What we can learn from the data about metropolitan political economies?

An examination of electoral, governance and socio-economic performance data in NMB, Cape Town & Johannesburg

Crispian Olver

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Structure of presentation

- Nature of transition and the political stability of regimes
- Economic growth and structural changes in economy
- Employment, migration and inequality
- Spatial layout and characteristics of built environment
- Access to services and extent of indigent support
- Financial management and sustainability
- Trends in metro staffing and structure
- Governance, citizen satisfaction and trust in institutions
- Conclusions

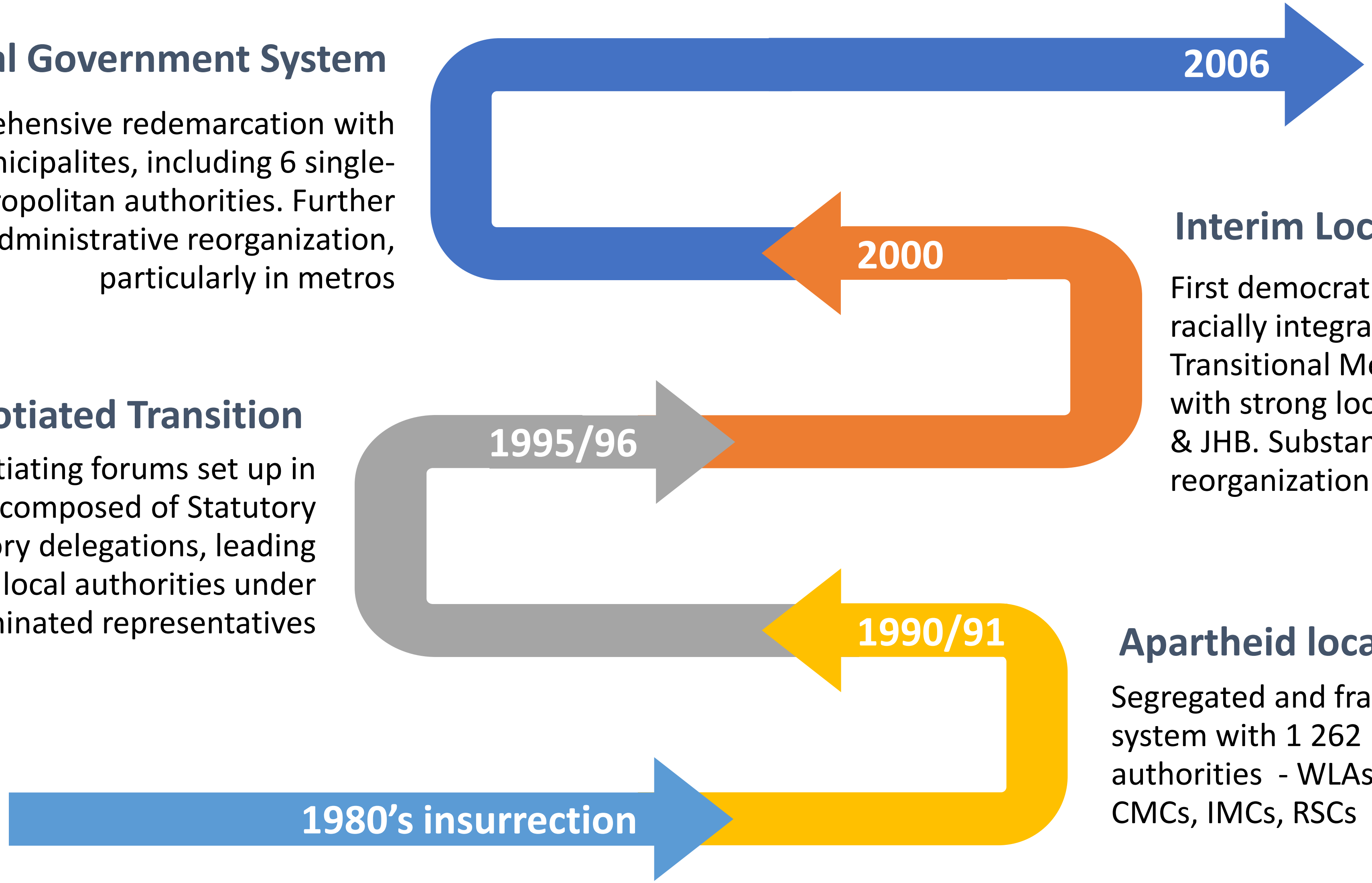
The Local Government Transition

Final Local Government System

Comprehensive redemarcation with 284 municipalites, including 6 single-tier metropolitan authorities. Further administrative reorganization, particularly in metros

Interim Local Government

First democratic elections for 843 racially integrated municipalities. Transitional Metropolitan Councils with strong local authorities for CT & JHB. Substantial administrative reorganization.



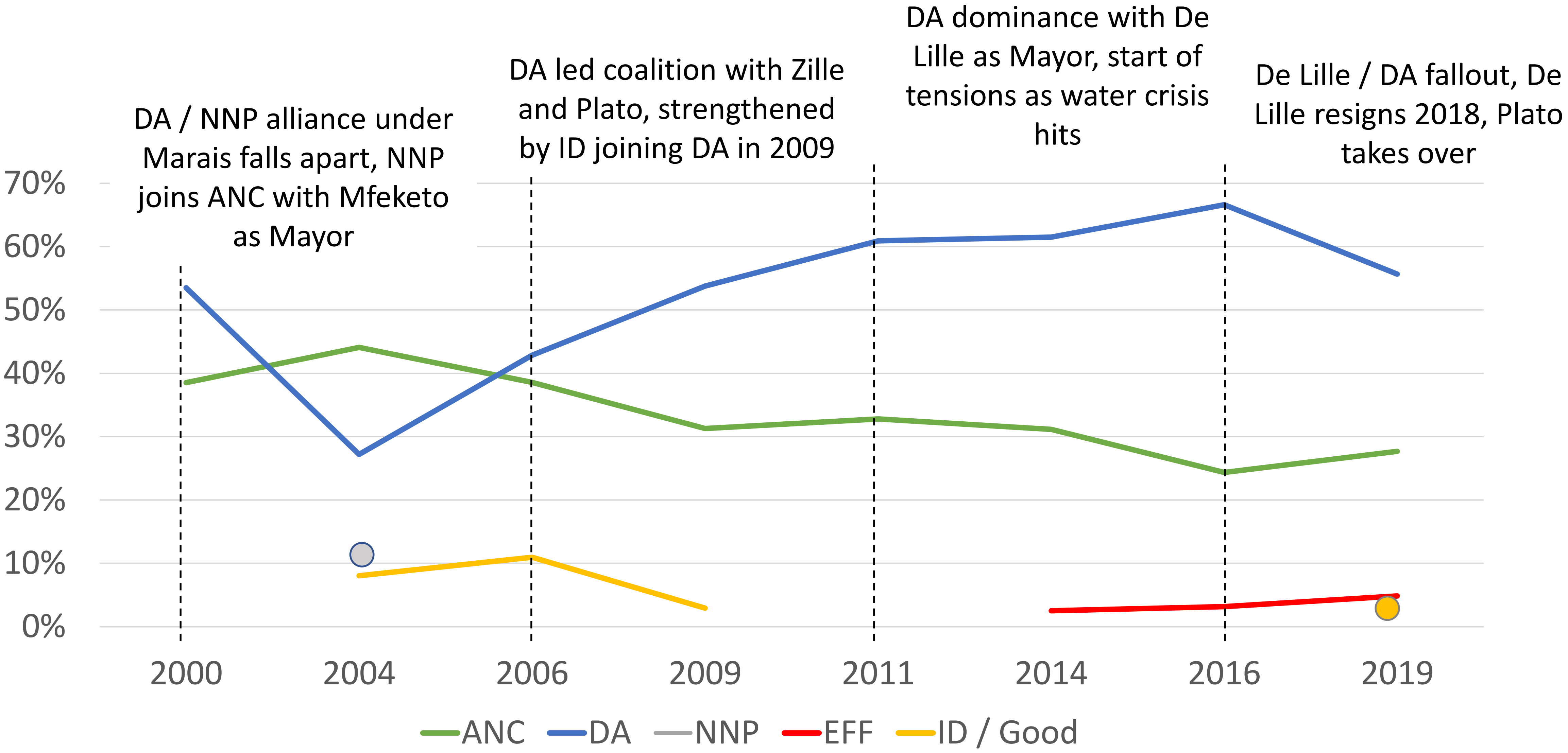
Locally Negotiated Transition

Local negotiating forums set up in major cities, composed of Statutory and Non-statutory delegations, leading to 'Pre-Interim' local authorities under nominated representatives

Apartheid local government

Segregated and fragmented system with 1 262 local authorities - WLAs, BLAs, CMCs, IMCs, RSCs

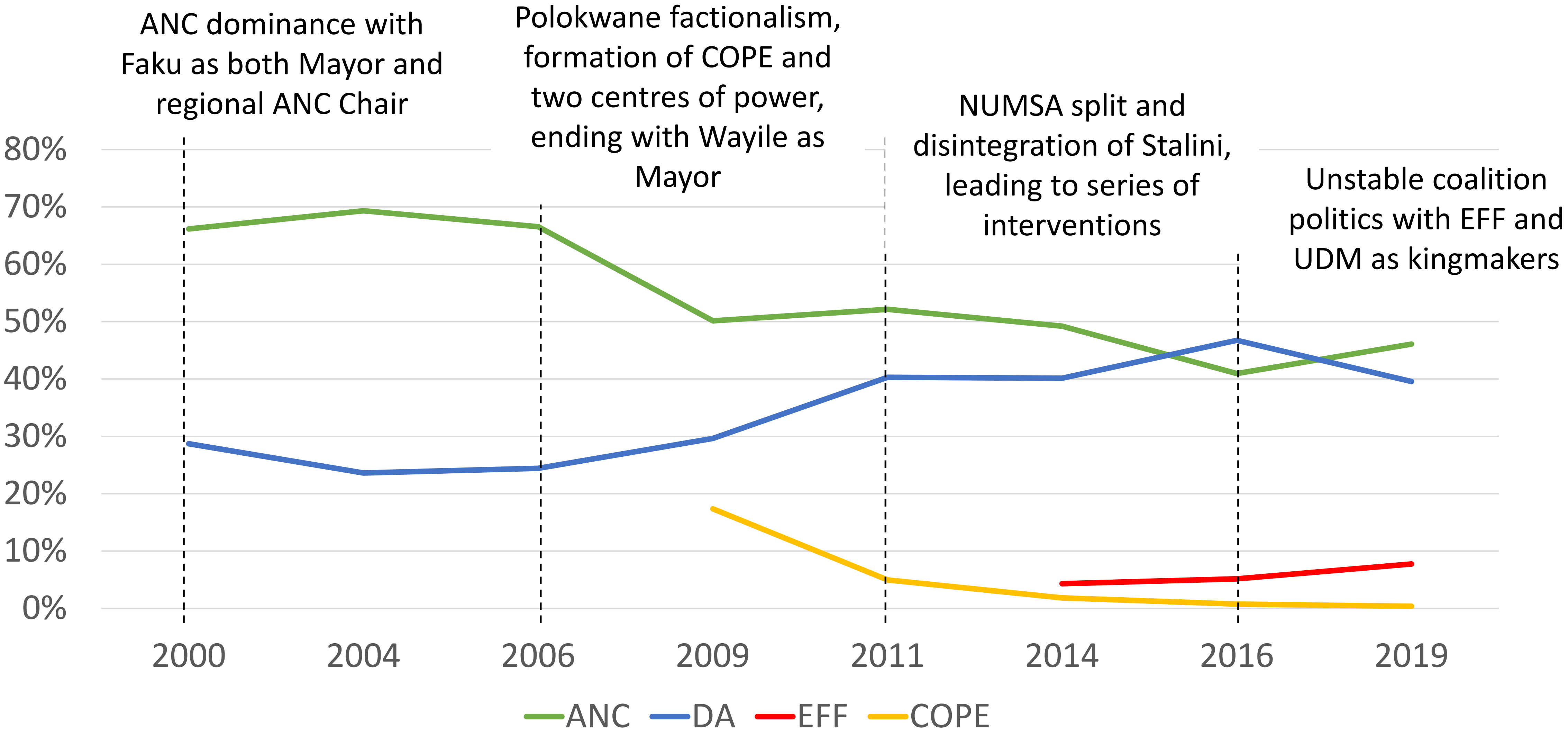
Cape Town



% of total votes cast (ward & PR) for LG elections, % of vote on provincial ballot for nat / prov elections

Source: IEC LG election data, 2020

Nelson Mandela Bay



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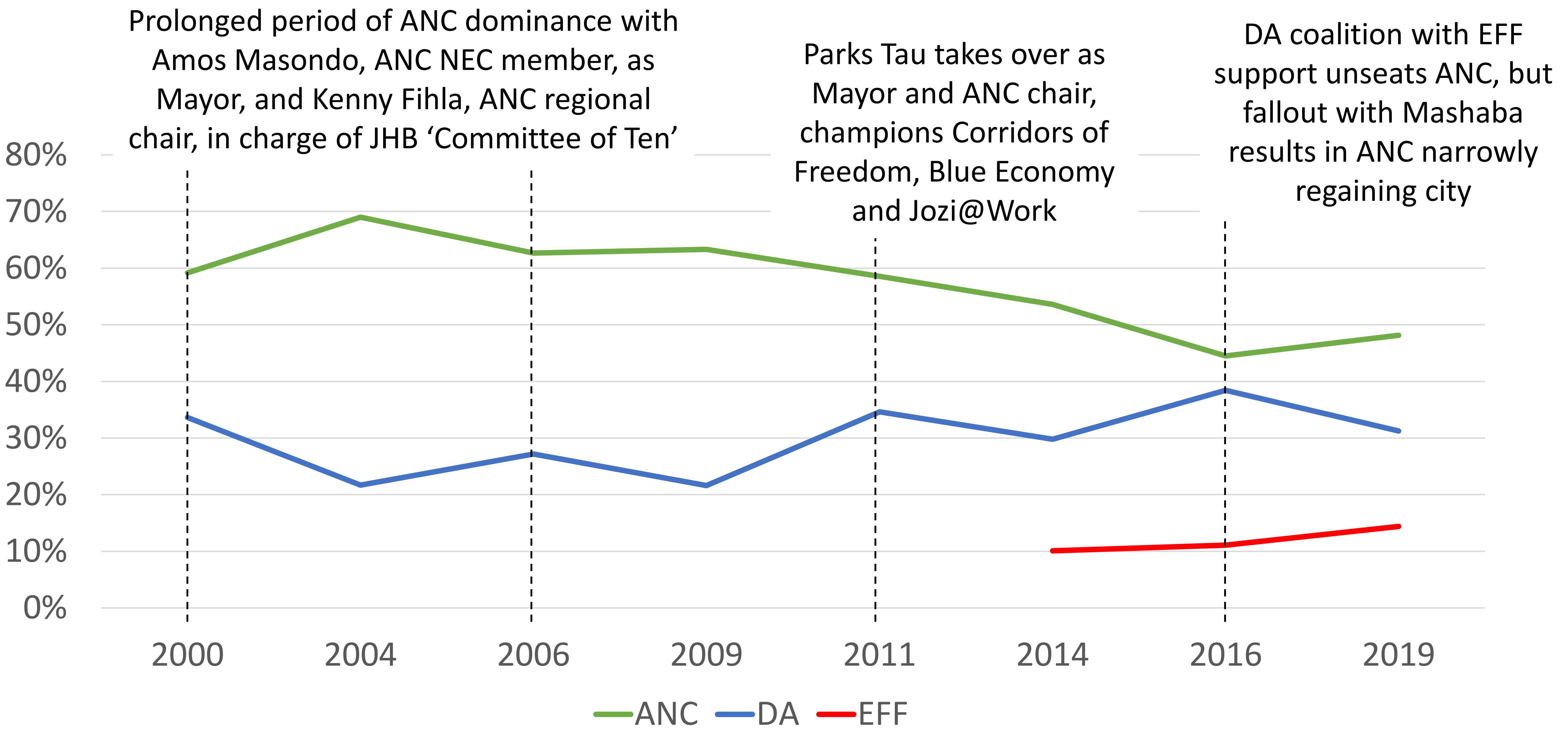
Source: IEC LG election data, 2020

Johannesburg



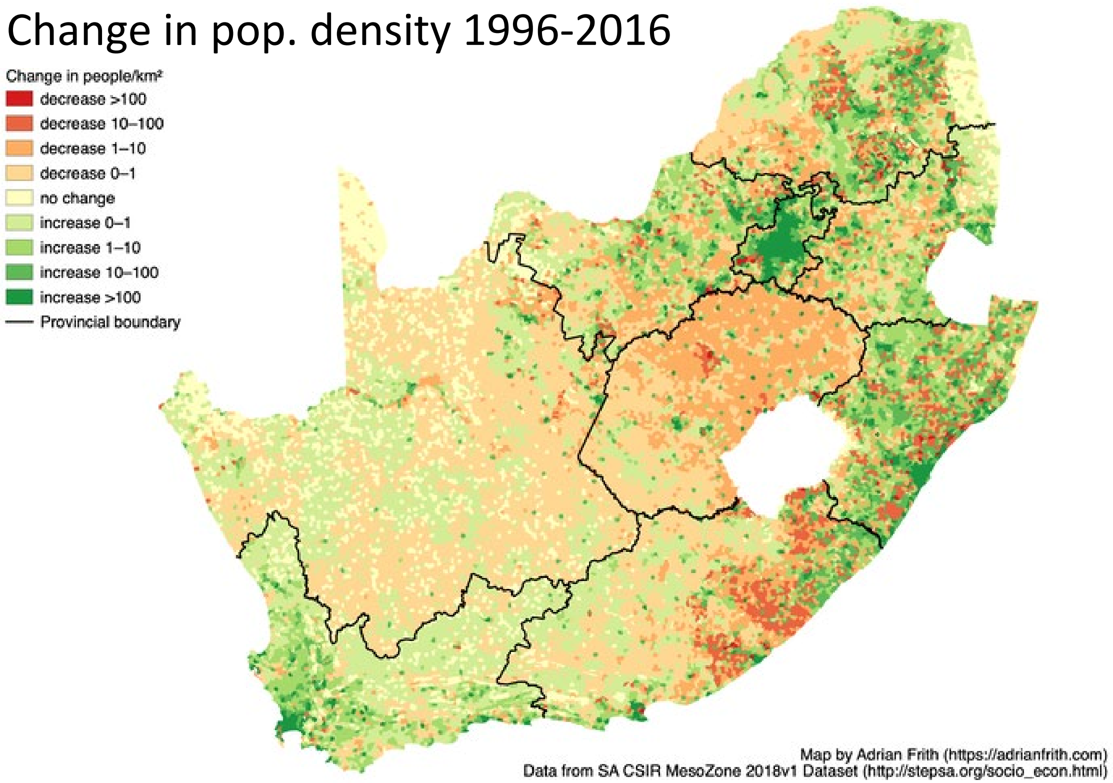
% of total votes cast (ward & PR) for LG elections, % of vote on provincial ballot for nat / prov elections

Source: IEC LG election data, 2020

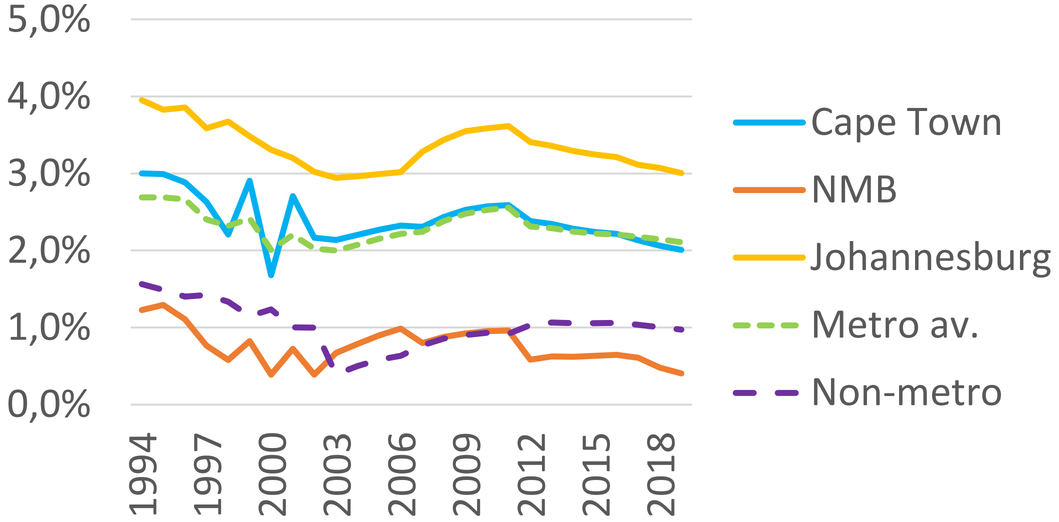
Population dynamics

- Substantial net migration to Johannesburg & other Gauteng metros
- Cape Town approximates average metropolitan growth rates
- NMB population has tracked and now falls below non-metro population growth rate by 0.5 percentage points

Change in pop. density 1996-2016



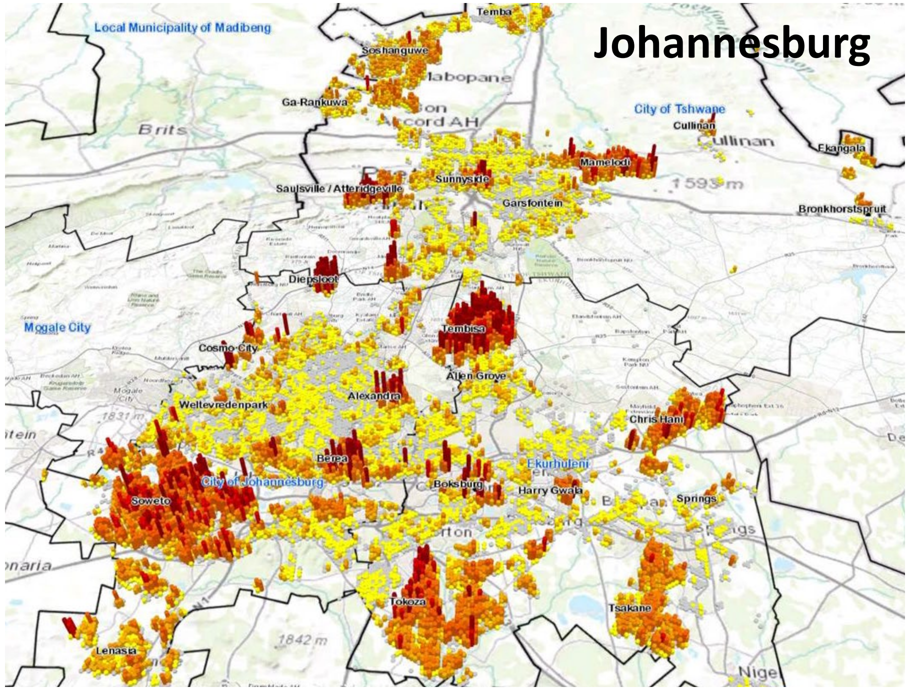
Annual pop. growth rates 1994-2018

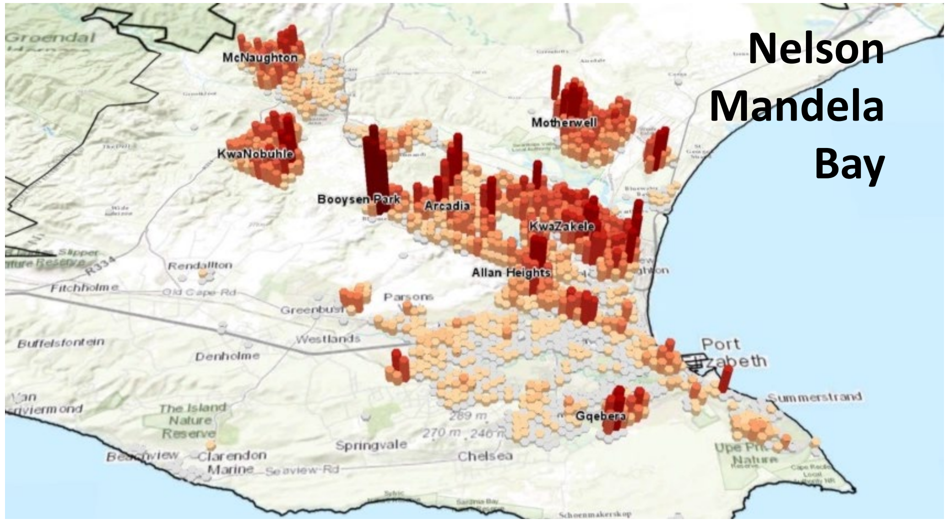


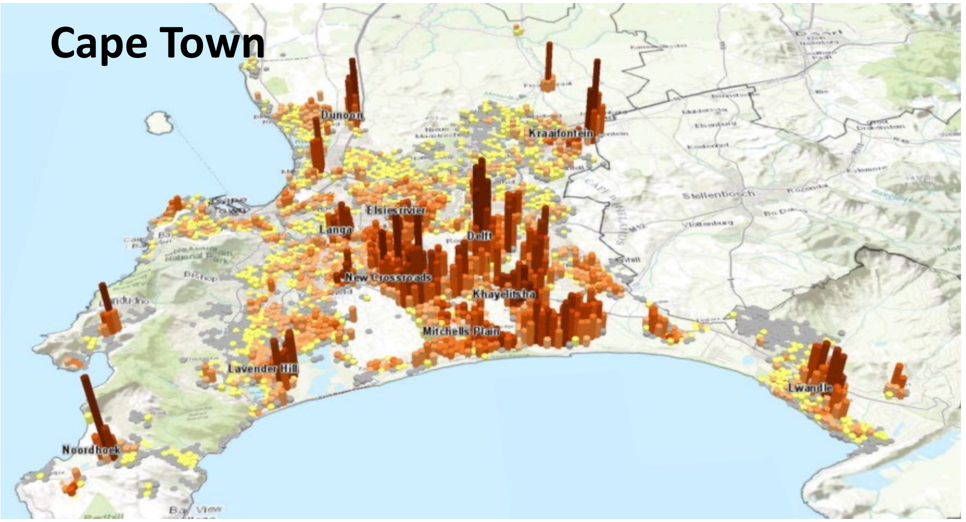
Source: Quantec 2020 (RPOP—Population by 2011 municipal boundaries)

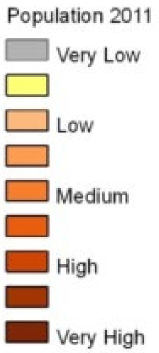
Urban form & pop density

- Dispersed urban form, with low density urban centres and multiple dispersed nodes
- Townships and informal settlements have by far the highest population densities at some distance from urban core
- Location of employment and economic activity not matched to population concentration







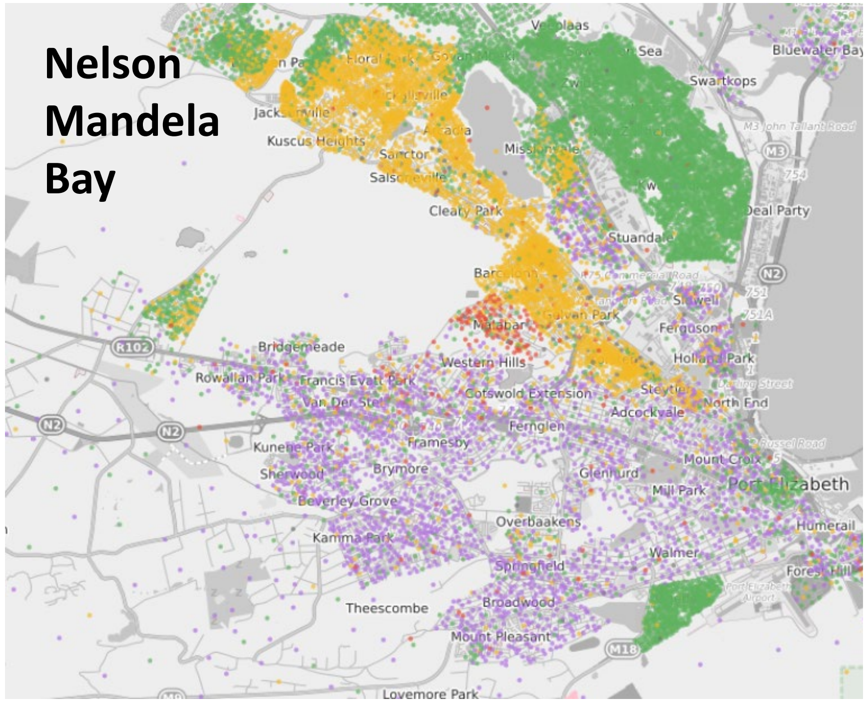


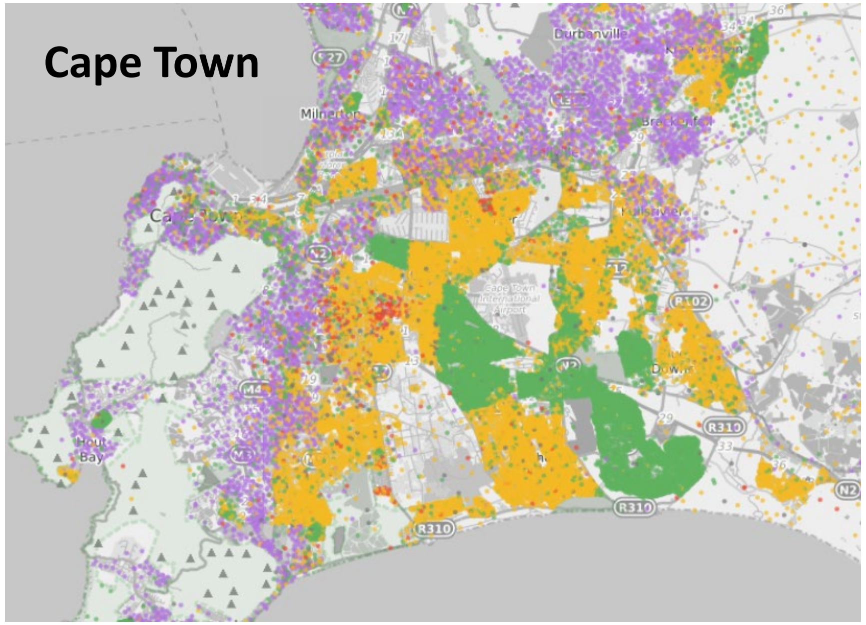
Source: SACN and CSIR 2015 http://stepsa.org/city_views.html based on 2011 Census data

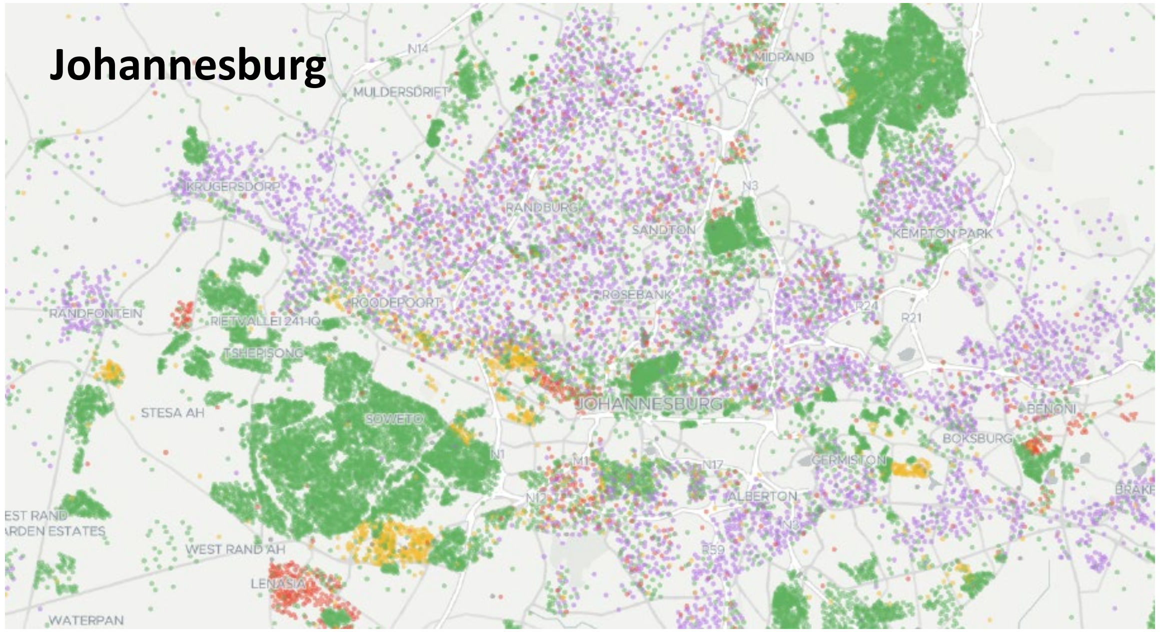
Distribution of urban population by race

- Despite some integration, the racial composition of suburbs still corresponds closely to apartheid group areas
- Dense black and coloured settlements located at some distance from urban core – Cape Flats in CT, northern areas in NMB, south east and urban periphery in JHB

Source: Frith 2013 https://dotmap.adrianfrith.com/ based on 2011 census data







White

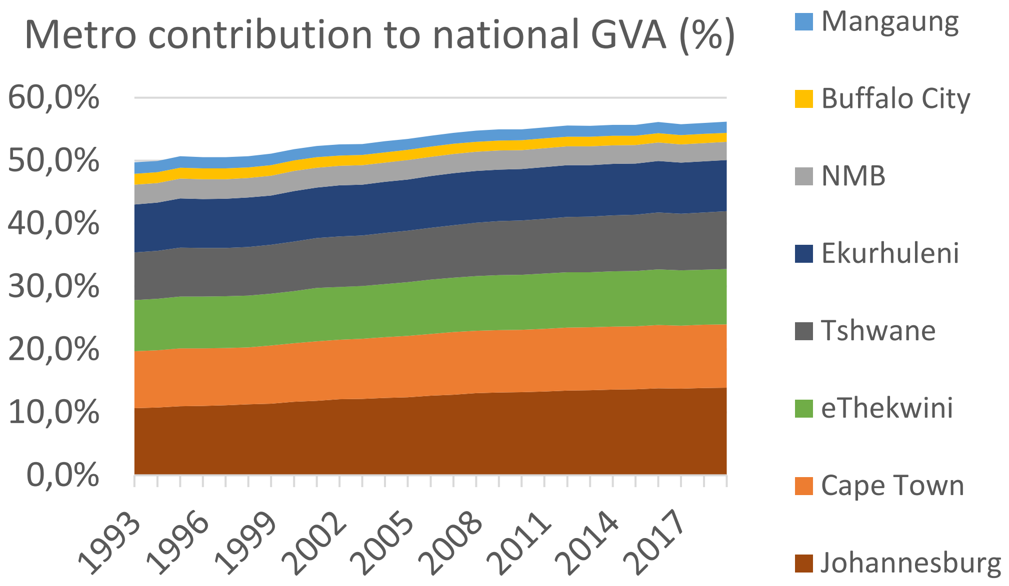
Coloured

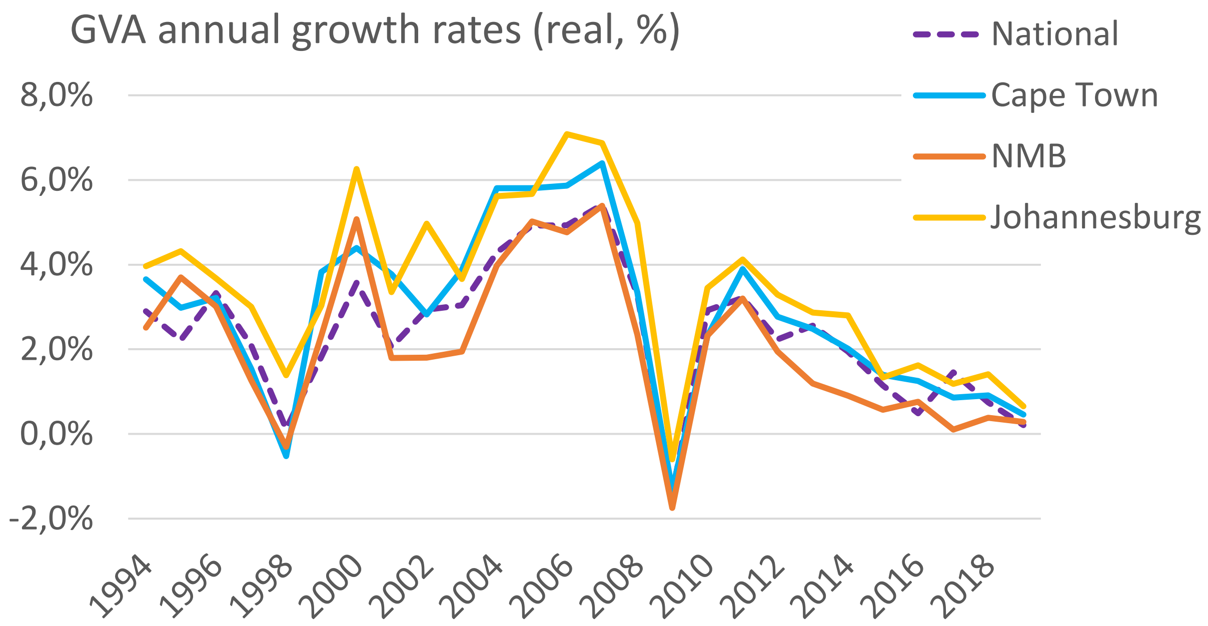
Asian

Black

Metro growth rates (1993 – 2019)

- Metro contribution to Gross Value Add has been growing, from 49,7% in 1993 to 56,2% in 2019
- Johannesburg and Cape Town make up large proportion of this growth – average annual growth rates are 3,5% for JHB and 2,8% for CT, compared to national average of 2,4%
- NMB has been growing below national average, at 2,1%. It also suffers steepest declines in recessions and takes longer to recover

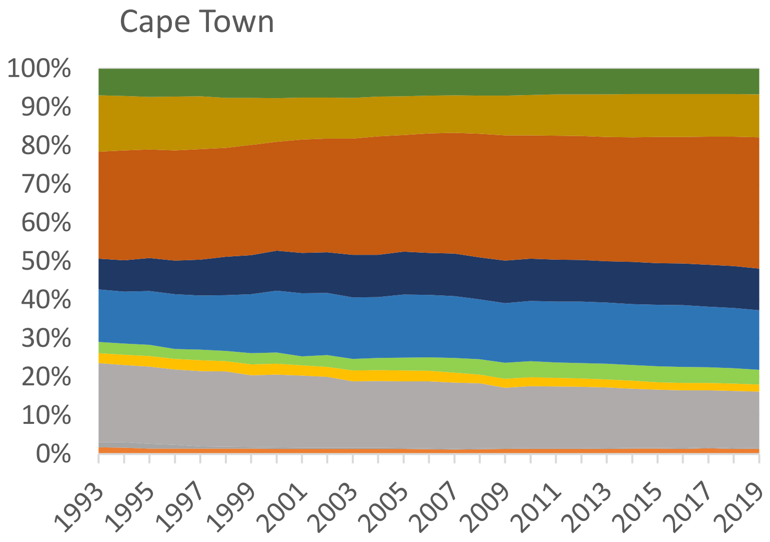


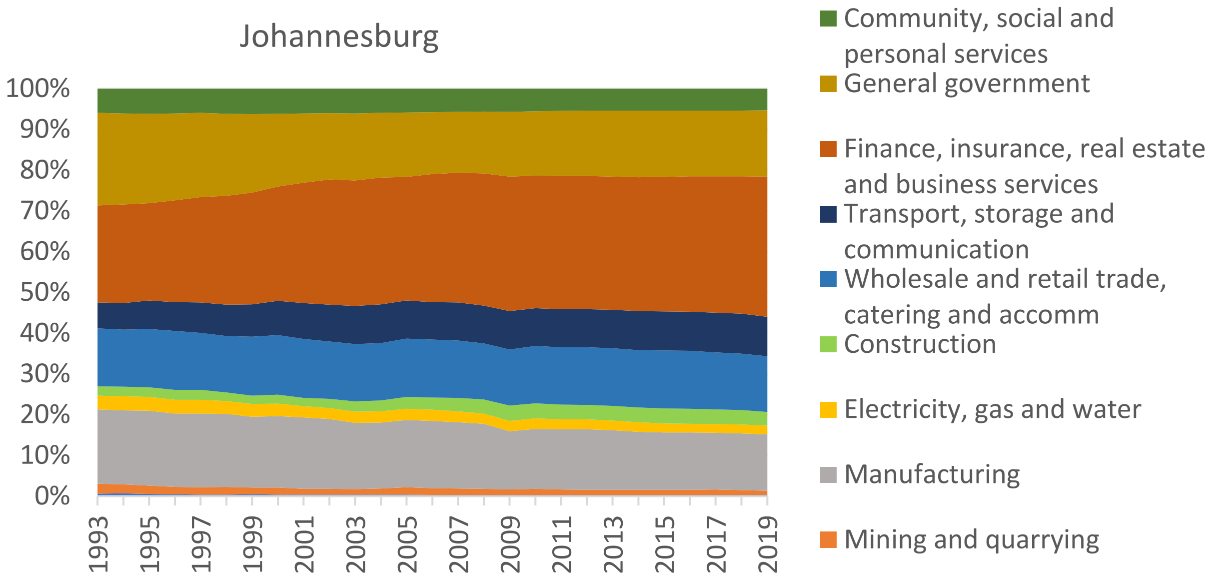


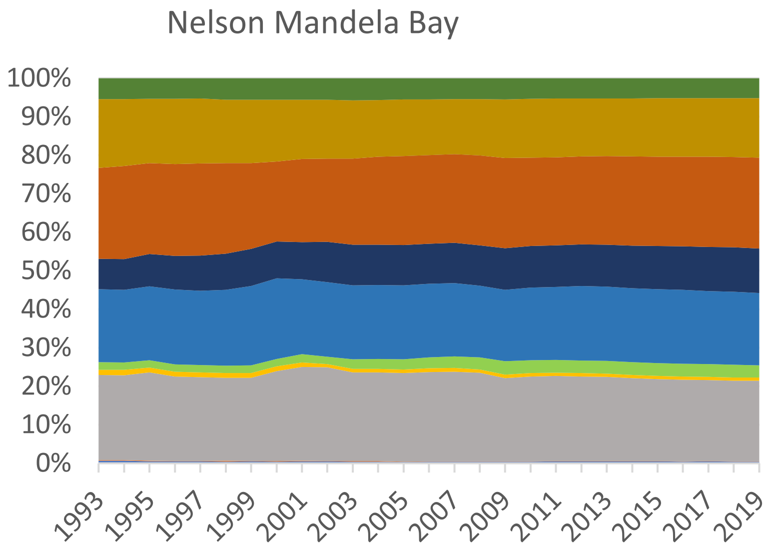
Source: Quantec 2020 - Regional Output and GVA at basic prices by industry and 2011 municipal boundaries

GVA composition

- Financial services and property have grown substantially and come to dominate JHB and Cape Town economies, while manufacturing and government services have dropped
- Proportionately larger manufacturing base and trade sector in NMB, which have retained their share, and growing transport, storage and communication sector





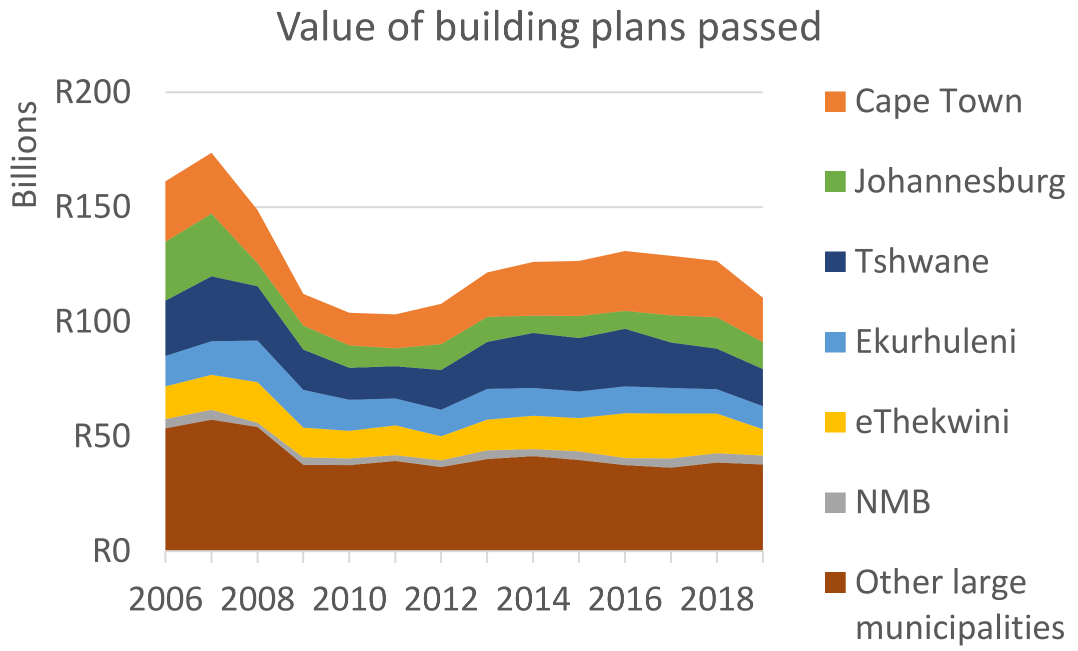


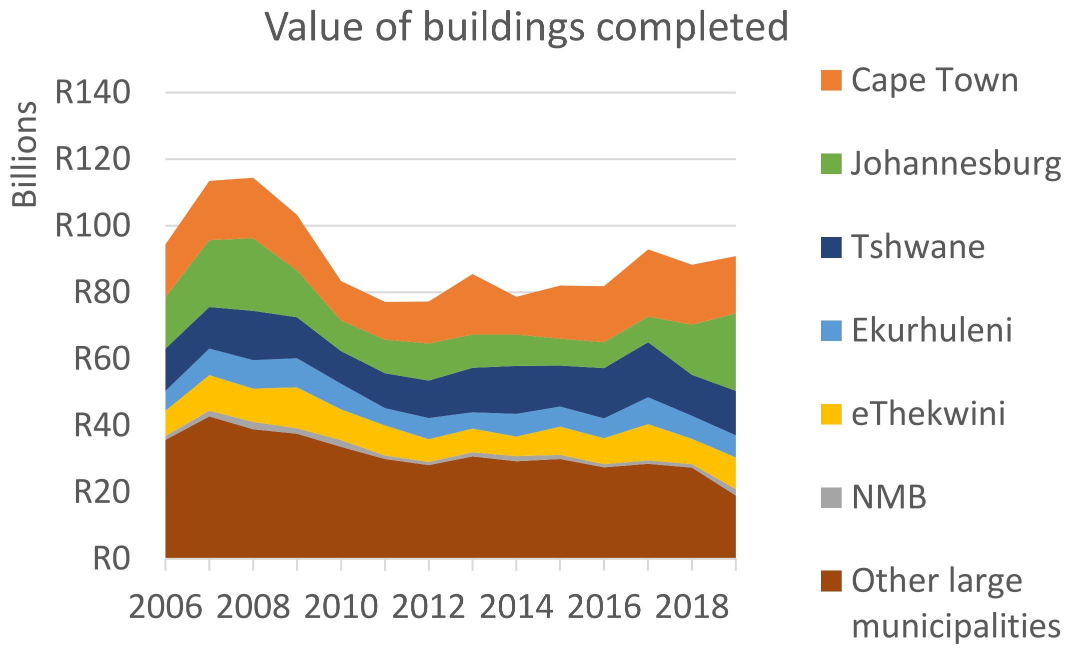
Source: Quantec 2020 - Regional Output and GVA at basic prices by industry and 2011 municipal boundaries

Building plans passed by larger municipalities

(R's, constant 2020 prices)

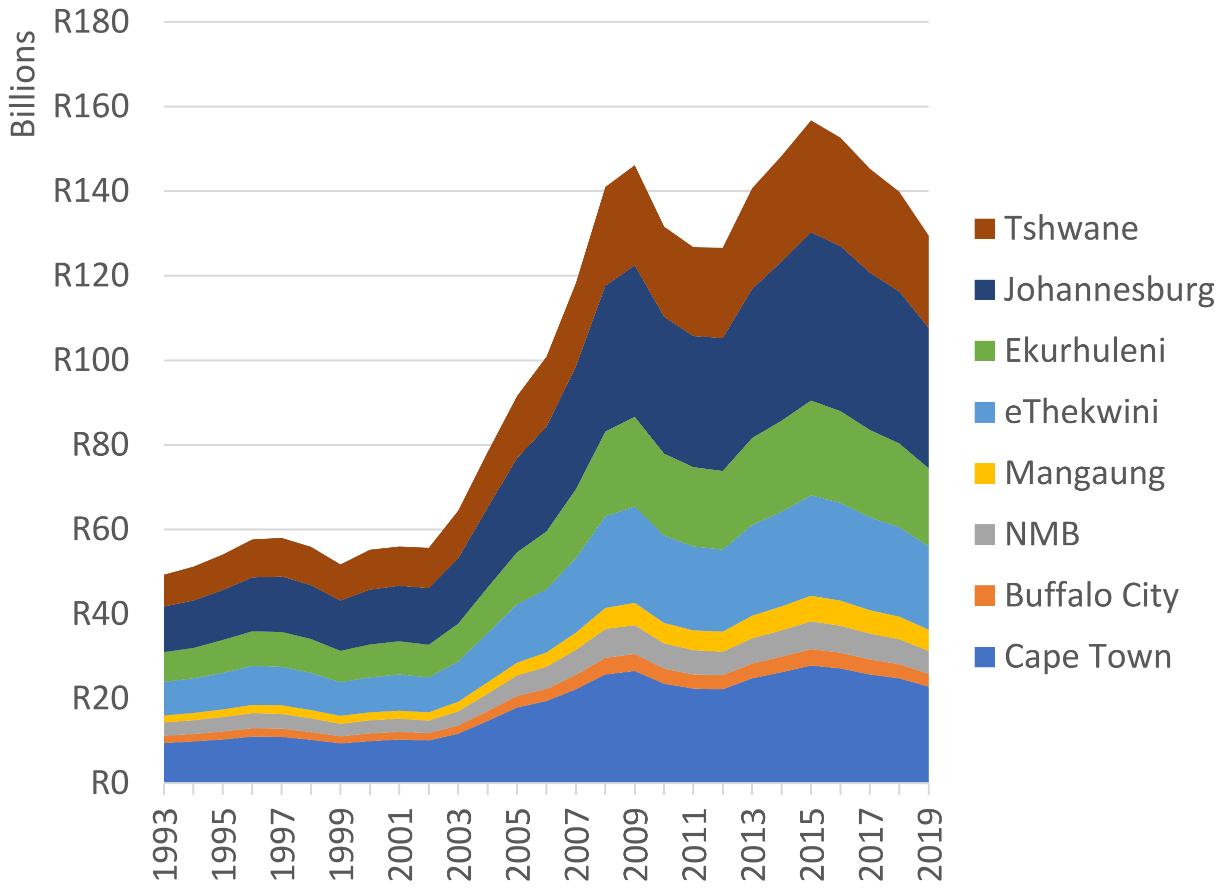
- Effect of 2008 crisis – prolonged decline in property development, which has not yet recovered to levels in 2007
- Cape Town dominates and JHB lags relative to their respective economic bases
- Recent aggregate declines (2017/18) offset by growth in JHB and Cape Town, so some aggregate growth





Source: StatsSA, 2020. P50413—Building statistics

Buildings & construction component of gross fixed capital formation in metros 1993 – 2019 (Rs, constant 2010 prices)

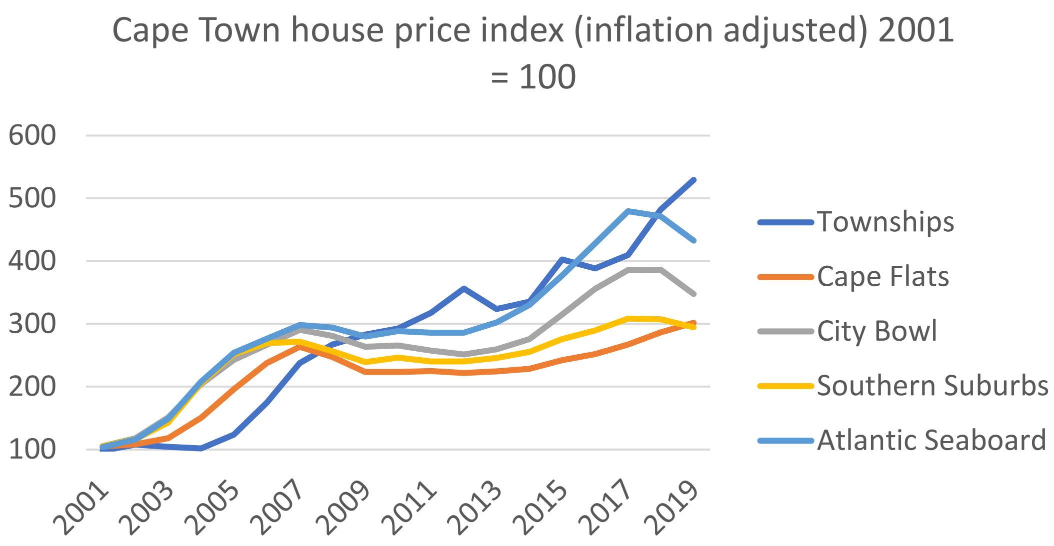


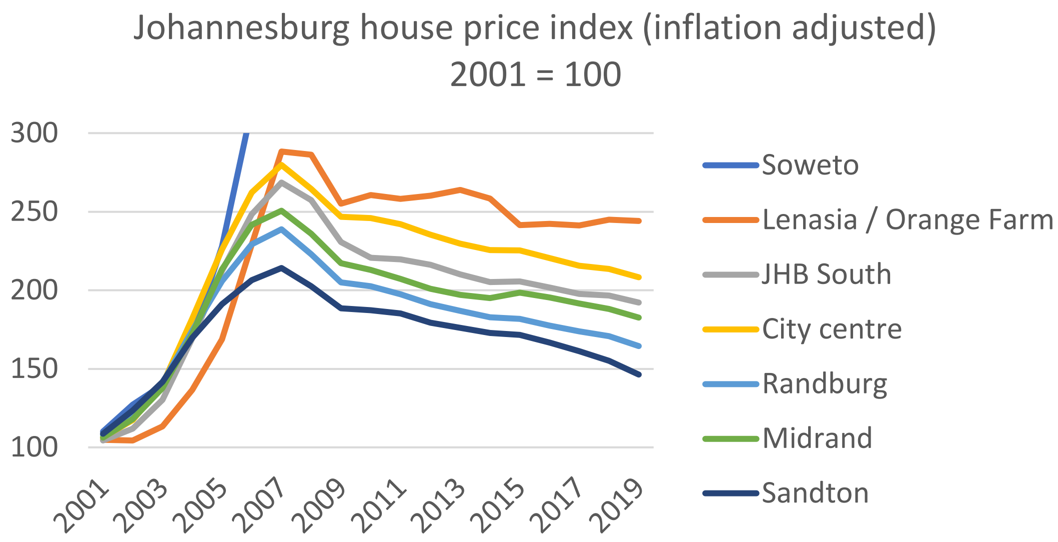
- National accounts give a different and probably more accurate picture
- Evidently not all building and construction activity passes through municipal planning and building control system
- Level of investment in metros closely follows national trends:
  - Substantial rise in capital formation until 2008 crisis, followed by prolonged dip until new peak in 2015
  - Post-2015 contraction drops to same level as post 2008 contraction
- JHB and Cape Town dominate, but substantial investment also occurring in Tshwane, Ekurhuleni and eThekwini
- Investment in Mangaung, NMB and Buffalo City is much less significant

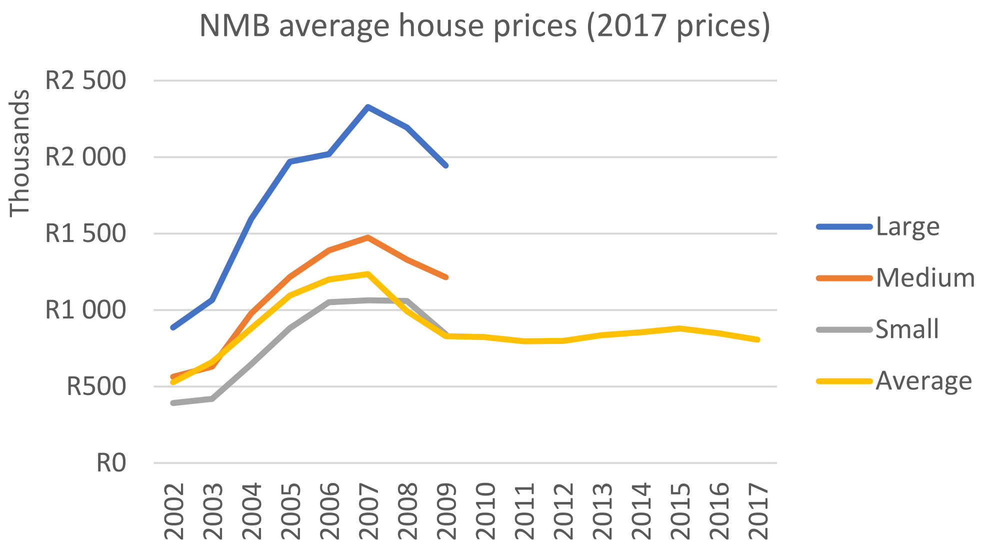
Source: Quantec 2020 (RCAP—Fixed capital formation by 2011 municipal boundaries)

House prices

- Township house prices have been the stellar performers in CT and JHB (albeit off a low base), with Soweto prices increasing by 676% since 2001
- Property prices in general have stagnated or declined in real terms since 2008, but CT properties have generally been more buoyant, esp. in city bowl and Atlantic seaboard



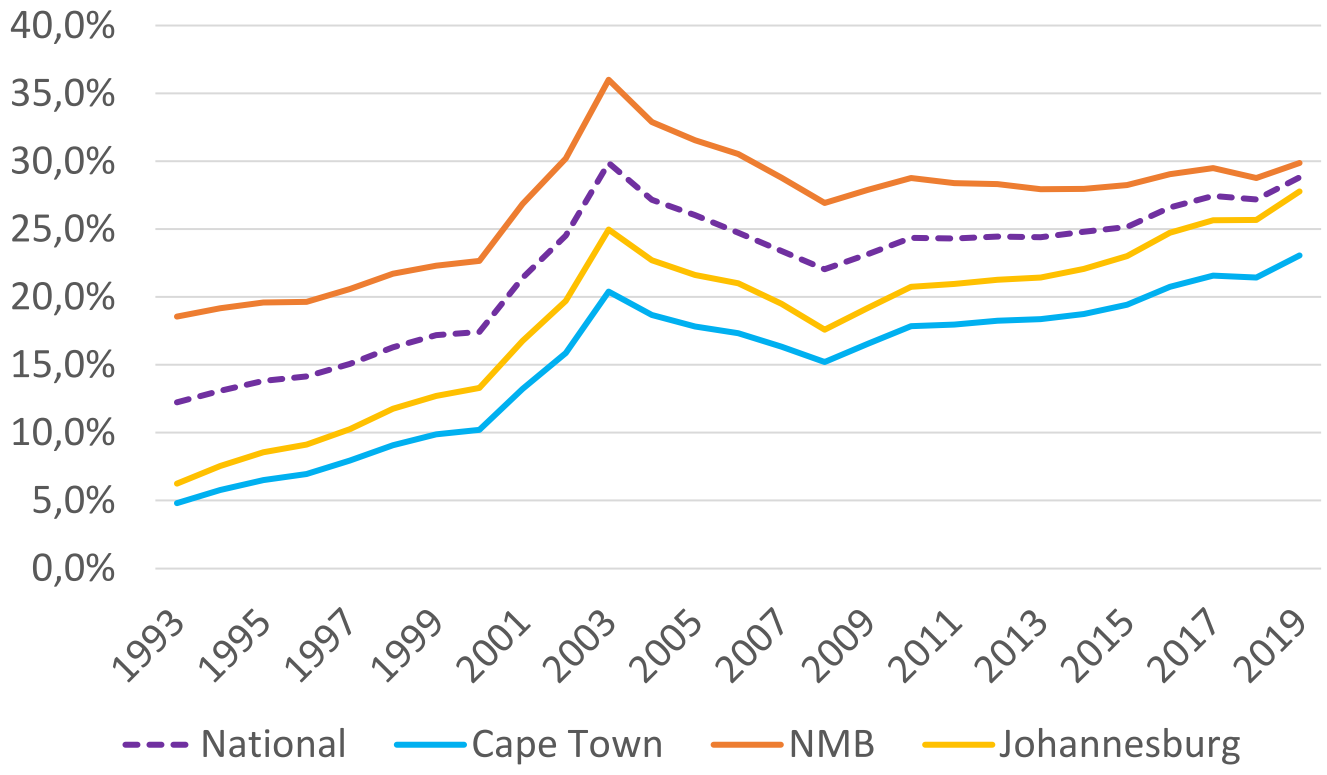




Source: Quantec 2020 (FNB house price indices for CT, JHB and NMB average, plus discontinued ABSA data for disaggregated NMB)

Unemployment rates 1993 – 2019

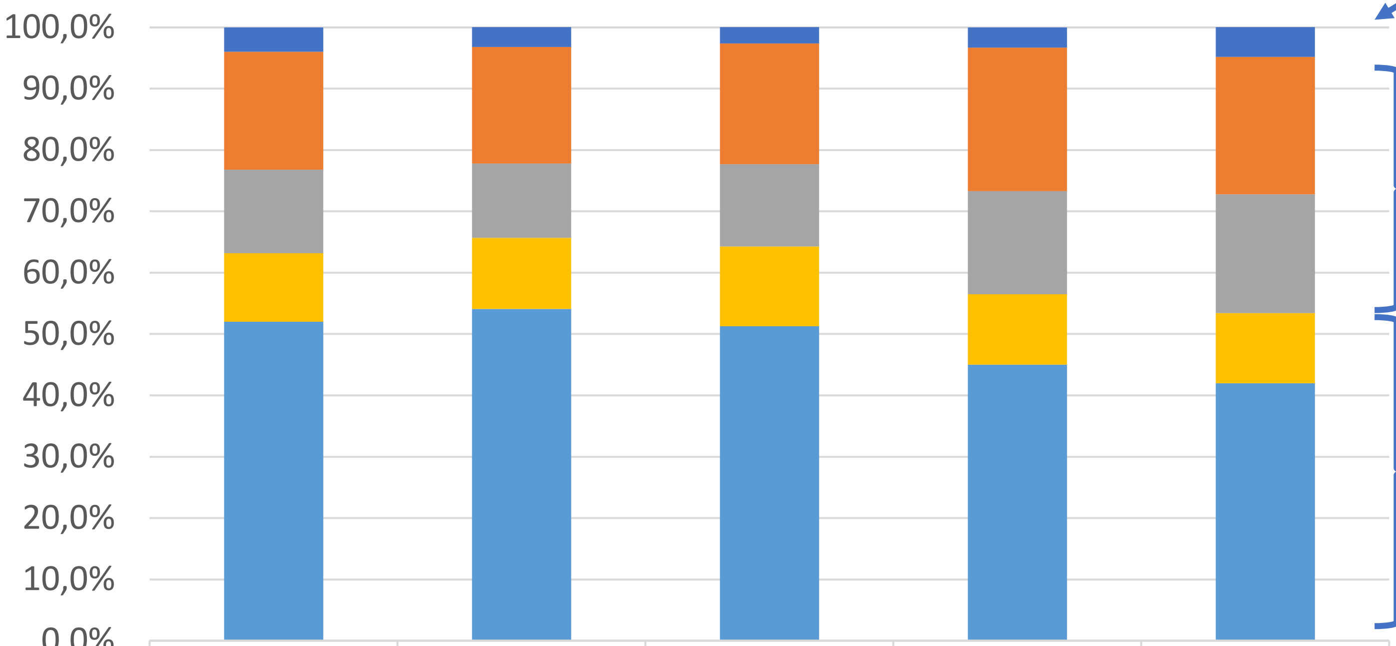
Metros vs. national



- Structurally high unemployment rate, above 20% for last two decades
- Unemployment in NMB has been consistently worse than national average, while unemployment in JHB and Cape Town has been consistently better
- Outside of Cape Town, unemployment rates are converging at high level (30%), with Cape Town better by some 5 percentage points.

Source: Quantec 2020 (RYUE—Youth and adult unemployment by 2011 municipal/ward-based metro region level)

Socio-economic class size



	2008	2010	2012	2014	2017
Elite	4,0%	3,3%	2,7%	3,3%	4,9%
Actual middle class	19,2%	19,0%	19,7%	23,4%	22,4%
Vulnerable middle class	13,6%	12,1%	13,4%	16,8%	19,4%
Transient poor	11,2%	11,6%	13,0%	11,5%	11,4%
Chronic poor	52,0%	54,1%	51,3%	45,0%	42,0%

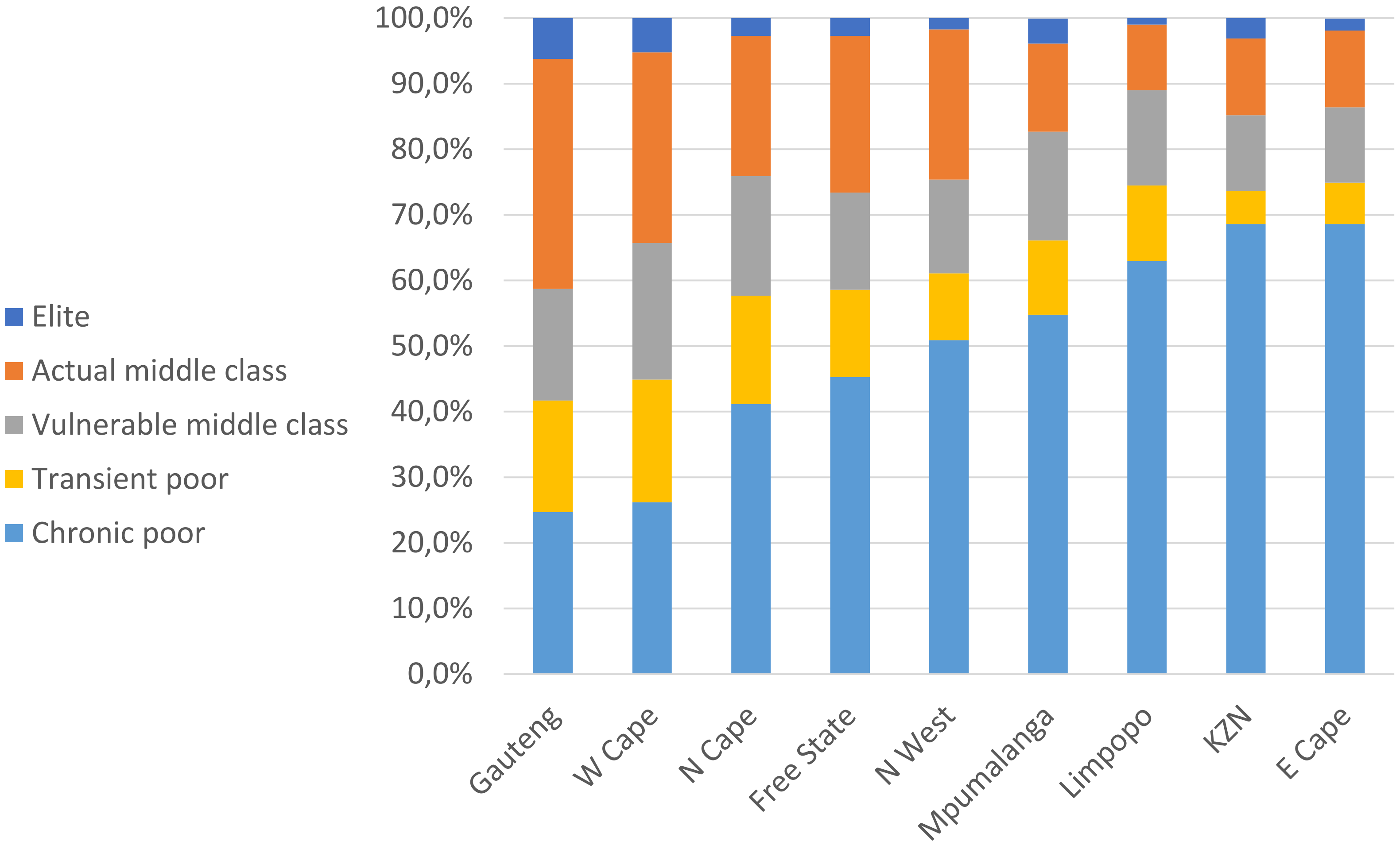
Elite share has grown despite contraction in 2010 - 2012

Middle class share has expanded from 32,8% to 41,8%

Poor share has shrunk, but sill make up 53,4% of population. 42% of population are chronically poor

Source: Zizzamia et al. (2019) NIDS Waves 1 to 5 pooled sample

Socio-economic classes by province



Elite are concentrated in Gauteng and W Cape, also Mpumalanga & KZN

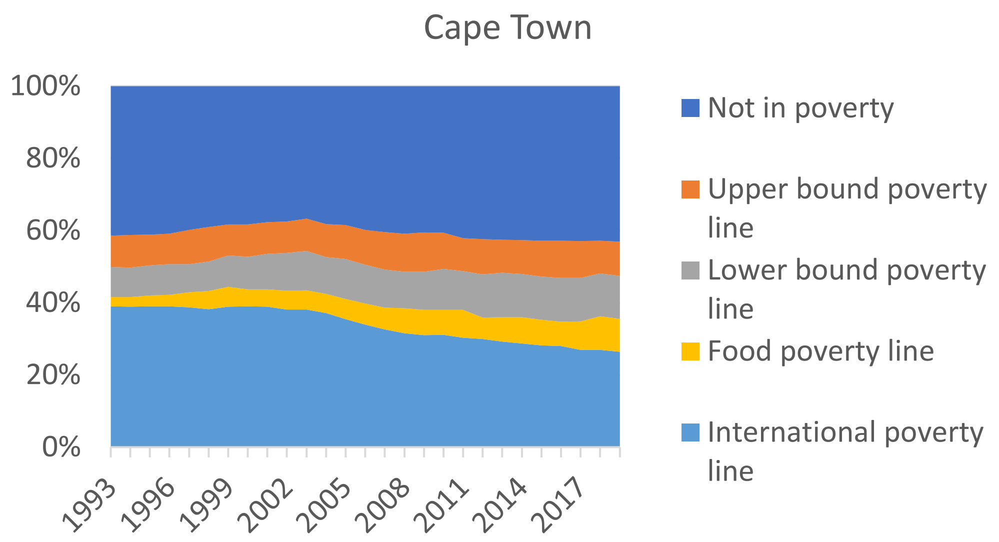
Middle classes and transient poor are concentrated in Gauteng and W Cape, also N Cape, Free State and North West

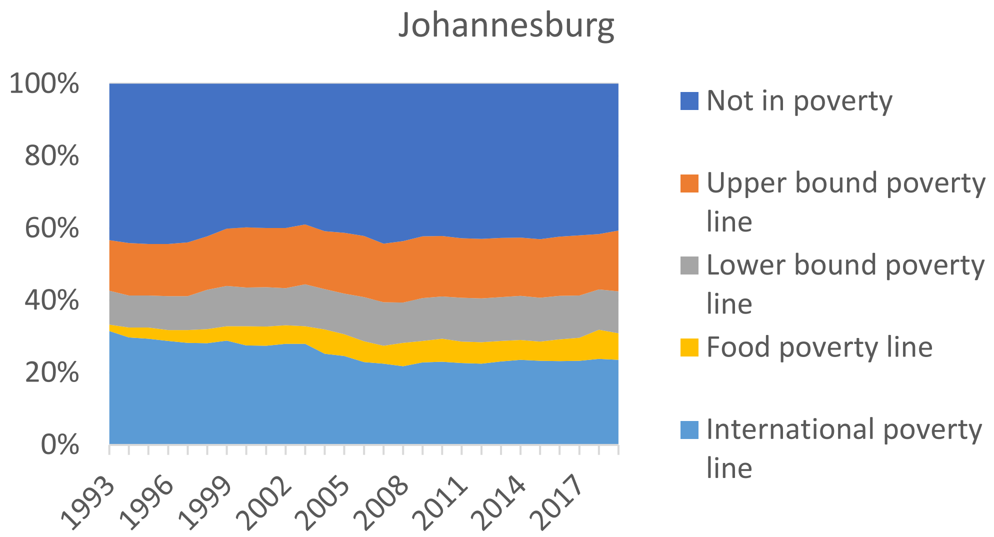
Chronic poor are concentrated in rural provinces of E Cape, KZN and Limpopo

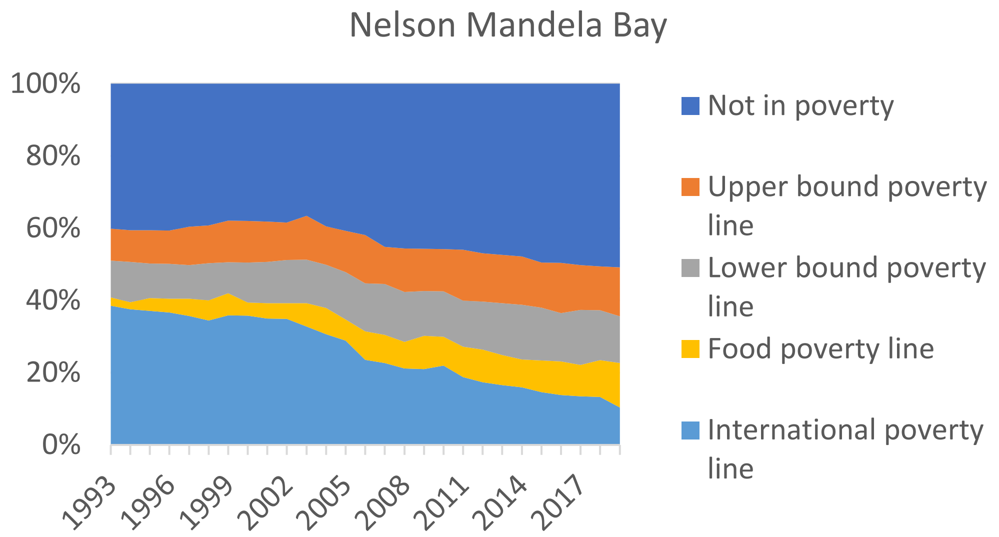
Source: Zizzamia et al. (2019) NIDS Waves 1 to 5 pooled sample

City profiles based on % population in poverty

- % of population in poverty has remained static in Cape Town and JHB - improvements in existing population are off-set by in-migration
- Downward trend in % of population in extreme poverty, which is particularly pronounced in NMB and less pronounced in JHB due to migration patterns





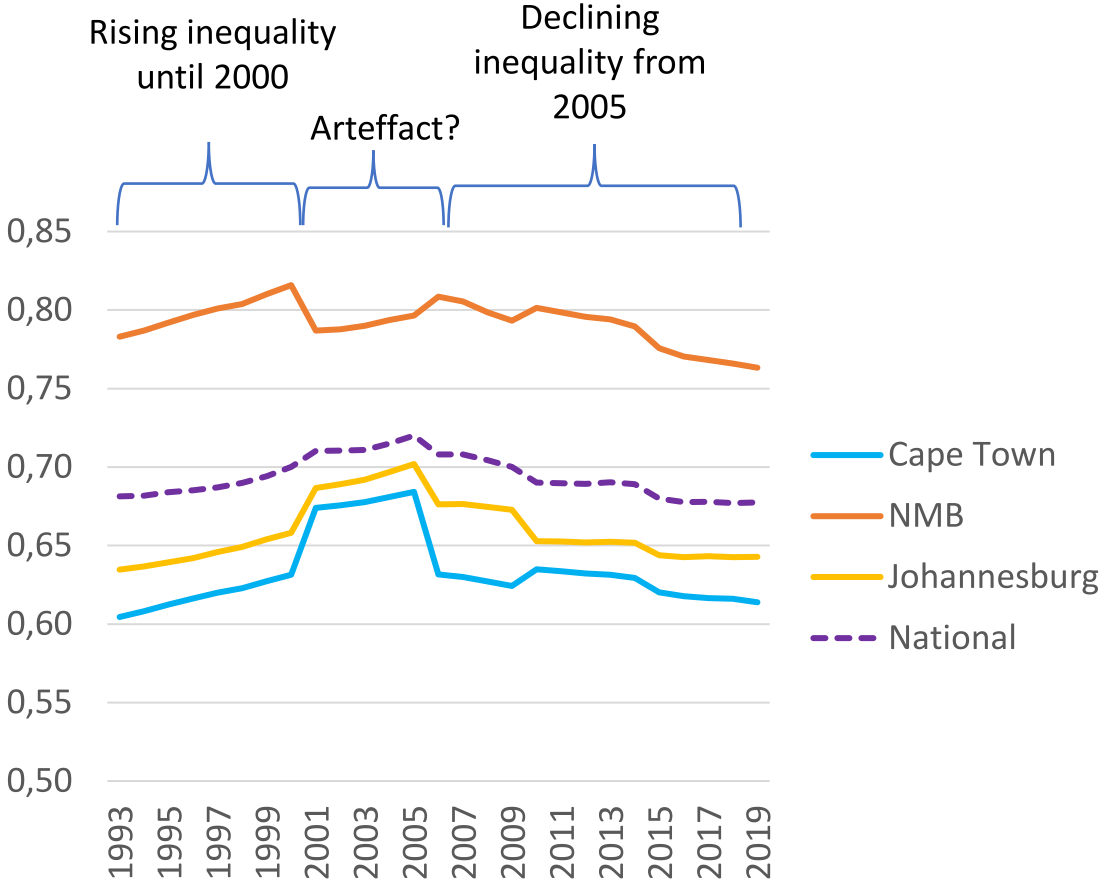


Source: Quantec 2020 (RPOV—Poverty lines and Headcounts by 2011 municipality/ward-based metro region)

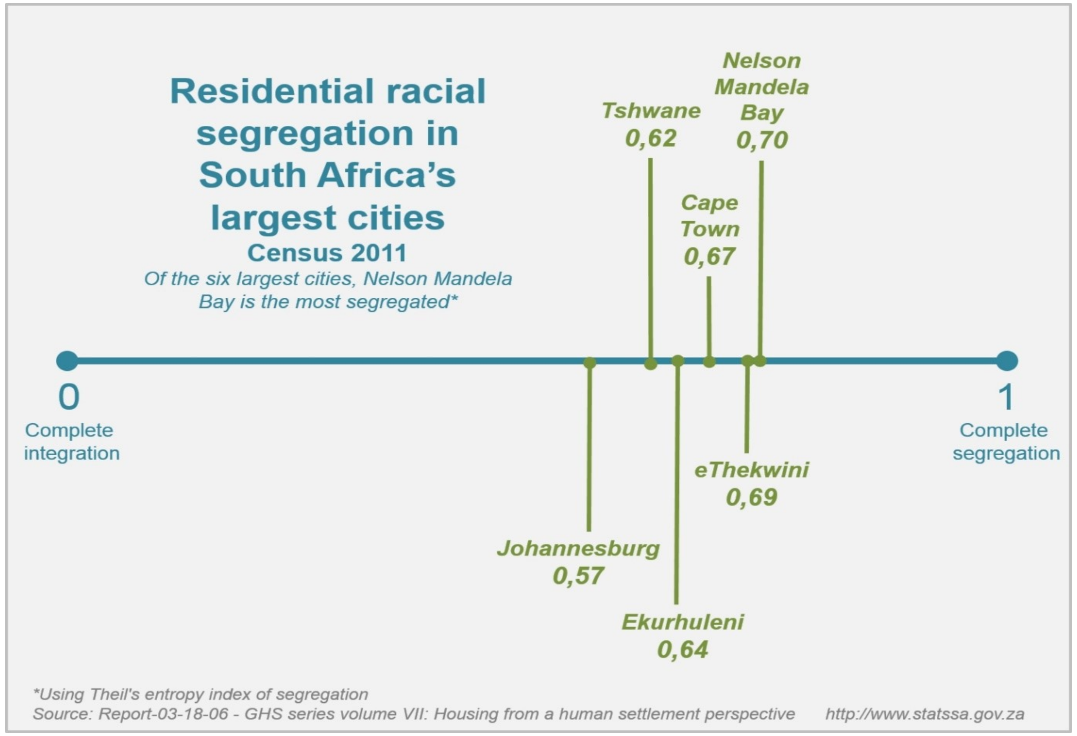
Inequality in SA cities

Gini co-efficient vs. Theil index

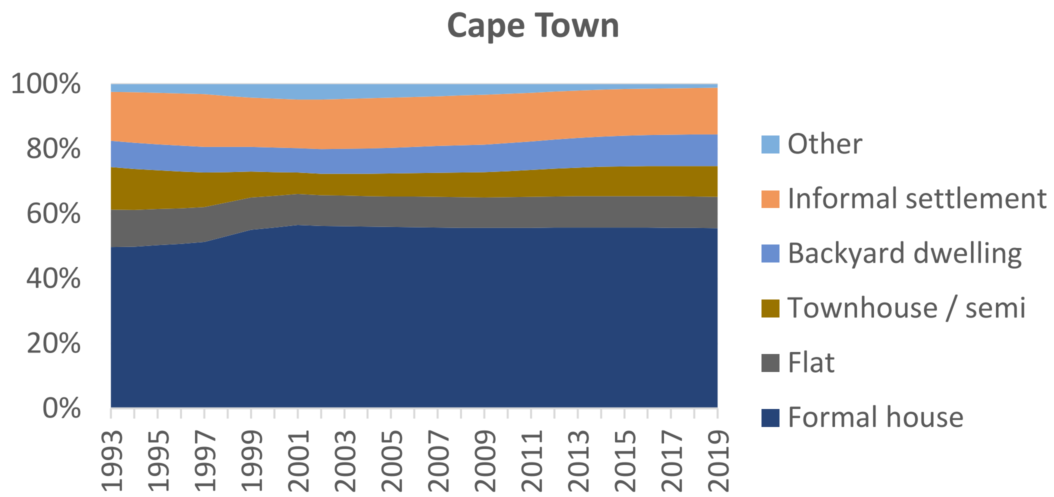
- NMB is racially most segregated of the metros, and has highest Gini coefficient, well above national average
- Both JHB and Cape Town have Gini coefficient that is lower than national average.
- Cape Town is more racially segregated than JHB, but has lowest Gini co-efficient of metros



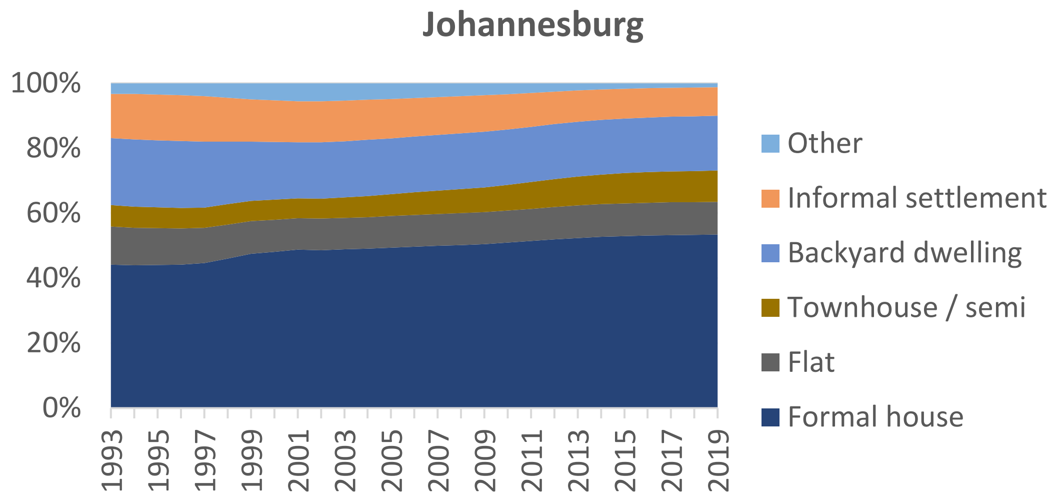
Source: Quantec 2020 (RGINM 2011 metro boundaries)

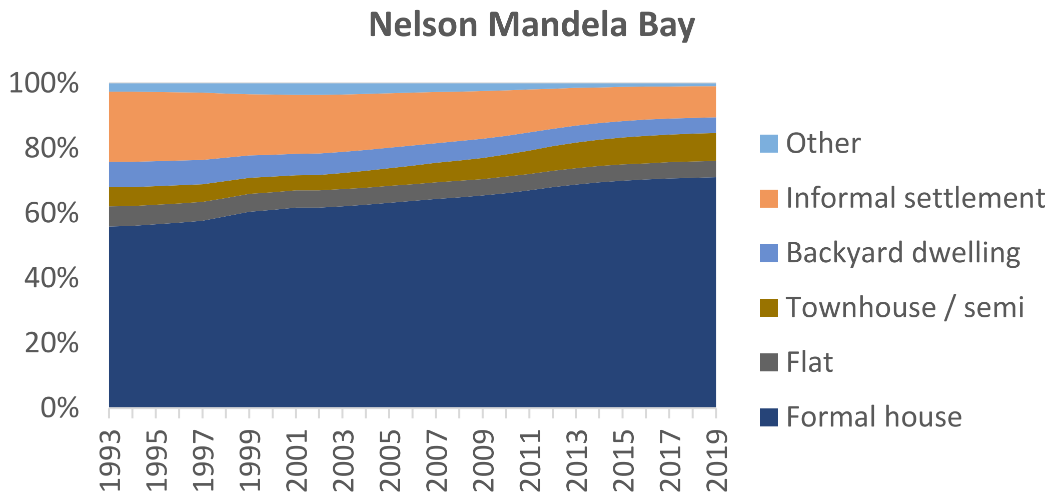


Household distribution by housing type (1993 – 2019)



- Substantial increases in access to formal housing:
  - NMB: 55,9% in 1993 to 71,1% in 2019
  - JHB: 44,2% in 1993 to 53,4% in 2019
  - CT: 49,8% in 1993 to 53,4% in 2019
- Degree of access affected by in-migration to CT and JHB and out-migration from NMB
- Persistently large proportion of households in informal settlements in Cape Town (14,4% in 2019), while declining in JHB and NMB
- Large share of backyard dwellings in JHB (16,9% in 2019)

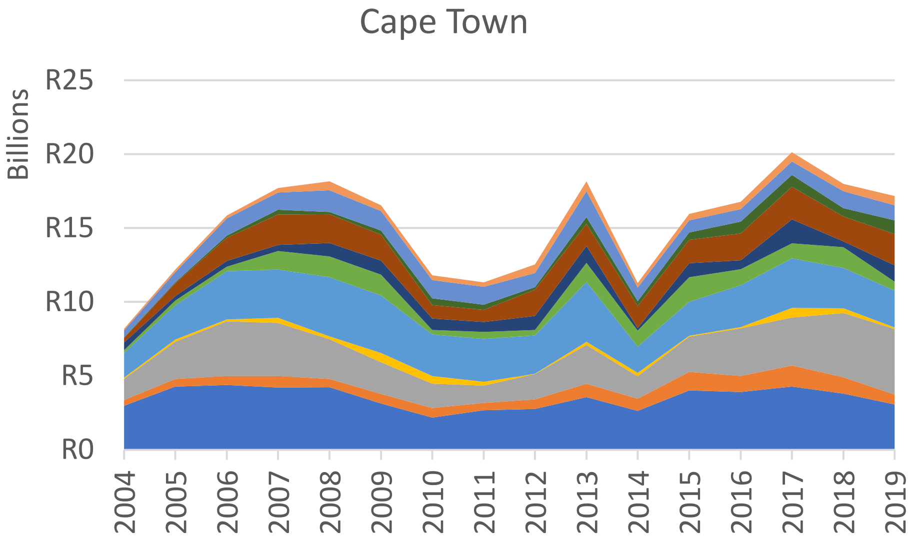


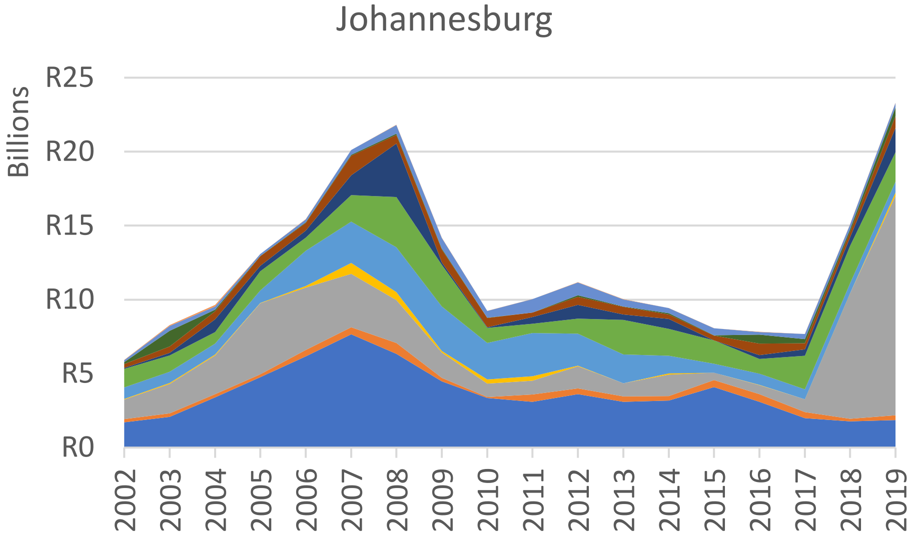


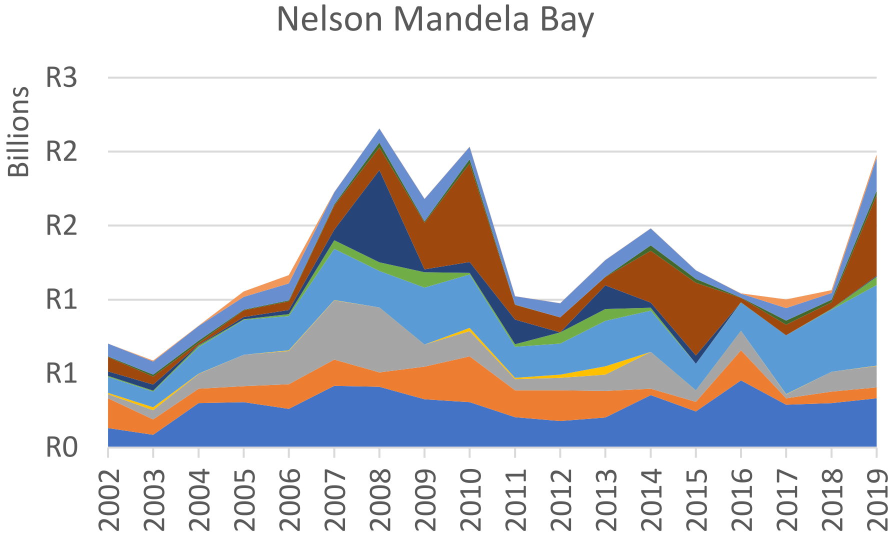
Source: Quantec 2020 (RHHF - Households' facilities according to 2011 municipal boundaries

Value of completed buildings by building type

- Residential predominates in all cities, driven by investment in houses > 80 m2
- Recent growth (2017-19) in JHB and Cape Town from flats and townhouses, in NMB from residential alterations
- Industrial and warehouse space is significant in CT and NMB
- Office and banking space is big in JHB and Cape Town







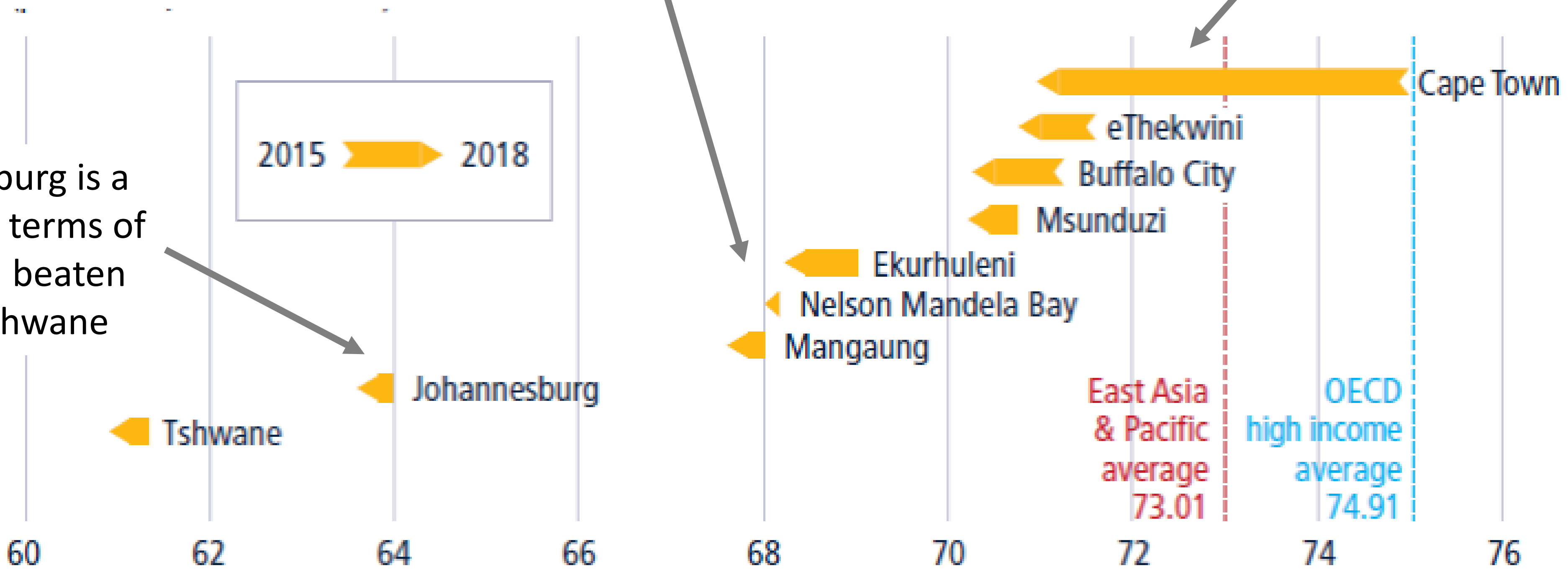
Source: Quantec 2020 based on StatsSA, P50413—Building statistics

Efficiency of issuing building permits

NMB occupies the mid-range in terms of efficiency

Dramatic drop in efficiency in Cape Town although it remains the best performer

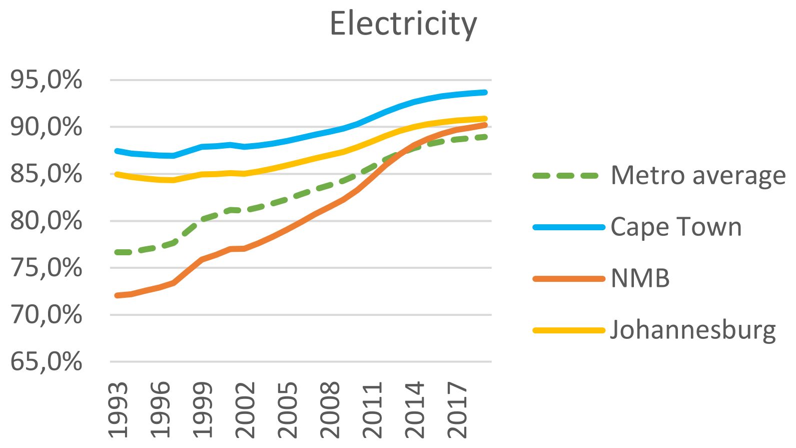
Johannesburg is a laggard in terms of efficiency, beaten only by Tshwane

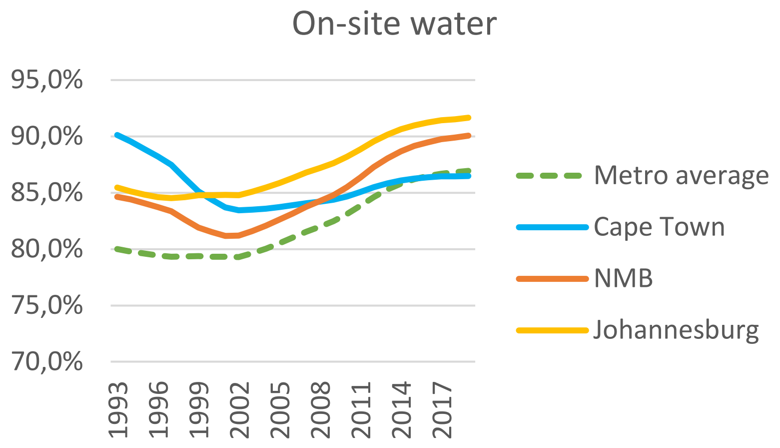


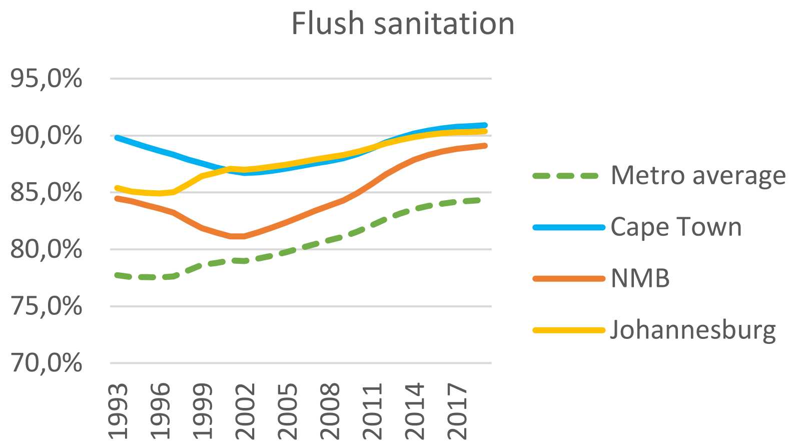
*Index based on number of procedures, time and cost

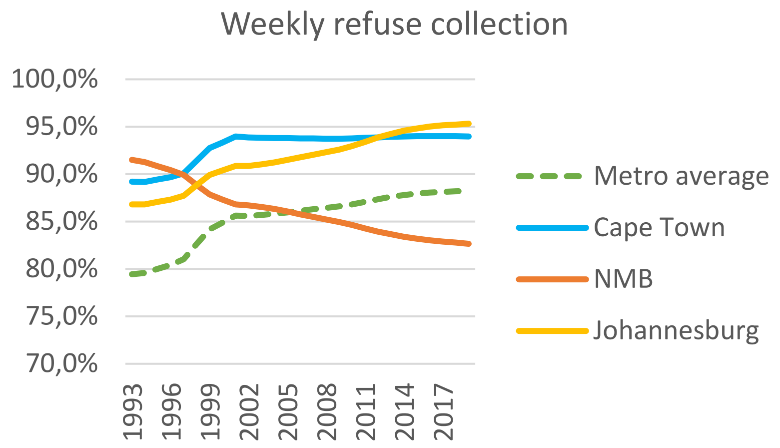
Source: World Bank 2018

% households with access to basic services







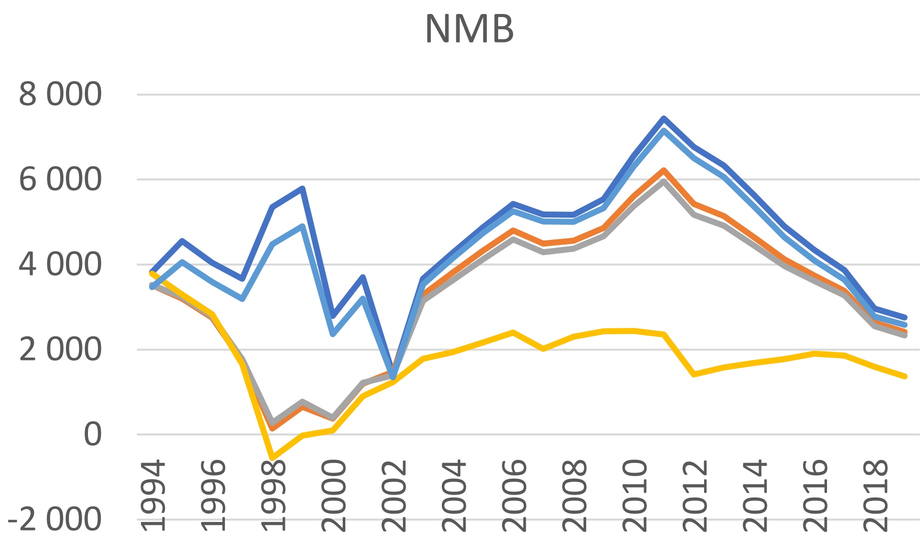


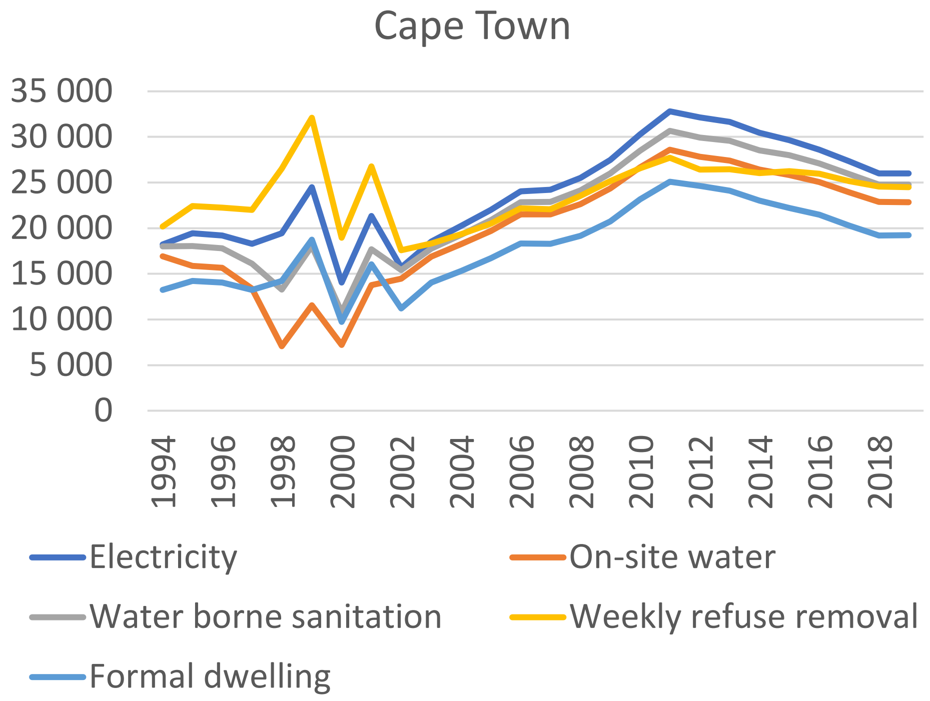
- Rising level of access to services across metros, with CT, JHB and NMB mostly beating metro average
- Cape Town & JHB significantly outperformed other metros, despite in-migration
- Cape Town’s recent focus on communal standpipes has lowered on-site access
- In NMB access to waste collection services is steadily declining

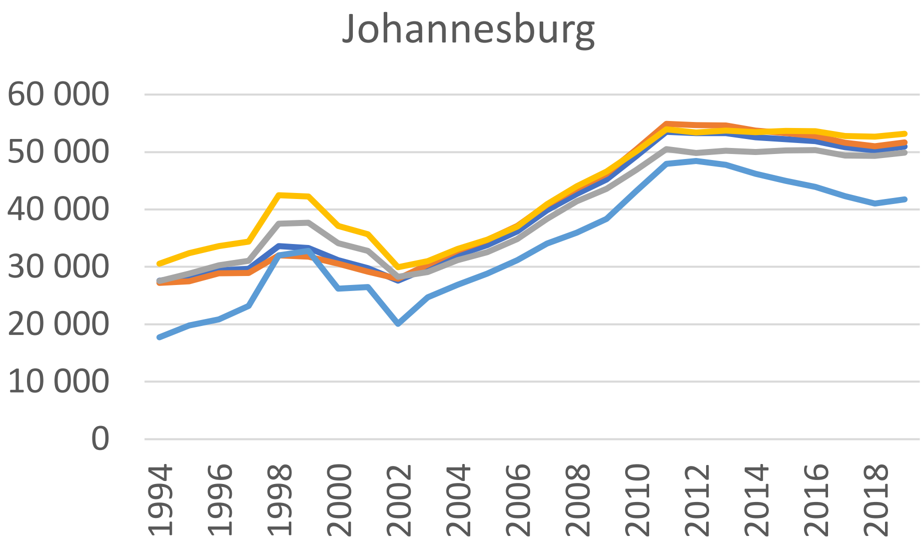
Source: Quantec 2020 (RHHF—Households' facilities by population group at 2011 municipal boundaries

New services / housing

- Highly disruptive effect of administrative reorganisation between 1999 and 2002
- Consistently rising pace of delivery between 2002 and 2010
- Delivery drops off noticeably from 2012, particularly in NMB
- NMB never gets on top of waste services





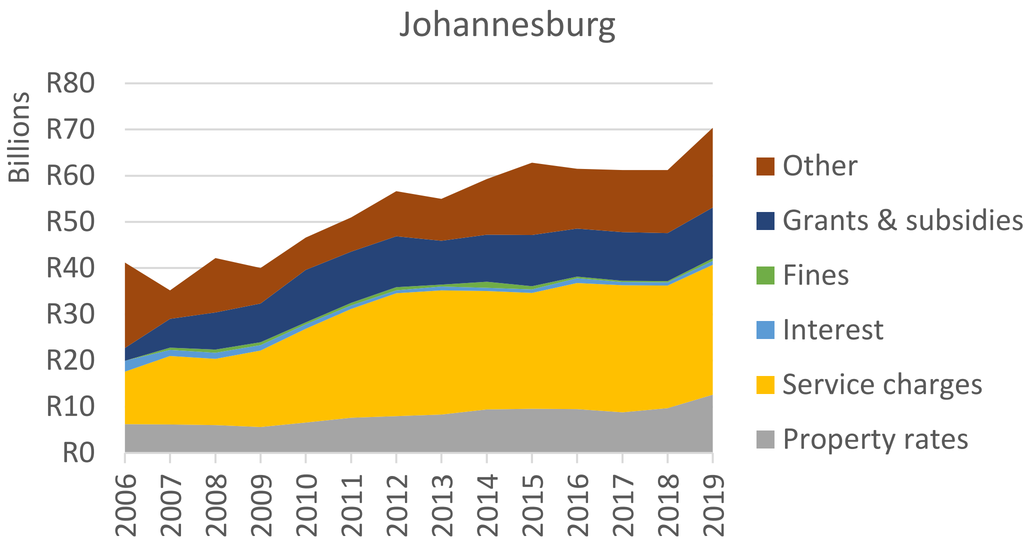


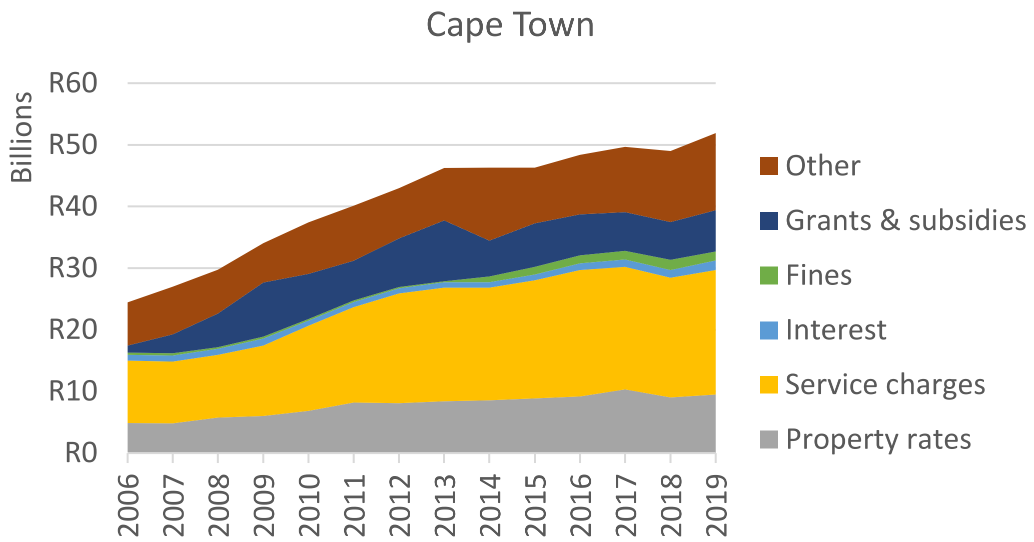
Source: Quantec 2020 (RHHF)

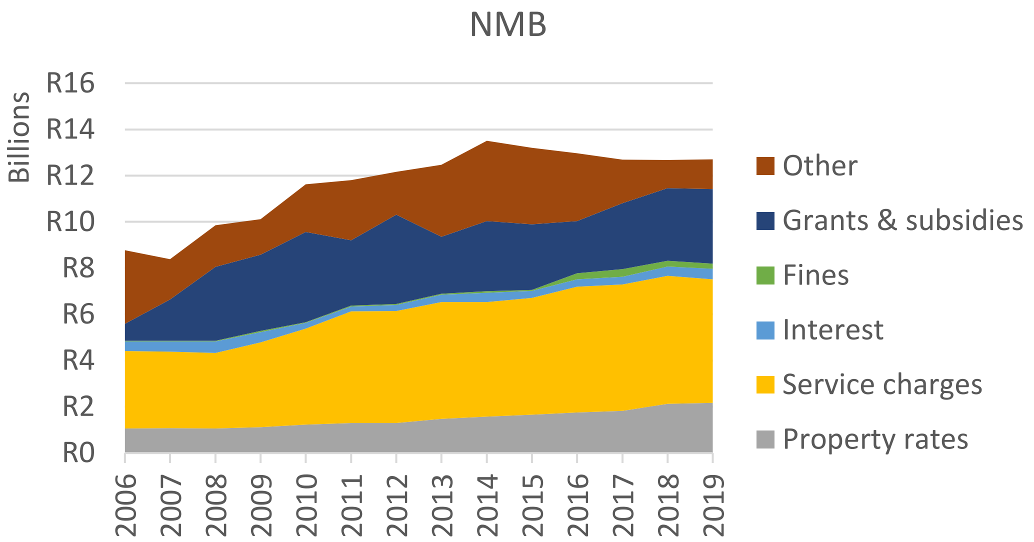
Metro revenues

(R billion, 2020 prices)

- Since 2006 real revenues have grown faster in Cape Town (112%) and JHB (71%) than NMB (45%)
- NMB relies on grants to greater extent than JHB or CT (25,4% vs. 15,4% and 12,9% respectively in 2019)
- Slightly greater reliance on property rates in Cape Town (18,3%) and JHB (18%) than NMB (17%)
- Even though small share, fines make up much smaller component of JHB revenues (0,8%) than CT (2,9%) and NMB (1,7%), suggesting lower enforcement levels



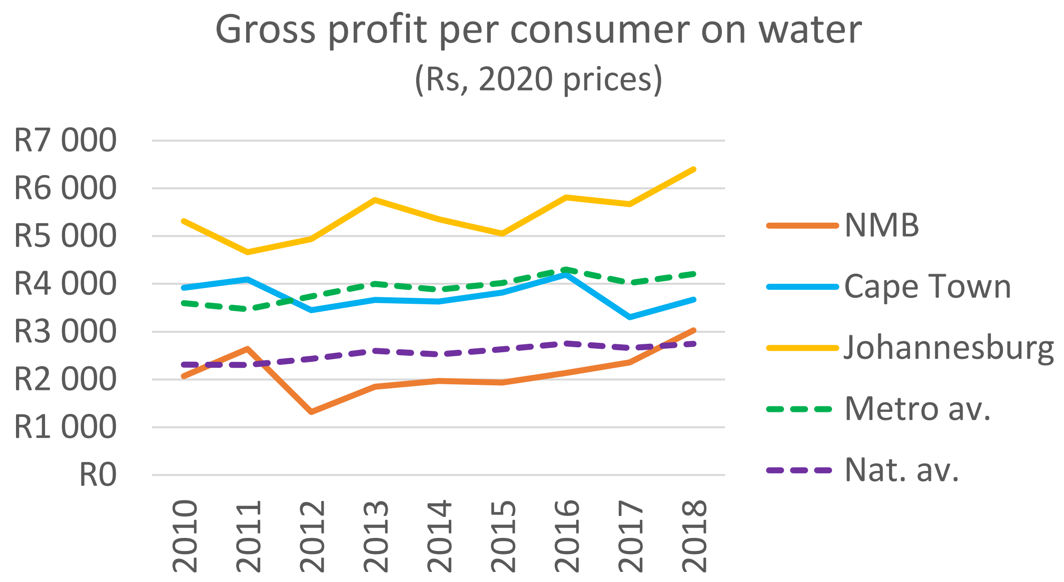


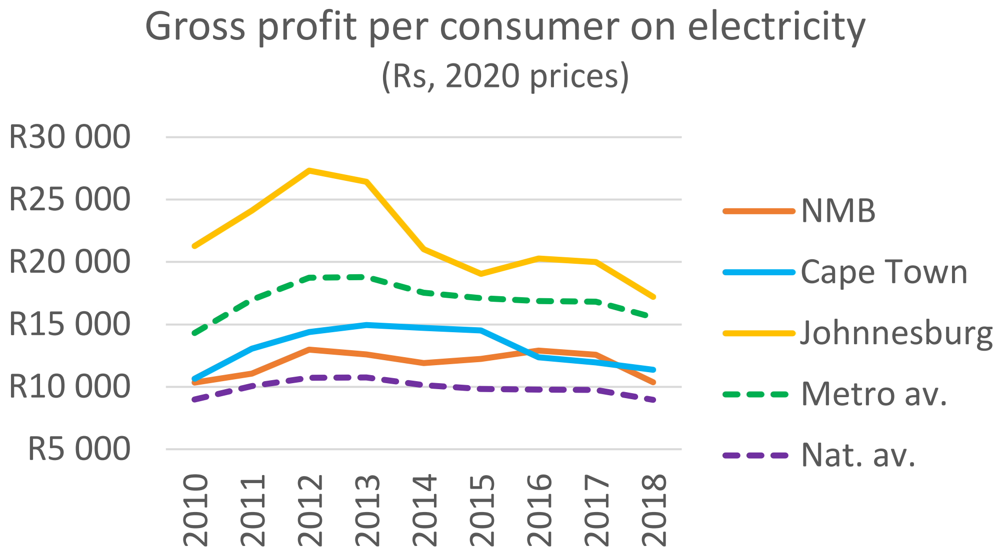


Source: Quantec 2020 (Data Set: P911RT—P9114 and P9110: Income and Expenditure by Municipality

Income from municipal infrastructure services

- Gross profit calculated as net revenue after bulk service costs
- NMB makes less return on its core trading services than other metros, and has only recently improved over national average for water services
- JHB has an unusually high level of return on its trading services, with water showing particularly sharp recent increase, suggesting that the trading accounts are being used to cross-subsidise other expenses
- All metros are showing declining levels of return on electricity, which is particularly worrying given its central role in financing local government

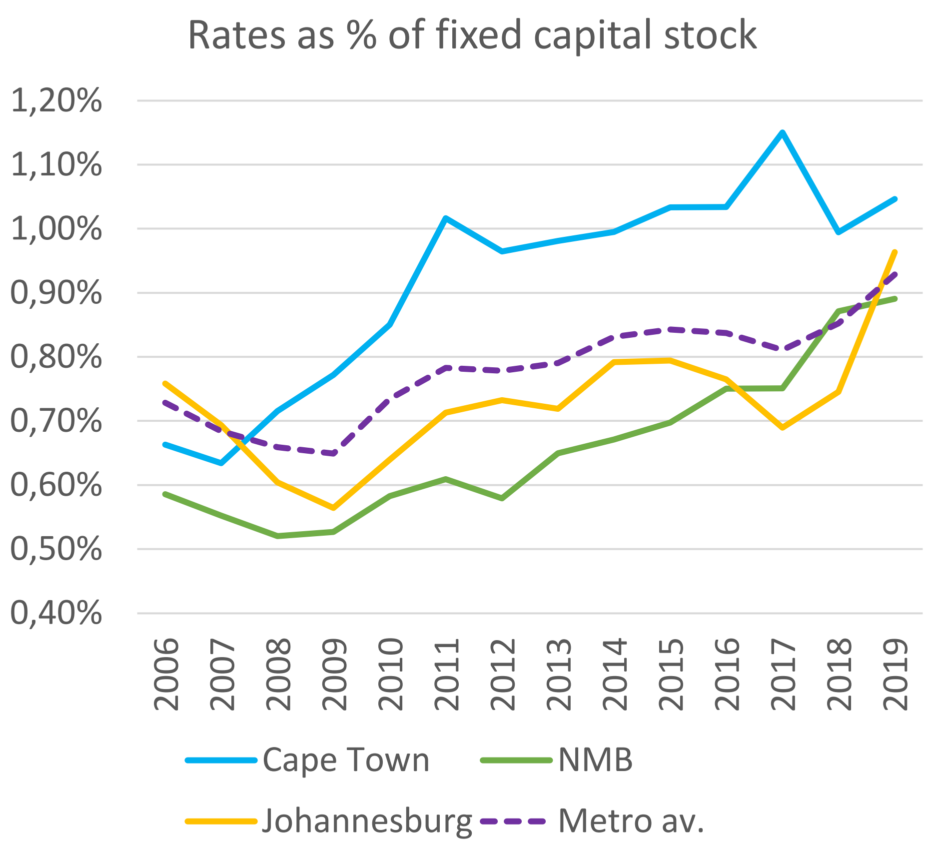




Source: Quantec 2020 (Data Set: P911RT—P9114 and P9110: Income and Expenditure and Combined Services by Muni)

Property rates

- Property rates are local government's primary taxation instrument, levied on the assessed value of land and improvements according to the valuation roll
- Rates income has been calculated as a percentage of the fixed capital stock in each city (buildings and capital works) drawn from national accounts, instead of municipal assessment of property values
- The percentage has been steadily rising across all the metros, which suggests that capital is being taxed to a greater extent to finance local government
- Cape Town property taxes are substantially higher as % of capital stock than other metros, although NMB and JHB are demonstrating rapid recent increases

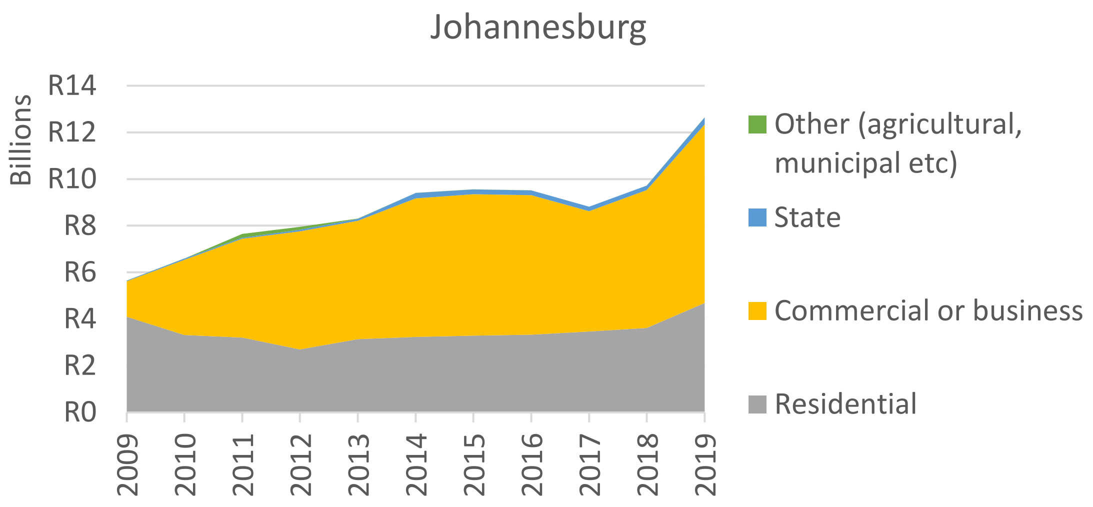


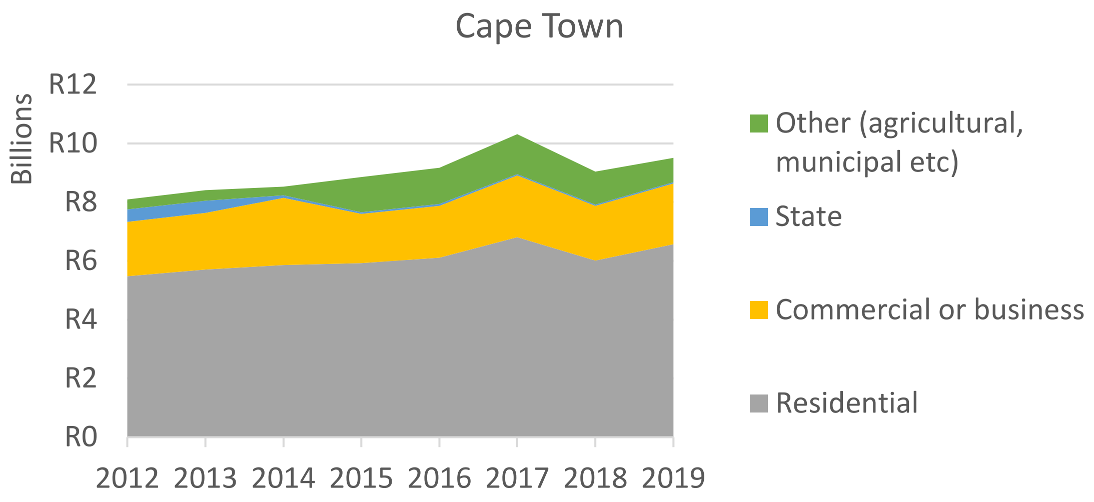
Source: Quantec 2020 (Data Set: P911RT—P9114 and P9110: Income & Expenditure by Municipality and RCAP—Fixed capital stock by municipality)

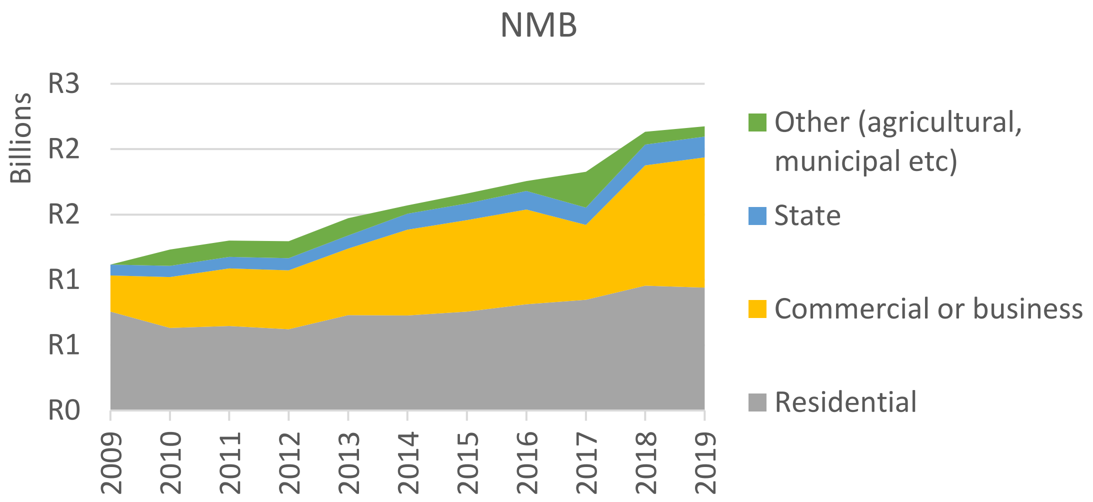
Source of rates income

(R billion, real 2020 prices)

- Cape Town relies on residential property rates to much greater extent and commercial properties to lesser extent than JHB or NMB
- Rapid and potentially unsustainable increases in rates income in JHB and NMB, particularly from commercial properties
- State contribution to rates is insignificant in JHB and CT despite extensive state properties



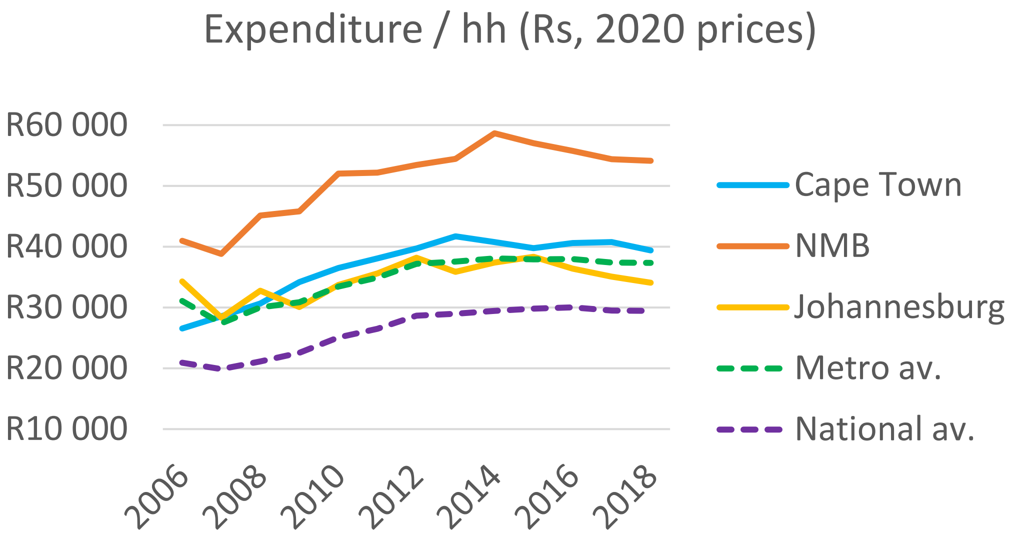




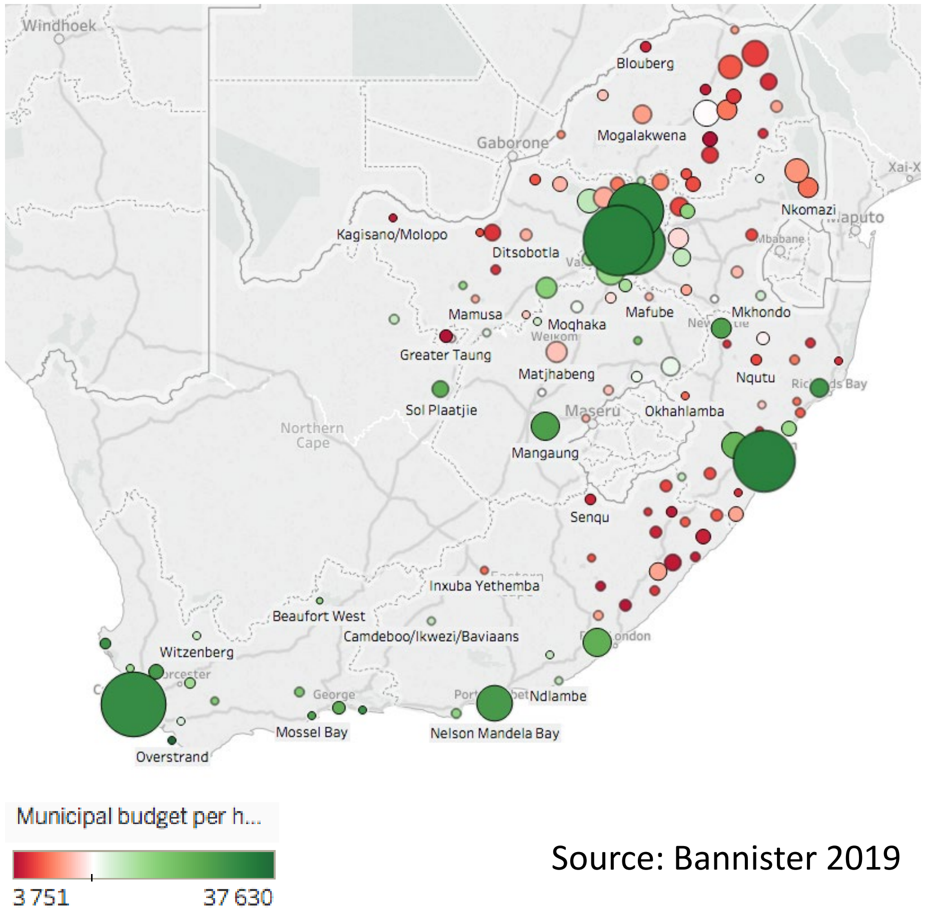
Source: Quantec 2020 (Data Set: P911RT—P9114 and P9110: Income & Expenditure by Municipality)

Expenditure

- There is massive variation in expenditure per household between municipalities, and metros spend more than most other municipalities
- Metro expenditure per household is rising in real terms
- NMB spends much more per household, in absence of substantially better services, which suggests higher cost structure and / or inefficiency
- Cape Town and JHB expenditure per household are close to metro average



Source: Quantec 2020 (Data Set: P911RT—P9114 and P9110)

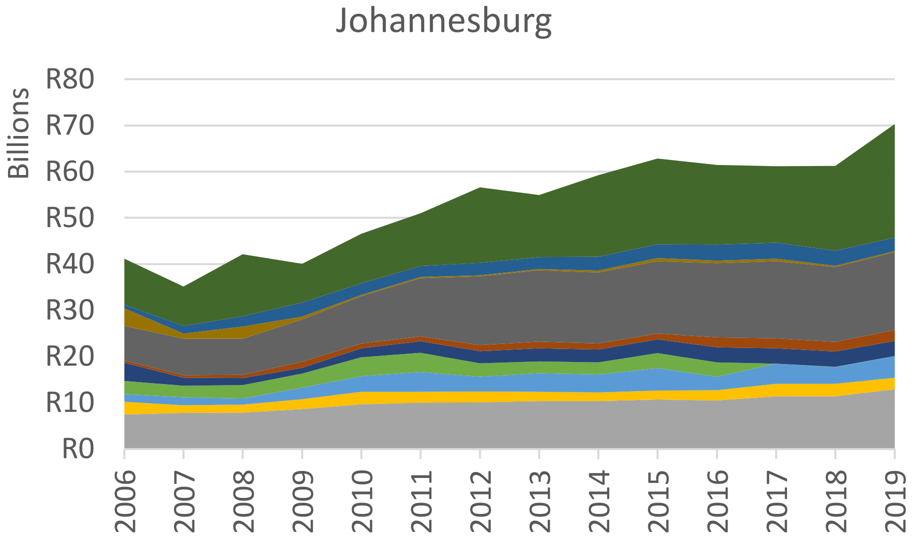


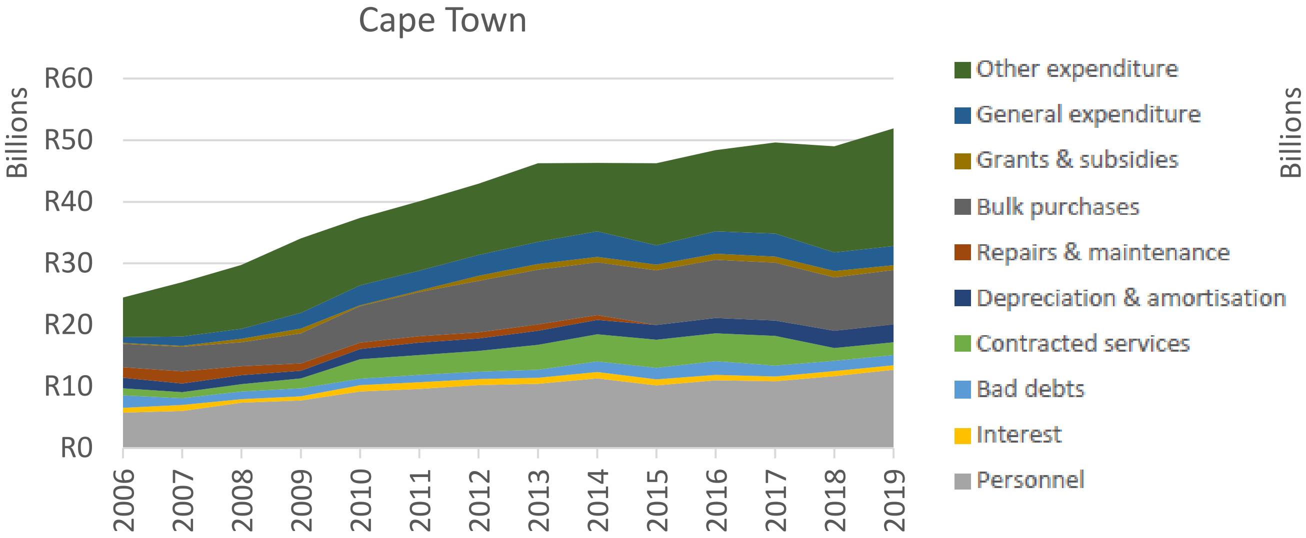
Source: Bannister 2019

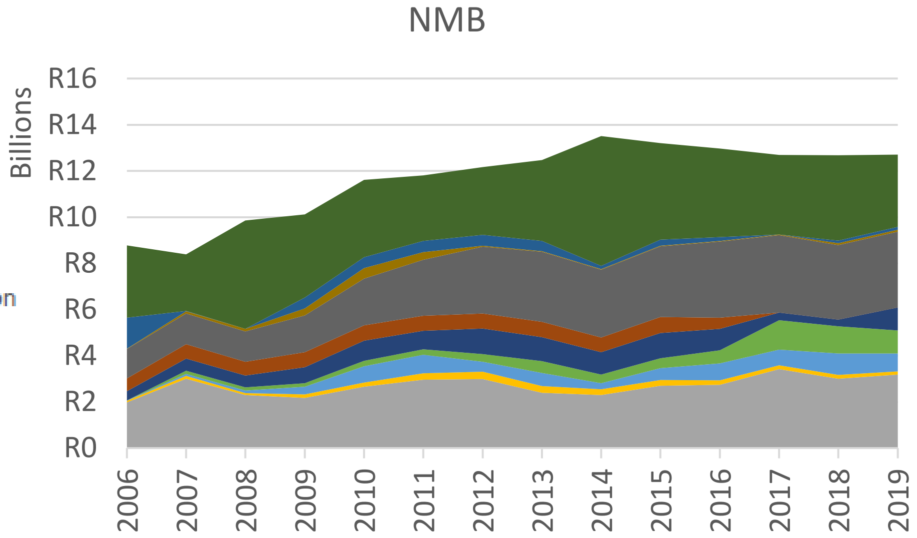
Metro expenditure trends

(Rb, 2020 prices)

- Massive growth in bulk service costs in all metros, particularly NMB and JHB where they now make up 25,8% and 24,0% of expenditure respectively
- NMB shows highest growth in personnel expenditure, from 22,6% in 2006 to 25,0% in 2019
- Big jump in bad debts in NMB and JHB to 6,1% and 6,6% respectively, while CT shows decline to 3,1%
- Substantial growth in catch-all ‘other expenditure’ category in JHB and CT, where it now makes up 34,9% and 36,8% respectively



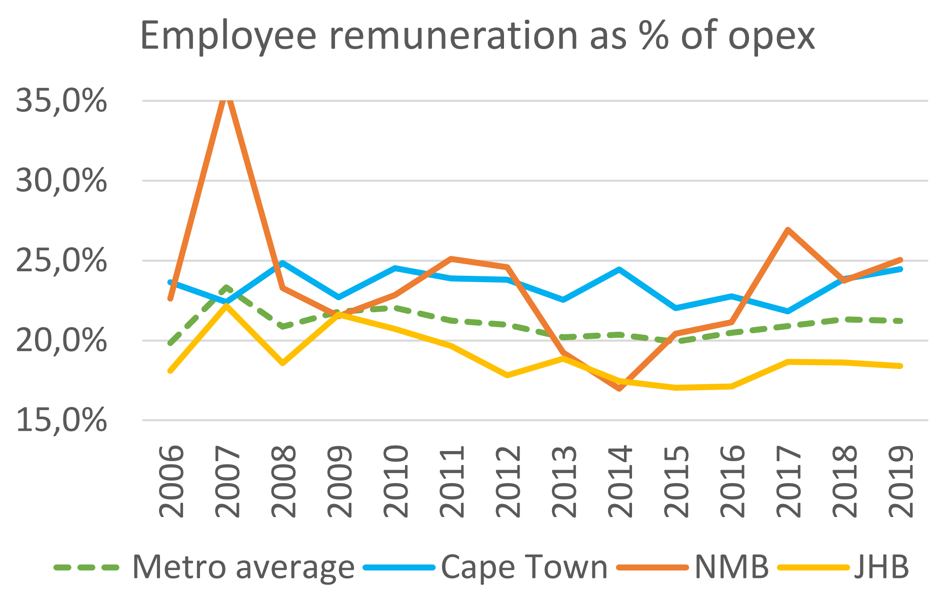


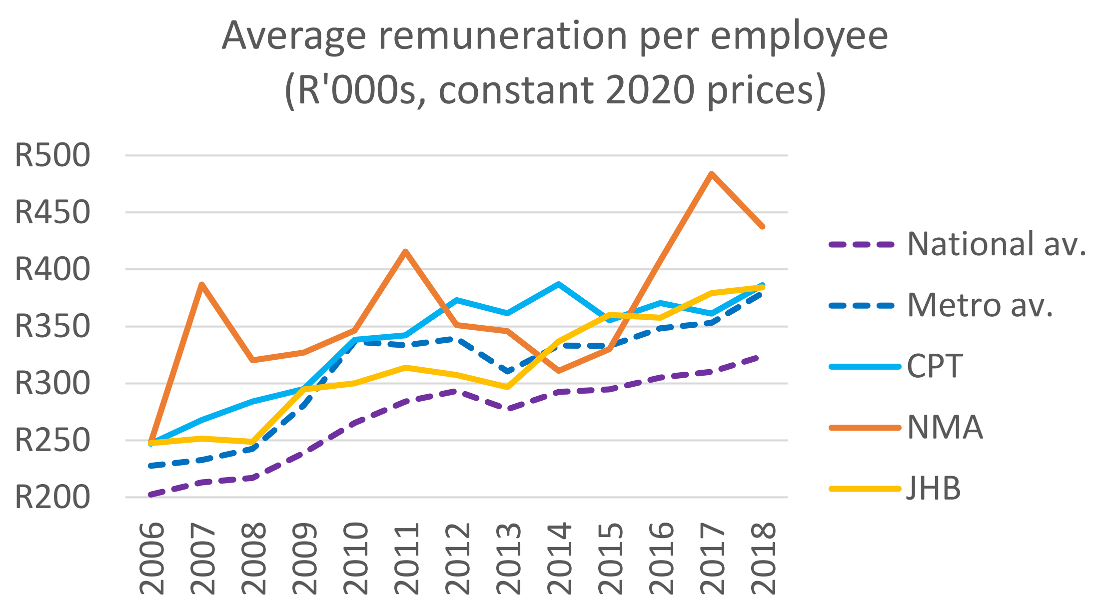


Source: Quantec 2020 (Data Set: P911RT—P9114 and P9110: Income & Expenditure by Municipality)

Remuneration of employees

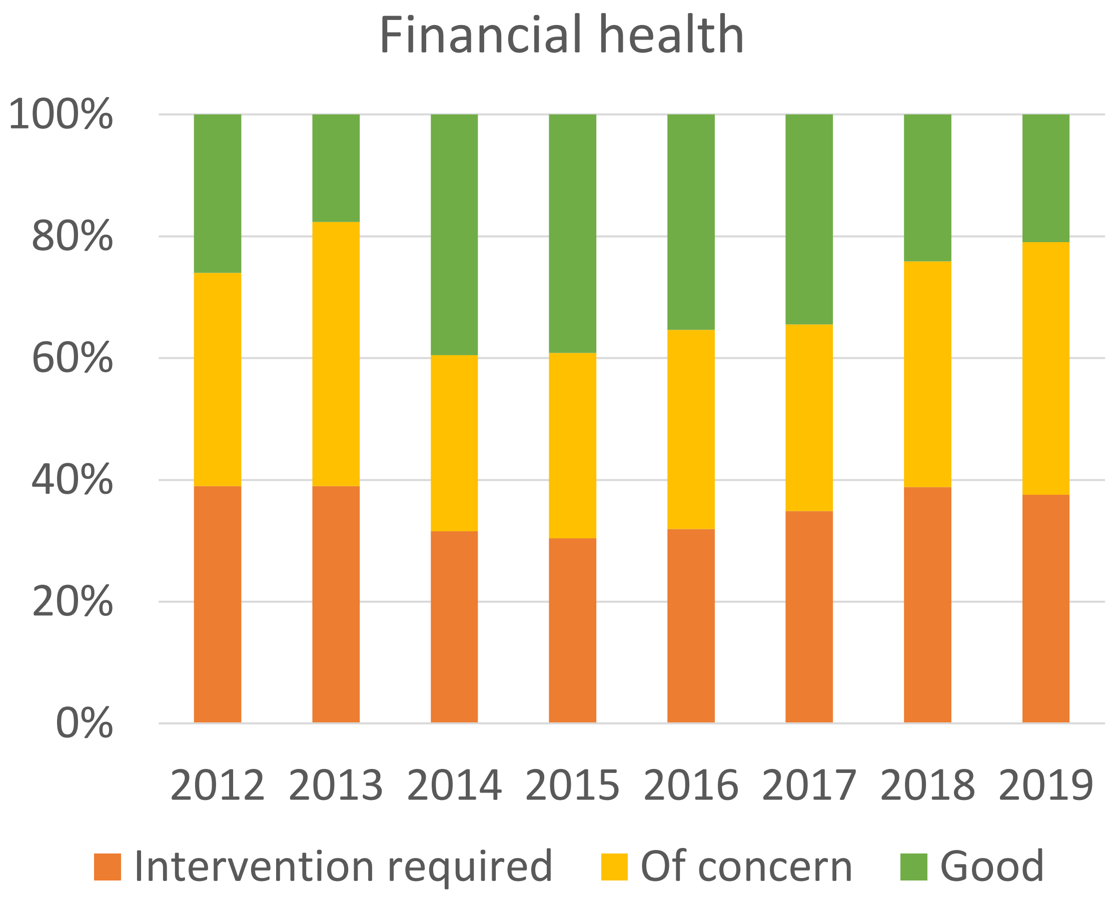
- Wage bill as % of expenditure is below metro average in JHB, above metro average in Cape Town & NMB
- Levels of remuneration in metros are higher than national average
- JHB and Cape Town remuneration levels are close to metro average. NMB reporting seems inconsistent, but in general it has a higher level of remuneration





Overall financial health of municipalities

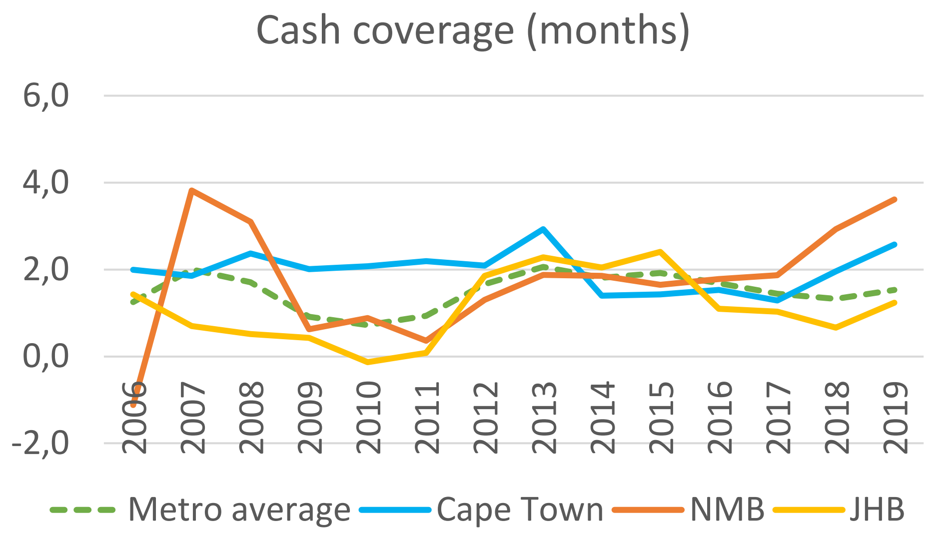
- Auditor-General has assessed financial health of municipalities to be deteriorating since 2014
- Increase in percentage of financially distressed municipalities, with 38% requiring intervention in 2019, while a further 41% are 'of concern'
- Cape Town's financial health has been good for last four years, while NMB and JHB have deteriorated, deemed 'of concern' for last three and five years respectively

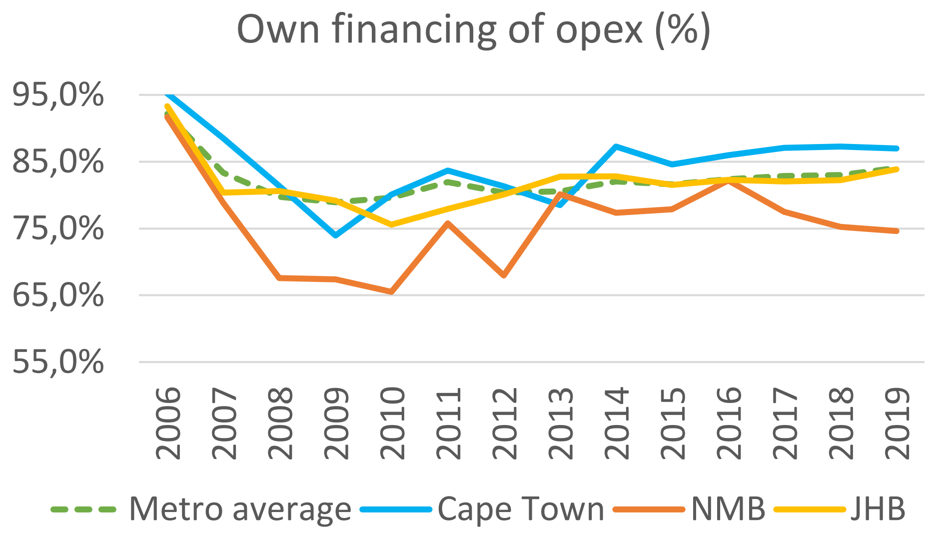


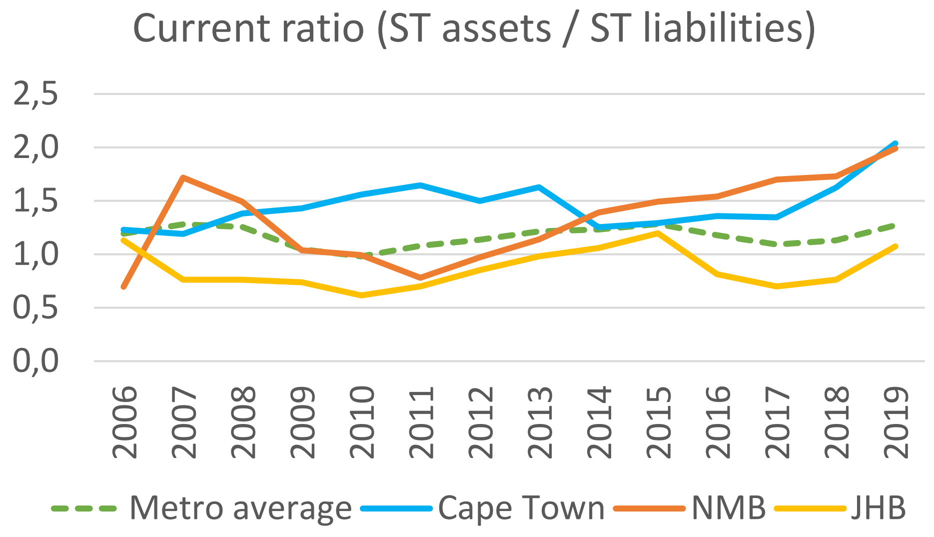
Source: Auditor General, MFMA Consolidated General Reports 2011/12 to 2018/19)

Financial health (metros)

- In terms of relying on own revenues for operational expenditure, NMB has is well below metro average
- All the metros have struggled to maintain cash coverage above 3 months, although NMB and CT have shown recent improvement
- JHB is below recommended ratio of 1,5 for ST assets to ST liabilities



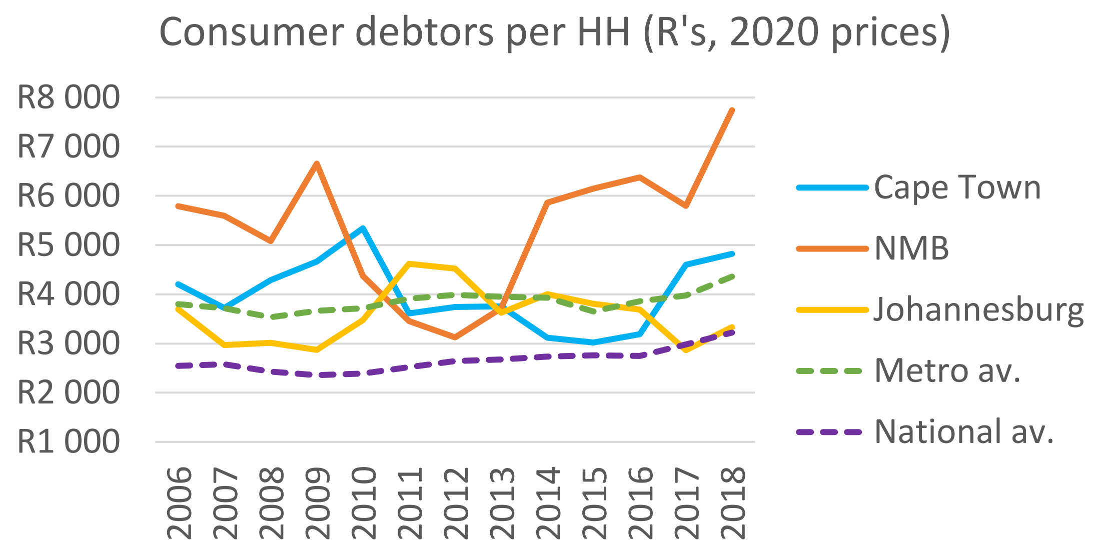


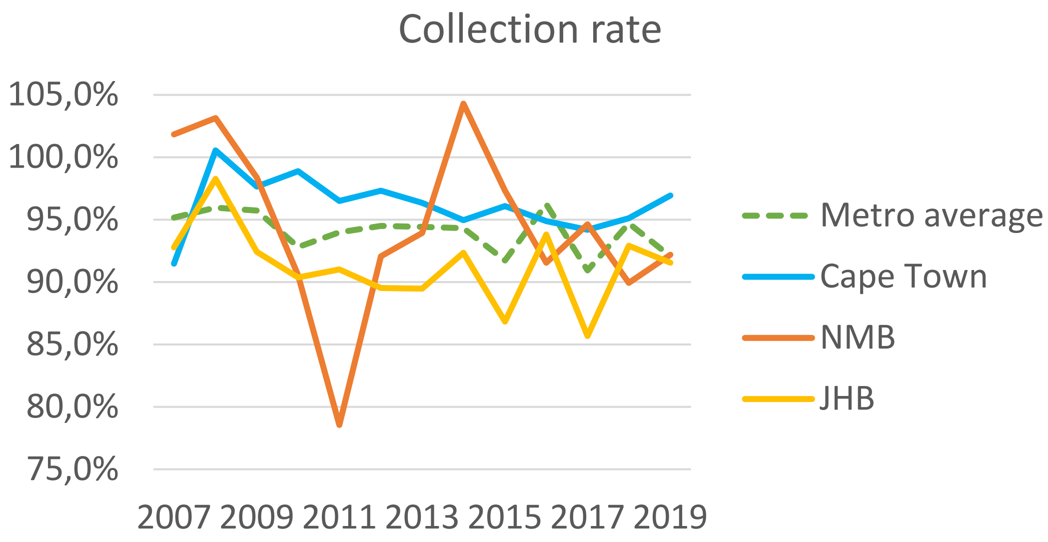


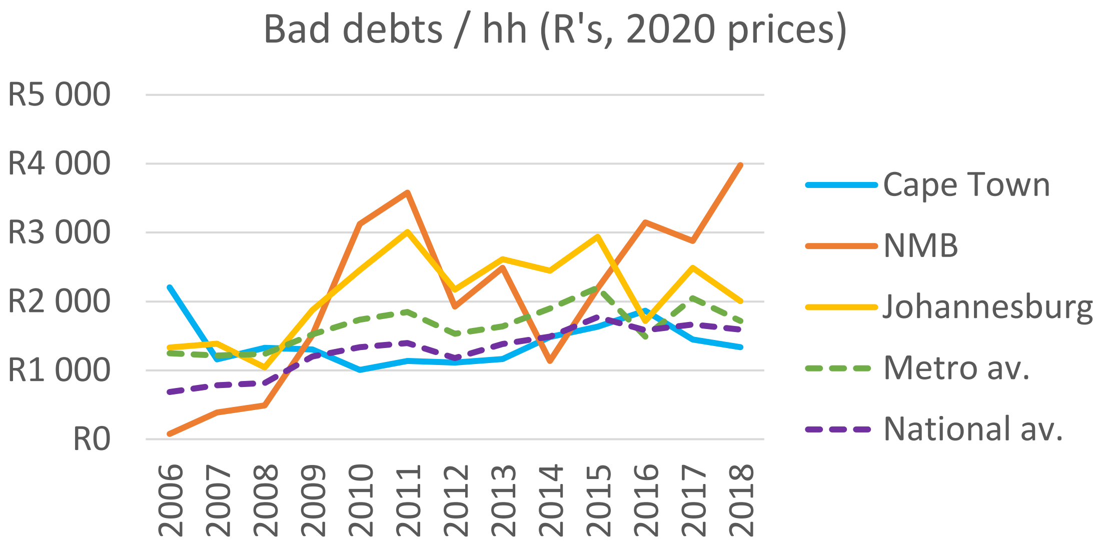
Source: Quanec 2020 (Data Set: P911RT—P9114 and P9110: Income and Expenditure and Combined Services by Municipality

Consumer debtors

- Both JHB and NMB have collection rates below 95% target, and below metro average
- The amount of consumer debtors per household has risen rapidly in NMB since 2012, but CT is also above national average
- Debt write offs per household are also rising rapidly in NMB, and JHB is also above metro average



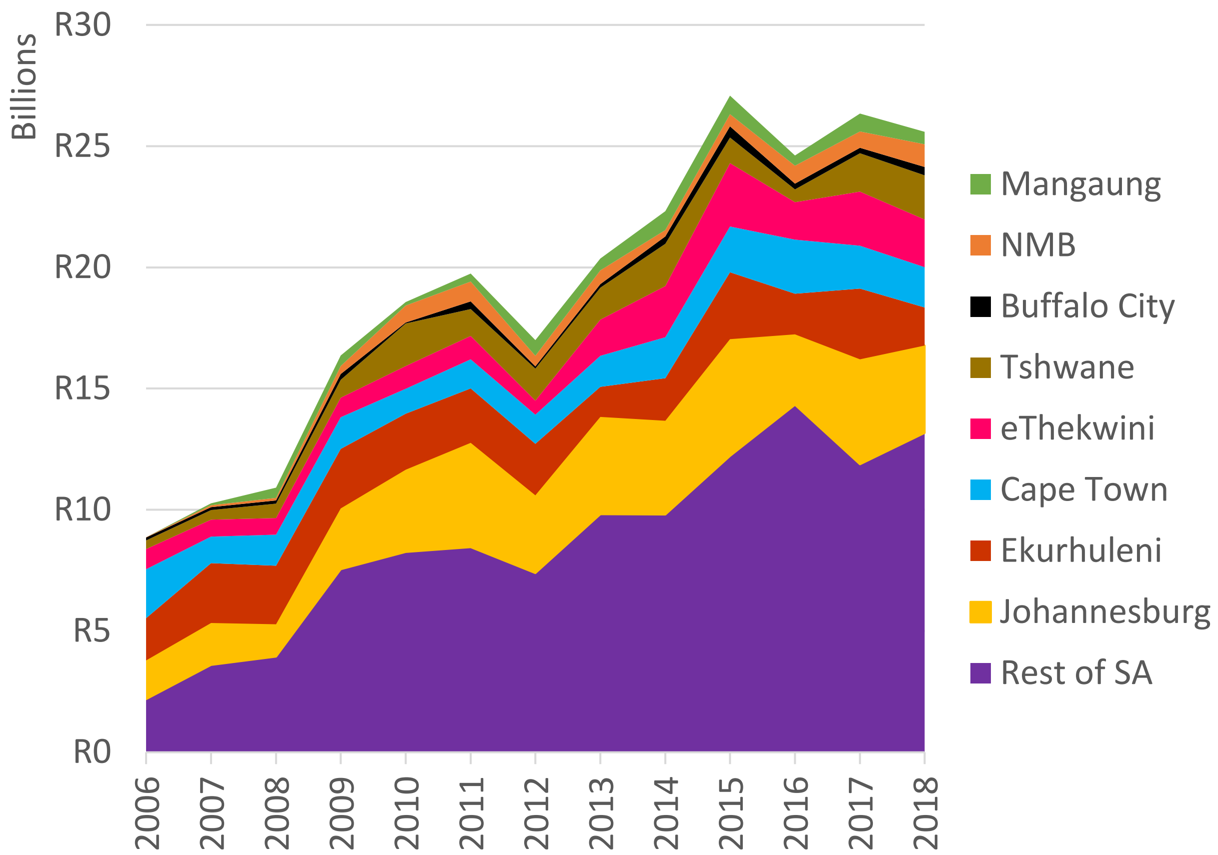




Source: Quanec 2020 (Data Set: P911RT—P9114 and P9110: Income and Expenditure and Combined Services by Municipality

Bad debts in absolute terms

(Rs, constant 2020 prices)

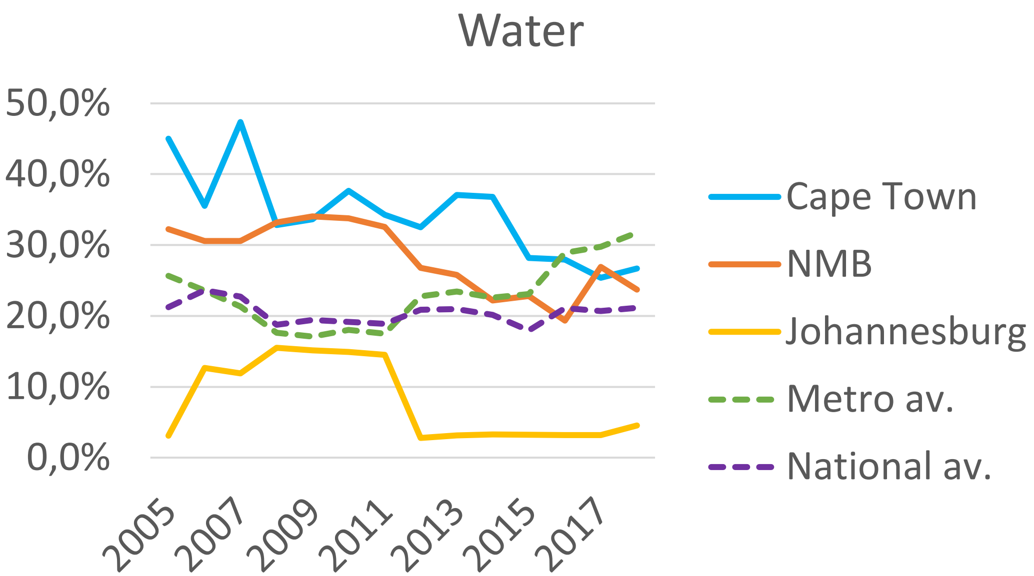


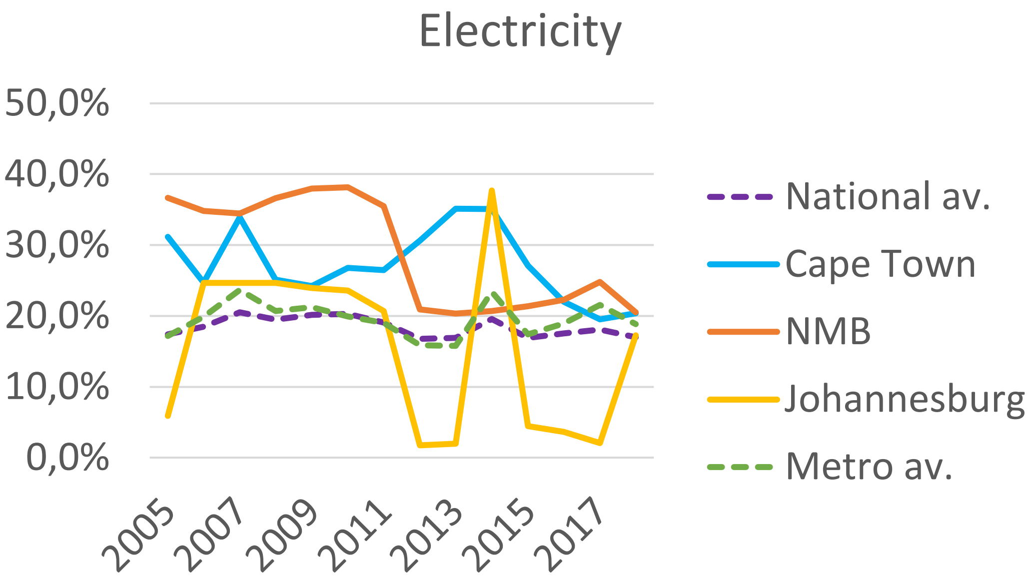
- Bad debts mostly are due to writing off of consumer debts for households, and are a form of social transfer in addition to free basic services
- The scale of this transfer has been rising rapidly in real terms, to a peak in 2015
- Previous peak in 2011 suggests that debt write offs may be linked to upcoming LG elections
- Metros make up almost half of bad debts (48,6%), and amongst the metros, JHB carries the largest share

Source: Quanec 2020 (Data Set: P911RT—P9114 and P9110: Income and Expenditure and Combined Services by Municipality

% of consumers receiving indigent support

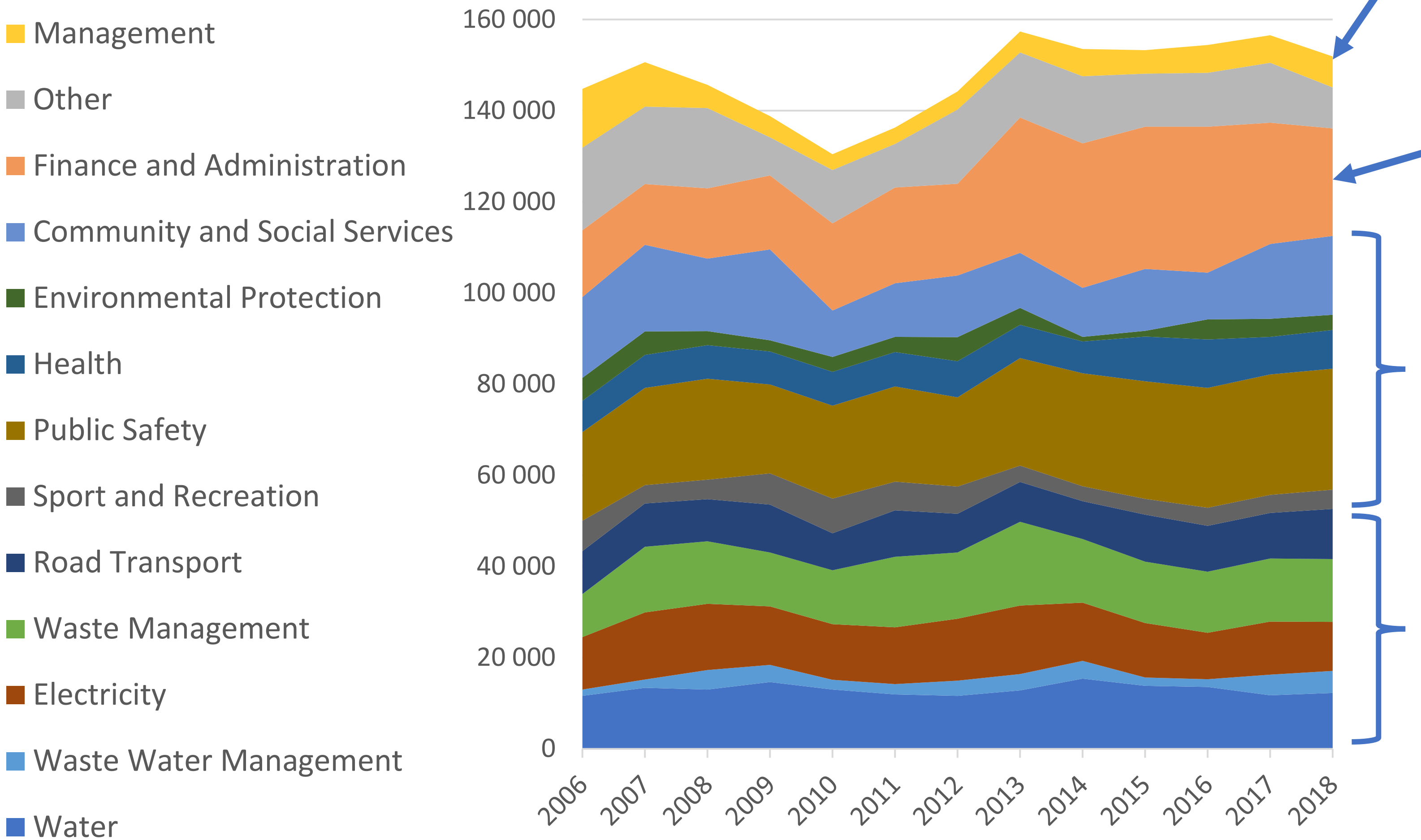
- JHB reporting inconsistent (reflects changing categorisation), but it appears to have a much lower level of indigent support
- NMB and Cape Town subsidise a higher % of households than national average
- Percentage of electricity consumers who are subsidised converging around 20%





Source: Quantec 2020 (Data Set: P9115C3—P9115: Municipal Service Delivery by Service and Municipality)

Metro staffing 2006 - 2018



Initial decline in management due to consolidation, but subsequent growth esp. JHB where management now make up 10,5% of all staff

Major expansion in finance and admin, esp. Cape Town and NMB where it makes up 22,0% and 25,5% of staff

Big expansion in social services functions, especially public safety, which are mostly unfunded

Declining share for core infrastructure services, which now make up 37,4% of all staff

Source: Quantec 2020 (P9115C2—P9115: Municipal Employment by Department and Municipality)

Distribution of staff by function (2018)

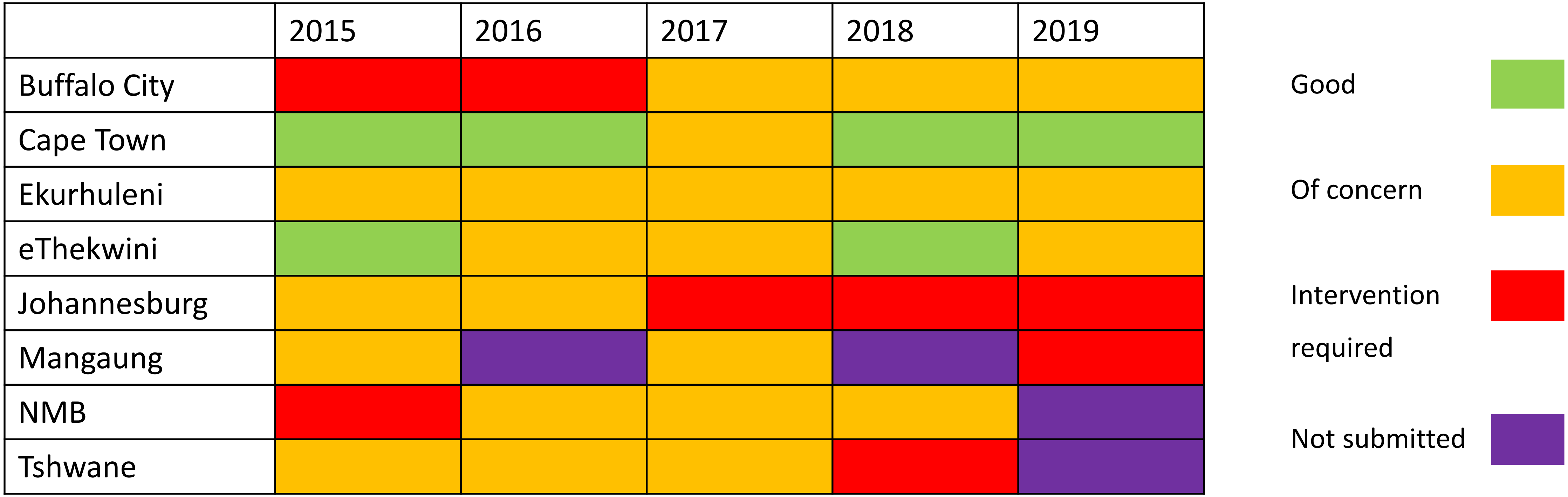
Functional area	CPT	NMB	JHB	Metro av.
Management	1,1%	1,3%	10,5%	4,5%
Community and Social Services	7,0%	7,5%	3,5%	11,4%
Finance and Administration	22,0%	25,5%	13,4%	15,5%
Electricity	9,1%	8,9%	4,5%	7,1%
Environmental Protection	1,9%	0,0%	4,3%	2,2%
Health	6,0%	14,8%	5,6%	5,6%
Public Safety	14,5%	15,3%	18,8%	17,5%
Road Transport	6,4%	0,0%	8,2%	7,3%
Sport and Recreation	5,8%	0,0%	1,7%	2,8%
Waste Management	11,4%	0,0%	13,8%	9,0%
Waste Water Management	1,3%	0,0%	0,8%	3,2%
Water	13,4%	19,8%	7,2%	8,1%
Other	0,1%	7,0%	7,7%	5,9%

- Johannesburg has disproportionately high % of management
- Cape Town and NMB have disproportionately high % of finance and admin staff
- Public safety high in all metros
- NMB has very high % of water staff but may be categorising incorrectly

Source: Quantec 2020 (P9115C2—P9115: Municipal Employment by Department and Municipality)

Assessment of HR management in metros

- Auditor General assessments provides insight into overall state of human resources management
- Cape Town generally performs well, although issues arose in 2017 linked to massive reorganisation
- Johannesburg deteriorates from concerning (2015 - 2016) to requiring intervention (2017 – 2019)
- NMB shows some improvement, but is of concern 2016 – 2018. Not audited in 2019.



Source: Auditor General, MFMA Consolidated General Reports 2014/15 to 2018/19)

Metro audit outcomes since 2011

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Buffalo City	Adverse	Qualified	Qualified	Qualified	Qualified	Qualified	Unqualified with findings	Qualified	Qualified
Cape Town	Unqualified with findings	Unqualified with findings	Unqualified - No findings	Unqualified - No findings	Unqualified - No findings	Unqualified - No findings	Unqualified with findings	Unqualified with findings	Unqualified with findings
Ekurhuleni	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified - No findings	Unqualified - No findings	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings
eThekwini	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified - No findings	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings
JHB	Qualified	Qualified	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings
Mangaung	Disclaimer of opinion	Qualified	Qualified	Unqualified with findings	Unqualified with findings	Unqualified with findings	Qualified	Qualified	Qualified
NMB	Unqualified with findings	Qualified	Qualified	Qualified	Qualified	Qualified	Qualified	Qualified	Outstanding
Tshwane	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings	Outstanding

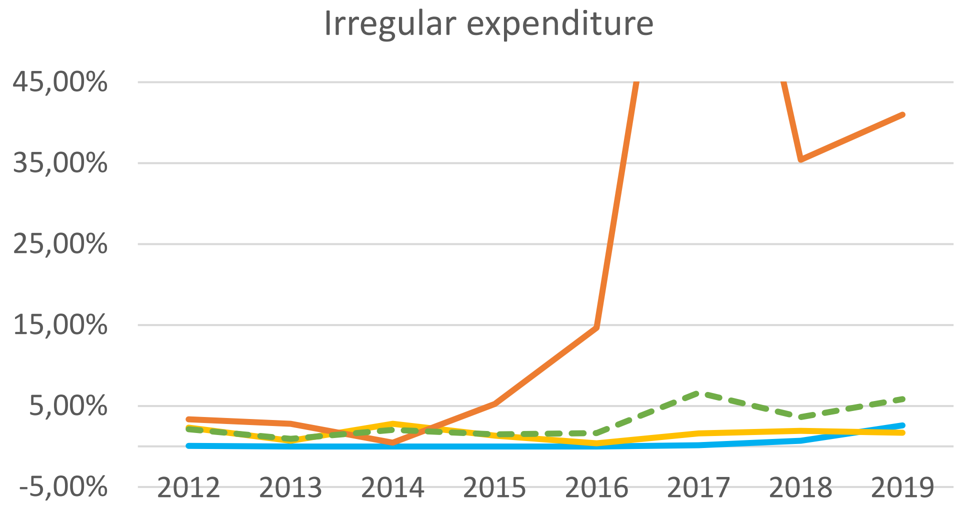
Source: Auditor General, MFMA Consolidated General Reports 2010/11 to 2018/19

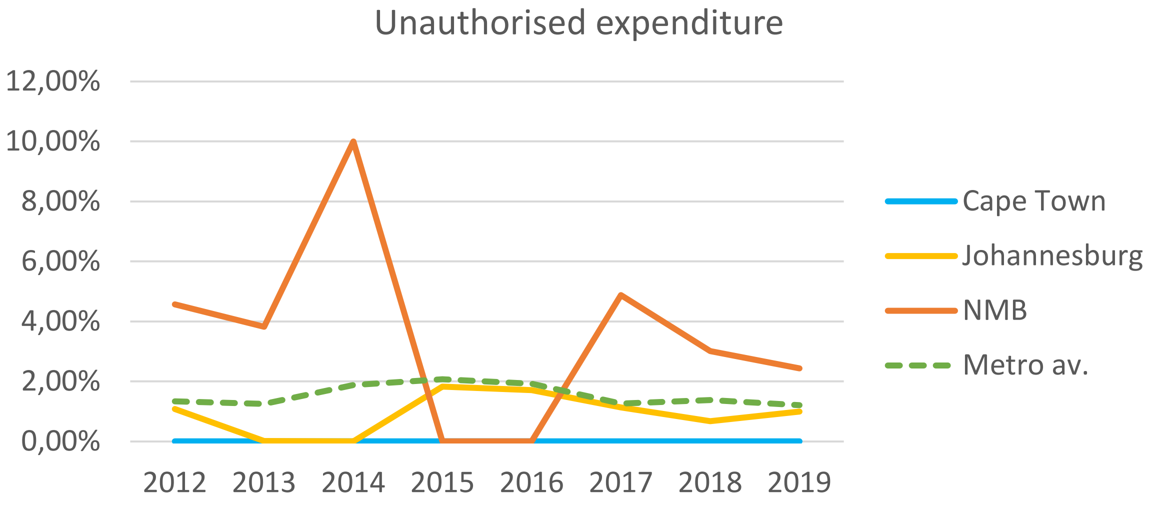
Misspending in metros

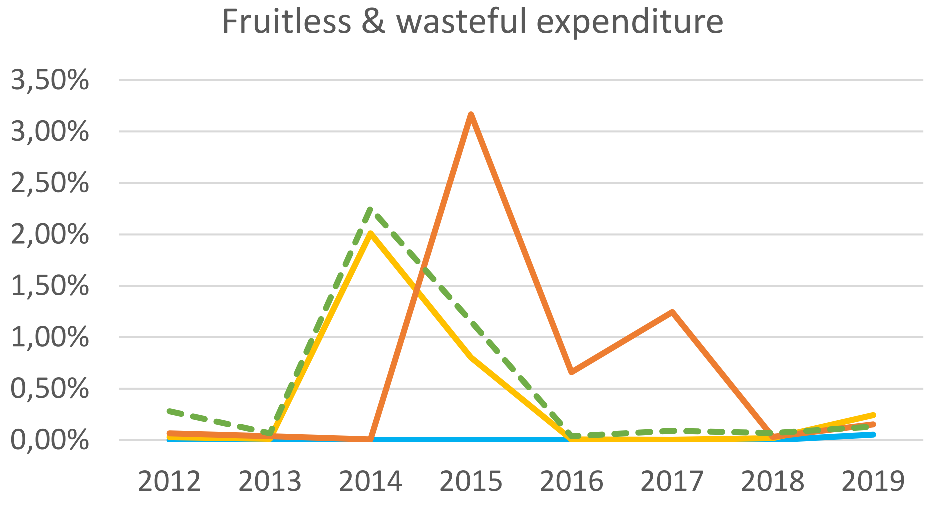
(as % of direct operating expenditure)

* Irregular exp. does not comply with prescripts, unauthorised exp. is outside budget approval process, while fruitless & wasteful equates to a net loss

- NMB performs terribly from 2014 onwards (92,5% irregular exp. in 2017!), well below metro average
- JHB has ongoing level of unauthorised expenditure (1-2%) and peak of fruitless & wasteful exp. in 2014
- Cape Town performs consistently better, but recent rise in irregular expenditure to 2,6% in 2019



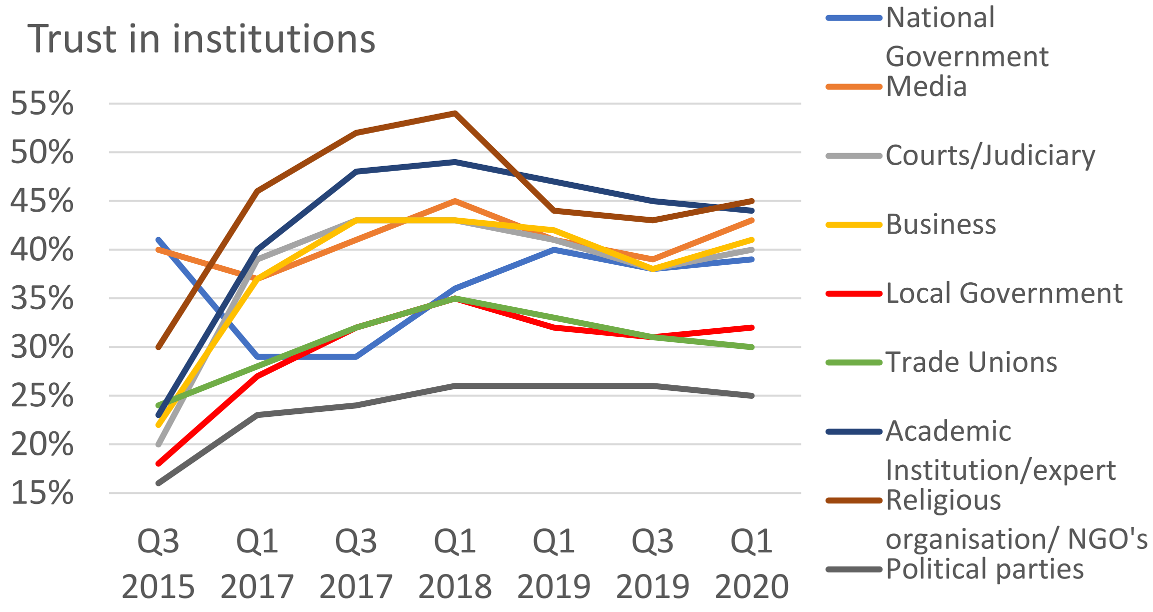


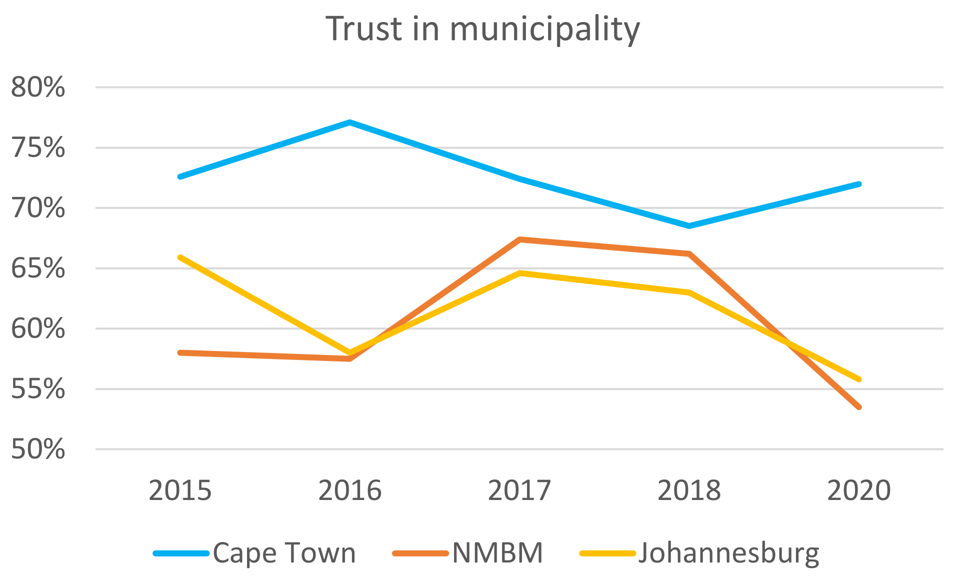


Source: Municipal Money (National Treasury) 2020

Trust in institutions

- Trust in local government is lower than other levels of government, and lower than most public institutions. Only politicians and trade unions score lower in terms of trust.
- Although methodologies differ, metros appear to have generally higher level of trust, with Cape Town scoring comparatively better than JHB and NMB, both of which have shown recent declines



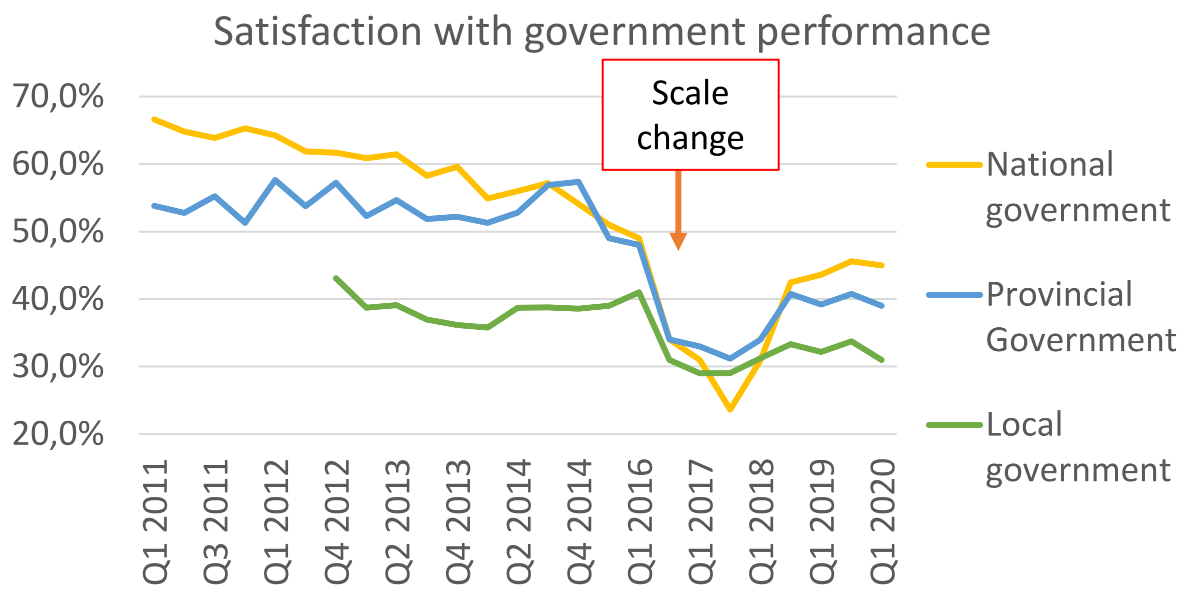


Source: GCIS Tracker, 2020

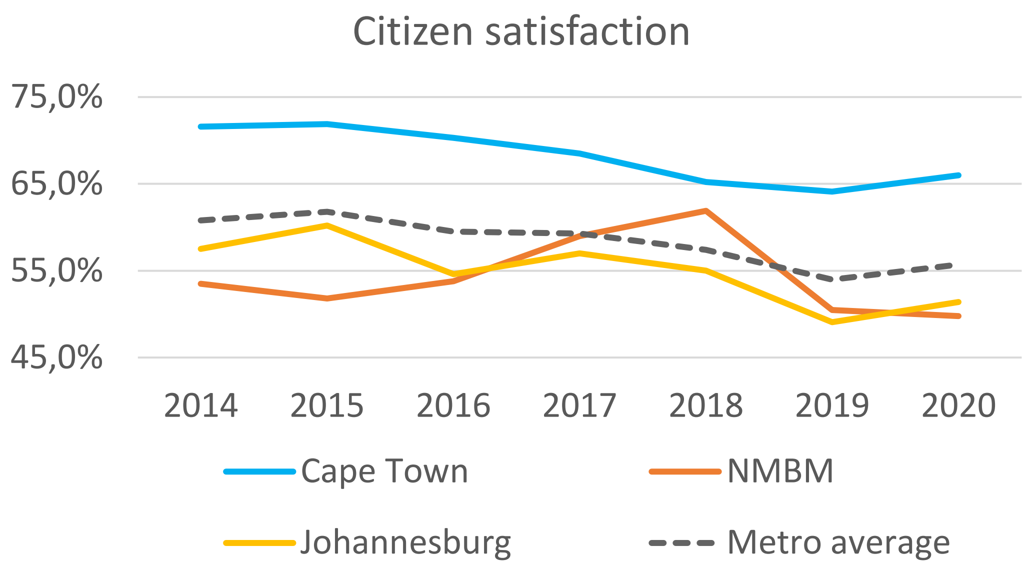
Source: Consulta CSI 2015 - 2020

Perception of LG performance

- Declining levels of citizen satisfaction across all three levels of government
- In general, local government has lower levels of citizen satisfaction than provincial or national government, although national government temporarily scored worse in 2017
- Despite different methodology, metros appear to score comparatively better
- Cape Town is consistently highest scorer, while NMB and JHB are both below metro average



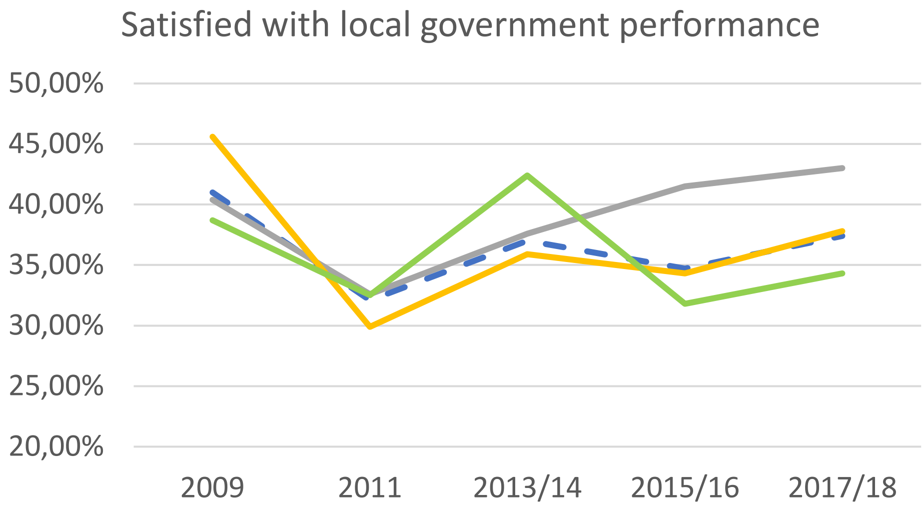
Source: GCIS Tracker, 2020

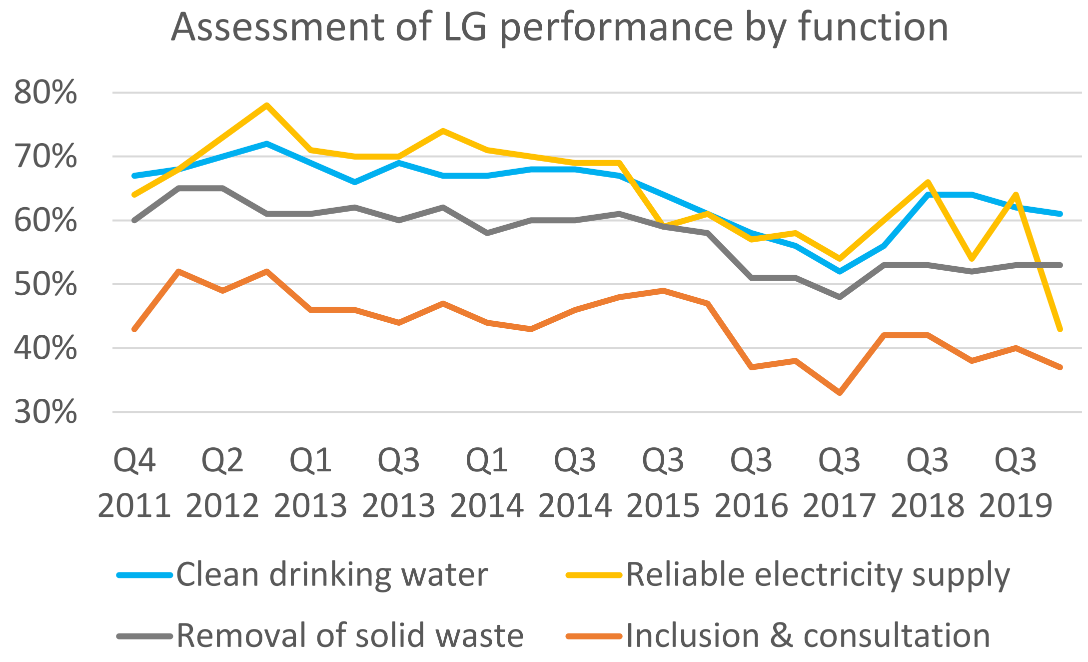


Source: Consulta CSI 2014 - 2020

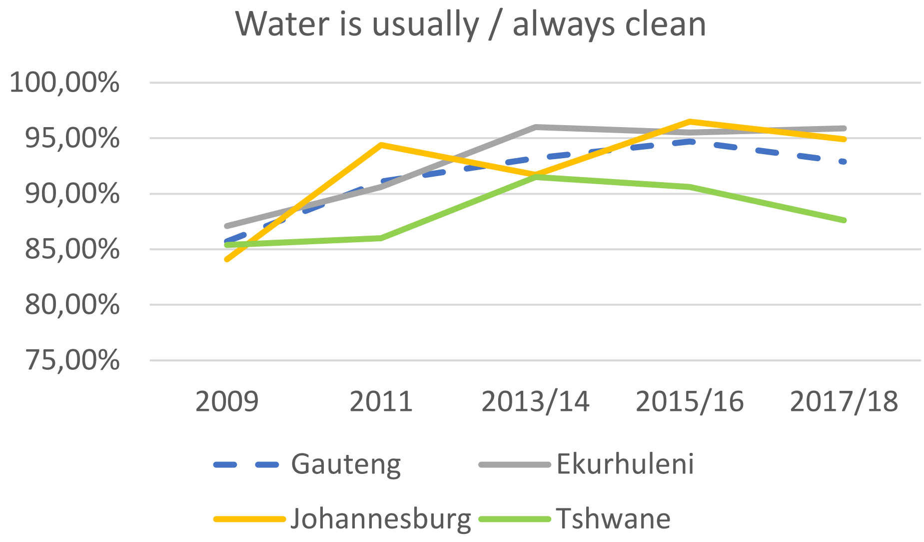
Satisfaction with services

- Gradual decline in satisfaction across all key local government functions
- GCRO data for Gauteng shows improvement in satisfaction levels, with JHB close to Gauteng average
- Municipalities score worst on consultation / inclusion





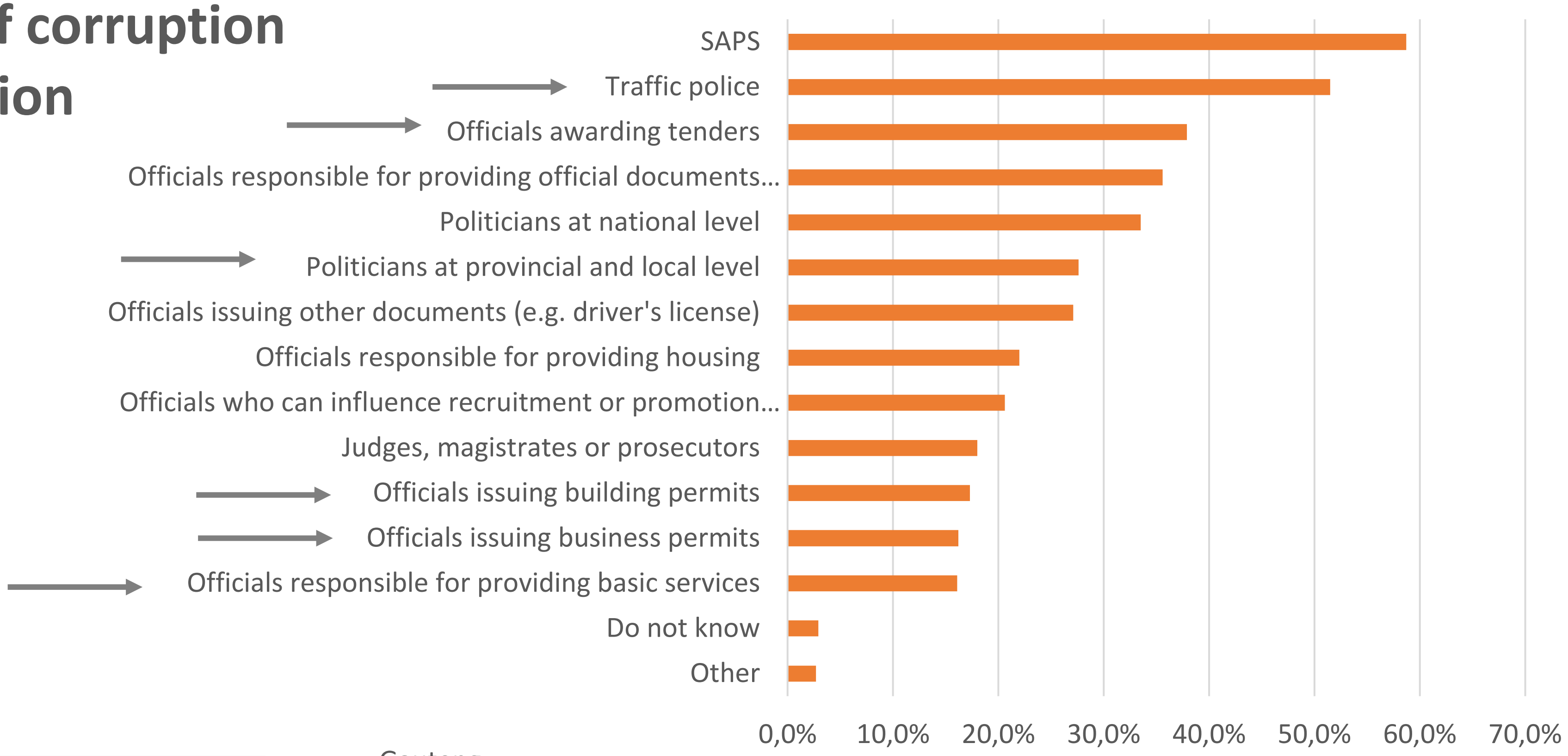
Source: IPSOS & GCIS Tracker, 2020



Source: GCRO QOL, 2019

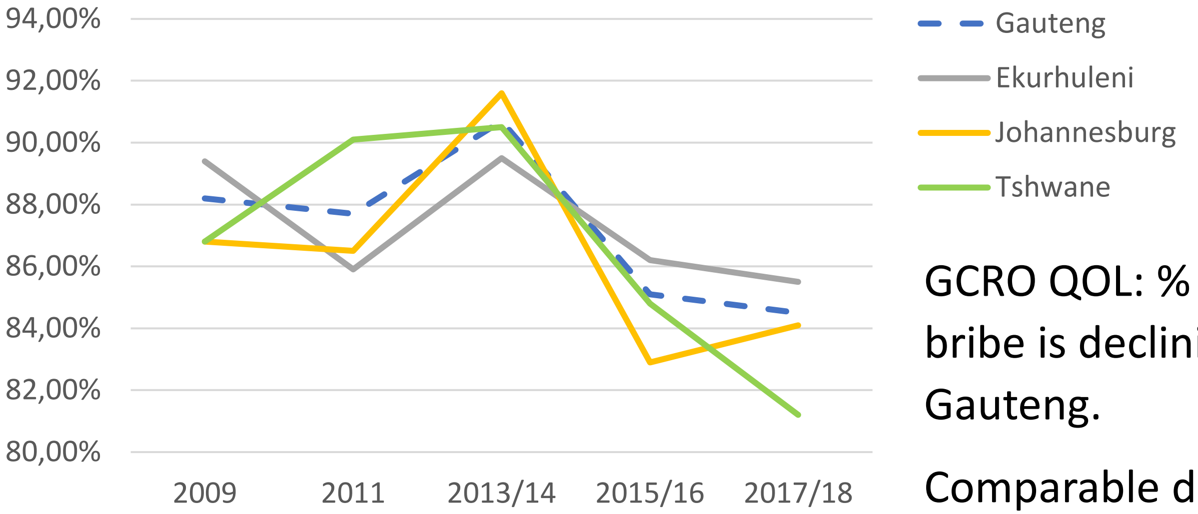
Perceived prevalence of corruption in metro areas by function

High prevalence of corruption in local government functions such as traffic police, permitting, provision of housing and basic services



Source: Struwig et al, 2014

Source: GCRO QOL, 2019



GCRO QOL: % of respondents who have not been asked for a bribe is declining, including in JHB which is below average for Gauteng.

Comparable data not available for Cape Town and NMB.

Some reflections

- The available statistics allow comparison between long term socio-economic, political and governance trends
  - Cape Town: competitive coalition politics in early 2000s followed by prolonged period of DA dominance, but more recent internal factionalism accompanied by decline in support
  - JHB and NMB have evolved from prolonged period of ANC dominance (with intense factionalism in NMB) to unstable period of coalition politics in which no parties hold majority
- Municipal performance is acutely sensitive to political transitions and administrative disruption
  - On the whole periods of political instability and factionalism have corresponded to decline in service delivery performance, citizen satisfaction, governance and financial sustainability
  - While city governance has economic effects, there are broader structural dynamics and demographic patterns which are beyond control of cities