

CHAPTER 3

UTILISATION OF RESOURCES

“The process of working with and through other people to continually ensuring that all activities and operations of a specific local authority are primarily aimed at performing its specific functions and meeting its responsibilities in an optimal manner to the maximum advantage of its total community can only be achieved through the effective utilisation of human and financial resources.”

- J. Stewart, 1988 : 32

3.1 INTRODUCTION

South African municipalities are increasingly expected to deliver more services with fewer resources. These expectations make increasing demands on the available financial and human resources of municipalities. The efficient performance of the activities of municipalities will thus to a large extent depend on the efficient handling of municipal resources.

The non-payment for local services, *inter alia* contributing to insufficient resources being available, the amalgamation of municipalities, inadequate trained financial personnel, and a lack of political direction and decision-making necessitate a review of the South African system of financing municipalities. In this regard the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996), the Public Finance Management Act, 1999 (Act 1 of 1999), and the Auditor-General Act, 1989 (Act 52 of 1989) create a financial framework within which the other spheres of government can supervise and guide municipalities in an attempt to guarantee financial stability. In the same manner the personnel function is regulated through

clear policy guidelines from the Public Service Commission; explicit general personnel policy of the Public Service Act, 1994 (Proclamation 103 of 1994); and personnel regulations and codes. It is important for a council to ensure that each head of department in a municipality formulated a personnel policy to ensure administrative competence. Municipal resources are always under pressure and this calls for maximum improvement in the utilisation of these resources in order to make it more performance or output orientated.

The aim of this chapter is to provide an overview of local finances and administration thereof, the budgeting process, aspects relating to sound financial administration and financial challenges confronting municipalities. Although it is not expected of a councillor to be a financial expert it is important to understand what financial sources are available in generating revenue and to comprehend the financial implications of council decisions on the budget. In 1999 four workshops conducted in Gauteng on "Resource Utilisation", were attended by a total of 112 councillors of which 91 or 81% stated that they are experiencing difficulties in understanding, appreciating and controlling the finances of their separate municipalities (Fourie, 1999 : Resource Utilisation Workshop). Part of the reason why municipalities are experiencing financial crises can largely be attributed to poor financial administration. In this chapter attention will also be given to the manner in which municipal officials ensure that a municipality obtains the greatest possible benefit from their abilities.

3.2 MUNICIPAL FINANCE

In terms of section 10(g)(1) of the Local Government Transition Act, Second Amendment Act, 1996 (Act 97 of 1996) and section 153 of the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996) municipalities have a responsibility to use resources in an effective, economical, accountable and transparent manner and; to structure and manage their administration, budgeting and planning processes to give priority to basic needs, desires and demands of

citizens. It includes a responsibility to set clear objectives; to regularly monitor and assess performance; to prepare an integrated development and financial plan in respect of all their powers, duties and functions and; to annually report to the community.

Municipalities in South Africa are facing two realities: firstly, a rapidly changing environment and, secondly, limited resources, which demand sensible choices amongst the available options open to them. The annual income of people living in Soweto is less than R28 000 per person, which translates into a revenue of R408 per head. This compares with a per capita annual income of R124 000 in Sandton, which renders R3 800 per head to the Municipality (Walker, 1999 : 5-6). In Soweto, with a population of 1.8 million people, it translates into R734 400 000 million revenue per annum, whilst in Sandton, with a population of approximately 250 000 people, it translates into R950 000 000 million revenue per annum. Although Sandton is less than a ninth of the size of Soweto and has a much smaller tax base, the earning power of its inhabitants as opposed to inhabitants in Soweto, provides it with significantly more revenue. Thus in Soweto there is less money available for the provision and maintenance of services than in Sandton. It could therefore be assumed that the infrastructure in Soweto is weaker than in Sandton. It can be argued that many municipalities are faced with a situation where the resources available in communities are insufficient to make real improvements to their quality of life. This places a greater demand on a council to render services to the community in a cost-effective manner.

The Portfolio Committee on Public Affairs reported on 12 March 1999 to Parliament that 275 of the 843 municipalities were experiencing severe financial difficulties, while 82 were facing imminent financial failure (Encarta, 1999 : Internet). The Minister of Finance, Mr. Trevor Manuel, reacted to the committee's report by stating that "...without sound financial administrative systems and a knowledge thereof, municipalities will be forced to discontinue their operations" (The Star, 15 March 1999 : 2). It is therefore vital for a council, municipal officials and more

specifically municipal financial officers to have a proper understanding of local financial administration. The former Department of Constitutional Development claimed that *“...the department had hosted many workshops on financial management, integrated development planning and local economic development, but was poorly attended. Poor attendance by councillors on a number of occasions was not the fault of government.”* (Spokesman for the Department of Constitutional Development, 1998 : Interview). Thus an opportunity to obtain information regarding financial issues was not utilised.

As members of a political institution and as providers of services, councillors and officials are responsible for stewardship and accountability (Fielding, 1997 : 112-114). **Stewardship** refers to holding the local community's assets in trust and administering the acquisition, financing, maintenance and utilisation of such assets. **Accountability**, on the other hand, refers to a council accepting responsibility for the utilisation of municipal resources. The actions by a council and municipal officials in supervisory positions; decisions taken and the extent to which local choices have been satisfied, are examples of issues for which council accepts accountability. For example, the Eastern Gauteng Services Council approved a R519 million budget for the 1999/2000-budget year aimed at building and upgrading essential services and infrastructure in the area. An amount of R209 million had been allocated to community projects by local councils within the region. These projects included the building or upgrading of sports grounds, reservoirs, community halls, street lighting and roads (Minutes of Eastern Gauteng Services Council, 9/1999 : 17-18; Sowetan, 28 June 1999 : 4).

It is the responsibility of municipalities to provide services to their communities with limited resources at its disposal (Filkin and Moor, 1997 : 32-35). In order to receive specific community services, taxpayers are required to pay property tax and pay for services rendered within to a municipality in terms of section 229(1) of the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996). The Minister of Provincial Affairs and Local Government, Sydney Mufamadi, stated on 20 July

1999 that residents owed municipalities a total of about R12,4 billion while municipalities owed Eskom R316 million (Business Day, 21 July 1999 : 2). According to the minister “...*the disturbing trends include the collapse of municipal finances, lack of accountability, weak partnerships between government and society as well as councillors who are not prepared to work with their communities to build a vibrant local government system* “. In terms of Part B of Schedule 4 and Part B of Schedule 5 of the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996) these services or functional activities by municipalities are for example, the provision of health services, the maintenance of streets and sidewalks, sewerage and refuse removal; the establishment and maintenance of parks and recreation grounds and; the provision of water.

It can be concluded that municipalities will have to be cost-effective in service rendering and encourage a willingness and understanding of the principle to pay for services. Councillors need to understand that municipalities have to be innovative in an environment where there will always be a demand for an improvement in the quality of life against the reality of limited financial resources.

3.2.1 Factors influencing municipal finance

Section 153 of the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996) determines that a municipality must on the one hand direct its administration, budgeting and planning processes to the benefit of the community, and on the other hand promote the social and economic development of the community. It is the responsibility of municipalities to improve the quality of life of its inhabitants with limited resources at its disposal (Adlem and Du Pisani, 1982 : 93; Cloete, 1997 : 108-109). This implies that municipalities not only have to be financially viable but have to ensure sustainability by creating additional sources of income to finance an increase in demand for services (Bahl and Linn, 1992 : 18-20). For example, the Greater Johannesburg Metropolitan Council (GJMC) has embarked on a three year project, called Egoli 2002, to specifically redevelop the inner city through improved

service delivery (e.g. water and sanitation) and, by-law enforcement (e.g. on street trading, building control and environmental health). In order to finance the capital budget for the inner city amounting to R60 million, the GJMC decided to sell 6000 houses and flats (The Star, 26 February 1999 : 2). In this example the GJMC has succeeded in simultaneously directing the development and promoting social and economic upliftment in a specific area.

Municipalities do not function in a vacuum and are constantly subjected to external influences. According to Moodley and Sing (*in* Reddy, 1996 : 193-198) a number of factors have an impact on municipal financing. These are the political, economic and social environment within which a municipality functions; governmental relations involving the decentralisation of authority and power to local government, co-operative government and the autonomy of local government to function separately from national government ; the administrative capacity of a municipality, and the role of the Financial and Fiscal Commission (FFC).

3.2.1.1 The financial administration environment

The administration of local finances takes place in a dynamic political, economic and social environment (Hays, *et al.*, 1995 : 91-93; Oosthuizen, *et al.*, 1998 : 43-46) The impact of these environments on a municipality's financial administration will be discussed in the ensuing paragraphs.

(1) Political environment

According to Craythorne (1997 : 14-15) the extent of the political environment of local government will vary according to the actions of political parties, the dynamics of intergovernmental relations, and local politics relating to local issues arising among stakeholders. The National Party's policy regarding separate municipalities based on race, remains to have an impact on present-day finances, because of the subsequent reasons (Nkuhlu 1993 : 11; Rossouw, 1999 : 89-90) In this regard the

former black municipalities were not financially viable, lacking a sound tax base to finance adequate provision of services and launching of development projects. Furthermore, the fact that black towns, such as Mamelodi, Soshanguve and Atteridgeville were exclusively regarded as dormitory or "sleep" towns meant that it had an inadequate infrastructure. The purpose of these black towns were to function as transition areas to black labourers employed by white industrialists, the commercial sector and as domestic workers. Apart from this, the inhabitants of black towns had no security of tenure due to the fact that black people were not allowed to own property in areas within the former white area of South Africa (Nkhulu, 1993 : 12-13). Since 1995 the African National Congress (ANC) led government has focussed its policies on redressing these imbalances and it can be argued that it is expected of municipalities to implement these policy changes in terms of the objectives set out in section 152 of the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996).

In terms of sections 24 and 25 of the Municipal Demarcation Act, 1998 (Act 27 of 1998) a Demarcation Board was established in each province with the purpose of investigating and identifying areas of jurisdiction to ensure the greatest financial viability of municipalities. It can be argued that reducing the number of municipalities from 843 to 284 after the December 2000 elections will not only increase the geographical area that councils have to govern and represent, but will facilitate the redistribution of wealth from more affluent parts to poorer parts of the community. This form of democratic local government ensures public participation, accountability, transparency and responsibility, thus promoting the general welfare of the community (Rossouw, 1999 : 34-35). It can be concluded that councillors should have a thorough understanding of the national government's policies that have an influence on a municipality's financial resources.

(2) Economic environment

According to Craythorne (1997 : 16) a municipality has limited means, and needs to plan carefully and prudently. A municipality has an impact on the local economy because it takes money out of circulation by means of taxes and fees; returns money to the economy when it pays personnel and buys goods and services; and, by its policies, can encourage or discourage development. According to Botes et al., (1996 : 204) the political objectives of municipalities cannot be realised without the necessary economic development to provide the fiscal base to meet these expectations. In this regard Rossouw (1999 : 45-47) proposes a strategy for redistributive growth to accomplish a number of goals. These goals include safeguarding an equitable pattern of growth; achieving a more equitable distribution of assets, services and access to markets; and maintaining macro-economic stability. Through the Consolidated Municipal Infrastructure Programme (CMIP) funding has been made available for specific infrastructural needs.

The Municipal Infrastructure Investment Unit (MIIU) was established by the national government to assist municipalities in finding innovative solutions to critical issues, with the financing and administration of essential services such as water supply, sanitation, waste, energy and transport (DCD Library, 1999 : Internet; John, 1997 : 23-25). These proposals include the involvement of new parties in service delivery, in various forms of partnership arrangements. The Unit strives to encourage and optimise private sector investment in core municipal services, on a basis that is sustainable. These investments may take on a broad range of forms, *inter alia* private sector financing of municipal debt; contracting out of specific administrative functions regarding ongoing services; concessions to operate a municipality's assets over a defined period; contracts requiring the private sector to design, build, finance and operate assets to deliver services for a municipality; and the privatisation of assets and services. Of the targeted eight million beneficiaries, an estimated 6,5 million people have already been reached by the Municipal Infrastructure Programme. By the end of 1998 an estimated 242 000 people had

been employed through CMIP projects and more than 94 000 people had received some form of training. Open and consultative relationships have been successfully established between municipalities, implementing agencies and communities (DCD Library, 1999 : Internet). The Consolidated Municipal Infrastructure Programme (CMIP), replaced the MIP, and has become the major reconstruction and development flagship of the government. This single-window, multi-year programme also had to take over 115 projects of the Department of Housing and was completed in the 1999/2000 financial year at a cost of R215 million. It can be concluded that the CMIP is an effective instrument in assisting municipalities with the provision of services, infrastructural development, optimising private sector investment, creating employment and the provision of training.

The private sector, by its very nature, is geared towards customer service to ensure high levels of profit. A combination of private and public sector resources will not only change the revenue base of local services, but it will bring municipalities closer to appropriate and affordable levels and unacceptable quality of services (Wissink and Hilliard, 1996 : 56-58). The CMIP framework addresses fears about partnerships in two ways: partnerships may only be considered where municipalities clearly has no realistic opportunity to deliver adequate levels of service and the actual contracts will require that private partners to meet a variety of basic conditions, all of which are standard features of concessions designed according to international best practice standards (Rossouw, 1999 : 43).

Thompson (1993 : 22) argues that financial sustainability by municipalities could be obtained if they are compelled to strive towards broadening the economic tax base through firstly the encouragement of development through the provision of infrastructural services. The South African Infrastructure Finance Corporation, for example, borrowed R275 million from the European Investment Bank on 17 December 1998 to finance municipal infrastructure projects. The line of credit was used to finance water supply, waste water treatment, local roads, public lighting and solid waste treatment projects (Business Day, 18 December 1998 : 2).

Secondly, it includes the encouragement of industrial and commercial development by providing access to stands at the lowest possible cost. The Delmas Town Council, for example, embarked on a project to attract business ventures into its jurisdiction by offering lower prices on business stands. It resulted in, for example, Sun International buying 40 hectares of ground for the building of a hotel complex (Minutes of Delmas Town Council Meeting, 3/1999 : 5). It can be argued that councils have to be more innovative in attracting business into its area of jurisdiction and in doing so also broaden its own tax base.

With R3 billion of the 1999/2000 national budget directly linked to job creation programmes like the Municipal Infrastructure Programme, municipalities were able to tap into national government finance for the development of bulk infrastructure for the poorest communities. Through the national government's job creation programme 105 083 people have gained access to accredited training programmes and a total of 1965 black-owned small and medium-sized business opportunities were created. Other programmes that benefited were the provision of water programme; rural water supply and sanitation programmes; community-based public works programmes; income generating welfare programmes; training for the unemployed and employment services programmes (DCD Library, 1999 : Internet).

It can be argued that a council should be able to effectively utilise opportunities in its economic environment in order to realise political objectives and to satisfy the needs, desires and demands of the community.

(3) Social environment

Large sections of the population of South Africa suffer poverty, lack unemployment, cannot afford adequate housing for their families or schooling for their children, and as a result exhibit the symptoms of deprived communities anywhere in the world (Craythorne, 1997 : 15). These symptoms include crime, abuse, lack of respect for law and order, and antisocial behaviour. It is the responsibility of municipalities to

function as facilitator in nurturing an acceptance for cultural diversity amongst communities and to act as co-ordinator in bringing about the integration of diverse communities (Conyers and Hills, 1989 : 10-13;). Furthermore, municipalities must encourage community participation through the principle of collective **self-help** or **Masakhane** in civic matters by co-ordinating and directing social activities to enable the formation and maintenance of a well-balanced, stable and tolerant community. For example, the Akasia-Soshanguve Town Council promoted a project whereby the residents could participate in a weekly flea market at the local soccer stadium in order to promote business initiative and to promote the idea amongst its residents to shop in its own geographical area (Minutes of the Akasia-Soshanguve Town Council Meeting, 4/2000 : 8-9) .

In a specific case a farmer decided to give his land away and had to embark on a six-week fast to convince the Hartebeespoort Town Council to allow him to do so. Mr. Roger Roman drew attention to the unsatisfactory conditions he was experiencing with the Hartebeespoort Town Council, which opposed the land restitution plans. The 11 families who became sectional-title holders on 7 January 1999, applauded the initiative of the landowner that willingly gave up his property in the interest of promoting reconciliation (Pretoria News, 8 January 1999 : 3). It can be argued that councils need to be receptive to the community's attempts in bringing about social change in South Africa.

3.2.1.2 Governmental relations

Apart from establishing the distinctive, interdependent and inter-related spheres of national, provincial and local government, Chapter 2 of the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996) lays down guiding principles under which the spheres of government must operate. The financial and fiscal relations within the state, such as those underlying principles found in Chapter 13, specifically sections 229 and 230 of the Constitution are fundamental issues that influence the extent and the nature of municipal finances. Notwithstanding the fact

that national, provincial and local spheres of government are deemed to be distinctive, interdependent and interrelated, the **de facto** situation is that national government, is in an authoritative position **viz-a-viz** the provincial and local spheres of government. This is contrary to section 40(1) of the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996), relating to the interdependence and interrelatedness of the three spheres of government. In this regard provinces and municipalities are for example bound by national laws relating to aspects of the imposition of taxes and raising of loan capital.

The interaction amongst the various spheres of government, particularly in the current context of increasing community needs and limited resources, is a contentious topic. It entails a number of financial and fiscal ties amongst and within the various spheres of government, and should focus not only on quantities, but also on qualitative aspects such as equity and the distribution of revenue amongst the various spheres of government. Aspects such as intergovernmental grants, subsidies and loans are pertinent in these interactions, while institutions such as the Financial and Fiscal Commission, in terms of section 220(1) of the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996), ensures equitable intergovernmental financial relations (Rossouw, 1999 : 46-47).

Intergovernmental transfers and tax policies are pivotal composers of intergovernmental relationships (Jones, 1996 : 214). This holds particularly true for a predominantly unitary state such as South Africa, where the national government accumulated, managed and distributed 91.5% or R178 368 million in 1998/1999 and 91.6% or R192 625 million of the total tax revenue, and is primarily responsible for the formulation and implementation of tax policy. In comparison, provincial government generated and managed 0.5% or R993 million in 1998/1999 and 0.5% or R1075 million in 1999/2000, while local government generated and managed 4.7% or R9192 million in 1998/1999 and 4.6% or R9707 million in 1999/2000, with the balance being made up by extra-budgetary institutions and social security funds (Director for Futuristic Research for the University of Stellenbosch, 2000 :

Interview). In this manner the provider has a measure of power over the recipient of public funds, which in its own way could be perceived as a form of subtle coercion within the relationship amongst the spheres of government.

Shafritz (1985 : 279) depicts the relationship of dependence as " ... *fiscal and administrative processes by which higher units of government share revenues and other resources with lower units of government, generally accompanied by special conditions that the lower units must satisfy prerequisites to receiving the assistance*". It can therefore be deduced that policy-making in municipalities can be influenced by provincial and national spheres of government, due to their stronger financial position.

The national government has however, in terms of section 152 and 156 of the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996), given municipalities more responsibilities, but not the commensurate money or resources to fund the new services. This requires that councils raise more money by increasing property taxes or finding alternative sources of revenue.

Increased decentralisation of authority and power will enhance municipalities' ability to function independently from national government. According to Croeser (in Reddy, 1996 : 192) it will furthermore ensure that decisions regarding public services are brought closer to disadvantaged communities; effectiveness in fulfilling specific needs simultaneously enhancing value systems; community involvement in delivery of public services is encouraged which in turn will contribute to a greater willingness to pay for services rendered; and owing to the scarcity of resources, efficiency and effectiveness of the public services could be enhanced, thereby promoting accountability.

Although an independent sphere of government, 275 of the 843 municipalities were experiencing financial difficulties in 1999, while 82 faced imminent failure (Encarta, 1999 : Internet). In July 1999 residents owed municipalities R12,4

billion while municipalities owed Eskom R316 million (Business Day, 21 July 1999 : 7-8). It could be argued that given the financial position of municipalities, they would have to rely on national government initiatives, i.e. the Consolidated Municipal Infrastructure Programme, to render municipalities with technical and financial assistance to provide services, create economic growth and support infrastructural development. This however, creates a subordinate relationship in which municipalities could be influenced when it comes to policy-making. In order to resolve this predicament councils have to be more innovative in finding additional or alternative sources of revenue.

3.2.1.3 Administrative capacity

The non-payment for services in many historical black towns left former black municipalities lacking both human- and financial resources. It has become the responsibility of transitional municipal structures to administer these deficiencies, through focused policies and spending on deprived segments of the new integrated municipalities (Sherman, 1992 : 32-35). A related issue is the lack of trained personnel from designated groups who could be employed by the new transitional structures both at local and metropolitan levels. In 1996 the Greater Johannesburg Metropolitan Council offered municipal officials a total of 495 hours of training on 11 training programmes attended by 1254 municipal officials. In 1997 a total of 720 hours on 12 programmes attended by 1379 municipal officials; in 1998 a total of 768 hours on 12 programmes attended by 1525 municipal officials and in 1999 a total of 1258 hours on 17 programmes attended by 1834 municipal officials (Lubbe, 2000 : 3-4). There was not only an increase in the number of programmes offered, but also in the number of hours allocated to each programme – 45 hours on average per programme in 1996; 60 hours in 1997; 64 hours in 1998 and 74 hours in 1999. Although not significant, there was an increase in the percentage of municipal officials of the GJMC that attended – 0,040% of municipal officials in 1996; 0,051% in 1997; 0,061% in 1998 and 0,073% of approximately 25 000 municipal officials in 1999. The

transformation of local government has extensive financial implications and because of restricted financial resources councillors need to be creative in the allocation of funds whilst simultaneously building the capacity of deprived communities.

It could be argued that a council has to ensure that suitably qualified municipal officials are appointed and that training programmes offered will enhance the performance of its officials. This could contribute to skilled and knowledgeable personnel being available to render services and administer the affairs of a municipality.

3.2.1.4 The role of the Financial and Fiscal Commission

According to section 220 of the Constitution of the Republic of South Africa, 1996, (Act 108 of 1996) the Financial and Fiscal Commission (FFC) is a body instituted to advise on service rendering and making recommendations on financial and fiscal policies which in a unitary state such as South Africa have a direct influence on local government finances; equitable financial and fiscal allocation to the three spheres of government; norms for the raising of loans by municipalities; and guidelines for the allocation of financial and fiscal resources. The FFC is responsible for making recommendations to all relevant legislative authorities with regard to the financial and fiscal requirements of all three spheres of government. These recommendations concern matters such as revenue sharing; financial allocations; taxation; general financial and fiscal policies of governments.

3.2.2 Strategies to improve local government finances

In terms of section 152 (1)(c) of the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996) it is expected of municipalities to promote social and economic development. This is a difficult task considering that the national

average payment level for services stood at 71% in March 1999 and 51 municipalities in Gauteng faced a serious financial crisis, as service defaulters owed R6 billion in arrears (Business Day, 1 September 1999 : 3). It could be argued that this leads to budget cuts that will ultimately affect the quantity and quality of service-rendering. For example, the approval of a stringent R8,2 billion budget by the Greater Johannesburg Metropolitan Council for the 1999/2000 financial year resulted drastic cuts that meant that the decaying infrastructure of the city deteriorated even further. In this regard only R950 000 was allocated for roads, while R14 million was needed to maintain the roads in an average condition. For sewers, only R300 000 was budgeted while about R5,5 million was needed. This led to downsizing of personnel with the result that where requests for repairs to sewers and water pipes were dealt with on the same day previously they are now being dealt with only between 48 and 60 hours after the complaint or request was lodged (Chief Engineer for the Greater Johannesburg Metropolitan Council, 1999 : Interview).

In order to improve the state of municipal finances councillors should investigate the following strategies to make it a financially viable entity:

3.2.2.1 Savings and maximum revenue collections

Savings on expenditure and the maximum collection of money due to a municipality can be realised with a high degree of cost efficiency and effectiveness. In this regard councils should focus on the non-payment for services in municipalities (Gildenhuys, 1993 : 134-136). Debt collection places an additional financial burden on council finances due to legal costs incurred. For example, municipal account defaulters in August 1998 plunged the Pretoria Council into a cash crisis of more than R534 million, which rendered the Council unable to pay creditors. Of the 66 852 defaulters, only 31 140 or 47% had responded by paying off their arrears or by making special arrangements with the Municipality for payments. A survey conducted among the 35 712 residents who had ignored the Council showed that

about 80% of the respondents had reconnected their electricity supply illegally. Of the residents who had had their electricity cables completely removed, about 30% of the respondents had illegally reconnected them (Business Day, 7 August 1998 ; 5).

The Pretoria Metropolitan Council's campaign to recover service debts recovered R54 million in cash payments between January and August 1999. The Council had cut electricity supplies to 80 213 nonpayers in the same period, which led to defaulters making special arrangements for the payment of R108 million (Business Day, 4 September 1999 : 6). In order to recover service debts, most municipalities make use of debt collectors. However, debt collection agencies collect millions in Gauteng's municipalities' drive to collect outstanding service fees. In the period January to September 1999 the Germiston Town Council paid out more than R5 million and only collected R2,5 million. The Midrand Council paid R460 266 to debt collection agencies but collected a nett total of R89 586; and the Nigel Town Council paid out R253 970 and received a nett total of R177 063 (The Star, 28 August 1999 : 10). Debt collection agencies seem to have some degree of success, but its net benefit to the Council is negligible. It could be argued that councils need to find new measures in re-cooperating outstanding service debts.

The national government has also embarked on two major initiatives in an effort to improve local government finances. Firstly the **Masakhane campaign**, was specifically launched to address the issue of non-payment and secondly **Project Liquidity** was introduced, whereby the short term liquidity of all municipalities are monitored in the country (Van Niekerk, 1997 : 8). Its aims and objectives are to evaluate the success of the Masakhane campaign; identify municipalities that require financial assistance; establish a basis for constitutional assistance to municipalities; and identify national strategies to assist in terminating rent boycotts.

It can be concluded that councils have to embark or increase its efforts on national (i.e. Masakhane and Project Liquidity) and local (i.e. debt collection agencies) initiatives to ensure the viability of municipalities.

3.2.2.2 Alternative sources of revenue

In order to provide in an increasing demand for services and service quality, national government has to consider alternative sources to boost municipalities revenue base (Beatty and Scheier, 1986 : 67-69). A number of possible new sources of revenue are identified, that could broaden municipalities' revenue base. Devas (1989 : 38) suggests the payment of an advertisement tax by radio, television or newspaper for the placement of commercials and/or advertisements. Another possible revenue source could be the devolution of the motor vehicle license function and income in its entirety to municipalities, since the majority of people owning motor vehicles reside in urban areas or the levying of a local fuel tax on commercial vehicles as a contribution towards defraying costs of traffic control and road maintenance and -construction. Fourie (1999 : 4-7) proposes the introduction of a tourist tax which will ensure additional tax from hotels, holiday flats, boarding/guest houses and camping grounds and the levying of fixed property transfer taxes on all property transfer transactions as well as a revenue collection system on small traders, vendors and artisans for every day the individual is doing business. Finally, Franszen, (1967 : 68) suggests the levying of a fire insurance tax of which the rate of tax will be based on the amount of the insurance coverage.

These are possible alternative sources of revenue (not an exhaustive list), which could if instituted, enhance the financial viability of municipalities. Councils could, through their different municipal forums such as the Gauteng Local Association (GALA) promote and lobby for the establishment thereof.

3.2.2.3 Improving value for money

It is the responsibility of councils to continuously make optimally use of its resources in order to improve efficiency. According to Hepworth (1984 : 245-254) efficiency will improve if the following issues are addressed:

- (1) **Cost-benefit analysis.** According to MacRae and Page (1967 : 40-41) cost-benefit analysis is a method which enables the decision-maker to select projects for development so as to secure the optimum benefit to the community. It could be argued that cost benefit analysis is an attempt by councils to determine justifiable priorities to the benefit of the community within the limits of available funds (Gildenhuys, 1997 : 452). For example, on 25 March 1999 the Soweto Sports Council opened its new headquarters, the Orlando Sports Complex in Diepkloof. The building was donated by the Greater Johannesburg Metropolitan Council, after closing down its electrical power station in 1998. The Orlando Sports Complex which accommodates 25 kinds of sports, serves as a regional sports academy in partnership with the National Olympic Committee of South Africa (The Citizen, 26 March 1999 : 8). Instead of maintaining the building at a cost of R272 000 per annum, the Council donated the building to the Soweto Sports Council.

Councils should, before any decision is made, consider the cost and benefits of any project. If not done properly, the likelihood of failure is imminent. For example, in 1993 the Johannesburg Stadium was considered as a profitable venture, but by February 1999 it was proved to be a financial loss which cost the Greater Johannesburg Metropolitan Council R13 million a year in interest repayments and operational costs (The Star, 26 February 1999 : 2).

- (2) **Performance review.** In order to determine the efficiency of a municipality, a council could use the provincial auditor's annual report or the expertise of external performance audit companies (Landy, et al., 1983 : 145-147). For example, the Price Waterhouse, KMMT and Brey Financial Services performance-audit report on the Greater Johannesburg Metropolitan Council found the Council to be "...*inefficient, ineffective and fundamentally flawed.*" The report stated that 50% of senior personnel were engaged in non-core support functions rather than service delivery, compared to the international norm of 15%. Apart from this, 45% of Johannesburg's R2 billion salary bill was spent on car loans, housing subsidies and other extraneous benefits including stress relief and clothing allowances (The Citizen, 17 June 1999 : 13). In another example, Gauteng's provincial auditor released an audit report on 25 January 1999 stating that the Krugersdorp Town Council was in debt to the tune of R150 million. According to the audit report, the Council neglected to do bank reconciliation and debtors' control. There was no record on the movement of funds and reserves, and details of amounts owing in respect of government housing loans of more than R6 million could not be obtained (Gauteng Provincial Auditor-General, 1999 : Interview; The Star, 27 January 1999 : 6).
- (3) **Planned programmed budgeting.** The planned programmed budgeting system (PPBS) allows councils to have a clear indication of current and planned municipal projects (Pienaar and Spoelstra, 1991 : 320). The Greater Johannesburg Metropolitan Council has, for example, embarked on a three year PPBS-project, called Egoli 2002, to specifically improve the inner city through improved service delivery and by law enforcement. The Gauteng Local Government MEC, Trevor Fowler, announced that improved service delivery, revenue collection, and financial sustainability of municipalities would be the provincial government's top priority until at least 2004 (Spokesman for the Democratic Party, 1999 : Interview; Greater

Johannesburg Metropolitan Council Minutes, 2/1999 : 9-10; The Star, 7 July 1999 : 2).

- (4) **The use of management techniques.** A council could use techniques such as work-study and management by objectives, to ensure that a municipality functions to its fullest capability. For example, the GJMC priorities for 1999/2000 included tackling basic needs, maintaining existing infrastructure, enhancing revenue collection, enforcing credit control measures, improving income generation and reducing emphasis on revenue absorption services (Spokesman for the Democratic Party, 1999 : Interview). The GJMC appointed Ketso Gordhan in 1999 as Executive Officer on a performance contract, who in turn requested all the municipal officials in supervisory positions to sign performance linked contracts. In terms of the signed contracts the Executive Officer and municipal officials in supervisory positions had to perform in terms of their delegated responsibilities. If the Executive Officer or any municipal official in a supervisory position did not perform in accordance to their delegated responsibilities, the Council had the right to terminate the services of any such officials. By June 2000, no such action was taken by the Council, which could indicate that the Council was satisfied with the performance of its municipal officials in supervisory positions (Executive Officer for the Greater Johannesburg Metropolitan Council, 2000 : Interview)

During 1998, the financial status of more than 200 municipalities with financial difficulties were analysed by means of management audits by provincial task teams assisted by the National Task Team of the former Department of Constitutional Development. In some cases, the management audit itself highlighted problem areas and municipalities immediately took corrective steps. In most cases, provinces had to intervene directly by instituting managerial support programmes which aim at restoring the financial viability of these municipalities (DCD Library, 1998 :

Internet). It could be argued that continuous monitoring of municipal finances by provincial task teams ensures that sound accounting practices are applied by municipalities.

(5) Privatisation of certain functions. To eliminate the possibility of financial losses on specific services, councils could consider the privatisation of those services. For example, the Pretoria Metropolitan Council privatised services such as grass-cutting, the provision of bin liners, sewer and stormwater maintenance, road repairs and resurfacing, housing projects and libraries (Minutes of Pretoria Metropolitan Council Meeting, 5/1999 : 19). The disadvantage of privatisation is that it normally leads to job losses. The South African Municipal Workers' Union (SAMWU) opposed this decision and stated that it would bring further hardship to the already suffering millions (Spokesman for the South African Municipal Workers' Union, 1999 : Interview). More than 10 000 members of SAMWU in Pretoria area marched to the offices of the Pretoria Metropolitan Council at Church Square to protest against the privatisation of municipal services.

(6) Compulsory competitive tendering. In order to ensure the best quality service, a council should require that tenders contain detailed specifications. For example, building contractors who get allocated tendered work from the GJMC are required to remove refuse, sweep streets, clear rubble, remove skips, and remove waste on a daily basis. The Council holds the contractor responsible for cleanliness of a particular zone and residents may approach the contractor when they have problems. Contractors are trained in waste management and penalties are instituted for contractors who fail in their duties (The Star, 31 August 1999 : 6).

It can be concluded that a council should be made aware of all possible ways to improve the value of money for the community, through applying cost-benefit

analysis, performance reviews, planned programming budgeting, management techniques, privatisation and compulsory competitive tendering.

3.2.2.4 Public private partnerships for municipal services (PPP's)

There is a considerable interest in an increased role for the private sector and community based entrepreneurs in the provision of infrastructure and the delivery of municipal services. Private sector companies are encouraged to make direct investments in infrastructure -and service provision in anticipation of long-term returns (Barton and Chappel, 1985 : 22-25; Armstrong, 1991 : 13-15). This could range from, at national level, massive investments in an airport, power station or a toll road, through to, at local level, the development of facilities at a taxi rank or to operate and maintain the water supply and sewerage system. For example, the Greater Johannesburg Metropolitan Council decided at a council meeting on 28 October 1998 to seek private sector assistance to help finance their proposed municipal police force. Municipal traffic and security officers focus on the policing of road traffic and related matters, municipal by-laws and performing visible policing and crime prevention functions (The Star, 29 October 1999 : 14).

In terms of the former Department of Constitutional Development's guidelines for private sector participation in municipal service delivery (1997 : 3-6) there are an array of PPP's which may be identified along a spectrum from limited private sector involvement through to totally privately owned utilities. It could be argued that councils should have an understanding of the different types of PPP's that exist in order for them to decide on which type of PPP to apply to their area of jurisdiction. These are:

- (1) **Management agreements.** Management agreements refer to outsourcing the maintenance and operation of a service to a private company for a predetermined period. For example, the Westonaria Town Council has a management agreement with J and T Gardens for a period of 3 years for the

maintenance of municipal gardens (Minutes of Westonaria Town Council Meeting, 8/99 : 12).

(2) **Lease arrangements.** Lease arrangements refer to a situation where a private company leases, maintains and operates a municipal asset for a predetermined period. For example, the Midvaal Council has a 15 year lease agreement with Tiptol Outdoor to run the municipal's entertainment centre – the centre comprises 2 swimming pools, a mini golf, 6 trampolines, a roller skating rink and a take-away shop (Minutes of Midvaal Council Meeting, 7/98 : 6).

(3) **Concessions.** Concessions refer to a private company that, for a predetermined period, assumes responsibility for the rehabilitation, development and/or operation of an asset or service. For example, the Greater Johannesburg Municipal Council has granted Johnnic Developers a concession to upgrade the Hillbrow business centre over a period of 6 years (Minutes of Greater Johannesburg Municipal Council Meeting, 2/99 : 3).

(4) **Privatisation.** Privatisation denotes the sale of assets to private companies for an undetermined period. For example, the Akasia-Soshanguve Town Council privatised sewer and stormwater maintenance to Mapane Earthworks in an attempt to cut cost in personnel expenditure (Minutes of Akasia-Soshanguve Town Council Meeting, 4/99 : 4). The involvement of the private sector, in functions which are traditionally municipal responsibilities, may lead to a number of issues for council. Firstly, the **loss of sovereignty**, where responsibility for operations and maintenance are for a specified period handed over to the private sector. Secondly, **job security**, where organised labour is concerned about the loss of jobs associated with private sector involvement. Thirdly, "**cherry-picking**", where the profit motive and risks involved in private sector involvement means that they are often inclined to service affluent communities and exclude disadvantaged communities which have problems in meeting payment for services. Fourthly, **profiteering and corruption**, where contracts

are not awarded on a sound competitive basis which is subject to public scrutiny. For example, by August 1999 the Special Corruption Investigating Unit was dealing with 90 000 cases involving more than R7 billion linked to fraud, corruption and maladministration within all spheres of government. A chairman of a Gauteng local council (name of person and council withheld due to pending court case), in one year had claimed R692 000 for travelling expenses. The head of the unit, Justice Willem Heath, stated that typical problems encountered in local councils were unauthorised allowances to councillors, misappropriation of funds by councillors and to officials for subsidies or allowances and the unauthorised and irregular granting of fringe benefits to officials and councillors (Encarta, 1999 : Internet; The Citizen, 28 August 1999 : 8). It could be argued that councillors needs to be aware that privatisation could lead to loss of sovereignty, job losses, profiteering and corruption.

It should however be noted that in the case of municipal services, e.g. monopoly services such as water and electricity supply, privatisation is not considered, and therefore the responsibility and ownership should continue to reside in a municipality. The reason for this is firstly, that water and electricity supply is a council's largest source of income (normally in excess of 80% of revenue) and if it were to be privatised it would render most municipalities financially not viable, and secondly it would in all probability lead to inflated prices which would make the service unaffordable for residents in the lower income groups (Rossouw, 1999 : 67-68). By maintaining services such as water and electricity supply as municipal services, the best interest of the community will be served and it eliminates drastic increases in services – something that is common in the private sector where the making of profit is foremost.

It could be argued that district councils created in terms of the Local Government : Municipal Structures Act, 1998 (Act 117 of 1998) will take over the water and electricity supply function. If this is the case it would be an attempt by national government to centralise financial power in the district councils, who would in turn

redistribute financial resources on a need basis to local councils. In this manner poorer local councils could get a larger proportion of revenue collected by the district council.

In order to create an environment that is conducive to private sector involvement whilst achieving government's socio-economic and macro-economic goals, a regulatory framework should be provided by national government. This can be achieved through legal measures, but also through applying valid contractual arrangements between a council and private concerns.

It can be concluded that councils should only enter into public private partnerships if the cost of establishment of a service is too high, or if a council cannot provide the service to its community in a cost effective manner.

3.2.2.5 Campaigning and educating communities (Masakhane)

The Masakhane programme, launched by former president Nelson Mandela in 1995, was an initiative of the Department of Constitutional Development and Provincial Affairs and the Institute of Municipal Treasurers and Accountants, aimed at promoting a culture of payment in South Africa. However, in providing services to its communities, councils should take two vital aspects into consideration. The first being that of affordability – the question is what can the community afford? It is not wise to plan for the provision of a high level of service that the community will not be able to pay for. The ability to pay should be considered, taking into account the level of unemployment and the average income of the community. For example, the R32-million Olievenhoutbosch housing project, planned to be the showpiece for the Centurion Town Council, turned into a problem for the Council. The Council refused to let anyone move into the new housing complex until they have settled their service debts (Pretoria News, 15 March 1999 : 8). In a municipal survey conducted in February 1999 it was established that approximately 90% of the residents were unemployed and

unable to pay the Council the R50-a-month rental and levy charged for each stand (Minutes of Centurion Town Council Meeting, 2/1999 : 7).

The second consideration with regard to the financial planning is that of promoting economic development. This may be done by means of a policy that would encourage businesses to establish themselves in a municipality. For example, the allocation of contracts to small-medium-and-micro enterprises (SMME's). These contracts could be aimed at providing job opportunities for the local community, which will have a positive spin-off of improving for example, the ability of the community to pay for services.

If municipalities are to be viable and provide for sustainable development, payment for services is imperative. According to Kroukamp, (1995 : 197-199) consideration should be given to a nation-wide publicity campaign emphasising the need for, *inter alia*, dialogue and public education. The Masakhane Campaign has been introduced specifically to address the abovementioned considerations, thereby endeavouring to reverse the culture of non-payment. For example, the Greater Johannesburg Metropolitan Council has embarked on a "Love your City" project to make its citizens more aware of their civic role in society. The aim of the project is to upgrade civic pride and public morale to maintain environmental sensitivity and integrity and empower the community. It involved a comprehensive education and awareness programme that has been implemented at schools and with the youth, women's associations, churches, taxi and hawker groups. To show their commitment the Gauteng provincial government and the GJMC injected R35 million into the seventh All Africa Games that took place in Johannesburg in September 1999. The money was used to build an athletes' village in Alexandra, which thereafter provided housing to 1700 people (Minutes of Greater Johannesburg Council Meeting, 8/1998 : 12-14; The Star, 24 September 1999 : 2).

On the other side of the spectrum, the Krugersdorp Town Council, already owed R150 million by March 1999, was losing income at the rate of R2,8 million each

month as payment levels continued to drop. In terms of the **Masakhane Business Plan** for 1995/1996 (Department of Constitutional Development, 1995 : 4-5) the campaign was aimed at encouraging people to pay service bills, but according to Rossouw (1999 : 75) it has failed to make headway in previously disadvantaged areas. While the residents in the white suburbs and Azaadville, a mainly Indian township, had service payments close to 100%, in Kagiso payments, which were up to 57% in October 1998, dropped to 34% in March 1999. In Munieville, payment levels were at 35%, while the new Lusaka area has payment levels of only 3% (Minutes of Krugersdorp Town Council Meeting, 2/1999 : 18-20; The Star, 1 March 1999 : 6). It can therefore be deduced that even the best attempts of councils to get their communities involved in the Masakhane campaign could result in failure. Thus councils would have to search for other alternatives to raise levels of payment for services.

The Midrand budget showed an increase of 9,5% from R352,3 million in 1998/1999 to R385,9 million for 1999/2000. The accumulated deficit had decreased from R18,1 million in the 1996/1997 financial year to R10,8 million in the 1997/1998 to R6 million for the 1998/1999 financial year (Councillor for Midrand Town Council, 1999 : Interview; The Star, 14 June 1999 : 5). It could be argued that Midrand's improved financial position was partly due to an effective Masakhane campaign. This indicates that municipalities that introduce specific measures to eradicate deficits could expect to improve their financial positions.

The Masakhane campaign endeavours to promote a new philosophy among South Africans, characterised by consideration for human rights and respect for the law. It seeks to encourage people to participate in a new system of local government that promotes closer co-operation between municipalities and civil society. It promotes the notion that communities will be serving as change agents in their areas or jurisdiction. The Masakhane Campaign aims at improving the living conditions of urbanised communities through sustainable and visible service delivery, and for this reason has to rely on the involvement of

different stakeholders, i.e. labour; community based organisations; religious bodies; cultural organisations; non-governmental organisations; commerce and business; political organisations; and youth and women's organisations. It could be argued that a council as the representative of the electorate (as in the case of the Midrand Council), should take a leading role in involving its citizens in Masakhane type projects if the Campaign is to be effective.

The success of the Masakhane Campaign at local government level can be achieved through the participation of councillors (“Mayors for Masakhane project”); local events e.g. marches to support the project; involvement of local stakeholders e.g. holding of workshops; implementation of publicity programmes through advertising, media, outdoor advertising and promotional material; and the Masakhane Annual Award which was launched by the then Deputy President, Thabo Mbeki, on 28 June 1996 (Encarta, 1999 : Internet). It could be argued that the key to the success of the Masakhane Campaign is community participation. The community provides valuable input in determining development priorities and should therefore be cognisant of the dynamics involved in the budgetary process as well as the limitations of a municipality’s financial resources. A council should understand that Masakhane creates an attitude, it is not an isolated campaign; that it is about making communities understand municipal functions and municipal constraints; that it will lead to improving the lives of the most vulnerable; that it is about a council taking control of its own destiny and; that it addresses unsatisfactory conditions in a constructive manner.

3.2.2.6 Participatory budget

The participation of the community in the compilation of the budget will ensure that the programmes of municipalities become a people driven process (Pearce and Robinson, 1989 : 177-179). The Midvaal Council, for example, embarked on a participatory budget approach by instituting people’s forums to assist the Council in identifying budget priorities and to monitor the success of municipal

programmes. A participatory budgeting process should encompass the formation of peoples' forums, to identify and prioritise the needs of the community. These forums should be decentralised to the wards or the establishment of a forum for a combination of wards depending on individual preferences. It is the responsibility of the people's forums to categorise the needs of the community and propose to council possible community projects. A council has to plan and draft a budget according to the needs identified. It is the responsibility of a council to ensure that principles of local economic development and local labour are incorporated in the tendering procedures. The community has to participate in community projects, and monitor the implementation of the budgets.

It can be concluded that by involving the community in identifying societal needs and to assist in compiling and monitoring the budget, a council could obtain a valuable support base for its community projects. In this manner opposition to council's budgetary decisions is reduced, due to the fact that the community contributed to identifying issues that should be provided for in the budget.

3.2.2.7 Local economic development (LED)

President Thabo Mbeki, at the launch of the Johannesburg Urban Renewal Strategy in Johannesburg on 14 July 1997, said: *"The city encompasses all communities which contribute to its growth and to its prosperity... Those people who have, all their lives, placed their brains and their brawn at its service, should be the first beneficiaries of its renaissance. We are talking of the street child who has given it its survival instinct, the street vendor who has given it its informality, the aged whose vitality it has tamed but not vanquished, the investor who has given it its industry and the worker who has seen it grow. Indeed, this renewal should mean that we all begin to own the city ... and the fruits it is going to bear, because the contribution of all of us in its renewal, its growth, its prosperity is ... indispensable."* A council through its grassroots linkages, infrastructure investment programmes, local economic development strategies, partnerships with the private sector, and integrated development plans, is in the best position

to have an impact on the lives of its citizens. A council should therefore be geared towards promoting the economic development of the local community. In this regard, every municipality should conduct its affairs in an effective, economic and efficient manner with a view to optimising limited resources in meeting its objectives.

Planning is an essential feature in promoting economic development. In terms of section 153 (a) and (b) of the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996) and Chapter 5 of the Municipal Systems Bill, 1999 (Government Gazette no. 20357 of 1999) municipalities are required to prepare integrated development plans. These long-term plans should include development strategies, together with the action plans that are required to achieve their objectives. The integrated development plan of a municipality should promote social and economic development within its area of jurisdiction. For example, the Dendron Local Council offered the unemployed inhabitants advice on how to access organisations that can assist them with funding for small businesses and training (e.g. Ntsika Enterprise Corporation, the Northern Province Development Corporation and the Department of Trade and Industry).

On 27 August 1999, Minister Sydney Mufamadi, launched the Local Economic Development Fund (LEDf) in Pretoria. The Cabinet approved the LED fund of R42 million within the Department of Provincial Affairs and Local Government as part of government's overall poverty alleviation strategy. The division of funds between the provinces was made on the basis of the poverty level in each province and in this regard Gauteng received R3 million. The LEDf provides financial support, to a maximum of R1,5 million, to municipalities engaging in projects that will lead to job creation, poverty alleviation and redistribution. It is noteworthy that the value of proposed projects received was R780 million, which exceeded the finance available in the LEDf. Table 3.1 depicts the projects in Gauteng that received funding in 1999/2000.

It could be argued that in spite of limited resources, councils could utilise LED funds by identifying innovative projects and draft proposals in order to obtain funding. This in turn could result in improving the lives of disadvantaged communities. Simultaneously it could contribute to their ability to pay for services.

Table 3.1 : Local Economic Development Fund-projects in 1999/2000

Council	Project	Jobs created	Cost of project
Carletonville	Municipal commonage development for small-scale farming	195	R715 250
Western Gauteng Services Council	Regeneration of two dams for tourism	500	R200 000
Hammanskraal	Development of curio training facility	35	R230 000
Greater Benoni	Development of economic nodal points in the Greater Benoni area	121	R975 000
Johannesburg East Metro Council	Orchard project: multi-purpose centre stimulating SME development	122	R982 000

Source: Encarta, 2000 : Internet

A major challenge to the well-being of the poor is unemployment. According to Atkinson (1999 : 13) it will take 20 years at a 6% gross domestic product to absorb two-thirds of the workforce into formal employment. It could be argued that it has become the responsibility of local government to use their powers to work with communities, municipal officials and businesses; and to influence national and provincial policies in order to maximise local employment and prosperity.

It could be argued that economic development broadens the tax base of municipalities, which in turn will yield more income to a municipality through, firstly, an increase in assessment rates and taxes and, secondly, indirectly through the creation of jobs. The establishment of local development organisations can play a

significant role in this regard. From this it can be deduced that councils should have the ability to establish a plan for local economic development that includes promoting growth, reducing inequality, increasing participation and tackling poverty.

3.3 MUNICIPAL PERSONNEL

In terms of section 160(1)(d) of the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996), a council may employ personnel that are necessary for the effective performance of a municipality. In terms of Chapter 5 of the Municipal Systems Bill, 1999 (Government Gazette no. 20357 of 1999) municipal officials are required to act in good faith, diligently, honestly and in a transparent manner and to treat residents with courtesy and consideration, as well as to consult them. It could be argued that councils should be responsive to the needs of the community, facilitate a culture of public services among municipal officials and ensure that a municipality is performance orientated.

After a commission of inquiry set up by the Greater Johannesburg's Eastern Council, the head of corporate services, Mr. Mzi Mbangula, faced a disciplinary hearing and legal action over matters involving negligent performance of duties and unbecoming or dishonest conduct prejudicial to the good and proper working of the Council's service. Against council policy Mbangula authorised the lease of a luxury coach for a funeral. He purchased canteen equipment valued at more than R70 000 without following proper tender procedures (Minutes of Greater Johannesburg Eastern Council Meeting, 7/1999 : 11-12; The Star, 3 August 1999 : 2). It is to this extent that councils have to ensure that the personnel department appoints municipal officials that will not only have a regard for their personal and career needs, but rather officials that would serve the best interest of a municipality (Finnemore, 1998 : 122-124). For example, the controversial appointment of an African National Congress (ANC) councillor as CEO in Lekoa Vaal led to allegations that the party had a nation wide plan to replace top municipal officials with party functionaries. A Democratic Party representative,

Mr. Ryan Coetzee, felt that Mr. Enoch Makhatini was taking the post over the heads of more qualified and experienced candidates. He stated that “...*political considerations are becoming more important than experience and qualifications*”. (Democratic Party Spokesman, 2000 : Interview) However, the mayor, Mr. Justice Shabalala conceded that there were candidates with more qualifications, but that they were not only looking for experience and qualifications, and that Mr. Makhatini’s appointment was in the final analysis made on an affirmative action basis (Mayor of the Lekoa Vaal Council, 2000 : Interview). In another example, the community of Orlando East in Soweto staged a protest at the local police station demanding its station commissioner be removed from office. They claimed the commissioner, Senior Superintendent Fred Kekana, was incompetent. The demonstrators accused the commissioner of an unpopular management style, running the station with an iron-fist and undermining the community’s fight against crime. Kekana turned down invitations to attend community meetings where the residents expressed their concerns about crime; that he did not recognise the community policing forum; and took away the forum’s vehicles (The Citizen, 5 February 1999 : 8).

Since municipal officials are widely considered to be the most important resource of a municipality, it is essential that this resource be properly utilised (Cheminais et al., 1998 : 1). This is true for municipalities where the availability of physical resources, finances, infrastructure and equipment is meaningless without well-trained and efficient personnel. In this regard a council has to have faith in the ability of the municipal personnel department to effectively administer the personnel function on the total spectrum of personnel issues.

Craythorne (1997 : 306), emphasizes the importance of proper personnel administration as a key activity which can significantly contribute to the success of a municipality. Due to the fact that municipalities in terms of section 152 of the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996) have a duty to deliver goods and services to the community, it is of utmost importance that

they be sufficiently staffed with motivated, competent people. No council wants to be in a situation where the community complains excessively about the performance of municipal officials. For example, the Southern Metropolitan Council admitted that they were aware that they were not getting 100% value from their personnel, because the Council received complaints from the public that personnel were loitering and not doing their work (Councillor for the Johannesburg Southern Metropolitan Council, 1999 : Interview).

3.3.1 The appointment of a personnel manager

All municipal officials who are placed in authority over subordinates, will have various personnel management responsibilities. However, if the size of a municipality justifies a dedicated personnel manager, or if the financial resources of a municipality allow for a personnel specialist to be employed, then a council should appoint a personnel manager (Craythorne, 1997 : 306). A council should ensure that the personnel manager effectively fulfils a number of roles, *inter alia*, promoting the general welfare of municipal officials; develops and sustains the loyalty of municipal officials; monitors the municipal officials actions to ensure they conform to cultural and social norms and assisting in any general organisational adjustment to accommodate changes. It can be argued that the reduction from the current 843 municipalities to approximately 285 municipalities in December 2000, will result in larger municipalities, of which most will need to appoint a personnel manager. Councils have to ensure that they appoint personnel managers that are not only suitably qualified, but also candidates that have innovative ideas and the ability to ensure that municipal officials are motivated and loyal.

3.3.2 Responsibilities of the personnel department

Craythorne (1997 : 307) argues that councils need particular basic information for the administration of personnel. This includes, firstly, documentation wherein

the conditions of service are stipulated. Secondly, each municipal official should have a personal file which contains a thorough record of all relevant information, e.g. date of appointment, qualifications, leave and disciplinary action. Thirdly, each municipal official should receive a document of appointment which should refer to the conditions of service. Fourthly, all correspondence pertaining to municipal officials and their performance should be recorded on their personal file. Finally, details and records required for the appropriate remuneration of municipal officials should be recorded by the personnel department. It could be argued that a council has to ensure that record-keeping of such information by the personnel department is up-to-date and readily available whenever the issues pertaining to personnel matters are deliberated by council.

3.3.3 The staff establishment

Normally personnel expenses vary between 47% and 73% of the budget (Botes et al., 1996 : 324). The operating personnel expenses of Sandton, Centurion, Akasia-Soshanguve, Westonaria and Mamelodi municipalities are on average 52% of their budgets (Rossouw, 1999 : 53). It would seem that municipal personnel expenses are in line with the norm. It could be argued that the implication for council of these facts is that careful attention will have to be given to limiting the creation of posts as far as possible, and the utilisation of municipal personnel in a constructive manner as to reduce personnel costs.

According to Craythorne (1997 : 308), the staff establishment refers to a control document based on the municipal organisational design. Staff establishment documents should contain the title of each post or work category in a municipality; the department in which each post or work category is to be found; the remuneration of each post or work category; the authorised number of posts or work categories and; ideally, the names of the individuals occupying the posts or work categories. Before the establishment of any post, a council should have information pertaining to the exact job title; the full cost for the post for one year

(the full remuneration package which includes allowances, subsidies, medical aid, pension and salary); the exact tasks and responsibilities of the job; a motivation why the post is needed and why the work cannot be done by existing personnel or on a contract basis and; the availability of funds. The indiscriminate creation and filling of posts could send a council's limited operational budgets to increase out of control and could result in a situation where the cost of personnel consuming more than the accepted norm of between 47% and 73% of the operating budget, leaving possibly less than 27% in extreme cases for the provision of municipal services. It is therefore vital that the abovementioned information is made available to council before any appointment is authorised.

In 63 unstructured interviews conducted with councillors in Gauteng in 1998 and 1999, all of them stated that the support base provided to councils from municipalities was lacking. In this regard Fourie (1999 : 45-47) proposes the provision of clerical and secretarial support, administrative support, and information services. This should however be done without increasing the number of personnel as not to incur additional personnel expenses. Firstly, **clerical and secretarial support services** include according to Stewart (1994 : 55-57) facilities such as typing, filing cabinets, telephone allowances and free access to official telephones, post, stationery, photocopiers, computers, facsimiles, letter heads, business cards, personal secretarial services, office space and interview facilities such as a press room for official purposes and the serving of refreshments. Secondly, the effectiveness of councillors in the execution of their tasks is to a large extent determined by the quality, timing and availability of **information**. Thirdly, councillors usually have a need for **administrative support**. Meetings require that minutes are accurately recorded, professionally prepared and quickly circulated. Municipalities should make a particular degree of secretarial support available to handle correspondence, inquiries and telephone calls (Fourie, 1999 : 47). It can be argued that a council should therefore, as part of the staff establishment documentation, incorporate requirements for sufficient support to the legislative body.

3.3.4 The personnel function

Councils have a number of considerations to take into account regarding the personnel function (Rossouw, 1999 : 82-84). In the ensuing paragraphs these considerations are discussed with specific reference to job analysis, job design, employee recruitment, employee selection, employee induction, internal staffing, performance appraisal, performance management, employee training and development, career planning, compensation systems, labour relations, health and safety, disciplining and dismissal, information systems and research.

3.3.4.1 Job analysis

Klinger and Nalbandian (1993 : 77) argue that job analysis provides decisionmakers with specific types of information, *inter alia*, the duties that are important to the job; conditions that apply; performance levels expected; knowledge, skills and abilities required to perform each task; and, education, experience and other qualifications needed by employees. It could be argued that if jobs have been properly analysed by municipal officials that it would provide councils with sufficient information to make appropriate appointments in a municipality. Job analysis is a core issue when municipalities are undergoing change, restructuring or down-sizing (Scarpello, 1995 : 145-146; Carrell, *et al.*, and 1998 : 79). For example, in 1997 the Westonaria Town Council underwent major structural transformation. The basis of the restructuring process was a systematical analysis of the tasks, duties and responsibilities of a municipality. It provided the Council with an indication of job categories, the skills municipal officials needed to do their jobs adequately, the authority of the job in question and the mental effort required to do the job (Personnel Officer for Westonaria Municipality, 1998 : Interview).

3.3.4.2 Job description and evaluation

Job evaluation is concerned with the comparison of various jobs and what they actually entail so as to be able to make accurate decisions regarding remuneration. According to Botes *et al.*, (1992 : 326) the information contained in a job description should include the type and content of the work to be performed; the volume of work involved; the level of judgement that might be delegated to the person in the post; the level of the position (non-managerial, supervisory or management) and; the qualifications, experience and skills necessary for the post.

Carrell *et al.*, (1998 : 91) caution municipal personnel officials against the dangers of elaborately worded job descriptions, which attempt to justify better remuneration. It can be concluded that if a council is given the incorrect information to base its decision on, an incorrect decision will be made.

3.3.4.3 Remuneration

In terms section 12 of the Labour Relations Act, 1995 (Act 66 of 1995), remuneration packages will have to be negotiated by means of collective bargaining. Craythorne (1997 : 310) lists a number of alternatives available to a council to calculate compensation.

(1) A comparative basis with private enterprise. A council should compare the duties, responsibilities, functions and workload not the titles of the positions. For example, due to the difference in scope in responsibilities, the responsibilities of a senior personnel officer of a category A municipality (section 8 of the Municipal Structures Act, 1998 [Act 117 of 1998]), can not be compared with the responsibilities of a senior personnel officer of a category C municipality. There is a movement towards introducing performance-linked contracts for municipal officials in supervisory positions. In this regard the Greater Johannesburg Metropolitan Council appointed Mr.

○ Ketso Gordhan as metro manager in January 1999 on a year-to-year performance contract. The GJMC was satisfied with his performance in 1999 and re-appointed him as metro manager in January 2000 for another year (DCD Library, 1999 : Internet; The Star, 10 February 1999 : 2; Executive Officer for the Greater Johannesburg Metropolitan Council, 2000 : Interview).

(2) A comparative basis with other municipalities. Labour unions such as the South African Municipal Workers Union (SAMWU) and the Independent Municipal and Allied Workers Union (IMATU) may use a comparative basis with other municipalities to apply pressure (Ehlers, 1999 : 65). Councils should be aware of this tactic and rather compare the actual work and not merely the titles.

(3) The use of the cost of living index. Linking salary and other income adjustments to inflation remains a widely disputed matter between labour unions and councils country wide, especially in the present inflationary times. In the period 1990 to 1998 inflation has risen at an average of 10,2%, whilst municipal salaries have increased at an average of 7,1% (Rossouw, 1999 : 49). It could be argued that councils seem to have less to offer prospective applicants, which could impact on the quality of applicants applying for municipal jobs.

It can be concluded that it is a council's responsibility to ensure it not only understands how to determine salary packages, but also to ensure that the personnel budget is not excessive in relation to the total municipal budget.

3.3.4.4 The planning of human resources

A council should periodically request from its personnel manager or personnel department a human resource planning report. In this report the ongoing predicted future human resource needs of a municipality; the response to

changing legislation, for example, the changes effected with the adoption of the Local Government : Municipal Structures Act, 1998 (Act 117 of 1998) and; the co-ordination of all aspects of human resource management, should be included (Cheminais *et al.*, 1998 : 2; Andrews, 1988 : 1-4; Klinger, 1980 : 34-36; Beach, 1985 : 12-15). It could be argued that a council could use this report to determine how future developments in the political, social and economic environment may impact on a municipality. For example, section 195(1)(i) of the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996) stipulates that public administration should be broadly representative of the South African people, “...with employment and personnel management practices based on ability, objectivity, fairness and the need to redress the imbalances of the past to achieve broad representation”. This would imply that a council follows a purposeful and planned placement or development of competent or potentially competent persons in, or to positions from which they were debarred in the past.

3.3.4.5 Recruitment and selection

In terms of section 1 of the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996) the values of human dignity, the achievement of equality, non-racialism and non-sexism are to be followed, and section 9(2) which allows the right to equality to be limited to promote, *inter alia*, the promotion of measures to advance persons or categories of persons who have been disadvantaged by unfair discrimination. Section 9(3) of the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996) prohibits discrimination on a range of matters including race, sex, age and disability. Affirmative action would therefore also apply to women and categories of persons such as the physically disabled and mentally handicapped. The Employment Equity Act, 1998 (Act 55 of 1998) promotes equal opportunity and fair treatment through the elimination of unfair discrimination; implementing affirmative action measures to redress the disadvantages in employment experienced by designated groups, in order to ensure their equitable representation in all occupational categories and levels in

the workforce and; to promote economic development and efficiency in the workforce. Councillors should understand the implications of affirmative action and employment equity and ensure that these basic requirements are met in the recruitment and selection of personnel.

According to Gerber (1996 : 110-112) a vacant position in a municipality can arise due to promotion, transfer, termination of service, retirement or the creation of a new post. Once a council has given authorisation to create or fill a position, the next step is to acquire a number of suitably qualified applicants. According to Dessler (1997 : 133) a personnel manager or personnel specialist should ideally handle recruiting with the support and backing of a council and the line and staff managers under whom new municipal officials will be working. On 19 July 1999 the manager for forensic auditing in the office of the Auditor-General, Mr. Gideon Serfontein, stated that municipalities need to take responsibility for implementing an effective recruitment policy that will prevent potential commercial criminals from being employed. It could be argued that an effective screening process is useful and a valuable strategy for preventing wrong element from being employed. Commercial crime is motivated by three factors – motive, opportunity and lack of integrity. The common motive is a need for money and the discovery of loopholes within the system (Manager of Forensic Auting in the Gauteng Provincial Government, 1999 : Interview; The Star, 23 April 1999 : 2). The screening process should ensure that the most suitable candidate is eventually appointed.

Craythorne (1997 : 331-332) proposes that councils verify that the application form used is not difficult to complete and that it does not ask for irrelevant information. An application form amounts to a brief history of the applicant and has the sole purpose of collecting sufficient information to enable a council to decide whether to appoint or interview the applicant. Applications are screened at the appropriate managerial level, in conjunction with the personnel office, so as to select suitable candidates for consideration. Depending on the level of

appointment to be made a personnel committee or board or even a council would conduct a formal interview with suitable candidates. It could be argued that councils should have an understanding of how to conduct an interview; how to set criteria for the selection of i.e. a Chief Executive Officer and; how to resolve a situation where a council do not agree with a recommendation of the head of department.

3.3.4.6 Education training and development (ETD)

The Local Government Training Act, 1985 (Act 41 of 1985) is aimed at promoting training at municipal level. A juristic person is established in the form of a Training Board for Local Government Bodies in terms of section 2(1). The administrative work resulting from the execution of the Training Board's responsibilities is done by the personnel of the Department of Provincial Affairs and Local Government. The Skills Development Act, 1998 (Act 97 of 1998) requires business and government institutions to compile and submit a workplace-skills plan. This plan should indicate what training interventions are needed in order to ensure that municipal officials are competent employees. Competence, according to Lombard (2000 : 2), refer to the ability to apply skills, knowledge, attributes, attitudes and values in a work-related environment. It could be argued that a council should be informed that their skills development plan identifies competencies that constitute acceptable performance of a task; profiles job descriptions against competence; bases performance management on competence; appoints people partly on competency based assessments; and assess municipal officials against competencies required.

The training and development of councillors and municipal officials are seen as vital in meeting a municipality's objectives (Carrell et al., 1998 : 308), and according to Craythorne (1997 : 324) it is naïve for a council to adopt the approach that training should not be necessary because properly trained people should be recruited in the first place. According to Graham and Bennet, (1995 :

254) well-trained municipal officials “...are productive, cohesive, motivated and capable of accommodating change.”

Training focuses on the unique skills municipal officials and councillors need to perform their respective jobs (Dessler, 1997 : 248), and this highlights the reality that in most municipalities training will be an unavoidable consideration. In South Africa the workplace requirement for not only training and development, but also basic education issues virtually amalgamate the concepts of education, training and development (ETD). In terms of section 3.1 (g) of the Public Service Staff Code (April 1995), training is defined as “...all those planned and purposeful activities which improve the knowledge, skills, insight, attitudes, behaviour, values and working and thinking habits of public servants ...in such a way that they are able to perform designated or intended tasks more efficiently”.

Symptoms of an ETD problem in a municipality could manifest themselves as unsatisfactory conditions regarding slow service, poor supervision, lack of co-ordination and client complaints. Carrell et al., (1998 : 308-309) identifies four types of need assessments that can be conducted in order to determine if the problem at hand is related to ETD, *inter alia* a municipal needs assessment, a group needs assessment, an individual employee needs assessment and a job needs assessment. It could be argued that a council should be able to determine if a specific problem is a training problem by conducting a need assessment, before deciding what course of action to take to resolve the problem.

3.3.4.7 Performance evaluation

According to Craythorne (1997 : 334) virtually all municipalities have some kind of a system whereby they rate the performance of municipal officials. Performance evaluation is conducted for several reasons, e.g. promotion and salary decisions, a review of work related behaviour, the development of plans for correcting performance and career planning. However, councillors

representing mainly white parties walked out of an emergency meeting of the Kempton Park/Tembisa Metropolitan Council on 18 September 1998 to protest against a motion to discontinue the services of CEO, Mr. Johan Liebrandt, on the basis that he was performing below standard. This decision was taken without any performance evaluation being done on Mr. Liebrandt for a period of three years. (City Press, 20 September 1998 : 6). It could be argued that it is the responsibility of council to ensure that procedures are established for performance evaluations of all municipal officials to be carried out annually.

In terms of Chapter 6 of the Municipal Systems Bill, 1999 (Government Gazette no. 20357 of 1999) performance evaluation should be characterised by three criteria. Firstly, the setting of work standards that concern the definition of the job. Municipal officials and a council should agree on what the job criteria are and that duties and responsibilities are clearly demarcated. Secondly, assessing the municipal official's performance, relative to these standards. This will usually involve completing some type of rating document based, ideally, on an objective assessment of measurable performance. Thirdly, providing feedback to the municipal official with the aim of motivating continued good performance and of improving unacceptable performance. A performance evaluation system should contain specific information. It should be able to measure current performance; contain mechanisms aimed at reinforcing strengths; contain mechanisms to identify deficiencies; contain effective feedback mechanisms; and contain remedial processes that improve or rectify performance. It could be argued that performance evaluation involves technical applications and council should therefore firstly, direct sufficient resources to developing an appropriate evaluation system that is scientifically formulated by experienced professionals. Secondly, council should ensure that municipal officials in supervisory positions are properly trained to apply the evaluation system correctly and without any prejudice. Without proper performance evaluation a dysfunctional performance picture of a municipality will emerge.

3.3.4.8 Labour relations

Labour relations in South Africa are, to a large extent, determined by the provisions contained in legislation. However, the positive attitudes and behaviour of councils and municipal officials in supervisory positions still have an important place in promoting sound, cordial labour relations. The Labour Relations Act, 1995 (Act 66 of 1995) provides for delegated legislation in the form of bargaining council agreements, unfair labour practice determinations and arbitration awards. These may establish conditions and rules more favourable than those obtaining under a common law contract. It establishes the parameters for the collective labour relationship, provides for organisational rights, the registration of worker unions employers' associations and the formation of bargaining and statutory councils. Provision has been made for workplace forums in an attempt to encourage consultation and co-determination on specific issues between employers and employee representatives. It also attempts to promote labour relations, by providing a dispute settlement process aimed at conciliation and third party intervention, and by not permitting a legal or protected strike or lockout unless the prescribed procedures have been followed. Furthermore, it introduces a dispute settlement body in the form of the Commission for Conciliation, Mediation and Arbitration (CCMA) and has replaced the Industrial Court with a Labour Court, which has higher status and more extended functions (Ehlers, 1999 : 54-56). It could be argued that a council should be informed that the basic requirements of the Act have been met.

Conflict situations arise in a municipality when labour unions, such as the South African Municipal Workers Union (SAMWU) and the Independent Municipal and Allied Union (IMATU) experience council and management decisions as authoritarian or unilateral and not taking the conditions of municipal officials into account. Council and municipal officials in supervisory positions often perceive a union as basing its actions on political motives (Cheminais, *et al.*, 1998 : 269).

The issue of conflict resolution is another important issue for council and personnel managers, or those directly involved in the management of municipal officials, to consider. For example, in May 1999 the Independent Municipal and Allied Workers Union (IMATU) instituted legal procedures against the Mamelodi Town Council for administrative irregularities. For more than two years the Council had deduced, but not paid over the municipal officials contributions to the relevant pension fund, group life insurance, unemployment insurance and labour union contributions fund. Amounts of up to R25 000 were claimed from families for medical payments in arrears. Pensioners were not receiving their pensions; unemployment and funeral policies were not paid out and officials were burdened with extra rent on their home loans (Spokesman for Independent Municipal and Allied Workers Union, 1999 : Interview).

According to Ehlers (1999 : 63-64) councils should be aware of the basic premises of an array of legislation that has relevance to labour relations in municipalities. These are the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996); the Occupational Health and Safety Act, 1993 (Act 85 of 1993); Compensation for Occupational Injuries and Diseases Act, 1993 (Act 130 of 1993); the Public Sector Labour Relations Act, 1994 (Act 105 of 1994); the Labour Relations Act, 1995 (Act 66 of 1995); the Employment Equity Act, 1998 (Act 55 of 1998) and; the Basic Conditions of Employment Act, 1997 (Act 75 of 1997).

The Employment Equity Act, 1998 (Act 55 of 1998) promotes equal opportunity and fair treatment through the elimination of unfair discrimination; implementing affirmative action measures to redress the disadvantages in employment experienced by designated groups, in order to ensure their equitable representation in all occupational categories and levels in the workforce; and to promote economic development and efficiency in the workforce. The Basic Conditions of Employment Act, 1997 (Act 75 of 1997) regulates particular matters relating to the conditions of service of specific employees. The Act deals with

inter alia, the maximum ordinary working hours (section 2); meal intervals (section 7); working overtime (section 8); working on Sundays and public holidays (section 11); leave (section 12) and; termination of employment (section 14). The Occupational Health and Safety Act, 1993 (Act 85 of 1993) provides for the health and safety of persons at work; as well as for the health and safety of persons in connection with the use of machinery. Section 8 requires of the employer to provide and maintain as reasonably practicable, a working environment that is safe and without risk to the health of the employees. In terms of section 14 employees should take reasonable care for the health and safety of themselves. The Compensation for Occupational Injuries and Diseases Act, 1993 (Act 130 of 1993) replaced the Workman's Compensation Act, 1941 (Act 30 of 1941). The Act provides for compensation for disablement caused by occupational injuries or diseases sustained or contracted by employees in the course of their employment. The Act deals with the establishment of a compensation fund (section 15); compensation for occupational injuries (section 22); claims for compensation (section 39); occupational diseases (section 65); medical aid (section 71) and; employer's obligations (section 80). It could be argued that councils should be informed of the basic requirements that have to be met in terms of the Labour Relations Act, 1995 (Act 66 of 1995) and other legislation that has relevance to labour relations in municipalities.

3.3.4.9 Motivation

The importance of having motivated personnel in a municipality can according to Fox and Meyer (1995 : 94), be explained as follows : “ *Capable but poorly motivated personnel are just as unlikely to perform well as highly motivated incompetents* “. Kroon, *et al.*, (1990 : 12) describes motivation as a self-generated power that arises from within an individual in order to satisfy a need. Motivation is something that comes from within a person. It can be argued that councils can not actually motivate people, but they can facilitate an environment that is conducive to motivation.

Abraham Maslow (1943 : 42-47), postulates that people satisfy their needs in an ascending order, starting with physiological needs, leading consecutively into security, social needs, recognition needs, and finally into self-actualisation. Frederick Herzberg (1968 : 72-75) developed the motivation-hygiene theory, in which the factors relative to job satisfaction (motivation factors) were separated from job dissatisfiers (hygiene factors). Herzberg promoted job enrichment, i.e. where motivation factors are included in the work situation to make it more challenging and interesting. In this regard Herzberg has identified a number of guidelines for job enrichment, *inter alia* setting new and more difficult tasks; delegating additional freedom to individuals; increasing responsibility; and allocating special tasks. Job enrichment can also be achieved through allocating complete work units where the individual does the whole job and not just a part of the job and/or; removing some control measures. It could be argued that a council should be informed that these conditions apply within a municipality. A council cannot motivate its municipal officials, but a council can create an environment wherein municipal officials can function optimally. A council is responsible ensuring municipal officials' welfare at work; to maintain and develop municipal officials' loyalty to a municipality; to monitor municipal officials' performance; and to ensure that they conform to various cultural and social expectations.

3.3.4.10 Leadership

According to Craythorne (1997 : 302-303) councillors provide leadership in the sense of having to take policy decisions; whilst the CEO, the heads of departments, and the heads of subunits are also leaders but at a different level. According to Dimock and Dimock (1964 : 162-164) leadership supplies encouragement or motivation and marshals the competence of the work group so that individual and group effectiveness grows with the challenge of the job. It

could be argued that good leadership is a fundamental requirement for councillors and municipal officials who have subordinates working under them.

Bittel and Newstrom (1990 : 268) who state : “ ...*leadership is the knack of getting other people to follow you and to willingly do the things you want them to do* “. The key to effective leadership is that municipal officials want to do what is required of them. The implications of this is very positive and have the direct implication of good morale and loyalty amongst those being led. Good morale and loyalty amongst municipal officials are conducive to initiative and productivity that are valuable components in the success of any municipality. Municipal officials need effective leaders to bring out the best in them. The art and science of leadership will always remain of fundamental importance in managing personnel.

The municipal work environment and its officials can differ greatly from one municipality to another. Due to the uniqueness of every municipality a council and municipal officials in supervisory positions should be sensitive to what style of leadership to adopt. There are basically four different leadership styles that a leader can adopt, *inter alia* directing, coaching, supporting and delegating. These leadership styles are not rigid. A council should be sensitive to the particular work situation and adapt their leadership style. This type of leadership is known as situational leadership and is a dynamic approach to the many aspects of the workplace. It could be argued that councillors should have the ability to effectively apply the different leadership styles in different circumstances.

In providing leadership to municipal officials and the community, a council should exhibit positive types of leadership behaviour. According to Rossouw (1999 : 66-69) a council should, apart from official meetings, make time available to speak informally to municipal officials in supervisory positions and the community regarding municipal issues; always listen to ideas, suggestions or proposals from

municipal officials in order to create an environment for free and open communication, where innovative thinking would become the order of the day; delegate responsibilities in order to show their faith in the abilities of municipal officials; recognize and reward the achievement of its municipal officials; have an approachable and friendly attitude to municipal officials and; give credit where it is due to municipal officials that have performed well in the execution of their responsibilities. A council should create an environment where participation in municipal matters is promoted; treat municipal officials on all levels with equal respect and; accept responsibility for mistakes when they are made. Finally, a council should be willing to listen to conflicting viewpoints or arguments and be able to control personal emotions, i.e. a like or dislike of a municipal official.

It could be argued that councils should be open, seeking cooperation and convincing municipal officials to follow the goals they envisage, because they trust a council and are convinced that they are pointing them in the right direction. In this regard a number of training areas are identified, *inter alia* how to communicate effectively; interpersonal skills; how to lead and create an environment in which municipal officials are motivated to function optimally; and how to conduct formal and informal meetings.

3.4 CONCLUSION

In terms of section 152 of the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996) the national government has placed an obligation on municipalities to function as financially viable entities which can render services and undertake development in a sustainable manner.

The employment of proper financial administration entails the application of effective financial management principles in the handling of municipal finances. It requires that special attention be given to the administering and collecting taxes and levies. Financial viability and sustainability can only be secured if a municipality is assertive in credit control and act diligently in the handling of debt.

The Masakhane Campaign has the potential to improve the financial position of municipalities. A concerted effort should be made to educate communities to promote payment, and at the same time inform the community about constraints hindering optimal service delivery. The encouragement and attraction of business and industry will contribute to the economic disposition of municipalities as well as enhancing the national economy.

Personnel administration covers a wide and varied field and its application is to be found wherever municipal officials are deployed. The main thrust of municipal personnel administration is to increase the efficiency of a municipality and at the same time have satisfied municipal officials. Job analysis provides the information basis for various personnel administration and management decisions. The presence of a dedicated personnel manager is a significant asset in any municipality as the scope and complexity of municipal personnel administration is a specialist field. The administration of a municipal personnel department has to meet basic requirements and has to compile a staff establishment document as an essential control tool. The costs of municipal personnel, in terms of the total remuneration package, are high and every municipality will have to utilise municipal personnel maximally. Proper recruitment and selection should be conducted, bearing in mind that recruitment is a special field of its own.

Education, training and development (ETD) are major considerations for municipal personnel administration and management in South Africa, and a logical, structured approach is necessary for effective ETD. Performance evaluation is an essential control tool and scientific measures should be in place to empirically determine good or bad performance. Labour relations will remain a high priority consideration and may require the assistance of experts in especially the field of labour law.

Creating a work environment where municipal officials are motivated to accomplish the objectives of a municipality is paramount, as unmotivated municipal officials simply may not perform satisfactorily. Being able to apply an appropriate leadership style in a particular situation could facilitate motivation amongst municipal officials.

A number of training areas were identified that would enable a council to effectively make use of financial and personnel resources. In this regard a number of components should be considered in the determination of guidelines for the training of newly elected councillors. Councillors need to be innovative in an environment where the increasing needs, desires and demands of communities have to be satisfied with limited financial resources. The political, economical and social factors that have an influence on a municipality's financial resources should be identified. Councils have to ensure that administrative arrangements exist to provide for suitably qualified municipal officials to be appointed and that training programmes offered will enhance the performance of its officials. A training programme should include an understanding of how to embark on national (i.e. Masakhane and Project Liquidity) and local (i.e. debt collection agencies) initiatives to ensure the financial well-being of municipalities.

Councillors should have a knowledge of how to improve the value of money for the community, through applying cost-benefit analysis, performance reviews, planned programming budgeting, management techniques, privatisation and compulsory competitive tendering. A comprehension of how to enter into public private partnerships if the cost of establishment of such a service is too high or if a council can not provide the service to its community in a cost effective manner. The dynamics involved in the budgetary process as well as the limitations of a municipality's financial resources. The involvement of the community in identifying societal needs and to assist in compiling and monitoring the budget as a valuable support base in community projects should form an integral part of a training programme for newly elected councillors.

Councillors should promote economic growth, reducing inequality, increasing participation and tackling poverty. It includes the ability to organise municipal administrations that are responsive to the needs of the community, that facilitates a culture of public services among personnel and that is performance orientated. It is a council's responsibility to determine salary packages and to ensure that the personnel budget is not excessive in relation to the total municipal budget. A training programme for newly elected councillors should provide an understanding of how to recruit the most suitable candidate for each municipal post; the development of an effective performance evaluation system; and a basic understanding of all the laws, rules and regulations that pertain to labour relations. Councillors should apply appropriate leadership styles according to specific situations and have the ability to create an environment wherein municipal officials can function optimally.

In chapter 4 control and accountability issues in municipalities, with specific reference to a council's role and responsibilities, will be discussed.