



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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MEMORANDUM

TO **ACTING CHIEF FINANCIAL OFFICER**

FROM **DEPUTY DIRECTOR-GENERAL**

DIVISION **INTERGOVERNMENTAL RELATIONS**

DOC REF. **16/1/2/4/9**

DATE **30 April 2024**

REQUEST TO SUBSCRIBE TO DATA SERVICES

1. PURPOSE:

To request the Acting Chief Financial Officer to grant an approval:

- a) To subscribe to the Regional eXplorer (ReX) subscription service data services for the provision of economic, socio-economic, demographic and development information for municipalities at a spatial level for a period of 3-year (1 June 2024 to 31 May 2027); and
- b) To deviate from normal procurement processes given that this support service is provided by a single source provider.

2. BACKGROUND:

The National Treasury is, inter alia, responsible for the supervision over local government finance management to ensure that municipalities manage their own affairs, exercise their powers and perform their functions. To perform this oversight role, the performance of municipalities must be analysed and monitored continuously.

The Local Government Database and Reporting System (LGDRS) is the central storage point for all financial and non-financial municipal information used by national and provincial treasuries and other stakeholders to monitor the local sphere of government. These stakeholders include the departments of Cooperative Governance (DCoG), the Auditor-General (AGSA) and Water and Sanitation (DWS); agencies such as the South African Reserve Bank (SARB), Statistics South Africa (STATSA), the National Energy Regulator for South Africa (NERSA), The South African Revenue Services (SARS), SALGA; and other stakeholders such as the World Bank and universities, etc.

The tools and reports available on the LGDRS allow for the analysis of financial ratios, trends and changes to baselines. The incorporation of economic, socio-economic, demographic and development data at a spatial level in the analysis of municipal financial performance enables improves policy analysis, in-year management and oversight of budgets which allows for early

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warning mechanisms for councils to improve municipal performance. The aim of an early warning system for local government is to provide government with timely information on the state of municipalities' finances that highlights possible areas of risk so that such risks can be investigated and mitigated before they give rise to serious problems.

The routine publication of budget and in-year financial performance information for local government by the National Treasury has escalated the performance of local government into the public domain. The publications also provide a foundation for the development of policy responses.

Over the last few years, the National Treasury has subscribed to IHS Global Insight to obtain consistent and reliable economic, socio-economic, demographic and development information for municipalities at a spatial level. The current contract with IHS Global Insight for the provision of economic, socio-economic, demographic and development information for municipalities at a spatial level will come to an end on 31 May 2024.

3. DISCUSSION:

Collecting data and finding relevant published research is a time-consuming process. Even once collected from various sources such as Census information from STATSSA, data from NERSA, SARB, SARS, Eskom, DTI and the Council for Science and Industrial resources (CSIR), the data is inconsistent and in a format not supported by standard software platforms to enable consolidation.

National Treasury therefore requires a reliable data subscription service that consolidates and reworks available data on economic, socio-economic, demographic and development to ensure consistency across all platforms. The CD: LGBA provides support to other units in National Treasury that require this type of information. In doing so, cost efficiencies and value for money are being achieved. This data is used for planning, monitoring, policy decisions and publication purposes, including the Local Government and Budget Review, the State of Local Government Report, and several sectoral publications and sectoral analysis by the Cities Support Programme (CSP).

Having economic, socio-economic, demographic and development data available at a spatial level, where the financial and non-financial information are presented in maps, opens a new planning and monitoring dimension for analysts, spatial planners and those monitoring infrastructure projects. Gross Value Added (GVA) information for municipalities also provides insight into economic productivity at a municipal level through a measure of the value of goods and services produced in a municipality. This, together with sectoral employment information, provides invaluable data on the performance of municipalities in enabling economic activity at a local level, and where reforms might be needed to better enable municipal economic growth.

Socio-economic and financial data also inform Strategic Development Reviews (SDRs) on the performance of municipalities through five lenses, namely Economic, Service Delivery, Institutional, Governance and Spatial Transformation. These reviews shape conversations between the

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administrative and political leadership of the municipalities on priorities for the Council which are then integrated into updated Integrated Development Plans, budgets, Spatial Development Plans and sectoral plans.

From a sectoral perspective, the data is used for diagnostic studies that inform discussions through platforms such as the City Budget Forum (CBF), the annual municipal budget and benchmarking and mid-year budget and performance engagements. For trading services such as water, electricity and solid waste that are particularly exposed to market influences, environmental/ climate and social transitions, these diagnostics are vital to inform decisions that need to be made on the institutional and financial models of these services at a municipal level.

The detailed scope of work required is detailed in the Terms of Reference (attached as **Annexure A**).

It should also be noted that the National Treasury's Supply Chain Management unit also tested the market by putting out a request for proposal and IHS Information & Insight (Pty) Ltd was the only company that responded. Therefore, this support service will be procured through a single source provider process.

4. FINANCIAL IMPLICATIONS:

The financial implication for the 3-year period is indicated below. The renewal fees (including VAT) will be paid annually by 01 June as per the amounts indicated below.

	Year 1: 1 June 2024 to 31 May 2025 (R)	Year 2: 1 June 2025 to 31 May 2026 (R)	Year 3: 1 June 2026 to 31 May 2027 (R)
AMOUNT (INCL VAT)	241 270.00	265 512.00	292 063.20

The total amount budgeted for this project is R798 845.20 (inclusive of VAT) and will be funded from the budget of IGR: CD LGBA in 2024/25. The quotation is attached as **Annexure B**.

5. RECOMMENDATION:

It is recommended that the Acting Chief Financial Officer grant approval to:

- a) To subscribe to the IHS Information & Insight (Pty) Ltd data services for the provision of economic, socio-economic, demographic and development information for municipalities at a spatial level for a period of 3-year (01 June 2024 to 31 May 2027); and



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- b) To deviate from normal procurement processes given that this support service is provided by a single source provider.

Compiled by **Una Rautenbach** (Director: LG Data Management and mSCOA).

☒ **RECOMMENDED** ☐ **NOT RECOMMENDED** ☐ **RECOMMENDED WITH COMMENTS**

J. H. Hattingh

Signature

Name and Surname:

JAN HATTINGH

Title: CHIEF DIRECTOR: LOCAL GOVERNMENT BUDGET ANALYSIS

Date: 30 April 2024

Or SignHub Signature

☒ **RECOMMENDED** ☐ **NOT RECOMMENDED** ☐ **RECOMMENDED WITH COMMENTS**

M. Ngqaleni

Signature

Name and Surname:

MALIJENG NGQALENI

Title: DEPUTY DIRECTOR-GENERAL: INTERGOVERNMENTAL RELATIONS

Date: 2 May 2024

Or SignHub Signature

☒ **RECOMMENDED** ☐ **NOT RECOMMENDED** ☐ **RECOMMENDED WITH COMMENTS**

Signature

Name and Surname:

JOE PHAGO

Title: CHIEF DIRECTOR: INFORMATION AND TECHNOLOGY

Date: 03/05/24

Or SignHub Signature

Signed by: THULANI MAFALALA
Signed at: 2024-05-03 12:41:59 +02:00
Reason: Witnessing THULANI MAFALALA

Thulani Mafalala



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RECOMMENDED

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NOT RECOMMENDED

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RECOMMENDED WITH COMMENTS

This should be reported as a Deviation

Signature

Name and Surname:

MOKGETHI MOLOTO

Title: ACTING DIRECTOR: SUPPLY CHAIN MANAGEMENT

Date: 03/05/24

Or SignHub Signature

☐

APPROVED

☐

NOT APPROVED

☐

COMMENTS

Signature

Name and Surname:

SANDILE MALIMELA

Title: ACTING CHIEF FINANCIAL OFFICER

Date:

Or SignHub Signature