

Introduction

The final phase of the transition at local government level is due to commence during 2000. Preparation for the final phase has commenced with the redetermination of municipal boundaries across the country. In the Free State the redetermination resulted in the demarcation of 5 district municipalities and 21 local municipalities. The reduction in the total number of municipalities means that, with the exception of one case, existing municipalities have to be integrated. The integration process should, in general, not differ much from the amalgamation of racially separate municipalities during 1994 and 1995. The real differences are that the scale of the process in terms of geographical distance and number of municipalities involved locally is bigger, making it slightly more complex, the amalgamation will be governed by a new constitutional framework and different legislation than the previous amalgamations, and that local negotiation will not determine the outcome of the process.

The amalgamation of municipalities during 1994/95 was to some extent made easier by the implicit assumption that the policies, processes and systems of the former white municipality were superior to that of the black local authority. The poor records of the black local authorities encouraged this assumption at the time as well as the fact that, in most cases, the administration of the former white local authority was better resourced than that of the black local authority. During the past five years most municipalities developed their own policies, processes and systems that suit their purposes to a greater or lesser extent. The integration therefore entails much more than slapping together different sets of employees and two or more bank accounts. The advantage is that many serving councillors and officials in municipalities have experience in planning and implementing the integration of separate municipalities. Of course, the previous amalgamation was more successful in some places than in others.

In order to facilitate integration of

municipalities in the Free State, the Congress of FRELOGA instructed FRELOGA on 25 November 1999 to draft a framework plan for managing the transition. Congress also adopted principles that should guide the process. The intention was that all the existing municipalities (including the existing rural municipalities) in a new municipal area should work together to ensure that the integration takes place as efficiently as possible. This plan is the product of the transformation task team of FRELOGA. The task team consists of chief executive officers, treasurers, personnel practitioners and town administrators.

Objective of the plan

Any process of change tends to direct the energy of the institution in question inward. The restructuring of administrations, alignment of policies, processes and the integration and redesign of systems tend to preoccupy institutional actors and to consume resources to the detriment of achieving real goals for the benefit of the customers of that institution. Municipalities must be able to consistently deliver services to their residents as effectively and efficiently as possible after the general municipal election.

Deriving from the Congress resolution, the objective of the plan is—*“To enable newly established municipalities to function efficiently and effectively as soon as possible after the general municipal election expected towards the end of 2000 without disrupting the provision of services to communities.”*

Guiding principles

Congress resolved that the following principles should guide the integration process:

- There are existing differences between municipalities with regard to policies, processes and systems that should be used as point of departure for the integration of

existing municipalities. The policies, processes and systems of one existing municipality is not superior to that of another.

- Integration must be planned.
- Appropriate internal and inter-municipal dispute resolution mechanisms should be put in place.
- Relevant stakeholders must be consulted.
- Disruption of service-delivery must be minimised.
- Clear financial objectives must be set before the integration of administration.
- Organisational integration must eliminate duplication.

Outline of the plan

To achieve its objective, the plan has three components. First, it lists the substantive issues that should be addressed in some way or another in order to plan the integration for every new municipality. Second, a process is proposed for managing the transition and third, an implementation strategy is set out.

Progress to the final phase of the local government transition consists of two separate stages. The two stages are not sequential and could be implemented concurrently. First, the pre-election or preparation (planning) stage (i.e. the period from now until the election) and second, the post-election or implementation stage (i.e. the period commencing at the next election). This plan, for obvious reasons, focuses on the preparation stage of the process. That stage has two sub-stages, namely planning the transition and joint decision-making or at least aligning decisions about issues of strategic nature.

Stage 1: Planning the transition

A sound plan is only as good as the information on which it is based. This means that a significant part of the planning process must be dedicated to finding and validating information for planning purposes. That information gathering/collection and validation stage is often known as “auditing”.

The lists below gives an indication of the matters that should be “audited” to provide the information necessary for planning purposes. This information will also form the basis for formulating proposals for the new municipality about a range of policies, processes and systems.

Stage 2: Joint decision-making

Existing municipalities (inclusive of existing rural municipalities) within the areas of the superseding (new) municipalities should establish joint bodies. Those joint bodies would be able to, amongst other things-

- oversee and direct the information collection and validation phase of the planning process;
- formulate proposals about the changes that ought to be made to existing/separate policies, processes and systems in order to facilitate decision-making by the new municipality; and,
- find agreement about matters the existing municipalities must be consulted about by the MEC during the establishment of the superseding municipality for each new area.

Substantive issues

Municipal finance

Municipalities have started preparing their budgets for the next financial year and will adopt those budgets before the end of this financial year. However, those municipalities will cease to exist during the course of the next financial year. The new municipalities that supersede existing municipalities will for a period (probably until the start of the next financial year) have to administer and apply a variety (in most cases five or more) of budgets. This means that one municipal manager (the future designation of the chief executive officer) will be accountable for all those budgets.

It is imperative therefore that the budgeting process be coordinated as a matter of urgency. This will require special procedural and structural arrangements to be made by the existing municipalities on political and

technical levels, as soon as possible. The minimum matters relating to budgeting that will have to be resolved on a joint basis are:

- principles (e.g. desired ratio’s of different types of expenditure) and policy (e. g. grants-in-aid);
- vertical division according to departments/functions;
- horisontal divisions according to expenditure categories and line items;
- vote (line item) numbers (aligned with ledger codes);
- definition of line-items;
- basis for budgeting (accrual or cash funded); and
- alignment of tariff policies and structures to comply with constitutional requirements.

Other matters requiring a measure of coordination include:

- accounting system (aligned to GAAP/GAMAP principles) and other financial records;
- payroll (including frequency of and dates on which wages are paid);
- stores/procurement (including authorisation of official orders);
- internal control and internal auditing (including rationalisation of audit committees where they exist);
- financial management policies and procedures (e.g. tariff, debt collection, indigent support, credit control, rating, procurement, creditors payment etc.);
- bank accounts and signing powers;
- insurance and insurance brokers;
- sharing of financial information/joint financial situation analysis;
- location of financial administration (seat/headquarters of the new municipality);
- location of pay points in the municipal area;
- financial reporting system;
- valuation/interim valuation of non-valued properties;
- proof of investments; and
- integration of (statutory and discretionary) funds and reserves.

Closing the accounts for the next financial year

It is expected that the general municipal election will take place during

November 2000. On election day the new municipality will be established and the existing municipalities be dis-established. The new municipality receives the assets and liabilities of the existing municipalities, which it supercedes on that date. The financial statements are the only proof of the balances in the accounts of a municipality. Therefore, the accounts of the existing municipalities should be closed, balanced and audited as soon as possible after their disestablishment. The new municipality would be ill-advised to continue maintaining several sets of accounts of municipalities that do not even exist anymore for the remainder of the next financial year.

This matter is being discussed at several fora at provincial and national levels. An official decision will be taken about this in due course.

Human resources management (Staffing)

An audit of individual staff members in every existing municipality (inclusive of staff of district councils assigned to perform functions on behalf of local/rural municipalities) must be completed, and the information must include full personal details of the employee as well as information on the employment and all conditions of employment, all remuneration details and allowances, service benefits and other conditions of service.

The audit must further detail all human resources management policies, such as the employment equity plans and affirmative action policy, the work place skills plans and training policy and policies on overtime work, recruitment, selection and promotion, sexual harassment, performance appraisal, “grading” and job evaluation.

Voluntary separation prior to election

The integration of municipalities may eventually result in the dismissal of some employees due to administrative rationalisation and reorganisation. Councils must be careful not to enter into agreements about dismissal for operational requirements (retrenchment) or to agree to voluntary separation before the new councils have determined their own organisational structures.

Moratorium on appointments

Municipalities are advised not to make appointments prior to the integration unless it cannot be avoided.

Uniform (pro forma) performance contract for management

The Local Government: Municipal Systems Bill (as published) requires that municipalities must appoint municipal managers and other top managers on fixed term performance contracts. Congress instructed FREL-OGA to draft and supply to municipalities a pro forma contract that could be used as an example to formulate such contracts.

Assets, liabilities and records

Registers must be updated and validated so as to accurately reflect loans, assets, vehicle records, buildings and deeds of transfer, lease agreements (in respect of fixed assets of council), investments, inventory lists and other assets and liabilities.

All contracts and other securities relating to office equipment (lease and maintenance agreements), vehicles and equipment (registration documents), buildings and land, salary advances, and study loans and bursaries must be carefully listed. Of equal importance is the detailed listing of contracts relating to the provision of services in the areas of, for example, environmental health, approval of building plans and building inspections, consultants (engineers, town planners, surveyors etc), attorneys, financial management services (e.g. internal auditing), maintenance and repair of mechanical and electrical equipment, maintenance and repair of office equipment, building contractors (e.g. housing schemes), supply of consumable goods (e.g. fuel and lubricants, stationary, etc.), water provision and electricity provision.

Note must also be taken of all pending claims of councils against deceased/insolvent estates, pending litigation against debtors, pending claims against municipalities. Archives (including personal files) must similarly be properly listed.

Entering into long term contracts

Municipalities should, as far as possible, refrain from concluding contracts

that would put obligations on the new council. Where it is inevitable that a contract must be concluded, special attention must be given to price escalation clauses and the terms of contracts.

Organisational issues

There are a few issues of an organizational nature that the existing municipalities within a newly demarcated district must research and discuss. These relate to a possible model for delegation of powers, and a possible organizational design taking into account the identification of core and non-core functions, the determination of a seat (headquarters) of the new municipality, geographical centralization/decentralization and staffing levels. This process must be communicated to councillors and employees and communities.

Designing a new structure

Existing municipalities should refrain from designing a structure for the new municipality. A range of resolutions must first be taken before a new structure can be designed, including decisions on the functions that the new municipality would perform, the spatial location of the headquarters (seat) of the new municipality etc. These are strategically important decisions, which would be best left for the new municipality to deal with. The existing municipalities in a new area may of course research and discuss these matters with a view to formulate recommendations for the new municipality to consider when it takes office.

Informing communities

Communities must be informed of the demarcation results, the amalgamation process and its reasons and consequences. Every existing municipality has to decide how it is going to inform its community and what it would inform them about.

Elections management

In many cases chief executive officers are local electoral officers of the IEC who would be responsible for running municipal elections. In most cases there would be more than one LEO for a new municipal area as the appointment contracts of the current

LEOs only expire later. This matter is dealt with by the IEC.

Further issues for research and deliberations include the need for a uniform system of information technology where hardware, software and operating systems are compatible. Local legislation must be examined and appropriate processes must be devised to facilitate the rationalisation of resolutions and bylaws, including the establishment of a municipal code, town planning schemes, rules and procedures (standing orders), the alignment of LDOs/IDPs, and the drafting of uniform financial standing orders/bylaws

Process issues

Mention has been made above that existing municipalities ought to establish joint bodies (working groups or committees or task teams) to discuss and deal with a variety of matters (those listed above and others) related to the integration of existing municipalities. The structure and composition of these bodies is the choice of the municipalities in an area. In some cases there may be significant interests, whether political or otherwise, that are not represented in any council at all. The councils would jointly have to consider whether to include such interest groups in these bodies. The formation of such bodies should be seen as a precursor to any similar type bodies that the MEC for local government may establish to facilitate the municipal transition. The important issue is that municipalities must urgently begin to grapple with the challenges of this final transition.

Where the process result in the establishment of a range of joint bodies dealing with specialised interests, arrangements would have to be made for a body to coordinate them. Also, processes would have to be put into place to ensure that decisions that must be made by existing municipalities with regard to aspects of the process (e.g. the alignment of budget practices and procedures) are actually made.

It must be borne in mind that municipalities would have to incur cost with regard to the operation of the proposed systems and to collect informa-

on. Probably these costs would not have been provided for in the budgets of existing municipalities.

The plan suggests that existing policy resolutions with regard to at least the issues listed above should be collected and recorded according to predetermined categories. Those resolutions must then be studied and the differences between them highlighted before changes can be proposed. The idea is to get a high a level of alignment of policies of existing municipalities in an area before the election. This would facilitate post-election decision-making immensely. The resolutions of the existing municipalities remain resolutions of the new municipality until they are changed. Therefore, new municipalities would have to know what the different decisions of the existing municipalities about a matter were before they can formulate their own decisions. Some of these resolutions may, more than likely, be in conflict with one another. The resolutions of one existing municipality are not superior to those of other municipalities. All the resolutions of existing municipalities will apply as if the new municipality had taken them.

Implementation

The Management Committee of FRELOGA adopted this plan. It was distributed to all municipalities. FRELOGA cannot, due to its capacity constraints, become involved in local processes aimed at the integration of municipalities. However, FRELOGA would, on an invitation basis, orient municipalities in a new demarcated area with regard to the plan and measures to implement processes to facilitate the transition. Any assistance from FRELOGA would depend on the availability of its staff.

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