



**SALGA**  
South African Local Government Association

**Western Cape**

# **CFO Forum Meeting**

**8<sup>th</sup> September 2011**



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## Western Cape

- **Review, reduce and improve existing LG legislation and regulations**
  - The financial and staffing costs of compliance and reporting are strangling municipalities without significantly improving the management of the municipalities operations
- **Meet with the Auditor General**
  - Discuss the sometimes unreasonable requirements as well as the cost and scope of audits



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- **Differentiate between types of municipalities**
  - Monitor city performance and foster effective intergovernmental co-operation with the cities
  - Monitor and support medium capacity municipalities to improve technical capacity to operate, maintain and finance infrastructure
  - Provide effective long-term hands-on service delivery partnership in low capacity municipalities
  - The principles of differentiation should apply across the board, e.g. Varied parameters for Supply Chain Management



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- **Implement a flexible model for ward committees/forums**
  - Even within a municipality variations are required to take into account different circumstances of each ward
  - Avoid creating a parallel political structure
- **Improve Oversight and Accountability**
  - As far is possible and practical, municipalities must establish Section 79 oversight committees (Municipal Public Account Committees) to enhance oversight and ultimately good governance



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### ■ Section 139 Interventions

- The integrity of local government as a sphere of government exercising original powers should be respected as clearly delineated in the Constitution
- The aim of the intervention should be restorative (strengthening and supporting) rather than punitive.
- The assumption of responsibility should be a measure of last resort



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- **Revise the fiscal model for municipalities**
  - Ensure the Equitable Share is accurately calculated
  - Place specific emphasis on unfunded mandates, revenue sources (a local business tax is not viable in the current economic climate) and the management of expenditure
- **Deal with the rising level of outstanding Debtors**
  - Apply firm credit control measures
  - Write off irrecoverable debt



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- **Establish a national municipal infrastructure fund for the rehabilitation of municipal infrastructure**
  - Improve the formula for bulk infrastructure state grants
- **Municipalities to take over the billing of ESKOM supplied areas within its boundaries**
  - This will significantly improve the finances of many municipalities
- **Expand municipal broadband infrastructure**
  - Find further funding options



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- **Enhance the business environment**
  - Reduce bureaucracy and red tape
  - Provide appropriate government support to business
- **Support a WC Economic Development Agency**
  - To coordinate urban and rural development initiatives
  - To provide reliable and accurate economic intelligence
  - It should not place an additional burden on municipalities in terms of capacity or funding



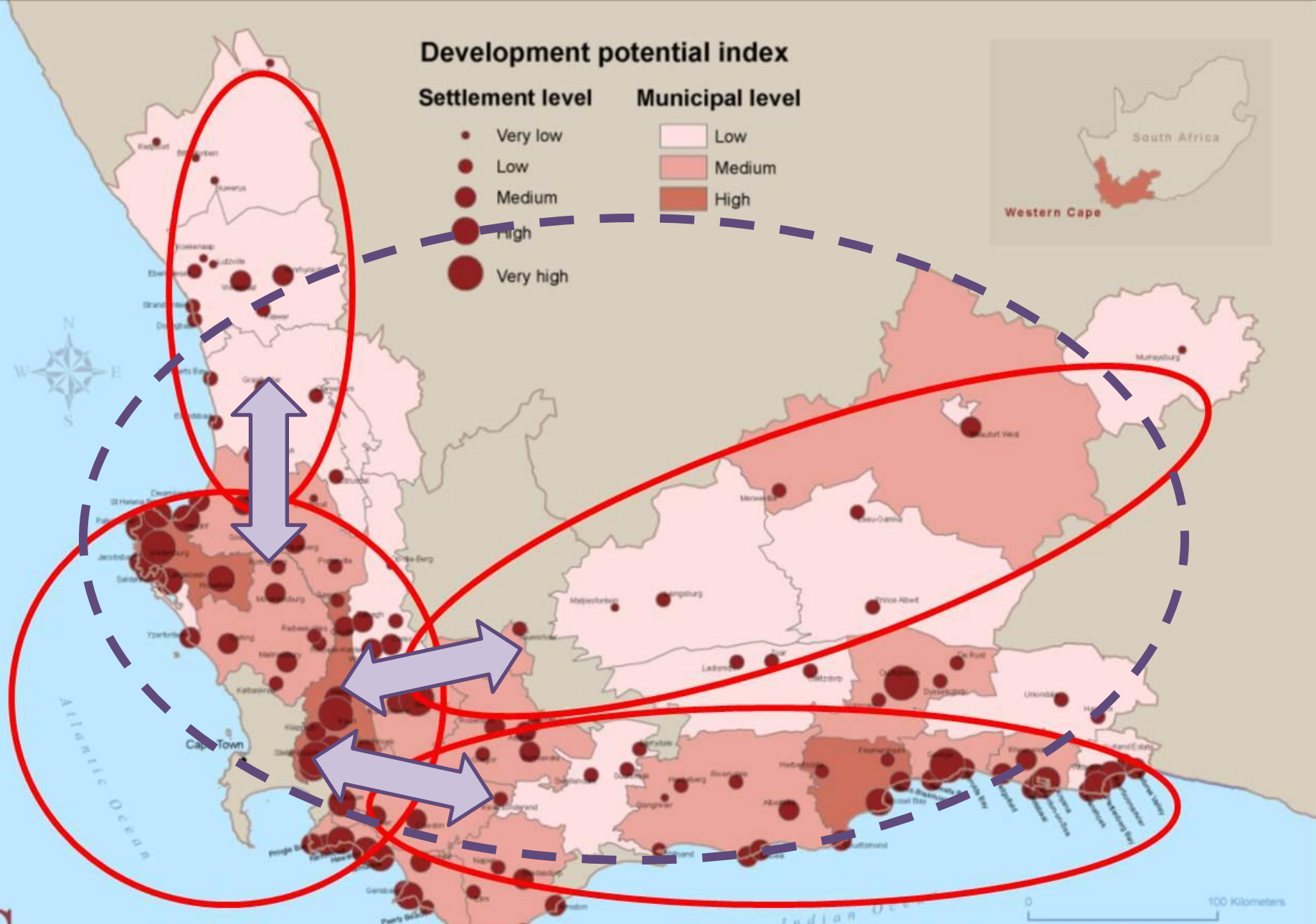
# Development potential index

## Settlement level

- Very low
- Low
- Medium
- High
- Very high

## Municipal level

- Low
- Medium
- High



Cooperative differentiation model – single EDA supporting four cross-sector regional economic partnerships, with emphasis on linkages between regions



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- **Support the Municipal Professionalisation Program**
  - Ensure key staff have the requisite competencies, skills and where necessary, qualifications for the jobs they perform
  - Retain and attract Scarce Skills



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- **Provide guidelines and support mechanisms for**
  - Talent Management and Development
  - Succession Planning
  - Promotion of apprenticeships and internships leading to gainful employment
  - Promotion of greater Gender and Disability equity



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### ■ SALGA Finances

- The Western Cape Municipalities cannot afford the recommended levy increases and thus cannot support the proposed increases
- Increases must be negotiated before the budget process of municipalities
- SALGA's expense budget needs to be aligned with its income



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# **Recommendations to the SALGA National Conference**

**1 September 2011**

## Recommendations

- Explore additional Revenue Streams for municipalities to address backlogs, maintenance and growth
  - a local business tax to fund economic services & infrastructure in cities and towns (requires a formal submission to initiate debate)
  - A distribution formula for small municipalities and rural areas
- Explore the possibility of developing norms and standards for billing and other systems to enhance the ability of municipalities to collect outstanding revenue

## Recommendations

- Municipalities must exercise their responsibility to close the Fiscal Gap
  - Accurate billing and timely systems
  - Efficient Collections (those who can pay, must)
  - Prudent Increases
  - Expenditure efficiencies (still significant underspending)
  - Maximise current revenue (eg minimise water and electricity distribution losses).
- Unfunded mandates
  - The powers and functions of the different spheres of government need to be reviewed
  - The powers and functions of District municipalities need to be resolved

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## Recommendations

- Agency functions (eg AARTO), need to be properly costed and funded
- Promote peer learning and support between municipalities and private institutions (e.g. banks) to continuously improve systems of financial management
- The integrity of property data must be improved (Deeds Office and Surveyor General) as it impacts on property rates revenue
- National Treasury to lobby for NERSA to align tariffs setting process and alignment with municipal budget cycle
- All electricity revenue in urban areas should come to municipalities
- The role of development finance institutions (e.g. DBSA) must be clearly defined to create more competitive borrowing for municipalities



## Recommendations

- A differentiated approach is required for different categories of municipalities
  - a focussed support programme for rural/smaller municipalities (similar to that of the City Support Programme)
  - Cities are the lifeblood of the economy and need to focus on
    - Improving competitiveness
    - Challenges of Urbanisation
    - Public transport



## Commission Recommendations re SALGA finances

- Approve 2011/12 membership levies formula
- NEC, in consultation with PECs, to review the 2012/13 and 2013/14 membership levies formula in accordance with SALGA mandatory framework
- Payment of membership levies must be between 1 April and 31 August
- The NEC to develop in its first meeting to develop a delegations framework, a governance framework and a revenue sharing framework to enhance the sustainability of SALGA

## Recommendations

- Lobby National Government to review the local government fiscal framework (including the LGES), to:
  - *ensure adequate LGES envelope that is aligned with LG service delivery mandate*
  - *ensure equity of funding for households, capacity and geographical contexts (Constitution);*
  - *ensure sustainable local revenue bases for local accountability;*
  - *incentivise performance by all municipalities; and*
  - *review approaches to funding of infrastructure in smaller municipalities.*
- SALGA calls for a review of the vertical division of revenue for local government in accordance with its role and mandate for service delivery.



## Immediate Actions

- Engage National Treasury to develop guidelines on writing off irrecoverable debt.
- Develop and table a proposal outlining legislative constraints on municipal revenue to NCOP and Parliament.
- Undertake regulatory cost impact assessment of accounting standards.
- Lobby for active participation of organised local government in the accounting standard setting process.
- Lobby for a review of the SCM regulations to comply with new Preferential Procurement Regulations by DTi



**Thank you !**

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