

Estimates of Public Expenditure

2009

Provincial and Local Government

**National Treasury
Republic of South Africa**



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Vote 29

Provincial and Local Government

Budget summary

R thousand	2009/10				2010/11	2011/12
	Total to be appropriated	Current payments	Transfers and subsidies	Payments for capital assets	Total	Total
MTEF allocation						
Administration	163 543	159 032	169	4 342	172 832	181 444
Governance, Policy and Research	49 035	46 827	116	2 092	60 185	69 515
Urban and Rural Development	12 909	12 909	–	–	13 540	14 577
Systems and Capacity Building	106 265	104 558	20	1 687	121 720	127 401
Free Basic Services and Infrastructure	41 942	41 862	–	80	47 243	51 530
Provincial and Local Government Transfers	35 131 362	–	35 131 362	–	42 008 590	47 183 172
Fiscal Transfers	101 983	17 219	84 764	–	117 494	125 840
Total expenditure estimates	35 607 039	382 407	35 216 431	8 201	42 541 604	47 753 479
Executive authority	Minister for Provincial and Local Government					
Accounting officer	Director-General of Provincial and Local Government					
Website address	www.thedplg.gov.za					

Aim

The aim of the Department of Provincial and Local Government is to develop and promote a national system of integrated and cooperative governance and to support provincial and local government.

Programme purposes

Programme 1: Administration

Purpose: Provide for the management, leadership and administration of the department.

Programme 2: Governance, Policy and Research

Purpose: Provide policy advice and research support for: the development and monitoring of intergovernmental relations and the performance of provincial government; provincial municipal relations; integrated development planning, local economic development, and the institutions of traditional leadership; and international and donor relations.

Programme 3: Urban and Rural Development

Purpose: Manage, coordinate, monitor and measure the effectiveness of the integrated implementation of the urban renewal programme and the integrated sustainable rural development programme across all spheres of government.

Programme 4: Systems and Capacity Building

Purpose: Provide capacity building and hands-on support programmes to local government. Manage the national disaster management centre. Promote intergovernmental fiscal relations. Regulate and monitor the local government institutional and administrative framework.

Programme 5: Free Basic Services and Infrastructure

Purpose: Strengthen local government capacity to increase access to basic services, including free basic services for all communities, to enable municipalities to meet their constitutional mandate.

Programme 6: Provincial and Local Government Transfers

Purpose: Transfer, manage and monitor grants for provincial and local government in accordance with the Division of Revenue Act and in support of government's imperatives.

Programme 7: Fiscal Transfers

Purpose: Make financial transfers to various authorities and institutions in terms of the relevant legislation or founding agreements.

Strategic overview: 2005/06 – 2011/12

The Department of Provincial and Local Government remains committed to building viable and effective spheres of government that are based on constitutional principles and that operate within the framework for intergovernmental relations. The department also plays a vital role in supporting and coordinating the progressive delivery of basic services to South Africans, aiming ultimately towards achieving the millennium development goals by 2014.

Despite the service delivery challenges that exist within the provincial and local government spheres, progress has been made. According to the community survey released by Statistics South Africa in October 2007, 88.6 per cent of households had access to piped water in 2007, compared with 84.5 per cent in 2001. Over the same period, 80 per cent of households had access to electricity in 2007, compared with 69.7 per cent in 2001. And 60.4 per cent of households had access to flush toilets in 2007, compared with 51.9 per cent in 2001.

Over the medium term, the department continues to focus on the following strategic objectives:

- building and improving the governance system to enable sustainable development and service delivery
- overseeing the implementation of the intergovernmental programme of support to the institutions of traditional leadership to perform their constitutional mandate
- building and strengthening the capability and accountability of provinces and municipalities to implement their constitutional mandate
- monitoring, evaluating and communicating the impact of government programmes in municipal areas to enhance performance, accountability and public confidence
- strengthening the department's organisational capability and performance to deliver on its mandate.

Key focus areas for the medium term

Based on these strategic objectives, the department has identified a number of key focus areas for the medium term.

Policy development and analysis

Policy development and analysis are the cornerstones of legislative and regulatory reform. In January 2007, Cabinet mandated the department to develop a policy framework on provincial government and to review the White Paper on Local Government. The review began with a public submissions process in July 2007. In

parallel, a comprehensive programme of research covering a number of aspects of good governance and practice was launched, followed by interviews with practitioners and consultations with public institutions and experts in particular fields. The review presents a series of options for improving and reforming the governance and operations of the intergovernmental system. Both policy papers were subsequently consolidated and submitted to Cabinet in July 2008. The final draft of the white paper was submitted to Cabinet in January 2009.

Building systems and structures

The department aims to build systems and structures that will support the implementation of policies and legislation within the intergovernmental fiscal framework. The department will strengthen development planning by emphasising spatial planning and land use management. Moreover, information from an assessment of the alignment of plans with the different spheres of government and the analysis of development plans will be used to improve planning capabilities. The department is continuing its efforts to build institutional capacity within provinces and municipalities through its hands-on support programme to provinces.

Promoting urban and rural development

The department continues to advance the implementation of the urban renewal programme and the integrated sustainable rural development programme. Over the MTEF period, interventions focusing on strengthening spatial development frameworks, land use management and infrastructure development will gather pace in geographical areas identified by these two programmes. The local economic development framework will inform the creation of growth strategies, skills development, stakeholder engagement and resource management.

Knowledge management and development communication

Knowledge management and development communication involves recording and disseminating knowledge and learning to the provincial and local spheres of government. Interventions under this key focus area include sharing best practices, communicating service delivery issues and producing development communication material aimed at community empowerment.

Monitoring and evaluation

Sector wide monitoring and evaluation will be strengthened with the implementation of a transversal system to improve data quality and reporting on the local government strategic agenda. The logic model, which is a general framework used to describe the work of organisations in terms of their inputs, activities, outputs and outcomes, will also be rolled out. The department will develop a set of local government performance indicators, as well as monitoring and evaluation capacity in provinces.

Cross-cutting areas

Over the MTEF period, the department will focus on coordinating and supporting the delivery of the following key outputs: free basic services; local economic development; public participation and community empowerment; ward communities; equity and development; partnership; revenue generation; ICT for development; and disaster management within provincial and local government.

Selected performance and operations indicators

Table 29.1 Provincial and Local Government

Indicator	Programme	Past			Current	Projections		
		2005/06	2006/07	2007/08		2008/09	2009/10	2010/11
Total number of district municipalities supported in implementing local economic development strategies (total 46 districts)	Governance, Policy and Research	–	–	–	–	14 (30%)	16 (65%)	16 (100%)
Total number of provinces supported with the intergovernmental relations capacity building programme (total 9 provinces)	Governance, Policy and Research	–	–	–	–	4	6	9

Table 29.1 Provincial and Local Government (continued)

Indicator	Programme	Past			Current	Projections		
		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Total number of districts supported with the intergovernmental relations capacity building programme (total 46 districts)	Governance, Policy and Research	–	–	–	–	23	34	46
Percentage of integrated development plans drafted in accordance with development planning outcomes	Governance, Policy and Research	–	–	224 (79%)	240 (85%)	260 (92%)	277 (98%)	283 (100%)
Number of institutions of traditional leadership supported through capacity building programmes	Governance, Policy and Research	–	–	–	–	830	800	1200
Amount spent by municipalities on municipal infrastructure grants by end of municipal financial year and as a percentage of total municipal infrastructure grant allocation for that financial year	Provincial and Local Government Transfers	R5.4bn (99%)	R5.6bn (96%)	R8.7bn (100%)	R9.4bn (100%)	R11.1bn (100%)	R12.5bn (100%)	R15.1bn (100%)
Number of households reached with basic services funded by the municipal infrastructure grant	Provincial and Local Government Transfers							
Water		457 132	610 293	815 293	1 million	1.2 million	1.4 million	1.6 million
Sanitation		219 701	343 942	445 070	566 070	687 070	808 070	929 070
Roads		320 010	521 636	669 636	817 636	965 636	1113 636	1.3 million
Community lighting		188 160	236 183	312 183	388 183	464 183	540 186	616 186
Percentage of indigent households accessing free basic services:	Provincial and Local Government Transfers							
Water		71%	73%	77%	85 %	87%	90%	100%
Electricity		58%	60%	73%	85%	87%	89%	100%
Number of provinces receiving support each year through a dedicated hands-on support programme	Systems and Capacity Building	–	–	–	–	4	6	9
Number of additional municipalities receiving support on financial statements	Systems and Capacity Building	–	75	120	160	200	234	283
Number of fully functional disaster management centres across the 3 spheres of government	Systems and Capacity Building	1	2	5	9	12	14	16
Number of additional nodal municipalities with spatial development frameworks for land use and management plans reflected in their integrated development plans	Urban and Rural Development	–	–	6	8	10	12	–
Number of additional nodal municipalities with strategic local economic development projects reflected in the integrated development plan budgets for public sector investments	Urban and Rural Development	–	–	96	2	4	6	–

Expenditure estimates

Table 29.2 Provincial and Local Government

Programme	Audited outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09		2009/10	2010/11	2011/12
R thousand								
1. Administration	108 940	127 543	143 689	150 690	150 000	163 543	172 832	181 444
2. Governance, Policy and Research	24 153	37 624	38 780	43 672	42 362	49 035	60 185	69 515
3. Urban and Rural Development	8 308	7 960	8 626	12 874	11 587	12 909	13 540	14 577
4. Systems and Capacity Building	83 379	98 741	89 605	106 307	104 181	106 265	121 720	127 401
5. Free Basic Services and Infrastructure	37 788	36 620	34 542	41 104	36 994	41 942	47 243	51 530
6. Provincial and Local Government Transfers	15 631 191	24 196 349	29 629 760	35 185 631	34 426 350	35 131 362	42 008 590	47 183 172
7. Fiscal Transfers	82 369	70 835	84 714	98 729	98 729	101 983	117 494	125 840
Total	15 976 128	24 575 672	30 029 716	35 639 007	34 870 203	35 607 039	42 541 604	47 753 479
Change to 2008 Budget estimate				1 445 127	676 323	(5 565 481)	(6 061 309)	(3 765 609)

Economic classification

Current payments	263 968	305 721	329 730	371 576	362 053	382 407	435 981	467 145
Compensation of employees	99 367	116 166	128 146	154 347	152 347	195 917	205 156	219 183
Goods and services	164 559	189 288	199 955	217 199	209 676	186 490	230 825	247 962
<i>of which:</i>								
Administrative fees	352	577	357	564	564	50	138	145
Advertising	5 324	10 528	13 120	6 837	6 837	6 989	6 576	7 085
Assets less than R5 000	945	2 367	1 185	1 776	1 776	967	1 519	1 794
Audit costs: External	2 136	2 831	4 305	2 766	2 766	2 000	2 100	2 300
Bursaries: Employees	287	273	568	700	700	700	3 247	3 782

Table 29.2 Provincial and Local Government (continued)

R thousand	Audited outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09		2009/10	2010/11	2011/12
Economic classification								
Current payments	263 968	305 721	329 730	371 576	362 053	382 407	435 981	467 145
<i>Catering: Departmental activities</i>	1 646	2 127	5 824	4 994	4 994	3 673	4 385	5 353
<i>Communication</i>	5 743	7 423	7 095	9 922	9 922	7 708	10 357	10 998
<i>Computer services</i>	3 811	4 534	5 189	7 792	7 792	5 721	6 736	7 101
<i>Consultants and professional services: Business and advisory services</i>	49 123	57 084	46 656	67 601	60 078	54 483	65 372	65 203
<i>Consultants and professional services: Legal costs</i>	903	3 777	3 587	3 852	3 852	1 941	4 200	5 317
<i>Contractors</i>	1 434	4 126	9 571	5 266	5 266	5 689	4 965	5 604
<i>Agency and support / outsourced services</i>	2 930	3 895	3 408	4 590	4 590	2 139	3 094	4 782
<i>Entertainment</i>	182	270	12	253	253	809	503	668
<i>Inventory: Food and food supplies</i>	–	–	366	11	11	150	139	136
<i>Inventory: Fuel, oil and gas</i>	31	71	131	77	77	–	–	–
<i>Inventory: Learner and teacher support material</i>	–	79	164	67	67	–	–	–
<i>Inventory: Materials and supplies</i>	66	15	26	108	108	1	120	126
<i>Inventory: Medical supplies</i>	6	4	108	5	5	2	5	5
<i>Inventory: Other consumables</i>	155	107	4 129	325	325	302	437	528
<i>Inventory: Stationery and printing</i>	4 445	4 892	3 596	8 826	8 826	8 473	9 891	12 372
<i>Lease payments</i>	21 766	35 929	33 634	34 381	34 381	27 173	37 659	39 399
<i>Owned and leasehold property expenditure</i>	2 893	5 723	7 915	3 772	3 772	7 446	7 060	4 191
<i>Travel and subsistence</i>	31 141	33 368	33 971	37 948	37 948	36 357	45 540	51 579
<i>Training and development</i>	1 074	1 392	1 913	2 920	2 920	2 478	3 757	3 996
<i>Operating expenditure</i>	22 707	2 478	5 929	4 171	4 171	4 964	3 512	3 568
<i>Venues and facilities</i>	5 459	5 418	7 196	7 675	7 675	6 275	9 513	11 930
<i>Financial transactions in assets and liabilities</i>	42	267	1 629	30	30	–	–	–
Transfers and subsidies	15 705 715	24 256 970	29 692 145	35 259 364	34 500 083	35 216 431	42 097 234	47 277 126
Provinces and municipalities	15 631 508	24 196 442	29 629 770	35 185 951	34 426 670	35 131 462	42 008 690	47 183 277
Departmental agencies and accounts	67 814	49 724	56 572	67 473	67 473	78 109	83 213	88 206
Public corporations and private enterprises	177	278	393	100	100	69	110	115
Foreign governments and international organisations	–	2 983	139	–	–	116	117	118
Households	716	734	799	1 140	1 140	1 860	–	–
Payments for capital assets	6 445	12 981	7 841	8 067	8 067	8 201	8 389	9 208
Machinery and equipment	6 122	4 837	6 750	8 067	8 067	8 201	8 389	9 208
Software and other intangible assets	323	8 144	1 091	–	–	–	–	–
Total	15 976 128	24 575 672	30 029 716	35 639 007	34 870 203	35 607 039	42 541 604	47 753 479

Expenditure trends

Expenditure increased at an average annual rate of 30.7 per cent between 2005/06 and 2008/09 from R16 billion to R35.6 billion, due to transfers made available to municipalities that did not previously receive the municipal infrastructure grant. Over the medium term, expenditure is expected to rise at an average annual rate of 10.2 per cent to reach R47.8 billion in 2011/12. The substantive growth over the seven-year period is because of increased provisions for the local government equitable share and the municipal infrastructure grant, which also explains the sizeable growth in the *Provincial and Local Government Transfers* programme over the period.

Spending on transfers and subsidies has risen at an average annual rate of 30.9 per cent between 2005/06 and 2008/09, and is expected to rise at a further 10.3 per cent between 2008/09 and 2011/12. The lower growth over the medium term is because a new department of traditional leadership will have been created and two public entities in the *Fiscal Transfers* programme will move to the new department.

Spending in compensation of employees is expected to increase at an average annual rate of 12.4 per cent between 2008/09 and 2011/12, mainly to cater for increased staff appointments. Over the same period, spending in goods and services is expected to increase at an average annual rate of 4.5 per cent to provide for more office space, and furniture and equipment.

Over the medium term, the 2009 Budget includes additional amounts of R343.6 million, R33.5 million and R2.7 billion mainly for:

- the local government equitable share (R1.1 billion)
- the municipal infrastructure grant (R1.6 billion)
- the National House of Traditional Leaders (R12 million)
- disaster relief (R340 million).

Over the medium term, in aggregate, savings of R18.8 million, R21.9 million and R23.4 million have been identified in goods and services.

Departmental receipts

Departmental receipts accrue from the collection of parking fees, commissions on insurance policy deductions, and subsidised vehicle and bursary payments. The large increase in revenue collection in 2006/07 under financial transactions in assets and liabilities is due to receivables/losses recovered.

Table 29.3 Departmental receipts

R thousand	Audited outcome			Adjusted estimate	Revised estimate	Medium-term receipts estimate		
	2005/06	2006/07	2007/08	2008/09		2009/10	2010/11	2011/12
Departmental receipts	328	6 830	731	395	453	570	582	591
Sales of goods and services produced by department	81	109	125	97	105	111	118	125
Sales of scrap, waste, arms and other used current goods	–	1	–	15	18	1	1	1
Fines, penalties and forfeits	55	–	–	–	–	–	–	–
Interest, dividends and rent on land	3	6	3	3	3	3	3	3
Sales of capital assets	–	–	337	–	–	–	–	–
Financial transactions in assets and liabilities	189	6 714	266	280	327	455	460	462
Total	328	6 830	731	395	453	570	582	591

Programme 1: Administration

Expenditure estimates

Table 29.4 Administration

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
R thousand							
Minister ¹	837	885	951	1 612	1 709	1 811	1 913
Deputy Minister ¹	649	687	864	1 328	1 407	1 492	1 575
Management	6 076	9 376	9 560	11 137	12 977	13 618	14 270
Corporate Services	68 787	76 748	88 024	94 805	103 400	108 449	113 615
Monitoring and Evaluation	13 376	18 282	16 532	17 783	17 665	18 482	19 363
Government Motor Transport	607	731	785	852	894	939	985
Property Management	18 566	20 567	25 344	23 173	25 491	28 041	29 723
Special Functions: Authorised Losses	42	267	1 629	–	–	–	–
Total	108 940	127 543	143 689	150 690	163 543	172 832	181 444
Change to 2008 Budget estimate				471	5 930	7 273	5 951

¹ From 2008/09, the current payments relating to the total remuneration package of political office bearers are shown, before this, only salary and car allowance are included. Administrative and other subprogramme expenditure may in addition include payments for capital assets as well as transfers and subsidies.

Table 29.4 Administration (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Economic classification							
Current payments	104 380	122 839	137 353	145 706	159 032	168 183	176 766
Compensation of employees	40 877	47 977	52 490	57 386	81 179	84 971	90 857
Goods and services	63 461	74 595	83 234	88 290	77 853	83 212	85 909
<i>of which:</i>							
Administrative fees	160	279	226	463	43	45	45
Advertising	2 769	4 058	4 130	4 003	3 342	3 450	3 560
Assets less than R5 000	456	1 186	836	861	460	480	650
Audit costs: External	2 071	2 831	4 305	2 766	2 000	2 100	2 300
Bursaries: Employees	287	273	568	700	700	747	782
Catering: Departmental activities	567	538	1 210	1 479	1 018	1 123	1 563
Communication	5 262	6 006	5 417	5 330	4 785	4 820	5 562
Computer services	2 633	2 225	4 730	4 399	2 601	2 676	2 986
Consultants and professional services: Business and advisory services	6 437	9 102	7 284	12 569	9 283	10 433	9 584
Consultants and professional services: Legal costs	699	2 337	3 370	1 388	641	850	2 540
Contractors	716	1 303	1 689	2 417	1 853	1 956	1 989
Agency and support / outsourced services	1 060	1 229	801	2 356	689	700	2 238
Entertainment	131	183	5	104	528	350	450
Inventory: Food and food supplies	–	–	–	11	101	110	105
Inventory: Fuel, oil and gas	31	71	130	77	–	–	–
Inventory: Learner and teacher support material	–	58	142	27	–	–	–
Inventory: Materials and supplies	62	8	23	–	–	–	–
Inventory: Medical supplies	4	2	–	2	2	–	–
Inventory: Other consumables	134	83	183	155	273	280	298
Inventory: Stationery and printing	2 645	3 411	2 342	3 234	2 592	2 980	3 102
Lease payments	21 369	21 980	26 159	27 028	26 490	28 500	29 840
Owned and leasehold property expenditure	2 855	5 717	7 911	3 500	7 446	6 800	3 911
Travel and subsistence	10 228	9 321	7 716	10 186	9 900	10 980	10 200
Training and development	692	877	1 184	1 498	855	1 627	1 706
Operating expenditure	1 755	1 083	2 223	2 376	1 318	1 205	1 298
Venues and facilities	438	434	650	1 361	933	1 000	1 200
Financial transactions in assets and liabilities	42	267	1 629	30	–	–	–
Transfers and subsidies	318	1 080	1 191	420	169	210	220
Provinces and municipalities	125	41	10	320	100	100	105
Public corporations and private enterprises	177	278	393	100	69	110	115
Non-profit institutions	–	70	–	–	–	–	–
Households	16	691	788	–	–	–	–
Payments for capital assets	4 242	3 624	5 145	4 564	4 342	4 439	4 458
Machinery and equipment	4 088	3 437	4 886	4 564	4 342	4 439	4 458
Software and other intangible assets	154	187	259	–	–	–	–
Total	108 940	127 543	143 689	150 690	163 543	172 832	181 444

Table 29.4 Administration (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Details of transfers and subsidies							
Provinces and municipalities							
Municipalities							
Municipal bank accounts							
Current	125	41	10	320	100	100	105
Municipal services	–	–	10	–	100	100	105
Regional Services Council levies	125	41	–	–	–	–	–
Vehicle licenses	–	–	–	320	–	–	–
Public corporations and private enterprises							
Private enterprises							
Other transfers							
Current	177	278	393	100	69	110	115
Non life insurance premiums	177	278	393	100	69	110	115
Non-profit institutions							
Current	–	70	–	–	–	–	–
Non-profit institutions	–	70	–	–	–	–	–
Households							
Social benefits							
Current	16	691	788	–	–	–	–
Employee social benefit	16	691	788	–	–	–	–

Expenditure trends

Between 2005/06 and 2008/09, expenditure grew from R108.9 million to R150.7 million at an average annual rate of 11.4 per cent. This was mainly due to increases in compensation of employees and minister and deputy minister salaries. Over the MTEF period, the budget is set to rise more slowly at an average annual rate of 6.4 per cent to reach R181.4 million in 2011/12.

Expenditure in the *Corporate Services* subprogramme, which accounts for 62.9 per cent of this programme's budget in 2008/09, grew from R68.8 million in 2005/06 to R94.8 million in 2008/09, an average annual rate of 11.3 per cent. The increase was because the monitoring and evaluation unit was moved from the *Systems and Capacity Building* programme to this programme in that period.

The 54.3 per cent increase in the *Management* subprogramme in 2006/07 was because the internal audit function was moved from the *Monitoring and Evaluation* subprogramme to the office of the director-general.

Programme 2: Governance, Policy and Research

- *Management*.
- *Intergovernmental Relations* supports constitutional principles and practices in intergovernmental relations.
- *Development Planning* supports the development of integrated and cooperative governance.
- *Local Economic Development* provides support to municipalities to build the required capacity for local economic development.
- *Traditional Leadership and Institutions* focuses on research and policy making related to the institutions of traditional leadership.
- *International and Donor Relations* manages relations with donor and international support.

Funding in all subprogrammes will mainly be used for salaries, and other personnel related costs.

Objectives and measures

- Support cooperative governance and sound intergovernmental practices by producing a draft white paper on provincial and local government by March 2009.
- Contribute to local economic growth and poverty reduction by supporting 14 district municipalities to implement local economic development strategies by March 2010.
- Improve conditions for economic development knowledge and practice at local level by establishing a knowledge facility to support municipalities and provinces, and by partnering with the higher education sector and other key sectors by March 2010.
- Support the Intergovernmental Relations Framework Act (2005) by:
 - providing capacity building and systems support to 4 provinces and 23 district municipalities by March 2010.
 - submitting an annual intergovernmental relations report to Parliament by March 2011.
- Strengthen the role of traditional leaders in service delivery by:
 - implementing a government wide national support programme for the institutions of traditional leadership and Khoi-San communities by the end of 2009/10
 - providing capacity and financial support for establishing the new department until March 2010.
- Popularise the Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities through a joint marketing programme by December 2009.

Service delivery and spending focus

By the end of the first half of 2008/09, the intergovernmental relations capacity building programme had been rolled out in 2 of the 4 targeted provinces (KwaZulu-Natal and Limpopo). All municipalities had drafted their integrated development plan in line with the local economic development framework.

Strengthening institutions of traditional leadership and building the capacity of traditional leadership are key elements in improving the governance system for South Africa and the quality of life for traditional communities. During 2007/08, the department finalised a government wide national programme of support to the institutions of traditional leadership. A government wide national support programme for traditional leadership was also developed and proposed to Cabinet for adoption. Cabinet approved a recommendation for a new, dedicated national department responsible for traditional leadership within this ministry.

With its increased focus on the role of provincial government in 2008/09, the department facilitated a number of discussions and support programmes through appropriate intergovernmental relations structures, such as the President's Coordinating Council, including strengthening and aligning the provincial growth and development strategies with local integrated development plans and the national spatial development perspective. By the end of the first half of 2008/09, provincial offices of the premier and departments of local government had been comprehensively assessed to inform the development of a focused improvement framework.

Expenditure estimates

Table 29.5 Governance, Policy and Research

Subprogramme	Audited outcome			Adjusted	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	appropriation	2009/10	2010/11	2011/12
R thousand				2008/09			
Management	1 193	1 257	1 133	2 393	3 092	3 490	3 764
Intergovernmental Relations	6 185	7 199	10 777	12 180	13 384	15 508	16 713
Development Planning	4 520	4 512	5 673	5 514	5 294	6 118	6 510
Local Economic Development	2 005	2 825	2 137	3 310	3 679	4 385	4 761
Traditional Leadership and Institutions	5 757	5 977	6 553	14 276	17 186	20 103	25 815
International and Donor Relations	4 493	15 854	12 507	5 999	6 400	10 581	11 952
Total	24 153	37 624	38 780	43 672	49 035	60 185	69 515
Change to 2008 Budget estimate				(777)	864	6 844	12 974

Table 29.5 Governance, Policy and Research (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Economic classification							
Current payments	24 036	29 074	37 878	42 661	46 827	58 968	67 597
Compensation of employees	15 106	16 745	17 670	25 314	29 700	31 154	32 617
Goods and services	8 930	12 329	20 208	17 347	17 127	27 814	34 980
of which:							
Administrative fees	51	20	19	20	5	5	5
Advertising	59	391	1 530	315	293	311	500
Assets less than R5 000	72	733	74	102	112	119	160
Catering: Departmental activities	202	134	390	615	543	577	935
Communication	24	170	209	297	480	890	531
Computer services	92	11	–	335	450	680	510
Consultants and professional services: Business and advisory services	1 999	4 740	3 612	4 218	4 642	10 007	8 567
Consultants and professional services: Legal costs	200	–	–	–	–	–	–
Contractors	–	16	1 101	450	288	306	695
Agency and support / outsourced services	590	363	214	15	–	–	25
Entertainment	13	34	1	82	66	70	128
Inventory: Food and food supplies	–	–	366	–	22	23	25
Inventory: Learner and teacher support material	–	19	–	–	–	–	–
Inventory: Materials and supplies	–	2	1	–	–	–	–
Inventory: Medical supplies	1	–	107	–	–	–	–
Inventory: Other consumables	2	3	3 932	41	7	7	70
Inventory: Stationery and printing	220	324	317	1 844	1 738	2 100	4 205
Lease payments	72	74	782	194	326	346	289
Owned and leasehold property expenditure	1	1	4	–	–	–	–
Travel and subsistence	4 365	3 693	3 585	6 484	6 190	8 536	12 700
Training and development	110	164	105	281	405	680	720
Operating expenditure	72	472	2 834	548	870	924	815
Venues and facilities	785	965	1 025	1 506	690	2 233	4 100
Transfers and subsidies	46	8 144	211	240	116	117	118
Provinces and municipalities	46	11	–	–	–	–	–
Foreign governments and international organisations	–	2 983	139	–	116	117	118
Non-profit institutions	–	5 149	72	–	–	–	–
Households	–	1	–	240	–	–	–
Payments for capital assets	71	406	691	771	2 092	1 100	1 800
Machinery and equipment	71	144	683	771	2 092	1 100	1 800
Software and other intangible assets	–	262	8	–	–	–	–
Total	24 153	37 624	38 780	43 672	49 035	60 185	69 515
Details of transfers and subsidies							
Provinces and municipalities							
Municipalities							
Municipal bank accounts							
Current	46	11	–	–	–	–	–
Regional Services Council levies	46	11	–	–	–	–	–
Foreign governments and international organisations							
Current	–	2 983	139	–	116	117	118
United Cities and Local Government in Africa	–	2 983	139	–	116	117	118
Non-profit institutions							
Current	–	5 149	72	–	–	–	–
Other Non-Profit Institutions	–	5 149	72	–	–	–	–
Households							
Social benefits							
Current	–	1	–	240	–	–	–
Leave gratuity	–	1	–	–	–	–	–
Severance packages	–	–	–	240	–	–	–

Expenditure trends

Expenditure increased from R24.2 million in 2005/06 to R43.7 million in 2008/09, at an average annual rate of 21.8 per cent, mainly due to activities around intergovernmental relations. The *Traditional Leadership and Institutions* subprogramme showed the highest growth rate during this period, rising by an average annual rate of 35.4 per cent to accommodate the new national department of traditional and institutional affairs, which has been approved by Cabinet.

The increase of 111.2 per cent in spending in the *Management* subprogramme in 2008/09 is because a dedicated deputy director-general was appointed to oversee the development of the white paper on local government. Implementing the local economic development framework and developing training material on the framework at National Qualifications Framework levels 5 and 6, resulted in a 54.9 per cent growth in expenditure on the *Local Economic Development* subprogramme between 2007/08 and 2008/09.

Expenditure related to the establishment of the Southern African Development Community (SADC) local government desk and the consolidation of the SADC local government agenda resulted in a 252.9 per cent growth in expenditure on the *International and Donor Relations* subprogramme between 2005/06 and 2006/07.

Programme 3: Urban and Rural Development

- *Management*.
- *Urban Renewal Programme Management* provides support to the urban renewal programme and coordination across government.
- *Urban Renewal Monitoring and Evaluation* manages a national system for reporting on the results of impact analyses of the urban renewal programme.
- *Integrated Sustainable Rural Development Programme Management* provides support and coordination across government for the integrated sustainable rural development programme.
- *Integrated Sustainable Rural Development Programme Monitoring and Evaluation* manages a national system for reporting on the impact of the integrated sustainable rural development programme.

Funding in all subprogrammes will mainly be used for salaries, and other personnel related costs.

Objectives and measures

- Improve coordination and integrated development planning by increasing the number of nodal municipalities with improved spatial development frameworks (land use and management plans) reflected in their integrated development plans to 7 municipalities by 2011.
- Accelerate job creation in integrated sustainable rural development programme and urban renewal programme nodes through implementing investor friendly local economic development strategies in 12 nodes by 2010/11.
- Promote local economic development by reviewing and documenting the integrated sustainable rural development programme and urban renewal programme to align them with the white paper recommendations by March 2010.

Service delivery and spending focus

The Department of Provincial and Local Government continued to give priority to infrastructure investment and development in the 21 urban and rural nodes. In 2007/08, the partnership with the Business Trust resulted in the economic profiles of 15 rural and 8 urban nodes being completed. The profiles significantly improved government's understanding of each node's economic character. The profiles have been designed to improve the information available to decision makers in the public and private sectors and to facilitate more targeted investment to support economic development in the nodes. Support for identified opportunities has been provided to 2 urban nodes, as part of ensuring that their strategic local economic development projects are reflected in their integrated development planning budget for public sector investment.

The technical support facility for Eastern Cape nodes, established through the support of the European Commission, is aimed at improving delivery capacity through budget support to municipal operations.

Valuable lessons have been documented in the department's study on improving intergovernmental coordination and communication mechanisms with stakeholders during 2007/08. A review of the urban renewal programme anchor projects, which was completed in March 2008, has shown that consolidating public and private sector investments can be a powerful tool for improving investor confidence, increasing public participation and promoting the quality of public space and local services in underdeveloped areas.

Over the medium term, the programme will continue to improve service delivery and create development opportunities by implementing development orientated interventions and coordinating service delivery in nodal areas across all spheres of government. The urban renewal programme and the integrated sustainable rural development programme will be the vehicles for this.

Expenditure estimates

Table 29.6 Urban and Rural Development

Subprogramme	Audited outcome			Adjusted	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
R thousand							
Management	1 745	706	1 364	2 008	3 325	3 485	3 627
Urban Renewal Programme Management	1 162	1 142	1 629	3 840	2 377	2 491	2 593
Urban Renewal Monitoring and Evaluation	1 799	1 996	2 133	2 307	2 256	2 365	2 462
Integrated Sustainable Rural Development Programme Management	1 639	1 975	1 532	2 527	2 559	2 694	3 286
Integrated Sustainable Rural Development Monitoring and Evaluation	1 963	2 141	1 968	2 192	2 392	2 505	2 609
Total	8 308	7 960	8 626	12 874	12 909	13 540	14 577
Change to 2008 Budget estimate				1 297	753	655	919

Economic classification

	8 284	7 921	8 552	12 854	12 909	13 540	14 577
Current payments							
Compensation of employees	4 988	4 950	6 393	7 470	9 290	9 791	10 251
Goods and services	3 296	2 971	2 159	5 384	3 619	3 749	4 326
<i>of which:</i>							
Administrative fees	17	4	–	11	–	10	10
Advertising	55	20	148	–	–	–	–
Assets less than R5 000	60	14	1	29	10	32	34
Catering: Departmental activities	41	28	48	89	55	53	55
Communication	44	100	90	162	209	105	110
Computer services	2	14	–	4	–	–	5
Consultants and professional services: Business and advisory services	1 047	662	443	3 098	1 729	1 823	2 273
Contractors	3	1	–	–	–	–	–
Agency and support / outsourced services	164	435	141	70	–	–	–
Entertainment	11	7	–	9	11	15	15
Inventory: Food and food supplies	–	–	–	–	5	6	6
Inventory: Medical supplies	–	–	–	1	–	–	–
Inventory: Other consumables	4	–	–	–	–	–	–
Inventory: Stationery and printing	62	44	5	–	44	50	55
Lease payments	92	145	41	134	7	8	10
Owned and leasehold property expenditure	1	–	–	32	–	–	–
Travel and subsistence	1 530	1 142	1 052	1 516	1 233	1 309	1 383
Training and development	81	46	22	58	82	95	100
Operating expenditure	11	234	20	45	14	43	45
Venues and facilities	71	75	148	126	220	200	225

Table 29.6 Urban and Rural Development (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Economic classification							
Transfers and subsidies	15	29	-	-	-	-	-
Provinces and municipalities	15	3	-	-	-	-	-
Households	-	26	-	-	-	-	-
Payments for capital assets	9	10	74	20	-	-	-
Machinery and equipment	9	10	74	20	-	-	-
Total	8 308	7 960	8 626	12 874	12 909	13 540	14 577
Details of transfers and subsidies							
Provinces and municipalities							
Municipalities							
Municipal bank accounts							
Current	15	3	-	-	-	-	-
Regional Services Council levies	15	3	-	-	-	-	-
Households							
Other transfers to households							
Current	-	26	-	-	-	-	-
Remuneration for disaster management arbitration	-	26	-	-	-	-	-

Expenditure trends

Spending in the *Urban and Rural Development* programme grew from R8.3 million in 2005/06 to R12.9 million in 2008/09 at an average annual rate of 15.7 per cent, mainly due to activities relating to the urban renewal programme. Over the medium term, expenditure is expected to increase further at an average annual rate of 4.2 per cent to reach R14.6 million in 2011/12.

The 49.2 per cent increase in spending between 2007/08 and 2008/09 was due to the appointment of more personnel, which also explains the 50.3 per cent increase in compensation of employees in that year. The 149.4 per cent increase in spending on goods and services in 2008/09 was for consultants appointed to prepare the report on the state of the nodes.

Over the MTEF period, programme expenditure is expected to grow more moderately at an average annual rate of only 4.2 per cent, as monitoring and evaluation activities are increasingly integrated, creating the basis for accelerating the outcomes of the economic profiles of the nodes and producing the report on the state of the nodes.

Programme 4: Systems and Capacity Building

- *Management.*
- *Intergovernmental Fiscal Relations* manages policy on and the disbursement of the local government equitable share and the municipal systems improvement grant, and fosters sound intergovernmental fiscal relations.
- *Local Government Institutional and Administrative Systems* promotes institutional and administrative support to promote development and service delivery.
- *Capacity Building Systems* supports the implementation of fiscal, administrative, performance management and capacity building systems.

- *Disaster Management* administers the Disaster Management Act (2002) and manages the national disaster management centre.
- *Municipal Performance Monitoring and Support* implements and supports performance management systems and monitors the performance of municipalities for targeted support and recognition of performance excellence.
- *Municipal Leadership Development Programme* develops and coordinates standardised leadership development for senior local government officials and councillors.
- *Anti-Corruption* coordinates and supports the implementation of the local government anti-corruption strategy.
- *Local Government Equity and Development* coordinates support for mainstreaming gender, disability, HIV and AIDS and youth issues into local government development programmes.
- *Project Consolidate* provides hands-on support for implementing government's programme of action and addresses service delivery challenges in a targeted number of municipalities.

Funding will mainly be used for salaries, and other personnel related costs in all subprogrammes except the *Disaster Management* subprogramme, where funding is disbursed on the basis of service level agreements between the department and contractors.

Objectives and measures

- Increase the targeted support from 4 to 9 provincial departments of local government, in developing capacity building plans in line with the revised national capacity building framework by March 2010.
- Support the development of municipal systems by giving hands-on technical assistance to municipalities to put in place targeted, sound financial management practices by March 2010.
- Coordinate, establish and implement support systems and capacity building by implementing the 5-year local government strategic agenda, with a focus on institutionalising hands-on support by the end of March 2010.
- Support preparations for the 2010 FIFA World Cup by ensuring that key systems and measures such as disaster management plans are in place in all host cities by March 2010.
- Support proactive and responsive disaster management across all spheres of government by giving technical assistance for setting up disaster management structures and systems by November 2009.

Service delivery and spending focus

Lessons from Project Consolidate are now embedded in the local government strategic agenda. As part of implementing the agenda, 105 municipalities will have been given technical and professional assistance by December 2009. A draft national capacity building framework implementation plan was developed in the first half of 2008/09. This framework guides and supports provinces to develop their own comprehensive capacity building plans.

The 2006 performance management regulations have led to a decline in the vacancy rates for municipal managers from 22 per cent in September 2007 to 12 per cent in December 2008.

Good municipal financial management continues to be a challenge, but there were some key improvements in 2008/09. For example, the percentage of municipalities meeting the legislative deadline for submitting their annual financial statements increased from 69 per cent in 2006/07 to 81 per cent in 2007/08.

Through the national disaster management centre, the department has registered unit standards for levels 3 to 7 with the South African Qualifications Authority for a national certificate in disaster risk management. The department has also developed regulations for recruiting and using disaster management volunteers every year.

In 2008/09, the department established a 2010 national disaster management steering committee and adopted a 2010 disaster management policy. Disaster management centres have been established in 5 of the 9 host cities, where contingency plans have also been developed, and disaster management plans are in place in 7 of the cities.

Expenditure estimates

Table 29.7 Systems and Capacity Building

Subprogramme	Audited outcome			Adjusted	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	appropriation	2009/10	2010/11	2011/12
R thousand				2008/09			
Management	1 872	708	1 255	4 519	4 752	4 998	5 228
Intergovernmental Fiscal Relations	21 288	4 665	4 589	5 903	6 220	6 542	6 843
Local Government Institutional and Administrative Systems	4 220	4 951	3 457	6 191	6 904	7 261	7 594
Capacity Building Systems	1 969	–	–	18 959	5 684	5 978	6 252
Disaster Management	41 884	37 581	26 143	38 183	35 512	41 561	43 838
Municipal Performance Monitoring and Support	7 254	11 508	12 807	12 643	12 442	13 088	13 687
Municipal Leadership Development Programme	1 985	6 092	7 576	6 448	5 343	5 621	5 878
Anti-Corruption	2 280	2 836	2 394	4 423	4 644	4 886	5 109
Local Government Equity and Development	627	6 033	12 205	9 038	9 869	16 118	16 587
Project Consolidate	–	24 367	19 179	–	14 895	15 667	16 385
Total	83 379	98 741	89 605	106 307	106 265	121 720	127 401
Change to 2008 Budget estimate				(2 092)	(12 785)	(3 948)	(5 807)
Economic classification							
Current payments	75 677	90 702	88 057	104 592	104 558	119 920	125 701
Compensation of employees	21 306	25 946	30 087	36 990	44 512	46 949	49 623
Goods and services	54 371	64 756	57 970	67 602	60 046	72 971	76 078
<i>of which:</i>							
<i>Administrative fees</i>	90	105	56	68	–	78	85
<i>Advertising</i>	2 018	5 170	4 552	2 328	3 329	2 600	2 800
<i>Assets less than R5 000</i>	147	117	185	710	268	800	850
<i>Catering: Departmental activities</i>	220	518	2 942	1 374	871	1 550	1 650
<i>Communication</i>	69	566	546	3 165	1 269	3 600	3 800
<i>Computer services</i>	817	2 183	257	3 054	2 670	3 380	3 600
<i>Consultants and professional services: Business and advisory services</i>	22 185	28 100	23 808	30 848	25 387	27 688	27 617
<i>Consultants and professional services: Legal costs</i>	–	570	–	–	–	450	480
<i>Contractors</i>	623	2 480	6 250	2 212	3 477	2 500	2 700
<i>Agency and support / outsourced services</i>	295	485	888	1 735	1 150	1 950	2 050
<i>Entertainment</i>	16	27	6	47	141	55	60
<i>Inventory: Food and food supplies</i>	–	–	–	–	8	–	–
<i>Inventory: Learner and teacher support material</i>	–	–	22	10	–	–	–
<i>Inventory: Materials and supplies</i>	2	4	2	67	1	75	80
<i>Inventory: Medical supplies</i>	–	1	–	–	–	–	–
<i>Inventory: Other consumables</i>	–	8	14	43	12	50	55
<i>Inventory: Stationery and printing</i>	779	920	616	2 548	3 603	2 800	2 950
<i>Lease payments</i>	1	13 345	6 178	6 222	80	7 900	8 300
<i>Owned and leasehold property expenditure</i>	8	4	–	240	–	260	280
<i>Travel and subsistence</i>	5 072	8 040	8 927	8 126	11 386	11 815	12 996
<i>Training and development</i>	156	232	309	734	856	865	920
<i>Operating expenditure</i>	20 375	299	619	771	2 727	855	905
<i>Venues and facilities</i>	1 498	1 582	1 793	3 300	2 811	3 700	3 900
Transfers and subsidies	6 716	29	11	–	20	–	–
Provinces and municipalities	66	18	–	–	–	–	–
Departmental agencies and accounts	1 950	–	–	–	–	–	–
Non-profit institutions	4 000	–	–	–	–	–	–
Households	700	11	11	–	20	–	–

Table 29.7 Systems and Capacity Building (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Economic classification							
Payments for capital assets	986	8 010	1 537	1 715	1 687	1 800	1 700
Machinery and equipment	944	580	834	1 715	1 687	1 800	1 700
Software and other intangible assets	42	7 430	703	-	-	-	-
Total	83 379	98 741	89 605	106 307	106 265	121 720	127 401
Details of transfers and subsidies							
Provinces and municipalities							
Municipalities							
Municipal bank accounts							
Current	66	18	-	-	-	-	-
Regional Services Council levies	66	18	-	-	-	-	-
Departmental agencies and accounts							
Departmental agencies (non-business entities)							
Current	1 950	-	-	-	-	-	-
Council of Geoscience	1 950	-	-	-	-	-	-
Non-profit institutions							
Current	4 000	-	-	-	-	-	-
The South African Red Cross Society	4 000	-	-	-	-	-	-
Households							
Social benefits							
Current	700	11	11	-	20	-	-
Leave gratuity	700	-	-	-	-	-	-
Employer social benefit	-	11	11	-	20	-	-

Expenditure trends

Expenditure increased from R83.4 million in 2005/06 to R106.3 million in 2008/09 at an average annual rate of 8.4 per cent, mainly due to activities around capacity building systems, local government equity and development, and disaster management.

Over the MTEF period, expenditure is expected to grow at an average annual rate of 6.2 per cent to reach R127.4 million in 2011/12. This growth is intended to support the preparations for the 2010 FIFA World Cup, provide proactive and responsive disaster management capacity, implement the five-year local government strategic agenda, and allow for hands-on technical assistance to municipalities.

The *Capacity Building Systems* subprogramme received an allocation of R19 million in 2008/09 to address Project Consolidate interventions incorporated into this subprogramme. However, because these interventions have not yet been finalised, funds are shifted back to the *Project Consolidate* subprogramme over the medium term to cater for the remaining expenditure.

Programme 5: Free Basic Services and Infrastructure

- *Management*.
- *Municipal Infrastructure* manages the implementation of the municipal infrastructure grant.
- *Free Basic Services Coordination* helps municipalities implement free basic services.
- *Municipal Services Partnerships* promotes the participation of the private sector, the public sector, non-governmental organisations and community based organisations in service delivery.

- *Public Participation and Empowerment* facilitates effective interaction and communication between municipalities and communities.

Funding in all subprogrammes will mainly be used for salaries, and other personnel related costs.

Objectives and measures

- Improve municipal infrastructure investment and access to basic services by supporting the development and implementation of infrastructure plans of 26 municipalities.
- Provide informed and efficient service delivery to indigent households by strengthening the capacity of 3 provinces to adequately support municipalities in assessing and implementing indigent policies and managing credible indigent registers.
- Strengthen community participation and representation in ward committees by finalising and coordinating the implementation of a ward committee funding model in 3 provinces to enable municipalities to budget for and prioritise the functionality of their ward committees.
- Improve partnerships with municipalities by facilitating awareness and contribution of the private sector and community based organisations to municipal infrastructure and service delivery programmes in 3 provinces.

Service delivery and spending focus

Over the MTEF period, this programme broadens access to infrastructure that will enable provision of free basic services to households that were not served previously. Investment in municipal infrastructure has increased significantly, and the allocated municipal infrastructure grant funds were spent in 2007/08. During the first quarter of 2008/09, the grant funds were used to provide basic water infrastructure to 21 234 households; basic sanitation infrastructure to 12 900 households; and roads infrastructure that benefited 8 120 households.

With targeted support on integrated development planning, all 283 municipalities have now been able to adopt their integrated development plans by the legislative deadline. In 2008/09, the department developed a funding model and implementation guidelines, which aim to support provinces and municipalities to prioritise and budget for ward based development and ward committee operations.

The department assisted 89 municipalities to develop and implement anti-corruption strategies during 2007/08. Specific technical assistance was provided in the areas of procurement, housing, employment practices and customer care hotlines. The department coordinated this initiative and implemented it with the help of the South African Local Government Association, provincial governments and donors.

Expenditure estimates

Table 29.8 Free Basic Services and Infrastructure

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
R thousand							
Management	3 279	2 419	1 646	2 552	4 000	4 275	4 453
Municipal Infrastructure	25 240	25 138	20 065	26 377	24 933	26 643	29 701
Free Basic Services Coordination	4 156	3 378	4 182	5 452	6 041	6 456	6 726
Municipal Service Partnerships	2 692	3 667	3 472	3 706	4 021	4 297	4 476
Public Participation and Empowerment	2 421	2 018	5 177	3 017	2 947	5 572	6 174
Total	37 788	36 620	34 542	41 104	41 942	47 243	51 530
Change to 2008 Budget estimate				(326)	(4 560)	(2 049)	(720)

Table 29.8 Free Basic Services and Infrastructure (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Economic classification							
Current payments	36 914	35 710	34 174	39 207	41 862	46 193	50 280
Compensation of employees	15 067	16 430	15 794	20 276	24 793	25 626	26 039
Goods and services	21 847	19 280	18 380	18 931	17 069	20 567	24 241
<i>of which:</i>							
Administrative fees	29	32	32	–	–	–	–
Advertising	344	889	2 599	83	2	90	94
Assets less than R5 000	74	154	43	34	105	38	45
Audit costs: External	65	–	–	–	–	–	–
Bursaries: Employees	–	–	–	–	–	2 500	3 000
Catering: Departmental activities	243	213	514	477	436	530	560
Communication	35	124	201	248	375	280	295
Computer services	267	101	202	–	–	–	–
Consultants and professional services: Business and advisory services	13 325	9 160	5 306	9 267	10 022	6 495	7 997
Consultants and professional services: Legal costs	4	–	1	–	420	–	–
Contractors	29	268	479	153	10	163	175
Agency and support / outsourced services	607	1 346	1 173	289	300	305	319
Entertainment	11	18	–	8	60	10	10
Inventory: Food and food supplies	–	–	–	–	14	–	–
Inventory: Learner and teacher support material	–	2	–	–	–	–	–
Inventory: Materials and supplies	1	–	–	9	–	10	11
Inventory: Medical supplies	1	1	–	–	–	–	–
Inventory: Other consumables	1	5	–	75	5	85	90
Inventory: Stationery and printing	575	148	203	1 084	411	1 831	1 920
Lease payments	147	274	199	603	170	680	720
Travel and subsistence	3 964	3 905	3 585	4 837	3 253	4 900	6 200
Training and development	35	56	275	299	230	400	450
Operating expenditure	253	335	137	403	35	450	470
Venues and facilities	1 837	2 249	3 431	1 062	1 221	1 800	1 885
Transfers and subsidies	46	13	–	900	–	–	–
Provinces and municipalities	46	13	–	–	–	–	–
Households	–	–	–	900	–	–	–
Payments for capital assets	828	897	368	997	80	1 050	1 250
Machinery and equipment	701	632	247	997	80	1 050	1 250
Software and other intangible assets	127	265	121	–	–	–	–
Total	37 788	36 620	34 542	41 104	41 942	47 243	51 530

Details of transfers and subsidies

Provinces and municipalities							
Municipalities							
Municipal bank accounts							
Current	46	13	–	–	–	–	–
Regional Services Council levies	46	13	–	–	–	–	–
Households							
Social benefits							
Current	–	–	–	900	–	–	–
Severance packages	–	–	–	900	–	–	–

Expenditure trends

Expenditure increased at an average annual rate of 2.8 per cent between 2005/06 and 2008/09. It is expected to rise further over the MTEF period, to reach R51.5 million in 2011/12, increasing at an average annual rate of 7.8 per cent.

Spending in the *Public Participation and Empowerment* subprogramme is expected to increase at an average annual rate of 27 per cent over the medium term, to fund the appointment of additional field workers to monitor the rollout of free basic services. Moreover, the expenditure will be used to support the remaining 97 Project Consolidate municipalities with the assessment of indigent policies.

Programme 6: Provincial and Local Government Transfers

The two subprogrammes, *Provincial Transfers* and *Local Government Transfers*, make transfers to provinces and local government. For 2008/09, funds have only been provided for local government transfers, as follows:

- *Equitable Share* - the share of nationally raised revenue which is payable to the local government sphere in terms of section 214 of the Constitution.
- *Municipal Systems Improvement Programme* - to assist municipalities with building in-house capacity to perform their functions and stabilise institutional and governmental systems.
- *Municipal Infrastructure Grant* - to supplement municipal capital budgets to eradicate the backlog in municipal infrastructure for providing basic services to poor households.

Objectives and measures

- Manage conditional grants transfers to municipalities according to the payment schedule and the requirements of the Division of Revenue Act.

Expenditure estimates

Table 29.9 Provincial and Local Government Transfers

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
R thousand							
Provincial transfers							
<i>Disaster relief</i>	40 689	-	-	-	-	-	-
Local government transfers							
<i>Equitable share</i>	9 643 341	18 057 940	20 675 620	25 559 685	23 846 502	29 267 706	31 889 901
<i>Municipal systems improvement programme</i>	200 000	200 000	200 000	200 000	200 000	212 000	224 720
<i>Municipal infrastructure grant</i>	5 436 161	5 938 409	8 754 140	9 378 899	11 084 860	12 528 884	15 068 551
<i>Disaster relief</i>	311 000	-	-	47 047	-	-	-
Total	15 631 191	24 196 349	29 629 760	35 185 631	35 131 362	42 008 590	47 183 172
Change to 2008 Budget estimate				1 439 856	(5 554 474)	(6 077 521)	(3 788 106)
Economic classification							
Transfers and subsidies	15 631 191	24 196 349	29 629 760	35 185 631	35 131 362	42 008 590	47 183 172
Provinces and municipalities	15 631 191	24 196 349	29 629 760	35 185 631	35 131 362	42 008 590	47 183 172
Total	15 631 191	24 196 349	29 629 760	35 185 631	35 131 362	42 008 590	47 183 172

Table 29.9 Provincial and Local Government Transfers (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Details of transfers and subsidies							
Provinces and municipalities							
Provinces							
Provincial revenue funds							
Current	40 689	–	–	–	–	–	–
Disaster relief grant	40 689	–	–	–	–	–	–
Capital	–	–	–	29 730	–	–	–
Internally displaced people management grant	–	–	–	29 730	–	–	–
Provinces and municipalities							
Municipalities							
Municipal bank accounts							
Current	10 154 341	18 257 940	20 875 620	25 759 685	24 046 502	29 479 706	46 958 452
Disaster relief grant	311 000	–	–	–	–	–	–
Local government equitable share	9 643 341	18 057 940	20 675 620	25 559 685	23 846 502	29 267 706	31 889 901
Municipal systems improvement grant	200 000	200 000	200 000	200 000	200 000	212 000	224 720
Capital	5 436 161	5 938 409	8 754 140	9 396 216	11 084 860	12 528 884	224 720
Municipal infrastructure grant	5 436 161	5 938 409	8 754 140	9 378 899	11 084 860	12 528 884	15 068 551
Internally displaced people management grant	–	–	–	17 317	–	–	–

Expenditure trends

Expenditure in this programme is dominated by transfer payments, which account for 98.7 per cent of departmental spending in 2008/09. Spending in transfers and subsidies increased by an average annual rate of 31.1 per cent between 2005/06 and 2008/09, and is expected to increase at an average annual rate of 10.3 per cent to reach R47.2 billion in 2011/12.

The biggest portion of expenditure is on the local government equitable share, which continues to be an integral funding instrument for supplementing municipal own revenue for the provision of free basic services to poor households and to fund institutional capacity and support for weaker municipalities in poorer areas. Over the medium term, total programme spending is expected to increase at an average annual rate of 10.3 per cent to reach R47.2 billion in 2011/12.

Programme 7: Fiscal Transfers

The subprogrammes make transfers to the following entities in terms of their founding agreements or the relevant legislation:

- *South African Local Government Association* represents the local sphere of government and is recognised in terms of the Organised Local Government Act (1997).
- *Municipal Demarcation Board* is a constitutional body established in terms of the Municipal Demarcation Board Act (1998).
- *Municipal Infrastructure Investment Unit* played a leading role in developing municipal services partnerships to accelerate the equitable delivery of municipal services. The unit is being wound up and will be de-listed as a public entity.
- *South African Cities Network* was established to further cooperation between South African cities and maximise benefits through the exchange of information.
- *The Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities* is a constitutional body established in terms of the Cultural, Religious and Linguistic Communities Act (2002).
- *Commission on Traditional Leadership Disputes and Claims* was established in terms of the Traditional Leadership Framework Governance Act (2003).

- *National House of Traditional Leaders* was established by legislation, in terms of the Constitution, to represent the interests of the traditional community and advise government.

Objectives and measures

- Oversee entities reporting to the minister by monitoring legal compliance and delivery on mandates against financial and performance indicators.

Expenditure estimates

Table 29.10 Fiscal Transfers

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
R thousand							
South African Local Government Association	18 385	19 494	20 461	22 058	23 302	24 625	26 102
Municipal Demarcation Board	24 959	16 827	20 664	25 419	34 557	37 187	39 419
Municipal Infrastructure Investment Unit	11 234	–	–	–	–	–	–
South African Cities Network	1 500	1 590	4 400	4 700	4 815	5 104	5 410
Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities	11 286	13 403	15 447	19 996	20 250	21 401	22 685
Commission on Traditional Leadership Disputes and Claims	6 302	9 986	10 573	14 057	9 890	10 483	11 112
National House of Traditional Leaders	8 703	9 535	13 169	12 499	9 169	18 694	21 112
Total	82 369	70 835	84 714	98 729	101 983	117 494	125 840
Change to 2008 Budget estimate				6 698	(1 209)	7 437	9 180

Economic classification

	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Current payments	14 677	19 475	23 716	26 556	17 219	29 177	32 224
Compensation of employees	2 023	4 118	5 712	6 911	6 443	6 665	9 796
Goods and services	12 654	15 357	18 004	19 645	10 776	22 512	22 428
<i>of which:</i>							
Administrative fees	5	137	24	2	2	–	–
Advertising	79	–	161	108	23	125	131
Assets less than R5 000	136	163	46	40	12	50	55
Catering: Departmental activities	373	696	720	960	750	552	590
Communication	309	457	632	720	590	662	700
Consultants and professional services: Business and advisory services	4 130	5 320	6 203	7 601	3 420	8 926	9 165
Consultants and professional services: Legal costs	–	870	216	2 464	880	2 900	2 297
Contractors	63	58	52	34	61	40	45
Agency and support / outsourced services	214	37	191	125	–	139	150
Entertainment	–	1	–	3	3	3	5
Inventory: Fuel, oil and gas	–	–	1	–	–	–	–
Inventory: Learner and teacher support material	–	–	–	30	–	–	–
Inventory: Materials and supplies	1	1	–	32	–	35	35
Inventory: Medical supplies	–	–	1	2	–	5	5
Inventory: Other consumables	14	8	–	11	5	15	15
Inventory: Stationery and printing	164	45	113	116	85	130	140
Lease payments	85	111	275	200	100	225	240
Owned and leasehold property expenditure	28	1	–	–	–	–	–
Travel and subsistence	5 982	7 267	9 106	6 799	4 395	8 000	8 100
Training and development	–	17	18	50	50	90	100
Operating expenditure	241	55	96	28	–	35	35
Venues and facilities	830	113	149	320	400	580	620
Transfers and subsidies	67 383	51 326	60 972	72 173	84 764	88 317	93 616
Provinces and municipalities	19	7	–	–	–	–	–
Departmental agencies and accounts	65 864	49 724	56 572	67 473	78 109	83 213	88 206
Non-profit institutions	1 500	1 590	4 400	4 700	4 815	5 104	5 410
Households	–	5	–	–	1 840	–	–
Payments for capital assets	309	34	26	–	–	–	–
Machinery and equipment	309	34	26	–	–	–	–
Total	82 369	70 835	84 714	98 729	101 983	117 494	125 840

Table 29.10 Fiscal Transfers (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Details of transfers and subsidies							
Provinces and municipalities							
Municipalities							
Municipal bank accounts							
Current	19	7	-	-	-	-	-
Regional Services Council levies	19	7	-	-	-	-	-
Departmental agencies and accounts							
Departmental agencies (non-business entities)							
Current	65 864	49 724	56 572	67 473	78 109	83 213	88 206
Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities	11 286	13 403	15 447	19 996	20 250	21 401	22 685
Municipal Demarcation Board	24 959	16 827	20 664	25 419	34 557	37 187	39 419
Municipal Infrastructure Investment Unit	11 234	-	-	-	-	-	-
South African Local Government Association	18 385	19 494	20 461	22 058	23 302	24 625	26 102
Non-profit institutions							
Current	1 500	1 590	4 400	4 700	4 815	5 104	5 410
South African Cities Network	1 500	1 590	4 400	4 700	4 815	5 104	5 410
Households							
Social benefits							
Current	-	5	-	-	1 840	-	-
National House of Traditional Leaders: Payments as an act of grace	-	5	-	-	1 840	-	-

Expenditure trends

Expenditure increased from R82.4 million in 2005/06 to R98.7 million in 2008/09 at an average annual rate of 6.2 per cent. It is expected to increase at a further average annual rate of 8.4 per cent over the medium term to reach R125.8 million in 2011/12. The higher growth over the later period is due to increased transfers to the National House of Traditional Leaders (103.9 per cent in 2010/11) and the Municipal Demarcation Board (35.9 per cent in 2009/10).

Public entities and other agencies

Municipal Demarcation Board

Strategic overview: 2005/06 – 2011/12

The Municipal Demarcation Board is a constitutional institution mandated to determine municipal boundaries, wards and districts in South Africa. In addition, the Municipal Structures Act (1998) requires the board to consider the capacity of district and local municipalities to perform their functions and exercise their powers, make recommendations to members of provincial executive councils responsible for decision making to adjust the powers and functions between district and local municipalities, and, within the scope of its mandate, give advice and support to improve the development of a sound system of local government.

Over the medium term, the board will continue to focus on the following strategic objectives:

- empowering members of provincial executive councils responsible for decision making to adjust the powers and functions between district and local municipalities
- contributing towards free and fair local elections and promoting democracy
- determining and re-determining municipal boundaries
- improving organisational capacity
- ensuring good corporate governance

- ensuring the sound financial management of the board.

Selected performance and operations indicators

Table 29.11 Municipal Demarcation Board

Indicator	Past			Current 2008/09	Projections		
	2005/06	2006/07	2007/08		2009/10	2010/11	2011/12
Number of capacity assessments completed:							
district municipalities*	47	47	46	46	46	46	46
local municipalities*	231	231	231	231	231	231	231
Percentage of total requests for changes to boundaries finalised or actioned	100%	100%	100%	100%	*	*	100%

*Ward delimitation process in preparation for 2011 local government election

Service delivery and spending focus

Over the MTEF period, service delivery will focus on a thorough, inclusive and transparent process of municipal and ward boundary determinations and re-determinations, which are also fully compliant with all relevant legislation. The board finalised all outstanding and new changes to municipal boundaries at the end of August 2008 to allow for setting boundaries for the wards in preparation for the next local government elections, scheduled for 2011.

Expenditure estimates

Table 29.12 Municipal Demarcation Board: Financial information

R thousand	Audited outcome			Revised estimates	Medium-term expenditure estimate		
Statement of financial performance	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Revenue							
Non-tax revenue	264	230	358	295	335	305	295
Sale of goods and services other than capital assets	67	72	43	80	85	95	105
<i>of which</i>							
<i>Sales by market establishment</i>	–	–	–	–	85	95	105
<i>Other sales</i>	67	72	43	80	–	–	–
<i>Other non-tax revenue</i>	197	158	315	215	250	210	190
Transfers received	25 609	19 477	20 664	25 419	34 557	37 187	39 419
Total revenue	25 873	19 707	21 022	25 714	34 892	37 492	39 714
Expenses							
Current expense	22 385	17 928	15 863	27 728	42 351	38 942	32 271
Compensation of employees	7 875	6 994	6 800	7 399	8 500	9 151	9 795
Goods and services	13 625	10 206	8 299	19 572	33 058	28 977	22 101
Depreciation	682	642	625	612	793	814	375
Interest, dividends and rent on land	203	86	139	145	–	–	–
Transfers and subsidies	–	2 650	–	–	–	–	–
Total expenses	22 385	20 578	15 863	27 728	42 351	38 942	32 271
Surplus / (Deficit)	3 488	(871)	5 159	(2 014)	(7 459)	(1 450)	7 443
Statement of financial position							
Carrying value of assets	1 879	1 679	1 225	963	1 234	540	275
<i>of which: Acquisition of assets</i>	1 126	471	186	350	1 064	120	110
Inventory	–	83	75	75	75	75	75
Receivables and prepayments	123	109	29	8	38	48	58
Cash and cash equivalents	8 352	4 463	7 185	4 681	597	1 365	4 231
Total assets	10 354	6 334	8 514	5 727	1 944	2 028	4 639
Accumulated surplus / deficit	2 106	862	6 021	4 007	(3 452)	(4 902)	2 541
Borrowings	261	–	–	–	–	–	–
Trade and other payables	7 487	3 506	1 933	1 200	4 772	6 052	1 200
Provisions	500	531	460	430	464	230	230
Liabilities not classified elsewhere	–	1 432	100	90	160	648	668
Total equity and liabilities	10 354	6 334	8 514	5 727	1 944	2 028	4 639

Expenditure trends

Transfers from government are the main source of revenue for the board, and account for 99 per cent (R34.6 million) of total revenue in 2009/10. Transfers received decline by 23.9 per cent in 2006/07 because the delimitation processes for the 2006 local government elections were completed. Transfers received are expected to rise from R25.4 million in 2008/09 to R39.4 million in 2011/12, at an average annual rate of 15.7 per cent.

Estimated expenditure for 2009/10 increases by 52.7 per cent from 2008/09 to R42.4 million. This is due to the planned ward delimitation process beginning in April 2009 in preparation for the 2011 local government elections. Although the ward delimitation process continues in 2010/11, estimated expenditure declines to R38.9 million. Estimated expenditure for 2011/12 declines further to R32.3 million, when the board will be carrying out boundary determinations and municipal capacity assessments.

In 2009/10 and 2010/11, the board expects deficits of R7.5 million and R1.5 million, while in 2011/12 there is a projected surplus of R7.4 million. The activities of the board are dependent on requests from provincial departments of local government, and these cannot be planned for easily. Its activities are also aligned with the five-year cycles for local government elections. In light of the mismatch in budget allocations, it would be appropriate to reallocate surplus funds from the outer years to 2009/10.

The decline in compensation of employees in 2006/07 is due to unfilled vacant posts. The decline in goods and services is because the delimitation processes for the 2006 local government elections were completed.

Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities

Strategic overview: 2005/06 – 2011/12

The Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities is mandated by the Constitution and the Cultural, Religious and Linguistic Communities Act (2002) to promote respect for the rights of cultural, religious and linguistic communities, and to promote tolerance among these communities. It was established in 2004.

The act outlines the objectives of the commission, which are:

- to promote and develop peace, friendship, humanity, tolerance and national unity among and within cultural, religious and linguistic communities, on the basis of equality, non-discrimination and free association
- to foster mutual respect among cultural, religious and linguistic communities
- to promote the right of communities to develop their historically diminished heritage
- to recommend the establishment or recognition of community councils.

Selected performance and operations indicators

Table 29.13 Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities

Indicator	Past			Current	Projections		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Number of engagements with communities each year (mediations, dialogues, seminars, information sessions and meetings)	6	4	20	63	78	89	91
Number of conflict cases resolved each year	3	8	5	6	7	8	12

Service delivery and spending focus

Over the first term of five years, the commission has made significant progress in the delivery of its multi-faceted mandate. It has met its statutory obligation to host two national consultative conferences, which served as starting points for the formulation of its delivery programmes.

Of the total of 114 complaints received since 2004/05, 69 (60.5 per cent) have been resolved through mediation between the parties in conflict. The remainder of the complaints are complex as they stem from historically outdated legislative frameworks and policies that were in place before the first democratic government in 1994.

Expenditure estimates

Table 29.14 Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities: Financial information

R thousand	Audited outcome			Revised estimate	Medium-term estimate		
Statement of financial performance	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Revenue							
Non-tax revenue	394	217	334	132	150	165	185
<i>Other non-tax revenue</i>	394	217	334	132	150	165	185
Transfers received	11 286	13 403	15 447	19 996	20 250	21 401	22 685
Total revenue	11 680	13 620	15 781	20 128	20 400	21 566	22 870
Expenses							
Current expense	11 427	14 151	15 772	20 128	20 400	21 566	22 870
Compensation of employees	5 043	6 287	7 609	10 700	13 822	16 109	18 724
Goods and services	6 159	7 484	7 703	8 980	6 116	4 975	3 644
Depreciation	225	311	366	448	462	482	502
Interest, dividends and rent on land	–	69	94	–	–	–	–
Total expenses	11 427	14 151	15 772	20 128	20 400	21 566	22 870
Surplus / (Deficit)	253	-531	9	–	–	–	–
Statement of financial position							
Carrying value of assets	1 232	1 002	1 154	840	728	446	194
<i>of which: Acquisition of assets</i>	597	92	534	134	350	200	250
Receivables and prepayments	332	–	364	–	–	–	–
Cash and cash equivalents	3 613	3 073	3 540	–	–	–	–
Total assets	5 177	4 075	5 058	840	728	446	194
Accumulated surplus / deficit	4 160	3 751	3 719	–	–	–	–
Trade and other payables	968	251	1 044	840	728	446	194
Provisions	49	73	295	–	–	–	–
Total equity and liabilities	5 177	4 075	5 058	840	728	446	194

Expenditure trends

Transfers from the department are the main source of revenue for the commission, and account for 99 per cent (R20.3 million) of total revenue for 2009/10. Transfers received are expected to rise from R20 million in 2008/09 to R22.7 million in 2011/12 at an average annual rate of 4.3 per cent.

Over the MTEF period, expenditure on compensation of employees is expected to increase from R10.7 million in 2008/09 to R18.7 million in 2011/12, at an average annual rate of 20.5 per cent, to fill the high number of vacant posts. With vacancies filled, fewer consultants will be used, and expenditure on goods and services is projected to fall from R9 million in 2008/09 to R3.6 million in 2011/12, at an average annual rate of 26 per cent.

South African Local Government Association

Strategic overview: 2005/06 – 2011/12

Founded in 1996, the South African Local Government Association is mandated by the Constitution to assist in the comprehensive transformation of local government in South Africa. The association represents organised local government by participating in a number of forums, appointing up to 10 part time representatives to the National Council of Provinces in the national Parliament, nominating two representatives to the Financial and Fiscal Commission, and engaging with other relevant intergovernmental structures at the provincial, district and municipal levels. Other enabling legislation which influences the work of the association includes the Municipal Systems Act (2000), the Municipal Finance Management Act (2003) and the Intergovernmental Relations Framework Act (2005).

The local government strategic agenda provides the overarching framework for the development and transformation of local government between 2007 and 2011. The South African Local Government Association has identified its key result areas in terms of this agenda:

- contributing to municipal transformation and organisational development
- promoting the effective and sustainable delivery of municipal services
- supporting the stimulation of local economies and poverty alleviation
- strengthening municipal financial capacity
- fostering good governance and public participation in municipalities.

Service delivery and spending focus

Over the MTEF period, the association will focus on:

- enhancing the role and status of municipalities through strategic profiling nationally and internationally
- transforming local government to enable it to fulfil its developmental role through policy analysis, research and monitoring, knowledge sharing and municipal support, and by updating an impact assessment of poverty alleviation initiatives in local government by 2010/11
- representing, promoting and protecting the interests of local government through engagement, lobbying and advocacy, and serving as an employer representative for members
- strengthening the association's corporate governance and its programmes to deliver on its mandate.

In 2008/09, the association made representations on the following legislation and working papers: the creation of a single public service; the white paper review process; making primary health care a provincial function; the Regional Services Council levy; and electricity distribution industry restructuring.

Capacity development in the local government sphere remains a high priority. In 2007/08, 570 learners graduated from the executive leadership municipal development programme. 471 learners are currently registered with University of Pretoria. 926 councillors were trained nationally on the housing induction programme. 960 senior finance officials and councillors graduated from the Wits Business School in a partnership programme co-hosted by the South African Local Government Association and the Local Government Sector Education and Training Authority. 2 552 councillors and senior officials had received training through the association.

The association has successfully completed an organisational review. The process of appointing personnel to key posts identified in the review got underway in 2008/09. The association's performance management and remuneration panel was established in the interest of good corporate governance.

Selected performance and operations indicators

Table 29.15 South African Local Government Association

Indicator	Past			Current	Projections		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Percentage of 237 municipalities (excluding districts) with guidelines on ward committees	-	-	15% (43)	46% (109)	71% (169)	88% (209)	100% (237)
Percentage of all municipalities (238) with a delegations framework	-	-	15% (43)	44% (123)	69% (195)	85% (239)	100% (283)

Expenditure estimates

Table 29.16 South African Local Government Association: Financial information

R thousand Statement of financial performance	Audited outcome			Revised estimate	Medium-term estimate		
	2005/06	2006/07	2007/08*	2008/09	2009/10	2010/11	2011/12
Revenue							
Non-tax revenue	96 596	135 111	113 391	125 794	129 458	135 748	141 541
Sale of goods and services other than capital assets	80 653	102 725	101 195	113 715	118 157	123 739	129 307
<i>of which:</i>							
Membership levies	80 653	102 725	101 195	113 715	118 157	123 739	129 307
Other non-tax revenue	15 943	32 386	12 196	12 079	11 301	12 009	12 234
Transfers received	18 885	26 314	13 641	22 858	24 102	25 425	26 902
Total revenue	115 481	161 425	127 032	148 652	153 560	161 173	168 443
Expenses							
Current expense	178 601	134 870	143 087	129 351	150 530	159 020	165 724
Compensation of employees	54 828	69 148	51 338	80 524	92 956	100 303	104 008
Goods and services	119 460	59 635	87 608	47 003	54 852	55 912	59 675
Depreciation	2 545	2 781	2 449	1 799	2 694	2 775	2 012
Interest, dividends and rent on land	1 768	3 307	1 692	25	28	30	29
Total expenses	178 601	134 870	143 087	129 351	150 530	159 020	165 724
Surplus / (Deficit)	(63 121)	26 555	(16 055)	19 301	3 030	2 153	2 719
Statement of financial position							
Carrying value of assets	20 915	26 190	23 659	29 842	31 648	29 912	28 350
<i>of which: Acquisition of assets</i>	7 338	6 092	–	7 981	4 500	1 038	450
Receivables and prepayments	4 376	55 462	27 335	25 941	19 641	14 425	15 004
Cash and cash equivalents	38 716	4 873	6 092	(2 583)	5 168	13 841	16 573
Assets not classified elsewhere	607	–	23	23	23	23	23
Total assets	64 613	86 526	57 109	53 223	56 480	58 201	59 950
Accumulated surplus / deficit	25 961	26 165	10 640	29 501	32 531	34 684	37 404
Capital and reserves	–	7 082	6 553	6 553	6 553	6 553	6 553
Borrowings	3 530	8 245	7 024	2 785	2 089	1 393	696
Trade and other payables	35 122	42 816	30 763	14 383	15 307	15 572	15 297
Liabilities not classified elsewhere	–	2 217	2 130	–	–	–	–
Total equity and liabilities	64 613	86 526	57 109	53 222	56 480	58 202	59 950

* This reporting period is nine months, as the association realigned its financial year from a June year end to a March year end in line with Public Finance Management Act (1999) public entities.

Expenditure trends

Membership levies from the 283 municipalities are the main source of revenue for the association and account for 77 per cent (R118.2 million) of total revenue for 2009/10. Membership levies are expected to rise from R113.7 million in 2008/09 to R129.3 million in 2011/12, at an average annual rate of 4.4 per cent.

The transfer from the department accounts for 15.8 per cent of total income on average over the MTEF period.

Other non-tax revenue, which includes course facilitation fees for the executive leadership municipal development programme, sponsorships and donations, and national members assembly registration fees, declines by 6.4 per cent in 2009/10 to R11.3 million due to the elimination of anticipated recoveries of previously impaired trade receivables.

Overall expenditure of R150.5 million in 2009/10 reflects an increase of 16.4 per cent from 2008/09, primarily due to the budgeted increase of 42 staff and the reversal of the provision for the impairment of trade receivables in 2008/09. The expenditure estimates for 2009/10 exclude this non-cash flow item. Over the medium term, expenditure is expected to increase to R165.7 million in 2011/12 at an average annual rate of 8.6 per cent. This growth is driven by increases in compensation of employees, which is expected to grow from R80.5 million in 2008/09 to R104 million in 2011/12 at an average annual rate of 8.9 per cent.

In 2005/06, the association provided for the impairment of trade receivables of R65.1 million, which is included in goods and services. The impairment was necessitated by poor payment of membership levies, thus the deficit at the end of the seven-year period. In 2006/07, there is a 50.1 per cent decline in goods and services due to the reduction in the impairment of trade receivables by R34.7 million as a result of improved payment of membership levies. In 2007/08, the association implemented its strategic objective to improve the association's corporate governance and internal functioning. This, with the increase in the impairment of trade receivables by R14.4 million, contributed to a 46.9 per cent increase in goods and services. The projections for 2008/09 indicate improved payment of membership levies, thus the reduction in the provision for the impairment of trade receivables of R21.1 million, resulting in an overall decrease of 46.3 per cent in goods and services.

The association increased its staff by 32 in 2006/07, thus the increase of 26.1 per cent in compensation of employees. In 2007/08, the association realigned its financial year from a June year end to a March year end in line with Public Finance Management Act (1999) public entities, thus a nine-month reporting period. This contributed to a 25.8 per cent decrease in compensation of employees in 2007/08. Expenditure in 2008/09 has increased in line with the association's strategic objectives to improve the association's capacity to support and advise its members and to improve its corporate governance and internal functioning (by increasing its headcount by 29).

Additional tables

Table 29.A Summary of expenditure trends and estimates per programme and economic classification

Programme	Appropriation		Audited outcome	Appropriation			Revised estimate
	Main	Adjusted		Main	Additional	Adjusted	
R thousand	2007/08		2007/08	2008/09			2008/09
1. Administration	130 569	137 876	143 689	150 219	471	150 690	150 000
2. Governance, Policy and Research	30 649	43 303	38 780	44 449	(777)	43 672	42 362
3. Urban and Rural Development	11 280	10 682	8 626	11 577	1 297	12 874	11 587
4. Systems and Capacity Building	126 176	95 123	89 605	108 399	(2 092)	106 307	104 181
5. Free Basic Services and Infrastructure	42 053	40 402	34 542	41 430	(326)	41 104	36 994
6. Provincial and Local Government Transfers	28 424 184	29 629 760	29 629 760	33 745 775	1 439 856	35 185 631	34 426 350
7. Fiscal Transfers	79 264	79 605	84 714	92 031	6 698	98 729	98 729
Total	28 844 175	30 036 751	30 029 716	34 193 880	1 445 127	35 639 007	34 870 203

Economic classification							
Current payments	352 077	339 043	329 730	370 348	1 228	371 576	362 053
Compensation of employees	149 295	141 346	128 146	166 390	(12 043)	154 347	152 347
Goods and services	202 782	197 697	199 955	203 958	13 241	217 199	209 676
Financial transactions in assets and liabilities	–	–	1 629	–	30	30	30
Transfers and subsidies	28 486 832	29 692 421	29 692 145	33 816 748	1 442 616	35 259 364	34 500 083
Provinces and municipalities	28 425 779	29 631 357	29 629 770	33 745 975	1 439 976	35 185 951	34 426 670
Departmental agencies and accounts	56 572	56 572	56 572	65 973	1 500	67 473	67 473
Public corporations and private enterprises	81	81	393	100	–	100	100
Foreign governments and international organisations	–	–	139	–	–	–	–
Non-profit institutions	4 400	4 400	4 472	4 700	–	4 700	4 700
Households	–	11	799	–	1 140	1 140	1 140
Payments for capital assets	5 266	5 287	7 841	6 784	1 283	8 067	8 067
Machinery and equipment	5 266	5 287	6 750	6 784	1 283	8 067	8 067
Software and intangible assets	–	–	1 091	–	–	–	–
Total	28 844 175	30 036 751	30 029 716	34 193 880	1 445 127	35 639 007	34 870 203

Table 29.B Summary of personnel numbers and compensation of employees

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Permanent and full time contract employees							
Compensation (R thousand)	99 264	116 166	128 146	154 347	195 476	204 689	218 711
Unit cost (R thousand)	249	280	252	295	336	352	376
Personnel numbers (head count)	399	415	509	524	581	581	581
Interns							
Compensation of interns (R thousand)	103	–	–	–	441	467	472
Unit cost (R thousand)	9	–	–	–	14	14	13
Number of interns	12	–	26	30	32	34	36
Total for department							
Compensation (R thousand)	99 367	116 166	128 146	154 347	195 917	205 156	219 183
Unit cost (R thousand)	242	280	240	279	320	334	355
Personnel numbers (head count)	411	415	535	554	613	615	617

Table 29.C Summary of expenditure on training

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Compensation of employees (R thousand)	99 367	116 166	141 346	166 390	176 928	188 145	201 090
Training expenditure (R thousand)	1 360	1 665	2 292	1 663	1 769	1 881	2 011
Training as percentage of compensation	1.4%	1.4%	1.6%	1.0%	1.0%	1.0%	1.0%
Total number trained in department (head count)	570	331	501	–			
<i>of which:</i>							
Leaverships trained (head count)	6	–	–	–			
Internships trained (head count)	–	–	26	–			

Table 29.D Summary of conditional grants to provinces and municipalities¹

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Conditional grants to provinces							
6. Provincial and Local Government Transfers							
Disaster relief grant	40 689	–	–	–	–	–	–
Internally displaced people management grant	–	–	–	29 730	–	–	–
Total	40 689	–	–	29 730	–	–	–
Conditional grants to municipalities							
6. Provincial and Local Government Transfers							
Municipal systems improvement grant	200 000	200 000	200 000	200 000	200 000	212 000	224 720
Municipal infrastructure grant	5 436 161	5 938 409	8 754 140	9 378 899	11 084 860	12 528 884	15 068 551
Disaster relief grant	311 000	–	–	–	–	–	–
Internally displaced people management grant	–	–	–	17 317	–	–	–
Total	5 947 161	6 138 409	8 954 140	9 596 216	11 284 860	12 740 884	15 293 271

1. Detail provided in the Division of Revenue Act (2009)

Table 29.E Summary of donor funding

Donor	Project	Departmental programme name	Amount committed	Main economic classification	Spending focus	Audited outcome		Estimate 2008/09	Medium-term expenditure estimate		
						2005/06	2006/07		2007/08	2009/10	2010/11
Foreign R thousand											
Foreign In cash											
Danish International Development Agency	Project Consolidate: knowledge management	Systems and Capacity Building	5 375	Goods and services	Experiences of Project Consolidate captured on the database for use in local government transformation	-	-	1 678	-	-	-
European Union	Masibambane	Free Basic Services and Infrastructure	6 779	Goods and services	Supporting municipal urban renewal programmes	159	15 033	11 779	-	-	-
Foreign In kind											
Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)	Strengthening local governance support programme	Governance, Policy and Research	53 750	Goods and services	Improving municipal service delivery, improving resilience and vibrancy of local economies, and strengthening local democracy	9 630	10 138	53 750	54 000	33 750	26 250
United Kingdom Department for International Development	Consolidation of municipal transformation programme	Governance, Policy and Research	2 934	Goods and services	Implementing a leadership programme, developing international relations and official development assistance knowledge management system. Developing scenarios for a viable district system, training municipalities on intergovernmental policy, and implementing anti-corruption and HIV and AIDS strategies	-	3 298	2 934	-	-	-
United States Agency for International Development	Local government support programme	Free Basic Services and Infrastructure	13 827	Goods and services	Training and implementing anti-corruption measures, facilitating public participation, rolling out a comprehensive infrastructure plan nationwide, implementing a performance management system, and improving local governance in the Democratic Republic of the Congo	14 854	10 858	13 827	-	-	-
Local In cash											
African Renaissance Fund	Democratic Republic of Congo: Decentralization	Governance, Policy and Research	11 673	Goods and services	Number of national coordination structures and provinces strengthened	-	-	11 673	-	-	-
Total			94 338			24 643	39 327	95 641	54 000	33 750	26 250

Table 29.F Summary of expenditure on infrastructure

R thousand	Type of infrastructure	Service delivery outputs	Current project stage	Total project cost	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
					2005/06	2006/07	2007/08		2009/10	2010/11	2011/12
	Mega projects or programmes (over R300 million per year for a minimum of three years or R900 million total project cost)										
	Municipal infrastructure grant	Various projects	Water, sanitation, roads and electricity	-	5 436 161	5 938 409	8 754 140	9 378 899	11 084 860	12 528 884	15 068 552
	Municipal systems improvement programme	Various projects	Building in-house capacity	-	200 000	200 000	200 000	200 000	200 000	212 000	224 720
	Large projects or programmes (costing between R50 million and R300 million per year within the MTEF period)										
	Disaster relief	Conditional grants	Municipalities that were destroyed by fire or storms	-	351 689	-	-	47 047	-	-	-
Total				-	5 987 850	6 138 409	8 954 140	9 625 946	11 284 860	12 740 884	15 293 272