

INKWANCA LOCAL MUNICIPALITY

ANNUAL REPORT 2007/2008



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TABLE OF CONTENTS	PAGE
CHAPTER 1: INTRODUCTION & OVERVIEW	
1.1 Foreword by the Mayor	4
1.2 Overview of the Municipality	6
a) Geographic and Demographic Profile	6
b) Socio-economic Profile	8
1.3 Executive Summary	10
CHAPTER 2: SERVICE DELIVERY PERFORMANCE HIGHLIGHTS	
2.1 Water Services	18
2.2 Electricity Services	21
2.3 Sanitation Services	24
2.4 Roads & Stormwater	27
2.5 Waste Management Services	30
2.6 Housing & Town Planning	34
CHAPTER 3: HUMAN RESOURCES & ORGANISATIONAL MATTERS	
3.1 Introduction	37
3.2 Inkwanca LM Organisational Structure	37
3.3 Staff Development Initiatives During the Financial Year	40
3.4 Key HR Statistics Per Functional Area	40
3.5 Annual Performance as per Key Performance Indicators	43
CHAPTER 4: LOCAL ECONOMIC DEVELOPMENT & INITIATIVES	
4.1 Introduction	45
4.2 Tourism Projects	45
4.3 Other Local Initiatives	46
CHAPTER 5: AUDITED STATEMENTS & RELATED FINANCIAL MATTERS	
5.1 Introduction	50
5.2 Operational and Capital Budget Information	50
5.3 Financial Status of the municipality	52
5.4 Audited Financial Statements	55
5.5 Auditor-General's Report	80
5.6 Actions Taken to Address Audit Findings	92

CHAPTER 1

INTRODUCTION & OVERVIEW

1.1 *Foreword by the Mayor*



His Worship, Cllr ME Yekani

It is indeed an honor to take this opportunity and once more reflect on the long and sometimes rough road that we travelled with the people of Inkwanca, including our stakeholders during the budget year 2007/08. In terms of municipal finance management act Municipalities are required, to inter alia, submit to council within six months an annual report for that financial year and Inkwanca municipality is no exception to this rule.

The failure by the council to comply with the provisions amounts to failure to account to our communities and our stakeholders. In this regard we must acknowledge that our failure to respond to the requirements of the act especially has greatly reduced or compromised our oversight responsibility.

It is therefore with this view that we have taken this step to redress the weakness of the past. We herein therefore commit ourselves to establish a culture of public discourse and accountability to our community and our stakeholders respectively. The following annual report will reflect on the performance of Inkwanca municipality for the year ended 2007/8. The report will seek to take along our communities and partners on a road of introspection wherein we examine our achievements and the challenges faced by our municipality during this period. In particular, the report focuses on service delivery and budget implementation, how we strived to promote good governance and accountability to our local communities.

It is noteworthy to state herein that during this financial year, our municipality was faced with major challenges, mass resignations by senior managers as a result of financial constraint, among others. In the light of the above, our municipality was then rendered ineffective, in a number of key functional areas, compromised service delivery standards.

Despite these challenges the municipality has made a significant progress in meeting some of the targets, as articulated in our IDP, the eradication of buckets system in the entire locality. We confidently say that our achievements to date have come at a price, we therefore salute the people of Inkwanca for their unwavering support and patience during these trying times. "Sithi maz' enethole".

We are happy to say, we have never deviated from our tradition of always seeking a fresh mandate from our communities. During this financial year, we have consulted widely and explored all avenues to give our stakeholders enough opportunity to contribute to the budget and the IDP. The establishment of area

committees and the involvement of youth formations, sport, farmer's union, Inkwanca Ratepayer's Association and NGOs bare testimony to that.

We want to reassure all our people and partners that we will work hard and cherish the vision we crafted together for this municipality, of giving equal opportunity, material and social upliftment of all our residents. We are quite certain that working together we can make this vision a success.

ME Yekani
Mayor

1.2. Overview of Inkwanca Local Municipality By the Municipal Manager:

Mr NA Ncube (below)



a) Geographic & Demographic Profile

The Inkwanca Municipal Area, comprising approximately 3583²km is situated 60km north-west of Queenstown. The towns of Molteno and Sterkstroom comprise the urban component of the municipal area with Molteno being the administrative district.

The Inkwanca Municipality falls within the Chris Hani District Municipality and is bounded by the Tsolwana, Gariiep, Maletswai, Emalahleni and Lukhanji Municipalities. The N6 access road between Bloemfontein and East London/Port Elizabeth play an important link through the region. In addition, the R56 route through Sterkstroom and Molteno towards Middelburg is a further important roadlink. The area has a rich historical background dating back to the 18th century with a member of monuments and key places of interest.

Two distinctive areas are identified i.e. urban nodes and the rural hinterland.

The rural hinterland is characterized by a large commercialized farm land with large scale cattle, sheep, goat and game farming. The area is suitable for this type of agriculture given its harsh climatic conditions, rainfall and vegetation characteristics. The rural population comprises a small portion of the total population in the municipal area and most of the residents are urbanized with high proportional urban population figures.

The urban residential component of the municipal area is mainly concentrated in the two urban nodes:

- Molteno, including Nomonde, Molteno Town and Dennekruijn
- Sterkstroom, including Masakhe, Sterkstroom Town, Sonwabile and Hoffmansville

Demographic Data obtained from the Central Statistical Services (Census 2001).

→It is noted that the accuracy of the following figures can be debated. For instance, the total number of urban households is 6062 – in terms of municipal records and municipal planning. However, the figures below are used based on consistency and the fact that Government use these figures for grants and subsidy purposes.

□ Population/Age

Age	Rural	Molteno	Nomonde	Masakhe	Sterkstroom	Total
0-9	813	277	1786	1131	119	4127
10-19	552	400	2437	1542	219	5151
20-64	1908	803	4030	2422	417	9580
56+	135	177	563	430	85	1389
Total	3408	1657	8817	5525	840	20247

- Approximately 50% of the population is within the economic active group, aged 20 – 64.
- 17% of the population live in the rural area, indicating high level of urbanization.
- Molteno has the greatest population concentration, comprising approximately 50% of the total population or 10474.

□ Family Composition

	Families	Population
Rural	1148	3408
Molteno	2569	10474
Sterkstroom	1758	6365
Total	5475	20247

- Total of 5475 families reside in the municipal area.
- This constitutes an average family size of approximately 4 persons.
- Molteno represents the highest family sizes in the municipal area with the rural area the lowest at approximately 3 persons per family.
- Population distribution between the urban and rural area clearly demonstrates high level of urbanization and high level of commercial farming activities.

b) Socio-economic Profile

Economic Activity	Total
Employment	3057
Unemployment	4242
Home-maker or housewife	316
Unable to work due to illness or disability	731
Does not choose to work	543
Not applicable (younger than 15 and older than 65)	11357
Total	20245

- Very high levels of unemployment (as much as 60%).
- Declining economic profile which is evident throughout the district.

- Human development index: 0, 47, i.e. one of the lowest in the district.
- 69,9% of population living within poverty bracket

Economic Sector	Total
Agriculture and hunting	39.2
Manufacturing	4.4
Construction	5.3
Wholesale and retail trade	11.2
Transport, storage and communication	1,4
Financial, insurance, real estate and business services	3.6
Community, social and personal services	17,9
Other	2,0
Private households	15,0
Total	100

- Agriculture and hunting represents by far the biggest sector and employer in the municipal area.
- Community, social and personal services second highest employer.
- High level of employment in agriculture industry demonstrates vulnerability of the study area's economy, with specific reference to droughts and impacts on the commercial farming industry.

Income (Annual/Household)

No Income	R1 – R9 600	R9 601 – R38 400	> R38 401	Grand Total
1,127	2,324	1,518	508	5,477

- 20% of families have no income.
- 62% of families have no income or an income below R10 000 per annum.
- The economic analysis indicates high levels of dependency on subsidies and possible subsistence farming initiatives.
- Low economic growth and high levels of unemployment increase dependants on state funded projects, with specific reference to housing.

The grim economic situation of the Municipality is further exacerbated by the fact that there is an extremely high dependency ratio with an average of 1:6 per household.

Major Economic Sectors

The major economic sectors making a meaningful contribution to the Municipality's economy are predominantly stock farming and manufacturing to a lesser degree. Agro development constitutes the largest portion of economic activity with the largest number of employed persons working on farms. INKWANCA has vast land available, but the area is dry and very rocky discounting the feasibility of crop production in high volumes.

The manufacturing sector is dominated by Nola (being and "Ouma rusk" manufacturing concern) and the Stormberg Organic Farms manufacturing biltong.

There has been a notably decline in the development of these sectors over the years.

1.3 Executive Summary

In this report our intention is to provide an overview of Inkwanca local Municipality, our wish is to reflect on the service delivery environment, our targets, and the measurable performance objectives as laid down in the municipality's service delivery and budget implementation plan (SDBIP) for the financial year 2007/2008. The challenges encountered by the municipality during period are merely mentioned to take the reader along with us into a journey of discovery. In our view these challenges have assisted us to create a platform or measure of standard against which to date we can measure our level of achievement.

In spite of these challenges, we are convinced that our municipality has met its service delivery targets albeit budgetary constraints, high staff turnover, an weak revenue base which is eroded by a high rate of indigency in our community, high unemployment, high poverty rate, non-existent economic base, and so forth.

Our confidence to date is that in spite of these challenges, the municipality has managed to meet its service delivery targets given the identified priorities, and public expectations. Our main focus remains to maximize and meet the developmental needs of our community. For the past financial year we have set ourselves milestones, that is, the key deliverables, as reflected in the integrated development plan (IDP), and the Local economic development strategy (LED). Indeed, the financial year 2007/2008 has been a turning point in the history of this municipality. The municipality has been challenged on a number of fronts, these include managing a shoe string budget and achieving our targets being mindful of the need to maintain established standards. Inkwanca local Municipality has for the year under review set out the following objectives, which we have achieved amid challenges, which remains among others the desire to change the lives of our people for the better.

- To provide quality and affordable services to all the communities of Inkwanca.
- To develop strategies which enabled us to manage resources efficiently and effectively.
- To develop strategies and programmes to promote social and local economic development.
- To put in place process where communities are encouraged to participate directly in the planning of their own development.
- To build new and maintain infrastructure to support service delivery, social development and economic growth.

- To ensure good governance within the municipality (transparency, public accountability, access to information, administrative justice and responsiveness to complaints).
- To develop and maintain good relationships with provincial and national government spheres so that there is an understanding at these levels of government of the needs and requirements of the municipality; and that funding is allocated to development projects of our municipality.
- To develop human resource capital that will respond to challenges facing our municipality.

The above objectives were divided into five key performance areas being:

- Institutional transformation: Systems development, Organo-gram review, staff capacity and skills retention.
- Infrastructure and Basic Services: water provision, sanitation, electricity provision, roads and storm water refuse removal, parks and public places as the indicators of our performance.
- Local economic Development: facilitate land availability; ensuring a clean and safe environment; creation of a growing sustainable economic development sector; creating a growing and sustainable tourism environment, SMME Development,
- Finance: Debt collection, revenue management, supply chain management, asset management, budget processes
- Good Governance: Communication, Customer care, accountability, Auditing (financial & performance) and responsiveness governance.

Institutional transformation

Due to financial and fiscal constraints, this municipality has not been able to ensure that all posts in the organogram are filled. The approved organisational structure has 185 positions, of which only 123 have been filled and 62 are vacant and not funded.

The biggest challenge is staff turnover – it is at its all time highest. By the end of the financial year all three Section 57 managers (Chief Financial Officer, and the Manager for Technical Services and Community Services Manager) had resigned. They found employment in other municipalities bigger than Inkwanca LM. The council has tried to persuade and impress on them to stay, but to no avail. The Communications Officer left also sighting personal reasons. The loss of such expertise and experience meant that we have to start from scratch, recruit and fill those vacant positions with less experienced persons. It is clear that a lot of work still needs to be done in ensuring that our municipality is adequately staffed and that a strategy to be developed to address staff retention.

The municipality is yet to review its organizational structure to be in line with our powers and functions; and so that it talk to our vision as well as resources at our disposal. It has transpired in the recent past that the current structure is unworkable due to various reasons chief among them being lack of financial resources to attract suitable candidates. The leadership vacuum creates an operational risk to the Municipality as the Municipal Manager may not be able to get involved to the day to day operational issues and thus exposing the municipality to potential operational inefficiencies.

After the opening of a traffic Section in 2006/07 - we took a conscious decision to select young people to be trained as qualified Traffic Officers .We are proud that such an investment in human capital is beginning to bear fruit. We can say the Section is now full functional, it is providing the following services in addition to Traffic Law enforcement:

- Learner's Licence
- Renewal of Driver's Licence, and
- Public Driver's Permit (for Passengers & Goods)

Infrastructure & Services

We have managed to meet the national target for both water and electricity. We have taken giant strides in improving the lives of our people by providing clean water to all the residents of Inkwanca. Today all Inkwanca residents have access to clean water and the furthest tap from the house is not more than 50m from the doorstep. All urban households are getting Free Basic water – the number now stands at 6062 which is an increase of 144 from the previous year. Water quality has improved and we do conduct tests monthly.

As we have pointed out sanitation has been one of the areas of focus for this municipality and we are glad to report that about 100% of the households in the urban areas of Inkwanca have access to water bourne sewerage, this includes residents leaving in squatter camp area of 'eZimbacwini'. To date the number of households receiving free basic sanitation has increased from 2498 in June 2007 to 2618 in June 2008.

The number of people receiving Free Basic Electricity has increased from 773 at the end of 30 June 2007 to 979 by 30th June 2008. The only area that still gives us headaches in electricity provision is Zola, which is under Eskom area of supply.

As stated in the Annual Report 2006/07 regarding the condition of our roads and stormwater *“The municipality is not doing well in this area, we don’t have roads construction equipment neither graders nor rollers. As a result we rely on service providers to assist us with roads construction and maintenance. The condition of the roads and the stormwater drainage system not only endanger the lives of the people, but represent a major socio-economic liability on the part of the Municipality. The cost of dealing with disasters as a direct result of a failing drainage system and poor road conditions is extremely high and represents a major drain on the Municipality’s limited resources. It is unfortunate to report that the municipality lacks both material (financial and capital equipment) and human resources capacity to effectively deal with roads and stormwater.”*

Despite difficulties, we have managed to implement the Masakhe Roads and Stormwater Project. The project is towards its completion. There are snags and issues around finalization that must be attended to.

We are also proud to report that despite challenges our municipality was awarded the Eastern Cape Provincial Cleanest Town Award for 2007. The awarded came with R200 000 prize. We are grateful to all of you as residents, as councilors & as municipal employees for the support and special efforts you have put to ensure that we succeed.

Local Economic Development

During 2007/2008 there has been no new LED Projects. The council took a conscious decision not to embark on new projects, instead ensure that the existing projects are consolidated and yield the intended results. Through Thina Sinako we have secured funding from the European Union for capacity building for our LED unit. The project is being implemented in partnership with Intsika Yethu Municipality.

Financial Viability

The departure of the CFO Mr Z Mrwebi had a very negative bearing of the municipal financial status more especially on the quality of the Annual Financial Statements. He left on the 31st of August 2007, the very day AFS had to be submitted to the Office of the Auditor-General. He was therefore not available to assist during the time of auditing. We have reflected on this matter extensively in the 2006/2007 ANNUAL REPORT.

At the end of 2006/07 financial year we reported that the debt owed to the municipality by residents was “growing by R700 000 (over seven hundred thousand Rands) per month”. Little did change during the year under review, in fact the situation got worse.

We closed the year on very sad state of financial affairs – with the municipality’s inability to meet its financial obligations – a financial crisis. National Treasury, Provincial Treasury, Department of Local Government and Traditional Affairs, and Chris Hani District were informed of our situation. As we close the year, the municipality in conjunction with the stakeholders mentioned above have embarked on coming up with a Financial Recovery Plan to turn around the current financial situation. The financial problems not only affected the viability of this municipality, but threw into disarray the entire municipality’s annual programme for service delivery.

Good Governance

Since this municipality does not have Wards, in order to enhance public participation the council resolved way back in Sept 2006 to establish Area Committees, and 11 Area committees have been established thus far. As we close the year, we have agreed to streamline the work of these committees and re-align them in terms of size, proximity and functionality. For the 2008/2009 their number has been reduced to eight (8). We are also pleased to state that, in addition to the Area Committees, there are 33 organisations/formations registered in our database. These structures also participate in our IDP Representative Forum and the Budget Processes. These stakeholders include Farmers Union, Ratepayers Associations, Ministers(religion)Fraternal, political parties, youth formations in sports and culture, NGOs etc. Thus ensuring greater participation by communities in the municipal affairs of Inkwanca municipality.

Together with Inxuba Yethemba, Tsolwana municipalities, and with assistance of Chris Hani DM, we have finally established an Audit Committee to service the three municipalities. The exercise has taken along time due to scarcity of people with requisite skills to serve on such a committee. For the internal audit function, we still awaits a formal reply from DM as we have requested the assistance of their Audit unit.

Conclusion

In conclusion, we believe that we are still on course in the pursuance of our vision even though not all our objectives have been attained. The conferment of the Provincial Cleanest Town Award for 2007 to this municipality, attest to our resolve and commitment to ensure that every single resident has access to quality and affordable services. We concede that 2007/2008 has been a very testing year, more especially, in our quest to ensure a financial viable municipality. Our optimism remains very high - that the current state of municipal finances can be turned around for the better.

CHAPTER 2

SERVICE DELIVERY PERFORMANCE HIGHLIGHTS



Mr A Koos (above) Technical Services Manager joined the municipality midway through the financial year.

2.1 WATER SERVICES

a. Water services delivery strategy and main actors:

It is important to mention herein that, even though Inkwanca Local Municipality provides and manages the provision of water and sanitation, legally these functions are now the responsibility of the district municipality, in our case these functions are now the responsibility of the Chris Hani District Municipality. However, Inkwanca local municipality continues to provide these services on an agency basis, that is, an agreement exist where Inkwanca provides and manages this function on behalf of the district municipality, wherein the district municipality is the water services authority and the local municipality plays the role of a water and sanitation service provider. In a nut shell, these services are funded through the budget and direct allocation of the CHDM, this included planning and development.



Every yard has a standpipe inside with clean (purified)water.

The municipality has the following water sources:

- a. 6 boreholes
- b. Carnavon Dam
- c. Molteno Dam and
- d. Jubilee Dam

b. Level and standard in water services

We have managed to meet the national target for water and also have taken giant strides in improving the lives of our people by providing clean water to all the residents of Inkwanca. Currently all residents have access to clean water and the furthest tap from the house is 50 m away from the doorstep. All house holds of about 6062 are getting free basic water. This figure has increased by 144 from the previous year. Water quality has improved and we do conduct tests monthly.

c. Annual performance as per key performance indicator in water services

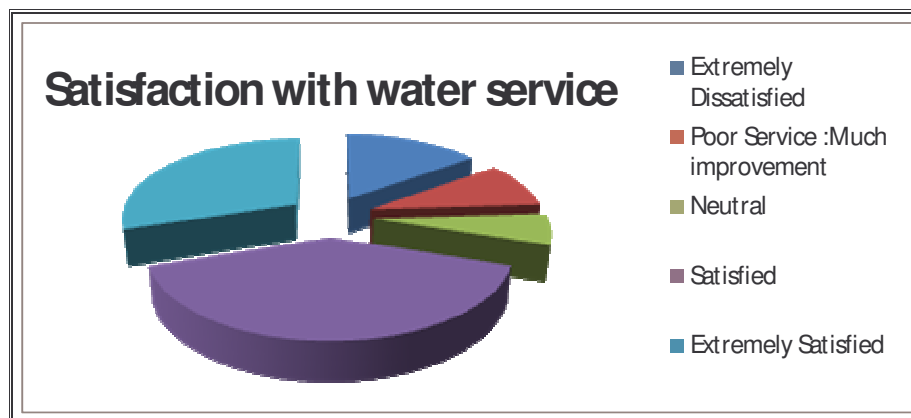
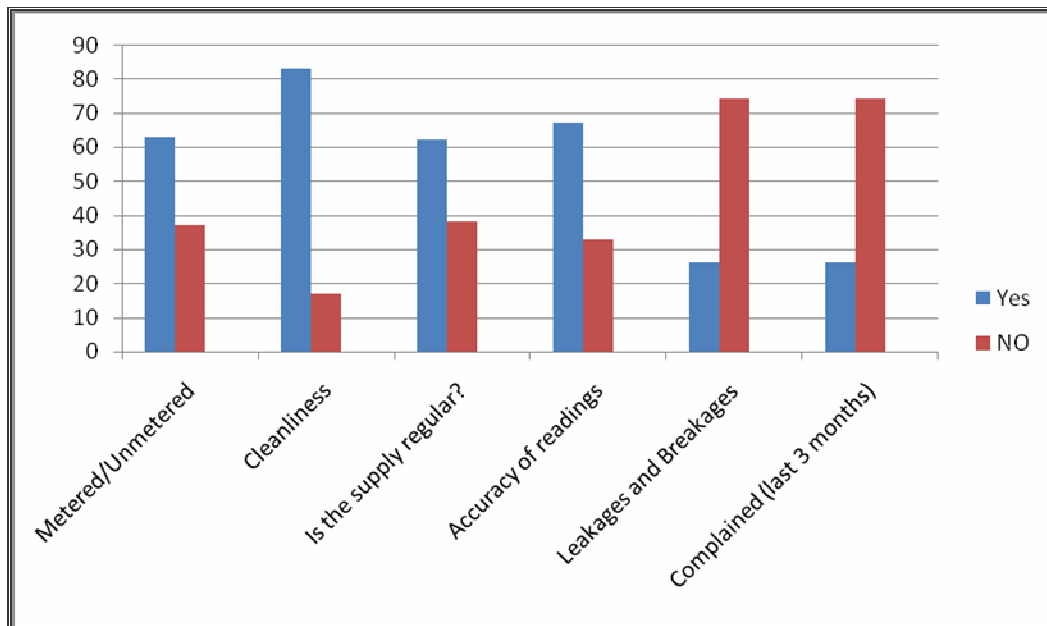
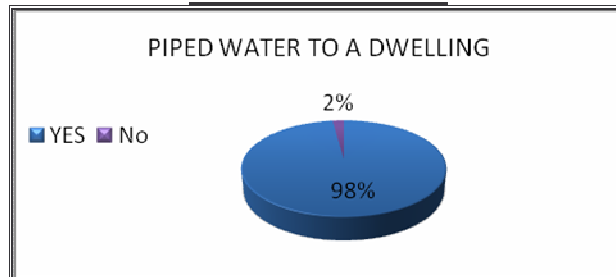
	Indicator name	Target set the year (number of house hold)	Achievement level during the year (number of households)	Achievement percentage during the year	Overall achievement rate including previous years.
1	Percentage of Households with access to water services	6062	6062	100%	100%
2	Percentage of Households with access to basic water services	6062	6062	100%	100%
3	Percentage of indigent households with access to basic free water services	2270	2270	100%	100%
4	Percentage of clinic with access to water services	4	4	100%	100%
5	Percentage of house holds using bucket	0	0	0%	0%
6	Percentage of school with access to water services	9	9	100%	100%

d. Challenges & Remedial actions:

The main challenge that we are faced with as the municipality relates to capacity which translates to both resources and personnel. Firstly, the current capacity of our Water Purification Plant in Molteno, is only able to maintain the current population, any future developments will therefore require the augmentation of such capacity. Secondly, we make use of general workers for operating water treatment. There are no qualified people with the necessary skills to provide the service. For water testing an example, we rely on service providers. The results usually take a week to be received by the municipality.

Another challenge is in Water demand management area. We need to install bulk water meters to be able to calculate the amount of water used in each area, in order to determine which areas consume a lot of water.

WATER SERVICES



2.2 ELECTRICITY SERVICES

a. Electricity services delivery strategy and main actor

The municipality has three main objectives with regard to electricity services. Firstly, to ensure that all households have access to the electricity. Secondly, to ensure that communities have appropriate street lights. Lastly, to provide free basic electricity to the indigent people. We have done this through:

- Electrification of all new households; and
- Identification of beneficiaries for free basic electricity.

b. level and standard in electrical services

The number of people receiving free basic electricity has increased from 773 at the end of 30 June 2007 to 979 by 30 June 2008. The only area that is still our concern is one of township in Sterkstroom which is an Eskom area in need of only 9 connections.

c. Annual performance as per key performance indicator in electrical services

	Indicator name	Target set the year (number of house hold)	Achievement level during the year (number of households)	Achievement percentage during the year	Overall achievement rate including previous years.
1	Percentage of Households with access to electricity services	6062	6053	99%	80%
2	Percentage of Households with access to basic electricity services	6062	6053	99%	80%
3	Percentage of indigent households with access to basic free electrical services	2270	979	40%	40%

d. Challenges & Remedial actions:

The rendering of this service is negatively affected by the following challenges:

- Ageing, old and dilapidated infrastructure which makes it impossible to repair. Most of the street lights, substations and entire electricity reticulation need urgent refurbishment.

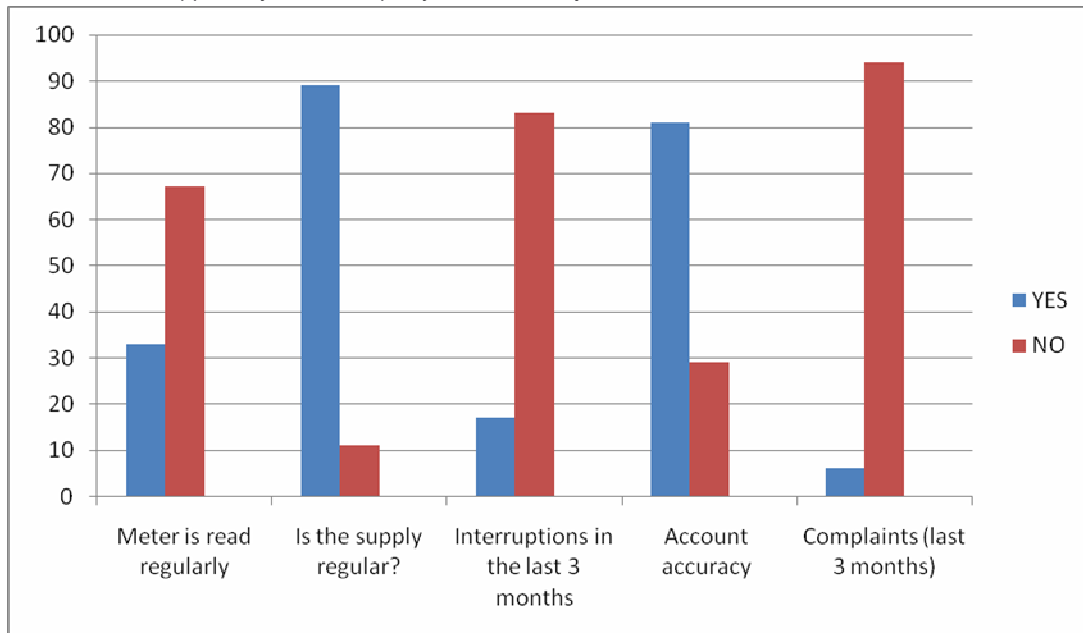
- Load shedding by Eskom during the first half of 2008 has resulted in revenue losses. As we begin 2008/2009, we had to increase our Electricity tariffs by 32% based on Eskom's electricity increases.
- The municipality also suffers from electricity losses due to theft. This in turn has affected our revenue base tremendously.
- The current MIG policies does not provide allocation for maintenance, the concentration is on building new infrastructure.

The municipality has put up a Plan of action to increase our collection base for us to do our repairs and maintenance.

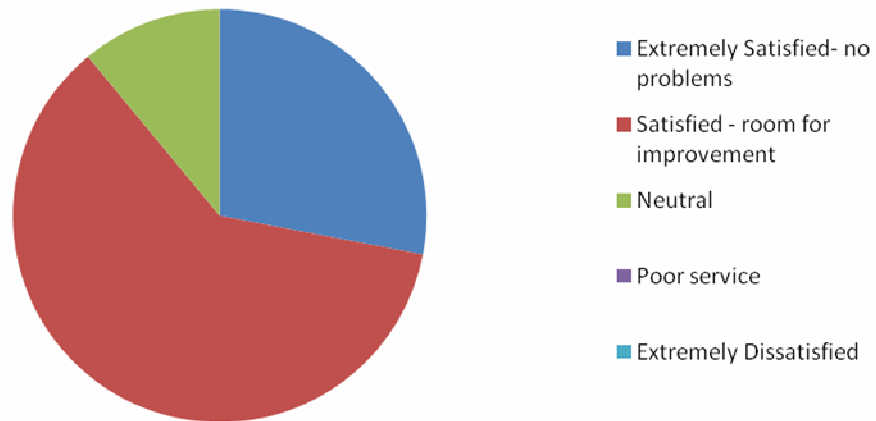
The Council has committed itself to develop an infrastructure maintenance plan, during 2008/2009 in order to ensure that the existing infrastructure is maintained and not to just continue building infrastructure with no plan in place for its sustainability.

The community survey results reveal that:

51 percent of respondents receive their electricity supply from the municipality, while 49% from directly from Eskom. Those supplied by the municipality had this to say:



Satisfaction with Electricity supply by the municipality



2.3 SANITATION SERVICES

a. Sanitation services delivery strategy and main actor

Our main challenge to date remains to keep the momentum and to fast track bucket eradication in our municipality. However, while we have remained focused on the overall objective to address all sanitation backlogs, our main challenge has been to increase capacity in our oxidation ponds to accommodate and keep pace with future developments. Our greatest handicap to date revolves around the legal status of the municipality. According to the current arrangements, Inkwanca local municipality is not a sanitation service authority, this function is the responsibility of the district municipality. In the scheme of things the municipality is merely a service provider, our role is limited to monitoring and maintenance. The initial powers and functions reside with Chris Hani District municipality as a water and sanitation service authority in our area, as well as the Department of water affairs and forestry. In this instance Inkwanca can only recommend new projects, and wait for the powers that be to plan and fund implementation thereof.

b. level and standard in sanitation services

Sanitation has been one the areas of focus for this municipality and we are glad to report about 100% of the households in the urban areas of Inkwanca have access to waterborne sewerage system.

To date number of households receiving free basic sanitation has increased from 2498 in June 2007 to 2770 in June 2008.

We have the following on sanitation services

- One treatment works
- Five pump stations

c. Annual performance as per key performance indicator in sanitation services

	Indicator name	Target set the year (number of house hold)	Achievement level during the year (number of households)	Achievement percentage during the year	Overall achievement rate including previous years.
1	Percentage of Households with access to sanitation services	6062	6062	100%	100%
2	Percentage of indigent households with access to basic free sanitation services	2270	2270	100%	100%
3	Percentage of clinics with access to sanitation services	4	4	100%	100%
4	Percentage of school with access to sanitation services	9	9	100%	100%

d. Challenges & Remedial actions:

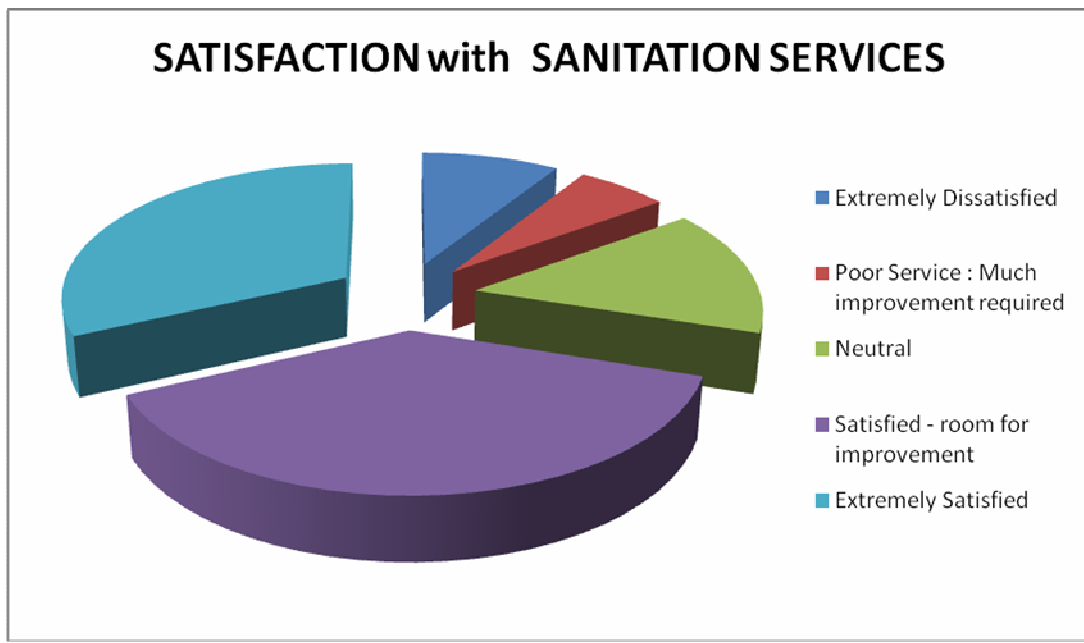
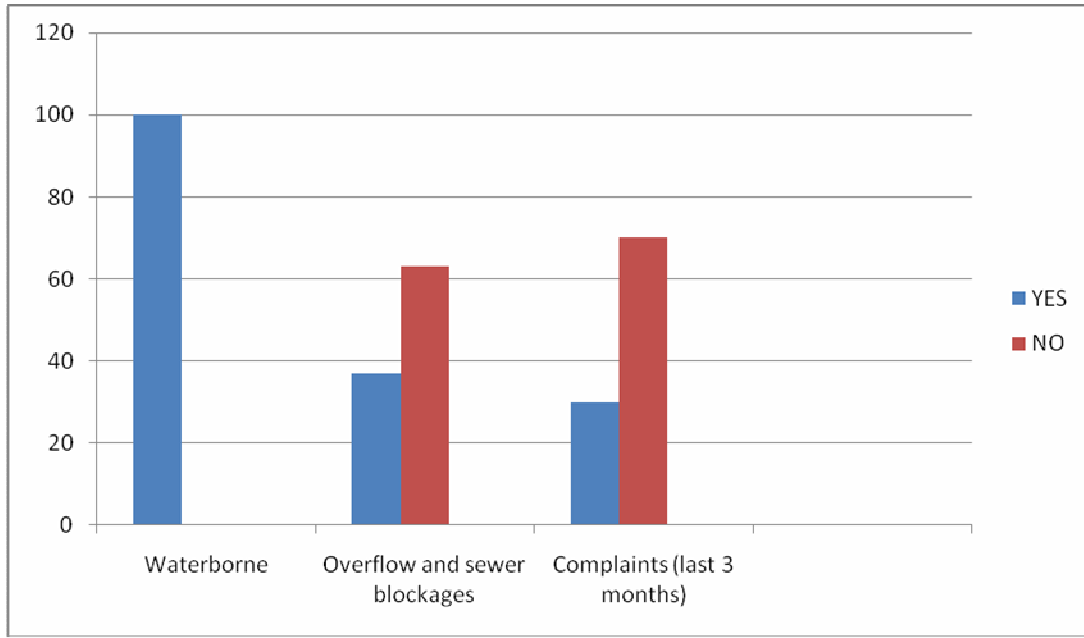
The municipality has met the national target for bucket eradication. The oxidation ponds were designed to carry less capacity, but now with bucket eradication it means all households use waterborne system. As a result, the oxidation ponds need to be upgraded also for future developments.

The main sewer line at Phumlani Section Nomonde Township, (about 600m) because of its size, is not suitable for current volumes- we have therefore planned to replace by a much bigger size.

Upgrading of Molteno Oxidation ponds project is identified on the IDP on this financial year. It planned to be implemented in the 08/09 financial year so it can be able to accommodate the future developments as well.

The municipality will development an infrastructure maintenance plan for the coming financial years.

A project has been identified on this years IDP for us to be able to register the project on MIG and so the district can implement this project on our behalf.



2.4 ROADS AND STORMWATER

a. Roads maintenance service delivery strategy and main actors

Our mission is to build and maintain a viable roads network in our municipality. To us roads are a means to facilitate access to key strategic areas in our community, and to continue improve on the

quality of local life. We are fully committed build new infrastructure in accordance observed standards, while we strive to maintain existing roads, our budget for the financial year ended 2007/2008 bears testimony to this desire. We are also mindful of the fact that the life span of our roads is only guaranteed through a well planned and maintained storm–water system. Therefore, flooding of the roads is considered to be the major threat to community investment. In this regard, roads and storm-water is one of our major assets, as such our main strategy is to protect and prolong their life span to benefit future generations and meet future demand.

b. level and standard in roads maintenance

The municipality is not doing well in this area; we don't have roads construction equipment like graders and roller. As a result we rely on service providers to assist us with roads construction and maintenance. The condition of the roads and the storm water drainage system not only endanger the lives of the people, but represent a major socio – economic liability on the part of the municipality. The cost of dealing with disasters as a direct result of failing drainage system and poor roads conditions is extremely high and represent a major drain on the municipality's limited resources.

Despite difficulties we have manager to implement the Masakhe roads and storm water project. The project is towards completion. There are snags and issues around finalization that must be attended to.

Chris Hani DM had challenges regarding the implementation of Phase 2 of Molteno Roads and storm water. The main challenge was that funds available were only a fraction of what contractors tendered for (CHDM budget R3.5 million and the lowest tenders was R14,8 million). It took some serious engagements of both the DM, Inkwanca LM, the consultants and the contractor to resolve the issue. A contractor was appointed at R8.4 millions.

c. Annual performance as per key performance indicator in roads services

	Indicator name	Target set for the year	Achievement level during the year	Achievement percentage during the year	Overall achievement rate including previous years.
1	Percentage of Households with out access to gravel or graded roads	0	0	100%	90%
2	Percentage of roads infrastructure requiring upgrade in km.	1032	4	0.3 %	1.3%
3	Percentage of roads infrastructure actually constructed in km.	4	4	100%	1.3
	Percentage of capital budget reserved for upgrading and				

4

maintenance in rands.

12 million

2.6 millions

0.00002%

1%

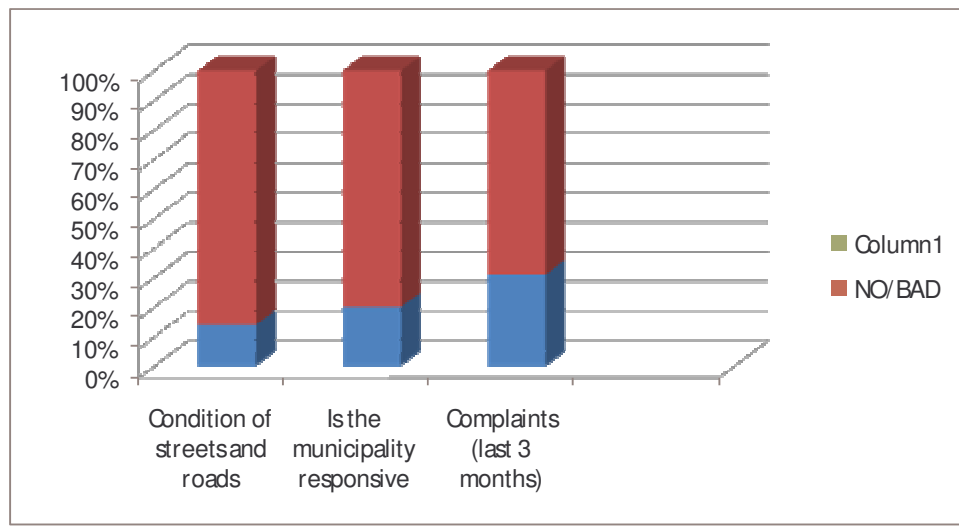
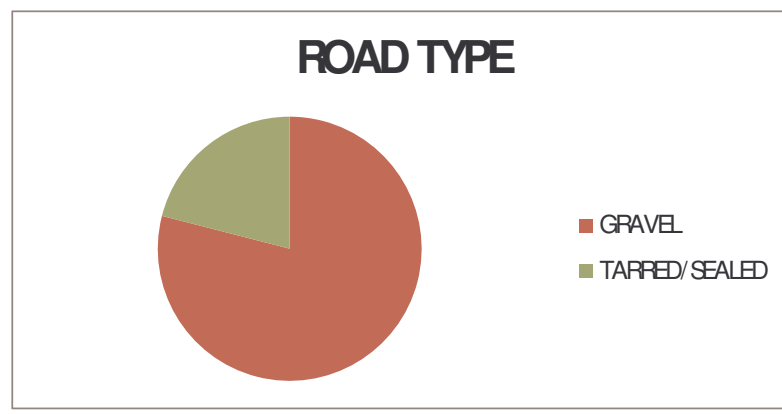
d. Challenges and Remedial actions

The municipality on this regard lacks resources, both machinery and personnel. There are no graders or rollers. We rely on service providers for the gravelling of our roads and storm water system.

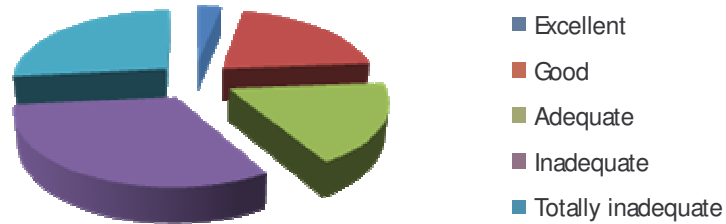
Due to its small revenue base, we cannot afford such machinery hence most our roads are not properly maintained because of capacity and machinery.

The municipality is currently hiring outside services providers to assist.

STREETS, ROADS AND PAVEMENTS



Condition of Roads, Streets, Pavements & Stormwater



2.5 WASTE MANAGEMENT SERVICES

a. The Actors in Waste Management.



Earlier on in this report on housing we have already alluded to the challenges as a result of housing and the related developments. Housing, the planning thereof is not limited to the actual brick and mortar structure, but in our view it goes beyond building, but extends to planning service delivery, securing of the necessary support infrastructure, including human and financial capital. The function entails the purchasing of Landfill sites and securing permits to operate the facility; the financing and purchasing of suitable vehicles and machinery to deliver on the service; the hiring of qualified personnel to operate the vehicles and machinery. The building and maintenance of access roads to the land fill site. This also extends to financing training and skills development, to ensure that the municipality is able to meet and satisfy statutory requirements and standards as stipulated by the department of environmental affairs.

The Municipality delivers services in the towns of Molteno and Sterkstroom. The domestic waste in both towns is collected on a weekly basis while the business waste collection frequency depends on the nature of the waste. Organic decomposable waste is collected more frequently, up to 5 times a week.



The Municipality employed casual workers, funded by the Chris Hani District Municipality to clean some of the residential areas when needed. The Molteno and Sterkstroom CBD's streets are swept and cleansed on a daily basis by the use of permanently employed workers. The road reserves and open areas within the residential areas are cleaned on a weekly basis. The waste is disposed off in black plastic bags that are provided by the Municipality. We currently have 22 permanent general workers. Because of financial constraints we have been employing people on contract basis to complement the Staff shortage.

We have designed a simple and easy-to-follow HOUSEHOLD & GARDEN REFUSE SCHEDULE for both towns, for instance in Sterkstroom:

- Mondays: Town
- Tuesdays: Sonwabile
- Wednesday: Zwelitsha, Delta and Safari
- Thursday: Zola Mqeshi
- Fridays: Old Location

The main actors are the Municipality employees and the members of the Community. The members of the Community have embarked on iron and zinc recycling business and this has contributed immensely to our Municipality in terms of waste minimization. There are currently no formal recycling activities because of relatively small amounts of waste available for recycling.

There are members of the Community who have an initiative to contribute in waste minimization efforts by adopting certain portions of the land and converting them into public parks. The District Municipality is also playing a major role in assisting the Municipality and waste management programs.

b. **Level and Standards of waste management services**



Mayor Yekani and municipal workers delivering refuse bins to residents of Nkululeko, July 2007

The waste generated at Molteno and Sterkstroom is disposed off at the local landfill sites situated in close proximity to the two towns. The number of rural areas in the Municipality generates very limited waste and almost no waste was apparent throughout the rural areas.

Our Municipality won the Eastern Cape Cleanest Town Competition and we received R200 000-00 during the period under review.

c. Annual performance as per key performance indicators.

Indicator name	Targets set for the year	Achievement level during the year (number of households)	Achievement percentage during the year	Overall achievement rate including previous years
1. Percentage of Households with access to refuse removal services	6062	6062	100%	100%
2. Existence of LM Waste Management Plan	Yes (since 2005)			
Percentage of municipal landfills in compliance with Environmental Conservation Act	2	2	100%	100%

d. Challenges & Remedial actions

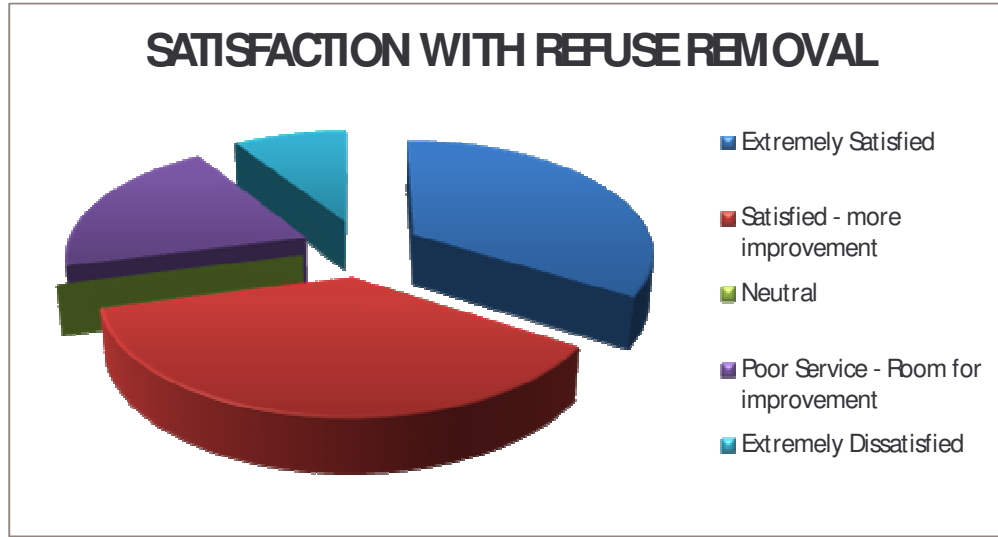
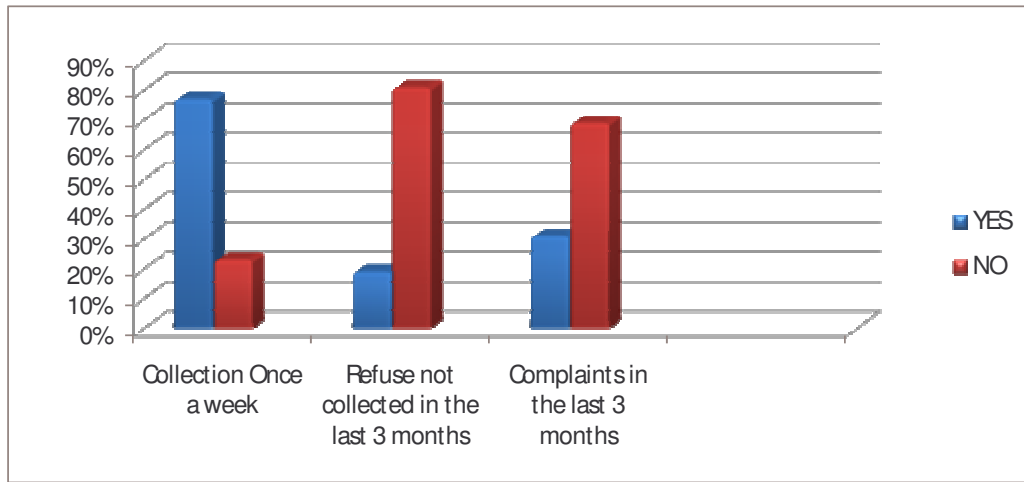
The council resolved in 1995 to eradicate informal settlements in and around the towns of Molteno and Sterkstroom. Our mission was and still to ensure that every family has a roof over their heads by the year 2014. Over the years the municipality has taken strides to fast-track low income housing delivery, thus far we have met our targets. This development has resulted in increased demand for municipal services. It is important to note herein that this development did necessarily translate into a positive impact on our revenue base. In our overview we have already mentioned that, our area is a characterized by a high rate of unemployment, it is estimated that between seventy two(72) and eighty (80) percent of the households in Inkwanca are considered indigent.

Source: Inkwanca Local Municipality indigent register 2006/2007.

The council policy on free basic services continues to guide and is the driving force behind our actions. We have already mentioned herein that, the combination of the weak revenue base, and the high rate of indigency, our municipality is seriously challenge on the labour front. As a consequence, the department of community services is grossly

understaffed. Amidst these handicaps we have been able and continue to provide free basis services to all our deserving households. At times we have employed temporal workers to alleviate pressure on our workforce. It is thus timely for us to acknowledge and extend our appreciation to the people of Molteno and Sterkstroom for their patience and support in our campaigns to keep our towns clean. Our appreciation is also extended to the CHDM for their financial and material support, especially their participation in the "Cleanup Campaign". In order to overcome these challenge we have identified the need to review our organo-gram where we envisage the improvement of the current financial situation. On the other front we will continue to fight and curb illegal dumping we have thenceforth put 'No Dumping' signs and we will continue to educate our community on the importance of keeping our environment clean.

1. REFUSE COLLECTION



2.6 HOUSING AND TOWN PLANNING

a. Housing and town planning services delivery strategy and main actors

Land availability and affordability is one of key factors to successful housing provision. The extent to which a municipality is considered successful in meeting housing needs of its community is determined by land availability and affordability. In this regard the municipality continues to identify land for human settlement and development. We are acutely aware of the fact that alongside housing developments, there will ultimately arise the need to take into consideration, the provision of the different public amenities, such as cemeteries, clinics, schools, roads and storm water to name a few. In addition, there is also related community services such as the provision of water, sanitation, refuse disposal and collection.

While, the responsibility to provide housing is the function of the provincial housing department. Our role is limited to the facilitation of the process. However, the major challenge begins when the municipality takes over from the department. We therefore, have over the years sought to play a more active role and influence planning by increasing our participation being mindful of the challenges that accompany housing and the related developments.

b. level and standard in housing and town planning

We so far set aside 204 ha of land for future housing development which include 1127 units, 46 units and 164 housing units. We also proposed on our housing sector plan to have a housing unit to fully participate in facilitation of this function for us to improve on housing delivery for our communities. This housing unit will operate within our municipality and will have town planning facilities as well

c. Annual performance as per key performance indicator in housing and town planning services

	Indicator name	Target set for the year	Achievement level during the year	Achievement percentage during the year	Overall achievement rate including previous years.
1	Percentage of Households living in informal settlements	0	23	+ 100%	+100%
2	Percentage of house holds in formal housing that conforms to the minimum building standards for residential houses	6062	6039	99%	99%
3	Percentage of LM with an approved SDF	1	1	100%	100%
4	Percentage of LM with land use management Plan	1	1	100%	100%

d. Major Challenges & Remedial actions:

We haven't got skills such as building control officers and town planners making it even difficult to monitor these projects hence the quality is compromised.

Finance for this unit is not budgeted for in this financial year. We envisage that the Proposed housing unit that will be co-funded together with the provincial government.

CHAPTER 3

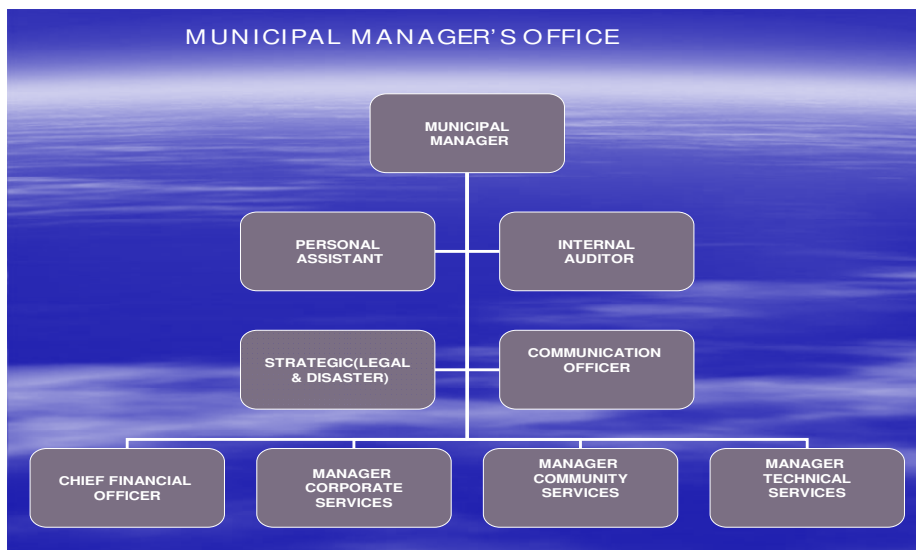
INSTITUTIONAL & HUMAN RESOURCES MATTERS

3.1 Introduction

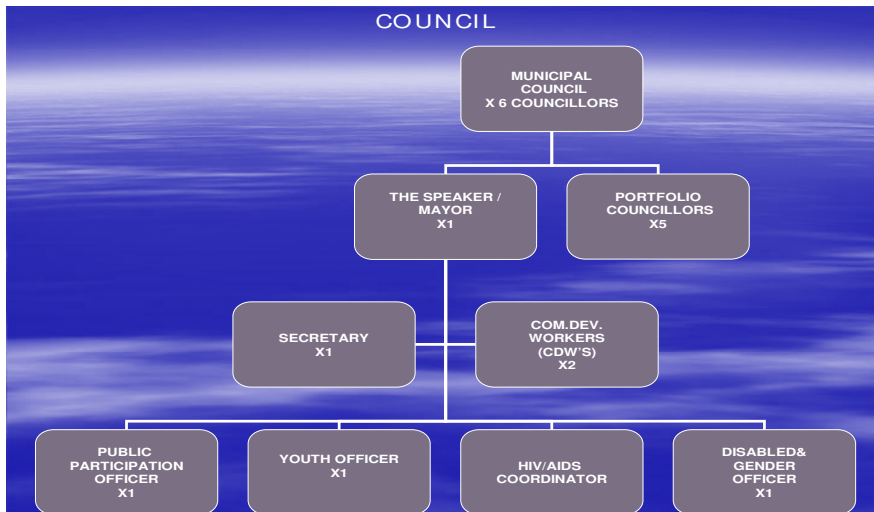
The corporate services department derives its mandate from the council's key development objectives, that is, the institutional development. The primary function of this department, is therefore among others to facilitate institutional development, including staffing and staff development. Our commitment as an internal service provider and facilitator is to ensure the municipality is strategically positioned and resources to meet and maximise on client needs, the various publics. It is important to mention herein that to date our greatest challenge remains, staff retention. Due to the size of our budget, we have found ourselves in an untenable position, where we struggle to firstly entice skilled personnel and to retain staff. As a consequence our staff development programme has been greatly compromised, in that even though we have invested time and resources in developing skills and competencies in key functional areas, these have come to not where we have in one fell swoop lost three highly skilled manager.

3.2 Inkwanca LM Organizational Structure

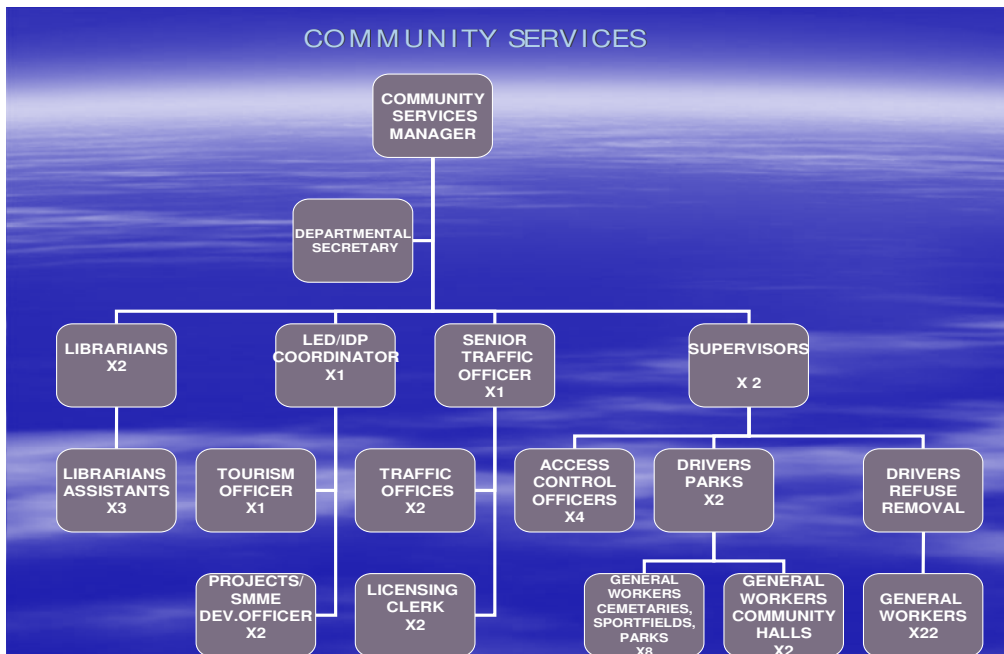
Currently, our organisational structure has hundred and eight five (185) approved positions of which only one hundred and twenty three (123) are filled and funded. There remains, sixty two (62) positions that are vacant and not funded. Our major challenge remains the size of personnel budget of our municipality, we are therefore unable to compete effectively in the labour market.



All 4 Section 57 positions are filled. The position for Strategic Officer (Legal & Disaster) is still vacant but not funded. The position for the Internal Auditor as per our organogram is still vacant but CHDM has sent someone to assist us in this department as an internal auditor. The position for the Communication Officer was advertised but no appointment made.



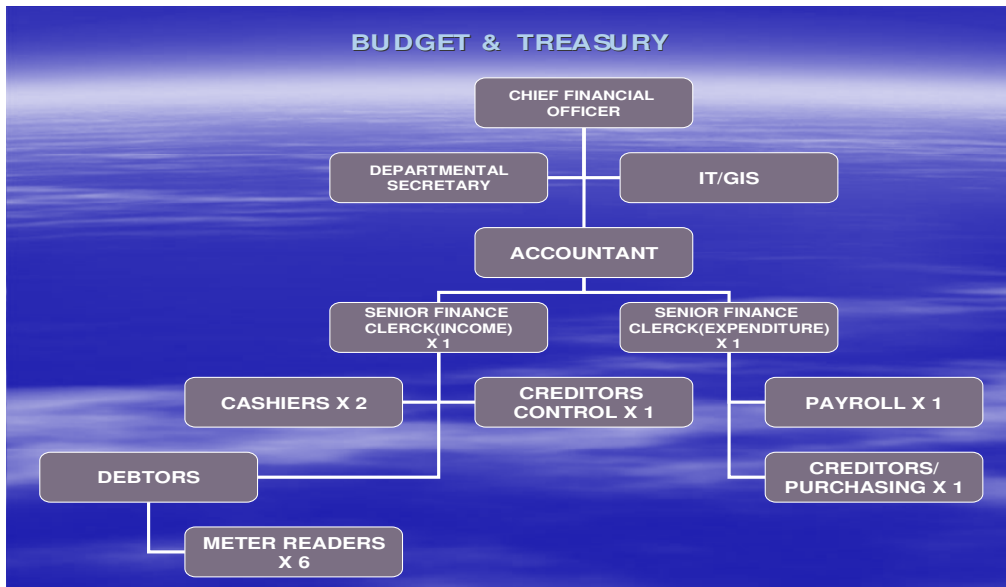
The council consists of 6 Councillors including the speaker who is full time since August 2006.



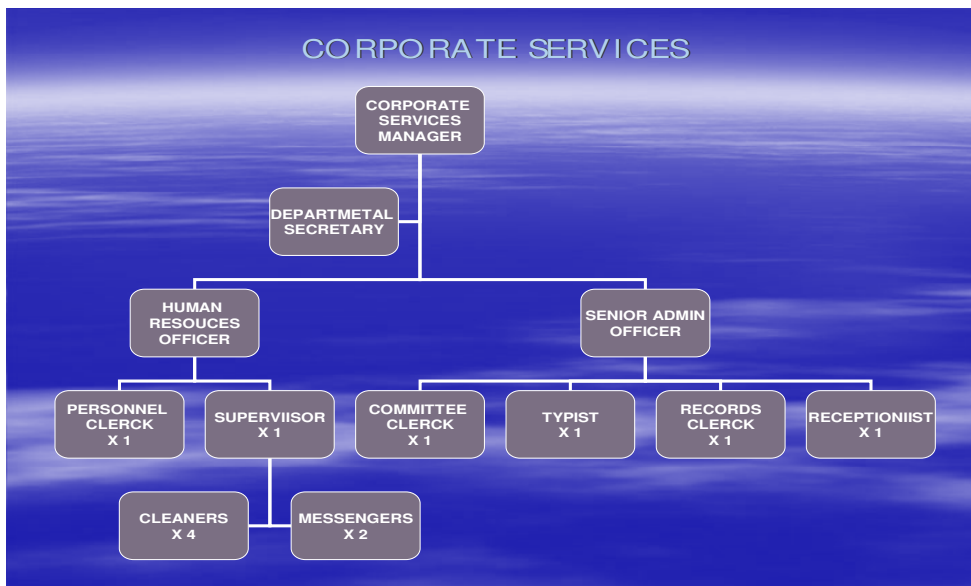
The community service department consists of the following:

- Environmental Health
- Refuse Removal
- Local Economic Development
- Library Services
- Parks and Public Places and Community Facilities.

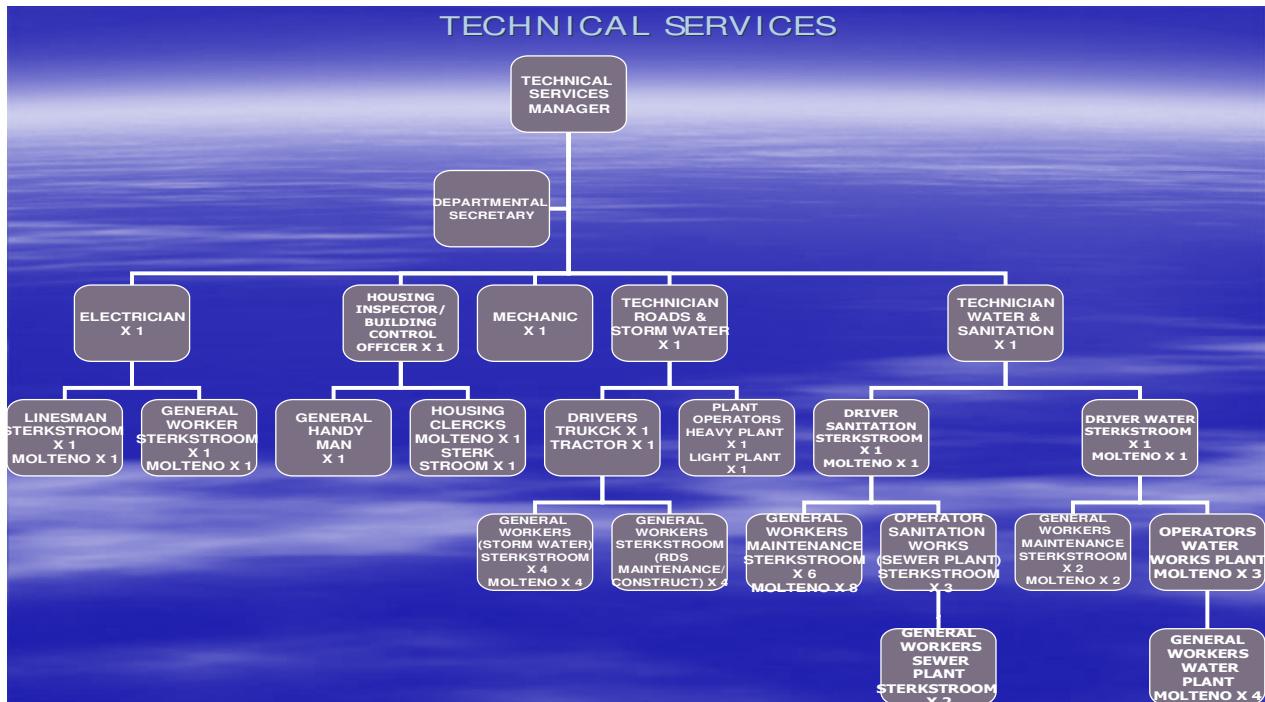
The positions for the LED/IDP, Access Control Officers, and Secretary are vacant but not funded.



Among the functional areas that fall within the Budget and Treasury Office are:-Revenue Management, Budget implementation and control, Financial Administration, ICT & Systems Administration and Supply Chain Management.



The position for the Corporate Service Manger has been filled for the first time. Further the department consists of HR Section and Administration and all the other posts have been filled except the following positions: Typist, Records Clerk, Secretary, 1 Supervisor, 3 Cleaners and 2 Messengers.



Consists of Roads and Stormwater, Town Planning, Water and Sanitation, Electricity and GIS

3.3 Staff development initiatives during the financial year

- Corporate Services - 2
- Budget and Treasury - 3
- Community Service Department - 6
- Technical Service Department - 3
- Municipal Manager’s Office - 2
- Mayors Department - 2

3.4 Key HR statistics per functional Area

a. Section 57 Managers, Municipal Manager and Assistant Mangers

Approved Positions	Number of Approved Posts per Position	Filled Posts	Vacant Post
Municipal Manager	1	1	0
Chief Financial Officer	1	1	0
Corporate Service Manger	1	0	1
Community Service Manager	1	1	0
Technical Service Manger	1	1	0
TOTAL	5	4	1

b. Sanitation

Approved Positions (Ex: Managers/Asst. Man.)	Number of Approved Posts per Position	Filled Posts	Vacant Post
Technician	1	0	1
Drivers	2	2	0
Operators	3	1	2
General Workers	8	5	3
Total	14	8	6

c. Electricity

Approved Positions (Ex: Managers/Asst. Man.)	Number of Approved Posts per Position	Filled Posts	Vacant Post
Electrician,	1	0	1
Linesmen	2	2	0
General Workers	2	2	0
Total	5	4	1

d. Water

Approved Positions (Ex. Managers/Asst. Man)	Number of Approved Posts per Position	Filled Posts	Vacant Post
Technician	1	0	1
Drivers	2	2	0
Operators	3	0	0
General Workers	8	7	1
Total	14	9	5

e. Finance

Approved Positions (Ex. Managers/Asst. Man)	Number of Approved Posts per Position	Filled Posts	Vacant Post
Accountants	1	1	0
Senior Finance officers	2	2	0
Finance Clerks & Secretary	6	4	2
Cashiers	2	2	0
Meter Readers	6	3	3
Total	17	12	5

f. Planning and Local economic development

Approved Positions (Ex. Managers/Asset, Man)	Number of Approved Posts per Position	Filled Posts	Vacant Post
LED Coordinator	1	0	1
LED Officers	3	2	1

Total	4	2	2
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1. Level of Education Skills

Total Number of Staff	Number of staff under grade 12	Number of staff with Senior Certificate	Number of staff with Tertiary/Professionals
123	79	30	15

2. Trends on total personal expenditure

Years	Total Number of Staff	Personal expenditure (salary and salary related)	Percentage of expenditure
2004-2005	93	60%	34%
2005-2006	105	61%	36%
2006-2007	112	65%	39%
2007-2008	123	66%	29%

3. List of Pension and Medical Aids used by employees

Name of Pension fund	Total of Staff Served	Names of Medical Aids	Total Staff Contributing
SAMWU	29	SAMWUMED	37
SALA	48	DISCOVERY	5
OLD MUTUAL	1	BONITAS	10

2. Senior Officials Wages and benefits (Only if not included in the Financial Statements)
Wages and Benefits are included in the Financial Statements Statement

3. Annual performance as per key performance indicators in municipal transformation and organizational development

	Indicator name	Target set for the year (number of people)	Achievement level during the year (number of people)	Achievement percentage	Overall achievement rate including 3 previous years
1	Vacancy rate for all approved posts	12	11	91.7%	95%
2	Percentage of appointment in strategic positions (Municipal Manager and Section 57 Managers)	1	2	200%	83%
3	Percentage of Section 57 Managers including Municipal Managers who attend a leadership training within the FY	4	3	75%	62.5%

4	Percentage of Mangers in Technical Services with a professional qualifications	2	2	100%	100%
5	Adoption and implementation of Performance Management System	4	4	100%	100%
6	Adoption and implementation of a Human Resource Development Plan including workplace skills plan	123			
7	Completed a skills Audit (including competency profiles)	123	123	123	123
8	Percentage of Councillors who attended a leadership training within the FY	6	3	50%	
9	Percentage of Councillors				
	- with disability	0	-	-	-
	- female	3	3	50%	50%
	- youth	2	2	33%	38.9%
10	Adoption of the Employment Equity Policy	123	123	123	123

4. Major challenges and remedial action in regard to human resource and organizational management.

- The Corporate Services Department was functioning without a Manager.
- Attraction and retention of scarce skills
- Staff turn over

CHAPTER 4

LOCAL ECONOMIC DEVELOPMENT INITIATIVES

4.1 Introduction

The LED unit was established in 2006 by the council with a specific purpose to facilitate and fast-track local economic development. The task remains to identify economic opportunities through consultations with the different stakeholders in our communities. In a way the municipality contributes to the process by allocating time to capacity building, conducting feasibility studies, which includes project planning, financial viability, market feasibility, resource mobilization which includes identifying sources of funding and land, identifying infrastructure needs.

4.2 Tourism Projects

The rich history of the area preserved in the form of Khoi art remains largely untapped and the atmosphere said to be perfect for asthma sufferers represents a major national attraction to the area. A tourism sector plan has been developed by the municipality and implementation is to begin with the training of Councillors, officials and members of the public. Further a new game farming and hunting lodge namely the Masizakhe Game Farming & Hunting Lodge has been developed and this and other initiatives will go a long way in improving our tourism. The challenge is to ensure more people from the historically disadvantaged communities take part in this sector.



In winter – snow can be both fun and highly challenging to livestock and people but it is a source of tourist attraction

The Chris Hani District Municipality embarked on a Liberation Heritage Route Project to promote tourism within the District. In Inkwanca Municipality the following sites were identified as Heroes Park in Moltene and the Stone of Remembrance in Sterkstroom where monuments of fallen heroes during 1985 are erected.

(Our parks and public places are clean and well taken care of. They are properly fenced. Heroes Park in Moltene below.)



Areas rich in the history of Moltene were also identified. These areas include old church buildings and areas where people were evicted when the Group Areas Act of 1913 was implemented.

4.3 Local initiatives

Our area is also potentially rich in coal belt that stretches to areas like Lady Frere. The Municipality has embarked on a process of trying through agreements with prospective investors to open these belts which will open job opportunities for our communities.

Our area has got a special type of clay that is good for brick making. Optimal use of this clay will ensure that jobs are created.

Projects that are currently undertaken

1. The Wool and mutton project in Sterkstroom was launched in the previous financial year with the assistance of Chris Hani District Municipality. To date we are proud to say that the project is still operating and is growing. This project is comprised of 17 beneficiaries, a combination of youth, women and the elderly.



Left: part of the 500 plus flock grazing next to the drinking area. Right: wool sorting area in Lismore shearing shed.

2. Herbs project which is funded by Social Development. It consists of 15 beneficiaries of young women. This too, is also growing.
3. Inyibiba Dairy Project. The focus on milk production and supply the local



4. Masithobelane Sizama Lucerne Project is comprised of 12 beneficiaries. Their focus is lucerne planting.
5. Siyokhana Poultry Project in Molteno has 14 beneficiaries – the project focuses on rearing of broilers as well as layers. both chicken and eggs are then produced for the local market.



The following 2 projects have been identified, but there is no progress the Community Garden and Apple project in Molteno. The municipality has made land available for these projects. Social Development has made funds available to kickstart the Community Garden project, but there is lack of commitment from the beneficiaries.

The cold weather in Molteno accounts as our competitive advantage for the growing of apples. The Development Bank of Southern Africa has made funds available for this project.

The role of the municipality in local economic development is to assist communities to identify projects (conduct feasibility studies) and secure sources of funding. The total amount that was budgeted for was R13 900 000.00 for a 3 year cycle. Out of that amount we have managed to secure the funds and an amount of R4 330 000 was spent for projects. The sources of funds are DBSA, CHDM, Social Development, and Department of Agriculture

CHAPTER 5

AUDITED STATEMENTS & RELATED FINANCIAL INFORMATION

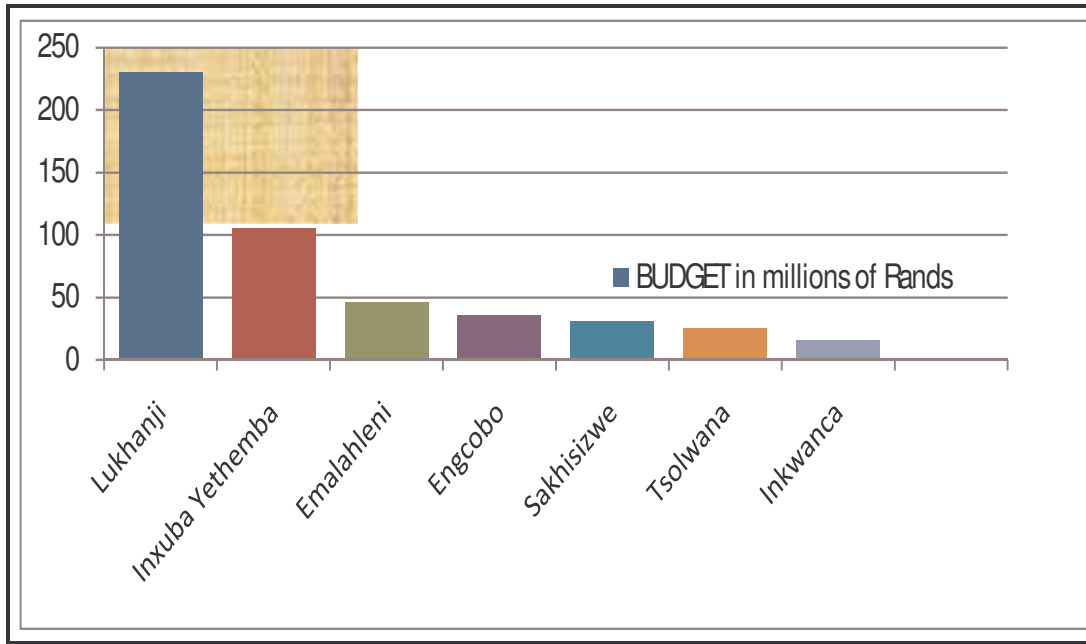


Ms Zanele Folose, Chief Finance Officer joined the municipality in January 2008.

5.1 Introduction

Inkwanca Local Municipality is one the three very small municipalities in the Eastern Cape with NO WARDS (the other two are Ikwezi and Baviaans local municipalities both in the Cacadu District). The municipality's revenue base is also very lean. The following table indicates the relative size of operational budgets of all eight local municipalities in Chris Hani District.

Local Municipality	Total Operational Budget 2007/2008
Lukhanji	R230 256 000-00
Intsika Yethu	-
Inxuba Yethemba	R105 165 586-00
Engcobo	R 35 972 793-00
Emalahleni	R 45 894 797-00
Sakhisizwe	R 30 575 949-00
Tsolwana	R 25 306 904-00
Inkwanca	R 16 004 823-00



Inkwanca LM's budget compared to similar municipalities within the province Ikwezi and Baviaans:

Municipality	Operational Budget	Capital Budget
Baviaans	R16 719 295-00	R26 930 950-00
Inkwanca	R16 004 823-00	R 8 598 000-00
Ikwezi	R14 343 640-00	R 6 428 000-00

5.2 Operational and Capital Budget Information

The primary revenue sources of the municipality are similar to those of most rural municipalities and comprise of income from property rates, electricity, water, sanitation and refuse collection, together they constitute 45% of the municipality's revenue. Grants and Subsidies remain the biggest revenue source contributor at 52%. The secondary sources like, traffic fines, cemetery fees, rent or hiring of municipal buildings and facilities, etc only contribute 3% to municipal coffers. The table and chart below reflect on the various sources of our revenue.

Table: *Revenue Sources*

Revenue Source	Amount	%
Property Rates	R3 533 318	22%
Water	R 562 198	4%
Electricity	R2 366 280	15%
Sewerage	R 529 079	3%
Refuse	R 229 548	1%
Grants & Subsidies	R8 330 421	52%
Other	R 453 984	3%
TOTAL	R16 004 823	100%

REVENUE SOURCES

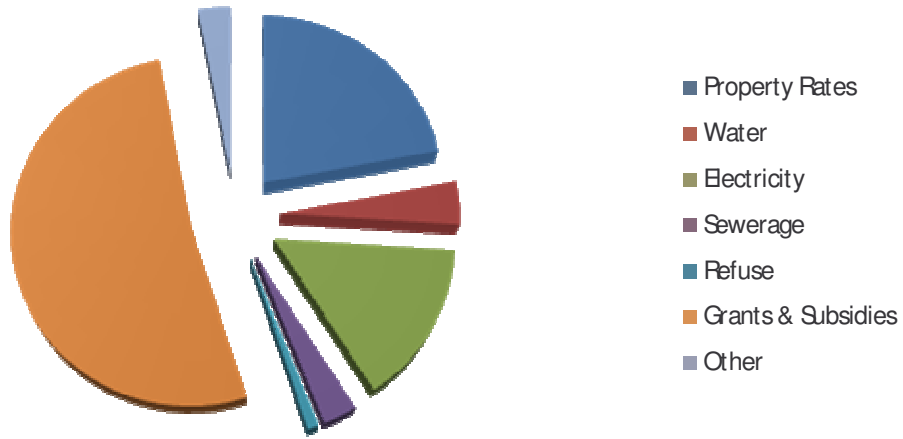


Table: Summary of Expenditure per Standard Items

Standard Items	Amount	%
Employee related	R8 660 588	54%
Administrative Expenditure	R2 078 338	13%
Repairs & Maintenance	R2 995 342	18.7%
Professional & Special services	R 135 335	0.9%
Electricity Bulk Purchases	R1 977 454	12.4%
Water Bulk Purchases	R 157 766	1%
TOTAL	R16 004 823	100%

Summary of Expenditure

