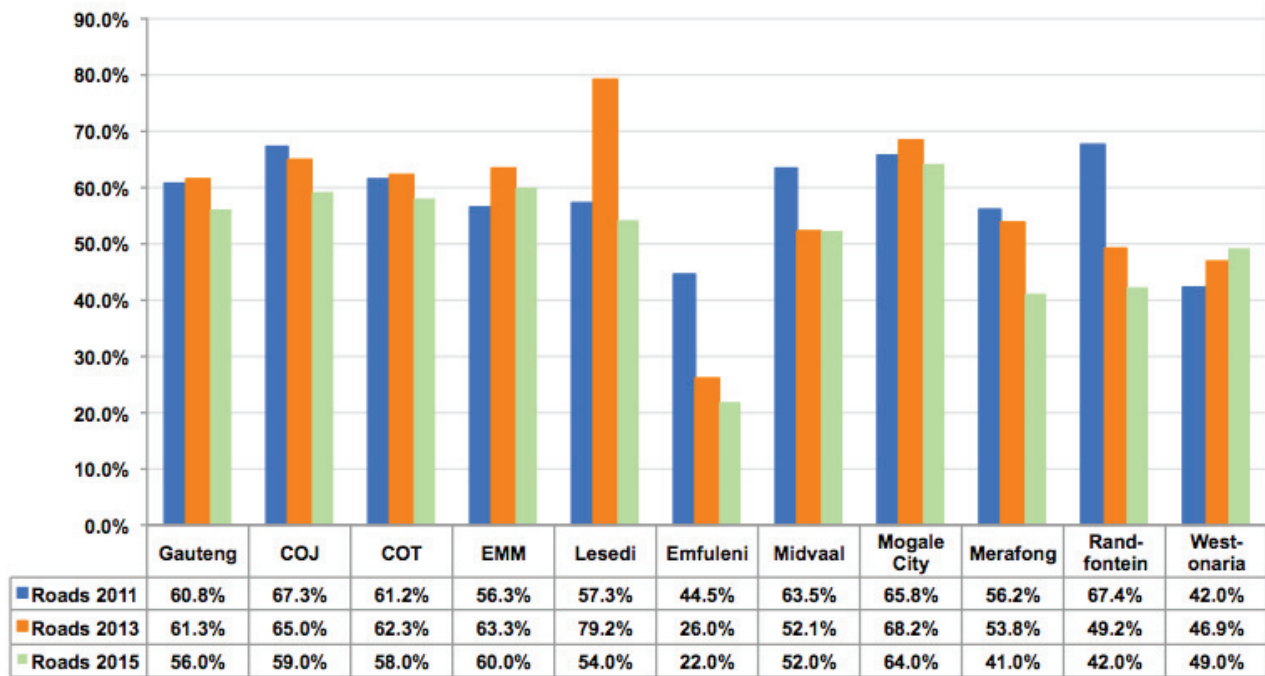
In total, as estimated from the municipal annual reports, between 2011/12 and 2014/15 in excess of 2,000 km's of gravel roads were upgraded and/or tarred and approximately 600 km's of new tar roads were constructed. Although it was not possible to quantify the kilometres of existing roads resurfaced, it appears that maintenance backlogs have increased over the period. A similar situation for storm water infrastructure.

In light of the absence of consolidated quantifiable data, the perceptions of citizens regarding the state of roads infrastructure provides some insight, highlighting the levels of citizen satisfaction with roads infrastructure in across three periods – 2011, 2013 and 2015¹³³.

¹³² *South African Cities Network: State of the Cities Report (2006)*

¹³³ *GCRO, Quality of Life Survey, 2011, 2013 and 2015*

Figure 23: Satisfaction with roads in Gauteng municipalities (2011, 2013 and 2015)



Source: GCRO Quality of Life Surveys 2011, 2013, 2015

There was an improvement in the overall satisfaction level across all municipalities in Gauteng, from 60.8% in 2011 to 61.3% in 2013; however, the 2015 survey reflected a decline in satisfaction levels to 56%.

While EMM (from 56.3% to 63.3%), Lesedi LM (from 57.3% to 79.2%) and Mogale City (from 65.8% to 68.2%) realised solid increases in satisfaction levels between 2011 and 2013, the only municipality to achieve an increase in satisfaction levels between 2013 to 2015 was Westonaria LM (from 46.9% to 49%). The rest of the municipalities all experienced declining citizen satisfaction levels with the state of roads infrastructure provision. Of the metros, the COJ realised the biggest decline to 59% in 2015, while the COT had the lowest rating of the metros, at 58%.

Of the LM's, Lesedi LM had the steepest decline in satisfaction, from 79.2% to 54% in 2015. Emfuleni LM continued its downward trend, with a satisfaction rating of 22% in 2015.

When comparing the satisfaction ratings for roads infrastructure with that of basic services provision, it is apparent that communities are much less satisfied with roads infrastructure, at around 20 percentage points less satisfied. The concerns relate to both maintenance of existing roads and the need for new roads. The prevalence of potholes and the long lead times to repairing / refurbishing ageing roads requires focused attention.

In terms of transport infrastructure, the COJ continued its investment in the Rea Vaya BRT, realising an expanded network with a capacity of 108,801 seats for all journeys by end 2013/14. The COJ also implemented a bank-based smart card Automated Fare Collection (AFC) system, in support of the drive towards a cashless system.

The COT commenced with the construction of its BRT system in July 2012, and operational since 1 December 2014. Named *A Re Yeng*, the COT BRT system is part of the City's revitalisation project and currently covers an 80km network across the City¹³⁴.

¹³⁴ City of Tshwane Metropolitan Municipality Draft Annual Report 2013/14

The EMM also invested in transport infrastructure, having completed 4km of its Integrated Rapid Transit System (IRPTN), known as *Harambee*, in 2014/15.

A key feature of the third term, particularly among the metros, was the shift towards integrated transport infrastructure, accompanied by a focus on eco-mobility. This included the development of infrastructure and the promotion of alternative modes of transport, e.g. walking, cycling and public transport.

Eco-mobility interventions included:

- 1) The implementation of 'complete streets projects' in the COJ¹³⁵, i.e. streets constructed or retrofitted to accommodate all road users (pedestrians, cyclists, public transport and motorists¹³⁶). Various open streets activities and freedom ride events were hosted by the COJ to promote eco-mobility. Cycle lanes and/or sidewalks were also developed at targeted locations in the COJ, including a corridor between Wits University and the University of Johannesburg.
- 2) The IRPTN of the EMM included the development of 20km's of non-motorised transport (NMT) infrastructure with dedicated cycle lanes extending into townships to promote a cleaner environment and healthy lifestyles. The IRPTN also included the acquisition of environmentally friendly 'green' buses in support of the EMM's sustainability drive.
- 3) The COT "pedestrianized" 870m of road as part of a campaign towards "celebrating 20 years of delivering efficient, reliable and safe transport services". The campaign included the "Tshwane Green Ride", a cycle event that was hosted in 2014 to promote eco-mobility.

Johannesburg achieves 2nd place in the World Good Cities Index

In 2014 Johannesburg came 2nd in the World's Good Cities Index: The index assesses "the quality of civic life, with improvements that enable citizens to share ideas and new solutions to problems".

Transport infrastructure played a key role in the assessment, with the current 5km track and sidewalk along Orlando, Soweto linking and providing safe passage to several hubs such as churches and clinics. Planned developments include 120km's of cycling lanes which will connect Orange Farm, Ivory Park, and Soweto.

Source: COJ AR 2014/15

To support roads and transport infrastructure and considering the high levels of road users in Gauteng, a key function of the municipal police departments are road and traffic safety and vehicle licensing services. The municipalities have done well to indicate, in numerical terms, the number of traffic offences, road calming measures, road blocks, license applications, etc. It was however more difficult to assess the effectiveness of the various interventions in terms of flow of traffic, reduction in vehicle accidents and efficiency of licensing processes.

Key observations arising from the Review (2000-2016)

In terms of roads and transport infrastructure, the following **successes** have been realised over the fifteen year period:

- 1) Although difficult to quantify on a consolidated basis across all municipalities, the focus of the Gauteng municipalities on developing the road networks of townships has progressively transformed many townships over the period, from Apartheid-era dustbowls to formalised, established neighbourhoods with high quality tarred roads, storm water channels and pavements for pedestrian mobility.

¹³⁵ City of Johannesburg Integrated Annual Report 2014/15

¹³⁶ City of Johannesburg Metropolitan Municipality Annual Report 2013/14

- 2) Initiated by the COJ in the second term, the three metros made significant progress in the third term with the development of their integrated BRT systems, with networks extending across the City's and connecting townships to economic nodes.
- 3) Non-motorised transportation – eco-mobility – has been extensively rolled out by the metros, promoting the use of alternative modes of transportation in the form of walking, running and cycling in the interests of a cleaner environment and healthy lifestyles.
- 4) The acquisition of 'green' buses for the BRT systems has demonstrated the commitment of municipalities to reducing greenhouse gas emissions.
- 5) The Gauteng Transport Commission (GTC) was established in 2014 to facilitate joint planning and coordination of transport in the GCR. Although established post the implementation of the individual metro BRT systems, the GTC will play an increasing important role in integrated the systems moving into the future.
- 6) The GCRO Quality of Life Surveys of 2011 and 2013 reveal an overall increase in the level of satisfaction with roads infrastructure across the municipalities in Gauteng. Lesedi LM achieved the highest rating of all municipalities in 2013.

However, the following **challenges and/or constraints** have been identified:

- 1) Lack of availability and shortages of resources and capacity, especially needed for roads maintenance in rural areas and the cost of construction versus the usage rate of tarred roads in rural areas constrained municipalities.
- 2) The necessary prioritisation of resources to the development of the roads networks of townships meant that the maintenance of existing roads was compromised over the period; municipalities have thus experienced increased roads maintenance backlogs and the need to allocate more resources to reactive repairs, for example, to potholes.
- 3) In 2012, issues relating to the lack of integration with feeder routes, perceptions that the BRT has not contributed to changing the apartheid spatial pattern with the poor still located at the periphery, and the need for separate tickets when using MetroBus and Rea Vaya BRT were noted as key contributors to relatively low passenger levels¹³⁷.
- 4) At the time of this Review, it was reported that bus stations for the A Re Yeng BRT in the COT should not have been built in their current locations, as the locations have not been rezoned to enable their use as bus stops¹³⁸ and efforts are underway to rectify the oversight.
- 5) The devolution of public transport networks to local government, as envisaged in the National Land Transport Act of 2009, places local government in the front seat towards driving more effective and efficient public transport networks through increased integration¹³⁹ which, together with the GCR perspective, suggests the need for integration on multiple levels.
 - a) In respect to this Review, the implementation of three separate BRT initiatives across the GCR, each with its own shareholders, managing company, fare structure, ticketing system and name, suggests that more needs to be done towards driving integrated planning across the GCR, possibly through the elevation of the GTC to that of a GCR Transport Authority.

¹³⁷ *Financial Mail*, 18 July 2012. *Tshwane's BRT system in construction*. Accessed on 04 May 2016 from www.financialmail.co.za.

¹³⁸ *Independent Online*, 03 May 2016. *Another set-back for Tshwane's BRT*. Accessed on 06 May 2016 from www.iol.co.za

¹³⁹ *SA Cities Network*. *Strategic Framework for enhancing built environment integration to support the spatial Transformation of Cities, 2015*

- 6) A number of municipalities reflected declining and low levels of citizen satisfaction with regards to roads infrastructure, in particular Emfuleni LM, Randfontein LM and Westonaria LM, highlighting the impact of resources and capacity constraints.

3.2.4 COMMUNITY SERVICES INFRASTRUCTURE PROVISION

The review of community services infrastructure provision takes into consideration how municipalities have dealt with the provision of social amenities and programmes in terms of museums and galleries; libraries and heritage facilities; sports, recreation and public open spaces.

Reflection on performance in the first ten years (2000-2011)

As reported in the 2000–2005 End of Term Review¹⁴⁰, approximately 80.2% of households in the province were within a 2km radius of a primary healthcare facility, with varied distribution across the province; 6.5% of households in the Province were within a 2km radius of a community hall; and 87% of households in the Province were within a 2km radius of a sports facility.

The EMM reported that almost all its households were within a 2km radius of a sports facility and COJ reported 85%. Approximately 67% of households in the non-metropolitan areas of the Province were within a 2km radius of parks and/or designated open spaces. However, the State of the Cities 2006 report conceded that, whilst there had been some delivery in this regard, the provision of these facilities was still low¹⁴¹.

Detailed data regarding social infrastructure development (the delivery of sports and recreation facilities, community centres, parks, libraries and other local amenities) at municipal level was not included in the 2006-2011 End of Term Review. The report, however, indicated that R153million had been spent on social infrastructure for communities up to the end of June 2007, but did not elaborate further.

Review of performance in the third term (2011–2016)

The Gauteng municipalities, spearheaded by the metros, continued with the expansion of access to community facilities through the allocation of significant capital funding to infrastructure development for libraries, sports facilities and parks, as well the implementation of a range of programmes to operationalise the facilities towards uplifting communities and building social cohesion. Based on information sourced from municipal annual reports, examples included:

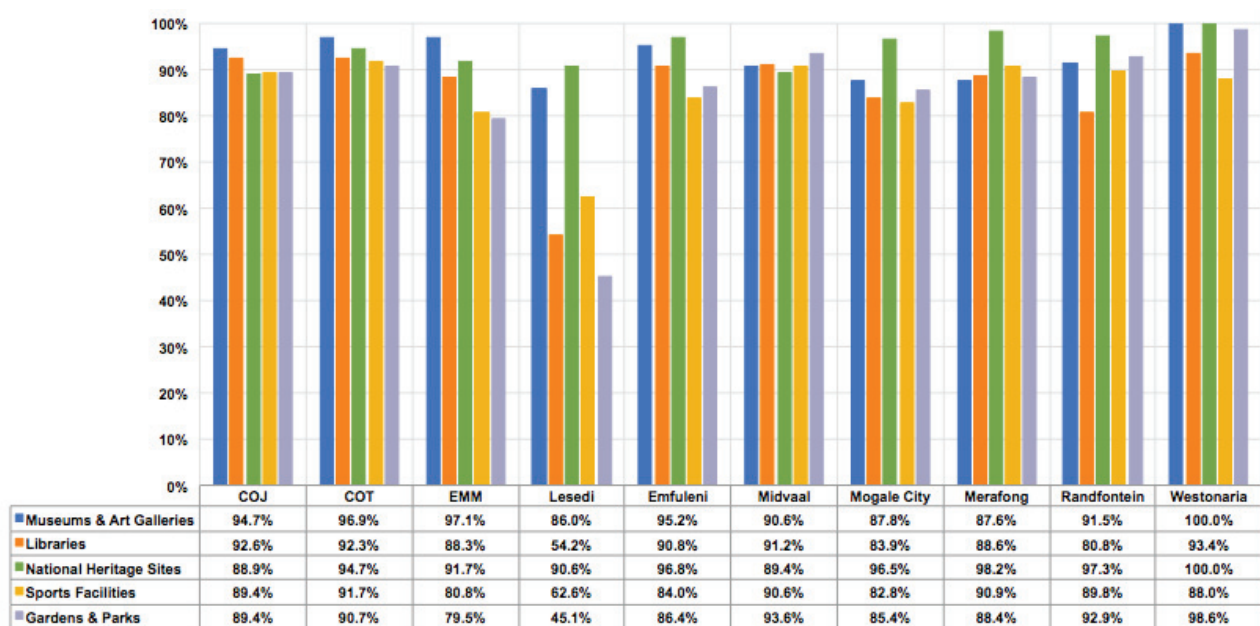
- 1) At least 12 new libraries were constructed across the Gauteng municipalities in the third term. In partnership with the Department of Arts and Culture, municipalities reported on the various programmes aimed at improving literacy, including book weeks, literacy campaigns, speech contests, etc.
 - a) The COJ reported that its network of libraries was used to coordinate and deliver a number of developmental programmes and projects across the city, aimed at literacy and skills development. These included techno-literacy training, eLearning initiatives and reading development.
 - b) Although difficult to quantify, many libraries have been provided with Wi-Fi connectivity as a means to appeal

¹⁴⁰ DLGH, *Local Government Performance Review, 2006. Reflecting on the first five years of Democratic Local Government in Gauteng (2000–2005)*.
¹⁴¹ *South African Cities Network: State of the Cities Report, 2006*

- 2) The EMM reported on the significant strides made towards enhancing social cohesion, sporting and cognitive development and heritage preservation through leveraging its recreational facilities. The operationalisation of the various facilities was achieved through a targeted schedule of events and community development programmes focused on youth development, gender mainstreaming, addressing various social ills, etc. The EMM also focused on upgrading its large regional parks and open spaces over the period, including the Germiston Lake precinct.
- 3) The COT consistently exceeded its annual target of developing two parks per ward per annum, thus ensuring high levels of accessibility to open spaces for local communities.
- 4) The COJ transformed Soweto and many other townships through its comprehensive parks and recreation facilities developments over the period. On average, the COJ has developed 15 new community parks and 2 new regional / flagship parks per annum. In total the COJ manages and maintains more than 2,000 parks, 113 recreation centres, 57 swimming pools, 300 other sporting facilities, 3 nurseries and 37 cemeteries.
- 5) A key feature of the third term was the installation of outdoor gyms in parks, piloted by the COJ and extensively rolled out in many public open spaces to promote a culture of healthy lifestyles.
- 6) Although not to the same scale, the LM's reported on various developments of community facilities and parks. For example, Mogale City reported on upgrades to its flagship park – Coronation Park – and the various open spaces in the municipality. Westonaria LM focused on maintaining its 26 recreational parks and Emfuleni LM actively managed its 25 sports and recreational facilities.

The figure below then reflects the levels of citizen satisfaction with the community facilities in the Gauteng municipalities.

Figure 24: Satisfaction with community facilities (2013)



Source: GCRO Quality of Life Survey 2013, 2009 and 2011 surveys excluded due to incomparable data, 2015 did not include questions on all of the above facilities

Public satisfaction levels with community services infrastructure provided by municipalities was generally high (80% and above) for all municipalities, with the exception of the satisfaction ratings received by Lesedi LM for libraries (54.2%), sports facilities (62.6%) and gardens and parks (45.1%). By comparison, Lesedi LM managed to achieve satisfaction ratings

of 86% and 90.6% for museums / art galleries and national heritage sites.

Key observations arising from the Review (2000-2016)

In terms of community services infrastructure and services, the following **successes** have been realised over the fifteen year period:

- 1) The Gauteng municipalities have done well to expand access to a range of community facilities, including new parks and recreation facilities, new libraries, sports precincts and community halls.
 - a) The metros, in particular, have allocated significant resources to the development of new community and recreational facilities. The many new parks, libraries and recreation facilities in townships have contributed to the transformation of the townships, e.g. the network of globally acclaimed parks and open spaces in Soweto have proven to be highly utilised and a key stimulus for building social cohesion.
 - b) Modern equipment, such as play equipment for children with disabilities and outdoor gyms have broadened the utilisation of facilities and contributed to the promotion of healthy lifestyles.
- 2) Municipalities have focused on operationalising the various community facilities, with an intent to measure the qualitative benefit of programmes focused on youth development and creating awareness of issues around women abuse, early childhood development, drug abuse and other social ills.
 - a) The EMM has been particularly vociferous in its drive and focus on leveraging community facilities to build social cohesion and transform communities.
- 3) With the exception of Lesedi LM for certain facilities, all municipalities have received high citizen satisfaction ratings for the various community facilities, mostly in the range of 80-90%.

However, the following **challenges and/or constraints** have been identified:

- 1) Facilities of concurrent functions, such as libraries and heritage facilities, have often been developed by national or provincial departments, for example, the National Department of Arts and Culture or the Provincial Department of Arts and Culture.
 - a) Consequently, such developments have not always aligned with municipal IDP's and the operationalisation of the facilities has been impacted through the lack of resources and capacity to manage and maintain the facilities by the affected municipalities post development.
- 2) In many instances, the allocation of and resources availability for maintaining new and existing facilities was inadequate, resulting in the progressive deterioration in the quality and useability of the facilities.
 - a) Challenges existed in developing and maintaining relationships with community volunteers and associations interested in contributing to the upkeep and operationalisation of facilities.
 - b) Vandalism and the over-utilisation of facilities created additional pressures on municipalities in light of resource constraints.
- 3) The lack of alignment and prioritisation of community infrastructure development with spatial development plans and the development priorities of other departments within municipalities and across the spheres of government.

- a) The provision of community facilities have often been considered as an after-thought in the development of human settlements and roads and transport infrastructure.
- 4) The operationalisation of proactive programmes or partnerships in community facilities has lacked in many municipalities and, therefore, the facilities have not been effectively leveraged as mechanisms to transform communities and build social cohesion.
- 5) There has been inconsistent reporting in terms of provisioning against targeted standards. It is, therefore, not known whether municipalities are over providing or under providing facilities, and whether there is a fair and equitable spread of facilities across regions and wards.
- a) The quality standard of facilities has varied significantly between municipalities, with insufficient sharing of experiences and knowledge towards ensuring citizens across the GCR were provided with a similar social and recreational experience.

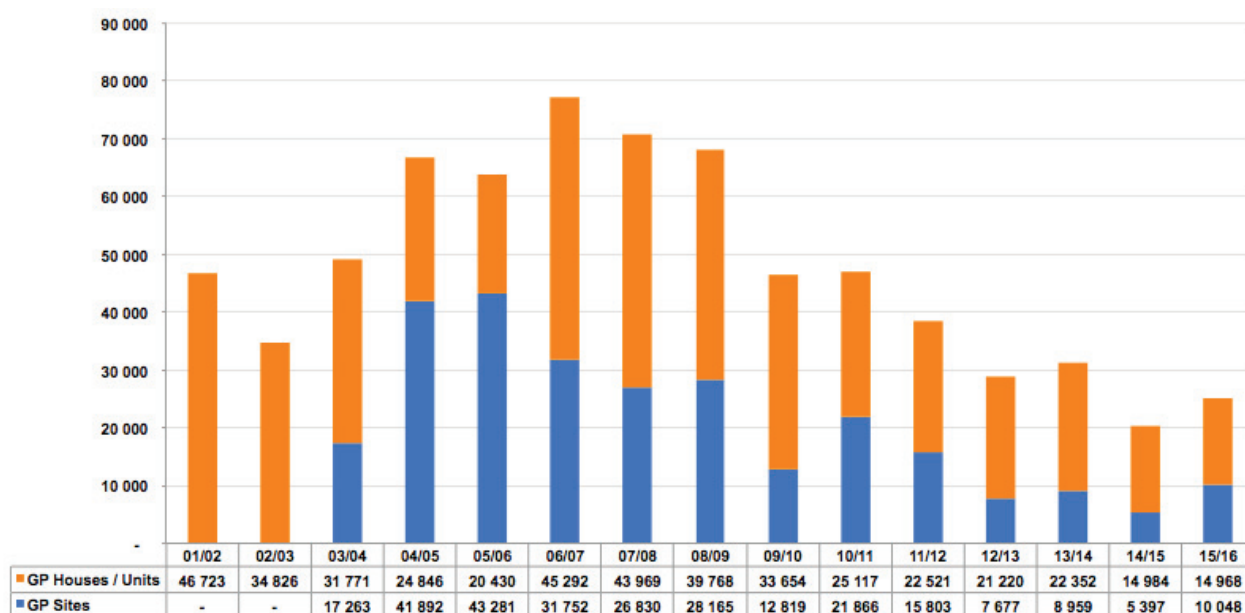
3.2.5 Housing Provision

In the context of the high population growth rates experienced by Gauteng municipalities over the period, the provision of housing takes into consideration how municipalities, in collaboration with the national and provincial sphere, have dealt with the growing demand for housing.

The provision of housing as a function of government is not assigned to local government; and although they actively pursue a range of housing developments in the social and affordable housing space, the housing function has largely remained the competency of provincial government. Furthermore, the private sector is a key contributor to the development of formal dwellings and more recently, mixed use developments.

The figure below provides a view of the housing opportunities delivered in Gauteng over the fifteen year period. It is divided between housing units built / provided and serviced stands, and provides a sense of the performance trend across the Province. As reflected, a total of 714,238 housing opportunities have been delivered over the period.

Figure 25: Housing provision in Gauteng (2001 to 2016)



Source: Gauteng Department of Human Settlements, via Gauteng COGTA (June 2016)

Reflection on performance in the first ten years (2000-2011)

The housing backlog in Gauteng in 2001 was estimated at 870,246¹⁴². Coupled with the Census 2001 estimate that the population of Gauteng would increase by at least 200,000 people per annum, the magnitude of the housing challenge was clear. Spurred on by the Reconstruction and Development Programme (RDP), the focus in the early period was on building low income housing and the number of houses delivered in Gauteng for the period 2001–2006 across all municipalities was 323,193¹⁴³ units.

The catalyst for housing delivery from 2006 onwards was the adoption of the Breaking New Ground policy in 2004, which resulted in the accelerated delivery of housing across Gauteng. With the introduction of the national norms and standards for housing in 2007, which clearly defined low income house specifications, the quality of housing delivery improved significantly.

Of the 122 informal settlements in the Province earmarked for upgrading and formalisation in 2004, 85 were formalised. Of the 395 settlements earmarked for eradication by 2014, 39 were eradicated by the end of 2009.

The three metros took the lead in the delivery of housing, delivering 110,501 fully serviced housing units between them (COJ - 78,298, EMM - 23,900 and COT - 8,303 housing units).

The combined efforts of the municipalities, in collaboration with the Province, in the first decade resulted in a decrease in housing backlogs. The standout exceptions, however, were the local municipalities in the WRDM, particularly Mogale City and Randfontein LM, which realised significant increases in housing demand over the period.

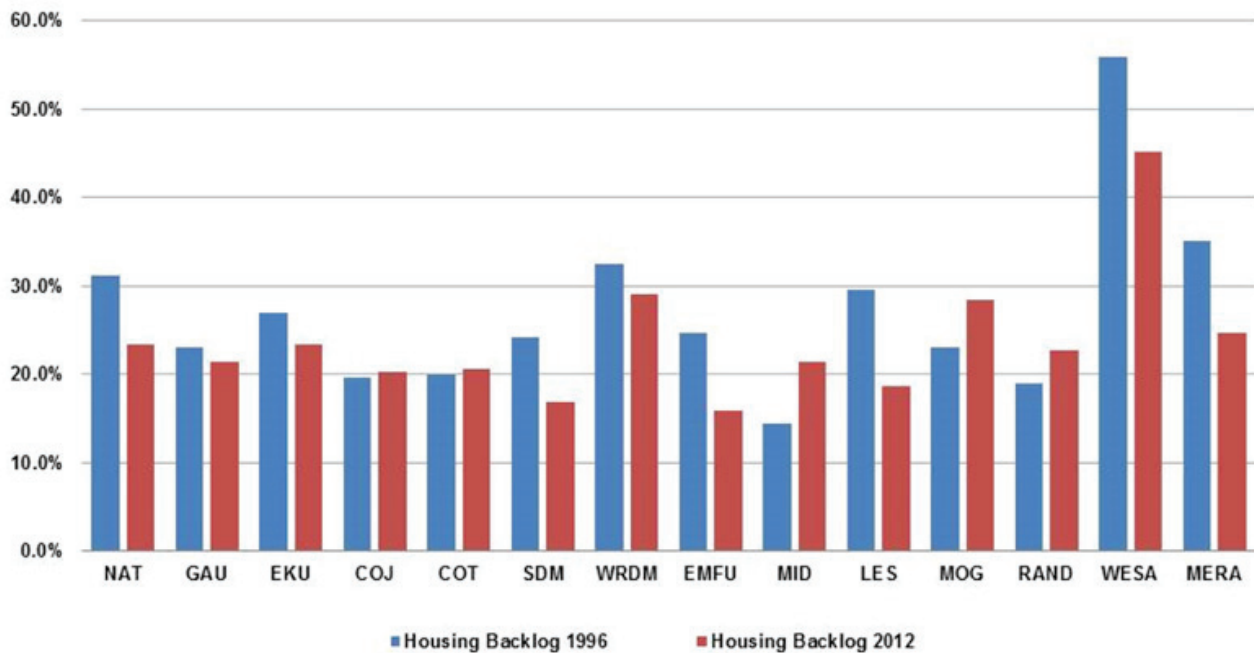
Review of performance in the third term (2011–2016)

The following figure reflects the progress made in addressing housing backlogs between 1996 and 2012. The figure reveals that the overall backlog in Gauteng had been reduced, the exceptions were in the municipalities of COJ, COT, Midvaal LM, Mogale City and Randfontein LM. The backlog of 687,015 as at 2012 effectively established the target for housing delivery in Gauteng; acknowledging that the target would not remain stagnant as population and household growth would continue into the third term.

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Gauteng Department of Housing. Strategic Plan 2004-2009
National Treasury, Provincial Budgets and Expenditure Review 2003/04 – 2009/10. Chapter 5.

Figure 26: Housing backlogs 1996 and 2012



Source: Gauteng COGTA, Gauteng Municipal Viability Assessment Report, September 2013

The analysis of housing provision across municipalities proved particularly challenging in the absence of a consistently applied structure for reporting and consolidating the individual municipal contributions, combined with that of the Province. It is, however, recognised that progress has been made as reflected in the municipal annual reports of the third term. By way of example:

- 1) The COJ reported that in excess of 10,500 mixed housing opportunities were delivered in the period between 2012 and 2015.
- 2) The COT reported that 7 informal settlements were formalised in 2011/12, 15 in 2012/13 and 16 in 2014/15. The EMM delivered a total of 2,446 houses in 2011/12.
- 3) Emfuleni LM formalised one informal settlement in 2012/13 and redeveloped two hostels.
- 4) Lesedi LM delivered 9,000 houses in the third term and formalised 705 informal stands, enabling it to address 60% of its housing backlog.
- 5) Merafong LM reported on the completion of 1,256 houses in 2014/15. Another project was abandoned due to sinkhole formation on dolomitic land.

It is noted that local municipalities largely play a supportive role to the Gauteng Department of Human Settlements (GDHS) in delivering the top structure of houses.

The challenge often relates to the development of the bulk services infrastructure required to bring basic services to the human settlements. As the DM's in Gauteng do not have the delegated authority for the bulk engineering function, it rests on the LM's to perform the function, who often lack the resources, capacity and technical expertise to do so. Misalignment between the timing of the development of the top structures by provincial government and the provision of bulk services has often delayed / derailed human settlement developments.

Key observations arising from the Review (2000-2016)

In terms of housing provision, the following **successes** have been realised over the fifteen year period:

- 1) Housing backlogs in Gauteng have progressively been reduced over the period, particularly in the period to 2012, which realised an 88% growth in housing formation in Gauteng as compared to the national average of 59.6%¹⁴⁴.
- 2) Although progress was somewhat slower in the third term, the province managed to provide a total of 714,238 housing opportunities over the period to 2015.
- 3) In terms of the quality of houses built, only 9.8% of households stated that the walls of their RDP houses were weak and 9.7% stated that the roofs were weak – better than the national average of 14.2% and 13.8% respectively¹⁴⁵.

However, the following **challenges and/or constraints** have been identified:

- 1) Although inroads have been made, in-migration and the associated socio-economic challenges of unemployment, poverty and inequality are eminent when considering that just under 1million households out of a total of 4.7million households in 2015 lived either in informal settlements or in informal dwellings in backyards across the municipalities in Gauteng.
 - a) The unavailability of useable land within metropolitan areas has resulted in unregulated township and informal settlement development, and the proliferation of backyard shacks, which has led to further overcrowding and worsening living conditions for many¹⁴⁶.
 - b) Approximately 40% of households living in informal dwellings live in backyards¹⁴⁷, having grown from 305,683 in 2011 to approximately 387,000 in 2015.
- 2) Role clarity between the municipal and provincial spheres of government remained an area of concern over the period, especially in light of the delays in finalising the assignment of the housing function to municipalities (particularly the metros).
- 3) Budgetary constraints, low rental collection rates for affordable housing, environmental issues relating to the nature of land (dolomitic and other), the scarcity of suitable land for housing development, the cost of purchasing privately owned land which aligns with integrated human settlement and spatial planning guidelines, have prevailed as challenges over the period.
- 4) The impact of sustainable cities on urban settlement planning has not been well understood, especially in relation to the sustainable / future city concept, one premised on spatial transformation – approaches have remained fragmented and un-integrated with little impact on redressing the Apartheid-era spatial patterns, which have left the poor majority on the fringes of economic hubs.
- 5) Many municipalities and provincial government make reference to the intent to create sustainable human settlements, yet reports are dominated by the number of houses built.

¹⁴⁴ Gauteng COGTA, *Gauteng Municipal Viability Assessment Report, September 2013*

¹⁴⁵ Statistics South Africa, *General Household Survey 2015*

¹⁴⁶ SA Cities Network, *Towards Resilient Cities Report, 2011*

¹⁴⁷ Housing Development Agency, *Gauteng Informal Settlements Status, 2013*

- a) The adoption of the Mega Projects: Clusters and New Cities policy¹⁴⁸ in 2015 acknowledges the land availability issue in support of the Mega City's integrated development programme. Integrated planning, thus, needs to be expedited.
- 6) The sluggish progress in housing delivery in the third term may be a constraint to achieving the human settlements development target of the Gauteng City Region Economic Development Plan (2015–2020), which indicates a target of 620,000 units by the end of the MTSF (2019/20). The target translates to 550,000 units in three years, which appears unrealistic given that 30,000 units were provided in 2014/15 and the target for 2015/16 is 50,000 units¹⁴⁹.
- 7) The lack of delegation of the authority for the provision of bulk engineering services by district municipalities to support of the LM's has posed a challenge; this is in contrast to the role of DM's in this regard in other provinces.

3.2.6 Consolidated View of Performance in terms of Service Delivery and Infrastructure over the Fifteen Year Period

Considering the above review of performance, the key findings and critical issues from the review of service delivery and infrastructure are consolidated below:

- 1) The most significant variable observed in this Review was the high levels of in-migration into the Province, which had a significant impact on the provision of services and infrastructure. Between 2001 and 2011, the overall increase in the number of households across the municipalities in Gauteng was 40%, with a further increase of 20% to 2015.

Local and provincial government's response to in-migration thus far has been largely reactive in nature and focused on matching service delivery and infrastructure development with the increasing demand, which is neither cost effective nor sustainable. A proactive and sustainable response, which addresses lead and lag factors to in-migration and which is guided by a coherent policy and approach, appears to be lacking.

Moving forward, to develop a sustainable response to address in-migration and basic services delivery in informal settlements, the critical issues are to:

- a) Develop a policy stance on in-migration and urbanisation that curtails the growth of more informal settlements, with current informal settlements progressively formalised in line with the spatial plans of municipalities (and the GCR);
- ***This may include a review of the Prevention of Illegal Eviction Act (No.19 of 1998) to better support the formalisation processes and to curb the establishment of new informal settlements; and***
 - a) Review the Urban Development Framework to ensure the inclusivity of people migrating from rural to urban areas;
 - b) Attend to all QOL (2015) recommendations related to influx controls; and
 - c) Develop and implement innovative solutions to the provision of basic services to informal settlements, particularly access to lighting and waste management.

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Gauteng City Region Observatory, *The location of planned mega housing projects in context*, 2015. Accessed on 08 May 2016
Gauteng Economic Development, *Gauteng City Region Economic Development Plan (2015–2020)*, 26 June 2015

- 2) *Poorly maintained and ageing infrastructure over multiple terms of local government has led to a stagnation or decline in citizen satisfaction levels in many municipalities. Although not as problematic as in other provinces, service delivery interruptions are indicative of the need for increased development and maintenance of infrastructure. The low levels of citizen satisfaction with roads infrastructure is of particular concern.*

A holistic response to investment and maintenance is required, guided by the need for integrated and coordinated infrastructure planning and implementation across the GCR. This hints at the facilitative role to be played by the Gauteng Infrastructure Coordinating Council (GICC) to oversee infrastructure investment and development across the GCR.

Moving forward, to provide a holistic response to infrastructure development and maintenance, the critical issues are to:

- a) Enable integrated and coordinated infrastructure planning, development and maintenance across the GCR;
 - b) Ensure municipal alignment with Treasury recommended minimum maintenance allocation of 10% of the total CAPEX budget and formally track municipality maintenance expenditure budgets to ensure 100% utilisation;
 - c) Prioritise roads maintenance and refurbishment, and bulk infrastructure for water and sanitation services expansion; and
 - d) Consider the adoption of a shared services model or anchor municipality centre of excellence model to support low capacity municipalities and/or consider allocating functions such as bulk engineering and project management to district municipalities - resourced and capacitated.
- 3) The varied and multiple service delivery issues across the municipalities and the lack of consolidation and, thus, timeous feedback and response has negatively impacted the customer experience and confidence in the commitment and capability of municipalities.

There is a need for an integrated case management system at Provincial level to facilitate the resolution of service delivery issues. The system may be used to manage contact with the Province, through which interactions with the public are recorded, allocated to relevant departments and tracked towards resolution. The implementation of this system is overdue and should be fast-tracked. This need is directly referenced in Step 1 of the Back to Basics (B2B) 10 Point Plan¹⁵⁰ and is aimed at facilitating positive community experiences.

Moving forward, to deliver positive community experiences at local level, the critical issue is to:

- a) Implement a province-wide case management system to enable an improved response capability to community interactions.
- 4) The progressive reduction in the broad based approach to the provision of free basic services over the period towards a targeted focus on indigent households has contributed to building a culture of payment among citizens (affordability and benefits principle) and allowed for an enhanced focus on providing free basic services to those in most need – indigent households.

The provision of free basic services to indigent households has, however, been hampered by two related issues. Firstly, the inconsistent adherence to the indigent policy by certain municipalities has placed a doubt on the equitable allocation of free basic services to indigent households. Secondly, indigent registers appear to be inaccurate in a number of municipalities – impacting the equitable share¹⁵¹ and the potential beneficiaries.

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COGTA, *Second phase of the back to basics perspective: The 10 Point Plan, 11 April 2016*
Gauteng GOGTA, *Gauteng Municipal Viability Assessment Report, September 2013*

Moving forward, to strengthen access to the basket of free basic services by indigent households, the critical issues are to:

- a) Establish policy coherence and common qualifying criteria / standards for the equitable provision of the free basic services basket across the GCR; and
- b) Ensure up-to-date and accurate indigent registers through more regular survey and registration processes.
- 5) The implementation of BRT systems by the metros, starting with the COJ in the second term, has progressively enabled the linkage of townships to the economic nodes of the individual cities. There is, therefore, no doubt of the importance of this mode of public transport.

However, each system has its own shareholders, managing company, fare structure, ticketing system and name, suggesting that more needs to be done towards driving integrated planning across the GCR. Even though a Gauteng Transport Commission¹⁵² was established in 2014, it appears that the Commission has limited functionality in driving integrated transport development across the GCR, possibly due to its recent formation.

Transport infrastructure planning has proceeded relatively quickly in Gauteng, and a greater urgency with increased influence is required, possibly in the form of a Transport Authority as the precursor towards ensuring that transport planning is integrated across the GCR.

Moving forward, to strengthen transport coordination and planning across the GCR, the critical issues are to:

- a) Ensure that an appropriate coordination and oversight forum exists to coordinate transport infrastructure planning and implementation across the GCR; and
- b) Develop integrated transport planning and implementation frameworks across the GCR.
- 6) In terms of responsibility for the provision of housing (provincial versus municipal), the stalled process of devolution requires finalisation.

Supported by Step 9 of the Back to Basics (B2B) 10 Point Plan¹⁵³, there is a need for improved spatial planning at municipal level, to ensure alignment with the GSDF and district strategies where these exist. These needs highlight the role of the Gauteng Planning Authority (GPA) as a key stakeholder in integrated spatial planning across the GCR, and in assisting municipalities with the development of the requisite spatial development strategies specified in the B2B 10 Point Plan.

The launch of the Mega Projects: Clusters and New Cities policy in 2015 further highlight the need to engage the GPA to ensure planned settlements align with Provincial frameworks. The implementation of mega cities must proceed with robust consideration and planning.

Moving forward, to enhance the delivery of human settlements across the GCR, the critical issues are to:

- a) Review the decision to suspend the assigning of the human settlements function to the metros; and
- b) Ensure that municipal spatial development plans are aligned to the GSDF - contribute to the Mega Cities developments that are earmarked, and aligned to the five corridors of the TMR.
- 7) Numerous issues relating to the availability of data, consistency in reporting and accuracy of data were encountered in this Review. By way of an example, only three municipalities reported in the 2014/15 Annual Reports on Green Drop status. Across these, different data was reported on making meaningful comparison

¹⁵² SA Cities Network. *Strategic Framework for enhancing built environment integration to support the spatial Transformation of Cities, 2015*

¹⁵³ COGTA, *Second phase of the back to basics perspective: The 10 Point Plan, 11 April 2016*

impossible. Inconsistencies in the data values provided across different documents for the same variable were also prevalent, e.g. the number of households in a particular year reported in the Annual Report differed to the information for the same period in the IDP. The need to conduct reviews such as this one necessitates the availability of and accuracy of information.

*Moving forward, to **strengthen local government reporting of basic service delivery and infrastructure**, the critical issue is to:*

- a) Implement a standardised baseline and reporting framework for adoption by all municipalities.

The above findings and critical issues then inform the recommendations in chapter 6 of this Review.

SECTION 3.3

KPA 3: LOCAL ECONOMIC DEVELOPMENT

- Aligned to:
- No direct B2B Pillar
- TMR Pillars 1, 6, 9: Economic transformation, reindustrialisation and modernisation

Focus Areas Considered:

- Economic growth
- Job creation
- Enterprise development and support
- LED strategy and capacity

Poverty, inequality and unemployment remain the key socio-economic and developmental challenges in the South African context. Municipalities play a key role in facilitating local economic growth through increased investment and creation of employment opportunities.

The World Bank¹⁵⁴ defines the purpose of Local Economic Development (LED) as follows:

“To build up the economic capacity of a local area to improve its economic future and the quality of life for all. It is a process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation”.

In this regard, LED focuses on enhancing competitiveness, increasing sustainable growth and ensuring that growth is inclusive. LED encompasses a range of disciplines including physical planning, economics and marketing. It also incorporates many local government and private sector functions including environmental planning, business development, infrastructure provision, real estate development and finance.

The practice of local economic development can be undertaken at different geographic scales and each local government pursues LED strategies for the benefit of its individual communities; and the various areas within a local government’s jurisdiction can also pursue LED strategies to improve their economic competitiveness. LED is about communities continually improving their investment climate and business enabling environments to enhance their competitiveness and create and retain job opportunities.

In this regard, local communities respond to their economic needs in many ways, including:

- 1) Ensuring that the local investment climate is functional for local businesses;
- 2) Supporting small and medium sized enterprises;
- 3) Encouraging the formation of new enterprises;
- 4) Attracting external investment (nationally and internationally);
- 5) Investing in physical (hard) infrastructure;
- 6) Investing in soft infrastructure (educational and workforce development, institutional support systems and regulatory issues);
- 7) Supporting the growth of particular clusters of businesses;
- 8) Targeting particular parts of the city for regeneration or growth (areas based initiatives);
- 9) Supporting informal and newly emerging businesses; and
- 10) Targeting certain disadvantaged groups.

Whilst there are a large number of national and provincial policy and strategic frameworks that underpin LED in South Africa and Gauteng, the following key strategic frameworks shaped LED during the period of this Review:

- 1) LED Guidelines to Institutional Arrangements (2000) – focusing LED on pro-poor economic development;
- 2) National Growth and Development Summit (2004) - government, business and labour committed to working towards the millennium development goals – to halve unemployment and poverty;

¹⁵⁴ <http://www.worldbank.org>

- 3) Policy Guidelines for Implementing LED in South Africa (2005) - the guidelines reject the concept of “community economic development” and put forward enterprise development and broad based black economic empowerment (BBBEE) as the central goals of LED;
- 4) National LED Framework (2006) - builds a shared understanding of LED in South Africa and provides clarity on the role of local economies in the national economy;
- 5) National Spatial Development Perspective (NSDP) (2006) - to fundamentally reconfigure apartheid spatial relations and implement spatial priorities that meet the Constitutional imperative of providing basic services and alleviating poverty and inequality.

The Gauteng Provincial Government priorities over the review period¹⁵⁵¹⁵⁶¹⁵⁷ reflect specific themes related to Local Economic Development during each term as follows:



There is a clear shift in focus from “direct job creation and economic growth”, to “building an inclusive economy and facilitating the creation of decent jobs” over the period. This is in line with the LED mandate of municipalities to facilitate job creation through planning and the creation of environments conducive to attract investor funding to stimulate the local economy.

The relative performance of municipalities over the review period, in relation to Local Economic Development, is assessed and discussed under the following focus areas:

- 1) Economic growth over the period.
- 2) Job creation:
- 3) Enterprise development and support (SMME’s, cooperatives, emerging farmers and informal business).
- 4) LED strategy and capacity:
 - a) LED strategy,
 - b) LED unit capacity,
 - c) LED capital budget and expenditure,
 - d) LED stakeholder forums.

¹⁵⁵ Gauteng Office of the Premier, Annual Report 2004/05

¹⁵⁶ Gauteng Office of the Premier, Annual Report 2009/10

¹⁵⁷ Gauteng Office of the Premier, Strategic Plan 2014-2019

3.3.1 Economic Growth

While not a component of LED per se, it is important to reflect on economic growth to provide context. In order to mitigate the developmental challenges in South Africa and in Gauteng, economic growth is a prerequisite. In its simplest form, economic growth can be defined as an increase in the capacity of an economy to produce goods and services, compared from one period of time to another.

Gauteng has been the most popular foreign investment destination for projects in Africa, mostly in service related sectors including finance and business services and the technology, media and telecommunications sector¹⁵⁸. In South Africa, over 80% of the country's GDP is generated in urban areas¹⁵⁹ and Gauteng is one of the main provinces underpinning the economy.

In 2012, Gauteng contributed 33.8% to the GDP of South Africa¹⁶⁰, and by 2014 this was 36% of the South African GDP – equating to a contribution of approximately 10% to the African GDP¹⁶¹.

More than 60% of employment in Gauteng is accounted for by the services sectors (community, finance and trade) - of all the sectors, it is the community sector that has experienced sustained relative growth over the period. In terms of output composition, the financial sector leads with more than 24% of the provincial output. The manufacturing, trade and community sectors each contribute around 16% of output. It is clear that if Gauteng is to create jobs in sectors that are productive and arrest de-industrialisation, then it is the manufacturing sector that should be at the centre of the focus¹⁶².

The manufacturing sector in Gauteng, however, has been experiencing a steady but sustained decline since 2008. There is also a sharp negative relationship between the growth of finance and the growth of manufacturing. This implies that the financial sector is not serving the manufacturing productive base, which requires a state intervention to alter the relationship. The fact that there seems to be no relationship between community services and manufacturing, may indicate that current state interventions such as public works programmes are not linked to the development of the industrial base.

Declining manufacturing sector

The 'South African manufacturing sector has been declining since the late 1980s, and this trend was exacerbated by the South Africa's trade liberalisation, which was reinforced by the country's accession to the World Trade Organization (WTO) in 1995.

The opening up of the economy has exposed the country to competition in terms of low value add manufacturing. This despite an increase in incentives administered across the sectors of the economy as part of Industrial Policy Action Plan iterations.

Overall, the Gauteng economy is faced with a serious problem of labour absorption in the short to medium term. Government interventions, such as public works programmes, are likely drivers of job creation in the short to medium term when considering the sectoral employment share. The sectors with the highest employment growth post 2010,

¹⁵⁸ EY, *Investment Attractiveness Survey Africa. Executive Growth, 2014*

¹⁵⁹ South African Cities Network, *State of the Cities Report, 2011*

¹⁶⁰ GPG, *Socio Economic Review and Outlook, 2015*

¹⁶¹ *Gauteng State of the Province Address, February 2015*

¹⁶² GPG, *Draft Gauteng City Region Economic Development Plan, 2015-2020, 2015*

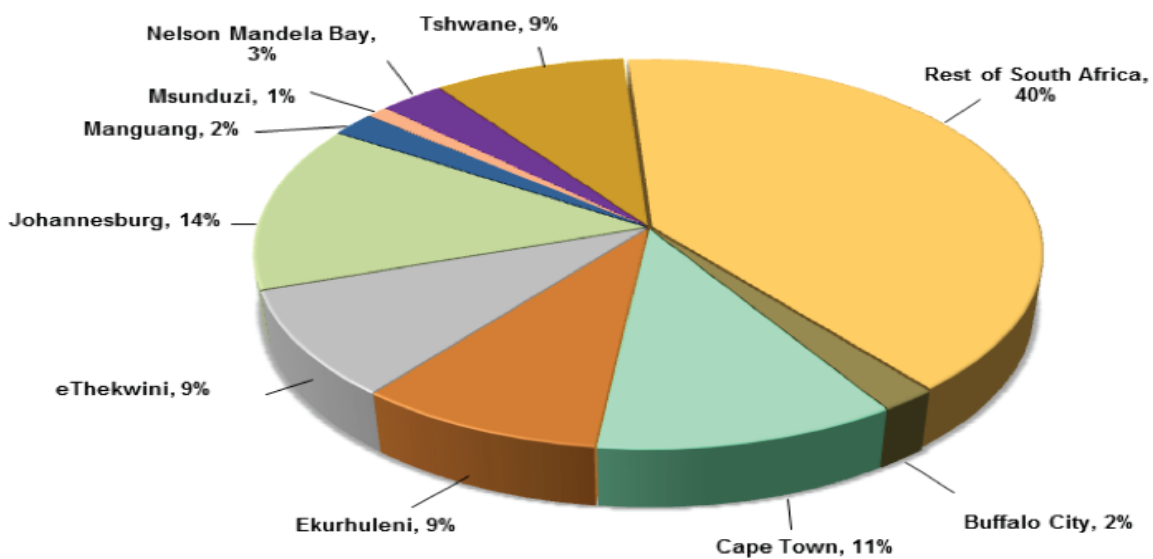
particularly mining and transport, have employment shares that are less than 10%, whilst only community services, whose employment growth is 5% has an employment share of 22%. The manufacturing sector, which is crucial for sustainability and industrialisation, is on average shedding jobs and is growing at a rate that is half of that which prevailed prior to the global economic crisis. Utilities, which are dominated by State-Owned Enterprises (SOEs), are on average shedding jobs and growing at 1%. Employment growth in the wholesale and retail trade sector is zero, while the sector's output growth has been halved¹⁶³.

The period in which the Gauteng Employment, Growth and Development Strategy (GEGDS 2009-2014) was implemented was characterised by a difficult global macro-economic environment, to which South Africa was exposed due to its trade and investment linkages with the rest of the world. The ramification of the global crisis in 2008/09 exposed South Africa's, and in particular Gauteng's, structural weaknesses, namely: an economic structure dominated by commodity exports and influenced by partner economies; a decline in foreign investment to support economic growth; economic capacity challenges related to energy generation; a lack of competitiveness; and labour unrest due to weak labour relations¹⁶⁴.

At a municipal level, the GDP per Region (GPD-R) growth rate of the three metros generally follows the same trend as the provincial trend. Generally all three metros registered positive, yet varying levels of, economic growth over the period to 2011. Both the COJ and the COT's growth rates surpassed the National economic rate. This positive growth was partly attributed to the metros proactive implementation of programmes such as the Business Partnership Forum, SMME development interventions, creative procurement models, trade and export promotion and setting up dedicated economic agencies¹⁶⁵.

Gross Value Added (GVA) is an important further measure of economic activity (net economic output) at regional level, and highlights that cities dominate the national economy.

Figure 27: The Metros - share of total GVA in South Africa in 2009



Source: SACN - State of the Cities Report 2011

The three metros in Gauteng contribute 32% of the national GVA (COJ 14%, COT 9% and EMM 9%)¹⁶⁶. Clearly, the metros,

¹⁶³ GPG, Draft Gauteng City Region Economic Development Plan, 2015-2020, 2015

¹⁶⁴ GPG, Draft Gauteng City Region Economic Development Plan, 2015-2020, 2015

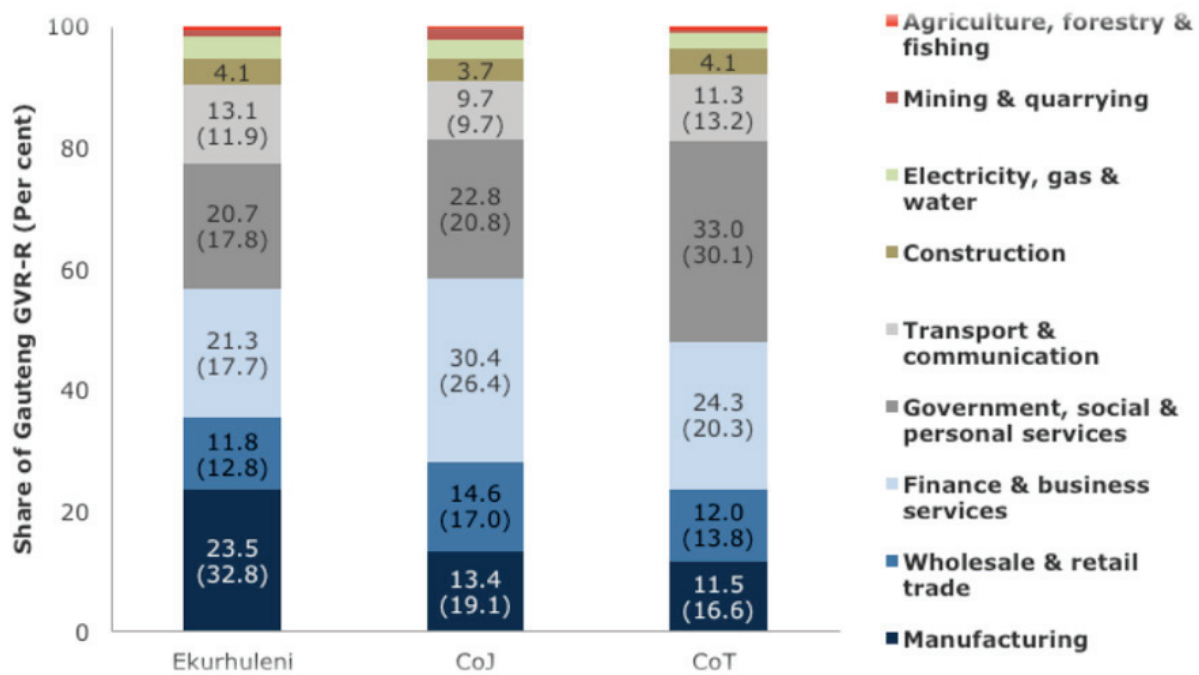
¹⁶⁵ Gauteng DLGH, End of Term Review, 2000-2005, 2006

¹⁶⁶ AG Summary, Local Government Notes, 28 April 2011

as the key drivers of economic growth and economic activity, and their role in developing and facilitating infrastructure investment to stimulate the economy cannot be neglected.

An analysis of the Metro GVA-R by sector over the period shows a similar decline in the manufacturing contribution. However, wholesale and retail trade, finance and business services and government, social and personal services increased.

Figure 28: GVA-R by Sector (2004 and 2014)



Source: IHS Global Insight, 2015

Note: Brackets indicate share of GVA-R in 2004. * indicates estimate.

Nationally, Joburg accounts for 47% of all exports, followed by Tshwane and Cape Town at 7% each and eThekweni and Ekurhuleni at 6% each. Tshwane and Mangaung showed the highest export growth rate between 2004 and 2014, followed by Johannesburg and Ekurhuleni.

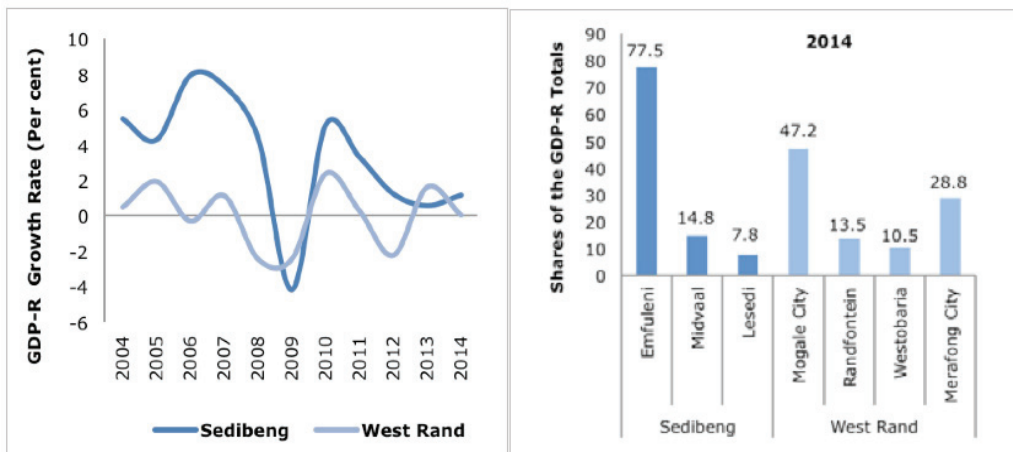
Four of the five largest metros (Tshwane, Joburg, Ekurhuleni and Cape Town) have higher average productivity than the country as a whole (22% higher on average), and higher productivity than the four smallest SACN member cities (28% higher on average). This is a significant differential and supports the argument that size matters to productivity¹⁶⁷.

In turn, the districts of Sedibeng and the West Rand reflected declines in their economy over the period, mainly due to the declining mining and heavy industries sectors and the fact that they were unable to develop sustainable rural, agricultural or other sector strategies to compensate.

Note: Over the period to 2001-2005, RSC levies were used by the Districts as a proxy for reporting on district economic development, and the RSC levy income collection by Districts generally declined across the Province - West Rand RSC levy collections declined from 65% in 2002/03 to 40% by end of 2004/05; and Sedibeng's RSC Levy collections decreased from 66% in 2003/04 to 63% in 2004/05¹⁶⁸.

167 AG Summary, Local Government Notes, 28 April 2011
 168 Gauteng DLGH, End of Term Review, 2000-2005

Figure 29: Gauteng Districts - GDP-R growth and percentages, 2004 and 2014



Source: IHS Global Insight, 2015

Sedibeng had the highest GDP-R growth over the period. GDP-R growth for both districts reached negative territory in 2009 due to the global financial crisis. Despite the recovery in 2010, economic growth has remained volatile from 2011 onwards. This tracks the economic performance of the country as the global recovery remains slow.

The figure also shows that Emfuleni accounted for the largest proportion of the Sedibeng DM economic activity at 77.5 percent. It is followed by the Midvaal LM at 14.8 percent. In the West Rand district, Mogale LM accounted for the largest share of the economic activity at 47.2 percent. It was followed by the Merafong LM with a share of 28.8 percent¹⁶⁹.

Despite the great strides made by municipalities in developing local economies over the period and discussed later in this chapter, the triple development challenges of poverty eradication, equality and job creation still haunt the province, despite the fact that Gauteng is the richest province, as measured by its contribution to GDP of over 36% in 2014¹⁷⁰.

Moving forward, the recent Gauteng City Region Economic Development Plan (2015-2020)¹⁷¹ proposes a progressive and innovative plan to boost the economy in Gauteng. The Provincial Economic Plan is aligned to the TMR and gives concrete effect to the Nine Point Plan announced in the 2015 State of the Nation Address, but takes into account the unique features of the provincial economy.

The Plan focuses on positioning Gauteng strategically in relation to the SADC region, African continent, BRICS countries and major economies in the world, through a sector led growth path and development corridor approach, underpinned by a scenario with an additional R10billion fiscal injection per annum towards infrastructure spending. Capital investment in infrastructure is regarded as a critical driver of local economic development. The Plan focuses on five key sectors in Gauteng, namely natural gas, manufacturing, infrastructure, services and the agricultural value chain.

In driving economic growth, the key considerations for the next term, as identified in the Gauteng City Region Economic Development Plan, are the need to:

- 1) Improve labour intensity of LED Interventions in the sectors with clear linkages to other sectors;
- 2) Link social development (e.g. education, housing, health) and economic development (industrial inputs, infrastructure), primarily through strategic procurement;

169 GPG, *Socio Economic Review and Outlook, 2015*
 170 Gauteng State of the Province Address, February 2015
 171 GPG, *Draft Gauteng City Region Economic Development Plan, 2015-2020, 2015*

- 3) Link the manufacturing sector and the community services sector, and link government interventions through community services to industrial development;
- 4) Discipline the flow of funds through the creation of the state and cooperative banks, to restructure the link between the manufacturing and financial sectors; and
- 5) Strengthen the role of the manufacturing sector, as it is the base for high value-added production, it is wage-led and is, therefore, well positioned to be a leading sector in altering the growth path towards a more equitable and inclusive one.

The Economic Plan and its focus on targeted development needs to be cascaded to local government level, so that local government sets its priorities around the five competitive areas of trade, innovation, talent, infrastructure and governance; and in line with the comparative advantages and unique strengths of the five development corridors defined in the TMR, as follows:

<p>Northern Corridor (anchored by COT), with a focus on:</p>	<p>An anchor for research, innovation and the knowledge-based economy in Gauteng, supported by ICT broadband and the Tshwane rollout of free Wi-Fi;</p> <p>Automobile output is Tshwane’s major export component, with a production rate of 40% of SA’s automobiles. The recent investment in transportation and communication networks are being leveraged in the City and the investments in infrastructure could provide job opportunities for job seekers as well as opportunities for the SMME’s to thrive in the metro;</p> <p>“The Future African Gateway” – with plans to develop the biggest Convention Centre and hotel in Centurion – ideal opportunity to create jobs;</p> <p>The Business Process Outsourcing Park in Hammanskraal offers on-site training, technical support and incubators for SMME’s; and</p> <p>Leveraging key investment opportunities including: The inner city and investment in the UDZ, Government Boulevard, township revitalisation, industrial regeneration, promotion of green and knowledge economy to diversify COT economic composition, cross-border corridor development, agri-business and agriculture, tourism development and promotion.</p>
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<p>Eastern Corridor (anchored by EMM), with a focus on:</p>	<p>The development of the Aerotropolis – as an interconnected transportation and logistics hub. The Aerotropolis Master Plan outlines 29 initiatives to revitalise manufacturing, aviation, transport and logistics industries linked to OR Tambo;</p> <p>The Ekurhuleni Business Facilitation Network – serves as a one-stop shop to fast-track mega investment and development applications for approvals;</p> <p>In 2016, 40 Strategic Land Parcels are available to release for development, requiring the private sector to present investment and development plans. Other Land Parcels are accessible through the EMM's process for investment and development;</p> <p>The Maputo Corridor development, connecting Ekurhuleni with the capital of Mozambique;</p> <p>Residential (mega) property developments due to the vast stretches of land available;</p> <p>Initiatives by State-owned Enterprises: PRASA: Rollout of 7 224 new rolling stock units, Transnet, Tambo Springs and Sentrtrand inland ports;</p> <p>The roll out of the Integrated Rapid Public Transport System (IRPTN);</p> <p>Leveraging investment opportunities in key industries such as aerospace, agribusiness, manufacturing and logistics and the commercial vehicle cluster – based on existing commercial vehicles and bus manufacturing industry.</p>
<p>Central Corridor (anchored by COJ), with a focus on:</p>	<p>Development as a hub of the finance, services, ICT and pharmaceutical industries;</p> <p>Establishment of the BRICS regional bank.</p> <p>Revitalisation of the Joburg CBD and the development of an industrial development zone in City Deep;</p> <p>The BRT systems Phase 1C expansion from central Johannesburg through to Sandton and Alexandra is set to have a revitalising effect on older suburbs such as Orange Grove5 JOSHCO to develop social housing projects within the three priority corridors over the next three years with a value of R365million in Turfontein, City Deep, Pennyville and Marlboro;</p> <p>Mixed use developments to stimulate economic activity and create opportunities for emerging entrepreneurs, linked to developing integrated access to a range of social amenities (Parks, Public Spaces, Libraries, Social Halls, Clinics, etc.);</p> <p>Major developments in Reitfontein, Waterfall City, Modderfontein and Steyn City; and</p> <p>Significant infrastructure investment through the COJ's Corridors of Freedom and Blue Economy projects.</p>

<p>Southern Corridor (anchored by Sedibeng), with a focus on:</p>	<p>Efforts to shift the economy away from an overreliance on the steel industry and diversify the economy. These include: the establishment of a logistical hub, the establishment of business, incubation and innovation centres, tourism and entertainment development, and agro-processing opportunities;</p> <p>Projects including the creation of cultural precinct in Sebokeng, the upgrade of the civic and commercial hub in Sebokeng, the development of an open space in Bophelong along the R57, wetland regeneration and park development in Boipatong, development of a regional node in Sebokeng, and mixed development in Obed Nkosi Township;</p> <p>Ongoing rollout of the Sedibeng Waste Water Treatment Works;</p> <p>The Vaal River City development and Savanna City – mixed income residential development supported by a variety of land use activities, including commercial and retail facilities, opportunities for private schools, private hospitals and other recreational facilities;</p> <p>The Gauteng Highlands development - a mixed-use development comprising of industrial and residential space; and</p> <p>The R59 Development Corridor, supported by various nodes throughout Midvaal, which presents investment opportunities in support of the agricultural sector and other key economic sectors.</p>
<p>Western Corridor (anchored by West Rand), with a focus on:</p>	<p>With Lanseria Airport and Maropeng as its main anchors, a focus on the creation of new industries, new economic nodes and new cities; to transform, modernise and diversify the West Rand economy and revitalise the mining towns;</p> <p>Major access routes allow for the opportunity of economic diversification within the district;</p> <p>Development of the West Rand as a hub of agri-business and the agro-processing industry, with a focus on aquaculture development and agriculture hub-related exports;</p> <p>A focus on green and blue economy initiatives and manufacturing, including Renewable energy industrial development;</p> <p>The Mogale City / Rustenburg Developmental Corridor, supported by retail and industrial development and office park developments; and</p> <p>Tourism development - the Riebeck Lake Development and a focus on building the hospitality and accommodation and conferencing and weddings industries.</p>

3.3.2 Job Creation

Gauteng municipalities recognise that unemployment is at the heart of poverty and inequality, and continue to play a critical role in creating favourable environments for business success and job creation.

In this regard, Gauteng municipalities drive the Extended Public Works (EPWP) and the Community Works Programmes (CWP), among others, as mechanisms to stimulate employment opportunities. However, the primary responsibility of municipalities is not to create jobs directly, but rather to facilitate economic conditions for job creation.

The EPWP incentive grant was introduced to reward provincial departments and municipalities that implement labour intensive methods in order to create jobs¹⁷². The EPWP provides short term and long term work opportunities and training to unemployed and unskilled individuals; and training is viewed not only as an exit strategy, but also to increase the future employability of participants. The CWP is an area based programme that creates useful work, identified and prioritised through participatory community processes.

Reflection on performance in the first ten years (2000-2011)

In the period to 2011, despite the strong economic foundation of the province, continued high levels of unemployment and poverty remained a particular concern. In addition, Gauteng's positive economic growth rates in the period to 2007 did not proportionally translate into much needed jobs.

Table 22: Gauteng municipalities - unemployment rate, 2001 and 2011¹⁷³

Unemployment Rate (Official)	2001	2011
GAUTENG PROVINCE	36.40%	25.80%
Ekurhuleni Metropolitan Municipality (EMM)	40.40%	28.80%
City of Johannesburg Metropolitan Municipality (COJ)	37.40%	25.00%
City of Tshwane Metropolitan Municipality (COT)	31.60%	24.20%
Sedibeng District Municipality	-	31.90%
Emfuleni Local Municipality	47.20%	34.70%
Lesedi Local Municipality	35.00%	25.90%
Midvaal Local Municipality	22.80%	18.80%
West Rand District Municipality	-	26.30%
Merafong City Local Municipality	28.10%	27.20%
Mogale City Local Municipality	33.60%	24.60%
Randfontein Local Municipality	36.10%	27.10%
Westonaria Local Municipality	31.80%	29.50%

Source: StatsSA Municipal Fact Sheets

While unemployment rates decreased in all metros and districts until 2007, they increased again towards the end of 2009 due to the global economic crisis, during which period an estimated 300,000 jobs were lost¹⁷⁴. In addition, the uneven and skewed growth and development profile of the province resulted in some geographic areas and sections of the population benefiting more from provincial successes than others.

During the period, municipalities engaged in job creation initiatives such as the implementation of capital infrastructure projects and partnering with private sector and other spheres of government in strategic programmes like Blue IQ and

¹⁷² SALGA Parliamentary Briefing Update, 12/2011, 15 April 2011, SALGA Parliamentary Liaison Office, based on deliberations at a briefing by the Department of Public Works to the Portfolio Committee on Public Works, 12 April 2011. www.salga.org.za,

¹⁷³ Statistics South Africa, Census 2001 and 2011 Municipal Fact Sheets, accessed from www.statssa.gov.za

¹⁷⁴ DOL, Labour Force Survey 2007

the Expanded Public Works Programme. However, quantitative reporting on job creation numbers, including the number created through EPWP was inconsistent and limited, and a performance trend analysis for the period was therefore not possible. Available reports reflected:

- 1) At the end of the first term in 2005¹⁷⁵, the metros only reported estimated job numbers of between 1,500 and almost 10,000 - in mainly temporary project type employment.
- 2) The local municipalities mostly recorded job numbers of below 100, with the exception of Merafong with 675 and Lesedi with 140 jobs.
- 3) The EPWP succeeded in creating mainly temporary employment opportunities. Whilst it did not necessarily serve to create sustainable employment, it allowed poor and marginalised people to have some form of income as a poverty alleviation mechanism.
- 4) Construction, as a smaller sub-sector in Gauteng, contributed to an increase of 3% more employment opportunities in preparation of the 2010 World Cup (7%).
- 5) The overall Gauteng EPWP Phase 1 target was 1million job opportunities by 2009 and this was achieved one year ahead of time¹⁷⁶.
- 6) Of all the municipalities in Gauteng in the period, COJ performed the best in creating job opportunities through the EPWP and reported more substantively in this regard.

COJ EPWP implementation

The COJ was invited to Parliament to present on their implementation of EPWP and the successes achieved in the period.

COJ Performance on EPWP job creation (2006 – 2011)

Municipality	05/06	08/09	09/10	10/11
City of Johannesburg	10964	50193	41183	60000

Source, COGTA Section 47 Annual Municipal Performance reports

The manner in which COJ has managed to create an increasing number of jobs in the city and the lessons learnt, methods and programmes might be shared with the other municipalities.

Review of performance in the third term (2011-2016)

For the EPWP programme in the period, the targets set at national level for the different phases of EPWP were¹⁷⁷:

- 1) Phase II Target: 2million EFTs by 2014 (55% for women, 40% for youth, and 2% for people with disabilities);

175 Gauteng DLGH, End of Term Review, 2000-2005, 2006

176 South African Cities Network (SACN), The State of EPWP in SA, 2014-2015

177 SACN, State of EPWP in SA, 2014-2015

2) Phase III Target: 2million job opportunities annually by 2020, or earlier.

The following table summarises the findings of the SACN State of EPWP in the three Gauteng metros towards the end of the period¹⁷⁸.

Table 23: State of EPWP in the metros - 2015

	COJ	COT	EMM
Launched EPWP phase	EPWP policy framework adopted and successfully launched Phase III	EPWP policy framework adopted and successfully launched Phase III	Phase III aligned policy still to be approved
Institutional arrangements	Coordinated by DED and have EPWP Unit and EPWP champions in all MOEs	Coordinated by EPWP Steering Committee. Monitored through EPWP Policy Implementation Monitoring Tool	Coordinated by DED however, the Unit structure is under capacitated based on high vacancy rate
Cornerstone projects 2014/15	Dobsonville housing project	Vat Alles Infection Control	Community Emergency Response Team Programme
Allocated budget	R346million 100% used	R563.2million 100% used	R6.42million Only used 30.8% of budget, but achieved higher FTEs
No. of jobs and No. of FTEs	26,932 job opportunities 8,153 FTEs	34,639 job opportunities 7,652 FTEs	8,434 job opportunities 4,401 FTEs

Source: SACN, State of EPWP in SA 2014-15

The table below then reflects the number of jobs created by municipalities through EPWP, CWP and LED initiatives from 2011/12 to 2014/15.

Table 24: Number of jobs created through EPWP, CWP and LED Initiatives, 2011-2015

Municipality	2011/2012			2012/13			2013/14			2014/15		
	EPWP	CWP	LED	EPWP	CWP	LED	EPWP	CWP	LED	EPWP	CWP	LED
COJ	30 732			38 601		1 949	55 082		3 252	51 977		2 496
COT	19 001		2 658	20 386		1 505	32 420			42 026		1 350
Ekurhuleni (MM)	4 724			5 220		791	10 586		1 529	30 572		
Sedibeng DM	2 000			2 900			4 500	3 000		107		
Emfuleni LM				164	925				1 018			
Lesedi LM				179		774	1 749		100	524	1 100	799
Midvaal LM	60		22	93		812	297	871		300		903
Westrand DM						293				214		362

¹⁷⁸ SACN, State of EPWP in SA 2014-15

Municipality	2011/ 2012			2012/13			2013/14			2014/15		
	EPWP	CWP	LED	EPWP	CWP	LED	EPWP	CWP	LED	EPWP	CWP	LED
Mogale City LM	564			1 144			495		934	233		
Randfontein LM	2 000			2 900		60	4 500		95	349		66
Merafong LM	3 125	2 120	8	1 793	2 181	603	250	2144	3232	436	2 185	5 129
Westonaria LM	512		400	816		936	870		500	281		38
TOTAL	62 718	2 120	3 088	74 196	3 106	7 723	110 749	6 015	10 660	127 019	3 285	11105

Source: Black – Municipal Annual Reports; Blue – COGTA Annual Municipal Performance reviews

Note: Where conflicting information was encountered, the assumption used was that the COGTA verified / provided information superseded the data extracted from the Municipal Annual Reports. This has resulted in the altering of some information from the Municipality Annual Reports.

From the table, it is evident that the majority of jobs created over the period (89.29%) continued to be from the EPWP programme, which implies that the default position of local municipalities was to create jobs directly, as opposed to creating strategic linkages that enabled economic development to take place.

However, there was an initial increase in the number of job opportunities created through other LED initiatives in relation to the total number of jobs created. In 2011/12, the number of jobs created through other LED initiatives was 4.5% and in 2012/13 it was 9.08%. However, since then it has decreased slightly year-on-year – to 8.5% in 2013/14 and 7.85% in 2014/15.

Jobs created through the CWP fluctuated between 2.32% and 3.65% (3.12% 2011/12; 3.65% 2012/13; 3.08% 2013/14; and 2.32% 2014/15).

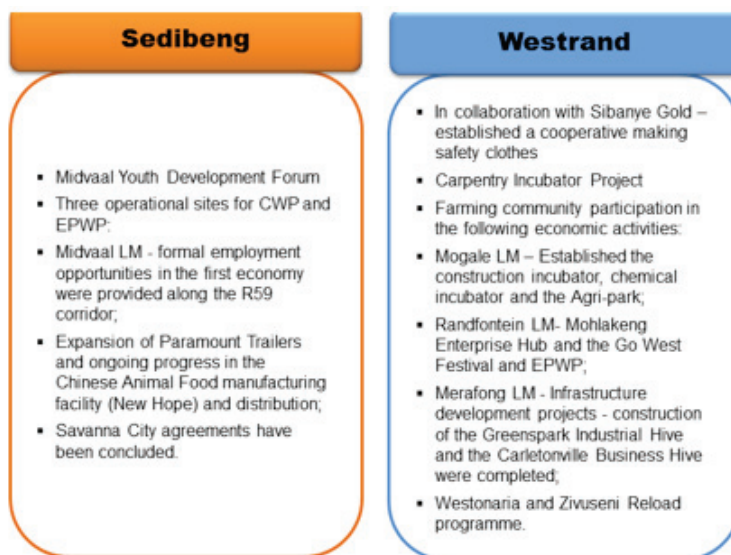
In an attempt to put the job creation performance of municipalities into context, when considering the current unemployment rate in Gauteng (amongst the age group who is able to work), the total number of jobs created in 2014/15 (141 409) equated to about 5% of the unemployed people in Gauteng (estimated at 3.2million)¹⁷⁹.

The following were some approaches used by the Metros in facilitating job opportunities for unemployed and unskilled residents in the period¹⁸⁰:

179
180

Stats SA, Census 2011
Gauteng DLGH, Section 47 Municipal Performance Reports, 2011-2015

The following were some of the approaches used by the District and Local Municipalities in facilitating job opportunities for unemployed and unskilled residents in the period¹⁸¹:



However, in the annual reports, details relating to progress in these projects were often brushed over in a sentence, or alternatively omitted completely. Whilst in some instances, targets were defined during the planning stages, baselines were often not available and quantitative data on progress was not reported.

Key observations arising from the review (2000-2016)

The facilitation of increased job creation programmes is at the heart of the municipalities' attempts to alleviate poverty in their communities. In terms of job creation, the following **successes** have been realised over the fifteen year period:

- 1) Municipalities achieved increasing success in job creation numbers throughout the period.
- 2) Increase in job creation numbers for EPWP, CWP and LED initiatives over the period to date. (Biggest percentage increase in jobs created through LED initiatives - but quantum still very low).
- 3) EPWP Phase 1 target of 1 million job opportunities by 2009, achieved one year ahead of time. COJ was the leader in job creation through the EPWP in the Province.

¹⁸¹ Gauteng COGTA, Section 47 Municipal Performance Report, 2014/15

EMM: “Mintirho Ya Vulavula” community economic transformation package

The MMC for Finance announced in his budget speech⁶ that the R2.9billion package would create procurement opportunities from prequalified businesses owned by youth, women and people with disabilities, cooperatives and community owned business. This ring-fenced procurement budget includes:

R1billion for Youth-owned Enterprises (targeting at least 1,190 businesses);

R589million for the Community Works Programme;

R500million for Learner Contractors under the EPWP Vukuphile Programme (targeting at least 40 businesses);

R500million for black industrialists (targeting at least 50 businesses);

R101million for the Lungile Mtshali Community Development Programme (targeting community businesses in 101 wards);

R100million for Community Social Entrepreneurship through Grant-in-Aid (targeting at least 500 local businesses); and

R115million for the Job Fund Leveraging Projects and Programme implementation.

However, the following **challenges and/or constraints** have been identified:

- 1) Municipalities have focused on direct job creation through EPWP as default, rather than through broader LED initiatives.
- 2) The current job creation numbers (141,409) are not close to the national targets (*If one assumes that Gauteng accounts for 30% of the total employment in SA, then it will be expected that Gauteng facilitates in excess of 600,000 job opportunities per annum by 2020*).
- 3) There was insufficient quantitative performance reporting on job creation numbers, and in particular for the mainstreaming of GEYODI in job creation numbers. This made it difficult to complete a comparative trend analysis on progress in this regard.
- 4) Linked to the above, it is evident that there was no clear reporting format for reporting on job creation and most municipalities did not distinguish between permanent / temporary and direct / indirect jobs created. No clear reporting standard or indicator descriptor for progress made with various job creation initiatives exists.
- 5) The youth and women seemed to derive the most benefits from job creation programmes – in the next term, people with disabilities need to be increasingly prioritised as target groups to derive benefit from job creation programmes.
- 6) Whilst the province launched the Tshepo 500 000 project in 2014 (aimed at developing young entrepreneurs and to facilitate the creation of job opportunities) and 700 young people were placed through learnerships, artisan development and official employment opportunities across various sectors; it was unclear how municipalities contributed to the project. There is a need for tangible support for the Provincial Tshepo 500 000 programme, and to cascade targets into IDP's and SDBIP's.

3.3.3 Enterprise Development and Support

The establishment and/or support of sustainable SMME's, cooperatives and emerging farmers are important vehicles to promote economic opportunities and in addressing some of the developmental challenges local communities face. The support provided includes a range of programmes, such as business development training, information kiosks, exhibitions, trade expo's, business hubs and many more, with the aim of increasing the number of business opportunities available within a specific municipality.

The provision of enterprise development and support has been a focus area for the LED KPA throughout the period under review. However, municipalities have also increasingly recognised the role of the informal economy in their local economic strategies and integrated development plans. The progress made in this regard is therefore included as part of the discussion on this focus area.

FORMAL BUSINESS (SMME's, COOPERATIVES AND EMERGING FARMERS)

Reflection on performance in the first ten years (2000-2011)

Initially, Municipalities focused heavily on the use of their own procurement processes, and adopted and implemented supply chain management policies to strategically channel procurement spend to SMME's and Cooperatives. In addition, support was provided to BEE businesses to become registered on the respective municipal supplier databases.

For example, in the 2004/05 period, COT spent more than R63million and COJ channelled an amount of approximately R300million to BEE suppliers through their procurement processes. At a district level, Sedibeng channelled in excess of R411million and Westrand in the region of R50million to support BEE and SMME initiatives during the period to 2004/05.

COJ BEE Match-Maker

The COJ BEE Match-Maker is recognised as best practice example for BEE support and enablement, and should be considered for duplication in other municipalities. The COJ achieved 54.1% BEE participation in the private sector property and construction sector by 2007/08.

During the second term, the SMME incubator concept was developed and implemented; and the metros implemented supportive interventions for entrepreneurs and investors. The then DPLG, with support from donors, launched a process to improve the regulatory framework and the business and investment climate in municipalities. Toolkits and red tape reduction manuals were handed to municipalities to guide them in their initiatives. In addition, a support initiative to deploy economists to assist municipalities was launched.

In the period, all municipalities reported, at least in narrative, on their focus on issues relating to empowerment and small business development, which reflected a variety in the type and scale of interventions implemented for such purposes. However in many instances, quantitative reporting on enterprises supported and developed was not consistent or available for all municipalities, making a trend analysis difficult.

During the period leading up to the 2010 world cup, municipalities increased support to the tourism sectors within their local economies – the COT trained 15 Tourism SMME's; the COJ adopted the 2010 tourism strategy; the EMM provided marketing platforms for tourism SMME's at the holidaymakers consumer show and embarked on a number of different tourism SMME support programmes; and the Westrand DM launched its Excellence Awards Programme.

Review of performance in the third term (2011-2016)

Over the third term, the reporting on support given to SMME's, cooperatives and emerging farmers was mainly in narrative form in the municipal annual reports; and often initiatives were described without indicating the number of SMME or cooperative beneficiaries. Of further concern is the sustainability of supported SMME's and cooperatives, which was not reported on by municipalities over the period.

The table below provides a summary of the reported number of beneficiaries (SMME, cooperatives, and emerging farmers) of development and support programmes for the period 2012-2015.

Table 25: Number of SMME's, cooperatives and emerging farmers supported, 2012-2015

Municipality	2012/13			2013/14			2014/15		
	SMME	Co-op	Farm	SMME	Co-op	Farm	SMME	Co-op	Farm
COJ	3 967	-	-	6 774	774	2073	1 310	-	-
COT	5971	4432	-	6 335	264	-	6 036	307	-
EMM	300	-	-	986	200	179	257	-	-
Sedibeng DM	-	-	-	300	-	-	-	40	-
Emfuleni LM	-	-	-	312	5	-	20	-	80
Lesedi LM	-	-	-	20	-	-	63	-	-
Midvaal LM	-	-	-	507	-	-	-	-	-
Westrand DM	51	-	-	12	-	-	-	-	15
Mogale City LM	181	-	-	15	72	-	40	-	-
Randfontein LM	-	-	-	0	-	-	-	-	-
Merafong LM	742	-	-	279	-	-	-	-	21
Westonaria LM	-	-	-	200	-	-	30	-	-
TOTAL	11212	4432	0	15 740	1 315	2 252	7736	347	116

Source: Black - Annual Reports of Municipalities; Blue -COGTA Municipal Performance reports

The table indicates that during the 2012/13 financial year a total of 11212 SMME's were supported by six out of the twelve municipalities in Gauteng¹⁸²; in 2013/14, eleven out of the twelve municipalities reported that 15,740 SMME's were supported (an increase of 40.38%); and in 2014/15, seven out of the twelve municipalities supported 7736 SMME's (a 50.85% decrease from 2013/14 to 2014/15).

There was a significant decline in the number of cooperatives supported over 3 years (2012/13 to 2013/14 – 70.32% decrease; and 2013/14 to 2014/15 – 73.61%), year on year. The number of emerging farmers supported decreased by 94.84% between 2013/14 and 2014/15.

Figure 30: Number of SMME's supported during the current term



¹⁸² Gauteng COGTA, Section 47 Annual Municipal Performance Report, 2014/15

The declining performance trend, contrasted with the large investments made in establishing infrastructure and interventions for enterprise development and support, was concerning considering its key role in the Township Revitalisation focus of the TMR. However, it is unclear whether this was as a result of inconsistent availability of quantitative data, or due to a real decrease in performance by municipalities. Alternatively, the decline may have been due to increased success by municipalities in facilitating better linkages between enterprises and institutions such as the Gauteng Enterprise Propeller. However, it would then be reasonable to expect that municipalities would report on such successes.

Note: Responding to the question: “Do you know of the government service to support small businesses?” - only 28% of respondents to the GCRO QOL 2015 responded “Yes”; of which, only 34% were satisfied with the support that was provided.

A positive trend is that 9% of respondents had approached a government department or agency that supports SMME’s in 2015, as compared to 5% in 2013¹⁸³.

The narrative reports reflect that towards the latter part of the period, municipalities facilitated and made significant investments in supporting enterprises in an attempt to create an enabling environment for local businesses and promote job creation. These included efforts to revitalise and build township economies, by supporting the development of township enterprises, cooperatives and SMME’s that would produce goods and services to meet the needs of township residents. However, clear reporting against baselines and targets in this regard was lacking, and project progress was mostly discussed in narrative.

Below are some examples of support programmes for SMME’s, cooperatives and emerging farmers¹⁸⁴, extracted from municipal reports and other sources over the period:

Table 26: Examples of enterprise development and support programmes, 2011-2015

Municipality	Examples
COJ	<p>Facilitated the development of the Soweto Empowerment Zone.</p> <p>Jozi@Work created an opportunity for communities to partner with the city to deliver services. A total of 40,000 new jobs were expected to be generated by the City’s spend across nine sectors by 2016.</p> <p>Jozi Skills Hub project.</p> <p>Six SMME Incubators were established, and provided SMME support to register with CIPRO.</p> <p>Established Jozi Equity Fund.</p> <p>Developed the Green Infrastructure and Manufacturing Strategic Framework and Implementation Plan.</p> <p>Facilitated SMME development programmes and mentoring entrepreneurs in partnership with Gauteng Enterprise Propeller.</p>

¹⁸³ Gauteng City Region Observatory, *Quality of Life Survey 2015*
¹⁸⁴ *Localgovernment.co.za, Local Government Handbook, 2015*

Municipality	Examples
COT	<p>Leveraged large investments for skills development and training of SMME's and Cooperatives in:</p> <p>Six business support centres;</p> <p>Business Process Outsourcing Park (BPO), including a BPO incubator for SMME's;</p> <p>Incubation area for construction industry and the automotive and light manufacturing sector; and</p> <p>Training of fresh produce entrepreneurs.</p> <p>Invested in the operationalisation of a number of training academies; the Gauteng Eco-Furniture Programme; and the refurbishment of the Tshwane Fresh Produce Market.</p> <p>Appointed the Ga-Rankuwa Automotive Cooperative, which was part of the City's business incubation programme to support the development of SMME's within the aftermarket segment of the automotive industry, provided mechanical and auto body repair services to some of the City's fleet.</p> <p>The Winterveld Automotive Hub was established to support small businesses specialising in tyre fitment and wheel alignment, panel beating, auto body repairs and spray painting, auto spares, general motor mechanic, car wash and valet services. The Hub has been developed and is managed by the Gauteng Automotive Industry Development Centre (AIDC), which is the provincial government support agency for automotive cluster development. The hub accommodated up to 50 people per day for training.</p> <p>Focused efforts towards township revitalisation including, among other, established furniture hub in Garankua, a community bakery in Soshanguve, a car wash in Mamelodi and a plastic manufacturing plant in Cullinan, among other.</p> <p>Investment in the Mabopane radio station.</p>
EMM	<p>Lungile Mtshali Community Development Project - each ward in the city received R1 million for the community to spend in developmental projects of their choice. The project was centred around energy efficiency, water and sanitation, wetlands rehabilitation and waste management, greening and landscaping. More than 3,000 jobs were already created in the region.</p> <p>Stimulated economic growth through the development of 3 Waste Drop-off Centres, 2 Shared Industry Production Facilities, 2 Agricultural Hubs and a Fabrication Laboratory as part of the revitalisation of the Township Economy.</p> <p>A number of Township hubs were being developed.</p> <p>BRT Roll-Out Programme – provided opportunity for local procurement of local business and related components manufacturing by the bus manufacturers.</p>

Municipality	Examples
Sedibeng DM	<p>The Sedibeng United Business Forum was formed to respond to challenges faced by the business sector in the region, and a number of partnerships were facilitated to promote SMME's within the region.</p> <p>A partnership programme was established to support SMME's incubation and drive innovation through digital manufacturing with the establishment of a Fabrication Laboratory.</p> <p>Established a business, incubation and innovation centre.</p>
Emfuleni LM	Facilitated a partnership between Small Enterprise Development Agency and Accelor Mittal regarding a supplier development programme, which should benefit local businesses.
Lesedi LM	<p>Embarked on the formalisation of industrial and residential townships.</p> <p>Facilitated municipal procurement opportunities arising from transactions above R100,000.00.</p>
Midvaal LM	<p>Lakeside / Orange Farm Business Forum and People Promoting Local Economic Development - PPLED (Midvaal) were frustrated with penetrating the procurement and recruitment processes in order to benefit from municipal projects. By 2016, the forums would be merged into one mega forum.</p> <p>A database of SMME's was forwarded to Supply Chain Management department so that SMME's can benefit.</p> <p>Supported agro-Processing in De Deur, and the Bantu Bonke Agri-Cooperative.</p> <p>Supported the Midvaal Youth Development Forum.</p>
Westrand DM	<p>Rolled-out and established Merafong Flora Project, the plastic recycling project, the Mohlakeng Buyback Centre and Katlego Cultural Facility.</p> <p>Launched West Rand Tourism Awards project in 2007 and it was a great success since inception, now beyond its 9th year.</p>
Mogale City LM	<p>Entered into an agreement with SEDA to establish 2 incubators, which will cater for SMME's in the construction and chemical manufacturing sectors.</p> <p>Implemented SMME targeted training and mentorship programme interventions.</p> <p>Established business information platform.</p> <p>Targeted support to organic farming.</p> <p>Established the Carpentry Incubator Project and the Chamdor Logistic Hub.</p>

Municipality	Examples
Randfontein LM	<p>The WRDM, in conjunction with the Gauteng Department of Agricultural and Rural Development (GDARD) and the Randfontein LM, embarked on the development of a Mega Agri-park project in Brandvale as part of cooperatives support. Small and emerging farmers were trained.</p> <p>Established the Elandsfontein Agricultural Farm, and the Badirile Hydroponic Tunnels for vegetable production and nursery.</p> <p>Conducted 2 SMME Trade Fairs.</p> <p>Established the Mohlakeng Township Enterprise Hub (TEH) as a result of partnerships between Randfontein Municipality, Department of Economic Development, Gauteng Enterprise Propeller (GEP) and local businesses to address the lack of entrepreneurs support centres in the area. The main purpose was to establish a one-stop advisory and manufacturing facility, with main focus on the development and empowerment of SMME's in various manufacturing sub-sectors.</p> <p>Established a small business development centre.</p>
Merafong LM	<p>Completed Khutsong South Hive phase two and created an additional twelve industrial hives for local SMME's to conduct their business, and SMME development programmes were implemented to build capacity in ensuring that local SMME's were able to sustain their businesses.</p>
Westonaria LM	<p>Partnership with the Sibanye Gold Mine Limited developed SMME's through the business development support initiative, wherein different SMME's benefited from various business disciplines, such as marketing skills, business planning, project management, costing and pricing, and research of the viability of new business ventures.</p> <p>Supported the cattle farming project, and bakery and poultry projects.</p> <p>Established an industrial park in Bekkersdal.</p>

Note: *It is apparent that the perspectives of certain municipalities on the economic opportunities and possibilities in their area are divergent to those outlined in the TMR corridor development perspectives outlined earlier. An alignment of spatial planning linked to the comparative advantage of the various municipalities is essential moving forward.*

Key observations arising from the review (2000-2016)

In terms of formal business enterprise development and support, the following **successes** have been realised over the fifteen year period:

- 1) Municipalities actively worked to establish and rollout supportive infrastructure, and to create opportunities in support of enterprise development.
- 2) There was an increasing focus on the TMR agenda and specifically on township economy revitalisation later in the period, though reporting was not yet in the form of targets and baselines.
- 3) While a challenge in statistical data reported on enterprise development (declining over past term), narrative reports cite numerous examples of enterprise development initiatives implemented by all municipalities

4) Municipalities invested large sums into the development and support to SMME's and cooperatives.

However, the following **challenges and/or constraints** have been identified:

1) Insufficient quantitative performance reporting on the number of SMME's, cooperatives and emerging farmers supported by the Gauteng municipalities – the lack of a consistent and standardised approach to planning, monitoring and reporting on enterprise development initiatives.

2) The return on investment in enterprise development and support was not assessed or reported – in other words, the impact of support and development initiatives in relation to the size of investments and sustainability of small and informal businesses.

3) The decrease, towards the end of the period, in the number of enterprises supported is a concern - however, it is unclear if this is a 'real' reduction or a quantitative reporting issue?

4) There appears to be a misalignment and/or lack of integration and linkages between SEDA, SEFA the Gauteng Enterprise Propeller and municipal enterprise development programmes¹⁸⁵.

INFORMAL BUSINESS

By its very nature, informal economic activity was largely unrecorded, and was therefore difficult to measure, but some estimates valued the informal economy at around 28% of South Africa's GDP. Therefore, the size of the informal economy could be estimated at around R160billion, with an estimated value 2.5 times as large as the contribution of the entire agricultural sector, or 70% of the contribution of the mining sector to GDP¹⁸⁶. The informal economy, therefore, must form a key component of strategies to address unemployment and poverty and to support the creation of sustainable livelihoods.

There is a wide range of economic activities included in the informal economy such as street vendors, hairstylists, taxi drivers, waste recyclers and home based care workers, making it as diverse as the formal economy. Retail activity dominates the informal economy with trade of goods and services being the most important sub-sector (approximately 60% of all employment in the informal economy is in this area). The dominance of trade is a characteristic which makes the South African informal economy different to other African countries¹⁸⁷. It is estimated that 30% of informal trade occurs in Gauteng.

Local government has the authority to create by-laws relating to informal trading, and municipalities are empowered to regulate street vendors, pedlars and hawkers. However, to enable this sector to prosper, municipalities are challenged to provide more developmental and inclusive informal economy policies and by-laws.

Reflection on performance over the period of the Review (2000-2016)

Prior to 2013, there was no focused policy framework on the informal business sector. The sector was often clustered with SMME's and, as a result, found little expression in legislation, policy and/or strategy.

The Gauteng Informal Business Upliftment Strategy (2015)¹⁸⁸ was developed with a vision to integrate informal business owners into the mainstream economy. The strategy proposed a two phased approach to implementation, namely:

¹⁸⁵ Gauteng DLGH, *End of Term Report 2006-2011, 2011*

¹⁸⁶ SALGA, *SA LED Network – Informal Economy* (www.led.co.za/topic/informaleconomy)

¹⁸⁷ Department of Small Business Development, *Strategic Framework for the implementation of the National Informal Business Upliftment Strategy (NIBUS) at Local Government level, 2015.*

¹⁸⁸ GPG, *Gauteng Informal Business Upliftment Strategy, November 2015*

- 1) **Phase 1:** Focus on improving the business environment and support to the informal business sector on their day-to-day operational challenges; and
- 2) **Phase 2:** Enablement of those who want to grow and graduate to become sustainable SMME's and cooperatives in the long run.

In the period to 2011, reporting on initiatives was mostly narrative and quantitative data was limited. From the information available, it seemed as if most of the focus went to supporting informal traders. Some examples of initiatives included: COJ facilitated the accreditation of more than 2,000 informal traders to service trade during the 2010 World Cup; EMM developed nine street trading facilities; and Mogale invested R200,000.00 in erecting 23 hawkers trading stalls.

The following table then reflects some of the interventions implemented by municipalities, to support the informal trading sector from 2012-2016.

Table 27: LED interventions in support of the informal sector

Municipalities	Interventions to support the informal economy
COJ	Assisting informal traders to obtain trading licences.
COT	Refurbished trading stalls for Mamelodi informal traders as part of ensuring their business grow progressively. Business Support Operations implemented the informal trading infrastructure development programme by constructing marketing and informal trading stalls in Bronkhorstspuit (Region 7) and Laudium (Region 3). The total cost of the infrastructure was R2million. Local community members were employed during the construction process.
EMM	Developed a five year programme specifically for the second economy.
Sedibeng DM	Reported on turnaround strategy for the Vereeniging Fresh Produce Market, to increase access of produce by local farmers both big and small, which will benefit local small street traders and the informal economy to exploit the whole value chain inclusive of beverages, meat and vegetables, as well as fruits within one coordinated precinct.
Emfuleni LM	Supported and regulated the informal economy through building ten informal trading stalls, and 228 informal trading permits were issued. Supported the informal sector through the facilitation of training.
Lesedi LM	Provided 16 stalls to informal traders in Heidelberg CBD. Allocated R1.6 M to informal trader's infrastructure. Developed Informal Traders policy, which will culminate into a by-law. Provided 20 informal traders with stalls.
Midvaal LM	Townships were confronted with a lack of economic opportunities, resulting in people identifying their own opportunities that were primarily informal and do not conform to municipal by-laws. Gauteng Department of Economic Development supported the formulation of a township strategy, to provide a policy directive towards township economy revitalisation to curb the challenges of informality and create an enabling environment for township economy to prosper and benefit the community.
Westrand DM	Facilitation of the establishment of business initiatives, rural and agro-industries.

Municipalities	Interventions to support the informal economy
Mogale City LM	During the construction of the Cradle Stone Mall, Mogale City negotiated with the contractor to allocate an area for informal traders to service the employees. 27 traders operated their stalls on site.
Randfontein LM	Finalised the Carletonville Informal trading with 64 stalls, and this has created 102 jobs.
Merafong LM	Constructed informal trading area in the Carletonville CBD for the purpose of formalising the informal traders. Informal trading area in Carletonville (Phase 2) capital project was completed after the original site was found geologically unsafe. The next phase of the Oberholzer Informal Trading Area has been budgeted for to the amount of R4.2million, funded from Municipal Infrastructure Grant. Improved access to markets in the CBD - 60 business units, of which 12 are designed for food vendors. The food stalls fully comply with health requirements and are equipped with gas stoves. Provided full time security to ensure the safety of the vendors.
Westonaria LM	Held meeting with informal traders association to inform them of municipal operational by-laws. Development of an informal trading policy. Upgrading of hawker stalls.

It is evident from the above that the municipalities' approach to informal business upliftment was largely focused on recognising and supporting informal traders.

Key observations arising from the review (2000-2016)

In terms of supporting informal business, the following **successes** have been realised over the period:

- 1) The development of the informal economy became increasingly more important in the mitigation of poverty and unemployment in local economies. However, interventions are often focused only on informal traders.
- 2) Good progress has been made to date in profiling and data-basing informal businesses in townships.

However, the following **challenges** have been identified:

- 1) The interventions to develop the informal economy are focused almost exclusively on informal traders – there is a need to understand and support other informal economy sectors, aligned to the Gauteng Informal Business Upliftment Strategy.
- 2) Municipalities appear to have a shortage of capacity to adequately develop the informal economy (including implementing ILO Resolution 204) – LED capacity needs to be strengthened and developed.

3.3.4 LED Strategy and Capacity

LOCAL ECONOMIC DEVELOPMENT STRATEGIES

Local Economic Development (LED) strategies are at the centre of efforts by municipalities to create economic growth and development, and needs to be aligned to IDPs and spatial development and land use management plans. Municipalities are legally required to complete LED plans as part of the IDP process.

Reflection on performance in the first ten years (2000-2011)

The 2000 LED Guidelines on Institutional Arrangements and the 2002 Draft LED Policy focused predominantly on “pro-poor development”. Whilst most municipalities implemented LED initiatives during the first term, the initial focus, especially in the smaller municipalities, was more on community economic development projects, which tended to prove unsustainable once donor or public sector funding was withdrawn.

A Growth and Development Summit was held in 2004, after which municipalities were tasked to develop their own growth and development strategies. In 2006, however, the GDED found that only the metros successfully completed the development of GDS, despite the fact that all metros and districts held GDS Summits with stakeholders.

The 2000-2005 End of Term Review¹⁸⁹ indicated that municipalities were not doing enough to facilitate a conducive environment to stimulate and facilitate local economic development and investment. It was identified that an integrated approach to LED was required to achieve the success and impact intended with LED initiatives. In addition, a commonly accepted definition of LED, the areas it covers and the roles of different stakeholders were urgently needed.

At the end of the first decade, the LED strategies and integrated plans, especially of district municipalities, were characterised by the lack of synergy of economic support actions between the district and its constituent local municipalities. This prevented economies of scale from being attained on certain projects and led to unnecessary duplications.

The SALGA LED Position Paper (2010)¹⁹⁰ highlighted that LED officials tended to take a very literal view of “local” as opposed to understanding that their local economy was organically and irrevocably linked to the district, the province, the national economy and indeed the global economy. Furthermore, it was not clear at all how the resources allocated to the development of detailed plans at the district and the local level were adding value on the ground.

Given the resource constrained environment in which many local authorities operate, it would have made better sense to investigate how this process could be streamlined and made more efficient and relevant. SALGA stated that many of the issues that make LED planning less than successful could be addressed if there was a more integrated and spatially relevant relationship in the development and implementation of LED strategies between provinces, districts and local authorities, and particularly between local authorities within a district, and between adjacent districts.

Overall, in terms of synergy and linkages, it was largely felt that Gauteng was not sufficiently able to achieve the structural alignment and intergovernmental cooperation required to plan and implement sustainable LED interventions.

Review of performance in the third term (2011-2016)

While the Municipal Systems Act (No.32 of 2000) requires that municipal LED strategies were developed as part of the integrated development planning process, it was concerning to note that not all the municipalities complied with this requirement on an ongoing basis during the term.

Table 28: Status of LED strategies and plans, 2012-2015

Municipality	2012/13		2013/14		2014/15	
	LED Strategy	Comments	LED Strategy	Comments	LED Strategy	Comments
COJ	Yes		Yes		Yes	
COT	Yes		Yes		Yes	
Ekurhuleni (MM)	Yes		Yes		Yes	
Sedibeng DM	Yes		Yes		Yes	

¹⁸⁹ Gauteng DLGH, *End of Term Review, 2000-2005, 2006*

¹⁹⁰ South African Local Government Association, *LED Position Paper, March 2010*

Municipality	2012/13		2013/14		2014/15	
	LED Strategy	Comments	LED Strategy	Comments	LED Strategy	Comments
Emfuleni LM	No	The 2012/13 target to develop the LED strategy was not met	No	The 2013/14 target to develop the LED strategy was again not achieved. The service provider was not appointed as planned	No	Draft strategy in place
Lesedi LM	Yes		Yes		Yes	
Midvaal LM	Yes		Yes		Yes	
Westrand DM	Yes		Yes		Yes	
Mogale City LM	Yes		Yes		Yes	
Randfontein LM	No	No reason provided	No		No	
Merafong LM	Yes		Yes		Yes	
Westonaria LM	No	LED Economic development plan was revised. LED strategy will be developed during 2013/14 Financial Year	No	The development of the LED strategy was not prioritised / included on 2013/14 SDBIP	No	The municipality is still in a process of revising its LED plan

Source: 2014/15 COGTA Municipal Performance Report

The table above reflects that in 2012/13, 2013/14 and 2014/15, only nine out of twelve municipalities had LED strategies in place (Randfontein, Emfuleni and Westonaria did not have strategies in place for three consecutive years)¹⁹¹.

However, during the period to 2016, municipalities reported that they continuously strengthened their LED strategies and plans and improved the level of alignment with municipal IDPs.

COJ BEE Match-Maker

The COJ BEE Match-Maker is recognised as best practice example for BEE support and enablement, and should be considered for duplication in other municipalities. The COJ achieved 54.1% BEE participation in the private sector property and construction sector by 2007/08.

Whilst LED is about the development of localities, it takes place within the larger context of the province. A key challenge facing municipalities is apparent in the integration and alignment of their LED strategies and plans across the GCR and

¹⁹¹ Gauteng DLGH, 2013/14 Municipal Annual Performance Review

closely linking it to Spatial Development and Land Use Management Plans, the Master Transport Plan, and more recently with the GCR Economic Development Plan.

The GCR Economic Development Plan 2015–2020 builds on various strategies that have been approved by the Gauteng Provincial Government in line with the TMR and include among others, the Gauteng Township Revitalisation Strategy, Gauteng Trade and Investment Strategy, Gauteng Informal Business Upliftment Strategy, GCR 25 Year Transport Master Plan, the Regional Economic and Industrial Plans for Sedibeng and West Rand. There is a need to strengthen the alignment of LED strategies and plans with IDPs and Spatial Development and Land Use Management Plans and, in addition, with the GCR Economic Development Plan.

Key observations arising from the review (2000-2016)

In terms of LED strategies, there is evidence that most municipalities have continuously strengthened their LED strategies and plans in compliance with legislative and regulatory requirements.

However, **challenges** have included:

- 1) A need to strengthen the alignment of LED strategies and plans with IDPs and Spatial Development and Land Use Management Plans and, in addition, with the GCR Economic Development Plan.
- 2) In line with the TMR, to develop and give effect to targeted efforts towards building and revitalising township economies - supporting the development of township industries, enterprises and cooperatives.

CAPACITY OF LED UNITS

LED is a highly specialised field and requires a special set of competencies to perform the function effectively. The right institutional capacity, both from a human and financial resource perspective, is critical for the successful implementation of the of LED strategies to facilitate economic growth in municipal localities, for the betterment of the communities it serves.

Reflection on performance in the first ten years (2000-2011)

During the first ten years, the reporting on the number of vacancies in LED units was limited and adhoc. However, the End of Term Reviews of the first two terms (2000-2005 and 2006-2011) and the Gauteng COGTA Section 47 reports of the period, highlighted LED capacity in the province as a key challenge in effectively implementing LED plans.

At the end of the period, most municipalities in Gauteng, especially the smaller ones, were not adequately capacitated to successfully drive the implementation of LED initiatives and programmes. During the second term, a skills audit and capacity building review was conducted¹⁹² and highlighted the following critical issues:

- 1) The need for proactive development interventions to address the current skills gaps;
- 2) The need for progressive attraction and retention of talent; and
- 3) The need to establish knowledge sharing platforms and procedures to ensure that knowledge and best practice examples are shared between and within municipalities.

¹⁹² DPLG LED Capacity Building Diagnostic, Planning, Monitoring and Evaluation Report (November 2008)

Review of performance in the third term (2011-2016)

Despite the fact that efforts were made during the current term to capacitate LED functions, the vacancy rates remained high in some areas. The following table provides a summary of LED unit vacancy rate percentages for the municipalities, where these figures were available.

Table 29: Summary of LED unit vacancy rate percentages for municipalities

Municipality	2011/12		2012/13		2013/14		2014/15	
	No of approved Posts	% Vacancies	No of approved Posts	% Vacancies	No of approved Posts	% Vacancies	No of approved Posts	% Vacancies
COJ	155 employed		102	7%	69	9%	109	21%
COT	142	50%	210	69%	139	72%	139	142
Ekurhuleni MM	80	23%	88	23%	86	16%	86	80
Sedibeng DM	5	0%	5	0%	5	0%	5	5
Emfuleni LM	17	0%	22	32%	23	35%	15	17
Lesedi LM	6	0%	6	0%	7	0%	7	6
Midvaal LM	1	0%	1	0%	1	0%	1	1
Westrand DM	NA	NA	7	0%	4	0%	7	NA
Mogale City LM	26	50%	26	50%	49	57%	16	26
Randfontein LM	NA	NA	7	29%	14	57%	9	NA
Merafong LM	8	0%	8	0%	8	36%	8	8
Westonaria LM	6	83%	6	67%	6	66%	6	6
TOTAL	291	37%	488	41%	441	42%	408	291

Source: Gauteng COGTA Section 47 Annual Municipal Performance Reports

The metros, as drivers of the economic growth of the Gauteng province, require sufficient capacity to successfully implement LED plans. The COJ maintained vacancy rates in 2012/13 and 2013/14 of below 10%, however, more than doubled its vacancy rate in 2014/15. EMM consistently managed a vacancy rate of 16% over the last two years; however it was still above the acceptable level of 10%. Of concern is that the COT consistently reflected vacancy rates between 50% and 72% over the period, in line with the municipality's higher overall vacancy rates, as it continued to feel the effects of the merger with Metsweding DM and constituent local municipalities.

Sedibeng DM and Westrand DM, and Midvaal LM managed their LED Unit capacity well throughout the period. However, the fact that Westrand, an area with critical LED challenges, only had one employee to drive LED initiatives is concerning from a capacity and continuity perspective. The remaining local municipalities were all challenged with significant human resource capacity challenges.

Key observations arising from the review (2000-2016)

In terms of LED capacity, Sedibeng DM and Westrand DM managed their LED Unit capacity well throughout the period. Whilst Midvaal LM has managed a 0% vacancy rate, there is a question regarding capacity if the unit is managed by only one person.

However, the following **challenges** have been identified:

- 1) The lack of consistent, accurate and standardised target setting, M&E and reporting across LED focus areas.
- 2) LED Unit capacity is negatively affected by continued high vacancy rates.

- 3) There is evident need to professionalise the LED discipline, including around informal economy competency requirements.

LED CAPITAL BUDGET AND EXPENDITURE

The triple development challenges and projected lower economic growth require large investments to drive the transformation of the localities in municipalities. Sufficient capital expenditure is critical to enable the successful implementation of LED initiatives to facilitate economic growth and uplift communities.

It is increasingly important to monitor the allocation and utilisation of the financial resources in the implementation of LED programmes. The size of the available budget indicates the municipalities' priority afforded to LED, and the optimal utilisation of available budget is an indicator of the energy and commitment by municipalities to make a difference.

Reflection on performance in the first ten years (2000-2011)

The availability of capital budget and expenditure was not actively analysed and monitored or reflected in the earlier end of term reviews. During the first ten years, the reporting on the amount of capital budget made available and how much actual expenditure was incurred in the implementation of local economic development was limited and adhoc.

However, the challenges faced by municipalities with budget constraints and unavailability of funds throughout this period were noted in the Section 47 reports. The economic recession in this period further increased the financial pressures experienced by municipalities, as the attraction of funds and rand value of investments were challenged as a result.

Review of performance in the third term (2011-2016)

Budget constraints continued to challenge municipalities in the third term. However, some municipalities were successful in cooperating with partners to develop comprehensive initiatives to raise growth to higher levels, regardless of limited budgets.

The following table provides information on the allocation of capital budgets and expenditure across municipalities (where information is available) for the period 2012-2015. *(The fact that some municipalities only reported on a total capital expenditure budget, made it difficult to determine the amount budgeted and spent on LED).*

Table 30: LED budget and expenditure, 2012–2015

Municipality R'000	2012/13			2013/14			2014/15		
	Capital Project Budget	Actual Expenditure	% spend	Capital Project Budget	Actual Expenditure	% spend	Capital Project Budget	Actual Expenditure	% spend
COJ	514 000	24 800	50%	72 014	11 357	16%	37 389	25 780	69%
COT	Budget for LED not Indicated			246 000	NA		Budget for LED not Indicated		
EMM	55 038	51 948	94%	68 520	55 898	82%	57 500	57 962	101%
Sedibeng DM	Budget for LED not Indicated		0%	Budget for LED not Indicated		0%	Budget for LED not Indicated		
Emfuleni LM	No Budget	0	0%	No Budget	0	0%	No Budget	0	0%
Lesedi LM	No Budget	0	0%	No Budget	0	0%	490	23	4.69%
Midvaal LM	No Budget	0	0%	No Budget	0	0%	No Budget	0	0%
Westrand DM	500 000	500 000	100%	Budget for LED not Indicated			Budget for LED not Indicated		

Municipality R'000	2012/13			2013/14			2014/15		
	Capital Project Budget	Actual Expenditure	% spend	Capital Project Budget	Actual Expenditure	% spend	Capital Project Budget	Actual Expenditure	% spend
Mogale City LM	28 647	24 637	86%	2 000	0	0%	3 492	3 227	92.41%
Randfontein LM	1 400	1 400	100%	500	461	94%	No Budget	460	
Merafong LM	14 378	7 849	55%	4 906	7 360	150%	3 409	4 390	128.78%
Westonaria LM	326 Limited Budget	378	116%	No Budget	0	0%	No Budget	0	0%

Source: COGTA Municipal Annual Performance Reports

In light of the fact that the injection of funding was so critical, municipalities needed to streamline internal planning, procurement and delivery processes to ensure that available funding was channelled appropriately and timely. EMM made a concerted effort to ensure that available budgets are spent during the 2014/15 year. COJ, however, only spent 69% of its available budget in 2014/15. Of great concern is the fact that four out of the seven local municipalities (Emfuleni, Midvaal, Randfontein and Westonaria) failed to make budgets available in 2014/15, and that Lesedi LM only managed to spend 4.7% of its small budget of R490 000.00.

In the third term, the GIC was established to support the Gauteng Provinces' economic development initiatives as a One-Stop-Shop (OSS) and was considered to be the Provinces' key differentiator. It was focused on offering potential investors and exporters efficient services to enable them to more easily invest in Gauteng and play a role in developing the economy. All three metros partnered with the Gauteng Investment Centre (GIC) in their endeavours to facilitate additional domestic and international investments to boost the local economies.

EMM established the Ekurhuleni Investment Centre, working closely with the Gauteng Investment Centre (GIC) to create a conducive business and effective collaborative environment to promote, attract and increase domestic and foreign investment. EMM aimed to attract approximately R6.5B per annum through the IEC.

A review of performance reports reveals that quantitative reporting by municipalities on investments facilitated was inconsistent. However, the information available indicates that the metros generally performed better than smaller municipalities, and the following highlights were reported:

- 1) **COJ:** Facilitated investments of R3.26billion vs. a target of R3billion in 2014/15; and R2.6billion vs. a target of R1.07billion in 2013/14;
- 2) **COT:** Facilitated investments of R2.1billion vs. a target of R1.8billion in 2014/15, and R2billion in 2012/13; and R2billion in 2013/14;
- 3) **EMM:** Facilitated R7.6billion value of investment in 2014/15; and
- 4) **Mogale City:** Facilitated R1.8billion rand value of investment in 2014/15.

Key observations arising from the review (2000-2016)

In terms of LED capital budget and expenditure, the following **success** has been realised over the fifteen year period:

- 1) There has been an enhanced focus on facilitating investments and forming partnerships in the implementation of LED strategies and plans.

However, the following **constraints** have been identified:

- 1) A need for a better appreciation that investment, and especially capital investment in infrastructure, is the critical driver of LED.
- 2) Financial resources need to be made available to ensure municipalities work with funded LED mandates.
- 3) Available financial resources need to be optimally utilised to give effect to the intent of the LED strategic objectives – supported by return on investment and sustainability measures.

FUNCTIONALITY OF LED STAKEHOLDER FORUMS

During the first ten years, performance progress on the effectiveness of LED forums was not monitored within the local economic development KPA. However, the importance of fully functional forums and the key achievements through the forums are critical to ensure the additional injection of investment and mutual partnerships into local economies.

In the current term, reports indicate that stakeholder forums in the different municipalities are fully functional, and have resulted in many joint programmes to address LED challenges and the facilitation of investment in local economies. The table below reflects some of the most recent benefits derived from effective stakeholder forums.

Table 31: Examples of benefits derived from stakeholder forums

Municipality	Recent key achievements
COT	<p>The trade and investment section facilitated interventions such as the Blue Waste to Energy project, the Pole Village Walk project, the Solar Century project, the Dwinchi Furnishings (Pty) Ltd investment project, the Yem Yem investment project and phase 1 of the Centurion square office development, in order to further increase the rand value of investment facilitated by the city. The latter project created a rand value of investment of R250million during the construction phase in the 2014/15 financial year.</p> <p>Strengthened partnership resulted in the establishment of the Tshwane Mining Forum, Ga-Rankuwa Eco-furniture Project, development of agro-processing sector profile and Gauteng Automotive Training Academy.</p> <p>Partnership with ABSA Bank and other stakeholders on Tshepo 10 000 – 2,500 trained.</p>

Municipality	Recent key achievements
Sedibeng DM	<p>Developed construction strategy and identified potential partners to fund the strategy.</p> <p>Partnered with IDT, Agri SA and Gauteng Division of Rural Development to support emerging farmers in the district.</p> <p>Developed an incentive framework and provided uniform approach to enable the environment for growth and development in the Emfuleni, Lesedi and Midvaal local municipality.</p> <p>Facilitated a number of partnerships aimed at establishing working relations on SMME and cooperatives - SEDA, IDT, BHP Billiton, business chambers and the Gauteng Economic Propeller (GEP), Raizcorp.</p> <p>Established a partnership with BBBEE rating agencies to assist mainly SMME'S and cooperatives to acquire BEE certificates and, in construction CIDB has also been taken on board for ratings purposes.</p> <p>Launched the Sedibeng United Business Forum.</p> <p>Lesedi established three local economic development forums, through which five partnerships with the private sector were realised in order to improve economic development against the annual target of seven.</p>
Westrand DM	<p>Mining forum and Agricultural Forum established.</p> <p>A number of projects were established by the different mining houses - Blybank Agricultural Project, Agriculture Community Sub-acute hospital Business, Development Park.</p> <p>Received a conditional grant of R500,000.00 for the development and installation of a bio-digester at Jabulani Informal settlement in Randfontein Local Municipality.</p> <p>Coordination of the Comprehensive Rural Development Programme (CRDP).</p> <p>Reallocated the DAFF allocation of 8 tractors, 2 trailers and 39 implements to support emerging farmers.</p>

Key observation arising from the review (2000-2016)

Stakeholder forums are fully functional and have resulted in the implementation of a number of joint programmes to develop local economies. Municipalities need to identify opportunities for more forums to enable and support the implementation of project priorities in the five development corridors during the next term.

3.3.5 Consolidated View on Local Economic Development over the Fifteen Year Period

The 15 Year Review has grouped the LED focus areas slightly differently to previous end of term reviews, in an attempt to ensure that the municipal performance evaluation considers the latest developments and priorities based on the Gauteng TMR agenda and strategic framework.

In light of the above review of performance, the key findings and critical issues are consolidated below:

- 1) The slowdown in economic growth trends over the last period of the review have demanded that municipalities become more progressive in stimulating and developing their local economies. The GCR Economic Development

Plan 2015–2020 builds on various strategies that have been approved by the Gauteng Provincial Government in line with the TMR. These include among others, the Gauteng Township Revitalisation Strategy, the Gauteng Trade and Investment Strategy, the Gauteng Informal Business Upliftment Strategy, the GCR 25 Year Transport Master Plan, and the Regional Economic and Industrial Plans for Sedibeng and West Rand. There is a need to strengthen the integration and alignment of LED strategies and plans with all the latest strategic framework developments, such as the GCR Economic Development Plan and other strategies developed specifically to give expression to the intent of the TMR and GCR.

The municipalities need to shift their LED focus from the micro-economic level to the macro-economic level, and so create an enabling environment for LED. The Economic Development Plan (aligned to the SONA nine-point plan) and its focus on targeted development will need to be cascaded to local government level. Local government priorities should be defined around the five competitive areas of trade, innovation, talent, infrastructure and governance; and aligned with the comparative advantages and unique strengths of the five development corridors defined in the TMR. This should find expression in the respective municipal growth and development strategies and monitoring reports of the relevant municipalities¹⁹³.

Furthermore, municipal GDS' should be aligned to the time horizon of the NDP and TMR, namely 2030, and then be cascaded into the IDP's and SDBIP's over the period, and the alignment of LED strategies with IDP and SDBIPs needs to be improved.

Progress by municipalities to shift from adhoc interventions to interventions that are aligned to the long term modernisation and infrastructural development trajectory of the Province is observed. However, the structural constraints of local municipalities, the geographical location of a local municipality, the identification of economic drivers or main economic activities and the linkages and coordination beyond the municipalities' boundaries are considerations in this regard.

As mentioned in the Mid Term Review (2011-2016), the main challenge for local economic development in smaller municipalities, such as Westonaria, Randfontein and Merafong, is to diversify the economic base and add value to the primary products that are produced in the area. Forward and backward linkages within the economy should be strengthened. For these municipalities, a unique opportunity exists for utilising the by-products of different economic sectors (mining, agriculture, manufacturing, etc.) for beneficiation, and value-adding.

In addition, Tourism development is identified as one strategy to be implemented to spur local economic development. In order to maximise the benefits that municipalities can derive from the development of tourism, focus must be on areas that provide the most potential. Development constraints in the tourism sector include the improvement of transport linkages, infrastructure, tourism facilities, information and tourist services, as well as the development and implementation of a strong tourism marketing strategy for the area, are the main factors to be addressed. Tourism development and destination marketing strategies are required to stimulate local economic development. Some municipalities have only recently started reporting on progress made within the tourism sector, despite the fact that tourism initiatives have taken place for a number of years at some municipalities, e.g. Westrand 8th Annual Tourism Reward Ceremony took place in 2014/15.

The integrated plans of municipalities, for the period, as well as the different strategies, have been characterised by the lack of synergy of economic support actions between districts and their constituent local municipalities, which prevents economies of scale from being attained on certain projects and leads to unnecessary duplication. Whilst municipalities still have a way to go to fully integrate LED initiatives in support of the GCR concept, there is evidence that districts are playing a more active role at integrating some initiatives at district level, e.g. the Westrand Programme aligned to the GTA

¹⁹³ Gauteng HOD Lekgotla, 29 May 2015, *Governance Cluster: Presentation on key TMR milestones*.

and National Department of Tourism's "Tourism Buddy Learnership Programme".

In terms of synergy and linkages, it is felt that Gauteng has not yet sufficiently been able to achieve the structural alignment and intergovernmental cooperation required to plan and implement sustainable LED interventions. The disparities in the levels of local economic development within the province suggest that there is very little leveraging by the smaller municipalities on the economic successes of the larger municipalities.

Moving forward, to drive economic growth at local level, the critical issues are:

- a) Ensure alignment of spatial planning and long term planning linked to the comparative advantage of the various localities, which is essential for achieving economic growth;
 - b) Strengthen the vertical and horizontal economic linkages within and across municipal jurisdictions, and at intergovernmental level; and
 - c) Ensure integrated LED strategies are implemented and their efficacy assessed.
- 2) The ability of municipalities to facilitate job creation opportunities is important in the alleviation of poverty in local communities. Municipalities either use direct or indirect methods to stimulate and create job opportunities in the local economies. The key programmes are The Community Works Programme, the Expanded Public Works Programme and job opportunities facilitated through LED programmes and interventions.

Over the last term, reporting on jobs created through EPWP has improved, however, reporting on jobs created through other LED initiatives and CWP is still adhoc, inconsistent and often not available – it is not clear whether absence of information is an oversight or that no jobs were created?

While municipalities made good progress with creating job opportunities through LED initiatives, EPWP job creation numbers are still the largest. This suggests that the default position of local municipalities, (especially the smaller ones) is still to create jobs directly as opposed to creating strategic linkages and facilitating improved investment landscapes to enable job creation.

Moving forward, to enhance job creation through LED, the critical issue is to:

- a) ***Undertake a mapping and scoping exercise of all LED opportunities and activities throughout the province, to enable municipalities to easily identify which programmes might be implemented, where and at what scale and scope. This will improve capacity of municipalities to leverage on LED opportunities cross municipal borders, with the view to promote investment and job creation.***
- 3) The type of infrastructure that is suitable for township business range from industrial manufacturing hubs, which may be Greenfield or Brownfield, as well as business parks for the entrepreneurs in the service industry. Whilst Gauteng has a number of successful models at its disposal for replication for the two types of infrastructure requirements, the following two examples are cited in the Draft Gauteng Township Economy Revitalisation Strategy as successful case studies:
- a) The Mohlakeng Township Enterprise Hub (TEH) - a one-stop advisory and manufacturing facility with main focus on the development and empowerment of SMME's in various manufacturing sub-sectors.
 - b) The Winterveld Automotive Hub was established to support small businesses specialising in tyre fitment and wheel alignment, panel beating, auto body repairs and spray painting, auto spares, general motor mechanic, car wash and valet services.

Again, while the Review indicates that many sound initiatives are being undertaken, the reporting discipline does not do justice to the successes achieved. Whilst it is clear that support is provided to SMME's and Cooperatives through preferential SCM, skills development; and in the later years through business hubs, etc.; municipalities do not adequately report on the impact of the investments channelled in this regard.

A key concern is the sustainability of supported SMME and Cooperatives – which is not assessed or reported on. There is a need to establish the capacity to monitor and measure the impact of support and development initiatives in relation to the size of investments and sustainability of small and informal businesses.

By the end of the first term, all municipalities implemented fully fledged SCM policies to support SMME's and Cooperatives, and subsequently, support is provided to SMME's to become registered on the municipal preferred supplier lists.

However, there are approaches that might be considered best practice – such as the COJ Jozi at Work model and/or the EMM Lungile Mtshali – and may be rolled out in other municipalities.

There is a need to develop municipal informal business development plans aligned to the Gauteng Informal Business Upliftment Strategy, and to expand support for the development of the informal economy beyond informal traders only. This will require LED capacity to support the targeted interventions in the informal economy.

There is a need to strengthen linkages between SEDA, SEFA, the Gauteng Enterprise Propeller and municipal enterprise development programmes¹⁹⁴.

Moving forward, to enhance enterprise development and support, the critical issues are:

- a) Undertake a comprehensive process to review the by-laws and regulations that govern trading in order to make it easier for small businesses and township enterprises to thrive in line with the Township Economy Strategy^{195,196};
 - b) Support ongoing efforts by municipalities in reducing the time taken in approving development applications and other red tape negatively impacting on doing business in the GCR, and to define additional incentives and land use approaches that will support specific clusters and industries located in the different development corridors of the City Region¹⁹⁷; and
 - c) Define province-wide enterprise development and support indicators that will measure sustainability and return on investment, in addition to the number of beneficiaries and Rand value of support and procurement spend.
- 4) Municipalities' ability to transform the local economic development landscape is dependent on having the right institutional capacity and financial means to successfully drive the LED objectives. From a human capacity perspective, municipalities have struggled with high LED unit vacancy rates throughout the period under review. Local Economic Development requires professional skills beyond the project management of community development projects. Targeted skills development interventions are required to better equip LED practitioners for the future challenges. Of critical importance is the professionalisation of local economic development, within the larger context of professionalising local government.

From a financial perspective, the first decade was characterised by limited information on budget provisions and expenditure. Some municipalities reported on the non-allocation of capital budgets, whilst others reported on budget constraints – especially in the smaller municipalities. The trend regarding the challenges with available funding continued.

¹⁹⁴ Gauteng DLGH, *End of Term Report 2006-2011, 2011*

¹⁹⁵ Gauteng State of the Province Address, 22 February 2016.

¹⁹⁶ Department of Small Business Development, *Strategic Framework for the implementation of the National Informal Business Upliftment Strategy (NIBUS) at Local Government level, 2015.*

¹⁹⁷ Gauteng Premier, *Second Political Report to the Gauteng Provincial Legislature, 4 December 2015.*

Most of the local municipalities still had no budgets or had limited budgets. It is important to note that the allocation of funding typically reflects the priority allocated to specific deliverables. In light of the fact that LED is a strategic driver of the radical transformation agenda, it is not feasible to treat it as an unfunded mandate going forward. The ability of municipalities to successfully facilitate investments is, therefore, critical in the next term.

Despite the fact that municipalities have been requested to develop their performance reports according to a template, reporting on a number of critical LED indicators remained inconsistent, incomplete and adhoc (for example: the number of BEE contracts awarded, formalisation of informal trading provided, number of SMME's and cooperatives supported by local municipality, sustainability rates of enterprises supported, the Rand value of Investment attracted, capital expenditure on LED projects, new partnerships formed, etc.).

Challenges were experienced with gathering of data in the LED area, and in instances the accuracy or completeness of some of the data could not be verified and/or secondary sources had to be utilised. It was found that in some cases the same indicators were not carried through the entire reporting period and in some instances, actual performance was reported but the target not indicated in annual reports. In many cases, baseline information was not captured for the periods, so making performance tracking difficult.

Success rates and especially the longer term impact of Local Economic Development initiatives are not actively monitored and reported on – baselines and a set of indicators need to be developed to measure the return on investment and sustainability of LED interventions over the next five year term.

Under this discussion, it is further argued that the fact that there is no LED Pillar among the five pillars of the Gauteng B2B programme is considered a weakness.

Moving forward, to strengthen LED capacity and resourcing, the critical issues are:

- a) Professionalise the LED discipline and capacity in Gauteng municipalities;
- b) Strengthen LED expenditure management to ensure that budgets available are optimally applied;
- c) Strengthen LED oversight and monitoring and evaluation capacity. PM&E systems and processes need to be streamlined to enable disciplined, consistent, accurate and complete reporting on critical province-wide agreed LED indicators and reporting standards;
- d) Improve the facilitation of investment and partnerships in the implementation of LED plans, and report on initiatives and successes in terms of attracting investment; and
- e) Support municipalities to continue to optimise the functioning and benefits of LED forums.

The above findings and critical issues then inform the recommendations in chapter 6 of this Review.

SECTION 3.4

KPA 4: GOOD GOVERNANCE AND PUBLIC PARTICIPATION

Aligned to:

- B2B Pillar 1: Put people and their concerns first
- B2B Pillar 3: Good governance and sound administration
- TMR Pillar 3: Accelerated social transformation
- TMR Pillar 4: Transformed state and governance
- TMR Pillar 5: Modernised public service

Focus Areas Considered:

- Political and administrative governance
- Public participation and accountability
- Intergovernmental relations
- Corporate governance

Governance and public participation form a closed loop system of democracy in which local government, as a sphere of state, consists not only of the political and administrative structures of a municipality, but of communities, civil society and the private sector playing an integral and active role in the decisions and services that impact them. An active and engaged citizenry is thus a crucial component of a democratic and developmental local government, requiring of municipalities to establish public participation structures that are functional, accessible and considerate of the needs of society, particularly the most vulnerable.

Governance can, therefore, be assessed as 'good' when a municipality allocates and manages resources in ways that respond to collective problems and when it efficiently provides public goods and services of sufficient quality to its citizens. This is further supported by sound corporate governance practices, systems and processes, in terms of oversight and day-to-day operations, which foster a climate of high ethical standards, transparency and accountability.

Good governance and public participation at the local sphere draws from the overarching legislation described in chapter two of this Review. The legislative prescripts are not duplicated here, but specifically inform the review on governance and public participation in terms of the requirements for:

- 1) Community consultation and participation in the affairs of the municipality, based on the ward participatory system adopted by all Gauteng municipalities;
- 2) The committees available for Council oversight and Executive accountability;
- 3) The criteria and procedures available for the determination of municipal boundaries by the Municipal Demarcation Board;
- 4) The duties of municipalities to build the capacity of communities to be actively involved in public participation processes;
- 5) The duties of communities to enforce their rights to be involved in the decision-making and performance evaluation processes of a municipality;
- 6) The responsibilities of the Accounting Officer to ensure the establishment and maintenance of effective, efficient and transparent systems of administrative governance;
- 7) Contributing to the processes of cooperative governance for a coordinated and integrated approach to service delivery and policy implementation; and

Supporting the above, the national and provincial policy and strategy environment has helped to inform the focus areas of the Review, as follows:

1) Political and administrative governance

The Review explores the evolution of the separation of powers and functions and governance approaches adopted by the Gauteng municipalities. This includes an assessment of the municipal committee systems and oversight structures and a reflection on the service delivery models adopted by the metros in Gauteng.

2) Public participation and accountability

Guided by legislation and national and provincial policy, and to foster an active citizenry, the Review assesses the effectiveness of the various public participation approaches and platforms used by municipalities to enable citizens to play an integral and active role in the decisions and services that impact them. In particular, the effectiveness of

ward committees, the community development workers programme and the IDP consultation processes are assessed, followed by a reflection on the trends and reasons for service delivery protests.

3) Intergovernmental relations

Viewed as a key enabler of an integrated and seamless Gauteng City Region and guided by a number of support frameworks that have been developed over the fifteen year period, including the Gauteng IGR framework in 2010, the review assesses the progress that has been made by local government in Gauteng; specifically the extent to which the various forums, cooperative government structures and delegation of powers and functions have contributed to improved service delivery and policy implementation.

4) Corporate governance

The review looks at issues of accountability and transparency through effective systems and processes of risk and audit management, the management and control of fraud and corruption; as well as citizen satisfaction as an indicator of good governance and service delivery.

3.4.1 Political and Administrative Governance

In assessing performance of political and administrative governance, consideration has been given to how local government in Gauteng has dealt with the separation of powers and functions between Council and the Executive, and the governance approaches for efficient and effective service delivery.

SEPARATION OF POWERS AND FUNCTIONS

While the Constitution provides for the principle of separation of powers through the functional independence of the three arms of government (executive, legislature and judiciary), at the local sphere a Municipal Council is vested with both legislative and executive authority. There is therefore no clear distinction between these two functions at a municipal level.

Furthermore, the Municipal Structures Act (1998), while providing for the establishment of a municipal committee system, allows for substantial discretion on how the municipality may choose to structure its committee system¹⁹⁸.

It is against this backdrop that the decision was taken in 2001 to establish Section 80 Portfolio Committees (accountable to the Executive) in favour of Section 79 Oversight Committees (accountable to Council). The result was a strong Executive and a Council that lacked the structure and capacity to hold the Executive accountable through effective oversight.

Reflection on performance in the first ten years (2000-2011)

The realisation of the weaknesses in the above governance system brought about the introduction of Section 79 Municipal Public Accounts Committees (MPAC's) at all Gauteng municipalities, and a new governance model for the separation of powers and functions at the metros.

The COJ piloted the separation of powers governance model in the second term, which was aimed at strengthening the role of Council as a legislature and enhancing its role in oversight, community participation and the maintenance of sound governance. The model included the replacement of Section 80 Portfolio Committees with Section 79 Portfolio Oversight Committees, established in terms of Section 129 of the MFMA.

¹⁹⁸ SALGA, *Practical Guide for the Establishment of MPACs- Enhancing Oversight in the Municipality*, 2012

Two studies were conducted by the then Gauteng DPLG into the effectiveness of the model, the latest being the March 2010 evaluation¹⁹⁹ which, based on the majority view that the functionality of the Section 79 Portfolio Oversight Committees was improving and gaining recognition as the oversight mechanism for accounting in terms of service delivery and budget spending, endorsed the governance model as a viable approach to enhancing the separation of powers at the local sphere.

The study however found that the functionality of the committees could not as yet be regarded as optimal owing to a number of challenges, including among others, the lack of adequate skills and financial and physical resources; the lack of a dedicated legislative framework to detail the authority of the oversight committees to hold the Executive to account; and the part time status of councillors serving on the committees.

Furthermore, and applicable to all municipalities, was the establishment of Section 79 Municipal Public Accounts Committees (MPAC's), aimed at providing Council with a financial governance mechanism for oversight and accountability. Their primary, although not exclusive role, being to scrutinise and investigate the credibility of the content of municipal annual reports for approval by Council.

Although established by most municipalities, the effectiveness of the MPAC's was impacted by the part time status of chairpersons and irregular sitting of meetings, resource and capacity constraints, skills and competency challenges, low quality reports and at that stage a lack of recognition and authority to enforce decisions. There was also a lack of cooperation from officials called upon to account to the Committee.

Review of performance in the third term (2011-2016)

Separation of powers and functions

The three Gauteng metros have all implemented a governance model that provides more effective oversight and accountability.

The model provides for a clear delineation of powers and functions between Council and the Executive, improves Executive accountability for service delivery and enhances public participation in municipal processes.

Building on the intent to enhance oversight and accountability in the previous term, the COT and EMM implemented the separation of powers and functions governance model at the beginning of the third term, taking into consideration the challenges and learnings from the COJ experience.

The Gauteng COGTA evaluation into the EMM governance model in January 2016²⁰⁰ concluded that, as in the case with the COJ model implemented in the second term, the implementation of the model had realised tangible benefits for the metro, with evidence that it was generally supported and increasingly becoming institutionalised.

The study, however, identified challenges relating to delays in decision-making processes; lack of a legislative basis to enforce executive compliance by the oversight committees; poor resolution tracking; lack of proper community participation; and the lack of role clarity on the part of stakeholders. All very similar to the challenges identified by the March 2010 study into the effectiveness of the COJ governance model.

For the third term, MPAC's were established in all Gauteng municipalities, between June and October 2011. Having considered the challenges relating to the functionality of MPACs in the previous term, COGTA and National Treasury jointly published Guidelines for the Establishment of MPACs²⁰¹ in August 2011. Soon after, in March 2012, SALGA produced

¹⁹⁹ Gauteng Department of Local Government and Housing, *An evaluation of the governance model of the City of Johannesburg Post-2008 interventions, March 2010*

²⁰⁰ Gauteng COGTA, *Evaluation of Ekurhuleni Metropolitan Municipality's Separation of Powers Governance Model, Jan 2016*

²⁰¹ National Department of Cooperative Governance and National Treasury, *Guidelines for the establishment of MPACs, 2011*

*A Practical Guide for the Establishment of MPACs*²⁰².

Building on these frameworks, the third term realised a progressive improvement in the functionality of MPACs, however, not to the same standard across all municipalities. The AGSA referred to the state of MPACs for the 2014/15 financial year as “pockets of excellence”²⁰³; still requiring significant strengthening in most municipalities.

The following insert reflects a contributory link between oversight bodies, such as MPAC, that function well in promoting accountability and the municipality achieving a clean audit.

Key observations over the period (2000-2016)

EMM MPAC contributing to clean audit opinion for two years running

Respondents to the COGTA evaluation study into the separation of powers model at Ekurhuleni overwhelmingly agreed that “MPAC is the biggest winner in the process” of oversight and accountability.

The respondents reported that the MPAC committee functions very efficiently, and its interface with committees such as the Internal Audit, Audit and Risk Committees has enabled the municipality to achieve a clean audit outcome for the 2013/14 Financial Year (EMM has repeated this achievement in 2014/15).

The view expressed was that “the MPAC is the one committee which has been able to hold the executive accountable, and it has been unrelenting in this responsibility”.

In terms of strengthening the separation of powers and functions between Council and the Executive over the fifteen year period, the following **successes** were realised:

- 1) The three metros successfully implemented the separation of powers and functions model. The COGTA evaluation studies into the effectiveness of the model, at COJ in March 2010 and at EMM in January 2016, both revealed a visible strengthening of Council oversight and Executive accountability over the period. The model is thus ready to be rolled out to all municipalities.
- 2) There has been a progressive improvement in the functionality of the MPAC at a number of municipalities. In this regard, the MPAC has become the key driver of improved audit outcomes as demonstrated by their ability to hold officials to account and to effectively fulfil their primary role of vetting the contents of the annual report for approval by Council.
 - a) The AGSA in the 2014/15 consolidated report on the audit outcomes of local government attributed “these pockets of excellence to leadership providing the necessary support to MPACs in executing their oversight responsibilities”²⁰⁴.
 - b) The AGSA also found that the formation of provincial MPAC forums, facilitated by the Association of Public Accounts Committees (APAC) played a key role in strengthening MPACs by providing a platform for MPAC members to share information, knowledge and experience²⁰⁵. The more successful MPACs were, thus, those that applied these experiences to their respective municipal environments.
- 3) The Gauteng municipalities with clean audit outcomes (and to an extent those with unqualified audit outcomes)

²⁰² SALGA, *Practical Guide for the Establishment of MPACs- Enhancing Oversight in the Municipality*, 2012

²⁰³ Auditor General of South Africa, *Consolidated general report on the audit outcomes of local government 2014-15, May 2015*

²⁰⁴ Auditor General of South Africa, *Consolidated general report on the audit outcomes of local government 2014-15, May 2015*

²⁰⁵ As above

Notwithstanding the above successes, the following **challenges and/or constraints** have been identified:

- 1) In terms of the separation of powers and functions governance model at the metros:
 - a) The lack of legislation to legitimise the model and enforce Executive accountability through the formalisation of Section 79 Portfolio Committees;
 - b) The part time status of the non-executive members, particularly the chairperson of the Section 79 Portfolio Committees; restricting the time that they had available to exercise their duties; and
 - c) Financial and physical resourcing, capacitation and the competency of members. In some cases, inadequate support by the Executive and responsible officials.
- 2) In terms of MPACs:
 - a) Inadequate allocation of resources to MPACs – human, financial and in certain cases adequate physical infrastructure, further impacted by the reshuffling of members;
 - b) Lack of cooperation from the accounting officers and responsible officials, and the resultant lack of consequence management;
 - c) Poor investigative and scrutiny skills of MPACs; and
 - d) Lack of tracking and follow through on audit and MPAC findings prior to submitting annual reports to Council for approval.

SERVICE DELIVERY MODELS OF THE METROPOLITAN MUNICIPALITIES

Following the establishment of the three metros in 2001, the metros were challenged to amalgamate the service departments of the incorporated transitional municipalities in a manner that would enable efficient and effective service delivery, in line with the provisions of the Municipal Systems Act (No. 32 of 2000).

The COT and EMM (and the metros in other provinces) opted to retain a mostly internal service delivery model for the provision of basic services, with a very limited number of agencies supporting the provision of water, public transport and housing.

In contrast the COJ, through the iGoli 2002 process, opted for a service delivery model consisting of independent, board controlled, municipal owned entities. The result was fifteen municipal entities, consisting of three utilities, two agencies and ten corporatised entities; all wholly owned by the City of Johannesburg Metropolitan Municipality.

Critical reflection on the service delivery models adopted by the Gauteng metros

A summary of the rationale for the two models is presented in the following table.

Table 32: Rationale for the internal vs. external service delivery models of metros

Factor	Internal Service Delivery Model	External (MOE) Service Delivery Model
Oversight and accountability	Fully aligned to governance structures of the municipality. City Manager is the Accounting Officer and in direct control - clear lines of accountability. Directly accountable to communities through participatory governance processes.	Board of Directors providing leadership and oversight- access to external, specialised expertise of independent Board members. Managing Director / CEO is the Accounting Officer. Risk of conflicting reporting lines between Shareholder and Board. Arm's length accountability to communities.
Service delivery	Although scope exists for specific service / product focus, often drawn into working across functions, rotated more often and more non-core function meetings and engagements.	Focused on a specific service / product, with clear mandate, vision, mission and goals. Flexibility in terms of how to implement as long as aligned to the Shareholder's Agreement.
Revenue management / sustainability	Better able to cross subsidise and move funding to address changing priorities of the municipality.	Ring-fenced revenue, targeted at fulfilling the MOEs mandate. Greater scope for external revenue generation.
Bureaucracy	Longer chain of command / slower decision making.	Smaller organisation, flatter structure and faster decision making.
Skills and competencies	More generic / multi-skilled, but good access to training and development.	Targeted skills development within a sector. Better able to attract and retain specialists due to corporate setup of MOE. Potentially higher levels of professionalism.
Leadership	Leader important but easier to move out of position if not performing.	Leadership sensitive, direct impact on performance. More difficult to detect and then remove a poor performing leader.
Labour management	Part of the bargaining council.	Originally it was thought that MOEs would not form part of the bargaining council, however, this has been challenged and the SALGA constitution has been amended to incorporate MOEs. Thus, no benefit.
Remuneration	As per the municipality's pay scales.	Some flexibility but within the guidelines of the Shareholder.
Cost	Part of the organisational structure of the municipality with access to shared services. Although cost effective, efficiency and speed of accessing support services in a large organisation impacted.	Increased costs due to added governance arrangements, including Board, internal audit, risk, HR, SCM and other support functions.

Sources: SALGA 15 year review of local government; COJ Institutional Review (2011); Annual Reports

As part of the institutional review process of the COJ in 2011²⁰⁷, the COJ tested its external-oriented model for ongoing relevance against many of the factors reflected in the above table. The outcome of the assessment was an 'acid' test for the rationalisation of the MOE's and, with a view to better align the MOE's to the strategic intent and new portfolios of the City, the total number of entities was reduced from 15 to 11 for the third term.

Summary of key observations

While the COJ service delivery model has received good accolades from certain quarters, others are somewhat more circumspect about the merits of the model, arguing that the potential disadvantages outweigh the advantages²⁰⁸. By contrast, the internal service delivery model is more generally accepted, mainly due to its adoption by all other metros and it is therefore more widely known and understood.

Based on this high level desktop review, it is argued that there is a case for either, based on the following conditions and considerations:

The internal service delivery model has the potential to work well if:

- 1) The bureaucracy of the metro can be reduced through the decentralisation of delegations of powers, authority and decision making;
- 2) Support services operate efficiently as business support partners;
- 3) Management is given the leverage to determine how its aligned strategy should be implemented, based on a well-defined and implemented performance management system; and
- 4) Adequate resourcing – people, finance, infrastructure, systems – are made available.

The external service delivery model has the potential of providing the municipality with a definitive competitive advantage, considering the following:

- 1) Evidence from the 15 year COJ experience is that MOEs are highly leadership sensitive with poor leadership resulting in underperformance and service delivery breakdown;
- 2) Good leadership on the other hand, supported by good governance practices with a clear separation of powers and functions between the Shareholder (Metro Council and Administration), the Board (Oversight) and the Executive, led by the Managing Director (Accounting Officer), has the potential of leveraging the advantages pertaining to speed, efficiency, professionalism and self-sustainability; and
- 3) For the model to work, the size and scope of operations and budget of the MOE needs to be large enough to warrant the costs of the additional governance and support structures required to ensure legislative compliance – in terms of the Companies Act, MFMA, etc.

The above observations have been made within the confines of a limited desktop review. It is recommended that a more comprehensive study is undertaken to gain a detailed understanding of the merits and shortcomings of each model, towards the development of a good practice model to guide implementation of the wall to wall metropolitan system of governance envisaged for the GCR.

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City of Johannesburg, Report on high level institution review, August 2011
South African Local Government Association, 15 years of developmental and democratic local government, December 2015

3.4.2 Public Participation and Accountability

In reviewing performance in terms of public participation and accountability, consideration has been given to how local government in Gauteng has dealt with the establishment and functionality of ward committees, the deployment of the community development workers programme and the use of broader public participation platforms, particularly as part of the IDP consultation process.

PUBLIC PARTICIPATION STRUCTURES AND PROGRAMMES

Local government in Gauteng has been tasked with ensuring the functionality, coordination and integration of the various public participation structures and programmes, including ward committees, Community Development Workers (CDW's) and IDP consultation forums, in their commitment to deepening democracy through participatory governance and stimulating an active and engaged citizenry.

Reflection on performance in the first ten years (2000-2011)

By the end of the first term, it was reported that most municipalities had established ward committees in at least 95% of the wards within their jurisdiction, with the exception of Randfontein LM and Westonaria LM, with 60% and 85% of ward committees established respectively. Due to the different approaches adopted by the municipalities the DPLG gazetted guidelines²⁰⁹ for the establishment and operation of ward committees to ensure a standardised approach across the municipalities.

By the end of the second term, and guided by the DPLG guidelines, of the 466 ward committees established, 83% of them were reported as functional. However, the functionality of ward committees remained a serious challenge over the first decade.

Following the announcement of its establishment in SONA 2003, the rollout of the CDW programme was only beginning to take place towards the end of the first term, but took on a higher priority in the second term with the deployment of a total of 464 CDWs across the Gauteng municipalities by 2011.

The scope and scale of the CDW project varied across the municipalities, ranging from income generating projects in Sedibeng to social relief projects in Ekurhuleni. The CDWs also engaged in door to door work, community mobilisation for IDP planning and budgeting processes, information dissemination and resource mobilisation for community projects.

Note: *The deployment of CDWs and their relationship with ward committees proved to be a challenge, with a lack of clarity of roles and cooperation. The fact that ward committee members were mostly unpaid and CDWs earned relatively good salaries further compounded the tensions.*

A pressing concern was the lack of communication and coordination of service provision by the different spheres of government in a ward, creating confusion and community dissatisfaction. More importantly, with government working over each other in an un-integrated manner, the potential outcomes from the work being done were not optimised.

Although in its infancy, public participation in the first term reflected a move in the right direction, as assessed by the number of participants in the various public participation forums, including Izimbizo's, petitions committees, road shows, IDP forums and other public meetings.

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DPLG, *A Handbook for Ward Committees, 2005*

Key participatory governance challenge for municipalities

To manage the disjuncture between what communities expect and what municipalities provide – to move public participation beyond compliance towards building an active and engaged citizenry.

The fact that residents believed that there was still much to be done in terms of including them in the decision-making processes of municipalities is supported by way of the following example:

Asked whether they were given sufficient information and opportunity to influence the running of the City of Joburg in its May 2003 survey, only 24.1% gave a definitive yes²¹⁰. This despite the COJ having in place one of the more advanced public participation programmes in the first term.

In the second term, IDP forums were established by all municipalities and were reported to have resulted in an improving level of community participation in the formulation of IDP's. The involvement of stakeholders in public participation platforms such as Imbizos and mayoral road shows was varied across the municipalities and would remain a key area of improvement moving into the third term.

Review of performance in the third term (2011-2016)

Based on the key assessment that the functionality of the various public participation structures and programmes was varied, the priorities for the third term included the need to:

- 1) Review and strengthen support of the ward committee system for enhanced functionality;
- 2) Develop guidelines on the remuneration of ward committee members;
- 3) Strengthen the communication and feedback mechanisms across all spheres of government, to ensure a coordinated response to community needs within wards and to better coordinate the service delivery activities of all spheres of government;
- 4) Clarify and strengthen the role of CDWs and develop their relationship with ward committees as mutually supportive public participation facilitators; and
- 5) Review the IDP consultation processes for improved involvement of stakeholders in the various forums, with tailored approaches to suite the preferred communication channels of different communities.

Driven by Gauteng COGTA, there was a concerted effort to activate the ward committees by reviving street and block committee meetings, mobilising ward committees for public meetings, developing and approving ward committee policies, the signing of codes of conduct for ward committees, and the training of ward committee members on accredited courses relating to municipal processes, including IDP workshops.

Functionality was further supported by the development and implementation of ward committee operational plans since 2012/13, to aid ward committees in the active monitoring and facilitation of projects in their wards. Municipal Councils also approved the provision of stipends in the range of R500 to R1,000 for committee members, as a further attempt at functionality.

Considering the various interventions to improve the functionality of ward committees, and against the MTSF 2009-2014 target to achieve functional ward committees in 90% of established wards by 2013/14, the table below reflects that performance remained varied and inconsistent; with a declining functionality trend in the last two years.

²¹⁰ SA Cities Network, *State of the City Report, 2003*

Table 33: Percentage of functional ward committees in Gauteng in the third term

Municipality	2011/12		2012/13		2013/14		2014/15	
	Established wards	% Functional	Established wards	% Functional	Established wards	% Functional	Established wards	% Functional
COJ	109	90%	130	98%	130	80%	130	71%
COT	96	76%	105	97%	105	95%	105	0%
EMM	88	97%	101	98%	101	97%	101	77%
Lesedi	11	64%	12	92%	13	77%	13	100%
Emfuleni	43	88%	45	91%	45	84%	45	69%
Midvaal	9	100%	9	100%	14	100%	14	100%
Merafong	26	62%	28	96%	28	79%	28	89%
Mogale	32	50%	34	82%	34	79%	34	76%
Westonaria	15	80%	16	88%	16	100%	16	100%
Randfontein	19	68%	22	86%	22	100%	22	100%
Total	448	82%	502	95%	508	89%	508	62%

Source: COGTA Municipal Annual Performance Report 2013/14 and COGTA direct for 2014/15

Although the target of 90% was achieved in 2012/13 (95%), the percentage of functional ward committees slipped to 89% in 2013/14 and to 62% in 2014/15.

The primary reason for the dip to 62% in 2014/15 was due to a Constitutional Court ruling issued on 12 November 2014 stating that the City of Tshwane had to halt all planned ward committee meetings. As an interim measure, the City established transitional ward based consultative forums to ensure public participation at the ward level continued until the matter of the Court ruling could be resolved²¹¹.

Midvaal LM has maintained 100% functionality of ward committees over the period 2012-2015.

With the support of Gauteng COGTA both Randfontein LM and Westonaria LM have achieved 100% functionality of ward committees in the last two years and Lesedi LM in 2014/15.

The metros and the secondary cities of Emfuleni and Mogale City realised the biggest drops in functionality. The primary reasons related to a failure against the criteria for functionality, and the ongoing challenges of resignations, deaths and abscondments. The strength of leadership of ward councillors also impacted on functionality.

As at December 2015, a total of 165 ward committees in Gauteng were identified as being in need of hands-on support to build and sustain their functionality²¹².

Note: The functionality of ward committees is highly reliant on the leadership capabilities of ward councillors who chair the ward committees and who serve as the representatives of the community. Anecdotal evidence points to ongoing tensions between ward councillors and ward committee members and between lowly paid ward committee members and relatively well paid CDWs.

Although there is a lack of direct empirical evidence pointing to political bias by ward councillors, particularly in directing

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City of Tshwane, Office of the City Manager, Letter to Gauteng COGTA: Inputs to the COGTA 15 year review report, 22 April 2016
Gauteng COGTA, Presentation on the local government 10 point plan: Back to Basics perspective, 11 April 2016

the selection of ward committee members in line with political affiliations, it is raised by this Review as a cautionary note (based on it being a recurring issue discussed by various authors over the period) and requiring further investigation to support the interventions that will be put in place to strengthen the functionality of ward committees moving forward.

Off the baseline of 463 CDWs deployed to wards as at the end of 2011, the table below reflects a declining trend over the third term.

Table 34: Number of community development workers deployed to wards per annum

Municipality	N ^o of CDW's deployed to Wards			
	2011/12	2012/13	2013/14	2014/15
City of JHB MM	100	100	100	88
City of Tshwane MM	111	103	103	89
Ekurhuleni MM	90	89	89	82
Mogale LM	30	29	29	28
Randfontein LM	16	14	14	14
Lesedi LM	10	10	10	11
Midvaal LM	7	7	7	6
Westonaria LM	19	19	19	19
Merafong LM	21	21	21	18
Emfuleni LM	17	32	14	31
Total CDW's deployed	421	424	406	386

Source: COGTA Municipal Annual Performance Report 2013/14 and COGTA direct for 2014/15

The biggest decrease in the number of CDWs was in the metropolitan municipalities. As with ward committees, the main reasons cited related to resignations and deaths. There however appears to have been a lack of succession planning and priority given to filling vacancies timeously.

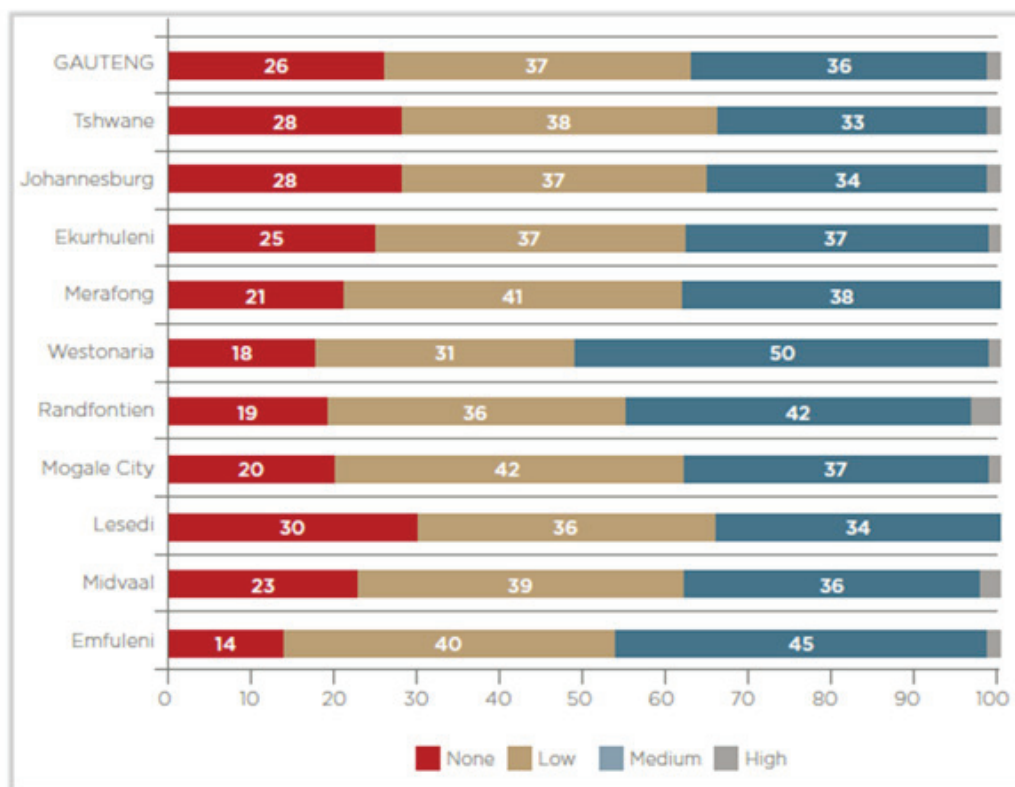
A key improvement to the CDWP was the establishment of an enhanced management process, which realised a supervisory regime of one supervisor for every 20 CDWs, resulting in increased outputs from the CDWs in fulfilling their role to work with a range of stakeholders. However, the CDW's continued to face challenges around the lack of support from sector departments and ongoing tensions with ward councillors, which remained unresolved from the first two terms.

All municipalities reflected some form of engagement with communities through public meetings and IDP forums in developing the 2011-2016 municipal IDP, and the annual IDP reviews. Municipal annual reports reflect that there was a progressive upward trend in attendance at IDP public meetings in the third term as compared to the previous term.

Ministerial, Mayoral and MEC Imbizos, as well as the distribution of newsletters and website publications have been successfully used by most of the municipalities to communicate municipal plans and progress to communities. As reflected in their annual reports, the metros were particularly active in this regard and have over the term hosted the most Mayoral and MEC Imbizos, consistently per annum. Mogale City, Midvaal LM, Lesedi LM and Emfuleni LM did not reflect the use of Mayoral Imbizos as a communication and stakeholder engagement platform.

The figure below provides a consolidated view of the participation of communities in various public participation fora, including IDP and community based forums, various community meetings (including community policing and ward committees), and other clubs and faith based organisations.

Figure 31: Democratic participation index in Gauteng and municipalities (2013)



Source: GCRO Quality of Life Survey, 2013; index not compiled for 2015 QOL survey

The democratic participation index provides an indication of the extent to which the citizens of Gauteng were interested in and actively involved in forums that allowed them to exercise their democratic right of oversight, activism and accountability.

Across all municipalities, 63% of citizens scored zero to low participation levels, 36% scored medium and only 1% scored high. Of the 1% scoring high on the democratic participation index for 2013 the majority were from the lower income groups, reflecting the importance of public participation structures as places for the voices of the poor to be heard. Importantly, those who scored higher on the participation index mostly disagreed with the statement “people like me cannot influence developments in my community”⁷.

Key observations over the period (2000-2016)

In terms of public participation and accountability, the following **successes** have been realised:

- 1) All municipalities utilised a wide range of public participation structures and programmes to enable and encourage participatory governance. Most ward committees have been established and a few municipalities have maintained 100% functionality of ward committees for two or more years.
- a) The municipal annual reports provide evidence that municipalities have actively encouraged community participation in the IDP process and that there has been an increasing trend in attendance of various public meetings.

- 2) All municipalities have in place Council approved policies on the remuneration of ward committee members.
- 3) Ward committee operational plans have been in place since 2012/13, providing a degree of coordination of the projects and activities of government in each ward.
- 4) The management of CDWs has been progressively enhanced over the period, and in many wards they have demonstrated their contribution to community mobilisation, engagement and information sharing.

However, the following **challenges and/or constraints** have been identified:

- 1) The lack of a provincial-wide public participation policy framework to inform and standardise the approaches used by municipalities and to stimulate the commitment of municipalities to agreed structures and programmes that foster a truly active and engaged citizenry (beyond compliance).
- 2) The recurring issue relating to the delineation of the roles and responsibilities of ward committees, ward councillors and CDWs has hampered the effectiveness of community based planning and empowerment over the period.
- 3) Difficulties in sustaining the functionality of ward committees. As at December 2015, 165 ward committees were rated as non-functional and requiring direct intervention and capacity support.
- 4) The lack of a dynamic ward based service delivery monitoring and tracking system, which details all projects and service delivery interventions taking place by all spheres of government in a ward for active and well communicated coordination.
- 5) The lack of a tracking, monitoring and reporting system (case management system) to manage the ±150,000 cases referred to sector departments for resolution per annum.
- 6) The decreasing trend in the number of CDWs due to vacancies not being filled timeously and, therefore, the inadequate coverage of wards.
- 7) In terms of IDP consultation processes:
 - a) The lack of a tracking, monitoring and feedback system (case management system) to deal with IDP consultation requests of communities that relate to municipal functions and the functions of other spheres of government.
 - b) Insufficient engagement approaches to suite the preferred communication channels and structures of different communities.
 - c) Limited scope for the public to input to the budgeting process, to determine priorities and influence service delivery decisions. IDP consultation has largely remained compliance driven as compared to “people and their concerns²¹³” driven.
 - d) Officials not clearly articulating objectives and deliverables in a manner that is understood by all, the result has often been a confused and dissatisfied electorate.

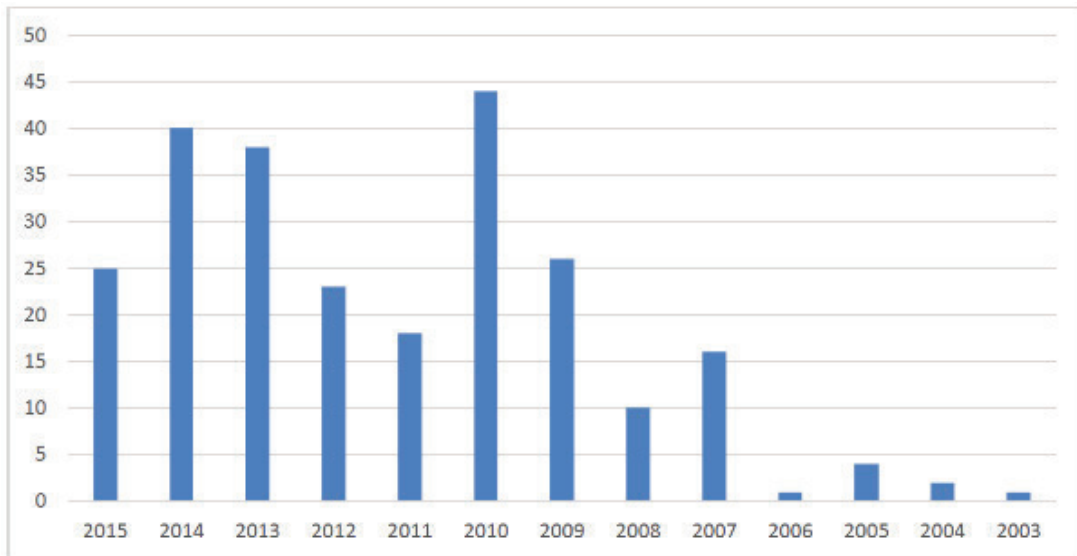
²¹³ *Gauteng COGTA, Presentation on the local government 10 point plan: back to basics perspective, 11 April 2016*

COMMUNITY PROTESTS

The discussion that follows makes reference to the following two figures that reflect the trends in community protests in Gauteng since 2003. *(Note that the figures are for calendar years and not financial years).*

The first figure reflects the trends in community protests in Gauteng in total.

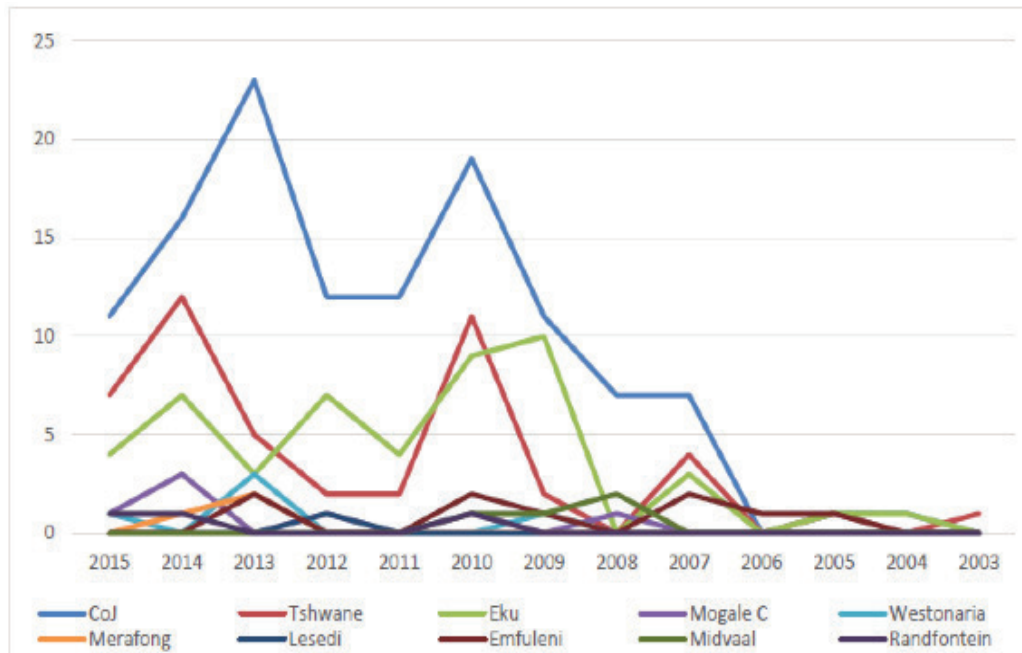
Figure 32: Gauteng community protests (2003-2015) (Total)



Source: Municipal IQ Hotspots Monitor²¹⁴

The next figure reflects the trends in community protests by Gauteng municipality.

Figure 33: Community protest trends by Gauteng municipality 2003-2015



214 Municipal IQ, Service Delivery Trends, via email from Karen Heese on 23 February 2016

Source: Municipal IQ Hotspots Monitor²¹⁵.

Reflection on community protests in the first ten years (2000-2011)

Community protests were not too pronounced in the first five years of local government. However, the second term witnessed an escalation in the number and scale of protests, and particularly concerning was the increasingly violent nature of the protests.

The reasons cited for the increase in violent service delivery protests included among others:

- 1) Housing backlogs and the lack of basic service delivery;
- 2) Perceptions of corruption and favouritism in the allocation of RDP houses;
- 3) Alleged fraud and corruption in the issuing of tenders;
- 4) Lack of social amenities; and
- 5) Relational issues due to ineffective public engagement and consultation, indicative of the ward committee system, CDWP and other community engagement processes not functioning optimally.

The SA Cities Network State of the Cities Report (2011)²¹⁶ concluded that the increase in community protests towards the end of the second term was caused by a multiplicity of factors, broadly categorised as follows:

- 1) **Systemic:** such as maladministration, fraud, nepotism and corruption;
- 2) **Structural:** such as healthcare, unemployment and land issues; and
- 3) **Governance:** such as weak leadership and the erosion of public confidence in leadership.

Reflection on community protests in the third term (2011-2016)

With reference to the figures above, community protests in Gauteng reached a peak towards the end of the previous electoral period. After the dip in 2011, protests increased year-on-year, peaking at 40 protests in 2014, before subsiding to 25 in the year to date December 2015.

The COJ has historically tracked higher than the other municipalities, reaching a peak of 23 out of the total 38 community protests in 2013, or 60.5% of all protests. However, while most municipalities experienced an increase in protests between 2013 and 2014, the COJ realised a sharp reduction to 16 out of the total 40 protests in 2014, or 40% of all community protests in Gauteng in 2014. Virtually all municipalities have trended downwards in 2015/16, a promising sign.

Further analysis reveals that most community protests over the period have occurred in informal settlements in the large metros. In 2014, 35 of the 40 community protests occurred in the three Gauteng metros; representing 87.5% of all community protests in Gauteng²¹⁷.

²¹⁵ Municipal IQ, *Service Delivery Trends*, via email from Karen Heese on 24 February 2016

²¹⁶ SA Cities Network, *State of the Cities Report, Chapter 5- City Governance, 2011*

²¹⁷ Municipal IQ, *Service Delivery Trends*, via email from Karen Heese on 24 February 2016, www.municipaliq.co.za

Metro challenge of urbanisation / in-migration

The metros experience the highest population growth rates of all municipalities; there is a strong link between high levels of in-migration and community protests as migrants move to areas of high economic activity in search of employment. However, often, ending up unemployed and living in informal settlements with little access to housing and basic services.

A lack of information and poor communication by local government with communities in informal settlements has been cited as a problem, which often sparks community protests.

The participatory governance processes of ward committees and CDWs has thus been most tested in these areas, and often lacking due to the fluidity and lack of organisation in these areas. Communities have also lacked the voting strength of more formalised areas due to their lack of a mass of registered voters to lobby local political branches²¹⁸.

Further reasons for community protests are related to basic service delivery, lack of housing, electricity disconnection due to non-payment and allegations of fraud, corruption and favouritism.

Key observations over the period (2000-2016)

In addressing community protests, the following **successes** have been realised:

- 1) The “back to basics” programme and the targeted delivery of basic services to informal settlements have contributed to the decline in community protests in the latter part of the third term.
- 2) The implementation and support for the Ntirhisano Service Delivery Outreach Programme has contributed to the decline in community protests through the engagement of proactive and visible interventions aimed at addressing community needs and concerns timeously.

Gauteng Ntirhisano Service Delivery Outreach Programme

As an early detection intervention, the Gauteng Premier launched the Ntirhisano Service Delivery Outreach Programme in July 2014; aimed at strengthening the collaboration between government and its partners to accelerate service delivery and build a visible, activist government that listens to people and responds to their needs and concerns timeously. Municipalities are critical partners in the programme.

Anecdotal evidence is that the Ntirhisano programme has played a significant role in bringing down Gauteng’s share of national community protests (from 25% in 2014/15 to 15% in 2015/16).

However, the following **challenges and/or constraints** have been identified:

- 1) In-migration and urbanisation which has progressively placed a strain on the resources of municipalities to keep up with the basic service needs of poorer communities, particularly those requiring free basic services.
- 2) The difficulties of implementing coherent public participation processes in informal settlements and the lack of capacitated ward committees and CDWs to deal with the unique communication and engagement needs of the mostly unorganised communities in informal settlements.
- 3) Municipalities have continued to be perceived as being corrupt and not providing services on an equitable basis. This perception more often than not has been brought about by poor communication of programmes and plans via community participation structures.

²¹⁸ Municipal IQ, *Opinion Piece*, www.municipaliq.co.za

3.4.3 Intergovernmental Relations

In discussing intergovernmental relations, consideration has been given to how local government in Gauteng has dealt with the processes of cooperative governance through the various structures and forums that bring together the different spheres of government.

Reflection on performance in the first ten years (2000-2011)

In the first term, intergovernmental relations were mainly based on the provisions of Chapter 3 of the Constitution and the Municipal Structures Act (No. 117 of 1998). In its infancy, the primary focus was on establishing intergovernmental relations between municipalities such as speakers' and mayors' fora.

While district-local IGR structures existed in some parts of Gauteng, collaboration and cooperation was yet to be entrenched. The unclear role of DM's in IGR came to the fore. In the first term, the COJ and EMM were the leading metros in terms of fostering strong relationships with all spheres of government; both had in place Council approved IGR policies and strategies.

The enactment of the Intergovernmental Relations Framework Act (No. 13 of 2005) realised the establishment of formal IGR forums within and between all spheres of government, for improved coordination and collaboration between the three spheres of government in terms of planning, policymaking, budgeting, expenditure and service delivery. At the provincial level, this included the Premier's Coordinating Forum (PCF), MEC / MMC Fora and the provincial SALGA IGR structures.

Challenges, however, persisted throughout the second term, particularly relating to decisions of the various IGR forums not filtering through to the PCF, the lack of a tracking system to monitor decisions and the implementation thereof, the lack of measures to enforce IGR decisions, and the fact that there were no indicators in place to measure the functionality and effectiveness of IGR.

In 2010, the Gauteng provincial government adopted the Gauteng Intergovernmental Relations Framework, partly in response to the LGTAS and the MTSF and also to address the IGR challenges in Gauteng. Full rollout would, however, only be effected in the third term, with a focus on addressing the challenges towards institutionalising IGR.

Review of performance in the third term (2011-2016)

Considering the above findings of the first decade, the priorities of the third term included the need to:

- 1) Conduct an audit of the state of IGR in the province in terms of the Gauteng IGR Framework, including the capacity of IGR at the municipalities;
- 2) Establish an IGR database to track decisions and their implementation and to improve the alignment between the different IGR structures;
- 3) Ensure that all municipalities had in place aligned IGR strategies;
- 4) Define and enhance the working relationship between the Office of the Premier and the then Department of Local Government and Housing, in order to meet the envisaged IGR outcomes.

Following an audit of the state of IGR in the province in 2011/12, it was found that only the three metros, Sedibeng DM and Mogale City had fully functional IGR offices. At that point IGR had not as yet been institutionalised.

However, by the end of the 2012/13 financial year, IGR was captured in the performance agreement of at least one staff

investigation may be required to test whether IGR decisions and resolutions are filtering through to the implementing departments and whether the feedback mechanisms are adequate.

From a planning perspective, there is evidence in the municipal annual reports of a move towards an aligned cooperative governance approach by local government, hinged on the GCR and TMR. However, as the TMR has only filtered into the planning cycles of local government in 2015/16, the impact is yet to be realised or assessed.

Key observations over the period (2000-2016)

In terms of IGR, the following **successes** have been realised:

- 1) IGR has matured from the informal system of the first term which lacked legislative and policy guidance to one that is more clearly defined in terms of legislation and Gauteng-specific policy frameworks.
- 2) All municipalities have in place Council approved IGR strategies aligned to both national and provincial structure and programmatic requirements.
- 3) Attendance and participation in the various political and administrative IGR forums across the spheres of government is good and SALGA has established itself as an important link between the municipalities and national IGR structures.

The following **challenges / constraints** to effective cooperative governance have emerged over the period and more specifically as the province pursues the aims of the GCR and TMR, including²¹⁸:

- 1) Intergovernmental coordination has proven to take too long and has been fragmented.
- 2) The voluntary and informal GCR association (through the IGR structures) of the municipalities has hampered real institutional coherence in the GCR.
- 3) The lack of finalisation of the allocation of powers and functions within the GCR to enable intergovernmental coherence in driving service delivery through the IGR structures has prevailed over the period.
- 4) The role of district municipalities has remained unclear, with the DM's having lacked the authoritative status to drive IGR decisions within their constituencies.

3.4.4 Corporate Governance

The performance assessment of corporate governance has been conducted under the ambit of transparent, ethical and accountable government. Consideration has been given to how local government has progressed in its management of audit and risk, anti-corruption and fraud prevention, and complaints and petitions management.

A snapshot of the levels of citizen satisfaction is then reflected upon; specifically, in terms of the levels of citizen satisfaction with government itself, and briefly contrasted with citizen satisfaction with service delivery.

²¹⁸ *Gauteng Provincial Government, Governance and Planning Cluster Roadmap, July 2015 (Version March 2016)*

AUDIT AND RISK, ANTI-CORRUPTION AND FRAUD PREVENTION, AND COMPLAINTS AND PETITIONS MANAGEMENT

Reflection on performance in the first ten years (2000-2011)

In light of a number of incidences of corruption and mismanagement at various municipalities in the first term, it was found that local government in Gauteng lacked the oversight and monitoring systems to detect such incidences timeously, and then to act urgently in order to minimise the impact on the functioning of the municipality.

Progress was made in terms of the establishment of internal audit units to support the Executive, broadly reported to be functional by the end of the second term.

By the end of the second term, all of the metros and most of the other municipalities had in place approved anti-corruption strategies, fraud prevention plans and risk assessment plans, the few exceptions required further support into the third term.

Whistleblowing systems were introduced in some of the municipalities, with dedicated units dealing with fraud and corruption, either in-house as in the case of metros and district municipalities or outsourced as in the case of local municipalities.

With the support of Gauteng DLGH, municipalities were provided with capacity to develop implementation plans for the anti-fraud and corruption strategies developed, to initiate investigations and to set up anti-corruption committees with assigned roles and responsibilities.

Challenges persisted in relation to timeously addressing cases reported to the National Anti-Corruption Hotline, the Gauteng Shared Services and to the Whistle Blower Lines of Municipalities. This was largely attributed to a lack of capacity, limited funds and the lack of transparency regarding the cases being dealt with. Also, the long lead time for investigations by SAPS.

Note: *The data on cases reported and resolved was not reliable, and therefore could not provide the basis for assessing the overall state of fraud and corruption at municipalities over the period.*

Review of performance in the third term (2011-2016)

Based on the progress made and the shortcomings of the previous term, the priorities of the third term included:

- 1) Ensuring that all outstanding internal audit units were established and their assurance capability strengthened;
- 2) Ensuring all outstanding anti-corruption, fraud prevention and risk assessment strategies and plans were developed and approved, including the broad communication of the anti-corruption and fraud preventions strategies, particularly the mechanisms for whistle blowing;
- 3) Allocation of resources to support the processes of detection and investigation, towards the speedy resolution of cases.
- 4) Improving the tracking of the resolution of cases reported to the National Anti-Corruption Hotline and Gauteng Shared Services.

The management of risk and audit

In the third term, the twelve municipalities successfully developed organisational risk registers reflecting the top risks of the municipality and the key mitigation plans / actions. Many of the municipalities established integrated enterprise

as ISO 31000, the Public Risk Management Framework and other supportive guidelines from national and provincial government.

A review of the management reports of the AGSA revealed that, especially for the weaker performing municipalities, there were deficiencies in the risk assessments of the Risk Committee's, for example, not matching resource requirements to performance objectives and not identifying the priority risks that directly impact on the performance of the organisation.

Further challenges in the term related to the inconsistent tracking of the implementation of risk mitigation actions, and risk not being fully incorporated into the strategic and operational management processes of the municipalities.

Both the Internal Audit Unit and Audit Committee of all municipalities have been functional for the duration of the third term, having met all the legal requirements in terms of establishment. This includes the MFMA requirements for the Audit Committee to be constituted of independent committee members. The exception was Lesedi LM, which did not have a functional Internal Audit Unit in place for the 2014/15 financial year, due to capacity and resource constraints.

A view of the performance of the Internal Audit Unit (as independent assurance provider to the Accounting Officer) and Audit Committee (as the independent advisory body to Council) is highlighted by a randomly extracted list of findings by the AGSA, as per AGSA management reports during the third term.

Examples of Internal Audit and Audit Committee successes / good practices:

- 1) "The audit committee provides oversight at a high level, but also goes into detail when needed to. At the municipality there is an effective relationship between the audit committee, internal audit and the risk office"²²⁰.
- 2) "Internal audit always identified the control deficiencies and reported timely to the audit committee. The Audit committee performed the tasks that had been assigned to it, and provided support to management where weaknesses were identified"²²¹.

Examples of Internal Audit and Audit Committee deficiencies:

- 1) Internal audit did not always follow up on management responses to conclude on the internal audit findings, and internal audit did not adequately monitor action plans to address the external audit findings"²²².
- 2) "Internal audit reports were not always completed timeously, due to slow responses from management"²²³.
- 3) "Actions plans to address the Operation Clean Audit deficiencies were not implemented stringently ... there is a need for management to commit to implementation of the action plans from both the internal audit and AG"²²⁴.
- 4) "At year end, the Group Audit Committee and Group Performance Audit did not assess the effectiveness of the internal audit unit in the period under review and in the prior year"²²⁵.
- 5) "Due to the unreliable and lack of credibility of the reports presented by management, the audit committee did not make informed and adequate recommendations and were not able to identify the deficiencies timeously due to the inadequacy of the control environment"²²⁶.

Anti-corruption and fraud

²²⁰ Auditor General South Africa, *Emfuleni Local Municipality Management Report 2014/15, 30 June 2015*

²²¹ Auditor General South Africa, *Midvaal Local Municipality Management Report 2014/15, 30 June 2015*

²²² Auditor General South Africa, *Randfontein Local Municipality Management Report 2014/15, 21 November 2015*

²²³ Auditor General South Africa, *Randfontein Local Municipality Management Report 2014/15, 21 November 2015*

²²⁴ Auditor General South Africa, *Mogale City Management Report 2014/15, 30 June 2015*

²²⁵ Auditor General South Africa, *City of Johannesburg Metropolitan Municipality Management Report 2014/15, 30 June 2015*

²²⁶ Auditor General South Africa, *Randfontein Local Municipality Management Report 2014/15, 21 November 2015*

At the beginning of the third term, all outstanding anti-corruption strategies and fraud prevention plans were developed and approved by councils and implemented for the duration of the term. In 2014/15, the plans were evaluated to test their alignment to the provincial anti-corruption strategy, with revisions in progress.

Key hotlines were established for the reporting of suspected fraud and corruption, including the National Anti-Corruption Hotline, Gauteng Premier's Hotline, Gauteng Shared Services Hotline, and municipal specific anonymous tip-off lines. Generally, the cases reported fell within the categories of fraud, supply chain management infringements and financial misconduct.

The table below provides an indication of the effectiveness of the anti-fraud and corruption strategies of the Gauteng municipalities. It reflects the status of cases reported in prior years, as at end 2014/15, as reported in the 2014/15 municipal management reports of the AGSA.

Table 35: Status of prior years' reported fraud / corruption cases as at end 2014/15²²⁷

	No. of cases reported in prior years	No. of cases investigated	No. of investigations completed	No. of cases where appropriate action was taken	No. of cases referred to law enforcement / investigation agencies
City of Joburg	18	18	8	Not reported	1
City of Tshwane	Not reflected in Final Management Report of the AGSA, dated 30 June 2015				
Ekurhuleni MM	44	76	54	5	3
Westonaria DM	0	n/a	n/a	n/a	n/a
Sedibeng DM	4	4	1	1	1
Emfuleni LM	5	5	3	3	0
Lesedi LM	0	n/a	n/a	n/a	n/a
Merafong LM	0	n/a	n/a	n/a	n/a
Midvaal LM	0	n/a	n/a	n/a	n/a
Mogale City	2	2	0	2	1
Randfontein LM	0	n/a	n/a	n/a	n/a
Westonaria LM	0	n/a	n/a	n/a	n/a

Not reflected are the number of cases that have been closed due to insufficient information or a determination that the case does not warrant further investigation.

Note: *There is a disjuncture between the number of reported cases reflected above, the number of cases reflected in the COGTA Municipal Annual Performance Reports and the individual Municipal Annual Reports. This is likely due to the lack of consolidation of the cases reported via the multitude of national and provincial hotlines and individual municipal tip-off lines.*

The metros, in particular, have indicated in their annual reports that the number of cases reported has increased significantly over the third term following the broad communication of the various mechanisms for reporting fraud and corruption.

Although municipalities made progress in terms of the pace of investigations, the key challenge was that the recommendations of investigations were not always clear and concise to enable decisive action against the transgressor. Further training and capacitation of investigation units is thus a priority moving forward.

²²⁷ Auditor General of South Africa, Gauteng Municipality Management Reports for financial years 2011/12 to 2014/15

Anti-corruption and fraud hotlines: The challenge of increased public awareness

Increased public awareness of the mechanisms for reporting fraud and corruption resulted in a significant increase in the number of cases reported in the third term.

Municipalities, therefore, faced the challenge of capacity to conduct the forensic investigations and having to redirect resources to this function.

On the upside, the cases present the opportunity to improve the risk and internal control environment. It is thus vital to ensure investigations and resulting recommendations are sound.

Complaints and petitions

Note: Due to a lack of a standardised system of reporting citizen complaints, it was not possible to consolidate and analyse the number and type of complaints across all municipalities.

The reporting processes for complaints ranged from a centralised system, such as Joburg Connect in the COJ, to a more decentralised system as in the case of some of the local municipalities, where individual departments have their own complaints desks.

Improved capacity for managing citizen complaints

There is evidence that, particularly, the metros have upgraded their call centres to enhance the call taking capacity and turnaround times for a better customer experience.

All municipalities had in place a standing committee for handling petitions. Based on the available information it was, however, not possible to make a finding regarding the effectiveness of the municipal petitions management processes.

Moving forward, the need for an integrated, standardised system for managing and reporting on citizen complaints remains a critical issue, as a tool to inform citizen relations management strategies and service delivery priorities for the GCR as a whole.

Key observations over the period (2000-2016)

In building a clean, accountable and transparent government through the establishment of corporate governance structures and mechanisms of audit and risk, anti-corruption and fraud prevention and complaints and petitions management, the following **successes** have been realised:

- 1) The governance structures of audit and risk have been established by all municipalities and have generally demonstrated improvement in providing the Accounting Officer with assurance of the efficacy of internal controls, performance management and legal compliance.
 - a) Municipalities that have achieved clean audit outcomes have established sound working relationships between the assurance structures of Internal Audit and Risk and the Council oversight committees of Audit and MPAC.
 - b) The AGSA has commended a number of municipalities on the increasing effectiveness of internal audit units in identifying control deficiencies and reporting timely to the audit committee and their significant contribution to achieving clean audit outcomes.
- 2) All municipalities have in place Council approved anti-corruption and fraud prevention strategies and have

established and communicated the mechanisms for reporting of cases of mismanagement, fraud and corruption. Municipalities have realised a significant increase in the number of cases reported via their own internal tip-off lines or via the various national and provincial hotlines.

- 3) Forensic investigative units have been established by all municipalities - most in-house but some outsourced. Training and capacity development has made solid progress over the period.
- 4) Complaints management has progressively been enhanced. The metros in particular have upgraded their call centres to enhance their call taking capacity and turnaround times for a better customer experience.

However, the following **challenges and/or constraints** relating to corporate governance and the achievement of clean audit outcomes have been identified:

- 1) Varied performance in terms of the quality of risk assessments and the implementation of risk mitigation actions, specifically raised by the AGSA.
- 2) The lack of capacity and resourcing of Internal Audit Units and Audit Committees impacting on their assurance and oversight capabilities.
 - a) The AGSA has highlighted the inconsistent application of consequence management at many municipalities.
- 3) Insufficient capacity and competency of forensics investigations teams. The outcomes of investigations more often than not do not provide clear recommendations allowing for decisive action against transgressors.
- 4) Difficulties in tracking and assessing customer complaints due to the lack of a standardised system for centralised reporting by municipalities.
- 5) Performance in managing petitions is varied across the municipalities. It is unclear whether closed off petitions were adequately resolved and whether the petitions recur over time.

CITIZEN SATISFACTION

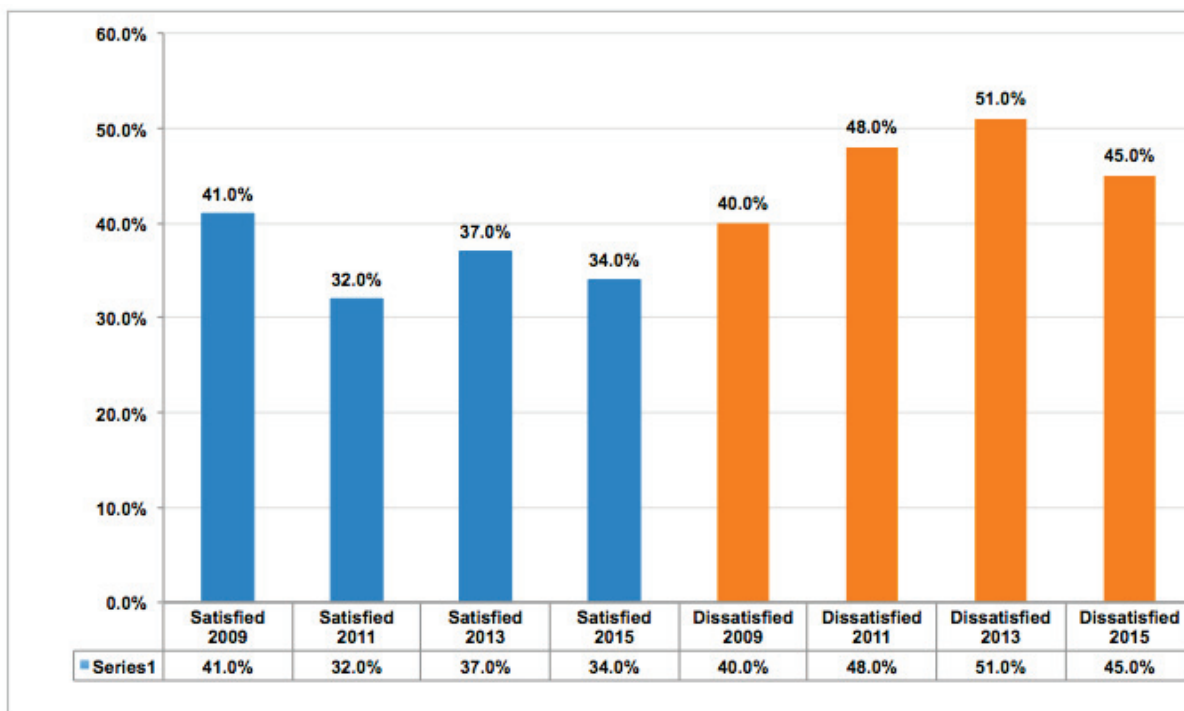
The GCRO conducts quality of life surveys in Gauteng, across all municipalities, every second year. The 2015 survey is the latest release following the publications of 2013, 2011 and 2009.

While the citizen satisfaction trends in relation to the provision of services has been discussed in the service delivery and infrastructure development KPA of this report, this section provides a snapshot of the trends in overall satisfaction / dissatisfaction with local government itself in Gauteng for the period 2009 to 2015.

Reflection on the trends in relation to customer satisfaction / dissatisfaction

The figure below provides a high level view of the results of the GCRO Quality of Life Surveys conducted in 2009, 2011, 2013 and 2015²²⁸ in terms of overall citizen satisfaction / dissatisfaction in local government in Gauteng.

Figure 34: Citizen satisfaction / dissatisfaction in Gauteng local government (2009, 2011, 2013 and 2015)



Source: GCRO Quality of Life Survey's (2009,2011,2013,2015)

Overall satisfaction with local government has fluctuated between 32%, 37% and 34% over the period between 2011 and 2015; however, it has remained lower than the 41% satisfaction rating achieved in 2009. Following the upward trend in the levels of dissatisfaction with local government, from 40% dissatisfied in 2009 to 51% dissatisfied in 2013, dissatisfaction levels have receded somewhat to 45% dissatisfied in 2015.

Below then is a reflection of the trends and factors that have impacted the levels of satisfaction / dissatisfaction with the Gauteng municipalities, per GCRO QOL survey, as referenced earlier. *The darker the shade the more dissatisfied.*

2009: 40% overall dissatisfaction

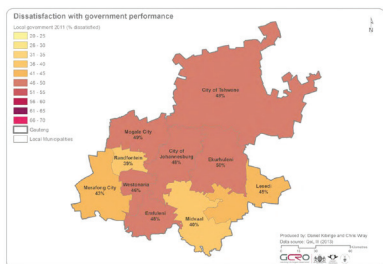
What the 2009 Survey said:

17% of the sample tried contacting a government department, 61% got an answer, 39% did not – but where they did get a response, 71% were satisfied with the response.

11% of sample have been asked to pay a bribe by a public servant at some time.

27% believe public servants act according to Batho Pele principles – 57% do not think so, the remainder never interact with officials / public servants.

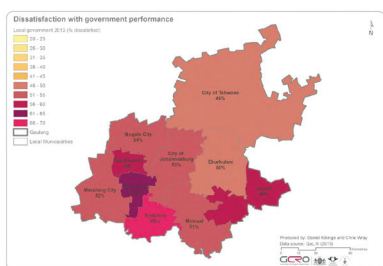
2011: 48% overall dissatisfaction **What the 2011 Survey said:**



10% (11% in 2009) of sample have been asked to pay a bribe by a public servant at some time.

16% (27% in 2009) believe public servants act according to Batho Pele principles – 51% (57% in 2009) do not think so, the remainder never interact with officials / public servants.

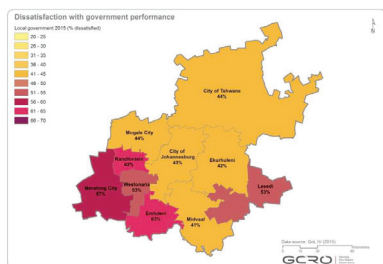
2013: 52% overall dissatisfaction **What the 2013 Survey said:**



90% of Gauteng's residents agreed that corruption is a major threat to democracy and 80% disagreed that public officials adhere to Batho Pele principles – findings were generally similar across all population groups, ages and incomes.

The results underscore the importance of eradicating corruption at all tiers of government, while improving the mechanisms by which government functions.

2015: 45% overall dissatisfaction **What the 2015 Survey said:**



Gains in local government satisfaction in Ekurhuleni, Mogale City and Westonaria and declines in Tshwane, Emfuleni and Merafong.

Higher the satisfaction with government, higher the intent to vote.

Of the races, whites most satisfied with local government.

Compared to previous surveys, corruption not viewed as a major factor in terms of satisfaction with local government.

64% believe officials do not live up to Batho Pele principles.

43% believe municipality does not care about providing services to me.

Almost 50% of citizens were dissatisfied with their local councillor.

Higher the perception of crime increasing, lower the satisfaction.

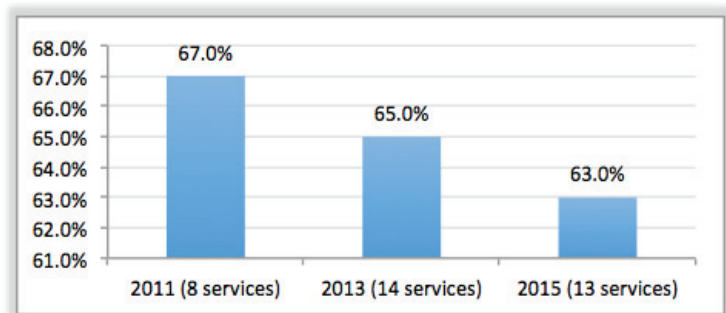
Higher the dissatisfaction with government initiatives to grow the economy, the lower the satisfaction levels.

The survey results allude to the disjuncture between citizen satisfaction with services and satisfaction with local government itself. By comparison, satisfaction with government has generally been low and although there has been an improvement (from 51% to 45% dissatisfied in 2015), satisfaction with services has trended in the range of 67-63% between 2011 and 2015 (across an index of 8, 14 and 13 services in 2011, 2013 and 2015 respectively).

Citizen satisfaction with services

While Gauteng provincial and local government needs to gain a better understanding of the reasons for this disparity, the GCRO remarked as follows in the QOL survey:

- 1) "Is it that people just do not know what government gives them? For example, they're happy with the water that comes out of their tap, but they don't know they have government to thank".
- 2) "Or is it that Gauteng residents can now take for granted a high level of government service delivery, but want more / something else from government - economic stability and jobs? Better treatment on the frontline of government / citizen interactions? Less corruption?".
- 3) "Either way, the answer to improved satisfaction with government is not just more RDP housing and more basic service connections".



GCRO Quality of Life Survey's (2011,2013,2015)

Building on the conclusions of the 2013 QOL survey, the GCRO concluded as follows in the 2015 QOL survey:

The following factors do not necessarily drive dissatisfaction:

- 1) Racial identity – whites are more satisfied with local government than Africans.
- 2) Perceptions of corruption.
- 3) Participation (or not) in forums.

The following factors, however, had the biggest impact in driving dissatisfaction:

- 1) Dwelling type.
- 2) Perception of how treated in recent interactions with government on the front line.
- 3) Level of satisfaction / dissatisfaction with the local councillor.
- 4) Perception that crime is getting worse.
- 5) Perception of government efforts to grow the economy, and own economic status.

Consolidating the above into an overall good city governance model may be what is required. Although the below model was developed with the metros in mind, the thematic areas should be equally applicable and important for the local municipalities:

<p>Thematic areas for good city governance:</p> <p>(SACN: State of South African Cities Report 2016³)</p> 	<p>Governance Model for the Gauteng municipalities:</p> <p>Contextualised to local realities, clearly defined municipal development strategies – short, medium and longer term; developed with and for local communities, businesses and other key stakeholders.</p> <p>Then, drive:</p> <p>Inclusivity: providing residents with the opportunities and capacities to share equitably in the social and economic benefits of the municipality.</p> <p>Productivity: leveraging the competitive advantages of the municipality to provide residents with opportunities to make a decent living – an enabling environment for job creation.</p> <p>Sustainability: the adoption of environmentally friendly and sustainable approaches to development and municipal long term viability and competitiveness.</p> <p>Well governed: clearly defined and stable political/administrative interface; effective participatory governance approaches; actively engaged citizenry; clean and accountable government.</p>
<p>The foundation and catalyst to the above is the Gauteng TMR and the five development corridors, as well the spatial transformation goal of the GCR.</p> <p>The challenge is therefore for the municipalities to leverage the available opportunities.</p> <p>The measure of success will be, among other, improved levels of citizen satisfaction.</p>	

3.4.5 Consolidated View on Governance and Public Participation over the Fifteen Year Period

Considering the above review of governance and public participation over the fifteen year period, the key findings and critical issues are consolidated below.

- 1) From a governance model focused on supporting the Executive with limited Council oversight, local government in Gauteng has progressed with the implementation of new governance models and structures that provide for the separation of powers and functions, thus enabling enhanced Council oversight and Executive accountability.

Moving forward, to further strengthen the separation of powers and functions for enhanced oversight and accountability, the critical issues are to:

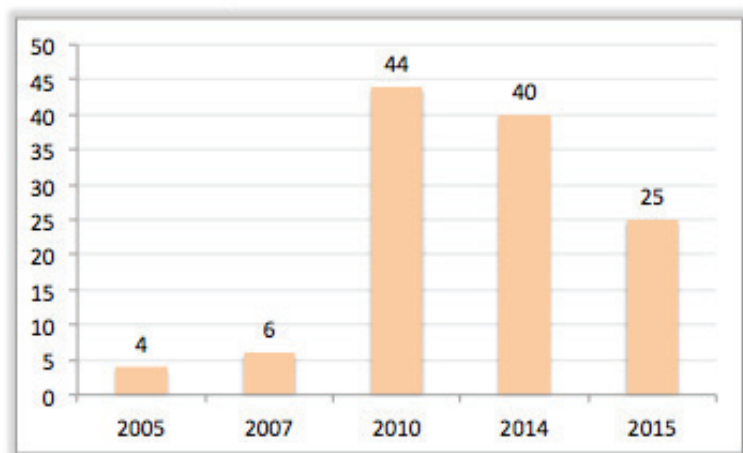
- a) Institutionalise the separation of powers and functions model at the metros and rollout to all municipalities; and
 - b) Strengthen the functionality and oversight capabilities of MPAC's and track and monitor the implementation of MPAC resolutions.
- 2) While the COT and EMM have retained most service delivery functions in-house, the COJ is the only metro in the country to have adopted a municipal owned entity approach for the delivery of services. The models have become entrenched in the workings of the three metros, with both advantages and disadvantages for each.

Moving forward, to determine a best practice service delivery model for metros in support of the metropolitan system of government in the GCR, the critical issue is to:

- a) Conduct an evaluation into the different service delivery models adopted by the metros and posture a best practice model for the GCR.

3) The functionality of established ward committees has been varied over the fifteen year period, mostly averaging between 80-90% and reaching a peak of 95% in 2012/13. The trend has, however, declined over the last three years, to 62% in 2014/15 – a total of 165 ward committees have been identified as non-functional at the end of the fifteen year period. The role and performance of the ward councillor in the functionality / non-functionality of ward committees

Community Protests: 2005-2015 Trend



and other participatory governance processes has been brought into question, supported by the GCRO QOL 2015, which found that at many municipalities citizen dissatisfaction with ward councillors was high.

There is evidence that the CDW's have progressed in their community development and mobilisation role. However, the number of CDW's has seen a steady decline over the fifteen year period from 464 CDW's at the beginning of the second term to 386 CDW's in 2015. Other challenges include the lack of support and feedback mechanisms for managing the average 15,000 sector based requests per annum and a relationship with ward committees that has remained strained over the full period of the review.

Following the upward trend in community protests in the first decade, reaching a peak of 44 in 2010, 2015 has realised a significant drop to 25 protests as compared to 40 in 2014.

The violent nature of protests remains a concern, with most protests taking place in informal settlements, and relating to a lack of housing, basic services and a perception of fraud and corruption.

IDP stakeholder consultations have progressed steadily over the fifteen year period through the use of a variety of public meetings, imbizos, forums and communication channels. There is, however, a sense that the consultation process is largely still focused on compliance, as reflected by the inadequate feedback of consultation inputs and the manner in which government priorities are communicated, often leaving stakeholders confused and disgruntled.

Moving forward, to strengthen the processes of participatory governance through a 'people and their concerns' first approach, the critical issues are to:

- a) Prioritise the functionality of the 165 non-functional ward committees and sustain the functionality of all ward committees, including an assessment of the role and performance of ward councillors in the functionality / non-functionality of ward committees and overall participatory governance;
 - b) Modernise and standardise the approaches to public participation through the development of a provincial public participation policy; including all structures, communication methods, relationships between role-players and a unique approach for informal settlements;
 - c) Develop a dynamic, ward based service delivery monitoring and tracking system that enables the coordination and communication of the activities of the three spheres of government;
 - d) Establish a case management system to track, monitor, feedback and report on all matters raised by communities; and
 - e) Increase visibility and activism through active participation in the Ntirhisano Service Delivery Outreach Programme.
- 5) Municipalities have been challenged with high levels of citizen dissatisfaction with local government. Although, there has been an improvement in the most recent period between 2013 and 2015, the levels of dissatisfaction remain high. This is in direct contrast to the levels of satisfaction with service delivery, which has trended relatively high over the period. The implication is that citizens want more than just basic services from government.

Moving forward, to improve citizen satisfaction with local government the critical issue is to:

- a) Conceptualise and adopt a good governance model premised on inclusivity, productivity, sustainability and a well governed municipality.
- 6) Particularly since the enactment of the Intergovernmental Relations Framework Act (No. 13 of 2005) and the formalisation of the structures and processes of IGR, local government has succeeded in becoming an active participant in the structures of all spheres of government.

IGR is, however, still typified as fragmented and lacking coordination; and decision making processes therefore take too long and are hampered by the voluntary association and informal GCR association through the IGR structures. Clarity of powers and functions among the spheres of government within the GCR also remains unresolved.

Moving forward, to support the institutionalisation of the GCR through a GCR aligned and integrated system of intergovernmental relations, the critical issues are to:

- a) Develop local government IGR strategies to support institutional coherence in the GCR, based on the Gauteng policy intent to move IGR in Gauteng from a voluntary association to one that compels support for and implementation of GCR related resolutions;
 - b) Support and align to the institutions and IGR structures of the GCR; and
 - c) Decide on and finalise the delegation of powers and functions.
- 7) The management of audit and risk, anti-corruption and fraud, and complaints and petitions over the fifteen year period has improved significantly. Municipalities have successfully established the requisite governance structures and mechanisms, with evidence of progressive improvement in their functionality. The fundamentals to deal with the pressing issues of corporate governance are therefore in place.

Gaps, however, exist in terms of enhancing the capacity of the various structures and committees to decisively deal with corruption and mismanagement, to enhance the assurance capabilities of municipalities in order to achieve clean audits, and to ensure a positive customer experience when dealing with complaints and petitions.

*Moving forward, to **strengthen the assurance and oversight structures to enable the achievement of clean audit outcomes by all Gauteng municipalities by 2017/18**, the critical issues are to:*

- a) Improve the quality of risk assessments and monitor the implementation of mitigation actions;
- b) Capacitate the forensics investigations teams to enhance the quality of recommendations to support decisive action against transgressors;
- c) Capacitate and resource Internal Audit Units and Audit Committees; and
- d) Rollout the Local Government Management Improvement Model (LGMIM) after an evaluation of the 2015/16 pilot.

*Moving forward, to **improve the customer experience through enhanced systems and processes for handling customer complaints and petitions**, the critical issue is to:*

- a) Establish a centralised repository for the tracking, monitoring and analysis of customer complaints and petitions in order to gain insights into key customer needs and concerns for planning purposes.

SECTION 3.5

KPA 5: FINANCIAL VIABILITY AND MANAGEMENT

Aligned to:

- B2B Pillar 4: Sound financial management accounting
- TMR Pillar 4: Transformed state and governance

Focus Areas Considered:

- Revenue management
- Expenditure management
- Financial health and viability
- Financial management and supply chain management

The fiscal powers and functions for local government are embedded in the section 229 of the Constitution, which describes the municipal fiscal powers and functions giving a municipality the right to impose property and service charges; and section 227, which provides for “local government in each province being entitled to an equitable share of revenue raised nationally to enable it to provide basic services and perform the functions allocated to it”, and “to receive other allocations from national government revenue, either conditionally or unconditionally”²²⁹.

Importantly, section 227(2) states that “there is no obligation on the national government to compensate provinces or municipalities that do not raise revenue commensurate with their fiscal capacity”²³⁰. Section 230(a) then provides for the raising of loans for capital and current expenditure, subject to national legislation, and restricted in that borrowing may not fund budget deficits at the local sphere²³¹.

The White Paper on Local Government then noted that the country’s fiscal framework would need to be restructured in four critical areas – revenue instruments and policies, national-local intergovernmental transfers, gearing in the private investments and budgeting, accounting and financial reporting systems.

Note: *Although the White Paper acknowledged the lack of a revenue base in many parts of the country, an underlying assumption was made that the average municipality was able to “finance 90% of their recurrent expenditure out of own revenue”.*

Considering the above, the financial viability of a municipality is largely dependent on how well it is able to manage its revenue and expenditure and leverage its asset base, within the local government fiscal framework; requiring the prudent utilisation of public funds, the ability to optimise revenue streams, and the efficient and effective management of scarce resources to meet the demand for services and to impact on economic growth and development. Financial management is then about ensuring that the fiscal framework is implemented through management systems, processes and policies that enable a legally compliant, well governed and accountable organisation.

The relative performance of the Gauteng municipalities over the review period, in relation to Financial Viability and Management, is assessed and discussed under the following focus areas:

- 1) Revenue management,
- 2) Expenditure management,
- 3) Financial health and viability,
- 4) Financial management.

3.5.1 Revenue Management

Broadly, municipalities aim to maximise revenue from property assessment rates, as the revenue source is unconditional and can be allocated according to the strategic priorities of the municipality; to optimise service charges and fees by considering consumer affordability and the financial sustainability of the municipality; for an equitable share that covers the provision of free basic services, unfunded concurrent functions and the institutional capacity required to administer core municipal functions; to receive grant funding for their infrastructure build and community development programmes; and to maximise on opportunities to grow alternative revenue and funding streams through borrowing, levies, fines, licences and permits, among others.

A municipality’s revenue then determines the funds available for expenditure.

229 *The Constitution of the Republic of South Africa, 1996 (Act 108 of 1996)*
230 *As above*
231 *As above*

Reflection on performance in the first ten years (2000-2011)

With reference to the findings of the previous end of term reports, by the end of the first term the operational grant dependency levels were just over 15% for the metros, 25% for the district municipalities and 15% for the local municipalities. RSC levies contributed around 50% to the revenue stream of the district municipalities and 11% to the metros.

By the end of the second term the operational grant dependency levels of the metros and the district municipalities had increased to 20% and 83% respectively, taking into consideration the scrapping of the RSC levies in 2007/08 and the top up to the equitable share to compensate. Local municipalities remained 25% dependent on grants.

Note: *The scrapping of the RSC levy as from 2007/08, which was replaced with a new grant from National Treasury as part of the equitable share, would come to bear on the financial viability of the district municipalities over time.*

Over the first ten years, revenue from property rates averaged around 16% of total revenue for the metros and local municipalities combined. Although the implementation of the Municipal Property Rates Act (No.6 of 2000) (MPRA) realised a slight increase in this revenue source for the metros, the impact was yet to be felt by the local municipalities.

Enacted to regulate the power of municipalities to impose property rates, the MPRA is also an important framework to ensure a consistent and significant source of revenue for municipalities. The MPRA was implemented by municipalities between 1 July 2006 and 1 July 2009. Implementation was delayed for many municipalities due to having to consider the thousands of objections to the valuation rolls.

The contribution to the revenue pool of service charges increased from 48% to 55% for the metros, while it remained flat at around 54% for the local municipalities, over the ten year period.

The balancing act for municipalities was to implement tariff structures that weighed up the need to adequately cover the increases in the costs of bulk services, such as water and electricity (determined nationally by regulators) and the affordability of residents to pay for the services.

The equitable share increased significantly from R1.7billion in 2005/06 to a peak of R7billion in 2008/09, before receding to R4.1billion in 2009/10 due to cut backs by National Treasury. This was, in part, due to under spending by municipalities of their conditional grants (for example, any unspent grant allocations for World Cup 2010), which National Treasury recouped from the equitable share. The ripple effect of the global economic recession in 2008/09 also began to place a strain on the fiscus.

Between 2006 and 2011 the total growth in revenue for the metros was 91%, the local municipalities 138% and the district municipalities only 33%. Total revenue increased by 95% over the five year period

Overall, actual operational revenue against budget for the period to 2010/11 showed an upward trend and was generally on par with budget, alluding to improving billing systems and the implementation of the MPRA.

However, while the metros and most of the local municipalities were experiencing double digit growth in year-on-year revenue, district municipalities were battling with much lower revenue growth, due to the relatively smaller increases in grants and subsidies.

Certain metros had problems with revenue collection, at times dropping to collection levels of 88%, indicating problems with revenue collection systems and also challenges of reconciling the valuation rolls of the new

MPRA with the collection systems. Issues of non-payment due to affordability and an unwillingness to pay also came to the fore.

The biggest funding source for capital budgets was external loans (38%), followed by government grants (32%) and internally generated funds (27%). The metros particularly, had the capacity to finance their capital projects through financial institutions, local and international, which provided 41% of their capital budget. Local municipalities were more reliant on government grants such as the MIG. Overall, second term capital grant dependency levels were 29% for the metros and 32% in total across all municipalities.

Review of performance in the third term (2011-2016)

The performance of the Gauteng municipalities and the learnings of the first ten years informed the following priorities for the third term:

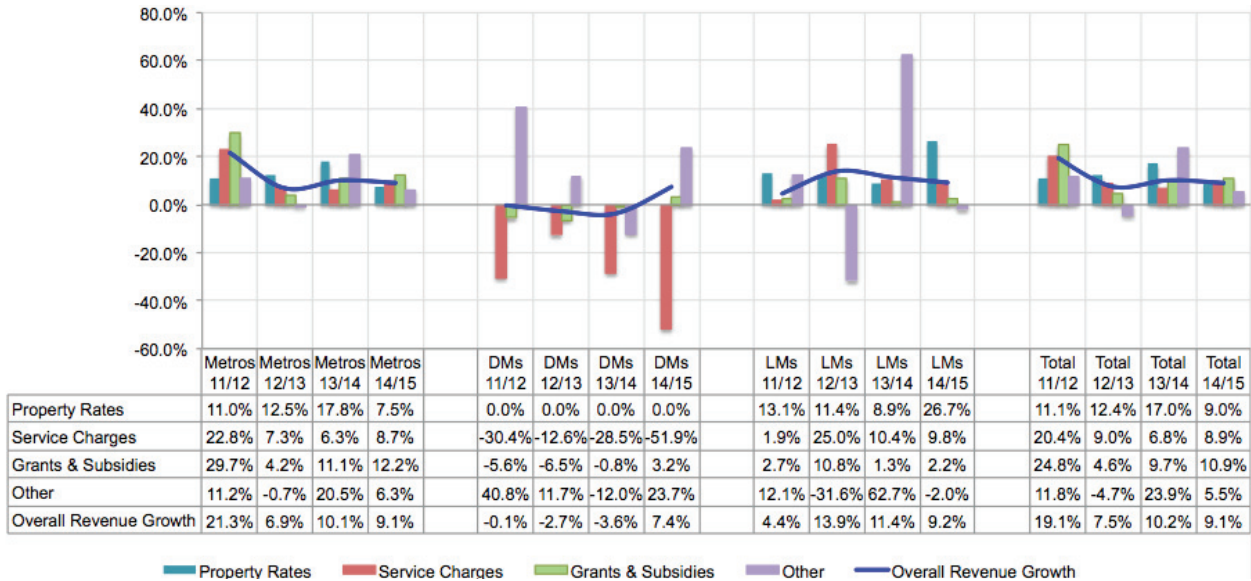
- 1) To grow revenue from property rates, requiring an alignment of the municipal billing and valuation systems as part of an integrated intervention to improve credit control and debt collection processes.
- 2) To optimise revenue from service charges, in light of double digit increases in the cost of bulk supply and in consideration for consumer affordability and value for money.
- 3) To address the inadequate equitable share allocations, particularly in light of the unfunded mandates of concurrent functions, to better fund the district municipalities following the scrapping of the RSC levies and to support the in-migration challenges faced by metros.
 - a) The funding challenges of the district municipalities would require a rethink of the role of district municipalities in Gauteng.
- 4) To reduce the dependency of municipalities on grants by seeking innovative sources of own revenue, both operational and capital.

OVERVIEW OF REVENUE FROM ALL SOURCES

Operational revenue sources

The figure below highlights the annual growth rate of each revenue source per category of municipality over the third term. The blue trend line reflects the overall revenue growth rate.

Figure 35: Year-on-year revenue growth rates over the third term (2011-2015)



Source: Municipal Audited Annual Financial Statements, 2011/12 to 2014/15

The metros experienced reasonable overall growth in revenue over the third term, mostly exceeding inflation, driven by solid growth in revenue from property rates, which peaked at 17.8% growth in 2013/14, receding to 7.5% in 2014/15. The metros also received the highest growth in grants and subsidies of all the municipalities, mostly above 10% with the exception of 2012/13 when it dropped to 4.2%. Growth in service charges was generally in the range of 6-8% for the period, reflecting a constraint imposed by consumer affordability in a depressed economic environment.

The district municipalities experienced an average 2.4% per annum decline in revenue from grants and subsidies, further compounded by the negative growth in service charges, mainly by WRDM, and a negative growth of 12% in other revenue in 2012/13. The overall growth in revenue tended negative for most of the term, except for 2014/15 when a 7.4% increase in revenue was realised, boosted by a 24% growth in other revenue.

The local municipalities did well to consistently grow their revenue from property rates over the period, peaking at 26.7% in 2014/15, following the latest valuations. Other revenue was somewhat more erratic, moving from a retraction of 31% in 2012/13 to a growth rate of 63% in 2013/14. Except for a 10% growth in grants and subsidies in 2012/13, growth in grants and subsidies remained flat at around 2%. Overall revenue growth over the period averaged 10%. Across all the municipalities, overall revenue growth averaged 11.5% for the period, with the highest growth coming from property rates, at an annual average of 12.4% and grants and subsidies, at 12.5%.

Below then, is a more detailed breakdown of revenue over the third term, providing a view of individual municipality performance.

Note: Restated actual figures for prior years have been used for financial years 2011/12, 2012/13 and 2013/14 to provide the most accurate achievement. 2014/15 audited financial statements were the latest available at the time of writing the report.

Table 36: Gauteng metropolitan municipalities sources of revenue (2011-2015) (R'000)

Metro	Financial Year	Adj. Budget	Property Rates	Service Charges	Grants & Subsidies	Other	Total	% of Billed Revenue
City of JHB	2011/12	37 050 753	5 412 614	18 135 473	7 540 386	3 151 939	34 240 412	92.4%
	2012/13	36 477 447	5 976 351	19 313 900	6 808 732	2 818 061	34 917 044	95.5%
	2013/14	39 212 748	7 215 938	20 115 991	7 789 582	3 304 903	38 426 414	98%
	2014/15	43 529 769	7 622 758	21 772 609	8 914 005	3 338 445	41 647 817	95.7%
	Total 2011-2015	156 270 717	26 286 256	79 244 171	31 067 850	12 543 977	149 142 254	95.4%
	% Contribution			18%	53%	21%	8%	100%
City of Tshwane	2011/12	19 668 700	3 357 657	10 643 372	3 547 429	1 222 642	18 771 100	95.5%
	2012/13	22 907 803	3 999 445	11 629 893	4 744 008	1 340 980	21 714 326	94.8%
	2013/14	24 212 862	4 410 334	12 316 946	4 973 894	1 632 872	23 334 046	96.4%
	2014/15	27 734 073	4 866 348	13 344 134	5 642 012	1 776 072	25 628 566	92.4%
	Total 2011-2015	94 523 438	16 633 784	47 934 345	18 907 343	5 972 566	89 448 038	94.6%
	% Contribution			19%	54%	21%	7%	100%
Ekurhuleni MM	2011/12	21 348 305	2 590 399	12 640 496	4 557 540	1 015 532	20 803 967	97.5%
	2012/13	23 302 111	2 802 871	13 500 276	4 746 558	1 193 701	22 243 406	95.5%
	2013/14	26 308 869	3 425 173	14 814 452	5 351 445	1 511 869	25 102 939	95.4%
	2014/15	27 588 387	3 689 518	16 254 616	5 771 611	1 742 647	27 458 392	99.5%
	Total 2011-2015	98 547 672	12 507 961	57 209 840	20 427 154	5 463 749	95 608 704	97%
	% Contribution			13%	60%	21%	6%	100%
Total Metropolitan Municipalities	2011/12	78 067 758	11 360 670	41 419 341	15 645 355	5 390 113	73 815 479	94.6%
	2012/13	82 687 361	12 778 667	44 444 069	16 299 298	5 352 742	78 874 776	95.3%
	2013/14	89 734 479	15 051 445	47 247 389	18 114 921	6 449 644	86 863 399	96.8%
	2014/15	98 852 229	16 178 624	51 371 359	20 327 628	6 857 164	94 734 775	95.8%
	Total 2011-2015	349 341 827	55 428 001	184 388 356	70 402 347	23 980 292	334 198 996	95.7%
	% Contribution			17%	55%	21%	7%	100%

Source: Municipal Annual Reports and Audited Annual Financial Statements, 2011/12 to 2014/15

*% contribution to total metro revenue

The Gauteng metros budgeted for a total revenue of R349billion for the four years, against which a total of R334billion or 95.7% of budgeted revenue was billed. The COJ contributed 44.6% of total revenue of the metros, followed by the EMM at 28.6% and the COT at 26.8%.

The COT had the lowest revenue billing rate at 94.6% of budgeted revenue and EMM had the highest at 97%. The key contributing factors being the rate of billing for service charges and the generation of other own revenue. The COT also felt the impact of the merger with the Metsweding DM and its constituent local municipalities.

At 55% of total revenue, service charges remained the biggest contributor to revenue, followed by grants and subsidies at 21%, and property rates at 17%; all within a percentage point difference as compared to the end of the second term.

Table 37: Gauteng district municipalities sources of revenue (2011-2015)

DM	Financial Year	Adj. Budget	Property Rates	Service Charges	Grants & Subsidies	Other	Total	% of Billed Revenue
WRDM	2011/12	280 150	-	3 399	178 093	44 292	225 784	80.6%
	2012/13	277 242	-	2 972	180 319	56 612	239 903	86.5%
	2013/14	276 406	-	2 125	182 259	48 418	232 802	84.2%
	2014/15	290 504	-	1 023	189 804	46 213	237 040	81.6%
	Total 2011-2015	1 124 302	-	9 519	730 475	195 535	935 529	83.2%
	% Contribution			0%	1%	78%	21%	100%
Sedibeng DM	2011/12	365 437	-	-	292 212	79 543	371 755	101.7%
	2012/13	356 436	-	-	259 626	81 723	341 349	95.8%
	2013/14	368 090	-	-	254 091	73 290	327 381	88.9%
	2014/15	379 743	-	-	260 478	104 358	364 836	96.1%
	Total 2011-2015	1 469 706	-	-	1 066 407	338 914	1 405 321	95.6%
	% Contribution			0%	0%	76%	24%	100%
District Municipalities	2011/12	645 587	-	3 399	470 305	123 835	597 539	92.6%
	2012/13	633 678	-	2 972	439 945	138 335	581 252	91.7%
	2013/14	644 496	-	2 125	436 350	121 708	560 183	86.9%
	2014/15	670 247	-	1 023	450 282	150 571	601 876	89.8%
	Total 2011-2015	2 594 008	-	9 519	1 796 882	534 449	2 340 850	90.2%
	% Contribution			0%	0.4%	76.8%	22.8%	100.0%

Source: Municipal Annual Reports and Municipal Audited Annual Financial Statements, 2011/12 to 2014/15
 *% contribution to total revenue from all district municipalities

The Gauteng district municipalities budgeted for a total revenue of R2.59billion for the four years, against which a total of R2.34billion or 90.2% of revenue was billed. Sedibeng district municipality (SDM) contributed 60% of the total revenue of the districts.

While SDM was able to achieve 95.6% of its revenue budget over the period, the WRDM struggled somewhat and only achieved 83.2%. WRDM service charges were for ambulance services, building plan fees, private electricity sales, fire services and other operating costs recoveries. Although SDM did not have service charges as a revenue source, their other own revenue was around double that of WRDM.

District municipalities averaged 76.8% reliance on grants and subsidies in the third term, from 83% at the end of the second term.

Their role in the Gauteng municipal system is a key policy decision for the Gauteng provincial government

At 76.8% of total revenue, although an improvement on the 83% at the end of the second term, DM's remained highly reliant on government grants and subsidies, without which they would not have survived. They are, however, challenged to find opportunities to improve their own revenue generation, currently at 22.8% of total revenue. Government is challenged to decide on the ongoing existence and role of district municipalities

in Gauteng.

Table 38: Gauteng local municipalities sources of revenue (2011-2014)

LM	Financial Year	Adj. Budget	Property Rates	Service Charges	Grants & Subsidies	Other	Total	% of Billed Revenue
Emfuleni	2011/12	3 774 678	351 966	2 011 891	849 579	348 495	3 561 931	94.4%
	2012/13	4 199 600	410 974	2 591 388	871 155	165 348	4 038 865	96.2%
	2013/14	4 668 077	469 447	2 987 010	836 352	346 949	4 639 758	99.4%
	2014/15	5 182 414	541 509	3 315 170	857 237	315 440	5 029 356	97%
	Total 2011-15	17 824 769	1 773 896	10 905 459	3 414 323	1 176 232	17 269 910	96.9%
	% Contribution		10%	63%	20%	7%	100%	*43.1%
Lesedi	2011/12	463 843	54 510	254 325	87 035	33 412	429 282	92.5%
	2012/13	546 788	58 417	296 967	93 510	9 924	458 818	83.9%
	2013/14	558 079	62 278	316 031	113 514	18 543	510 366	91.5%
	2014/15	595 845	84 459	333 887	142 882	65 300	626 528	105.1%
	Total 2011-15	2 164 555	259 664	1 201 210	436 941	127 179	2 024 994	93.6%
	% Contribution		13%	59%	22%	6%	100%	*5.1%
Merafong	2011/12	1 092 654	87 530	436 437	371 093	58 243	953 303	87.2%
	2012/13	1 476 919	262 877	472 582	515 360	67 066	1 317 885	89.2%
	2013/14	1 463 546	267 770	514 044	527 029	79 704	1 388 547	94.9%
	2014/15	1 241 662	141 181	536 339	489 368	82 126	1 249 014	100.6%
	Total 2011-15	5 274 781	759 358	1 959 402	1 902 850	287 139	4 908 749	93.1%
	% Contribution		15%	40%	39%	6%	100%	*12.2%
Midvaal	2011/12	553 584	90 133	281 731	93 767	85 873	551 504	99.6%
	2012/13	682 368	94 353	377 171	96 206	96 836	664 566	97.4%
	2013/14	681 639	106 157	421 538	104 564	84 198	716 457	105.1%
	2014/15	803 622	134 780	442 118	105 445	97 316	779 659	97%
	Total 2011-15	2 721 213	425 423	1 522 558	399 982	364 223	2 712 186	99.7%
	% Contribution		16%	56%	15%	13%	100%	*6.8%
Mogale City	2011/12	1 648 134	408 798	802 042	298 565	259 086	1 768 491	107.3%
	2012/13	1 828 235	272 542	1 088 450	350 187	138 278	1 849 457	101.2%
	2013/14	1 955 199	308 722	1 122 808	340 624	339 707	2 111 861	108%
	2014/15	2 154 497	394 494	1 223 217	350 004	316 570	2 284 285	106%
	Total 2011-15	7 586 065	1 384 556	4 236 517	1 339 380	1 053 641	8 014 094	105.6%
	% Contribution		17%	53%	17%	13%	100%	*20%
Randfontein	2011/12	706 106	65 093	423 715	133 440	56 800	679 048	96.2%
	2012/13	845 112	78 443	469 867	137 118	67 241	752 669	89.1%
	2013/14	880 393	74 975	496 533	144 711	55 946	772 165	87.7%
	2014/15	908 386	106 373	535 428	160 955	51 620	854 376	94.1%
	Total 2011-15	3 339 907	324 884	1 925 543	576 224	231 607	3 058 258	91.6%
	% Contribution		11%	63%	19%	8%	100%	*7.6%

LM	Financial Year	Adj. Budget	Property Rates	Service Charges	Grants & Subsidies	Other	Total	% of Billed Revenue
Westonaria	2011/12	421 950	26 892	178 955	178 059	30 027	413 933	98.1%
	2012/13	546 166	31 402	190 182	165 386	51 601	438 571	80.3%
	2013/14	474 342	27 647	201 489	190 054	45 191	464 381	97.9%
	2014/15	623 386	265 311	270 090	200 648	22 612	758 661	121.7%
	Total 2011-15	2 065 384	351 252	840 716	734 147	149 431	2 075 546	100.5%
	% Contribution		17%	41%	35%	7%	100%	
Total Local Municipalities	2011/12	8 660 893	1 084 922	4 389 096	2 011 538	871 936	8 357 492	96.5%
	2012/13	10 124 965	1 209 008	5 486 607	2 228 922	596 294	9 520 831	94%
	2013/14	10 681 257	1 316 996	6 059 453	2 256 848	970 238	10 603 535	99.3%
	2014/15	11 509 559	1 668 107	6 656 249	2 306 539	950 984	11 581 879	100.6%
	Total 2011-15	40 976 674	5 279 033	22 591 405	8 803 847	3 389 452	40 063 737	97.8%
	% Contribution		13%	56%	22%	8%	100%	

Source: Municipal Annual Reports and Municipal Audited Annual Financial Statements, 2011/12 to 2014/15

*% contribution to total revenue from all local municipalities

The seven Gauteng local municipalities budgeted for a total revenue of R40.9billion for the four years, against which a total of R40billion or 97.8% of budgeted revenue was billed. Emfuleni LM was by far the largest revenue generator, having generated 43.1% of the combined revenue of all local municipalities. Mogale City was the second biggest contributor at 20%, whilst both Lesedi LM and Westonaria LM were the smallest at just 5% contribution each to the total revenue of Gauteng LM's.

Local municipalities averaged 22% reliance on operational grants for the third term, down from 25% at the end of the second term.

Randfontein LM, at 91.6%, had the lowest revenue billing rate, with Merafong City and Lesedi LM both under 95%. These municipalities also had the most volatile year-on-year achievements; Lesedi LM billed only 83.9% of its revenue in 2012/13 as compared to 105.1% in 2014/15. The rest of the municipalities all achieved more than 95% of their revenue budget over the four year period.

At 56% of total revenue, service charges were the biggest contributor to revenue, followed by grants and subsidies at 22%, and property rates at 13% - a similar situation to that of the metros, except that the metros had a higher proportion of revenue from property rates, at 17%.

Table 39: Total revenue generated by the Gauteng municipalities (2011-2015)

	Financial Year	Adj. Budget	Property Rates	Service Charges	Grants & Subsidies	Other	Total	% of Billed Revenue
Metros	Total 2011-15	349 341 827	55 428 001	184 388 356	70 402 347	23 980 292	334 198 996	95.7%
	% Contribution		17%	55%	21%	7%		*88.7%
DM's	Total 2011-15	2 594 008	-	9 519	1 796 882	534 449	2 340 850	90.2%
	% Contribution		0%	0.4%	76.8%	22.8%		*0.6%

	Financial Year	Adj. Budget	Property Rates	Service Charges	Grants & Subsidies	Other	Total	% of Billed Revenue
LM's	Total 2011-15	40 976 674	5 279 033	22 591 405	8 803 847	3 389 452	40 063 737	97.8%
	% Contribution		13%	56%	22%	8%		*10.7%
Total	Total 2011-15	392 912 509	60 707 034	206 989 280	81 003 076	27 904 193	376 603 583	95.8%
	% Contribution		16%	55%	22%	7%		*100%

Source: Municipal Annual Reports and Municipal Audited Annual Financial Statements, 2011/12 to 2014/15

*% contribution to total revenue from all 12 Gauteng municipalities

The Gauteng municipalities, over the period 2011/12 to 2014/15, generated total revenue of R376billion against a budget of R392billion; an achievement of 95.8% revenue billed and equating to a R16billion shortfall against budget. 4.2% may not sound big in percentage terms, however, R16billion is a significant opportunity cost to expanded service delivery, particularly to the poor. Improved budgeting thus remains a focus into the next term.

Service charges by the metros and local municipalities was the biggest source of revenue at 55% (55% second term) of total revenue, following by grants and subsidies at 22% (21% second term) and property rates at 16.7% (16.1% second term) of total revenue.

Capital Funding Sources

Table 40: Total of capital funding sources for the period 2011-2015

R'million and (% contribution) to total capital funding	Capital grants	Public contributions and donations	Borrowing	Internally generated and other	Total
COJ	9 676 104 (39%)	875 291 (4%)	6 199 549 (25%)	7 945 231 (32%)	24 696 175
COT	8 005 938 (50%)	244 853 (2%)	5 994 987 (37%)	1 765 818 (11%)	16 011 596
EMM	5 399 769 (56%)	21 618 (0%)	3 070 638 (32%)	1 212 806 (12%)	9 704 831
Metros Total	23 081 811 (46%) (29% previous term)	1 141 762 (2%) (4% previous term)	15 265 174 (30%) (41%, previous term)	10 923 855 (22%) (27% previous term)	50 412 602
WRDM	2 849 (16%)	0 (0%)	0 (0%)	14 482 (84%)	17 331
Sedibeng DM	356 (1%)	0 (0%)	0 (0%)	44 300 (99%)	44 656
DM's Total	3 205 (5%)	0 (0%)	0 (0%)	58 782 (95%)	61 987
Emfuleni LM	812 772 (74%)	81 859 (7%)	0 (0%)	202 177 (18%)	1 096 808
Lesedi LM	122 931 (71%)	0 (0%)	3 425 (2%)	45 885 (27%)	172 241
Midvaal LM	124 965 (43%)	64 565 (22%)	59 031 (20%)	44 527 (15%)	293 088
Merafong LM	453 089 (73%)	32 454 (5%)	6 142 (1%)	127 927 (21%)	619 612
Mogale City	392 640 (35%)	1 304 (0%)	385 208 (34%)	341 128 (30%)	1 120 280
Randfontein LM	147 491 (47%)	0 (0%)	51 180 (16%)	115 935 (37%)	314 606

R'million and (% contribution) to total capital funding	Capital grants	Public contributions and donations	Borrowing	Internally generated and other	Total
Westonaria LM	287 944 (87%)	17 540 (5%)	14 140 (4%)	10 143 (3%)	329 767
LM's total	2 341 832 (59%)	197 722 (5%)	519 126 (13%)	887 722 (22%)	3 946 402
Total Gauteng Municipalities	25 426 848 (47%) (32% previous term)	1 339 484 (2%) (4% previous term)	15 784 300 (29%) (38% previous term)	11 870 359 (22%) (27% previous term)	54 420 991

Sources: Section 71 Reports for 2011/12 to 2014/15, accessed on www.localgovernment.co.za, Gauteng DLGS Second Term End of Term Review Report for 2006-2011

What is immediately apparent from the above table is the decline in the use of borrowing as a source of capital funding, down from 38% in the second term to 29% in the third. Capital grant dependency levels increased from 32% in the previous term to 47% in the third term. Mogale City (34%), Midvaal LM (20%) and Randfontein LM (16%) were the only local municipalities to have used borrowing as a significant capital financing source.

Overall, the use of internally generated funds to finance capital projects reduced from 27% to 22% over the two terms. The exception to this trend was the COJ, with 32% of its capital funding coming from internally generated funds. By contrast, the EMM and COT only used 12% and 11% of own funds respectively, opting rather for the use of more borrowed funds. The result is that over the third term the long term liabilities of the COT and EMM have trended upwards while that of the COJ has declined.

Credit rating upgrades for metros

In Dec 2015, the COJ received a credit ratings upgrade by Fitch from AA-(zaf) to AA(zaf) on outstanding bonds, with a stable outlook.

In May 2016, the EMM received a four notch upgrade by Moody's from A1.za / Prime-1 to Aaa.za / Prime-1.

In May 2016, Moody's raised COJ's global scale ratings from Baa3 to Baa2 (best possible); the same level as the sovereign rating. The City's national scale ratings was raised by four notches up from A2 to Aa1.

Notwithstanding the different strategies employed to complement government grants to finance capital projects, a review of the annual reports of the metros reflects a third term focus on financial sustainability and the overall prudent use of borrowing as a source of funding, while driving operating surpluses and building cash reserves. Given the prevailing economic environment, limiting borrowing was probably the right decision.

The ability to leverage borrowing to fund capital development is also dependent on the credit record of a municipality. With the recent credit rating upgrades received by the COJ and EMM, both metros are firmly placed to raise debt at favourable rates; putting less onerous debt repayment costs on residents and allowing them to leverage borrowing to finance their capital programmes. For example, the COJ's credit rating assisted the metro to raise a further R3.3billion long term borrowings for infrastructure development in 2015.

With the constraints on the fiscus on the one hand and the infrastructure development demands on the other, internally generated funds and borrowing will remain important components of capital financing. This may require the metros and the more financially secure secondary cities of Midvaal and Mogale City to leverage their balance sheets to support their

infrastructure build programmes.

DETAILED REVIEW OF REVENUE SOURCES

Revenue from property rates

Besides intergovernmental transfers, revenue from property rates in value is second only to the electricity component of service charges.

To optimise revenue from property rates, municipalities need to ensure that the annual general valuation roll is well managed and that the revised rates, following a period of community participation, are tabled together with the budget to Council within the legislated timeframe. If a municipality fails to comply with the promulgation process, the cent amount in the rand is unenforceable for the relevant financial year²³¹.

Off a baseline of 16.1% in the final year of the second term, revenue from property rates increased to 16.7% of the total revenue mix by the end of 2014/15. The table below reflects the trend for the individual municipalities.

Table 41: Change in the contribution of revenue from property rates (2011-2015)

% of total revenue	Baseline (End 2010/11)	% of Total Revenue (Third Term)	Variance
City of Joburg	16.9%	18.3%	+1.4%
City of Tshwane	19.2%	19.0%	-0.2%
Ekurhuleni MM	14.5%	13.4%	-1.1%
Emfuleni LM	10.3%	10.8%	+0.5%
Lesedi LM	13.6%	13.5%	-0.1%
Merafong LM	8.4%	11.3%	+2.9%
Midvaal LM	12.9%	17.3%	+4.4%
Mogale City	16.1%	17.3%	+1.2%
Randfontein LM	11.8%	12.5%	+0.7%
Westonaria LM	5.9%	35%	+29.1%
Total	16.1%	16.7%	+0.6%

Source: Municipal Annual Audited Financial Statements, 2011/12 to 2014/15

The implementation of the MPRA has been a rocky road and many municipalities faced billing problems at the beginning of the term, including the highly publicised billing issues at the COJ. As can be seen from the above, most municipalities have progressed, with a few outstanding achievements, including Westonaria - due to the implementation of the valuation roll for commercial properties in 2014/15, with significantly higher rates realised, particularly for the mines.

Mining towns in the West Rand (affecting Westonaria, Randfontein and Merafong LM's) have seen a slump in regional economic growth due to the decline in the mining sector. However, the mines historically did not pay property assessment rates commensurate with the socio-economic challenges of the area, largely caused by the mines not providing housing to the mine workers but rather living out allowances; a historical labour agreement.

The mine workers then choose to live more cheaply in informal settlements, which the municipality then needs to service and for which it does not have the funds. The 2014/15 valuation roll was an attempt to address this challenge. For the most recent valuation roll, 40 appeals from the mines are being considered by the Chairperson of the Valuation appeal Board.

A further challenge is that the latest increases in property rates have, in many ways, made it more expensive to own a property in Westonaria than in the COJ²³². The longer term implications of further increases, therefore, need to be carefully considered, particularly in wanting to attract commercial businesses to the area to develop the western corridor of the TMR.

The improved revenue from property rates in the third term can be viewed as a success, as municipalities improved the management of their valuation rolls and the requirements in terms of the MPRA. It is clear that most municipalities are moving closer to the ideal of ensuring that all property owners – residential and commercial – are compelled to pay their dues in relation to property rates.

By way of example, the COJ collected R1billion more property rates than expected, following the implementation of the 2013/14 valuation roll.

SACN, *State of City Finances* (2015)

The COT and EMM have lagged somewhat in the third term. The EMM, as the manufacturing hub of the GCR and highly dependent on growth in the manufacturing sector, has bared the brunt of poor economic growth. The high number of objections and appeals to the annual valuations reflects the challenge faced by the EMM.

On the other hand, the EMM has the potential to significantly increase its revenue from commercial property rates, leveraged on the eastern corridor of the TMR and the Aerotropolis. Creating a conducive and friendly business environment to attract local and foreign direct investment is, thus, critical to Ekurhuleni's growth potential and therefore its revenue.

The following two examples demonstrate what the municipalities have done to limit the impact of property rate increases on the poor:

Note²³³: *In 2011, COJ introduced a rebate of R150,000 for residential properties (increased to R200,000 in 2013). Together with the changes in the actual rates, the result was that property rates held steady for the more affluent households and reduced for lower income households. In 2013, COT converted its rebate policy from a R50,000 + 35% rebate applied to all residential properties to a simple R75,000 rebate. This change reduced the cost for lower income households by about 3%.*

Notwithstanding the progress made, municipalities remain challenged to ensure that revenue from property rates is further optimised, ensuring that the municipal billing systems are complete and accurate and geared to collect all revenue due and that the valuation roll is effectively handled in accordance with legislation for each cycle. This requires adequate resourcing and capacitation of the function and possibly a Gauteng-wide policy framework on property rates, aimed at establishing a level of consistency in the rates charged across the GCR.

Revenue from service charges

At 55% of total revenue, service charges remained the biggest revenue source for municipalities in the third term, the bulk of which came from charges for electricity, followed by water, sanitation and refuse removal - the core municipal service delivery functions. According to the National Treasury²³⁴ when setting service charges as fees, municipalities need to consider two principles of taxation:

²³² *The Star Newspaper, Staggering rates hikes for mines, accessed via www.iol.co.za on 17 March 2016*
²³³ *SA Cities Network (November 2015). State of City Finances – Basics + Innovation, 2015*
²³⁴ *National Treasury (2011:39), as cited by the SA Cities Network (November 2015). State of City Finances – Basics + Innovation (Chapter 5), 2015*

bulk of which came from charges for electricity, followed by water, sanitation and refuse removal - the core municipal service delivery functions. According to the National Treasury²³⁵ when setting service charges as fees, municipalities need to consider two principles of taxation:

- 1) The **benefit principle** in that payments should relate to benefits and customers should get the sense that they are getting 'value for their money';
- 2) The **ability to pay principle** in that beneficiaries pay according to their income generating capacity. More progressive taxes mean that those earning higher incomes should pay proportionally higher taxes than those earning less²³⁶.

The SA Cities Network included a chapter in the State of City Finances Report (2015)²³⁷ on the affordability of domestic rates and service charges in the eight metropolitan municipalities in South Africa. As three of the metros fall in Gauteng, the findings are briefly discussed here and deemed to be relevant to the whole of local government in Gauteng; as a precursor to a possible review of the service charges and tariffs of all the municipalities in Gauteng.

The study was based on assessing the charges imposed by the different cities on four standard 'baskets of services', as follows:

Table 42: Standard service packages

Service Packages	Property Value (R)	Electricity Consumption (KWH/Month)	Water Consumption (KL/Month)	Solid Waste (Weekly Removal of 240l Bin)
TYPE A	100 000	400	20	1
TYPE B	250 000	500	25	1
TYPE C	500 000	800	30	1
TYPE D	1 000 000	1 500	40	1

Source: SA Cities Network, State of City Finances (2015)²³⁸

Sanitation services and all other costs such as VAT were added to the above. Based on certain assumptions to standardise the methodology and considerations for household income profiles of the different cities, some of the key findings pertaining to the Gauteng metros are highlighted below, quoted directly from the report²³⁹.

In terms of the composition of municipal bills:

- 1) In 2014, only COJ still charged electricity basic levies, which are uniform connection charges charged to all households – viewed as a regressive tax, as it represents a larger proportion of a poorer households' bill compared to that of a wealthier household;
- 2) COJ charges a fixed fee for sanitation of R118 to Type A households and R230 to Type, B, C and D households. Also calculated to be regressive in nature;
- 3) COJ has a progressive solid waste removal tariff: Type A – R0, Type B – R110, Type C – R147 and Type D – R194.

In terms of the increasing cost of municipal bills:

²³⁵ National Treasury (2011:39), as cited by the SA Cities Network (November 2015). State of City Finances – Basics + Innovation (Chapter 5), 2015

²³⁶ SA Cities Network (November 2015). State of City Finances – Basics + Innovation (Chapter 5), 2015

²³⁷ SA Cities Network (November 2015). State of City Finances – Basics + Innovation (Chapter 5), 2015

²³⁸ SA Cities Network (November 2015). State of City Finances – Basics + Innovation (Chapter 5), 2015

²³⁹ As above

- 1) After the rapid increases in service fees in 2009 and 2010, the rate of increase in service charges stabilised, but still consistently above the inflation rate across all cities;
 - 2) In 2014, EMM was the cheapest for Types A, B and C service packages (37%, 34% and 26% below average respectively) and the third most expensive for Type D packages (7% above average).
- a) This points to a deliberate policy of favouring poorer households and taxing wealthier households;*
- b) Between 2010 and 2014, EMM increased the cost of its Type D package by an annual average rate of 12.3%, while the cost of its other packages grew by 4% or less. In 2014, Ekurhuleni's Type A package cost 15% of its Type D package, which is the greatest gap between the packages across all the cities;
 - 3) Between 2010 and 2014 the increase in electricity charges accounted for the largest percentage of the increase in municipal bills across all packages for all cities;
 - 4) In EMM, electricity charges accounted for 79% of the increase in the Type D package. This can be attributed to the city adopting a very steeply increasing block tariff for electricity in 2013 (which became even steeper in 2014);
 - 5) In COJ, the electricity basic levy contributed 33% of the increase in the Type A package. Combined with the 41% increase in electricity charges, this means that electricity contributed to 74% of the increase in the Type A package in Johannesburg.

In terms of affordability of municipal bills:

- 1) In 2014, EMM had the most affordable Type B package (6.7% of benchmark income) and Type C package (5.8% of benchmark income);
- 2) COT is the only city where all the service packages became more affordable between 2010 and 2014. Until 2012, the cost of service packages as a percentage of benchmark incomes was increasing, but since the restructuring of tariffs in 2013, all packages have become more affordable than in 2010;
- 3) EMM is the only city that comes close to having progressive municipal bills, with an income:payment ratio of 1.2 for its Type A package, 0.87 for Type B and 0.76 for Type C. In other words, in EMM, households consuming Type B and C packages pay a lower percentage of their income on their municipal bill than households consuming the Type D package.
- 4) COJ and COT have the second and third most regressive municipal bills, both with income:payment ratios above 2 for households consuming the Type A package.

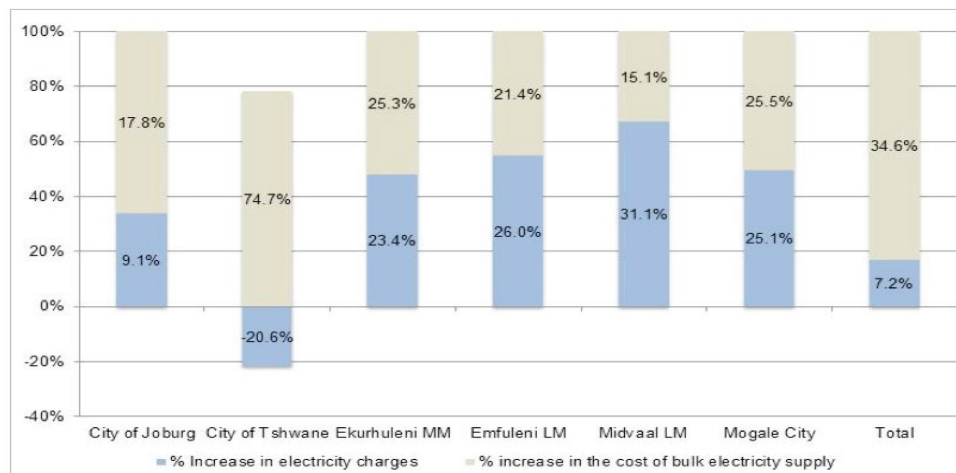
"Ekurhuleni is the only city in the country whose municipal bills for the four packages fall below the affordability threshold, i.e. they are affordable. The city's municipal bills for Type A, B and C are the most affordable within each of these categories. Its municipal bill for the Type C package is the most affordable of all".

SA Cities Network, State of City Finances (2015)

Considering the above report of the SA Cities Network, which highlighted that the increased costs of electricity bulk supply is the biggest driver of service fees, the below figure illustrates the difference between the increases in electricity

charges and the cost of bulk supply purchases by comparing the increase in electricity charges vs. costs in 2011/12 vs. 2014/15 for the six biggest municipalities in Gauteng.

Figure 36: Percentage increase in electricity charges and costs for the bulk supply of electricity (2011/12 to 2014/15)



Source: Municipal Annual Audited Financial Statements, 2011/12 to 2014/15

On aggregate, for the six largest municipalities in Gauteng, the cost of purchasing bulk electricity from Eskom increased by 34.6% between 2011/12 and 2014/15. In other words, the six municipalities paid 34.6% more for the bulk supply of electricity in 2014/15 as compared to what they were paying in 2011/12. They were, however, only able to charge consumers of electricity 7.2% more in 2014/15 as compared to in 2011/12.

The COT was the worst affected, charging 20.6% less for electricity in 2014/15 as compared to 2011/12 while paying 74.7% more for the bulk supply of electricity, partly due to the amalgamation with the Metsweding DM and its constituent local municipalities.

The next worst affected was the COJ, which paid 17.8% more for the supply of electricity in 2014/15, as compared to charging around 9.1% more to consumers. The three sampled local municipalities – Emfuleni, Midvaal and Mogale City – all managed to pass on bulk supply of electricity increases to consumers.

Moving forward, it is therefore vital for local government in Gauteng to carefully consider the tariff structures that are being applied, and to balance the need to cover costs and deliver high quality services with the ability of consumers to pay. The sharing of best practices among the municipalities and the careful monitoring of the impact of tariff increases is necessary. Finally, high level engagements are required with national government to curtail the electricity and water supply cost drivers.

Other own revenue

Representing only 7% of the total revenue of Gauteng municipalities, it is easy to discount the importance of this other revenue sources. However, considering that 7% of total Gauteng municipal revenue of R376billion equates to R27.9billion, even a 1% increase in this revenue source could net the Gauteng municipalities an additional R3.7billion in revenue. Generally, these income sources also have high margins and include investment income, traffic fines, development charges, licences and permits, connection fees and property rentals, among others.

This source of revenue is particularly important to the district municipalities in order to reduce their reliance on intergovernmental transfers. For the period under review, other income contributed an average of 22.8% to the revenue base of SDM and WRDM. Other income constituted 7% of the income of metros and 8% of the revenue mix of local municipalities. Mogale City and Midvaal LM have, however, managed to increase the contribution of other own income to 13% of total revenue.

By way of example, in COT, the collection of fines was 94% under budget in 2013/14, because of persistent low payment rates among transgressors and because its Speed Law Enforcement project was not implemented in the financial year as planned. The payment of smaller income streams such as traffic fines, rentals and developmental charges also contributes to the development of a culture of payment among citizens²⁴⁰.

Many of the municipalities have large property portfolios, but as highlighted by the Auditor General, the property asset registers are not well managed or maintained and many properties are underutilised and allowed to go to ruin. The cities and towns also have many council owned buildings that have illegally been taken over by 'slumlords', who charge tenants rent, but do not pay any rent to the council. Often with no services to the buildings, the buildings are in ruin and the people live in squalid conditions.

The legal process for taking back these buildings is also lengthy and complex, with municipalities having to ensure the occupants have alternative accommodation prior to evicting them. From a health and human rights perspective, it is critical to ensure these issues are resolved and the buildings are demolished, sold or refurbished and, thereafter, properly managed. An additional benefit is additional revenue to the municipality.

Alternative revenue streams – green technologies and efficient energy use

The metros, particularly, have in place climate change adaptation strategies to move towards lower carbon emissions and more environmentally friendly environments. However, none of them have in place mechanisms to compel citizens to adopt greener technologies, and to thus charge them by way of a green technology / carbon emissions tariff to promote uptake. For cities, the benefits include the development of new technologies, environmental redress and increased energy security, improved efficiencies, increased infrastructure investment and development and additional funding opportunities for cities. These are the experiences of some of the world class sustainable cities of the world²⁴¹.

Opportunities exist for cities to utilise existing (and new) rates, tariff's and incentive policies to encourage the efficient use of resources and energy; increasing the use of renewable energy, generating energy from waste, efficient electricity and water use, recycling, among others, and supported by incentives for the development of green technologies.

Note: *The intention here is merely to highlight the opportunity that exists. The SA Cities Network State of the City's Finance Report (2015) reflects a comprehensive breakdown of this potential revenue source, which at some point will have to find traction considering the strategic intent of the GCR to compete on a global scale.*

COJ Green Bond

"The Green Bond will provide the COJ with a funding source to improve and expedite the implementation of its climate change mitigation strategy and move the City towards a low carbon infrastructure, minimal resource reliance and increased preservation of natural resources".

(Executive Mayor, Parks Tau)

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SA Cities Network (November 2015). *State of City Finances – Basics + Innovation, 2015*
CDP, *Driving Sustainable Economies (2013), Summary report on 110 global cities*

Notwithstanding the above, and in support of a low carbon economy, towards a sustainable and liveable City, the COJ pioneered the Green Bond in 2014²⁴²; highly regarded as a best practice means to funding projects in the areas of:

- 1) Renewable electricity / power,
- 2) Household and building energy efficiency,
- 3) Transportation,
- 4) Waste management and waste water.

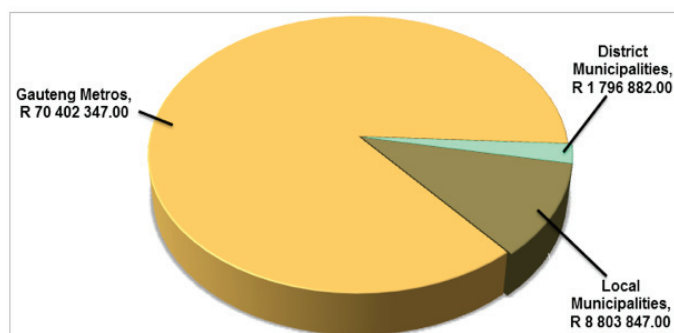
Intergovernmental transfers and grants

In total, for the period 2011/12 to 2014/15, the twelve Gauteng municipalities received and recognised as revenue R81billion in intergovernmental transfers – both operational and capital. This constituted 22% of total revenue and remained an important component of the revenue mix.

The chart below reflects the total of all grant funding received, split per category of municipality, including the equitable share, health and housing subsidies, municipal infrastructure grants for local municipalities, the urban settlements development grant for metros, municipal systems improvements and HIV grants, among others.

Note: National Treasury is currently reviewing the large number of conditional grants, with a view to consolidating the grants into a manageable few.

Figure 37: Total grant funding per category of Gauteng municipality (2011-2015)



Source: Municipal Annual Financial Statements

The depressed economic environment and ongoing pressure on the fiscus resulted in National Treasury having to significantly reduce the direct transfers from national to local government. For the 2014 MTEF, the reduction was R3.8billion with further reductions projected for future years, with the district and local municipalities the worst affected; reflecting national government's priority focus on allocating conditional grants to the larger cities.

The equitable share as a component of grant funding:

The formula for the equitable share has undergone a number of revisions over the years and is detailed in the Annual Division of Revenues Act's. However, the basic fundamental is that the share per municipality is based on the proportion of poor households, those that are in most need for access to basic services.

The spread of the equitable share allocation across the Gauteng municipalities is reflected in the table below.

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Table 43: Equitable share for Gauteng municipalities (2011-2015)

Municipality	2011/12	2012/13	2013/14	2014/15	2015/16	Average Annual Increase	% of Total Revenue
COJ	1 897 561	2 125 543	2 293 212	2 534 723	2 864 065	10.2%	5.9%
COT	923 020	1 040 630	1 166 964	1 375 518	1 654 390	15.8%	5.0%
EMM	1 644 128	1 825 341	1 917 953	2 042 951	2 181 182	6.5%	7.8%
Total Metros	4 464 709	4 991 514	5 378 129	5 953 192	6 699 637	10.0%	6.2%
WRDM	163 221	166 903	172 587	178 344	184 842	2.6%	72.8%
Sedibeng DM	220 439	226 009	232 785	239 539	245 760	2.3%	65.4%
Total DM's	383 660	392 912	405 372	417 883	430 602	2.4%	68.3%
Emfuleni	539 842	597 485	598 857	602 144	600 889	2.3%	13.5%
Lesedi	52 626	59 701	64 253	71 665	82 794	11.5%	12.3%
Merafong	167 868	185 846	181 074	175 979	168 320	0.1%	14.5%
Midvaal	44 379	50 833	54 673	60 716	68 291	10.8%	7.8%
Mogale City	189 605	210 117	222 291	238 641	259 185	7.3%	10.7%
Randfontein	81 638	92 992	95 880	100 395	95 613	3.4%	12.1%
Westonaria	87 796	98 840	104 957	113 718	121 466	7.7%	19.5%
Total LM's	1 163 754	1 295 814	1 321 985	1 363 258	1 396 558	4.0%	12.8%
Gauteng total	6 012 123	6 680 240	7 105 486	7 734 333	8 526 797	8.4%	7.3%

Source: National Treasury, Annual Division of Revenue Acts for the periods 2011/12 to 2015/16

With reference to the above table, the average annual increase in the equitable share across all municipalities was 8.4%, constituting 7.3% of total revenue. The worst off municipalities were the districts with an average annual increase over the term of 2.4% and the local municipalities of Merafong, Emfuleni and Randfontein with 0.1%, 2.3% and 3.4% respectively. The local municipalities were penalised for under-expenditure on their conditional grants.

The COT, Midvaal LM and COJ realised the highest average increase in the equitable share allocation per annum at 15.8%, 10.8% and 10.2% respectively. The increased allocation to the COT was in part to support the amalgamation of the COT with the Metsweding district municipalities and its constituent local municipalities.

At 68.3% of total revenue, the DM's are highly dependent on the equitable share to run their administration. However, with an average annual increase of only 2.4% and inflation having ranged between 4-7% over the period, the financial situation for the DM's has deteriorated significantly. Again, bringing into question their role in the local government system.

The equitable share formula was revised at the beginning of the period, taking into consideration²⁴³ the normal growth in the local government equitable share; the updating of the population data to Census 2011, which greatly benefitted the metros as urbanisation trends began to be reflected more accurately; and the impact of municipal re-demarcation processes that took place in 2011, which affected Tshwane most.

Further changes to the formula used to allocate the equitable share came into effect in 2013/14. The revised formula should be of greater benefit to the district and local municipalities. However, DORA (2015/16)²⁴⁴ has not reflected any

²⁴³ SA Cities Network (November 2015). *State of City Finances – Basics + Innovation, 2015*

²⁴⁴ National Treasury, *Division of Revenue Act 2015/16*

significant increases in the forecast allocation to districts and local municipalities in the next two years. Also, it is uncertain as to the extent to which the increasing cost of providing free basic services has been factored into the equation.

Overall, the equitable share is a relatively smaller proportion of the total revenue for the metros, as compared to the district and local municipalities. Although the metros have more scope to generate own revenue and/or to borrow, the metros argue that they are confronted with increasing populations, due to in-migration and the concomitant need to expand service delivery to a broader constituency, particularly to the poor who often reside in informal settlements.

It is therefore vital for municipalities to have up-to-date, accurate and credible indigent registers. As highlighted in the assessment of the Basic Services KPA, according to the StatsSA Non-financial census²⁴⁵ of municipalities for the years ended June 2006, 2011, 2014 and 2015²⁴⁶, the number of indigent households identified by municipalities in Gauteng reflected a gradual increase from 306,474 in 2006 to 322,182 in 2011. The trend continued to 2013, however, in 2014 and 2015 there was a dramatic spike in the number of indigent households to 484,861 and 689,859 respectively.

The Review, however, could not consolidate the individual municipal indigent registers to the above statistics due to missing and incomplete data and the unavailability of data from certain municipalities. It would thus appear that there is still work to be done to strengthen the credibility of municipal indigent registers.

On the positive side, municipalities have clearly demonstrated a move away from providing all consumers with free basic services to a targeted focus on providing free basic services to indigents, thus better using the available equitable share. By way of example, there is virtually a 100% match between the number of indigents identified and the provision of free basic electricity. For the other services though, only around 40% of the 2015 identified indigent households received free basic water, sanitation and waste removal services.

Note²⁴⁶ ²⁴⁷: *The revised equitable share that was introduced in 2014/15 is made up of a basic services component, an institutional component, community services component, revenue raising adjustment component, and a correction and stabilisation factor.*

The addition of the community services component to fund the provision of core municipal services such as municipal health services, fire fighting, roads and storm water, municipal planning and cemeteries will favour the smaller municipalities. The revenue raising adjustment component will, however, mostly benefit the metros in that municipalities will no longer be penalised for collecting more revenue.

As the impact of the new formula will vary across municipalities, it is being phased in over a period of three years; municipalities will feel the full effect in the 2017/18 financial year.

Municipal Infrastructure Grant (MIG) and the USDG as a component of grant funding:

Although there are a number of grants that municipalities receive, the focus of the Review is on the MIG and USDG as the largest of the conditional grants.

The MIG is a conditional grant aimed at assisting the poor to gain access to infrastructure. The grant was phased out for the metros and is only allocated to local municipalities. It may be used to upgrade and build new infrastructure up to a basic level of service and to rehabilitate existing infrastructure, as long as the infrastructure is for providing the poor with access to basic services.

As the largest of the conditional grants, it is important for the municipalities to meet the conditional requirements and

²⁴⁵ Statistics South Africa, *Non-financial census of municipalities for the year's ended 30 June 2006, 2011, 2014 and 2015*

²⁴⁶ SA Cities Network (November 2015). *State of City Finances – Basics + Innovation, 2015*

²⁴⁷ Parliamentary Monitoring Group, South Africa (2013), *New local government equitable share formula: briefing by National Treasury*. Available: <https://pmg.org.za/committee-meeting/15438/>

ensure timeous and quality project management, in order to optimise the potential value that the grant may provide to poorer communities.

Table 44: Annual MIG receipts and expenditure for 2013/14 and 2014/15 (Local Municipalities)

Local Municipality (R'000)		2014/15	2013/14
Emfuleni	Balance unspent at beginning of the year	-	-
	Current year receipts	157 727	151 925
	Conditions met- transferred to revenue	(157 727)	(151 925)
Lesedi	Balance unspent at beginning of the year	-	9 875
	Current year receipts	36 037	16 000
	Conditions met- transferred to revenue	(32 550)	(25 875)
Merafong	Balance unspent at beginning of the year	12 309	16 278
	Current year receipts	57 929	66 732
	Conditions met- transferred to revenue	(70 238)	(70 701)
Midvaal	Balance unspent at beginning of the year	-	-
	Current year receipts	29 836	27 158
	Conditions met- transferred to revenue	(29 836)	(27 158)
Mogale City	Balance unspent at beginning of the year	3 350	892
	Current year receipts	76 989	94 096
	Conditions met- transferred to revenue	(80 339)	(91 638)
Randfontein	Balance unspent at beginning of the year	6 197	28 506
	Current year receipts	35 567	20 032
	Conditions met- transferred to revenue	(36 928)	(23 272)
	* Refund to National Treasury	(3 303)	(19 069)
Westonaria	Balance unspent at beginning of the year	13 338	-
	Current year receipts	48 775	73 167
	Conditions met- transferred to revenue	(62 113)	(59 829)

Source: Municipal Audited Annual Financial Statements, 2013/14 and 2014/15

* Refunds to National Treasury by way of deduction from the municipality's equitable share in the following year.

It is ideal to see a perfect match between the current year receipts and conditions met - transferred to revenue. In most instances municipalities were able to apply for carry-overs to the following year, however, this is not guaranteed; refer to Randfontein LM in the table above. Unspent MIG (and other grants) directly impact the poor and is indicative of poor planning and contract, project and supply chain management. It is, however, noted that LM's have made improvements in spend of MIG, with very little carry-overs to following years.

The Urban Settlement Development Grant (USDG), provided to metropolitan municipalities, contributes towards the achievement of sustainable human settlements and improved quality of household life by implementing infrastructure development projects that work towards the realisation of adequate housing and improved quality environments and a functional residential property market. The infrastructure development projects include roads, bridges, water supply network, sanitation services, electrical reticulation, social and recreational services, cemeteries and markets.

Table 45: Annual USDG receipts and expenditure for 2013/14 and 2014/15 (Metros)

Table 45: Annual USDG receipts and expenditure for 2013/14 and 2014/15 (Metros)

Metropolitan Municipality (R'000)		2014/15	2013/14
City of Joburg	Current year receipts	1 695 487	1 488 878
	Transfer to EPWP	(9 580)	22 771
	Conditions met- transferred to revenue	(1 685 810)	(1 511 649)
City of Tshwane	Balance unspent at beginning of the year	44 829	-
	Current year receipts	1 469 450	1 290 611
	Conditions met- transferred to revenue	(1 477 412)	(1 245 781)
Ekurhuleni Metropolitan Municipality	Balance unspent at beginning of the year	180 598	69 508
	Current year receipts	1 804 532	1 584 912
	Conditions met- transferred to revenue	(1 498 622)	(1 473 822)

Source: Municipal Audited Annual Financial Statements, 2013/14 and 2014/15

The table above reflects the performance of the metros in terms of the USDG, both the COJ and the COT have carried over very little to 2015/16, while Ekurhuleni MM has carried over just under R500million, possibly impacting on their equitable share.

Non-revenue water and electricity

Non-revenue water and electricity has a significant impact on the revenue of a municipality and is a further opportunity cost. The table below reflects the percentage and value of water and electricity losses for the financial year 2014/15.

Table 46: Percentage and Rand value of water and electricity losses through the distribution system (as at end 2014/15)

Municipality R'000	% Water Losses	Rand Value of Water Losses (End 2014/15)	% Electricity Losses	Rand Value of Electricity Losses (End 2014/15)	Total Lost Revenue 2014/15
COJ	35.8%	1 160 000	19%	3 026 900	4 186 900
COT	18.9%	383 133	16%	973 512	1 356 645
EMM	32.1%	707 976	10%	748 033	1 456 009
Emfuleni LM	32.9%	186 496	15.5%	220 031	406 527
Lesedi LM	24%	11 340	14%	17 509	28 849
Merafong LM	46.2%	44 574	22.7%	44 268	88 842
Midvaal LM	28.7%	25 662	11.53%	21 417	47 079
Mogale City	27%	50 106	7.7%	29 423	79 529
Randfontein LM	22%	22 209	13%	30 843	53 052
Westonaria LM	19%	1 208	29%	29 861	31 069

Source: Municipal Audited Annual Financial Statement, 2014/15

* Includes technical and non-technical causes (although only the technical causes are the responsibility of the municipality, the impact is still a revenue loss to the municipality). Generally, technical losses constitute between 60-80% of the total losses.

Non-technical issues relate to administrative and technical errors, negligence, theft, tampering with meters and connections; while technical issues include water leaks in the case of water and copper or aluminium cable resistance in the case of electricity. Ageing pipelines and cables are big contributors to technical losses.

From the above table the total lost revenue for 2014/15 was in excess of R7.7billion due to water and electricity losses.

Although not reflected above, progress over the term has been inconsistent with the quantum of losses generally increasing.

This is a critical issue requiring a change in approach in the fourth term, with the allocation of adequate resourcing. The option to centralise and share resources to tackle the problem should also be explored.

Note: *The acceptable industry standard for electricity technical losses is between 5-6% and 9% for non-technical losses. For water, around 5.5% losses for technical reasons are viewed as an acceptable industry standard.*

Smart meters were rolled out throughout the larger cities and towns to alleviate the non-technical problem of meter tampering and illegal connections. Concrete data on the success of the programme was, however, not available to make a finding on its success or shortcomings.

Key observations from the review of revenue management (2001-2016)

The below tables and figures serve as a reference for the summative discussion on the key observations over the fifteen year period of the review of revenue management. They reflect the best available financial data as at the end of the first term (2005/06), second term (2010/11) and the latest available audited data for the third term, 2014/15.

Note: *The unavailability of a complete set of municipal annual reports and audited annual financial statements for the earlier years of the period under review is a report limitation. To demonstrate a trend, the 2005/06 financial data has been sourced from the DLGH End of Term Performance Review for the second term.*

Table 47: Summary of municipal revenue (2005/06, 2010/11 to 2014/15)

Category of Municipality	FY	Property Rates	RSC Levies	Service Charges	Grants & Subsidies	Other	Total	% of Total Revenue
Metropolitan Municipalities	2005/06	5 085 405	3 602 948	15 243 461	2 932 492	5 027 899	31 892 187	89.3%
	2010/11	10 231 026	-	33 732 293	12 063 929	4 848 178	60 875 426	87.6%
	2011/12	11 360 670	-	41 419 341	15 645 355	5 390 113	73 815 479	89.2%
	2012/13	12 778 667	-	44 444 069	16 299 298	5 352 742	78 874 776	88.6%
	2013/14	15 051 445	-	47 247 389	18 114 921	6 449 644	86 863 399	88.6%
	2014/15	16 178 624	-	51 371 359	20 327 628	6 857 164	94 734 775	88.6%
District Municipalities	2005/06	-	221 734	-	111 811	114 152	447 619	1.3%
	2010/11	7 198	-	4 886	497 955	87 973	598 012	0.9%
	2011/12	-	-	3 399	470 305	123 835	597 539	0.7%
	2012/13	-	-	2 972	439 945	138 335	581 252	0.7%
	2013/14	-	-	2 125	436 350	121 708	560 183	0.6%
	2014/15	-	-	1 023	450 282	150 571	601 876	0.6%

Category of Municipality	FY	Property Rates	RSC Levies	Service Charges	Grants & Subsidies	Other	Total	% of Total Revenue
Local Municipalities	2005/06	563 394	-	1 841 768	443 242	513 293	3 361 698	9.4%
	2010/11	959 364	-	4 307 672	1 958 357	778 118	8 003 511	11.5%
	2011/12	1 084 922	-	4 389 096	2 011 538	871 936	8 357 492	10.1%
	2012/13	1 209 008	-	5 486 607	2 228 922	596 294	9 520 831	10.7%
	2013/14	1 316 996	-	6 059 453	2 256 848	970 238	10 603 535	10.8%
	2014/15	1 668 107	-	6 656 249	2 306 539	950 984	11 581 879	10.8%
								Annual % Increase
Total Gauteng Municipalities	2005/06	5 648 799	3 824 682	17 085 229	3 487 545	5 655 344	35 701 504	-
	2010/11	11 197 588	-	38 044 851	14 520 241	5 714 269	69 476 949	Baseline
	2011/12	12 445 592	-	45 811 836	18 127 198	6 385 884	82 770 510	19.1%
	2012/13	13 987 675	-	49 933 648	18 968 165	6 087 371	88 976 859	7.5%
	2013/14	16 368 441	-	53 308 967	20 808 119	7 541 590	98 027 117	10.2%
	2014/15	17 846 731	-	58 028 631	23 084 449	7 958 719	106 918 530	9.1%

Sources: Municipal Audited Annual Financial Statements, 2010/11 to 2014/15, Second Term End of Term Report for 2005/6

The next figure illustrates the trends in contribution to total revenue of each revenue source as at the end of each electoral term, 2005/06, 2010/11 and 2014/15, per category of municipality.

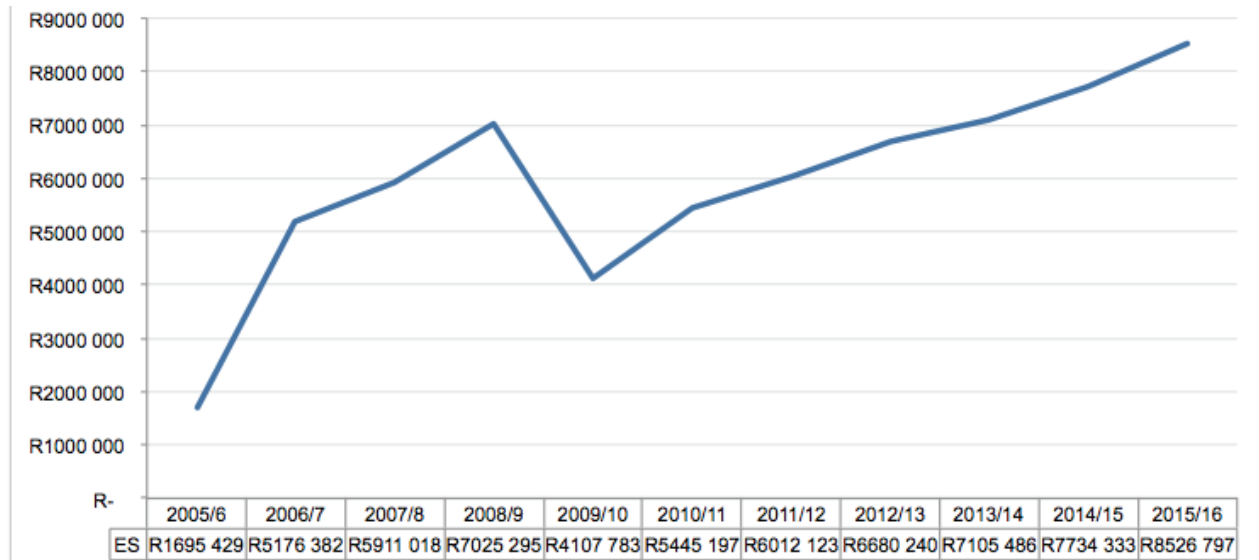
Figure 38: End of term trends in revenue sources per category of municipality



Sources: Municipal Audited Annual Financial Statements 2010/11 to 2014/15, Second Term End of Term Report for 2005/6 figures

The trend in the total equitable share allocation to Gauteng municipalities between 2005/06 and 2014/15 is reflected in the following figure.

Figure 39: Equitable share allocations 2006-2015



Sources: Annual Division of Revenue Acts- providing for the equitable share of revenue

The table below illustrates the differences between the capital funding sources for the second term and the third term (metros and total), to 2014/15.

Table 48: Capital funding sources: 2006-2011 and 2011-2015

PERIOD R'000	Municipalities	Capital grants	Public contributions and donations	Borrowing	Internally generated and other	Total
2006 - 2011 (5 years)	Metros	9 858 986	1 241 102	14 124 086	9 120 171	34 344 345
		29%	4%	41%	27%	100%
	Gauteng Municipalities Total	12 014 470	1 357 201	14 418 445	10 242 065	38 032 181
2011 - 2015 (4-years)	Metros	23 081 811	1 141 762	15 265 174	10 923 855	50 412 602
		46%	2%	30%	22%	100%
	Gauteng Municipalities Total	25 426 848	1 339 484	15 784 300	11 870 359	54 420 991
		47%	2%	29%	22%	100%

Sources: MFMA Section 71 Reports for 2011-2015, accessed on www.localgovernment.co.za, Gauteng DLGS Second Term End of Term Review Report for 2006-2011

In terms of revenue management, the following **successes** have been realised over the fifteen year period:

- 1) There has been a consistent growth in revenue, largely exceeding the rate of inflation. Total revenue for the first four years of the third term amounted to R376billion, representing an overall billing rate of 95.8%.
 - a) Revenue growth for the metros averaged 90.9% in the second term and 55.6% in the third term. For the LM's revenue grew at 138.1% in the second term and 44.7% in the third term.
- 2) Revenue from property rates has increased at a faster rate than the rate of growth in overall revenue, reflecting its increasing contribution to the revenue mix. As at the end of the period, it contributed 16.7% to the revenue

mix, up from 16.1% at the end of the second term and 15.8% at the end of the first term.

- a) There has been a progressive improvement in the management of the valuation roll in line with the MPRA, resulting in the contribution of property rates to the revenue mix tending towards 20% for a number of municipalities.
 - b) The COJ collected R1 billion more than expected following the 2013/14 valuation roll, and Westonaria LM managed to increase the share of revenue from property rates to 35% of total revenue following the implementation of its commercial valuation roll in the second half of the third term. Although there are a number of objections to the Westonaria valuation roll, the additional revenue will assist the municipality to address the prevalent socio-economic challenges that have emerged due to the decline in the mining sector.
 - c) Although the contribution of property rates to total revenue was the highest at the COJ and COT in the third term, both metros have implemented rebate policies that have limited the impact of property rates increases on the poor.
- 3) Municipalities have done well to increase their revenue from service charges and to mostly cope with the substantial bulk supply increases towards the end of the second term and the regular above inflation increases. As a revenue source it has consistently contributed in the region of 55% to the overall revenue mix over the fifteen year period.
- a) The EMM was identified as having the most progressive and affordable municipal tariffs structure in the country, one which favours poorer households. Possibly a good practice approach to be considered by other Gauteng municipalities.
- 4) Financing municipal capital development programmes:
- a) The COJ and EMM have achieved best in class credit ratings, thus placing them in a position to borrow at favourable rates that place a less onerous debt repayment burden on residents in leveraging borrowing to finance their capital development programmes.
 - b) Although, overall, the use of internally generated funds to finance capital programmes reduced from 27% in the second term to 22% in the third term, the COJ, due to its ability to drive operational surpluses and the prudent management of cash reserves increased the use of internally generated funds to 32% of its capital funding mix in the third term. Mogale City and Randfontein LM also contributed 30% of own funds to capital financing.
 - c) Although the use of borrowing as a means to finance capital programmes reduced from 38% of total capital funding sources in the second term to 29% in the third term, the COT and EMM managed to adopt a more aggressive approach to the use of borrowing, at 37% and 32% of total capital funding sources respectively.
- 5) In support of a low carbon economy, towards a sustainable and liveable City, the COJ pioneered the Green Bond in 2014, providing the metro with the means to fund climate change mitigation projects in the areas of renewable power, household and building energy efficiency, transportation, waste management and waste water.
- 6) The metros have received an increasing share of the equitable share, averaging 10% increase per annum over the third term. While the overall average increase in the equitable share for local municipalities was 4% in the third term, both Lesedi LM and Midvaal LM achieved increases that exceed 10% on average; largely due to not being penalised for under spending on grant funding and/or not paying certain debts.

- a) Over the period, municipalities have progressively adopted a more targeted approach to utilising available funding from the equitable share to provide free basic services to indigent households (as compared to the broad approach of earlier periods where most residents received the benefit).
- 7) With a few exceptions, overall there continues to be an improvement in the spend of the conditional grants provided to municipalities, particularly as assessed by the Review, the MIG and USDG.

However, the following **challenges and/or constraints** have been identified:

- 1) The accuracy of revenue budgets has remained a challenge over the period. The opportunity cost of a billing rate of 95.8% amounted to R16billion in the third term, reflecting less than optimal budgeting by most of the municipalities.
- 2) Operational grant dependency levels have remained relatively flat over the period, ending at 21% of total revenue. Municipalities are, therefore, challenged to reduce their reliance on government grants and to become more self-sustainable.
 - a) The role of the district municipalities has been brought into question. Since the scrapping of the RSC levies in 2007/08 the district municipalities have struggled for survival with low grant allocations per annum. Increases in the equitable share to DM's averaged only 2.4% per annum in the third term.
 - b) It is uncertain and doubtful that the revised equitable share will be of sufficient benefit to the DM's, who are under strain to cover their increasing costs base.
 - c) A number of the local municipalities, particularly Emfuleni LM, Merafong LM and Randfontein LM averaged equitable share increases of less than inflation over the third term, significantly impacting on their ability to service their indigent households. Merafong LM was hardest hit, averaging 0.1% increase over the period. Yet, it should be noted that the review of access to free basic services has found Merafong LM to have among the more accurate indigent registers in Gauteng.
- 3) Municipalities still experienced challenges with managing the annual valuation roll process in terms of time frames, inaccuracies and mismatches between the revenue billing system and the valuation roll; resource and capacity constraints were found to be the main reasons.
 - a) At only 13% contribution to the revenue mix, the EMM significantly lagged the other metros in terms of revenue from property rates. Although, partly due to a sluggish manufacturing sector, which the EMM is highly reliant on. The metro needs to assess the effectiveness of its valuation roll processes to maximise this revenue source.
- 4) Capital grant dependency levels to fund capital projects has increased from 32% in the second term to 47% in the third. While the COJ and Mogale City were the least grant dependent at around 30% dependency, the other metros relied on >50% of their capital funding to come from grants in the third term. Westonaria LM had the highest grant dependency level at 87%. On average, the LM's relied on 59% of their capital funding to be sourced from government grants.
 - a) The increasing reliance on government grants to finance municipal capital programmes is unsustainable in light of the pressures on the fiscus.
 - b) Although indicative of the financial strain faced by many municipalities the overall reduction in the use of borrowing (from 38% in the second term to 29% in the third term) and own funding (from 27% in the second term to 22% in the third term) has placed a limitation on the capital development programmes of most municipalities.

- 5) At least two of the metros had regressive municipal billing tariff structures in place, which made it more unaffordable for poorer households to pay for services upon the implementation of each annual cycle of tariff increases.
 - a) Furthermore, the high increases in bulk supplies was found to be unsustainable as, for affordability reasons, municipalities were mostly unable to pass the full extent of the increases on to the consumer.
- 6) The implementation of the commercial valuation roll in the mining municipality of Westonaria has received strong appeals from the mining companies, requiring hard negotiation and thus support. Randfontein LM and Merafong LM are in similar positions.
 - a) The overall viability and benefit of the Westonaria tariff structure also needs to be tested in terms of affordability, when benchmarked against other municipalities.
- 7) Tariff structures and incentives to generate revenue through climate change mitigation and green technologies are yet to be exploited.
- 8) Inefficiencies in the management of other income streams has resulted in the contribution of 'other' income to the revenue mix progressively reducing over the period; from 15.8% in 2005/06, to 8.2% in 2010/11, down to 7.4% in 2014/15.
 - a) It was specifically found that municipalities have been challenged with the management and collection of monies from fines and other fees.
 - b) The management of property asset registers has been less than effective, resulting in under-utilised properties and thus lost revenue and often squalid living conditions for tenants of buildings that have been taken over by slumlords.
- 9) Over R7billion per annum has been lost to unaccounted for water and electricity for technical and non-technical reasons, having generally tendered worse over the period.
 - a) Most of the municipalities, on their own, and especially the smaller LM's do not have access to adequate skills and resources to address the challenges of ageing infrastructure, theft, negligence and meter tampering. Ageing meters are a particular challenge.

3.5.2 Expenditure Management

In reviewing performance in terms of expenditure, consideration was given to how local government in Gauteng has dealt with the policy directives targeting reduced overspending of operational budgets and reduced under spending of capital budgets.

Reflecting on performance in the first ten years (2000-2011)

Based on the findings of the COGTA first term review report, under-expenditure on personnel costs was 21% for the metros and 4% for the local municipalities, mainly due to staff vacancies and unfilled posts. The district municipalities, however, overspent by 8% on personnel costs. Under-expenditure on general expenditure and repairs and maintenance was 13% and 11% respectively for the metros, and 1% and 18% respectively for the local municipalities, while for the district municipalities overspent by 68% on general expenditure and unspent on repairs and maintenance by 42%. The metros and the local municipalities averaged 35% personnel: total costs, with the ratio in the range of 40-55% for the district municipalities.

Performance in terms of capital budget spend was worse. While the metros averaged 75-88% capital budget spend, the district averaged 42% and the local municipalities 45%; reflecting significant capacity constraints and, therefore, a lack of infrastructure development in many of the municipalities. Kungwini LM and Nokeng Tsa Taemane LM were at the lower extreme, at less than 20% capital budget spend.

Performance on operational budget spend improved significantly over the second term. However, calculated over the five year period (2005-2010), the total under-expenditure still amounted to a significant R14billion (6% underspend) – the local municipalities of Kungwini, Westonaria, Emfuleni and Midvaal local consistently overspent.

After steady increases in the cost of bulk purchases in the first part of the term, the increases accelerated steeply in the last two years, raising alarm bells in terms of the impact on future financial sustainability and the growing need for municipalities to hike their service fees to match the water and electricity supply increases; with due consideration for consumer affordability, in the context of the global recession of 2008 and 2009 that impacted on economic growth and employment in South Africa.

For the metros, employee costs reduced to an average 26% of total expenditure budget, for district municipalities it was 51% and for the local municipalities 28%, reflecting an improvement for all categories of municipality, although the district municipalities were trending upwards. Part of the reason though was an ever increasing vacancy rate.

Over the second term, the metros managed to spend 92% of their capital budget, while the district municipalities only spent 54% and the local municipalities performed even worse than in the first term, spending only 40% of their capital budget.

Review of performance in the third term (2011-2016)

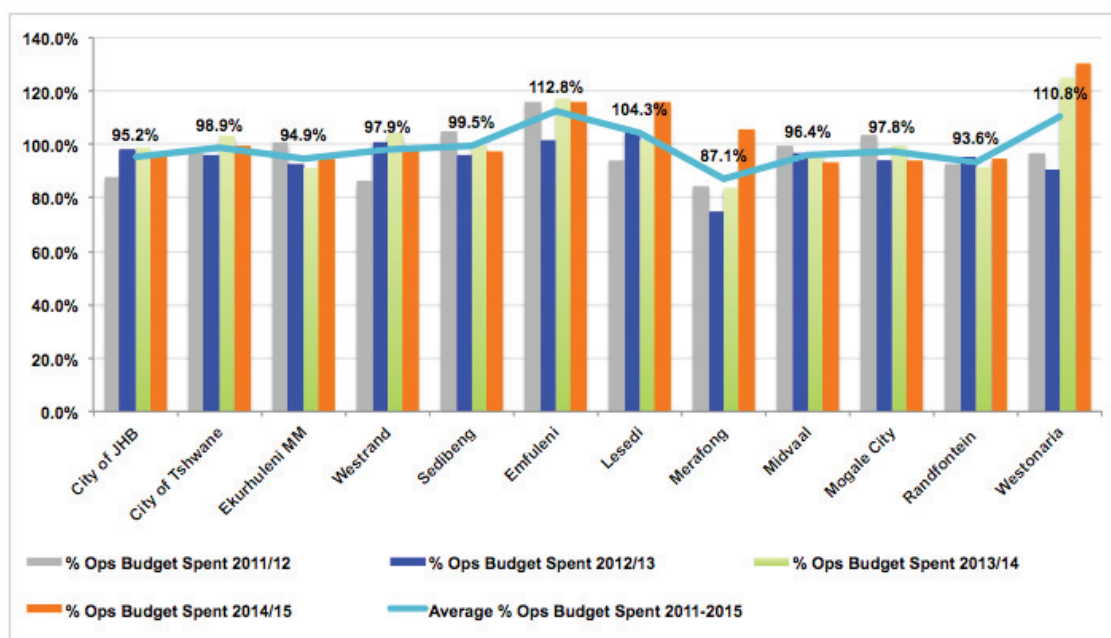
The performance of the Gauteng municipalities and the learnings of the first ten years informed the following priorities for the third term:

- 1) To support and closely monitor spend on repairs and maintenance, as a key contributor to economic development and job creation.
- 2) To put in place mechanisms for the close monitoring of service providers to adhere to stipulated timeframes for project completion, and the inclusion of skills transfer clauses in the specifications for the procurement of service providers in order to enhance effective project management in municipalities.
- 3) The need for benchmarks and guidelines for personnel expenditure for each category and size of municipality.
- 4) Increased capacity for capital budget expenditure (training, outsourcing, etc.) and quarterly monitoring of capital expenditure patterns in order to take corrective action timeously. To address supply chain shortcomings, which were largely blamed for project delays in the previous term and, therefore, underspend on budget.

OPERATIONAL EXPENDITURE

Combined, the Gauteng municipalities spent 96.8% of their operational budgets in the third term. The table below reflects the performance of the individual municipalities in relation to their operational budget spending patterns over the period 2011/12-2014/15.

Figure 40: Percentage operational budget spend per annum (2011-2015)



Source: Municipal Audited Annual Financial Statements, 2011/12 to 2014/15

* Prior year restated actual expenditure measured as a percentage of adjusted budget.

** Data labels in percentage reflect the average actual vs. budget operational budget spend for the period.

Emfuleni, Lesedi and Westonaria local municipalities all consistently overspent on their operational budgets over the third term. Of the metros, the City of Tshwane performed the best in terms of operational budget spend, at almost 99% while Merafong LM underspend significantly over the period, averaging 87.1% operational budget spend.

A combination of factors influenced the budget spend, including the efficiency of supply chain management processes, the demand for services, increases in the costs of various cost drivers such as employee costs and bulk purchases, as well as the effectiveness of the municipal budget management systems, processes and human resources.

The biggest cost drivers were:

- 1) Employee costs,
- 2) Materials and bulk purchases,
- 3) General expenditure.

The table below reflects the rate of increase of the identified cost drivers against the rate of growth in revenue between the financial year 2011/12 and 2014/15.

Note: Revenue has been selected as the comparator instead of total expenditure, as it is revenue that determines what budget a municipality can set; a growing revenue base provides municipalities with more flexibility to allocate budgets to various priorities.

Table 49: Cost drivers in relation to revenue growth (2011/12 vs. 2014/15)

Municipality R'000	Cost Driver	(Year 1: 2011/12)		(Year 4: 2014/15)		Growth Rate	
		Revenue	Cost Driver	Revenue	Cost Driver	% Growth in Revenue	% Growth in Cost Driver
City of Joburg	Employee Costs	34 240 412	7 098 305	41 647 817	8 820 311	21,6%	24,3%
	Materials and Bulk Purchases		10 147 417		12 455 165		22,7%
	General Expenditure		8 851 745		12 460 026		40,8%
City of Tshwane	Employee Costs	18 771 100	4 815 285	25 628 566	6 514 598	36,5%	35,3%
	Materials and Bulk Purchases		6 695 734		8 077 425		20,6%
	General Expenditure		4 510 792		8 053 383		78,5%
Ekurhuleni MM	Employee Costs	20 803 967	4 109 532	27 458 392	4 936 085	32,0%	20,1%
	Materials and Bulk Purchases		9 667 706		12 143 519		25,6%
	General Expenditure		3 473 982		3 486 527		0,4%
Westrand	Employee Costs	225 784	135 101	237 040	125 013	5,0%	-7,5%
	Materials and Bulk Purchases		0		0		n/a
	General Expenditure		68 406		48 066		-29,7%
Sedibeng	Employee Costs	371 755	226 589	364 836	206 010	-1,9%	-9,1%
	Materials and Bulk Purchases		0		0		n/a
	General Expenditure		108 290		101 154		-6,6%
Emfuleni	Employee Costs	3 561 931	722 714	5 029 356	858 796	41,2%	18,8%
	Materials and Bulk Purchases		1 605 751		1 797 388		11,9%
	General Expenditure		918 825		1 039 844		13,2%
Lesedi	Employee Costs	429 282	91 133	626 528	92 038	45,9%	1,0%
	Bulk Purchases		172 145		231 387		34,4%
	General Expenditure		111 829		144 741		29,4%
Merafong	Employee Costs	953 303	241 890	1 249 014	289 152	31,0%	19,5%
	Materials and Bulk Purchases		267 097		328 892		23,1%
	General Expenditure		215 337		223 467		3,8%
Midvaal	Employee Costs	551 504	126 748	779 659	155 483	41,4%	22,7%
	Materials and Bulk Purchases		199 878		245 664		22,9%
	General Expenditure		142 440		185 780		30,4%
Mogale City	Employee Costs	1 768 491	397 068	2 284 285	541 081	29,2%	36,3%
	Materials and Bulk Purchases		540 935		764 417		41,3%
	General Expenditure		478 966		488 961		2,1%

Municipality R'000	Cost Driver	(Year 1: 2011/12)		(Year 4: 2014/15)		Growth Rate	
		Revenue	Cost Driver	Revenue	Cost Driver	% Growth in Revenue	% Growth in Cost Driver
Randfontein	Employee Costs	679 048	182 982	854 376	221 197	25,8%	20,9%
	Materials and Bulk Purchases		271 455		382 282		40,8%
	General Expenditure		137 353		129 935		-5,4%
Westonaria	Employee Costs	413 933	94 017	758 661	78 875	83,3%	-16,1%
	Materials and Bulk Purchases		159 484		171 881		7,8%
	General Expenditure		67 037		54 519		-18,7%
Total Gauteng Municipalities	Employee Costs	82 770 510	18 241 364	106 918 530	22 838 639	29,2%	25,2%
	Materials and Bulk Purchases		29 727 602		36 598 020		23,1%
	General Expenditure		19 085 002		26 416 403		38,4%

Source: Municipal Annual Financial Statements and MFMA S71 Reports for 2011/12 and 2014/15, accessed on www.localgovernment.co.za

Most municipalities were able to contain the increases in the cost drivers to less than the overall increase in their revenue. The notable exceptions were the COJ with higher rates of increases in all three cost drivers, as compared to the increase in revenue between 2011/12 and 2014/15. Mogale City realised greater increases in employee costs and bulk purchases, and Randfontein in bulk purchases, as compared to increases in revenue.

Overall, for all Gauteng municipalities, increases in personnel costs and bulk purchases were contained to less than the increase in revenue, while general expenditure increased faster than total revenue.

Employee costs as a percentage of expenditure

The table below provides further insights into the trends regarding employee costs as a percentage of operational expenditure by comparing the ratio of employee costs: expenditure in 2011/12 to 2014/15.

Table 50: Comparison of employee costs: operational expenditure (2011/12 vs. 2014/15)

Municipality	Employee Costs: Total Expenditure 2011/12	Employee Costs: Total Expenditure 2014/15	% Change
City of Joburg	23.9%	23.1%	(-0.8%)
City of Tshwane	27%	26%	(1%)
Ekurhuleni MM	20.3%	21%	0.7%
Westrand DM	56.6%	63.9%	7.3%
Sedibeng DM	61.5%	59.8%	(1.7%)
Emfuleni LM	18.9%	20.9%	2%
Lesedi LM	21.1%	17.6%	(3.5%)
Merafong LM	26.2%	31.9%	5.7%
Midvaal LM	22.4%	21%	(1.4%)
Mogale City LM	22.8%	24.7%	1.9%
Randfontein LM	25.1%	26.9%	1.8%
Westonaria LM	23.7%	24.9%	1.2%

Source: MFMA S71 reports for 2011/12 to 2014/15, accessed on www.localgovernment.co.za

The achievement of an average 0.25:1 ratio of employee costs:operational expenditure by the Gauteng metros and local municipalities is in line with best practice.

Source: Gauteng Viability Assessment Framework (2013)

As compared to the first ten years, for metros and LM's employee costs as a percentage of total expenditure reduced significantly. This was largely attributed to increased vacancy rates as highlighted by the review of organisational development, but supportive to governments drive to reduce personnel expenditure and in spite of average public sector annual salary increases exceeding the inflation rate. At an average of 25%, the metros and LM's can be commended for effectively managing their employee costs.

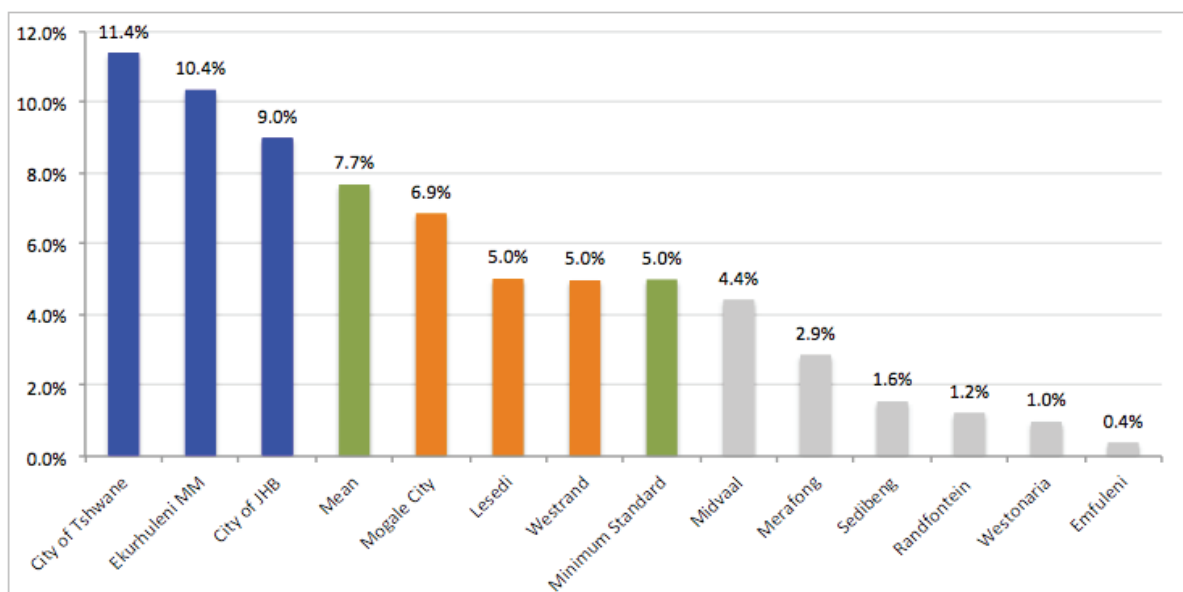
However, both the DM's, at 63.9% (WRDM) and 59.8% (Sedibeng), increased their ratio of employee costs:operational expenditure as compared to the previous term average of 55%. Although it is understandable that DM's would have higher levels of personnel expenditure, the sustainability of the district municipalities is again brought into question.

Notwithstanding the above achievement by the metros and local municipalities, the challenge remains to ensure that they have the right number of quality of personnel in place for optimal service provision (discussed under the institutional transformation and organisational development KPA).

Repairs and maintenance as a percentage of expenditure

The minimum good practice standard for spend on repairs and maintenance is 5% of total expenditure, 7% is considered a healthy norm²⁴⁸. The figure below reflects the performance of the Gauteng municipalities over the third term.

Figure 41: Repairs and maintenance as a percentage of expenditure (2011-2015)



Source: MFMA S71 reports for 2011/12 to 2014/15, accessed on www.localgovernment.co.za

The metros have all performed exceptionally in terms of repairs and maintenance, having spent in excess of the healthy norm of 7% (and above the Gauteng mean of 7.7%) of their operational expenditure budgets on repairs and maintenance.

The repairs and maintenance expenditure of Mogale City, Lesedi local municipality and WRDM were within range of what is considered good practice and the healthy norm. Six of the municipalities spent less than 5% of their budget on repairs and maintenance. Of particular concern are those municipalities reflected above that have spent less than 2% of their budget on repairs maintenance.

CAPITAL EXPENDITURE

Against the policy directive to reduce under-expenditure on capital budgets, the table below reflects the performance of municipalities in terms of their actual expenditure against the total capital budget for the period 2011/12 to 2014/15.

Table 51: Total capital expenditure by Gauteng municipalities (2011/12-2014/15)

Municipality R'000	Capital Budget (Adjusted) (2012-2015)	Actual Capital Expenditure (2012-2015)	Variance	% Capital Budget Spend over the Period
City of Joburg	26 775 746	25 790 869	(984 877)	96,3%
City of Tshwane	16 913 876	16 010 001	(903 875)	94,7%
Ekurhuleni MM	11 607 908	10 041 368	(1 566 540)	86,5%
Total Metros	55 297 530	51 842 238	(3 455 292)	93,8%
Emfuleni	1 564 019	1 096 809	(467 210)	70,1%
Lesedi	218 911	169 371	(49 540)	77,4%
Merafong	930 287	619 611	(310 676)	66,6%
Midvaal	327 776	296 782	(30 994)	90,5%
Mogale City	1 251 183	1 120 281	(130 902)	89,5%
Randfontein	423 054	314 605	(108 449)	74,4%
Westonaria	311 927	329 767	17 840	105,7%
Total LM's	5 027 157	3 947 226	(1 079 931)	78,5%
Total Gauteng Municipalities	60 324 687	55 789 464	(4 535 223)	92,5%

Source: Municipal Annual Financial Statements and MFMA S71 reports for 2011/12 to 2014/15, accessed on www.localgovernment.co.za

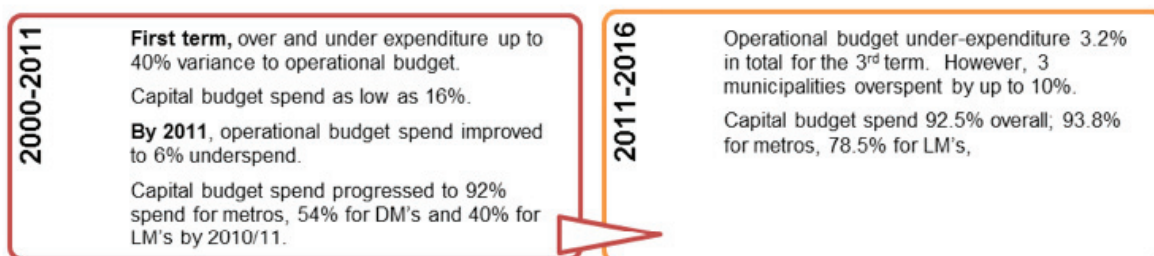
The metros have managed to spend 93.8% of their allocated capital budgets, while local municipalities have only spent 78.5%. In total, the ten municipalities have spent 92.5% of the total capital budget for the period under review. The 7.5% under-expenditure amounts to an opportunity cost of R4.5billion in terms of infrastructure development and renewal that could have taken place over the period.

Note: Using a crude figure of R350,000 to build a low cost house, R4.5billion could have built almost 13,000 houses; or, at an average cost of R2million per km, R4.5billion could have built 2,250 km's of new tarred roads across Gauteng.

The impact of not spending R4.5billion of the capital budget is, therefore, huge and thus remains a priority focus area going forward. Issues of capacity, SCM, contract management, project management, skills development, other inefficiencies and possibly fraud and corruption therefore remain priority focus areas; as also reported in the previous End of Term Review. Specific attention needs to be given to the following municipalities with under-expenditure levels exceeding 10%: EMM, Emfuleni LM, Lesedi LM, Merafong LM, Mogale City and Randfontein LM.

and possibly fraud and corruption therefore remain priority focus areas; as also reported in the previous End of Term Review. Specific attention needs to be given to the following municipalities with under-expenditure levels exceeding 10%: EMM, Emfuleni LM, Lesedi LM, Merafong LM, Mogale City and Randfontein LM.

Figure 42: Key observations from the review of expenditure management (2001-2016)



In terms of expenditure management, the following **successes** have been realised over the fifteen year period:

- 1) In general, over the period the Gauteng municipalities have improved their management of expenditure. Whereas under and over expenditure ranged between 40% of operational budget in the first term, it improved to 6% underspend in the second term, ending the third term at 3.2% under-expenditure.
- 2) Particularly in the third term, most municipalities have been able to contain the increases in the cost drivers of personnel expenditure and materials and bulk purchases to less than the overall increase in revenue.
- 3) Personnel expenditure as a proportion of total expenditure for the metros and LM's has improved to the good practice level of 25% in the third term, from an average of just over 26% in the second term and 35% in the first term.
- 4) Following the concerns of the first decade that spend on repairs and maintenance was inadequate, the metros all managed to spend in excess of 9% of their operational budgets on repairs and maintenance in the third term. Mogale City, Lesedi LM and WRDM all managed to spend above the minimum threshold of 5%.
 - a) The improved spend on repairs and maintenance bodes well for the longevity of the developed public assets.
- 5) Total spend on capital budgets improved to 92.5% in the third term, a significant improvement over the first decade, where under-expenditure for certain municipalities ranged between 80-40%. The COJ was the best performing metro at 96.3% and Midvaal LM the best performing LM at 90.5% in the third term.
 - a) The improved expenditure has been attributed to improved project planning and management, supported by more efficient SCM processes.

However, the following **challenges / constraints** were identified:

- 1) Over the period, certain municipalities have continued to overspend on their operational budgets. While the prevalence of over-expenditure has been reduced, in the third term, Emfuleni LM, Lesedi LM and Westonaria LM all over-spent.
 - a) While ineffective budget management was a key cause for over-expenditure, the lack of sufficient budget due to inadequate revenue (low collection rates) caused by the depressed economic environment was a further cause.

- 2) The district municipalities of West Rand and Sedibeng, at 63.9% and 59.8% respectively, increased their ratio of employee costs:operational expenditure in the third term as compared to the previous term average of 55%.
- a) A funding model for the DM's is required if they are to continue to exist, the current model is not sustainable and is ineffective.
- 3) While Midvaal LM (4.4%) spent just below the minimum threshold level of 5% on repairs and maintenance, the spend by Merafong LM, SDM, Randfontein LM, Westonaria LM and Emfuleni LM was negligible and, therefore, cause for concern. Considering that this situation has largely prevailed over the fifteen year period, the state of public assets in the said municipalities are bound to be poor and getting worse.
- 4) Although an improvement on the 40% spend on capital budgets by the LM's in the second term, the average spend remained relatively low at 78.5% across all LM's in the third term. The capacity and capability of many of the LM's has remained as the key constraint over the period, particularly in terms of technical, project and supply chain management.

3.5.3 Financial Health and Viability

The Gauteng Viability Assessment Framework²⁴⁹ provides guidance on the range of financial indicators available to assess the financial viability of a municipality. Of the many, the following key indicators have been selected, to provide a reasonable view of the financial health and ongoing viability of the Gauteng municipalities as at the end of the review period.

- 1) Accounting surplus / (deficit);
- 2) Net assets, which considers all current and long term assets and liabilities (equity);
- 3) Liquidity, the extent to which current assets covers current liabilities;
- 4) Accumulated cash and cash equivalents.

Factors impacting directly on the above are then considered:

- 1) Consumer collection levels,
- 2) Consumer debtors,
- 3) Municipal creditors.

Further consideration is then given to the impact of municipal mergers on the financial viability of the Gauteng municipalities, in the context of the GCR and the move towards the metropolitan system of government.

The end of term performance review reports for the first and second term did not assess the financial viability of the municipalities against all of the above indicators. The reflection on performance of the first ten years is, therefore, a more general discussion based on the findings of the previous end of term review reports. The indicators are then analysed in more detail in the performance review of the third term.

Reflection on performance in the first ten years (2000-2011)

The review of the first term focused on consumer and municipal debt. Overall, the management of consumer debtors varied significantly across the municipalities. The metros and district municipalities had no problems paying creditors and

²⁴⁹ *Gauteng COGTA, Gauteng Municipal Viability Assessment Report, September 2013*

generally better managed their debtors and creditors. However, the ability and competency to pay creditors varied from virtually zero for certain local municipalities to 100% in the case of Lesedi local municipality.

Overall, municipal debt in Gauteng was by far the highest of all municipalities in the country, having risen from R12.5million in 2000 to R15.8million in 2005. Municipalities were also owed around R500million in rates and service charges by government departments.

In the second term, consumer debt on service charges rose from R16.6billion to R23.4billion over the review period, a 41% increase. The following were identified as contributing factors: lack of capacity to set up appropriate collection systems and collect what is owed; inaccurate billing systems and incorrect billing of accounts; lack of follow-ups on the arrangements made; ineffective implementation of debt collection strategies; and keeping of debt book arrears that were irrecoverable, for example, from indigent households, child-headed households and pensioners.

Regardless of the reasons behind this debt, the outstanding arrears were highlighted as one of the most critical challenges to the financial sustainability of local government in Gauteng at the end of the second term.

- 1) Government debt owed to Gauteng municipalities had risen to R1.9billion, as compared to R500million towards the end of the previous term.
- 2) Municipal councillor arrears had dropped from R1.5million to R600k over the period. The main challenges faced by municipalities to collect the outstanding arrears included incorrect meter readings and inaccurate billing systems.
- 3) From a creditor payment perspective, the report highlighted that by far municipalities were complying with the thirty days payment legislative requirement, barring a few exceptions.

There were those municipalities that had financial crises and could not pay their creditors on time, thus compromising service delivery. Two metropolitan municipalities and two local municipalities were affected by this situation over the review period. Cash management was rather problematic and, therefore, cash management tools were needed to support the municipalities.

Review of performance in the third term (2011-2016)

Considering the constraints relating to debtors and creditors management in the previous period, and the emerging challenges of financial sustainability, below then is the assessment of how well local government in Gauteng performed in the third term against the selected indicators of municipal financial health and viability.

SURPLUS / (DEFICIT)

The surplus / (deficit) of a municipality is the first indication of whether the financial viability of a municipality is improving or receding. The minimum norm is to break even and preferably achieve a surplus. The below table reflects the operational surplus / (deficit) trend over the third term.

Table 52: Operational surplus / (deficit) (2011/12-2014/15)

Municipality	2011/12	2012/13	2013/14	2014/15	Accumulated Operational Surplus / (Deficit) as at end 2014/15
City of Joburg	3 718 259	1 367 682	1 709 013	1 641 662	8 436 616
City of Tshwane	800 052	(242 383)	(1 169 545)	(803 906)	(1 415 782)
Ekurhuleni MM	(707 111)	(32 599)	340 258	2 611 850	2 212 398
Total Metros	3 811 200	1 092 700	879 726	3 449 606	9 233 232
Westrand DM	(16 219)	(35 138)	(59 815)	(25 929)	(137 101)
Sedibeng DM	4 425	(13 121)	(28 014)	(1 311)	(38 021)
Total DM's	(11 794)	(48 259)	(87 829)	(27 240)	(175 122)
Emfuleni LM	(466 920)	(451 294)	(361 983)	709 812	(570 385)
Lesedi LM	(27 541)	(49 501)	(29 725)	11 425	(95 342)
Merafong LM	(94 137)	156 617	75 205	17 426	155 111
Midvaal LM	(47 656)	(20 994)	(21 221)	(78 789)	(168 660)
Mogale City	(65 497)	(176 311)	(168 772)	(201 095)	(611 675)
Randfontein LM	(47 694)	(74 616)	(118 782)	6 982	(234 110)
Westonaria LM	17 784	(79 842)	(160 573)	273 010	50 379
Total LM's	(731 661)	(695 941)	(785 851)	738 771	(1 474 682)
Total Gauteng Municipalities	3 067 745	348 500	6 046	4 161 137	7 583 428

Source: MFMA S71 reports, 2011/12 to 2014/15, accessed on www.localgovernment.co.za

The only municipality to achieve an operational surplus for each of the first four years of the third term was the COJ (and therefore as mentioned earlier, able to finance 32% of the metros capital programme using own funds). While the EMM has progressively improved and posted the largest operational surplus of all municipalities in the fourth term, the COT has trended in the red over the last three years. The rest of the municipalities have largely achieved operational deficits over the third term, due to underachievement of revenue targets or overspending on operational budgets, as discussed in the previous sections.

The target below provides a view of the net surplus/ (deficit) achieved by the Gauteng municipalities over the third term.

Table 53: Net surplus / (deficit) (2011/12-2014/15)

Municipality	Net Surplus / (Deficit) 2011/12	Net Surplus / (Deficit) 2012/13	Net Surplus / (Deficit) 2013/14	Net Surplus / (Deficit) 2014/15	Accumulated Net Surplus / (Deficit) as at end 2014/15
City of Joburg	4 614 681	3 438 456	3 768 891	3 894 298	39 284 442
City of Tshwane	2 025 848	1 909 987	607 303	1 178 662	18 983 830
Ekurhuleni MM	565 271	982 817	1 989 347	2 172 804	44 995 921
Total Metros	7 205 800	6 331 260	6 365 541	7 245 764	103 264 193
Westrand	(16 104)	(33 957)	(59 976)	(43 238)	(7 076)
Sedibeng	(29 697)	(13 773)	(36 422)	(6 015)	92 365

Municipality	Net Surplus / (Deficit) 2011/12	Net Surplus / (Deficit) 2012/13	Net Surplus / (Deficit) 2013/14	Net Surplus / (Deficit) 2014/15	Accumulated Net Surplus / (Deficit) as at end 2014/15
Total DM's	(45 801)	(47 730)	(96 398)	(49 253)	85 289
Emfuleni	884 280	(89 747)	(178 775)	(541 138)	10 570 293
Lesedi	1 547	(29 154)	(7 544)	29 623	673 596
Merafong	5 342	150 606	73 215	(159 810)	2 701 270
Midvaal	(13 994)	10 975	7 195	(21 689)	1 983 993
Mogale City	39 017	(45 494)	(65 485)	(17 701)	5 142 198
Randfontein	(46 916)	(74 172)	(98 453)	(56 230)	2 319 608
Westonaria	15 761	3 644	(53 147)	42 450	1 196 881
Total LM's	885 037	(73 342)	(322 994)	(724 495)	24 587 839
Total Gauteng Municipalities	8 045 036	6 210 188	5 946 149	6 472 016	127 937 321

Source: Municipal Audited Annual Financial Statements: 2011/12 to 2014/15 (Prior year restated for 2011/12, 2012/13 and 2013/14)

* Net surplus / (deficit) = operational surplus / (deficit) + transfers of capital and other assets recognised

The table above highlights that the three metros were in a relatively strong position at the end of 2014/15. The CoJ has been consistent in achieving an average net surplus of just under R4billion per annum and EMM has been consistent in growing its net surplus year-on-year from R565million in 2011/12 to R2.1billion in 2014/15. EMM also had the highest accumulated surplus of all municipalities - R44billion as at end 2014/15. The accumulated surplus of the COJ was just under R40billion.

The COT was somewhat less consistent over the years and ended the period in a marginally satisfactory position. An accumulated surplus of only R18.9billion highlights that they were lagging the other metros quite significantly.

Both of the district municipalities were financially challenged as they have been unable to cover their expenditure with the revenue that they generated, as attested by the annual net deficits for each year of the review period. Although Sedibeng DM had R92.3million in accumulated surpluses at end 2014/15, the situation was absolutely dire for WRDM, with an accumulated deficit of R7million; an unsustainable situation.

Although not as unfavourable as the DM's, the LM's also struggled to cover costs with the revenue that they were able to generate. Every single LM has experienced a net deficit at some point over the review period, the worst being Randfontein LM with a net deficit each year. Only Lesedi LM and Westonaria LM have managed to achieve a net surplus (R29million and R42million respectively) in 2014/15. Westonaria's achievement is largely due to the increased revenue from property rates following the implementation in 2014/15 of its commercial valuation roll.

The biggest of the LM's, Emfuleni LM has been progressively achieving poorer results year-on-year, from a surplus of R884million in 2011/12 to a deficit of R541million in 2014/15. Emfuleni did, however, still have an accumulated surplus of R10.5billion at end 2014/15.

All the LM's still had accumulated surpluses at end June 2014, however, the surpluses are fast being depleted; clearly an unsustainable situation.

In total, for all Gauteng municipalities, the accumulated surplus was R127.9billion at end 2014/15, of which the metros contributed 80%.

LIQUIDITY AND CASH AND CASH EQUIVALENTS

The table below is a consolidation of the position of the Gauteng municipalities in terms of three indicators, as at end 2014/15: net assets, which is net of all current and non-current liabilities less all liabilities; the current asset ratio, which measures the ability of the municipality to provide for current assets with current liabilities; and the accumulated cash surplus / (deficit), which is total income less conditional transfers less total expenditure excluding non-cash items adjusted for changes in working capital.

A going concern assessment is then made for each municipality, with findings largely supported by statements by the Auditor General in the latest municipal management reports.

Table 54: Liquidity, net assets and cash position, as at end 2014/15

Municipality	Current Asset Ratio	Cash and Cash Equivalents	* Net Assets	Going Concern Assessment
City of Joburg	1.1:1	4 897 554	39 284 442	Strong financial position. Work on further improving liquidity.
City of Tshwane	0.72:1	600 518	18 983 830	Marginal liquidity. Low cash reserves. Payment constraints.
Ekurhuleni MM	1.8:1	7 821 728	45 044 578	Good liquidity. Strong asset base and high cash reserves.
Total metros		13 319 800	103 312 850	
Westrand	0.8:1	32 775	(7 076)	Marginal liquidity, running low on cash. Negative total assets.
Sedibeng	0.4:1	10 414	92 365	Poor liquidity. Low cash reserves. Payment constraints.
Total DM's		43 189	85 289	
Emfuleni	0.56:1	123 981	10 595 871	Poor liquidity. Payment constraints. Net assets good.
Lesedi	0.6:1	18 976	673 596	Poor liquidity. Payment constraints. Running low on cash.
Merafong	0.89:1	85 947	2 701 270	Marginal liquidity. Payment constraints. Good asset base.
Midvaal	1.8:1	75 520	1 983 993	All round satisfactory.
Mogale City	0.85:1	165 853	5 152 589	To improve liquidity. Need close management but net assets good.
Randfontein	0.46:1	31 510	2 321 279	Poor liquidity, declining cash availability but net assets reasonable. Payment constraints. Adverse audit opinion.
Westonaria	0.5:1	(855)	1 196 881	In serious trouble. Negative cash flow. Unable to make payments when due. Adverse audit opinion.
Total LM's		500 932	24 625 479	
Total Gauteng Municipalities		13 863 921	128 023 618	

Source: Municipal Audited Annual Financial Statements: 2011/12 to 2014/15 (Prior year restated for 2011/12, 2012/13 and 2013/14)

* Community wealth / equity

As at end 2014/15, five of the municipalities were not in a favourable financial position due to low levels of liquidity, low

cash reserves and a deteriorating asset base, while three of the municipalities were in a marginal position, thus requiring close management.

Equity of these municipalities was low and the impact on service delivery will become more pronounced if immediate and decisive action is not taken. EMM was in the most financially healthy state, followed by the COJ and Midvaal LM.

Impact of the merger between the City of Tshwane and Metsweding DM, Kungwini LM and Nokeng Tsa Taemane LM

The challenge of poor liquidity for the City of Tshwane is largely attributable to the merger with Metsweding DM and its constituent LM's in 2011. The merger was in line with the policy of the Gauteng Provincial Government to move towards a wall-to-wall metropolitan system of government in the Gauteng City Region. Eventually, the GCR would comprise of five metros and no district and local municipalities. It is thus important to gain some insight into the City of Tshwane / Metsweding merger, as a learning for future municipal mergers.

The amalgamation intended to create economies of scale, speed up service delivery and enable the communities of the smaller incorporated municipalities to benefit from the bigger municipality's good infrastructure, resources, and project management capabilities⁹. The decision, however, had far reaching implications on the financial viability of the City of Tshwane, briefly discussed below.

The transitional costs of the merger cost the City of Tshwane just over R1 billion, while they only received a once-off grant of R20 million from Gauteng COGTA as compensation¹⁰. As discussed in an earlier section, since the merger the City of Tshwane has been incurring operational shortfalls of over R500 million per annum.

The revenue / expenditure shortfalls were caused by over-expenditure on items not budgeted for, while the revenues of the merged municipalities declined. As the inherited municipalities were relatively poor, with a large proportion of the population indigent, the three municipalities did not contribute to an increase in the COT's tax base. Furthermore, the COT needed to increase its capital expenditure in the new regions, and the inheritance of huge debt due to long term commitments made prior to the merger placed a further financial burden on the City¹¹.

Besides the above financial implications, the City of Tshwane also faced challenges relating to governance and public participation and, as described under the service delivery KPA, service delivery performance also slipped significantly following the merger. The question that arises is whether bigger is indeed better and whether the intended advantages are not overshadowed by the disadvantages relating to the financial impact, and importantly, whether the large new municipality does not create too much distance between Council and the people, thus bringing into question the rationale of participatory governance.

Going forward, the following should be considered:

A detailed feasibility study should be undertaken in order to fully understand the cost implications, particularly where one or more of the merging municipalities is not financially viable on its own, i.e. it has liquidity problems, a weak asset base - large current and long term liabilities and both operational and capital expenditure commitments with third parties that will become due and, therefore, will become the responsibility of the merged entity. Ideally this should take place before the announcement of the merger by the demarcation board.

The amalgamated municipality needs to be provided with funding support to cover the abovementioned liabilities:

Ideally, national / provincial government should provide the municipality with a transitional grant to support the upfront costs of the merger.

Longer term funding should be provided, possibly via the equitable share, until the merged entity has stabilised and is confirmed financial viable.

Alternative categories of municipality should be explored, including hybrid combinations of the three categories of municipality in the shorter term, with a view to full metro in the longer term, particularly as the TMR corridor developments take effect and better link the various economic nodes of the GCR. The upcoming merger between Randfontein LM and Westonaria LM should, therefore, be considered very carefully, as in this case both municipalities are not in a good financial state. It is imperative that the merger is supported with both transitional funding and longer term funding to support sustainability, e.g. the outstanding debt to Eskom for which Westonaria LM pays an interest of R9million per annum should form part of the transitional funding. Longer term support is also required to address the challenge of a subdued mining sector. The Western Corridor Development thus needs to be prioritised.

FACTORS IMPACTING CASHFLOW AND FINANCIAL VIABILITY

Considering the above financial position of the Gauteng municipalities at the end of the third term, the ability to collect receivables that are due (consumer debt), and to pay service providers within the legislated thirty days from date of invoice impact directly on the cash reserves and liquidity of the municipalities.

Consumer collection rates

For a municipality to increase its financial viability it should maintain its collection levels at least above 90%²⁵⁰. It is calculated as follows: growth in gross consumer debtors including debts written off in the financial year as a percentage of billed income, including equitable share.

The below table reflects the collection rates of the metros and local municipalities over the third term.

Table 55: Consumer collection rates per municipality (2011-2015)

Municipality	2011/12	2012/13	2013/14	2014/15
City of Joburg	87.6%	90.3%	85.9%	88.7%
City of Tshwane	96.7%	100.0%	95.6%	100.0%
Ekurhuleni MM	89.9%	99.5%	91.9%	88.2%
Emfuleni LM	71.0%	88.9%	77.0%	74.9%
Lesedi LM	86.4%	80.0%	74.6%	74.0%
Merafong LM	99.2%	90.6%	91.9%	79.5%
Midvaal LM	92.9%	92.2%	93.3%	109.2%
Mogale City	95.9%	92.8%	96.4%	94.0%
Randfontein LM	70.7%	67.6%	85.2%	73.7%
Westonaria LM	100.7%	124.4%	150.9%	59.0%

Source: MFMA S71 reports, 2011/12 to 2014/15, accessed on www.localgovernment.co.za

Highlighted red: collection rates less than 90%

Westonaria, Merafong City, Randfontein and Emfuleni are experiencing low collection rates due to high unemployment and poverty rates in their areas of jurisdiction (i.e., Simunye, Khutsong, Mohlakeng and Evaton, respectively).

Source: *Gauteng Back to Basics Perspective*

250 Gauteng COGTA, *Gauteng Municipal Viability Assessment Report, September 2013*

Of the metros, the COT has been the top performer, with collection rates consistently in the region of 100%. Against the benchmark of 90%, many of the municipalities have struggled to consistently achieve this rate (red font in table above). The reasons are a combination of ineffective internal systems and processes for collecting monies for services that are due and impacted by the affordability levels of consumers, as discussed in an earlier section under 'service charges'.

Consumer debt

The table below reflects the situation in terms of debt owed to the Gauteng municipalities.

Table 56: Municipal debtors (arrears) per Gauteng municipality (2013/14 and 2014/15)

Municipality (R'000)	* Rand Value of Consumer Debtors (after impairment)		% Change	% of Total
	End 2013/14	End 2014/15		
City of Joburg	4 866 574	4 951 238	1,7%	37,5%
City of Tshwane	2 560 483	2 547 486	-0,5%	19,3%
Ekurhuleni MM	4 460 073	4 386 817	-1,6%	33,2%
Westrand	1 846	2 174	17,8%	0,0%
Sedibeng	992	6 092	514,1%	0,0%
Emfuleni	453 351	380 230	-16,1%	2,9%
Lesedi	61 288	57 320	-6,5%	0,4%
Merafong	188 669	157 998	-16,3%	1,2%
Midvaal	102 770	107 061	4,2%	0,8%
Mogale City	415 977	464 121	11,6%	3,5%
Randfontein	67 899	78 184	15,1%	0,6%
Westonaria	46 879	73 518	56,8%	0,6%
Total Gauteng Municipalities	13 226 801	13 212 239	-0,1%	100%

Source: Municipal Audited Annual Financial Statements, 2013/14 and 2014/15

* Net consumer receivables from service charges and property rates (after impairment)

In total, R13.2 billion was owed to the Gauteng municipalities for property rates and service charges at end June 2015; there has been miniscule year-on-year change between 2013/14 and 2014/15. It has remained a concern throughout the fifteen years of local government, as highlighted by previous end of term reviews. A number of causes have been cited, including affordability and increased unemployment, a non-payment culture, poor debt collection systems and processes, and a lack of debtors' management skills in the municipalities.

Government debt owed to municipalities has trended downwards as compared to the end of the previous term, estimated at R900 million as at end 2014/15. The Department of Infrastructure Development (DID) had the highest amount owed (over R400 million) and the Department of Education (DoE) over R150 million.

Municipal creditors (trade payables)

The payment of creditors by municipalities is governed by section 65(e) of the Municipal Finance Management Act (No. 56 of 2003), which stipulates that all monies owing by the municipality must be paid within thirty days on receipt of a valid invoice or statement, unless prescribed otherwise for certain categories of expenditure. The table below illustrates performance on creditors for the period under review.

Table 57: Municipal creditors per Gauteng municipality (2013/14 and 2014/15)

Municipality R'000	* Rand Value of Consumer Creditors		% Change	% of Total
	End 2013/14	End 2014/15		
City of Joburg	5 499 683	7 856 911	42,9%	51,6%
City of Tshwane	2 975 175	2 822 697	-5,1%	18,5%
Ekurhuleni MM	4 460 073	3 041 886	-31,8%	20,0%
Westrand	306	9 714	3074,5%	0,1%
Sedibeng	8 314	7 678	-7,6%	0,1%
Emfuleni	490 485	690 443	40,8%	4,5%
Lesedi	56 124	81 407	45,0%	0,5%
Merafong	113 680	183 347	61,3%	1,2%
Midvaal	51 494	39 903	-22,5%	0,3%
Mogale City	253 593	320 701	26,5%	2,1%
Randfontein	173 208	156 359	-9,7%	1,0%
Westonaria	434 312	25 581	-94,1%	0,2%
Total Gauteng Municipalities	14 516 447	15 236 627	5,0%	100,0%

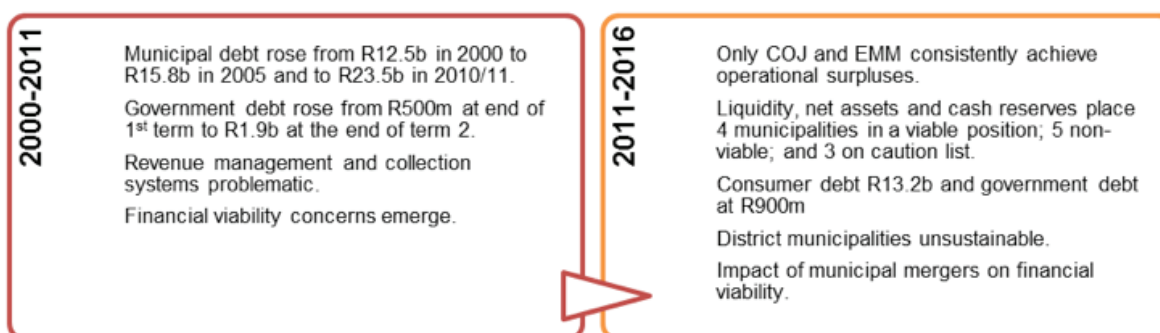
Source: Municipal Audited Annual Financial Statements, 2013/14 and 2014/15

* Trade payables

The rand value of outstanding payments continued to rise, in line with the trend identified by the previous end of term reviews. The table above demonstrates this continued trend with a 5% increase in creditors between 2013/14 and 2014/15. Certain municipalities have, however, done well to bring down the value of their creditors in this period, including EMM (-31%), Midvaal (-22.5%) and Westonaria (-94%). Factors impacting on the payment of creditors included a lack of cash flow due to low levels of liquidity, inadequate accounts payable systems and capacity, poor contract management and a lack of skills at the operations level to ensure all supporting documentation was submitted with the invoices.

Note: As highlighted by the Gauteng Back-to-Basics perspective report²⁵¹, all municipalities except for the COJ, EMM, Midvaal LM and Sedibeng DM failed to comply with the provision to pay within thirty days. The COJ accounted for the largest amount, estimated at R163million, constituting more than 41% of the provincial total of R396million at end 2014/15. For Westonaria and Randfontein LM's, the largest component of debt owed related to outstanding payments to Eskom - negotiated settlement agreements were, however, in place and being serviced.

Figure 43: Key observations from the review of municipal financial health and viability (2001-2016)



In terms of financial health and viability, the following **successes** have been realised over the fifteen year period:

²⁵¹ Gauteng Back to Basics Perspective, First Edition, (July 2015)

- 1) The COJ and EMM were the only municipalities to consistently achieve operational surpluses over the period through a targeted strategy, particularly in the third term, to drive operational surpluses and build cash reserves.
- 2) Due to the achievement of average annual net surpluses of R6.8billion, the combined accumulated net surplus of the metros has grown to R103billion, as at end 2014/15.
 - a) The rest of the municipalities (to varying levels), except WRDM, have accumulated net surpluses; the highest being Emfuleni LM, at R10.5billion (although it is being depleted due to year on year net deficits).
- 3) As at end 2014/15, the COJ, EMM and Midvaal LM were in a strong financial position; rated as financially viable, while the COT, Emfuleni LM and Merafong LM were in a marginally financially viable position, requiring close monitoring.
- 4) Over the period, the COT has consistently achieved a consumer collection rate of between 95-100% per annum. Of the LM's, Midvaal LM has averaged 95%.
- 5) Government debt has trended downwards in the third term as compared to the second term; after rising from R500million at the end of the first term to R1.8billion at the end of the second term, the total government debt owed to the Gauteng municipalities receded to an estimated R900million as at end 2014/15.
- 6) Progress has been made by many municipalities in complying with the MFMA stipulation of paying creditors within 30 days. To this end, for 2014/15, the COT, EMM, Midvaal LM and SDM were in full compliance.

However, the following **challenges / constraints** were identified:

- 1) Having started to emerge as a concern in the second term, most municipalities, with the exception of the COJ and EMM, have been challenged with operational and often net deficits due to inadequate revenue to meet expenditure requirements. Also pointing to concerns with the budget management processes of municipalities.
- 2) WRDM, SDM, Lesedi LM, Randfontein LM and Westonaria LM have progressively slid into a state of financial distress over the period – poor liquidity, low levels of cash flow and declining net assets.
 - a) While the economic downturn of the third term has been a major factor, thus impacting on the ability of citizens to pay for services and others requiring free basic services, the municipalities have also been challenged to better manage their debt collection processes and improve their cash management.
 - b) The COT merger with the Metsweding DM and its local municipalities in 2011 directly impacted the liquidity and cash flow of the COT. The key challenge having been the lack of transitional funding to support the merger.
- 3) For most municipalities debt collection has remained a challenge over the period. As at end 2014/15, a total of R13.2billion (after impairment) was owed to Gauteng municipalities.
- 4) The rand value of consumer creditors has grown steadily, ending the term at R15.2billion, with a number of municipalities not complying with the 30 days payment stipulation of the MFMA.

3.5.4 Financial Management and Supply Chain Management

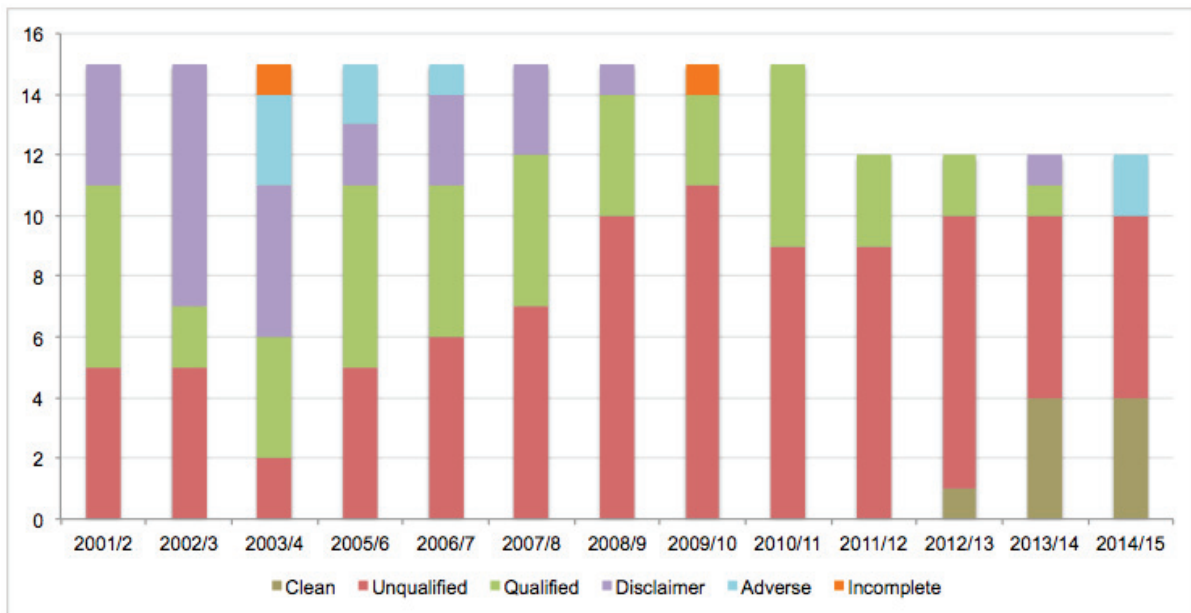
As provided for in the Constitution and given effect through the Public Audit Act (No. 25 of 2004), the Auditor-General of South Africa (AG) is mandated to audit and report on three aspects²⁵²: the audit of financial statements, the audit of predetermined objectives, and the audit of compliance with legislation.

In order to achieve a clean audit opinion, three conditions need to be met:

- 1) Financial statements need to be free from material misstatements (a financially unqualified audit opinion);
- 2) There are no material findings on reporting on performance objectives; and
- 3) There are no material findings relating to non-compliance with legislation.

Considering the above, the focus of this section is to assess the progress that local government in Gauteng has made over the review period in terms of the annual audit opinions expressed by the AG, and to identify the key drivers of a clean audit outcome and the related critical issues that need to be addressed if the Gauteng municipalities are to achieve the objective of a clean audit by all by 2017/18. Some further considerations for SCM are also discussed.

Figure 44: Summary of Auditor General audit outcomes for the period 2002-2015



Source: For the period 2001-2010/11 End of Term Review Reports and COGTA S47 Municipal Reports, AGSA Audit Reports for 2014/15

Reflection on performance in the first ten years (2000-2011)

The chart illustrates that, in the first three years of local government, the audit outcomes of the Gauteng municipalities got progressively worse, as evidenced by the increase in the number of disclaimers. From 2005/06, the audit outcomes consistently improved year-on-year, closing the end of term in 2010/11 with 9 unqualified audit opinions and 6 qualified. Although the trend was positive and the various national and provincial government support programmes had begun to bear results, the following were identified as the most critical issues to be addressed in the third term to continue with the progress, and towards achieving objectives of operation clean audit:

252 AGSA, *Background to the three aspects audited*, www.agsa.co.za, February 2016

- 1) Asset management (property, plant and equipment),
- 2) Non-compliance with regulatory requirements,
- 3) Ineffective governance and oversight structures, and
- 4) Issues around performance management and internal controls.
- 5) High levels of unauthorised, irregular and fruitless and wasteful expenditure.

Review of performance in the third term (2011-2016)

The key policy imperative of the first half of the third term was Operation Clean Audit and the push for all municipalities to achieve clean audit opinions by 2013/14. Operation Clean Audit was introduced in chapter 2, with the reasons for its failure briefly highlighted. Among the reasons was the failure of COGTA to gain an understanding of the real conditions on the ground and then to develop targeted strategies to address the individual realities of each municipality. Also, the fact that COGTA did not have the legislative mandate to enforce compliance.

Successes were, however, realised and four municipalities have achieved and retained a clean audit opinion. Unfortunately both Randfontein LM and Westonaria LM have regressed to an adverse audit opinion. Six of the municipalities have retain unqualified audit opinions for most of the third term and are challenged to take the next step to a clean audit opinion. Refer to the below table.

Table 58: Auditor General audit outcomes of Gauteng municipalities (2010/11-2014/15)

Municipality	2011/12	2012/13	2013/14	2014/15
City of JHB	Qualified	Unqualified	Unqualified	Unqualified
City of Tshwane	Unqualified	Unqualified	Unqualified	Unqualified
Ekurhuleni MM	Unqualified	Unqualified	Clean	Clean
Westrand	Unqualified	Unqualified	Unqualified	Unqualified
Sedibeng	Unqualified	Clean	Clean	Clean
Emfuleni	Unqualified	Unqualified	Unqualified	Unqualified
Lesedi	Unqualified	Unqualified	Unqualified	Unqualified
Merafong	Unqualified	Unqualified	Unqualified	Unqualified
Midvaal	Unqualified	Unqualified	Clean	Clean
Mogale City	Unqualified	Unqualified	Clean	Clean
Randfontein	Qualified	Qualified	Qualified	Adverse
Westonaria	Qualified	Qualified	Disclaimer	Adverse

Source: Auditor General Management and Audit Reports for 2011/12 to 2014/15

The progressive improvement in the audit outcomes over the third term have been attributed to²⁵³:

- 1) Strong political leadership, effectively working with the administrative leadership and hold them accountable.
- 2) An administrative leadership that institutionalised internal controls and sound financial management disciplines, implemented action plans and audit recommendations, and monitored compliance.
- 3) Improved assurance provided by senior management, internal audit, the audit committee and the municipal council leading to sustained and improved key controls relating to financial and performance management and governance.

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Auditor General of South Africa, MFMA 2014-15 Consolidated general report on the audit outcomes of local government

- 4) Strong support from provincial treasury, Gauteng COGTA and the Office of the Premier.

Further improvements included the timeous submission of annual financial statements and annual performance reports for purposes of external auditing, at an improved quality standard, with significantly fewer municipalities having to correct material misstatements before the audit process. The key contributing factors included a reduction in vacancies and improved competency of municipal managers, CFOs and other key staff. Certain gaps in staff however still existed in some municipalities, thus requiring the use of consultants to assist with the financial reporting processes.

“The best practices in place at Mogale City, as the only municipality in the West Rand district that received a clean audit opinion, should be shared and replicated across the region”.

AGSA 2014/15

Having assessed the AG’s management reports for the municipalities that have failed to achieve a clean audit outcome, the following sample of findings were common (copied directly from a sample of the AG municipal management reports²⁵⁴):

- 1) Emphasis of matter (significant uncertainty): The municipality was the defendant in a number of legal cases. The ultimate outcome of these matters could not be determined at the time of this report, and no provision for any liability that might result was made in the financial statements.
- 2) Emphasis of matter (Restatement of corresponding figures): The corresponding figures for 30 June 2014 have been restated as a result of errors discovered in the financial statements during the year ended, 30 June 2015.
- 3) Annual financial statements: The consolidated and separate financial statements submitted for auditing were not prepared, in all material respects with the requirements of section 122 of the Municipal Finance Management Act. Material misstatements on non-current assets identified in the submitted financial statements of which some were subsequently corrected and supporting records subsequently provided.
- 4) Asset management: Controls implemented by the accounting officer were not adequate and effective to ensure that the municipality maintained a system of Internal control of the asset register, as required by section 63 (2) (c) of the MFMA. The AG has highlighted that many of the municipalities require support to comply with GRAP 17 standards on the updating and maintenance of the infrastructure asset registers.

Note: *The non-compliance with GRAP17 in terms of the management of assets has been a recurring problem; also highlighted by the previous end of term report. It is acknowledged that COGTA has provided support to a number of municipalities in this regard, it however requires further attention.*

- 5) Leadership: The municipality developed a plan to address audit findings, but adherence to the plan on key items, such as procurement and contract management and performance reporting, was not monitored effectively by the appropriate level of management, this resulted, in a number of findings relating to assets, performance information and non-compliance with MFMA and SCM regulations.
- 6) Effectiveness of oversight structures: Related to the discussions in the governance chapter is the AG finding that some of the MPACs did not operate at the right level, particularly in terms of their oversight role and the quality of investigations that they conducted. The effectiveness of Internal Audit in providing assurance on internal controls and ensuring the close out of audit findings was another key finding.
- 7) Audit of predetermined objectives: The common findings related to material indicators not being well defined

and verifiable, due to a lack of proper systems and processes for performance monitoring and management. In other instances the reliability of indicators have been questioned and the lack of evidence to support reported performance.

SUPPLY CHAIN MANAGEMENT

Of vital importance to achieving a clean audit is expenditure management, including rigorous monitoring, approval of deviations, and the identification of conflicts of interest before awards are made.

In terms of expenditure management, it is imperative for municipalities to implement controls to prevent unauthorised, irregular and fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA²⁵⁵.

Table 59: Unauthorised, irregular and fruitless and wasteful expenditure

Type of expenditure	2011/12	2012/13	2013/14
Unauthorised	R 740m	R 629m	R1 280m
Irregular	R 1824m	R 466m	R1 173m
Fruitless and wasteful	R 141m	R 64m	R 42m

Source: Auditor General MFMA 2013-14 Gauteng Report²⁵⁶

At the time of the Review, the detailed breakdown of municipal performance in Gauteng in terms of unauthorised, irregular and fruitless and wasteful expenditure for 2014/15 was not as yet released, however, the consolidated AGSA report indicated that irregular expenditure due to SCM non-compliance had decreased by approximately R400million over the five years between 2010/11 and 2014/15 (excluding an isolated contract at the COT of close to R1billion in 2014/15)²⁵⁷.

Notwithstanding the improvements, the root causes for supply chain management deficiencies over the period included:

- 1) Inadequate and ineffective internal controls, the management of assets, effective oversight, revenue and expenditure management, capacity, skills and poor demand planning and forecasting. The propensity for fraud and corruption was also significantly increased where these elements of an effective supply chain management system were not addressed.
- 2) Many of the Gauteng municipalities did not implement consequence management by stringently investigating issues of unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure to determine whether an individual was liable for the expenditure.
- 3) Capacity and competence of SCM committees and practitioners, irregular sitting of bid committees, lack of well-conceived demand management plans, long timelines of SCM processes and contracting with unqualified service providers.
- 4) An efficient, effective and economical SCM system is highly reliant on competent SCM practitioners. It is, therefore, an area of concern that not all SCM practitioners have, as at end of 2014/15, attended the prescribed CPMD training on the minimum competencies prescribed for SCM officials.

In May 2015, the Gauteng Provincial Treasury issued a Municipal Supply Chain Management Framework to all municipalities in Gauteng, which consolidated all circulars issued by Gauteng Provincial Treasury into one legislative

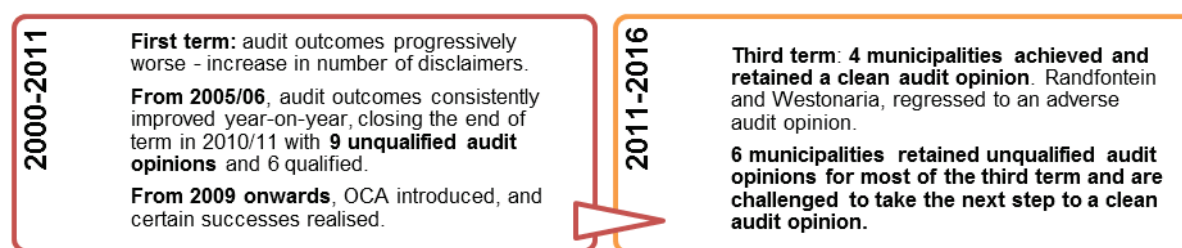
²⁵⁵ Auditor General of South Africa, MFMA 2014-15 Consolidated general report on the audit outcomes of local government
²⁵⁶ Auditor General of South Africa, MFMA 2013-14 General report on the local government audit outcomes of Gauteng
²⁵⁷ Auditor General of South Africa, MFMA 2014-15 Consolidated general report on the audit outcomes of local government

prescript to assist municipalities to implement SCM prescripts and ensure proper and continued SCM reforms; reforms that are also supportive of the Gauteng TMR and the development of the GCR.

Ekurhuleni Metropolitan Municipality has implemented the open tender system, a first for local government in South Africa.

As highlighted by the Premier of Gauteng during SOPA 2016, the Gauteng Provincial Government has also pioneered an open tender system, which aims to ensure that procurement decisions on big budget items are taken above board and in purview of the public; while also striving to achieve genuine black economic empowerment. It is a system being extended to all departments and the municipalities, particularly those with large budgets.

Figure 45: Key observations arising from the Review of financial management and supply chain management (2001-2016)



In terms of financial management and supply chain management, the following **successes** have been realised over the fifteen year period:

- 1) The progressive improvement in audit outcomes has culminated in the achievement of four clean audits and six unqualified audits as at end 2014/15; attributed to a political leadership committed to the vision of clean audits by all municipalities and working with and holding the administrative leadership accountable.
- 2) Most municipalities have progressively established and institutionalised internal controls and sound financial disciplines and through the assurance and oversight structures ensured the implementation of action plans and audit recommendations, and implemented and monitored the key controls related to financial and performance management and governance.
 - a) The successful municipalities have demonstrated the importance of ensuring that senior management, internal audit, the audit committee, the Executive, MPAC and the Municipal Council work together in a clearly defined environment of assurance, oversight and accountability.
 - b) Support from coordinating departments such as provincial treasury, Gauteng COGTA and the office of the premier has been particularly good in Gauteng.
 - c) The timeous submission of annual financial statements and performance reports, as well as their quality, has improved significantly over the period as demonstrated by the progressive reduction in the number of misstatements detected and corrected before an audit takes place.
- 3) Highlighted as a major concern in the first decade, the third term has realised a R400million reduction in irregular expenditure, and an overall improvement in the regulatory environment pertaining to supply chain management.

However, the following **challenges / constraints** to achieving clean audit outcomes by all municipalities have been identified:

- 1) Insufficient monitoring of the implementation plans and mitigation actions to address of the annual AG audit findings and in-term internal audit findings.
- 2) Ineffective assurance and oversight structures, requiring improvements in internal audit, the audit committee and MPAC; to improve functionality of each structure to be support and complement each other's work.
- 3) Inconsistent implementation of consequence management, impacting on building a culture of compliance; holding transgressors liable for unauthorised and irregular expenditure.
- 4) Non-compliance to legislation, particularly pertaining to expenditure management through the supply chain management processes; including ensuring approval for deviations and identifying conflicts of interest prior to the award of contracts. Also, incomplete reporting of disclosure items such as irregular expenditure.
- 5) Lack of compliance with GRAP17 in terms of immovable assets registers and thus inadequate accounting for assets.
- 6) Besides the above, Westonaria LM and Randfontein LM encountered a relapse in their audit outcomes (from qualified to adverse) due to a lack of basic accounting disciplines and instability and vacancies in key positions.

3.5.6 Consolidated View on Financial Viability and Management over the Fifteen Year Period

Considering the above review of performance, the key findings and critical issues from the review of financial viability and management are consolidated below.

Revenue management

Growth in revenue has been strong over the fifteen year period, having progressed from R35billion in 2005/06 to R70billion in 2010/11. As at the end of 2014/15, revenue had grown to R106billion per annum. The growth in revenue has consistently beaten inflation, and for the third term the total revenue generated in four years amounted to R376billion, at a billing rate of 95.8%.

- 1) Revenue from property rates has increased at a faster rate than the rate of growth in overall revenue, reflecting its increasing contribution to the revenue mix. As at the end of the period, it contributed 16.7% to the overall revenue mix. For certain municipalities the contribution was closer to 20%. However, for the local municipalities it only averaged 13% of total revenue. Maximising this revenue source, therefore, remains a key priority moving into the next term.

Moving forward, to maximise the revenue generated from property rates, the critical issues are to:

- a) Ensure optimally functioning, fully integrated municipal billing and collection systems; and
 - b) Ensure a well-managed, legally compliant annual valuation roll process for the on-time promulgation and implementation of the annually revised rates policies each year.
- 2) Revenue from service charges has averaged 55% of total revenue over the period and is the biggest source of revenue for the metros and local municipalities. Although municipalities have done well to contain the increases in service charges while under pressure, due to the large annual increases in the costs of bulk supply since 2008, the sustainability of municipalities is being impacted as the increased supply costs cannot be passed on in full to consumers, for affordability reasons.

Consumer affordability has a direct impact on collection rates, particularly for lower income consumers who spend more of their disposal income on basic services. The Review found that of the three metros in Gauteng, two have regressive rates and services tariffs structures, while the EMM has the most progress tariffs structure of all metros in the country, favouring the poor.

Moving forward, to adopt progressive property and services tariff structures that enhance consumer affordability and improve billing and collection rates for improved budgeting, the critical issues are to:

- a) Review rates and services tariff structures to minimise the impact of annual increases on lower income bracket consumers while ensuring the tariffs are cost reflective; and
 - b) Negotiate with national government to ensure inflation linked annual increases in bulk supply costs.
- 3) Operational grant dependency levels have stagnated at 20-21% of total revenue over the period. Municipalities are, therefore, challenged to reduce their reliance on government grants and subsidies and to become more self-sustainable. However, a number of challenges have emerged over the period:

The role of the district municipalities has been brought into question. Since the scrapping of the RSC levies in 2007/08 the district municipalities have struggled for survival with reducing and/or low grant allocations per annum. It is uncertain and doubtful that the revised equitable share will be of sufficient benefit to the DM's, who are under strain to cover their ever increasing costs base. Many of the local municipalities receive a significantly smaller proportion of the equitable share as compared to the metros, and yet are faced with the same increases in the costs of providing free basic services (which are on the increase). On the other hand, the metros are faced with the challenges of high levels of in-migration.

Although the municipalities have adopted a more targeted approach to providing free basic services to indigent households and have improved the management of indigent registers, the over credibility of indigent registers remains uncertain.

Moving forward, to assess the equitable share allocations as a basis to engage with national government and to support decision making, the critical issues are to:

- a) Develop a clear understanding of the revised equitable share allocations and its implications to support policy and decision making; and
- b) Ensure regularly updated and accurate indigent registers for an equitable share allocation that supports a targeted approach of providing free basic services only to indigent households.

Furthermore, to increase the revenue from other sources, the critical issues are to:

- a) Adopt tariffs, taxes and incentives to support energy efficiency and a green, clean environment, in support of climate change adaptation and a liveable city;
- b) Improve the systems and processes for collection of revenue for existing 'other' revenue (including fines, rentals, licences and permits, etc.); and
- c) To better leverage municipal property portfolios for revenue generation.

- 4) Over R7billion is lost to unaccounted for water and electricity for technical and non-technical reasons per annum, having tended upwards over the period, requiring a focused intervention across Gauteng. Most of the municipalities, on their own, and especially the smaller LM's do not have access to adequate skills and resources to address the challenges of ageing infrastructure, theft, negligence and meter tampering. Ageing meters are a particular challenge.

*Moving forward, to **reduce the revenue losses due to unaccounted for water and electricity to within acceptable norms, the critical issue is to:***

- a) Implement targeted interventions that limit distribution losses and curb non-technical losses.
- 5) Grant dependency levels to fund capital projects has increased from 32% in the second term to 46% in the third. While the COJ and Mogale City are the least grant dependent at around 30% dependency, the other metros relied on 50% of their capital funding to come from grants in the third term. Westonaria local municipality had the highest grant dependency level at 87%. The third term has seen a reduced level of borrowing for capital funding and an increased use of internally generated funds by some, particularly the COJ. The COT and EMM have been more aggressive in funding their capital projects through borrowing. In light of fiscus constraints, municipalities have to reduce their reliance on grants for their capital developments.

*Moving forward, to **reduce capital grant dependency levels and pursue alternative capital funding, the critical issues are to:***

- a) Ensure optimal financial gearing of borrowing to support capital development;
- b) Develop partnerships with the private sector and local and international donors and development finance institutions.

Expenditure management

Although local government has made good progress in meeting the strategic intent to reduce overspending on operational budgets and to reduce under spending on capital budgets, improvements are required moving into the next term.

- 1) As compared to the first term when certain municipalities underspent or overspent by more than 20%, only three of the municipalities overspent in the third term and one underspent by more than 10%. It, therefore, still remains a priority to ensure zero over-expenditure.

*Moving forward, to **ensure operational expenditure is managed within budget, the critical issues are to:***

- a) Ensure cost containment and waste elimination measures in place and closely monitored;
 - b) Monitor, control and report on the costs of providing free basic services and attending to unfunded mandates; and
 - c) Implement an integrated multi-year infrastructure asset masterplan that accounts for the status of assets, informs repairs and maintenance plans and is fully costed and funded.
- 2) While the average capital budget spend was below 50% in the first term (with certain municipalities achieving under 20% spend), the average spend of the metros in the third term was 94%. However, the EMM and most of the local municipalities spent less than 90% of their capital budgets, Merafong local municipality only spent 67%. Under spending on capital budgets thus remains a challenge.

Moving forward, to ensure between 95-100% annual expenditure on capital budgets, the critical issue is to:

- a) Develop and implement progressive project planning and implementation processes, supported by procurement plans aligned to project milestones.

Financial Health and Viability

Based on the indicators used to assess the liquidity, net assets and cash reserves of the Gauteng municipalities, a number of challenges have come to the fore in terms of the financial viability of municipalities.

- 1) The financial viability indicators revealed that, as at end 2014/15, at least five municipalities were in financial distress, while three were marginal and four were in satisfactory to good financial health and, therefore, financially viable. The impact of municipal mergers was demonstrated as requiring careful planning and financial support.

Moving forward, to enhance the financial viability of municipalities, the critical issues are to:

- a) Finalise and rollout the financial viability policy and procedures framework, including the indicators and norms and standards as an early warning system for targeted support interventions; and
 - b) Ensure adequate transitional and longer term funding is provided to support municipal mergers.
- 2) Although municipalities such as the COT indicate 100% collection rates, there are other municipalities with collections rates lower than 80%. Government and business debt also remains high. Municipal debt is impacted by high unemployment in many areas of the country. A coordinated intervention is, therefore, needed to resolve the problem which has characterised local government for much of the fifteen year period.

Moving forward, to strengthen the debt management processes for all categories of debtors, the critical issue is to:

- a) Initiate and enforce debt collection strategies and policies at all municipalities.

Financial Management and Supply Chain Management

The first five year term saw a year-on-year deterioration in the audit outcomes of the Gauteng municipalities, this was followed by improvements in the second term and, although further improvements have been realised in the third term, with four clean audits and six unqualified audits as at end 2013/14 and 2014/15, two municipalities have regressed to an adverse audit outcome in the 2014/15 financial year.

A targeted intervention plan is required if the 2017/18 target for all municipalities to achieve clean audits is to be achieved.

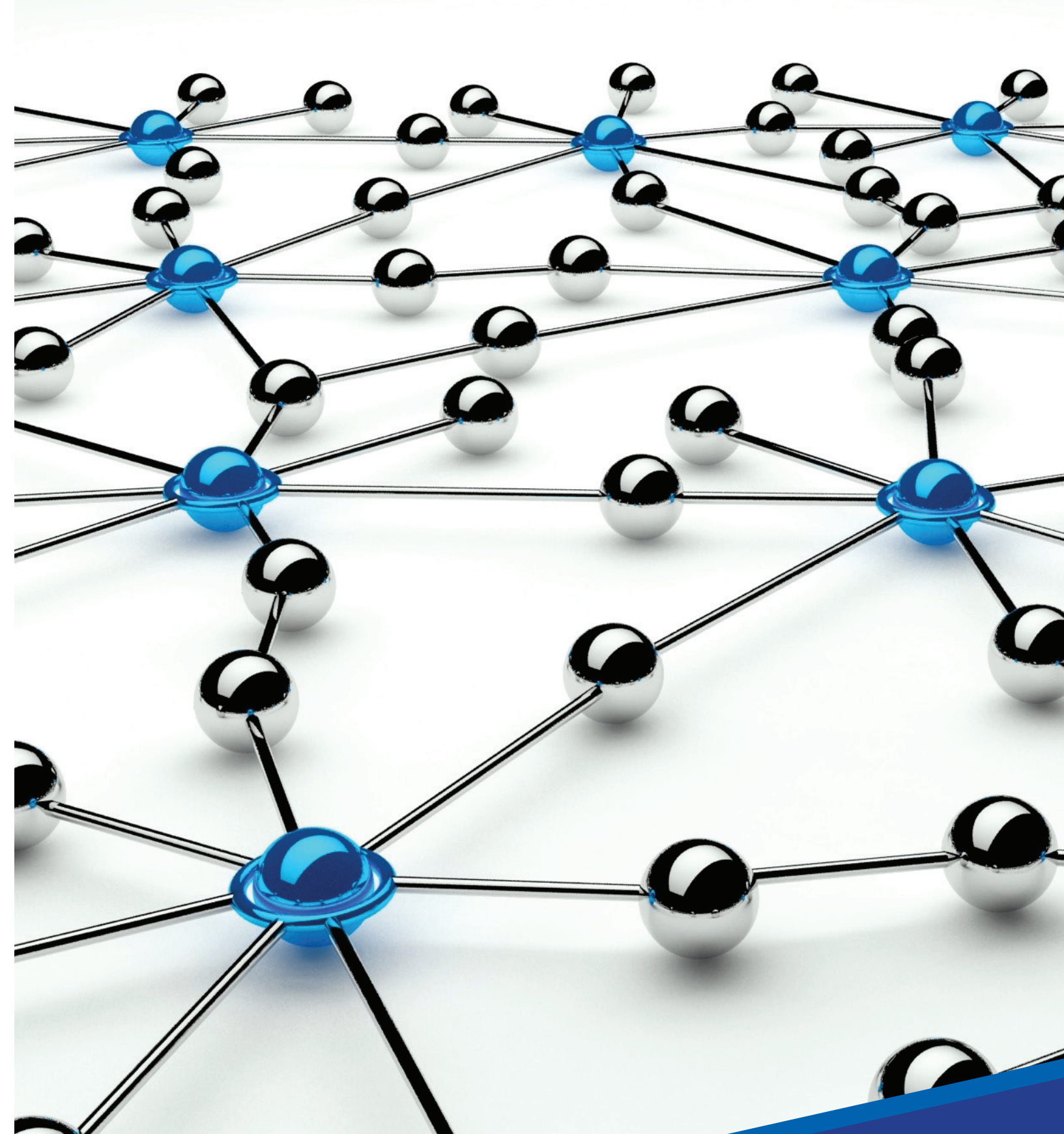
- 1) As discussed under the governance KPA, although progress has been made in terms of strengthening the internal assurance and oversight structures of the municipalities, a more focused intervention is required to support their work and to prioritise financial management and legislative compliance.

In addition, the inclusion of the new clause in the Division of Revenue Bill, which allows Treasury to change the nature of its funding to municipalities if they fail to follow proper procurement procedures, should be considered and a Gauteng response ensured.

*Moving forward, to **monitor, control and address the bottlenecks to achieving clean audit outcomes**, the critical issues are to:*

- a) Support and capacitate the assurance and oversight structures to drive the clean audit objective and to ensure the robust monitoring and control of progress in addressing audit findings in terms of financial and performance management;
- b) Implement stringent consequence management to curtail irregular, unauthorised and fruitless and wasteful expenditure;
- c) Ensure compliance with GRAP17 in terms of immovable assets registers; and
- d) Leverage on the best practices of Mogale City in achieving a clean audit outcome for the benefit of the other municipalities in the West Rand.

The above findings and critical issues then inform the recommendations in chapter 6 of this Review.



CHAPTER 4

REVIEW OF CROSS-CUTTING AND TRANSVERSAL
ISSUES

CHAPTER 4

Review of cross-cutting and transversal issues

Considering:

- Mainstreaming of GEYODI (Gender, Youth and People with Disability)
- Democratising the institution of traditional leadership
- Disaster management
- Planning, performance monitoring and evaluation

This chapter then discusses Gauteng local government performance in relation to certain cross-cutting or transversal issues that are not directly covered by the key performance areas addressed previously, or that cut across the key performance areas.

The following cross-cutting issues are considered:

- 1) Mainstreaming GEYODI (Gender, Youth and People with Disability);
- 2) Democratising the institution of traditional leadership;
- 3) Disaster management;
- 4) Planning, performance monitoring and evaluation.

Note: *It is appreciated that there are numerous other functions and competency areas that are delivered within the local government space or in partnership with local government; for example education, health services, social services, community safety and environmental management, among others.*

It was agreed with the COGTA project team, when scoping the project, to exclude discussion on these issues from this Review and to structure this Review around the core performance areas of local government as defined.

4.1 MAINSTREAMING OF GEYODI (GENDER, YOUTH AND PEOPLE WITH DISABILITY)

The Constitution remains the preeminent legislative and policy prescript off which all other GEYODI legislation and policy is founded. It states that “everyone is equal before the law and has the right to equal protection and benefit of the law”. In addition, the Promotion of Equality and Prevention of Unfair Discrimination Act prohibits discrimination against anyone on the grounds of race, gender, disability, sexual orientation or religion / belief.

Arising from the United Nations Millennium Summit, in September 2000, was an explicit commitment to mainstreaming the equal rights and opportunities of women and men, including youth and persons with disabilities²⁵⁸.

It is common cause that people are the central beneficiaries of policy and programme design across government. The most visible expression of this is measured at the level of impact on the lives of people, most critically vulnerable groups and specifically women, youth and people with disabilities (GEYODI).

Further policy or strategic frameworks applicable to GEYODI over the fifteen year review period are:

- Integrated National Disability Strategy, November 1997
- The National Youth Policy Framework, developed for 2002 to 2007
- The Gauteng Strategic Policy Framework on Gender Equality and Women Empowerment
- Disability Framework for Local Government 2009-2014
- Disability Rights Policy of Gauteng, 2010
- Gender Equality Policy for Gauteng, 2010
- Women Empowerment and Gender Equality Bill, November 2013
- The Draft National Youth Policy 2020, 2015

²⁵⁸ *Global Policy Forum, www.globalpolicy.org/un-reform*

- Gauteng TMR, 2014 - Requires the mainstreaming of GEYODI across all ten pillars of transformation, modernisation and reindustrialisation

The “mainstreaming” of issues relating to gender, youth and people with disabilities requires government to consider the concerns and experiences of women, youth and people with disabilities as an integral dimension of the design, implementation, monitoring and evaluation of policies and programmes in all political, economic and societal spheres. Furthermore, the Ten Pillars Programme of the TMR requires the rights and issues relating to gender, youth, elderly, military veterans and people with disabilities, to be mainstreamed across all ten pillars of the programme.

Reflection on performance in the first ten years (2000-2011)

The equality of people became a key focus area during the first term (2000-2005); both internally in terms of the transformation of the employee profile within municipalities by promoting equality in the workplace across race, gender and people with disabilities; and externally, in mainstreaming GEYODI across all developmental programmes driven by the municipalities.

A key challenge in the review of municipal performance in the period to 2005 was the absence of clear targets and the limited availability of quantifiable information during this period. Reporting on progress made on mainstreaming GEYODI was adhoc, inconsistent and in many cases absent. Monitoring and evaluation within municipalities on GEYODI programmes was limited to discussing the work of the directorate or the unit tasked with the responsibility; and there appears to have been a perception that the responsibility for monitoring and reporting on the mainstreaming of GEYODI was the responsibility of the Provincial Department.

In the early part of the period, to 2003, although municipalities in Gauteng made some progress in their attempt to integrate GEYODI issues in their planning, serious challenges remained and the institutionalisation of issues pertaining to gender, youth and people with disability in municipal planning (IDP) was minimal.

The MEC for Local Government launched a gender recognition scheme in 2004, to motivate and recognise municipalities for contributions made towards promoting women empowerment and gender equality issues. The City of Tshwane won the award in that year.

Women in Local Government Awards

In recognition of women in local government, the MEC for Local Government launched the **Women in Local Government Awards in 2004**, to recognise the contribution made by municipalities towards promoting women empowerment and gender equality, both within the workplace and community at large.

The City of Tshwane won the award as it had satisfactorily met all the assessment criteria.

The absence of clearly defined targets continued throughout the second term. Monitoring and evaluation within municipalities on gender and youth programmes was limited to the directorate or the unit tasked with the responsibility; and not integrated to the planning or reporting framework.

There is narrative reporting reflecting that municipalities embarked upon a number of poverty alleviation and job creation projects targeting mostly women at the grassroots level in communities; and the projects were mainly focused on food production, cleaning services, crafts, waste management and caring for orphans. Municipalities also started introducing initiatives aimed at addressing the challenges of youth unemployment. Some of the initiatives included:

- 1) Mayoral bursary awards for previously disadvantaged young people;
- 2) HIV and AIDS programmes;
- 3) Labour intensive programmes that provide short term employment opportunities through the Expanded Public Works Programmes;
- 4) Access to developmental information and services accessed in youth advisory centres;
- 5) Increasing opportunities for formal education, training, learnerships and internships for youth;
- 6) Employment services to improve job searching and job matching; and
- 7) Second chance programmes to strengthen the employment prospects for unemployed, low-educated youth and to motivate their re-entry into education;
- 8) Entrepreneurial development programmes.

At the end of the period in 2011, performance on the mainstreaming of GEYODI was described as “rather disappointing”²⁵⁹. Increased focus on integrating GEYODI into planning processes was identified as a requirement moving into the third term.

Review of performance in the third term (2011-2016)

The IDPs over the period reflect some evidence of increased efforts to develop programmes specifically targeting the mainstreaming of GEYODI during the third term. The challenge remains that no specific targets are defined for GEYODI in many municipal plans or reports, especially local municipalities. GEYODI performance was not clearly delineated in the municipal annual reports and even the Section 47 Annual Municipal Performance Reports over the period.

The municipal compliance reports do not include a section where the performance progress on the mainstreaming of GEYODI is reported in an integrated manner, resulting in information being spread throughout the documents and discussed, only in some instances, under programme implementation.

Evidence that programmes have been aimed at specific beneficiary target groups is sometimes captured in broad narrative terms, as illustrated by a few examples extracted from municipal annual reports over the period:

- 1) “The City has made enormous strides in creating work opportunities for unemployed and unskilled residents this financial year, with a specific focus on the unemployed youth”. However, no tangible targets or achievements are expressed in quantifiable terms.
- 2) “Through the community bursary scheme 322 new bursaries have been granted to young people”. Not contextualised against a target.
- 3) “EPWP - through the Capital and Operating Budget dedicated to water and sanitation services, a total of 54,140 person days of employment opportunities were created. The breakdown of employment: Youth - 534 people; Adult Male - 238 people; Adult Female - 153 people”. Performance is not evaluated against targets. It is assumed that the “youth” consists of males and females; however no mention is made of how many females benefited.
- 4) “The project aims to empower women and youth, offering them continuous income generation opportunities”. No targets mentioned.

²⁵⁹ *Gauteng COGTA, End of Term Review, 2000-2005 & 2006-2011*

The lack of an integrated planning and reporting format perhaps indicates that there were capacity constraints in municipalities, which had adverse effects on the priority given and ability to mainstream GEYODI through municipal programmes²⁶⁰.

Whilst municipalities do not prioritise and report adequately on the mainstreaming of GEYODI, it is monitored and reported on at provincial level, as is evident in the 2016 State of the Province Address²⁶¹; which reflects that the mainstreaming of GEYODI is a provincial priority and that many successes have been achieved provincially, as follows:

Youth:

- 1) More than R560million was spent on bursaries, learnerships and internships in Gauteng to equip the youth with the necessary skills and work experience.
- 2) Tshepo 500 000 was launched in December 2014, with the aim of providing skills training, entrepreneurship development, mentorship and job placements for youth and unemployed graduates. More than 158,000 young people have been recruited to date;
- 3) The biggest municipal initiative was the ground breaking partnership between COJ and Harambee (youth employment accelerator) in the launch of the Vulindlele/eJozi Youth Empowerment Programme, in 2015 - targeting more than 200,000 by the end of the year.

Gender Equality:

2016 marks the 60th anniversary of the 1956 women's march against the pass laws and oppression. The emancipation of women remains a critical task that must be tackled with consistency and urgency.

- 1) We have exceeded the 30% target with regard to the empowerment of women through our procurement policy – well on our way to reach 50% by 2020;
- 2) 400 enterprises owned and run by women benefit from procurement spend;
- 3) Our programmes for radical transformation, modernisation and reindustrialisation such as the township revitalisation, Tshepo 500 000, welfare to work, women cooperatives are among the key programmes that are aimed at women development.

People with Disability:

- 1) In 2013, Gauteng had the poorest performance with regard to employment targets for People with Disabilities – now the best - October 2015. The target of 2% is in our reach at a current ratio of 1.6%;
- 2) Surpassed the 30% target of allocating houses to people with disability – now at 38%.

However, it is recognised that the above achievements are reported at provincial level, and it is not possible to ascertain the response of, or contribution made by, municipalities to the above achievements.

One of the most recent interventions by COGTA, in partnership with the South African Institute for Learning (SAIL)²⁶², is the launch of the GEYODI Programme in 2015. This is an education programme targeted at management in municipalities.

The GEYODI Programme is aimed at increasing gender, youth and disability awareness, by equipping participants for

²⁶⁰ *Gauteng COGTA, Mid Term Review 2011-2016*

²⁶¹ *Gauteng State of the Province Address, 22 February 2016*

²⁶² http://www.sail-edu.net/article/sail_delivers_geyodi_monitoring_evaluation_training_to_cogta1

gender and disability mainstreaming. In the process, they are able to identify barriers to gender, youth and disability mainstreaming, and establish mitigation strategies. Furthermore, participants understand and are able to use various sources of information in monitoring and evaluation of gender, youth and disability mainstreaming interventions.

Also and later in the period, the increasing prevalence of drug and substance abuse, especially amongst the youth, has placed an additional challenge on municipalities to support communities in this regard. Support initiatives, provided by municipalities with regards to drug and substance abuse, have become a key focus area, and there is evidence that some institutional capacity was established in some municipalities in the form of ward based Local Drug Action Committees. Support initiatives have included awareness campaigns, road shows, youth friendly services, youth behavioural change programmes, walks against substance abuse and others.

Key observations over the period (2000-2016)

In summary, over all three periods, an absence of integrated planning, clear target setting and reporting with quantitative data regarding the mainstreaming of GEYODI is evident.

However, from 2011 onwards, there is some evidence of mainstreaming efforts available in reports - although mostly in narrative form – for women and in particular for the youth; but very little reporting on mainstreaming of people with disabilities. It is inferred that the under-reporting of in this regard may be due to capacity constraints.

In terms of the mainstreaming of GEYODI, the following **successes** were realised:

- 1) Municipalities have become better at developing programmes that are specifically targeted at GEYODI. However, the Youth still seem to be the largest group of beneficiaries, followed by women.
- 2) COGTA, in partnership with the South African Institute for Learning (SAIL)²⁶³, launched the GEYODI Programme in 2015, as an education programme targeted at management in municipalities, aimed at increasing gender, youth and disability awareness.
- 3) Ward based Local Drug Action Committees were established in some municipalities – with awareness campaigns, road shows, youth friendly services, youth behavioural change programmes, and walks against substance abuse implemented.

Notwithstanding the above successes, **challenges and/or constraints** include:

- 1) Issues related to people with disability are seldom included or discussed in the planning or the reporting on programmes.
- 2) The lack of integrated planning, monitoring and reporting on progress made with the mainstreaming of GEYODI suggests that issues of equality aimed at gender, youth development and persons with disability still remain on the periphery of local government initiatives. In some cases, these issues have even been classified by municipalities as unfunded mandates, meaning they could not be implemented.
- 3) An evaluation of progress made with the mainstreaming of GEYODI remains challenging, as no integrated GEYODI reporting format exists that includes progress made against defined targets or baselines.

*Moving forward to **strengthen the mainstreaming of GEYODI across all TMR aligned programmes**, the critical issues are to:*

- 1) Strengthen the coordination, monitoring, reporting and oversight of the mainstreaming of GEYODI; and
- 2) Develop a policy position and strengthen capacity to support communities in the fight against drug and

²⁶³ http://www.sail-edu.net/article/sail_delivers_geyodi_monitoring_evaluation_training_to_cogta1

substance abuse.

Chapter 6 of this Review will then discuss and present recommendations in response to these issues.

4.2 DEMOCRATISING THE INSTITUTION OF TRADITIONAL LEADERSHIP

Prior to the passing of the Traditional Leadership and Governance Framework Act in 2003, a great deal of attention was focused on issues and questions surrounding traditional leaders' roles and responsibilities. Yet the wide scale deliberations which ensued achieved very little in terms of clarifying the role of traditional leaders' when it came to the delivery of services in tribal areas²⁶⁴.

The promulgation of the Act has gone a long way to define the role of traditional leaders, by proposing partnerships between local government and traditional leaders in order to improve service delivery. While the Act does present a concerted effort on the part of the government to promote and protect traditional leadership's position with local government and service delivery, not all traditional leaders are satisfied or even convinced by government's actions. Therefore, the issue of the role traditional leaders in service delivery remains a contested one.

As the governance and regulation of the institution of traditional leadership is a concurrent domain of national and provincial spheres, provision was made, in the national legislation, for the enactment of province-specific legislation to provide the respective province's unique requirements.

In addition to the Act, further legislative and strategic frameworks have been released to further clarify the landscape for the democratisation of the institution of traditional leadership, namely:

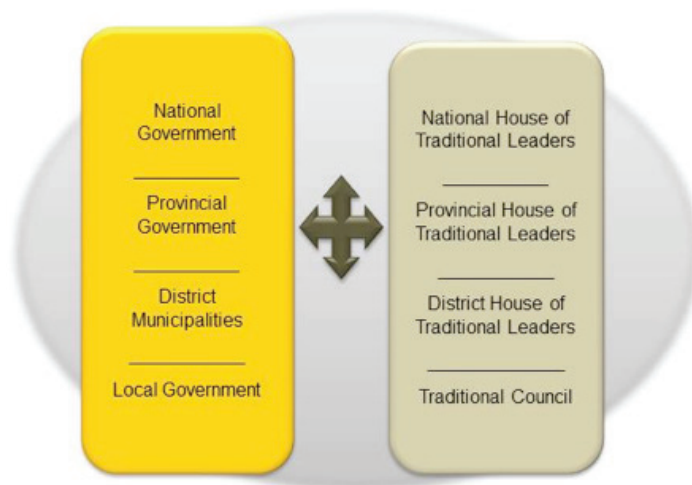
- 1) Traditional Leadership and Governance Framework Act 41 of 2009 - Provides for the recognition of traditional communities, and the establishment and recognition of traditional councils.
- 2) National House of Traditional Leaders Act of 2009 - Establishment of the National House of Traditional Leaders.
- 3) Gauteng Traditional Leadership and Governance Act, No 4 of 2010 - recognition of traditional communities, to provide for the establishment and recognition of traditional councils; Provincial Houses and Local Houses of Traditional Leaders.
- 4) Traditional and Khoi-San Leadership Bill (2015) - recognition of traditional and Khoi-San communities. The bill is intended to consolidate and repeal the National House of Traditional Leaders Act of 2009 and the Traditional Leadership and Governance Framework Act of 2003.

The diagram below reflects how the houses of traditional leaders are established horizontally in relation to each sphere of government, in order to engender the principle of cooperative government²⁶⁵.

²⁶⁴ Khan and Lootvoet, *The Role of Traditional Leaders in enhancing Service Delivery*, 2001

²⁶⁵ Mr F Khunou, *Traditional leadership and independent Bantustans of South Africa: Some milestones of transformative constitutionalism beyond Apartheid*, Jan 2009

Figure 46: Horizontal relationship between government and traditional leadership institutions



Reflection on performance in the first ten years (2000-2011)

The two traditional communities integrated into Gauteng through the municipal demarcation are:

- 1) Kgosi Kgomotso Cornelius Kekana, Amandebele-Ba-Lebele Community (Hammanskraal);
- 2) Ikosi Mkhambi Petrus Mahlangu, Amandebele Ndzundza Sokhulumi Community (Sokhulumi).

In light of this proclamation, the City of Tshwane was required to formalise relations with the traditional leaders, to provide support and incur expenses to any activity, event or programme that affect the two traditional leaders and their communities. The COT Office of the Speaker was mandated to provide support to recognised traditional leaders and given the responsibility of coordinating all issues related to traditional leadership in the City of Tshwane. It was, therefore, critically important that the Office of the Speaker engaged with the various traditional leadership stakeholders in Tshwane to find common ground and formalise the areas of cooperation, in order to ensure effective and efficient communication with and support to these stakeholders.

During the second term attention focussed mainly on the establishment of the provincial policy and legislative frameworks required to deal with traditional leadership within Gauteng. In 2007, the Department of Local Government and Housing undertook a policy development initiative, which included the development of a policy framework, preparation of the draft Traditional Leadership and Governance Bill and extensive consultation with relevant municipalities, government departments and other stakeholders.

In 2007/08²⁶⁶, provision was made for an annual grant to support the traditional councils to perform their administrative duties and two light delivery vehicles were provided to the COT Council to ease the pressure on transport when performing these duties. Support was provided in the form of expertise and resources to the Sokhulumi traditional community in the hosting of the annual KwaSumkulu commemoration. However, thereafter there was little reporting on the process taken to incorporate traditional leaders within the municipal governance system.

By December 2010, the Gauteng Provincial Traditional Leadership and Governance Act (Act No.4 of 2010) was adopted and then published in the Provincial Gazette on the 28th February 2011. The DLGH published a Section 81 (2) Notice, in terms of the Local Government Municipal Structures Act, 1998 (Act No. 117 of 1998) providing for the participation of two traditional leaders in the COT Municipal Council.

²⁶⁶ *Gauteng COGTA, Section 47 Annual Municipal Performance Review, 2007/08*

Review of performance in the third term (2011-2016)

Reports from the period reflect that the following support initiatives were undertaken in support of traditional leadership:

Table 60: Support provided to Traditional Leaders in the period 2011–2016

Financial Year	Description of support initiative
2012/13	<p>Awareness campaigns and workshops on initiation practices and illegal activities were held in the Sedibeng Region, Westrand and the City of Tshwane; in an attempt to reduce deaths, abduction of initiates, illegal initiation schools and intimidation.</p> <p>The Gauteng Provincial government assumed the responsibility to ensure acceptable customary practices of initiations by ensuring that applicable customs are adhered to and accountability is restored.</p>
2013/14	<p>Transformation of the Amandebele Ndzundza Sokhulumu traditional council, through ensuring that 60% of the traditional council was selected and 40% of the traditional council elected in line with legislative prescripts; and ensuring that 33% of its members are women.</p> <p>The traditional council names were published (Provincial Gazette 90 of 2014) in line with section 5 (8) of the Gauteng Traditional Leadership and Governance Act, 2010 (Act 4 of 2010). The Gauteng Provincial government in partnership with the City of Tshwane inaugurated Inkosi / Kgosi MP Mahlangu on July 2013.</p> <p>Several training activities were hosted for a total of twenty traditional council members including an Induction Programme for Amandebele ka Ndzundza and Amandebele Sokhulumu traditional community, training on office administration and reporting, an introduction of the IDP, Indigenous law and restoration of justice.</p> <p>Mayoral Imbizos were held (however, no number specified), where Ministers, Mayors and MECs engage communities on developmental matters that concern them. During this financial year communities were mainly engaged on matters of: health, moral regeneration, service delivery, municipal budgets, municipal IDP, food gardening and arts and culture.</p>
2015/16	<p>In order to commemorate and demonstrate the significance of the traditional communities in the province, the Gauteng Provincial Government (GPG), during the 2015/16 budget year, allocated an amount of R6.4million towards the development of a Heritage Site for the AmaNdebele Sokhulumu Ndzundza Traditional Community, as a multi-stakeholder project stretching beyond the provincial borders to include Limpopo and Mpumalanga.</p>

The 2015 SALGA Local Government Review²⁶⁷ highlighted certain concerning issues and stated that the participation and the inclusion of Traditional Authorities in the activities of local government still required urgent attention. The above was indicative that urgent research was required to understand and develop appropriate policy toward the management of the relationship and partnership between traditional authorities and local government in Gauteng.

The Gauteng Back to Basics Plan²⁶⁸ (2015) confirms the Gauteng Province's recognition of the position and the significant role played by institutions of traditional leadership in local governance. It identifies that the role of traditional leaders in municipal affairs includes their responsibility to facilitate the participation of traditional communities in any municipal activities in order to enhance public participation. In keeping with the Back to Basics approach, municipal and traditional structures in Gauteng must be supported to establish strong collaborative working relationships to create decent living

²⁶⁷ SALGA, *15 year review of Developmental and Democratic Local Government, December 2015*

²⁶⁸ Gauteng COGTA, *Local Government Ten Point Plan: Back2Basics Perspective, April 2016*

conditions and improve delivery of services to rural traditional communities.

This collaborative approach has been able to bring about a number of positive results later period, including:

- 1) Traditional structures participate in municipal council sittings, particularly in the City of Tshwane, where there are two legally recognised traditional communities;
- 2) Traditional leaders participate in Integrated Development Planning processes of the municipality, including related community consultation processes;
- 3) Traditional leaders facilitate access and the release of land for development purposes;
- 4) Traditional leaders align the release of land with spatial development plans of municipalities (e.g. demarcation of plots); and
- 5) The municipalities continuously involve traditional structures in programmes impacting directly on the traditional communities.

The most critical support initiative that the provincial and local government is currently addressing is the issue of Illegal Initiation Schools. In this regard, the following observations were reported during 2015²⁶⁹:

- 1) Communities in most municipalities in the southern region conducted summer initiation schools;
- 2) Cross-boundary initiation schools were rife in the areas of Parys (Free State), Hebron (North West), Barrage, Vereeniging, Foch Ville, Westonaria and Vanderbijlpark. These areas have been declared hotspots and need urgent attention.
- 3) Most of the illegal initiation schools are driven by economic factors;

Initiations (2015)
November and December 2015 – 4429 Initiations
(Both Male and Female)
Orange Farm, Greater Westonaria, Sharpeville, Sebokeng, Barrage and Vanderbijlpark and Merafong

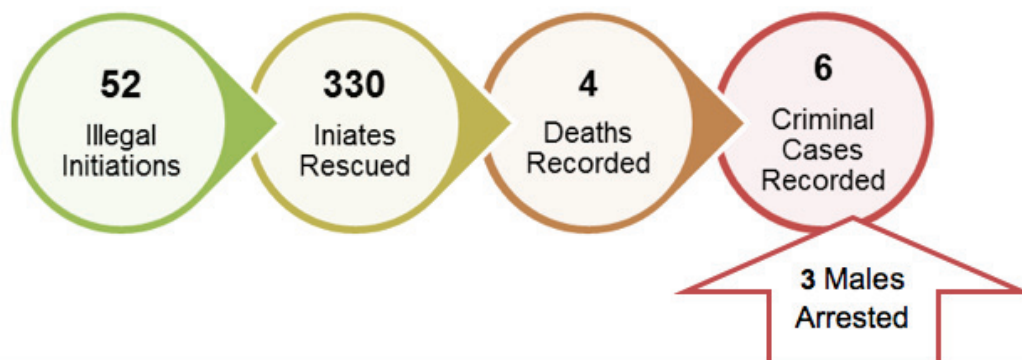
- 5) Most families tend not to report perpetrators of illegal initiation schools, for fear of victimisation;
- 6) Several cases of abduction of children to initiation schools have been reported – prevalent in the Orange Farm, Evaton, Finetown, Poortjie, Sharpville, Midvaal and Majasane;
- 7) The province has a number of unrecognised traditional leaders who operate in the townships as traditional leaders;
- 8) The Sedibeng District Municipality promulgated a by-law to regulate the practice of initiation schools. The municipality, however, does not have a clear implementation plan in place to manage the process;
- 9) Within COJ, old documentation was used to legalise most of the initiation schools that were conducted, without consent from the municipality; and
- 10) A lack of commitment by certain municipalities creates an opportunity for illegal initiation schools to mushroom.

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Gauteng COGTA, Local Government Ten Point Plan: Back2Basics Perspective, April 2016

The figure below reflects some statistics as at the end of December 2015:

Figure 47: Statistics on illegal initiations in Gauteng (2015)



Source: Gauteng Back to Basics 10 Point Plan (2016)

In response, a dedicated stakeholder task team was established in 2015 (comprising of Gauteng COGTA, Social Development Education and Community Safety Departments, the South African Police Service (SAPS), and the Congress of Traditional Leaders of South Africa) to manage the incidents of illegal initiations.

The GPG has further embarked on the following programmes to strengthen the fight against illegal initiation schools:

- 1) Development of provincial initiation school policy framework in line with national directives;
- 2) Conduct workshops on the new Gauteng Strategy on Initiation Schools;
- 3) Facilitation of awareness campaigns to ensure uniformity and compliance with the law;
- 4) Establishment of an initiation school database to capture all registered schools.
- 5) Development of provincial initiation school policy framework in line with national directives;
- 6) Conduct workshops on the new Gauteng Strategy on Initiation Schools;
- 7) Facilitation of awareness campaigns to ensure uniformity and compliance with the law;
- 8) Establishment of an initiation school database to capture all registered schools.

Key observations over the period (2000-2016)

In terms of democratising the institution of traditional leadership over the period, the following **successes** have been realised:

- 1) The promulgation of the Act in 2003 has gone a long way to better define the role of traditional leaders; and in proposing partnerships between local government and traditional leaders in order to improve service delivery to traditional communities.
- 2) /This is supported, in Gauteng specifically, by the Gauteng Provincial Traditional Leadership and Governance Act (Act No.4 of 2010).

- 3) The governance structures for the administration of traditional councils; and democratic participation in planning processes of the COT seem to be functional. Mayoral imbizos were conducted to engage the traditional communities on developmental issues.
- 4) In 2007/08, provision was made for an annual grant to support the Institutions of traditional leadership.
- 5) A number of support initiatives were undertaken during the period, and a budget of R6.4million was provided to develop a heritage site to commemorate and demonstrate the significance of traditional communities.
- 6) A dedicated stakeholder task team was established in 2015 (Gauteng COGTA, Social Development, Education and Community Safety Departments, SAPS, and CONTRALESA) to manage incidents of illegal initiations.
- 7) Work on the promulgation of by-laws to regulate the practice of initiation schools continues.

Notwithstanding the above successes, **challenges and/or constraints** include:

- 1) Only Gauteng COGTA reports on support provided to the traditional leaders. The COT only reports on the roles of the Office of the speaker to provide support and the COT administration's role in providing funding.
- 2) The impact of the collaborative relationship between government and the institution of traditional leaders, on the traditional communities it serves, has not been assessed.
- 3) Throughout the period, reporting on support provided to the institution of traditional leadership is mainly in narrative form and not backed up with quantitative data to provide a sense of the outcomes achieved in traditional communities – limits the analysis of performance trends.
- 4) Whilst community participation and “whistle blowing” against illegal initiation practices is critical, communities fear victimisation.

Clearly, the GCR cannot function effectively and optimally with two systems of governance operating alongside each other.

*Moving forward, the focus should be on the **subtle modernisation of traditional leadership and communities** within the context of the TMR and the vision of an integrated GCR; and the consideration is to:*

- 1) Ensure active participation and buy-in by Traditional Leaders into both the planning process and the outcomes defined in local government plans.

Chapter 6 of this Review will then discuss and present recommendations in response to this consideration.

4.3 DISASTER MANAGEMENT

The effects of global warming and climate change are being felt in South Africa more regularly. Managing disasters such as floods, drought and fires requires that government and people work together in a coordinated way through a coherent disaster management and response system.

Disaster Management (DM) in South Africa is established as a public sector function within each sphere of government and goes beyond a pure line function responsibility. Disaster management, as an activity of all spheres of Government, relates to an integrated, multi-sectoral, multi-disciplinary approach aimed at reducing the risk associated with hazards and the vulnerability of communities. As municipalities have an important first response role to disasters, they need to always be in a position to combat disasters. Disaster Management, therefore, is an integral part of the integrated

development planning framework and process; and disaster management plans form an implicit part of the Integrated Development Plan (IDP) of every municipality²⁷⁰.

In 2003, South Africa adopted legislation placing it at the forefront of a global paradigm shift from a purely response oriented approach to disaster management, to a more proactive approach. The Disaster Management Act (DMA) of 2002, along with the National Disaster Management Framework (2005), provide guidelines and recommendations aimed at helping to achieve more effective disaster prevention, mitigation and preparedness.

The Disaster Management Act (DMA) makes provision for the following structural forms to ensure effective implementation of Disaster Risk Management strategies and plans. While all the structural forms contained in the Act are not compulsory, the optional structures are put forward as best practice, and are strongly recommended to strengthen the institutional capacity of local government in effectively managing the risks associated with disasters in communities.

Table 61: DMR structures

DRM Structures	Purpose
National Disaster Management Centre (NMDC) (Legislated Requirement)	Located in COGTA. Its main objective is to contribute to the overall resilience of communities and infrastructure to disaster risk, to strengthen the capacity of provinces and municipalities in pre-empting and responding to disasters, as well as ensuring cross-functional disaster management in all spheres of government.
Municipal Disaster Management Centres (MDMC) (Legislated Requirement)	Objectives are the same as NDMC, but apply to the district and local spheres. The Act is silent on locality of functions within the administration of the Local Authority.
Municipal Disaster Management Advisory Forum (Recommended Structure)	This forum is established as a centre of excellence, constituted by members who are qualified and have expertise in managing risks associated with disaster situations. In the LG where capacity is a challenge, these advisory forums may provide invaluable support and knowledge.
Municipal Interdepartmental Disaster Management Committee (MIDMC) (Recommended Structure)	The aim of the MIDMC is to facilitate interaction between different government departments at all levels of government, and to provide a forum where different government departments can coordinate and integrate their actions and activities relating to disaster management

The National Disaster Management Policy Framework has then simplified the disaster management planning process into three progressive phases, namely level 1, 2 and 3. The table below summarises the levels of disaster management planning, as well as the expected critical outcomes as per the national policy framework requirements.

Table 62: Expected critical outcome of disaster management per level

Disaster Level	Critical Outcomes
Level I	Establish foundation institutional arrangements for disaster risk management; Develop the capability to generate a Level Two Disaster Risk Management Plan; Develop and implement contingency plans for known priority risks.

²⁷⁰ SALGA, *Disaster Risk Management Status Assessment at Municipalities in South Africa, March 2011*

Disaster Level	Critical Outcomes
Level II	Establish processes for comprehensive risk assessments; Identify and establish consultative mechanisms for specific priority risk reduction projects; Develop a supportive information management system; Develop emergency communication capabilities.
Level III	Establish specific institutional arrangements for coordinating and aligning plans; Establish mechanisms to ensure informed and ongoing risk assessments; Institute mechanisms to ensure ongoing relevancy of disaster risk management policy frameworks and plans.

Reflection on performance in the first ten years (2000-2011)

In Gauteng, the 2006/07 Annual Municipal Performance Report noted that over 50% of the municipalities had established Disaster Management Plans after careful consideration of possible risks²⁷¹. Only the Metsweding and Sedibeng Districts did not have Disaster Management Centres as per the Disaster Management Act. However, the process for establishing the relevant disaster management centres was underway.

According to research conducted by Van Riet and Diedericks in 2009, DRM had evolved at a very slow pace in South Africa, since its inception in 2002. By 2011, most district and local municipalities still did not have adequate disaster management measures or the institutional capacity in place²⁷², even though an initial phase-in period was provided for government to respond to the legal requirements.

Municipalities reported on the following challenges in the effective implementation of DRM during the period to 2011:

- 1) Poor disaster management communication systems;
- 2) The shortage of staff;
- 3) Shortage of physical infrastructure; and
- 4) The lack of specialised capacity for responding to fires and disaster rescue incidents.

Review of performance in the third term (2011-2016)

In the 2013/14 financial year, the Provincial Disaster Management Centre (PMDC) completed an exercise to try and ascertain the “State of readiness of municipalities in Gauteng”²⁷³. The findings of the study into the municipal state of readiness are detailed below:

Table 63: State of readiness of metro and district municipalities in Gauteng (2013)

Key Issue	Status in Gauteng (2013)
Head of Disaster Management Centre appointed.	All municipalities had appointed a Head of the DMC.
Disaster Management Centre established and fully operational.	All municipalities had established DMCs and they were fully operational, except COJ.

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Gauteng COGTA, Section 47 Annual Municipal Performance Report, 2006/7
SALGA, Disaster Risk Management Status Assessment at Municipalities in South Africa, March 2011
Gauteng COGTA, Section 47 Annual Municipal Performance Report, 2013/14

Key Issue	Status in Gauteng (2013)
Disaster Management Advisory Forum has been constituted and operating effectively.	All municipalities had constituted DMAFs.
Disaster Risk Assessment conducted and integrated into the development planning.	All municipalities had completed DRM assessments and had integrated it into development planning.
Disaster Management Plan developed	All municipalities had DM plans in place.
Municipal Disaster Management Framework is revised at least every two years.	All municipalities revise MDMFs at least every two years.
Response and recovery plans updated annually.	All municipalities update the response and recovery plans on an annual basis.

The table above indicates that most of the structures and plans were in place to deem the municipalities in Gauteng ready to manage disasters. Only the COJ reflected that a DMC had not yet been fully established in 2013/14. However, while established, a number of challenges were identified in the effective implementation of the Disaster Management functions²⁷⁴:

- 1) The inopportune placement of the disaster management centres had resulted in the limited ability of the Head of Centres to take decisions, as well as effectively execute their mandate;
- 2) The disaster management function was still viewed as a PDMC / Municipal Disaster Management Centre (MDMC) function alone, and not as a multi-disciplinary and multi-sectoral function;
- 3) Dedicated Capacity for disaster management in provincial sector departments remained a major challenge. This resulted in limited participation of sector departments in disaster management activities;
- 4) Disaster management plans had not been developed by provincial sector departments. This became a challenge for the PDMC and Municipal Disaster Management Centres in ensuring effective planning and preparedness; and
- 5) The PDMC and MDMC had limited ability to make Sector Departments accountable for their disaster management responsibilities. This, amongst other factors, resulted from the apparent misplacement of the Head of Disaster Management Centres.

The Disaster Management Amendment Act (DMAA) (Act No.16 of 2015) was promulgated in 2015 and specifies further fundamental minimum requirements at local government level, in order to be deemed ready and able to deal with and mitigate disasters. This effectively increases the minimum requirements for DM capacity, and compliance in this regard is a critical issue moving into the next term.

Key observations over the period (2000-2016)

Whilst by 2013, most metros and district municipalities in Gauteng were deemed to have the structures and plans in place to be ready to mitigate the risks of disasters, a number of structural and systemic challenges were identified which impacted on the effective functioning of these disaster management centres.

The promulgation of the Disaster Management Amendment Act in 2015 increases the minimum requirements for disaster management capacity, and compliance in this regard is a critical issue going into the next term.

Moving forward, to ensure the establishment of minimum disaster management and response capacity levels within municipalities in compliance with the legislative requirements, the critical issues are to:

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Gauteng COGTA, Section 47 Annual Municipal Performance Report, 2013/14

- 1) Review the Institutional form and positioning of the Provincial Disaster Management Centre, to enable the effective functioning of the Centre and ensure the appointment of dedicated resources to drive the implementation of disaster management; and
- 2) Develop and implement a disaster management strategy, to develop minimum capacity levels in municipalities and sector departments in compliance with the amended legal requirements.

Chapter 6 of this Review will then discuss and present recommendations in response to these issues.

4.4 PLANNING, PERFORMANCE MONITORING AND EVALUATION

Fundamentally, planning, performance monitoring and evaluation are concerned with reducing uncertainty and complexity. In this regard, the GPPM&E Policy Framework²⁷⁵ seeks to establish an effective and integrated intergovernmental planning, performance monitoring and evaluation system that will lead to improved performance and service delivery by government, and ultimately, to the achievement of the outcomes it has set for itself.

At its core, the TMR agenda and the aligned Governance and Planning Roadmap (2015) recognises that effective intergovernmental planning, performance monitoring and evaluation are a precondition for improving performance and service delivery, in the spirit of a developmental state. This requires a focus on the development of technical capacity and enhancing intergovernmental coordination and integration in the planning and implementation of the programme of government in the Province.

The planning horizon is long term, medium term and short-term; and, alongside strategic and annual planning, includes spatial and development planning coordinated across the municipal boundaries of the Gauteng City Region.

The cluster approach was adopted in 2014 at Provincial Exco level, to support and enable the successful implementation of the TMR. The Governance and Planning Cluster, in driving Chapter 13 of the NDP, is tasked with ensuring policy and planning integration and coherence across the province, and in monitoring and evaluating the implementation and impact of government programmes and interventions.

Within this context, Gauteng local government performance related to planning, performance monitoring and evaluation is discussed in terms of:

- 1) Spatial development planning and long term planning;
- 2) Integrated Development Planning (medium to short term planning); and
- 3) Performance monitoring, evaluation and reporting.

4.4.1 Spatial Development Planning and Long Term Planning

The notion of “integration” came to the fore through the Rural Development Programme (RDP) in 1994, with the key objective to fast-track infrastructure development and service delivery in urban and rural areas across South Africa. However, due to its rapid and wide approach, its impact on sustainable development was impeded.

The Urban Renewal Programme (URP), along with the Integrated Sustainable Rural Development Strategy (ISRDS) was then launched in February 2001. The focus was on addressing poverty in urban and rural areas, however, the disintegrated nature of spatial and development planning largely continued, compounded by a lack of clear guiding planning principles to support strategic interventions to address skewed spatial settlement patterns.

²⁷⁵ Office of the Premier, *Gauteng Province-wide Planning, Monitoring and Evaluation Policy Framework, March 2010.*

The National Spatial Development Perspective (NSDP) was then adopted in 2003, and aimed to provide the guiding principles for spatial development planning. As part of the implementation of the NSDP principles, Cabinet approved the Intergovernmental Planning Framework, which crystallised the alignment of the NSDP, Provincial Growth and Development Strategies and IDP's. The intergovernmental planning framework thus sets the tone for spatial frameworks of all three spheres to be aligned and to be guided by the NSDP principles.

Reflection on performance in the first ten years (2000-2011)

The end of term reports for 2000-2005²⁷⁶ and 2006-2011²⁷⁷ did not specifically discuss the state of spatial development planning or long term planning in the Gauteng Province. However, the 2006/07 COGTA Municipal Performance Report notes that the Gauteng Department of Economic Development conducted a broad review of the Growth and Development Strategy documents produced by municipalities in April 2006.

The review found that, at the time, only the metros had managed to complete the process and adopted Growth and Development strategies. There had been, and continued to be, engagements between the province and municipalities on the overall Provincial Growth and Development Strategy (PGDS) and Provincial Spatial Development Framework.

In the 2007/08 Annual Municipal Performance Report, it was noted that by 2007, all twelve municipalities had completed their respective Spatial Development Frameworks (SDF). However, the understandings and perspectives on the economic opportunities and possibilities within some of the municipalities were divergent to those contained in provincial documents.

A key recommendation arising from the 2011 End of Term Review was that, while the plans existed, the alignment of the spatial plans to the comparative advantage of the various localities was not optimal, and yet is essential for achieving economic growth.

Review of performance in the third term (2011-2016)

Between 2011/12 and 2012/13, Gauteng municipalities continued to comply with the Municipal Systems Act (No. 32 of 2000) (MSA), Section 26(e) requirements for including the Spatial Development Framework in their IDPs. According to municipal reports, all of the Gauteng municipalities implemented their SDFs after approval by Council over the 2011/12 financial year. However, in 2012/13, Ekurhuleni, Lesedi and Midvaal did not indicate in their IDPs whether their SDFs had been approved by council. In the 2013/14 financial year, all municipalities again reported that they had Council approved SDFs.

During this period, however, the focus was more on compliance rather than the integration intended by the National Spatial Development Framework.

Since the approval of the Gauteng Spatial Development Framework (GSDF) in 2011, there have been numerous developments in the spatial planning policy and legislative environment, including the introduction of the NDP. At a provincial level the focus is on the TMR and its Ten pillars and, to account for these changes, a draft Gauteng Spatial Perspective (GSP) 2030 was developed as the concept paper to inform the review of the 2011 GSDF.

The TMR (2014) recognises that the GCR continues to suffer from a lack of horizontal integration between provincial government departments and a lack of alignment between local and district, and between adjacent municipalities. This has led to fragmentation, duplication of functions and misalignment of priorities. The TMR seeks to further the aim of developing Gauteng as a city region, and while recognising the need for each municipality to respond to their

²⁷⁶ Gauteng DLGH, *End of Term Report Review, 2000–2005, 2006*
²⁷⁷ Gauteng DLGH, *End of Term Review 2006-2011, 2011*

own economic strengths and social needs, stresses it is equally important to build an overarching and unified agenda. Implementation of the TMR agenda requires a concerted and integrated approach by all spheres of government, supported by appropriate governance arrangements.

As part of the Decisive Spatial Transformation pillar of the TMR, a key MTSF priority for the G&P Cluster is to align spatial planning and land use management frameworks across the province, in order to strengthen social and economic integration and spatial equity.

In this regard, and later in this last term, much effort has been placed into integrating the planning processes of the provincial and local government towards realising one developmental vision of the Gauteng City Region. 2014/15 reports highlight the following achievements²⁷⁸:

- 1) The vision for the Gauteng City Region as well as the TMR, have been embraced by all municipalities and stakeholders. The Game Changers Programme coordinated by the Gauteng Planning Division provides oversight and management of catalytic projects, which are designed to change the face of Gauteng.
- 2) Governance bodies such as the Gauteng Infrastructure Co-ordinating Committee, the Planning Forum and the Premier's Co-ordinating Forum have been established to ensure that key partners who are integral to coordinated planning and implementation work together. The Gauteng Integrated Infrastructure Master Plan (GIIMP) was approved by the GICC Technical Committee.
- 3) The intergovernmental Programme of Action (POA) was aligned to the TMR, to ensure that key provincial deliverables pronounced by the Premier in the State of the Province Address (SOPA) and extended Executive Council Lekgotla are funded and monitored appropriately.
- 4) Westonaria and West Rand Spatial Development Frameworks (SDFs) have been approved, with a focus on Municipal Spatial Development Frameworks (MSDFs). The result of this process is the development of a Credibility Framework.
- 5) In the period to 2014, all three metros adopted Revised Growth and Development Strategies, but the time horizons for these plans differ and are not necessarily aligned to the TMR trajectory to 2030.
- 6) The Spatial Planning and Land Use Management Act (SPLUMA) Regulations have been adopted, and work is underway towards the Gauteng Planning and Development Bill to be aligned and finalised.
- 7) Work is also underway to develop interim measures to ensure the smooth transition of statutory responsibilities to municipalities from the implementation date of SPLUMA.

Key observations over the period (2000-2016)

In terms of strengthening spatial and development planning, the following **successes** were realised:

- 1) By 2007, all municipalities had completed their respective Spatial Development Frameworks (SDF), however perspectives differed from provincial documents and the alignment of plans to the comparative advantage of various localities was not optimal.
- 2) In the 2011 – 2014 period, Gauteng municipalities continued to comply with the Municipal Systems Act (No.32 of 2000)(MSA), Section 26(e) requirements for including the Spatial Development Framework in their IDPs.
- 3) According to municipal reports, all of the Gauteng municipalities reported that they had Council approved SDFs

278 *Gauteng Office of The Premier, Annual Report 2014/15, 2015*

in 2015/16.

- 4) In the period to 2016, effort placed on integrating the planning processes of the provincial and local government towards realising one developmental vision of the Gauteng City Region:
 - a) The Game Changers Programme, coordinated by GPD, provides oversight and management of catalytic projects, which are designed to change the face of Gauteng.
 - b) Governance bodies such as the Gauteng Infrastructure Co-ordinating Committee, the Premier's Co-ordinating Forum and the Planning Forum have been established to ensure that key partners who are integral to coordinated planning and implementation work together.
 - c) The intergovernmental Programme of Action (POA) was aligned to the TMR.
 - d) SPLUMA Regulations adopted; work underway on the Gauteng Planning and Development Bill.
- 5) As part of achieving the TMR focus area of a "Balanced and integrated GCR and intergovernmental planning, coordination and development, the Gauteng Spatial Development Framework is currently being revised.

Notwithstanding the above achievements, **challenges and/or constraints** include:

- 1) The TMR (2014) recognised that the GCR continued to suffer from a lack of horizontal integration between provincial government departments; and a lack of alignment between local and district, and between adjacent municipalities, leading to fragmentation, duplication of functions and misalignment of priorities.
- 2) Despite an appreciation and understanding of the requirements of the GCR Framework, there continues to be some incoherence in spatial development planning across the GCR (a case in point is the possible misalignment between the central development corridor as put forward by the TMR, and the City of Joburg's corridors of freedom). The differentiated approach per corridor development across the GCR is also not fully aligned with the municipal spatial development objectives²⁷⁹.
- 3) The Governance and Planning Roadmap²⁸⁰ notes that questions around the roles of the different actors in the planning space needs to be addressed, including the hierarchy of spatial planning on the one hand, and the development and implementation on the other. It further states that key decisions should be taken on the devolution of built environment functions and how best to integrate the various built environment functions. This may require the involvement of provincial planning in the development of the Municipal Built Environment Performance Plans (BEPP's), as required by National Treasury.
- 4) The SACN Built Environment Integration Framework²⁸¹ notes that the Built Environment Performance Plan (BEPP) process paves the way to a consolidation of grant funding to match a more integrated approach to planning and the implementation of projects. However, the metros are not yet using the BEPP effectively, partly due to poor project management capacity and understanding.

4.4.2 Integrated Development Planning (IDP and SDBIP)

Local municipalities in South Africa are required to use "integrated development planning" as a method to plan future development in their areas, and the IDP is central to the successful transformation of local government.

²⁷⁹ *Gauteng OOP, Governance and Planning Cluster Roadmap - Improving Public Service Performance, Accountability and Excellence, 2015*

²⁸⁰ *Gauteng OOP, Governance and Planning Cluster Roadmap - Improving Public Service Performance, Accountability and Excellence, 2015*

²⁸¹ *South African Cities Network (SACN), Strategic Framework: Towards Enhancing Built Environment Integration and Coordination, 2015*

The IDP, as a principal planning instrument in a municipality, is a medium term plan (five years) adopted at the beginning of a council's term of office; and contains an analysis of levels of development aligned to a long term vision, strategic objectives and strategies, and projects linked to a budget and a set of performance indicators and targets. The IDP's are, therefore, the all-encompassing plan against which performance is monitored and evaluated for each 5 year cycle (and revised annually).

The success of the IDP process is founded on the active participation of the public in the planning process. In addition, the development priorities and related interventions of other spheres of government (including neighbouring municipalities) must be interrogated and incorporated.

The IDP is then further broken down into annual Service Delivery and Business Implementation Plans (SDBIP), constituting the contract between the municipal administration, council and communities; and expressing the goals and objectives set by the council as quantifiable outcomes that can be implemented by the administration over the following twelve months.

Reflection on performance in the first ten years (2000-2011)

During the first five years of the period, many municipalities either failed to submit their 5 year IDPs or submitted their IDPs very late. It seemed, however, that the main challenge in terms of the IDP's was the lack of integration and credibility in the plans. Gauteng DLGH developed a credibility framework and facilitated an intergovernmental IDP engagement process that was intended to improve the submission rate and credibility of IDPs²⁸². Towards the end of the first term of local government, horizontal integration of IDPs remained weak despite the articulation of the GCR concept.

By the end of 2006, all municipalities adopted Council approved IDPs with a marked improvement in the quality of content and compliance with legislation²⁸³. In compliance with the Intergovernmental Relations Act of 2005, all municipalities complied with the requirement to establish Mayoral and Technical Forums.

In general, most municipalities in Gauteng made great strides in terms of popular participation in the IDP formulation. However, more work needed to be done around the implementation of community based planning approaches to ensure that communities take ownership of both planning and budget processes in their wards.

In the 2009/10 financial year, the DLGH conducted a municipal IDP analysis and provided municipalities with hands-on support and training, to ensure the development, review and adoption of credible IDPs aligned to Provincial and National strategies and priorities.

By 2011, the End of Term Review²⁸⁴ noted that a number of advances had been made to strengthen Integrated Development Planning process, among others:

- 1) Whilst the trend during the first term was outsourcing the development of IDPs, the development of IDPs is no longer outsourced by municipal councils;
- 2) The quality of IDPs improved significantly in terms of compliance and credibility;
- 3) Awareness about the importance of the IDP processes for provincial government resulting in some level of alignment between the province and municipalities; and
- 4) Community participation in the IDP process has improved significantly during this period.

282 *Gauteng DLGH, End of Term Report Review, 2000 – 2005, 2006*
283 *Gauteng DLGH, Annual Municipal Performance Report 2006/07*
284 *Gauteng DLGH, End of Term Review 2006-2011, 2011*

The review stated that the Outcomes Based Approach adopted during the second term, would serve to guide the direction of planning / budgeting across all spheres of government, including integrated development and related processes. It is expected to see a move away from mere compliance to credibility and alignment in the IDPs.

The review stated the following priorities to be addressed in the third term in order to enhance the IDP process:

- 1) A standardised method of analysis to analyse the key social, economic and spatial trends in the areas of shared impact is a critical ingredient in a shared development vision. There is a need to develop a common database that is well timed (coincide with review calendar), detailed (ward based), and futuristic (projections to assist forward planning);
- 2) The absence of provincial sector departments in municipal public participation processes around IDPs and budgets undermines their capacity to concretely grasp and factor in community needs in their own planning and budgeting. Key role-players in serving the community should all participate in the IDP process.
- 3) A key hampering factor to achieving some of the developmental outcomes is the availability and acquisition of land. As a critical factor in the production of the built environment and fixing of economic activity in space, bottlenecks of land availability and acquisition should be unlocked.
- 4) The linkages between IDP and performance monitoring and evaluation at both provincial and local level remains weak, partly accounting for the weakness in the analysis by both spheres of the levels of development in each municipal space.

Review of performance in the third term (2011-2016)

In the 2012/13 year, it was reported that municipalities could not engage and integrate provincial plans into the IDPs, as the sector departments focused on high level strategic areas, rather than the details about programmes and projects of municipalities²⁸⁵.

The 2013/14 IDP analysis process noted that there was little alignment between IDPs, budgets and SDBIPs. In response to the lack of alignment, Gauteng Treasury developed an SDBIP template that was intended to simplify measuring and reporting of performance. However at the end of 2013/14, no municipal IDPs fully aligned with SDBIPs, mainly due to the fact that municipalities were contending with unfunded mandates and projects²⁸⁶.

The 2014 Mid-term Review²⁸⁷ highlighted that all the three categories of Gauteng municipalities had made great strides in ensuring that IDP's align to the Government Outcomes Approach, evidenced by municipalities aligning their IDP's to the MTSF of government in the form of the Gauteng Growth and Development Strategy. The assessment of municipal IDP's and SDBIP's was able to identify clear linkages to the strategic priorities of Government.

In this area, one of the key gaps identified related to baseline information not being captured, making it difficult to track where municipalities began and the progress made towards the desired outcome. The review further highlighted that the set of indicators being used by municipalities, even though not completely compliant, were mostly compliant to SMART requirements, which is a key success.

Key observations over the period (2000-2016)

In summary, the IDP process and its outputs have significantly improved over the last fifteen years, mainly due to improved public participation in the IDP process and the improvement in the level of compliance and the quality of content in the

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Gauteng DLGH, Municipal Annual Performance Review, 2012/13
COGTA, Section 47 Report: Consolidated Annual Municipal Performance Report for the 2013/14 financial year
Gauteng COGTA, Mid-Term Review 2011-2016, 2015

IDPs.

However, it is noted that the following **challenges** still exist with the IDP process:

- 1) Whilst some changes have been made to better align the planning, monitoring and evaluation cycles of the three spheres of government in Gauteng, some level of misalignment continues to plague the local government environment. For example, municipal IDPs are finalised in November and cannot be changed without repeating the lengthy public participation process or undermining their credibility. Therefore, municipalities can only accommodate strategic priority shifts, which come about in February through the provincial planning cycle, in the IDP process commencing in July and concluding in November of that year.
- 2) In the absence of detailed medium term implementation plans from Province, municipalities cannot proactively provide for provincial and national priority shifts. Ideally, Province should inform municipalities of provincial priority shifts in December of each year, to ensure that municipalities can still attempt to align IDP priorities before the IDPs are signed off and approved.
- 3) The GCR and TMR recognise the importance of integrated planning – not only from an intergovernmental perspective, between local and provincial government, but also horizontally across Gauteng municipalities. It is recommended that the province better utilise existing forum structures or create a new structure dedicated to the alignment of integrated IDPs and SDBIPs and provincial plans.

4.4.3 Performance Monitoring, Evaluation and Reporting

The outcomes-based approach to planning, monitoring and evaluation, the frontline service delivery monitoring (FSDM) programme, the assessment and monitoring of management performance in government (MPAT) and the implementation of a programme of evaluation across government, have become the key pillars of the government monitoring and evaluation system.

In Gauteng, these pillars are complemented by the key intergovernmental planning, performance monitoring and evaluation priorities; including, among others, the Programme of Action, the provincial and local government flagship projects and aligned infrastructure implementation and maintenance, job creation and the mainstreaming issues of gender, youth and people with disabilities (GEYODI).

In the case of local government, performance monitoring is regulated by the Municipal Systems Act, which requires that municipalities develop a performance management system and set targets, and then monitor and review performance based on targets linked to the IDP. The MEC for COGTA is required to establish the mechanisms and processes to monitor municipalities' affairs, monitor their capacity and assess their needs with a view to strengthening their capacity.

In turn, the National Evaluation Policy Framework²⁸⁸ provides the basis for a minimum system of evaluation in government, which will be adapted to provincial needs. The main purpose of this system of evaluation is to promote quality evaluation, which can be used to enhance the effectiveness and impact of government.

Whilst municipalities and departments are responsible for the evaluation of programmes they implement, the Office of the Premier, through the Gauteng Planning Division and in partnership with COGTA, will play a coordinating role in the identification, selection and implementation of intergovernmental programme evaluations at local level. Furthermore, the Office of the Premier will provide technical support and quality control for evaluations, and also take responsibility for building evaluation capacity across local government.

²⁸⁸
Evaluation.

The Presidency. (2011). National Evaluation Policy Framework. Department of Performance Monitoring and

Monitoring, evaluation and review are achieved through various reporting systems. Whatever the required level of reporting or intended audience, the presentation of information relating to performance should:

- 1) Be concise yet comprehensive enough,
- 2) Accurate,
- 3) Indicate the achievement of outcomes and impact,
- 4) Identify future problems, and
- 5) Recommend corrective actions.

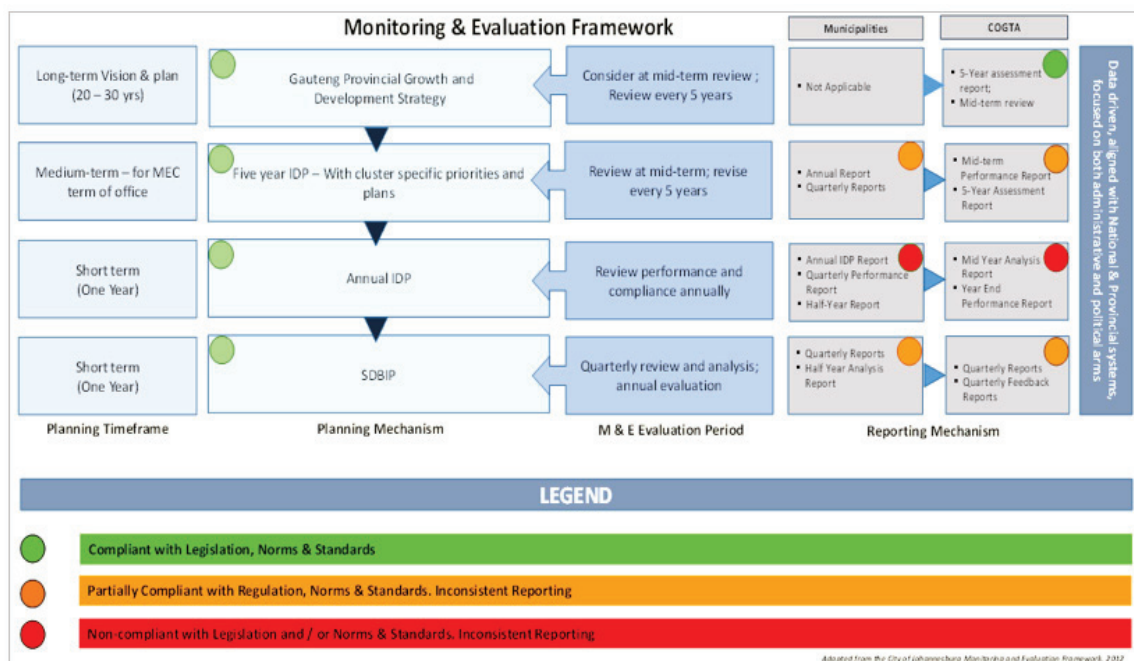
Reflection on performance over the period (2000-2016)

Whilst sound planning, performance monitoring and evaluation frameworks and practices emerged for provincial government and for municipalities during the period, these were developed largely separately for the two spheres of government.

The first municipal performance review that identifies and discusses local government monitoring and evaluation as a standalone cross-cutting issue is the 2011–2016 Mid-term Review²⁸⁹, which highlighted that, at the time, linkages between IDP and performance monitoring and evaluation at both provincial and local level remained weak, partly accounting for the weakness in the analysis of the levels of development in each municipal space.

The following diagram (adapted by COGTA from the COJ M&E Framework) reflects a high-level view of the monitoring and evaluation landscape at Provincial and local government level, including the identification of areas of concern, at the time of the compilation of the Mid-Term Review (2014)²⁹⁰:

Figure 48: High-level view of the monitoring and evaluation landscape at Provincial and local government level (2014)



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Gauteng COGTA, *Mid-Term Review 2011-2016, 2015*
Gauteng COGTA, *Municipal Mid-term Review, 2014*

The figure reflects that, at the time, all municipalities were complying with the legislative requirements, norms and standards at the planning level and in the development of the IDPs and SDBIPs. However, a number of shortcomings were identified in the monitoring and evaluation and reporting stages of the framework. This Review conducted in 2016 would argue similarly, that this remains the case at present.

Key observations over the period (2000-2016)

In terms of strengthening monitoring, evaluation and reporting over the period, the following **achievements** are recognised:

- 1) The development of standardised reporting frameworks and the improvement in monitoring and reporting quality over the period in many cases.
- 2) Indicators used are increasingly compliant to SMART criteria.
- 3) The establishment of the local government M&E forum.

However, **challenges** identified through the Review in relation to monitoring, evaluation and specifically reporting, include:

- 1) While the five KPAs have been used to cluster assessments on local government performance over the period and have remained consistent, the indicators used to focus each KPA have not been consistent, which limits the meaningful evaluation and assessment of progress from one period to the next;
- 2) There is no evidence that the local government data set of performance metrics have been reviewed to ensure alignment with the GCR and TMR priorities and focus areas identified in the respective cluster roadmaps. The question is whether or not the right things are being measured across the municipal environment to ensure the achievement of radical transformation, modernisation and revitalisation outcomes;
- 3) In some instances, key policy and strategic imperatives are not appropriately articulated or outlined in the strategic documentation of municipalities. In other instances, alignment to critical national and provincial policy imperatives are briefly introduced in narrative, but are not clearly reflected in performance metrics and data. In instances, while there are service delivery commitments at a high level, there are no corresponding five year or annual targets at the local level;
- 4) There appears to be a lack of a Gauteng-wide local government performance management framework (e.g. a results matrix) that details consistent and standardised five year targets on specific key performance indicators, against which municipalities could be measured. Different municipalities report on different indicators and different targets for similar issues, and reporting is in cases not consistent from year to year or over different periods. These inconsistencies make it difficult to draw comparisons between municipalities, and create challenges in the ability to track trends and patterns;
- 5) Whilst municipalities use predetermined reporting formats and templates to assist in the streamlining of reporting information (e.g. the Annual Report template), the templates are not always comprehensively completed. This creates gaps in available information;
- 6) While a local government M&E forum has been established, its mandate and agenda should be strengthened, as it would seem that the M&E forum is not fully being utilised as a coordinating mechanism between Gauteng COGTA and municipalities, to regulate the quality and completeness of reports;

- 7) In some instances, it appears as if municipalities overwrite updated information into the previous period's report, and this leads to errors and instances where previous period information is inadvertently left unchanged. This calls the reliability and/or integrity of the whole report into question;
- 8) While there is evident improvement over the period in the use of SMART indicators, the data reported for the KPIs do not always reflect accurate baselines and targets (quarterly and annual targets), thus making it difficult to analyse and contextualise performance;
- 9) From year to year, there are instances where outputs in IDP's and SDBIP's are not reported in corresponding quarterly or annual reports. In many cases, baseline information is not captured for the five year period, making performance tracking and trend assessment difficult;
- 10) In some instances, actual performance data is reported but the target not is indicated in the report, making it difficult to assess performance;
- 11) Municipalities are accountable to report on performance progress to a number of different stakeholders at different times. Generally, each stakeholder has different report content and layout requirements, and the metrics used are not consistent. This places a large administrative and financial burden on municipalities in terms of compliance; and
- 12) In addition, at the provincial level, it would seem that there is inadequate infrastructure (such as document management systems or a provincial-wide database) to both safeguard data, as well as enhance the monitoring capacity of the province. This is evidenced by missing quarterly and annual reports, difficulty in accessing data in some instances, or having to rely on draft reports. In such cases, the project team has relied on COGTA consolidated reports and other secondary reports.

4.4.4 Consolidated View of Planning, Performance Monitoring and Evaluation over the Period

The review highlights that there has been definite progress and large strides made in strengthening the planning, performance monitoring and evaluation discipline at both provincial and local level over the period. This is particularly evident in the processes relating to integrated development planning and the fact that, in this area, key issues identified in previous term reviews have been largely addressed through ensuring that IDP's align to the Government Outcomes Approach and better link to the strategic priorities of Government, and in ensuring that the indicators used are increasingly compliant to SMART criteria.

Significant progress and achievements are also noted in terms of enhanced spatial planning and long term planning over the period, and the required policy, and regulatory frameworks to ensure closer alignment and a singular posture aligned to the GCR intent, and the TMR agenda, are in place or close to finalisation moving into 2016.

The bulk of the challenges and issues identified by the Review, especially in the area of integrated planning and monitoring and reporting, seem to lie in getting the basics and support capacity and systems right, as opposed to the lack of policy and/or frameworks.

In order to ensure the realisation of the Premier's vision of "making the GCR come alive in this term of office" a balanced and integrated GCR and intergovernmental planning, monitoring and evaluation mind-set and process needs to be implemented^{291,292}. New and emerging policy and legislation, particularly in the area of spatial development planning,

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2015
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SACN, Strategic Framework: Towards Enhancing Built Environment Integration and Coordination at Metro Level, Gauteng OOP, Governance and Planning Cluster Roadmap, 2015

provide an opportunity to further strengthen the planning, monitoring and evaluation discipline at both COGTA and local level; and the institutional capacity in both COGTA and in municipalities must be developed to utilise planning, monitoring and evaluation as a management tool to empower the leadership cadre of Gauteng to drive high performance.

Moving forward, and aligned to the priorities of Phase 2 of the Gauteng B2B programme and the Governance and Planning Roadmap, the following considerations are highlighted:

- 1) **To further strengthen spatial development and long term planning and realise one developmental vision of the Gauteng City Region, the critical issues are to:**
 - a) Ensure that the long term growth and development strategies of the municipalities are aligned to the Gauteng Spatial Development Perspective, 2030, and a long term Infrastructure Master Plan, and reflect GCR wide consideration and alignment; and
 - b) Develop and implement a GCR Implementation Plan to give effect to the Spatial Planning and Land Use Management Act and its regulations, and should include the revisiting of the powers and functions of local government and identify the response, of particularly the metros, whether or not the devolution of key built environment functions occurs²⁹³.
- 2) **To enhance the planning and budgeting discipline at both provincial and local level, the critical issues are to:**
 - a) Enhance municipal planning, budgeting and target setting at all planning levels, to ensure higher order targets and indicators are reflected and to ensure that relevance to beneficiaries or communities and value for money is prioritised²⁹⁴; and
 - b) Facilitate a process to assess the service delivery plans of both spheres of government, including the SOE's operating in the Province, to ensure their alignment to the TMR agenda and to municipal IDPs.
- 3) **To strengthen the quality, accuracy and useability of performance information at both provincial and local level, the critical issues are to:**
 - a) Put in place processes, systems and interventions to strengthen the quality, consistency and accuracy of performance information at both provincial and local level; and
 - b) Establish both integrated and municipal repositories and data mining approaches, including a Provincial knowledge repository of best practice in the local government space. Leverage the GPD and GCRO as a partner and resource in this regard.

Chapter 6 of this Review will then discuss and present recommendations in response to these issues.

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SACN, *Strategic Framework: Towards Enhancing Built Environment Integration and Coordination, 2015*
Gauteng OOP, Governance and Planning Cluster Roadmap, 2015



CHAPTER 5

SYNTHESIS OF THE OBSERVATIONS AND FINDINGS
OF THE REVIEW

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SYNTHESIS OF THE OBSERVATIONS AND FINDINGS OF THE REVIEW

Outlining:

- Notable achievements of the municipalities
- Good practices identified by the review
- Consolidated analysis of findings arising from the review

Chapters 3 and 4 have presented compartmentalised components of the performance of local government in Gauteng in the fifteen years since 2000, and concluded with critical issues for each area assessed, for consideration moving forward.

This chapter then seeks to elevate a broader synthesis and analysis of the observations and findings of the Review, as a precursor to presenting the recommendations and considerations for moving forward.

5.1 NOTABLE ACHIEVEMENTS OF THE MUNICIPALITIES

While municipalities operate in a challenging environment comprising multiple stakeholders, each with a different set of expectations for service delivery, the Review indicates that Gauteng local government has been making solid progress towards meeting its objectives and there are many successes and achievements.

While the review has presented successes generally under the focus areas of each KPA, notable achievements over the period, among many others, are outlined below for each municipality:

The City of Ekurhuleni (EMM):

- 1) Achieved the highest citizen satisfaction rating for services of all Gauteng municipalities (against an index of 13 services) in the GCRO QOL 2015.
- 2) Steadily progressed to achieve the highest access to waste / refuse removal of all municipalities in 2015. This was possible through the implementation of a fixed calendar system for waste management and enhanced refuse collection at all informal settlements through the establishment of 6 cooperatives.
- 3) Ensured the revitalisation of the refuse collection system through the rollout of approximately 350,000 240l bins, the introduction of specialised refuse collection vehicles, and upgraded waste collection facilities.
- 4) Enhanced waste minimisation programmes through the establishment of 10 Mini-Recycling Centres and the introduction of programmes to curb littering and illegal dumping.
- 5) Rolled out the use of PV portable sources of power for informal settlements with over 3,000 of the planned 7,243 units distributed to informal settlement households by December 2015.
- 6) Implemented a food bank programme, benefiting 1600 households in 2015/16, over and above other free basic services.
- 7) Invested in clean electricity generation projects using solar PV and landfill gas.
- 8) Recognised as a city with the highest quality of water (blue drop water quality status),
- 9) Achieved DWS Green Drop Certification for one waste water works.
- 10) As the hub of manufacturing, logistics and transport industries in Gauteng, the EMM launched the Aerotropolis Master Plan as a game changing programme at the core of the GCR Eastern Corridor Development; including 29 initiatives to revitalise manufacturing, aviation, transport and logistics industries linked to the OR Tambo Airport.
- 11) Facilitated committed investments of R7.6bn of in 2014/15.
- 12) Ranked as the best City to do business in South Africa by the World Bank study into the ease of doing business in South Africa, 2015.
- 13) Rolled out in excess of 20 customer care areas and implemented new software for business process management

and customer service – realising improved productivity and more efficient communication and integration among departments; resulting in an improvement in the municipality's ability to use data effectively.

- 14) Is the most financially viable municipality in Gauteng when considering liquidity, net assets and accumulated cash reserves.
- 15) Has achieved a clean audit outcome from the AGSA for two years in a row – 2013/14 and 2014/15; attributed to the effectiveness of leadership, senior management and the various assurance and oversight structures working together to achieve this outcome.
- 16) Was found to have the most progressive and affordable municipal bill in the country²⁹⁵, as the only city whose municipal bills for the four standard service packages fall below the affordability threshold, i.e. they are affordable. The city's municipal bills for Type A, B and C are the most affordable within each of these categories; progressive in nature and favouring lower income groups.
- 17) Spent in excess of 10% of its operational budget on repairs and maintenance over the third term – meeting the Treasury recommended level.

The City of Joburg (COJ):

- 1) Has consistently been the leading municipality in expanding access to basic services. By 2015, the COJ had the highest levels of access to basic water and sanitation of the Gauteng municipalities.
- 2) Has achieved the highest average citizen satisfaction rating of the metros for the provision of the four basic services, and the third highest satisfaction rating against an index of 13 services as measured by the GCRO QOL 2015.
- 3) Won the DAFF 2015 National Arbor City Award for the impact the city has made through the planting of 300,000 trees since 2010, transforming landfill sites into world class parks and the development of over 50 community-based food gardens.
 - a) Over the period, the COJ has had the most extensive parks and open spaces development programme, which has been recognised globally as having substantially bridged the “green divide” in the city.
- 4) Through social, economic, transportation and sporting infrastructure development has transformed Soweto into the thriving suburb and socio-economic hub it is today.
- 5) Was the first to pioneer a large-scale, municipal run, mass-transit system in South Africa - the Rea Vaya BRT public transportation system; which helped create employment in the city, bringing impacted taxi drivers to formal employment and connecting outlying suburbs with the city's main economic growth centres. The new system is waste-efficient and assists in reducing air pollution.
- 6) In 2014, came 2nd in the World's Good Cities Index: The index assesses “the quality of civic life, with improvements that enable citizens to share ideas and new solutions to problems”. Transport infrastructure played a key role in the assessment, with the current 5km track and sidewalk in Orlando, Soweto linking and providing safe passage to several hubs such as churches and clinics. Further planned developments include 120km of cycling lanes which will connect Orange Farm, Ivory Park, and Soweto.

²⁹⁵ SA Cities Network (November 2015). *State of City Finances – Basics + Innovation (Chapter 5), 2015*

- 7) Has best in class credit ratings, having received a credit ratings upgrade by Fitch in 2015 from AA-(zaf) to AA(zaf) on outstanding bonds, with a stable outlook. In May 2016, Moody's raised the COJ's global scale ratings from Baa3 to Baa2 (best possible), the same level as the sovereign rating. The City's national scale rating was raised by four notches up from A2 to Aa1.
- 8) The COJ Growth and Development Strategy (GDS) is regarded as an international Best Practice and the principles and concepts of the GDS have recently been adopted in London.
- 9) Prioritised wide-ranging broadband capacity to be the backbone of the smart city initiative, which includes installing household smart meters to manage energy consumption and reduce energy losses; smart transport technology and the promotion of ICT literacy using public access to internet solutions.
- 10) In support of a low carbon economy and towards a sustainable and liveable City, pioneered the Green Bond in 2014 - as a finance instrument to improve and expedite the implementation of the COJ climate change mitigation strategy and move the City towards low carbon infrastructure, minimal resource reliance and increased preservation of natural resources.
- 11) Had a higher percentage of citizens (79.6%) in Johannesburg that rated the quality of water services as good, with less reported service interruptions lasting longer than 2 days, as compared to the national average across all metros in the country.
- 12) Achieved DWS Green Drop Certification for four waste water works.
- 13) Piloted the separation of powers model from 2007/08, aimed at strengthening the role of Council as a legislature and enhancing its role in oversight, community participation and the maintenance of sound governance. The model included the replacement of Section 80 Portfolio Committees with Section 79 Portfolio Oversight Committees; its success has led to the rollout of the model to the other metros in the third term.
- 14) Facilitated investments of R3.26billion vs. a planned target of R3billion in 2014/15; and R2.6billion vs. a target of R1.07billion in 2013/14.
- 15) Collected R1billion more property rates than expected, following the implementation of the 2013/14 valuation roll. The city's rebate policy on property rates however limited the impact on the poor.
- 16) In partnership with Harambee (youth employment accelerator), the launch of the Vulindlele/Jozi Youth Empowerment Programme in 2015 is considered ground-breaking - targeting more than 200,000 youth in 2016.
- 17) Through prudent financial management and a targeted strategy to drive operational surpluses and cash reserves, has placed itself in a strong financial position to leverage borrowing and internally generated funds for its capital development programme.

The City of Tshwane (COT):

- 1) Notwithstanding the challenges of the merger with Metsweding DM and its local constituents at the beginning of the third term, has progressed to achieving the highest level of access to basic electricity of the Gauteng metros in 2015.
- 2) Through Project Isizwe, rolled out an unprecedented ICT project to make broadband connectivity available to all wards, and has implemented over 400 free Wi-Fi sites to date, offering coverage to more than 3million people. This makes it easier for Tshwane residents to connect and do business in the city, particularly for the youth and

students to search for job opportunities and access information.

- 3) Received an accolade as a city with the highest quality of water (blue drop water quality status), evidence of the COT's excellent quality management standards in water management.
- 4) Has among the highest citizen satisfaction ratings for the management of the Tshwane parks and open spaces.
- 5) Targets have been regularly exceeded in terms of the rollout of the two parks per ward programme.
- 6) The BRT system has been in operation for two years and continues to expand, providing enhanced public transport mobility between and amongst working class suburbs and commercial nodes in the city.
- 7) Invested in a number of job creation initiatives and leveraged large amounts of funding for skills development and training of people involved in SMME's and cooperatives.
- 8) Partnered with the Small Enterprise Development Agency to run six business support centres for the provision of business development support services.
- 9) Established the Business Process Outsourcing (BPO) Park (consisting of a 3,000 seater contact centre, a BPO incubator for SMME's and a BPO academy).
- 10) Established an incubation programme for the construction industry and for the automotive and light manufacturing sector in Atteridgeville, Ga-Rankuwa, Soshanguve and Mamelodi (Nellmapius).
- 11) Initiated the training of fresh produce entrepreneurs.
- 12) As part of township economy revitalisation, established a furniture hub in Garankua, a community bakery in Soshanguve, a car wash in Mamelodi and a plastic manufacturing plant in Cullinan, among other.
- 13) Invested in the revitalisation of the Mabopane radio station.
- 14) Facilitated investments of R2.1billion vs. a planned target of R1.8billion in 2014/15, facilitated investments of R 2.175billion in 2013/14; and facilitated investments of R2billion against a planned target of R1billion in 2012/13.
- 15) Has a progressive property rates rebate policy; favourable to the lower income groups.
- 16) Is recognised for revenue collection rates of up to 100%.
- 17) Spent in excess of 11% of its operational budget on repairs and maintenance in the third term – exceeding the Treasury recommended level.

Sedibeng District and Local Municipalities:

- 1) Lesedi LM was the top ranked municipality in Gauteng (and 22nd out of 234 in SA) in the 2016 Good Governance Africa Government Performance Index. Midvaal LM and Emfuleni LM rated 5th and 7th in Gauteng - against indicators related to administration, economic development and service delivery²⁹⁶.
- 2) The Sedibeng LM's have achieved the highest levels of access to basic services of all the local municipalities. As at 2015, Emfuleni LM had the highest access to basic water; Lesedi LM had the highest access to basic sanitation; Lesedi LM and Emfuleni LM had the highest access to electricity; while Midvaal LM achieved the highest access to waste / refuse removal.
- 3) Of the local municipalities, Midvaal LM (jointly with Randfontein LM and Mogale City) received the highest

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Africa in Fact, Journal of good governance Africa, Local government: where do we stand, March / April 2016

average citizen satisfaction rating for the four basic services and the second highest satisfaction for services against an index of 13 services (second to EMM), in the GCRO QOL 2015.

- 4) Midvaal LM has maintained 100% functionality of ward committees over the period 2012-2015.
- 5) The District and its local municipalities have invested heavily in job creation initiatives including, among others: the Midvaal Youth Development Forum, the establishment of 3 operational sites for CWP and EPWP and formal employment opportunities in the first economy were provided along the R59 corridor; the expansion of Paramount Trailers and ongoing progress in the Chinese Animal Food manufacturing facility (New Hope) and related distribution.
- 6) The Sedibeng United Business Forum was formed to respond to challenges faced by the business sector in the region, and a number of partnerships have been facilitated that promote SMME's.
- 7) A partnership programme was established to support SMME incubation and drive innovation through digital manufacturing, with the establishment of a Fabrication Laboratory.
- 8) Midvaal LM is considered strong in terms of its financial viability in terms of the municipal financial viability assessment as at end 2014/15.
- 9) Midvaal LM is one of only two local municipalities to achieve and retain a clean audit outcome from the AGSA in 2013/14 and 2014/15.

West Rand District and Local Municipalities:

- 1) Mogale City and Randfontein LM (jointly with Midvaal LM) have progressed over the period to achieve the highest satisfaction rating for basic services of all local municipalities in 2015.
- 2) With the support of Gauteng COGTA, both Randfontein LM and Westonaria LM have achieved 100% functionality of ward committees in the period 2013 – 2015.
- 3) The District and its local municipalities have continued to focus on initiatives to support job creation and enterprise development, including among others, the rollout and establishment of the Merafong Flora Project, the plastic recycling project, the Mohlakeng Buyback Centre and Katlego Cultural Facility.
- 4) The West Rand Tourism Awards project was launched in 2007 and has been a great success since inception, and is now beyond its 9th year.
- 5) The WRDM, in conjunction with the Gauteng Department of Agricultural and Rural Development (GDARD) and the Randfontein LM, embarked on the development of a Mega Agri-park project in Brandvale as part of cooperatives support. Small and emerging farmers were trained.
- 6) In addition, the WRDM established the Elandsfontein Agricultural Farm, and the Badirile Hydroponic Tunnels for vegetable production and nursery.
- 7) Merafong LM has supplied 7,109 registered indigents with the free basket of services, and has contracted 28 ward based community development workers to assist with the identification and verification of indigent household applicants; thus enhancing the credibility of its indigent register.
- 8) Mogale City has implemented interventions in informal settlements benefiting 18,200 indigent HHs, over and above the provision of free basic services.

- 9) Merafong LM has implemented a process that is aimed at using Community Development Workers to keep indigent registers up-to-date.
- 10) Westonaria has realised an increase from 5.9% to 35% in revenue from property rates, due to rollout of revised commercial valuation roll compelling mines to pay market related rates.
- 11) Mogale City is considered one of the most financially viable local municipalities in Gauteng, when assessed against the municipal financial viability indicators as at end 2014/15.
- 12) Mogale City is one of only two local municipalities to achieve and retain a clean audit outcome from the AGSA in 2013/14 and 2014/15.

5.2 GOOD PRACTICES IDENTIFIED BY THE REVIEW

The Review has also highlighted certain good practices that, moving forward, might be replicated across other municipalities, notably:

Institutional Transformation and Organisational Development:

- **Accessing mandatory and discretionary grants** - Midvaal LM, Randfontein LM and Lesedi LM improved their claiming of discretionary grants from the LGSETA, with levies received at levels above 60%. Municipalities should actively strengthen their relationships with the LGSETA to identify innovative ways to increase the funds available for skills development, through accessing higher portions of available discretionary grants.
- **Centre of Excellence Model for Scarce Skills** – the concept of an Engineering Centre of Excellence (ECoE) was adopted by COJ in 2011, to better manage professional and technical skills in the City. The ECoE aims to provide for oversight and coordination of the professionalisation, development, retention and optimal utilisation of engineers and related skills. The concept has potential for duplication in other municipalities or at a provincial level.

Service Delivery and Infrastructure:

- **Tackling the challenge of electricity for lighting in informal settlements** – to address the structural constraints of informal settlements and to expand electricity for lighting access, the EMM installed 7,243 portable photovoltaic solar lights in households in informal settlements. Each home received a 10 watt solar lighting unit, saving the residents an average of R13 per week on candles, while enhancing safety and promoting environmentally friendly practices.

Municipalities might similarly invest in projects to expand electricity for lighting access in informal settlements that do not have short-medium term upgrade / relocation plans.

- **Managing the accuracy and enhancing the credibility of indigent registers** – Merafong LM contracted 28 ward based community workers to assist with the identification and verification of indigent household applicants, thus facilitating the fair and equitable provision of the free basket of services to 7,109 registered indigent households.

Aimed at enhancing the credibility of indigent registers to support the targeted approach of providing free basic services to indigent households, this ongoing, regular and structured approach to managing municipal indigent registers might be adopted by all municipalities and fed into a centralised indigent register for the Province.

- **A targeted approach to the provision of free basic services** – municipalities have progressively moved away from providing free basic services to all consumers towards an approach targeting indigent households. As at 2015,

all indigent households identified by the Gauteng municipalities were provided with free basic electricity.

The opportunity should be explored to expand the free basic service basket to all indigent households for the other basic services of water, sanitation and waste removal.

- **Enhancing eco-mobility, the promotion of healthy lifestyles** – the COJ ‘complete’ streets programme, the eco-mobility approaches of the COT and the non-motorised transport programme of the EMM have led to the integration of pedestrian and cycling lanes with public transport and motor vehicles; providing alternative transport means while promoting healthy lifestyles.
- **Bus Rapid Transport (BRT) Systems** – pioneered by the COJ in the second term, the three metros all have BRT systems in place, with growing networks contributing to the spatial transformation of the cities. Once integrated across the cities, the BRT systems will contribute to a seamless Gauteng City Region.

Local Economic Development:

- **EMM “Mintirho Ya Vulavula” Community Economic Transformation Package** – a ring-fenced procurement budget to create procurement opportunities from prequalified businesses owned by youth, women and people with disabilities, cooperatives and community owned business.

Of note is the R1m per ward for the Lungile Mtshali Community Development Programme (targeting community businesses in 101 wards and involving councillors in the process).

- **COJ “Jozi@Work Programme”** – a co-production programme, launched in September 2014, as a “hand up” and not “hand out” initiative; with work packages valued at just over R1bn. The programme is designed to create an opportunity for communities to partner with the City in the delivery of municipal services in their own neighbourhoods.
- **COJ Cooperation agreement with Standard Bank SA for R250M SMME Working Capital Fund** - to meet the funding requirements of the city’s service providers, in line with an enhanced focus on SMME development in the city.
- **COT Wi-Fi rollout** - treating free Wi-Fi as a basic municipal service, in the same category as water and electricity, so as to provide connectivity to residents in order to enable citizens to find jobs, start businesses and educate themselves online. In collaboration with Project Isizwe, long-term plan to provide free Wi-Fi to all government and educational institutions in Tshwane by 2016 and to embrace digital technologies for the purposes of education and economic upliftment.

Good Governance and Public Participation:

- **Implementation of the Separation of Powers and Functions governance model by metros** – which provides for a clear delineation of powers and functions between Council and the Executive, improves Executive accountability for service delivery and enhances public participation in municipal processes.

Assessments at COJ and EMM have been conducted and findings for enhancements are available, and the model should be rolled out to both districts and local municipalities early in the next term.

- **Gauteng Ntirhisano Service Delivery outreach programme** - as an early detection intervention, the Gauteng Premier launched the Ntirhisano Service Delivery Outreach Programme in July 2014; aimed at strengthening the collaboration between government and its partners to accelerate service delivery and build a visible, activist government that listens to people and responds to their needs and concerns timeously.

Continued and enhanced rollout must be a priority moving forward, supported by an integrated “case management” system.

Financial Viability and Management:

- **Financing a low carbon economy, the COJ Green Bond** – towards a sustainable and liveable City, the COJ pioneered the Green Bond in 2014 as a funding source to improve and expedite the implementation of its climate change mitigation strategy and move the City towards a low carbon infrastructure, minimal resource reliance and increased preservation of natural resources.

Projects are being funded in the areas of renewable energy, household and building energy, transportation, waste management and waste water, and the model should be considered for further rollout to other municipalities.

- **Reducing the cost of rates and services to poorer households** – while the COT and COJ have implemented property rates rebates that have reduced the cost for lower income households, the EMM has in place the most progressive municipal bill rated as most affordable (of all metros in the country) to lower income households.

A Gauteng-wide rates policy guiding the implementation of progressive municipal rates policies is required to enable fairness and equity across the GCR, and the EMM approach might be considered.

- **Reducing the burden of borrowing on residents** – the COJ and EMM have attained best in class credit ratings and are thus firmly placed to raise debt at favourable rates; putting less onerous debt repayment costs on residents and allowing the metros to leverage borrowing to finance their capital programmes.

Prudent financial management, driving operational surpluses and effective cash management and high quality service delivery are the enablers of improved credit ratings. The outcome being the ability to leverage borrowing and internally generated funds to finance the municipality’s capital programme, thus reducing the strain and reliance on the fiscus.

5.3 CONSOLIDATED ANALYSIS OF FINDINGS ARISING FROM THE REVIEW

In addition to the achievements and good practices discussed above, the Review has made the following observations, foregrounded as follows:

“Urbanisation has helped millions escape poverty through increased productivity, employment opportunities, improved quality of life and large-scale investment in infrastructure and services”²⁹⁷. Driven by industrialisation, this statement has largely characterised urbanisation in the global north. However, in Africa and therefore in the Gauteng municipalities urbanisation has and continues to be characterised by “an urbanisation of poverty”, as migrants move to cities and towns to escape rural poverty, conflict and other hardships²⁹⁸. Unfortunately, our cities and towns have not been ready to cope with the influx of migrants, resulting the growth of informal settlements and the associated socio-economic challenges of poverty, unemployment and inequality.

Therefore:

- 1) Considering that Gauteng has the highest levels of in-migration in the country, local government has done well to ensure that the expansion in services provision exceeded the growth in the number of households in the period 2001-2011, and for electricity in the period 2011-2015. The province can proudly say that all formal dwellings and the majority of informal dwellings have reasonable levels of access to services.

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UN Habitat, 2016:34, as cited by SA Cities Network, State of South African Cities Report 2016.
SA Cities Network, State of South African Cities Report 2016.

- 2) However, the increase in backlogs for access to water, sanitation and refuse/ waste removal in the third term is indicative of the in-migration and household growth challenge. Furthermore, the latest Community Survey (2016) statistical release reflects a further downward trend (beyond the cut-off date of this Review) in access levels, thus requiring a strengthening of performance moving into the next term.
- 3) The Review further raises the question of whether municipalities have realised the opportunities inherent in urbanisation and whether enough is being done to grow local economies in support of the NDP.
- 4) The expansion of service delivery has however come at a cost and it is becoming more expensive to live, work and commute in the province. This is evidenced by the reduction in the number of households receiving free basic services (lower proportion as compared to the national norm) and the ever-increasing property rates and service charges (linked to increases in bulk services and the rates policies of municipalities). Two principles require careful consideration:
 - a) Benefit principle – value for money and have these increased costs come with improved benefits?
 - b) Affordability principle – are rates and service charges regressive or progressive?
- 5) The more targeted approach to providing basic services exclusively to indigent households should be applauded, and the municipalities have shown good progress over the period. The biggest concern remains to ensure the credibility of the municipal indigent registers, with the possibility of developing a consolidated indigent register for the Province in order to better address, from a central point, the fair and equitable allocation of the annual equitable share; and to monitor how the funds are directed and utilised for its intended purpose.
- 6) The benefit principle may also be linked to the level of satisfaction that residents have with the provision of services – although having declined slightly between 2011 and 2015, citizens remain relatively satisfied (GCRO QOL Surveys). However, and notwithstanding the improvement in 2015, the high level of dissatisfaction with local government itself (GCRO QOL Surveys) and the fact that residents want more than just RDP houses and other basic services, means that local government needs to address the deeper socio-economic challenges of poverty, unemployment and inequity.

Most recent evidence shows that citizens require local government to create economic opportunities, to reduce crime, to ensure high levels of frontline service provision and for local councillors to actively engage with communities and attend to their needs. A progressive governance model, based on inclusivity, productivity, sustainability and a well governed municipality may be required, underpinned by the TMR and the spatial transformation goal of the GCR.

- 7) Citizen satisfaction ratings over the period 2009 – 2015 reflect a declining trend in terms of satisfaction with certain infrastructure, such as roads development and maintenance, and in certain municipalities with housing and community facilities.
- 8) Generally, investment in infrastructure and maintenance of critical assets, such as roads, waste treatment plants and water pipelines, has been found to be inadequate and compounded by a resource and skills deficit in the smaller municipalities; requiring a policy decision on how to anchor the expertise and resources of the larger municipalities to support the resource-poor municipalities. The progressive implementation of the reforms to the infrastructure grant system premised on a differentiated approach should be closely monitored for effectiveness.

9) Over R7billion per annum is still lost to unaccounted for water and electricity for technical and non-technical reasons per annum, having tended upwards over the period; and requiring a focused intervention. Most of the municipalities, on their own (especially the smaller LM's); do not have access to adequate skills and resources to address the challenges of ageing infrastructure, theft, negligence and meter tampering. Ageing meters are a particular challenge. Consideration needs to be given to a shared services support model to more decisively deal with the problem.

10) Towards driving future sustainability and improved environmental management, municipalities have increasingly adopted 'green' approaches to delivering services. These have included the commissioning of air quality monitoring stations to inform the interventions needed to reduce greenhouse gas emissions; various innovative waste minimisation and removal programmes, including recycling and separation at source; managing water quality and ensuring all municipalities retain their Blue Drop status; and the management and protection of wetlands, nature areas and parks and open spaces.

The initiatives, however, can best be described as 'pockets of excellence'. There is a need for the adoption of 'future cities' orientated programmes and best practices in order to compete on a global scale with the most liveable cities in the world. By way of example, recycling by households should be compulsory and fully enabled by municipal waste collection processes, residents should be taxed for their impact on carbon emissions and incentivised to adopt green technologies.

11) Safety and security by municipal police and traffic officers has mostly focused on traffic related law enforcement, vehicle licensing and to an extent, by-law enforcement (illegal street traders, illegal dumping and littering, illegal advertisements, etc.). Municipalities are challenged to expand their role towards a more holistic approach to crime prevention (in cooperation with SAPS); active involvement in community engagement and policing forums and enhancing the interface with the justice system and the courts. Their role also needs to be elevated in working with traditional leaders to curb instances of illegal initiations and to work with social development to reduce the social ills around drug and alcohol abuse, abuse of women and the youth.

It is further acknowledged that by-law enforcement of informal traders has been largely punitive and not developmental in nature. Understanding the importance of the informal business sector should also open the door to a more developmental approach to by-law enforcement, which may also require a review of by-laws that are not supportive to the developmental agenda of local government.

12) Following the upward trend in community protests in the first decade, reaching a peak of 44 in 2010; 2015 has realised a significant drop to 25 protests as compared to 40 in 2014. However, the violent nature of protests remains a concern, with most protests taking place in informal settlements and relating to a lack of housing, basic services and a perception of fraud and corruption. A customised approach to participatory governance in informal settlements is required to address the needs of the poor and unorganised.

13) There is evidence that public participation processes, especially related to the IDP process, have improved over the period. However, there remain significant gaps to move participatory governance from compliance to a 'people and their concerns first' approach.

This includes ensuring that all ward committees are fully functional and integrated with the work of the community development workers; that feedback mechanisms are in place to ensure communities' concerns are addressed and that they are provided with feedback; and that a system is established to manage and communicate the work activities of all of government in a ward.

14) The period has seen the successful roll out of the Separation of Powers and Functions model to the three metros, with visible evidence of enhanced oversight and accountability. This must now be further rolled out to district and local municipalities early in the next term. MPAC's too, require ongoing capacity building and strengthening to support the attainment of the clean audit objective.

15) The role of the district municipalities has been brought into question. Since the scrapping of the RSC levies in 2007/08, the district municipalities have struggled with reducing and/or low grant allocations per annum. It is uncertain and doubtful that the revised equitable share will be of sufficient benefit to the DM's, who are under strain to cover their ever increasing cost base. The local municipalities receive a significantly smaller proportion of the equitable share as compared to the metros, and yet are faced with the same increases in the costs of providing free basic services (which are rising). On the other hand, the metros are faced with the challenge of high levels of in-migration.

As compared to many other district municipalities in the country, the bulk engineering services function has not been allocated to the DM's in Gauteng. Considering the resource, capacity and capability constraints experienced by many LM's in providing this technical service, it may be opportune to consider delegating this function to the DM's. Properly capacitated, the opportunity then exists to strengthen the role of the DM's while also improving the implementation of bulk engineering projects to support infrastructure development.

16) Particularly since the enactment of the Intergovernmental Relations Framework Act and the formalisation of the structures and processes of IGR, local government has succeeded in becoming an active participant in the structures of all spheres of government. IGR is, however, still typified as fragmented and lacking coordination; decision making processes take too long and are hampered by the voluntary and informal GCR association. Clarity of powers and functions among the spheres of government requires finalisation.

17) The management of audit, risk, anti-corruption and fraud over the fifteen year period has improved significantly. Municipalities have successfully established the systems, processes and structures of audit, risk and anti-corruption and fraud prevention. The fundamentals to deal with the pressing issues of corporate governance are therefore in place. Gaps, however, exist in terms of enhancing the capacity of the various structures and committees to decisively deal with corruption and mismanagement, and to enhance the assurance capabilities of municipalities in order to achieve clean audits. More stringent implementation of consequence management is required moving forward.

Targeted interventions are required to support the municipalities with adverse audit outcomes, where it has been found to be due mostly to instability in leadership and a lack of resources in the key functional areas of finance, supply chain and internal audit.

In addition, the inclusion of the new clause in the Division of Revenue Bill, which allows Treasury to change the nature of its funding to municipalities if they fail to follow proper procurement procedures, should be considered and a Gauteng response ensured.

18) From the learnings of the COT / Metseding DM and local municipality constituents' merger, the impact of mergers on the financial viability and health of municipalities requires careful consideration. For sustainability, both transitional and long term funding support is required from the fiscus, particularly where one or more of the municipalities being merged is not in a good financial state.

19) Growth in revenue has been strong over the period, having progressed from R35billion in 2005/06 to R70billion in 2010/11. As at the end of 2014/15, revenue had grown to R106billion per annum. The growth in revenue has consistently beaten inflation; and for the third term, the total revenue generated in four years amounted to

R376billion - at a billing rate of 95.8%.

Effective budgeting and budget management remains a concern in certain municipalities, where overspending has taken place and where forecasting of revenue to cover expenses has been over ambitious; particularly in light of low collection rates and affordability concerns due to the economic downturn.

- 20) Grant dependency levels to fund capital projects has increased from 32% in the second term to 46% in the third term. While the COJ and Mogale City are the least grant dependent - below 30% dependency, the other metros have relied on 50% of their capital funding to come from grants in the third term. Westonaria local municipality had the highest grant dependency level at 87%. The period to 2016 has seen a reduced level of borrowing for capital funding and an increased use of internally generated funds by some, particularly the COJ. The COT and EMM have been more aggressive in funding their capital projects with borrowed funds. Particularly the metros of Johannesburg and Ekurhuleni are in strong position to further leverage borrowing to finance their capital development programme; both having recently received credit rating upgrades.
- 21) While the average capital budget spend was below 50% in the first term (with certain municipalities achieving under 20% spend), the average spend of the metros in the third term was 94%. However, the EMM and most of the local municipalities spent less than 90% of their capital budgets, Merafong LM only spent 67%. Under spending on capital budgets thus remains a challenge moving forward; again, calling on the need for some form of centralised support for the resource-poor local municipalities.
- 22) Although municipalities such as the COT indicate 100% collection rates, there are other municipalities with collections rates lower than 80%. Government and business debt also remains high. Municipal debt is impacted by high unemployment, with issues of unaffordability in many areas of the country. A coordinated intervention is, therefore, needed to resolve the problem which has characterised local government for much of the period.
- 23) The financial viability indicators revealed that, at end 2014/15, at least five municipalities were in financial distress, while three were marginal and four were in satisfactory to good financial health and, therefore, financially viable. Gauteng Treasury has conducted financial assessments of all municipalities and the findings need to be considered in working towards strengthening the financial viability of the municipalities.

As outlined above, the Review of local government performance in the 2011/12 - 2015/16 period, contrasted with the 2006 and 2011 End of Term Review's, demonstrates that major strides that have been made towards expanding service delivery and access to services since 2000.

However, it is acknowledged that much more needs to be done to ensure the three developmental challenges of poverty, inequality and unemployment are progressively addressed.

The next chapter then seeks to isolate the strategic issues that local government, in partnership with other spheres of government in Gauteng, have to deal with moving forward, and to present these in the form of recommendations and considerations moving into the next term.

Recommendations

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CHAPTER 6

RECOMMENDATIONS AND /OR
CONSIDERATIONS ARISING FROM THE REVIEW

CHAPTER 6

RECOMMENDATIONS AND/OR CONSIDERATIONS ARISING FROM THE REVIEW

Discussing:

- Recommendations requiring a policy decision and/or response
- Recommendations to strengthen GCR and intergovernment alignment, integration and coordination
- Recommendations to strengthen operational efficiency and/or administrative processes and systems

The findings and critical issues highlighted under each of the KPA's, the assessment of cross-cutting issues and the observations outlined in the synthesis presented in chapter 5, then inform recommendations and/or considerations moving forward.

The recommendations and/or considerations are in full alignment to the Gauteng TMR agenda and the B2B Phase 2 implementation plan, and are presented at three levels, namely:

- 1) Recommendations requiring a policy decision and/or response;
- 2) Recommendations to strengthen GCR and intergovernmental alignment, integration and coordination; and
- 3) Recommendations to strengthen operational efficiencies and/or administrative processes and systems.

In turn, each recommendation is then unpacked to reflect actions and/or areas requiring attention at two levels, namely:

- 1) Requiring attention and/or action by Gauteng COGTA at provincial level; and
- 2) Requiring attention and/or action by the municipalities themselves.

It is noted that in both instances, local government does not and cannot operate in isolation and, in order for local government to work effectively and efficiently, all other sectors and spheres must enhance their partnership with local government and improve on their role in relation to the local developmental space. Thus, the recommendations and considerations raised here are a call to action for all players in Gauteng, in partnership with local government.

6.1 RECOMMENDATIONS REQUIRING A POLICY DECISION AND/OR RESPONSE

Recommendation	Responsible	Actions and/or Considerations
<p>To give effect to the GCR through a sustainable approach to implementing a metropolitan system of government.</p>	<p>Gauteng / COGTA and municipalities</p>	<p>Careful consideration needs to be given to ensuring the viability of the amalgamation of poorer, more rural municipalities with urban municipalities, based on the learnings of the merger between the City of Tshwane and Metsweding DM and its local constituencies:</p> <p>Specifically, a policy approach is required for the amalgamated municipality to be provided with both transitional funding and long term financial backing, until the merged entity has been stabilised.</p> <p>Develop and implement province-wide change management and culture transformation frameworks and processes to support future mergers.</p> <p>Note: <i>The immediate priority is to support the pending merger of Randfontein LM and Westonaria LM.</i></p> <p>Investigate alternative categories of municipality, including a hybrid combination of the three categories of municipality in the short term, with a view to full metro development as the TMR corridor developments take effect and better link the economic nodes of the individual municipalities of the GCR.</p> <p>A policy decision on the role and/or future of district municipalities is urgent (until a wall-to-wall metropolitan system is in place); as this category of municipality, in its current form, is not financially viable nor value-adding in the two-tier municipal system, largely due to the lack of delegation of technical and service delivery functions.</p> <p>Consider:</p> <p>The delegation of bulk engineering and other technical services to district municipalities.</p> <p>The development of a shared services model, hinged on the district municipalities; delivering services relating to disaster management, emergency services, refuse removal, facilities management, etc.</p>
<p>To allocate of powers and functions to the sphere of government best placed to deliver on a service in support of the GCR.</p>	<p>Gauteng / COGTA / OOP / Transport and municipalities</p>	<p>Actively advocate for the devolution and/or assignment of some, if not all, of the built environment functions to metropolitan municipalities, but assess the capability of district and local municipalities as possible executors of these functions as well.</p> <p>Conduct an in-depth analysis of the impact of the devolution of each function in each municipality preceding the takeover of such functions. It is imperative to assess the financial and fiscal implications of prospective functions including: capital grant allocations, operational funding, transfer of immovable and moveable assets, possible transfer of staff, and transfer of project and contractual obligations.</p> <p>As transport is a shared competence of all spheres of government, a policy framework must be developed to determine powers and functions and governance structures for a transport authority that has full responsibility for planning and operational control of public transport in the Province.</p> <p>In addition, the metros may also establish a fully-fledged Transport Authority (TA), and this must be considered.</p>

Recommendation	Responsible	Actions and/or Considerations
<p>To develop a sustainable response to inequality and to address in-migration and urbanisation.</p>	<p>Gauteng / COGTA and OOP municipalities</p>	<p>Develop a policy stance on in-migration and urbanisation, that addresses the pre-arrival of migrants as a means to encourage the right mix of migrants, and the post arrival of migrants to facilitate their integration into society and the social system.</p> <p>Review the Urban Development Framework to ensure the inclusivity of people migrating from rural to urban areas.</p> <p>Consider initiating a process for a review of the Prevention of Illegal Eviction Act (No.19 of 1998) to better support the formalisation processes and to curb the establishment of new informal settlements.</p> <p>Attend to all QOL (2015) recommendations related to influx controls.</p> <p>Ensure the findings and recommendations of the task team on inequality in the GCR, led by the Executive Mayor of Johannesburg, find expression in the strategic posture of COGTA and the municipalities moving into the next term.</p>
<p>To assess the equitable share allocations as a basis to engage with national government and to support decision making.</p>	<p>Gauteng / Treasury COGTA and municipalities</p>	<p>Gauteng COGTA to work in partnership with the SACN and Treasury (Cities Support Programme), towards a better understanding and response to the impact of the current fiscal policy pertaining to the equitable share on local government.</p> <p>Work with the GCRO to develop a plan to generate annual census data for updating of a consolidated, indigent register as input to the treasury process for determining the equitable share. To drive the policy approach at directing the provision of FBS's exclusively to indigent households.</p> <p>Investigate the extent to which the revised equitable share, to take full effect in 2017/18, will benefit the municipalities; and whether the revised ES formula will adequately respond to the expenditure needs of municipalities, as informed by the regional demographic and socio-economic factors.</p> <p>Ensure a clear understanding of the revised equitable share allocations and the implications to support policy and decision making, particularly in terms of district municipalities.</p>
<p>To ensure progressive property and services tariff structures that enhance consumer affordability and improve collection rates.</p>	<p>Gauteng / Treasury COGTA and municipalities</p>	<p>Develop and implement a GCR policy on progressive rates and service tariffs that are biased towards the poor, against which municipalities can benchmark themselves and move towards charging more standardised rates and service charges across the GCR.</p> <p>Make provision for the competitive advantage of each region (e.g. EMM - more commercial as manufacturing hub, the west – agriculture and agro-processing, etc.).</p> <p>Ensure tariffs are cost-reflective and support the long term sustainability of the municipalities. To negotiate with national government for the containment of bulk supply input costs.</p> <p>Implement a consistent and legally compliant annual valuation roll policy approach to ensure revised rates policies are promulgated and enforced on time each year.</p>

Recommendation	Responsible	Actions and/or Considerations
<p>To enhance the financial viability of municipalities.</p>	<p>Gauteng Treasury / COGTA and municipalities</p>	<p>Finalise and rollout a financial viability policy and procedures framework, which includes indicators and norms and standards for managing the financial viability of municipalities and support requirements from stakeholders.</p> <p>This should be supported, in the short term, by a mitigation plan to address the issues of financial viability – urgently address the low levels of liquidity and progressive depletion of the net asset base in at least five municipalities.</p> <p>Develop and implement a policy on financial leveraging, which includes benchmarks in terms of the extent to which municipalities should be leveraging their assets base to borrow - to assist in reducing the burden on the fiscus through borrowing and the use of internally generated funds to finance capital programmes.</p> <p>Develop a provincial policy response and monitor implementation of the differentiated approach to the allocation of infrastructure grants to the different categories of municipality.</p> <p>Support the development of plans for the sustainable financing of key infrastructure projects, including through alternative funding mechanisms and project preparation services.</p>
<p>To ensure alignment with key international protocols and conventions.</p>	<p>Gauteng OOP / COGTA and municipalities</p>	<p>Ensure that the local government strategic posture aligns to the work of the GCR SDG Steering Committee, and that the GCR SDG Indicator Framework is incorporated into the Growth and Development strategies and the aligned IDP's of municipalities .</p> <p>Ensure that the objectives of the Africa 2063 Agenda finds expression in the strategic posture of COGTA and the municipalities into the next term. This will be achieved through the effective cascading of the GCR International Relations strategy to local government level.</p>

6.2 RECOMMENDATIONS TO STRENGTHEN GCR AND INTERGOVERNMENTAL ALIGNMENT, INTEGRATION AND COORDINATION

Recommendation	Responsible	Actions and/or Considerations
<p>To further strengthen spatial development and long term planning, so as to realise one developmental vision for the Gauteng City Region.</p>	<p>Gauteng COGTA / OOP / GHS</p>	<p>Roll out the GCR Spatial Development Perspective and Framework to ensure local sphere spatial and land use frameworks are aligned - including training, monitoring and advisory support.</p> <p>Work with GPD / OOP to develop and implement a GCR Implementation Plan to give effect to the Spatial Planning and Land Use Management Act and its regulations - taking into account the Constitutional Court judgment on the Development Facilitation Act (DFA).</p> <p>Develop and implement detailed spatial development strategies for individual municipalities and towns which “nest” within regional and district growth and development strategies.</p> <p>Work with GPD on the development of an infrastructure implementation plan to underpin the spatial development programme at municipal level - outline the infrastructure requirements (catalytic regional and local infrastructure) in support of the spatial development strategies.</p>
	<p>Municipalities</p>	<p>Spatial frameworks and infrastructure plans of local government to be aligned to the provincial frameworks.</p> <p>All municipalities to have integrated Human Settlement Plans, aligned to mega city approach.</p> <p>Develop a spatial development strategy for various localities and spaces in the municipality, and the development of programmes of action reflecting the sequencing of actions to give effect to the strategy.</p>
<p>The GCR Economic Plan (aligned to the SONA 9 point plan) needs to be cascaded to local level – set priorities around the competitive areas of trade, innovation, talent, infrastructure and governance; and in line with the five development corridors of the TMR.</p>	<p>Gauteng COGTA / DED</p>	<p>Facilitate a province-wide LED mapping and scoping exercise of all LED opportunities and activities, to identify which programmes might be implemented, where and at what scale and scope.</p> <p>Support efforts by municipalities to reduce the time taken to approve development applications and to ensure the alignment of various laws and by-laws to the TMR agenda.</p> <p>Consider the COJ Jozi at Work model and/or the EMM Lungile Mtshali project as best practice models that may be rolled out in other municipalities.</p>
	<p>Municipalities</p>	<p>Participate in LED opportunity mapping process and plan LED programmes aligned to the outcomes.</p> <p>Strengthen vertical and horizontal economic linkages within and across municipal jurisdictions - and at intergovernmental level - linked to the comparative advantage of the various localities.</p> <p>Reduce the time taken to approve development applications and to ensure the alignment of various laws and by-laws to the TMR agenda.</p>

Recommendation	Responsible	Actions and/or Considerations
<p>To support the institutionalisation of the GCR through a GCR aligned and integrated system of intergovernmental relations.</p>	<p>Gauteng COGTA / OOP</p>	<p>Support efforts to introduce provincial protocol's or legislation that will give real authority to GCR institutions such as the expanded Gauteng Premiers Coordinating Forum (PCF), Gauteng Planning entity, Transport Authority, Infrastructure Coordinating Commission, e-Governance Committee, Aerotropolis Steering Committee, Energy Commission and other coordinating structures.</p> <p>Develop and implement local government IGR strategies to support institutional coherence in the GCR, based on the Gauteng policy intent to move IGR in Gauteng from a voluntary association to one that compels support for and implementation of GCR-related resolutions.</p> <p>Ensure that appropriate coordination and oversight forums exist to coordinate transport and other infrastructure planning and implementation across the GCR.</p>
	<p>Municipalities</p>	<p>Align IGR strategies to the revised provincial policy framework as and when required.</p> <p>Participation in and support for mechanisms such as a proposed expanded technical PCF and extended Technical Cluster and HOD / MM forum.</p> <p>Support the provincial government with the finalisation of the delegation of powers and functions required for an integrated and joined up approach to giving effect to the GCR.</p>
<p>To determine a best practice service delivery model for metros, districts and local's in support of the GCR.</p>	<p>Gauteng COGTA / OOP / Treasury and municipalities</p>	<p>In partnership with the metros, conduct a study into the effectiveness of the different service delivery models towards the development of a possible best practice model for the GCR.</p> <p>Initiate a process aimed at defining the roles and responsibilities of District and Local Municipalities in the context of the GCR.</p> <p>Strengthen the role of district municipalities with a view to expanding their current value add, notwithstanding a policy decision on the future of DM's - ensure line of sight between service delivery indicators and district level accountability.</p> <p>Conduct a feasibility study on adopting a shared services approach to service delivery across the GCR.</p>
<p>To effect a subtle modernisation of traditional communities within the context of the GCR and the TMR imperatives.</p>	<p>Gauteng COGTA and municipalities</p>	<p>Seek an improved level of collaboration with Traditional Leaders and their integration into the GCR governance system; and their active participation and buy-in into both the planning process and the outcomes defined in local government plans..</p> <p>Ensure traditional communities are included in the rates and indigent register processes of local government.</p>

6.3 RECOMMENDATIONS TO STRENGTHEN OPERATIONAL EFFICIENCY AND/OR ADMINISTRATIVE PROCESSES AND SYSTEMS

Recommendation	Responsible	Actions and/or Considerations
<p>To strengthen assurance and oversight structures to enable the achievement of clean audit outcomes by all Gauteng municipalities by 2017/18.</p>	<p>Gauteng COGTA / Treasury</p>	<p>Institutionalise the separation of powers and functions model – Section 79 Portfolio Committees and MPACs – at all metros and roll out to other municipalities. In support:</p> <p>Develop a tracking system to monitor the implementation of MPAC resolutions.</p> <p>Provide targeted training of MPAC members to build their capacity for effective oversight and investigations capabilities.</p> <p>Evaluate the functionality and effectiveness of Internal Audit Units and Audit Committees of municipalities that have not achieved clean audit outcomes and ensure the processes are in place, at a municipal level, for robust monitoring and control of progress in addressing audit findings.</p> <p>Assess municipal capacity and competency, particularly at the municipalities that received adverse audit outcomes, in the areas of accounting, SCM and investigations and support to close the competency gaps.</p> <p>Establish a local government clean audit committee to share best practices of municipalities that achieved clean audit outcomes and to drive the implementation of audit action plans and compliance matters.</p> <p>In partnership with municipalities, to build ethics management capacity through a programme targeted at Ethics Officers and public representatives responsible for oversight.</p> <p>Rollout the Local Government Management Improvement Model (LGMIM) after an evaluation of the 2015/16 pilot.</p>

Recommendation	Responsible	Actions and/or Considerations
<p>To strengthen assurance and oversight structures to enable the achievement of clean audit outcomes by all Gauteng municipalities by 2017/18.</p>	<p>Municipalities</p>	<p>Strengthen the functionality and oversight capabilities of Section 79 Portfolio Committees and MPAC's - monitor, track and hold officials accountable for the implementation of resolutions and findings of MPAC's.</p> <p>Capacitate and resource Internal Audit Units, Audit Committees and internal legal compliance units (focusing on MFMA and MPRA compliance).</p> <p>Improve the quality of risk assessments and monitor the implementation of risk mitigation actions. Ensure risk is cascaded into the strategic and operational plans of the municipality and that the correct risks are identified.</p> <p>Capacitate forensics investigations teams to enhance the quality of recommendations to support decisive action against transgressors.</p> <p>Implement nationally aligned municipal anti-corruption & integrity management strategies.</p> <p>Ensure that ethics codes are aligned to the SALGA Professionalisation Framework and that all staff sign pledges aligned to the SALGBC Service Charter; ensure the effectiveness of whistleblowing channels.</p> <p>Ensure full compliance with GRAP17 in terms of immovable assets registers.</p> <p>Implement stringent and consistently applied consequence management towards eliminating irregular expenditure.</p>
<p>To strengthen the processes of participatory governance through a 'people and their concerns' first approach.</p>	<p>Gauteng COGTA</p> <p>Municipalities</p>	<p>Prioritise the functionality of the 165 non-functional ward committees and sustain the functionality of all ward committees.</p> <p>To strengthen the ward committee system in wards with informal settlements to address the unique requirements of the mostly unorganised and impoverished communities, with the need for basic services their most pressing priority.</p> <p>Ensure full implementation of the revised structures and processes of popular participation, through the roll out of a province-wide public participation framework.</p> <p>Modernise and standardise the approaches to public participation, including all structures, communication methods, relationships between role-players and community engagements; including a review of the role and requirements of the ward councillor as the pivot for effective participatory governance.</p> <p>Develop a customised public participation approach for informal settlements.</p> <p>Increase visibility and activism through enhanced rollout of the Ntirhisano Service Delivery Outreach Programme.</p>

Recommendation	Responsible	Actions and/or Considerations
<p>To strengthen access to the basket of free basic services by indigent households.</p>	Gauteng COGTA	<p>Develop and coordinate the regular (at least annual) updating of a consolidated, credible, local government indigent register.</p> <p>Establish consistency and coherence in the equitable provision of free basic services; targeted solely at indigent households.</p> <p>Ensure municipalities implement progressive rates and services tariff structures that favour lower income consumers.</p>
	Municipalities	<p>Establish the systems to ensure compliance with the targeted approach to implementing the indigent policy.</p> <p>Ensure regularly updated and credible municipal indigent registers, to support the allocation of a fair equitable share and targeted provision of free basic services.</p> <p>Review rates and tariffs policies to be more progressive in supporting low income households.</p>
<p>To enhance the community experience of service delivery and implement modernised and digitised front and back-end systems to support service delivery.</p>	Gauteng COGTA / E-governance and municipalities	<p>Continue to support the work of the Inter-Ministerial Task Team on basic services with National COGTA, Water and Sanitation and Human Settlements.</p> <p>Facilitate, with the OOP and E-governance, the development of a case management system for the management of all matters raised by communities through all feed-in channels (Ward Committee's, CDWs, IDP, Public Meetings, etc.) - track, monitor, feedback and report on all matters raised by communities through all feed-in processes, to enable an improved response capability to community interactions.</p> <p>In collaboration with municipalities, to develop a ward based service delivery dashboard that reflects all public sector related programmes and projects taking place at a community and ward level. Explore ICT options, including a mobile phone application for real time updating.</p> <p>COGTA to work with Social Development and Community Safety to facilitate the development of an integrated policy framework for the fight against drug and substance abuse.</p>
		<p>Implement a dynamic, ward based service delivery monitoring and tracking system that enables the coordination and communication of the activities of the three spheres of government.</p> <p>Improve response times (rapid response) to community challenges and protests, especially in relation to municipal services, to within 12 hours, with 80% resolution rate by 2016. 90% in 2017, and 95% in 2018.</p> <p>Active participation in the Ntirhisano Service Delivery Outreach Programme.</p> <p>Focus on the development of targeted community programmes against drug and substance abuse.</p>

Recommendation	Responsible	Actions and/or Considerations
<p>To ensure the establishment of minimum disaster management and response capacity levels within municipalities.</p>	Gauteng COGTA	<p>Develop and implement a GCR-wide Disaster Management strategy to develop minimum capacity levels and standards in municipalities and sector departments, in compliance with the amended legal requirements.</p> <p>Review the Institutional form and positioning of the Provincial Disaster Management Centre, and ensure the appointment of dedicated resources to drive the implementation of DM.</p> <p>Coordination with Sector departments to develop integrated DM plans in conjunction with Municipalities.</p>
	Municipalities	<p>Ensure that Heads of MDMC's have a focused accountability on DM and are not overly divided between different portfolios.</p> <p>Ensure the implementation of minimum capacity levels of DM in compliance to the amended requirements and standards; and develop DM improvement plans for MDMC'S where required.</p>
<p>To ensure a holistic response to infrastructure development and maintenance.</p>	Gauteng Treasury / COGTA	<p>Closely monitor the effectiveness of the reforms to the local government infrastructure grants system being driven by National Treasury and to be implemented through COGTA.</p> <p>Ensure municipal alignment with Treasury recommended minimum maintenance allocation of 8-10% of the total CAPEX budget and formally track municipality maintenance expenditure budgets to ensure 100% utilisation.</p> <p>Coordinate the sharing of expertise between the larger, more well-resourced cities and the resource-poor local municipalities.</p>
	Municipalities	<p>Implement an integrated multi-year infrastructure asset master plan which accounts for the status of current assets and planned repairs and maintenance.</p> <p>Adhere to 10% maintenance allocation on CAPEX budget and to ensure that 100% of maintenance budgets are utilised.</p>

Recommendation	Responsible	Actions and/or Considerations
<p>To enhance LED, job creation and enterprise development and support.</p>	<p>Gauteng DED / COGTA</p>	<p>Professionalise the LED discipline and strengthen LED capacity in Gauteng municipalities - Provide guidelines and support to professionalise LED functions.</p> <p>Establish a knowledge sharing platform to facilitate the development of innovative solutions to the current skills shortages in LED.</p> <p>Define additional incentives and land use approaches that will support specific clusters and industries located in the TMR development corridors.</p> <p>Define province-wide enterprise development and support indicators that will measure sustainability and return on investment, in addition to the number of beneficiaries, Rand value of support and procurement spend.</p> <p>Facilitate the development of a reliable tool to measure economic growth in metro, district and local municipalities.</p> <p>Ensure all municipalities include the informal economy in their local economic strategies.</p>
	<p>Municipalities</p>	<p>Develop integrated LED plans aligned to IDP, SDBIP, Spatial Development plans and higher level provincial priorities.</p> <p>Undertake a comprehensive process to review the by-laws and regulations that govern trading in order to make it easier for small businesses and for township enterprises to thrive in line with the Township Economy Strategy.</p> <p>Improve the facilitation of investment and partnerships in the implementation of LED plans, and report on initiatives and successes in terms of attracting investment.</p> <p>Improve the discipline of reporting on key LED indicators – including SCM, job creation, investment attraction, and support and capacity building interventions, comprehensively and consistently, building from baseline data.</p> <p>Ensure the allocation of budgets to enable sustainable impact through LED interventions.</p> <p>Strengthen LED expenditure management to ensure that budgets available are optimally applied.</p> <p>Improve linkages with SEDA, SEFA, GEP and other development agencies.</p> <p>Secure partnerships with the private sector and local and international donors and development finance institutions.</p> <p>Continue to strengthen the functioning and benefits of LED forums.</p>

Recommendation	Responsible	Actions and/or Considerations
<p>To strengthen financial viability and management.</p>	<p>Gauteng Treasury / COGTA</p>	<p>Strengthen the application of multi-year planning and budgeting principles – especially at DM and LM level.</p> <p>Development of an Exco approved policy stance on the costs and increases of bulk supply, as basis for engagement with national government.</p> <p>Implement tariffs, taxes and incentives to support energy efficiency and a green, clean environment (in support of climate change adaptation and a liveable GCR).</p> <p>Implement a consistent and comprehensive approach to collections and debt management across all categories of municipalities in the GCR, including the government debt reduction strategy, targeting the payment of rates and services by organs of state to municipalities.</p> <p>Implement and closely monitor cost containment and waste elimination measures.</p>
	<p>Municipalities</p>	<p>Ensure billing and collections data is accurate and integrated, and timeously updated against annually revised valuation roll.</p> <p>Ensure budgets reflect realistically anticipated revenue, and revise tariffs to ensure they are cost reflective.</p> <p>Ensure procurement plans are aligned to cash flow management realities.</p> <p>Improve revenue management by ensuring that all consumers have water and electricity meters.</p> <p>Ensure well managed systems and processes for collection of existing ‘other’ revenue (fines, rentals, licences, permits, etc.)</p> <p>Manage revenue losses due to unaccounted for water and electricity within acceptable norms and standards (for technical and non-technical losses).</p> <p>Ensure optimal financial gearing for borrowing to support capital development.</p> <p>Implementation of the open tender system for large procurement items.</p> <p>Ensure legally compliant supply chain management policy, aligned to provincial directives for the TMR.</p> <p>Implement consequence management for irregular and unauthorised expenditure.</p>

Recommendation	Responsible	Actions and/or Considerations
<p>To strengthen the quality, accuracy and useability of performance information at both provincial and local level.</p>	<p>Gauteng COGTA / OOP</p>	<p>Reposition and strengthen the capacity of Gauteng COGTA to effectively support and oversee municipal performance in driving the achievement of the TMR.</p> <p>Assess the service delivery plans of both spheres of government, including the SOE's operating in the Province, to ensure their alignment to the TMR and to municipal IDPs.</p> <p>Enhance municipal planning, budgeting and target setting at all planning levels, to ensure higher order targets and indicators are reflected and to ensure that relevance to beneficiaries or communities and value for money is prioritised.</p> <p>Establish TMR aligned long term targets, to five years, which can then be cascaded down to municipalities based on the need or deficit of a service in the municipality.</p> <p>Ensure that municipalities are informed of strategic shifts by sector departments in time to integrate them with the public participation processes and development of IDPs (by November for following financial year at the latest).</p> <p>Ensure alignment between TMR, GDS, IDP and SDBIP plans, reports and submissions, and the enhanced utilisation and credibility of the BEPP process.</p> <p>Partner with municipalities to establish a central repository / observatory of performance and other research information - to ease the consolidation of municipal performance reporting and to provide an information platform promoting the sharing of learnings and best practice. Leverage the GPD and GCRO as a partner and resource in this regard.</p>
	<p>Municipalities</p>	<p>Implement the revised IDP process during 2016/17.</p> <p>Enhance the processes and utilisation of Frameworks such as BEPP and the USDG, integrated to a GCR long term view.</p> <p>Ensure that for each output in the SDBIP there is indicated a five year target, an annual target and a quarterly target; and that for each output there is baseline data.</p> <p>Investigate possibilities to streamline and synthesise reporting data and mechanisms to extract higher level synthesis reporting that can inform decision making.</p> <p>Strengthen the coordination, monitoring, reporting and oversight of the mainstreaming of GEYODI across all TMR aligned programmes.</p> <p>Develop a GCR local government performance management framework (results matrix) that details consistent and standardised five year targets on specific key performance indicators.</p> <p>Champion that the structure and agenda of the existing governance cluster and technical forums are expanded to accommodate municipal managers and address issues of municipal performance and collective problem solving; and to consider how sector departments are better able to support service delivery commitments at local level.</p>

Recommendation	Responsible	Actions and/or Considerations
<p>To drive the professionalisation of local government to ensure effective service delivery.</p>	<p>Gauteng COGTA / OOP</p>	<p>COGTA, with relevant stakeholders, to facilitate a final decision on the interim approach to the separation of the political / administrative nexus at local government in light of the High Court ruling.</p> <p>In partnership with the Office of the Premier, lobby for the resubmission of the Municipal Systems Amendment Act for promulgation in compliance with required procedures.</p> <p>Develop best practice guidelines for policies and procedures to support the professionalisation of LG in line with the SALGA framework.</p> <p>In partnership with SALGA, to facilitate the availability of OD expertise and capacity to support the municipalities; and facilitate the accessibility by smaller municipalities to professional skills.</p> <p>With the Provincial HRM forum, facilitate the development of a transversal Human Capital Management and Development Strategy in support of the TMR. The strategy needs to address:</p> <p>Attraction and possible need for provincial shared service / centres of excellence to counter skills shortages in critical areas;</p> <p>Succession planning and promotion;</p> <p>Talent management and retention.</p> <p>Investigate the possible replication of the COJ Centre of Engineering concept in districts.</p> <p>Partner with SALGA to develop a competency assessment framework and assessment toolkit.</p> <p>Strengthen partnership with GCRA and LG SETA to implement targeted skills development aligned to TMR competency requirements, and monitor the level of alignment of skill development interventions in municipalities with skills shortages.</p> <p>With Capacity Building Forum, develop 360 degree leadership assessment tool for the monitoring and alignment of leadership behaviours, living the values and core competencies.</p>
	<p>Municipalities</p>	<p>Identify skills shortages in HRM functions and develop targeted capacitation solutions.</p> <p>Actively participate in the development of a provincial critical skills strategy - work closely with Gauteng COGTA in finding innovative solutions to mediate the impact of critical skills shortages in municipalities.</p> <p>Ensure the WSP aligns with IDP and with competency gaps identified.</p> <p>Align municipal PMDS and HR development frameworks.</p> <p>Establish municipal Performance Moderation Committees to ensure closer alignment of organisational performance and individual alignment.</p> <p>Ensure that ethics codes are aligned to SALGA Professionalisation Framework and that all staff sign pledges aligned to SALGBC Service Charter.</p>



CHAPTER 7

CONCLUSION

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As was stated in the introduction to this Review, the financial year 2015/16 represents the first full year of office of the fifth national and provincial administration of a democratic South Africa, which assumed office in June 2014 with a good sense of what has been achieved, including the fact that government has made progress in reducing poverty, inequality and unemployment over the past twenty years of freedom and democracy. However, it is recognised and appreciated that many challenges still remain and hence, the Gauteng administration's policy stance is to move with speed to radically transform, modernise and reindustrialise the Gauteng City Region, as guided by the radical socio-economic transformation agenda of the 2014-2019 electoral mandate.

Equally, the transformative programme of local government has evolved since the dawn of democracy in 1994 and, at a local government level, the year 2015/16 represents the final year of the current local government electoral term. In this light it is critical for COGTA and the municipalities to reflect on achievements, gaps and ongoing work against the 2011 programme commitments; as well to ensure a "burst of energy" in the last few months up to the 2016 elections, with a view to ensure local government finishes the critical projects it started, demonstrates visible and tangible delivery and improved service delivery on the ground and puts in place mechanisms and arrangements leading to a smooth transition.

Furthermore, the implementation of the outcome-based approach in government, during this period under review, has posed significant challenges and opportunities for the current strategic planning, performance monitoring and evaluation practices across government. These challenges can be overcome, and the planning activities related to the next term of office provide an excellent opportunity for both COGTA and local government in Gauteng to establish planning parameters and institutional innovations aimed at improving governance, programme implementation, monitoring and evaluation.

With the above as context, this Review has presented an attempt to assess the progress made in implementing the strategic agenda of local government over fifteen years. It is hoped that the review is a frank and an open account on areas of weakness that require attention, but has equally identified areas where good work has been done. It is hoped that this review represents an important milestone in development trajectory of local government in Gauteng.

The Review of local government performance in the 2011/12-2015/16 period, and contrasting these findings with those of the 2006 and 2011 reviews, demonstrates the major strides that have been made towards expanding service delivery and access to services since the first democratic local government in 2000/01. However, it is acknowledged that much more needs to be done to ensure the three developmental challenges of poverty, inequality and unemployment are progressively addressed.

The review has highlighted many findings (both positive and negative) on the levels of performance delivered during the fifteen year period; challenges experienced in delivering against the expected objectives; and a number of recommendations for future consideration and improvement of COGTA, the municipalities and the provincial sector departments supporting local government.

Improved performance will strengthen both COGTA and the municipalities ability to successfully transform and modernise the public service in line with the TMR agenda, and GCR objective of ***"a developmental, transformed, integrated, capable and modernised Public Service in Gauteng, underpinning the achievement of the GCR vision of a strong, globally competitive and integrated city region, characterised by social cohesion and economic inclusion; the leading economy on the continent, supporting sustainable socio-economic development"*** over the period to 2030.

Gauteng COGTA has not only displayed evidence of their commitment to enhanced accountability and transparency in commissioning this 15 Year Review, but also a sincere commitment to improving strategic planning, implementation and monitoring and evaluation processes aimed at strengthening its ability to create a positive impact on the local government environment in Gauteng.

This review is clearly a step in the right direction, in establishing an institutional baseline for future reviews. However, it is of critical importance that the instruments of analysis be enhanced and refined over time, and that COGTA further develops and implements a targeted programme monitoring and evaluation methodology to enhance its ability to measure the real impact of the programmes launched by COGTA and the municipalities.

Moving forward, the decisive step would be to consolidate the issues raised in this review, together with the policy priorities highlighted, so as to develop a plan of action for both COGTA and local government in Gauteng for the next term, 2016–2021.

We acknowledge and thank every person who participated in the review and so willingly gave of their time to support the successful conclusion of the process.

We trust that the 15 Year Review is not only an informative document, but an effective tool in preparing the platform to inform and enhance local government strategic planning, monitoring and evaluation and governance processes into the next period; in order to realise the local government sphere's potential to support the achievement of South Africa's Vision 2030.

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- Primary references and documentary sources
- Stakeholder engagement schedule
- Document version and amendment schedule

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