

>> *partners in service delivery*

ANNUAL REPORT
2006/2007





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chapter 1

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Ald. Sakhumzi Somyo

executive mayor's forward

Sakhumzi Somyo (Alderman)

This past year will be remembered as one where strategic planning became one of the main priorities as we developed, consulted and crafted the Integrated Development Plan for the next five year period 2007 to 2012. This included IDP and Budget Roadshows to the communities in all our local municipalities during April and May 2007 to get their feedback and comments.

It did not end there, because the ADM held numerous consultative workshops between various sectors of the economy of the district and strategic workshops along the development corridors of the district, gathering information which ultimately led to the Growth and Development Summit held on 8–9 March 2007 at Mpekweni Beach Resort, attended by various sectors and representative structures of the district, and the subsequent crafting of the Amathole Regional Economic Development Strategy (AREDS). These strategic documents have been aligned with the objectives of the United Nations Millenium Goals as adopted by the National Spatial Development Perspective, and the Provincial Growth and Development Plan.

Our main objectives aligned to the abovementioned strategic documents are as follows:

- To reduce unemployment by half;
- Poverty Eradication;
- Investing in sustainable infrastructure development;
- Enhancing the economy of the district; and
- To reduce the impact of HIV and Aids

In order to meet our objective of reducing unemployment by half by 2014, we need to create some 160,000 new jobs and our GDP needs to increase to R13 billion. We shall need investment of some R40 billion in production capacity and probably a similar amount for infrastructure and human capital would be needed.

The main purpose of the Growth and Development Summit (GDS) was to develop a common vision and purpose within our district across all sectors of society so that we all play our part. A GDS agreement was signed by all the sector partners and will act as the benchmark for our performance going forward. The stakeholder participation at this summit was phenomenal and all sectors participated enthusiastically. The processes leading up to the summit, the summit itself and the agreement that was reached by all parties was so successful that this became a model for other district municipalities to follow. The vision of the parties to the GDS Agreement is to eradicate poverty and ensure holistic and sustainable human development through stimulation of the economy so that sustainable and quality jobs are retained and created; and to enhance the capacity of the municipalities and their partners to ensure improved and sustained service delivery.

The four key priority areas of the Amathole Regional Economic Development Strategy (AREDS), however, are based on the socio-economic profile of the district and are as follows:

- The growth and diversification of the urban economy;
- Development of the rural economy and strengthening the linkages between rural and urban economies;
- Service delivery and human capital development; and
- Improved governance and stakeholder coordination

The Amathole Regional Economic Development Strategy (AREDS or Khul'Amathole) was compiled by the ADM and the Amathole Economic Development Agency (AEDA) and is a 20 year economic vision for the district. The objectives of the AREDS are to increase the number of households earning an income and to increase the amount of income earned by households. It sets a target of 60% of households earning above minimum wage income by 2014 which is in line with the Millenium goals of halving unemployment.

To implement the AREDS, we have aligned our development in accordance with a corridor management approach in support of the development of localities and of sectors identified as having competitive advantages in Amathole. The four corridors are the N2 (between East London and Mbhashe); the N6 (Stutterheim and Cathcart areas); the R63 (King Williamstown/Hogsback and Bedford areas) and the R72 Hamburg/Peddie area). The new AEDA structure will now place a Project Manager responsible for each of the corridors and adopt small towns as anchors of these corridors. In this way, AEDA will not only consolidate its focus on increasing small town economies but will facilitate productive, consumptive and economic linkages within the corridor and between corridors, and their link with the regional hub of East London.

In order to diversity our economy, to eradicate poverty and ensure food security, the ADM's Agricultural Unit has instituted a number of programmes and has supported the revitalization of various irrigation schemes such as Keiskammahoek, Dube, lower Zincuka, Bongithole and Zibhityolo. This past year a new milking parlour at Keiskammahoek Dairy was built at a cost of R5 million. The ADM is also currently involved in the establishment of the Ludiza irrigation scheme. Together with our strategic partners, the Department of Agriculture, the ADM has provided maize production inputs to re-

source poor farmers in the Mbhashe and Mquma municipalities in the amount of R1,2 million. This involved 250 hectares of land that was planted to maize. Mielie fields were also fenced at Mamatha and Xholobe in the amount of R500,000.

The ADM was appointed as an implementing agent for the Breaking New Ground (BNG) pilot project valued at R252 million in the Elliotdale rural area last year. The project is called the Elliotdale Rural Sustainable Human Settlement Pilot Project. It is multi-faceted and includes projects for infrastructure, local economic development, agriculture and social needs. Good progress has been made in kick-starting this project. The ADM is implementing nine rural housing projects involving 3,620 top structures to the value of R73,4 million at a subsidy of R20,300 each. So far these projects are in excess of 75% completed. The public-private partnership with emerging contractors to ensure an economic impact on housing has been enhanced. The planning and surveying of 8,133 households across 10 villages in the rural and peri-urban areas has been completed. These include Mount Pleasant, Komga, Dongwe, Prudhoe, Teko Springs, Slatsha, Magrangzeni, Diphini, Ngxingxolo and Makhazi.

Progress has also been made in accessing of land parcels to the ADM for properties in Kwelerha, Kubusie, Ndlovini and Needscamp. The land restitution project at Cata has also registered progress such as the wattle and pine forests, irrigation of land, environmental assessment of the grazing land, community gardens, a community museum, the resurfacing of roads, and spring water studies have been completed with the assistance from the University of Fort Hare. Similarly the Dwesa-Cwebe land restitution project has also registered a lot of progress including electrification, planning and surveying, the upgrading of the Haven Hotel, resource centres have been built, commercial and community gardens have been established and CPA registration completed. Progress registered at the Betterment Restitution Project for 9 Keiskammahoek villages include the signing of a social contract agreement, the establishment of a Project Steering Committee with representatives from each of the 9 villages and the drafting of an integrated development plan.

The past year has proved to be very challenging for the ADM. Although the district became the Water

Services Authority in July 2003 for the whole district with the exception of Buffalo City Municipality, it decided upon the internal option to implement the water services provider function and took over this role from 1 July 2006, subsequent to the Section 78 Assessment. The municipality also centralized the financial services for water and sanitation from this date as well. The ADM has approximately 600 water systems which it administers and there were many challenges with water outages in various parts of the district, due in main to the aging infrastructure which needs replacement and/or refurbishment. The process was fraught with many challenges. We found that there was no level of uniformity in the costing methodology; therefore there was no uniformity of the tariffs. Water tariffs were plagued by low levels of recovery, driven by poor policy models, and low levels of economy of scale.

There were no accurate records of the establishment or running costs of water schemes and there were large scale overheads, inherited from the erstwhile water services authorities, not linked to schemes. Currently there are assets in excess of R3 billion requiring varying degrees of refurbishment. Repairs and maintenance were not effectively undertaken. There were no water audits with some scheme inefficiencies up to 50%. There were high levels of “unaccounted for water” and even the debt brought forward from erstwhile water services authorities show no levels of reliability. Whilst the municipality acquired a significant increase in assets, there were zero capital replacement reserves. The recognition of the international standards of accounting in assets and depreciation were not taken into consideration during tariff formulation. The establishment of funds to cater for bad debts were not cash backed and in fact the entire water and sanitation budget frameworks were not cash based.

In order to address some of these challenges the ADM will have to actively hunt for funding. We have since introduced scheme based costing for all the water and sanitation schemes created. The carrying of inefficiencies have been quantified, the costs thereof is carried by discretionary revenue and not the consumer. A full asset verification of all water services infrastructure has been undertaken and asset costs are now known and costed. The capital recoupment charge allows for the refurbishment of assets and water services is now completely ring fenced. We now have accurate costing of free basic services and of indigent support.

However on the upside, the ADM implemented 34 projects and provided RDP standard water services to an additional 61,361 people within the district, bringing the total to 75.15% of our target population of 975,086 people. Similarly, we have provided 91,526 people with RDP standard sanitation, bringing our total to 25.63% of our target population. We have estimated that, in addition to the capital programme for the next three years, we still need a further R1,1 billion if the municipality is to meet national government’s targets of water for all by 2008 and sanitation for all by 2010. The ADM has thus adopted a two-pronged approach when addressing the water services backlogs. The first one is to ensure RDP standards and the second, interim programme, is to ensure “safe water to all by 2008” and “safe sanitation to all by 2010”.

The ADM has six bucket eradication projects (10,572 buckets) within its area of jurisdiction and is well on target to wipe out this backlog by the end of December 2007.

However, the municipality has continued to demonstrate its capacity and ability in spending the full National MIG allocation of R142,742,414.46. This demonstrates our commitment to implement the projects and to meet national government’s targets.

The ADM remains committed to our communities. We renew our pledge to create a better life for all. However, partnerships are vital to improve service delivery and also to grow our economy and we encourage our communities therefore to get involved, and attend forum meetings where their voices can be heard and where they can influence the decision making process of Council.

I would like to take this opportunity to thank all Councillors and officials for their support during the past financial year and for their commitment and hard work in making this municipality the success story that it is.

Sincerely,



SAKHUMZI SOMYO (ALDERMAN)
EXECUTIVE MAYOR



Xolela W. Msweli

municipal manager's message

Xolela W. Msweli

The Regional Services Council (RSC) Levies were abolished as of 30 June 2006. The Amathole District Municipality received a Levies Replacement Grant from National Treasury in the amount R128 million during the 2006/07 financial year to make up for it. This figure was based on the ADM's historical levies trend and next year will increase to R165 million.

The division of powers and functions between district and local municipalities in terms of Section 84 of the Local Government: Municipal Structures Act of 1998 provides that district municipalities should be responsible for potable water supply and domestic wastewater and sewage disposal systems, in other words to be the water services authority for their area of jurisdiction.

The ADM signed a transfer agreement with the Department Water Affairs and Forestry (DWAF) that effectively outlines the mechanism for the transfer of the water services from the erstwhile authority to the ADM. This agreement provides for the secondment of 171 personnel, a subsidy of R86,4 million over a six year period for the refurbishment and operations of one regional and 394 rudimentary schemes, as well as training for staff to be transferred. The ADM is currently finalizing the transfer of staff associated with this function.

The centralization of financial activities relating to water services was concluded on 1st July 2006. This effectively means that, for the first time, the ADM is able to fully assimilate the costs of water services, which will inform planning for the service and implementation of policy governing the sector within its jurisdiction. A total of 320 staff were transferred to the ADM through this process and the water services operation and maintenance division is currently being restructured to improve performance, accountability and to exploit opportunities for skills improvement.

The ADM is also the Municipal Health Services Authority and is responsible for ensuring that appropriate Municipal Health Services such as water quality monitoring, food control, communicable diseases and environmental pollution are effectively and equitably provided. A Section 78 assessment was concluded and the internal option was adopted by Council. The ADM is currently in the process of assimilating the staff from the Department of Health as well as the local municipalities. The process is now at an advanced stage and the ADM is also busy populating its organogram for municipal health as a measure to build the capacity and to augment the current human capital.

Last year Council approved the Bursary Scheme for staff members, and thus far, the ADM has received and approved 59 registrations. At a Provincial Local Government SETA Skills Colloquium held at Jeffery's Bay at the end of November 2007, the ADM was awarded the LGSETA Award for "Best Performing Workplace" in the Eastern Cape Province for the development and implementation of workplace training. The award also included a cheque in the amount of R20,000 which will be ploughed back into the ADM's capacity building programme again.

Xolela W. Msweli

This past year also saw the graduation of 12 local economic development officer learnership candidates, 8 assessors and 1 ABET learner. On 20th February 2007, the ADM launched the Vuku'Phile Expanded Public Works Programme learnerships in Adelaide. Whilst 300 contenders from the district wrote the tests, 90 were selected for interviews and finally 10 candidates were chosen for the contractors learnership at NQF level 2, and 20 candidates were chosen for supervisor training at NQF level 4. Also in February 2007, some 79 peace officer trainees graduated.

Next year, the ADM will also be implementing the National Skills Funding programme of R11,4 million which was allocated to the ADM. This will include two learnerships in January 2008 for Automotive Repairs Learnership at NQF 2 for 30 candidates, and craft production learnerships for 23 candidates. A District Management Agency was appointed in November 2007 by the Office of the Premier and will handle the management of the learnerships. Other learnerships also in the pipeline include masonry learnerships for 139 unemployed candidates. The Local Government SETA Sector Skills Plan funding of R650,700 will also assist the ADM in introducing an entrepreneurship training for 30 disabled candidates in January 2008. Furthermore, the ADM will be introducing in the next year an IDP learnership programme at NQF 5 for 20 candidates which will be funded by the Department of Housing and Local Government. The ADM also has a bursaries scheme for rare skills amongst the unemployed. Thus far the ADM is assisting 4 students at various institutions with their studies in civil engineering and next year will extend this bursary scheme to Information Technology students as well.

During the year under review ADM developed and adopted its Regional Economic Development Strategy, shortly referred to as AREDS with the theme "Khul'Amathole". The main thrust of this strategy, therefore, is the stimulation of economic growth of the district which will be realized by rekindling economics of the designated corridors. Through the Amathole Economic Development Agency this strategy will be widely marketed during the 2007/2008 financial year.

The past year has been tough with many challenges especially in the provision of water services to the communities of the district, in dealing with aging infrastructure that needed refurbishment or replacement, in dealing with many water outages in various parts of the district, and so on. Our thanks go to our communities for their patience whilst the municipality dealt with the many problems that needed attention. Notwithstanding the above, and in closing, I would like to thank the Executive Mayor, the Speaker, Councillors and Officials for their support in making this yet another successful year for the ADM.

Sincerely,



XOLELA W. MSWELI
MUNICIPAL MANAGER

LED Learnership Programme



overview of the municipality

EXTENT OF AMATHOLE DISTRICT MUNICIPALITY

The Amathole District Municipality (ADM) is located in the mid-section of the Eastern Cape Province along the coastline of the Indian Ocean, encompassing the former homeland areas of the Ciskei and Transkei, as well as the former Cape Provincial Administration areas.

The ADM's demarcated area is made up of eight (8) local municipalities, namely:

- *Buffalo City Municipality (BCM)*, comprising the city of East London, the main town of King William's Town, the township of Mdantsane and surrounding urban centres (including the provincial capital, Bisho, and nearby industrial centre of Dimbaza), a number of coastal towns, and numerous peri-urban and rural settlements;
- *Amahlathi Municipality*, comprising the towns of Stutterheim, Cathcart, Keiskammahoek and Kei Road, and numerous peri-urban and rural settlements;
- *Nxuba Municipality*, comprising the towns of Bedford and Adelaide and surrounding rural areas;
- *Nkonkobe Municipality*, comprising the towns of Alice, Fort Beaufort and Middeldrift, the smaller towns of Hogsback and Seymour, and numerous peri-urban and rural settlements;
- *Ngqushwa Municipality*, comprising the town of Peddie, the coastal town of Hamburg, and numerous peri-urban and rural settlements;
- *Great Kei Municipality*, comprising the town of Komga, the small coastal towns of Kei Mouth, Haga Haga, Morgan's Bay and Chintsa, and a number of rural settlements;
- *Mnquma Municipality*, comprising the main town of Butterworth, the small towns of Nqamakwe and Centane, and numerous peri-urban and rural settlements; and

map showing ADM area



- *Mbhashe Municipality*, comprising the towns of Dutywa, Elliotdale and Willowvale, and numerous peri-urban and rural settlements

SOCIO-ECONOMIC CHARACTERISTICS

The ADM stretches along the coastline of the south-eastern part of the Eastern Cape Province, taking in the former areas of Ciskei and Transkei, as well as former Cape Provincial Administration areas. Geographically, the district is mountainous in the northern and north-western parts, sloping towards the coast in the east and south-west.

The ADM contains 25.9% of the Eastern Cape's total population, estimated at approximately 1.7 million, with an average population density of 63.5 people per square kilometre. This varies widely across the various municipalities, ranging from 167 people per square kilometre in the urban centre of Buffalo City (home to 42.2% of the district's total population) to just six people per square kilometre in Nxuba (home to 1.5% of the district's total population).

The population of the district is predominantly African (92.5%), the majority of whom are found in the former Transkei and Ciskei areas, as well as around the urban and semi-urban centres of East London and King William's Town.

Education levels are generally low. Only 16% of the district's population have matriculated or have post-matric qualifications, with about one in 10 people having received no formal schooling at all.

An estimated 66% of the district's people live in poverty. Of these, the majority are found in Buffalo City (701 890), Mbhashe (253 380), and Mquma (287 772). The highest proportions of people living in poverty are found in Mbhashe (82%), Ngqushwa (79%), Mquma (75.3%) and Amahlathi (72.7%).

Unemployment is estimated at about 70% of the district's total population. Of these, the majority (19.9%) live in Buffalo City. Outside the urban centres, the Mbhashe, Mquma, Ngqushwa and Nkonkobe municipalities are among the hardest hit, also with 70% unemployment rates.

A large portion of the working population (29%) falls into the elementary unskilled category.

In terms of the economic profile of the district, the area combines elements of a sophisticated and globalised automotive industrial economy with an under-developed agricultural sector, where household production levels are reportedly declining and the majority of the population depends on state pension and welfare as primary sources of subsistence. Consequently, the district is characterised by huge discrepancies in wealth and skills.

SPECIAL PROGRAMMES

A Special Programmes Unit facilitates the integration and mainstreaming of the marginalised communities. As a sector plan, a Special Programmes Strategy sets the framework for the integration and mainstreaming of all the designated groups.

ECONOMIC OVERVIEW

The district is the second largest economy in the province. Agriculture provides 8,7% of formal employment and varies greatly within the district. Farming is predominantly for subsistence purposes rather than commercial. Manufacturing provides a relatively high 14,3% (but declining from 22% in 2000) of formal employment. The automotive, food processing and textile industries are the major manufacturing sectors, in that order.

East London is an established tourism destination. The district has a rich history and the heritage resources have socio-cultural, spiritual and non-spiritual, historical and political value and meaning.

SPATIAL AND LAND USE OVERVIEW

The spatial patterns of development (i.e. settlement patterns) vary throughout the district. The urban complexes of East London / King William's Town (falling within Buffalo City) dominate the district urban settlement pattern. Apart from this dominant urban centre, the district is characterised by a number of smaller towns (some of which function as sub-regional service centres), small coastal resort towns, so-called communal land areas where dispersed rural settlements are the dominant pattern, and areas where extensive commercial agricultural land holdings are the norm.