



SALGA

South African Local Government Association

BUDGET REVIEW REPORT

SELECT COMMITTEE ON LOCAL GOVERNMENT AND ADMINISTRATION

7 MAY 2007

NAMES	DESIGNATION	ENGAGEMENT DATE
Ms. Josephine Meyer CA (SA)	Chief Financial Officer	01/10/2006
Mr. P Maloka	Deputy CEO – SALGA Limpopo	01/03/2005
Mr. G. Mathobela	Deputy CEO – SALGA NC	01/03/2005
Mr. C. Magwangqana	Deputy CEO – SALGA EC	01/03/2005
Ms. G. Langa	Deputy CEO – SALGA MP	01/03/2005
Ms. T Philips	Deputy CEO – SALGA Gauteng	01/03/2006
Mr. J Muller	Deputy CEO – SALGA NW	01/03/2005
Mr. H Petersen	Deputy CEO – SALGA FS	01/03/2005
Mr. T Mthethwa	Deputy CEO – SALGA WC	01/02/2006

4. Overview

4.1 Highlight Successes:

- A single pension fund for local government was registered after ten long years of trying. So far close to 1000 members have been enrolled on the fund. Municipal Employees Pension Fund with 27 000 members and about R4 billion in assets, has approached SALGA to amalgamate with LGPF
- Formulated Treasury Regulations for Micro-Lending deductions in municipalities
- Memorandum of Understanding with National House of Traditional Leadership has been finalised, giving effect to working relations between elected and traditional leaders
- Successfully held municipal budget weeks during July and August 2006, where Treasury officials were interacting with municipal budgets
- Women in Local Government Conference was held in PE to chart the way forward after successful 50/50 campaign
- Successfully compiled information for RSC revenue for 2005/06 in order to inform National Treasury on the review of grant allocation for 2007/08 and 2008/09
- Compiled a report on outstanding debts owed to municipalities by other spheres of government and submitted it to Select Committee on Finance for intervention
- Conducted a survey on funding of primary health care to municipalities still providing the service and wrote a report to Select Committee on Finance highlighting unfunded mandates problem for intervention
- SALGA continues to actively participate in IGR structures
- All SALGA offices are now operating on the same network, as a result of successful deployment of VPN
- Installed Video Conferencing facilities in national, Western Cape, Eastern Cape and KZN offices

4.2 Highlight Challenges:

- Listing of SALGA as schedule 3A public entity, as it limits alternative revenue generation for long term sustainability of the organisation
- Lack of integrated systems (ERP) between SALGA national and provincial offices
- Poor response from donor community
- Disclaimer of audit opinions

- Details in releasing annual report within the prescribed timelines
- Resignation of the CEO mid-term

5. Financial Review

5.1 Revenue

SALGA derives its revenue mainly from membership fees paid by municipalities. For the financial year 2006/07, the total budgeted income is R194, 742, 933. The table 1 below illustrates summary levies received.

4.1.1 MEMBERSHIP LEVIES 2006/2007 (JULY 2006 – MARCH 2007)

Table 1

PROVINCE	SUMMARY MEMBERSHIP LEVY 2006/2007 ONLY			
	INVOICED 2006/2007	RECEIPTED 2006/2007	BALANCE	% PAID
WESTERN CAPE	11,917,160.68	11,685,130.20	232,030.48	98%
NORTHERN CAPE	2,435,855.98	2,168,376.70	267,479.28	87%
EASTERN CAPE	13,042,011.40	6,006,546.70	7,035,464.70	42%
FREE STATE	6,144,214.12	5,497,693.33	616,520.79	87%
KWAZULU NATAL	13,908,437.37	11,876,149.03	2,032,288.34	84%
MPUMALANGA	4,936,702.57	4,936,702.57	0.00	100%
LIMPOPO	4,072,955.49	4,072,955.49	0.00	100%
NORTH WEST	4,930,331.88	4,930,331.88	0.00	100%
GAUTENG	22,221,043.00	21,064,939.75	1,156,103.56	95%
	83,608,712.49	72,238,825.65	11,339,887.15	

4.1.2 Breakdown of Municipalities Payment Status per Province.

Table 2:

MUNICIPAL ANALYSIS				
PROVINCE	FULLY PAID	PARTIALLY PAID	NO PAYMENT	Total
WESTERN CAPE	27	2	1	30
NORTHERN CAPE	24	3	5	32
EASTERN CAPE	31	3	11	45
FREE STATE	18	1	6	25
KWAZULU NATAL	35	5	21	61
MPUMALANGA	21	0	0	21
LIMPOPO	30	0	0	30
NORTH WEST	25	0	0	25
GAUTENG	13	0	1	14
	224	14	45	283

4.1.3 Percentage Distribution of Income: Budgeted

- Membership Levies 48%
- Donor Funding 19%
- Grants from DPLG 10%
- Conference and Seminars 6%
- Other (Interest, etc) 17%

4.1.4 Percentage Distribution of Income: Actual

- Membership Levies 79%
- Grants from DPLG 73%
- Other 4%
- Donor Funding 12%

The above translates to a total of 48% actual income already received as at 31 March 2007.

5. Summary of Income and Expenditure against Budget

Table 3

INCOME	BUDGET Annual R'000	Year-to-Date	BALANCE R'000	% of actual income received against budgeted
Grant from DPLG	19,994,000	14,620,000	5,374,000	73
Levies	92,000,000	72,238,825	19,761,175	79
Donor Funding	36,789,000	4,550,000	32,239,000	12
Conferences & Seminars	12,000,000	-	12,000,000	-
Other	33,960,000	1,342,216	32,617,784	4
Total Income	194,743,000	92,751,041	101,991,959	48
				% of expenditure against budget
Total Expenditure	194,643,000	118,789,833	75,853,167	61
Personnel	66,680,000	51,103,518	15,576,482	77
Administration	21,980,000	14,637,077	7,342,923	67
Capital	29,500,000	1,939,498	27,560,502	7
Programme cost (Prov)	35,582,000	26,298,683	9,283,317	74
Programme cost (Nat)	40,901,000	24,811,057	16,089,943	61

Note: The reasons for under-spending are due to the following:

1. Late planning as articulated in the introduction
2. Budgeted not forthcoming as planned

Below is the table detailing all the programmes of the organisation for the period of the report per strategic objective.

6. Actual Performance against Strategic Objectives

Strategic objective: Increase SALGA's effectiveness, efficiency to enhance sustainability of Organised Local Government through planning, budgeting, accountability and reporting, thus improving the quality of service to its members

PROJECT	DELIVERABLES	PROGRESS AS AT END MARCH 2007
1) Intranet & video conferencing facilities	All SALGA offices are linked together and are effectively communicating	1) VPN deployed in all provinces of SALGA and we are effectively communicating throughout the organisation using VPN. Video Conferencing facility has been delivered in three provinces: KZN, EC and WC and the National office.
2) Improve institutional memory	Properly structured registry is in place and properly operational	1) File plan has been developed. and circulated
3) Performance Management System	Performance Management System is fully operational for 2006/07	1) CEO's performance agreement has been completed and when it was about to be signed the CEO unfortunately resigned

Strategic Objective: Facilitate the implementation of a labour and human resources dispensation in municipalities that enhances service delivery

PROJECT	DELIVERABLES	PROGRESS AS AT END MARCH 2007
1) Local Government Pension Funds Restructuring	Uniform/single Pension Fund established for the sector.	1) The Local Government Pension Fund has been registered after ten year of trying to register 2) Members enrolled are about 1000 3) Municipal Employees Pension Fund has approached SALGA to amalgamate with the new fund, with its 27 000

PROJECT	DELIVERABLES	PROGRESS AS AT END MARCH 2007
2) EDI Restructuring	Transfer of staff done in accordance with law (collective agreement on transfer signed). Bargaining structure for REDs decided.	members and R4 billion in assets 1) Study tour was undertaken by SALGA and two unions in local government (SAMWU and IMATU) to Australia and New Zealand to study how these countries completed transfers during their reforms of electricity industries
3) Performance Management.	Enhanced PMS capacity in municipalities	1) SALGA assisted dplg with the Vuna 2006 Awards 2) SALGA provided inputs in the drafting of the Municipal Performance Regulations for Section 57 Managers that were published during August 2006
4) Development of HR Handbook.	User-friendly and practical guide containing best practice local government policies and procedures.	3) Research on leading municipal practice/s in relation to the implementation of the Balance scorecard methodology to drive organizational performance management commenced during November 2006. 4) Conceptualised the development of a local government performance management benchmark to assist municipalities to comply with Performance Auditing requirement/s of the Auditor General for 2007.
5) Micro-lending	Development of legal framework, accreditation criteria	1) SALGA has set up a task team consisting of municipal expertise to develop a guide/handbook containing best practice policies and procedures that is practical and relevant to the sector. 1) Formulated Treasury Regulation.

PROJECT	DELIVERABLES	PROGRESS AS AT END MARCH 2007
6) HIV and AIDS in the Municipal Workplace	<p>and business agreements to regulate discretionary deductions via the municipal payroll system</p> <p>Municipalities empowered to draft a response/strategy to mitigate the impact of HIV/AIDS in the workplace in the context of developmental local government.</p>	<p>1) HIV/AIDS Strategy developed and was workshop/ed to all provinces during the last half of 2006</p>
7) Development of HR-Plan 2012 for the sector.	<p>A strategic HR Plan for 2012, containing key strategies and recommendations to ensure a strategic, responsive and efficient human resources profession and staff complement.</p>	<p>1) Conceptualised framework and process schedule developed and published for comments</p> <p>2) Tender process jointly with dplg and LGSETA has been completed for consultants to undertake study on skills acquisition and retention in local government. The process is envisaged to take two years.</p> <p>3) In the meantime, with regard to critical skills, together with DBSA, SALGA is working on institutionalizing Project Consolidate</p>
8) Collective Agreements	<p>Ensure that Collective Agreements from the old order are scrapped altogether from the Bargaining Council books</p>	<p>1) Audit of all the Collective Agreements was done and all problematic ones were identified</p> <p>2) The matter is currently at the Bargaining Council, and the progress is hampered by the Bargaining Council Constitution which requires 75% majority to scrap the collective agreement</p>
9) Integration with the Public Sector	<p>Harmonisation of Conditions of Service across the Public Services.</p>	<p>1) Represent local government of HRD work stream</p> <p>2) Draft SALGA position paper developed</p>

Strategic objective: Promote a lawful governance system which will enable service delivery in a developmental state

PROJECT	DELIVERABLES	PROGRESS AS AT END MARCH 2007
1) Municipal Office Bearers Handbook	Fully developed Municipal Office Bearers Handbook	1) Developed Municipal Office Bearers Handbook and the process has commenced to incorporate the document to the ministerial handbook
2) Councillor Support	1) Developed SALGA views on 2006 Upper Limits Notice 2) Uniform implementation by municipalities	1) Provincial Workshops on implementation of 30 June 2006 notice were held in different municipalities; 2) Developed comprehensive comments on draft Notice for 2006/07 financial year 3) In a process of engaging consultants to assist councillors with structuring of packages
3) Siyenza Manje	Organised Local Government participations in Project Siyenza Manje	1) Continuous participation in Technical Task team; 2) Preparation for Induction of new deployees deployed in January and February
4) Promotion of Administrative Justice Act	Implementation of the Act	1) Identified pilot municipalities; 2) Preparation for national workshop for identified pilot municipalities (first of was held in Sisonke DM 6 – 8 March 2007)
5) Traditional Leadership	Continuous interaction with Traditional Leadership	1) A Memorandum of Understanding between SALGA and NHTL has been finalised and is awaiting signing 2) Participated in the official opening of the NHTL in