



MDB's Municipal Capacity Report

On 15 June 2007, the National Treasury promulgated the Municipal Regulations on Minimum Competency Levels for financial and supply-chain management officials in municipalities. The Regulations prescribe minimum competency levels for these officials and give a five-year period of grace for them to be met. Although the Regulations came into effect on 1 July 2007, the five-year period only kicked off in earnest on 1 January 2008 and is due to end on 31 December 2012 (see *LGB 13(4)* pp 16–18) and *LGB 14(2)* pp 4–5).

IS LOCAL GOVERNMENT READY FOR NATIONAL TREASURY'S DEADLINE?

Regulation 18(1) provides that, with effect from 1 January 2013, no municipality may employ a financial official or supply-chain management official if they do not meet the competency levels prescribed for the relevant position in terms of these Regulations. In effect, then, the affected officials must have attained the prescribed competency levels by 31 December 2012.

The Municipal Demarcation Board (MDB) recently released the State of Municipal Capacity Report for the 2010/2011 municipal financial year. This report provides useful insights into the status quo across the municipalities with respect to senior management qualifications and experience. After providing an overview of the key features of the Regulations, this article analyses the MDB report to assess the current situation regarding the state of readiness of municipalities to meet the deadline.

Who is affected by the Regulation?

As discussed in the previous issue of the Bulletin (see *LGB 13(4)* pp 16–18), the Regulations apply to both senior- and middle-management level financial officials and supply-chain management officials. Financial officials include accounting officers (municipal managers), chief financial officers (CFOs), financial officials at senior-management level (known as section 56 managers) and other financial officials at middle-management level (supervisors). Supply-chain management officials include the heads of municipal supply-chain management units and all managers reporting to them.

Competency requirements

There is a general competency requirement for each category of employee mentioned above, in terms of which employees

must generally have skills, experience and capacity to assume and fulfil the responsibilities and exercise the functions and powers assigned to them in terms of the MFMA. There is also a minimum competency requirement, which relates to higher education qualifications, work-related experience, core managerial and occupational competencies, and competencies in unit standards prescribed for financial and supply-chain management officials (see *LGB 13(4)* p 16).

Regulation 14 requires the municipal manager to monitor compliance with the prescribed minimum competency levels and to take any necessary step to ensure compliance by 1 January 2013. Regulations 15 and 18(2) make the continued employment and the conditions of employment of those officials who do not meet the prescribed competency levels but were appointed before the end of the five-year period of grace conditional on them attaining the requisite competencies. In terms of Regulation 16, their attainment of the prescribed competency levels within the period of grace must be included in their performance agreement. Regulation 17 enjoins the municipalities to assist their officials to attain the competency levels.

Regulation 18(1) provides that the period of grace ends with effect from 1 January 2013, after which no municipality may employ officials not meeting the competency levels.

The current picture with regards to relevant qualifications and experience

The information contained in the MDB report paints the picture as it was in 2011. It therefore does not reflect the changes that might have taken place this year (2012).

Municipal managers

The MDB report reveals that 85% of municipal managers have at least a Bachelor's degree or higher and 10% have only a post-matric diploma as their highest level of education. This means that 15% of municipal managers nationally may fall short, come 1 January 2013, of the higher education qualification prescribed for that position (i.e. a Bachelor's degree and higher diplomas). However, Regulation 3 provides that a municipal manager must attain either NQF Level 6 (equivalent to a Bachelor's degree and a higher diploma) or a Certificate in Municipal Financial Management. As such, if municipal managers have enrolled for, and passed, the National Certificate in Municipal Financial Management offered by various accredited institutions listed

in the National Treasury website, they will have complied with the regulations (see *LGB 13(4)* p 17).

As far as relevant experience is concerned, the municipal managers' national average is 10.58 years. In this regard, there is a big divergence between provinces, with the Western Cape having highly experienced municipal managers (averaging 14.62 years' experience) and Free State having the least experienced municipal managers (averaging 5.17 years' experience). The Regulations provide that municipal managers may not have less than 5 years' experience at senior-management level. The report is silent on whether relevant experience means exactly what is required by the Regulations. It is assumed that relevant experience means the relevant experience at a senior-management level.

Chief Financial Officers

According to the report, 77% of CFOs nationally have at least a Bachelor's degree or higher. However, of particular concern in this category of employees is that 18% have only a post-matric diploma while matric is the highest education level of 5%. For CFOs, the Regulations differentiate between municipalities according to budget size (the threshold being R500 million).

High-capacity municipalities

High-capacity municipalities are those with annual budgets equal to or above R500 million. Here CFOs must have NQF Level 7 (equivalent to Honours or a post-graduate certificate or a post-graduate diploma). The report says that almost 60% of CFOs in the Metros have only a Bachelor's degree or less. The same goes for CFOs in B1 municipalities, where almost 30% have only a Bachelor's degree or less. This falls far short of the qualifications demanded by the National Treasury.

However, Regulation 5 says a CFO must either have at least an Honours or post-graduate certificate or post-graduate diploma, OR be a chartered accountant. CFOs might, therefore, be saved by the fact that they are registered as chartered accountants. In this regard, the report shows that chartered accountants are concentrated in the metros (84%). As far as the metros are concerned, the 16% that do not meet the qualification requirements might be saved if they are chartered accountants. However, if not, then they are likely to have a problem come the deadline. They cannot be saved by enrolling for the courses mentioned above.

B1 municipalities have less than one chartered accountant per municipality. The deadline will thus bring problems for CFOs in this category of municipality.

As far as the relevant experience is concerned, the report shows that CFOs are the most experienced municipal officials, with a national average of 11.24 years' experience. CFOs in the metros and B1 municipalities average 14.71 and 12.53 years' experience respectively. As such, they comply with the requirement of 7 years' relevant experience.

Low-capacity municipalities

Low-capacity municipalities have an annual budget below R500 million. The qualifications required for these municipalities are exactly the same as those required for municipal managers (a Bachelor's degree or a Certificate in Municipal Financial Management). The report shows that 30% of CFOs (or less) in all the low-capacity municipalities (B2, B3, B4, C1 and C2) do not have a Bachelor's degree. They can only be saved by having successfully completed the Certificate in Municipal Financial Management.

The Regulations require 5 years' relevant experience for CFOs in low-capacity municipalities. The averages of these municipalities looks promising, as follows:

B3 municipalities	10.27 years
B4 municipalities	9.3 years
C1 municipalities	15.38 years
C1 municipalities	10.87 years

However, a look at the provincial distribution paints a different picture. As is the case with municipal managers, there is also divergence across the provinces. The CFOs in the Western Cape, for example, average 20 years' relevant work experience compared with 4.1 years' experience on average in the Free State. Some CFOs, especially in the Free State, might fall short of the requirement of having 7 years' relevant experience for high-capacity municipalities and 5 years' experience for low-capacity municipalities.

Section 56 managers (senior managers)

The regulations also differentiate this category of municipal employees according to budget size.

High-capacity municipalities

The report shows that 85% of technical services managers, 57% of corporate services managers and 72% of IDP managers in the metros meet the requisite qualifications (an Honours degree or above). Those who do not meet this requirement cannot be saved by an alternative qualification. There is no option but to obtain the prescribed qualifications.

In B1 municipalities, about 75% of technical services managers do not have the minimum requirement of an

Honours degree. Nor do about 46% of corporate services managers or 42% of IDP managers in these municipalities. As mentioned above, Regulation 7 does not give other options for this category of employees in high-capacity municipalities.

Concerning the experiential requirement, the Regulations say this category of employees must have 7 years' experience, of which 2 must be at the senior-management level. Technical service managers at the metros and at B1 municipalities average 13.45 and 12.59 years of work experience, respectively, suggesting general compliance with the Regulations. Corporate services managers in the metros and B1 municipalities average 17.88 and 10.72 years' experience, respectively, which is also in line with the Regulations' requirements. The same can also be said about IDP managers, with 11.59 years' experience in the metros and 10.33 years' experience in B1 municipalities.

Low-capacity municipalities

Almost half of the technical services managers do not have a Bachelor's degree, nor do almost 40% of IDP managers. About 74% of corporate services managers do have a Bachelor's degree, meaning only about 26% might face difficulties in 2013. However, Regulation 7 does offer an alternative in low-capacity municipalities: those who do not have a Bachelor's degree but who have successfully completed a Certificate in Municipal Financial Management with accredited training providers will make the cut. However, if they enrolled for that qualification but did not so pass it, their continued employability will be impacted upon.

Regarding experience, technical services managers in C1 and B2 municipalities have the most relevant experience (averaging 15.74 and 15.09 years, respectively), while in B3 and B4 municipalities they have significantly less compared with other municipal categories (averaging 9.23 and 8.86 years, respectively). However, this average still suggests general compliance with the requirements of the Regulations, which is 5 years' experience at middle-management level.

Conclusion

It is apparent that significant progress has been made in the qualifications and experience of senior managers in local government. For example, in 2008 only 35% of all municipal managers had a qualification above a Bachelor's degree, and the report shows that this rose to 63% by 2011 (see also pages 7–10 of this issue). However, it is also clear that numerous senior managers are still in the red in respect of meeting

the Treasury's deadline. Given that the report relates to the 2010/2011 financial year, it is hoped that much will have changed since then and that all senior managers will meet the deadline, thus avoiding unnecessary disruptions.

National Treasury issued a circular in April 2012 which sought to extend the deadline for a further 18 months for municipalities experiencing difficulties in meeting it. This applies to 'special merit' cases, namely municipalities whose officials are in the

process of meeting the deadline but may still need more time to do so, or municipalities that recently appointed officials who

meet all other competency levels but only lack the prescribed unit standards and thus need to complete the Municipal Finance Management Programme. Municipalities were given until 7 September 2012 to apply for this special dispensation. It is hoped that they took advantage of this opportunity to ensure that, come 1 July 2014, no senior managers will be found wanting (see *LGB 14(2)* pp 4–5).



Phindile Ntliziywana
Managing editor