SALGA ANNUAL REPORT
April 2008 – March 2009

‘A Journey of a Thousand Miles Starts with One Step’

Presentation to the Parliamentary Portfolio Committee on Cooperative Governance and Traditional Affairs

3 November 2009
• The 2008/9 Annual Report serves as an annual statement of accountability to SALGA’s member municipalities and to its stakeholders.

• This presentation seeks to outline the key accomplishments, challenges and opportunities during the 2008/9 financial year.

• The Annual Report also provide an overview of the financial performance of the organization for the 2008/9 financial year.

• This presentation will also reflect on key developments in the sector.
“The 2008/09 period has starkly illustrated the pivotal role of the local sphere of South Africa’s developmental state. At the same time, the formidable challenges to effective service delivery and integrated development faced by municipalities has never been more pronounced. As the sole voice of organised local government, SALGA is cognisant of the immense trust placed in us by our membership in promoting and representing their interests.”

Excerpt from CEO’s Overview in the Annual Report
“SALGA is the voice of local government. Our core mandate is to profile, represent, support and advise South Africa’s 283 municipalities. As front-line service providers, municipalities play a decisive role in driving South Africa’s socio-economic development agenda. SALGA’s role is to support our membership to play this role. The overarching imperative is to create and sustain municipal capacity to drive socio-economic transformation and deliver on the expectations of our communities.”

Cllr. Amos Masondo, SALGA NEC Chair
Excerpt from the Foreword of the 2008/09 Annual Report
After Municipal elections – once every 5 years

Annual

Every 2 months – minimum of 6 meetings annually

Quarterly: 4 times a year
1. Economic Development and Planning
2. Municipal Finance and Corporate Administration
3. Social Development, Health and Safety
4. Municipal Services and Infrastructure & Environment
5. Human Resource Development
6. Governance, Intergovernmental Relations and International Relations
SALGA’s FIVE YEAR STRATEGIC PATH

SALGA NEC LOOKS BACK & REFLECTS OVER THE LAST 10 YEAR PERIOD OF SALGA’S EXISTENCE

NEC TERM OF OFFICE

NEC 5 Year Term Review

Making a difference by making local government sustainable

Year 1: Intervening Phase

APRIL 2007
APRIL 2008
APRIL 2009
APRIL 2010
APRIL 2011
APRIL 2012

SALGA NEC LOOKS BACK & REFLECTS OVER THE LAST 10 YEAR PERIOD OF SALGA’S EXISTENCE

APRIL 2007
APRIL 2008
APRIL 2009
APRIL 2010
APRIL 2011
APRIL 2012
SALGA’s 5 YEAR STRATEGIC PATH

2014 NATIONAL TARGETS

2014

NATIONAL
TARGETS

2013

2012

2011

2010

2009

Annual Planning Cycle

Municipal Transformation & OD

Delivery of Municipal Services

Stimulate growth & alleviate poverty

Strengthening Municipal financial Capacity

Good governance & public participation

5 YEAR LOCAL GOVERNMENT STRATEGIC AGENDA
SALGA’s three key main roles cut-across to underpin its 5-Year Strategic Objectives & Programmes

VISION

To be consultative, informed, mandated, credible and accountable to our membership & provide value for money

Represent
Support
Advise

SALGA’S ORGANISING FRAMEWORK

ANALYSIS

Governance & IGR
Municipal Institutional Development
Infrastructure and Municipal Services
Economic Development and Development Planning
Community Development
Strategy, Policy and Research
Finance and Corporate Services
OCEO
Provincial Programmes
CONSOLIDATING THE CHANGE AGENDA
SALGA’s Change Agenda Strategic Objectives:

1. Improve SALGA’s capacity to support and advise its members.
2. Improve SALGA’s capacity to engage with stakeholders and lobby and advocate them on issues in the interest of member municipalities.
3. Improve SALGA’s capacity to effectively represent members as the employer.
4. Enhance and maintain a high profile position locally, regionally and internationally.
5. Improve SALGA’s corporate governance and internal functioning.
“While much remains to be done, 2008/09 marks the period when SALGA reached the tipping point towards a high performance organisation. I am convinced that everything is in place for SALGA to play in the first league in the years to come, as one of the most effective organised local government associations in the world.”

Excerpt from CEO’s Overview in the Annual Report
SUMMARY: CONSOLIDATION OF THE CHANGE AGENDA

Source: Ernst & Young, 2009

SALGA 2006/07
SALGA 2007/08
SALGA 2008/09
SALGA 2009/10
STRUCTURE: Institutional Overhaul

Office of the CEO

- International relations
- National IGR
- Stakeholder engagement
- Organisational leadership

Executive Support in the Office of the CEO

- Internal Audit
- Legal, Compliance & Risk

Governance

- Communications, Marketing & Donor Relations
- 2010

Strategy, Policy & Research

- Municipal Institutional Development

Municipal Infrastructure and Services

Economic Development & Development Planning

Community Development

Finance and Corporate Services

New directorates with newly-appointed EDs, with objective of deepening and enhancing specialist capacity
• Performance Management System implemented up to level 3 staff (i.e. now covers both Senior Management and Executive Management);
• Performance Management and Remuneration Panel established;
• A dedicated Legal Unit has been established;
• Dedicated Compliance Unit established – compliance matrix established, training provided and Compliance Officers have been appointed. SALGA compliance policy was developed and implemented;
• Performance scorecards for 2008/9 developed and signed by the direct reports of the CEO;
• Rigorous process of verifying achievement of KPIs on scorecards implemented, including external auditing of evidence files
CONSOLIDATING THE CHANGE AGENDA:  
Strategy and Direction

• Greater synergy between Strategic Planning, business planning, budgeting and performance management;
• Strategic Plan is more attuned to the dynamic local, national & international terrain in which SALGA operates. Plan is organic to allow effective response to the dynamic terrain;
• New organogram populated. Executive Directors appointed in the following directorates:
  o Strategy, Policy and Research;
  o Economic Development and Development Planning;
  o Community Development;
  o Municipal Infrastructure and Services;
  o Governance & Intergovernmental Relations
• Substantial deepening of specialist skill.
• Clear articulation of responsibilities and accountabilities between SALGA and its provincial offices was necessary, particularly given the need to establish SALGA as a unitary organisation, serving as the national association of municipalities (see next slide);
• Improved interface between the administration and the Political Leadership;
• Organisational Review has provided the basis for an administration that is better defined and executed in an integrated fashion;
• Standardised business planning process aligned to organisational strategy is operational in all provinces and directorates.
## BUSINESS ALIGNMENT & PERFORMANCE

### Administrative Interface

(Continued)

<table>
<thead>
<tr>
<th>SALGA NATIONAL OFFICE</th>
<th>SALGA PROVINCIAL OFFICES</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Organisation-wide strategy development.</td>
<td>• Interpretation of the SALGA strategy and ensuring alignment of provincial tactical</td>
</tr>
<tr>
<td>• Function-specific strategic leadership and direction.</td>
<td>and operational plans to the organisation-wide strategy.</td>
</tr>
<tr>
<td>• Research and policy development.</td>
<td>• Providing input to the organisational strategic formulation process.</td>
</tr>
<tr>
<td>• Special projects, such as 2010 and sector-related restructuring (e.g. single public</td>
<td>• Provision of business information based on geographical context.</td>
</tr>
<tr>
<td>service, electricity, transport).</td>
<td>• Programme execution in the provinces and technical support (e.g. 5 Year Local</td>
</tr>
<tr>
<td>• Serving as a sector-wide centre of knowledge and expertise.</td>
<td>Government Strategic Agenda – 5YLGSA).</td>
</tr>
<tr>
<td>• Organisational-wide business planning.</td>
<td>• Provincial organisational performance delivery and reporting.</td>
</tr>
<tr>
<td>• Organisational-wide performance planning, monitoring and facilitation.</td>
<td>• Provision of support to municipalities regarding international relations (e.g. at the</td>
</tr>
<tr>
<td>• International relations (at a national level).</td>
<td>level of twinning arrangements in respect of individual municipalities).</td>
</tr>
<tr>
<td>• Programme management integration and evaluation.</td>
<td>• Management of intergovernmental relations (e.g. at the provincial level).</td>
</tr>
<tr>
<td>• Intergovernmental relations (at a national level).</td>
<td>• Facilitating and promoting knowledge exchange between municipalities.</td>
</tr>
<tr>
<td>• Stakeholder engagement.</td>
<td></td>
</tr>
<tr>
<td>• Driving and co-ordinating programmes with national strategic imperatives.</td>
<td></td>
</tr>
</tbody>
</table>
• Integrated SALGA Business Planning Policy Framework developed and implemented.

• In line with the business planning policy framework, SALGA has developed a national business plan for the 2008/9 financial year. In addition, each of the 9 provincial arms of SALGA and SALGA directorates have also developed a business plan in line with the framework.

• Level of integration of business plans with performance management and monitoring processes has improved;

• Ability to interpret strategic objectives in terms of definable and measurable KPIs;

• Synergistic link between strategy, business planning, performance management and budgeting.

• Business and organisational performance reporting introduced.
SALGA’S EMPLOYER ROLE IN 2008/9
EMPLOYER ROLE

• Comprehensive Collective Bargaining Strategy developed.
• Evaluation of SALGBC structures.
• Continuous engagements among the bargaining parties on the Disciplinary Procedure.
• Developed the HR Handbook to facilitate greater compliance to workplace legislation.
• 46% (665 of 1432) Section 57 and Municipal Managers completed generic competence assessments in 210 municipalities.
• 58% of employees below Section 57 completed assessments in 23 municipalities.
• Developed a SALGA position on Single Public Service, (received legal opinion on its Constitutionality).
• HR forums launched in provinces (except the Free State) to drive implementation of the job evaluation project.

• Job evaluation guidelines developed.

• 431 Arbitration Cases were received:
  o 38 of those were settled at arbitration level.
  o Awards in respect of 73 cases were issued.
  o 20 of those cases were withdrawn
  o 8 were dismissed by Arbitrators.

• 1120 Conciliation cases were received
  o 22 of those were resolved/ successfully conciliated.
  o 33 cases were withdrawn
  o 17 were dismissed.
  o 307 of the cases were referred to arbitration
• 400 of the 471 individuals registered for the executive leadership municipal development programme graduated.

• SALGA (with its partners) trained 8,794 councillors through the councillor development programme.

• 1550 ward committees received training through SALGA

• Draft Capacity Building Strategy developed.

• Framework for municipalities to develop the Workplace Skill Plans incorporating objectives of JIPSA and ASGISA developed.

• Rolled-out Councillor Practices Qualification training in Limpopo and Eastern Cape (national roll-out in 2009)
Project plan in place aimed at finalising 87 Municipalities that have not submitted task results by end June ‘09, as they are holding back process.
Difference between task results received and published can be addressed by municipalities availing audit committee members to undertake the audits required for the results to be published.
SALGA’S REPRESENTATIVE ROLE IN 2008/9
• Enhanced SALGA’s engagement with its stakeholders including increased participation in IGR structures (NCOP, Parliament, National clusters, MINMECs, Budget Forum, PCFs).

• Conducted assessments on possible impact of 2009 national and provincial elections and 2011 local government elections on local government.

• Developed and adopted a Municipal Office Bearers Handbook.

• Substantial input to the legislative process:
  • General Law Amendment Act
  • Local Govt Fiscal Powers Act
  • 17th Constitutional Amendment Draft Bill
  • Transportation Act;
  • Land Use Management Bill
• Developed and presented further SALGA positions on Local and Provincial Government Policy Review Process.

• Developed comprehensive SALGA submission on Councillor Support.

• Developed a reviewed and comprehensive position on electricity distribution restructuring. This sets a basis for engaging EDIH and other stakeholders on the issue.

• Developed a position on devolution of housing function to municipalities.

• Participated in rolling out the Anti-Corruption Strategy.
Municipal Councillors Pension Fund – Background

• Since 15 Nov ‘07 MCPF feedback meeting SALGA inundated with queries with regard to alleged irregularities within MCPF.

• **Allegations:** a forensic audit report by Gobodo Inc held the view that the Trustees of Fund acted improperly in relation to the affairs of the Fund.

• SALGA NEC meetings of 6 Dec ‘07 and 15 Feb ‘08 received report on allegations.
SALGA NEC recognised:

- the fact that the Fund is a separate legal body over which **SALGA has no control**, such control is based on rules and prescripts of the Fund and vested in its trustees.
- However, NEC took cognisance of the fact that **it has representatives in the structures of Fund** both provincially and nationally.

SALGA NEC resolutions:

1. Report matter to Ministers of DPLG and Finance, as they play an important role in the employment terms of Councillors
2. Report matter to Financial Services Board (FSB) as that is the body entrusted with the overall management of issues related to pensions and what Administrators and Trustees need to comply with
3. Set up a Task Team to attend to matters related thereto.
NEC met with BOT on 23 April ‘08 and raised the following:-

(i) Governance Issues
   – Compliance with the Rules of the Fund as it relates to convening meetings of Board of Trustees, Representatives and the members of the Fund;
   – Compliance with Rules in issuing statements and reporting to members;
   – Other than referring to the election of the Executive Committee, the rules are silent on the powers and functions of that Executive Committee;
   – Composition of the Board of Trustees, without the necessary technical support.

(ii) Administrative Issues
   – Termination of the Services of Akani and the appointment of ABSA as administrators of the fund;
   – The withdrawal of councillors as members of the Fund.

(iii) Concerns raised by Member Municipalities

(iv) Financial Status of the Fund

(v) Litigation by Fund against certain municipalities

KEY OUTCOME: RULES OF FUND BE AMENDED ACCORDINGLY
June ‘09 SALGA NMA resolved that “SALGA facilitates the convening of a Special National Meeting of members of the MCPF by the Board of Trustees as a matter of extreme urgency, with the express undertaking that such a meeting take place within 60 days after this NMA”.

Meeting held with Board of Trustees on 24 July ‘09.

Whilst the MCPF has, in principle agreed to the convening of a national meeting, some practical considerations - Audited Financial Statement - that may impact on the timeframes of the convening the meeting, were raised.

Meeting resolved that the Board of Trustees be given sufficient time to prepare for the national meeting to take place on 30 Oct ‘09 in Gauteng Province.
SALGA has continued to advocate for and lead in the advancement of women in local government. After the 2006 elections 42% of women Councillors in local government and 17% representation of women in senior positions.

In 2008/09:

- Hosted Annual ‘Women in Local Government Summit in August 2008 and prepared to launch a Local Government Women’s Commission;
- SALGA championed gender equity in local government at world bodies (UCLGA, CLGF) in 2007/08 and 2008/09;
- Developed a Gender action Plans manual to promote gender mainstreaming in local government.
- Planning 50/50 Campaigns for the 2011 Local Government Elections

“No nation can claim to have achieved its political liberation and freedom unless and until its women are emancipated”

( Oliver R Tambo, ANC President 1980, January 8 Statement)
GENDER EQUITY IN SALGA

SALGA has made substantial progress in achieving gender equity.

Total SALGA Staff

March 2009

Total: 124
- Female: 73 (63%)
- Male: 51 (37%)

SALGA Management

March 2009

- Female: 43 (43%)
- Male: 57 (57%)

Management

Other

Total

March 2009

- Management: 31
- Other: 101
- Total: 124
SALGA’S ADVISORY ROLE IN 2008/9
The following specialist inputs were provided to support Local Government advocacy and lobbying:

- A position paper on the delivery of Primary Health Care Services by Local Government;
- A position paper on the devolution of the housing function to municipalities;
- Piloted the rollout of guidelines for HIV/Aids in 3 provinces, in partnership with COGTA;
- Developed 3 case studies to support a SALGA position on improving the legislative framework for effective land use management;
- Developed position papers on RSC levy replacement, LGES, municipal infrastructure funding;
- A comprehensive Local Government position on the restructuring of the Electricity Distribution Industry
• Commenced with a review of municipal performance since the 2006 elections;

• Developed a draft position paper on a ‘Municipal Response to the Global Economic Crisis’;

• Commencement of a Human Development Strategy Framework and guidelines for municipalities, which includes: Social Cohesion, poverty alleviation, sports, art, culture, libraries and information, services);

• Coordinating implementation of the energy efficiency campaign at municipalities;

• Developed a framework for assessing the credibility of the IDP framework;

• Developed a Discussion Document on Legislation & Guidelines for Municipal Planning & Performance Monitoring;

• Launched Disability Framework for Local Government, in partnership with COGTA
Since the advent of democracy in 1994, the accomplishments of the local sphere of government have not been adequately profiled. A strong developmental state requires the state machinery and citizens to properly appreciate the pivotal role of municipalities in advancing growth and development. “

Excerpt from Annual Report 2008/09

In 2008/09 SALGA improved the profile of local government by:

• Engaging pro-actively in the national policy arenas in order to promote the perspectives and interests of its members. In addition to active participation in Cabinet Makgotla by national office bearers, SALGA secured a ‘seat at the table’ for its executive management at the five national clusters that are key to decision-making;
• Signing of a MOU with the House of Traditional leaders, which plays a critical role in rural development.
In the International Arena SALGA:

• Concluded MoUs with sister associations in Botswana, Namibia and Mozambique.

• Played a pro-active role in City Diplomacy.

• Played an active role in UCLGA matters, including at the congress held in Ghana in July 2008;

• Deepened and formalised the relationship with the United Kingdom’s Local Government Association during 2008/09, through cooperation on the Good Practice Scheme coordinated by the Commonwealth Local Government Forum.
Signing of MoU with the National House of Traditional Leaders (South Africa)

UCLG World Congress (Jeju, South Korea)
SALGA Delegation at UCLGA Congress in Ghana
July 2008

UCLG World Council
(Turkey, November 2008)
PROGRESS IN THE IMPLEMENTATION OF MDGs

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Eradication of bucket system</td>
<td>165 912</td>
<td>19 678</td>
</tr>
<tr>
<td>Water</td>
<td>4 284 175</td>
<td>1 825 632</td>
</tr>
<tr>
<td>Sanitation</td>
<td>5 084 852</td>
<td>1 808 835</td>
</tr>
<tr>
<td>Electricity</td>
<td>4 605 329</td>
<td>3 036 370</td>
</tr>
<tr>
<td>Housing</td>
<td>6.6 million</td>
<td>4.2 million</td>
</tr>
</tbody>
</table>

“The test of our progress is not measured on what we add on the status of those who have better living conditions; but on whether we significantly improve the living conditions of those who have nothing”

- Fidel Castro, Cuban Revolutionary (Statement made during the Red October day in 1974)
FINANCIAL PERFORMANCE FOR 2008/09
<table>
<thead>
<tr>
<th>Financial Headlines</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Membership levies</td>
<td>110,116</td>
<td>100,402</td>
</tr>
<tr>
<td>Grant from Executive Authority (dplg)</td>
<td>22,058</td>
<td>13,641</td>
</tr>
<tr>
<td>Grant from Executive Authority (dplg) (2008 annualised)</td>
<td>22,058</td>
<td>20,461</td>
</tr>
</tbody>
</table>
## Financial ratios

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Membership levies contribution (%)</td>
<td>79%</td>
<td>80%</td>
</tr>
<tr>
<td>Government grant contribution (%)</td>
<td>16%</td>
<td>11%</td>
</tr>
<tr>
<td>Other income</td>
<td>5%</td>
<td>9%</td>
</tr>
<tr>
<td>Programme costs to operating expenditure (%)</td>
<td>21%</td>
<td>25%</td>
</tr>
<tr>
<td>Employee related costs to operating expenditure (%)</td>
<td>51%</td>
<td>42%</td>
</tr>
<tr>
<td>Current ratio</td>
<td>0.70</td>
<td>0.97</td>
</tr>
<tr>
<td>Gearing ratio</td>
<td>77%</td>
<td>49%</td>
</tr>
<tr>
<td>Asset coverage rate</td>
<td>2.3 times</td>
<td>3 times</td>
</tr>
<tr>
<td>Debtors days</td>
<td>73 days</td>
<td>91 days</td>
</tr>
</tbody>
</table>
The results for the year ended 31 March 2009, reflect an operating deficit of R8.5 million, this has been caused mainly by the charge in the statement of financial performance of R 18 million for the provision for impairment of trade receivables, with R 14 million of this amount necessitated by developments surrounding the KwaZulu-Natal province.
Performance comparison 2009/09 & 2007/08

Performance comparison 2008/09 and 2007/08

- **Membership levies**
  - 2009: R 110,230
  - 2008: R 100,302
  - Change: +10%

- **Government grants**
  - 2009: R 22,058
  - 2008: R 13,641
  - Change: +62%

- **Programme costs**
  - 2009: R 31,353
  - 2008: R 31,353
  - Change: -10%

- **Employee related costs**
  - 2009: R 76,420
  - 2008: R 59,715
  - Change: +28%
<table>
<thead>
<tr>
<th>Province</th>
<th>Current Year</th>
<th>Opening Balance</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern Cape</td>
<td>88%</td>
<td>48%</td>
<td>74%</td>
</tr>
<tr>
<td>Free State</td>
<td>59%</td>
<td>42%</td>
<td>51%</td>
</tr>
<tr>
<td>Gauteng</td>
<td>98%</td>
<td>104%</td>
<td>101%</td>
</tr>
<tr>
<td>KwaZulu-Natal</td>
<td>24%</td>
<td>159%</td>
<td>28%</td>
</tr>
<tr>
<td>Limpopo</td>
<td>85%</td>
<td>89%</td>
<td>94%</td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>93%</td>
<td>91%</td>
<td>97%</td>
</tr>
<tr>
<td>North West</td>
<td>86%</td>
<td>73%</td>
<td>92%</td>
</tr>
<tr>
<td>Northern Cape</td>
<td>86%</td>
<td>45%</td>
<td>81%</td>
</tr>
<tr>
<td>Western Cape</td>
<td>93%</td>
<td>38%</td>
<td>64%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>83%</strong></td>
<td><strong>63%</strong></td>
<td><strong>84%</strong></td>
</tr>
</tbody>
</table>
ANNUAL FINANCIAL STATEMENTS FOR 2008/09
# STATEMENT OF FINANCIAL POSITION

<table>
<thead>
<tr>
<th>Figures in Rand</th>
<th>Note(s)</th>
<th>31 March 2009</th>
<th>31 March 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current Assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>2</td>
<td>26,937,599</td>
<td>27,923,443</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>3</td>
<td>10,960</td>
<td>54,799</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>26,948,559</td>
<td>27,978,242</td>
</tr>
<tr>
<td>Current Assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other receivables - exchange transactions</td>
<td>6</td>
<td>29,081,862</td>
<td>27,669,485</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>7</td>
<td>1,563,865</td>
<td>6,091,602</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>30,645,727</td>
<td>33,761,087</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td></td>
<td>57,594,286</td>
<td>61,739,329</td>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reserves</td>
<td>8</td>
<td>4,554,753</td>
<td>6,553,062</td>
</tr>
<tr>
<td>Accumulated surplus</td>
<td>9</td>
<td>3,166,829</td>
<td>11,453,502</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>7,721,582</td>
<td>18,006,564</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Current Liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance lease liability - exchange transactions</td>
<td>9</td>
<td>5,911,362</td>
<td>8,905,987</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance lease liability - exchange transactions</td>
<td>9</td>
<td>2,907,097</td>
<td>1,722,821</td>
</tr>
<tr>
<td>Operating lease liability - exchange transactions</td>
<td>5&amp;20</td>
<td>1,746,411</td>
<td>1,121,548</td>
</tr>
<tr>
<td>Trade and other payables - exchange transactions</td>
<td>11</td>
<td>32,633,987</td>
<td>30,980,191</td>
</tr>
<tr>
<td>Deferred income - exchange transactions</td>
<td>10</td>
<td>6,673,847</td>
<td>980,906</td>
</tr>
<tr>
<td>Bank overdraft</td>
<td>7</td>
<td>-</td>
<td>21,312</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>43,961,342</td>
<td>34,826,778</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td></td>
<td>49,872,704</td>
<td>43,732,765</td>
</tr>
<tr>
<td><strong>Total Net Assets</strong></td>
<td></td>
<td>57,594,286</td>
<td>61,739,329</td>
</tr>
</tbody>
</table>
## STATEMENT OF FINANCIAL PERFORMANCE

### Figures in Rand

<table>
<thead>
<tr>
<th>Description</th>
<th>Note(s)</th>
<th>for the 12 months ended '31 March 2009</th>
<th>for the 9 months ended '31 March 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from exchange transactions</td>
<td>13</td>
<td>132,724,114</td>
<td>114,543,298</td>
</tr>
<tr>
<td>Other operating revenue</td>
<td>14</td>
<td>6,242,493</td>
<td>11,273,952</td>
</tr>
<tr>
<td>Operating expenses</td>
<td></td>
<td>(148,565,109)</td>
<td>(140,672,067)</td>
</tr>
<tr>
<td>Operating (deficit) / surplus</td>
<td>15</td>
<td>(9,598,502)</td>
<td>(14,854,817)</td>
</tr>
<tr>
<td>Investment income</td>
<td>16</td>
<td>3,578,424</td>
<td>917,528</td>
</tr>
<tr>
<td>Finance costs</td>
<td>17</td>
<td>(2,447,703)</td>
<td>(1,691,995)</td>
</tr>
<tr>
<td>(Deficit) / surplus for the 9 months / 12 months</td>
<td></td>
<td>(8,467,781)</td>
<td>(15,629,284)</td>
</tr>
</tbody>
</table>
## STATEMENT OF CHANGES IN NET ASSETS

<table>
<thead>
<tr>
<th>Figures in Rand</th>
<th>Note(s)</th>
<th>Revaluation reserve</th>
<th>Accumulated surplus</th>
<th>Total Net Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance as previously reported on 30 June 2007</td>
<td></td>
<td>7,082,394</td>
<td>26,165,274</td>
<td>33,247,668</td>
</tr>
<tr>
<td>Adjustments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prior period errors</td>
<td>25</td>
<td></td>
<td></td>
<td>388,180</td>
</tr>
<tr>
<td>Balance at 1 July 2007</td>
<td></td>
<td>7,082,394</td>
<td>26,553,454</td>
<td>33,635,848</td>
</tr>
<tr>
<td>Changes in net assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Surplus for the year</td>
<td></td>
<td></td>
<td>(15,629,284)</td>
<td>(15,629,284)</td>
</tr>
<tr>
<td>Realisation of revaluation surplus</td>
<td></td>
<td>(529,332)</td>
<td>529,332</td>
<td></td>
</tr>
<tr>
<td>Total changes</td>
<td></td>
<td>(529,332)</td>
<td>(15,099,952)</td>
<td>(15,629,284)</td>
</tr>
<tr>
<td>Opening balance as previously reported on 31 March 2008</td>
<td></td>
<td>6,553,062</td>
<td>10,639,685</td>
<td>17,192,747</td>
</tr>
<tr>
<td>Adjustments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prior period errors</td>
<td>25</td>
<td></td>
<td></td>
<td>813,817</td>
</tr>
<tr>
<td>Balance at 31 March 2008 as restated</td>
<td></td>
<td>6,553,062</td>
<td>11,453,502</td>
<td>18,006,564</td>
</tr>
<tr>
<td>Changes in net assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revaluation of Land and Buildings</td>
<td></td>
<td></td>
<td>(1,817,201)</td>
<td>(1,817,201)</td>
</tr>
<tr>
<td>Realisation of revaluation surplus</td>
<td></td>
<td></td>
<td>(181,108)</td>
<td>181,108</td>
</tr>
<tr>
<td>Net income (expenses) recognised directly in equity</td>
<td></td>
<td>(1,998,309)</td>
<td>181,108</td>
<td>(1,817,201)</td>
</tr>
<tr>
<td>Surplus for the period</td>
<td></td>
<td></td>
<td>(8,467,781)</td>
<td>(8,467,781)</td>
</tr>
<tr>
<td>Total recognised income and expenses for the 12 months</td>
<td></td>
<td>(1,998,309)</td>
<td>(8,286,673)</td>
<td>(10,284,982)</td>
</tr>
<tr>
<td>Total changes</td>
<td></td>
<td>(1,998,309)</td>
<td>(8,286,673)</td>
<td>(10,284,982)</td>
</tr>
<tr>
<td>Balance at March 31, 2009</td>
<td></td>
<td>4,554,753</td>
<td>3,166,829</td>
<td>7,721,582</td>
</tr>
</tbody>
</table>
# CASH FLOW STATEMENT

<table>
<thead>
<tr>
<th>Figures in Rand</th>
<th>Note(s)</th>
<th>for the 12 months ended '31 March 2009</th>
<th>for the 9 months ended '31 March 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash receipts from DPLG and members</td>
<td></td>
<td>135,737,381</td>
<td>114,543,298</td>
</tr>
<tr>
<td>Cash paid to suppliers and employees</td>
<td></td>
<td>(134,252,647)</td>
<td>(110,207,161)</td>
</tr>
<tr>
<td>Cash generated from operations</td>
<td>21</td>
<td>1,484,734</td>
<td>4,336,137</td>
</tr>
<tr>
<td>Interest income</td>
<td>16</td>
<td>3,578,424</td>
<td>917,528</td>
</tr>
<tr>
<td>Finance costs</td>
<td>17</td>
<td>(2,447,703)</td>
<td>(1,691,995)</td>
</tr>
<tr>
<td>Net cash inflow / (outflow) from operating activities</td>
<td></td>
<td>2,615,455</td>
<td>3,561,670</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of property, plant and equipment</td>
<td>2</td>
<td>(5,341,649)</td>
<td>(4,850,001)</td>
</tr>
<tr>
<td>Sale of property, plant and equipment</td>
<td>2</td>
<td>30,118</td>
<td>101,788</td>
</tr>
<tr>
<td>Net cash inflow from investing activities</td>
<td></td>
<td>(5,311,531)</td>
<td>(4,748,213)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance lease payments</td>
<td></td>
<td>(1,810,349)</td>
<td>2,516,124</td>
</tr>
<tr>
<td>Net cash outflow from financing activities</td>
<td></td>
<td>(1,810,349)</td>
<td>2,516,124</td>
</tr>
<tr>
<td><strong>Total cash movement for the period</strong></td>
<td></td>
<td>(4,506,425)</td>
<td>1,329,581</td>
</tr>
<tr>
<td>Cash at the beginning of the period</td>
<td></td>
<td>6,070,290</td>
<td>4,740,709</td>
</tr>
<tr>
<td>Total cash at end of the period</td>
<td>7</td>
<td>1,563,865</td>
<td>6,070,290</td>
</tr>
</tbody>
</table>
AUDIT OUTCOMES AND ACTION PLANS
Audit opinion

• The Auditor-General has been unable to express an opinion on the fair presentation of SALGA’s financial position and results of operations for the 2008/09 financial year.

Reasons:

• The unilateral termination of the memorandum of agreement between SALGA and KWANALOGA by SALGA KZN is the primary cause of the disclaimer of the audit opinion by the auditor-General.
The Plan ...

Numerous Disclaimers

Clean Audit 8/09 and beyond

1x Qualified in the 07/08 fin year

The Outcome ...

Disclaimer

NATIONAL & 8 PROVINCIAL OFFICES – CLEAN AUDIT IN 08/09. DISCLAIMER ATTRIBUTED SOLELY TO KZN
ACTION PLAN TO ADDRESS AG’s FINDINGS

• The SALGA NEC is continuing to engage the KWANALOGA DMC in order to resolve the impasse.
• The recent NEC Lekgotla has set-up a task team to deal with the matter and is due to report back to the NEC in November 2009.
• The matter has been escalated to all relevant spheres of influence for a speedy resolution
“To the extent that we have still to reconcile and heal our nation; to the extent that the consequences of apartheid still permeate our society and define the lives of millions of South Africans as lives of deprivation, those challenges are unchanged. [...]”

Together, we must continue our efforts to turn our hopes into reality.

The long walk continues.”

President Mandela, Speech at the Final Sitting of the First Democratically Elected Parliament, 26 March 1999
“For as long as there are South Africans who die from preventable disease; For as long as there are workers who struggle to feed their families and who battle to find work; For as long as there are communities without clean water, decent shelter or proper sanitation; For as long as there are rural dwellers unable to make a decent living from the land on which they live; For as long as there are women who are subjected to discrimination, exploitation or abuse; For as long as there are children who do not have the means nor the opportunity to receive a decent education; We shall not rest, and we dare not falter, in our drive to eradicate poverty.”

*President Zuma, State of the Nation Address, 3 June 2009*
WHAT KEEPS US AWAKE AT NIGHT?

1. Non-resolution of KZN issue;
2. Instability in Local Government;
3. Service Delivery Protests 63 between January and September 2009 (58 since the April ‘09 elections);
4. Will the turn-around strategy proposed by COGTA restore confidence in local government?
5. Impact of the Global Economic Recession on municipalities;
6. Impact of proposed electricity price hikes and the Restructuring of the Electricity Distribution Industry;
7. Single Public Service;
8. Provincialisation of Primary Health Care;
1. Human Development Strategy
2. Profiling Local Government
3. Lobbying and advocacy on all relevant policies and legislation
4. Stimulating Local Economies
5. Councillor Support
7. Climate Change
8. Consolidating SALGA’s internal change agenda
1. Halve poverty & unemployment by 2014;
2. Ensure a more equitable distribution of the benefits of economic growth & reduce inequality;
3. Improve the national health base and skills profile & ensure universal access to basic services;
4. Improve the safety of citizens by reducing incidents of crime & corruption;
5. Build a nation free of all forms of racism, sexism, tribalism & xenophobia.

Municipalities have a pivotal role to play in:
1. Stimulating growth of local economies & ensuring the benefits are shared;
2. Halving poverty & unemployment to create equity & social cohesion;
3. Providing universal access to electricity, water and sanitation in decent community settlements.
KEY DEVELOPMENTS
SALARY AND WAGE NEGOTIATIONS
• Multi-year wage/salary agreement for local government commenced in 2006 and ended this year.

• **First round** of negotiations commenced on the 30th March 2009 with SALGA’s initial offer being 7.2% (6.2% + 1%) whilst trade unions (SAMWU & IMATU) demanded 26%.

• **Second round** of negotiations took place 29 - 30 April ‘09.

• **Third round** of these negotiations took place 14 -15 May ‘09 which culminated in the issuing of the Facilitator proposal.
NMA of June ‘09, approved the NEC recommendation of accepting the Facilitator proposal, conscious that the negotiations were still on.

25 - 26 June 2009 the negotiating parties again engaged on the negotiation process and this culminated in the issuing of the Conciliator Proposal, sent to all municipalities with a view of obtaining formal mandate on the acceptance or rejection.

At the time, the Unions’ other demands included:

- “A minimum wage of R5 000;
- Housing loan assistance of 70 percent of the bond amount up to R300 000;
- Rental allowance of 70 percent of the rental amount up to a maximum of R3 000 per month; and
- Filling of all vacant posts by no later than January 1, 2010, on a permanent and full-time basis.”
During negotiations SALGA consistently indicated that the demands made by SAMWU are unaffordable and unrealistic given the current economic climate and the poor state of Municipal finances - owed approx R30.3 billion at 31 March ‘09.

Parties settled the matter as follows:

- **2009/2010** financial year – 13% on 1 July 2009 of which 10.5% is pensionable plus a 2.5% non-pensionable component.
- **2010/11** fin year the increase will be average CPI for period Feb 09 to Jan 2010 plus 1.5%
- **2011/12** final year the increase average CPI for period Feb 2010 to Jan 2011 plus 2%
- The minimum wage in local government shall be R3850 in July ‘09 and R4000 in Jan ‘10.
- Housing will be R100 000 2009/2010 financial year, R110 000 2010/11 financial year and R135 000 in 2011/12 financial year
- Parties will investigate a rental dispensation for local government employees.
- Parties will negotiate and aim to finalise the wage curve agreement and processes on job evaluation by or before end October 2009.
- All critical, essential and funded vacant posts in municipalities must be filled by July 2010.
• Latest proposal 24- 25 July 2009, communicated with Municipalities under Circular 32 of 2009, asking their mandates.

• Of 26 municipal responses received from Western Cape - seven municipalities said NO to proposal and 19 said YES.

• Overall in the Country, 141 Municipalities responded to the proposal with 119 (42%) said YES, while 22 (8%) said NO.

• Only one municipality in the Country that has applied for exemption based on non – affordability.

• Lastly, this agreement compared with 2008/09 and 09/10 in Public service, shows that local government salary agreements for the period are 1% below Public Service.
SALGA NEC LEKGOTLA
28-30 SEPTEMBER 2009
Issues that were considered include:

1. How to strengthen organized local government participation in the National Council of Provinces and National Assembly;
2. The 2009-2014 MTSF and Implications of the Planning Commission for local government;
3. The Ministry of Human Settlements and its impact on the role in building sustainable communities;
4. The Single Public Service and the implications for local government;
5. The State of Municipal Finance: Challenges and Opportunities;
6. The quality of local democracies.
Some of the recommendations or outcomes include:

1. A detailed position paper outlining SALGA’s responses to some of National Treasury proposals for consideration by the Minister of Finance at the Budget Forum in the process of drafting the 2010/11 budget.

2. Within the context of the current Global Economic Crisis, SALGA supports implementation of a local stimulus package for municipalities.

3. SALGA must develop clear guidelines and processes to eradicate abuse of state resources, and to combat corruption.

4. Conduct an assessment of the full-time/part-time nature of municipal councillors and the impact thereof on service delivery.
Some of the recommendations or outcomes include (cont):-

5. The need to focus on and create more resources to deal with the new global agenda issues relative to climate change, migration, energy-resources, water, infrastructure, economic development, food security, etc. SALGA is inundated with international requests to share strategies, policies on the above agendas as they relate to local government perspective.

6. Prepare a rigorous SALGA position, which should include research on municipal perceptions of service delivery protests, in preparation for the local government INDABA in October 2009.

7. Develop a SALGA input to the Presidency on the Green Papers on Policy for Performance Improvement and Strategic Planning.
SALGA INPUT TO PRESIDENT: MEETING WITH MAYORS
20 OCTOBER 2009
1. **Current State of Local Government**
   - Powers and Functions;
   - Institutional Systems
   - Political Systems;
   - Administrative Systems;
   - Capacity Constraints;
   - Municipal Finance

2. **Cross Cutting Issues Impacting on Local Government**
   - Transformation and Restructuring Initiatives;
   - Governance Challenges
   - Local Government Resources
   - Councillor Support
ESKOM MYPD2 APPLICATION

SALGA has reviewed the Proposal and met with Eskom on 16 and 22 Oct ‘09 to clarify various matters.

SALGA has also reviewed certain supporting documents and spreadsheets provided by Eskom and has received input from the AMEU.

SALGA intends to consult with Department of Energy and National Treasury in the process of refining its submission.

SALGA commenced a process of getting more information from municipalities in order to better understand the potential impact of the Proposal. The outcomes of this process as well as engagements with NT and DME will inform the final submission.
SALGA Draft Submission details the following:-
1. Proposed price increase – description
2. Impact on Municipalities
3. The Price Increase in Context
4. National Policy Context
5. Balancing Demand and Supply
6. Regulatory Methodology and Funding Model
7. Sector Governance
8. Protecting the poor
Impact on Municipalities

*Impact on municipal revenues*

• On the face of it Eskom’s proposed 161% real increase over the MYPD 2 period may constitute a windfall gain for distributing municipalities if municipalities are able to sustain a constant margin on electricity trading (generally around 10% of sales).

• Municipalities could use this extra income – for instance to address the backlog in distribution asset refurbishment and to extend services to unelectrified households.

• However a number of the smaller municipalities have a predominantly residential customer base.

• Such municipalities may have limited opportunity to pass on the Eskom increase if price increases to residential (poor?) customers are artificially kept down.
Impact on Municipalities

**Impact on municipal revenues**

- In practice municipalities will face pressure from stakeholders to restrain increases in retail tariffs
- They may also see an escalation of non-payment due to affordability problems and business failures.

- **SALGA will seek the views of NERSA and National Treasury to establish whether these parties will seek to curtail municipal surpluses in this radically changed environment.**
Proposed price increase
International context

• The Proposal includes some international tariff comparisons which suggest that Eskom’s MYPD2 intended average tariff target of 87 c/kWh is reasonable and comparable to the country’s major trading partners. These comparisons may be misleading in that they incorrectly compare Eskom’s average tariff with other country averages.

• **SALGA recommendation:** Eskom improve this section of the MYPD2 Proposal by providing clear and reasonable comparisons of both country and utility average tariffs, as well as industrial and residential tariffs.
Regulations on new capacity and the integrated resource plan

• Without access to the draft IRP it is therefore very difficult to understand, let alone comment on, many of the fundamental assumptions which underlie the MYPD2 proposal.

• SALGA has requested the Department of Energy to share the draft IRP more broadly in order to inform all stakeholders of the key assumptions underlying the MYPD2 Proposal.

• SALGA recommendation: Eskom amend the MYPD2 Proposal to indicate anticipated performance against relevant national policy frameworks for the MYPD2 period and, where relevant, beyond.
Demand projections and demand management

• Concerned that Eskom may either be under-estimating the impact of these various programmes on demand, or is expecting these programmes to fail.

• **SALGA recommendation:** Eskom clarify its assumptions on demand and the impact of the various demand management programmes under consideration.

• **SALGA must raise concerns with the Department of Energy that Eskom appears not to be complying with national policy frameworks on CO$_2$ emissions, the introduction of IPPs and the promotion of renewable energy sources.**
An alternative approach?

• The MYPD2 Proposal appears to be chiefly concerned with arguing for Eskom’s existing capital programme and devotes little space to consideration of alternative approaches.

• E.g. the option of deferring the construction programme for Kusile power station, and filling the resulting capacity gap with a combination of aggressive DSM measures and a range of IPPs.

• **SALGA recommendation:** Eskom and NERSA consider in more detail the option of deferring Kusile for three years and filling the resulting capacity gap with a combination of IPP and DSM programmes.
Adequacy of the revenue requirement

- It is a concern that Eskom’s MYPD2 Proposal does not present a clear funding plan for the period – there is a funding shortfall associated with this application despite the proposed magnitude of tariff increase
- **Eskom must fully addresses this issue in its final submission to NERSA.**

**Alternative Funding Models**

- Some have suggested that
  - Eskom could sell off some or all of its existing power stations in order to raise the necessary funds to complete its construction programme.
  - Government could raise the required money through a once-off tax
- The Eskom Proposal does not consider such options.
Free basic electricity

• Eskom has proposed that the poor be shielded from the increased cost of electricity by increasing the Free Basic Electricity (FBE) allocation from 50 to 70 kWh per month
• The additional cost of this subsidy be funded by cross subsidies from a designated levy.
• The levy to be channelled via the national fiscus.

• Recommendation: SALGA requests that Eskom continue to engage with SALGA and various national departments in order to agree on the optimal approach to protecting the poor from this major price increase.
EDI RESTRUCTURING
CRITICAL AREAS OF CONCERN TO LG

- Shareholding in the REDs;
- Governance arrangements of the REDs;
- Transfer of electricity undertakings;
- Compensation for electricity undertakings;
- Service delivery agreements;
- Articles of association of REDs; and
- Municipal revenue stream.

CONSIDERATIONS TO AMEND THE CONSTITUTION

- Formulae to be used for the allocation of shares to national government, Eskom and municipalities;
- As executive authority on electricity municipalities to be part of decision making;
- Compensation and the valuation methodology to be used for the valuation of such assets;
- Service delivery agreements;
- As key revenue stream for municipalities, financial incentives for municipalities to join the REDs and impact on the credit rating of municipalities;
- Ownership of Key Industrial Customers (whether they should be transferred over to the REDs and the financial implications thereof);
- Motivation for constitutional amendment and direct impact on municipal powers, functions & revenue.
Considerations to Amend the Constitution

**Constitutional Amendment Proposal**
- Option to allow national government to limit municipalities’ legislative and executive authority in certain circumstances;
- Circumstances would include, for example, where a municipal function or service can be provided to communities more effectively, efficiently and sustainably on a regional basis than on a local basis.
- If this option is successfully pursued, it will mean that the current constraints preventing national government from effecting EDI restructuring will be overcome.

**SALGA Proposals**
- Various other interventions are required and should be explored, including:
  (i) REDs participation must be incentivised
  (ii) outstanding policy issues (the “Deal” incl. shareholding, governance arrangements for REDs, compensation) must be addressed;
  (iii) Eskom (like municipalities) must transfer its distribution division to REDs;
  (iv) Enablers - EDI restructuring legislation and if necessary regulations must be promulgated to fully implement the restructuring.
SINGLE (INTEGRATED) PUBLIC SERVICE
National Consultative Workshop that took place on 11 – 12 October 2007, municipalities resolved the following:

That SALGA:

- Supports the Bill insofar as it recognizes the three (3) spheres of government;
- Supports the Bill as enabling overarching/framework legislation on the three spheres of government and for regulation of employment practices, as defined in the Bill, including transfer and mobility of staff within and between the spheres;
- Supports the Bill in its provision that each public administration institution i.e. national, provincial and municipalities are employers in their own right and must appoint and manage career and related incidents of their employees;
- To give effect and expression to the above, SALGA should submit that, as at present the current collective bargaining as well as the determination of conditions of service, be negotiated at The SALGBC.
– Develop the HR norms and standards to achieve this harmonisation, in line with their mandating policy.

– To ensure compliance with the Systems Act 32 of 2000, among others, the costing of the alignment must precede and inform the implementation approach as required by Section 9 of the Act. This should include the role of the Fiscal and Financial Commission per the Act.

– To ensure common remuneration policy the principle of equal pay for work of equal value must be upheld as that will have multiple benefits including but not limited to – ensure high staff morale and contribute to skills attraction and retention as staff would not unnecessarily leave one employer for the other because of high/attractive pay.

– To protect the interests of local government by ensuring the refinement of selected clause/s in the Bill that undermines the constitutionality and uniqueness of local government (with both legislative and executive power/s).
CONSULTATIVE WORKSHOP 2007

- To continuously engage/consult with member municipalities and other stakeholders on the SPS.
- To ensure that **SALGA is and remain an equal partner** with DPSA and DPLG in the conceptualisation, development and sophistication of the SPS.
- To ensure the alignment of SPS with Local Government White Paper as such will ensure that the White paper review will be a strategic enabler to inform the form and function of the SPS as the structural component.

• Once the LG White Paper review process has concluded, full alignment between these two strategic initiatives must be ensured. The SPS and LG White Paper Review will fundamentally change the Local Government landscape. LG White Paper Review to provide for the “strategy” and SPS to outline the “structure”.
MUNICIPAL GOVERNANCE CHALLENGES AND LOCAL GOVERNMENT TURN-AROUND STRATEGY
• Country experiencing upsurge of protests.

• At municipal level – community protests initially broke out late 2004 but only in two provinces, the Free State & North West.

• Protests intensified in run up to and post March 2006 local government elections.

• For year 2009 already recorded 63 major protest.

• Motivation for Protests range from cross-boundary, service delivery and local administration to intra-party squabbles.

• Increase in violent elements resulting in criminal activities.
• 38 major protests have been recorded between 1 Jan and 6 August 2009, the highest number ever, accounting for 27% of protests since 2004;
• 86% (33) of the protests have taken place since the April ‘09 elections

Source: Municipal IQ Hotspots Monitor & Briefing #141
In 2009: Western Cape the largest site of protests (because of growing informal settlements),
Mpumalanga shows a marked increase;
NW (11%) & Gauteng (22%) account for a high proportion of the national aggregate.

Source: Municipal IQ Hotspots Monitor & Briefing #141 (7th Aug 2009)
## Municipalities currently under s139

<table>
<thead>
<tr>
<th>Municipality</th>
<th>Year of Intervention</th>
<th>Nature of Problem</th>
<th>Consultation with OLG</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>North West</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ditsobotla</td>
<td>May-08</td>
<td>Governance, financial and administrative dysfunctionality</td>
<td>Yes</td>
</tr>
<tr>
<td>Ngaka Modiri</td>
<td>Jul-09</td>
<td>Non-compliance with a number of obligations</td>
<td>No</td>
</tr>
<tr>
<td>Molema DM</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Free State</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mohokare</td>
<td>Jun-08</td>
<td>Governance and financial</td>
<td>Yes</td>
</tr>
<tr>
<td>Xhariep DM</td>
<td>09-Jun-08</td>
<td>Governance and financial</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Eastern Cape</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alfred Nzo DM</td>
<td>Apr-09</td>
<td>Governance, Financial and HR management</td>
<td>Unknown</td>
</tr>
<tr>
<td>Kou-Kamma LM</td>
<td>Apr-09</td>
<td>Governance, Financial and HR management</td>
<td>Unknown</td>
</tr>
<tr>
<td>Mnquma LM</td>
<td>Jan-09</td>
<td>Dysfunctional council</td>
<td>Unknown</td>
</tr>
<tr>
<td><strong>Mpumalanga</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pixley ka Seme</td>
<td>Mar-09</td>
<td>Poor leadership and financial controls</td>
<td>No</td>
</tr>
<tr>
<td>Mkhondo</td>
<td>Jul-09</td>
<td>Unclear grounds for intervention</td>
<td>No</td>
</tr>
<tr>
<td><strong>KwaZulu-Natal</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amajuba</td>
<td>Dec-07</td>
<td>Service delivery</td>
<td>Yes</td>
</tr>
<tr>
<td>Umzinyathi</td>
<td>Dec-07</td>
<td>Service delivery</td>
<td>Yes</td>
</tr>
<tr>
<td>Newcastle</td>
<td>Dec-07</td>
<td>Service delivery</td>
<td>Yes</td>
</tr>
<tr>
<td>Utrecht</td>
<td>Aug-07</td>
<td>Financial Administration</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Gauteng</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nokeng Tsa Taemane</td>
<td>Jul-09</td>
<td>Financial distress, financial management</td>
<td>Yes</td>
</tr>
</tbody>
</table>
### Municipalities currently under s106

<table>
<thead>
<tr>
<th>Municipality</th>
<th>Year of Intervention</th>
<th>Consultation with OLG</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>North West</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Madibeng LM</td>
<td>07-Jul-09</td>
<td>No</td>
</tr>
<tr>
<td>Greater Taung</td>
<td>07-Jul-09</td>
<td>No</td>
</tr>
<tr>
<td>Venterdorp</td>
<td>07-Jul-09</td>
<td>No</td>
</tr>
<tr>
<td>Mafikeng</td>
<td>07-Jul-09</td>
<td>No</td>
</tr>
<tr>
<td><strong>Free State</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Letsemeng</td>
<td>08-Jul-08</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Mpumalanga</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mkhondo</td>
<td>Jul-09</td>
<td>No</td>
</tr>
<tr>
<td>Lekwa</td>
<td>Jun-09</td>
<td>No</td>
</tr>
<tr>
<td>Pixley ka Seme</td>
<td>Jun-09</td>
<td>No</td>
</tr>
<tr>
<td>Nkomazi</td>
<td>Jun-09</td>
<td>No</td>
</tr>
</tbody>
</table>

**Since 1999:**
- 36 s139 interventions;
- 11 s106 interventions
Key observations emanate giving rise to Protests:-

• Communication challenges between government and communities - Need for holistic approach to communicating service delivery.

• Though not all protests related to poor service delivery, there are service delivery concerns that need to be attended to, with municipalities engaging in community participation initiatives.

• Some of the issues raised pertain to municipal internal administrative processes.

• The role played by both former and current Councillors.

• Lack of key competencies around dispute resolution by Councillors.

• Large number of new councillors (close to 60%).

• Unfunded mandates to local government.
Furthermore…

- Protests are concentrated in areas with high in-migration & informal settlements;
- High expectations since the April ‘09 elections have heightened frustrations around service delivery

The role of the Media

- Through irresponsible coverage the media has also added to challenges;
- “News worthy items” – negative developments within local government deemed very news worthy, barely any positive coverage
• Key events:-
  – COGTA Provincial Assessments of “State of Local Government”;
  – President’s meeting with Mayors - 20 October 2009;

• SALGA actively participated in all above events;

• SALGA participates in the Intergovernmental Working Group on the State of Local Government – core mandate to further develop the Framework National Local Government Turnaround Strategy
METRO POLICE INCORPORATION INTO SAPS
INCORPORATION OF METRO POLICE INTO SAPS

• SALGA aware of the debate on the incorporation of metro police into the SAPS and that “an amendment to our law” is imminent.

• SALGA NEC previously met with then Commissioner, to discuss the matter and made proposals for further engagement.

• Whilst SALGA and perhaps also Unions have not been consulted, the dept will be approached to provide clarity.

• Impact - if amendments are accepted by Parliament, metro police forces will fall under the command of the Commissioner of the SAPS.

Proposal

• SALGA to be consulted & given opportunity to develop position.
‘A Journey of a Thousand Miles Starts with One Step’

Thank You