



# 2014/2015 ANNUAL REPORT

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## **Chapter One: Executive Summary**

### **1.1 Mayor's Foreword**

The 2014/15 Annual Report of the UThukela District Municipality has been developed in line with the National Treasury's Circular No. 63 (New Annual Report Format and Content) and is submitted in compliance with various pieces of legislation, such as Section 46 of the Local Government: Municipal Systems Act No. 32 of 2000 and Sections 121 and 127(2) of the Local Government: Municipal Finance Management Act No. 56 of 2003. During the year under review, the municipality was faced with challenges in terms of service delivery backlogs which had to be reduced for water and sanitation for our respective community.

This Report reflects the key strategic and service delivery related projects and programmes undertaken by the Municipality during the review period. These include the projects undertaken in terms of our Municipal Integrated Development Plan (IDP) adopted by Council in June 2014.

The municipality managed to meet its standards in terms of service provision as the targets that were set during the beginning of the financial year in terms of infrastructure development were achieved, and in some areas were achieved more than what was set as the targets. In those targets that were not achieved the corrective measures are in place to address poor performance. This is an indication that the municipality is committed in delivering the services in terms of water, sanitation, creating a conducive environment for the promotion of economic development thereby improving the lives of the community.

In terms of financial management, the municipality is consistently continuing with the recruitment of the Financial Interns in order to give a chance to our young and aspiring Municipal Chief Financial Officers to grow and realize their potential, and at the same time we are strengthen our municipal financial capacity. The municipality is also committed in promoting sound financial management that would enable the municipality to achieve the unqualified audit opinion at the end of the 2015/16 financial year.

An Integrated Development Planning and Budget public participation processes were undertaken, which involves political office bearers to address and interact with public. These public participation processes took place in all local municipalities under the district municipalities' vicinity.

To conclude, I would like to take this opportunity to express my sincere appreciation to all councillors, officials, the communities of UThukela and stakeholders for their dedication, support and co-operation, which allowed the institution to record service delivery progress during the year under review.

I thank you!



**Cllr DCP Mazibuko**

**Honourable Mayor**

## **1.2 Municipal Manager Foreword**

This Annual Report represents a record of the Municipality's service delivery efforts and initiatives over the review period, in order to improve overall efficiency and effectiveness in municipal activities.

The UThukela District Municipality was established in the year 2000, when local municipalities, including Indaka Local Municipality, Emnambithi/Ladysmith Local Municipality, Okhahlamba Local Municipality Imbabazane Local Municipality and Umtshezi Local Municipality, were amalgamated and the newly established UThukela District Municipality had to assume the concomitant duties and responsibilities. The area of UThukela is mostly covered with the majority of rural communities, which was previously disadvantaged and denied opportunities of lives. This, currently, lead to an amalgamation of four local municipalities within a district to form two well managed and resourced based municipalities.

Working closely related with these municipalities, the UThukela District Municipality is committed to render quality services to its communities and accelerate access to basic service delivery previously denied. These services are rendered in terms of the Municipal Integrated Development Plan (IDP). The IDP eventually improves integrated service delivery and development, and promotes sustainable integrated communities, providing a full basket of services.

This 2014/2015 Annual Report confirms that the Municipality has made progress in basic service delivery, rolling out and escalating the provision of water delivery, sanitation, disaster management services and local economic development to communities.

On the positive side it is appropriate to report that UThukela District Municipality is doing exceptional well is addressing Auditor-General's queries raised in the financial year ended 2013/2014. The Action Plan on Auditor-General's queries is monitored and report back to Council was done on monthly bases.

The years ahead require innovative strategic thinking by the municipality, something to which we have committed ourselves unconditionally. We have already identified and documented our most crucial risks, and are busy implementing actions plans in respect of such risks to ensure our financial stability in the long term. By doing so, the Municipality established a dedicated Risk Management Unit in the Office of the Municipal Manager and Risk Officer was appointed in March 2015.

Regardless of all, we were fortunate that we could continue providing high quality services to our communities during the past year. We will continue doing so, despite the challenges we face.

To illuminate the municipality's efficiency, despite of the above mentioned challenges we achieved several milestones. All our creativities that focused on the implementation of good governance practises, lead to decreasing of AG queries. Special reference is also made to the alignment of the Integrated Development Plan, Budget, Service Delivery and Budget Implementation Plan and performance indicators.

Lastly, I would like to record my sincere appreciation for the efforts and hard work of the staff of the UThukela District Municipality, without which the service delivery progress reported in this Annual Report, would not have been possible. Their commitment and dedication, in the face of limitations and challenges, to serving the communities of UThukela is admirable.

It is with great pleasure that I take this opportunity to thank the Honourable Mayor, Deputy Mayor, the Speaker and the entire Council for their unwavering support. The support from the Head of Departments, the staff members and the community has been appreciated and is highly cherished.

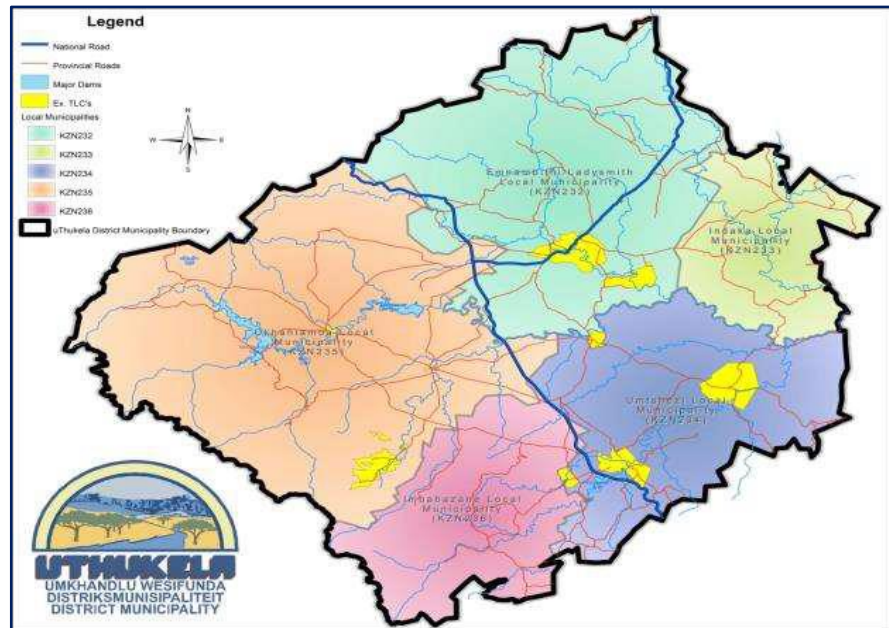
I thank you,



**SN KUNENE**  
**MUNICIPAL MANAGER**

### 1.3 Municipal Overview

UThukela district municipality (DC23) is one of ten district municipalities in the Province of KwaZulu-Natal. uThukela district municipality derives its name from one of the major rivers in the Province of KwaZulu-Natal, the uThukela River that rises from the Drakensberg Mountains and supplies water to a large portion of KZN and as well as Gauteng. UThukela district municipality has three district municipalities bordering onto it within the Province of KwaZulu-Natal, namely Amajuba, uMzinyathi and uMgungundlovu.



UThukela district municipality consists of five local municipalities namely:

- Indaka (KZ233);
- Emnambithi/Ladysmith (KZ232);
- Umtshezi (KZ234);
- Okhahlamba (KZ235);
- Imbabazane (KZ236)

The size of uThukela district municipality is approximately 11500 km<sup>2</sup>. Emnambithi is occupying ,965.92km<sup>2</sup>,Indaka is on 991.71km<sup>2</sup>, Umtshezi 2130.85km<sup>2</sup>, Okhahlamba which is the largest and is occupying 3540.63km<sup>2</sup>, Imbabazane is on 827.74km<sup>2</sup>.It is located in the western boundary of Kwazulu-Natal. UThukela District Municipality is 75 % rural and the local municipalities, Indaka and Imbabazane, having no formal towns and mainly comprising of traditional areas.

Total population in the UTM is estimated at 668,848 people spread unevenly among the seventy three (73) wards. The 2% growth in population is noticeable from 2001 to 2011 as per the 2011 Statistics SA. Umtshezi municipalities experienced the highest increase (38.4%) followed by Emnambithi/ Ladysmith (1.69%).The number of people from the age of 15-64 is increased to 391,369. Females are more than male and are occupying 55% in this category whereas male are on 45%. The dependency ratio in uThukela declined from 76.4 to 70.9 between 2001 and 2011. Dependency ratio is high (93.8%) in Indaka municipality compared to all other municipalities within uThukela. Okhahlamba and Imbabazane also have high dependency ratio (79% and 72.7% respectively).

Generally, uThukela District experienced a decline in its dependency ratio between 2001 and 2011.

However, the ratio is still high compared to the provincial (65.4%) and national (58.7%) averages. The majority of the people that lives in uThukela district municipality are Africans and Coloureds are Minority.

The main tourism hub is the Cathkin Park, which falls within the Cathkin Park node, and another node located near the Royal Natal National Park, called Babangibone Development Node. The Ladysmith town is a significant historical tourism destination and offers a number museums and historical sites while Bergville and Winterton towns are located within the vicinity of the Drakensberg and derive some benefits from the tourism industry. UThukela district municipality has a good climate and abundance of natural resources like water. The intrinsic beauty of the area enhances the tourism opportunities in the district. Below are the maps of uThukela district municipality, wards and tribal authorities.

### ***1.3.1. Amalgamation of Municipalities***

The Municipal Demarcation Board announced their intention to amalgamate some of the municipalities within country. Four municipalities will be affected by this amalgamation within UThukela District Municipal Area. These are Umtshezi, which will be amalgamated with Imbabazane Local Municipality as well as Emnambithi/ Ladysmith, which will be amalgamated with Indaka Local Municipality. On the 16th of October 2013, the KwaZulu-Natal MEC for Co-operative Government and Traditional Affairs (Honourable Nomusa Dube-Ncube) announced that her Department has welcomed this amalgamation with mixed feelings. She then cited that the logic behind were as follows:

- The current model of local government is not very effective and flexible since most of the deep rural municipalities depend on conditional grant funding for their survival since they lack a viable rates base.
- Many non-viable municipalities have evolved into entities in which operational expenditure on salaries for municipal officials has routinely crowded out service delivery to a point where such municipalities only exist as a source of employment without providing essential services to their communities.
- The other advantages for amalgamation includes the fact that bigger municipality delivers better economies of scale in the provision of its services and the requisite bureaucracy to support it.

Strategic meetings through Change Management Committee (CMC) are taking place in ensuring that the amalgamation processes are run smoothly.

### ***1.3.2. Amalgamation Of Umtshezi and Imbabazane***

Although the areas fell in different administrative authorities, Imbabazane has always depended on Umtshezi for commercial and other regional social services. Spatial integration of these two municipalities is critical to enhance economic efficiency, facilitate the provision of affordable services, reduce the costs households incur through commuting, and enable social development. Spatial integration is also central to nation building, to addressing the locational disadvantages which apartheid imposed on the black population, and to building an integrated society and nation.

### ***1.3.3. Amalgamation of Indaka and Emnambithi / Ladysmith***

The strategic location of Ladysmith has a strong influence on regional channels of investment, movement and the structuring of the regional spatial framework for growth and development. The area boasts a viable infrastructure necessary for the needs of a diverse range of stakeholders, from government to big business to small enterprises. However, the economic strength of Ladysmith is derived not simple from within the area, but complex interdependencies between the town and its hinterland.

Other administrative centres that will be incorporated into the proposed new municipal area, particularly Ekuvukeni will play a major role in the regional economy as link points between the Ladysmith and its rural hinterland. They will serve as transport interchange areas, service centres and even administrative centres. However, Ladysmith has over the years performed as too inward oriented and internally focused. One of the strongest implications in terms of this amalgamation is that Integrated Development Planning will continue within the affected areas in a manner that has better logic.

### 1.3.4. Municipal Powers & Functions

The Municipal Structures Act of 1998 (as amended) makes provision for the division of powers and functions between the district and local municipalities. It assigns the district wide functions to the district municipalities and most day to day service delivery functions to the local municipalities. The provincial MECs are empowered to adjust these powers and functions according to the capacity of the municipalities to deliver services.

With regard to the above statement for instance, the function of Water and Sanitation as well as the maintenance of water infrastructure is still the function of the district. Whilst the Local Municipality is responsible for Planning, it is also reliant on the District for advice and support. Amongst other things the powers and functions of the municipalities are as follows:

Table 1: Powers and Functions

Local Functions		District Functions	Shared Functions
<ul style="list-style-type: none"> <li>• Building Regulations</li> <li>• Child Care Facilities</li> <li>• Storm Water Management Systems in Built up Areas</li> <li>• Trading Regulations</li> <li>• Street Lighting</li> <li>• Traffic and Parking</li> </ul>	<ul style="list-style-type: none"> <li>• Facilities for the Accommodation, Care and Burial of Animals</li> <li>• Fences and Fencing</li> <li>• Local Amenities</li> <li>• Local Sport Facilities</li> <li>• Municipal Parks and Recreation</li> <li>• Pounds</li> <li>• Public Places</li> <li>• Street Trading</li> </ul>	<ul style="list-style-type: none"> <li>• Municipal Health Services</li> <li>• Potable Water</li> <li>• Sanitation</li> <li>• Air Quality Management</li> <li>• Licensing and Control of Undertakings that sell food to the public</li> </ul>	<ul style="list-style-type: none"> <li>• Fire Fighting Services</li> <li>• Local Tourism</li> <li>• Municipal Airports</li> <li>• Municipal Public Transport</li> <li>• Cemeteries, Funeral Parlors and Crematoria</li> <li>• Markets</li> <li>• Municipal Abattoirs</li> <li>• Municipal Roads</li> <li>• Refuse Removal, Refuse Dumps and Solid Waste</li> <li>• Development Planning</li> </ul>

### 1.3.5. Economic Profile

Economic development is uneven across the district, with large disparities across local municipalities. Emnambithi/Ladysmith local municipality dominates, with smaller towns being less developed. Outside the urban areas, are areas of rural poverty and some wealthier commercial farming areas especially in Okhahlamba. In terms of employment and GVA, Okhahlamba is predominantly agricultural followed by Indaka. Community services consistently dominate in terms of employment in all local municipalities besides Emnambithi/Ladysmith where manufacturing is neck to neck with community services.

Emnambithi local municipality that remains the economic hub of uThukela district municipality dominates the spatial economy of the district. Manufacturing is concentrated in Ladysmith. Limited industrial activities are also found in Estcourt. The other municipalities have relatively small economies that are dependent on community services. Okhahlamba has a window of opportunity to improve in agriculture and tourism economies.

Major players in the manufacturing sector in Ladysmith are Zorbatex, Appolo rubber products formerly known as Dunlop and the Defy plant. Estcourt has manufactures like Nestle, Sasko Milling, Eskort meat factory and Clover SA. There is also a Masonite Africa (wood products) glass manufactures (Glamosa Glass) and Karbotek. Okhahlamba has Ukhahlamba



Drakensberg World Heritage site and Emnambithi is linked to the popular Battlefields products. There is an opportunity to exploit economic opportunities in the tourism sector in Okhahlamba and Emnambithi local municipalities.

### 1.3.6. Demographic Characteristics

The population of uThukela District Municipality forms part of the ultimate objective of the development process, as well as being a subject in the process, since the people provide labour and entrepreneurship for production also consume the output of production. Likewise, demographic processes e.g. fertility, mortality and migration determine the demographic outcomes such as size, age-sex structure and spatial distributions of the population which affect the functioning of socioeconomic processes of land use, labour absorption, consumption and expenditure which in turn define the socio-economic outcomes in terms of income, employment, education, health, housing etc. In short, this analysis will shade some light on the dynamics of uThukela District population, which can then be used to develop strategic interventions.

#### 1.3.6.1. Total Population and Growth Rate

The population of uThukela District increased from 657,736 in 2001 to 668,848 in 2011 recording approximately 2% growth, which translates to an annual growth rate of 0.17% during the period. Umtshezi municipality experienced the highest increase (38.4%) followed by Emnambithi / Ladysmith (1.69%). Indaka, Okhahlamba and Imbabazane both experienced a decline in its population recording 9.3%, 4.2% and 6.3% respectively between 2001 and 2011.

The decline of the population in uThukela district is attributed by amongst other factors the impact of HIV/AIDS- related deaths and migration. The following figure indicates the population size of uThukela district and its family of municipalities:

#### 1.3.6.2. Population Distribution

The population of uThukela district municipality is unevenly distributed. The largest population is in Emnambithi/Ladysmith local municipality and the small population is in Umtshezi local municipality. The table below shows the number of wards in uThukela and how the population is distributed from the 2001 to 2011 Census.

Table 5: Population Distribution

Municipality	Wards	2001 census	Percentage	2007 survey	2011 census	Percentage
Emnambithi	27	225 459	34,3 of district	236 748	237 437	33% of district
Okhahlamba	14	137 525	20,9 of district	151 441	132 068	21% of district
Imbabazane	13	119 925	18,3 of district	140 745	113 073	20% of district
Indaka	10	113 644	17,3 of district	101 557	103 116	14% of district
Umtshezi	9	59 921	9,1 of district	83 906	83 153	12% of district
Total population	73	656986	100	714 909	668 848	7.0% of province

Source: Statistics SA: Census 2001 and 2011 and Community survey 2007

The majority of the people that lives in uThukela district municipality are Africans and Coloureds are minority. The following table shows the population breakdown of the uThukela district municipality. This breakdown is showing the Africans, Coloureds, Indians and Whites.

Table 6: Population Groups (Race)

Group	2001 census	%	2007 survey	%	2011 census	%
African	620 733	94.48	681998	95.4	636 394	95.15
Colored	4 055	0.62	2231	0.3	3 923	0.59
Indian	17 156	2.61	23200	3.2	16 023	2.40
White	15 042	2.29	7482	1.0	11,437	1.71
Total	656 986	100.00	714,909	100.00	668 848	100.00

Source: Statistics South Africa: Census 2001, 2011 and Community Survey 2007

### 1.3.6.3. Age Structure & Gender

According to the Census 2011, the number of people between 15-64 ages is increased to 391,369. Females are more than male and are occupying 55% in this category whereas male are on 45%. With regards to 0-14, males are leading with 51% while females are sitting in 49%. The last category which is 65-120, females are more with 69% and males are in 31%. compare to males.

The breakdown below shows age and gender of uThukela district municipality.

Age	Males	%	Females	%	Total
0-14	124,497	51%	121,712	49%	246,209
15-64	177,056	45%	214,314	55%	391,369
65-120	9,631	31%	21,638	69%	31,269

Source: Statistics South Africa, Census 2011

#### 1.3.6.2.1. Migration (Internal / External)

The population movement in the district follows the concentration of economic and employment opportunities. These are located mainly in the town of Ladysmith followed by the smaller industrial town of Estcourt in Umtshezi. Ladysmith has a high concentration of social and economic infrastructure resulting in a development imbalance compared to other towns in the district. Smaller towns and rural settlements in Okhahlamba, Umtshezi, Imbabazane and Indaka flock to Ladysmith for a number of activities beyond employment.

The same trend is noticed with small towns and rural settlements of UMzinyathi district municipality coming to Ladysmith. This could be influenced by the number of regional government offices located in Ladysmith and serving both uThukela and uMzinyathi district municipalities. Consequently, this puts pressure on Ladysmith suggesting strain on local and physical infrastructure. Few economic and employment opportunities in the district pulls people to larger urban areas in the district. The N11 leads them to Newcastle and Johannesburg, while the N3 corridor leads them to the north of Gauteng, Pietermaritzburg and Durban in the south.

#### 1.3.6.3. Dependency Ratio

Dependency ratio defines the number of dependents (i.e. people under the age of 15 and over the age of 65 years) per 100. A high dependency ratio is a challenge to guardians who in many instances are unemployed particularly in rural parts of uThukela. The dependency ratio in uThukela declined from 76.4 to 70.9 between 2001 and 2011. Dependency ratio is high (93.8%) in Indaka Municipality compared to all other municipalities within uThukela. Indaka is a village economy without any core economic source, hence the high dependency ratio. Okhahlamba and Imbabazane also have high dependency ratio (79% and 72.7% respectively).

Generally, uThukela District experienced a decline in its dependency ratio between 2001 and 2011. However, the ratio is still high compared to the provincial (65.4%) and national (58.7%) averages. The following diagram illustrates.

#### **1.3.6.4. HIV/AIDS**

HIV and AIDS have had a major impact on both the quality of life of communities and families and on the economy. Number initiatives have been implemented through the National Department of Health to combat the current epidemic however, major challenges remain. In the uThukela district municipality, the number of people with HIV has increased from 36.7% in 2010 to 37.1% in 2012. Umzinyathi still has the lowest prevalence, decreased from 31.1% in 2010 to 30.1% in 2012.

In 2010 five districts in KZN viz: UGu, UMkhanyakude, eThekwini, ILembe and uMgungundlovu recorded HIV prevalence estimates of above 40%. The 2012 survey has recorded prevalence rate over 40% in uMgungundlovu. The provincial overall on HIV prevalence remains at 37.4%, which is above the national prevalence. Sisonke, UMkhanyakude, uGu, Zululand and Amajuba have recorded a decrease from 2011 to 2012. UThungulu, eThekwini, iLembe and uMgungundlovu shows some increase between 2011 to 2012. The table below shows the HIV prevalence in the KZN Districts from 2010 to 2012.

#### **1.3.6.5. Education Profile**

Education serves as the means to bring about the desired change in society, to develop a generation of virtuous individuals and thus contribute to the development of good human beings. The importance of education is that it empowers individuals to take better care of themselves and their children. Education also serves as a gate to higher economic growth through higher level of skilled society. This is why the provision of good education and educational resources remains a high priority for uThukela district municipality. The department of education in uThukela district is playing a vital role in ensuring that the education is given the priority.

##### **1.3.6.5.1. Level of Education**

A small percentage of the population in the district has post-matric qualifications at only 1%, whilst 14% of the population has no schooling whatsoever. 41% have primary school education and 33% have some secondary schooling, whilst only 10.9% achieved matric. This means that there is a limited pool of skilled labour in the municipality and that basic education needs to be addressed in order to improve skills levels in the future. Basic education is considered fundamental to the future success of the local economy.

The matric results has declined from 87.8% in 2012 to 73.34% in 2014 and this translate that the matric results has increased by 14.46%. The graph below shows the performance of uThukela district (education) from 2010 to 2014.

##### **1.3.6.5.2. Average Education Attainment**

The number of people with no schooling dropped between 2005 and 2010 with a further decline between 2010 and 2011 in uThukela, while the number of those people with grade 0-11 shows a significant increase over the period under review. The number of people with matric only has shown a large increase. The tables below show the average education attainment of uThukela and its family of municipalities from 2001 to 2010 and the recently released by the statistics South Africa in 2011.

#### **1.3.6.6. Household Income**

Household income can be used as a proxy for economic well-being of household and individuals, as it determines their consumption and savings potentials. Changes in the income by households is one of the direct indicator available that can be used to establish who benefits from economic development and by how much are the beneficiaries benefiting. Furthermore, data on household income can be used to inform poverty analysis.

In uThukela the R1-R4, 800 and R, 4801-R9600 household income categories have increased considerably throughout the years; this can be an indication of improvement in the socio-economic status of the households in the district. The number of households in the upper end income categories (i.e.R1 228 801-R 457 600) have decreased throughout the years. The table below shows the households income of uThukela district municipality and KZN province in 2011.

#### **1.3.6.7. Employment Profile**

The unemployment rate in the municipality decreased from 32% in 2001 to 22% in 2011. The level of unemployment in the district is similar to that of the province, which was 32% in 2001 and 22% in 2011. Indaka local municipality has the highest levels of unemployment with the rate being 52% in 2011, whilst the lowest unemployment rate in 2011 was in Umtshezi local municipality at 13%.The number of people who are not economically active increased from 207 830 in 2001 to 268 503 in 2011 (29% increase), compared to an increase in employed people of 21%.

##### **1.3.6.7.1. Employment by Sector**

The main source of employment within the district in 2011 was wholesale and retail trade, catering and accommodation at 25%. This was followed by government at 16% and community, social and personal services at 15% Employment in the primary sector comprised around 7% of total employment in the district in 2011.

From an employment growth perspective, the agriculture; manufacturing; and electricity, gas and water sectors showed an average decrease in employment of 5%, 2% and 1% respectively between 2001 and 2011. The biggest employment gains were in mining and quarrying (6% growth); finance, insurance, real estate and business services; transport, storage and communications; and general government (all 5% growth respectively).

## **Chapter 2: Governance**

### **2.1. Component A: Governance Structures**

Governance is seen by UThukela District Municipality as the exercise of economic, political and administrative authority to manage the municipality's affairs at all levels. It involves the mechanisms, processes and institutions through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations and mediate their differences. To ensure good governance, which is – among other things – participatory, transparent and accountable – the Municipality views the four components dealt with in this Chapter as interrelated and mutually reinforcing.

Section 151(3) of the Constitution states that the council of a municipality has the right to govern, on its own initiative, the local government affairs of the local community.

Political governance is the process of decision-making to formulate policy, whereas administrative governance is the system of policy implementation.

UThukela District Municipality strives towards achieving the following characteristics of efficient government in both the above legs of governance:

- *Participation;*
- *Rule of law;*
- *Transparency;*
- *Responsiveness;*
- *Consensus orientation;*
- *Equity;*
- *Effectiveness and efficiency;*
- *Accountability; and*
- *Strategic vision*

#### **2.1.1. Political Governance Structure**

MFMA section 52 (a): The Mayor must provide general political guidance over the fiscal and financial affairs of the municipality.

In terms of section 9(d) of the Municipal Structures Act 1998, uThukela District Municipality should have with an executive system combined with both a sub council and a ward participatory system.

The independent Audit and Performance Audit Committee report directly to Council, providing opinions and recommendations on financial processes and performance.

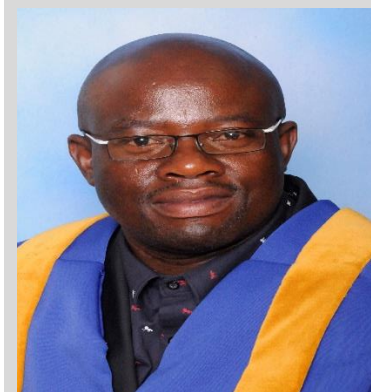
The Municipal Public Accounts Committee (MPAC) is in place to reinforce the oversight arrangements in the Municipality and to ensure the efficient and effective use of municipal resources. Its key role is to consider and evaluate the content of the annual report and to make recommendations to Council when adopting an oversight report on the annual report, as required in terms of section 121 of the Local Government: Municipal Finance Management Act and Circular no 32 issued by the Minister of Finance.

PICTURE	POLITICAL STRUCTURE	NAME	FUNCTION
	<b>Mayor</b>	<b>Cllr DCP Mazibuko</b>	The Mayor is the chairperson of the Executive Committee (EXCO).
	<b>Deputy Mayor</b>	<b>Cllr TE Mchunu</b>	Performs all functions as delegated by the Executive Mayor
	<b>Speaker</b>	<b>Cllr TJMB Jeebodh</b>	Chairperson of the Council
	<b>Executive Committee</b>	Cllr AS Mazibuko	Chairperson of Water, Sanitation, Infrastructure and Technical Portfolio Committee



Cllr NW Sibiya

Chairperson of Youth, Gender, Sport and Recreation Portfolio Committee



Cllr MJ Ntshaba

Chairperson of Strategic, Planning, Economic Development and Tourism Portfolio Committee

#### **2.1.1.1 Mayor: Cllr DCP Mazibuko**

The Mayor is the chairperson of the Executive Committee (EXCO). In terms of Municipal Structures Act, Municipal Systems Act, MFMA and Municipal Planning and Performance Regulations, the Mayor performs duties, including any ceremonial functions, and exercises the powers delegated to the mayor by the municipal council or Executive Committee.

#### **2.1.1.2. Deputy Mayor: Cllr TE Mchunu**

The Deputy Mayor exercises the powers and performs the duties of the Mayor, if the Mayor is absent or not available, or if the office of the Mayor is absent.

#### **2.1.1.3.. Speaker: Cllr TJMB Jeebodh**

- Presides at the meeting of the Council.
- Ensures that the Council meets at least once a quarter.
- Strictly ensures that the Council meetings are conducted in accordance with the rules and orders of the Council.

#### **2.1.1.4. Political decision-taking**

Section 53 of the Municipal Systems Act (Act 32 of 2000) stipulates inter alia that the respective roles and areas of responsibility of each political structure and political office bearer of the Municipality and of the municipal manager must be defined.

The political decision making at UThukela District Municipality is supported by the Management Committee. All recommendations from the Management Committee are put forward to the relevant Portfolio Committees, who then make recommendations to the Executive Committee (EXCO). Once the EXCO has accepted the recommendations, and then are made to the

Council. Council is then in a position to take the final decision on the matter. In the few cases where there is no consensus on a matter within Council, the issue will go to vote. Once the Minutes of the Council meeting have been adopted, the responsibility lies with the Accounting Officer to ensure that actions are taken to implement such resolutions.

### **2.1.1.5. Municipal Council**

- governs by making and administering laws, raising taxes and taking decisions that affect people's rights;
- is a tax authority that may raise property taxes and service levies;
- is the primary decision maker and takes all the decisions of the Municipality except those that are delegated to political structures, political office bearers, individual councillors or officials;
- can delegate responsibilities and duties for the purposes of fast and effective decision making;
- must strive towards the constitutional objects of local government;
- must consult the community with respect to local government matters; and
- is the only decision maker on non-delegated matters such as the approval of the IDP and budget.

The Municipal Council of UThukela District Municipality consists of 31 members representing five local municipalities within a district.

*Table: Local Municipalities' representations*

<b>Municipality</b>	<b>ANC</b>	<b>NFP</b>	<b>IFP</b>	<b>DA</b>	<b>Total</b>
Uthukela District Municipality	08	02	04	01	15
Emnambithi/Ladysmith Municipality	04	01	01	01	07
Indaka Municipality	02	0	01	0	03
Umtshezi Municipality	01	0	01	0	02
Okhahlamba Municipality	01	01	01	0	03
Imbabazane Municipality	02	01	01	0	04
<b>Total</b>	<b>18</b>	<b>05</b>	<b>09</b>	<b>02</b>	<b>31</b>



*Table: List of Councillors*

Name	Designation/Portfolio Committee Representation	Municipality Represented	Political Party
Cllr DCP Mazibuko	Mayor & Chairperson:	Uthukela District Municipality	ANC
Cllr TE Mchunu	Deputy Mayor & Chairperson:	Uthukela District Municipality	NFP
Cllr TJMB Jeebodh	Speaker	Uthukela District Municipality	ANC
Cllr AS Mazibuko	Executive Committee Member & Chairperson:	Uthukela District Municipality	ANC
Cllr NW Sibiya	Executive Committee Member	Uthukela District Municipality	ANC
Cllr MJ Ntshaba	Executive Committee Member	Uthukela District Municipality	IFP
Cllr MG Hlubi	Ordinary Councillor	Uthukela District Municipality	ANC
Cllr MA Mkhize	Ordinary Councillor	Uthukela District Municipality	ANC
Cllr NM Hadebe	Ordinary Councillor	Uthukela District Municipality	IFP
Cllr SB Sibisi	Ordinary Councillor	Uthukela District Municipality	IFP
Cllr VR Mlotshwa	Ordinary Councillor	Uthukela District Municipality	NFP
Cllr ZJ Sibisi	Ordinary Councillor	Uthukela District Municipality	DA
Cllr TP Shabalala	Ordinary Councillor	Uthukela District Municipality	ANC
Cllr NM Hlomuka	Ordinary Councillor	Emnambithi LM	ANC
Cllr ML Mlotshwa	Ordinary Councillor	Emnambithi LM	ANC
Cllr ML Zwane	Ordinary Councillor	Emnambithi LM	ANC
Cllr BC Mazibuko	Ordinary Councillor	Emnambithi LM	ANC
Cllr TM Cele	Ordinary Councillor	Emnambithi LM	DA
Cllr BR Madonsela	Ordinary Councillor	Emnambithi LM	IFP
Cllr T Xaba	Ordinary Councillor	Emnambithi LM	NFP
Cllr ME Mbatha	Ordinary Councillor	Indaka LM	ANC
Cllr NL Zikalala	Ordinary Councillor	Indaka LM	ANC
Cllr M Ngubane	Ordinary Councillor	Indaka LM	IFP
Cllr SD Magubane	Ordinary Councillor	Umtshezi LM	ANC

Cllr KV Vilakazi	Ordinary Councilor	Umtshezi LM	ANC
Cllr BC Mabizela	Ordinary Councilor	Okhahlamba LM	ANC
Cllr SG Sikhakhane	Ordinary Councilor	Okhahlamba LM	IFP
Cllr MW Hadebe	Ordinary Councilor	Okhahlamba LM	NFP
Cllr ES Ndumo	Ordinary Councilor	Imbabazane	ANC
Cllr T Shelembe	Ordinary Councilor	Imbabazane	NFP
Cllr BD Mazibuko	Deputy Mayor	Uthukela District Municipality	NFP

### **2.1.1.7. Executive Committee (EXCO)**

The Council established an Executive Committee comprising of 05 members. All EXCO meetings are convened in terms of the Municipal Structures Act. The Mayor decides when and where Special Executive Committee meets. It is composed of the following way:

<b>Political Party</b>	<b>Number</b>
African National Congress	03
Democratic Alliance	0
National Freedom Party	01
Inkatha Freedom Party	01
Democratic Alliance	0
<b>Total</b>	<b>05</b>

### **2.1.1.8. Portfolio Committees**

These committees are established in terms of section 80 in order to deliberate and make recommendations to Executive Committee.

The council has 05 portfolio committees and every political parties are represented in all committees. Members of Executive Committee are tasked with the responsibility of chairing the supporting committees. The committees are:

#### **2.1.1.8.1. Water, Sanitation, Infrastructure and Technical Portfolio Committee**

<b>Member</b>	<b>Political Party</b>	<b>Number of Meeting Scheduled</b>	<b>Number of Meetings Attended</b>
Cllr NM Hadebe	IFP	12	7
Cllr NM Hlomuka	ANC	12	7
Cllr BC Mabizela	ANC	12	7
Cllr AS Mazibuko	ANC	12	7
Cllr MV Khumalo		12	7

This committee was established to deliberate on all infrastructural development services, which include project management, maintenance and water & sanitation services within

Uthukela District Municipality and sits on monthly basis to discuss the above-mentioned issues and refer them to EXCO and Council.

**2.1.1.8.2. Strategic, Planning, Economic Development and Tourism Portfolio Committee**

Member	Political Party	Number of Meeting Scheduled	Number of Meetings Attended
Cllr BC Mazibuko	ANC	12	4
Cllr MJ Ntshaba	IFP	12	6
Cllr SG Sikhakhane	IFP	12	3
Cllr NL Zikalala	ANC	12	6
Cllr ML Zwane	ANC	12	6

This committee was established to deliberate on all development, planning and Human Settlements development related matters, which include local economic development & tourism and town planning activities within Uthukela District Municipality and sits on monthly basis to discuss the above-mentioned issues and refer them to EXCO and Council.

**2.1.1.8.3. Corporate, Disaster, Health and Environmental Portfolio Committee**

Member	Political Party	Number of Meeting Scheduled	Number of Meetings Attended
Cllr MG Hlubi	ANC	12	8
Cllr BR Madonsela	IFP	12	8
Cllr MA Mkhize	ANC	12	8
Cllr TE Mchunu	NFP	12	4
Cllr TP Shabalala	ANC	12	5

This committee was established to deliberate on issues relates to corporate, disaster management, health and environmental activities within Uthukela District Municipality and sits on monthly basis to discuss the above-mentioned issues and refer them to EXCO and Council.

**2.1.1.8.4. Youth, Gender, Sport and Recreation Portfolio Committee**

Member	Political Party	Number of Meeting Scheduled	Number of Meetings Attended
Cllr NW Sibiya	ANC	12	5
Cllr ME Mbatha	ANC	12	4
Cllr M Ngubane	IFP	12	3
Cllr SD Magubane	ANC	12	3
Cllr T Xaba	NFP	12	4
Cllr OHD Sibaya	NFP	12	5

This committee was established to deliberate on all social and institutional development related matters, which include, youth development, sport administration, public participation, and operation sukuma sakhe (gender, children & women) within Uthukela District Municipality and sits on monthly basis to discuss the above-mentioned issues and refer them to EXCO and Council.

**2.1.1.8.5. Finance and Budgeting Portfolio Committee**

Member	Political Party	Number of Meeting Scheduled	Number of Meetings Attended
Cllr DCP Mazibuko	ANC	12	10
Cllr MG Hlubi	ANC	12	9
Cllr SD Magubane	ANC	12	2
Cllr ML Mlotshwa	NFP	12	9
Cllr SB Sibisi	IFP	12	10
Cllr TP Shabalala	ANC	12	8

This committee was established to deliberate on all finance related matters within Uthukela District Municipality and sits on monthly basis to discuss finance issues and refer them to EXCO and Council.

**2.2. Administrative Governance Structure****2.2.1. Top Management Committee**

During the year under review, the municipality had a functional and effective Top Management Committee. The committee consisted of the Accounting Officer, Chief Financial Officer and Senior Managers. The functions being performed by the Top Management Committee was to assist the Accounting Officer in managing and co-ordinating the financial management and overall administration of the municipality.

By law, the Municipal Manager automatically is the head of administration as well as the accounting officer. The Municipal Manager has extensive statutory and delegated powers and duties, as well as powers and duties that can be inferred from such statutory and delegated powers and duties.

The Municipal Manager is, amongst others, responsible –

- for the formation and development of an economical, effective, efficient and accountable administration;
- to ensure that the municipal “machine” operates efficiently, that the organizational structure is able to perform the various tasks and exercise the necessary controls;
- to fulfil a leadership role in the administration; this is of utmost importance to influence the actions of staff and to inspire and persuade them to work together to realize the municipality's goals;
- for the implementation of the municipality's integrated development plan, and the monitoring of progress with implementation of the plan; and
- for the financial responsibilities as accounting officer as determined by the MFMA.

The Municipal Manager is the chief adviser of the municipality and must advise the political structures and political office-bearers of the municipality. The Municipal Manager must see to the carrying out of the decisions of the political structures and political office-bearers of the municipality.

The Municipal Manager must facilitate participation by the local community in the affairs of the municipality and must also develop and maintain a system whereby community satisfaction with municipal services is assessed

<b>Department</b>	<b>Head of Department</b>	<b>Designation</b>	<b>National key Performance Areas</b>
Office of the Municipal Manager/ Mayoral Office	SN Kunene	Municipal Manager	Assessment of the municipality's performance management system Assessment of whether the municipality performance system complies with the Act An assessment of the alignment of objective, output and measures Review of Risk Management Strategy and Framework Ensuring effective and functional Internal Audit Systems Youth Development and Empowerment Community public consultation and ward committees Effective and functional war rooms through Operation Sukuma Sakhe programmes Women, children and people with disabilities empowerment
Department of Corporate Services	MH Hadebe	General Manager: Corporate Services	Leave Administration Staff Records and Appointments Administration of IOD's and Pension Claims Training Programmes Undertaken and submissions to LGSETA Information Technology – Governance, Security Management, User Access Control, Program Change Management, Services Continuity, and Facilities Management Provision Council Support Services Implementation of Employment Equity Plan Compliance with National Archives and Records Management Act Legal Support Services Fleet Management
Department of Social and Economic Services	ZN Khuzwayo	General Manager: Social & Economic Services	Disaster and emergency services
Budget & Treasury Office	PHZ Kubheka	Chief Financial Officer	Creditors Run and reconciliation Long Term Loans Reconciliation Grants Reconciliation Fixed Assets Register and Asset Count Investment and Interest Charged Inventory / Stock Control Cash Taking Banking and Bank Reconciliation Debtor Processes and Month End Trail Run for Services Rendered Suspense Accounts

			Commitments Fruitless and Wasteful Expenditure Journals Processed Implementation of Indigent Policy Salary Run, and ACB Financial System Transaction Listing Supply Chain Management Process Contract Register and Contract Payments Review of Mid-Year and Annual Financial Statements Review of Mid-term and Annual Budget
Department of Technical & Infrastructure Development	MV Hadebe	General Manager: Technical & Infrastructure Development	Projects and Grants Funding Received Maintenance Project Management

### **2.3. Component B: Intergovernmental Relations**

MSA section 3 requires that municipalities exercise their executive and legislative authority within the constitutional system of co-operative governance envisaged in the Constitution section 41.

Before 1994 South Africa had fragmented administrations: this meant that citizens were divided geographically with different population groups living in different suburbs and areas and only a small minority of residents benefited from development. Today South Africa has a unitary, yet decentralised, state with nine provincial governments and more than 283 municipalities.

The Constitution and the new democratic government recognise that the three spheres of government cannot function in isolation. Decentralisation and co-operation is critical to the successful transformation of the state in the coming decades.

The role of local government in IR has moved extensively from the symbolism of the past to meaningful interaction of common benefit with far reaching implications for the image of South Africa, and the development agenda at a local government level.

In this regard it has been determined that the growing demands and complexity of South African municipal service-delivery imperatives have impacted significantly on the range and depth of skills and competencies required from within the municipal economy. This has necessitated serious consideration of municipal international relations as an increasingly viable conduit for scarce skills and resources.

The Intergovernmental Relations Framework Act No 13 of 2005 stipulates that there must be a district Intergovernmental forum to promote and facilitate intergovernmental relations between the district and local municipalities within the district. During 2014/15 financial year, the municipality had in place the following Intergovernmental Relations structures:

### 2.3.1. National Intergovernmental Structures

The Municipality attends the following meetings on National level:

SALGA meetings

### 2.3.2. Provincial intergovernmental structures

The Municipality attends the following meetings on Provincial level:

- SALGA meetings
- MinMaCTech
- MinMEC
- Premiers Coordinating Forum
- Municipal Managers Forum

### 2.3.3. District Intergovernmental Structures

The Municipality attends the following meetings on District level:

- DCFTech
- DCF
- DTAC

UThukela District Municipality, during the period under review, involved in the District Technical Advisory Committee (DTAC) co-ordinated by KwaZulu-Natal Department of Co-operative Governance and Traditional Affairs. The purpose of this committee is to deliberate on performance, monitoring, reporting and evaluation issues.

The committee meet once a quarter in a rotation hosting system. UThukela District Municipality was represented in following DTAC meetings took place in the financial year 2014/2015:

Number of Meetings Organised	Number Meetings Attended by the Municipality	Number of Meetings Not Attended	Reasons for Not Attending
4	4	0	n/a

## 2.4. Component C: Public Accountability and Participation

### 2.4.1. Public Meetings

#### 2.4.1.1. Communication, participation and forums

Public participation is vital to determine the needs that exist within the communities in relation to the developmental priorities and this is communicated during the public meetings and information gathering process. The uThukela District Municipality was utilizing the following mechanisms for public participation when developing its IDP.

**IDP Representative Forum (IDP RF):** This forum represents all stakeholders and key interested and affected parties. This includes the Ward Committee members from the local municipalities, AmaKhosi, Non-Governmental Organizations (NGOs), Community Based Organizations (CBOs) and Organized Business.

**Media:** Local newspapers was used to inform the community on the progress made with the uThukela IDP and further meetings included the IDP RF and community road shows.

**Radio slot:** The uKhozi FM was utilized to make public announcements when the need arises.

**IDP/ Budget Road Shows:** The uThukela District Municipality held community road shows in the whole of the district to publicize the draft IDP and Budget during April and May 2014. The venues for these meetings was publicized at the IDP RF, public places and through the media.

**Uthukela District Municipality's Website:** Copies of the Municipal IDP and Budget was posted on the municipal websites for public viewing.

### 2.2.2.1.3. Public Meetings

Public meetings were used to present the 2014/2015 IDP and Budget to communities as well as to gather inputs into the documents.

Public meetings were held at the following venues:

Municipality	Date	Venue	Activity
Emnambithi Local Municipality	28 April 2014	E section	IDP/Budget Roadshow
Indaka Local Municipality	28 April 2014	E section Ezakheni	IDP/Budget Roadshow
Imbabazane Local Municipality	29 April 2014	Ward 11 Motel	IDP/Budget Roadshow
Umsthezi Local Municipality	29 April 2014	Ward 11 Motel	IDP/Budget Roadshow
Okhahlamba Local Municipality	30 April 2014	Okhombe Ward 7	IDP/Budget Roadshow

### 2.2.2.1.4. Comment on the effectiveness of the public meetings held

The public meetings were very effective and contributed to publicising the Municipal IDP and Budget. Through the process a variety of stakeholders were engaged and the round of meetings were concluded with a Mayoral Izimbizo held in May 2014.

### 2.2.2.1.5. IDP Participation and Alignment

Section 25 (1) (2) of the Municipal Systems Act, No. 32 of 2000 states that-

Each municipal council must, within a prescribed period after the start of its elected term, adopt a single, inclusive and strategic plan for the development of the municipality which—

- links, integrates and co-ordinates plans and takes into account proposals for the development of the municipality;



- aligns the resources and capacity of the municipality with the implementation of the plan;
- forms the policy framework and general basis on which annual budgets must be based;
- complies with the provisions of this Chapter; and
- is compatible with national and provincial development plans and planning requirements binding on the municipality in terms of legislation.

An integrated development plan adopted by a municipal council in terms of subsection (1) may be amended in terms of section 34 and remains in force until an integrated development plan is adopted by the next elected council.

*Table: IDP Participation and Alignment Criteria*

<b>IDP Participation and Alignment Criteria</b>	<b>Yes/No</b>	<b>Reasons for non-compliance</b>
Does the municipality have impact, outcome, input, output indicators?	No	There was no functional PMS Unit in place therefore systems were not developed properly
Does the IDP have priorities, objectives, KPIs, development strategies?	Yes	n/a
Does the IDP have multi-year targets?	Yes	n/a
Does the budget align directly to the KPIs in the strategic plan?	Yes	n/a
Do the IDP KPIs align to the Section 57 Managers	No	There was no functional PMS Unit in place therefore systems were not developed properly
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	No	There was no functional PMS Unit in place therefore systems were not developed properly
Were the indicators communicated to the public?	No	There was no functional PMS Unit in place therefore systems were not developed properly
Were the four quarter aligned reports submitted within stipulated time frames?	No	There was no functional PMS Unit in place therefore

		systems were not developed properly
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### 2.2.3. Component D: Corporate Governance

The King-report listed discipline, transparency, independence, accountability, responsibility, fairness and social responsibility as the seven primary characteristics of good governance. These traits have to be evident in municipal operations from the municipal council at the top to departmental staff at the bottom.

Corporate governance is the system by which municipalities/companies are directed and controlled and is essentially for effective leadership. Leaders need to define strategy, provide direction and establish the ethics and values that will influence and guide practices and behaviour with regard to sustainability performance. The framework of rules and practices ensures accountability, fairness, and transparency in a municipality's relationship with its stakeholders (financiers, customers, suppliers, management, employees, government, and the community).

#### 2.2.3.1. Risk Management

MFMA section 62 (i) (c) requires a municipality to have and maintain an effective, efficient and transparent system of risk management.

Risk Management is one of management's core responsibilities according to section 62 of the Municipal Finance Management Act (MFMA) and is an integral part of the internal processes of a municipality. It is a systematic and formalised process to identify, assess, manage, monitor, report and address risks on a continuous basis before such risks can impact negatively on the service delivery capacity of the UThukela District Municipality. When properly executed risk management provides reasonable assurance that the institution will be successful in achieving its goals and objectives.

A Risk Assessment was conducted by Risk Management Committee; through facilitating the process of identifying and assessing risk per Department to determine the magnitude of risk exposure by assessing the likelihood of the risk materialising and the impact that it would have on the achievement of objectives. The identified risks are prioritised which enables Management to focus more time, effort and resources on higher risk areas.

To mitigate the risks it is confronted with, Management implements control activities by establishing policies and appropriate procedures such as approvals, authorisations, segregation of duties, reconciliations and physical safeguards.

The 2014/2015 Municipal Risk Management Assessment was conducted by the Municipal Risk Management Committee, in terms of section 5(4) (a) (i) of the MFMA. Risks, both residual and inherent risks, were identified and submitted to the Management Committee, Audit Committee, Portfolio Committee, EXCO and Council for monitoring and mitigation.

The remedy and solution here is that all the officials have to acquaint and familiarise themselves with the rules governing their work environment.

A Risk Management Committee was established in July 2014, made up of representatives of all Departments, who also act as Risk Champions within that Department. The first meeting was held on 8 October 2014, where that Risk Management Committee Charter and Risk Management Framework and Policy was presented. The first risk of each department are as follows:

- Failure to provide cost effective water and sanitation
- Inability to continue to operate as a going concern
- Abuse of Municipal vehicles
- Ineffective implementation of Performance Management System
- Ineffective Call Centre Management

The UThukela District Municipality's Municipal Manager, as an Accounting Officer, appointed a Risk Committee to deliberate on risk management issues within the Municipality and sits as follows:

*Table: Risk Management Committee Meetings*

<b>Quarter</b>	<b>Targeted No. of Meetings</b>	<b>No. of Meetings Held</b>	<b>Reasons for not Achieving Target</b>	<b>Corrective Measure</b>
1	1	1	n/a	n/a
2	1	1	n/a	n/a
3	1	1	n/a	n/a
4	1	1	n/a	n/a

**Risk Management Report – Top 14 Municipal Risks**

<b>Risk No.</b>	<b>Department</b>	<b>Risk Description</b>	<b>Risk Mitigation Action Plans</b>	<b>Progress on Risk Mitigation Action Plans</b>	<b>Risk Management Comments</b>
1	Water Sanitation and Technical Services	Failure to provide cost effective water and sanitation	i) Review WSDP ii) Develop district master plan	DBSA is currently developing the WSDP  A sewer master plan is in place.	
2		Failure to account for water losses	i) Installation of bulk meters ii) Replacing existing meters iii) Yard connections will be implemented in the rural areas	Installation of bulk meters is taking place. The replacing of existing meters is done monthly and a report can be generated from Revenue Section. Yard connections has been done in Weenen.	
3		Ineffective asset management processes	i) Appoint asset manager ii) Workshop staff on asset management policy	The municipality has appointed a service provider to assist with Asset Management issues. The workshop on assets procedures was conducted by the appointed service provider within Finance Department.	

**ANNUAL REPORT IN TERMS OF SECTION 121 AND 127 (2) OF THE MUNICIPAL FINANCE MANAGEMENT ACT 56 OF 2003**

4		Ineffective management processes	asset i) Appoint SCM Manager ii) Develop & workshop Fraud prevention plan iii) Registration on CIBD to verify the suppliers	The SCM position has been advertised. Treasury (SCM Unit) has been engaged requested a workshop to educate SCM unit.	
5		Inadequate safeguarding of Municipal assets	i) Implementation of the recommendations from the structural engineer		
6		Inability to collect debt due to the Municipality	i) Develop Implementation of debt management strategy ii) Updating indigents registers	Indigents have been processed and system is being updated. There is a team to be formed to conduct data update exercise around the District. A request to fill critical positions within the section has been submitted to the CFO. A team dedicated attending to faulty meters is making a remarkable progress and meter readers will then be able to improve their reporting since poor conditions of water meters have been affecting their performance badly. This will ultimately improve billing holistically.	
7		Abuse of Municipal vehicles	i) Review of the Fleet policy ii) Workshop the fleet policy	The policy was reviewed and approved by council in May 2014. The policy was communicated to	

			iii) Ongoing monitoring of the controls	councillors through a workshop prior it was approved.	
8		Inadequate safeguarding of Municipal assets	i) Implementation of the recommendations from the structural engineer		
9		Ineffective implementation of Performance Management System	(i) Appointment of the PMS Manager	A Service Provider has been appointed to transition from no PMS unit to a fully-fledged PMS unit. Two PMS Officers has been appointed, who will be working with the service provider. PMS Manager post has been advertised, recruitment processes are in progress.	
10		inadequate alignment between IDP ,SDBIP and the PMS System	(i) Appointment of the PMS Manager	A Service Provider has been appointed to transition from no PMS unit to a fully-fledged PMS unit. Two PMS Officers has been appointed, who will be working with the service provider. PMS Manager post has been advertised, recruitment processes are in progress.	

### **2.2.3.2. Anti-corruption and fraud**

#### **2.2.3.2.1. Legislative Requirements**

*MSA 2000 s 83 (c) requires providers to be chosen through a process which minimizes the possibility of fraud and corruption.*

Uthukela District Municipality subscribes to the principles of good corporate governance, which requires the conducting of business in an honest and transparent fashion. Consequently Uthukela District Municipality is committed to fight fraudulent behaviour at all levels within the organisation.

A Risk Management Committee was established in July 2014, made up of representatives of all Departments. As the members were the same as the Fraud and Anti-corruption Committee, the two committees were combined. The first meeting was held on 8 October 2014, where that Risk Management Committee Charter and Risk Management Framework and Policy was presented. These two documents included the necessary Fraud and Anti-corruption aspects as well.

It is the responsibility of all employees to immediately report all allegations or incidents of fraud and corruption to their immediate manager. All managers are responsible for the detection, prevention and investigation of fraud and corruption and must report all incidents and allegations of fraud and corruption to the Municipal Manager. The Municipal Manager will initiate an investigation into the matter. Should employees or any member of the public wish to report allegations of fraud and corruption anonymously, they can contact the Municipal Hotline on 080 003 3660

#### **2.2.3.3. Supply Chain Management**

MFMA section 110 - 119; SCM Regulations 2005; and relevant MFMA circulars set out required +processes and guidance manuals to help ensure that SCM arrangements provide appropriate goods and services, offer best value for money and minimize the opportunities for fraud and corruption.

The supply chain management policy has been review and changes made to meet the operating needs of the municipality and issues which may have delayed service delivery in the procurement process have been changed. The policy aims to guide the municipality in its procurement process in a way which provides appropriate goods and services, offer best value for money and minimize the opportunities for fraud and corruption. There are also other policies which go along with the supply chain management policy. These are procedure manuals and delegations which ensure that supply chain practitioners comply with supply chain regulations when conducting their duties and that end-user departments are familiar with supply chain processes and regulations.

The Supply Chain Policy of UThukela District Municipality complies with the prescribed framework as set out in section 110-119 of the Municipal Finance Management Act, 2003.

#### **2.2.3.4. By-laws**

By-laws are passed by the Council to regulate the affairs and the services it provides within its area of jurisdiction. A municipality derives the powers to pass a by-law from the Constitution of the Republic of South Africa, which gives certain specified powers and competencies to

local government as set out in Part B of Schedule 4 and Part B of Schedule 5 to the Constitution.

// No new by-laws introduced during the financial year under reviewed //

### **2.2.3.5. Websites**

During the year under review, the municipality had a functional website with the information required to be made in public in terms of the Municipal Systems Act and Municipal Finance Management Act, e.g. IDP, Budget, Policies, Performance Agreements, SDBIP etc.

The uThukela District Municipality website is administered internally. It is available to the public and is updated as information is provided by sector departments to the website administrator. On average, the website is visited by over 1674286 people per year, which indicates the potential for using the web as a tool for information sharing, marketing and promotion of the District as a tourism destination.

*Table: List of Publications*

<b>Municipal Documents Published</b>	<b>Yes/No</b>	<b>Published</b>	<b>If No, Please Provide Reasons for not Publicised</b>
<b>Current annual and adjustments budgets and all budget-related documents</b>			
Section 52 report 3rd quarter 2014	Yes	01/08/2014	n/a
Section 52 report 2nd quarter 2014	Yes	01/08/2014	n/a
Section 52 2nd quarter 2015	Yes	06/07/2015	n/a
2014 2015 second adjustment budget	Yes	20/05/2015	n/a
Section 71 report April 2015	Yes	18/05/2015	n/a
Section 71 report march 2015	Yes	24/04/2015	n/a
2014 2015 adjustment budget	Yes	20/05/2014	n/a
Section 71 report February 2015	Yes	13/03/2015	n/a
Section 71 report January 2015	Yes	16/02/2015	n/a
Section 71 report December 2014	Yes	23/01/2015	n/a
Section 71 report November 2014	Yes	23/01/2015	n/a
Section 71 report October 2014	Yes	23/01/2015	n/a
Section 71 report September 2014	Yes	22/10/2014	n/a
Section 71 report august 2014	Yes	13/10/2014	n/a
Section 71 report July 2014	Yes	22/10/2014	n/a
UThukela district municipality adjustment budget 2014 2015	Yes	16/03/2015	n/a
Mid-year assessment report_2015	Yes	28/01/2015	n/a
<b>Budget-related policies</b>			
Supply Chain Management Policy 2014	Yes	04/12/2014	n/a
<b>The previous year's annual report</b>			
2013/14 Annual report	Yes	15/01/2015	n/a
<b>All supply chain management contracts above a prescribed value (R100 000)</b>			<b>Various dates within a year</b>



Contracts Awarded 2013/14 Financial Year v2	Yes	28/07/2014	n/a
April 2015 Intention to award	Yes	08/04/2015	n/a
Intent to award July 2015	Yes	04/07/2014	n/a
Intention to award 22 July 2014	Yes	22/07/2014	n/a
Intention to award 28 November 2014	Yes	03/12/2014	n/a
Intention to award June 2015	Yes	26/06/2015	n/a
Intention to award May 2015	Yes	26/06/2015	n/a
Contracts awarded 2014	Yes	16/10/2014	n/a
SCM Report	Yes	18/11/2014	n/a

### **2.2.3.6. Public Satisfaction Survey on Municipal Services**

During the year under review, the municipality did not prepare the Customer Satisfaction Survey due to budget constraints but provision has been made to be prepared during the 2015/16 financial year. The aim of the study is to define the perceptions of the community on the services the municipality is providing. The Customer Satisfaction Survey also contributes to improving communication between the municipality and the community in determining the social and economic needs that require urgent attention and deemed necessary to improve the quality of lives.

Now, the newly dedicated Customer Service unit is now established and community survey will be conducted in all local municipalities to randomly selected wards.

### **2.2.3.7. All municipal oversight committees**

#### **2.2.3.7.1. Municipal Public Accounts Committee**

During the year under review, the municipality had a functional Municipal Public Accounts Committee which was in charge with the responsibility to:

- Assist Council to hold the executive and administration to account;
- Councillors are therefore responsible for exercising oversight over both the executive and administration;
- Proper administration of oversight requires Councillors to be fully informed of their own agenda, business or affairs; and
- Councillors are accountable for the performance of the council, hence they must supervise the Municipal Council agenda, in order to achieve the desirable performance.

During the year under review, the Municipal Public Accounts Committee had three meetings, and the details of the meetings are as follows:

<b>No.</b>	<b>Date of the Meeting</b>
1	25 September 2014
2	30 April 2015

3      15 July 2015

#### **2.2.3.7.2.      *Performance and Audit Committee***

During the financial year under review, the Municipality had a functional, combined, Performance and Audit Committee as required in terms of section 166(6)(a) of the Municipal Finance Management Act 56 of 2003. During the year under review, the Performance and Audit Committee had four meetings, and the details of the meetings are as follows:

<b>No.</b>	<b>Date of the Meeting</b>	<b>Number of Members</b>	<b>Number of Attendees</b>
1	23 August 2014	3	3
2	30 October 2014	3	3
3	02 April 2015	3	2
4	12 June 2015	3	3

**Chapter 3: Service Delivery Performance (Performance Report Part I)****3.1. Basic Service Delivery and Infrastructural Development**

This Key performance area covers the following areas:

Access to basic services:

3. Water provision
4. Sanitation
5. Other infrastructure programmes
6. Summary of funding infrastructure sources

During the year under review, the municipality implemented the following infrastructure projects in terms of water provision, sanitation facilities provision, rudimentary programme and other infrastructure projects, and the details of these projects are as follows:

Item No	Project Description	Project Value	Period		Percentage (%)	
			Start Date	End Date	Progress	Expenditure
Municipal Infrastructure Grant (MIG)						
1	Bergville Sewage Scheme	R 11 982 821.58	11-Jun-14	15-Sep-15	63%	24%
2	Kwanobamba/ Ezitendeni Water Supply Phase 1A	R19,953,660.54	30-Jul-13	26-Jun-14	96%	92%
3	Bhekuzulu/Ephangweni phase 1	R14,568,706.15	1-Mar-13	1-May-15	98%	86%
4	Bhekuzulu/Ephangweni phase 2	R13,614,572.76	1-Nov-12	1-Feb-15	100%	100%
5	Bhekuzulu/Ephangweni phase 4	R14,449,562.36	1-Mar-13	1-Apr-15	98%	100%
6	Bhekuzulu/Ephangweni phase 5	R77,709,814.46	1-May-13	1-Nov-15	85%	91%
7	Bhekuzulu/Ephangweni Phase 6	R9,138,378.09	1-Jun-14	1-Feb-15	85%	89%
8	Fitty Park Community Water Supply	R38,683,361.70	21-Aug-15	13-Apr-16	6%	10%
9	KwaNobamba – Ezitendeni Ph 1B	R37, 250 000.00	8-May-14	5-Apr-15	37%	71%
10	KwaNobamba- Ezitendeni Ph 1C	R8,991 357.19	8-May-14	8-May-15	95%	93%
11	KwaNobamba- Ezitendeni Ph 1 D	R15,000 000.00	23-Apr-14	20-Mar-15	98%	92%
12	KwaNobamba Ph 1E	R22, 053 006.55	7-May-15	9-Jun-16	15%	23%
13	Ntabamhlophe Water Scheme Ph 10	R13,800 000.00	21-May-14	31-Mar-15	97%	94%
14	Ntabamhlophe Water Scheme Ph 10	R12, 957 291.37				
15	Upgrading Waste Water Treatment Works	R 14 098 364.34	11-Jun-14	15-Sep-15	63%	65%
Item No	Project Description	Project Value	Period		Percentage (%)	
			Start Date	Completion Date	Progress	Expenditure

<b>Municipal Water Infrastructure Grant (MWIG)</b>						
1	Ezakheni E (642 Houses)	R 7 330 652.01	25-Jun-14	15-Jan-15	74%	48%
<b>Regional Bulk Infrastructure Grant (RBIG)</b>						
1	Driefontein Bulk Feeder Main Water Supply	R44,336,809.86	8-May-13	3-Mar-14	91%	82%
2	Okhombe Water Supply	R 1 041 316.58				
3	Hopesland to Indaka Water Supply	R 52 888 706.80	13-Aug-14	9-Jul-15	97%	89%

### **3.1.2. Summary of Funding Infrastructure Sources**

<b>Grant</b>	<b>Funding source</b>	<b>Budget 2014-2015</b>	<b>Expenditure</b>	<b>Variance</b>
MIG Funding	NT	177, 319, 000	199, 088, 868	21, 769, 867
MWIG	NT	11, 404, 000	4, 182, 493	-7, 221, 507
RBIG	NT	82, 000, 000	83, 741, 725	1, 741, 725
Other		10, 329, 000	9, 003, 979	-1, 325, 021
Total		281, 052, 000	296, 017, 065	14, 965, 065

### **3.1.3. Expanded Public Works Programme (EPWP)**

UThukela District Municipality is also committed in training and developing communities through the EPWP programme, thereby promoting economic growth and creating sustainable development, and employment opportunities. During the year under review, the municipality obtained R3, 299, 000 from the Expanded Public Works Programme and was utilized for the application of labour intensive methods for the benefit of the local community.

In terms of the water projects, communities were trained and skilled in plumbing, bricklaying, concrete works, pipe laying, steel fixing and elementary project management. In terms of sanitation, communities were trained and skilled in bricklaying and panel laying.

## **3.2. Local Economic Development**

During the year under review, the municipality implemented a variety of Local Economic Development Projects, and amongst others on the main the details are as follows:

### **3.2.1 District Economic Development Agency**

During September 2012, the KwaZulu Natal Cabinet Lekgotla resolved to urge all district municipalities in the province to establish economic agencies to drive economic development. The proposal was received by the districts; however, the feasibility aspect of the proposal still needed to be tested at each district level. Hence, the undertaking of the Section 78 assessment as required by the Municipal Systems Act, to investigate the feasibility of establishing a municipal entity and list factors that must be considered in the process. As part of the exercise, the municipality had to assess available institutional arrangements options and decide on the most suitably vehicle for effective alternative service delivery.

### **3.2.2. Agri-Park Initiative**

The Agri-Park initiative is driven by the National Department of Rural Development and Land Reform (DRDLR), which is aiming to establish one Agri-Park per district to be supported for a period of 10 years. Amongst other principles, Agri-Parks must be farmer controlled and be a catalyst for rural industrialization. Benefits must be derived from state land and maximise access to markets by all farmers, with a bias towards emerging farmers and rural communities and the utilisation of high value agricultural land. The initiative is also to maximize the utilisation of current agricultural processing, bulk and logistics infrastructure and support growing towns and rural town revitalisation.

Agri-Parks are made up of three basic units, namely:

- Agri-Hub Unit (One per District, has a 60km radius of success)
- Farmer Production Support Unit (more than one per District)
- Rural Urban Market Centre Unit

The DRDLR have undertaken to appoint a service provider to develop an Agri-Park Business Plan for uThukela. Bergville has been identified as the preferred location for the Agri-Hub and a site inspection was conducted with the uThukela and Okhahlamba MMs present. In terms of progress in the preparation for the establishment of the Agri-Hub, the following was achieved:

- Okhahlamba has undertaken to upgrade the access to the site with MIG funding and an application for the diversion of funding has been made and is awaiting approval.
- A service provider was appointed by Okhahlamba to prepare for an electricity connection to the site.
- Water and Sanitation infrastructure is present and the suitability thereof to service the site is currently being investigated.
- A list of potential commodities was identified with stakeholders.
- The potential sites for Farmer Production Support Units were identified using GIS and was split into Crop Potential and Livestock Potential to ensure a District wide coverage. Initial indications are that crop potential is strong around Bergville, Ekuvukeni and Winterton, while livestock potential is strong around Bergville, Ladysmith and Wembezi.

## **Chapter 4: Organisational Development Performance (Performance Report Part II)**

### **4.1. Component A: Introduction to the municipal workforce**

UThukela District Municipality aims to ensure service delivery of the best possible quality for all the inhabitants of the Municipality. To achieve this, a prime goal of the Municipality's Human Resource Strategy is: To create a flexible organisation that enables optimal performance by developing and retaining a properly skilled and representative workforce. Uthukela District Municipality considers its human resources as one of its most critical assets. This chapter will focus on some of the key issues relating to human resources and other organizational management issues. Issues which will be addressed includes the staffing rate of the municipality, personnel cost, the status quo of retirement funds and medical aid schemes, human resource policies and practices, as well as the remuneration of senior officials and councillors.

#### **4.1.1. Municipal Personnel**

An analysis of the staff by gender and occupation has been undertaken. The analysis applies to the staff distribution excluding the new posts to be filled since gender and employment equity needed to be considered in relation to the potential candidates for the new positions.

##### **4.1.1.2. Vacancy rate**

<b>Designation</b>	<b>Approved Post</b>	<b>Employee</b>	<b>Vacant Post</b>
Municipal Manager	1	1	0
Chief Financial Officer	1	1	0
Other section 56 Managers	4	3	1

##### **4.1.1.3. Turn-over Rate**

<b>Total number of posts filled as of beginning of Financial Year</b>	<b>Terminations during the Financial Year</b>	<b>Turn-Over Rate (%)</b>
83	37	

#### **4.1.1.4. Employment Equity Plan**

In accordance with the Employment Equity Act (No 55 of 1998), the municipality reviewed and implemented the 2014/15 Employment Equity Plan as required by the Employment Equity Act. The plan seeks to address the numerical goals in the terms of demographics within the municipality. The municipality managed to achieve its numerical goals of employing one female in top management and 07 females in middle management level. In total, the municipality appointed 83 new employees during the year under review. The municipality has set new numerical goals to be achieved during 2015/16 financial year in order to strengthen its capacity.

### 4.1.1.5. Managing the Municipal Workforce

#### 4.1.1.5.1. HR Policies and Plans

Table: HR Policies and Plans Developed

<b>Name Of Policy</b>	<b>Policy Status</b>	<b>Date of Adoption</b>
Acting Allowance	adopted	30 April 2015
Code of Conduct for employees	Adopted	30 April 2015
Education, Training and Development	Adopted	30 April 2015
Employee Assistance /Wellness	Adopted	30 April 2015
Employment Equity	Adopted	30 April 2015
Information Technology	Adopted	30 April 2015
Leave	Adopted	30 April 2015
Occupational Health and Safety	Adopted	30 April 2015
Overtime and standby Policy	Adopted	30 April 2015
Recruitment, Selection and Appointments	Adopted	30 April 2015
Sexual Harassment	Adopted	30 April 2015
Study Bursary	Adopted	30 April 2015
Uniforms and Protective Clothing	Adopted	30 April 2015

#### 4.1.1.4.1. Injuries, Sickness and Suspensions

Injuries on duty have also proven to be a challenge in most organisations: Uthukela District Municipality has an injury rate which is slightly below the norm. As a result, a safety plan has been implemented and its impact is being monitored. Further steps to increase safety across the organisation are required to be taken via the monthly safety committee which meets under the chairmanship of the Department of Corporate Services.

Table: Number of injuries on duty

<b>Type Of Injury</b>	<b>Injury Leave Taken</b>
Fata	02
Temporary disablement	01
Required basic medical attention only	11
Total	13

Table: Number of days and cost of sick leave (excluding injuries on duty)

<b>Salary Grade</b>	<b>Total Days Sick Leave</b>
Lower skilled	661
Highly skilled supervision	08
Senior management	00
MM and S56	05

*Table: Disciplinary Action Taken on Cases of Financial Misconduct*

<b>DISCIPLINARY ACTION TAKEN ON CASES OF FINANCIAL MISCONDUCT</b>			
<b>Position</b>	<b>Nature of Alleged Misconduct and Rand value of any loss to the municipality</b>	<b>Disciplinary action taken</b>	<b>Date Finalized</b>
Senior Salaries Clerk	Fraud	Dismissed	12/12/2014
Salaries Clerk	Fraud	Dismissed	12/12/2014
Information Officer x5	Fraud	Disciplinary enquiry- Final warning	20/10/2014
Information officer x2	Fraud	Disciplinary enquiry	Amnesty
Meter Reader x2	Fraud	Dismissed	20/10/2014
Senior Clerk	Fraud	Dismissed	20/10/2014
General Worker	Fraud	Dismissed	20/10/2014
Operator x2	Fraud	Dismissed	20/10/2014
Procurement Clerk	Fraud	Dismissed	20/10/2014
Laboratory Technician	Fraud	Dismissed	20/10/2014
Superintendent	Fraud	Disciplinary enquiry	Amnesty
Human Resources Officer	Fraud	Disciplinary enquiry	Amnesty
Operator x 2	Fraud	Disciplinary enquiry	Amnesty
Cashier	Fraud	Dismissed	12/12/2014
CMU clerk	Fraud	Dismissed	12/12/2014
General Worker	Fraud	Disciplinary enquiry	Deceased
Cashier	Fraud	Disciplinary enquiry	05/09/2014

#### **4.2. Component B: Managing the municipal workforce Levels**

During the financial year under review the UThukela District Municipality has employed 13 employees on permanent bases and 70 on contract bases, excluding 01 section 54/46 managers.

*Table: Municipal Workforce Levels*

<b>Designation</b>	<b>Approved Post</b>	<b>Employee</b>	<b>Vacant Post</b>
Municipal Manager	1	1	0
Chief Financial Officer	1	1	0
Other section 56 Managers	4	3	1
Senior Managers (Not reporting to the MM)	1	1	0
Middle Managers	21	18	03



Supervisors (Middle Managers)	17	13	04
Skilled Labour	296	286	10
Semi-Skilled Labour	87	77	10
Unskilled Labour	383	243	140

### **4.3. Component C: Capacitating the municipal workforce**

#### **4.3.1. Workplace Skills Plan**

MSA 2000 S68 (1) requires municipalities to develop their human resource capacity to a level that enables them to perform their functions and exercise their powers in an economical, effective, efficient and accountable way.

In accordance with the Skills Development Act and Skills Levy Act, municipalities have to prepare and review the Workplace Skills Development Plan. During 2014/15, the municipality reviewed and implemented the Workplace Skills Development Plan as required by the said Act. The plan seeks to address employee's skills development, scarce skills and also skills audit of the municipality.

Skills audit has been undertaken to determine the employees training needs for 2014/15 financial year, and these training needs have form part of the Workplace Skills Plan. The municipality is committed in training and developing its employees thereby improving productivity levels. To this end, an amount of R2 544 616.00 was spent on both academic and functional development of staff and councillors.

Uthukela District Municipality recognizes the obligations placed on it by the Skills Development Act to train and develop employees. In order to empower its employees and enhance its human capital, the Municipality provides various learning and development opportunities for employees and councillors. The Workplace Skills Plan of the Municipality has been submitted to the Local Government SETA and annual implementation reports submitted.

#### **4.3.2. Skills Development and Training**

*Table: Annual Training Report: Number of employees trained*

Level	Type of Training	No. of Trainees	Total Amount Spent
MM and s57	Municipal Finance Management Programme	01	R49 750.00
Middle Managers	MfMP Fleet management Contract management	07 01 01	R280 000.00 R9 998.00 R9 999.00
Technicians	N/a		
Professionals	Supervisory training	12	R90 000.00
Clerks	MFMP Report writing & minute taking	28 05	

Level	Type of Training	No. of Trainees	Total Amount Spent
	Key skills for secretaries Customer care Contract management	08 13 01	R2M R9800.00 R25 150.00 R20 720.00 R9 999.00
Plant and machine operators	N/A		
General Assistants	Office Cleaning and Tea Assistants Programme	10	R49 000.00
Sub total		88	R2 544 616.00
<b>Total</b>		<b>88</b>	<b>R2 544 616.00</b>

#### **4.4. Component D: Managing the municipal workforce expenditure**

Workforce expenditure is managed effectively, through regular budget control meetings to discuss expenditure and rectify any overspending. No appointments are made unless the posts are funded and vacant on the post establishment. In order to obtain value for money from work force expenditure, the mandate for appointment is to appoint the candidate on the minimum notch of the scale unless motivation exists for appointment on a higher notch.

Note: MSA 2000 S67 requires municipalities to develop and adopt appropriate systems and procedures to ensure fair; efficient; effective; and transparent personnel administration in accordance with the Employment Equity Act 1998.

Workforce management is a core function of each line manager in UThukela District Municipality. In order to ensure reasonable standardisation and consistency in the handling of the workforce, staff policies; procedures; and conditions of service are developed at a central level and are then implemented by line management.

Conditions of service of section 54/56 managers are based up on the regulations promulgated by the Minister of Cooperative Governance and approved by Council.

Conditions of service of staff below senior management level are negotiated at a central level by the National and Provincial divisions of the South African Local Government Bargaining Council (SALGBC) and, where relevant, at a local level between management and the representative unions SAMWU and IMATU.

##### **4.4.1. Employee Expenditure**

Section Managers are required to ensure that employees are productive. The implementation of the Induction Performance Management System will assist with this.

*Table: Workforce Expenditure*

Financial Year	% of Expenditure
2012/2013	18,45%
2013/2014	27,59%
2014/2015	26,46%

Table: Disclosures: .Remuneration of Councillors

Councillor	Total Costs
	2014/2015
Mayor	R559,522
Deputy Mayor	R207,106
Speaker	R447,617
Chief Whip	R0
Executive Committee Member	R881,247
Ordinary Councillor	R3,660,196
UIF & SDL	R40,264
Total	

Table: Remuneration for Section 56 Managers- Total Cost to Employer

Manager	Total Costs
	2014/2015
Manager Technical Services	R1,227,940
Executive Director Health and Environmental Services	R2,300,883
Manager Social and Economic Services	R1,078,525
Manager Corporate Services	R1,032,315
Manager Water Services	R622,621
Total	R6,262,284

Table: Remuneration of the Municipal Manager

	2013/2014	2014/2015
Annual Remuneration	R780,173	R937,044
Car Allowance	R450,000	R540,000
Performance Bonuses	R0	R0
UIF, Medical aid and Pension	R12,506	R1,785
Travelling and subsistence	R9,811	R63,809
SDL	R0	R12,988
Total	R1,252,490	R1,555,626

Table: Remuneration of the Chief Financial Officer- Total Cost to Employer

	2013/2014	2014/2015
Annual Remuneration	R202,868	R431,299
Leave Encashment	R0	R0
Car Allowance	R177,509	R377,387
Subsistence & Travel Reimbursement	R10,723	R51,216
Housing and Other Allowance	R132,401	R281,375
Total	R523,501	R1,141,277

## Chapter 5: Financial Performance

### 5.1. Introduction

Chapter 5 contains information regarding financial performance and highlights specific accomplishments. The chapter comprises of three components:

- ✚ Component A: Statement of Financial Performance
- ✚ Component B: Spending Against Capital Budget
- ✚ Component C: Other Financial Matters

The municipality is being subjected to extreme external cost pressures which include the effect of the tariff increases of Eskom, labour collective agreements which results in expenditure increases well above the normal inflation rate, the increased cost of fuel due to the declining currency and higher oil prices etc. The municipality is well aware of the effect of the global economic meltdown and the result it have on the ability of the consumers to pay for services. The municipality therefore embarked on cost saving measures in its budgeting- and actual processes wherever possible.

### 5.2. Component A: Statement of Financial Performance

Description	Previous Year Actual	Original Budget	Adjustment Budget	Actual	Original Budget Variance	Adjustment Budget Variance
<b>1 Financial Performance</b>						
1.a. Total Revenue (excluding capital transfers and contributions)	R453,668,457	R504,837,000	R496,371,000	R469,543,115	-R35,293,885	-R26,827,885
a. Property rates	R0	R0	R0	R0		R0
b. Service charges	R132,770,897	R151,506,000	R151,506,000	R126,221,743	-R25,284,257	-R25,284,257
c. Investment revenue	R10,761,064	R9,471,000	R7,172,000	R9,072,588	-R398,412	R1,900,588
d. Transfers recognised - operational	R274,933,827	R306,828,000	R301,695,000	R311,977,828	R5,149,828	R10,282,828
e. Other own revenue	R35,202,669	R37,032,000	R35,998,000	R22,270,956	-R14,761,044	-R13,727,044
1.b. Total Expenditure	R452,393,234	R466,588,000	R478,711,000	R568,419,961	R101,831,961	R89,708,961
a. Employee costs	R124,822,829	R160,321,000	R141,648,000	R150,427,087	-R9,893,913	R8,779,087
b. Remuneration of councillors	R4,775,422	R4,619,000	R10,291,000	R5,975,952	R1,356,952	-R4,315,048
c. Depreciation and asset management	R38,999,385	R44,689,000	R45,140,000	R44,781,755	R92,755	-R358,245
d. Finance charges	R2,548,678	R1,311,000	R1,075,000	R2,465,418	R1,154,418	R1,390,418
e. Materials and bulk purchases	R7,232,242	R6,085,000	R6,085,000	R5,304,471	-R780,529	-R780,529
f. Transfers and grants	R88,726,573	R11,900,000	R10,480,000	R68,521,311	R56,621,311	R58,041,311
g. Other expenditure	R161,530,227	R183,213,000	R203,643,000	R265,761,797	R82,548,797	R62,118,797
h. Repairs and maintenance	R23,757,878	R54,450,000	R60,349,000	R25,362,170	-R29,087,830	-R34,986,830
a. Transfers recognised - capital	R344,455,854	R209,225,000	R272,333,000	R305,698,054	R96,473,054	R33,365,054

**ANNUAL REPORT IN TERMS OF SECTION 121 AND 127 (2) OF THE MUNICIPAL FINANCE MANAGEMENT ACT 56 OF 2003**

Surplus Deficit for the year	R345,731,077	R247,474,000	R289,993,000	R206,821,208	-R40,652,792	-R83,171,792
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**ANNUAL REPORT IN TERMS OF SECTION 121 AND 127 (2) OF THE MUNICIPAL FINANCE MANAGEMENT ACT 56 OF 2003**

<b>2. Capital expenditure &amp; funds sources</b>						
Total sources of capital funds		R277,475,000	R373,371,000	R359,347,244	R81,872,244	-R14,023,756
a. Transfers recognised - capital	R344,455,854	R209,225,000	R272,563,000	R305,698,054	R96,473,054	R33,365,054
b. Public contributions and donations	R223,453	R0	R0	R0	R0	R0
c. Borrowing						
d. Internally generated funds		R68,250,000	R101,168,000	R53,649,190	-R14,600,810	-R47,518,810
<b>3. Financial position</b>						
a. Total current assets	R268,102,891	R475,654,000	R376,240,000	R297,514,586		-R78,725,414
b. Total non-current assets	R1,760,773,685	R1,667,109,000	R2,490,190,000	R2,015,349,585	R348,240,585	R-474,840,415
c. Total current liabilities	R160,768,741	R169,263,000	R113,272,000	R215,265,326	R46,002,326	R101,993,326
d. Total non-current liabilities	R15,312,389	R10,082,000	R7,362,000	R12,494,245	R2,412,245	R5,132,245
<b>4. Cash Flows</b>						
a. Net cash from (used) operating	R27,902,367	R210,760,000	R313,333,000	R346,271,133	R135,511,133	R32,938,133
b. Net cash from (used) investing	R228,221,067	R193,288,000	R373,731,000	R341,929,112	R148,641,112	-R31,801,888
c. Net cash from (used) financing	R179,209,742	R3,918,000	R4,780,000	R26,608,717	R22,690,717	R21,828,717
d. Cash/Cash Equivalents at the year end	R126,554,326	R164,862,000	R61,376,000	R157,505,064	-R7,356,936	R96,129,064
<b>5. Asset Management</b>						
a. Asset register summary (WDV)	R1,760,773,685	R1,667,109,000	R2,490,190,000	R2,015,349,585	R348,240,585	-R474,840,415
b. Depreciation & asset impairment	R38,999,385	R44,689,000	R45,140,000	R44,781,755	R92,755	-R358,245
c. Renewal of existing assets	R0	R0	R0	R0	R0	R0
d. Repairs and maintenance	R23,757,878	R54,450,000	R60,349,000	R25,362,170		R34,986,830

### **5.2.1. Comment on financial performance**

Total operating expenditure amounted to R568, 419,961 and 118, 73% of the budget was spent.

Total operating revenue amounted to R775, 241,169 and 100.85% of the budget was received.

## **5.3. Component B: Spending against Capital Budget**

### **5.3.1. Grants received from DoRA**

<b>Description</b>	<b>Previous Year Actual</b>	<b>Original Budget</b>	<b>Adjustment Budget</b>	<b>Actual</b>	<b>Original Budget Variance</b>	<b>Adjustment Budget Variance</b>
<b>National Government</b>						
Municipal Infrastructure Grant (MIG)	R233,808,580	R177,319,000	R177,319,000	R199,088,868	R21,769,868	R21,769,868
Rural household infrastructure	R0	R4,124,000	R4,124,000	6,688,979	R2,565,979	R2,565,979
Municipal Disaster grant	R0	R0	R2,685,000	R1,006,235	R1,006,235	R1,678,765
Rural road asset management	R1,999,963	R2,315,000	R2,315,000	R2,315,000	R0	R0
Regional bulk infrastructure	R69,525,962	R25,000,000	R82,000,000	R85,137,336	R60,137,336	R3,137,336
Municipal water infrastructure	R11,738,118	R20,000,000	R11,404,000	R12,467,869	-R7,532,131	R1,063,869
<b>Total</b>						

### 5.3.2. Comment on operating transfers and grants received from DoRA

### 5.3.3. Overall the grants as budgeted for were realised and were fully spent

Table: Grants Received From Sources Other Than Division of Revenue Act (DoRA)

Description	Previous Year Actual	Original Budget	Adjustment Budget	Actual	Original Budget Variance	Adjustment Budget Variance
Development planning and shared services		R250,000	R250,000	R2,020,489	R1,770,489	R1,770,489

## 5.4. ASSET MANAGEMENT

### 5.4.1. Introduction

Assets under the control of each department are being managed by the relevant departmental heads. The Chief Financial Officer is responsible for maintaining an asset register for all assets which qualify to be capitalised.

Asset management is guided by the Asset Management Policy of the municipality. The policy is reviewed on an annual basis as part of the budget policies review process to ensure it complies with the latest requirements of GRAP, audit- and treasury directives.

The asset register which integrates with the financial system and which provide much more up to date information was implemented during the financial year under review.

Table: Treatment of the three largest assets acquired

Name	Description	Asset Types	Key Staff Involved	Staff Responsibilities	Asset Value	Capital Implications	Future Purpose of Asset	Describe Key Issues	Policies in Place to Manage Asset	Previous Year Value
Bergville Water Treatment Works	Water supply	Infrastructure	HOD Infrastructure and Services	Refurbishment and managing	R 11.7 M	Grant Funding	Water Supply	Service Delivery	Asset Management Policy	R 9.2 M
Archierodel Water Treatment Works	Water supply	Infrastructure	HOD Infrastructure and Services	Refurbishment and managing	R 36.8M	Grant Funding	Water Supply	Service Delivery	Asset Management Policy	R 23.8 M
Estcourt Waste Water Treatment Works	Sanitation	Infrastructure	HOD Infrastructure	Refurbishment and managing	R 30.2	Grant Funding	Sanitation	Service	Asset Management	R 19.2M



			ure and Services					Deliver y	ment Policy	
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The municipality designed and implemented a system whereby each capital project is measured according to the requirements of the MFMA. The Council only approves projects where the full cost of the project, the future operating costs of the project as well as the effect that the costs associated with the project will have on tax and tariffs were considered by the Council.

*Table: Repair and maintenance expenditure*

<b>Type</b>	<b>Operating Budget</b>	<b>Actual</b>	<b>% of Operating Budget</b>
Buildings & offices	R674,350	R238,486	35,37%
Office furniture & equipment	R11,120	R1,855	16,68%
Vehicles	R4,919,924	R3,300,658	67,09%
Pipelines & reservoirs	R8940,701	R8,940,701	100%
Treatment plants	R5,510,396	R3,771,510	68,44%
Pumps	R7,253,336	R3,582,754	49,39%
Blue drop & green drop	R12,723,185	R5,185,271	40,75%
Electrical	R1,000,000	R333,951	33,40%
Disaster Management vehicle	R30,000	R6,984	23,28%

#### **5.4.2. Comment on repair and maintenance expenditure**

Expenditure on repairs and maintenance does not keep track with the increase in asset values as well as the ageing of the infrastructure.

The Medium Term Revenue and Expenditure Framework (MTREF) further indicates an increase in the amounts spend on repairs and maintenance as a percentage of total operating expenditure. A portion of repairs and maintenance is included in the capital budget.

#### **5.6. Financial Ratios based on Key Performance Indicators**

*Table: Performance in terms of Financial Ratios*

<b>Financial viability ratio's</b>	<b>Norm</b>	<b>Criteria</b>
Outstanding service debtors to revenue	%	The lower the actual the better the result
Cost coverage		Higher than 1-3 months is better
Debt coverage	%	The lower the actual the better the result

#### **5.4.3. Spending Against Capital Budget**

Capital expenditures relates mainly to construction projects that will have value lasting over many years. Capital expenditure is funded from grants, borrowings and cash surpluses.

<b>Project Name</b>	<b>Total Capital Expenditure (%)</b>
Matiwane/Inkunzini	24,57%
Bhekuzulu/Ephangweni	15,86%
Kwanobamba/Ezitendeni	12,26%
Okhahlamba ward 12 sanitation	6,83%
Ntabhamhlope water scheme	3,26%
Municipal water infrastructure	3,22%
Okhahlamba/Bergville water	2,75%

#### **5.4.4. Capital Expenditure**

The table below indicates the capital expenditure against the total budget.

<b>Description</b>	<b>Original Budget</b>	<b>Adjustment Budget</b>	<b>Actual</b>
Executive and council	R1,020,000	R1,120,000	R1,048,173
Municipal manager	R1,190,000	R1,290,991	R1,001,869
Budget and treasury office	R620,000	R1,161,468	R545,057
Corporate services	R1,500,000	R1,871,343	R1,404,836
Health services	R11,099,000	R15,406,000	R23,215
Social services	R17,586,000	R16,273,378	R11,810,254
Technical services	R212,258,000	R304,798,000	R289,876,917
Water services	R43,320,642	R47,217,062	R37,838,998

#### **5.4.5.. Sources of Finance**

*Table: Capital Expenditure - Funding Sources*

<b>Description</b>	<b>Previous Year Actual</b>	<b>Original Budget</b>	<b>Adjustment Budget</b>	<b>Actual</b>	<b>Original Budget Variance</b>	<b>Adjustment Budget Variance</b>
Municipal Infrastructure grant	R233,808,580	R177,319,000	R177,319,000	R199,088,868	R21,769,868	R21,769,868
Regional household infrastructure grant	R0	R4,124,000	R4,124,000	R6,688,979	R2,564,979	R2,564,979
Regional bulk infrastructure grant	R69,525,962	R25,000,000	R82,000,000	R85,137,337	R60,137,337	R3,137,337
Rural road asset management grant	R1,999,963	R2,315,000	R2,315,000	R2,315,000	R0	R0
Municipal systems	R890,000	R467,000	R0	R0	R0	R0

improvement grant						
Council funded	R73,529	R68,249,642	R72,799,242	R53,649,190	- R14,600,452	- R19,150,052
Municipal disaster grant	R0	R0	R2,685,000	R1,006,235	R1,006,235	-R1,678,765
ACIP	R0	R0	R3,890,000	R992,435	R992,435	-R2,897,565

#### **5.4.6.. Capital Spending on 5 Largest Projects**

*Table: Capital Expenditure of 5 largest projects*

<b>Description</b>	<b>Original Budget</b>	<b>Adjustment Budget</b>	<b>Actual</b>	<b>Original Budget Variance</b>	<b>Adjusted Budget Variance</b>
Matiwane/Inkunzini			R83,611,185		
Bhekuzulu/Ephangweni			R53,970,495		
Kwanobamba/Ezitendeni			R41,738,017		
Okhahlamba ward 12 sanitation			R23,241,307		
Ntabhamhlope water scheme			R11,096,560		

#### **5.4.7. Basic Service and Infrastructure Backlogs Overview**

*Table: Municipal Infrastructure Grant (MIG)\* Expenditure on Service backlogs*

<b>Project</b>	<b>Amount Allocated</b>	<b>Amount Spent</b>
UMHLUMAY FITTY PARK-WATER PROJ	R345,663.22	R345,269.15
BHEKUZULU/EPHANGWI WATER PH1-5	R59,139,329.51	R53,970,495.57
NTABAMHLOPE PHASE 5 RETICULAT	R4,813,671.96	R4,647,793.43
NTABAMHL PHASE 9 RETIC ROLL OV	R5,019,138.79	R4,948,841.22
NTABAMHL PHASE 7 WATER ROLL OV	R7,642,290.48	R6,175,662.37
NTABAMHL PHASE 8 WATER	R1,478,712.00	R1,478,711.51
DRIEFOTEIN UPGRD-BURFORD W/SCH	R524,420.75	R322,551.32
KWANOBANBA/EZITEND 5 7&8 WATER	R49,132,528.82	R41,738,017.27
OKHAHL13 BERG PHA2 WATE-ROLOVE	R9,270,103.16	R9,270,103.16
INDAKA WARD 3 SANITATION	R7,450,000.00	R6,939,240.94
OKHAHLAMBA WARD 12 SANITATION	R24,204,285.26	R23,241,307.83
UMTSHEZI WARD 4 SANITATION	R9,355,630.23	R9,217,460.05
EZAKHENI/EMNAMBITHI BULK	R7,549,887.50	R7,347,252.10
NTABAMHLOPE WATER SCHEME	R12,785,300.00	R11,096,560.18
EZAKHENI E - SEWER	R691,369.77	R691,369.77
MOYENI /ZWELISHA UPGRADE	R880,000.00	R577,712.82
INFRASTRUCTURE DEVELOPMENT	R3,500,000.00	R160,200.00
<b>Totals</b>	<b>R203,782,331.45</b>	<b>R182,168,548.69</b>

### **5.5. Component C: Cash flow Management and Investment**

The municipality classified a positive cash balance as critical to its operations and future viability and all planning exercises take the effect of decisions on the cash position of the municipality into consideration.

#### **5.5.1. Cash Flow**

##### **5.5.1.1. Cash Flow Outcomes**

Description	Previous Year Actual	Original Budget	Adjustment Budget	Actual	Original Budget Variance	Adjustment Budget Variance
<b>1. Net Cash From/(Used) Operating Activities</b>						
1a Receipts						
a. Ratepayers and other	- R202,304,990	R69,550,000	R98,817,000	R129,344,137	R56,671,743	R27,404,743
b. Government - operating	R274,933,827	R306,828,000	R301,695,000	R311,977,829	R5,149,829	R10,282,829
c. Government - capital	R251,617,998	R209,225,000	R272,333,000	R305,698,054	R96,473,054	R33,365,054
d. Interest	R44,044,579	R16,603,000	R23,219,000	R28,221,150	R14,740,543	R8,124,543
e. Dividends						
<b>1.b. Payments</b>						
a. Suppliers and employees	R337,840,369	R390,135,000	R381,656,000	R426,504,618	R36,369,618	R44,848,618
b. Finance charges	R2,548,678	R1,311,000	R1,075,000	R2,465,418	R1,154,418	R1,390,418
<b>2. Net Cash From/(Used) Investing Activities</b>						
a. Proceeds on disposal of PPE	-R5,420,887	R0	R0	R33,236	R33,236	R33,236
b Decrease (increase) in non-current investments		R30,000,000	R0	R0	R0	R0
a. Capital assets	R222,800,180	R223,288,000	R373,731,000	R341,962,348	R1148,674,348	-R31,768,652
<b>3. Net Cash From/(Used) Financing Activities</b>						
c. Increase (decrease) in consumer deposits	R631,214	R554,000	R170,000	R1,083,730	R529,730	R913730
3.b. Payments						
a Repayment of borrowing	R179,209,742	R4,472,000	R4,950,000	R26,608,717	RR22,136,717	R21,658,717

#### **5.5.2. Borrowing and Investments**

During the financial year under review there were no borrowings made by the municipality.

Table: Municipal Investments

Investment Type	2013/2014	2014/2015
Bankers' Acceptance Certificates	n/a	n/a
Deposits - Bank	R103,386,459	R102,328,345
Deposits - Corporation for Public Deposits	n/a	n/a

Deposits - Public Investment Commissioners	n/a	n/a
Other	n/a	n/a
Total	R103,386,459	R102,328,345