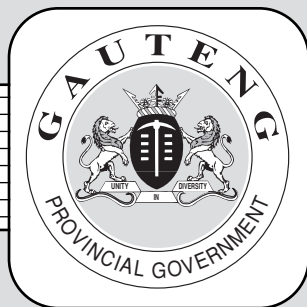


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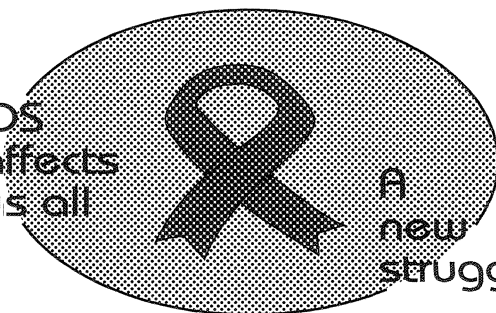
Vol. 21

PRETORIA, 20 JANUARY 2015
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No. 13

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Prevention is the cure

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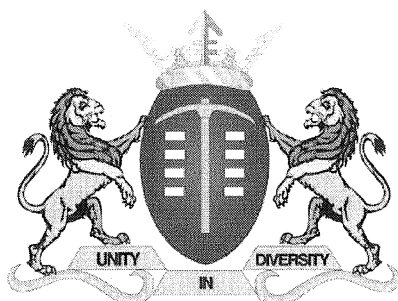
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SECTION 47 REPORT



GAUTENG PROVINCE

CO-OPERATIVE GOVERNANCE AND
TRADITIONAL AFFAIRS
REPUBLIC OF SOUTH AFRICA

CONSOLIDATED ANNUAL MUNICIPAL

PERFORMANCE REPORT FOR

2012/13 FINANCIAL YEAR

CONSOLIDATED BY:

**MUNICIPAL SERVICE DELIVERY MONITORING AND
EVALUATION DIRECTORATE**

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Abbreviations


CDW	Community Development Worker
CFO	Chief Financial Officer
COGTA	Cooperative Governance and Traditional Affairs
CRDP	Comprehensive Rural Development Programme
DED	Department of Economic Development
EPWP	Expanded Public Works Programme
EXCO	Executive Committee
GDP	Gross Domestic Product
GGDS	Gauteng Growth and Development Strategy
GPG	Gauteng Provincial Government
GRAP	Generally Recognised Accounting Practices
HRC	Human Rights Commission
IDP	Integrated Development Plan
IGR	Intergovernmental Relations
KPA	Key Performance Area
LED	Local Economic Development
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MM	Municipal Manager
MMC	Member of Mayoral Committee
MPAC	Municipal Public Accounts Committee
MSA	Municipal Systems Act
NHTL	National House of Traditional Leaders
NSDP	National Spatial Development Perspective
NYP	National Youth Programme
OPCA	Operation Clean Audit
PPP	Public Private Partnerships
SALGA	South African Local Government Association
SDBIP	Service Delivery Budget Implementation Plan
SDF	Spatial Development Framework
SMME	Small and Medium Enterprises
TEP	Tourism Enterprise Partnership

Foreword by the Member of the Executive Council (MEC)

This Section 47 Municipal Annual Performance Report provides an analysis of the performance of local government (municipalities) in the Gauteng Province for the 2012/13 financial year. In terms of Section 47 of the Municipal Systems Act of 2000, the MEC responsible for local government in a province is required to annually compile and submit to the Provincial Legislature and the Minister of Co-operative Governance and Traditional Affairs a comprehensive report on the performance of municipalities for the financial year under review. The report also enables relevant provincial and national government departments and stakeholders to identify and respond to key challenges faced by municipalities in key performance areas of local government.

This report highlights areas of achievements and challenges in relation to the performance of Gauteng municipalities for the 2012/13 financial year. During the year under review, the municipalities in the province continued to make progress in the provision of basic services including free basic services to communities. This included indigent packages to assist poor and low-income households to access basic services. Municipalities also made some important strides in relation to Local Economic Development (LED) initiatives. In this regard, many municipalities in the province managed to develop strategies and plans to drive LED programmes in their respective jurisdictions, including support to small and medium enterprises. The Department of Economic Development also played a significant role in assisting municipalities to create better conditions for economic growth and employment generation. In relation to good governance and public participation, Gauteng municipalities continued to ensure the establishment and functionality of ward committees to deepen local democracy in their communities. Furthermore, municipalities engaged with their communities through mechanisms and platforms such as Mayoral and MEC imbizos.

Although municipalities continue to do their best to deliver on their mandate within their existing institutional capacities and resources, many key challenges still remain. In this regard, the main and foremost challenges facing Gauteng municipalities, in particular the Metropolitan Municipalities, relate to revenue collection and rising consumer debt. This has negative impact on the financial sustainability of the municipalities as well as their ability to expand and provide sustainable services to communities. High in-migration and rapid urbanization in the province also continue to add pressure and complexities to service delivery challenges facing municipalities in Gauteng. Performance management also remains a challenge. While some municipalities have their performance management frameworks and systems in place, the main challenge relates mainly to the implementation of these frameworks and systems. Going forward, the department will continue to monitor and provide the necessary support to municipalities in collaboration with sister departments and other key stakeholders.



J. Mamabolo (MPL)

Member of the Executive Council:

Human Settlements, Co-Operative Governance and Traditional Affairs

Executive Summary

Overview

This report emanates from Section 46 of the Municipal Systems Act 32 of 2000 (MSA). Subsection (1) of Section 46 provides that:

“A municipality must prepare for each financial year a performance report reflecting:

- a) The performance of the municipality and of each external service provider during that financial year*
- b) A comparison of the performances referred to in paragraph (a) with targets set for and performances in the previous financial year*
- c) Measures taken to improve performance”*

Section 47 of the MSA then provides that the MEC for local government must annually compile and submit to the provincial legislatures and the Minister responsible for local government, a consolidated report on the performance of municipalities in the province. The report serves as a very important instrument for the legislature to provide oversight in terms of how municipalities have performed.

Institutional Transformation and Organisational Development

This section is an assessment of the annual performance of Gauteng municipalities on the key performance area (KPA) Institutional Transformation and Organisational Development. This section looks at the performance of Gauteng municipalities, specifically on how municipalities fared in attempts to transform and strengthen their institutional outlook to ensure the ultimate purpose of delivering essential services to their community members. One of the objectives of this assessment is to identify key areas that municipalities are currently struggling with in terms of strengthening their institutional outlook and transforming their organisations. In response to this, the department must support them by deploying suitable and relevant support measures in the identified problematic areas.

During the period under review, there was an introduction of the amendments to the Municipal Systems Act (MSA) as well introduction of certain regulations pursuant to the notion of developmental local government. Some municipalities, particularly Metropolitan municipalities, recorded high number of vacancies and in many instances these were found at the areas which are critical for service delivery. Despite this alarming rate of vacancies, there were improvements in comparison to the previous financial years; notably the stabilisation of the vacancy rate at senior management level in all except two municipalities in Gauteng. Generally, most municipalities struggled with the implementation of the Performance Management Systems Framework. While some municipalities have reported to have Performance Management frameworks and systems in place, in some cases with the assistance of the department, implementation has always been a challenge. Current information suggests that progress has been made with respect to the development of employment equity plans; however, employment of senior management, gender equity, and the employment of youth and people with disabilities remains a matter of concern; as most municipalities did not provide progress on this matter. The information submitted on progress is more in relation to the processes that municipalities undertook and not in relation to the actual outcome of set targets.

Municipalities continued to spend on training and skills development, however, the question that needs to be answered is whether that makes any impact in relation to the amount of money spent on training every financial year. It is also a question of whether the training provided is geared towards the enhancement of scarce and critical skills necessary for the improvement of service delivery, or whether training takes place for malicious compliance. The department has been struggling to monitor the compliance to legislation by municipalities, due to limited capacity by officials in the department and the absence of systems and processes to effectively discharge this function. As a result, the department was also unable to enforce compliance with regard to a number of non-compliance cases in the Province such as, the secondment of two officials from the National Department that went beyond the regulated timeframes.

Service Delivery and Infrastructure Development

The Constitution states that municipalities have the responsibility to ensure that all citizens are provided with services to satisfy their basic needs. This section of the report provides an indication of the performance of municipalities on basic service delivery and roads for the 2012/13 financial year. In terms of the provision of free basic services, municipalities in Gauteng rendered services to both formal and informal settlements. Municipalities also provided indigent packages to assist low-income households to access basic services, although provided in different forms.

In spite of the eradication of the bucket system in 2007, two municipalities reported the use of buckets within their jurisdictions.

While the access to basic services increased, municipalities faced some challenges in effectively executing this mandate. These challenges include institutional issues such as the lack of human resource capacity. In order to overcome these challenges, inter-governmental relations need to be improved and other support interventions from stakeholders need to be strengthened to ensure efficient and sustainable delivery of basic services and infrastructure development.

Local Economic Development

The purpose behind local economic development (LED) is to build the capacity of a local area to improve its economic future and the quality of life for all. LED is implemented by a process through which the public sector, private business and non-governmental partners work collectively to create better conditions for economic growth and employment generation. Strategically planned interventions are a means for strengthening the economic capacity of an area, improving its investment climate and increasing the productivity and competitiveness of local businesses. The analysis of the KPA on LED focused on the performance of municipalities for the 2012/13 financial year, in terms of initiatives that municipalities took to drive their local economies and improve people's lives. An improvement in performance was recorded in this regard, compared to previous years. Eight out of twelve municipalities managed to develop LED strategies and plans. More Small and Medium Enterprises were supported and the role of informal traders was recognised. The Department of Economic Development also played a significant role in assisting municipalities to create better conditions for economic growth and employment generation. Areas of concern for the Department were the high vacancy rates in municipal LED units; the limited capital budget on implementing LED projects and the

under-reporting of municipalities, particularly on jobs created through Expanded Public Works Programmes (EPWP) and LED initiatives. Based on the challenges highlighted in the report, there is a need for the Department to devise support measures to address the gaps identified.

Good Governance, Public Participation and IGR

The extent to which good governance and public participation are enhanced depends on efforts by the State to build on and consolidate democracy and popular participation amongst its citizens. This entails the effective execution of economic, political and administrative authority to manage the affairs that relate to its citizens. Good governance can be described as the mechanisms, processes and institutions through which citizens and groups articulate their interests, hold authorities to account through checks and balances, exercise their legal rights, meet their obligations and mediate their differences. During the period under review, Gauteng municipalities continued to ensure the establishment of ward committees for proper service delivery to communities. In the 2010/11 financial year, a total of 466 ward committees were established. In the 2011/12 financial year, there were 428 ward committees; a decrease of 38 (8.8%) in comparison to the 2010/11 financial year. By the end of the 2012/13 financial year, there were 409 remaining Community Development Workers across Gauteng municipalities, illustrating a decline in the number of CDWs between 2010/11 and 2012/13 financial years. It must be mentioned that during the 2010/11 financial year Gauteng had 437 CDWs. The number decreased by 16 (3.8%) in 2011/12 and further declined to 409 in 2012/13.

In March 2011, the Provincial Executive Committee (PEC) required sector departments to establish MECMMC forums. Resolutions resulting from the MECMMC forums were tracked and their implementation was monitored by the Office of the Premier. In the 2012/13 financial year, the MEC for Human Settlements and Local Government established the MEC/MMC forum. During this period, the terms of reference were presented to municipalities for consideration and four quarterly meetings were held and reported to the Executive Committee for endorsement.

In the year under review, Gauteng municipalities established public participation steering committees in partnership with citizen movements. The Merafong, Randfontein and Lesedi local municipalities developed and implemented stakeholder consultation plans. Between the 2010/11 and 2012/13 financial years, Gauteng municipalities' engaged communities through Mayoral, MEC and Ministerial Izimbizo. Municipalities explored and used other forms of communicating their plans and progress to communities, through newsletter distributions and publishing on municipal websites. In terms of the fight against corruption some municipalities in the province experienced a challenge in dealing with corruption cases. One of the reasons for this challenge was the lack of capacity and provision of evidence or information to ensure conviction and dismissal where relevant. There was also a challenge in terms of measuring the functionality of fraud and corruption strategies, as there was no criterion in place to do so.

Municipal Financial Viability and Management

In this section, the features of the local government fiscal framework were discussed. Chapter 13 of the Constitution provides that local government is '*entitled to an equitable share of revenue raised nationally*' and may also receive additional conditional transfers from national and provincial

government through the intergovernmental framework. In addition, the Constitution also requires that municipalities raise their own revenues from service fees, property rates, surcharges and other taxes, levies and duties. The following are some of the highlights in this KPA for the year under review:

- **Capital Budget Expenditure and Sources of Finance**

Gauteng municipalities collected revenue of R 839 billion (96.4%) of the total operating revenue budgets of R87 billion for the quarter which ended 30 June 2013. Service charges amounted to 60% of the revenue, followed by 'other' operating revenue with 22% and property rates with 18%.

- **Municipal Debt**

During the budget assessments, it was noted that some municipalities struggled to make provision for bad debt in order to forecast for the writing-off of irrecoverable debt, based on the past performance. The debts for Sedibeng DM and West Rand DM resulted from the outstanding revenue for hall rentals, taxi rank services and licensing.

- **Municipal Infrastructure Grant**

An amount of R484 million was transferred to local municipalities in the province during the financial year, for the purpose of the MIG funding. Of the total allocation of R484 million, R369.8 million (76.3%) was utilised by municipalities for the period under review. An amount of R114.7 million remained unspent.

- **Municipal Systems Improvement Grant (MSIG):**

The main objective of the grant is to provide funding to non-metropolitan municipalities in order to assist them to implement their individual local government turnaround strategies. An amount of R10 million was transferred to Gauteng municipalities to meet the grant conditions highlighted above. It should be noted that the grant was only made available to district and local municipalities in the province.

- **Implementation of Municipal Property Rates Act**

All municipalities (locals and metros) were encouraged to attend MPRA workshops and present their progress with the implementation of the Act. They were also encouraged to report on the challenges encountered from implementation and how these were resolved. The monitoring of municipal progress was informed by the municipal financial cycle and the relevant legislation.

- **Councillors in Arrears**

The Emfuleni Local Municipality implemented the recommendations of its Ethics and Integrity Committee to split the assumption of debt between the councillors and owners, and requested the settlement on the split amount from the date of the agreement. This action led to a substantial decrease on the amount reported as arrears by the councillors. Most municipalities resolved to recoup outstanding amounts by means of arrangements, salary deductions and referring related issues to their Ethics and Integrity Committees for their consideration.

- **Implementation of the Public Office Bearers Act (POBA)**

The Department received, analysed, assessed and advised on the applications from municipalities for implementation of the Gazette. Twelve municipalities were given concurrence by the MEC for the implementation of the Gazette No. 35962 of 7 December 2012, to be implemented retrospectively in accordance with affordability of the grading within the remuneration of Public Office Bearers Act (POBA).

Spatial Rationale

It was encouraging that from the 2010/11 financial year to the year under review; all Gauteng municipalities submitted their draft and adopted annual reports to the department within the stipulated timeframes. In addition, all 12 municipalities managed to compile their reports using the new annual report template (Circular 63) proposed by National Treasury.

Effective Integrated Development Plans process for the period under review

Municipal draft IDP analysis was undertaken by departments and key stakeholders (sector departments and state owned entities). The exercise was mainly to assess the credibility of the IDPs and whether plans therein were implementable. The analysis was done according to municipal key performance areas (Service Delivery, LED, Institutional Transformation, Finance Monitoring and Good Governance and Public Participation). The analysis was followed by feedback to municipalities where intergovernmental commitments were solicited and recommendations were discussed.

Linkage between IDP and SDBIP

It was observed through the IDP analysis process that municipalities were failing to show a clear link between the service commitments agreed to with communities, the strategic objectives in the IDP and the budget to finance these commitments. This means there is no alignment between the IDP, budget and SDBIP. This undermined the transparency and accountability of municipalities.

Spatial Development Frameworks (SDFs)

Between the 2011/12 and 2012/13 financial years, Gauteng municipalities complied with the requirements to include the SDF in their IDPs, as outlined in the Municipal Systems Act. According to reports, municipalities implemented their SDFs after receiving approval by the council during 2011/12 financial year. In 2012/13, Ekurhuleni, Lesedi and Midvaal municipalities did not indicate in their IDPs whether or not their SDFs were approved by council.

Section 1: Introduction

1.1 Legislative Background

This report emanates from Section 46 of the Municipal Systems Act 32 of 2000. Subsection (1) of Section 46 provides that:

“A municipality must prepare for each financial year a performance report reflecting:

- a) The performance of the municipality and of each external service provider during that financial year*
- b) A comparison of the performances referred to in paragraph (a) with targets set for and performances in the previous financial year*
- c) Measures taken to improve performance”*

Section 47 of the MSA then provides that the MEC for local government must annually compile and submit to the provincial legislatures and the Minister responsible for local government, a consolidated report on the performance of municipalities in the province. The report serves as a very important instrument for the legislature to provide oversight in terms of how municipalities have performed. The MEC for local Government must also submit a copy of the report to the National Council of Provinces.

This is also consistent with the constitutional provisions that give provinces a monitoring and supporting role in terms of local government within the context of cooperative governance. The report must:

- a) Identify municipalities that under-performed during the year
- b) Propose remedial action to be taken
- c) Be published in the Provincial Gazette

This provides the MEC for local government in a province an oversight role in terms of monitoring and providing a supporting role in relation to municipal performance.

1.2 Methodology

The report has been compiled primarily from the 2012/13 Gauteng Municipal Annual Reports. These reports were presented to their respective municipal councils between January and March 2014. The annual reports were further subjected to an oversight process through Municipal Public Accounts Committees (MPACs) in municipalities, before their adoption. For the financial year under review, all Gauteng municipalities managed to submit their draft and adopted annual reports to the department within the stipulated time. Most municipalities attempted to compile their reports using the new annual report template proposed by National Treasury (Circular 63).

In addition, the following documents were used as references for this report:

- **Quarterly monitoring performance information reports** generated by the department from information supplied by municipalities, including initial raw data collected by COGTA on various aspects of municipal performance.
- **Monthly municipal infrastructure** reports of the Municipal Infrastructure Grant (MIG) support unit and backlog data from a variety of sources correlated with data available and collated by the COGTA MIG support unit.
- **Reports from independent sources** (Gauteng Economic Development Agency) including general publications (Municipal IQ) and comments on developments within the local government sphere. These include studies conducted on various aspects of change and delivery in local government.

This report looks at the performance of Gauteng municipalities in the following five (5) local government Key Performance Areas (KPA):

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

The approach and format of the report has changed, as the new annual report format proposed and published by National Treasury (Circular 63) has been adopted. Municipalities such as the Ekurhuleni Metropolitan Municipality have also aligned their planning and reporting frameworks to be consistent with the outcomes -based approach, and this has also influenced the format of the annual reports.

This report is a reflection of Gauteng municipal financial and non-financial performance for the 2012/13 financial year. The report covers the following twelve (12) municipalities demarcated within the province:

Metropolitan Municipalities	District Municipalities	Local Municipalities
City of Johannesburg MM	Sedibeng District DM	Midvaal Local Municipality
		Emfuleni Local Municipality
		Lesedi Local Municipality
City of Tshwane MM	West Rand District DM	Mogale City Local Municipality
		Randfontein Local Municipality
		Merafong City Local Municipality
		Westonaria Local Municipality
City of Ekurhuleni MM		

Table 1: Municipalities in the Gauteng Province

1.3 Demographics

The table below is an illustration of Gauteng municipal demographic information per District and Metropolitan Municipality, according to Statistics South Africa's (StatsSA) Census 2011. Worth noting in the table is the high dependency ratio numbers in some of the smaller municipalities in the province, such as Emfuleni Local Municipality and Randfontein Local Municipality. Municipal IQ defines the dependency ratio as *a calculation of the total proportion of the population that is either too young or too old to work, i.e. people younger than 20 and older than 64.1*. These high dependency ratios can be attributed to the little economic opportunities associated with these municipalities as compared to the bigger municipalities with slightly more economic opportunities.

Municipality	Population	Age structure			Dependency Ratio	Sex Ratio	Population Growth (% p.a)	
		<15	15-64	65 +	Per 100 (15-64)	Male per 100 females		
		2011	2011	2011	2011	2011	1996-2001	2001-2011
Sedibeng DM	916 484	25.4	69.5	5.1	43.8	98.7	2.05	1.43
Emfuleni LM	721 663	25.6	69.5	4.9	43.8	96.7	1.93	0.92
Midvaal LM	95 301	23.2	70.5	6.3	41.9	106.6	3.72	3.94
Lesedi LM	99 520	26.0	68.6	5.4	45.8	106.5	1.64	3.26
West Rand DM	820 995	24.1	71.9	4.0	39.2	109.0	2.43	0.98
Mogale City LM	362 422	23.7	71.7	4.6	39.4	104.2	5.32	2.04
Randfontein LM	149 286	24.9	70.2	4.9	42.4	100.7	3.58	1.47
Westonaria LM	111 767	24.5	73.3	2.2	36.4	120.8	-1.03	0.18
Merafong City LM	197 520	24.1	72.5	3.4	37.9	118.6	0.07	-0.64
Ekurhuleni MM	3 178 470	24.3	71.7	4.0	39.4	105.0	4.05	2.47
City of Johannesburg	4 434 827	23.2	72.7	4.1	37.6	100.7	4.02	3.18
City of Tshwane	2 921 488	23.2	71.9	4.9	39.0	99.0	3.57	3.10

Table 2: Gauteng Demographic information per District and Metropolitan Municipality²

1.3.1 Population and households per municipality

The table below is an indication of Gauteng municipal population statistics according to the StatsSA Census 2011. There was an increase in the provincial population from 3 077 430 residents in 2001 to 3 474 958 residents in 2011. The most highly populated municipality is the City of Johannesburg with 4 434 827 residents, followed by Ekurhuleni Metropolitan Municipality with 3 178 470 residents. The least populated municipality is Midvaal Local Municipality with 95 301 residents, followed by Lesedi Local Municipality with 99 520 residents. The City of Johannesburg is expected to be the most populated municipality in the province due to its status as the economic hub of the province.

¹Municipal IQ (2014) Provincial Profile of Municipalities 2014

²Statistics South Africa, (2011), Census 2011Municipal Fact Sheet

Municipality	Population	
	2001	2011
Sedibeng DM	794 088	916 484
Emfuleni LM	657 949	721 663
Midvaal LM	64 271	95 301
Lesedi LM	71 868	99 520
West Rand DM	744 627	820 995
Mogale City LM	295 505	362 422
Randfontein LM	128 842	149 286
Westonaria LM	109 799	111 767
Merafong City LM	210 481	197 520
Ekurhuleni MM	2 481 762	3 178 470
City of Johannesburg MM	3 226 055	4 434 827
City of Tshwane MM	2 142 322	2 921 488
Total	3 077 430	3 474 958

Table 3: Population statistics per municipality³

1.3.2 Households per Municipality

The table below is an indication of households per municipality in the Province. The table mostly highlights an increase in the number of households per municipality. This increase can be associated with the issue of inward migration as a result of the promise of socio economic opportunities. Even though this inward migration has contributed to the development of the province, it has also posed challenges partly through the added burden on state-financed services and programmes.

Municipality	Households		Average household size	
	2001	2011	2001	2011
Sedibeng DM	224 966	279 768	3.5	3.3
Emfuleni LM	186 926	220 135	3.5	3.3
Midvaal LM	19 573	29 965	3.1	3.2
Lesedi LM	18 467	29 668	3.7	3.4
West Rand DM	207 793	267 397	3.2	3.1
Mogale City LM	85 194	117 373	3.2	3.1
Randfontein LM	36 165	43 299	3.3	3.4
Westonaria LM	30 098	40 101	3.0	2.8
Merafong City LM	56 336	66 624	3.1	3.0
Ekurhuleni MM	745 576	1 015 465	3.2	3.1
City of Johannesburg MM	1 006 910	1 434 856	3.1	3.1
City of Tshwane MM	606 025	911 536	3.4	3.2

Table 4: Households per Municipality⁴

³Statistics South Africa (2011) *Census 2011*

⁴Statistics South Africa, (2011), *Census 2011Municipal Fact Sheet*

1.4 Socio-Economic Profile

Labelled as the province with two capitals, with the City of Johannesburg as the legislative capital housing the provincial legislature and the City of Tshwane as the country's capital, Gauteng is the economic powerhouse of South Africa. It contributes over a third of the national Gross Domestic Product (GDP). Due to the relative size of the province's economy, the impact of the global recession on the Gauteng economy inevitably mirrored the impact felt within the national economy. The impact included a slowdown in provincial production, an increasing provincial trade deficit, declining household consumption and rising household debt levels. The impact was also felt in terms of job creation. In 2005, the province ratified the Gauteng Growth and Development Strategy (GGDS). The main goal of the strategy was to halve unemployment and poverty by 2014. It also aimed to increase the provincial growth rate to 8% by 2014.

The province had an unemployment rate of 19.0% in 2001, while 15.2% of the population were unemployed in 2011. This means that the unemployment rate decreased by -3.8% between 2001 and 2011. The 2011 unemployment rate was above the average national unemployment rate of 11.6%. The highest unemployment rates in the province were in the Westonaria Local Municipality, Emfuleni Local Municipality, Ekurhuleni Metropolitan Municipality, Randfontein Local Municipality and the City of Johannesburg Metropolitan Municipality.⁵

According to Municipal IQ, averages of 41.4% of Gauteng residents were living in households surviving on less than R1 633 per month in 2011 and this was below the national average. The 2011 statistics also indicated that the five poorest municipalities in Gauteng were: Emfuleni Local Municipality, Lesedi Local Municipality, Randfontein Local Municipality, Mogale City Local Municipality and Merafong City Local Municipality. The table below indicates the proportion of households per municipality that lived below the poverty line (of R1 633 p.m.) in 2011.⁶

Municipality	Percentage
City of Johannesburg Metropolitan Municipality	13.2%
City of Tshwane Metropolitan Municipality	13.8%
Ekurhuleni Metropolitan Municipality	15.2%
Emfuleni Local Municipality	20.3%
Lesedi Local Municipality	21.3%
Merafong City Local Municipality	15.5%
Midvaal Local Municipality	15.2%
Mogale City Local Municipality	17.0%
Randfontein Local Municipality	20.1%
Sedibeng District Municipality	19.8%
West Rand District Municipality	16.9%
Westonaria Local Municipality	15.2%

Table 5: Proportion of households per municipality living below the poverty line (2011)

⁵Municipal IQ (2013) *Provincial Profile of Gauteng Municipalities*

⁶Municipal IQ, 2013, *Provincial Profile of Municipalities, 2013*

1.5 Timely submission of the Annual Report (Provincial Analysis)

From the 2010/11 financial year to the year under review, all Gauteng municipalities submitted their draft and adopted annual reports to the department within the stipulated timeframes. All 12 municipalities managed to compile their reports using the new annual report template (Circular 63) developed by National Treasury. In addition, municipalities such as Ekurhuleni Metropolitan Municipality have aligned their planning and reporting frameworks to be consistent with the outcomes-based approach and this has also influenced the format of the annual reports.

Names of Municipalities	2010/11		2011/12		2012/13	
	No. of submissions	% of submissions	No. of submissions	% submissions	No. of submissions	% submissions
City Of Johannesburg	2	100%	2	100%	2	100%
City of Tshwane	2	100%	2	100%	2	100%
Ekurhuleni Metropolitan Municipality	2	100%	2	100%	2	100%
West Rand District Municipality	2	100%	2	100%	2	100%
Westonaria Local Municipality	2	100%	2	100%	2	100%
Mogale City Local Municipality	2	100%	2	100%	2	100%
Merafong Local Municipality	2	100%	2	100%	2	100%
Randfontein Local Municipality	2	100%	2	100%	2	100%
Sedibeng District Municipality	2	100%	2	100%	2	100%
Lesedi Local Municipality	2	100%	2	100%	2	100%
Midvaal Local Municipality	2	100%	2	100%	2	100%
Emfuleni Local Municipality	2	100%	2	100%	2	100%
Total	24	100%	24	100%	24	100%

Section 46 Report submission rate per province

Section 2: Analysis of Municipal Key Performance Areas

2.1 Institutional Development and Organisational Transformation

2.1.1 Introduction

Whilst this term of government focused on consolidating the gains made in previous terms with regard to transformation of municipal institutions and the development of organisations, there were several governance and institutional challenges that were identified at the end of the last term that needed to be tackled as part of this term's priorities. These challenges were perceived as inhibiting the realisation of improved performance and accountability in local government. These challenges included technical competencies, especially within the senior management level, as well as systems and processes that required review, particularly given the evolving nature of local government and the changing times.

It has also become evident that the overall institutional transformation and development of municipalities also hinges on ensuring that certain prerequisite competencies are also in place at levels lower than senior management. As part of the strategy to address these challenges, certain reforms have been introduced, while others are yet to be introduced. A reflection is made in this report on progress, and this assessment will continue to be done on an on-going basis.

This review provides a global analysis of trends, reflecting the commitments made and the objectives established on the transformation and institutional development process. This section looks at areas such as effectiveness of municipalities' operational functions, the appointments and equity realities and the skills development and performance issues within municipalities. One of the urgent priorities in the immediate post-election period was the need to ensure that there is stability within municipalities especially at senior manager level in order to consolidate on the gains made in the previous terms.

2.1.2 Objectives of the KPA

The transformation of the institutional outlook, design and development of municipalities remains a priority, considering the evolving nature of the environment under which municipalities operate. Municipalities have always been characterised as key role players in the consolidation of our democracy and its core values. In this regard, both the administrative and political leadership are required to harness the resources at their disposal, the skills and capacity of personnel, the creation of necessary and appropriate structures, capacities and capabilities in order for them to provide the basic services to communities on a sustainable basis. To this end, municipalities are always expected to continue to develop strategies for change, which respond to community needs.

Given the scale of needs in local communities and a number of challenges that continue to be identified, it is essential that municipalities continue to build their skills base, create the necessary

institutional capacity, develop the necessary policies and systems, and mobilise all their resources behind the vision of a developmental local state. In order for municipalities to deliver on their constitutional mandate, stable institutional structures need to be in place, accompanied by appointed personnel with the required skills and competences first at a senior management level (section 56 and 54A managers) and all other levels below.

Municipalities also need to ensure that all human resource policies are in place and there also needs to be an institutionalisation of holistic performance management systems that extend beyond the top. Whilst improvements have been observed over time in the manner in which municipalities develop policies, structures and processes, the implementation and functionality thereof remains a challenge.

The period has also seen the promulgation of certain amendments to the MSA, as well introduction of certain regulations pursuant to the abovementioned policy objectives and outcomes.

2.1.3 Performance of municipalities on the core indicators

2.1.3.1 Vacancy rate in respect of all approved posts

The state of municipal vacancies has been one of the contributing factors to poor service delivery in communities, particularly when these vacancies exist in critical areas of service delivery. The lack of municipal service delivery has also been attributed to a shortage of artisans in the year under review (according to experts), which led to poor maintenance of municipal infrastructure and delivery. In some instances where people have been hired in this field, they are mostly not suitably qualified. This raises questions about the efficacy of skills development training provided by municipalities every year and the ability of tertiary institutions to produce a high numbers of quality artisans and technical people.

As outlined in the table below, some municipalities, particularly Metros, recorded a high number of vacancies and in many instances these were found at the areas which are critical for service delivery. The City of Johannesburg had close to six thousand (6000) vacancies; however this was due to the City undergoing major restructuring, which led to high turnover for various reasons. Despite this alarming rate of vacancies, there have been improvements in comparison to the previous financial years; notably the stabilisation of the vacancy rate at senior management level in all except two municipalities in Gauteng.

2.1.3.2 Vacancies at Senior Manager Level

The filling of vacancies at senior management level has progressed well, especially with the promulgation of the MSA amendments of section 56 and 54A. On a separate note, compliance to the amendments is an issue that forms a discussion on its own; however these are believed to have brought about some stability in terms of appointments of senior managers to a certain extent.

By the end of the financial year, a total number of forty six (46) senior manager posts were filled and fourteen (14) posts were vacant. On the vacant positions, Randfontein and Merafong had the most vacant positions with two (2) each. Ten (10) out of the twelve (12) Municipal Managers and eight (8) out of twelve (12) CFO positions were filled. All twelve (12) positions for corporate services were filled while one (1) of twelve (12) technical manager positions remained vacant. There was only one (1)

Development Planner vacancy. It is important to note that some municipalities were in the process of preparing for recruitment and selection by the end of the financial year, and that some of these municipalities envisaged to have completed the process by the start of the new financial year. The critical posts that became vacant were mostly CFO positions in the province. The MM positions were not as affected compared to the 2007/08 financial year and the subsequent years and most of the senior manager posts that were affected were due to contracts coming to an end. Very few vacant posts were due to resignations.

2.1.3.3 Overall Vacancies

Municipality	2011/12	2012/13		
	Employees No.	Approved posts No.	Employees No.	Vacancies
COJ	27901	38108	28017	5934
Emfuleni	2521	6325	3597	2728
Randfontein	545	962	727	237
Lesedi	558	543	555	19
Midvaal	610	645	630	15
Westrand	432	463	432	33
Sedibeng	627	674	633	54
Mogale	1418	2247	1514	731
Merafong				
Tshwane	Merger	25153	14974	10179
Ekurhuleni				
Westonaria	393	852	463	389

Table 6: Overall Vacancies

The table above denotes the vacancies in municipal staff for the financial year under review. There are municipalities that managed to keep vacancies at a low level; however all municipalities had vacancies in technical areas. Emfuleni had a turnover rate of 4, 4% against 2% in the previous financial year, which marked an increase. This high number is said to be attributed to resignations, retirements, deaths and dismissals that could not be contained. However this was not matched by the seemingly slow pace of filling of vacancies. In Lesedi, a high number of vacancies were among highly skilled posts, which is mostly a scarce and critical skills area. However Lesedi's vacancies were low overall, owing to its relatively small institutional structure but doing extremely well against Westrand district municipality with a low number of staff but recording a high number of vacancies.

Midvaal municipality is also an interesting case where low vacancies were recorded, starting the financial year with a total of forty-four (44) vacancies in 2012 prior to approval of the budget, due to a moratorium that was placed on filling of vacancies (as a result of resignations a creation of new posts). However that had been reduced to fifteen (15) vacancies by the end of the financial year. The municipality indicates that in the main the success with the low vacancies is due to their quick turnarounds in filling of vacancies. Mogale city's turnover rate was sitting at 6% and the municipality has seen more than a 50% decrease in the turnover rate compared to the previous financial year, which is a huge improvement. Westonaria municipality shows stability at the senior management level, with relatively low turnover. The rate has actually declined compared to the 2011/12 financial year, partly because the previous financial year was an election year and vacancies especially at senior management level are expected. The merger of Tshwane with the erstwhile municipalities of Kungwini,

Metsweding and Nokeng tsa Taemane necessitated restructuring which lead to the development of a new micro organisational structure. The merger and subsequent restructuring, as well as the absorption of labour brokers resulted in a larger human resource component. The City of Tshwane had twenty-five thousand and sixty (25 060) employees on 30 June 2013.

2.1.3.4 Percentage Implementation of Performance Management Systems Framework

Most municipalities struggled with the implementation of the Performance Management Systems Framework. Whilst some municipalities have reported that they have Performance Management frameworks in place as well as systems in some cases with the assistance of the department, the challenge has always been the implementation of these. The main challenge has been the difficulty to cascade the performance management system to lower level staff and as a result, performance assessments have not been conducted.

2.1.3.5 Percentage Municipalities Meeting Employment Equity Targets

Legislation requires that municipalities establish employment equity plans and that they establish targets in this respect, and that those targets must be achieved in line with the policy and municipal demographics. However, local municipalities continue to grapple with meeting these targets as envisaged. This is due to a number of reasons; including the fact that finding suitably qualified individuals in absolute terms from previously disadvantaged groups in South Africa is complex.

This takes into consideration disadvantages experienced by the designated groups, such as policies that led to grossly unequal educational opportunities that disadvantaged blacks in the country, discriminatory laws that reserved specific jobs for whites, as well as discriminatory recruitment, employment and advancement practices. Further problems emanated from the lack of expertise, skills and knowledge. Unfortunately this problem persists as reflected in the reports submitted by municipalities.

Whilst current information suggests progress was made with respect to the development of employment equity plans, employment of senior management, gender equity, the employment of youth and people with disabilities remains a matter of concern as most municipalities did not provide progress on this matter. Even the progress information submitted is in relation to processes that municipalities undertook and not the actual outcome of achieving targets.

Out of the one hundred and thirty-nine (139) appointments in Emfuleni, only seventy-four (74) were in line with employment equity targets. The challenge is indicated by the municipality which is similar to the point argued above, is the scarcity of skills in the target groups. Municipalities generally have employment equity strategies and plans in place and most have submitted their reports to the Department of Labour, however most of them have reported challenges around recruiting suitable candidates, and this appears to be a phenomenon across all municipalities.

The latter is also due to the absence of clear indicators on what municipalities must report on when it comes to issues of employment equity. This has been addressed through the development of municipal performance indicators which will assist in ensuring that municipalities report on critical issues across.

2.1.3.6 Percentage Municipalities with Integrated Capacity Building Plan Implemented

Billions of rands allocated to local government remain unspent almost every financial year, as municipalities are battling to overcome infrastructure problems or maintain essential assets such as water purification works. Most experts believe that the main reason for the poor levels of service delivery is that councils do not have properly qualified people to do the essential maintenance work needed to keep the local municipalities running smoothly.

South Africa currently produces about five thousand six hundred (5 600) qualified artisans a year across all disciplines compared with a target of about twelve thousand five hundred (12 500) set by the Department of Higher Education and Training. The country apparently needs between fifty thousand (50 000) and eighty thousand (80 000) artisans at the moment.

This highlights the importance of municipalities ensuring that skills development and training happens at a municipal level every financial year in order to increase the scarce skills that municipalities have. Emfuleni struggled in this financial year to achieve its skills development target as only 2,87% of the allocated budget for training was spent and six hundred and sixty-two (662) training interventions in total were facilitated. If one compares the achievement against the dire need to ensure that training happens, without necessarily looking at the reasons for why the municipality could not spend the entire budget, it could be said that it will take another two decades for municipalities to deal with the shortage of skills.

Across municipalities in the province, a total of three hundred and sixty-six (366) officials and councillors completed training, and this includes one hundred and six (106) MPAC members who enrolled and attended course modules, six (6) which completed the qualification successfully. Twenty one (21) plumbing apprentices successfully completed and graduated as artisans; one hundred and forty nine (149) officials and councillors enrolled and trained for Municipal Integrated Development Plans (MIDP), Performance Management System (PMS) and Monitoring and Evaluation (M&E) and ninety (90) officials were provided with skills transfers through Hands on Support on HR and PMS. Thirty three (33%) of women and 14% youth have been trained. At the end of the fourth quarter eighty-nine (89) officials enrolled to complete outstanding modules with fifty-six (56) registered for the LGAAC and thirty-three (33) registered for the LGAC. In the SAICE support programme eight (8) engineering deployees were placed in local municipalities. In Randfontein, three hundred and twenty-six (326) skills development and training workshops were undertaken against a target of four hundred and thirty-two (432). Most of these were aimed at lower level employees.

In Midvaal, the total budget allocated for skills development was spent, which translated into full implementation of the annual target. However, whether these were aligned to the provincial strategy of the scarce and critical skills could not be verified. In Mogale City, the funding for training has been increasing annually by 15%. The municipality however still has a challenge of non-submission of training plans by the Departments. Further to that, the training committee is not functioning as it supposed to as required by legislation. The municipality has however spent R2 000 000 on skills programmes, competency training and workshops. Three hundred and ninety-six employees were trained for 2012/13 financial year. Expenditure on average was R5 000 per person.

The City of Tshwane reported that a total of eleven thousand and fifty-four (11 054) employees were trained through numerous programmes. One of the most pertinent was the provision of training on change management for a total of one thousand three hundred and fifty (1 350) senior and junior

management employees (to the level of functional head). This programme was aimed at lifting the bar to develop a culture of excellence in the City. Officials were exposed to six days' training in topics such as change leadership and governance, the people factor in change, communicating change and how to implement an effective change management programme. Those who have been trained have begun to cascade the training to lower levels to ensure a trickle-down effect of exposure to a course that empowers employees to understand why a different corporate culture is required to implement the new vision and strategies of the City. Other important courses which can be highlighted include ABET training (207), apprentices in various technical programmes (116), firefighting (276), customer service and call centre interaction (266) and finance management for non-finance managers (285). All these courses were intended to enhance the capacity of employees to accelerate service delivery; they were thus selected meticulously.

The City of Tshwane introduced bursary schemes to address the critical shortage of qualified skilled individuals within certain professions which cannot be met by internal or external resources. The scheme has also been applied to achieve some strategic priorities of the City such as fostering sufficient and efficient service delivery and the development of individual career plans. Numerous beneficiaries were awarded bursaries to further their studies at tertiary institutions. A total of one hundred and eighty-eight (188) employees, one hundred and sixty-two (162) non-employees, and thirty (30) military veterans were awarded bursaries to study engineering and related subjects.

To meet the municipal transformation and institutional development key performance area, the City undertook to train youths through its workplace training system, by offering experiential training in different departments in the City. A total of one hundred and fifty-six (156) interns were given structured work experience in the City in the following areas of work:

- Community and social services (5)
- Finance (16)
- Administration (71)
- Electricity (15)
- Environmental protection (49)

The City of Tshwane also applied for the Special Merit Case in terms of Circular 60 and approval was granted by the National Treasury. The original date for the implementation of the regulations was 1 January 2013. With the granting of the Special Merit Case, the target date for compliance is 1 July 2014. The Special Merit Case was granted to one hundred and two (102) such officials. As part of the regulations, appointment qualifications are also referred to. Only six (6) officials do not meet the minimum qualifications but have sufficient work-based experience. The qualifications and competencies of these employees have been scrutinised and the gaps are being addressed through targeted training by the University of Pretoria.

Whilst municipalities continue to spend on training and skills development, the question that needs to be answered is whether this makes any impact, the considerable amount of money that is spent on training annually. It is also a question of whether the training provided is geared towards scarce and critical areas that are critical for service delivery, or training happens for the purpose of compliance and that less critical areas are being target for training.

2.1.3.7 Analysis of performance per Indicator

Municipal Systems Act Compliance

In July 2011, the Local Government Systems Act Amendment Act (Act No. 7 of 2011) was adopted. In the main, the amendments relate to the appointment of municipal managers and managers reporting to the municipal manager. The amendments together with the regulations which were subsequently gazetted outline the process of appointment as well as the minimum competency requirements that must be complied with by local government. The Amendment Act in summary, thus inter alia seeks to regulate the appointment procedures for Municipal Managers and Managers directly accountable to Municipal Managers.

The department has been struggling to monitor the compliance of municipalities to the legislation for a while owing to a number of reasons including limited capacity by officials in the department to discharge this function, including the absence of systems and processes to effectively discharge this function.

The most persistent challenge with regard to municipal compliance has been the two acting officials in the Municipal Manager positions seconded from the National Department of Cooperative Governance. In Merafong there was a pending case which prolonged the filling of the vacancy; however the timeframes for such acting had gone beyond what the act allows.

The difficulty was that the conditions of the secondments were unknown to the provincial Department of Cooperative Governance and Traditional Affairs, since the secondment happened during the demerger transition from the one MEC to the other and records were somehow misplaced, however the acting of the two officials continued.

There is however a need to capacitate departmental officials affected by this function in order to ensure that the function is discharged effectively as per the legislation. This includes setting up processes and systems within the department to facilitate this process and for the MEC to comply with the provisions of the act. A number of memorandums have been written in this regard, however no support has been forthcoming. This is against a background of the department being non-compliant on issuing the assessment outcomes timeously and reporting to the Minister as per the legislation.

2.1.3.8 Review of Policies

The table below illustrates the status of development and Implementation of specific HR policies and systems per municipality.

Districts	Names of Municipalities	Recruitment and selection policy			Skills Development Plan			EE Plan			HRM and HRD policies		
		Reviewed /Developed	Approved	Implemented	Reviewed /Developed	Approved	Implemented	Reviewed /Developed	Approved	Implemented	Reviewed /Developed	Approved	Implemented
Sedibeng	Sedibeng												
	Emfuleni	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	Midvaal	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	Lesedi	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
WRDM	West Rand	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	No	Yes	Yes
	Merafong	Yes	Yes	Yes	No	Yes	Yes	No	Yes	Yes	No	Yes	Yes
	Mogale	Yes	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No
	Randfontein	Under review	No	No	Yes	Yes	Yes	Still within 5 years	Yes	Yes	Under review	No	No
	Westonaria												
Metros	City of Jo' burg	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	City of Tshwane	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	Ekurhuleni		Yes	Yes	Yes	Yes	Yes	No	No	No	No	Yes	Yes

Table 7: Status of Development and Implementation of specific HR Policies and Systems

2.1.4 Observations

2.1.4.1 Employment Equity

Local government, as with several institutions, continues to grapple with employment equity targets. It can be argued, however, that finding suitably qualified individuals in absolute terms from previously disadvantaged groups in South Africa is complex. This takes into consideration disadvantages experienced by the designated groups, such as policies that led to grossly unequal educational opportunities that disadvantaged blacks in the country, discriminatory laws that reserved specific jobs for whites, as well as discriminatory recruitment, employment and advancement practices. Problems further emanate from the lack of expertise, skills and knowledge.

Previous discriminatory policies did not only create a knowledge gap between black and white South Africans, but at the same time narrowed the skills gap in the sense that it would take decades for people from previously disadvantaged groups to achieve the knowledge and skills comparable to their previously advantaged counterparts. A further neglect to consider is that training and skills development in the past 20 years among the local government employees has further exacerbated this problem.

Therefore, in addressing employment equity, it is important to consider the lack of those skills and allow them to be developed in the process to overcome past injustices and current shortcomings.

Thus, the implementation of legislative directives addressing employment equity will take time but also requires that municipalities and government strengthen the skills development and on the job mentoring among the previously disadvantaged groups whilst at the same time trying to attract suitably qualified individuals among those groups. It also calls on partnerships to be established between organised local government and the learning institutions.

2.1.4.2 Registration of technical officials with statutory bodies

Most local government artisans of all categories are not registered with statutory bodies. The implication is that this hinders them keeping up with the standards in their respective fields. The Registration would ensure that they receive regular training that is in keeping with the acceptable standards; and that they are made accountable in instances where they do not perform their duties in accordance with those standards. This is against an anomaly that has been observed when one compares the standard and quality of services rendered to affluent areas compared to that of services rendered to poor communities by the same officials who supposedly uphold the same standards of services. In many instances, services rendered to these areas across all categories differ in quality and standards. These are services rendered by the same municipality and the same officials. Municipalities must be encouraged to ensure that technical officials register with these bodies and bear certain percentage of the cost of registering officials. In any event, millions are spent each year on training the very same people without any improvements.

Linked to the above, is a need for a different kind of technical people and limited or managed interference of external factors in decision making. Apart from the apartheid inherited spatial planning, it would seem that generally municipalities continue to perpetuate the spatial planning mentality of the apartheid regime. This is done by the same technical people who are trained to ensure that the status quo is reversed and current policies are implemented instead.

Some of the locations that are established as townships are well known as inhabitable areas, yet have been approved for human settlements. Some of the settlements are in flood lines or in other condition that are not suitable for human habitation and over the long term these same municipalities must spend millions of rands in disaster management. On the one hand there is a need to ensure that professional planners and technical officials are trained adequately to perform their function. On the other hand, municipalities and national government must ensure that there is no interference and those professional planners and technical officials are given adequate space to discharge their functions, and those they are protected from undue interference from politicians and/or political pressures that may exist.

2.1.5 Challenges Experienced

- There is lack of capacity to enforce compliance with the MSA as amended and to verify appointments made for compliance.
- There are delays in signing employment contracts and submission of performance agreements.
- The senior manager requirements should be linked to the of National Treasury regulations on minimum competency levels to ensure consistency.
- Both municipalities and provinces do not comply with the 14 days reporting period as prescribed by the Act thus delaying the appointment of senior managers.
- The nature of participation or the role of officials of DCOG, Provincial Department, Provincial Treasury and SALGA in interview panels needs to be standardised. This is because in some provinces it is reported that these officials influence the appointment of candidates whereas they have to only assist selection panels with compliance with the Act. This obscures the oversight responsibility of the MEC and Minister and also encroaches on the right of municipal council to make appointments as empowered by the Act.
- The inability by some municipalities to attract critical skills of Chief Finance Officers, Development Planners and engineers.
- Employment equity remains a daunting challenge to many municipalities.
- The implementation of PMS in municipalities is still a challenge despite millions having been spent by the department to support municipalities.

2.2 Service Delivery and Infrastructure Development

2.2.1 Introduction

This KPA entails the assessment of the ability of municipalities to deliver infrastructure and basic services, and also report on the role played by national and provincial departments in the different sectors in the execution of their functions. Local Government works in partnership with the communities to find sustainable ways to meet their needs and improve the quality of lives. As entrenched in the Constitution, the Millennium Development Goals as well as Vision 2014, government has geared itself to achieve targets for universal access to basic services. Municipalities are at the forefront of attempts to achieve high levels of service delivery. Service delivery has assumed centre stage in South Africa, due to highly publicised events related to wide-spread protests within various communities. This has put even greater pressure on municipalities to deliver on their mandates and to ensure effective service delivery. The role of municipalities is crucial in dealing with many of the challenges that have led to such high levels of discontent.

A crucial aspect of this process is the provision of basic services such as water, electricity and sanitation for all communities. The historical backlogs in the provision of basic infrastructure for service delivery require that municipalities establish a delicate balance between delivering and improving current services, maintaining existing infrastructure and extending the infrastructure to eradicate the backlog in service delivery. The COGTA must ensure that Municipalities in the province are fully functional to enable the delivery of infrastructure and municipal services. This chapter attempts to give an indication of the performance of the municipalities for the 2012/13 financial year.

The Constitution of the Republic of South Africa states that municipalities have the responsibility to ensure that all citizens are provided with services to satisfy their basic needs. The basic or municipal services being referred to are as follows:

- Water provision,
- Sanitation provision,
- Refuse removal (Waste management services)
- Electricity provision.

2.2.2 Performance of Municipalities on Core Indicators

Over the past years, the delivery of services has been based on the following service delivery commitments:

- Clean water by 2008
- Solid waste and roads infrastructure by 2013
- Eradication of the bucket system by 2007
- Sanitation for all by 2010

- Access to electricity by 2012

The information under this section of the report highlights municipal performance based on the following indicators:

- Households with access to Potable Water
- Households with access to Free Basic Water
- Households with access to Sanitation
- Households with access to Free Basic Sanitation
- Households with access to Electricity
- Households with access to Free Basic Electricity

Municipalities	2012/2013					
	Number of households with access to potable water	Number of households with access to sanitation	Number of households with access to electricity	Number of households with access to Free Basic Water	Number of households with access to Free Basic Sanitation	Number of households with access to Free Basic Electricity
COJ	1 137 912	1 127 972	424 659	12 00	10 000	21 729
City of Tshwane	9845	1700	14915	-	-	-
Ekurhuleni	968 315	777 585	374 000	34327	34327	34327
Mogale City	109 419	110 398	30 960	17 278	11 000	11 000
Randfontein	43 029	37 869	42 366	-	-	-
Lesedi	44 600	27059	-	1 612	1 612	1 612
Midvaal	27 103	23 552	23 762	426	426	243
Westonaria	29980	25 140	1 400	26 828	26282	12 101
Merafong	98 238	66 387	22 743	-	-	-
Emfuleni	241 445	168 933	60 607	39060	37 773	708

Table 8: Municipal provision of critical and free basic services

All the municipalities listed are providing basic services in the form of water, sanitation and electricity as mandated by legislation. Services are provided in formal and informal areas. The table above depicts services provided at a minimum and above standard while informal settlements and some formal areas receive service levels below minimum. The table below indicates households with services below minimum:

Municipalities	2012/2013		
	Number of households with provision of potable water below minimum standard	Number of households with provision of sanitation below minimum standard	Number of households with provision of electricity below minimum
COJ	22 236	41 076	Not reported
City of Tshwane	Not reported		
Ekurhuleni	11557	110 069	164 000
Mogale City	7954	6975	5832
Randfontein	3368	8524	
Lesedi	921	222	
Midvaal	2862	6413	- 6203
Westonaria	0	-	15 000
Merafong	0	10	-
Emfuleni	310	0	0

Table 9: Number of households with services delivered below minimum

From the reports wherein figures are included from previous financial years, the coverage of services is increasing and all Gauteng municipalities have been awarded with the Blue Drop status for their drinking water quality.

Municipalities also provide free basic services as depicted in the table above. It is however noted that the provision of free basic services is implemented differently in municipalities. Some municipalities provide free basic services to all households while others provide specific services to low income households, which are expected to register as indigents. In some municipalities, free basic services are provided to registered indigents only. Based on the reporting by municipalities in their 2012/13 Annual Reports, the following information was found on indigent support and provision of free basic services:

Municipalities	2012/2013	
	Number of households registered as indigents	Level of free basic services provision
COJ	Information not provided	<ul style="list-style-type: none"> - Free basic water per month - Free basic electricity per month
City of Tshwane	97 486	Information not provided
Ekurhuleni	Information not provided	<p>The following free basic services are provided:</p> <ul style="list-style-type: none"> - 6 kl free water - 6kl free basic sewer - Additional free basic 3kl of water to indigent households - Additional free basic sewer of 3kl for indigent households - Water leak fixing for indigents - 100% rates rebate to indigents - Free basic electricity - Free weekly refuse removal for indigents
Mogale City	2 608	<p>Provided to registered indigents:</p> <ul style="list-style-type: none"> - 60kl free basic water per month - Free refuse removal - Free basic sanitation - Free burial - Portion of assessment rates - Exemption from
Randfontein	Information not provided	<p>Non – indigent domestic consumers receive</p> <ul style="list-style-type: none"> - Free 6kl of water and free 50 kWh of electricity. <p>Registered Indigents receive:</p> <ul style="list-style-type: none"> - Initiation 100 kl free water - 100 kwh free electricity - Full subsidy for property rates - Full subsidy for sanitation - Full subsidy for refuse removal
Lesedi	Information not provided	<p>For indigents households:</p> <ul style="list-style-type: none"> - 6 kl free water - 500kwh Free electricity - Basic sewer - Refuse removal
Midvaal	Information not provided	Information not provided
Westonaria	2050	<ul style="list-style-type: none"> - 6kl Water per household per month - 50 kwh electricity per household per month - Sanitation – free minimum level of service - Refuse removal - free minimum level of service - debt cancellation - indigent burials
Merafong	Information not provided	Information not provided
Emfuleni	Information not provided	Information not provided

Table 10: Provision of Free Basic Services

2.2.3 Bucket Eradication

Municipalities	Number of households with bucket systems
Lesedi	58
Merafong	10

Table 11: Bucket Eradication

The target date for eradication of the bucket system was 2007 but as noted in the table above, Lesedi and Merafong Local Municipalities are the only two municipalities that reported to have buckets in their jurisdiction. Lesedi reported that the buckets are found on illegally occupied land, which is owned by Eskom.

2.2.4 Households with Access to Roads

None of the municipalities in Gauteng reported on access to roads. They do however report on road projects undertaken. In the main these include:

- Construction on tarred roads
- Maintenance of roads
- Gravel roads upgrade
- Rehabilitation of potholes

Municipalities	2012/2013
	Gravel road infrastructure
City of Joburg	Gravel road infrastructure: 789 km gravel roads graded/maintained 16.99 km gravel roads upgrade to tar 0 km new gravel roads constructed
City of Tshwane	62 km of roads were provided
Ekurhuleni	217 km gravel roads graded/maintained 105 km gravel roads upgraded to tar
Mogale City	181 km gravel roads graded/maintained 6 km gravel roads upgraded to asphalt 6 km new gravel roads constructed
Randfontein	20 km new constructions of gravel
Lesedi	Gravel road infrastructure: 183 km gravel roads graded/maintained 13 km gravel roads upgraded to tar 0 km new gravel roads constructed
Midvaal	Gravel road infrastructure: 565 km gravel roads graded/maintained 1 gravel road upgraded to tar 1 gravel road constructed
Westonaria	Gravel road infrastructure 91 km gravel roads graded/maintained 6 gravel roads upgraded to tar 0 new gravel roads constructed
Merafong	Gravel road infrastructure 131.73 km gravel roads graded/maintained 0.76 km gravel roads upgraded to tar 0 km new gravel roads constructed
Emfuleni	Gravel Road Infrastructure: 215 km of gravel road graded/maintained 14.0 km gravel roads upgraded to asphalt 14 km new gravel roads constructed The numbers in terms of figures has declined compared to the past two financial years

Table 12: Gravel road infrastructure (kms)

2.2.5 Challenges Experienced

- Two municipalities have reported on the existence of buckets which were set for eradication by 2007.
- Municipalities are providing certain services to informal settlements (water, electricity, sanitation, refuse removal). These are provided mainly as free basic services which impacts on the revenue enhancement of municipalities.
- There are challenges around meeting targets set on delivery of services, attributed to shortage of staff and supply chain processes in appointing service providers.
- Infrastructure vandalism such as cable theft affects electricity and water supply resulting in supply interruptions. Theft of storm water covers poses a threat to community safety.
- Ageing infrastructure and maintenance are still a huge challenge; this is related to municipalities' inability/struggles to spend their budgets.
- Quantifying, costing and addressing unaccounted for water and electricity. Most of the municipalities in the province are making some effort or other to address losses.
- While MFMA Circular 63 was developed with the intention of standardising reporting on the Annual Report it is noted that although municipalities have followed the template in compiling reports, the level of detail in the reports still varies. This can be seen in the tables above.
- Under access to roads, the challenges included, inadequate budget, ageing infrastructure and delays in approval of Environmental Impact Assessments by other organs of state.

2.3 Local Economic Development (LED)

2.3.1 Introduction

The purpose of local economic development (LED) is to build the capacity of a local area to improve its economic future and the quality of life for all. LED is implemented by a process through which the public sector, private business and non-governmental partners work collectively to create better conditions for economic growth and employment generation. Strategically planned interventions are a means for strengthening the economic capacity of an area, improving its investment climate and increasing the productivity and competitiveness of local businesses. The ability of a municipality to improve a community's quality of life, create new economic opportunities and fight poverty depends on understanding the forces of economic growth and then acting strategically to maximise their comparative advantage and strengths.

Assistance programmes may promote development in a wide variety of fields – education, health, the environment, and democratic governance – but if the economy fails to develop, efforts in other fields are unlikely to be sustainable. In improving the quality of life for residents within their areas of jurisdiction, it is vital for Gauteng municipalities to bring together resources from within and outside the community to address challenges and promote local economic growth in a systematic and organised manner. According to the *2013 Provincial Economic Review Outlook* Gauteng's contribution to the South Africa's GDP increased from 34.8% in 2003 and is expected to reach 36% in 2016. Gauteng's three metropolitan municipalities contribute almost one third of South Africa's economic output.

2.3.2 Performance of Gauteng Municipalities on LED Core Indicators

This section looked at the performance of municipalities for the financial year 2012/13 around initiatives that drive their local economies and improve people's lives from a local economic front. This assessment manages to give a reflection of LED performance per municipality on specific key focus areas associated with some of the LED commitments identified in municipal growth and development strategies.

Gauteng municipalities' performance is based on the following core indicators:

- LED unit capacity
- LED Capital Budget
- Development of LED strategies and plans
- Functionality of LED Forums
- Municipal plans in stimulating second economy
- Number of SMME supported
- Employment opportunities created through EPWP and PPP
- Challenges Experienced
- Support interventions by National and Provincial Government

2.3.3 Municipal Capacity on Planning and Implementing LED functions through an Effective LED Unit

The table below provides an indication of the composition of LED units in Gauteng municipalities. The table highlights an alarming issue regarding LED vacant posts in Gauteng municipalities. It is concerning that out of four hundred and eighty-eight (488) approved posts, one hundred and eighty-three (183) are vacant. The department's concern is on the high vacancy rate in LED units, as this can result in the non-achievement of targets. This means that municipalities have not been expediting the filling of posts or appointment of suitable personnel in LED units. Based on the above, the department needs to devise support measures for municipalities that will assist them with this challenge, as it has was previously experienced in the 2011/12 financial year.

Names of Municipalities	2010/11		2011/12		2012/13	
	No of posts approved	No of filled posts	No of posts approved	No of filled posts	No of posts approved	No of filled posts
West Rand DM	None	None	None	None	7	7
Merafong LM	None	None	None	8	8	8
Randfontein LM	None	None	None	None	7	5
Mogale	None	None	None	13	26	13
Westonaria LM	None	None	None	1	6	2
Sedibeng DM	None	None	None	5	5	5
Midvaal LM	None	None	1	1	1	1
Lesedi LM	None	None	None	6	6	6
Emfuleni LM	None	None	None	None	22	14
COT	974	689	142	71	210	82
COJ	None	None	None	115	102	95
Ekurhuleni	-	-	-	-	88	67
Total	-	-	-	-	488	305

Table 13: Composition of LED Units in Municipalities

2.3.4 Municipal Budget Spent on LED Related Activities

Municipalities	Capital Project	Actual Expenditure
West Rand DM	500 000	500 000
Merafong LM	15 451 adjustment budget 14 378	7 849
Randfontein LM	1 400 000	1 400 000
Westonaria LM	260 000 adjustment budget to 326 000	378 000
Mogale LM	22 070 000 adjustment budget 28 646 630	24 636 539
Sedibeng DM	0	0
Midvaal LM	0	0
Lesedi LM	0	0
Emfuleni LM	No budget allocated	0
City of Tshwane MM	0	0
City of Johannesburg MM	4 471 000 adjustment budget to 514 000	248000
Ekurhuleni MM	55 038 adjustment budget 52 372	51 948

Table 14: Municipal Capital Expenditure: Economic Development Services

In improving the standard of living of people within the communities and the improvement of wealth for increased well-being of the citizens within Gauteng province, municipalities need to implement plans to stimulate inclusive growth. The challenge experienced is that the majority of municipalities have not internalised the significance of their budgets to stimulate economic growth in their areas. The table above provides a clear indication in spending pattern of municipalities on LED project. The department appreciates the efforts of those municipalities who managed to join hands with its partners to develop comprehensive initiatives to raise the range of growth to higher levels regardless of limited budget.

The following are the highlights of the province:

- There was no capital budget allocated for LED function in Emfuleni LM and Sedibeng DM for the financial year 2012/13. However Emfuleni LM managed to achieve the following:
 - Allocated informal trading stalls in Vereeniging and Vanderbijlpark
 - Erected 10 informal trading stalls in Vereeniging
 - Issued advertising permits for advertising within the council and private land
 - Managed to form LED sector forum
 - 64 exhibitors attended the first wedding EXPO hosted in a township
- Westonaria LM reported limited budget on LED implementation plan was approved. However good progress was reported where a pre-feasibility business plan was developed and submitted for funding assistance.

The department takes pride in the progress made by municipalities and is aware of challenges faced by municipalities in reporting under LED as many of the economic plans and ideas did not materialise.

2.3.5 Existence of LED Strategies and Plans

Local Economic Development (LED) strategies are at the centre of efforts by municipalities to create economic growth and development. It is an absolutely vital tool at the disposal of all municipalities and has the potential to radically improve the lives of all municipal constituents by enabling growth and reducing poverty. There are challenges and obstacles that municipalities need to overcome in implementing such a comprehensive strategy – from local political conditions to the impact of globalisation. In essence, the aim of an effective LED strategy is to reduce the impact of factors that adversely affect local economic growth – such as the rapid increase in urbanisation (which affects all municipalities in some way), as well as global economic ruptures, such as the financial crisis which had a significant impact during the year under review. In order to mitigate these risks, LED requires absolute commitment from the various stakeholders involved in its development and implementation.

Names of Municipalities	2012/13	
	LED Strategy	Reasons for no strategy in place
West Rand DM	Yes	
Merafong LM	Yes	
Mogale	Yes	
Randfontein LM	No	No reason provided
Westonaria LM	No	LED Economic development plan was revised. LED strategy will be developed during 2013/14 Financial Year
Sedibeng DM	Yes	
Midvaal LM	Yes	
Lesedi LM	No	
Emfuleni LM	No	The 2012/13 target to develop the LED strategy was not met.
City of Tshwane MM	Yes	
City of Johannesburg MM	Yes	
Ekurhuleni MM	Yes	

Table 15: Status of LED strategies and plans

The table above provides a picture of which Gauteng municipalities managed to develop LED strategies and plans. In 2012/13 eight (8) out of twelve (12) municipalities developed LED strategies. Both Emfuleni LM and Westonaria LM planned to develop LED strategies, however the target was not met. An indication is that the strategy will be developed in the next financial year 2013/14. However good progress is reported by Emfuleni LM, where the Agricultural strategy was developed. Mogale's LED strategy has identified sectors with huge potential for economic growth. These sectors include Agriculture, Construction, and Trade.

West Rand DM LED strategy has also identified some key development thrusts which are:

- Expansion of agricultural sector
- Industrial and beneficiation development
- Waste recycling and processing
- SMME development and command centre
- Human resource development and
- Tourism Development
- Other strategies developed by WRD are growth development strategy, regional tourism strategy, marketing and investment strategy, economic development plan and industrial strategy

It is worth noting that municipalities have developed implementation plans for their LED strategies to promote the economic upliftment of their communities. However the implementation of these plans is at risk due to a lack of planning resources and capacity in some municipalities. Municipalities are encouraged to ensure the implementation of their plans within their limited resources. Having a LED plan does not automatically mean that LED will occur.

2.3.6 Functionality of LED Stakeholder Forums

LED development is also not a once-off process. Municipal LEDs strategies need to be continually revised, with comprehensive reviews taking place at least once every five years. In order for this oversight role to be effective, LED Forums were established and Gauteng municipalities fully participated. The main reason for establishing such a forum is to expand the scale and scope of LED initiatives, by systematically leveraging support from partners in localities. This will then lead to interactions within local communities, private sector, organised businesses, sector development organisations, educational institutions and other support institutions that are rich in expertise, resources, relational capital and networks. The LED Forum provided the opportunity for regions to achieve enhanced cooperation through the participation of various institutions and contributed towards the economic development of the region in such a way that all parties will benefit.

In the Gauteng province the stakeholder forums operate within the sphere of organised local government under the auspices of the South African Local Government Association (SALGA), District municipalities and municipal departments where policy and programmatic schedules are determined. Provincial IGR Technical Teams are held on a quarterly basis, which also includes economic planning. Participation of Gauteng Municipalities in the forum promoted integrated planning and budgeting in realising alignment with the district, provincial and national policy directives. Based on the above, there is an indication that LED forums are functional within Gauteng province.

The following are the highlights of the province:

- The LED section of Midvaal LM played an important role in promoting IGR and developing opportunities for local SMME's. The section developed a marketing brochure that will be used to attract investors to its area. The LED Officer provides an important liaison function between stakeholders, community and the municipality.

- West Rand DM formalised LED forum is functioning well at a district level where there is a yearly programme schedule for monthly meeting. The region enjoys the advantage of having the executive mayor as the Deputy Chairperson of SALGA, which then puts the region in a better position to influence SALGA in strategic issues that are of interest to the region and South Africa as a whole. Good progress is also reported where there have been engagement with stakeholders such as National Department of Rural Development and Land affairs, provincial department of agriculture and rural development to improve the coordination of Comprehensive Rural Development Programme (CRDP).
- There was no budget allocated for LED function in Emfuleni LM for the financial year 2012/13. However the municipality managed to form a LED sector forum.
- City of Tshwane MM conducted stakeholder engagements with business and labour on strategic issues that could assist in improving the business environment. For example the initiative in sharing of business information of upcoming trade mission, hosting a co-operatives summit and establishing partnership with critical stakeholders in developing a knowledge economy in the city and Creating an enabling environment for informal traders.
- Sedibeng DM, in direct liaison with all stakeholders (including its local municipalities), has set up plans to significantly increase the number of EPWP beneficiaries.

2.3.7 Municipal Plans to Stimulate Second Economy

Gauteng municipalities recognise the importance of the second economy. Effective strategies were developed to expand public employment programmes (EPWP) and National Youth Programme(NYP), facilitating the delivery of more jobs and better jobs and improving the incomes earned by small and marginalised producers. However different funding arrangements are needed in achieving the greater impacts. The majority of municipalities included the role of informal economy in their local economic strategies and integrated development planning through direct consultations with all stakeholders. Some municipalities developed local economic development friendly policies and by-laws or guidelines for the informal economy.

The following are the initiatives to promote second economy by Gauteng municipalities:

- City of Johannesburg supported three thousand nine hundred and sixty-seven (3 967) SMMEs through SMME development programmes. This support included assisting informal traders to obtain trading licences, and mentoring twenty-one (21) SMMEs for a full calendar year in partnership with the Gauteng Enterprise Propeller.
- City of Tshwane refurbished trading stalls for Mamelodi informal traders as part of ensuring their business grow progressively. The City also conducted stakeholder engagements with business and labour on strategic issues that could assist in improving the business environment including the informal traders.
- Midvaal LM recognised the importance of the second economy. Formal employment opportunities in the first economy are continually being provided along the R59 corridor as this is where the most of the new commercial and industrial developments are being established.

- Lesedi LM recognised the importance of informal traders. An informal trader's policy is at the advanced stage and will culminate into a bylaw in ensuring that traders are properly regulated. The municipality also provided sixteen (16) stalls to informal traders in Heidelberg CBD. During the budget adjustment R1.6 million was allocated for informal trader's infrastructure.
- Emfuleni LM also supported and regulated the informal economy. Ten (10) informal trading stalls were built and two hundred and twenty-eight (228) informal trading permits were issued.
- Merafong LM has constructed informal trading area in the Carletonville CBD for the purpose of formalising the informal traders and improved access to markets in the CBD. A total sixty (60) business units provided a retail space of which twelve (12) are designed for food vendors. The food stalls fully comply with health requirements and are equipped with gas stoves. It is anticipated that this project will create one hundred and eighty (180) sustainable jobs. The municipality also provided full time security to ensure the safety of the vendors.
- Sedibeng DM reported on turnaround strategy for the Vereeniging Fresh Produce Market to increase access of produce by local farmers 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.
- Ekurhuleni Metro has developed a five (5) year programme specifically for the second economy.

2.3.8 SMMEs Supported by Gauteng Municipalities

SMMEs are recognised worldwide for their potential to generate jobs opportunities. The great challenge that impedes these enterprises from discharging their fundamental responsibility lies in the lack of relevant technical, financial and business skills. In order to address these challenges, the West Rand DM developed a number of sector-specific training programmes. The training targeted businesses from the entire region and also provided business management skills.

City of Johannesburg supported three thousand nine hundred and sixty-seven (3 967) SMMEs through SMME development programmes.

Lesedi LM failed to meet its annual target of training twenty (20) SMMEs through the Plato initiative. The reason for non-achievement was not provided. In improving its support role to SMMEs the municipality managed to align various policies that have been adopted with the job creation imperatives. The supply chain management policy is being fine-tuned to make emphasis on enterprise development through the development of enterprise policy.

West Rand DM LED section took an initiative for training and building capacity of SMMEs. This assisted emerging business to position themselves properly to be able to confront challenges posed by their environment. These training programmes assisted some SMMEs to acquire contracts from municipalities and other Government departments.

SMMEs are limited at **Westonaria LM**. The employment in the WLM is mainly provided by the mines that operate within the West Rand Region (Goldfields South Deep mine, Gold One International limited and Sibanye mine).

Merafong LM has identified economic opportunities for SMMEs in the tourism sectors and the provision of goods and services required by government, business and industry.

Through the Township Economies Development Programme, the **Ekurhuleni MM** established eight (8) Township Business Hubs in different sectors within the region. These hubs/facilities are used to house SMMEs, and co-operatives in manufacturing and agro-processing.

The table below provides a total number of SMMEs supported by Gauteng municipalities for the 2012/13 financial year. Gauteng municipalities supported five thousand two hundred and forty-one (5241) SMMEs.

Names of Municipalities	SMME supported	
	Planned target	Actual
West Rand DM	70	51
Merafong LM	0	742
Randfontein LM	0	0
Westonaria LM	0	0
Mogale	0	181
Sedibeng DM	0	0
Midvaal LM	0	0
Lesedi LM	20	0
Emfuleni LM	0	0
City of Tshwane	0	0
City of Johannesburg	750	3 967
Ekurhuleni	300	300
Total	1140	5241

Table 16: Number of SMME supported

2.3.9 Employment Opportunities through Expanded Public Works Programme (EPWP) and Public Private Partnerships (PPP)

Names of Municipalities	2010/11			2011/12			2012/13		
	EPWP	CWP	LED INITIATIVES	EPWP	CWP	LED INITIATIVES	EPWP	CWP	LED INITIATIVES
West Rand DM	None	None	None	None	None	None	None	None	293
Merafong LM	1,910	2,300	56	3,125	2,120	8	1793	2181	603
Randfontein LM	None	none	None	None	None	None	15		60
Westonaria LM	None	None	None	512	None	400	816	None	936
Mogale LM	411	None	None	564	None	None	1 144	None	None
Sedibeng DM	None	None	None	None	None	None	121	None	None
Midvaal LM	85	None	None	60	None	22	93	None	812
Lesedi LM	None	None	None	None	None	None	179	None	774
Emfuleni LM	None	None	None	None	None	None	164	925	None
City of Tshwane	None	None	None	19001	None	2658	20 386	None	1505
City of Johannesburg	86711	None	None	30 732	None		36 588	None	1949
Ekurhuleni	None	None	None	None	None	None	522	None	791
Total							61 821	3106	7723

Table 17: Number of employment opportunities created in Gauteng Province

Gauteng municipalities have recognised that unemployment is at the heart of poverty. Although social grants play a vital role, employment creation is the key to breaking the cycle of poverty in a sustainable way. Successful private enterprises create wealth, jobs and improved living standards in local communities. Private enterprises, however, depend on favourable local business conditions to achieve prosperity. Local governments in Gauteng play an essential role in creating favourable environments for business success and job creation. LED thus is a partnership between local government, business and community interests.

The purpose of the table above is to demonstrate the extent to which municipalities contributed towards creating jobs through the implementation of capital projects, as well as their own LED initiatives. Municipalities only reported on the job opportunities through EPWP, CPW and LED initiatives. The metros are the ones that attempted to report on jobs created through Public Private Partnerships, the progress made is reported under LED initiatives on the table above.

The EPWP Projects, in support of the outcome, “Decent employment and inclusive economic growth”, aim to reduce unemployment and alleviate poverty by creating on-the-job training. Sixty-one thousand eight hundred and twenty-one (61 821) job opportunities were created by GPG municipalities. An additional seven thousand seven hundred and twenty-three (7723) jobs were created through LED initiatives.

The following is progress made and challenges encountered by Gauteng municipalities in creating jobs:

- City of Johannesburg created thirty-six five hundred and eighty-eight (36 588) work opportunities (against an annual target of thirty-five thousand (35 000), thereby exceeding its target by one thousand five hundred and eighty-eight (1588) work opportunities
- City of Johannesburg has unemployment levels that are below the average rate of unemployment in South African metropolitan cities, the City places particular emphasis on job creation to further reduce unemployment. Unemployment statistics in Johannesburg were recorded at approximately 25% in 2011, down from 29.6% in 2001. The Department of Economic Development (DED) is the 'command centre' for economic growth in the City, working proactively in collaboration with other key stakeholders such as the private sector, civil society, other City Departments, Municipal Entities (MEs), and other spheres of Government. At the same time it capitalises on the City's own economic levers such as City-owned assets and other indirect instruments to leverage and stimulate both local and foreign investment.
- By the end of the financial year under review, the City of Johannesburg had facilitated a total of seven hundred and ninety-four (794) job placements in the Tourism sector alone.
- City of Tshwane facilitated R2 billion worth of private sector investment against the planned target of R1 billion. One thousand five hundred and five (1505) jobs were created through investments in the City (against planned target of one thousand five hundred (1500)).
- The highest share in employment for Randfontein is manning and quarrying (17%) and an unemployment rate of 28.5%.
- The agreement between Midvaal LM and Savannah City will be concluded during August 2013 and many job opportunities will present itself during 2013/2014 financial year.
- No public private partnership were established by Lesedi LM ,Westonaria LM, Randfontein LM Midvaal LM, Merafong, Emfuleni LM and Ekurhuleni MM.
- West Rand DM developed plans to engage the senior managers of new mining houses operating in the region and also have project implemented in line with the mining charter .This has potential to create the much needed jobs in the region. Currently mining is the lowest sector in contributing to West Rand economy (13%).
- The communities within the Sedibeng region have enjoyed significant benefits emanating from the mega investments injected in the region (The R1 billion investment by BHP Billiton at SAMANCOR Metalloys Plant, the R3.7 billion towards the Regional Sanitation Scheme and R380 million to set up DCD Ring-rollers plant).
- Sedibeng District has also facilitated investment between some of investors and its local municipalities to ease the process of application and approval turnaround time.
- Ekurhuleni MM was allocated an R14.382 million EPWP incentive grant for the 2012/13 financial year by the National Department of Public Works. 98% of the grant was spent by the end of June and more than two hundred (200) work opportunities were created through the grant.
- Ekurhuleni MM conducted a three (3) days Job Summit & Career Exhibition in June 2013 during Youth Month. Twelve thousand (12 000) unemployed youth registered their CVs and interacted with exhibitors and potential employers. The CVs were used for departmental job readiness and other related employment creation programmes. The recruitment and placement of one hundred and fifty (150) youth was finalised in April 2013 and a two-day induction was conducted. This also increased the public investment and large-scale private investments to R16 billion.

- Midvaal LM has enhanced the implementation of the Community Works Programme through a good working relationship between the LED unit, ward councillors, committees and the local implementing agent.
- Sedibeng DM noted that it has underperformed in this area, as the EPWP projects provide more opportunities than what was explored.

2.3.10 Challenges Experienced

- The non-achievement of targets in this area raises a concern in relation to the implementation of the LED strategies. Though the potential economic activities contained sensible ideas, the actual potential for development was never fully explored and many of the economic plans and ideas did not materialise. If this trend continues it will have serious implications of the economic growth potential for municipalities
- In this respect, it is essential for municipal LED strategies to also incorporate a sound implementation plan which clearly defined goals and outcomes as well as realistic time frames
- Some municipalities implementation plans are not realistic, actionable and also not strongly linked to the current available resources pools
- The reporting generally on LED also requires attention so that it can be improved. The provision of certain services was not linked to potential economic opportunities in the areas where they reside.
- The majority of municipality have not displayed the relationship of their programmes in this KPA with neighbouring municipalities, especially metropolitan municipalities.
- Some municipalities have not internalised the significance of their budgets to stimulate economic growth in their areas.
- The limited budget for the implementation of LED plans still remains a challenge.
- Employment in the mining sector has been declining. Despite not doing well, the agricultural sector has huge potential, and most municipalities' plans are focussing on this sector to create jobs.
- Access to information is one of the key challenges facing SMMEs in Mogale LM.
- Unemployment remains a challenge in the West Rand region, especially because of the decline in the mining sector that has traditionally created more jobs. The unemployment rate has increased from 41.5% in 2001 to 49.9% in 2011. The continuous retrenchment in the mining sector would have a fair share of the contribution to unemployment rate. Tourism and agriculture are also two sectors in which the region has a comparative advantage and there is therefore a concerted effort to take advantage of the opportunities that exist, thereby creating more jobs.
- Although the purpose of Circular 63 was to standardise reporting, not all municipalities reported accordingly under LED.

2.3.11 Support Interventions by National and Provincial Government

The following are the support intervention by government department. Based on the challenge highlighted above there still a need to enhance support to municipalities on LED:

- The DED facilitated funding to support the Soweto Energy SMME Incubator to the value of R27 million from the Eskom Foundation and the Department of Trade and Industry.
- Emfuleni LM has formed partnership with the following organization, AGRISETA, SEDA, Industrial Corporation, Tourism Enterprise Partnership (TEP) and the Gauteng Provincial Department of Rural Development and Land Reform to assist in creating employment opportunities (between there hundred (300) to four hundred (400) opportunities).
- Emfuleni LM engaged the Gauteng Provincial DED to assist in the development of a LED strategy.
- The Sedibeng DM, in conjunction with Gauteng Provincial Department of Agriculture and Rural Development, have donated nine (9) tractors, two (2) trailers and thirty-eight (38) items of farming equipment to small-scale and emerging farmers, in order for them to access mechanisation to improve production methods, to increase the size of the land to be worked on and to improve the turnaround time in production processes.
- Gauteng COGTA provided training on LED. The programme was a result of general observation that district and local municipalities struggle with LED capacity both in terms of human resource but also, most importantly technical knowledge of the field.

2.4 Public Participation and Good Governance

2.4.1 Introduction

Good governance according to the democratic principles is achieved through effective public participation. Not only does public participation allow constituents to monitor the governance record of its elected officials, but it also encourages the public to take an active interest in the performance of their municipality and region. It is only through broad public participation that citizens will recognise that their interests are taken to heart – especially the needs of the most vulnerable members of society. This allows all citizens to be heard in determining the political, social and economic priorities through the establishment of a broad societal consensus that includes civil society, government and the private sector. Active ward-based plans and consultative forums are central structures through which public participation and, ultimately, good governance can be achieved.

This means that municipalities must be enabled to perform their duties in order to ensure the implementation of good governance practices and public participation. Section 151 of Chapter 7 of the South African Constitution gives each municipality the right to govern the local government affairs of its community on its own initiative, subject to national and provincial legislation. Additionally, the by-laws of municipal councils are legislative acts that are not reviewable in terms of administrative law.

2.4.2 Objectives of the KPA

Community participation alone is not sufficient in ensuring that good governance practices are adopted. Institutional integrity is of equal importance and individual municipalities should ensure that its Finance Committee, Audit Committee, Council and sub-committees are fully functional. This should be done through the adoption of effective by-laws and policies that entrench the effective performance of all aspects of municipal governance. As such, this chapter will analyse various indicators related to good governance and public participation in order to determine the extent to which municipalities in the provinces have succeeded in implementing these strategies.

According to the MFMA Annual Report Circular 63, “to ensure accountability and governance arrangements are in place, Section 121(2) (c) of the MFMA supports the requirements of Section 18(1) (d) of the MSA: Information on matters of governance should be communicated to communities. This should, according to Sections 65(1) (a) of the MFMA and 46 of the MSA undertaken through the compilation and publication of the Annual Report including related reports in this instance”. The purpose of such reports is to promote accountability to communities for decisions taken by the Council and matters relating to administrative structures, throughout a financial year including quarterly and midyear reporting in this instance. Nine (9) major characteristics should be applied within the political and administrative structures of a municipality/municipal entity to ensure good governance, and these should also find expression in municipal reports:

Characteristics	
Public Participation:	Participation could be either direct or through legitimate intermediate institution or representatives
Rule of law:	Good governance requires legal frameworks that are enforced impartially
Transparency:	Transparency means that stakeholders are provided with information on why decisions were made that directly affect them
Responsiveness:	Good governance requires that institutions and processes try to serve all stakeholders with a responsible timeframe
Consensus oriented:	Good governance requires mediation of the different interests in society to reach a broad consensus in society on what is in the best interest of the whole community and how this can be achieved
Equity and inclusiveness:	Society's wellbeing depends on ensuring that all its members feel that they have a stake in it and do not feel excluded from the mainstream of society. This requires all groups to have opportunities to improve or maintain their well-being
Effectiveness and efficiency:	Good governance means that processes and institutions produce results that meet the needs of society while making the best use of resources at their disposal
Accountability:	Accountability is a key requirement of good governance. Accountability cannot be enforced without transparency and the rule of law
Sustainability:	Sustainability is the capacity to endure, how systems remain diverse and productive over time. It is the potential for long-term improvements, which in turn also depends on the responsible use of natural resources

With the above requirements in mind, information included in this chapter should be divided into the following sections:

Component A: Governance Structures	<ul style="list-style-type: none"> • Political Governance Structure • Administrative Governance Structure
Component B: Intergovernmental Relations	<ul style="list-style-type: none"> • Intergovernmental Relations
Component C: Public Accountability and Participation	<ul style="list-style-type: none"> • Public Meetings • IDP Participation and Alignment
Component D: Corporate Governance	<ul style="list-style-type: none"> • Risk Management • Anti-corruption and fraud • Supply Chain Management • By-laws • Websites • Public Satisfaction on Municipal Services • All municipal oversight committees

2.4.3 Performance of Municipalities on the Core Indicators

2.4.3.1 Establishment and Functionality of Ward Committees

Ward committees are an institutional foundation aimed at strengthening and deepening local democracy. In addition, this governance structure promotes community development through infrastructural development and service delivery to the historically disadvantaged communities. The ward participatory system is therefore a mechanism to bring government closer to the people, where community needs and priorities would be understood, the ward committee system would by its nature enable government to improve its effectiveness on the delivery of services to the people. In each ward

a committee of ten people representing different sectors of civil society has to be elected to work with the ward councillor. This system of governance requires a committed political leadership that is willing to work with communities. The ward committee members are expected to assist councillors to:

- Understand and prioritise community needs.
- Communicate municipal issues to communities.
- Mobilise communities to participate in municipal IDPs and service delivery.

Gauteng municipalities continued to ensure the establishment of ward committees every financial year for proper service delivery to communities. In the 2010/11 financial year, a total of four hundred and sixty-six (466) ward committees were established. In the 2011/12 financial year, there were four hundred and twenty-eight (428) ward committees; this was a decrease of 38 (8.8%) when compared to the 2010/11 financial year. The year under review saw a decrease of 72 (14.7%) of ward committees. The merger of municipalities contributed to the decrease of wards in some municipalities (locals) and an increase in metropolitan municipalities due to increased population.

It must be mentioned that all ward committee members in the province were democratically elected. According to reports received from municipalities (in-year reports: quarterly reports), four hundred and seventy-seven (477) (95%) municipal ward committees were reported to be functional, evident to this is the maximum participation of members on Mayoral, Ministerial and IDP consultations. The below table shows progress made on the establishment of Ward Committees:

Names of Municipalities	2010/2011			2011/2012			2012/2013		
	No. of established Ward Committees	No. of functional Ward Committees	% of functional Ward Committees	No. of established Ward Committees	No. of functional Ward Committees	% of functional Ward Committees	No. of established Ward Committees	No. of functional Ward Committees	% of functional Ward Committees
COT	109	98	90%	109	98	90%	130	127	98%
COT	96	73	96%	76	73	97%	105	102	97%
Ekurhuleni	88	85	97%	88	85	98%	101	99	99%
Emfuleni	43	38	90%	43	38	90%	45	41	92%
Midvaal	9	9	100%	9	9	100%	9	9	100%
Lesedi	11	7	63%	11	7	64%	12	11	92%
Mogale	32	16	50%	32	16	53%	34	28	82%
Randfontein	19	13	70%	19	13	73%	22	19	90%
Merafong	26	16	60%	26	16	83%	28	27	99%
Westonaria	15	16	70%	15	12	80%	16	14	90%
Kungwini	9	11	42%	Municipalities were merged with the City of Tshwane					
Nokeng Tsa Taemane	9	4	45%						
Total	466	386	83%	428	367	86%	502	477	95%

Table 18: Establishment of Ward Committees

2.4.3.2 Existence of an Effective System of Monitoring Community Development Workers (CDWs)

The Community Development Workers (CDWs) programme was a presidential project announced by former President Mbeki in his State of the Nation Address in February 2003 and then launched in 2004. It involves the deployment of CDWs in wards within municipalities to assist in strengthening the democratic social contract, advocating an organised voice for the poor and the improvement of social networks between government and the community.

Community Development Workers (CDWs) serve as a channel for the provision of integrated information on government services for communities. They provide this by ensuring that community issues are taken forward at all levels of government. CDWs play an important role in providing linkages

between local communities and government services. These are officials who have vast grassroots knowledge about local conditions and serve as a valuable resource to ensure effective service delivery.

Communities, especially those in impoverished areas, are often unaware of their basic minimum service rights related to grant applications, service cuts and school enrolments. Thus CDWs play a crucial role in this regard. One of their main duties is to inform local communities about government services, thereby assisting with clearing service delivery backlogs. These officials form an important communication link between government and communities; they mobilise communities to become active participants in government programmes. The table below shows the total number of deployed CDWs in Gauteng province between 2010/11 and 2012/13 financial years:

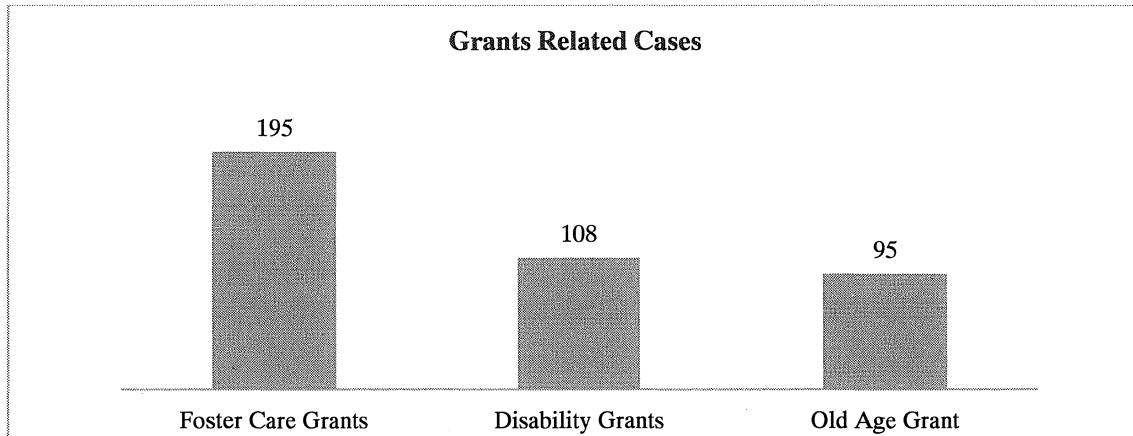
Municipalities	2010/2011	2011/2012	2012/2013
	No of CDWs deployed to wards	No of CDWs deployed to wards	No of CDWs deployed to wards
City of Johannesburg	110	100	100
City of Tshwane	113	111	103
Ekurhuleni	90	90	89
Mogale City	30	30	29
Randfontein	17	16	14
Lesedi	11	10	10
Midvaal	8	7	7
Westonaria	19	19	19
Merafong	22	21	21
Emfuleni	17	17	17
Total	437	421	409

Table 19: Deployment of Community Development Workers

By the end of the 2012/13 financial year, there were four hundred and nine (409) remaining CDW officials across Gauteng municipalities. The number of CDWs was on a decrease between the 2010/11 and 2012/13 financial years. It must be noted that during the 2010/11 financial year the Province was at four hundred and thirty-seven (437) CDWs, the number decreased by sixteen (16) (3.8%) by 2011/12 and was reduced to four hundred and nine (409), a reduction of twelve (12) (2.9%) by 2012/13. It is important to note is that the reduction of CDWs has mainly been due to deaths and not resignations, the situation left staff shortages in various wards.

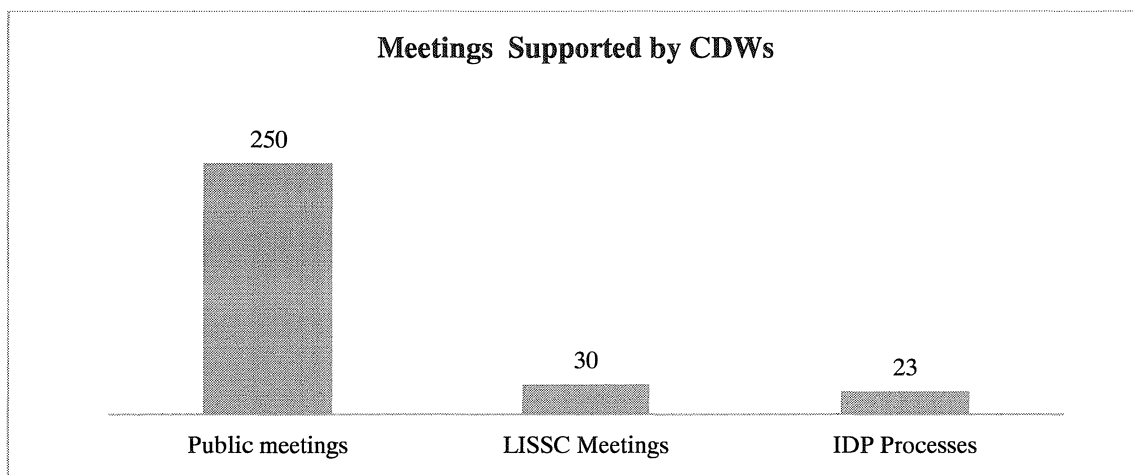
Services provided by CDWs included the identification of cases (through door-to-door visits) and referring them to relevant government departments, and mobilised communities to participate in decisions that affect them. By the end of 2012/13 financial year, CDW officials managed to have dealt with twelve thousand two hundred and twenty-nine (12 229) and one thousand five hundred and twenty-two (1 522) or 12.4% thereof were social development related: three hundred and ninety-eight (398) were related to grants, and one hundred one hundred and twenty-four (1 124) households were

assisted to access food parcels. The following graph provides a breakdown of grants related cases that have been attended to:



Graph 1: Grants related cases attended to

The CDW program also mobilised communities to participate in a number of meetings where service delivery and developmental issues were discussed. The graph below indicates the number of meetings attended by members of the public during 2012/13 financial year:



Graph 2: Meetings attended by members of the public in the 2012/13 FY

2.4.4 Existence of an Effective Intergovernmental Relations (IGR) Strategy

Within the South African context, Intergovernmental Relations (IGR) is concerned with the interaction between different spheres of government (National, Provincial and Local). These spheres are distinctive, interdependent and interrelated. According to the Constitution, Act, No.108 of 1996, Section 41(2), Parliament must establish structures and institutions that will promote and facilitate IGR, and provide appropriate mechanisms and procedures to facilitate the settlement of intergovernmental disputes. The primary location of Intergovernmental Relation system is therefore located within the Department of traditional affairs, Cabinet Governance and Administration Clusters. Based on these National and Provincial departments are responsible for various programs and policy interventions geared towards predictability, stability and institutionalization of the Intergovernmental Relations system.

2.4.4.1 Establishment of IGR Units

In the 2011/12 financial year, the Department audited the state of IGR in the province. The audit found that the three metropolitan areas, Sedibeng District and Mogale City had fully functional IGR offices, whereas the remaining municipalities had no dedicated capacity to manage the IGR function. The implementation of IGR work on an ad hoc basis weakened the institutionalisation of IGR, which is contrary to the prescripts of the IGR Framework Act. The Department encouraged municipalities to dedicate one staff member to coordinate IGR in each municipality. In the year under review, all municipalities complied by ensuring that IGR was captured in the performance agreement of at least one staff member.

2.4.4.2 IGR strategies

IGR strategies are imperative in realising the objectives of local government in the province as it facilitates the management of municipal IGR. At this stage all metropolitan areas in Gauteng had IGR strategies and during the 2012/13 financial year the Department assisted District municipalities and their constituent local municipalities to develop IGR strategies. Metropolitan municipalities' IGR strategies were effective but they were being reviewed to close the gaps that have been identified during implementation of the strategies. The IGR strategies supported by the department included the following elements:

- Objective Goals and Intent of the Municipal IGR project
- Established Municipal IGR Structures and the relationship and interaction with provincial IGR structures
- Established Provincial IGR Structures and how municipalities relate to these structures
- Municipal IGR Monitoring Framework
- Capacity and financial framework to support the municipal IGR programme.

2.4.4.3 Establishment of IGR forums

It is mandatory for municipalities to have IGR forums. Some of the forums are formal while others are informal. These forums are geared at facilitating service delivery between different spheres of government. All municipalities in Gauteng have formal and informal IGR structures with examples of informal forums being Chief Financial Officers, Municipal Managers, Speakers forums etc.

In March 2011, the Provincial Executive Committee required sector departments to establish MECMMC forums. Resolutions resulting from the MECMMC forums were tracked and their implementation was monitored by the Office of the Premier. In 2012/13, the MEC for Human Settlements and Local Government established the MECMMC forum. In this period, the terms of reference were presented to municipalities for consideration and four quarterly meetings were held and reported to the Executive Committee for endorsement. The following themes were discussed in the MECMMC Forum for Human Settlements and Local Government:

- Mixed Housing Development
- Reports on the Sedibeng Regional Sewer Scheme
- Quarterly Progress report on MIG spending
- The Single Tier System of Governance
- The implementation of the Government Debtor's Strategy
- Basic Training Needs for municipalities
- The Accreditation Process
- Gauteng Strategy and Implementation Plan for Human Settlements
- Presentation of Key EXCO Lekgotla Decisions

2.4.5 Traditional Leadership

2.4.5.1 Traditional Leadership and Governance Framework Act 41 of 2009: This act provides for the recognition of traditional communities, and the establishment and recognition of traditional councils. It provides a statutory framework for leadership positions within the institutions of traditional leadership, the functions and roles of traditional leaders, removal from office of traditional leaders and the establishment of the commission on traditional leadership dispute and claims.

2.4.5.2 Initiation Schools

In the 2006/7 year the Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities (CRL rights commission), the Human Rights Commission (HRC) and the National House of Traditional Leaders (NHTL) conducted numerous public hearings aimed at addressing the problems around male initiation in South Africa. A report entitled *Public Hearings on Male Initiation Schools in South Africa 2010* was prepared and published for institutions to take note of and to at least have baseline information on the initiation challenges facing government and also provided direction on the actions needed to be taken.

Initiation is defined as a “respected practice used as a rite of passage to adulthood by traditional communities, revered as a religious, secret and sacred practice aimed at building better persons, it enshrines cultural, community and family values”. Initiation has been practiced by many African communities and for many reasons, the South African Government is obliged to protect, promote and ensure preservation of male and female initiation in line with traditional practices and customs. It is believed that through initiation children are taught life skills that would assist in making responsible and accountable communities.

The initiation practice has brought about various illegal activities ranging from the ill-treatment of initiates, intimidations, kidnappings, abductions, violence, to the illegal occupation of land for the erection of initiation sites. Based on these, the Gauteng Provincial government has the responsibility to ensure acceptable customary practices of initiations by ensuring that applicable customs are adhered to and accountability is restored.

Attempting to reduce deaths, abduction of initiates (apparently peers are paid for recruiting and abducting possible initiates); illegal initiation schools and intimidation (Initiates released from illegal initiation schools are intimidated with violence), awareness campaigns and workshops were conducted in the Sedibeng Region, Westrand and the City of Tshwane. Stakeholders who attended these workshops include: 120 initiation school principals, local tribal chiefs, department of education, primary health care personnel, Metro police and the South African Police Services.

2.4.6 Number of Mayoral Imbizos Held

Public Participation

The principle of public participation holds that those who are affected by a decision have a right to be involved in the decision-making process. Public participation implies that the public's contribution will influence developmental decisions. The national government views public participation as a means of empowerment and as an important element of democratic governance. It is against this background that public participation is encouraged within municipalities. Gauteng Province municipalities therefore established public participation steering committees and partnered with citizen movements. The Merafong, Randfontein and Lesedi municipalities developed and implemented stakeholder consultation plans. During the 2010/11 and 2012/13 financial years, Gauteng municipalities engaged with communities through Mayoral, MEC and Ministerial imbizos. It is important to mention that municipalities explored and used other forms of communicating their plans and progress to communities, through the distribution of newsletters and publishing on municipal websites. The table below illustrates the forms of engagements with members of the public.

Municipalities	2010/2011			2011/2012			2012/2013	
	No of Imbizos	Challenges	Resolutions	No of Imbizos	Challenges	Resolutions	No of Imbizos	Challenges
City of Johannesburg	0	None	None	1 Mayoral	None	None	1 Mayoral, 4 MEC, 1 Ministerial	CDWs only mobilise the community
City of Tshwane	0	None	None	1 MEC	None	None	2 Mayoral, 2 MEC	CDWs only mobilise the community
Ekurhuleni	1 Mayoral	None	None	7 Mayoral, 3 Presidential, 1 MEC	None	None	5 Mayoral, 5 MECs, 1 Ministerial	CDWs only mobilise the community
Mogale City	0	None	None	1 Presidential	None	None	0	CDWs only mobilise the community
Randfontein	0	None	None	0	None	None	1 Mayoral,	CDWs only mobilise the community
Lesedi	0	None	None	0	None	None	0	CDWs only mobilise the community
Midvaal	0	None	None	0	None	None	0	CDWs only mobilise the community
Westonaria	0	None	None	0	None	None	1 Mayoral, 2 MECs	CDWs only mobilise the community
Merafong	0	None	None	0	None	None	3 Mayoral	CDWs only mobilise the community
Emfuleni	1 MEC	None	None	0	None	None	0	CDWs only mobilise the community
Total	2			14			28	

Table 20: Presidential and Ministerial Imbizos

2.4.7 Functional Audit Committees: Assessment of Internal Audit units in municipalities

All municipalities have an internal audit unit with approved Internal Audit Charters except for the Westonaria local municipality (LM) which is sharing the function with Mogale City LM. The Sedibeng district municipality (DM), Midvaal and Lesedi LM are the only municipalities that have outsourced the internal audit unit. These municipalities entered into contracts with auditing firms with high profile auditing experience. On a quarterly basis, the internal audit functions are represented to the municipalities and other relevant stakeholders where their findings are deliberated on. All the functions of these internal audit units are documented in the internal audit charter which defines their scope of roles and responsibilities. Eleven (11) municipalities have risk-based audit plans with the exception of Westonaria LM. The skills and qualifications of the established internal audit units cover all the required/necessary disciplines in finance, risk management, performance management, engineering sciences and public and private sector administration. The table below reflects the status of Internal Audit units within Gauteng municipalities:

Municipality	IA unit established	IA Charter approved	Risk based-plan in place	Outsource d/ In-house	IA Manager / CAE appointed	Qualifications meet the required criteria
CoJ	Yes	Yes	Yes	In-house	Yes	Yes
Ekurhuleni	Yes	Yes	Yes	In-house	Yes	Yes
Tshwane	Yes	Yes	Yes	In-house	Yes	Yes
West Rand	Yes	Yes	Yes	In-house	Yes	Yes
Randfontein	Yes	Yes	Yes	Not indicated	Yes	Yes
Westonaria	Yes	Yes	Yes	Outsourced	No	Yes
Merafong	Yes	Yes	Yes	In-house	Yes	Yes
Mogale City	Yes	Yes	Yes	In-house	Yes	Yes
Sedibeng	Yes	Yes	Yes	Outsourced	Yes	Yes
Emfuleni	Yes	Yes	Yes	In-house	Yes	Yes
Midvaal	Yes	Yes	Yes	Outsourced	No	Yes
Lesedi LM	Yes	Yes	Yes	Outsourced	No	Yes

Table 21: Status of Internal Audits in Gauteng Municipalities

On receipt of the management responses, these structures report to the audit committees in accordance with their annual performance plans as agreed with their respective municipalities. Greater emphasis is placed on compliance with the requirements of section 165 of the MFMA, monthly reconciliations of accounts to prevent fraud and corruption, and verification of the figures in the ledger with cash on hand. Where there are discrepancies, the relevant official is held responsible as the internal audit unit duly conducts an investigation. This structure also verifies monthly financial statements to assess whether they fairly represent the financial position, performance and cash flow status of the municipality.

2.4.7.1 Audit Committees

Municipalities are legally required to establish strong governance structures for the following purposes: to oversee the adoption of quality accounting standards; policies; internal controls; add value and improve municipalities’ operations; help municipalities to accomplish their objectives by bringing a systematic, disciplined approach to evaluate the effectiveness of risk management, control and governance processes and; compliance with laws and regulations. These governance structures serve as advisory bodies to the council and management of the municipality in order to strengthen the financial capacity and management of the municipality, the municipality’s internal controls, risk management and ensure that personnel understand their roles and responsibilities.

2.4.7.2 Audit Committees for Municipalities

All municipalities have appointed audit committees with approved Charters that inform their operations. These audit committees sit quarterly, and as and when the need for a special meeting arises. However, these committees do not have a 2012/13 year plan with dates of meetings to be held which makes it difficult for the department to assess compliance by the committee members in adhering to the set scheduled dates and to plan ahead.

Members of the audit committees have a vast experience in the legal, finance, audit and performance field which is a combination of relevant knowledge to advice councils on those matters embedded in the Charters. The composition of the established audit committees is in line with the MFMA as the members are not in the employment of municipalities and are not councillors.

The determination of the number of audit committee members is approved by the respective municipal councils, taking into consideration the size of the municipality, the maturity of risk and control environment and; the skills and experience of potential members. The table below reflects the status of Audit Committees within Gauteng municipalities:

Municipality	AC unit established	AC Charter approved	Qualifications meet the required criteria
City of Johannesburg	Yes	Yes	No info.
Ekurhuleni	Yes	Yes	Yes
City of Tshwane	Yes	Yes	Yes
West Rand	Yes	Yes	Yes
Randfontein	Yes	Yes	Yes
Westonaria	Yes	Yes	Yes
Merafong City	Yes	Yes	Yes
Mogale City	Yes	Yes	Yes
Sedibeng	Yes	Yes	Yes
Emfuleni	Yes	Yes	Yes
Midvaal	Yes	Yes	Yes
Lesedi	Yes	Yes	Yes

Table 22: Status of Audit Committees in Gauteng municipalities

It is a requirement by the MFMA that the audit committee review the annual financial statements (AFS) to provide municipal council with an authoritative and credible view of the financial position of the municipality, its efficiency and effectiveness and its overall level of compliance with the MFMA and any other applicable legislation including Generally Recognised Accounting Practices (GRAP) standards. The established municipal audit committees comply with the MFMA and Treasury Regulations by reviewing the annual financial statements before submission for auditing to the Auditor-General.

There is consistency on the established and appointed members as there are no resignations of members which is an indication that municipal audit committees play a vital role on their assigned functions and bearing positive notwithstanding the challenges faced by these committees around late

receipt of agenda packs which may lead to non-participation by members and render the committee ineffective; management and officials not attending to audit queries and limited implementation of audit committee resolutions; instability of leadership and; insufficient training to members on the changing and complex local government environment.

2.4.8 Anti-Corruption Prevention Mechanisms Implemented

Corruption (by its nature) impedes democracy and the rule of law; and it often leads to the depletion of national wealth. In a democratic system, public institutions and offices lose legitimacy when power is abused for personal benefits. Corruption results in negative consequences such as reducing transparency of political decision making. Its impact often manifests itself through problems of accountability and transparency to the public. In cases where corruption is unchecked and tolerated, developmental plans will therefore never be realised. It is against this background that municipalities, as governing institutions, are required by law to put in place mechanisms to fight corruption.

Anti-corruption initiatives such as the undertaking of appropriate risk analysis are essential elements of the overall governance process. The approach on the implementation of strategies varied across municipalities, for instance some municipalities introduced whistle-blowing systems and established internal units to deal with corruption and fraud, whereas others focused on fraud hotlines. The below table indicates municipal progress on the development and implementation of anti-corruption plans and strategies for the 2012/13 financial year.

Municipalities	2010/2011			2011/2012			2012/2013		
	Anti-corruption Plan compiled	Have council adopted the Anti-corruption Plan	Anti-corruption Plan implemented	Anti-corruption Plan compiled	Have council adopted the Anti-corruption Plan	Anti-corruption Plan implemented	Anti-corruption Plan compiled	Have council adopted the Anti-corruption Plan	Anti-corruption Plan implemented
CoJ	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
CoT	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Ekurhuleni	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
WRDM	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
SDM	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Table 23: Progress on implementation of anti-corruption strategies by municipalities

In the fight against corruption, the Emfuleni local municipality opened forensic investigations on the following matters: allegations of irregularities within the revenue department (finance services); allegations of impropriety on land-use management; investigations into armed robbery at municipal offices; and allegations of submission of fraudulent documentation to the Gauteng liquor board (three (3) investigative cases have been closed and three (3) are still open).

2.4.9 Challenges Experienced

Audit Committees

Municipalities' internal audit units were faced with challenges centred on the following: cooperation from management to implement their recommendations; and insufficient budget provision to purchase electronic internal audit software which should make their work easier and comply with the required professional standards. Insufficient budget allocations to these structures made it difficult for them to perform their duties to the required professional standards. Municipalities are advised to implement the recommendations of these structures as they are mandated to be the advisory bodies on financial and non-financial issues at their disposal.

Communication between these structures and municipalities should improve especially with regards to the provision of timeous and reliable information for these structures to be efficient and effective. Notwithstanding the fact that these structures are established to assist municipalities, there is a need to increase the institutional capacity on internal controls, leadership, financial and performance management to achieve the objective of clean audit.

Anti-Corruption Prevention Mechanisms

To this date it remains a challenge for some municipalities in the province to deal with corruption cases. One of the major challenges identified is the lack of capacity and provision of evidence or information to ensure conviction and dismissal where relevant. It is important to mention that it has been impossible to measure the functionality of the fraud and corruption strategies as there are no criteria in place to do so.

Intergovernmental Relations

The Department monitored the implementation of the IGR Framework Act through individual municipal bilateral meetings, IGR workshops and conferences. There were a number of challenges that were experienced but the following were key challenges experienced that can be identified:

- Poor coordination of IGR between spheres of government, particularly in relation to the participation of provincial and national sector departments in the development and finalisation of municipal integrated development plans.
- Inadequate implementation of IGR decisions
- Challenges with respect to IGR alignment between the district and local municipalities
- Uncoordinated IGR programmes between the districts and local municipalities
- Inadequate human and financial capacity for the implementation of a robust IGR support programme

Public Participation

The MFMA calls for active participation and input from the public in government processes including the IDP and budgeting process. In order to ensure public participation in local governance, government over time put in place various pieces of legislation and policies. For the year under review with regard to public participation in Gauteng municipalities:

- Community participation alone was not sufficient in ensuring that good governance practices were adopted.
- Public participation meetings across the province took place, but the department was not sure in terms of their effectiveness, meaning how the issues raised in these meetings got to find expression in municipal planning documents.
- There seems to have been poor communication between municipal councils and members of the public, and this had some role to play in service delivery protests.

Below are some of the broader challenges relating to other indicators that the department (with the help of the National DCOG) still needs to consider:

- Ward committees are established but challenges regarding their functionality still remain in a number of municipalities
- Municipal Public Accounts Committees were established in all municipalities, however their effectiveness remains unknown
- The decrease of CDW officials in some municipalities is a cause for concern

2.4.10 Support Interventions by National and Provincial Government

Establishment of Ward Committees

The ward committee system was established and designed to ensure that grassroots' inputs are considered during planning and decision making processes at municipal level. This process has been supported by the Gauteng Department of COGTA, Provincial Departments of Local Government and SALGA, by the development of training and development manuals to empower and sharpen ward Committee members' service delivery skills.

In the process of facilitating capacity building programs for ward committee members, the department began by undertaking skills audit across municipalities and upon completion of the audit, three hundred and twenty-two (322) ward committees were trained, a number of workshops were held, in these workshops the viability and implementation of the funding model were discussed. Computer training (data capturing) was offered to enable committee members to properly capture information into the data system developed by National Department of Cooperative Governance.

Deployment of Community Development Workers

In order to ensure proper administration and management of the CDW Programme, the department ensured that each team of CDWs deployed in the wards had team leaders/supervisors. Managing the CDW work, department ensured that CDWs met with their supervisor weekly to plan and submit weekly plans and to report on the work done. CDW supervisors made unannounced visits to CDWs based on the work plan that was submitted for monitoring purposes, and gave support where necessary. The department sharpened skills of CDW officials in the Province by organising relevant training on data capturing and reporting.

Intergovernmental Relations

The Departmental mandate to promote a “sustainable and viable local government, traditional councils and communities in Gauteng” was supported through the implementation of the Gauteng IGR Framework which required it to strengthen the system of IGR within municipalities. The Department implemented differentiated approaches and interventions in assisting municipalities to overcome their challenges by supporting municipalities.

Traditional Leadership

In compliance with the above (Traditional Leadership and Governance Framework Act 41 of 2009), sections 5(3) and (4) of the act dictate that the number of members is to be determined by provincial gazette, that one third should be women, that eligible persons can be members, that 60% must be selected by the Senior Traditional Leader (the ex-officio member) and that 40% must be elected. The department therefore ensured transformation and alignment of the two traditional councils to this legislative prescript. In this respect, the two traditional councils (Amandebele Ba Lebelo and Amandebele Nzunza) have a constitution for the traditional council where a third (1/3) of the traditional council are women. Through this process the department ensured that two traditional members do have a total of eighteen (18) members in the traditional council of which eleven (11) are selected and seven (7) elected as prescribed by the framework.

The Department of Traditional Affairs continued working on a range of policies which, among other things, included policies on unity and diversity, initiation, traditional healing, traditional leaders' protocol, family trees and the remuneration and benefits of traditional leaders based on uniform norms and standards.

In an attempt to enhance the adherence to legislation in terms of the function of traditional councils, the department prepared guidelines to assist the institution. Traditional council's monthly meetings were monitored and records of decisions made were recorded. To enhance councillor capacity, the department organised financial and project management training where twenty (20) traditional councillors attended, with ten (10) members from each (Amandebele Ba Lebelo and Amandebele Nzunza). Four members of Amandebele Nzunza Sokhulumu traditional community were also allowed to attend training to enhance their skills and understanding of Integrated Planning Processes.

Initiation Schools

Since Gauteng does not have either legislation, policy nor a by-law to regulate initiation schools in the province, the Department (COGTA) continued to use Department of Health's Health initiation regulation and Municipal by-law to monitor the process. In addition, the department established initiation schools task team chaired by a Traditional council member. In all initiation task team meetings, the department ensured attendance and full participation. The municipal health service implemented the initiation schools by-law, which ensured the closure of an illegal school in Jacobs Farm, in Nigel, Ekurhuleni. A total of one hundred and fifteen (115) initiation schools were registered, ninety-five (95) of which are Male and twenty (20) are Female schools. The below table indicates admissions in Gauteng initiation schools by gender:

Municipalities	Males			Total number of deaths	Females			Total number of deaths
	2010\11	2011\12	2012\13		2010\11	2011\12	2012\13	
City of Tshwane	3060	2773	3422	3	0	8	0	0
Ekurhuleni	30	5	99	1	0	0	0	0
Sedibeng DM	0	266	112	0	0	2	0	1
Westrand DM	No info	No info	No info	No info	No info	No info	No info	No info
Total	3090	3044	3653	4	0	10	0	1

Table 24: Departmental Support – Initiation Schools

Audit Committees for municipalities

The review of the current audit committee charters was conducted in order to develop a single consolidated audit charter. Emfuleni Local Municipality was given hands on support to compile a GRAP compliant asset register. This resulted in the municipality receiving an unqualified audit report in the area of Property, Plant, and Equipment. An audit matrix was compiled per municipality and OPCA Project Steering Committees were established in each municipality to track progress made in implementing the issues highlighted in the Audit matrix. OPCA Provincial Coordination Committee convened all its meetings in the financial year and all stakeholders presented progress made towards ensuring that municipalities achieve clean audits.

The Department attended audit committee meetings on a quarterly basis where municipalities would discuss issues around internal audit plans in accordance with the approved internal audit charters, risk assessment reports, predetermined objectives, leadership and review of annual financial statements. As an attempt to strengthen and improve municipal audit outcomes, the Auditor-General attends these audit committee meetings to advise municipalities to adequately address issues raised in the audit reports in order to avoid negative audit outcomes.

2.5 Municipal Financial Viability and Management

2.5.1 Introduction

It is important to understand the features of the local government fiscal framework and this section attempts to achieve that objective. The fiscal arrangements set out in Chapter 13 of the Constitution provides that local government is “entitled to an equitable share of revenue raised nationally” and may also receive additional conditional transfers from national and provincial government through the intergovernmental transfers. In addition, the Constitution also requires that municipalities raise their own revenues through service fees, property rates, surcharges and other taxes, levies and duties.

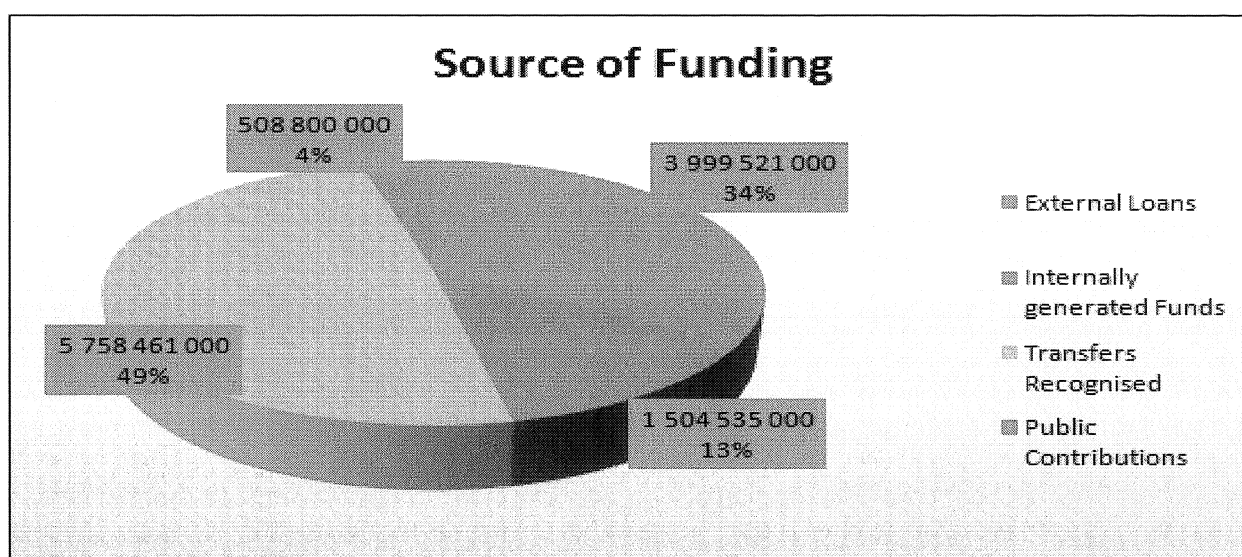
The whole local government fiscal framework is designed to fund local government, and not just one component of it such as own revenues or the equitable share. How the local government fiscal framework provides for the funding of municipalities must be looked at holistically, taking into account the real differences between municipalities.

The constitutional assignment of powers and functions to local government has a direct bearing on the local government fiscal framework. The local government fiscal framework provides municipalities with revenue sources e.g. service charges that are appropriate to the services they provide to residents within their jurisdiction. It is evident that municipalities are struggling to collect on service charges and this is substantiated by municipalities’ growing dependency on intergovernmental transfers. Collection of revenue by municipalities should be prioritised to ensure that municipalities remain financially viable.

2.5.2 Performance of Municipalities on the Core Indicators

2.5.2.1 Capital Budget Expenditure and Sources of Finance

The graph below depicts the source of funding mix and capital expenditure for Gauteng municipalities totalling R11.7 billion for the quarter under review. Almost 50% of the total funding mix is from the grants, followed by external loans of 34%, public contributions of 13% and internal funds of 4%. The metropolitan municipalities’ capital projects amounted to R10.7 billion (91%) whereas for districts and local municipalities’ capital projects amounted to R1 billion (1%) of the total capital budget.



Graph 3: Gauteng municipalities Sources of Funding

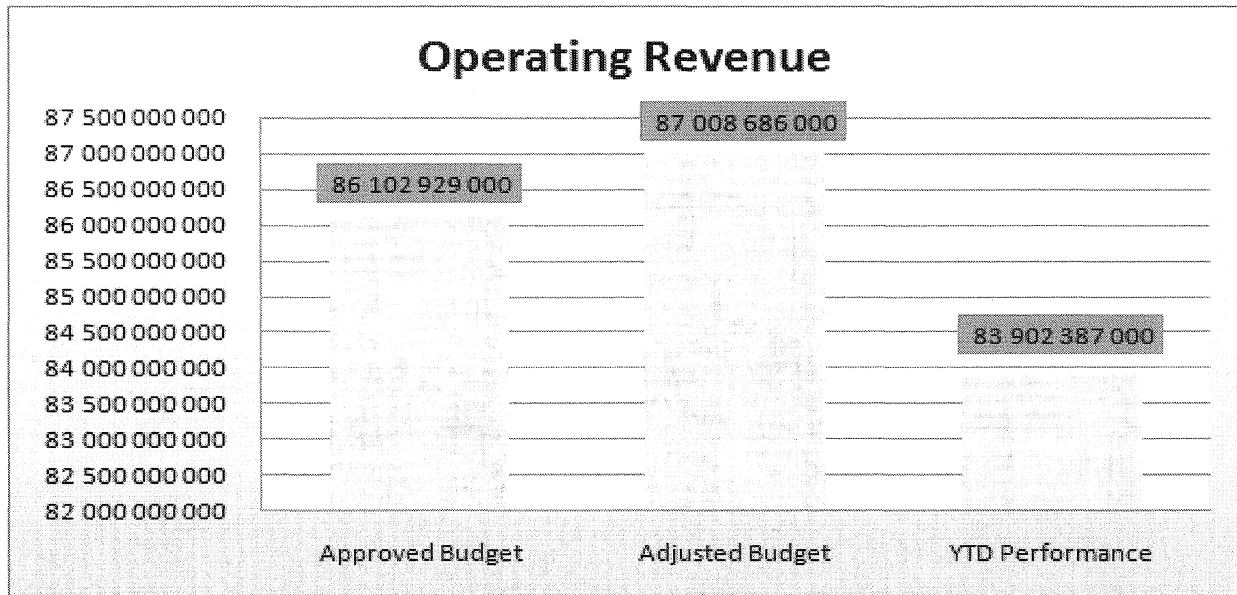
The table below illustrates performance on capital expenditure for the quarter ended 30 June 2013:

Municipality	Adjusted budget	Expenditure					TOTAL	Expenditure %
		Governance & Administration	Community & Public safety	Economic & Environmental services	Trading services	Other		
City of Johannesburg MM	4,547,859,000	253,508,000	852,970,000	950,860,000	2,063,311,000	-	4,120,649,000	90.61%
Ekurhuleni MM	2,557,739,000	310,242,000	495,504,000	684,662,000	813,904,000	12,105,000	2,316,417,000	90.57%
City of Tshwane MM	4,613,868,000	375,242,000	942,754,000	1,332,886,000	1,606,981,000	33,656,000	4,291,519,000	93.01%
West Rand DM	-	3,687,000	-	-	-	-	3,687,000	0.00%
Randfontein LM	104,969,000	5,478,000	12,958,000	5,057,000	16,874,000	-	40,367,000	38.46%
Westonaria LM	79,220,000	6,574,000	17,665,000	33,163,000	19,099,000	-	76,501,000	96.57%
Merafong City LM	301,346,000	617,000	108,351,000	112,461,000	55,919,000	-	277,348,000	92.04%
Mogale City LM	358,511,000	10,511,000	46,920,000	74,704,000	177,475,000	-	309,610,000	86.36%
Sedibeng DM	11,670,000	13,049,000	-	-	-	-	13,049,000	111.82%
Emfuleni LM	347,325,000	2,363,000	22,764,000	116,805,000	53,418,000	-	195,350,000	56.24%
Midvaal LM	194,730,000	2,464,000	4,358,000	13,582,000	71,833,000	-	92,237,000	47.37%
Lesedi LM	52,610,000	110,000	1,713,000	23,478,000	9,275,000	-	34,576,000	65.72%
TOTAL	13,169,847,000	983,845,000	2,505,957,000	3,347,658,000	4,888,089,000	45,761,000	11,771,310,000	89.38%

Table 25: Capital expenditure per Municipality

As indicated on the table above, municipalities' capital expenditure is mostly spent on infrastructure for trading services (water and electricity) with an amount of R4.8 billion (42%), followed by economic and environmental infrastructure at R3.3 billion (28%), then community and public safety infrastructure amounting to R2.5 billion (21%), governance and administration amounting to R983 million (8%) and lastly other capital projects amounting to R45 million (1%).

2.5.2.2 Total Municipal Own Revenue as a Percentage of the Actual Budget



Graph 4: Revenue generated per revenue source as at 30 June 2013

Gauteng municipalities collected revenue of R83.9 billion (96.4%) of the total operating revenue budgets of R87 billion for the quarter ended 30 June 2013. Service charges comprise 60% of the revenue, followed by 'other' operating revenue at 22% and property rates at 18%. The table below illustrates revenue generated by each municipality as at 30 June 2013. Of the R83.9 billion, metropolitan municipalities generated R74.7 billion (89%), West Rand district municipalities generated R3.9 billion (5%) and Sedibeng district municipalities generated R5.2 billion (6%).

Municipality	Approved budget	Adjusted budget	Revenue				% of Billed Revenue
			Property rates	Service charges	Other own revenue	TOTAL	
City of Johannesburg MM	33,414,387,000	33,563,118,000	5,824,218,000	18,703,673,000	8,061,640,000	32,589,531,000	97.10%
Ekurhuleni MM	22,368,169,000	22,587,094,000	3,040,359,000	14,042,853,000	4,727,062,000	21,810,274,000	96.56%
City of Tshwane MM	20,795,035,000	21,029,151,000	4,296,138,000	11,975,235,000	4,057,876,000	20,329,249,000	96.67%
West Rand DM	261,899,000	261,899,000	-	1,165,000	213,582,000	214,747,000	82.00%
Randfontein LM	794,943,000	794,943,000	104,036,000	488,413,000	125,917,000	718,366,000	90.37%
Westonaria LM	416,430,000	416,430,000	32,734,000	145,977,000	152,849,000	331,360,000	79.57%
Merafong City LM	1,170,374,000	1,170,374,000	278,853,000	435,625,000	284,806,000	999,084,000	85.36%
Mogale City LM	1,762,640,000	1,700,260,000	262,768,000	1,091,573,000	338,799,000	1,693,140,000	99.58%
Sedibeng DM	379,326,000	356,392,000	-	-	320,884,000	320,884,000	90.04%
Emfuleni LM	3,619,271,000	4,054,789,000	630,975,000	2,876,288,000	322,154,000	3,829,417,000	94.44%
Midvaal LM	609,637,000	588,103,000	153,069,000	331,045,000	147,751,000	631,865,000	107.44%
Lesedi LM	510,818,000	486,133,000	76,943,000	313,648,000	43,859,000	434,450,000	89.37%
TOTAL	86,102,929,000	87,008,686,000	14,699,893,000	50,405,496,000	18,796,979,000	83,902,367,000	96.43%

Table 26: Revenue generated per municipality as at 30 June 2013

Midvaal LM recorded the highest performance amongst all the municipalities during the quarter under review. Westonaria LM is the lowest collecting municipality; their revenue collection has regressed when compared to 106% revenue collection in the same quarter under review for the previous financial year. The municipality’s major revenue is from transfers and grants as compared to other revenue streams. This indicates that they are grant dependent, which poses a risk for financial sustainability. The situation can be addressed if the municipality can budget realistically and improve on the implementation of its revenue enhancement strategies.

2.5.2.3 Municipal Infrastructure Grant

Local Municipalities:

An amount of R484 million was transferred during the financial year to the Gauteng local municipalities for the purpose of the MIG funding. Of the total allocation of R484 million, R369.8 million (76.3%) has been utilized by municipalities for the period under review. An amount of R114.7 remains unspent for the period. As shown on the table below, Randfontein LM remains the lowest spending municipality on the COGTA grants, as the municipality has spent only R11 million (30%) of the total allocation of R36.7 million.

MIG Performance as at 30 June 2013				
Municipality	Allocation	Transferred	Expenditure	Expenditure %
Randfontein LM	36,736,000	36,736,000	11,016,000	30%
Westonaria LM	66,728,000	66,728,000	65,737,000	99%
Merafong City LM	74,163,000	74,163,000	57,530,000	78%
Mogale City LM	98,206,000	98,206,000	97,269,000	99%
Emfuleni LM	154,041,000	154,041,000	91,620,000	59%
Midvaal LM	27,711,000	27,711,000	27,711,000	100%
Lesedi LM	28,070,000	28,070,000	19,008,000	68%
TOTAL	485,655,000	485,655,000	369,891,000	76%

Table 27: MIG Spending – 2012/13

2.5.2.4 Municipal Systems Improvement Grant (MSIG):

The main objective of the grant is to provide funding to non-metropolitan municipalities to help them implement their individual local government turnaround strategies. An amount totalling R10 million was transferred to Gauteng municipalities to meet the grant conditions highlighted above. It should be noted that the grant was only made available to district and local municipalities in the Province. The graph below shows the level of spending as per MSIG expenditure reports as submitted by individual municipalities:

Municipality	Allocation	Expenditure	Percentage
West Rand DM	1,500,000	1,480,427	99%
Randfontein LM	1,000,000	1,000,000	100%
Westonaria LM	1,000,000	1,000,000	100%
Merafong City LM	1,000,000	1,000,000	100%
Mogale City LM	1,000,000	1,000,000	100%
Sedibeng DM	1,500,000	1,518,772	101%
Emfuleni LM	1,000,000	738,364	74%
Midvaal LM	1,000,000	1,000,000	100%
Lesedi LM	1,000,000	1,000,000	100%
TOTAL	10,000,000	9,737,563	97%

Table 28: MSIG Spending – 2012/13

District Municipalities:

The two (2) district municipalities each received an equal share of R1.5 million during the financial year, and both municipalities have fully spent funds transferred to them. Sedibeng DM has spent 101% and WRDM spent 99% of the funding respectively.

Local Municipalities:

Six (6) local municipalities have spent 100% of the allocated grant funding. Emfuleni LM is the only municipality who reported low expenditure of R738 000 (74%) of the allocated funding.

2.5.3 Submission of Annual Financial Statements and status of the audit outcome

Section 126 1(a) of MFMA provides as follows “The accounting officer of a municipality must prepare the annual financial statements of the municipality and, within two months after the end of the financial year to which those statements relate, submit the statements to the Auditor General for auditing”. They are the most important record of the financial status of a municipality and must be prepared and submitted to the Auditor-General no later than 31 August of each year. The table below illustrates which municipalities submitted their annual financial statements as per the GRAP standards (GRAP 1 - Presentation of financial statements), it shows municipalities who submitted their financial statements to the Auditor-General that are with/without or partial elements of annual financial statements.

Municipality	Statement of Financial Position	Statement of Financial Performance	Statement of Changes in Net Assets	Cash Flow Statement	Accounting Policies	Notes to the AFS	Schedule of External Loans	Segmental Analysis of PPE	Segmental Analysis of Financial Performance
COJ	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No
Ekurhuleni	Yes	Yes	Yes	Yes	Yes	Yes	No	No	Yes
Tshwane	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
West Rand	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No
Randfontein	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Westonaria	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No
Merafong	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No
Mogale	Yes	Yes	Yes	Yes	Yes	Yes	No	No	Yes
Sedibeng	Yes	Yes	Yes	Yes	Yes	Yes	No	No	Yes
Emfuleni	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Midvaal	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Lesedi	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No

Table 29: Submission of Annual Financial Statement

The following audit opinions, based on the audit of the financial statements of municipalities, can be issued;

- Unqualified opinion** - The opinion is expressed when the auditor concludes that the financial statements is fairly presented.
- Qualified opinion** - The opinion is expressed when the auditor concludes that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial statements; or the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, but concludes that the possible effects on the financial statements of undetected misstatements could be material, but not pervasive.
- Disclaimer opinion** - The opinion is expressed when the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion and the undetected misstatements on the financial statements are both material and pervasive.
- Adverse opinion** - The opinion is expressed when the auditor concludes that misstatements, individually or in the aggregate, are **both material and pervasive** to the financial statements.

2.5.4 A brief analysis of audit opinions for 2012/13 and a comparison with four previous financial years

The table and graph below briefly compares the municipalities' audit outcomes for three financial years where a reflection of improvements and regression is observed:

Municipality	Audit opinion 2009/10	Audit opinion 2010/11	Audit opinion 2011/12	Audit opinion 2012/13
City of Johannesburg Metropolitan	Qualified	Qualified	Qualified	Unqualified
Ekurhuleni Metropolitan	Unqualified	Unqualified	Unqualified	Unqualified
City of Tshwane	Unqualified	Unqualified	Unqualified	Unqualified
West Rand District	Unqualified	Unqualified	Unqualified	Unqualified
Randfontein Local	Unqualified	Qualified	Qualified	Qualified
Westonaria Local	Unqualified	Unqualified	Qualified	Qualified
Merafong City Local	Unqualified	Unqualified	Unqualified	Unqualified
Mogale City Local	Qualified	Qualified	Unqualified	Unqualified
Sedibeng District	Unqualified	Unqualified	Unqualified	Clean
Ermfuleni Local	Qualified	Qualified	Unqualified	Unqualified
Midvaal Local	Unqualified	Unqualified	Unqualified	Unqualified
Lesedi Local	Unqualified	Unqualified	Unqualified	Unqualified

Table 30: Audit outcomes for the financial year 2009/10, 2010/11, 2011/12 and 2012/13

2.5.5 Provincial overview and municipal performance on Submission and Audit of the Annual Financial Statements for 2012/2013.

- The Department prepared and circulated Local Government Circular No. 01 of 2013 to all municipalities to assess their state of readiness on submission of the Annual Financial Statements for the financial year 2012/13. The responses received from municipalities indicated that there were no obstacles foreseen which might prevail and prevent the submission of the Annual Financial statements.
- In liaising with the Office of the Auditor-General, confirmation of submission of Annual Financial Statements and performance information through a schedule has been received reflecting that all municipalities have submitted their financial statements and non-financial information within the stipulated timeframe.
- Only one municipality received a clean audit for the financial year under review. Nine municipalities received unqualified audit opinions with emphasis of matters on predetermined objectives and compliance with laws and regulations which, if not adequately addressed, will lead to municipalities regressing from the obtained audit opinions to negative audit opinions.
- Ekurhuleni, City of Tshwane, West Rand, Merafong, Sedibeng, Midvaal and Lesedi maintained their status of unqualified audit opinions with matters of emphasis for the 2012/13 financial year. Sedibeng District Municipality is the only municipality which obtained a clean audit opinion from an unqualified opinion received in the previous year's audit. Municipalities that obtained a qualified audit opinion in the previous financial year maintained their status as reflected in the table above. An improvement on audit outcomes has been observed at Emfuleni and Mogale City local municipalities; that obtained unqualified audit opinions for the 2011/12 and 2012/13 financial year's audit in comparison to the qualified audit opinions received in the previous financial years.

Names of Municipalities	Increase in number disclaimers/adverse	Repeat disclaimers/adverse	Increase in number of qualified	Repeat qualified	Reduction in disclaimers/adverse/qualified	Financially unqualified with findings 2009/10	% of Financially unqualified with findings 2012/2013	Retained / progress to financially unqualified with no findings	Audits outstanding 2012/2013
City of Johannesburg Metropolitan	-	-	-	-	-	-	✓	-	-
Ekurhuleni Metropolitan	-	-	-	-	-	✓	✓	-	-
City of Tshwane	-	-	-	-	-	✓	✓	-	-
West Rand District	-	-	-	-	-	✓	✓	-	-
Randfontein Local	-	-	✓	✓	-	✓	-	-	-
Westonaria Local	-	-	✓	✓	-	✓	-	-	-
Merafong City Local	-	-	-	-	-	✓	✓	-	-
Mogale City Local	-	-	-	-	-	-	✓	-	-
Sedibeng District	-	-	-	-	-	✓	✓	✓	-
Ermfuleni Local	-	-	-	-	-	-	✓	-	-
Midvaal Local	-	-	-	-	-	✓	✓	-	-
Lesedi Local	-	-	-	-	-	✓	✓	-	-
	0	0	2	2	0	9	75%	8%	0

Table 31: Increase and decrease in disclaimers

2.5.6 Implementation of Municipal Property Rates Act, (MPRA), 2004, (Act No. 6 of 2004)

The Department is legislatively mandated to monitor, support and report on the compliance of municipalities with the provisions of the Act. Where failure has been identified, the Department takes appropriate steps to ensure compliance. The major mechanism that is used in the monitoring of the implementation of the Municipal Property Rates Act and addressing issues emanating from the implementation of this Act, is by means of municipal engagements and workshops where all municipalities are represented and expected to report on their progress and challenges with the implementation.

All municipalities (locals and metros) are always encouraged to attend these workshops and present their progress on the implementation of the Act, report challenges encountered from implementation and resolve them. The monitoring of the municipal progress is informed by the municipal financial cycle and legislation that governs municipalities which stipulates the performance of activities within the specified timeframes. Furthermore, it is informed by issues emanating from the implementation of the Act which need to be addressed by municipalities.

2.5.7 Submission of the certified general valuation rolls

In the Departmental presentation, the first issue that was addressed was in relation to the three Metropolitan Municipalities that submitted the general valuation rolls planned to be implemented by 1 July 2013. The Department confirmed that the municipalities' designated Municipal Valuers submitted the certified general valuation rolls to the Municipal Managers five months before the effective date (implementation date) of such valuation rolls. This process was closely monitored by the Department. In relation to the submission of the supplementary valuation roll as contemplated in section 78 (2), which must be submitted three months before the effective date of such supplementaries, it was observed that municipalities were not complying with the provision of the MPRA Regulation. Engagement with the affected municipalities will be conducted in due course in order to improve compliance and avoid municipalities being challenged in court.

2.5.8 Omissions in the General Valuation Rolls

In addition to the issues covered in the presentation, the Department also shared its assessment on the content of the valuation rolls, some of which were omitted additional or other information in terms of item (g) (an omission of physical addresses on some of the residential and business property categories). The omission was brought to the attention of municipalities to avoid problems in the billing system given that owners of those properties will have a rates

holiday due to non-receipt of the relevant accounts. In resolving this issue, the Municipal Valuers agreed to assist municipalities in the collection of postal addresses. They relied on information received from the Deeds Office. In terms of their functions as enacted, this is one of the functions that municipalities are not performing effectively.

City of Johannesburg MM

The City of Johannesburg is behind with the reviews from the general valuation roll implemented on 1 July 2008. The number of outstanding reviews is eight thousand two hundred and seventeen (8 217). The City has compiled and implemented ten (10) supplementary valuation rolls. The City received one hundred and forty seven (147) objections on its tenth supplementary roll. It should be noted that the reviews from the first general valuation roll are still outstanding, despite the fact that the Department's proposal for assistance was declined. The supplementary valuation roll is being compiled and is the last supplementary roll numbering eleven (11), in the maintenance of the 2008 general valuation roll. The City has procured the services of evaluations for the compilation of its new general valuation roll which will be implemented in 2013. A draft valuation roll was submitted to the City at the end of September 2012. The Municipal Valuer of the City of Johannesburg submitted the certified general valuation roll on 31 of January 2013 and was opened for public inspection from 20 February to 3 May 2013. The number of objections has not been pronounced on as the process is still on-going.

Ekurhuleni Metropolitan Municipality

Ekurhuleni Metropolitan Municipality compiled and implemented its second general valuation roll in terms of the MPRA on 1 July 2013. The draft valuation roll was delivered on 1 December 2012 in line with the key task functions designed for this process. The designated Municipal Valuer submitted the general valuation roll on 31 January 2013, five months before its implementation. The supplementary valuation roll No. 10 was implemented on 1 July 2012. Ekurhuleni Metropolitan Municipality posted section 49 notices with the rates and account statements. The website deployed allows for property search, the downloading of an objection form, section 49 notices and the viewing of comparable sales. The objection period closed on 19 April 2013.

City of Tshwane Metropolitan Municipality

The City was in a process of procuring an Assistant Municipal Valuer to commence with the valuation processes for the two regions and establish a staff component for the new area, post-implementation of the new general valuation roll. The Internal Valuation Unit requested Local Government Sector Education Training Authority to provide and remunerate nine interns to assist with the valuation process. Gauteng Treasury channelled support to the City of Tshwane in continuing the backing for the incorporation of Metsweding District into Tshwane. The tender for the newly acquired areas of Metsweding has not yet been finalised. The new general

valuation roll was planned to be implemented on 1 July 2013. In terms of section 32(2)(b) of the Act, the MEC granted the municipality an extension for the validity of its general valuation roll by one financial year in accordance with a council resolution. The City appointed and designated a Municipal Valuer, Assistant Municipal Valuers and Special Valuer in terms of section 33 of the MPRA. The general valuation roll was completed on 15 January 2013 and submitted to the Municipal Manager on 31 January 2013. In terms of section 49(1) (a) of the Act, the municipality notified property owners of the availability of the valuation roll for inspection.

Randfontein Local Municipality

The municipality did not prepare the presentation and was reminded to forward the respective presentation. Randfontein was late with the procurement of the Municipal Valuer. Randfontein obtained approval for extension of the valuation roll from the Department to implement the next valuation roll on 1 July 2014. The municipality advertised for the procurement of the service provider for the compilation of the general valuation roll. During the evaluation process for appointment of successful bidders, misunderstandings aroused between the Bid Adjudication Committee and the supply chain management team concerning the specifications. This resulted in the re-advertisement for the service provider for the compilation of the valuation roll on Sunday 3 March 2013. The briefing session was held on 8 of March 2013. Randfontein LM has 35 000 properties in their register.

Westonaria Local Municipality

Westonaria reported that they had already commenced with the process of tendering for the procurement of the Municipal Valuer to compile its second general valuation roll in terms of MPRA. The municipality will be engaged for a more detailed report in this regard.

Merafong City Local Municipality

Merafong City Local Municipality implemented its general valuation roll on 1 July 2012. The general valuation roll was opened for public inspection from 1 March to 13 April 2012. The municipality received three thousand and seventy one (3 071) objections. The original objections were delivered to the designated Municipal Valuer for consideration. The municipality received thirty-six (36) appeals and forwarded them to the Valuation Appeal Board as stipulated in section 52 of the Act. The first supplementary valuation roll was implemented on 1 October 2012. No progress has been reported on the workshop that was held at the Lakeside Hotels in Benoni as there was no representative from the municipality. The first supplementary valuation roll for this municipality was submitted to the Municipal Manager on 14 February 2013. The supplementary valuation roll was published in the local newspapers for two consecutive weeks calling for public inspection as from 1 of March 2013 to 12 April 2013.

Mogale City Local Municipality

The municipality requested for the extension of the validity of its valuation roll in terms of section 32(2) of the Municipal Property Rates Act. The application was approved and the municipality will implement its second general valuation roll in terms of MPRA on 1 July 2014. The municipality received eight (8) objections on its supplementary valuation roll and these were handed over to the Municipal Valuer for consideration. The municipality has procured the service provider North West Valuation Services for the compilation of the general valuation roll which will be implemented on 1 July 2014.

Emsfuleni Local Municipality

The general valuation roll was submitted on the 1 February 2012. Section 49 notices, informing property owners or any person who wishes to lodge any objection to do so within the prescribed period from 1 March 2012 until 30 April 2012 were published and gazetted. The municipality received one hundred and twenty-six (126) objections and were there handed over to the Municipal Valuer for consideration. Of the objected received objections the Municipal Valuer, adjusted upwards or downwards fifty-four (54) properties by 10%, sixty-one (61) were not amended from the initial value and eleven (11) objections were disposed due to insufficient information. The Municipal Valuer gave reasons to the Municipal Manager submitted to the valuation appeal board. Emsfuleni Local Municipality has completed the compilation of the of the valuation roll which will remain valid for the three financial years.

The certified valuation roll was handed to the Municipal Manager on the 30th January 2013. Notices inviting any person to inspect the valuation roll were published within the required timeframe in the Provincial Gazette. Section 49 notices were prepared and submitted within specified timeframes to property owners. Notifications were displayed at various locations as indicated in notices. The notices of the valuation roll were available on the official web site of the municipality. The timeframe for lodging of objections was the 1st of March 2013 to 30th April 2013. Objection forms are also available on the web site and at the municipal offices.

Midvaal Local Municipality

The designated Municipal Valuer compiled a new supplementary roll which was delivered to the municipality in August 2012 for gazetting and implementation. The supplementary valuation roll was advertised for public inspection and closed on 30 January 2013. There were no objections and appeals received.

Lesedi Local Municipality

The designated Municipal Valuer compiled a new supplementary roll which was delivered to the municipality in August 2012 for gazetting and implementation. The supplementary valuation roll was advertised for public inspection and closed on 10 January 2013. There were no objections

and appeals received. The firm Niel de Klerk (Pty) Ltd has been appointed by the municipality for the compilation of the general valuation roll for the period 2011 to 2014.

2.5.9 Municipal Levies

Municipalities generate part of their revenue through levying for services rendered such as water, electricity, refuse removal and sewerage. In addition, property rates as a form of tax on property owned is also levied to all property owners within the municipal jurisdiction. Gauteng municipalities continue to face a serious threat to their sustainability as they are confronted by escalating uncollectable consumer debt, notwithstanding the programmes that have been instituted by the Department with the intention to reduce this rising consumer debt.

2.5.10 Outstanding Debt as at 31 March 2013

The total outstanding consumer debt for all municipalities published in Gauteng Municipal Consolidated Budget Statements as at 31 March 2013 amounts to **R36 223 416 000**. This indicates an increase of **R831 439 000** which is 2% as compared to the previous quarter's which was **R35 391 977 000**. The table below illustrates the outstanding consumer debt as at 31 March 2013 for three metropolitan municipalities as well as the increase in consumer debt when comparing the period under review with the previous quarter ended 31 December 2012.

Metropolitan Municipalities

Municipality	31-Dec-12	31-Mar-13	Amount inc/Dec	% inc/Dec
City of Johannesburg MM	16 516 826 344	16 766 582 000	249 755 656	2%
Ekurhuleni MM	8 371 451 243	8 693 249 000	321 797 757	4%
City of Tshwane MM	5 086 861 000	5 339 263 000	252 402 000	5.0%
Total	29 975 138 587	30 799 094 000	823 955 413	3%

Table 32: Comparison of the total consumer debts for metros

The largest portion of the consumer debt is contributed by metropolitan municipalities. The total consumer debt owed to metropolitan municipalities is **R30 799 094 000** billion as at 31st March 2013 as compared with **R29 975 138 587** billion for 31 December 2012. This shows an increase of **R823 955 413** million (3%). When assessed individually, the City of Johannesburg Metropolitan Municipality is owed **R16 766 582 000** billion followed by Ekurhuleni Metropolitan Municipality with **R8 693 249 000** billion, and the City of Tshwane Metropolitan Municipality with **R5 339 263 000** billion. Metropolitan municipalities should cultivate ways of

increasing the payment of bills by consumers and enforce the implementation of debt collection strategies and credit control measures.

The percentage of the amount billed against own revenue for the month of March 2013

The revenue budget for the City of Johannesburg MM amounts to **R33 563 118 000** billion and billed its residents **R1 934 253 533** billion (6%). The revenue budget for Ekurhuleni MM amounts to **R22 587 094 000** billion and billed **R1 440 606 721** billion (6%) whilst the City of Tshwane MM billed its residents **R1 162 800 000** billion from its revenue budget of **R21 029 151 000** billion which is 6%.

The percentage of monthly collection rate on billing as at 31 March 2013

The City of Johannesburg MM billed its residents an amount of **R1 934 253 533** billion and collected **R1 875 676 561** billion (97%), followed by Ekurhuleni MM which billed **R1 440 606 721** billion and collected **R1 133 787 615** billion (79%), whilst the City of Tshwane MM billed **R1 162 800 000** billion and collected **R1 259 900 000** billion (108%) for the quarter under review. Given this, municipalities' collection rates must be at or above 100% in order to stabilise and sustain their financial viability and to improve service delivery. It has been observed that the collection rate for the City of Tshwane is above 100% for the quarter under review.

The percentage of current debtors totalling more than 50% of own revenue

In terms of the National Monitoring and Evaluation Framework on the Delivery Agreement outcome 9 output 6, the Department is required to report on the number of municipalities with current debtors totalling more than 50% of own revenue. The City of Johannesburg's MM currently reflects **R16 766 582 000** billion as total debt. Its own revenue amounted to **R33 563 118 000** billion. The total debt when calculated against its own revenue is about 50%, for Ekurhuleni MM the debtors amounted to **R8 693 249 000** billion, whilst its own revenue amounted to **R22 587 094 000** billion which is 38%. The City of Tshwane MM debtors amounted to **R5 339 263 000** billion, which represents 25% of its own revenue of **R21 029 151 000** billion. Effective implementation of debt collection strategies and enforcement of credit control measures should be ensured to turn around the situation of escalating debt.

West Rand District

The table below illustrates the outstanding consumer debt as at 31 March 2013 for the four local municipalities under the West Rand District.

Municipality	31-Dec-12	31-Mar-13	Amnt inc/dec	% inc/dec
Randfontein LM	277 941 000	176 371 000	-101 570 000	-36.5%
Westonaria LM	124 842 000	156 994 000	32 152 000	26%
Merafong City LM	729 286 000	795 075 000	65 789 000	9%
Mogale City LM	891 771 000	919 904 000	28 133 000	3%
Total	2 023 840 000	2 048 344 000	24 504 000	1.2%

Table 33: Comparison of consumer debts for local municipalities under West Rand District

The total debt owed to local municipalities within the West Rand District is R2 048 344 000 billion as at 31 March 2013. The debt has increased by 1.2% when compared with the report for the quarter that ended on the 31 December 2012. Westonaria LM is owed R156 994 000 million, which reflects an increase of R32 152 000 million which is 26% increase when compared with previous quarter report which was R124 842 000 million. Merafong City LM is owed R795 075 000 million which reflects an increase of R65 789 000 million which is 9%. This is followed by Mogale City LM by R919 904 000 million, which reflects a 3% increase and Randfontein LM reflects a decrease of R101 570 000 million (36.5%) as a result of a council resolution taken to write-off a portion of the indigent register. Randfontein LM is the only municipality in this District which has decreased its debt due to its decision to write-off irrecoverable debt as indicated by its indigent register.

The percentage of the amount billed against own revenue for the month of March 2013

The revenue budget for Randfontein LM amounts to R794 943 000 million. The municipality billed its consumers R43 969 070 million which is (6%) of its own revenue. Westonaria LM billed R17 920 115 million which is 4% of its own revenue of R416 430 000 million, while Merafong City LM billed R53 893 000 million which is 5% of its own revenue budget of R1 170 374 000 billion. Mogale City LM billed R100 239 295 million which is 6% of its own revenue of R1 700 260 000 billion.

The percentage of monthly collection rate on billing as at 31 March 2013

Mogale City LM billed its residents an amount of R100 239 295 million and collected R91 692 796 million (91%), Westonaria LM collected R16 210 115 million which is 91% of the billed

amount of R17 920 115 million, Randfontein LM collected R37 645 865 million (86%) from its billing of R43 969 070 million, while Merafong City LM collected R27 451 000 million (60%) from its billing of R53 893 000 million. It has been observed that there is an improvement with regard to the collection rates by the local municipalities in the West Rand District, with the exception of Merafong City LM.

The percentage of current debtors totalling more than 50% of own revenue

Merafong City LM currently reflects R795 075 000 million as total debt. Its own revenue amounted to R1 170 374 000 million. The total debt when calculated against its own revenue is 68%, for Mogale City LM the debtors amounted to R919 904 000 million whilst its own revenue amounted to R1 700 260 000 million which is 54%, Westonia LM has a total debt of R156 994 000 million whilst its own revenue amounted to R416 430 000 million which is 38% and Randfontein LM debtors amounted to R176 371 000 million which represents 22% of its own revenue of R794 943 000 million.

The debtor's percentage for Merafong City LM and Mogale City LM is above the benchmark of 50% in comparison to their own revenue. The percentage of current debtors for Merafong City LM increased by 18% whilst Mogale City LM increased by 4%. It has been observed that the debtor's percentage for these municipalities is escalating, hence there is a need for the development of effective revenue systems and credit control measures to be implemented.

Sedibeng District Municipalities

The table below illustrates the outstanding consumer debt as at 31 March 2013 for the three Local Municipalities under the Sedibeng District.

Municipality	31-Dec-12	31-Mar-13	Amount In Dec	% inc/Dec
Emfuleni LM	2 992 458 000	3 131 730 000	139 272 000	5%
Midvaal LM	128 747 000	137 633 000	8 886 000	7%
Lesedi LM	256 274 000	266 101 000	9 827 000	4%
Total	3 377 479 000	3 535 464 000	157 985 000	4.7%

Table 34: Comparison of the total consumer debts for local municipalities under Sedibeng District

The total debt owed to local municipalities within the Sedibeng District combined amounted to R3 535 464 000 million. The larger portion in this district is contributed by Emfuleni LM with R3 131 730 000 million. The total debt for Lesedi LM amounted to R266 101 000 million which increased by 4% and Midvaal LM with R137 633 000 million which reflects an increase of 7%.

The percentage of the amount billed against own revenue for the month of March 2013

The revenue budget for Emfuleni LM is R4 054 789 000 billion and billed its residents R193 830 162 million which is 5%, Midvaal LM own revenue amounted to R609 637 000 million and billed its residents R36 824 325 million (6%) while Lesedi LM billed R29 500 023 million which is 6% against its revenue budget of R516 251 000 million.

The percentage of monthly collection rate on billing as at the 31st March 2013

Emfuleni LM collected R180 626 787 million (93%) of R193 830 162 million billed, followed by Midvaal LM which collected R38 763 136 million (105%) from the billed amount of R36 824 325 million and Lesedi LM collected R22 011 156 million (75%) of the total R29 500 023 million billed.

The percentage of current debtors more than 50% of own revenue

Emfuleni LM currently reflects R3 131 730 000 billion as debtors, its own revenue amounted to R4 054 789 000 billion which is 77%, Lesedi LM reflects debtors as R266 101 000 million whilst its own revenue amounted to R516 251 000 million (52%) and Midvaal LM outstanding debt is R137 633 000 million which is 23% against its own revenue amount of R609 637 000 million for the quarter under review.

Emfuleni Local Municipality and Lesedi Local Municipality have exceeded the expected norm of 50% debtor's percentage. The percentage of current debtors for Emfuleni LM increased by 27% whilst Lesedi LM increased by 2%. It has been observed that no credit control measures are implemented in the black townships. The municipalities need to workshop residents on the impact created by a culture of non-payment. It also creates a reduction of cash in-flow to implement services needed for the benefit of residents.

2.5.11 Councillors in arrears

The Municipal Systems Act, Act No. 32 of 2000 schedule 1 section 12A stipulates that a councillor may not be in arrears to a municipality for rates and service charges for a period longer than three (3) months. Mechanisms, processes and procedures have been established to monitor municipalities in the implementation of section 12A of the MSA schedule 1 with regard to the management of councillors in arrears for more than three months as stipulated in the councillor's Code of Conduct.

As part of the mechanisms to recoup the outstanding arrears in terms of the above-mentioned legislation, chairpersons of the respective municipalities must investigate and make a finding on any alleged breach of the Code of Conduct for councillors and give the defaulting councillors a

reasonable opportunity to reply in writing regarding the alleged breach. The report on the findings must also be tabled in Council for their consideration.

The MEC issued a directive by means of letters addressed to the Speakers of Councils requesting the Speakers of the Councils to table the correspondence to their respective councils and to resolve on the corrective measures envisaged in this regard. Other municipalities refer this matter to their established Ethics and Integrity Committees for their recommendation.

The MEC's attention is drawn to the schedule below reflecting the arrears as at 31 December 2012 and 30 March 2013.

Municipality	Outstanding arrears as at 31st December 2012	Outstanding arrears as at 30 March 2013
Johannesburg Metropolitan	R79 278	R51 558
Ekurhuleni Metropolitan	R166 603	R259 883
Tshwane Metropolitan	R72 086	R8 753
West Rand District	R12 685	R343
Randfontein Local	R91 878	R84 090
Westonaria Local	R20 003	R20 585
Merafong City Local	R380	R33 268
Mogale City Local	R45 333	R37 953
Emfuleni Local	R697 842	R341 079
Midvaal Local	R612	R23 205
Sedibeng District	R652	R6 305
Lesedi Local	Nil	R16 162
Total	R1 714 834	R883 184

Table 35: Municipal Outstanding Arrears

Most municipalities resolve to recoup outstanding amounts by means of arrangements, salary deductions and referring related issues to their established Ethics and Integrity Committees for their consideration. The table above clearly indicates that good progress has been made since the previous quarter as there is a substantial decrease of councillors in arrears as reported for 30 March 2013.

The table below gives a breakdown of the outstanding debt as illustrated:

Municipality	60 days	90+ days	Total outstanding amount as at 31 st March 2013
City of Johannesburg MM	R11 797	R39 761	R51 558
Ekurhuleni MM	R156 198	R103 685	R259 883
City of Tshwane MM	R3 683	R5 070	R8 753
West Rand DM	-	R343	R343
Randfontein LM	R31 075	R53 015	R84 090
Westonaria LM	R565	R20 020	R20 585
Merafong City LM	R15 908	R17 360	R33 268
Mogale City LM	-	R37 953	R37 953
Sedibeng DM	R5 388	R17 817	R23 205
Emfuleni LM	R26 336	R314 743	R341 079
Midvaal LM	R5 990	R315	R6 305
Lesedi LM	R15 620	R542	R16 162
Total	R272 560	R610 624	R883 184

Table 36: Municipal Outstanding Debts

2.5.12 Government Debt

Government debt owed to municipalities relates to property rates and service charges that have in certain instances accumulated over an extended period of time. In terms of government debt monitoring schedules, municipalities submitted their reports which reflect an outstanding amount of R 568 039 428. The figures reflected in the table below were received from officials dealing with the outstanding government debt at each municipality.

The table below reflects the current Government debt owed to municipalities disaggregated per Government Department.

Department	Education	Transport	DID	Health	Housing	Total
COJ	R38 627 514	R2 772 742	R4 318 531	R148 816 336	R46 285 723	R240 820 846
Ekurhuleni	R44 729 993	R2 149 986	R80 497 132	R16 573 991	R15 418 883	R159 369 985
Tshwane	R23 758 400	R270 721	R22 889 010	R20 758 394	R 441 129	R68 122 240
Randfontein	-	-	-	-	-	-
Westonaria	R681 725	None	None	R140 441	None	R887 313
Mogale	R5 561 168	None	R181 324	R3 721 019	None	R 9 463 511
Merafong	-	-	-	-	-	-
Emfuleni	R18 855 919	R547 777	R25 218 086	R26 673 174	R8 269 339	R79 564 295
Midvaal	R449 592	None	R3 055 449	None	None	R2 416 479
Lesedi	R549 343	R124 550	R1 842 336	R946 577	None	R6 442 661
Total	R93 690 299	R3 538 660	R51 366 282	R203 289 452	R55 128 637	R568 039 428

Table 37: Total debt per Government Departments

The figures reflected in the table above are as reported to the Debt Management Committee by municipalities for addressing outstanding government debt at each municipality. It should be noted that only five Departments with the highest outstanding amounts are monitored by the Debt Management Committee as per the service level agreement. Other departments i.e. Social Services and the Department of Sport, who owe the municipalities less than the amount stated on the service level agreement for monitoring are not monitored.

2.5.13 Implementation of the Public Office Bearers Act (POBA)

The Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998) provides for a framework to determine the salaries and allowances of the Public Office Bearers. It also provides for the determination of pension and medical aid and other benefits of the office bearers. The Minister promulgates on a yearly basis the Gazette determining the upper limits of the salaries, allowances and benefits of different members of municipal councils to be implemented by municipalities. The Gazette No. 35962 of 7 December 2012 was promulgated for this financial year for municipalities to apply for MEC's concurrence.

The Gazette promulgated serve as a framework within which municipalities must remunerate their councillors. It does not prohibit municipalities to implement within the ambit of the stipulated percentage; it depends on the affordability of municipalities. If there is any transgression and non-compliance by municipalities on the implementation of the Act, the MEC

for Local Government in a Province must report to the Provincial Legislature on such as stipulated in section 167(3)(a) and (b) of the Municipal Finance Management Act.

The Department received, analysed, assessed and advised on the applications from municipalities for implementation of the Gazette. Twelve municipalities were given concurrence by the MEC for the implementation of Gazette No. 35962 of 7 December 2012 to be implemented retrospectively in accordance with affordability of the grading within the remuneration of Public Office Bearers Act.

Analysis of performance per indicator

Municipalities are progressively making improvements on matter of non-compliance with regard to meeting of timeframes on the performance of their statutory functions as stipulated in legislation that governs local government sphere.

2.5.14 General Comments and Observations

General Valuation Rolls

In the observation of the Department, Randfontein and Westonaria municipalities require serious attention and support. In this regard, the two municipalities will be engaged further. It is suggested that the West Rand District Municipality should be engaged to assist the two local municipalities.

The City of Johannesburg remains with outstanding reviews from the previous valuation roll. This is a worrying factor as this has direct implications on the rate payers and municipal revenue and exposes the Council to serious litigations some of which are already in progress. A bilateral engagement is scheduled to take place with the City to try and address of the issues. A proposal has to establish two Valuation Appeal Boards to serve in this municipality.

The non-attendance of the quarterly workshops by some municipalities remains a problem as it does not give us an opportunity to effectively assess their progress and further share any problems they may be facing with other municipalities.

Consumer Debt

Municipalities need to take a leading role by implementing their credit control and debt collection policies, as non-implementation of these policies impact negatively on service delivery, cash inflow, and affect the ability of municipalities to spend in accordance with their budgets. The screening of indigents and updating of indigent registers is critical in identifying potential residents that are capable of paying in order and improve the revenue base of municipalities.

Councillors in Arrears

There has been a decrease in the number of councillors in arrears after the MEC has issued a directive. Regarding the non-implementation of the recommendations of the Ethics and Integrity Committees, the respective municipalities handed over the defaulting councillors to attorneys to enforce compliance with the Code of Conduct for councillors.

Outstanding Government Debt

Late submission and non-payment of accounts to relevant departments and entities are still been reported as a challenge by the Provincial Committee, which facilitates the discussions and arrangements to pay between government departments and municipalities. The Debt Management Committee closely monitors the submission of accounts by Government Departments in order to improve on the payments of outstanding accounts.

Municipalities indicated that other departments e.g. Education, Health and Infrastructure Development do not submit the payment schedules for entities. This matter was resolved by ensuring that each payment transferred, remittance advice and payment schedule is submitted to the municipality. A substantial improvement on this matter is reported. Departments were reminded to adhere to the submission of payments schedules for entities.

The reallocation of accounts in the billing system used by municipalities is creating incorrect and inaccurate identification of account holders as accounts are generated as Republic of South Africa. These properties are now checked at the deeds office to ensure the legal owners are identified and they take ownership of the relevant accounts. Continuous investigations on these accounts are made to ensure the accuracy and correct identification of all the accountholders.

Remuneration of Public Office Bearers Act

The Gazette promulgated serve as a framework within which municipalities must remunerate the councillors. It does not prohibit municipalities to implement within the ambit of the stipulated percentage; it depends on the affordability of municipalities. The Department has observed that all municipalities opt to implement the upper limits as stipulated in the Gazette on salaries, allowances and benefits of the different members of municipal councils.

2.5.15 Challenges and Recommendations

The declining levels of capacity to collection revenue coupled with rising consumer debt and escalating tariffs for services is a worrying factor. This negatively exposes the cash position of municipalities. There are attempts through the support provided by the Department to support municipalities to collect more revenue. Any rigorous strategy to increase the levels of collections in municipalities requires a conscious complementary political support from the municipal leadership.

The Department has been inundated with numerous requests for application for condonement to submit objections on the property valuations derived by their local authorities, most especially those from the City of Johannesburg Metropolitan Municipality. The Department is considering conducting an assessment on the quality of municipal general valuation roll in an attempt to eliminate issues arising from implementation of the MPRA. It is envisaged that the study will be on selected municipalities. The need for capacity building both at municipalities and the Department is more evident with the implementation of the MPRA. The Department continuously conducts workshop on the implementation of the Act. There is significant improvement by municipalities in addressing the audit findings by taking the necessary corrective measures as expected by the MFMA. The Provincial support initiatives have intensified in the municipalities that received a qualification, e.g. Westonaria Local Municipality and Randfontein Local Municipality. In order for the province to achieve its clean audit objectives, it has implemented plans to reverse the root causes of distress; resolve the financial crisis; achieve a rapid improvement in financial performance; regain community and other key stakeholder support; and overcome internal constraints and unfavourable industry characteristics.

Challenges to municipal revenue enhancement are due to administrative, financial, legal and technical inefficiencies. The high levels of unemployment and poverty pose a challenge to debt collection. This is evident by the high percentage of outstanding debt. Financial support and other strategies are necessary to address the escalation of debt.

Late publication of the gazette on the determination of the upper limits of salaries, allowances and benefits of the different members of municipal councils poses a challenge regarding the allocation of the budget on council related costs.

2.5.16 Departmental Support

The Gauteng Department of Finance (GDF) in conjunction with the Department of Local Government and Housing (DLG&H) established a committee that facilitates the whole processes of government debt. Engagement with both municipalities and departments are conducted by this committee on a quarterly basis to clear the departments' arrears. The Department produces bi-annual reports on the state of government debt owed to municipalities in terms of the rates and service charges by Provincial Departments, progress made on current initiatives to reduce this debt within the broader revenue and enhancement strategy, challenges experienced in the process and recommendations on business processes to alleviate the magnitude of disputes currently experienced.

Based on the resolution taken in previous engagements, government departments that owed municipalities on rates and service charges will continue to pay the municipalities the outstanding amounts as per arrangements, and also settle the current balances to avoid accumulation. Various challenges emerged after engagements; however the Debt Management Committee will continue to ensure that all resolutions taken are executed as per the time frames

stipulated. This will enable the process to run smoothly towards bringing government accounts up to date. At the end of each quarter the departments visit the municipalities and have a working session in this regard. The Debt Management Committee continues to facilitate the process. The committee extended the scope by involving the parastatals such as Rand Water and Eskom to ensure that municipalities are up to date with their creditors.

Interaction between the departments and municipalities includes workshop sessions, verification and reconciliation of the accounts, the asset register as well as clarifications on RSA properties from the deeds office. This is one of the effective tools which help in cleansing municipalities' accounts to ensure that billings are correct. This matter requires on-going attention as there are still properties classified as RSA properties reported by some municipalities at the Debt Management Committee meeting. Departments will continue to visit the municipalities when there are issues that need clarity. The engagement between the departments and the municipalities will be facilitated by Gauteng Provincial Treasury and the outcomes will be reported thereafter. These engagements will be closely monitored by the Debt Management Committee to ensure that all the relevant stakeholders are invited to the meetings in order to efficiently and effectively address outstanding government debt matters.

Consumer Debt

As part of the revenue enhancement programme, the Department conducted a feasibility study in conjunction with Aloe Cap with the intention to analyse the debtors' book and develop a strategy to collect outstanding debt. The project is being implemented in two phases. The first phase, which entailed an in-depth analysis of the debtors' book, has been completed.

Currently, municipalities are at different stages of implementation. The most advanced municipalities are Emfuleni LM and Ekurhuleni MM, and these LMs are currently undertaking the process of negotiations with potential investors. The next step will be for the municipalities to appoint preferred bidders and commence with collection processes. An upfront payment will be made to municipalities by the preferred bidders.

Municipal Property Rates Act

On MPRA the National Department is also assessing municipal compliance with provisions of the Act and take corrective measures where necessary to improve compliance. The Gauteng Department of Co-Operative Governance and Traditional Affairs together with the Gauteng Treasury are involved in a number of support initiatives that are aimed at ensuring that the audit outcomes of municipalities in the Province are improved. This coordinated effort is aimed at eliminating potential duplications whilst at the same time pooling resources for maximum benefit. The Province has developed an Operation Clean Audit Implementation Plan. The Plan is targeted at all municipalities in the Province based on the commitments made to both the

Auditor General and the Legislature in terms of providing support to municipalities and is aligned to the Gauteng Draft Strategy to Improve audit outcomes and achieve good governance.

Operation Clean Audit

In order for the province to achieve its clean audit objectives, it has implemented plans to reverse the root causes of distress, resolve the financial crisis, achieve a rapid improvement in financial performance, regain community and other key stakeholder support; and overcome internal constraints and unfavourable industry (municipal sector) characteristics.

List of Provincial Support provided to municipalities:

- Revenue Computer Assisted Auditing Techniques System (CAATS)
- Performance Management Support
- Provincial Coordinating Committee (OPCA-PCC)
- Municipal OPCA Committees
- Advisory Support
- Municipal I.T Support Forum
- Implementation of Shared Services in Internal Audit and Audit Committees in the West Rand District Region.
- Internal Audit and Risk Forums and Asset Management Forum
- Municipal Finance Hands-On Support Programme
- Implementation of Monthly Financial Statements
- Municipal Asset Management

Achievements

The Gauteng Department of Finance in collaboration with the Department of Local Government and Traditional Affairs has managed to hold quarterly engagements with municipalities successfully. The Debt Management Committee ensures the implementation of the resolutions as they are improvements on engagements with departments and municipalities with regards to the outstanding government debt. There is remarkable reduction of government debt since the establishment of the Debt Management Committee.

2.6 Spatial Rationale

2.6.1 Effective Integrated Development Plans process for the Period under Review

The Integrated Development Plan (IDP) is a municipal service delivery five year plan, a strategic developmental plan setting strategic and budget priorities. The work process of the IDP includes: Planning (score cards, statutory plans and time schedule), Implementation (SDBIP and business plans) and Reporting (Quarterly and Annual reports). The plan aligns the resources and capacity of a municipality to its overall development targets and it provides a guide to the municipal budget. It is a plan that is agreed between stakeholders (government, members of the public and interested groups). Through this plan a municipality can identify development priorities and formulate delivery strategies.

The analysis of Municipal draft IDP was undertaken by the Department with key stakeholders (sector departments and state owned entities). The exercise was mainly to assess the credibility of IDPs and whether the plans thereof are implementable. During the process the meeting broke into commissions and this was according to municipal Key Performance Areas (Service Delivery, LED, Institutional Transformation, Finance Monitoring and Good Governance and Public Participation). The analysis was followed by a feedback process to municipalities where intergovernmental commitments were solicited and recommendations discussed with municipalities. The table below provides progress made by municipalities in the review of its IDPs:

Municipalities	2010/2011		2011/2012		2012/2013	
	Has municipality review	Stakeholders who participated	Has municipality reviewed its IDP	Stakeholders who participated	Has municipality reviewed its IDP	Stakeholders who participated
Col	Yes	Sector Departments and State owned entities	Yes	Sector Departments and State owned entities	Yes	Sector Departments and State owned entities
Tshwane	Yes	Sector Departments and State owned entities	Yes	Sector Departments and State owned entities	Yes	Sector Departments and State owned entities
Ekurhuleni	Yes	Sector Departments and State owned entities	Yes	Sector Departments and State owned entities	Yes	Sector Departments and State owned entities
Sedibeng	Yes	Sector Departments and State owned entities	Yes	Sector Departments and State owned entities	Yes	Sector Departments and State owned entities
Lesedi	Yes	Sector Departments and State owned entities	Yes	Sector Departments and State owned entities	Yes	Sector Departments and State owned entities
Midvaal	Yes	Sector Departments and State owned entities	Yes	Sector Departments and State owned entities	Yes	Sector Departments and State owned entities
Emfuleni	Yes	Sector Departments and State owned entities	Yes	Sector Departments and State owned entities	Yes	Sector Departments and State owned entities
West Rand	Yes	Sector Departments and State owned entities	Yes	Sector Departments and State owned entities	Yes	Sector Departments and State owned entities
Westonaria	Yes	Sector Departments and State owned entities	Yes	Sector Departments and State owned entities	Yes	Sector Departments and State owned entities
Merafong	Yes	Sector Departments and State owned entities	Yes	Sector Departments and State owned entities	Yes	Sector Departments and State owned entities
Randfontein	Yes	Sector Departments and State owned entities	Yes	Sector Departments and State owned entities	Yes	Sector Departments and State owned entities
Mogale City	Yes	Sector Departments and State owned entities	Yes	Sector Departments and State owned entities	Yes	Sector Departments and State owned entities
Total	12		12		12	

Table 38: Municipal IDP Process 2012/13 Financial Rear

2.6.2 Linkage between IDP and SDBIP

The Service Delivery and Budget Implementation Plans (SDBIP) are developed by municipalities on an annual basis and are requirement of the MFMA. They give effect to the IDP and budget of a municipality. They serve as a 'contract' between administration, council and the community over twelve (12) months. The SDBIPs are the basis of measuring performance in service delivery against end-of-year targets and the budget implementation.

It has been observed through the IDP Analysis process that municipalities are failing to show a clear link between the service commitments agreed to with communities, the strategic objectives in the IDP, and the budget to finance the commitment to achieve targets set. In other words, there is no alignment between the IDP, the budget and SDBIP. This undermines the transparency and accountability of municipalities.

2.6.3 Spatial Development Frameworks (SDF's)

The democratic government of South Africa had to start by addressing the disintegrated nature of development planning inherited from the apartheid government when it took over in 1994. It was necessary to have infrastructure development planning guide lines and principles that would support strategic interventions and enable sustainable settlements that would meet the needs and improve the quality of life of local communities. It is for this reason that the democratic government was compelled to address the skewed spatial settlement patterns laid by Apartheid leadership. In 2003 government published guiding principles through the National Spatial Development Perspective (NSDP). As part of implementation of the NSDP principles, Cabinet approved the intergovernmental planning framework which crystallised and harmonised the alignment of the NSDP, Provincial Growth Development Strategies and IDP's.

Between 2011/12 and 2012/13 financial years, Gauteng municipalities continued to comply with the Municipal Systems Act (MSA 32 of 2000, section 26 (e) requirements of including the Structural Development Framework in their IDPs. According to municipal reports, all of these municipalities implemented their SDFs after approval by council during 2011\12 financial year while in 2012\13, Ekurhuleni, Lesedi and Midvaal did not indicate in their IDPs whether their SDFs had been approved by council. The table below provides the status of development, submission and implementation of municipal SDFs for 2011/12 and 2012/13 only, as there was no data for 2010/11 financial year:

Municipalities	2012/2013					
	SDFs approved	SDFs submitted	SDFs Implemented	SDFs approved	SDFs submitted	SDFs Implemented
CoJ	Not indicated in IDP	Yes	Yes	Yes	Yes	Yes
Tshwane	Not indicated in IDP	No	Yes	Yes	Yes	Yes
Ekurhuleni	Not indicated in IDP	Yes	Yes	Not indicated in IDP	Yes	Yes
Sedibeng	Yes	Yes	Yes	Yes	Yes	Yes
Lesedi	Not indicated in IDP	Yes	Yes	Not indicated in IDP	Yes	Yes
Midvaal	Not indicated in IDP	Yes	Yes	Not indicated in IDP	Yes	Yes
Emfuleni	Not indicated in IDP	Yes	Yes	Yes	Yes	Yes
West Rand	Not indicated in IDP	Yes	Yes	Yes	Yes	Yes
Westonaria	Not indicated in IDP	Yes	Yes	Yes	Yes	Yes
Merafong	Yes	Yes	Yes	Yes	Yes	Yes
Randfontein	Yes	Yes	Yes	Yes	Yes	Yes
Mogale City	Yes	Yes	Yes	Yes	Yes	Yes

Table 39: Spatial Development Frameworks

2.6.4 Observation, Challenges and Recommendations

Effective Integrated Development Plans process for the period under review

In spite of the preparatory sessions held for the IDP processes, presentations by sectors departments focused on high level strategic areas instead of providing details about programs and projects of each municipality. This made it difficult for municipalities to get a thorough understanding of what various departments are planning to implement within their spaces, as a result municipalities could not engage and integrate provincial plans into their planning processes. Inconsistency of officials involved in IDP activities affects the continuity and quality of engagements.

Regarding Intergovernmental Relations, the current IGR Framework Act is not prescriptive, thus it has only created a platform for voluntary participation, resulting in no sense of ownership of the process. In order to ensure ownership, intergovernmental planning and implementation structures, government departments and state owned entities should all be responsible and it is

hoped that this will ensure continuity. Furthermore, participation should be fostered through legislation.

2.6.5 Departmental Support

Effective Integrated Development Plans process for the period under review

In response to the challenge identified above, Gauteng Treasury developed an SDBIP template that would simplify measuring and reporting of performance. This template also fosters the alignment of the IDP and the budget. It also provides for clear alignment to the national/provincial outcomes. In collaboration with Gauteng Treasury, the Gauteng Cooperative Governance and Traditional Affairs Department's MIDP and M&E units are currently working on reconciling the Revised IDP framework and municipal reporting indicators to be used in the integrated SDBIP template. The SDBIP template will be an alignment tool through which planning, budgeting and reporting can be aligned.

According to the Municipal Systems Act 32 of 2000, sec 27(1) district and local municipalities are expected to adopt the framework for integrated development planning. The act binds municipalities to identify matters to be included in the IDP and specify principles to be applied and adopted in respect of those matters. During 2010/11, 2011/12 and 2012/13 Gauteng municipalities approved and submitted IDP frameworks as required by legislation. The table below provide the status quo of the above:

municipalities	2010/2011			2011/2012			2012/2013		
	IDP framework Approved	IDP framework Submitted	IDP aligned to SDBIP	IDP framework Approved	IDP framework Submitted	IDP aligned to SDBIP	IDP framework Approved	IDP framework Submitted	IDP aligned to SDBIP
Sedibeng	Yes	Yes	No	Yes	Yes	No	Yes	Yes	No
Lesedi	Yes	Yes	No	Yes	Yes	No	Yes	Yes	No
Midvaal	Yes	Yes	No	Yes	Yes	No	Yes	Yes	No
Emfuleni	Yes	Yes	No	Yes	Yes	No	Yes	Yes	No
West Rand	Yes	Yes	No	Yes	Yes	No	Yes	Yes	No
Westonaria	Yes	Yes	No	Yes	Yes	No	Yes	Yes	No
Merafong	Yes	Yes	No	Yes	Yes	No	Yes	Yes	No
Randfontein	Yes	Yes	No	Yes	Yes	No	Yes	Yes	No
Mogale City	Yes	Yes	No	Yes	Yes	No	Yes	Yes	No

Table 40: Linkage between IDP and SDBIP

Section 2.7 Summary of Findings

2.7.1 Institutional Transformation and Organisational Development

Municipalities continue to record high numbers of vacancies and in many cases these are at the critical areas of service delivery. This is against institutional structures that are in most cases not aligned to the municipal five-year plans. Despite this alarming rate of vacancies, there have been improvements when compared to the previous financial years, especially improvements made since the start of the term, with the stability made at senior manager level, undoubtedly with some isolated cases of instability in two of Gauteng municipalities specifically.

Generally most municipalities struggled with the implementation of the Performance Management Systems Framework. Whilst some municipalities have reported to have Performance Management frameworks in place as well as systems (in some cases with the assistance of the department), the challenge has always been the implementation of these. Whilst current information suggests progress was made with respect to development of employment equity plans, it is the employment of senior management, gender equity, the employment of youth and people with disabilities that remain matters of concern, as most municipalities did not provide progress on these matters. Even the progress information that was submitted is in relation to processes that municipalities undertook, and not the actual outcome of achieving targets.

The department has been struggling to monitor the compliance of municipalities to the legislation for a while owing to a number of reasons including the limited capacity by officials in the department to discharge this function, including the absence of systems and processes to effectively discharge this function. The most persistent challenge with regard to municipal compliance has been the two acting officials in the Municipal Manager positions seconded from the National Department of Cooperative Governance.

There is however a need to capacitate departmental officials affected by this function in order to ensure that the function is discharged effectively as per the legislation. This includes setting up processes and systems within the department to facilitate this process and for the MEC to comply with the provisions of the act. A number of memorandums have been written in this regard and no support has been forthcoming. This is against a background of the department being non-compliant on issuing the assessment outcomes timeously and reporting to the Minister as per the legislation.

2.7.2 Service Delivery and Infrastructure Development

The coverage of access to basic service delivery is increasing in the province, with service provision in both formal and informal areas. Municipalities also have indigent packages to assist low income households to access free basic services. The implementation of free basic services varies across municipalities in terms of what is offered as part of the indigent packages. The commonality amongst the packages is that all municipalities provide free basic water, free basic electricity; free basic sanitation and refuse removal. These basic services are provided at different amounts across municipalities with some providing free basic services only to registered indigents while other municipalities provide free basic services to all community members.

Despite making strides in ensuring that communities have increased access to free basic services, municipalities are still faced with some challenges. The challenges highlighted in the document are attributed to a shortage of staff, delays in supply chain processes in appointing service providers, and poor quality control in infrastructure projects. The issues highlighted here put focus on the fact that the institutional health of a municipality will influence other areas of a municipality such as lack of staff, impacting negatively on supply chain processes, which leads to non-spending and poor or no service delivery. There is therefore a need for continued and strengthened intergovernmental relations between the Department of Cooperative Governance, sector departments and other stakeholders, to support municipalities in addressing the challenges faced in all areas of the municipality to ensure universal access to all.

2.7.3 Local Economic Development (LED)

The LED section looked at some of the initiatives taken by municipalities to drive their local economies. The other interesting development highlighted in the report is the drive by the metropolitan municipalities in appreciating the significance of Public Private Partnerships (PPPs) as alternative service delivery models that can make a significant input to grow through economies of scale. Seven thousand seven hundred and twenty-three (7723) jobs were created through LED initiatives and PPPs. Sixty-one thousand eight hundred and twenty-one (61 821) jobs were created through Expanded Public Works Programme. The LED initiatives by Gauteng municipalities are showcased through some of the programmes under supporting small, micro and medium enterprises and small business development and providing the necessary skills training. Five thousand two hundred and forty-one (5 241) SMMEs were supported.

Unemployment remains one of the biggest challenges facing our province's economy. The Gauteng province unemployment rate was at 25.4% in the second quarter of 2012, and is currently at 23.7%. In continuing to reduce the unemployment rate there is a need for both Department of Economic Development and the Department of Co-operative Governance and Traditional Affairs to strengthen their intergovernmental relation in order support to municipalities to accelerate employment creation through infrastructure and LED initiatives projects.

The role that the LED played in creating job opportunities is also put under scrutiny as it appears that some local municipalities are still not able to quantify the contribution their local economies make in combating unemployment. This also requires extensive support from all relevant sector departments. There is a discrepancy in total number of jobs created in the 2012/13 financial year through EPWP. Department of Infrastructure Development reported forty-five thousand one hundred and sixty-four (45 164) jobs, which is a different figure from what Gauteng Municipalities reported (sixty-one thousand eight hundred and twenty-one (61 821)). The reason for the discrepancy may be under-reporting by municipalities which also require attention from all stakeholders involved. A high number of vacant posts in LED unit are also a concern which ultimately affects the performance of a municipality in creating sustainable jobs. There is also a need for municipalities to prioritise the filling or appointment of suitable personnel in LED units. Despite the challenges highlighted in the report, there is an improvement noted on reporting under LED by Gauteng municipalities.

2.7.4 Good Governance, Public Participation and IGR

The stakeholder consultation through Mayoral, MEC and Ministerial imbizos, establishment of audit committees and the establishment and training of ward committee members are main signs of Gauteng municipalities' intentions of ensuring maximum public participation on matters that concerns members of the public. CDWs are deployed in municipal wards mainly to serve as first hand receivers of information for government in order to enable government to deliver services smoothly. The decrease of CDWs mainly due to deaths is a cause for concern; the department should therefore prioritise the replacement of CDWs in all wards in both newly established and existing wards. The monitoring of initiation schools by both the Department of Cooperative Governance and Traditional Affairs and the Department of Health is a major step by Gauteng to ensure the social wellbeing of the nation.

2.7.5 Municipal Financial Viability and Management

The level of municipal debt in the Province is growing on a monthly basis from all the categories, namely organs of state, business and consumers due to various factors, which include the following:

- Declining economy;
- Unemployment and poverty elevating the indigent register;
- Migration of residents between jurisdictions;
- Inadequate revenue value chain management e.g. data verification, meter reading and accurate billing; and
- Illegal connections of basic services.

The growing utilisation of conditional grants for operational expenses is placing municipalities at risk of losing their grant allocation and possible future funding given that grants are not utilised for the intended purposes as highlighted in the grant conditions. Most municipalities in the Province are within the National Treasury 30% norm on employee related costs, with the exception of the two district municipalities as the item is their main cost driver. This component should be monitored very closely to ensure sustainability without compromising the attraction of required skills to pursue service delivery. The need to improve on MPRA implementation has become increasingly important as this directly affects a household's ability to afford on rates levied by municipalities on their respective properties. Given the future plans to have all municipalities in the Province to be metropolitan municipalities, it is imperative that municipalities in the Province achieve OPCA goals set by government on the attainment of clean audit. The work of OPCA-PCC requires close monitoring, attention and support to ensure that these goals are achieved by municipalities in the Province.

2.7.6 Spatial Development Frameworks

It was encouraging that from the 2010/11 financial year to the year under review; all Gauteng municipalities submitted their draft and adopted annual reports to the department within the legislated/stipulated timeframes. It is also worth mentioning and encouraging that in the year under review all twelve (12) municipalities managed to compile their reports using the new annual report template (Circular 63) proposed by the National Treasury.

2.8 Recommendations

2.8.1 Institutional Transformation and Organisational Development

- Municipalities must scrutinise their municipal five-year plans, and align their work and HR plans accordingly, so as to reduce the high numbers of vacancies.
- Regarding the struggle to monitor compliance to legislation, there needs to be an active implementation of checks and balances to effectively monitor such compliance.
- This can be done through the development of transversal norms and standards for the Department, tailored for municipal legislation, to enable municipalities to comply with relevant prescripts more clearly, and enable the Department to monitor such compliance more effectively, and to identify solutions to such challenges to compliance.
- A process is underway by national COGTA to firstly undertake an audit on the functionality of municipal PMS frameworks and this will be followed interventions from the both national and provincial COGTA.

2.8.2 Service Delivery and Infrastructure Development

- To address service delivery and infrastructure development, challenges such as staff shortages, supply chain delays and poor quality controls in infrastructure projects must be mitigated.
- In addition to a strengthened and continued IGR, there should be strategies to address these key service delivery challenges.

2.8.3 Local Economic Development

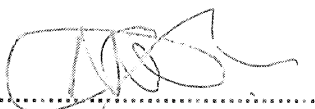
- There must be a strategic partnership between the DED and COGTA, to strengthen IGR between the two departments, with the aim of supporting municipalities to accelerate job creation through infrastructural and LED projects.
- However such a partnership must also assist municipalities in quantifying the contribution of their economies to job creation.

2.8.4 Good Governance and Intergovernmental Relations

- The department must prioritise the replacement of CDWs in all wards in both newly established and existing wards.
- The CDW programme needs to contribute in building civil society structures, which will contribute to organising engagements with communities and raise the level of quality of engagement within communities and municipalities.
- Sector departments must also recognise and fully utilise CDW's within communities in their planning process
- The monitoring of initiation schools by COGTA and the Department of Housing in the Gauteng province should be upheld, and if it continues to be successful, it must be emulated by other provinces as a best practice case.

2.8.5 Municipal Financial Viability and Management

- The publication of the National Treasury Municipal Regulations and Guidelines on Minimum Competency Levels, Gazette No. 29967 issued in June 2007 aimed to respond to the challenge of the need to attract relevant skills at local government for key positions by requiring officials at affected positions to attain the minimum level of unit standards at various posts.
- Posts which are affected by the regulations are the accounting officers, chief financial officers, other senior managers, finance officials and managerial posts within the Supply Chain Management units.
- To date, 68 service providers have been accredited by the Local Government Sector Education and Training Authority (LGSETA) to offer various unit standards contained in the regulations, these service providers are available countrywide.
- Municipalities were given up to January 2014 to comply with the regulations, however the National Treasury has since approved an extension for a Special Merit Case (SMC) which allows municipalities time to enrol affected officials for training at any of the accredited service provider.
- With these reforms in local government, it is envisaged that the level of services provided by municipalities will improve and may further be a stepping stone to assist in improving future municipal audit outcomes.



J.MAMABOLO

MEC: HUMAN SETTLEMENTS, CO-OPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS

DATE 22/09/2014

NOTICE – CHANGE OF TELEPHONE NUMBERS: GOVERNMENT PRINTING WORKS

As the mandated government security printer, providing world class security products and services, Government Printing Works has adopted some of the highly innovative technologies to best serve its customers and stakeholders. In line with this task, Government Printing Works has implemented a new telephony system to ensure most effective communication and accessibility. As a result of this development, our telephone numbers will change with effect from 3 February 2014, starting with the Pretoria offices.

The new numbers are as follows:

- Switchboard : 012 748 6001/6002
- Advertising : 012 748 6205/6206/6207/6208/6209/6210/6211/6212
- Publications Enquiries : 012 748 6052/6053/6058 GeneralEnquiries@gpw.gov.za
 - Maps : 012 748 6061/6065 BookShop@gpw.gov.za
 - Debtors : 012 748 6060/6056/6064 PublicationsDebtors@gpw.gov.za
 - Subscription : 012 748 6054/6055/6057 Subscriptions@gpw.gov.za
- SCM : 012 748 6380/6373/6218
- Debtors : 012 748 6236/6242
- Creditors : 012 748 6246/6274

Please consult our website at www.gpwonline.co.za for more contact details.

The numbers for our provincial offices in Polokwane, East London and Mmabatho will not change at this stage.