

Financial & Institutional Development Framework

17.1 INTRODUCTION

It has been recognized that the well-managed physical development of the municipal precinct and the sustainable provision of infrastructural and social services to the citizenry of Buffalo City, both depend to a large degree on the efficiency of the municipality as an institution, as well as its financial viability.

This recognition has been given further impetus by section 26(a) of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000), which requires a municipality, in the drafting of its IDP, to place **special emphasis** on its “**most critical ... internal transformation needs**”.

It has further been acknowledged in the analysis of Buffalo City's financial and institutional status quo, that:

- ❑ The financial viability and sustainability of the municipality is presently under threat.
- ❑ The administrative “red tape” of the municipality limits communication, access to information and the speed at which decisions can be taken.
- ❑ There is a grave shortage of resources (human, financial, physical, technological etc.) that inhibits the municipality's capacity to deliver.
- ❑ The municipality is ill-prepared to deal with the challenges of developmental local government, for a number of reasons.
- ❑ HIV/AIDS constitutes a massive threat to the municipality's future.

In view of the above, it is seen as critical for the purpose of longer-term sustainability of services, that the Buffalo City administration:

- ❑ Increases the efficiency and effectiveness of its financial management
- ❑ Improves internal communication and access to information
- ❑ Initiates management and institutional reform aimed at efficiency, effectiveness and service-orientation
- ❑ Creates more effective and co-ordinated human resource management systems

- ❑ Is appropriately staffed and equipped
- ❑ Is reorientated towards a developmental ethos
- ❑ Creates mechanisms to ensure the sustainability of employee benefits
- ❑ Is proactive and responsive to HIV/AIDS.

To give tangible form to Buffalo City's attempts to achieve the above objectives, the municipality has prioritized the following broad challenges for the period of the IDP:

- ❑ The drafting of new, universal **financial policies** and the articulation of **financial strategies** taking into consideration the whole of Buffalo City
- ❑ The establishment of an Integrated Information Management System (IIMS)
- ❑ The establishment of accessible customer service throughout Buffalo City
- ❑ The establishment of modernized HR management technology and systems
- ❑ The drafting of a new, integrated suite of HR policies
- ❑ The upgrading of the skills profile of the municipal staff corps, in line with the Skills Development Act

17.2 A NEW FUNCTIONAL STRUCTURE

Buffalo City has already embarked on the process of administrative restructuring, based on the legal imperative contained in sections 51, 55(1) and 66(1) of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000). These sections require, inter alia:

- ❑ That the municipality must, within its financial and administrative capacity, establish and organize its administration in a manner that would enable it to be responsive to the needs of the local community;
- ❑ That the Municipal Manager should develop an economical, effective, efficient and accountable administration that is equipped to carry out the task of implementing the municipality's IDP;
- ❑ That the Municipal Manager, within a policy framework determined by the Council, be responsible for the approval of a staff establishment for the municipality.

The functional structure of Buffalo City has furthermore been formally approved by Council, and is in the process of being staffed progressively through a combination

of the placement of existing staff (drawn either from the previous EL and KWT TLCs of the Amatole staff due for transfer) as well as, in certain instances, the recruitment and selection of staff from the external labour market.

Important innovations in the new functional structure are to be found in the establishment of specific capacity to deal with critical matters such as local economic development, legal support, HIV/AIDS and employee wellness, LA 21, disaster management, transportation, budget management, mayoral support, coastal conservation and customer care, as well as of course, the IDP itself. A temporary office dealing with broad issues of transformation will also be established.

This functional structure is attached hereto as Annexure D. It should be noted that the functional structure is not seen as unchangeable during the period of the IDP, but may evolve responsively depending on a continual assessment of its effectiveness in meeting needs of the Buffalo City community, as well as its cost-effectiveness and efficiency.

17.3 FINANCIAL & INSTITUTIONAL CHALLENGES

The financial and institutional challenges of the coming five years and beyond, are enormous. While the examples given below have been identified as critically important, they do not constitute an exhaustive list of projects that are considered necessary in order to achieve financial sustainability and the desired internal transformation and reorientation of the municipality.

In the arena of financial management, it is necessary as a first priority to develop new policies dealing, for example, with service tariffs, with due regard to the national policy of free basic services and the legal requirement to provide these services in a sustainable manner. It is further seen as critical to develop financial strategies pertaining to:

- improving the municipality's cash flow through improved debtors' collections, recovery of existing arrear debtors and effective control of expenditure.
- sustainable subsidization of Buffalo City's indigent consumers
- more efficient and modernized management of municipal assets, including the municipal fleet

- the financing of capital expenditure for critical infrastructure needs
- the financing of operational costs

- enhancing cost-effectiveness and efficiency.

One of the most essential concrete steps that the municipality will be required to take, which is seen to be in line with legislative requirements for a new customer-orientated local government, is the establishment of a series of Customer Service Centres throughout Buffalo City. These Centres are envisaged to be an integral part of new multi-purpose facilities that would serve a variety of community needs, e.g. for libraries, ward committee offices, health care facilities etc.

Another major short-term challenge is the seamless integration of the financial systems of the erstwhile King William's Town and East London TLCs, as well as the extension of these financial systems to cater for areas that previously fell under the management of the erstwhile Amatola District Municipality.

The major challenges of internal transformation pertaining to human resources management include the implementation of employment equity and skills development plans in terms of relevant legislation, with a view to ensuring that the municipal administration not only is transformed to ultimately reflect the demographics of the area, but also continues to function efficiently and in a manner that guarantees the uninterrupted provision of essential services to all communities.

Added to this, it is seen as vital that the integration of HR-related information systems should be expedited, with a view to modernizing and streamlining the archaic present systems that are seen as inefficient. Linked with this, the development of a comprehensive new suite of HR-related policies that takes into account all the staff who have been integrated into the new Buffalo City administration, is necessary.

The efficient management of the performance of the municipal administration and its functionaries will also require the articulation of a fully-fledged Performance Management System that is linked with the objectives of the IDP, to ensure that municipal officials are goal-orientated and focused on delivery of tangible outcomes.

As stated before, the municipality is presently languishing in the doldrums of inefficiency with regard to internal communication and access to information, with archaic technological facilities in many areas constituting a serious constraint on service delivery, administrative efficiency and the general morale of staff. It is seen as an absolute priority therefore to make the necessary investment in hardware, software and skills development to ensure the development of what has been termed an **Integrated Information Management System** (IIMS), including the capacity to access, interpret and manage the geographic or spatial dimensions of mission-critical information.

Less central, but still regarded as important, is the need to give serious attention to a fleet management strategy aimed at ensuring the efficiency and cost-effectiveness of the municipality's extensive fleet, whilst also meeting the obligation to continue delivering essential services.

In the more medium-term, the municipality has recognized that the disintegrated nature of its administration constitutes a constraint that limits the efficiency of communication and the cohesiveness and cost-effectiveness of the organization. Furthermore, the Buffalo City Municipality presently rents much of its accommodation in the EL CBD, which is very expensive. It is suggested that the development of a new Civic Centre would be an appropriate solution to these problems, and that in the longer-term this may not only be a more economic and practical solution, but that such an initiative may also provide a much-needed developmental boost to the urban core of Buffalo City.

Finally, it is seen as a major challenge of Buffalo City to establish proper institutional capacity to deal with special programmes that would focus on the institutional management of HIV/AIDS, the mainstreaming of the vision of Local Agenda 21, gender issues, and issues pertaining to the interests of the disabled and young people.

17.4 FINANCIAL AND INSTITUTIONAL TRANSFORMATION AND THE IDP's CROSS-CUTTING ISSUES

Buffalo City's Financial and Institutional Development Framework has been articulated with the furtherance of the concerns identified as cross-cutting, always in mind.

With regard to the broad issue of sustainable development at the local level, the placement of LA 21 in the Office of the City Manager, with a close linkage between this and the co-ordination of the IDP, is recommended as a step towards mainstreaming LA 21 and ensuring that matters of sustainable development are dealt with with the necessary authority.

The institutional management of the HIV/AIDS epidemic has been dealt with both from the point of view of developing the necessary institutional capacity and programmes to manage the crisis insofar as it impacts upon the institution, but has also been considered from the point of view of ensuring the sustainability of employee benefits.

The management of the municipality's Indigent Policy is aimed at ensuring that the poorest of the poor in Buffalo City continue to receive their rightful due, namely a free basic supply of essential municipal services.

The municipal administration's programmes of transformation, chiefly detailed in its employment equity and skills development projects, will continue to be a tangible sign of the Council's commitment to the advancement of designated groups, and the redressing of historical patterns of discrimination and injustice.