Guidelines for the Restructuring of Municipalities

2013 Local Government Week Report
Guidelines for the restructuring of municipalities

1. INTRODUCTION

The Municipal Demarcation Board is currently attending to the process for the delimitation and determination of municipal boundaries. The final municipal boundary determinations are expected to be completed by March 2013. All changes with regard to municipal and ward boundaries will take effect after the next local government elections, scheduled to take place in 2016.

The effect of boundary changes may be that certain municipalities may amalgamate, the establishment of new Metros, or merely new boundaries for existing municipalities. In order to prepare for such changes and to assist municipalities with the transition and resultant restructuring into the new or changed municipalities, and based on its involvement in the merge processes of municipalities in 2011 as well as assisting with the implementation of municipal boundary changes, SALGA has prepared a guideline for the restructuring of municipalities. The SALGA National Conference held in 2011 considered a blueprint for the restructuring of municipalities and resolved that a full blueprint must be developed to assist municipalities facing restructuring and that although the situations will differ, and each process will have its own dynamics, the blueprint must set out procedural steps that can be further developed to guide restructuring municipalities. The purpose of the guideline is thus to provide guidance and assistance to municipalities affected by boundary changes and the resultant restructuring required. It is written in such a manner that it can assist municipalities in differing situations.

2. MUNICIPAL DEMARCATION BOARD PROCESS

The first important point to note is that the restructuring of municipalities is triggered by the municipal boundary re-determination process driven by the Municipal Demarcation Board (MDB) as per its legislative mandate. Once the boundary determination process has been completed, the boundaries of the municipalities are set for implementation. It has been noted that in the past communities often only realised the effect of the municipal boundary changes once the ward delimitation process were finished at which stage it is no longer possible to alter or reverse municipal boundary determinations. It is therefore important that both municipalities, its political leadership and the affected communities participate in the process and are informed of the processes taking place in municipalities.

In terms of the current constitutional and legal framework the next local government elections will be held in 2016, following the National and Provincial elections in 2014. All changes to municipal boundaries need to be finalized prior to the National and Provincial elections so that the National Voters’ Roll can be segmented according to confirmed and final municipal boundaries. This means that all the changes to municipal boundaries contemplated to take effect after the 2016 local government elections must be completed at the beginning of 2013.

The complete municipal boundary re-determination process is dealt with in the MDB Circular 1 of 2011 and will not be dealt with here in detail, other than to indicate the impact of the process on the restructuring of municipalities.
All requests for the changing of municipal boundaries closed in December 2011. The MDB will during 2012 map out the new proposals and then undertake follow-up visits to municipalities where necessary. This will be followed by the publication of the boundary re-determinations.

Once the boundary re-determination process has been completed, neither the municipality nor the community can change or challenge the “new” municipal boundaries and the preparation for the implementation of new municipal boundaries and the resultant restructuring process must start. Once the municipal boundaries have been finalised, the number of wards per municipality will be determined and thereafter the ward delimitations will take place.

Once the boundary re-determination has been done, both the affected municipalities and the provincial governments for local government in the respective provinces will know the impact of the boundary re-determination and the effect thereof. The change in boundaries and classification of a municipality will determine the extent to which the existing municipality/ies will be restructured into the new or newly aligned municipality.

3. BASIC PRINCIPLES UNDERPINNING THE RESTRUCTURING PROCESS

In order to ensure a successful restructuring of municipalities, the restructuring process must start well in advance, requires the committed involvement, participation and guidance from the provincial government responsible for local government in the relevant province as well as a commitment to effective restructuring from both the political leaders as well as senior officials in the affected municipalities.

In short, a collaborated effort from all role-players is required to ensure an effective restructuring and transition.

The guidelines are divided into two parts; the first addressing the restructuring required based on minor amendments to municipal boundaries and the second addressing the process where a major restructuring is required due to the amalgamation of municipalities.

Where a major restructuring is done or a number of municipalities are affected by the restructuring, the Provincial Government responsible for local government must initiate and strongly support the restructuring process, on both political and administrative level. SALGA as the representative body of local government can also assist municipalities in the process of re-structuring, both on the level of technical support, but also as an independent party serving the interest of all municipalities and therefore being able to support the process.

One of the most important aspect to ensure the success of municipal restructuring is the provision of a restructuring grant to municipalities. The main purpose of restructuring is to appropriately structure municipalities to effectively achieve the goals and objectives of local government as a sphere of government and as set out in the Constitution of the Republic of South Africa, 1996. The purpose of a restructuring grant allocated to municipalities initially was to modernise large budget municipalities and to make them more effective and efficient service delivery authorities. One of the aims of the grant is to build linkages between the different systems for strategic planning and performance management, financial management and management of service delivery. However, where an amalgamation of municipalities or an incorporation of municipalities into an existing municipality takes place, it can be characterised by vast differences between the areas combined, in terms of the nature and dynamics of the area, its people, resources, institutional structures, policies and procedures, provision and level of services, finances and other issues. Many of these issues require specific attention and intervention. A merger or incorporation between municipalities cannot be treated as merely
Guidelines for the restructuring of municipalities

an extension of the boundaries but careful consideration should be given to ensure continued service delivery to all communities as well as the eradication of existing service backlogs. This requires newly established municipalities to be structured in a manner in which quality service can be delivered.

For this purpose to be achieved, new or re-structured municipalities should receive dedicated financial support from the national fiscus, which support should be committed to before the restructuring process can commence, failing which any restructuring will result in a mere lumping together of existing challenges. Currently, restructuring grants does not form part of the legislative framework for the restructuring of municipalities, but it is proposed that this aspect should also be required to be addressed in the section 12/16 notices referred to below.

4. MINOR RESTRUCTURING:

4.1 Introduction

A minor restructuring refers to an instance where there is a minor amendment to municipal boundaries that affects two or more municipalities, but where all existing municipalities will continue to exist, although in a different form. The purpose of this section is to highlight aspects to be considered by the affected municipalities in their preparation for the transition period after the election.

4.2 Section 12/16 notice

Once the municipal boundaries have been determined, the number of wards will be determined and finally the MDB will do the ward delimitation. Upon completion of the process, the Member of the Executive Council responsible for local government in each province will be required to prepare a draft notice in terms of the provisions of section 16 of the Local Government: Municipal Structures Act, 1998 to give effect to the changes in boundaries.

All municipalities affected by the boundary change as well as organized local government in the province must be consulted by the MEC on the contents of the notice. Section 14 of the said Act requires that the legal, practical and other consequences of the change needs to be articulated, which include the following matters:

- the vacation of office by councillors;
- the transfer of staff, where required;
- the transfer of assets, liabilities, rights and obligations;
- the transfer of administrative and other records;
- the continued application of by-laws, tariffs and resolutions of the municipality in the area to be transferred;
- such other transitional matters as may be deemed necessary.

The transfer of staff must be specifically addressed in the said section, and staff may not be transferred on conditions of service less favourable than those under which staff members served in the existing municipality.

In order to assist the MEC to determine the assets and staff to be transferred, the affected municipalities must as far as possible agree on these matters and advise the MEC accordingly. It is recommended that these issues be discussed between the municipalities and that submissions in this regard be made to the MEC prior to the publication of the draft notice and before the official consultation process, required in terms of the Act, commences.
Guidelines for the restructuring of municipalities

The draft notice, once published by the MEC for comment, needs to be submitted to the councils of all affected municipalities in order to pass a resolution and approve the formal comments of the municipality on the draft notice. It is further recommended that municipalities embark on a public participation process, not only to inform the public of the boundary change and its effect on the municipality, but also to invite comments from the public of the proposed notice.

Other matters to be considered by municipalities for inclusion into the section 16 amendment notice are the following:

- the requirement that a complete asset register of assets that will be transferred in terms of the notice be delivered to the receiving municipality within 7 days from the effective date;
- the requirement that a register of all personnel to be transferred, with their annual salary and benefits be delivered to the receiving municipality;
- transitional arrangements with regard to financial reporting on that portion of the budget affected by the boundary change as well as the implementation of the current budget of affected municipalities;
- a provision that the valuation roll which covers the affected area remain valid for that area until the receiving municipality has included the affected area into its valuation roll.

Upon the finalisation of the section 16 amendment to the section 12 notice of the affected municipalities, the affected municipalities can start their preparation for the transition period.

4.3 Transition Committee

The preparation for the transition in the case of a minor restructuring can predominantly be done by officials in the affected municipalities, as the amended section 12 notice will inform matters to be attended to. For this purpose a Transition Committee can be established. Such committee should consist of the municipal manager of all affected municipalities as well as such senior managers as is deemed necessary by the municipality.

The Transition Committee must consider the practical implications of the change in boundaries and must propose practical arrangements to facilitate the transition of the affected area into the receiving municipality.

The arrangements agreed upon can be captured in a transfer agreement that may be signed between the affected municipalities; alternatively the Transition Committee can just simply prepare a transition plan to be approved by the councils of all the affected municipalities. The capacity of the municipalities as well as the relationship between the municipalities will determine the most suitable option. The Governance Directorate in SALGA will at all times be willing to guide, support and advise the Transition Committee, as well as participate in the Committee if requested.

In the event that only local municipalities are affected, and if all affected municipalities so agree, the district municipality (if in one district) or municipalities may be requested to provide an official to support the process and even to chair the Transition Committee, in order to ensure an objective chair and process to be followed. However, it remains a process of the municipalities involved, and their opinions should be respected.

The provincial government may also require to be part of the structure to ensure a smooth transition, but if it participates, its role should be to support the process and ensure that blockages to the process are resolved.
The following matters need to be addressed by the Transition Committee:

- all matters addressed in the section 16 amendment notice must be considered and practical arrangements for the implementation thereof needs to be determined;
- communication with employees, trade unions and residents need to take place to inform them of the boundary change and the effect thereof and to address matters of concern;
- day one arrangements need to be made, to determine how service delivery will be done as from the effective date;
- readiness for the election needs to be determined, especially where wards or portions thereof will be “transferred”. This will include informing the members of the public affected and interaction with the IEC and its structures to ensure that all relevant staff are appointed for the process;
- making arrangements for the first council meeting;
- ensuring that all councillors can be accommodated where there is an increase in the number of councillors;
- liaise with the relevant traditional leader(s) where a traditional area(s) or portions thereof are affected by a change in boundaries;
- arrangements to receive staff members to be transferred and confirmation of reporting lines;
- comparative study of rates and taxes as well as tariffs to identify and address any discrepancies that might affect the area to be incorporated;
- ensuring that the IDP process and budget preparation takes into account amended boundaries, provided that it must be clear that a municipality can only budget for the current municipal area;
- preparation of a risk register and identification of mitigation proposals to address such risks;
- current litigation matters of affected municipalities that might affect a receiving municipality;
- the preparation of hand over reports to be submitted to the receiving municipality;
- compatibility of ITC and billing systems in order to facilitate transfer of customers and arrangements with regard to bad debt and indigents as well as free basic services; and
- dispute resolution mechanisms.

Where political guidance is required, it is proposed that matters be referred to the political office bearers in the municipality for political consideration and approval of political directives to inform the process.

5. MAJOR RESTRUCTURING PROCESS:

5.1 Introduction

A major restructuring refers to an instance where there is a major amendment to municipal boundaries that affects two or more municipalities, in the form of an amalgamation or an incorporation of one municipality into an existing municipality. The purpose of this section is to highlight aspects to be considered by the affected municipalities in their preparation for the transition period before and after the election. As a major restructuring has a bigger impact on affected parties, a much more formal and intricate process is required.

5.2 Section 12/16 notice
Once the municipal boundaries have been determined, the number of wards will be determined and finally the MDB will do the ward delimitation. Upon completion of the process, the MEC responsible for local government in each province will be required to either prepare a draft notice in terms of the provisions of section 16 of the Local Government: Municipal Structures Act, 1998, to give effect to the changes in boundaries of an existing municipality or prepare a section 12 notice for the establishment of a new municipality.

All municipalities affected by the boundary change as well as organized local government in the province must be consulted by the MEC on the preparation of the draft section 12 or 16 notice.

**Section 16 notice:**

Where the amendment to the boundaries can be addressed by way of the amendment of the existing section 12 notice of a municipality, the MEC will prepare a section 16 amendment notice. This will be possible where one or more existing municipality is completely incorporated into an existing municipality.

Such a section 16 notice will contain detail regarding the following matters:

- the boundaries of the municipality, normally supported by a map attached to the notice;
- the number of councillors;
- the number of wards; and
- all other matters listed in section 14 of the said Act.

Section 14 of the said Act requires that the legal, practical and other consequences of the change needs to be addressed, which include the following matters:

- the vacation of office by councillors;
- the transfer of staff, where required;
- the transfer of assets, liabilities, rights and obligations;
- the transfer of administrative and other records;
- the continued application of by-laws, tariffs and resolutions of the municipality in the area to be transferred; and
- such other transitional matters as may be deemed necessary.

The transfer of staff must be specifically addressed in the said section, and staff may not be transferred on conditions of service less favourable than those under which staff members served in the existing municipality.

In order to assist the MEC to determine the assets and staff to be transferred, the affected municipalities must as far as possible agree on these matters and advise the MEC accordingly. It is recommended that these matters be discussed between the municipalities and that submissions in this regard be made to the MEC prior to the publication of the draft notice and before the official consultation process, required in terms of the act, commences.

The draft notice, once published by the MEC for comment, needs to be submitted to the councils of all affected municipalities in order to pass a resolution and approve the formal comments of the municipality on the draft notice. It is further recommended that municipalities embark on a public participation process, not only to inform the public of the boundary change and its effect for the municipality, but also to invite comments from the public of the proposed notice.
Other matters to be considered by municipalities for inclusion into the section 16 amendment notice are the following:

- the requirement that a complete register of assets that will be transferred in terms of the notice be delivered to the receiving municipality within 7 days from the effective date;
- the requirement that a register of all personnel to be transferred, with their annual salary and benefits be delivered to the receiving municipality;
- transitional arrangements with regard to financial reporting on that portion of the budget affected by the boundary change as well as the implementation of the current budget of affected municipalities; and
- a provision that the valuation roll which covers the affected area remain valid for that area until the receiving municipality has included the affected area into its valuation roll.

**Section 12 notice:**

Where municipalities amalgamate to form a complete new municipality, the MEC will issue a section 12 notice, establishing the new municipality. The notice will contain the following information:

- the name of the municipality;
- the category of municipality;
- the type of municipality;
- the boundaries of the municipality;
- in the case of a metropolitan or local municipality the number of wards;
- the number of councillors;
- which councillors may be designated as full time councillors by the municipality;
- the disestablishment of the affected existing municipalities or portions thereof;
- the seat of the municipality;
- powers and functions of the municipality;
- the legal, practical and other consequences of the change needs to be addressed, which include the following matters:
  - the vacation of office by councillors
  - the transfer of staff, where required
  - the transfer of assets, liabilities, rights and obligations
  - the transfer of administrative and other records
  - the continued application of by-laws, tariffs and resolutions of the municipality in the area to be transferred
  - succession matters as may be deemed necessary;
  - transfer of staff which may not be on conditions of service less favourable than those under which staff members served in the existing municipality;
  - transitional arrangements regarding succession;
  - transitional arrangements regarding budgeting and financial reporting;
  - transitional arrangements regarding by-laws, town planning schemes, policies, delegations and tariffs;
  - bank accounts, investments and cash;
  - transitional arrangements regarding the valuation roll;
  - first meeting of the council;
  - municipal manager; and
  - dispute resolution;
Upon the finalisation of the section 16 amendment to the section 12 notice of the affected municipalities, the affected municipalities can start their preparation for the transition period.

5.3 Structures for re-structuring and process plan

As a major restructuring has a bigger impact on all the affected municipalities and its communities, it is necessary to have a more structured approach towards the restructuring with formal structures on both political and administrative level. The said structures must be guided by an approved merger process plan that will form the basis for the restructuring process. The structures as well as the process plan must be approved by the municipal councils of all affected municipalities and upon approval thereof, the municipality must nominate its representatives to all the structures. Representatives nominated should remain involved, as the continuation of the process and progress in the technical task teams are seriously affected where representatives to the relevant structures rotate between colleagues.

5.3.1 Restructuring Process Plan:

Introduction

The purpose of a restructuring process plan is to provide for a smooth transition into the restructured municipality and to ensure that service delivery to communities will not be affected or disrupted during the restructuring process. In order to achieve this, the restructuring process must be inclusive with all stakeholders being involved in the process. The restructuring process as well as the outcome thereof must ensure that there is alignment of strategy, structure, capacity and service delivery across the restructured municipality. In order to ensure stable labour relations, it is proposed that the recognised trade unions be included in the transformation process right from the start. Regular communication is essential and both the employees as well as other stakeholders need to be kept informed of the status of the restructuring.

The restructuring process plan needs to be approved by all affected municipalities before it can be implemented and the restructuring can be proceeded with. The process plan focuses on phase 2 and 3 set out below, but predominantly phase 2 thereof, as the most critical preparations needs to be attended to during phase 2.

Phases of the process

The process of restructuring can be dealt with in 3 phases, with specific actions required during each phase. The three phases are as follows:

**Phase 1:** Demarcation
**Phase 2:** Preparation for restructuring and transition
**Phase 3:** Establishment and operalisation of restructured municipality.

Phase 1: Demarcation:

The demarcation process has been alluded to above and it the catalyst for the restructuring process. The process will not be dealt with in detail in the guideline.
Phase 2: Preparation for restructuring and transition:

The restructuring process plan must identify the critical elements to be addressed in the preparation and transition phase and must indicate the timeline in which it has to be addressed. This is the critical path against which the performance of the structures set out above will be measured.

The plan will be informed by the nature of the restructuring but the following matters should at a minimum be included in the critical path in the preparation and transitional phase of the restructuring process plan:

- Approval of the restructuring process plan by all affected municipalities;
- Establishment of the Political Steering Committee;
- Establishment of the Technical Steering Committee;
- Appointment of the Transformation Champion;
- Establishment of the Technical Task Teams;
- Identification of all key stakeholders;
- Stakeholder consultation and communication:
  - Councillors/Political Office Bearers/Traditional Leaders
  - Provincial union leadership
  - Local union leadership
  - Staff members
  - Community and business
  - Service providers
- Finalisation of implementation and process plan;
- Section 12 notice consultation and final input to provincial government;
- Identification of risks and development of mitigation strategy;
- Development of policy directives:
  - Long term agreements and commitments
  - Filling of vacancies and promotions
  - Alienation of fixed property
  - Budget and IDP process
- Finalise status quo and due diligence reports;
- Finalise organizational design:
  - Organisational structure
  - Office accommodation
  - Transfer of staff and placement agreement
  - Delegations, systems and business processes;
- Prepare transitional sectoral management plans;
- Assess the readiness for elections:
  - Appointment of Municipal Election Officer (MEO) and Sub-MEO
  - Appointment of election staff
  - Identification of voting stations in consultation with the IEC
  - Public awareness campaign on new voting stations
- Rationalisation of policies and by-laws;
- Preparation and approval of IDP and Budget; and
- Preparation of financial statement and reporting arrangements and SDBIP
Phase 3: Establishment and operationalisation of restructured municipality

This phase starts during the election process (the effective date) and is driven internally by the newly elected political executives of the municipality.

The following matters should at a minimum be included in the critical path as part of the restructuring process plan in the establishment and operationalisation phase:
- First council meeting
- Election of political office bearers
- Appointment of a municipal manager and/or acting municipal manager
- Vision and mission of municipality adopted
- Policies and procedures adopted
- Review of the framework of delegations
- Appointment and/or placement of staff

5.3.2 Structures required for re-structuring:

It is recommended that the municipalities affected by a boundary redetermination form a single task team to investigate the impact of the boundary re-determination on each existing municipality and guide the preparation for the restructuring required in accordance with the re-determined boundaries.

It is proposed that the said team be referred to as the restructuring task team consisting of both a political structure (the Political Steering Committee) and administrative structures (the Technical Steering Committee and Task Teams). The purpose of the structures is to inform and guide the re-structuring process. In order to ensure a smooth restructuring the structures need to be established in a manner that allows it to deal with all aspects of the restructuring and to assist the individual municipalities affected by the restructuring. The terms of reference of each structure needs to be agreed upon by all role players as this will determine the success of the process.

The following structure is proposed:
**Political Steering Committee**

The most important factor for the process of restructuring is the active participation of political office bearers of all affected municipalities in the process, as no restructuring can be successful without the support of the political office bearers of the affected municipalities. The restructuring is guided by a political steering committee consisting of at least the executive mayor/mayor, speaker and whip (if the municipality has a whip of the council) of all the affected municipalities. The purpose of the committee is to provide political guidance for the restructuring process and to express itself on specific underlying policy matters. Where necessary, the said committee must agree to policy directives to be implemented and binding on all affected municipalities in view of the restructuring process. Such policy directives may for example address the appointment and promotion of staff members by affected municipalities during the preparation for restructuring and transition period.

The political office bearers representing their municipalities, working with the relevant municipal managers must ensure that any policy directive agreed upon or to be considered by the Political Task Team must be considered by each municipal council or its delegated structures.

The Political Steering Committee meets monthly. Both the Political Steering Committee as well as the Technical Steering Committee members attends the meetings. At the said meeting, reports on all aspects of the restructuring are submitted by members of the Technical Task Team in order for the committee to determine progress on the restructuring process.

In order to ensure objectivity and for all affected municipalities to be allowed to make its input, it is proposed that the Committee be chaired by an independent person such as the MEC for local government in the province or a member of the SALGA Provincial Executive Committee who are not representing one of the affected municipalities.

**Technical Steering Committee**

This committee consists of technical experts in disciplines aligned to the six areas stated above, being GDS, IDP and Performance Management, HR, Change Management and Internal Processes, Finance and ICT, Governance and Legal, Communications and Stakeholder Management as well as Service Delivery and Infrastructure. Each of the technical experts chair a technical task team which is responsible for the actual preparation work for the restructuring. It must report back to the Technical Steering Committee on progress as well as challenges and make proposals on matters to be elevated to the Political task Team.

The Technical Steering Committee is the engine room of the restructuring process and need to ensure that the merger process plan is being followed. It is headed by a Restructuring Champion. The Municipal Managers of the affected municipalities also form an integral part of the Technical Steering Committee and their commitment to the process is a prerequisite.

The Municipal Managers of affected municipalities must ensure that although municipalities are still autonomous entities when the restructuring process start, municipalities are working towards a new structure and all resolutions passed by the municipality and all actions of affected municipalities must support the restructuring process. Municipal Managers must also keep the members of the political steering committee briefed of developments in the Technical Steering Committee Team in order to ensure fully mandated representatives at both the Political and Technical Steering Committee.

The Technical Steering Committee meets monthly, prior to the Political Steering Committee.
Guidelines for the restructuring of municipalities

**Restructuring Champion**

The restructuring champion is appointed by the Political Steering Committee. It is critical that the Restructuring Champion is a person with in-depth knowledge of local government, its systems as well as the day to day running of a municipality, but independent and thus not employed by or associated with a specific municipality affected by the restructuring, as the independence of this position is of critical importance to ensure credibility of the process.

The Restructuring Champion manages the restructuring process from a technical point of view and chairs the Technical Steering Committee. Reports of the technical task teams are submitted to the Technical Steering Committee through the Restructuring Champion. The Restructuring Champion may call meetings of the Technical Steering Committee to address urgent issues and may instruct a task team to address a specific matter that may cause a risk or pose a problem in the process.

**Technical Task Teams**

The Technical Task Teams address all the disciplines in the municipality affected by and required to prepare to ensure a smooth restructuring. The major preparatory work for the restructuring is done in the Technical Task Teams who report to the Technical Steering Committee and elevate matters that cannot be resolved in the Task Team or that require political guidance. The teams also make recommendations to the municipalities on how daily activities should be undertaken to facilitate the restructuring. As there may be an overlap in functions, task teams are in certain instances required to arrange combined meetings to address aspects of concern.

The task team leaders are also independent experts, who then request all affected municipalities to nominate fully delegated officials to the task teams to attend to those matters listed in the terms of reference of the task team. Once again, it must be stressed that independence is required to ensure equal participation of all affected municipalities in the task teams.

In past merger processes it proved valuable to include the recognised trade unions to participate in both the Technical Steering Committee and all Technical Task Teams, not only to ensure transparency of the process, but to accommodate the view of the work force. This participation does however not replace official consultation processes with labour where required in law.

The Technical Task Teams must meet at least once per month but more regularly if required in terms of its responsibilities.

The proposed processes and activities required of each of the six task teams listed above are set out in detail in Annexure “A” to this document. This forms the basis of all preparatory steps to be taken to prepare for the restructuring of the municipality.

**Rapid Response Team**

A Rapid Response Team can be established by the municipalities affected by the restructuring in order to ensure that even prior to the effective date of restructuring, municipalities assist each other in addressing emergencies and burning issues in the community, provided that in such assistance being rendered, all relevant legislation are complied with. Assistance is rendered at the request of a specific municipality and it might be advisable to enter into a memorandum of understanding to facilitate the process.
Annexure A

Activities and processes to be attended to by the various task teams:

**GROWTH AND DEVELOPMENT STRATEGY, INTEGRATED DEVELOPMENT PLAN AND PERFORMANCE MANAGEMENT**

- Determine the current status of the IDP of affected municipalities;
- Preparation of a draft IDP for the re-structured municipality;
- Alignment of IDPs of affected municipalities to ensure smooth transition;
- Determine the current status of the GDS of affected municipalities;
- Preparation of a draft GDS for the re-structured municipality;
- Alignment of GDSs of affected municipalities to ensure smooth transition;
- Ensure alignment of SDBIPs to IDP and GDS of affected municipalities;
- Make interim arrangements in respect of development tribunals;
- Do status quo analysis on town planning schemes in operation;
- Do a functional analysis of the performance management systems of the affected municipalities; and
- Develop an interim performance management system to be used during the implementation phase.

**HUMAN RESOURCES, CHANGE MANAGEMENT AND INTERNAL PROCESSES**

- Review and compare current HR policies of affected municipalities;
- Assess and review current organisational structures of affected municipalities and office space available;
- Investigate possible redundancies and make proposals in this regard;
- Develop labour relations strategy for the transition;
- Prepare a migration and placement agreement for staff for approval by the affected municipalities as well as trade unions;
- Undertake consultation with staff and unions in affected municipalities;
- Provide input into disestablishment plan and develop a transitional plan for human resources;
- Complete a functional analysis to understand what key operational processes and activities are to be transferred;
- Identify stakeholders in the transition processes;
- Determine the impact of the transition on operational processes;
- Identify affected operational processes to be transferred and establish a transitional plan;
- Provide input into overall disestablishment plan;
- Prepare a status quo report on HR information required, including:
  - Number of employees
  - Organisational structure and job profiles of affected municipalities, personnel employed and vacancies
  - Conditions of service of affected employees, including remuneration
  - Pension fund liabilities
  - Medical Aid Scheme liabilities
  - Specific arrangements in place
  - Leave credits
  - Employment, fixed term and performance contracts of staff members
  - Availability of personnel files
  - Outstanding disciplinary / grievance procedures
Guidelines for the restructuring of municipalities

- Consider key issues, e.g. salaries, benefits, allowances and special arrangements as well as policies in this regard;
- Propose a method of integration pertaining to salary structure;
- Determine which vacancies needs to be filled during the preparation phase and in this regard:
  - Oversee the development and placement of job advertisements
  - Development of the terms of reference to be used for the assessment of candidates for vacant posts
  - Shortlist candidates for new and vacant posts
  - Establish expert panels and participate in the interviewing of managers
  - Develop competency based interview questionnaires and recruitment process
  - Develop letter of appointment for newly appointed staff
  - Develop daft policy directives for approval by the political steering committee.

FINANCE AND ICT

- Interim arrangements for IT integration, requirements and development of an IT plan;
- Consider the requirements for a transactional advisor and if required, make proposals to the Political Steering Committee in this regard;
- Review financial processes, transfer of functions and determine criteria for allocating of funds, assets and liabilities;
- Prepare financial disestablishment plan;
- Conclude audit of funds, assets and liabilities of affected municipalities;
- Identify remaining surpluses / funds and match against delivery commitments and contractual obligations to suppliers and staff of affected municipalities;
- Determine the commitments and responsibilities of affected municipalities to people in respect of payroll, UIF and PAYE;
- Develop an asset register and asset transfer / disposal strategy and implement;
- Pay outstanding creditors and accounts;
- Prepare an opening and closing set of management accounts;
- Address necessary financial process requirements in terms of the Companies Act, if required;
- Initiate closure / consolidation of bank accounts;
- Draft a consolidated budget for the restructured municipality aligned to the IDP;
- Liaise with insurers to confirm continuance of cover for municipality post restructuring;
- Make the necessary arrangement with SARS regarding VAT payable by affected municipalities;
- Prepare a status quo report on valuation rolls, make interim arrangements and addressing current appeals;
- Assess and evaluate the affected municipalities’ billing and revenue collection system in terms of accuracy;
- Prepare a budget resource plan;
- Assess all financial policies of the affected municipalities and if required, prepare draft amended policies, including a draft procurement policy and procedures;
- Develop internal financial management processes and procedures;
- Develop interim financial and risk management policies and procedures;
- Prepare an assessment of grants, rebates and subsidies applicable to and in affected municipalities;
- Auditing of financial statements, where different categories of municipalities are affected, make to necessary arrangements with the A-G with regard to reporting requirements;
- Prepare an updated Trial balance and General ledger for affected municipalities;
- Do a status quo report addressing at least the following financial aspects:
Guidelines for the restructuring of municipalities

- External loans of all affected municipalities
- Details on consumer debtors, other debtors and guarantees
- List of all creditors
- Certificates of investment
- Inventory stock sheets
- Property, plant and equipment registers
- VAT reconciliation
- Petty cash and cashier advances
- Alignment of tariff policy or preparation of draft tariff policy
- List of contract by affected municipality
- Records of deeds of transfer in the possession of the municipality
- Relevant employee information to determine and address expenditure on staff of affected municipalities
- Municipal entities of affected municipalities and their management and financial records
- Review the ICT master plans of affected municipalities and proposed steps to integrate same; and
- Do a status quo report on IT equipment, hardware, software and systems, including communications systems such as e-mails, internet, etc and make proposals to facilitate the transition.

GOVERNANCE AND LEGAL

- Preparation and publication of section 12 / 16 notice;
- Analysis of section 12 /16 notice and related notices for implementation purposes;
- Status quo assessment regarding by-laws, policies, procedures delegations, etc;
- Preparatory work for the rationalisation of by-laws and policies and discussions with department of justice with regard to law enforcement;
- Preparatory work for the review of the system of delegations after the elections;
- Identify outstanding delivery commitments, governance requirements, risk and obligations and develop strategy to manage same;
- Prepare a coordinated and comprehensive disestablishment plan / transfer plan and agreement for approval by council where required;
- Provide legal advice, drafting and preparation of documents required for transferring entities;
- Provide legal advice guidance and facilitation in respect of disestablishment requirements dictated by the relevant legislation;
- Preparation for the first council meeting post elections:
  o Venue
  o Proposed date
  o Agenda
  o Rules of order
  o Technical support
- Prepare draft delegation of powers and functions for initial period;
- Transfer of records and assets;
- Partnerships and agreements to be scrutinised to determine obligations and amendments required;
- Compilation of records of all outstanding legal matters, including labour matters and identification of risks; and
Guidelines for the restructuring of municipalities

• Determination of readiness for election:
  o Election venues
  o Appointment of MEO sub-MEO for affected municipalities
  o Appointment of presiding offices for voting stations
  o Preparations for election of ward committees

COMMUNICATIONS AND STAKEHOLDER MANAGEMENT

• Identify key stakeholders and messages that need to be prepared and possible discussions required, such as trade unions, consumers, service providers and business in the area affected
• Preparation of newsletters and other communication regarding the re-structuring

Service Delivery and Infrastructure

• Identify the services rendered by the affected municipalities, which can include:
  o Health and Social/ Community Development
  o Housing
  o Development Planning
  o Community Safety
  o Agriculture
  o Parks and Cemeteries
  o Local Economic Development
  o Water and Sanitation
  o Roads and Storm water
  o Refuse removal and waste disposal
  o Electricity and energy
  o Sports, Recreation, Arts and Culture
  o Transport
  o Environmental aspects
  o Building Control

• Prepare transitional management plans in respect of service delivery;
• Conduct an audit of households without access to basic services;
• Prepare a status quo report on services which will include:
  o Policies relating to the provisions of services
  o Service standards and level of services rendered
  o Service backlogs
  o Maintenance backlogs
  o Policies on free basic services and the level free basic services rendered
  o Assessment of assets available in service departments
  o Status of town-planning schemes and development plans
  o Status on development applications and backlogs if any
• Prepare an integrated infrastructure master plan per service rendered;
• Identify service needs and existing service level agreements;
• Integration of service depots; and
• Transitional arrangements with regard to development tribunals.
Physical Address:
Menlyn Corporate Park
Block B
175 Corobay Avenue
Cnr Garsfontein and Corobay
Waterkloof Glen ext 11
Pretoria

Telephone: (012) 369 8000
Fax: (012) 369 8001