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Conference Program, Tuesday 10 October 2017
Program Directors: Sidwell Mofokeng & Cheryl Reddy

Time	Activity	Speaker & Venue
7:30 - 08:30	Viewing of Exhibition Stands	**Exhibition Hall**
08:30 – 08:40	Exhibitor Competitions in Plenary	**Plenary Hall**
08:40 – 09:05 **S7**	mSCOA Current Status Update	**Silma Koekemoer** National Treasury
09:05 – 09:30 **S8**	Sustainability – Integration of Systems (ICT the enabler)	**Walter Muwandi** CCG Systems Platinum Sponsor
09:30 – 09:50 **S9**	Innovation in financing	**Faried Manuel** DBSA Diamond Sponsor
09:50 – 10:10 **S10**	The fiscal framework - Reforms: - DORA: making equitable share equitable - Revenue generation strategies - Maximizing Conditional grants	**Wendy Fanoe** *National Treasury*
10:10 – 11:00	**Refreshments and Viewing of Exhibition Stands**	**Exhibition Hall**
	Three Sessions each hosting Concurrent Focus Groups (*Earn 2CPD points per session*)	
Time	**Workshop Subject**	**Workshop Leader**
11:00 – 12:10	**1. Ethics that contribute to achieving an exemplary administration** - Compliance to the legal framework - Replicating good practices to ensure effective service delivery **S11**	**Facilitator:** David Garegae **Presenter:** Adv. Boreka Motlanthe **PANEL** • Sandile Mnguni, eThekwini Municipality • Fathima Khan, eThekwini Municipality • Louise Muller, City of Cape Town
	2. Procurement practices - Transversal contracts - Maximising value for money - Rapid Economic transformation through LED - Contract Management **S12**	**Facilitator:** Cheryl Reddy **Presenter:** Linda le Roux, AGSA **PANEL** • Similo Mbongwe, eThekwini Municipality • Kirsch Bezuidenhout, KZN Treasury • Lydia Mahloko, Sol Plaatje Municipality • Ozias Ncube, UNISA
	3. Strategies for Urban Renewal in City Centres - City Improvement Districts a vehicle to preserve and increase property values and business opportunities - Successful City Improvement Districts creating new business opportunities via job creation and redevelopment of properties. **S13 Sponsored by Nedbank**	**Facilitator:** George Van Schalkwyk **Presenter:** Eddie Scott, City of Cape Town **PANEL** • Santie Reyneke-Naude, Overstrand Municipality • Remo Moyo, Nedbank
12:10 – 13:20	**4. Audit & Risk Management** - The role of Combined Assurance to achieve transformational service delivery strategies - Technological Data Analytics (CAAT System) **S14**	**Facilitator:** Maria Makhongela **Presenter:** Harry Petrie, Provincial Treasury **PANEL** • Mohammed Lorgat, SALGA • Lindiwe Ndaba, City of Cape Town • Sharonne Adams, AGSA • Ntheng Marobane, Sekhukhune Municipality
	5. mSCOA & Expenditure management - Employee related costs - Institutional arrangements - Internal controls (effective cash management practices) - National Treasury Circular 82 - New mSCOA chart 2018/19 budget **S15**	**Facilitator:** Bharthie Ranchoddas **Presenter:** Sandile Mnguni, eThekwini Municipality **PANEL** • Mbulelo Memani, Knysna Municipality • Silma Koekemoer, National Treasury • Peet du Plessis
12:10 – 13:20	**6. Asset Management** - Asset management: Cornerstone of long term financial sustainability - Alignment of Strategic objectives and Asset Management objectives - Asset management plans (Value Chain incl. implementation) - Bridging the Infrastructure Funding Gap for Sustainable service delivery - Drivers of effective Asset Management – Public Sector (Governance / GRAP) **S16 Sponsored by i@Consulting**	**Facilitator:** Emmanuel Ngcobo **Presenter:** Werner Welgemoed, i@Consulting **PANEL** • Shiva Makotoko, INCA • Faried Manuel, DBSA • Dr. Krish Kumar, eThekwini Municipality
13:20 – 14:30	**Lunch and Viewing of Exhibition Stands**	**Exhibition Hall**
14:30–15:40	**7. I.T Management & Governance** - Use of sustainable Technology to respond and deliver services promptly - DPSA Framework **S17 Sponsored by CCG**	**Facilitator:** Nelisiwe Ntlhola **Presenter:** Castro Mosina, Rand West City **PANEL** • Omeshnee Naidoo, City of Cape Town • Alufheli Swalivha, DPSA • Lwazi Ndzena, SALGA
	8. Public Finance Management (PFM) - Role of CIGFARO in the professionalization of the Public sector **S18**	**Facilitator:** Jane Masite **Presenter:** Danie de Lange, EOH **PANEL** • Girish Daya, GIZ • Lusani Madzivhandila, National Treasury • Phenyo Chwene
	9. The impact of legislation on service delivery - Compliance fatigue (MFMA, MSA, PFMA) - IGR Challenges - The implementation of Financial Misconduct Regulations **S19**	**Facilitator:** Peet du Plessis **Presenter:** Fathima Khan, eThekwini Municipality **PANEL** • Lance Joel, SALGA • Sidwell Mofokeng, CIGFARO • Louise Muller, City of Cape Town • Sizani Moshidi, CIGFARO
Sponsors Night & Evening of Leisure		

PROGRAMME DIRECTORS

Sidwell Mofokeng

Cheryl Reddy

Concurrent Student Conference - Venue Room 2.40

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October is all about pink, the more you know the less you fear.

PRESIDENTIAL ADDRESS & OPENING OF CONFERENCE

CIGFARO President, Dr. Krish Kumar opened the Annual 2017 CIGFARO Conference yesterday to much fanfare and a great and passionate rendition of our National Anthem by the children of Mosheshe Primary School. Delegates are attending the conference this week with the very real knowledge that South Africa is in a challenging economic and low growth environment and solutions to sustainable service delivery need to be found.

"We demand services, it is our right", "Poor Service Delivery is What we Hate", "Affordable housing now!", "Transfer the economy from the minority to the majority". These are statements made by an increasingly frustrated public and which were highlighted by Dr. Kumar in his opening address. With this in mind, the focus of his address was therefore on the current state of local government, the public sector and more importantly on how we as municipalities and support entities can turnaround and improve productivity, improve our value-for-money and ensure growth in the South African economy.

The CIGFARO President highlighted that the 2.5% (quarter-on-quarter) increase in Gross Domestic Product in the second quarter of 2017 brought an end to the second recession in South Africa since 1994; however the year on year economic growth was only 1.1%. Although this is an improvement from the previous year, it is still a long way from the target growth rate of 5.4%. The harsh reality is that an approximate total of 82 000 individuals lost their jobs in the first two quarters of 2017.

This economic slowdown has many socio-economic impacts. According to Dr. Kumar these include increasing unemployment; decreasing years of staying in school and school attendance; decreased access to water, energy for heating, cooking and lighting, as well as sanitation. He highlighted that because of this, government at all levels need to provide more, albeit with limited capacity and resources.

The three (3) spheres of government (National, Provincial and Local) were highlighted - specifically the fact that the economic challenges mentioned above have had a major financial impact on local government entities. Dr. Kumar raised the question on whether there has been too much focus on local government and if too much of the budget has been allocated to them. This will be discussed in detail over the next few days. Municipalities are owed in excess of R128 billion by the constituencies that they service, which is more than the government grant allocation of R111 billion; add to this the fact that these same municipalities owe creditors in excess of R43 billion and this spells disaster for a municipalities financial management and liquidity.

Dr. Kumar showed that there are 7 key challenges that are facing local government specifically:

- Sustainability;
- A deteriorating infrastructure;
- Rapid urbanization which directly impacts on service delivery;
- Integrated Rapid Public Transport System;
- Densification;
- Completeness of billing; and
- Water and electricity distribution losses.

These challenges will specifically be discussed at this conference and the desired outcome will be to put together strategies and workable plans to deal with them.

The presentation also discussed some of the potential solutions that can be followed in order to address the challenges mentioned above and which will be discussed in the plenary sessions. These include:

- Improving revenue collections by addressing the culture of non-payment;
- Ensuring that allocations are done effectively;
- Improving operational efficiencies specifically ensuring obtaining maximum value for money spent;
- Building strong leadership that is able to manage the politics and administration of a municipality;
- Identification of alternate sources of income;
- Increased focus on growth of the economy and job creation; and
- Building smart city initiatives that focus on a green economy and digital technology.

Dr. Kumar stressed on the fact that municipalities need to manage and contain their expenses specifically on the amount spent on the use of consultants, travel, and accommodation. He quoted Benjamin Franklin "Beware of small expenses. A small leak can sink a big ship." While provinces are expected to overspend their budgets by approximately R9 billion, a couple of positives have come out from previous years and include the fact that unauthorized expenditure has been significantly reduced and provinces are expected to collect R17.5 billion in own revenues in the next year. Unauthorized expenditure was a major talking point in 2016, and it is a positive that these have been reduced. There was then a loud round of applause as the CIGFARO President stated that there should be an internal government working system across all spheres where municipalities at all levels should leverage off other municipalities' strengths instead of paying consultants. This is in line with the management and decrease of costs.

The education and health industries were then discussed in detail, specifically on the budget allocation, the challenges being experienced and the potential solutions that, if implemented, could ensure growth and efficiency in these sectors.

According to Dr. Kumar, there needs to be alignment between planning and development processes in all 3 spheres of government, and this will ensure that there are compact cities and sustainable development. It will also assist in addressing unemployment, poverty and inequality and ensure economic growth. By ensuring this alignment, the national priorities approved by the cabinet for 2018 will be directly addressed. These will lead to:

- Job creation and small business development;
- Youth development;
- Infrastructure spending-expansion and maintenance;
- Land reform, agricultural development and smallholding farming;
- Comprehensive social security, education and skills;
- An integrated plan to fight crime; and
- Regional integration and development-advancing the South African national interest in SADC, African Continent, BRICS and Indian Ocean Rim Association.

Dr. Kumar concluded by sharing his views on what the focus areas should be to address the challenges mentioned. These included reducing expenditure, improving efficiency, investment in shared services, increasing infrastructure spend to boost economic growth, optimizing the state procurement process and a focus on economic development and job creation. There was a round of applause from the audience as the presentation and its contents were well received. It provided context to what the CIGAFARO 2017 conference was all about and what the potential outcomes could be. We as government and support entities, need to embrace the theme, **we need to ensure sustainable service delivery in a challenging economic environment.**

Growing 8 hours to 24 hours

Hajra Mangerah, Director, Innov8 Call Centre Solutions

I am about to become a nuisance to labour specialists, remuneration specialists, and human resource departments across South Africa for what I am about to suggest. But in doing so, I hope to start growing a thought. A thought that is already in existence in many countries around the world. A thought that could maybe lead to economic growth in South Africa. A thought focused on the introduction of a 24-hour culture in South Africa.

When we look at the major economic superpowers across the world, we notice a trend. They all operate long working hours and have a 24-hour culture, be it in query and call centres, be it in 24-hour drive through restaurants and service stations, or even security and entertainment companies. Towns typically get recognised as "The City that Never Sleeps" and include cities like Montevideo, Madrid, Paris, Dubai and New York City. All of these are high profile cities that people from all walks of life strive to live in and work in, and cities that have fully adopted a 24-hour culture.

While there are many that argue that a 24-hour working culture has negative effects on work life balance, the simple truth is that introducing such a culture is actually beneficial to a country and a society. In fact, it actually stimulates an economy and creates a culture of work hard, play hard. Many of these countries have grown the working population by between 1 and 3 percent every year as economies look at embracing 24 hour cultures. The group comprises mostly less skilled workers, employed in the customer care, leisure, service and manufacturing industries.

In South Africa, we do not have a 24-hour culture or should I say, we have a very limited 24-hour culture. And this is an economy that has a 27.7% unemployment rate, which as economists have been saying, is at a 14 year high. What are the primary reasons for unemployment? Is it a lack of skills? Is it a lack of opportunity? Are there just not enough jobs to accommodate a working population? This 27.7% equates to 9.3 million South Africans who are looking for employment; 9.3 million South Africans who if they had a job would be contributing to the economy; 9.3 million South Africans opportunity lost.

Could the introduction of a 24-hour culture assist in reducing the unemployment rate? I believe it could if it were managed properly. The benefits of having a 24-hour culture boils down to a few key points:

- Job creation;
- Stimulated economy;
- More contribution to tax and consumer spending;
- Reduced risk of non-payment of service provided and
- Economic growth

How many times have you needed a product or a service urgently but due to the time are unable to receive it? How many times have you called and received the usual response "Office Hours are from 8 in the morning to 5 in the afternoon"? There are two groups that have lost in this situation; the product or service provided, and the person requesting the product or service. If this were a 24 hour working culture, the product or service provided would have increased revenue and the individual would have received his product or service.

As South Africans, the majority of us have common working hours 8AM to 5PM. This means that when we need to do something, it has to occur within these time frames. With the focus on our day to day jobs, these usually do not occur, meaning that we have to schedule time out of office to get a product or service done. What does this mean to the company you are working for? Yup, a loss of productivity. Having a 24 hour working culture could eliminate this.

South Africa is also recognised as an international business process outsourcing destination with focus on our labour force, our resource costs and our neutral language. There are a few companies in South Africa that offer business process outsourcing services to international companies 24 hours a day through in-bound call centres, and they are thriving. So yes, maybe a 24-hour culture could work.

To conclude, a 24-hour culture could reduce unemployment as you would have both day and night time employees. With an effective transfer of skills, these individuals could become tax payers and thus lead to an increase in tax revenue. These individuals could also start paying any outstanding debt owed thereby contributing to effective service delivery in the public sector or an improvement in quality and service in the private sector.

Let's embrace change. Let's embrace a 24-hour culture. Let's become the economic superpower that we know we can be.

Competitions

To stand a chance to win one of the following prices, please visit the exhibitors stand:

SekelaXabiso
1 Wine Cast worth R 300.00

Bidvest
1 Drone worth R 5,000.00

ABSA
1st prize Suite Soccer Tickets worth R 8,000.00
2nd prize Magnum Bottle of Champagne worth R 4,000.00
3rd prize Carrol Boyes Hamper worth R 4,000.00

CRF for Local Government
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Sustaining Service Delivery Amidst the Challenging Economic Climate – Part 2

Simphiwe Dzengwa, Executive Director:
Municipal Finance – SALGA

Yesterday, we discussed some of the challenges being experienced in sustaining service delivery in this difficult climate, today we will look at some of the responses that South African Local Government Association (SALGA) proposes in order to counter these challenges.

Given the challenges outlined yesterday, it is critical for local government to transform itself to become a more responsive and active participant in dealing with the triple challenges of poverty, unemployment and inequality. The sector has to carve its niche in contributing to the socio-economic turn-around in line with the National Development Plan (NDP). In line with the 2016 December elective conference resolutions, SALGA intends engaging in this economic turn-around process through the following measures:

1. Focus on Municipal Trade and Investment to Build the Economy – a Unit is in the process of being established to coordinate municipal efforts in economic regeneration. The focus will be on job creating schemes, projects with a ripple effect that will create sustainable small and medium entities, and other such initiatives. A Municipal Trade and Investment Fair would also be one initiative during the first quarter of 2018 to bring together these initiatives for discussion.

2. Exposure to Various Innovative Revenue Instruments – processes are under way to convene a Municipal Bonds and Pooled Financing Conference in mid-November. The intention here would be to expose metro and intermediate city municipalities to these instruments for funding of major infrastructure projects. Various private sector entities, Development Finance Institutions, Fund Managers and other such entities in this space would participate in sharing their investment appetite and strategies. Municipalities who have successfully launched Bonds would also present their experiences on infrastructure, social and green bonds.

3. Workshop on Revenue Instruments – Related to the above, Salga will also convene a special two-day workshop where alongside National Treasury, CIGFARO, Development Bank of Southern Africa (DBSA) and other entities, invited municipalities will be work shopped on various alternative revenue instruments such as borrowing; pooled financing, bonds; tax instruments (local business tax, tax incremental financing); Private Public Partnerships (PPP) etc.

4. Equitable Share review – for the past 10 years SALGA has made a point that the current equitable share formula is skewed against local government. Though the horizontal allocation of resources within the Local Government sphere has some positive and progressive elements, the vertical dispensation among the three spheres disadvantages local government. Various SALGA delegations to the Budget Forum have made the point that the 9,1% (5% ES; 3 conditional grants; 1% fuel levy; and 1% indirect national grants) allocation to LG is not adequate given the challenges that the sphere has to contend with. (National gets 47,5% while provinces get 43%).

To deal with this historical imbalance and unfairness to local government, Salga has recommended that the Financial and Fiscal Comission (FFC) supported by National Treasury, Cooperative Governance and Traditional Affairs (CoGTA) and SALGA to:

- Review the Local Government Equity Share (LGES) vertical formula and its underlying assumptions and present periodical reports and recommendations to the Budget Forum, PCC and other relevant platforms;
- NT to consider the recommendations made by the FFC and SALGA on the Cost of Basic Services research and factor these in updating the assumptions of the LGES;
- Taking into consideration other variables and macro-economic factors, recommend on the phasing in of the new formula – dealing with both vertical and horizontal division of revenues
- CoGTA to expedite the finalization of the Review of Powers and Functions as mandated by the Budget Forum in 2015

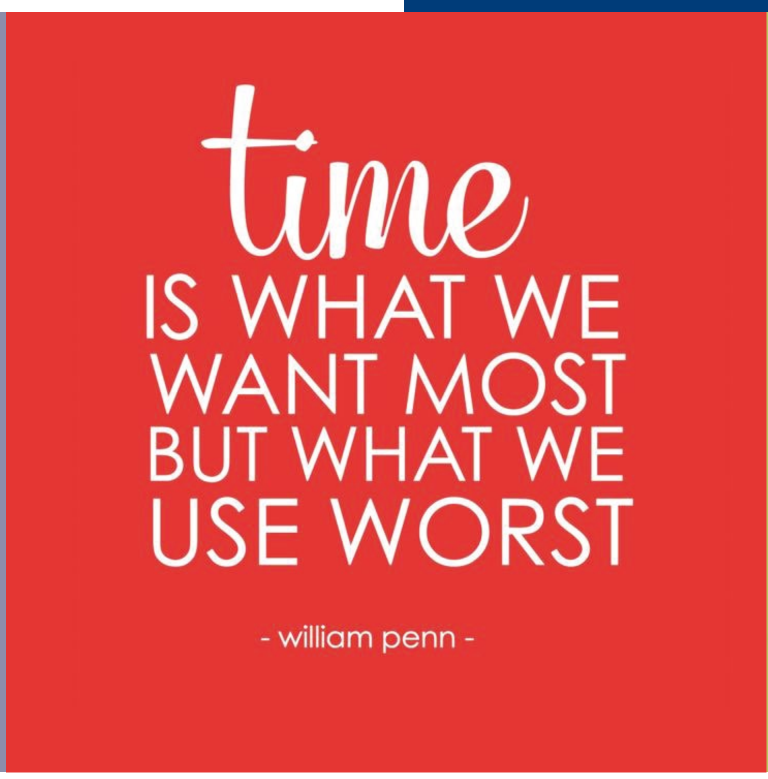
5. Municipal Audit Support Program (MASP) – all the above measures are to go with greater accountability, value for money, focus on quality spending, less dependency on consultants, reduction/elimination of corruptions, consequence management, reduction/elimination of irregular, fruitless, wasteful and unauthorised expenditure. The number of municipalities with disclaimer audit outcomes has to be reduced and better management of municipal resources has to improve.

SALGA's MASP initiative will continue its greater focus on Red Zone (disclaimer) municipalities while at the same time monitoring those that are in other categories to improve and not to regress. MASP will further give more attention to those municipalities that have attained declaimer outcomes for the past five years, those that were recently amalgamated and those that are in financial distress.

Conclusion

The bar has been set high for the next five years. SALGA has to escalate its lobbying and support. This will require resources and partnerships. We are open to work with all stakeholders in the sector. We are even more determined to assist municipalities who proactively request our support and put in place measures to ensure that the interventions made yield the desired result.

Quote of the day



October is all about pink, the more you know the less you fear.

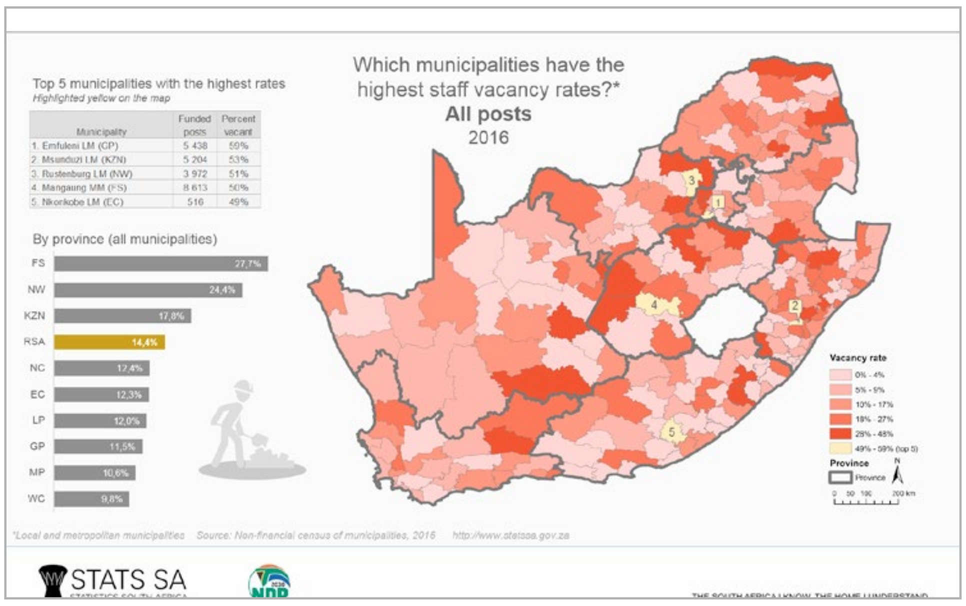
Service delivery from the supply side: municipal vacancies

Co-authors: Ms. Hellen Maribe & Mr. Kevin Parry, Statistics South Africa

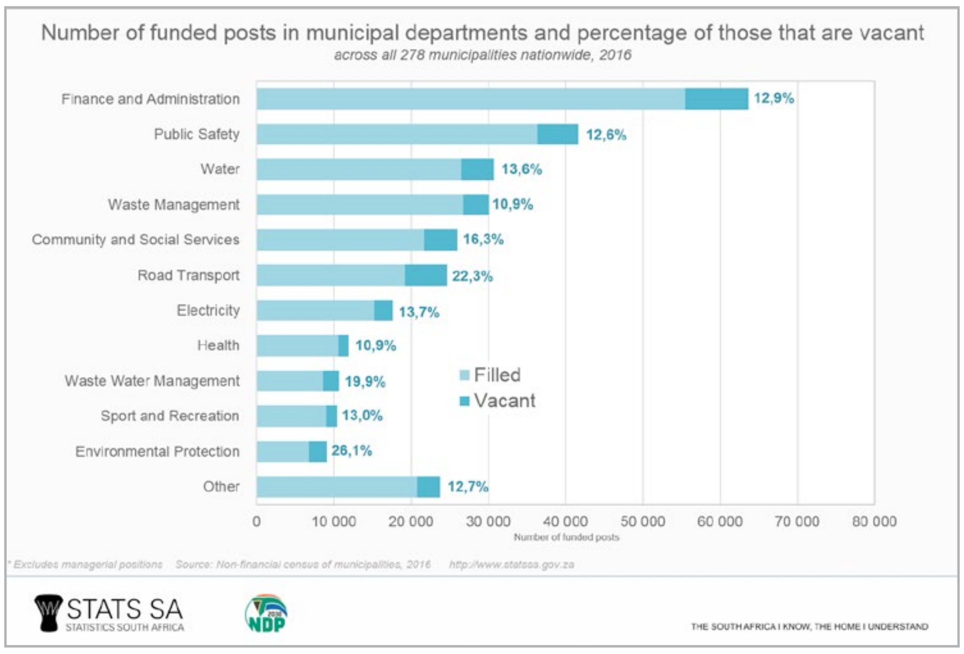
Are municipalities properly staffed to handle the complexities of service delivery? Stats SA's latest Non-financial Census of Municipalities report provides a profile of the municipal workforce, shedding light on the number of vacancies in key departments.

Total vacancy rate

There were 314 117 funded posts across local government in 2016. Of these, 45 096 were unoccupied, translating to a national vacancy rate of 14,4%.
In the map below, Emfuleni municipality in Gauteng (the Vereeniging area) had the highest rate: 59% of its 5 438 funded posts were unfilled.



As a group, Free State municipalities had the highest percentage of posts that were unoccupied in 2016.
Broken down by department, the highest vacancy rates were recorded by environmental protection departments, road transport and waste water management departments.



When Stats SA asked municipalities what could be the reason for staff vacancies, the following were some of the responses:
(a) there was sometimes uncertainty regarding details of the personnel structure within the municipality;
(b) in at least one municipality a moratorium was placed on filling of posts; and
(c) many municipalities were still using outdated organograms that were due to be updated after the August 2016 local government elections.

Finance and administration

Many municipalities rely too heavily on consultants to prepare their financial statements, according to the Auditor-General (AG). The AG reported that local government forked out R892 million in consultancy costs for financial reporting services in 2014/15, which was a rapid increase from the R267 million recorded in 2010/11.
Ensuring that finance departments are well-staffed is one step towards weaning local government off consultancy services. However, the vacancy rate within municipal finance departments climbed from 11,3% in 2015 to 12,9% in 2016.

Water and waste water management

Residents in Vryheid resorted to fist fights over water earlier this year. The drought-stricken KwaZulu-Natal town was one of many that bore the brunt of one of South Africa's worst droughts in recent history, with the municipality resorting to bringing in tankers of water for residents' usage.
Chronic water shortages remain a concern in many parts of the country, despite relatively good rains over the last few months. Together with the drought, loss of water due to leaking pipes and the poor maintenance of water treatment plants remain constant bug-bears of South Africa's water infrastructure network.
The municipal departments responsible for waste water management and water reported a combined vacancy rate of 15,2% in 2016, with Rustenburg municipality way on top at 69%.
AbaQulusi municipality, in which Vryheid is located, had 187 water related posts on its books in 2016, 57 (or 30,5%) of which were vacant.

Electricity

Rolling power blackouts plagued South Africa in 2008 when demand for electricity outstripped supply. The country has since clawed itself back into a position of stable electricity generation.
The good news is that municipalities have done their part too, increasing staff capacity in their electricity departments. The vacancy rate was down from 20,2% in 2015 to 13,7% in 2016. However, despite the fall in the national vacancy rate, empty seats remain a problem for municipalities in North West and Free State in particular.

Road transport

Rabelani Dagada, Johannesburg's Finance Member of Mayoral Committee (MMC), recently announced that R1,5 billion would be spent during the 2017/18 financial year on maintenance of road infrastructure. R105 million in particular would be spent on repairing broken traffic lights within the city.

Does Johannesburg have the human resources to transform this money into tangible results? Of the 2 508 posts available for road transport in the city, only 131 were unfilled. With 5% of posts vacant in that department, the city is in a better position to ensure that its roads are well maintained.

Other municipalities are not so lucky. Of the 24 655 road transport posts funded nationally in 2016, 5 487 (22,3%) were vacant. Almost half of available posts in road infrastructure departments were unfilled in Free State, with high vacancy rates recorded for Mangaung (74%) and Masilonyana (69%).

To wrap up: where should we focus our efforts then?

Staff vacancies within South Africa's local municipalities increased between 2015 and 2016, with high vacancies recorded by Free State municipalities. Emfuleni (which includes Vereeniging), Msunduzi (which includes Pietermaritzburg) and Rustenburg were the municipalities with the highest vacancy rates overall. Municipal departments that were struggling the most to fill posts included environmental protection, road transport and water waste management departments.
Stats SA's Non-financial census of municipalities report provides a wealth of information on issues related to the extent of provision of basic services and free basic services, compliance to certain minimum standards, vacancies in municipal departments, and the number of indigent households. For more information, visit Stats SA's website at http://wwww.statssa.gov.za.

The Challenges with trying to utilize Municipal Data in Debt Collection

By Yusuf Aboojee and Vivianne Parisi McGrail, Transaction Capital Recoveries (Pty) Ltd

Municipal Data? Don't get me started. We recently assisted a municipality with their debt collection initiative. Approximately 22 000 accounts were handed over with an outstanding debt book value of approximately R1 billion. When conducting a book analysis to determine the "As Is" of the book, we found what we call, a debt collectors nightmare. Of the 22 000 accounts there was only one (1) account with a valid Identification Document (ID) number and four (4) accounts that had valid contact numbers. With contactability being the cornerstone of an effective debt collection strategy, this lack of contact details and descriptor information was certainly going to prove a major hurdle in reducing that municipality's debt. This scenario and issue with municipal data is not restricted to just this single municipality, but it is a common problem across all municipalities. Let's take a ride and address a few major challenges with municipal data and try to offer potential solutions that can be put in place to counter these issues. Engine start.

We're driving along and BOOM, we encounter our first challenge, an overwhelming speed hump. The problems associated with incorrect or incomplete individual and business information stem from the source. Too often municipalities employ staff that are not skilled or do not have the capacity to capture correct information. Whenever an account is being opened, a valid ID book or company registration document needs to be present. Information is usually filled in on a document by hand and this information is, unfortunately, not correctly or completely captured on a municipality's financial system. Already, because information is not captured correctly, it presents a problem to the municipality when they reach their billing, credit control and debt collection processes. A municipality needs to ensure that it has skilled resources that are able to capture information correctly and clearly. If capacity is an issue, additional and dedicated resources need to be brought in to focus on capturing information correctly on a municipality's financial system. While it may add some cost to the municipality, municipalities should consider it an investment as it will yield quick returns when attempting to recover service charges through credit control and debt collection.

We've cleared the speed hump but immediately encounter our second challenge, a double road block. Municipalities also have challenges when property ownership is transferred.

During this process, a conveyancing attorney has the responsibility of informing a municipality of change of ownership in order to transfer rates and taxes to the new owner; this occurs in most cases and details are updated in most, but not all, cases. In the cases of tribal land, there are also instances where an informal transfer has taken place but no formal transfer has been lodged with the municipality. Municipalities need to regularly engage with data providers, where they are able to send their entire valuation roll via the data provider for deeds office verification of ownership. The results will flag all discrepancies which can then be addressed. While many municipalities believe that the cost for such a process is very high, conducting these on a monthly basis could keep costs to a minimum in the long run. This again is an investment in the sustainability of the municipality.

We've gone past the road block, but encounter our third and final challenge for the day, the dreaded red traffic light. A new owner has the responsibility of opening new service accounts. The challenge here is that in some cases, individuals are ignorant that this needs to be done, therefore information is not updated and the incorrect individual continues to be billed monthly. In other instances, the new owner avoids opening these accounts due to the deposit payable upfront which leads to the same challenges experienced during our speed hump challenge earlier. The solution here goes hand in hand with property ownership, once the rates and taxes billing have been finalized, this information must be used in order to identify properties where new service accounts have not been opened. In this way, credit control measures can be taken and all previous account holder billing can be re-allocated.

While there could potentially be many issues that affect a municipality's data, the three(3) above are the most prevalent. The potential solutions mentioned should be considered and where applicable implemented. Investing in these processes will ensure that a municipality is protected in the long run and is able to use credit control and debt collection processes effectively. Municipalities should also consider moving away from manual applications, and start investigating online means of capture at the source. As for me, I'm taking the highway to avoid these challenges. **Smooth roads ahead.**

South Africa is in trouble

Professor André de Villiers, Prosgro Project Management

It is fair to declare that South Africa is today in a very bad space. Far too many things have gone wrong in the past year or two. Our economy is not growing and ratings agencies have downgraded lending by South Africa's state enterprises to junk status. Recently the World Economic Forum reported that we had slipped fourteen places on their competitive index. Cosatu and many other organisations are up in arms about systemic corruption and state capture. But these are only symptoms of a much deeper malaise.

In the second quarter of this year job opportunities dropped by 34 000. R&D expenditure is dismal and innovation and entrepreneurship are not doing too well. The private sector is sitting on a huge pile of cash and a figure of more than one trillion Rand is bandied about.
So why is our economy not growing if there is money available? It is simply a case of mistrust in the government and the expectation that any investment in new production capacity could be nullified by nationalisation or some onerous BEE scheme. Meanwhile everyone's confidence keeps going down.

In an article in Acumen, journal of the University of Pretoria's Gordon Graduate Institute of Business, Trudi Makhaya states that:
All organisations, cities, and municipalities are infuriatingly political. Anyone who loves to accomplish things must learn to love politics. Moreover, for better or for worse, politics is as important for dictators as for democrats. You can't take people where they aren't willing to go.... Politics means inducing and managing creative contention, giving people airtime and building winning coalitions. They are the human element of the implementation process.

In South Africa inequality has grown rapidly. Many people, black as well as white, today earn huge salaries, but nevertheless live very superficial, materialistic and consumeristic lives. They incur large debts on motor cars, clothes and consumer products, yet don't provide for old age.
On the other hand, the very poor are getting poorer. Vusi Gumede says: Poverty is an enemy of good governance, for persistent poverty is a destabiliser, especially if such poverty is shared in a grossly unequal manner, or is widely regarded as being unfairly distributed as the few who are relatively rich indulge in conspicuous consumption …without good governance, we cannot eradicate poverty; for no government is interested in the eradication of poverty: on the contrary, and as we have seen in many parts of Africa and elsewhere, widespread corruption in high places breeds poverty.

However, giving someone a fish and not teaching them to fish, is not a sustainable solution either. Unfortunately, the current government is very guilty of grants and handouts, which do not encourage development.

Russel Ackoff, an international systems thinker, states: I see little evidence that international programs currently directed at producing development know what development is. Development is not the acquisition of wealth, an increase in the standard of living or quality of life. In fact, development and economic growth are two very different things. Cemeteries and rubbish heaps grow, but do not develop, whilst Einstein and Beethoven kept developing long after they had stopped growing. Development is a process of increasing one's competence, an ability to satisfy one's own needs and legitimate desires. Development occurs in the process of learning, not earning, as growth does.

Development is not so much a matter of how much one has as it is of how much one can do, with whatever one has. Because one person cannot learn for another, development cannot be done for, or imposed on, another. To provide charity is not to facilitate development. A developed person can produce a better quality of life with few resources than an undeveloped person can with many.
Cynicism is not conducive to economic trust and especially entrepreneurs become wary of investing. The private sector only invests and takes on risk when political certainty is reasonable.

At one time we had truth and lies. Now dishonesty inspires more euphemisms than copulation or defecation. This helps desensitize us to its implications. In the post-truth era we don't just have truth and lies but a third category of ambiguous statements that are not exactly the truth but fall just short of a lie. Deception has become the modern way of life.

To sit and feel sorry for ourselves is not going to help much. To blame apartheid, the drought, low international prices for commodities, a weak Rand and low productivity will not help much either. We need to get the South African economy growing. The best way is for the private sector to start investing in new products and projects. We need to become more creative, innovative and competitive.
All in all, it is about developing minds, memes, thinking and useful skills. It is not merely about earning huge salaries by reporting for work daily.

So why is our economy not growing if there is money available? It is simply a case of mistrust in the government and the expectation that any investment in new production capacity could be nullified by nationalisation or some onerous BEE scheme. In South Africa inequality has grown rapidly. Many people, black as well as white, today earn huge salaries, but nevertheless live very superficial, materialistic and consumeristic lives. They incur large debts on motor cars, clothes and consumer products, yet don't provide for old age…… On the other hand, the very poor are getting poorer.

October is all about pink, the more you know the less you fear.

Secondary Cities Credit Potential for Infrastructure Development

Maphefo Mgadi, Municipal Finance Advisor/ Acting Finance & Administration Manager, SALGA-Gauteng

South Africa's secondary cities, like their counterpart secondary cities across the world, are poised to emerge as the engine of rapid-pace urbanization to be experienced in the forthcoming decades. Secondary City is a concept referring to the second tier level of a hierarchical system of cities based on population thresholds, economic activity, contribution to the GDP etc. Cities have historically been based on an order of levels starting at a primary level.

Primary cities are usually large Metropolitan cities and are likely to be a country's leading political, economic, cultural or university centre and be at least twice as large as the next largest city. This explanation does not intend to explore the diverse historical typologies of a City but makes a safe assumption that there exists explanations and theories about why cities have different forms, functions and sizes. The corollary applies to the definition of Secondary cities where an extensive body of literature on defining the concept abounds. The term secondary city or second order city can be used in relation to the population size, administrative area, political, economic and historical significance below the primary order of cities.

South Africa's Secondary Cities

In the South African context, a definition of a secondary city is based on a recognition that population size plays a significant part on the classification of a city, but also puts an emphasis on function, speciality, logistics, trade, economic activity, competitiveness and the total revenue size. Secondary cities play an important role in the development of nations. They provide the secondary link in national system of cities and are catalysts, logistics hubs and markets, which support a wide range of national, regional, sub metropolitan and at times international economic activities.

The development trajectory of Apartheid emphasized the differences between racial districts of cities as opposed to those between cities themselves. This has led to the existence of continued differences between the level of development in our cities as can be seen by the differences in the Johannesburg GDP per capita being double to those of other cities such as Cape Town and Durban in 2010.

The following table contains a list of South Africa's secondary cities and highlights their total revenue as one of the determining factors:

Municipality	Total revenue-2016 (ZAR million)	Total revenue-2016 ($ million)
Emfuleni	5,233	403
Msunduzi	4,290	330
Rustenburg	3,956	304
Polokwane	2,733	210
uMhlathuze	2,724	210
Mogale City	2,597	200
Mbombela	2,439	188
Emalahleni	2,329	179
City of Matlosana	2,265	174
Matjhabeng	1,962	151
Sol Plaatje	1,950	150
Madibeng	1,770	136
Drakenstein	1,730	133
Newcastle	1,647	127
Govan Mbeki	1,617	124
George	1,588	122
Steve Tshwete	1,419	109
Stellenbosch	1,411	109
Tlokwe	5,233	403

(Moody's 2017)

Challenges of Secondary Cities Development

South Africa's population growth and rapid urbanization over the past two decades has substantially affected the developmental needs of the country's larger cities, including 19 secondary cities located in eight of South Africa's nine provinces. The population growth is one of the central challenges for secondary cities, as they have to deal with large numbers of people moving from rural areas and neighbouring countries. This leads to high levels of poverty which in turn is compounded by low levels of education and skills, making employment very difficult to find.

Secondary cities in South Africa often find it difficult to create jobs and attract investments to support regional economic development. The secondary cities are also struggling to attract domestic and foreign investment and to build the skills necessary to develop more competitive and dynamic economies. This is exacerbated by the continued national fiscal imbalances, especially local revenue collection for local governments which are used to generate funds to deliver essential services to address poverty, infrastructure and employment challenges.

Over and above the major challenge facing these secondary cities is the absence of urban finance or lack of access to alternative financing mechanisms. For a long term solution to be found, the creation of an enabling environment for secondary cities to become more attractive to investors and developers is required, without which it will become increasingly difficult to stimulate development and create jobs at this level.

Quo Vadis Secondary Cities

The answer to this simple, yet difficult question, was part of a discussion at the Moody's 12th Annual Sub-Saharan Africa Summit. The summit, which was attended by leading industry and business leaders, executives from corporates, financial institutions and SOE's, treasury and finance managers' investor relations, focused on the" Impact of evolving macroeconomic and policy environment on South Africa's credit fundamentals".

According to a report by Moody's South Africa (2017), the credit profiles of South Africa's secondary cities display a generally sufficient budgetary capacity and financial sophistication to expand their capital expenditure commitments which can contribute to Infrastructure Development required for improved service delivery. The main problem of why this potential is not explored is due to the very conservative approach to borrowing, which means that the supply side of infrastructure development is at its lowest potential.

On the demand side, a different picture persists, STATSSA reports that, the population of secondary cities grew by 9% on average between the 2011 census and the 2016 community survey, and accounts for 14% of South Africa's population of 55 million. This confirms that while these secondary cities may be smaller than metropolitan municipalities, their infrastructure requirements or demand side is increasing.

Given their historical infrastructure backlog and population growth secondary cities will be prompted to increase capital expenditure spending in order to meet basic infrastructure demands from their growing population. The question then is, given the limited funding from the national fiscuss how secondary cities are gonna respond to these challenges.

Secondary Cities Funding
As stated earlier, South Africa's secondary cities largely depend on central government transfers to fund their capital infrastructure requirements. It is projected that in the coming three years, the secondary cities are planning to fund 61% of their capital spending from government transfers, down from 74% in the previous three years according to Moody's (2017). Funding from own funds and borrowing are projected to gradually increase to 21% and 18% of total expenditure respectively in 2017-19. For these targets to be met there needs to be a paradigm shift in the capital financing approach by secondary cities.

Secondary Cities Capital Funding Potential
South Africa's secondary cities needs to start looking at other sources for their Capital Funding commitments given the added pressures on the national fiscus due to new challenges such as Fees Must Fall and the fiscal challenges of SOE's such as SAA, ESKOM and Transnet. These cities can take on new borrowing without negatively affecting their credit profiles. This is largely possible given their growing budget volumes and adequate operating balances, solid liquidity positions, and low to moderate debt levels; basically they possess a relatively solid balance sheet which can be leveraged for capital financing.

Growing budget volumes support adequate operating performance
Most of the secondary cities have consistently recorded robust operating revenue growth in the past five years, with average growth of 11% per annum. Key revenue drivers such as property rates and service charges have consistently supported this growth according to a latest report by Moody's SA (2017).

In the FY 2016 these cities have largely recorded adequate operating performances with some outliers. Municipalities such as Stellenbosch, Steve Tshwete, Drakenstein, uMhlathuze, Sol Plaatje, Tlokwe and Msunduzi recorded strong gross operating balances to operating revenue (10% on average). Overall, the secondary cities expect to post a much improved operating performance as they have budgeted to maintain their conservative approach towards borrowing.

The secondary cities also display very strong own-source revenue-generating capacity, considering that the operating grants from the national government accounted for an average of only 15% of their operating revenue in FY 2016. Similar to metropolitan municipalities, secondary cities also have broad operating and capital related expenditure responsibilities, most of which are essential and expensive services, limiting their overall expenditure flexibility.

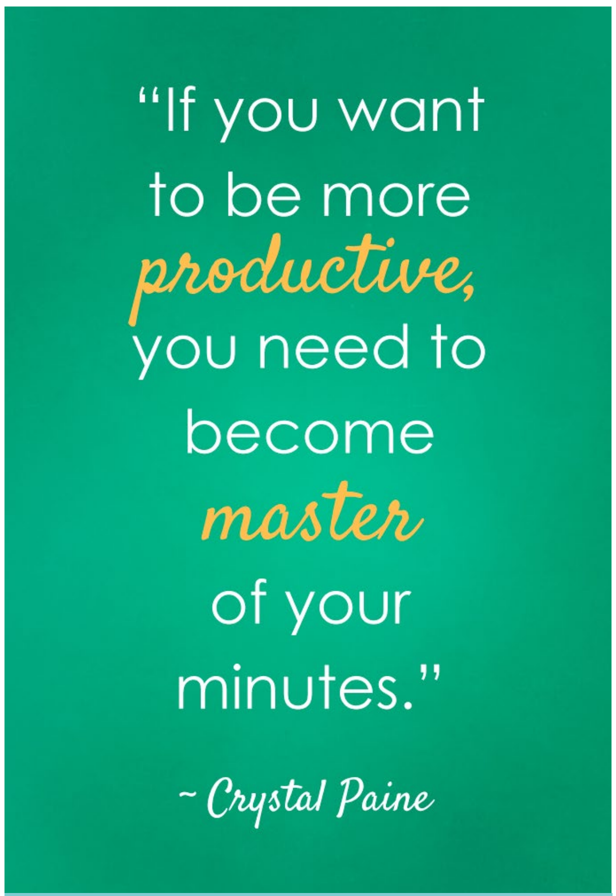
It is also worth noting that on the operational expenditure side, rigid costs items such as employee costs and bulk purchases, related to key basic services such as water and electricity, accounted for an average of 60% of their operating expenditure in FY 2016, offering limited expenditure flexibility.

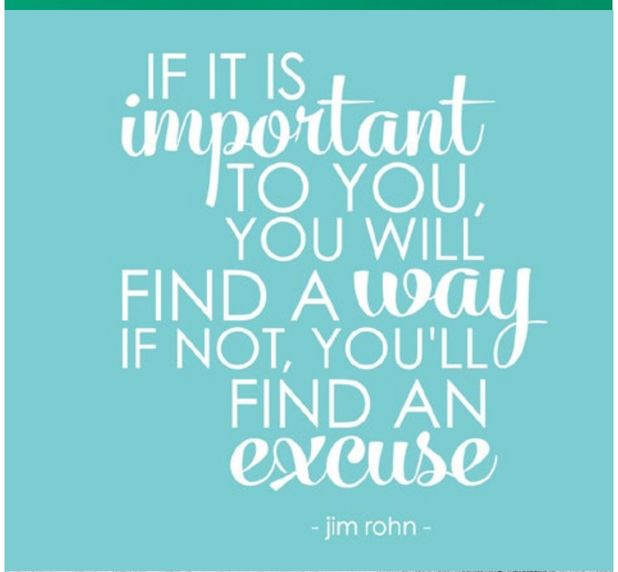
Secondary Cities 3 year Borrowing Forecast
As stated earlier, these secondary cities still depend on the national fiscus as their major source of funding for capital infrastructure spending, they are planning to increase their borrowing in the next 3 years given the urbanization challenges on service delivery. It is projected that the secondary cities capital transfers will account for 61% of their R22 billion ($1.7 billion) planned capital expenditure in 2017-19 (74% in 2014-16), while borrowing will increase from 13% in 2014-16 to 18% in 2017-19. Own funds will contribute 21%.

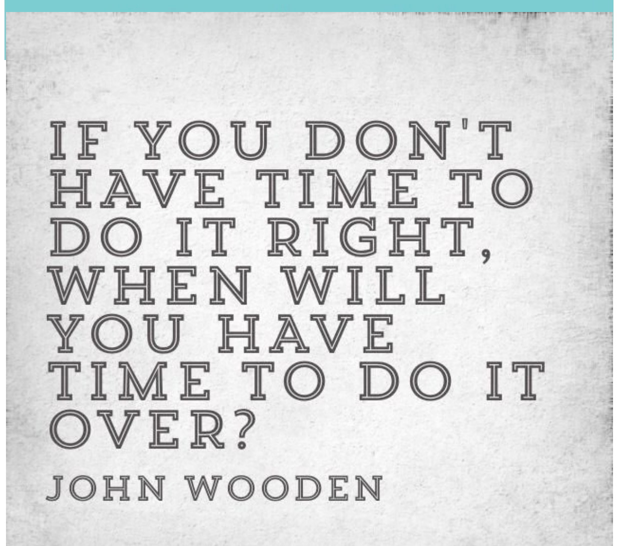
Although capital infrastructure spending is projected to increase in the next three years, some municipalities are spending less than the National Treasury's guideline of 10%-20% of total expenditure. Most secondary cities are expected to continue to post low to moderate debt levels, indicating that they can increase their debt without weakening their credit profiles.

Conclusion
In conclusion, a case can be made that the traditional strong cash flows that have been maintained by the secondary cities, enables them to maintain strong cash flows, leading to them posting very strong liquidity reserves. The strong cash reserves have enabled the secondary cities to consistently support their capital expenditure spending from own funds while minimising their exposure to debt. In FY 2016, 58% of secondary cities recorded a very strong liquidity ratio of 2.5 times on average (current assets/current liabilities - net of 90% of balance sheet trade debtors), while the remaining 42% displayed relatively weaker liquidity profiles.

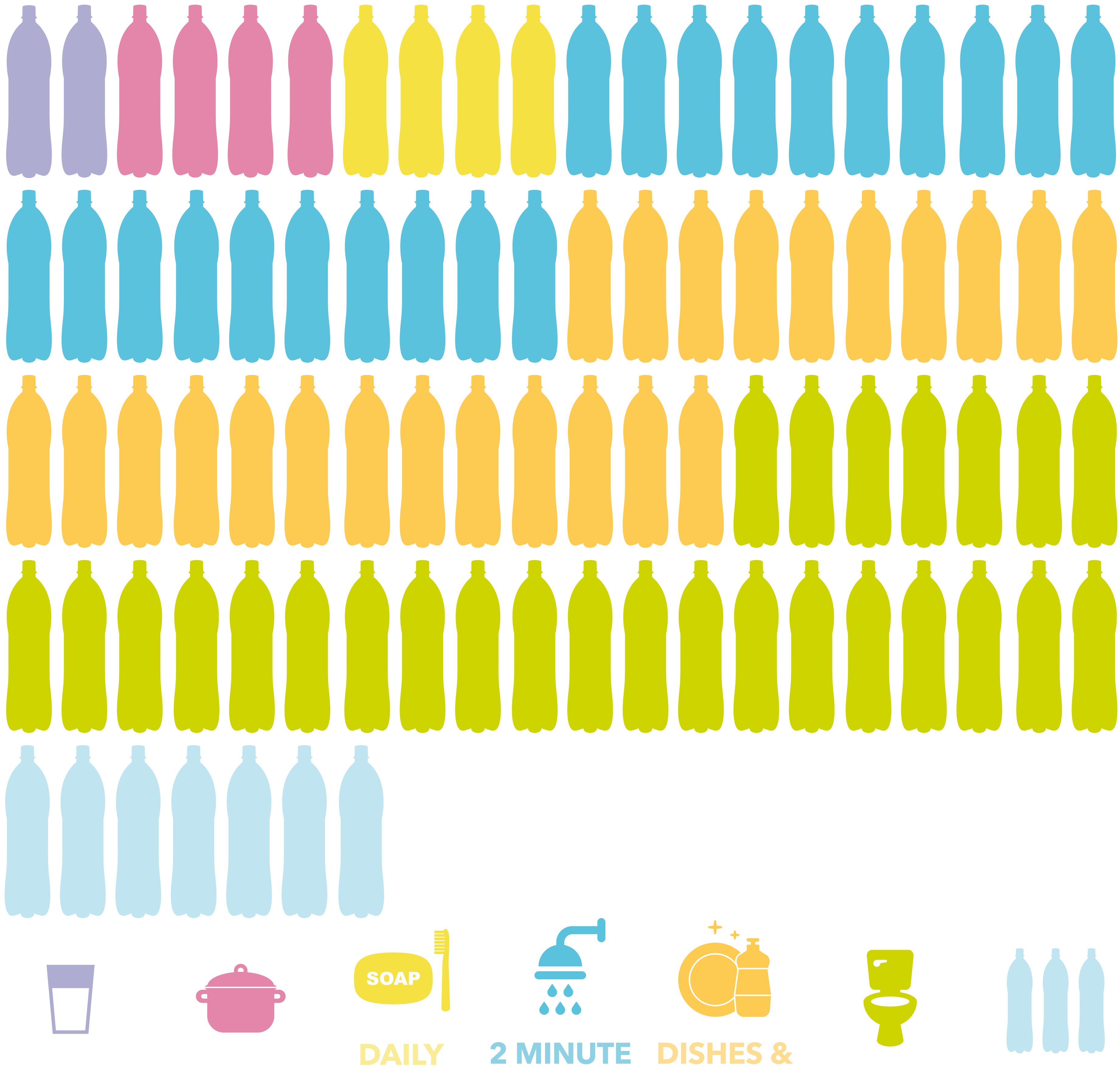
Quote of the day







HOW FAR CAN 87ℓ A DAY GO?



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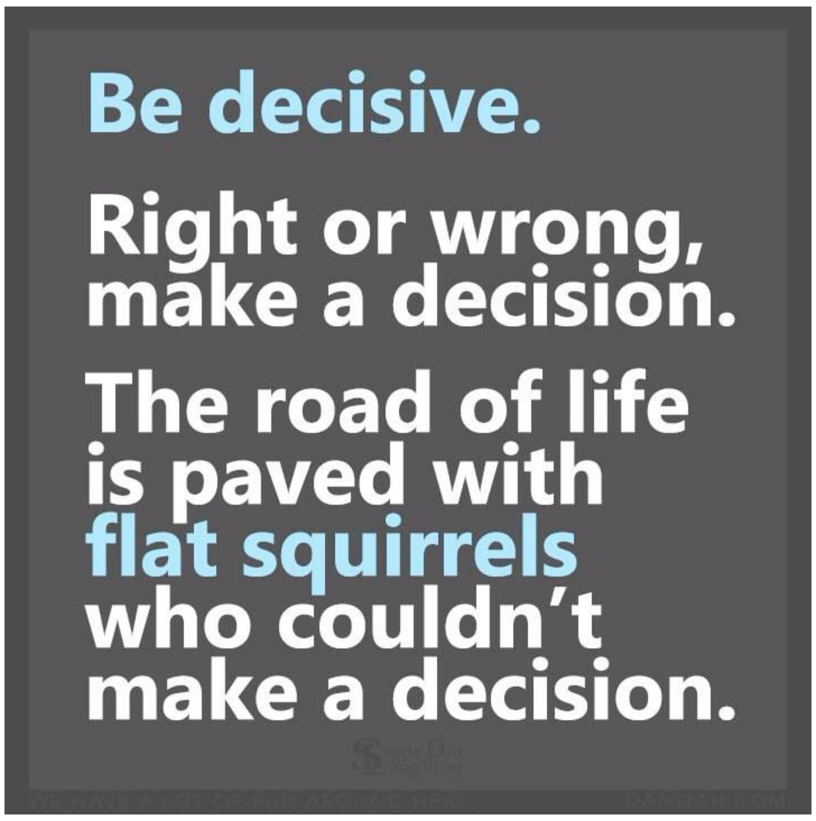
		4				7		
7		6		5		3		9
		1				8		
	7			9			2	
	8		1		7		5	
2	5						4	8
1			5		3			2
6			8		2			1

Joke of the Day



October is all about pink, the more you know the less you fear.

Trees bring life to cities

Professor André de Villiers, ProSGro

In 1913 Alfred Joyce Kilmer, who was later killed in World War I, wrote a poem:

I think that I shall never see
A poem lovely as a tree.
A tree that looks at God all day,
And lifts her leafy arms to pray;
Poems are made by fools like me,
But only God can make a tree.

Then remind yourself of the mauve jacarandas currently flowering in the streets of Pretoria, the old oaks standing in Stellenbosch, and the beautiful yellowwoods growing nearby in Kirstenbosch.
South Africa has an amazingly rich diversity and heritage of trees. There are more than 1,500 different species ranging from shrubs such as the king proteas to the giant baobabs.

Trees never cease to amaze us. In the extremely dry Richtersveld, a shepherd's tree (Boscia albitrunca) germinated high up on a rock face and sent its roots down for about four metres to reach the sand below. In the Kgalagadi, a camel thorn tree (Vachelia erioloba – previously Acacia erioloba) survives by sending a taproot down more than 40 metres into the red sand. Our oldest baobab is more than 1800 years old.

Our highest trees, gum trees planted in Magoebaskloof near Tzaneen a century ago, are more than 80 meters high (or 26 storeys). More than 500 years ago Portuguese seafarers left messages in the milkwood tree in Mossel Bay; it is today known as the Post Office tree. Our human lives are but a flash in the pan compared with such trees.

At a recent planting of pepperbark trees (Warburgia salutaris) Marelise Fourie, MMC for Finance of Tshwane Metro spoke on the importance of trees in cities. Trees beautify and cool our otherwise harsh concrete, glass and tar city environments with their green leaves.
Marelise also planted a pepperbark tree donated by Sappi. This was as part of the Gaufestival, which encourages the arts and artists. Schools entered their champion trees and learners wrote essays and poems on trees.

Pepperbark trees are a very endangered species due to the fact that the bark is utilised for medicinal purposes and these trees have nearly become extinct. Sappi initiated, manages and funds a project to ensure the survival of these trees.

More than 30 000 trees have now been propagated at Skukuza in the Kruger National Park. These trees are handed out to communities around the park. The project educates these communities and ensures that they utilise these trees in a sustainable way. Eventually the project will involve traditional healers in Swaziland and Kwa-Zulu Natal as well. The crucial essence of this project is that it operates with a group of people from different disciplines who collectively work towards a common goal of making a difference and reducing the need to poach the trees. At the same time it makes bark available to communities and traditional healers. The partners in the project are SANPARKS, the Agricultural Research Council, SA National Biodiversity Institute, Pricilavale (a private seed supplier in KZN) and Sappi.

The Dendrological Society of South Africa has the following motto: *Silvarumque conservatio salus mundi est*, which loosely translates into growing and conserving trees is necessary for the health of the world. Climate change is going to require that we seriously consider the ever increasing percentage of carbon dioxide in the air and the mitigating role of trees.

Presidents Function

Registration

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