



ANNUAL REPORT  
**2002/3**

*The Tide Has Turned*

## VISION

*To ensure a developmental and co-operative local government system in South Africa that is democratic and provides a better life for all; and*

*To ensure that municipalities are well-capacitated and sustainable and deliver high quality services in an equitable, affordable and accessible manner.*

## MISSION

*To build an integrated and sustainable local government association that:*

- 1) Acts as the voice of local government in provincial, national, regional and international fora;*
- 2) Supports and strengthens the capacity of municipalities; and*
- 3) Serves as a centre for knowledge and information management through dedicated political leadership and the provision of professional, value adding products and services.*

## MANDATE

*SALGA's mandate derives from the South African Constitution, the Organised Local Government Act and the White Paper on Local Government, and can be summarised as follows:*

- 1) To develop the capacity of local government;*
- 2) To act as a resource for local government;*
- 3) To act as an employer organisation for local government;*
- 4) To represent and pro-actively further the interests of local government in national policy formulation as well as legislative and executive processes; and*
- 5) To represent South African local government at a regional and international level.*

## VALUES

*Driven by the aspirations of our people, we will respect and uphold the Constitution of the Republic of South Africa. We commit ourselves to the Code of Conduct for Councillors and Officials in the Municipal Systems Act.*

*We fully subscribe to the principles of co-operative governance. As a partner in governance we will promote and constructively participate in regional, provincial, national and international programmes.*



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## FOREWORD

Father Smangaliso Mkhathshwa  
Chairperson of SALGA



In April 1994, after decades of struggle, millions of South Africans cast their votes in the first national democratic elections, thus realizing their dream of political freedom. In his first State of the Nation Address in 1994, former President Nelson Mandela emphasised the government's commitment to the creation of a people-centred society, bound to the pursuit of the goals of freedom from want, hunger, deprivation, ignorance, suppression and fear.

As the sphere of government closest to the people, municipalities have a particular responsibility in the achievement of these goals, not only in terms of deepening democracy through community empowerment and involvement, but also as the engine of delivery and development.

The increasing importance of regions and cities within the global market place, the concomitant growth in urbanisation, the global trend towards the decentralisation of national and regional powers to local government, as well as the imperative of re-engendering community activism, have placed municipalities at the centre of the national transformation agenda.

During the course of the financial year 2002/03, SALGA played a critical role in the local government transformation process and, particularly in the past year, sought to continuously increase its own capacity to support and act as the champion of municipalities. As this Annual Report demonstrates, the benefits of that restructuring process are now beginning to bear fruit.

We are confident, therefore, that despite the long journey that lies before us, the tide has indeed begun to turn. As we celebrate the third anniversary of our new local government system and a Decade of Freedom, we must not lose sight of how far we have come as a proud and caring nation.

These victories can only make us more steadfast as we tackle the challenges ahead, confident that the forces of transformation will triumph. All of us, as leaders and champions in our own right - councillors, officials, community leaders and organs of civil society, young, old, black and white - must unite to fast-track the national transformation agenda.

Only we, using our collective strength, can deliver on our dreams and we must work together to make them real.

"Time is growing. And our suffering is growing too. When will our suffering bear fruit? One great thought can alter the future of the world...one dream. But who will dream that dream? And who will make it real?"  
Ben Okri, Infinite Riches 1998

Father Smangaliso Mkhathshwa  
Chairperson of SALGA



## INTRODUCTION

*"We are committed to continuously improving the way we work in order to deliver a high quality service to our members."*

Thabo Mokwena  
Chief Executive Officer

### *Accountability, First and Foremost*

I am honoured to present to you the South African Local Government Association (SALGA) Annual Report for 2002/03 as required in terms of the Public Finance Management Act No.1 of 1999 (as amended). This report addresses the performance of SALGA for the year ended 30 June, 2003, and conforms to relevant statutory requirements.

This report serves as an annual statement of accountability to – first and foremost – our members, as well as other key stakeholders and donors.

It begins by outlining SALGA's strategy and the progress made in building institutional capacity to enable the organisation to meet its mandate. It goes on to outline the key programmatic priorities set by SALGA for the 2002/03 financial year and reviews the extent of SALGA's achievements, including key events held during this period, our publications and partnerships.

It is now six years since the various and disparate organs of Organised Local Government (OLG) in South Africa – inspired by the belief that the sum is greater than its parts - came together to form a national association (SALGA) that would act as the voice and guardian of all municipalities in the country.

From then until now, OLG has played a pivotal role in developing the national framework for developmental, people-centred local governance as well as driving and supporting local transformation and delivery.

The centrality of OLG to the local government transformation process made it almost inevitable that sectoral change should dictate a review of OLG's modus operandi in order to increase its ability to effectively support and represent its members. Hence, the past few years have seen a radical review of SALGA's strategy as well as its institutional arrangements.

At the strategic level, we have developed a new suite of services, which move beyond our traditional activities such as labour relations, IGR and councillor remuneration, to a more holistic and strategically driven agenda aimed at maximising the value we add to our members and the sector.

### **Achievements**

#### **Programmes**

At a programmatic level, we have made substantial gains in terms of the priorities we set for ourselves at the beginning of 2002. Some of these include:

- Strengthening our involvement in the African Union of Local Authorities (AULA) and partnerships with national local government associations in the SADC region;
- Increasing national government funding for free basic services;
- Securing national government's in-principle commitment to augment any additional costs or revenue losses municipalities may incur through the restructuring of the Electricity Distribution Industry;
- Ensuring that the provisions of the Municipal Finance Management Act do not undermine the integrity of the local sphere;
- Winning formal representation on the Presidential Co-ordinating Council;
- Developing a comprehensive institutional framework for the sector;
- Capping of municipal medical aid contributions and thus reducing municipal wage costs;
- Launching the District Learning Network as part of the roll-out of the Knowledge Sharing Programme;
- Rolling-out a Municipal Communicators support programme in partnership with GCIS; and

- Sponsoring a variety of training programmes aimed at addressing key capacity gaps within the sector e.g. Financial Management training, LED, IDP, Core Councillor training, ABET, Task Job Evaluation, etc.

SALGA has also hosted or co-hosted a number of conferences, including the Local Government Communicators Conference, the Local Government Session of WSSD; the Women in Local Government Summit; the Commonwealth Local Government Forum (CLGF) on local government service partnerships; the Human Resource Development (HRD) Conference, and Local Government Budget Week.

### **Institutional Capacity**

At an institutional level, we have moved towards the creation of a single SALGA administration. We also introduced a suite of new administrative policies and procedures aimed at boosting efficiency and effectiveness, as well as the tightening of financial controls and systems of accountability.

The results of the last financial year reflect a positive financial position. We have managed to increase our operating surplus through aggressive cost cutting and scaling down of operational costs in line with income. Hence SALGA is proud to announce that the Auditor-General - for the second-year running – has once again awarded us an unqualified audit report.

With regard to improving good governance, SALGA introduced a number of oversight committees and drafted a new governance charter last year to give effect to the principles contained in the King II Report.

SALGA also embarked on a political restructuring process aimed at strengthening the quality of our participation in IGR processes and structures.

In addition, we introduced quarterly meetings of the Local Government Consultative Assembly comprising Executive Mayors and Mayors and the National Municipal Managers' Forum as a means of increasing member participation and strengthening leadership accountability.

### **Partnerships**

In terms of partnerships, SALGA continues to work closely with the Department of Provincial and Local Government (DPLG) and enjoys the support of the Department of Water Affairs and Forestry (DWAF), the Dutch Embassy, NORAD and the Commonwealth Local Government Forum. During the course of the last financial year, we also strengthened our ties with other key national departments and international donors. We would like to thank all our partners for their ongoing support.

I also would like to thank the political leadership of SALGA for their wisdom and guidance, the SALGA staff for their commitment in the face of what has often been a difficult process of change and turbulence, and most importantly, SALGA's members without whose support and commitment we would not exist.

## INTRODUCTION



### ■ Priorities for 2003/04

However, whilst the organisation has recorded a number of achievements in 2002, there are a number of areas in which we still need to improve our organisational performance.

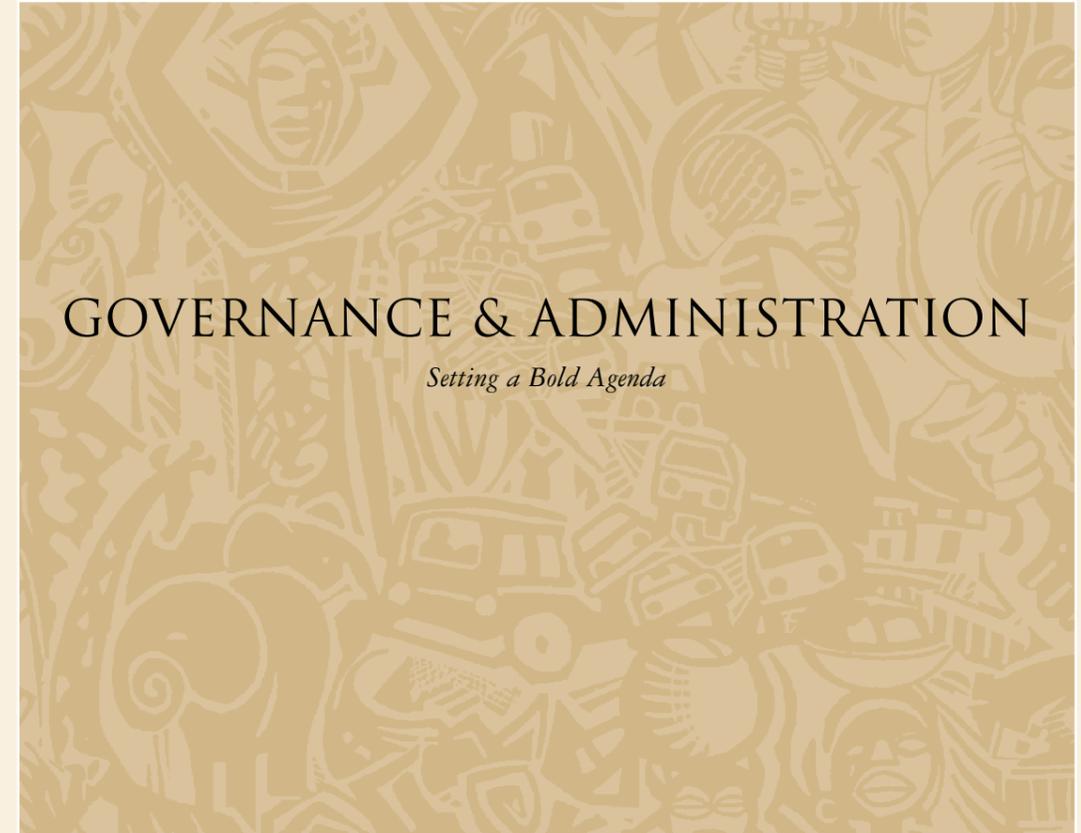
Hence, some of our key priorities for the next financial year will be:

- To improve our internal skills base and external networks in order to provide better and effective on-site support to municipalities;
- Improving the participation of OLG in IGR structures and finalising the political restructuring process;
- Improving communication between SALGA and its membership as well as rolling-out a comprehensive network of communications and IT architecture to improve local government connectivity;
- Optimising our administrative efficiency and effectiveness; and
- Building provincial capacity.

In addition, one of the new priorities that we have set for the 2003/04 financial year is to assist municipalities to play an effective role in supporting the forthcoming election process and ensuring that all our citizens are encouraged and enabled to exercise their democratic right to vote. In addition, we must all double our efforts to make sure that the work done by SALGA and municipalities results in tangible benefits to communities – especially the poor.

I am confident that SALGA will rise to meet these challenges and that in the years to come the organisation will continue to grow for the benefit of all South Africans.

Thabo Mokwena  
Chief Executive Officer



## GOVERNANCE & ADMINISTRATION

*Setting a Bold Agenda*



# GOVERNANCE & ADMINISTRATION



## *Improving the Mandating and Report-back Process*

### ■ 2.1 Consolidation of Good Governance

Whilst the National Management Committee and National Executive Committee play a crucial role in overseeing the overall activities of SALGA, the majority of SALGA's programmes are driven through its working groups. These act as the policy and strategic engine of the organisation as well as serving as an important platform for communication and co-ordination between SALGA national, provinces and municipalities.

Unlike the other bodies depicted in figure 1, working groups are not constitutionally determined but are dependent on the key priorities of the organisation as set out in its business plan. They only have powers to recommend, reporting to the National Management Committee. SALGA currently has six working groups:

- Governance & International Relations;
- Municipal Services;
- Social & Economic Development;
- Municipal Finance;
- Human Resource Development; and
- Special Projects.

In an attempt to improve the efficiency and effectiveness of SALGA Working Groups and Committees, in late 2002 a new committee system was introduced. This brought about the establishment of a new Committee Services Unit and the standardisation of reporting formats and procedures. It also introduced a new schedule of meetings that sought to coordinate the timing of national and provincial working groups with municipal council meetings in order to improve the mandating process.

Whilst the efficiency of SALGA's committees has improved, more work still needs to be done to co-ordinate national and provincial working group meetings and improve the mandating and reportback process.

#### 2.1.2 Strengthening Political Leadership

In line with the overall restructuring of SALGA, last year a Political Restructuring Commission was established to look at how SALGA's political governance structures and processes could be enhanced. This was particularly in relation to SALGA's participation in IGR structures, strengthening the link with municipalities and concretising the role of national and provincial political bodies within a unified SALGA. The proposals of the Commission are still being deliberated upon, after which final proposals will be tabled at the next National Conference for adoption, along with any necessary constitutional amendments.

#### 2.1.3 Consolidating Good Governance

In line with SALGA's commitment to continuously improve on its corporate governance arrangements, 2002 saw the introduction of a number of key oversight committees within SALGA, as well as the development of a Governance Charter.

##### 2.1.3.1 The Audit Committee

The Audit Committee is appointed by the National Executive Committee, comprising five members and is chaired by Mr Kam Chetty.

##### 2.1.3.2 The Procurement Committee

The National Procurement Committee is appointed by the National Management Committee, and is composed of:

- The National Treasurer of SALGA, who chairs the committee;
- Two procurement experts, who shall be senior procurement officials from within local government or external experts in the field;
- The Executive Director: Corporate Services;
- The Executive Manager: Finance and Administration; and
- A Line Management Representative.

##### 2.1.3.3 The Remuneration Committee

In terms of SALGA's reward policy, provision has been made for a Remuneration Committee that would

determine the monetary and non-monetary rewards, if any, to be paid to SALGA employees based on the results of an individual performance evaluation, as well as the annual percentage increase, if any, to be paid to SALGA employees. The National Executive Committee may elect to act as the Remuneration Committee or nominate from amongst its members a sub-committee that shall act as the Remuneration Committee.

#### 2.1.3.4 A New Governance Charter

SALGA has also developed a new Governance Charter which clearly outlines the roles and responsibilities of different governing bodies in the new dispensation as well as new delegations of authority. The implementation of the Charter, particularly pertaining to provincial powers and delegations, is being phased in to take into account the political restructuring process.

### 2.1.4 Increasing Member Participation

#### 2.1.4.1 The National General Council

On 11-14 November 2002, SALGA convened a National General Council with the aim of reviewing critical issues facing the sector. For the first time in SALGA's history, 10 delegates per municipality were invited to participate in the event, in addition to provincial delegates. The conference proved a resounding success and developed a number of resolutions relating to integrated development planning, socioeconomic development, service delivery, municipal financial viability and sustainability, promoting good governance, developing an integrated capacity building strategy for the sector as well as improving local government communications.

#### 2.1.4.2 The Consultative Assembly

The Consultative Assembly (CA) meets quarterly and is attended by mayors across the country. This forum was launched in Rustenburg in August 2002. The purpose of the CA is to create regular opportunities for local

government leaders to debate and discuss topical issues, co-ordinate responses within the sector in order to act in unison on various challenges, and network with their peers and other key stakeholders.

#### 2.1.4.3 The National Municipal Managers, Forum

Each CA meeting is preceded by a National Meeting of Municipal Managers. As heads of Administrations, Municipal Managers have a crucial role to play in ensuring the speedy and effective roll-out of the transformation process and implementing political programmes. It is therefore important that SALGA, and particularly its administration, should strengthen its relationship with Municipal Managers to attain a better understanding of the various municipal challenges. This also opens up opportunities to tap into critical skills within the sector in order to augment SALGA's participation in technical IGR processes. At the National Municipal Managers meeting in March 2003, a Technical Task Team was appointed to look at the possibility of establishing a formal National Municipal Managers Forum that would deal with matters of common interest as well as engaging with SALGA on a regular basis.

### 2.2 Improving Administrative Efficiency & Effectiveness

In response to the weaknesses highlighted in the SALGA SWOT analysis, SALGA has over the past year sought to create an integrated and coherent SALGA administration that is efficient, effective, client focused, sustainable and respected.

This has entailed the adoption of a new administrative structure, the development a comprehensive suite of HR policies, the implementation of an organisational and individual performance management system, the tightening of administrative policies and procedures, the integration of provincial offices, the renaming of many provincial associations (e.g. from NORWELOGA to SALGA North West), a revision of the membership levy and the introduction of a central levy collection system.



# GOVERNANCE & ADMINISTRATION

*Our Leadership is our Strength*

Members of SALGA leadership during the NGC, November 2002



## SALGA Governing Bodies

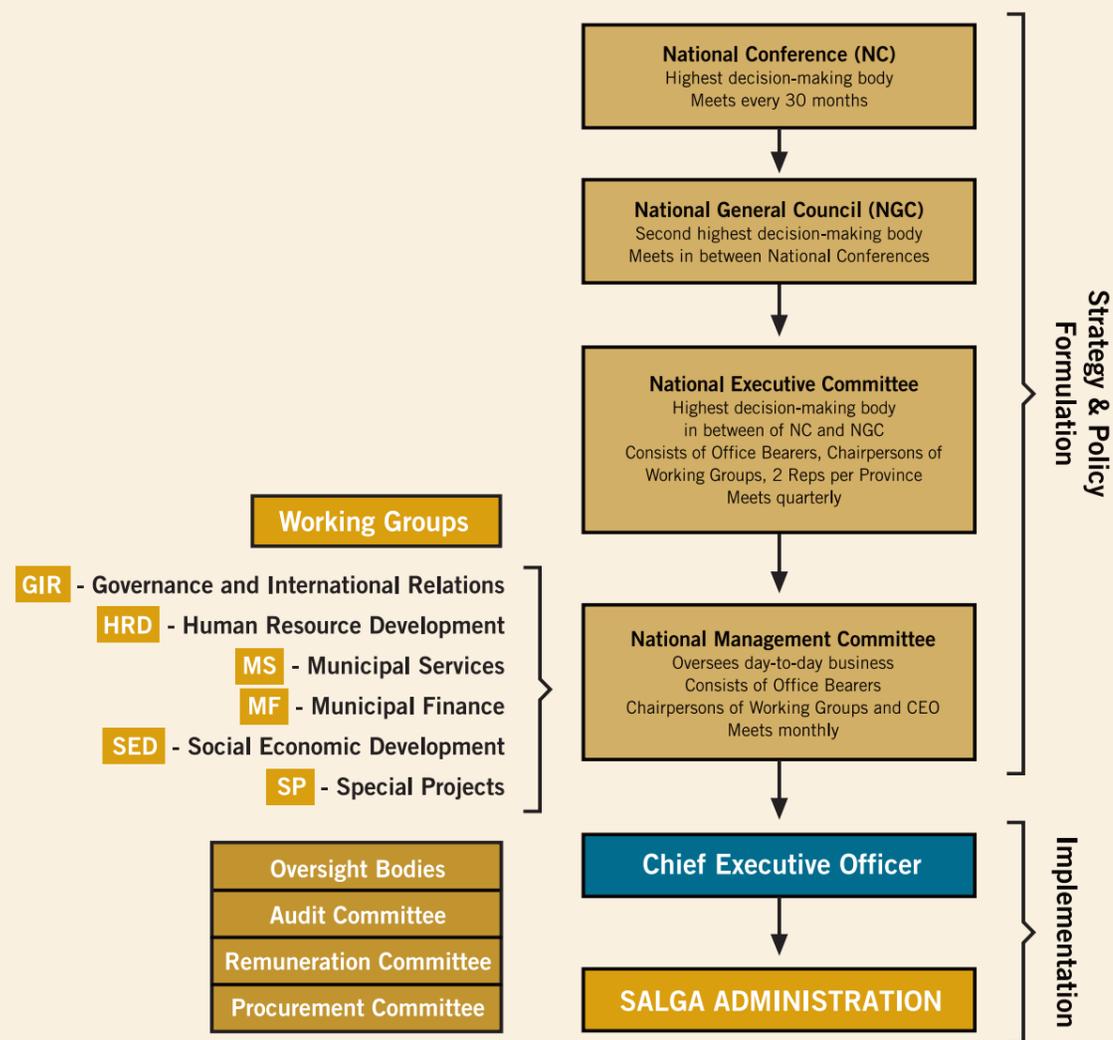
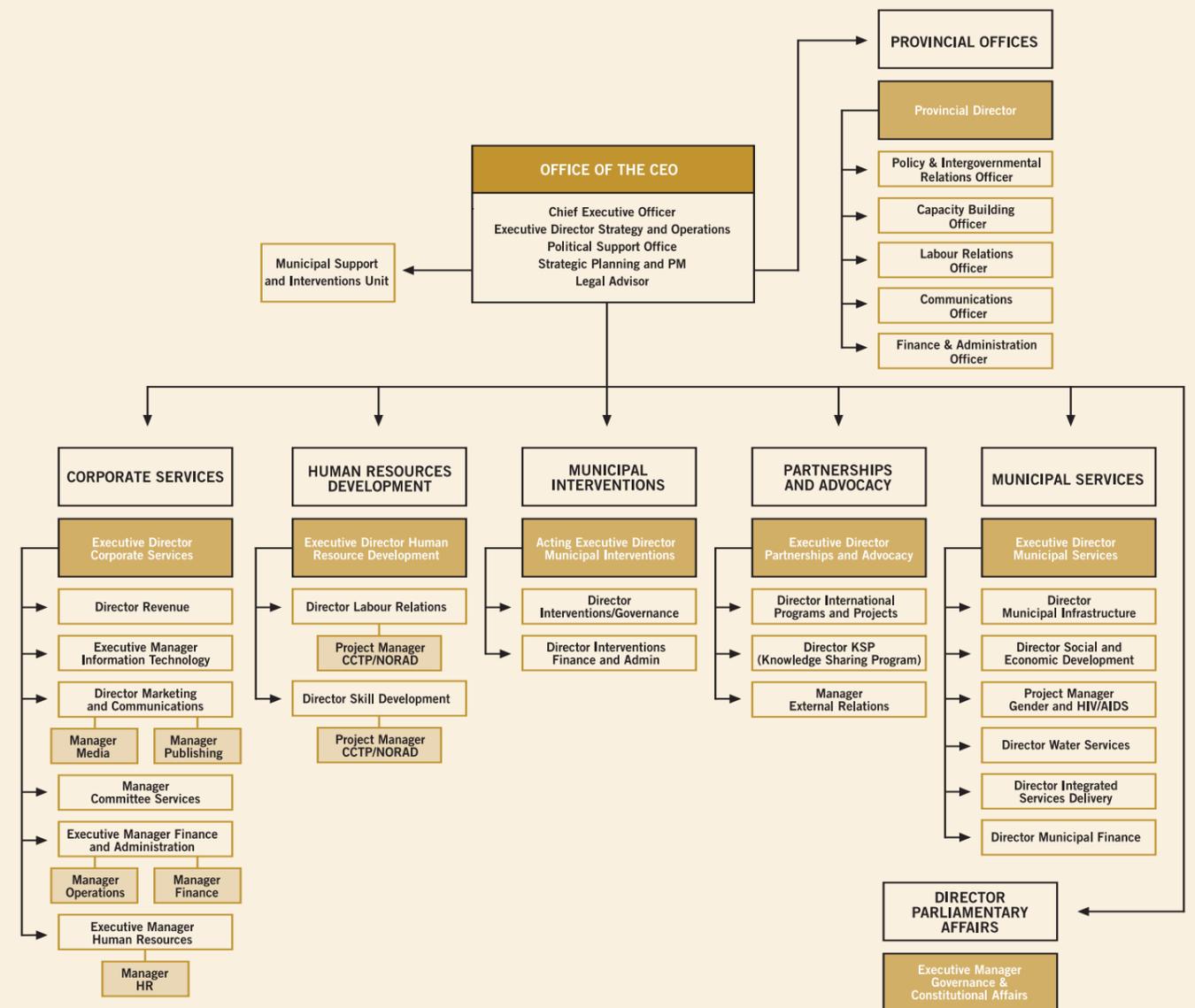
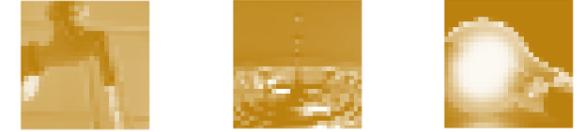


figure 1

## SALGA's Administrative Structure



# GOVERNANCE & ADMINISTRATION



## Products and Services

### 2.4 Key Products & Services

In line with our new strategy in 2002 SALGA developed a new set of key products & services, which can be summarised as follows:

#### Voice of Local Government

Services	Products
Policy Formulation	Discussion papers, Guidelines
Research	Discussion papers, Guidelines
Advocacy	Submissions, Briefing Notes, Press Releases
Negotiations	Position Papers, Agreements
Regulation	Guidelines, Agreements, Accreditation
Country Representation	Participation in Regional and International Fora

#### Centre for Knowledge and Information Management

Services	Products
Collecting Information	Research, Case Study Anthologies, Databanks
Packaging Information	Local Government Portal, Newsletters, Publications
Disseminating Information	Seminars, Conferences, Web, Print, Fax / Fax on-Demand
Building Communities of Information	Learning Networks

### Supporting & Strengthening Municipal Capacity

#### Services

Services	Products
Needs Analysis	National Capacity Building Strategy
Capacity Building	Targeted Capacity Building Programmes - Training, Exchanges, Coaching & Mentorship Training Materials Skills Yellow Pages/Databank
Co-ordination	Databank of Capacity Building Initiatives in the Sector Local, Regional and International Partnerships
On-site Support	Advice Policy & Systems Development Turn-around Interventions
Performance Initiatives	Surveys Peer Reviews Benchmarking Peer Awards

# GOVERNANCE & ADMINISTRATION



## Strategic Shift

### 2.5 SALGA'S Value Chain

The value of organised local government will be judged by the extent to which it can actively intervene within the sector to create an enabling environment and build the capacity of municipalities to fulfill their developmental mandate.

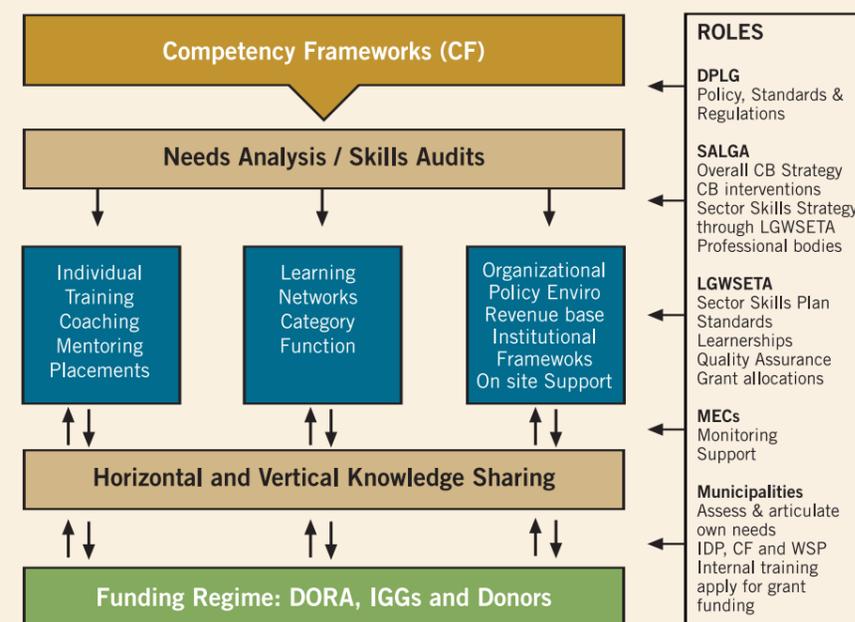
However, until now the status and impact of Organised Local Government has not been what it should be. As part of a strategy review process initiated in 2001, SALGA undertook a SWOT analysis that identified a number of weaknesses:

- SALGA's organisational structure was not aligned to its strategy;
- There was a lack of cohesion between Provincial Local Government Associations (PLGAs) & SALGA;
- There had been a failure to effectively source and optimally use all competencies and networks existing in the organisation and sector;
- There was a lack of systems, and where they existed, they were inadequate;
- Lines of responsibility were not clear;
- SALGA did not have the skills and competencies in key technical areas in which SALGA was required to give input;
- The organisation lacked sufficient human resources to adequately comply with its mandate;

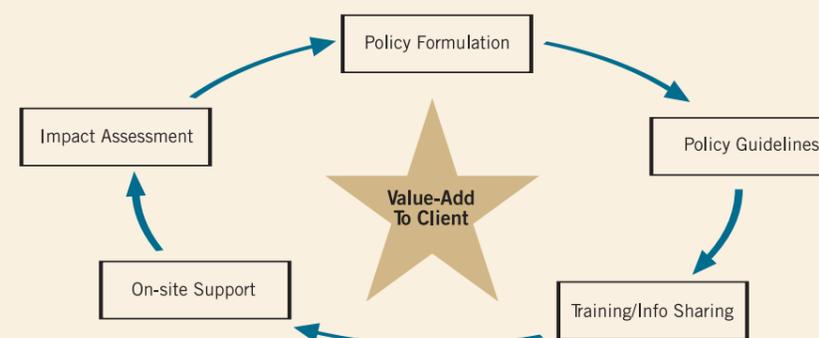
- SALGA lacked a strong financial base and was too highly dependant on national funding and other funding sources;
- The levies system displayed significant structural inequities;
- The organisation did not have a strong profile, and had failed to market itself to all stakeholders as the voice of local government; and
- SALGA was not owned by individual councillors within municipalities.

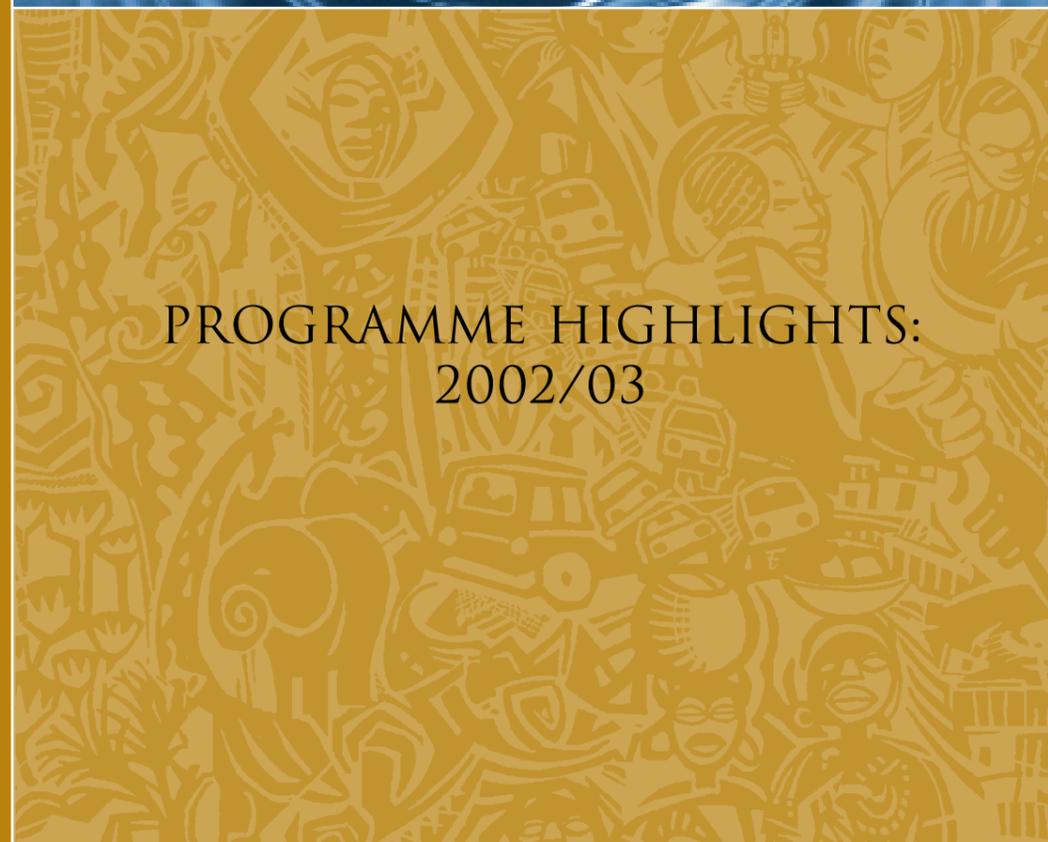
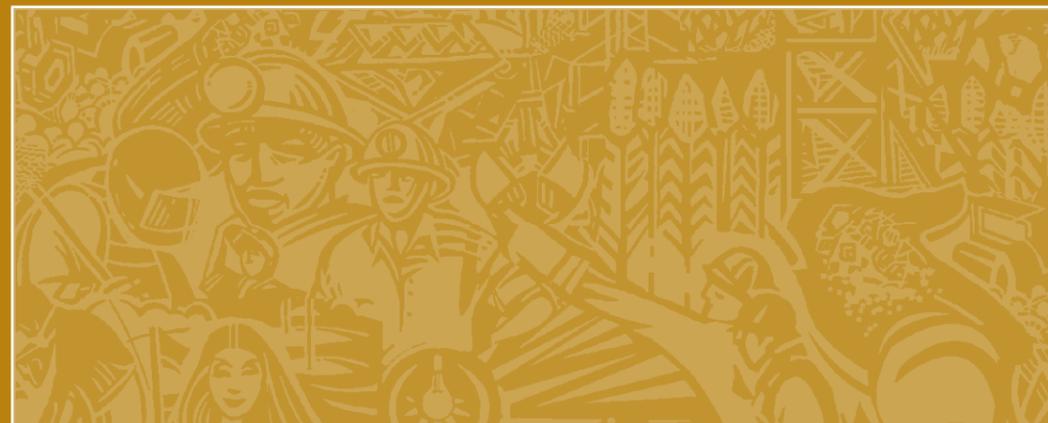
This strategic review was the result of a restructuring process that had been initiated as early as 1998 aimed at developing a more integrated and coherent organisation. This led to the adoption of a new uniform SALGA Constitution in 2000 whilst, at the National Conference held in April 2001, SALGA was tasked with fundamentally reviewing the structure and operations of organised local government to ensure that it was better able to fulfill its mandate. The result has been a strategic shift in SALGA's core activities and programmes as well as the restructuring of the organisation to increase its political and administrative capabilities.

### Capacity Building (CB) Framework



### Salga Value Chain





PROGRAMME HIGHLIGHTS:  
2002/03



# PROGRAMME HIGHLIGHTS

## *Building an Effective SALGA*

### ■ 3.1 A New Strategic Framework

Since the local government transformation process began, a myriad of policy, legislative and support measures have been initiated by government and other non-governmental stakeholders in an attempt to facilitate the change process. However, the impact of these measures has been limited, due in part to:

- The lack of a coherent strategic and integrated planning framework resulting in fragmented policy and capacity building initiatives;
- Interventions are predominantly supply driven and not sufficiently targeted;
- There is a limited understanding of municipal specific needs, which is worsened by the often limited capacity of municipalities to effectively assess and articulate their own needs;
- Interventions are not linked to measurable outcomes; and
- There are no systematic assessment frameworks to determine the actual impact of policy and capacity building initiatives.

The result is a generalised view that local government “lacks capacity” without any real understanding of the nature and location of these capacity gaps.

What is clearly required is a more holistic and integrated conceptualisation of capacity building. This should be combined with the targeted approach, based on a clear understanding of the nature of the interventions required to shift different municipalities from their current to the desired state. Such an approach would, of necessity, not only focus on building individual and institutional capabilities, but would also focus on optimising the enabling environment as determined by various external enablers or inhibitors e.g. policy and legislation, revenue base, demarcation, powers and functions, etc.

To this end, SALGA has chosen to focus on a holistic set of interventions around which it has built specific programmatic activities, namely:

#### **Strengthening the Voice of Local Government in Intergovernmental Relations and International Affairs**

- Improving local government’s ability to articulate its own needs and stand united in action will increase the sector’s ability to promote its own interests and influence the policy, planning, service delivery and capacity building initiatives of other spheres. In addition, building an effective SALGA will increase the ability of the country and the continent to influence local government’s international policy and development processes.

#### **Building Strategic Business Intelligence through Understanding Municipal Competencies and Needs**

- Most approaches to needs analysis rely primarily on self-assessment, which is often subjective. It is, therefore, important to have an objective means of determining municipal needs. SALGA has embarked on a process of developing ideal municipality and function specific benchmarks as a means of objectively assessing the gap between current and desired municipal capacity. In addition, through the LGWSETA, SALGA is driving the development of competency frameworks for different types of councillors as well as different professional categories.

#### **Enabling the Policy & Legislative Environment**

- There are currently a number of inhibitors within the policy and legislative environment that have a detrimental effect on municipal service delivery, e.g. the lack of an integrated intersphere planning and service delivery framework, the allocation of powers and functions and the continuing existence of old order legislation. Creating an enabling environment involves doing regular assessments of the impact of policy and other initiatives on municipalities, proactively developing policy positions and lobbying to further the interests of local government as well as providing guidelines and tool-kits to assist municipalities to implement legislative requirements.

#### **Building Financial Viability & Fiscal Capacity**

- This focuses on building the base capacity of municipalities - i.e. dealing with structural dysfunctionalities as a result of demarcation, diversifying municipal revenue streams, etc - as well as improving municipal financial management capacity and the intergovernmental fiscal system.

#### **Developing Strong Institutional Frameworks and Administrations**

- The ability of government to deliver will be determined by the extent to which it is able to successfully transform the state. This not only means developing the right institutional frameworks that facilitate effective service delivery but also involves assisting municipalities to implement those frameworks.

#### **Up-Skilling the Sector**

- Not only is there a shortage of skills within the sector, but there is also a dire need to ensure that the skills that exist are retained, to build the capacity of service providers and institutions to

roll-out outcomes-based methodologies that have a measurable impact. Hence, SALGA is working on the development of the Local Government Workplace Learning College (LGWLC). It is argued that a high profile, tightly staffed college of this kind, focused not on training but on harnessing the right expertise for capacity building in the sector, has the potential to open the door to high quality workplace training and the concomitant improvements in work performance.

#### **Promoting Knowledge Sharing and Peer Learning within the Sector**

- Given the magnitude of the local government transformation process, the value that third parties such as consultants or academic institutions can add is often limited and more can often be learnt from other practitioners who have successfully overcome the same problems. SALGA is thus working on the development of a series of learning networks, which are a crucial means of enabling municipal practitioners to learn from their peers in the public and private sectors, as well as building learning organisations. Such networks must be supported by the provision of easy access to relevant information and distance learning opportunities through, for instance, a portal.



# PROGRAMME HIGHLIGHTS

## *Our Future Interventions will be more Targeted and Strategic*

### ■ Providing On-site Support

- Traditionally SALGA has had a limited focus on providing direct, on-site support to municipalities. However, the limited success of traditional support initiatives due to the fact that municipalities do not have the capacity to customise generic guidelines to their own circumstances or translate individual learning to the workplace, has highlighted the increasing need for more hands-on, direct technical assistance within municipalities. To this end, SALGA will establish a Municipal Support and Interventions Unit, and is working with various stakeholders to deploy different forms of technical assistance to targeted municipalities.

### Measuring & Monitoring Impact

- Hand-in-hand with developing competency frameworks and benchmarks will be the roll-out of annual municipal surveys (consolidated with other pieces of research) and municipality-driven skills audits. This will enable us to judge the collective efficacy of our support interventions as well as the impact of other national and provincial processes, build objective profiles of the capacity levels of individual municipalities, and thus ascertain over time the extent to which the institutional capacity and skills gap is closing. Hence, our future interventions will be more targeted and strategic. Individual interventions will also need to be linked to clear impact assessment criteria and be independently assessed.

### Measuring & Monitoring Our Own Success

- SALGA will be conducting annual customer satisfaction and stakeholder perception surveys as an additional means of assessing the efficacy of our strategies. It is envisaged that this may be extended to municipal customer surveys to evaluate the extent to which our municipal support strategies are having the desired impact on communities and

really building a better life for all. The results of this analysis will be fed into our performance reports as well as business plans and budgets, thus completing the strategic cycle and ensuring we maximise or value add to our members and clients.

### 3.2 Strategic Objectives

SALGA has adopted the following strategic objectives:

1. To continuously improve SALGA's ability to deliver high quality services to its members whereby:
  - Municipal development strategies are sustainable and improve the lives of the poor;
  - All municipalities have effective IDPs and Performance Management Systems;
  - All municipalities have effective financial management systems and are financially viable;
  - Democracy and accountability at the local level is deepened;
  - The quality and rate of municipal service delivery is improved; and
  - The HR and labour relations environment promotes efficient and effective service delivery.
2. To increase the impact and influence of organised local government.
3. To increase the skills base within the sector and the country at large.
4. To increase knowledge sharing and improve the communications capacity as well as vertical and horizontal connectivity of OLG and municipalities.
5. To leverage the collective buying power of municipalities to benefit the sector.

6. To ensure that South African local government plays a critical role in furthering Africa's development at a regional and international level.

Linked to these objectives, SALGA prioritised the following areas in its 2002/03 business plan:

#### External

1. Councillor support programme
  - Remuneration, tax advice etc.
2. Economic Development
  - Strategy to deal with the operational and economic impact of HIV/AIDS.
3. Optimal Governance Systems for Local Government
  - Institutional arrangements;
  - Roles & relationships of political office bearers;
  - Review of enabling legislation; and
  - Review of professional bodies.
4. IDPs & PMS
  - Link to budget;
  - Relationship to service delivery systems and institutional arrangements; and
  - Community participation.
5. Municipal Financial Management.
6. Support for the implementation of basic services.
7. International Relations.
  - Role of Municipalities in NEPAD.
  - Revival of AULA.
8. Municipal Communications.
9. Restructuring of EDI.

10. Restructuring of the Municipal Pension Fund.
11. Integrated Capacity Building Strategy.
12. Alternative Service Delivery Options.
13. Local government portal and sector level systems integration.

#### Internal

1. Rebranding SALGA.
2. Optimising Financial Sustainability.
3. Administrative transformation.

### 3.3 Priorities 2003/04

Despite the substantial progress made in administrative restructuring, the pace of change has not been as fast as had been anticipated. The placement process still needs to be finalised and the new policies and procedures firmly embedded. The key institutional priorities for the next financial year will be:

- Improving SALGA's customer interface and internal communications capacity;
- Internal skills development and leveraging existing skills within the sector;
- Improving productivity, cost-efficiency and business continuity;
- Automating business processes and systems as well as finalising SALGA's IT strategy;
- Building the institutional capacity of SALGA's provincial offices;
- Consolidating the performance management system and building a performance culture; and
- Developing a comprehensive risk management strategy.



## PROGRAMME HIGHLIGHTS

### ■ 3.4 Programmes

Whilst the execution of SALGA's priority programmes is largely driven through the Working Groups, there are a number of programmes that report directly to the National Management Committee or its Sub-Committees.

#### 3.4.1. Councillor Remuneration

Chairperson of Councillor Remuneration Sub-Committee: Cllr J Mokoena

##### Key Challenges in 2002/03

Creating a fair and equitable dispensation with regard to the remuneration of councillors is a long standing issue. Not only does there seem to be an imbalance between the remuneration of full-time and part-time councillors but the dispensation afforded to local government councillors is far inferior to that enjoyed by other elected public office bearers.

##### Achievements

SALGA has spent the past year actively engaging DPLG to ease the plight of councillors. Whilst many of the issues remained unresolved, we did manage to secure the extension of the Office of the Chief Whip to all councils with 40 or more councillors, as well as housing and traveling allowances for senior councillors. SALGA also initiated discussions with DPLG regarding developing a new system for the remuneration of public office bearers that would include the following elements:

- Grading councillor remuneration within a common broad band to minimize disparities between different types of councillors.
- Reviewing councillors' traveling allowances to cater for the substantial distances that many have to travel in the course of their work.

- Extending the office bearers' allowance to all councillors.
- Improving the benefits councillors are entitled to.

##### Priorities for 2003/04

- Provision of tax advice to councillors.
- Gaining agreement with DPLG on the core elements of the new system regarding the remuneration of public office bearers.

#### 3.4.2. Municipal Communications

Chairperson of Communications Working Committee: Cllr Zukiswa Ncitha

##### Key Challenges for 2002/03

Municipalities have an important responsibility to communicate with their constituencies in order to build and foster accountability, secure their involvement and buy into council governance processes. Municipalities also need to profile their successes and achievements in order to secure appropriate partnerships and investments, which are essential to the growth of the sector.

Indications are, however, that few municipalities have the internal capacity – either in terms of skills or resources – to adequately communicate with the public. Even within municipalities that have such resources, the strategic and crucial nature of the communications function is often under-estimated.

##### Achievements

- Establishment of Communications Working Committee. After the Communicators Conference in July 2002, SALGA established a Communications Working Committee (CWC) Chaired by Cllr Ncitha from Amatole District Municipality and consisting of a

representative from GCIS as well as key councillors and local government communicators from a cross-section of municipalities. This committee was charged with taking forward the resolutions of the communications conference, establishing provincial and district communications structures as well as building municipal communications capacity as a whole.

- Development of a detailed action plan for implementing conference resolutions.
- Conference report and implementation plan distributed to all municipalities.
- Development of a Local Government Communicators Handbook.

##### Priorities for 2003/04

- Audit of municipal communications capacity.
- Establishment of local communications structures.
- Joint partnership with SALGA, GCIS and DPLG to develop an integrated approach to communications at a provincial level.

#### 3.4.3. ICT Strategy for the Local Government Sector

##### Key Challenges in 2002/03

For many municipalities, developing an effective Information and Communications Technology (ICT) strategy that enables their business and improves their customer interface remains a major challenge. Whilst the latest figures suggest that 82% of municipalities have basic connectivity – i.e. access to the internet and email – internal connectivity and bandwidth varies and the costs of using Telkom infrastructure are often prohibitive. Most also lack internal ICT skills, making them vulnerable to exploitation by unscrupulous service providers. Where internal capacity exists, its efficacy is hampered by the fact that IT has traditionally been

seen as a support rather than a strategic function. Hence, municipal corporate IT departments tend to be very weak and focused on IT support, with different departments being left free to develop their own systems which are often not integrated or linked to overall business objectives. Some of the larger municipalities have made some headway in developing an integrated ICT system, but they have tended to use very different approaches and very few have integrated knowledge management into their strategies. This disjointed approach poses a potential problem within the broader context of e-governance and providing a seamless service across the three spheres, suggesting that a common ICT strategy needs to be developed as a matter of urgency. Moreover, the disconnectivity of local government, coupled with a multiplicity of disjointed information sources, hampers the speedy exchange of knowledge and information between municipalities as well as between SALGA and its members. It also makes it difficult to get crucial data about the sector.

##### Achievements

Progress in this area in 2002 was relatively limited due to the lack of internal resources. However, SALGA did embark on the development of a number of critical databases, (e.g. Labour Relations, Finance, Skills Yellow Pages), a SALGA ICT strategy, and started an ICT Technical Team comprising a cross-section of municipal CIOs, to take forward the development of an ICT Strategy for the sector. We also managed to secure membership of the Government IT Officers (GITO) Council and held a number of strategic sessions with the State Information Technology Agency (SITA), the Development Bank of South Africa (DBSA), Department of Public Administration (DPSA) and DPLG to try and develop an integrated approach towards e-governance and ICT within local government.



# PROGRAMME HIGHLIGHTS

## *Working to Develop a Number of Joint Programmes*

### ■ Priorities for 2003/04

- Roll-out of Siemens ICT Trainee Placement Programme in partnership with DBSA, DPLG and the South African Communications Forum;
- Finalisation of the LG ICT Sector Strategy;
- Phased implementation of the Local Government Portal; and
- Initiation of a local government communications network.

### 3.4.4. Knowledge Sharing Programme

Chairperson of the District Learning Network:

Cllr D Dikoko

Chairperson of the South African Cities Network:

Mr A Boraine

### Key Challenges in 2002/03

Whilst a great deal of money was spent on capacity building within the sector at the beginning of the 2002/03 financial year, the majority of these initiatives did not utilise effective outcomes-based methodologies with the result that many of the participants in these programmes could not translate their learning to the workplace. In addition, many of these programmes were still rooted in the old paradigms and did not adequately address the needs of municipalities and local government practitioners, suggesting that municipalities might be better off learning from the mistakes, successes and innovations of their peers rather than outside parties. Moreover, there were no effective tools to assess the positive and/or negative impact of different policy initiatives as well as what actually worked in practice and ensure that the results were fed back into the policy formulation process.

### Achievements

The Knowledge Sharing Programme (KSP) is aimed at facilitating vertical and horizontal knowledge sharing between municipalities as well as other spheres of government. The core elements of the KSP - which is managed by SALGA and run in partnership with DPLG include:

- A Peer Learning Programme consisting of learning networks; peer-to-peer exchanges; coaching and mentoring.  
The learning networks include the District Learning Network and the Local Municipality Learning Network. The South African Cities Network is also part of the overall Knowledge Sharing Programme but is managed as a Section 21 company.
- A Research and Comparative Learning Programme consisting of research that will lead to the production of Easy Guides and the development and use of frameworks of good practice and benchmarks.
- A Local Government Portal and Knowledge Centre that will provide all local government information; a query service; newsletters; a Skills Yellow Pages and personalised newsfeeds.
- An Annual Conference to highlight key lessons learnt, showcase examples of good practice and innovation; and explore effective learning methodologies.

In 2002, this programme was kick-started as the Horizontal Learning Programme (HOLOGRAM), funded by USAID and overseen by SALGA, DPLG and the LGTP. The deliverables of this programme included:

- The establishment of the HOLOGRAM website.
- The production of a bi-weekly electronic newsletter focusing on topical issues.
- The establishment of a pilot District Learning Network consisting of 16 municipalities.

- The initiation of a District Municipality roadshow to gain a better understanding of each municipality within the network and their needs.
- The finalisation of 10 pieces of strategic research focusing on key problem areas within the sector, such as the role of district municipalities, managing the political/admin structure interface and the capacity of provinces to provide effective support to municipalities, etc.

In addition, as a Board Member of the SACN, SALGA is working with the network to develop a number of joint programmes as well as to ensure that the synergies between the Local, Districts and Cities networks are maximised.

### Priorities for 2003/04

- Establishment of the Local Learning Network.
- Expansion of the District Learning Network to include other Districts.
- Consolidation of the HOLOGRAM research and newsletters through publication of a book.
- Development of a Managing Change training video for Municipal Managers.
- Co-hosting of a HOLOGRAM Knowledge Sharing Conference.
- Consolidation of key pieces of past local government research and an analysis of trends in partnership with the DFID Sharing Around Local Governance in South Africa (SALGIS) programme.
- Ensuring the financial sustainability of the KSP.

### 3.4.5. Municipal Support & Interventions

#### 1. Key Challenges 2002/03

Many municipalities and other public sector departments rely heavily on consultants to assist them with

achieving their objectives. However, very often the desired results are not realised because municipalities lack contract management capacity or because there is no skills transfer, leading to municipalities being unable to implement the proposed recommendations or sustain new initiatives. Hence, the need for external support that focuses on transferring skills to build the municipality's long-term capacity to operate without external assistance – including building its knowledge management and learning capabilities. Moreover, since 1995, there have been a number of s139 interventions within the sector by provincial governments. The results of these interventions have been mixed, whilst there has been a growing call upon SALGA by its members (as well as other parties), to develop the capacity to proactively intervene in solving municipal problems before s139 interventions are required.

### SALGA's Achievements

In response to the above challenges SALGA embarked on the formation of the Municipal Support and Interventions Unit in February 2003. A business plan development process was initiated and, in the interim, a number of ad hoc interventions were undertaken, e.g. in Baviaanskloof, Drakenstein and Northern Free State District Municipality.

### Priorities for 2003/04

- Finalise the MSIU business plan and establish the unit;
- Conduct 10 financial management interventions in partnership with PriceWaterhouseCoopers;
- Conduct three pilot turn-around interventions in partnership with DBSA; and
- Increase capacity to respond to ad hoc queries.



## GOVERNANCE & INTERNATIONAL RELATIONS

*We are working to strengthen our ties with sister organisations on the continent to ensure that local government plays its rightful role in the New Partnership for Africa's Development*

Working Group Chairperson  
Cllr Dickson Masemola

### Strengthening Ties within the Region and Continent

#### ■ Working Group Focal Areas:

- Constitutional matters.
- Local Government legislation.
- Powers and functions of municipalities.
- Traditional leaders.
- Intergovernmental relations policy issues.
- Demarcation issues.
- Elections.
- Municipal by-laws.
- Municipal International Relations.
- Public participation.
- Roles of elected municipal representatives.

#### Key Challenges in 2002/03

With regard to municipal governance, in 2002 many municipalities were still struggling with operationalising the new governance arrangements arising out of the Structures Act. In particular, the main problems related to the roles and responsibilities of mayors and speakers, as well as managing the political administration interface.

Moreover, the split of powers and functions between district and local municipalities had yet to be finalised, thus detrimentally affecting municipal service delivery. Measures also needed to be introduced to further enhance public participation and the effectiveness of ward committees, whilst the relationship between local government and traditional leaders remained unclear - which in some areas became a cause for conflict.

With regard to IGR, organised local government was still struggling to win formal representation in key intergovernmental forums at a national and provincial level, such as the Presidential Coordinating Council, cabinet clusters, provincial legislatures and the NCOP. In terms of co-operative governance, the lack of policy, planning and service delivery coordination between the spheres continued to pose problems.

On the international front, municipal international relations continued to be uncoordinated and of limited developmental value, despite the existence of the Municipal International Relations Framework (MIRF). This state of affairs was of particular concern given the role of local government in championing NEPAD as well as strengthening ties within the region and the continent.

#### Achievements

- Drafted a Mayoral Handbook outlining the powers and functions of (Executive) Mayors in relation to other office bearers and the administration.
- Co-hosted the Ward Committee Conference on 24 and 25 June 2003, aimed at assessing and improving the functioning of ward committees through the development of guidelines and support programmes.
- Won formal representation on the Presidential Co-ordinating Council.
- Participated in the formulation of a new Intergovernmental Relations Framework and legislation that strengthened the role of local government in co-operative governance.
- Rolled-out a series of provincial workshops with the Department of Foreign Affairs (DFA), to educate municipalities about the MIRF and DFA protocols.
- Co-hosted the Commonwealth Local Government Conference on Local Government Service partnerships.
- Sponsored eight municipal partnerships under the auspices of the Commonwealth Good Practice Scheme.
- Signed a Co-operation Agreement with the UK Local Government International Bureau aimed at boosting SALGA's international relations management capacity.



- Strengthened ties with AULA as well as local government associations in Swaziland, Lesotho and Botswana.
- Developed proposals for the restructuring of professional bodies.

#### Key Priorities for 2003/04

- Strengthening SALGA's internal IGR management processes;
- Developing a Speakers Handbook and wider distribution of the Mayoral Handbook;
- Promoting good governance through best practice research and ongoing advice and support;
- Finalising of IGR legislation and strengthening IGR at a provincial level;
- Ensuring municipalities play an effective support role in preparation for 2004 national elections;
- Championing the interests of local government within the Communal Land Rights Bill and the Traditional Leadership and Governance Bill;
- Implementing Ward Committee Conference resolutions;
- Implementing proposal for the restructuring of professional bodies; and
- Co-hosting the 8th AULA Regional Conference.



## SOCIO-ECONOMIC DEVELOPMENT

*We are continuously striving to ensure that our development strategies go beyond just infrastructure extension or ad hoc LED projects to deal with all the elements of structural poverty*

Working Group Chairperson  
Cllr Nomusa Dube

### Sustainable Development

#### ■ Working Group Focal Areas

- Poverty alleviation programmes.
- Local economic development.
- Urban renewal and rural development.
- Local Agenda 21.
- Integrated Development Planning.
- Town planning and land use management.
- Tourism.
- Environmental health and air pollution.

#### Key Challenges in 2002/03

At the beginning of the 2002/03 financial year, many municipalities were still struggling with developing effective economic development strategies, whilst municipal LED initiatives were met with success. In addition, indications were that those municipalities that were part of the Urban Renewal Programme (URP) and the Integrated Sustainable Rural Development Programme (ISRDP), had failed to effectively integrate these nodal projects into their municipal operations, thus undermining their potential impact.

With regard to sustainable development, progress on the implementation of Local Agenda 21 and the integration of sustainability principles into local IDPs was uneven, largely due to the limited capacity of all municipalities except the major cities. Moreover, the quality of IDPs remained a cause for concern, with most IDPs not being effectively linked to municipal budgets, performance management systems and operational plans. The levels of alignment with other spheres of government was limited.

#### Achievements

- Co-hosted the Local Government Session of the World Summit on Sustainable Development (WSSD).
- Drafted WSSD Implementation Guidelines and held workshops in all provinces to familiarise municipalities with the guidelines.

- Developed a framework for the integration of LA 21 and UN Habitat processes.
- Developed a Sustainable LED Toolkit.
- Initiated Community Based Planning Programme in eight pilot municipalities as part of improving IDP planning processes. The pilots identified were:
  - Greater Tzaneen, Bela Bela,
  - Mbombela, Ethekewini, Msunduzi,
  - Maluti-a-Phofung, Mangaung,
  - Nkonkobe.
- Conducted Municipal Energy Efficiency Audits.

#### Priorities for 2003/04

SALGA's main focus in 2002/03 was on policy and strategy development, particularly relating to sustainable development. Whilst a number of policy gaps dictate that this focus continues to be a priority in 2003/4, we hope to refocus our energy far more into providing direct implementation support to municipalities. Our priorities for the next financial year include, but are not limited to:

- Providing direct IDP development support to municipalities.
- Consolidating the Community-Based Planning Programme.
- Actualising the use of IDPs as the basis for inter-sphere planning through participation in the finalisation of an Intergovernmental Planning Framework and related legislation.
- Developing a National LED Policy & Strategy.
- Developing LED specialists, particularly within rural municipalities.
- Taking forward, in partnership with DPLG and other key stakeholders, the consolidation of all Municipal Infrastructure Grants into a grant that focuses on labour intensive construction methods, training and job creation.

- Development of a policy on street trading in partnership with the following municipalities:
  - Ekurhuleni, City of Johannesburg,
  - Mangaung, Klerksdorp and Ethekewini.
- Development of guidelines on energy efficiency.
- Partnerships with ICLEI and key municipalities regarding the implementation of sustainable energy programmes. The municipalities that have been identified to date are:
  - City of Cape Town,
  - City of Tshwane,
  - Ekurhuleni,
  - City of Johannesburg,
  - Potchesfroom,
  - Kgalagadi and
  - Polokwane.
- Development of an Integrated Energy Strategy for Local Government.
- Co-hosting the Cities Energy Conference.
- Co-hosting the International Sustainable Safety Conference.

#### World Summit on Sustainable Development

As a follow-up to the Rio Summit in 1992, a World Summit on Sustainable Development was held from the 26<sup>th</sup> August – 4<sup>th</sup> of September 2002 in Johannesburg to review what progress had been made 10 years down the line. SALGA co-hosted the Local Government Chapter of the Summit, which attracted more than 1000 delegates from across the world. The Summit reaffirmed the Millennium Development Goals and agreed upon a number of targets and actions in relation to dealing with vulnerable groups, eradicating poverty, water and sanitation, energy, health, agriculture and food security, biodiversity and natural resources, trade, finance and technology. The Summit also endorsed NEPAD as an important vehicle for regional development and international partnership. The hosting of the World Summit on Sustainable Development (WSSD) was a great achievement for South Africa and South African local government, trumpeting our growing importance in the geopolitical landscape.





## MUNICIPAL SERVICES

*The provision of basic services for all, especially the poor, remains a priority*

Working Group Chairperson  
Clr Nandi Mayathula-Khoza

### Services Infrastructure

#### ■ Working Group Focal Areas

- Priority Areas
  - Water
  - Electricity
  - Health
  - Housing
  - Municipal public transport

#### 1. Water

##### Key Challenges in 2002/03

Some of the key challenges that were facing municipalities and the sector at the beginning of the 2002/03 financial year were the finalization of new Water Services policy framework, the transfer of DWAF water services infrastructure and staff, fast-tracking the implementation of Free Basic Water and the finalisation of a national sanitation policy.

##### Achievements

- Negotiated the “Joint Policy position on Water Service Transfers”, accommodating municipal requirements;
- Gained SALGA and municipal representation on the Core Team of the Water Services Leadership Group for the development of the Strategic Framework for Water Services White Paper – which will guide the sector for the next 10 years;
- Collaborated in the drafting of the national Free Basic Sanitation policy and strategy for the implementation of Free Basic Water;
- Further development of national sanitation policy and alignment with CMIP;
- Highlighted the implications of the Water Resources Strategy on local government – especially in terms of financial viability and sustainability;
- Built consensus and a local government position on fluoridation;

- Improved communication with the parliamentary Portfolio Committee, including the presentation of the November 2002 NGC resolutions on water and sanitation for debate;
- Held Ministerial bi-lateral meeting in February 2003, where agreement was reached to hold a national Water and Sanitation (WS) Summit with all municipalities;
- Initiation of the PAWS (Partners for Water & Sanitation) project with the British government, which provides intellectual capital and support directly to Zululand and uThungulu District Municipalities and Nkonza and Matjhabeng Local Municipalities;
- Built a WS network across municipalities and drove on-going consultation and information dissemination processes;
- SALGA WS has also been an active partner in many of the WS sector bodies and programmes – both at strategic national level, such as Masibambane, National Sanitation and Inter-Departmental Transfer Committees and WS Sector Leadership Group and at local/implementation level. Highlights include:
  - Transfer programme of DWAF schemes to Water Services Authorities (WSAs) –. Held a national workshop in January 2003 with all receiving municipalities to discuss Transfers and implications for WSAs.
  - Organised presentations to the provincial WS sector.
  - Provided direct support to OR Tambo, Chris Hani and Sekhukhune District Municipalities and Makwasshi Hills Local Municipality.
  - Facilitation of the roll out of the water and sanitation powers and functions for the new 155 WSAs (instead of the previous 53) and information and support for implementation of the Section 78's.

- Built a water services team in SALGA – through placement of a National Sanitation Coordinator and Provincial WS Coordinators in Free State, North West, Mpumalanga, Eastern Cape and Limpopo provinces.
- Strengthened SALGA's WS Technical Support Team.

##### Priorities for 2003/04

Working with sector partners to:

- Implement the Strategic Framework for Water Services to meet sector goals and targets, especially service delivery.
- Prioritise addressing the sanitation backlog and bucket eradication, and ensure the alignment necessary for improved sanitation delivery.
- Develop and implement a Local Government Support Strategy for Water Services, which will include building WS competency and capacity within the LG Knowledge Sharing Programme and the establishment of the Water Information Network.
- Initiate the institutional reform programme, which will look at optimising resources and possible regionalisation for accountable and cost efficient water service provision.

##### Within SALGA to:

- Continue to strengthen and support the Water Services structures and capacity and ensure the centrality of local government in the sector.
- Develop a position on the Water Resources Strategy to ensure local government is recognised as a sphere of government and that municipalities are not financially overburdened, with particular reference to the governance of catchment management areas and pricing strategies.

#### 2. Electricity

##### Key Challenges in 2002/03

The need to ensure that the Restructuring of Electricity Distribution Industry (EDI) did not diminish local government's asset base and undermine the financial viability of municipalities was one of the key issues that had to be addressed in 2002.

With regard to Free Basic Electricity (FBE), many municipalities had rolled out FBE in the areas they service, but the provision of electricity to Eskom-controlled areas remained a challenge. Many municipalities had initiated negotiations with Eskom in an attempt to overcome this problem but with varying degrees of success.

Another major impediment to the speedy rollout of FBE was the lack of effective technical and project management capacity as well as the absence of effective pro-poor targeting systems in some municipalities.



# MUNICIPAL SERVICES

## Improving Service Delivery

### Achievements

SALGA's key focus areas in the past year have been:

- Ensuring the finalisation of a study to fully analyse and understand the impact of the restructuring of EDI, particularly with regard to the potential impact on non-income generating departments which are currently cross-subsidised by electricity tariffs.
- Securing the commitment of national government to obviate any additional costs which municipalities may be forced to incur as a result of the restructuring process, including all transition costs as well as any losses of revenue.
- Developing guidelines on how to go about ring-fencing municipal assets, conducting pilot studies in all categories of municipalities, and ensuring that municipalities are sufficiently capacitated and informed to effectively deal with the restructuring process.
- Ensuring that adequate resources are supplied to support municipalities in the rollout of FBE. Though we have not progressed as far as we had hoped in many of these areas, SALGA did succeed in securing an in-principle commitment from national government to ensure that the restructuring process would not adversely affect municipalities. The exact nature of the financial support that will be needed from national government will only be determined once the financial modelling is complete.

### Key Priorities for 2003/4

- Reaching agreement with Eskom, the Department of Minerals and Energy and DPLG regarding the provision of FBE in Eskom areas.
- Development of guidelines on the implementation of FBE.
- Completion of the financial model.
- Ring-fencing municipal assets to determine the actual cost of the electricity industry at municipal level.

- Finalisation of the approach regarding the valuation methods to be used to determine the share value that shall be attributed to different members within a RED
- Finalisation of the establishment framework for REDs

## 3. Health

### Key Challenges in 2002/03

The decentralisation of health services and the establishment of the District Health System constituted the major sectoral challenge of 2002/03. Historically, the Health Care Sector has been extremely fragmented with both a duplication of functions and gaps in the provision of health services. Moreover, there was lack of constitutional clarity with regard to the assignment of functions between the provincial and municipal sphere.

Of particular concern to local government was that the proposed National Health Bill introduced by the Department of Health (DoH) did not adequately address this functional split. Moreover, there was a range of financial and other operational liabilities that could arise from the decentralisation process. For example, there was the possibility that the implementation of the National Health Bill would require municipalities to take over specific services that provinces have historically paid for and managed. While most municipalities would have been able to take over the management function for these services, many would not have been in a position to pay for them. In addition, in the past, a number of municipalities have built and operated clinics and the future of these clinics within the new dispensation is unclear.

### Achievements

SALGA sits on a number of key committees responsible for the formulation of policies regarding health e.g.:

- Health Minmec;
- Technical Minmec (formerly known as the Provincial Health Restructuring Committee);
- The National District Health System Committee.

Through these committees, SALGA has developed and lobbied around the following key issues:

- Finalisation of National Health Bill.
- Concretisation of the definition of municipal health services.
- A Financing Framework for municipal health services.
- Regulations regarding environmental health services.

In addition, SALGA increased its own internal capacity to engage on health issues through the establishment of representative technical structures at national and provincial level.

### Priorities for 2002/03

- Finalisation of the health policy and funding framework; and
- Provision of support to municipalities regarding the transfer process.

## 4. Housing

### Key Challenges in 2002/03

Whilst substantial progress has been made regarding the government's commitment to mass housing delivery, several problems still faced municipalities in 2002. For example, the size of the housing subsidy and the financing of housing delivery, the repayment of housing

loans, the sub-letting of subsidised housing and the transfer of rental stock. Moreover, ensuring effective coordination between national and municipal approaches to tackling some of these problems remained a priority.

### Achievements

SALGA has been a vocal advocate and participant in the National Housing Process, striving to ensure that:

- Housing provision does not just focus on the quantity but also the quality of the housing opportunities provided.
- Commitments towards meeting second generation rights and needs are taken into account.
- The economic, social and environmental issues associated with housing provision are also considered.

During the course of last year SALGA conducted an assessment of housing delivery within the sector and facilitated the signing of the MoU between SALGA and the Department of Housing in respect of the Habitat programme/agenda. In addition, we initiated eight social housing pilot projects.

### Priorities for 2003/04

- Development of a SALGA position on social housing to influence the national policy.
- Rollout of the social housing programme.
- Signing of MOU between SALGA and VNG regarding the secondment of housing experts to SALGA.
- Rollout of the Municipal Management Training Programme on Social Housing.
- Engagement with the Department of Housing and SERVCON to develop a common approach with regard to credit control.



## MUNICIPAL SERVICES

### *The Creation of Effective Public Transport*

#### ■ 5. Transport

##### Key Challenges in 2002/03

The key challenge for local government with regard to transport, and government in general, was the creation of an effective public transport system and infrastructure that facilitates sustainable, integrated development and decreases the life costs of the poor.

##### Achievements

SALGA's areas of focus for 2002/3 were:

- Ensuring effective SALGA participation in COTO
- Securing OLG participation on the Road Traffic Management Committee (RTMC).
- The establishment and development of Municipal Transport best practice and models.
- Ensuring proper inter-sphere coordination with regard to the establishment of toll gates.
- Resolving issues pertaining to overloading control.
- Providing support with regard to municipal transport planning and coordination.

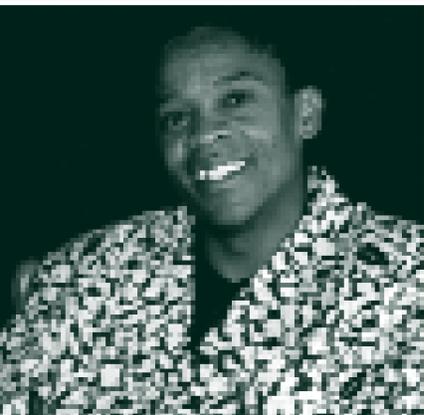
During the course of last year, SALGA managed to gain representation on the RTMC and participated in a number of policy processes.

##### Priorities for 2003/04

- Promote the inclusion of inter-modal designs into municipal transport plans.
- Encourage the use of non-motorised transport and develop an Easy Guide for municipalities.
- Develop a SALGA position on RIFSA.
- Review the extent to which current transport legislation adversely affects integrated transport planning.

Though 2002/3 saw substantial progress in taking forward some of SALGA's key municipal services priorities, progress was hampered by the absence of a Manager for Municipal Infrastructure to drive the programme. One of the key priorities for 2003/04 will be the filling of this vacancy and the provision of dedicated technical support to the Municipal Services Working Group.





## MUNICIPAL FINANCES

*"Ensuring the long-term financial viability and sustainability of municipalities is an imperative."*

Working Group Chairperson, Cllr Johnny Mokoena

Working Group Chairperson  
Cllr Johnny Mokoena



Trevor Manuel  
South African Minister of Finance

### Income and Expenditure

#### ■ Working Group Focal Areas

- Intergovernmental fiscal policies
- Municipal finance
- Credit control
- Revenue generation
- Municipal finance management
- Municipal capital projects
- Infrastructure investment

#### Key Challenges 2002/03

At the beginning of the 2002/03 financial year, the financial viability of municipalities as well as levels of internal financial management capacity was a major concern. In terms of the Intergovernmental Fiscal Relations Framework, there was a growing recognition that the process for calculating the equitable share had a number of flaws and needed to be reviewed.

Moreover, the lack of consolidation of municipal grants and the trend towards fiscal dumping undermined the ability of municipalities to effectively plan and manage delivery. At the same time, many municipalities were facing significant fiscal pressures due to service delivery backlogs and the poverty of their communities. This resulted in a limited revenue base, which was coupled with the demands of delivering free basic services.

However, the paucity of accurate municipal data as well as the apparent limited ability of some municipalities to spend gave rise to questions about the fiscal capacity of local government and served to undermine local government's case for an increase in its share of national revenue.

#### Achievements

- Gained national government commitment to provide additional funding for Free Basic Services.

- Won significant gains for continuing independence of the local sphere in parliamentary negotiations regarding the Municipal Finance Management Bill.
- Launched Local Government Budget Week aimed at assessing municipal income and expenditure patterns as a means of gaining a better understanding of municipal fiscal pressures.
- Participated in a joint SALGA/DPLG/ National Treasury Working Group to review the Equitable Share formula in order to:
  - Develop an appropriate package and level of basic services.
  - Determine the cost and appropriate method of funding basic services and FBS to low-income households.
  - Determine the appropriate relationships between the equitable share and the infrastructure grants that will facilitate the implementation of FBS, taking into account the backlogs to be addressed.
  - Review the funding requirements of the different categories and types of municipalities, taking into account situational variances (i.e. rural versus urban, extent of backlogs in service delivery, ability to generate own revenues etc.)

#### Priorities for 2003/04

- Audit the degree of municipal compliance with relevant municipal finance legislation.
- Development of a Municipal Finance Management Act (MFMA) Toolkit.
- Support to municipalities regarding the roll-out of the MFMA.
- Development of a basic and advanced financial management training programme for Municipal CFOs.
- Review of the implementation of Budget Reforms and formulation of recommendations to National Treasury.

- Strengthen SALGA's participation in the Municipal Revenue Enhancement Programme and develop proposals regarding the tackling of municipal debt.
- Conduct an analysis of the fiscal capacity of local government.
- Report on the financial and fiscal status of municipalities to influence the division of revenue process.
- Develop guidelines on tariffs and policies for the indigent.
- Establishment of the SALGA Budget Office.

#### Local Government Budget Week

Local Government Budget Week was held in June 2003. During this week, municipalities across the country were encouraged to approve their budgets, hold local exhibitions and invite local citizens and residents to view local income and expenditure patterns.

#### The purpose of Local Government Budget Week was to:

- Highlight the fiscal dynamics of developmental local government.
- To reflect on fundamental aspects of municipal budget trends.
- To highlight the crucial nature of the municipal budget as a policy statement which reflects developmental priorities and how these feed into the over-arching objective of service delivery.
- To examine the relationship and extent to which national/provincial spheres support and consolidate developmental local government through the Intergovernmental Fiscal Framework.
- To evaluate the efficacy, or economic use of limited resources, in addressing service delivery - particularly how resources impact on historical backlogs and the indigent.

- To advance the modernisation of municipal financial management as well as promote transparency and accountability.

#### Some of the key issues emerging from the week were that:

- Electricity remains the main source of income for all municipalities and on average represents 35% of total income.
- Municipal expenditure was, in general, in line with cash flow.
- Many municipalities were becoming more and more reliant on grants or donations to fund capital expenditure and did not have the financial capacity to service long-term loans, especially smaller and more rural municipalities.
- This meant that increases in the equitable share allocation to municipalities were of great value given the limited revenue base of many municipalities.
- The division of revenue was therefore a crucial tool in addressing local government financial challenges and pressures.
- The percentage of municipal expenditure increases was lower than inflation which meant that municipalities needed to ensure that they controlled their costs and maximized operational efficiencies – particularly in relation to managing distribution losses.
- Municipalities were not spending enough on repairs and maintenance, which could result in high replacement costs in the long-term.
- Municipalities needed to update their indigent registers and ensure that Free Basic Services were effectively targeted to the poor.
- More effective credit control measures needed to be introduced along with general improvements in financial management systems.



## HUMAN RESOURCE DEVELOPMENT

*We must be steadfast in our efforts to promote an institutional and labour relations environment that, first and foremost, promotes better service delivery*

Working Group Chairperson  
Cllr Sakkie Somyo

### Skills Development

#### ■ Working Group Focal Areas

- Labour relations
- Skills development
- LGWSETA
- Organisational development
- Restructuring of municipalities
- Institutional issues relating to Municipal Service Partnerships

#### Key Challenges in 2002/03

At the beginning of the 2002 financial year, a coherent and uniform institutional framework for the sector had yet to be developed, partly due to the disruptive nature of annual wage negotiations and partly to an ongoing lack of agreement regarding a new, uniform set of conditions of service for local government employees. The latter contributed to high wage costs within the sector, particularly in relation to areas such as leave and overtime benefits as well as employer contributions.

In addition, many municipalities had still not finalised their organograms and/or stabilised their administrations, whilst there was a disjointed approach to the remuneration of municipal managers and a number of (Section 57) employees did not have employment and/or performance contracts.

Furthermore, a number of municipalities lacked skills in critical areas such as strategic planning, financial management, LED, the development of Workplace Skills Plans etc., whilst weaknesses within the Local Government and Water Sector Education and Training Authority (LGWSETA) continued to hamper the development and implementation of an effective Skills Development Strategy for the sector.

#### Achievements

- Agreement on a shift to multi-year bargaining and a multi-year salary and wage agreement.

On the 19th of July 2003 history was made in local government collective bargaining with the conclusion of a first multi-year salary and wage agreement under the auspices of the South African Local Bargaining Council (SALGBC) between SALGA, as the employer body representing all the 284 municipalities on the one hand, and SAMWU and IMATU representing organised labour in the sector.

- Development of a uniform employer policy/institutional framework for the sector through the HRD Conference held in March 2003.
- Capping of medical aid contributions. A collective agreement was signed by the parties to the SALGBC on the restructuring of the medical aid dispensation, which took effect on 1 July 2003. More than anything, the high point of the agreement is the capping of the employer contribution up to a maximum of R1 639.00 in such a manner that the employer – employee contribution split will be 60% - 40% respectively.
- Agreement on grievance and disciplinary procedures.
- Development of draft Uniform Conditions of Service for the Sector.
- Development of Guidelines for the Remuneration of Municipal Managers.
- Development of a Human Resources and Collective Bargaining Framework regarding:
  - Regional Electricity Distributors (REDs).
  - Water Services Restructuring.

- Establishment of a Labour Relations Database. SALGA has recently concluded work on a labour relations statistics database aimed at providing detailed management information to assist in collective bargaining, management reporting, trends analysis and compliance with legislative requirements.
- Development of a Skills Development Strategy.
- Initiation of a Sector Skills Strategy.
- Co-development of an Integrated Capacity Building Strategy for the Sector in partnership with DPLG.
- Strengthening of the leadership and management of the LGWSETA.
- Training:
  - Initiation of Phase 2 of the Core Councillor Training Programme targeted at District and Local Municipalities.
  - Training around the TASK job evaluation system.
  - SALGA/DPLG Financial Management Training Programme.
  - Formulation of Councillor Development Programme (CDP) targeted at 630 senior councillors (70 per province).

#### Priorities for 2003/04

- Development of competency frameworks for senior and part-time councillors.
- Ward Committee Training.
- Provision of learnerships for Community Development Workers as well as on ABET, Skills Development Facilitation, Project Management, Contract Management, Finance and Administration, Water and LED through the LGWSETA.
- Finalisation of the Integrated Capacity Building Strategy for the sector.

- Building a strong Local Government Leadership Cadre through the roll-out of the Councillor Development Programme.
- Initiation of the Local Government Workplace Skills College.
- Establishment of the HR Policies and Procedure Database.
- Audit of compliance with medical aid agreements.
- Restructuring of municipal pension and medical aid funds.
- Development of guidelines with regard to new disciplinary and grievance procedures.
- Development of revised scales for the remuneration of Municipal Managers.
- Finalisation of job evaluations and grading.
- Conducting a study on the municipal wage curve and determining criteria for the categorisation of different municipalities.
- Development of an Occupational Health and Safety toolkit.
- Development of a debt consolidation framework to deal with micro lending within the sector.
- Payroll systems integration.
- Provision of placement support to municipalities.
- Provision of support to municipalities regarding the rollout of performance management systems and finalisation of employment and performance contracts.
- Development of guidelines with regard to Municipal Service Partnerships.
- Provision of LR/HR advice regarding water service transfers.
- Public Sector alignment and integration.
- Strengthening of SALGA's provincial LR capacity.



## SPECIAL PROJECTS

*As the government closest to the people, local government has a special responsibility regarding the upliftment and empowerment of the most vulnerable members of our society*

Working Group Chairperson  
Cllr M. Khawula

### Enabling Infrastructure

#### ■ Working Group Focal Areas

- Gender
- HIV/AIDS
- Disability
- Youth development

#### 1. Gender & HIV/AIDS

##### Key Challenges in 2002/3

Some of the key gender-related challenges within the sector are the fact that many municipalities have still not mainstreamed gender in their IDPs and economic development strategies, whilst women continue to be under-represented at a strategic leadership level. Municipal public participation processes are also, on the whole, still not adequately geared towards ensuring the effective participation of women – and especially the most vulnerable. All this is of particular concern considering that women constitute more than 50% of the country's population and make-up the bulk of the poor. In terms of HIV/AIDS, many municipalities do not have an HIV/AIDS strategy. Those that have strategies in place, often tend to focus on a particular aspect of the disease - such as HIV/AIDS in the workplace or HIV/AIDS and health rather than developing a comprehensive strategy to deal with the pandemic's potential economic, social, health and labour implications.

##### SALGA Achievements

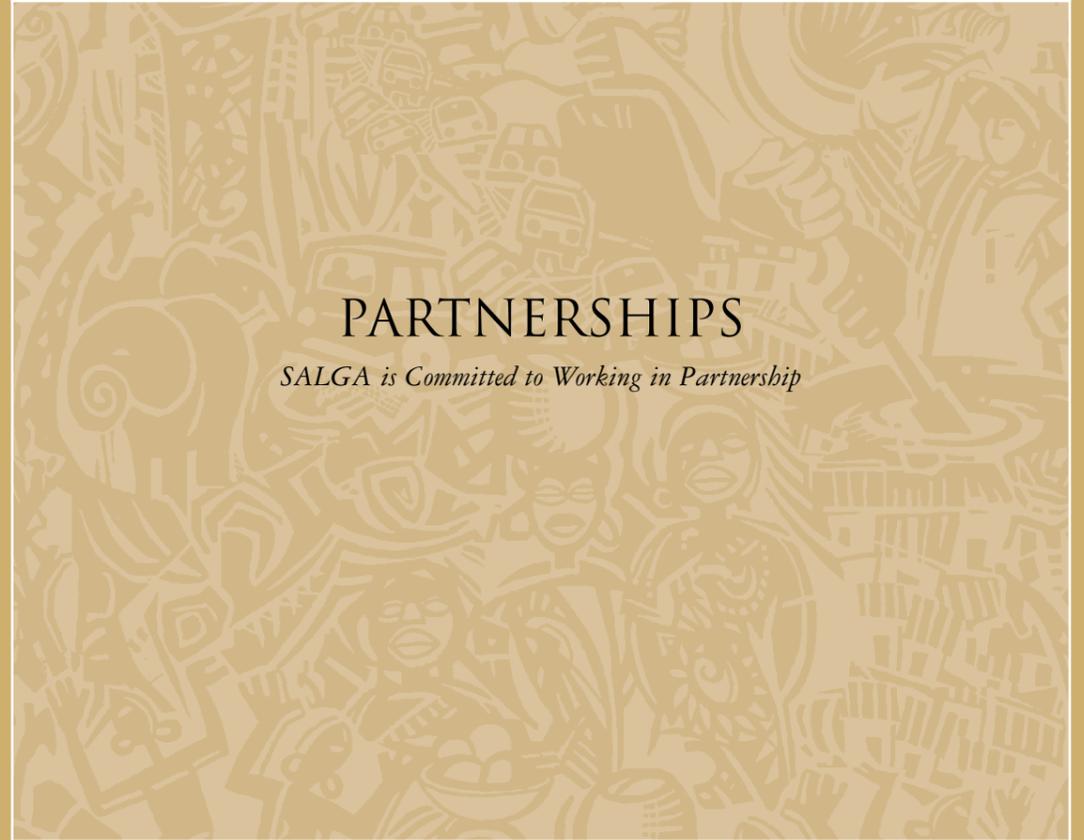
Progress on these issues in 2002/03 was limited due to the fact that SALGA only managed to build capacity in this area in the last quarter of the year. However, SALGA was involved in co-hosting a Women in Local Government Summit in August 2002 and also managed to initiate a gender audit, looking at levels of women participation and representation within municipalities. SALGA also established contact with a number of key government and nongovernmental structures dealing with gender and/or HIV/AIDS.



##### Priorities for 2003/04

- Development of a comprehensive Gender Policy for municipalities.
- Reviewing and evaluating gaps in baseline research and previous gender activities.
- Co-ordinating a national workshop for women councillors.
- Implementing national programmes regarding the economic empowerment of women.
- The imbalances in wealth, skills and access to enabling infrastructure are some of the factors that have been taken into account. Research and advocacy into the barriers that women face in accessing credit, which includes status, traditional practices, and male consent are important in ensuring the economic empowerment of women. Poverty and inequality are also the core factors in determining people's vulnerability to HIV infections. It is therefore a crucial area of social intervention for local government.
- Development of a common approach to local government HIV/ AIDS strategies in the SADC region, particularly relating to the operational and economic impact of HIV/AIDS.
- Development of a partnership with AMICAAL regarding a continental approach to the AIDS pandemic.
- Collaboration with the Department of Health on a HIV/AIDS training programme for local government planners i.e. both councillors and officials. Approximately 600 councillors will be reached during Phase One of the programme.

The focus of the programme is to assist local government through a toolkit in order to integrate issues of HIV in their municipal IDPs.



## PARTNERSHIPS

*SALGA is Committed to Working in Partnership*



## PARTNERSHIPS

*SALGA is committed to working in partnership with other key national and international stakeholders to take forward the local government transformation agenda*

Ms N Botha,  
Deputy Minister of Provincial & Local Government at the SALGA NGC, November 2002

### Framework and Implementation

- As part of our commitment to building collaborative networks within the sector, SALGA has entered into a number of strategic partnerships with both local and international stakeholders. Some of these partnerships are outlined below.

#### 1. National Departments

SALGA is currently working on a number of joint projects with DPLG, such as the development of an Integrated Capacity Building Strategy for the sector, an IGR framework and the implementation of the Knowledge Sharing Programme (KSP). A Joint Executive Committee (Jexco) has been established, comprising the top management teams of both organisations and oversees the work of a number of SALGA/DPLG Joint Task Teams.

In addition, SALGA is working with the following Departments:

- Department of Water Affairs, on the roll-out of Free Basic Water and the transformation of the water sector;
- The National Treasury, on a variety of finance issues including the consolidation of municipal infrastructure grants and the review of the equitable share;
- The Department of Housing, on the implementation of the Habitat agenda at local level;
- The Department of Health, on developing a joint HIV/AIDS programmes including training for municipal planners on dealing with HIV/AIDS;
- The Department of Minerals and Energy, on the restructuring of the electricity distribution industry and fast-tracking the provision of Free Basic Electricity;

- The Department of Trade and Industry, on creating linkages between macro and micro economic development strategies;
- The Department of Public Service and Administration, on public sector integration and the implementation of the Community Development Workers programme; and
- GCIS, regarding improving municipal communications capability and integrating government communication efforts.

Exploratory talks have also been held with the Department of Education around the provision of basic services to schools as well as the Department of Sport, regarding collaborating on matters of common interest in sport and recreation.

#### 2. Parastatals

SALGA is currently working with DBSA on the Councillor Development Programme, the ICT Placement programme and the establishment of a Municipal Support and Interventions unit and hope to conclude a partnership around other areas of mutual interest. SALGA has also enjoyed a long and fruitful relationship with ESKOM and Eskom Enterprises, working with the latter on the National Coalition for Municipal Service Delivery. SALGA is also currently in discussions with StatsSA regarding collaboration around the national census and the sharing of information resources. In addition, SALGA holds a seat on the Board of INCA and the EDI Holding Company.

#### 3. Donor Agencies

For many years, SALGA has enjoyed the support of NORAD, Masibambane and the Dutch Embassy. In 2002/3, the organization also built stronger ties with USAID, AUSAID, GTZ and Department for International Development (DFID) and SALGA is currently exploring further relationships with DANIDA as well as the Japanese, Finnish and the French Governments.

#### 4. International Local Government Associations

Last year, SALGA made significant progress in strengthening its ties with the African Union of Local Authorities (AULA) as well as local government associations in Swaziland, Lesotho and Botswana. In addition, the organisation strengthened its long-standing relationship with the VNG and signed a new partnership agreement with the UK Local Government International Bureau.

#### 5. The Private Sector

With regard to the private sector, SALGA is working with Price Waterhouse Coopers on its municipal interventions programme and collaborated with the Resolve Group on the HRD conference. The organisation hopes to further explore the possibility of developing a number of other strategic partnerships with the private sector in the short to medium-term.

#### Publications

##### 1. SALGA PUBLICATIONS

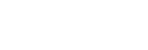
###### Documents

SALGA has produced the following guidelines and resource books:

- IDP Guidelines.
- Performance Management Guidelines.
- WSSD Guidelines.
- Energising South African Cities & Towns.
- Local Government Guide to Sustainable energy Planning.
- Municipal Budgets for 2003/04.
- Local Government Gender Policy.
- Human Resources Handbook.
- Political Restructuring Discussion Document.
- Mayoral Handbook.
- Local Government Communicators Handbook (in partnership with GCIS).

###### Magazines

SALGA produces a monthly magazine called Voice, which highlights key SALGA events as well as topical issues within the sector. In 2003/4, SALGA hopes to introduce a bi-weekly electronic newsletter that would inform members about key SALGA and national government policy decisions as well as critical issues on the near horizon.





## PARTNERSHIPS

### *Focusing on Key Developments*

#### ■ 2. SALGA SPONSORED

##### PUBLICATIONS

##### 2.1 LGWSETA

SALGA constitutes 50% of the Board of the LGWSETA. The LGWSETA produces a quarterly newsletter focusing on key developments around skills development within the sector and recently published the Sector Skills Plan.

##### 2.2 Partnership with the Community Law Centre, UWC

SALGA is working in partnership with the University of Western Cape's Community Law Centre to produce a monthly Local Government Bulletin focusing on providing guidance with regard to the legal aspects and implications of current policy developments within the sector.

##### 2.3 HOLOGRAM

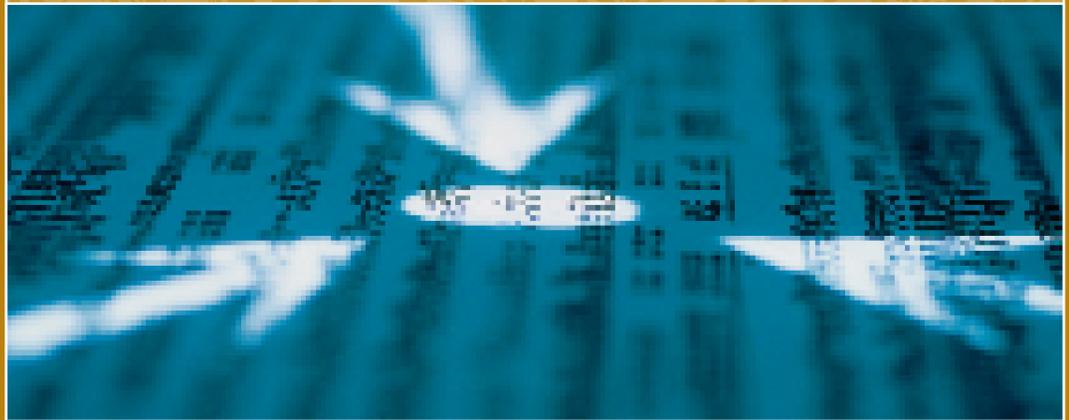
Being focused on knowledge sharing, the HOLOGRAM programme produced a number of publications such as:

- An electronic newsletter on key matters of debates within the sector. 29 newsletters were produced in the 2002/03 financial year
- Three toolkits were produced: knowledge management; learning organisation benchmark; and conducting peer reviews.
- A number of research papers.
- An Ideal Municipality Benchmark.
- A training video for Municipal Managers on Managing Change.

#### 3. COLLECTIVE AGREEMENTS

The following collective agreements have been concluded in the South African Local Bargaining Council:

- SALGBC Bargaining Levels Collective Agreement;
- SALGBC Bargaining Council Data Bank Collective Agreement;
- SALGBC Disciplinary Code Collective Agreement;
- SALGBC Grievance Procedure Collective Agreement;
- SALGBC Job Evaluation Collective Agreement;
- SALGBC Medical Aid Collective Agreement;
- SALGBC Organisational Rights Agreement; and
- SALGBC Wage Collective Agreement.



## FINANCIAL STATEMENTS

*South African Local Government Association (SALGA)*

*Annual Financial Statement 30 June 2003*

# FINANCIAL STATEMENTS

## South African Local Government Association (SALGA) (Established in terms of a Constitution as an Association Not for Gain)

### ANNUAL FINANCIAL STATEMENTS

30 June 2003

#### Administrative Office:

6th Floor  
HSRC Building  
134 Pretorius Street  
Pretoria

#### Bankers:

ABSA Bank  
230 Van der Walt Street  
Pretoria

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## Improving Financial Management & Viability

### Financial Performance

The results of the financial year under review reflect a positive financial position. Our increase in the operating surplus was achieved largely as a result of management's objective to relentlessly drive the association towards greater financial sustainability through aggressive cost cutting and scaling down of operational costs in line with income.

### Income and Expenditure

For the financial year 2002/03, SALGA received an equitable share of 45%. The additional income of 55% was from levies collected from municipalities, donor funds, income raised from conferences and from debtors. Donor funds were received from NORAD, Masibambane and the Dutch Embassy. The charts below graphically depict SALGA's key income sources and areas of expenditure in 2002/03.

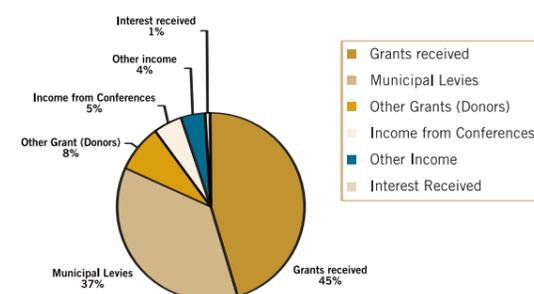
### Internal Control Systems

SALGA maintains financial and operational systems of internal control that are designed to provide reasonable assurance that transactions are concluded in accordance with management's authority, that the assets are adequately safeguarded against material loss or unauthorised acquisition, use, or disposal, and that transactions are properly authorised and recorded.

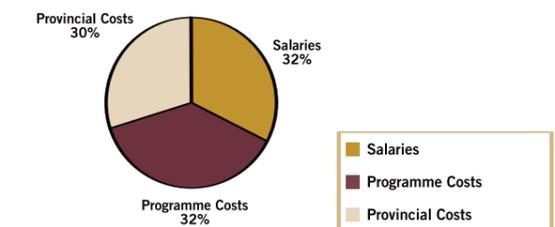
The Office of the Auditor-General reports its findings and recommendations to the Audit Committee, which oversees the financial reporting process and internal controls. Corrective actions are taken to address control, deficiencies and improve systems as and when identified.

The Accounting Authority has developed and continues to maintain internal control systems by ensuring that proper financial and human resource policies are in place, practised and adhered to.

Income



Breakdown of Costs



# FINANCIAL STATEMENTS



## Report of the Audit Committee

- We are pleased to present our report for the financial year ended 30 June 2003.

### Audit Committee Members

Mr K Chetty (Chairperson)  
Mr C Clerihew  
Ms M Ramano  
Ms Moitse  
(One vacancy exists)

### Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 51(1) (a) of the Public Finance Management Act and Treasury Regulation 27.1.10. The Audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter. It has also regulated its affairs in compliance with this charter and discharged all its responsibilities as contained therein. In the evaluation of the Financial Statements, the Audit Committee has:

- Reviewed and discussed with the Auditor General and the Accounting Authority the audited annual financial statements to be included in the annual report
- Reviewed the Auditor-General's management letter and management response; and
- Reviewed the significant adjustments resulting from the audit
- Reviewed the effectiveness of the Internal Controls and considers the system appropriate for the effective operation of its business.

The Auditor Committee concurs and accepts the conclusion of the Auditor General on the Financial Statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.

K Chetty  
**Chairperson of the Audit Committee**  
28 November 2003

## Report of the Auditor-General to Parliament

on the Financial Statements of the South African Local Government Association for the Year Ended 30 June 2003

### 1. AUDIT ASSIGNMENT

The financial statements as set out on pages 53 to 61, for the year ended 30 June 2003 have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 3 and 5 of the Auditor-General Act, 1995 (Act No. 12 of 1995). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting authority. My responsibility is to express an opinion on these financial statements, based on the audit.

### 2. NATURE AND SCOPE

The audit was conducted in accordance with Statements of South African Auditing Standards. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- Assessing the accounting principles used and significant estimates made by management, and
- Evaluating the overall financial statement presentation.

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations which came to my attention and are applicable to financial matters. I believe that the audit provides a reasonable basis for my opinion.

### 3. AUDIT OPINION

In my opinion, the financial statements fairly present, in all material respects, the financial position of the South African Local Government Association (SALGA) at 30 June 2003 and the results of its operations and cash flows for the year then ended, in accordance with generally accepted accounting practice and in the manner required by the Public Finance Management Act, 1999 (Act No 1 of 1999) (PFMA).

### 4. EMPHASIS OF MATTER

Without qualifying the audit opinion expressed above, attention is drawn to the following matters:

#### 4.1 Financial Management

For the year under review, there were certain instances of non-compliance with the PFMA, particularly in the following areas:

##### 4.1.1 Non-compliance with Laws and Regulations

- No Internal Audit function
- Risk assessment not conducted
- No quarterly reporting to the Minister of Provincial and Local Government
- No cash flow projections
- No materiality framework developed



## FINANCIAL STATEMENTS

### *Report of the Auditor-General to Parliament Continued...*

**4.1.2 Late submission of Annual Financial Statements**  
Section 55(1)(c)(i) of the PFMA requires financial statements to be submitted to the Auditor-General within two months (by the end of August) after the end of the financial year. The financial statements were signed by the Chief Executive Officer of SALGA on 31 August 2003 and submitted for audit purposes on the same date. These financial statements required changes to be acceptable for audit purposes and were returned to the Chief Executive Officer of SALGA to effect those changes. The corrected financial statements were signed by the Chief Executive Officer of SALGA on 24 November 2003 and submitted for audit purposes on the same date. The resubmission date has been recognised as the submission date. Therefore, this is considered to be a late submission and technically in non-compliance of the requirements of the PFMA.

**4.2 Grants received from the Local Government Training Fund**

The matter relating to the utilisation of R 1 412 880 from the Local Government Training Fund as a grant to SALGA to undertake councillor training in Integrated Development Planning and Local Economic Development, as reported on in the last 3 audit reports,

has still not been resolved. The memorandum, which was approved by the Minister of Provincial and Local Government, on 30 March 2000, was subject to specific conditions. During the audit no evidence could be submitted regarding compliance with these conditions to ensure that the grant had been utilised as intended. At the time of compiling this report the matter was still unresolved.

### 5. APPRECIATION

The assistance rendered by the staff of the South African Local Government Association during the audit is sincerely appreciated.



S Singh  
for **Auditor-General Pretoria**  
8 Decemeber 2003

### *Report of the Accounting Authority*

#### ■ ACCOUNTING AUTHORITY REPORT FINANCIAL RESULTS

The financial results of the SALGA are set out in the attached financial statements.

#### MEMBERS OF THE BOARD

SALGA does not have a board.

#### BOARD AND EXECUTIVE MEMBERS' EMOLUMENTS

No emoluments were paid to or receivable by the Executive committee Members during the period under review:

Chief Executive Officer  
**CEO – T Mokwena Remuneration**  
R 656 299

#### AUDIT COMMITTEE MEMBERS' EMOLUMENTS (R'000)

No emoluments were paid to or receivable by the Audit Committee Members during the period under review:

#### MATERIAL EVENTS AFTER YEAR END

No matter which is material to the financial affairs of the SALGA has occurred between the balance sheet date and the date of approval of the financial statements.

#### AUDITORS

The Office of the Auditor-General will continue to perform the statutory audit in accordance with the Act.

The Financial statements set out on pages 53 to 61 for SALGA were approved by:



T Mokwena  
**Accounting Authority**  
28 November 2003

# FINANCIAL STATEMENTS

South African Government Association (SALGA)

## SOUTH AFRICAN LOCAL GOVERNMENT ASSOCIATION

### BALANCE SHEET at 30 June 2003

	NOTE	2003 R	2002 R
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, Plant and Equipment	2	961,770	467,797
<b>CURRENT ASSETS</b>			
Receivables and Prepayments	3	3,050,509	1,876,927
Cash and Cash Equivalents		8,531,755	7,496,739
<b>TOTAL ASSETS</b>		<b>12,544,034</b>	<b>9,841,462</b>
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Establishment Levies	4	1,065,500	1,065,500
Accumulated Surplus (Deficit)		117,662	(4,793,838)
<b>NON CURRENT LIABILITIES</b>			
Long Term Liabilities	5	-	-
<b>CURRENT LIABILITIES</b>			
Accounts Payables and Accruals	6	3,499,953	6,027,156
Provisions	10	512,545	318,025
Current Portion of long term liabilities	5	-	5,052
Deferred Income	12	7,348,374	7,219,566
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>12,544,034</b>	<b>9,841,462</b>

## SOUTH AFRICAN LOCAL GOVERNMENT ASSOCIATION

### INCOME STATEMENT for the year ended 30 June 2003

	NOTE	2003 R	2002 R
GROSS REVENUE		42,119,024	16,086,150
GRANT ( DONOR FUND)		4,077,662	1,344,827
OTHER INCOME		1,211,647	1,560,137
		<b>47,408,333</b>	<b>18,991,114</b>
<b>OPERATING EXPENSES</b>			
		42,835,039	19,233,379
<b>OPERATING SURPLUS (DEFICIT)</b>			
		4,573,294	(242,265)
<b>FINANCE INCOME</b>			
	8	338,206	256,689
<b>NET SURPLUS (DEFICIT)</b>		<b>4,911,500</b>	<b>14,424</b>

# FINANCIAL STATEMENTS

South African Government Association (SALGA)

## SOUTH AFRICAN LOCAL GOVERNMENT ASSOCIATION

### STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2003

NOTE	Establishment Levy R	Accumulated Surplus (Deficit) R	Total R
	1,065,500	(4,808,262)	(3,742,762)
		5,514,424	
		(5,500,000)	
	-	14,424	14,424
	<u>1,065,500</u>	<u>(4,793,838)</u>	<u>(3,728,338)</u>
	-	4,911,500	4,911,500
	<u>1,065,500</u>	<u>117,662</u>	<u>1,183,162</u>

## SOUTH AFRICAN LOCAL GOVERNMENT ASSOCIATION

### CASH FLOW STATEMENT WITH NOTE THEREON for the year ended 30 June 2003

NOTE	2003 R	2002 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received from Municipalities & Government	46,234,751	25,125,132
Cash Paid to Suppliers and Employers	(44,781,743)	(17,012,690)
Cash generated by operations	<u>1,453,005</u>	<u>8,112,442</u>
Interest received	338,693	265,714
Interest paid	(487)	(9,025)
	<u>1,791,211</u>	<u>8,369,131</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from disposal of fixed assets	-	-
Acquisition of fixed assets	(751,143)	(59,786)
	<u>1,040,068</u>	<u>8,309,345</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Increase/(decrease) in long term liabilities	-	(5,052)
Increase/(decrease) in current portion of long term liabilities	(5,052)	(22,951)
Increase/(decrease) in cash resources	<u>1,035,016</u>	<u>8,281,342</u>
Cash resources at beginning of year	7,496,739	(784,603)
<b>Cash resources at end of year</b>	<u><b>8,531,755</b></u>	<u><b>7,496,739</b></u>

#### NOTE TO THE CASH FLOW STATEMENT

1. Cash generated by operations:

Net profit/(loss) before interest	4,573,294	6,977,304
Adjustments for :		
Depreciation	257,170	426,439
Impairment Loss	-	899,157
Increase in accounts payable	(2,203,878)	(449,733)
Decrease/(increase) in accounts receivable	(1,173,582)	259,275
Cash generated by operations	<u>1,453,005</u>	<u>8,112,442</u>

# FINANCIAL STATEMENTS

South African Government Association (SALGA)

## SOUTH AFRICAN LOCAL GOVERNMENT ASSOCIATION

### NOTES TO THE FINANCIAL STATEMENTS at 30 June 2003

#### 1. ACCOUNTING POLICIES

The financial statements are prepared on the historical cost basis and incorporate the following principal accounting policies which are consistent with those of the previous year. These financial statements are prepared in accordance with the generally accepted accounting practice.

##### 1.1 REVENUE

Income, whether received by way government grants received, contributions from members or otherwise, is brought to account in the period to which it relate.

Income received in advance of the period to which it relates is reflected as deferred income.

##### 1.2 PROPERTY, PLANT AND EQUIPMENT

Property Plant and Equipment are included at revalue amount. Cost includes all costs directly attributable to bring the asset to working condition for their intended use.

Depreciation is charged to income on a reducing balance basis so as to write off the value of the assets over the remaining expected useful lives. The annual rates used for this purpose are as follows:

Motor Vehicles	20% p.a.
Computer equipment	33.33% p.a.
Office equipment	25% p.a.
Furniture & Fittings	10% p.a.

##### 1.3 LEASED ASSETS

###### FINANCE LEASES

Where assets are acquired under finance lease agreements that transfer to the Association substantially all the risks and rewards of ownership, their cash cost equivalent is capitalised. The capital element of the leasing commitment is disclosed under long term liabilities. Lease rentals are apportioned between capital and interest elements, using the effective interest rate method.

###### OPERATING LEASES

Lease payments under an operating lease are recognised as an expenses in the Income Statement as incurred over the lease term.

##### 1.4 PROVISIONS

Provisions are recognised when the association has a present legal or constructive obligation as a result of the past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Doubtful debts is provided for at management discretion.

##### 1.5 FINANCIAL INSTRUMENTS

###### Measurement

Financial instrument are initially measured at cost. Subsequently to initial recognition these instruments are recognised as set below

###### Receivables

Receivables are stated at realisable value

###### Cash and cash equivalents

For the purpose of the cash flow statements, cash and cash equivalents comprise balances with bankers.

## NOTES TO THE FINANCIAL STATEMENTS

at 30 June 2003

(Continued).....

#### 2. PROPERTY, PLANT AND EQUIPMENT

##### 2003

	Computers	Furniture & Fitting	Office Equipment	Motor Vehicles	Leased Office Equipment	Totals
C/A beginning of the period	119,490	303,706	20,034	24,566		467,796
Cost	2,189,475	679,305	889,005	50,361	174,568	3,982,714
Impairment	407,012	181,622	310,525	-		899,159
Accumulated Depreciation	1,662,974	193,977	558,446	25,795	174,568	2,615,760
Additions	317,675	316,192	117,276	-		751,143
Depreciation	163,711	49,994	38,550	4,913		257,168
C/A end of period	273,453	569,904	98,760	19,653		961,770
Cost	2,507,150	995,497	1,006,281	50,361	174,568	4,733,857
Accumulated Depreciation	2,233,697	425,595	907,521	30,708	174,568	3,772,087

##### TOTAL NET BOOK VALUE

961,770

##### 2002

	Computers	Furniture & Fitting	Office Equipment	Motor Vehicles	Leased Office Equipment	Totals
C/A beginning of the period	752,145	472,824	440,746	30,686	37,206	1,733,607
Cost	2,189,475	619,519	889,005	50,361	174,568	3,922,928
Impairment	1,437,330	146,695	448,259	19,675		2,051,959
Accumulated Depreciation					137,362	137,362
Additions		59,786				59,786
Impairment	(407,011)	(181,622)	(310,525)	-		(899,158)
Depreciation	(225,644)	(47,282)	(110,187)	(6,119)	(37,206)	(426,438)
C/A end of period	119,490	303,706	20,034	24,567	-	467,797
Cost	2,189,475	679,305	889,005	50,361	174,568	3,982,714
Impairment	407,012	181,622	310,325	-		899,159
Accumulated Depreciation	1,662,974	193,977	558,446	25,795	174,568	2,615,760

##### TOTAL NET BOOK VALUE

467,797

# FINANCIAL STATEMENTS

South African Government Association (SALGA)

## SOUTH AFRICAN LOCAL GOVERNMENT ASSOCIATION

### NOTES TO THE FINANCIAL STATEMENTS at 30 June 2003

(Continued).....

	2003 R	2002 R
<b>3. ACCOUNTS RECEIVABLE</b>		
Included in accounts receivable are amounts due in respect of:		
<b>AMOUNTS DUE BY PROVINCES</b>	<b>189,884</b>	<b>1,419,004</b>
SALGA Limpopo	-	30,000
SALGA North West	-	-
SALGA Northern Cape	-	794,638
SALGA Free State	189,884	-
SALGA Eastern Cape	-	594,366
Provision for Bad Debts	-	(1,419,004)
<b>MUNICIPAL LEVIES</b>	<b>1,395,567</b>	<b>-</b>
<b>OTHER DEBTORS</b>	<b>1,465,058</b>	<b>1,876,927</b>
Other Debtors	31,442	84,593
Deposit for rental of premises	105,787	111,487
Prepaid expenses	-	10,220
Debtors - VOICE	-	12,600
Debtors - LOGAM	-	3,218
Debtors - GALA	-	4,550
Debtors - VNG	456,579	798,309
Debtors - VNG-IDP	80,993	154,985
Debtors - Solidarity	131,905	156,882
SALGBC	312,265	375,128
UNDP	(0)	56,253
DWAF	78,378	78,378
MASIBAMBANE	85,141	-
Eskom- Distribution	20,000	-
SARS VAT	122,567	-
Eskom- Public Affairs	40,000	-
Sundry debtors	-	30,324
	<b>3,050,509</b>	<b>1,876,927</b>
<b>4. ESTABLISHMENT LEVIES</b>		
Gauteng Local Government Association	174,000	174,000
Kwazulu Natal Local Government Association	168,000	168,000
Free State Local Government Association	114,000	114,000
Local Government Association of Mpumalanga	114,000	114,000
North West Local Government Association	120,500	120,500
Northern Cape Local Government Association	93,000	93,000
Northern Province Local Government Association	132,000	132,000
Eastern Cape Local Government Association	150,000	150,000
	<b>1,065,500</b>	<b>1,065,500</b>

## SOUTH AFRICAN LOCAL GOVERNMENT ASSOCIATION

### NOTES TO THE FINANCIAL STATEMENTS at 30 June 2003

(Continued).....

	2003 R	2002 R
<b>5. LONG TERM LIABILITIES</b>		
Liabilities under capitalised finance lease agreements bearing interest rates ranging from 19.16% to 20.42% in 2001 p.a. (2002 - 15.01% to 18.42% p.a.), repayable in aggregate monthly instalments of R2 582.88, inclusive of interest, over periods of 14 months.		
Liabilities are secured by items of fixed assets		
Total liability	-	5,052
Less: Deferred finance charges	-	-
	-	5,052
Less: Current portion included in current liabilities	-	5,052
	-	-
<b>6. ACCOUNTS PAYABLE</b>		
<b>6.1 Amounts due to Provincial Associations</b>	<b>645,000</b>	<b>2,892,237</b>
Gauteng Local Government Association	-	695,151
Kwazulu Natal Local Government Association	255,000	255,000
North West Local Government Association	-	590,000
Western Cape Local Government Organisation	390,000	390,000
Local Government Association of Mpumalanga	-	576,000
Free State Local Government Association	-	386,086
<b>6.2 DEFERRED INCOME</b>	<b>7,348,374</b>	<b>7,219,566</b>
Norad Donor Fund	5,030,218	7,219,566
Masibambane Donor Fund	2,223,150	-
Dutch Embassy Donor Fund	95,006	-
<b>6.3 ACCOUNTS PAYABLES</b>	<b>2,854,953</b>	<b>3,134,919</b>
Trade Creditors	-	847,815
Training Fund	942,131	942,131
Accruals	1,900,822	1,295,446
Payments Received in Advance	12,000	49,527
	<b>10,848,328</b>	<b>13,246,722</b>

# FINANCIAL STATEMENTS

South African Government Association (SALGA)

## SOUTH AFRICAN LOCAL GOVERNMENT ASSOCIATION

### NOTES TO THE FINANCIAL STATEMENTS at 30 June 2003

(Continued).....

	2003 R	2002 R
<b>7. OPERATING EXPENSES</b>		
Operating expenses include:-		
Auditors' remuneration - audit fees	375,587	404,894
Bad debts	110,521	-
Depreciation	257,168	426,439
Computers	163,711	225,644
Furniture and Fittings	49,994	47,282
Office Equipment	38,550	110,187
Leased Office Equipment	-	37,206
Motor Vehicle	4,913	6,120
Impairment Loss	-	899,157
Rental under operating lease agreements	1,381,747	1,000,313
Office equipment	402,574	360,676
Premises	979,173	596,827
Motor vehicles	-	42,810

SALGA has entered into operating lease agreements for premises, fax machines, scanners and photocopying machines. The lease on the rental of premises was for 5 years and expires on 31 May 2003. The annual escalation is 10 % per annum. The leases on the other equipment are on fixed amounts and have expiry dates as reflected below.

Scanners expires on 18 February 2003  
Fax machines expires on 30 September 2004  
Decentralised Photocopiers expires on 30 September 2004  
High Volume Photocopier expires on 31 July 2005

Commitments on operating lease:

Minimum amount payable within one year	
Premises	1,107,624
Scanners	151,656
Fax machines	34,495
Decentralised Photocopiers	56,823
High Volume Photocopier	122,007
<b>Total Commitments on leases</b>	<b>1,472,605</b>

### 8. FINANCE INCOME

Interest received	338,693	265,714
Interest paid	(487)	(9,025)
	<u>338,206</u>	<u>256,689</u>

### 9. TAXATION

Taxation has not been provided for as the Association is exempt from Income tax in terms of Section 10 (1) (f) of the Income Tax Act.

### 10. PROVISIONS

	Leave & Bonus	Employee's Taxation	TOTAL
Opening Carrying Amount	305,525	12,500	318,025
Additional Provisions made during the year	194,520		194,520
Closing Carrying Amount	<u>500,045</u>	<u>12,500</u>	<u>512,545</u>

### 11. FUNDAMENTAL ERROR

Correction of fundamental error relate to grant received from the Department of Provincial and Local Government which were accounted for in the last financial year for expenditure to be incurred in the current year for compliant with the requirements of AC134 on government grant.

	2003	2002
GROSS	-	5,500,000
TAXATION	-	-
	<u>-</u>	<u>5,500,000</u>

Where necessary comparative figures have been reclassified.

### 12. DONOR FUNDING

	Norad R	Masibambane R	Dutch Embassy R	TOTAL R
Opening Balance : Amount Rolled Over	7,219,566	4,311,731	1,175,784	12,707,081
Interest Received	547,229	151,879	101,267	800,374
Amount Spend	<u>2,736,577</u>	<u>2,240,459</u>	<u>1,182,044</u>	<u>6,159,081</u>
Deferred Income	<u>5,030,218</u>	<u>2,223,150</u>	<u>95,006</u>	<u>7,348,374</u>

The Dutch Embassy Donor fund related to audits of 2000-2001 financials, however the surplus for financial year 2003 has been brought in the period to which it relates as reflected in the deferred income.

### 13. CONTINGENT LIABILITY

A potential obligation in respect of VAT and PAYE for the previous financial years payable by SALGA Free State exist. This debt is currently under investigation and negotiations with SARS.

## MEMBERS CONTACT LIST