



MEDIA STATEMENT (embargoed)

Pretoria; Wednesday, 03 October 2012

Embargoed until 16h30

STATE OF MUNICIPAL CAPACITY REPORT GETS RELEASED

The Municipal Demarcation Board (MDB) has released the State of Municipal Capacity Report (SMCR) for the 2010/11 Municipal Financial Year. The report provides an analysis of national trends in municipal capacity. It is based on data collected from all municipalities in the country and includes an analysis of results by municipal category and by province. This report is an improved version of its previous Municipal Capacity Assessment process and will be re-launched at an event where leading figures in local government are expected to attend.

Today the MDB announced the release of the State of Municipal Capacity Report (SMCR). The report serves as a strategic resource for the local government sector and analyses trends in municipal capacity for the 2010/11 Municipal Financial Year. The report is an improvement on the previous Municipal Capacity Assessment process, last undertaken in 2008.

What is the SMCR?

The SMCR is an analysis of trends on municipal capacity across different categories of municipalities as well as across provinces. It is the only known published assessment of capacity of any of the three spheres of government in South Africa.

The MDB has historically conducted its annual Municipal Capacity Assessment since 2001. These assessments provide valuable information that has been widely used by all spheres of government, state-owned enterprises and nongovernmental users. In 2009/10 the MDB chose not to conduct the annual capacity assessment in order to undertake a review of the process and methodology. Based on this review an improved model and methodology was implemented leading to the development of the State of Municipal Capacity Report.

The report is based on the widely accepted understanding that local government performance is determined by three distinct, but interdependent variables which are: the



context and legacy factors which constrain the ability of municipalities to perform; the capacity municipalities employ including staffing and financial resources; and the leadership behaviours of decision-makers within municipalities.

Furthermore, in its chapter on Building a Capable State, the National Development Plan Vision 2030, puts emphasis on the need to stabilise the political-administrative interface. This should be done by focusing on skills and professionalism and making local government a career of choice. Emphasis must be placed on experience and expertise when recruiting senior managers and ensuring local government is equipped with the technical and specialist skills necessary.

The intended readers for this report are decision makers, analysts, policy makers and national government officials needing an analysis across all municipalities in the country. Different from the previous report, the intended audience of this report has been expanded beyond MEC'S to include local government practitioners, policy makers and other stakeholders.

The SMCR is also accompanied by a comprehensive user-friendly database, hosted on the internet, which provides a resource for officials, councillors and researchers in the local government sector to run customised queries and analysis.

- A suite of other reports are also available that reflect other purposes and audiences: **A municipal comparison report:** this is intended for use by a municipality to compare their capacity trends, in general and for each function, with municipalities in the same category. This is generated for each municipality independently.
- **A district level report card:** this is intended for any reader wanting an analysis of the distribution of capacity within a district, amongst all local municipalities and the district municipality. This is automatically generated for each district family.
- **An in-depth qualitative assessment report for nine districts:** Nine districts, one in each province, were selected for an in-depth analysis of the application of capacity to three prioritised functions. The reports for each of these districts reflects on the current arrangements for delivering fire services, roads and solid waste services and assesses the merits of considering MEC adjustments.



How was the SMCR improved?

The process underlying the SMCR is a marked improvement from the previous Municipal Capacity Assessment in terms of the scope of the questionnaire, the data collection methodology which largely relied on an online survey of municipalities and the depth of the analysis.

Through SMCR it is possible to also compare and benchmark similar types of municipalities. To enable this, the report categorises municipalities in line with the Municipal Infrastructure Investment Framework (MIIF). Categories are as follows:

MIIF category	Description
A	Metropolitan municipalities (metros)
B1	Secondary cities, local municipalities with the largest budgets
B2	Local municipalities with a large town as core
B3	Local municipalities with small towns, with relatively small population and significant proportion of urban population but with no large town as core
B4	Local municipalities which are mainly rural with communal tenure and with, at most, one or two small towns in their area
C1	District municipalities which are not water services authorities
C2	District municipalities which are water services authorities

Where the previous report only covered the category B and C (local and district) municipalities, this report covers all municipalities, including the metros.

Some innovations this year include that the SMCR data is warehoused in a web-based database which will serve as an analytical resource for the sector. Upon submission of the data municipalities were, for the first time, sent individual analytical reports on their capacity which will serve as useful a resource for their own planning , reporting and budgeting processes.



In co-ordinating with key partners in the sector, the MDB also used existing data sources to compliment the primary data collected from municipalities. The data sources are described in the table below.

Type of Information	Source	Year	Custodian	Coverage
Financial information	Local Government Budget and Expenditure Database (pre-audit)	2010/11	National Treasury	All municipalities
Water services performance	Blue Drop and Green Reports for Water Services Authorities	2010/11	Department of Water Affairs	All Water Services Authorities & others
Audit information	Municipal Audit Findings	2010/11	Office of the Auditor General	All municipalities
Staffing	Completed MDB Municipal Capacity Assessment Questionnaires	2010/11	Municipal Demarcation Board	All but seven municipalities participated
Demographic information	Community Survey	2007	Statistics South Africa	All municipalities

Different from before, related municipal powers and function have been grouped to improvement alignment with existing data. This is shown in the table below.

Functional Area	Description
Governance and Administration Staff	Finance, Corporate services (HR, IT, legal etc), Council support & secretariat, Municipal buildings and workshops
Function A: Water Services – Water and Sanitation	Water supply services and sanitation services
Function B: Electricity and Gas Reticulation	Electricity and gas reticulation, Street lighting
Function C: Municipal Transport	Municipal public transport, Municipal airports, Pontoons, Ferries and harbours
Function D: Waste Management	Refuse removal, refuse dumps and solid waste disposal, Cleansing
Function E: Roads and Stormwater Systems	Municipal roads, Stormwater systems in built-up areas
Function F: Community and Social Services	Beaches and amusement facilities, Local amenities, Local sports facilities, Municipal parks and recreation, Public places, Cemeteries and crematoria, Child care facilities, Libraries, Museums
Function G: Planning and Development	Municipal planning, Building regulations, Land use management, Property development (non-municipal property)
Function H: Emergency Services	Fire fighting, Rescue services, Disaster management, Ambulance services



Function I: Municipal Health	Municipal health, Licensing and control of undertakings that sell food to the public, Noise pollution, Pounds, Accommodation, care and burial of animals, Licensing of dogs
Function J: Primary Health Care	Primary health care facilities (e.g. day hospitals and clinics etc)
Function K: Environmental Management	Environmental planning, Bio-diversity management, Climate change interventions, Alternative energy planning, Air pollution
Function L: Economic Development	Local tourism, Markets, Abattoirs, Trading regulations, Street trading, Billboards and the display of advertisements in public places, Control of undertakings that sell liquor to the public , Fences and fences, Local economic development
Function M: Housing	Housing facilitation (managing developers, housing lists etc), Acting as developer of housing projects, Landlord (owning and managing housing stock)
Function N: Traffic and Policing	Traffic and municipal police, Community Safety, Control of public nuisances, Driver licensing, Motor vehicle licensing

KEY FINDINGS

Staffing

Overall municipal staff attrition is not high

The analysis of staffing trends conducted in this research shows highly volatile organisations. While the overall attrition rate of municipal staff is not particularly high, alluding arguably to competitive conditions of service, vacancies remain substantial.

8.8% of exits in the 2011 MFY were due to dismissals. Dismissals accounted for more than one out of ten exits in the Eastern Cape, KZN, the Free State and were highest in the Western Cape, with more than 13% of exits being the result of dismissals.

Appropriateness of organisational design is questionable in some contexts

Only 72% of municipal posts were filled nationally in this financial year, with the lowest in Limpopo with 61.5% filled. 76.4% of posts in municipalities' organograms were funded (budgeted for), with this figure being much lower for B4 municipalities and their C2 partners. This alludes to potentially oversized organisations, in rural spaces, that municipalities cannot provide the financial resources for and fill.

Posts are difficult to fill in rural spaces

Of the funded posts, where municipalities can afford to fill these posts, 32.5% remain vacant. It is significant that almost 1 in 3 budgeted posts nationally are vacant. If municipalities have budgeted appropriately, with the intention of filling these posts, this



then indicates that there are municipalities that struggle to attract appropriate staffing. Funded posts are significantly vacant in B4 municipalities (almost 50%) and their C2 district partners (36%). This problem is much less significant for metros and secondary cities, indicating a significant urban / rural distinction in the ability to fill funded posts.

Management trends

Recent institutional memory and experience

Municipal managers (MMs) have been in their position for on average 3.3 years. In metros and secondary cities this figure is even lower; there has been a higher turnover in MMs. It is worth noting that metropolitan municipal managers have on average 9.3 years relevant work experience, the least length of relevant work experience when compared to that of other categories (10.3 years). CFOs have generally more experience at 11.24 years, but have been in their current position for four years on average.

Years of relevant work experience is consistently lowest for Section 57 managers in the Free State. Municipalities in the Western Cape have the most experienced municipal managers, CFOs and technical services managers, and Gauteng has the most experienced corporate services and IDP managers. Municipal managers in the Western Cape have on average 14.62 years experience, when compared with an average of, 10.58 years nationally and 5.17 years in Free State. CFOs have on average 20 years relevant experience in the Western Cape, 11.24 years nationally and in extreme contrast 4.1 years in the Free State (one fifth of the experience of a CFO in the Western Cape). Similarly for technical services, managers have on average 17 years relevant experience in the Western Cape, 10.82 years nationally and only 6.6 in the Free State, but followed closely by North West and Limpopo.

The North West, Gauteng and the Free State's municipal managers are on average very new to their positions as compared to other provinces.

High management turnover

It is a very significant finding that 25% of Section 57 posts (1 in 4) was vacant for more than three months in the 2010/11 financial year, with the problem being more prominent in B1 and B3 municipalities and provincially more prominent in Mpumalanga, the North West, the Free State and highest (42.6% or 2 out of every 5 managers) in the Northern Cape.

Almost one out of six Section 57 managers exited their municipality in the course of the year. This was more than one out of five in B2, C2 and to lesser extent B4 municipalities. Provincially, KZN, Limpopo and Mpumalanga had higher than average exit rates, with Free State's rates the highest at almost one in four managers exited in the year.

Exits are due largely to resignations and dismissals

A significant proportion of exits are due to dismissals. Nationally 13.1% of Section 57 exits were dismissals, mostly in B1 and C2 municipalities. Provincially, dismissals accounted for 28.2% of exits in Mpumalanga, 23.6% in the North West and 16.7% in the Western Cape.



Dismissals themselves cannot be perceived negatively, if they represent the willingness to act in the face of problems.

As Section 57 managers are employed on contract; contract closure should be a prominent reason for exist. However resignations account for 63.8% of all exits, most prominently in C1 (66.7%), B4 (76.8%) and C2 (85.7%) municipalities.

Municipal Managers have the highest qualification levels

On average municipal manager qualifications exceed that of their management peers. Almost 50% of MMs have a post-graduate degree and almost 1 in 3 have a Masters Degree or Phd.

Corporate services managers, too, follow in having similar high levels of academic qualification.

Qualifications of technical services managers

While municipal managers and corporate services managers have high levels of tertiary qualifications, this contrasts strongly with technical services managers. Almost 50% of technical services managers do not have an undergraduate degree, yet are responsible for services that account for the highest proportion of municipal asset value and for functions that represent the bulk of municipal expenditure.

All qualifications of senior managers are improving

A comparison of the qualifications of all senior managers in this capacity assessment with the information obtained in 2008 capacity assessment showed, a significant increase in the academic qualifications of senior managers, including technical services managers.

Technical and specialist skills

Engineering professionals

The data collected in the capacity assessment raises, or reiterates, a number of key points made in other studies:

1. There is a chronic shortage of municipal engineers in South Africa,
2. This shortage is most acute in B4 municipalities and C2 municipalities,
3. There is a large infrastructure asset value present in these municipalities, however they do not have the engineering capacity to manage these assets, and
4. The geographical distribution of engineers is uneven, with higher concentrations of engineering capacity in metros and secondary cities.



Spatial planners

More than 50% of the 468 planners surfaced through the survey are employed by metros and the majority in the City of Cape Town alone. Elsewhere, like with engineering capacity, there is a severe shortage.

This metropolitan concentration of planners means provincially much higher prevalence of planners in the Western Cape, Gauteng and KZN.

Despite C1 municipalities increasingly positioning themselves as development facilitators and a platform for sharing scarce skills, C1 municipalities, followed by other district municipalities (C2s) have the lowest numbers of planners. C1 municipalities average less than one planner for every district.

Two-tier local government

An analysis of staffing and expenditure trends for all municipalities firstly highlights the limited role played by C1 municipalities, which by definition are not responsible for the water services authority role and many other municipal services. C1 municipalities spend 48.4% of their budgets on governance and administration. Aside from the facilitation and coordination model embodied by Cacadu District Municipality and the Shared Services District model embodied by the West Coast District Municipality, there is limited relevance to the role played by C1 municipalities.

While B4 municipalities spend about 70% of their budgets on governance and administration, this proportion is also very high (41%) in their C2 partners. This indicates very significant duplication in the governance and administration costs in the two-tier system, where districts are most needed: in rural spaces.

These two findings allude to the most common critique of the two tier system; that district municipalities lack relevance in significant parts of the country and that, where they are relevant, better role clarification and efficiently designed governance and financing arrangements is needed, in relation to local municipalities.

Implications for MEC Adjustments

While this data will certainly be useful to any process considering adjustment of functions, recommendations for adjustments are not made for the following two reasons:

A Quantitative View of Capacity is Insufficient

The data collected and analysed as part of this study presents a quantitative view of capacity distribution in municipalities and does not present the full picture. A qualitative and in-depth engagement to understand local perspectives, conditions, arrangements and dynamics is essential to coming to a view of capacity that complements the quantitative view.



Capacity is insufficient criteria for functional adjustment

Capacity is at best, only one of the many criteria that need to be considered in adjusting a function. These are some of the important considerations in adjusting or devolving a function:

- Principle of subsidiarity – constitutional imperative to devolve to lowest level the function can be delivered from.
- Technical logic of function – each function is defined by technical considerations of the scale at which it should be delivered.
- Function follows finance – it is important that the financing mechanisms for functions determine who is best responsible for it.
- Economies of scale – some functions are more economical delivered at larger (regional scales).
- Management efficiency – some functions realize better management efficiencies when delivered at regional scale.
- Integration of the service – there are arguments for certain services to be delivered as an integrated package with other services and thus should be delivered together.
- Impact on other services – what impact does adjusting this service has on other services.
- Capacity – who currently has the staffing, budgets and assets is an important factor.
- Implications of adjustments – what are the implications for moving staffing and assets.

Implications for Boundary Adjustments

In considering an adjustment, a range of spatial and socio-economic criteria should inform the adjustment of boundaries. The capacity of current institutions is arguably a factor for consideration, but alone is insufficient for boundary adjustment. The data obtained through this exercise and complemented with other data sources is an important resource and input into the process of boundary adjustments.

CONCLUSION

It must be noted that in concluding, the findings regarding capacity in local government, are by no means viewed as unique to local government. They firstly reflect significant variance in municipalities depending on context and geographical location. Findings are also likely to be reflective of similar trends in national and provincial government. If similar studies are being conducted in relation to national and provincial departments, their findings too, should be published so that local government capacity is assessed in an intergovernmental context.

ENDS/



Issued by Therisano Marketing-Communications on behalf of the Municipal Demarcation Board

For enquiries and interviews please contact:

- J P Louw on 082 468 3401 and/or jplouw@thero.co.za; or
- Therisano Marketing-Communications on 076 655 3488 and/or info@thero.co.za