

ILEMBE DISTRICT MUNICIPALITY



“iLembe ... a World Class African destination, for excellent services and quality of life for its people.”

ANNUAL REPORT

2007/2008

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1. Chapter One: Overview

1.1. IDP Overview

- **District Institutional Configuration**

The iLembe District Municipality area (DC29) lies on the East Coast of KwaZulu Natal, between Ethekeweni Metro and Umhlatuze Local Municipality in the District of Uthungulu. It is 3260 km² in size and consists of four Local Municipalities; namely Mandeni (KZ291), KwaDukuza (KZ292), Ndwedwe (KZ293) and Maphumulo (KZ294). The latter two Municipalities are rural in nature, whilst KwaDukuza is largely urban and peri-urban and Mandeni is a combination of rural and urban character.

There are forty five (45) Traditional Authorities (Tribal Councils) in the District, covering an approximately 63 % of the total land under the custody of Ingonyama Trust. In Maphumulo and Ndwedwe Traditional Authority Land accounts for a much more bigger percentage of the District average of 63 %. Traditional Authority areas are characterised by subsistence farming activities, harsh topographical conditions and un-coordinated human settlement pattern. The human settlement pattern ranges in size from a Community of 25 households to a Community of 1700 households. The majority of the settlement patterns in the rural area lie in the catchment area which falls outside the economic corridors and nodes of the District. Thus, making service delivery in these areas a challenge from both financial and technical perspective.

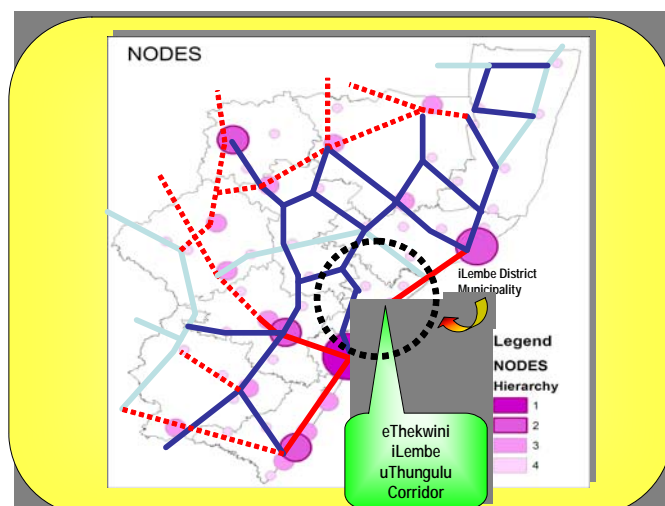
The rest of the District is divided between the commercial farming area and the urban commercial areas, consisting of both centres of commerce and suburban settlements. The District is divided into the coastal area and the rural hinterland. The former hosts the institutions and facilities of the “first economy” whilst the latter is typical of the “second economy”. The coastal strip of the District is 75km long, stretching from Zimbali right up to the Umatikulu Mouth; characterised by some pockets of nature conservation. It is this combination that has earned the area (District) the “Jewel of the Kingdom”.

Figure 1: Major Transportation



There are four major transportation routes in the District, namely N2, R102, R74 and R614. N2 and R102 runs along the coastal strip whilst the other two run from the coastal contours to the hinterland of the District. To a large extent, these transportation routes define the spatial location of economic activities in the District. They provide the basis of both economic corridors and nodes in terms of the provincial spatial economic development strategic.

Figure 2 :



- Demographics

POPULATION

Table 1 : Population 2001

KwaZulu-Natal Province	9 426 015	
Municipality	Population	Percentage
iLembe	560 383	6% of province
Mandeni	128 669	23% of district
KwaDukuza	158 583	28% of district
Ndwedwe	152 489	27% of district
Maphumulo	120 642	22% of district

Source: Statistics SA: Census 2001

Table 2 : Population 2007

KwaZulu-Natal Province	10 259 230	
Municipality	Population	Percentage
iLembe	528 199	5.1% of province
Mandeni	122 665	23% of district
KwaDukuza	162 055	31% of district
Ndwedwe	134 322	25% of district
Maphumulo	109 157	21% of district

Source: Statistics SA: Community Survey 2007

GENDER

Table 3 : Gender Survey 2001

	Males	Percentage	Females	Percentage
KwaZulu-Natal Province	4 408 823	47%	5 017 192	53%
Municipality				
iLembe	260 652	47%	299 731	53%
Mandeni	59 791	46%	68 878	54%
KwaDukuza	78 395	49%	80 185	51%
Ndwedwe	70 650	46%	81 845	54%
Maphumulo	51 816	43%	68 823	57%

Source: Statistics SA: Census 2001

Table 4 : Gender Survey 2007

	Males	Percentage	Females	Percentage
KwaZulu-Natal Province	4 873 265	47.5%	5 385 946	52.5%
Municipality				
iLembe	251 219	47.6%	276 981	52.4%
Mandeni	57 146	46.6%	65 520	53.4%
KwaDukuza	78 823	48.7%	83 228	51.3%
Ndwedwe	67 423	50.2%	66 903	49.8%
Maphumulo	47 785	43.8%	61 372	56.2%

Source : Statistics SA: Community Survey 2007

HOUSEHOLDS

Table 5 : Household Survey 2001

KwaZulu-Natal Province	2 200 433
-------------------------------	------------------

Municipality	No. of Households	Percentage
iLembe	129 919	6% of province
Mandeni	30 998	24% of district
KwaDukuza	45 900	35% of district
Ndwedwe	30 634	24% of district
Maphumulo	22 387	17% of district

Source : Statistics SA: Census 2001

Table 6 : Households Survey 2007

KwaZulu-Natal Province	2 234 125
-------------------------------	------------------

Municipality	No. of Households	Percentage
iLembe	124 524	5.6% of province
Mandeni	33 702	27% of district
KwaDukuza	44 480	36% of district
Ndwedwe	26 408	21% of district
Maphumulo	19 934	16% of district

Source: Statistics SA: Community Survey 2007

UWP:- BACKLOG STUDY

Table 7 : Population Distribution per Local Municipality

LM	Urban/Rural	No of Communities	No Of People	No of households	% of LM/DM
Mandeni	Rural	106	122,296	30,009	92.8%
	Urban	1	9,534	2,343	7.2%
		107	1,331,830	32,352	16.4%
KwaDukza	Rural	1	1,000	230	0.4%
	Peri-Urban	10	43,881	10,088	17.4%
	Urban	72	207,172	47,682	82.2%
		83	252,053	58,000	31.3%
Ndwedwe	Farm Land	1	0	0	0.0%
	Rural	200	208,447	30,824	100.0%
		201	208,447	30,824	25.9%
Maphumulo	Farm Land	1	3,519	409	1.7%
	Rural	213	209,390	24,322	98.3%
		214	212,909	24,731	26.4%
TOTAL		605	805,239	145,907	

The 2001 Census found that the population in the District was 560 383 of 129 919 households. The 2007 Community Survey of Statistics SA indicates a negative growth in that population is 528 199, divided into 124 524 households. All areas (Local Municipalities) except Mandeni have experienced a negative growth of one type to another. The Council has taken a decision that for planning purposes, we shall use the backlogs study figures.

Sometime in 2006 the Municipality commissioned a study on water and sanitation backlogs. The study report was finalised in 2007. The study relies on the base information of Census 2001 and DWAFS National Information Systems (NIS2005). The Study established that there were/are 605 communities in the district; consisting of 145907 households of a total population of 805239.

- **Vision, Objectives and Strategies**

Section 35 of the Municipal Systems Act explains the Integrated Development Planning (IDP) as a principal strategic planning instrument which guides and informs all planning and development in the area of the Municipality. In this sense IDP is both a Planning Framework and a Strategic Plan. It is a strategic plan for the Municipality concerned in the sense that it sets out objectives and strategies including the necessary resources for the achievement of the set objectives. It is Planning Framework for all developments in the area by both the Public Sector and the Private Sector, to ensure synergy between growth imperatives and socio-economic developmental imperatives. It is a point of entry in Development for both Public Sector and Private Sector thus providing a strategic funnel between the business of Government and the business of the Private Sector.

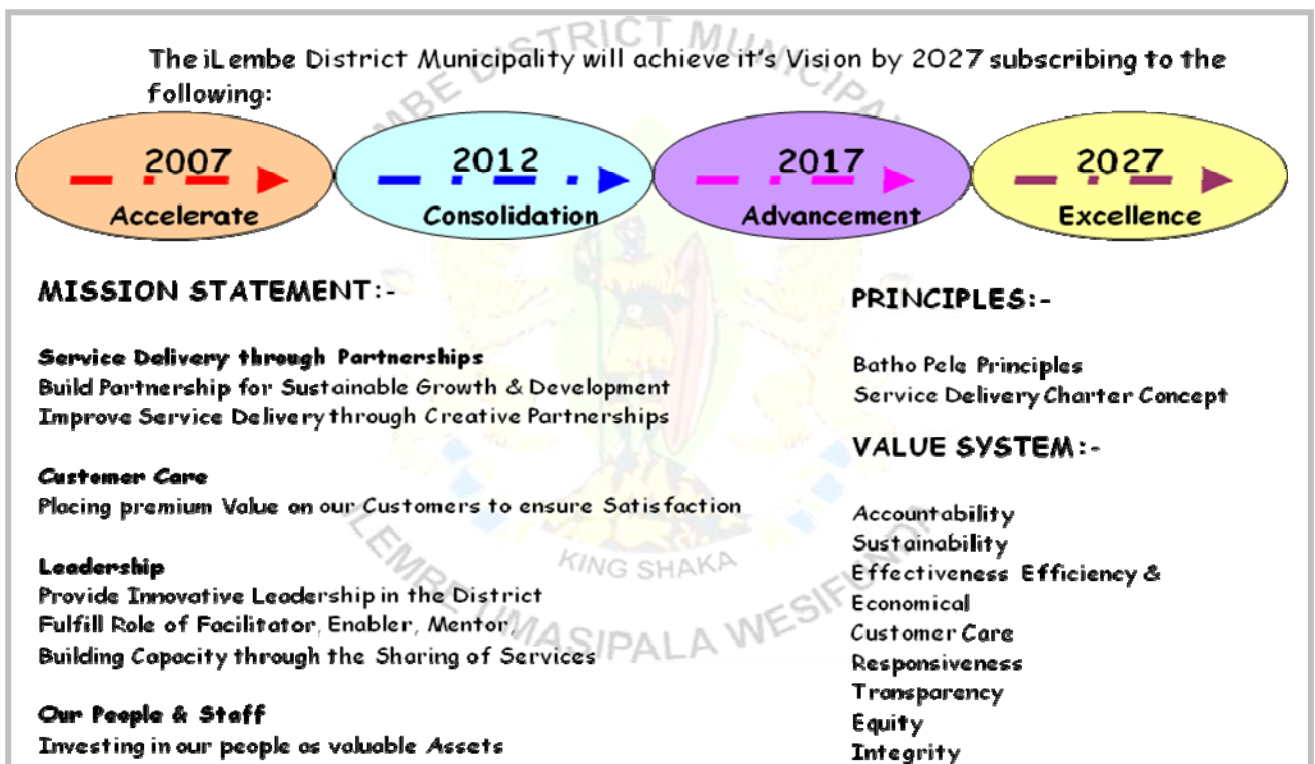
In 2007 the Municipality undertook to compile a comprehensive five year IDP as a framework for all the sector plans and budgeting. This five year IDP was prepared in accordance with the guidelines on credible IDP issued by DPLG in 2006. The outputs of this exercise consisted of a new vision for the District and a package of strategies to support the achievement of the vision. The new vision is called "Vision 2027", which is a fifteen year planning horizon.

This is a second comprehensive IDP for the Municipality. The first one was in 2002, although the hard realities and challenges between 2002 and 2007 had not changed, there were other factors that necessitated a new comprehensive five year plan. These factors included policy changes at National and Provincial levels in the form of millennium development goals and provincial spatial economic strategy respectively. In 2007 the development agenda in the District became more lucid, ambitious and urgent. Thus, requiring new strategies

One of the inherent weaknesses of the IDP is that it is required by statute that it be a five year plan; meaning that it is legally not feasible to make it either a twenty year plan or a three year plan. In this sense, IDP five year horizon is not long term enough for a strategic plan, but more on the medium term side of planning. It was for this reason that the Council decided on a long term horizon in the form of a Vision within which to locate the IDP, to make it apparent that this IDP will form the first block towards the achievement of the vision. Some Municipalities have decided on a much longer term planning horizon in the form of twenty or thirty year vision. They have done this, largely influenced by the financial resources at their disposal. It could be argued that fifteen years planning horizon (Vision 2027) is going to pose some resource challenges to achieve within the stated timeframe.

VISION 2027 -

The vision is structured into three consecutive five year comprehensive IDP's from 2007 to 2027



There are eight strategic objectives supporting the vision. Each strategic objective has a set of strategies to deliver on the objective.

Strategic Objective	Strategies
1. To address service backlogs and future growth requirements and to maintain and upgrade existing infrastructure	<ul style="list-style-type: none"> • Provision of Municipal Services to all Communities within the iLembe District, in an efficient, effective, affordable and sustainable manner • Meet minimum RDP level in the provision of Water and Sanitation across the District • Provision of new water infrastructure to address backlogs • Maintain and upgrade the existing infrastructure
2. To improve Spatial structure and definition of urban functions in the District and to improve access to opportunities in the Urban core and the rural area	<ul style="list-style-type: none"> • Address human settlement patterns through housing interventions, to ensure human settlement viability and sustainability • Promote sustainable landuse planning and management
3. To stimulate Local Economic Development and enhance economic growth	<ul style="list-style-type: none"> • To capitalise on the developmental opportunities within the corridor • Diversify the District economy on a sustainable manner to increase competitive advantage of the District (agriculture, manufacturing and tourism) • Promote iLembe has a prime tourist destination. • Put in place poverty alleviation programme, and empowerment of spatial group thru EPWP and ASGISA
4. To manager the Municipalities resources, to achieve financial sustainability and affordability of services	<ul style="list-style-type: none"> • Promote performance base budgeting • Promote service delivery partnerships arrangements (water utilities) • Stimulate investors confidence in the District through sound financial principals and disciplines • Promote efficient and effective revenue collection
5. To promote institutional structures which are fully representative and participative to deliver on the IDP	<ul style="list-style-type: none"> • Enhance institutional capacity through skills training • Promotion of shared services concept to take advantage of the economies of scale • Implementation of Performance management system
6. To coordinate and facilitate provision of social services within the District	<ul style="list-style-type: none"> • Coordinate and facilitate social services provision
7. To provide systems and mechanisms for accountability and public participation.	<ul style="list-style-type: none"> • Promote transparency, equity and integrity and build a culture of good governance • Create systems for public participation in the affairs of the Municipality to promote cooperative governance
8. To invest in the management of a sustainable environment to deliver on the quality of life	<ul style="list-style-type: none"> • Develop spatial tools to guide decision making for environmental management purposes. • Conserve areas for environmental, conservation and tourist significance.

- **Sector Plans**

The following Sector Plans were included in the IDP:

- Water Master Plan
- LED Strategy
- Energy Master Plan

- **Capital Investment Framework (CIF)**

This feature made our IDP standout. It was a first attempt at taking stock of both the service backlogs and the future developments. CIF provides a framework in which all Government Services are identified per each local municipality in the District and valued accordingly. There are two sections to the CIF, it is a consolidated section which accounts for the service needs under each local municipality with a total of that service under the iLembe District. The second part of the CIF spreads the delivery of the service over a period of five years for the purpose of the IDP with a proviso that some of this services could be delivered only in years past IDP period.

Strategic Development Role and Function	Total Budget (R)	%
Environmental Management	9,839,500	0.21
Spatial and Land Use Management	11,795,000	0.26
Water	876,168,228	19.06
Sanitation	1,087,547,247	23.66
Electricity	303,798,050	6.61
Roads and Public Transport	391,346,322	8.51
Waste Management	350,000	0.01
Sport Facilities	84,782,000	1.84
Cemeteries and Crematoriums	100,000	0.00
Housing	845,914,066	18.40
Community Centres	29,400,000	0.64
Economic Development	35,740,000	0.78
Tourism	37,110,000	0.81
Manufacturing	1,250,000	0.03
Agriculture	13,250,000	0.29
Education	395,403,687	8.60
Health	257,300,000	5.60
Welfare	300,000	0.00
Disaster Management	3,460,000	0.08
Finance	28,845,000	0.63
Institutional Development	78,950,000	1.72
Governance	5,550,000	0.12
Special Projects	98,680,000	2.15
TOTAL	4,596,879,100	100.00

Functional Areas	Mandeni	KwaDukuza	Maphumulo	Ndwedwe	iLembe
Environmental Management	-	8,689,500	-	-	1,150,000
Spatial & Land Use Management	500,000	2,220,000	575,000	5,200,000	3,300,000
Water	304,100,000	51,200,000	175,018,228	333,000,000	12,850,000
Sanitation	168,940,984	283,438,432	328,818,368	306,099,463	250,000
Electricity	29,050,000	113,338,050	86,110,000	74,650,000	650,000
Roads and Public Transport	30,150,000	-	16,474,630	143,520,700	201,200,992
Waste management	50,000	-	-	-	300,000
Sport Facilities	-	43,782,000	-	-	41,000,000
Cemeteries & Crematoriums	-	-	-	-	100,000
Housing	154,317,370	382,392,901	221,631,293	82,572,502	5,000,000
Community Centres	-	10,450,000	-	800,000	18,150,000
LED	9,100,000	14,040,000	350,000	500,000	11,750,000
Tourism	400,000	24,460,000	-	10,000,000	2,250,000
Manufacturing	-	1,250,000	-	-	-
Agriculture	-	1,600,000	1,150,000	-	10,500,000
Education	-	-	-	-	395,403,687
Health	120,000,000	11,700,000	30,100,000	-	95,500,000
Welfare	-	-	-	300,000	-
Disaster Management	-	-	60,000	-	3,400,000
Finance	1,200,000	4,500,000	6,245,000	-	16,900,000
Institutional Development	-	200,000	4,300,000	7,750,000	66,700,000
Governance	-	-	-	-	5,550,000
Special Projects	16,500,000	39,900,000	3,380,000	5,300,000	33,600,000
Total per Area	834,308,354	993,160,883	874,212,519	969,692,665	925,504,679
District Total				4,596,879,100	

The above figures account for both the backlogs and the future development needs in respect of the service concerned. Admittedly, there is still room for improvement as the cost of some of the services has not been determined as yet. It is also admitted that in some services it was difficult to establish the unit cost because of the lack of participation by the Provincial Departments responsible for the service. Therefore the figures against these services might not be accurate.

Millennium Development Goals

The following table indicates the cost implication of addressing water and sanitation backlogs in order to meet the above mentioned goals. It therefore does not deal with the cost of future development, nor does it deal with higher levels of service. It is based on the MIG standard cost per unit in 2007, which was R7000 for water backlogs and R3000 for sanitation backlogs

Local Municipality	Cost to Eradicate Water Backlog	Cost to Eradicate Sewer Backlog	Total Funds Required
Mandeni	R 86 768 632	R 31 273 584	R 118 042 217
KwaDukuza	R 64 042 265	R 41 737 292	R 105 779 558
Ndwedwe	R 91 239 089	R 58 552 941	R 149 792 030
Maphumulo	R 99 863 076	R 57 893 653	R 157 756 730
Total	R 341913062	R 189 457 472	R 531 370 535

It is these and other features of our five year comprehensive IDP that made it the best IDP in the Province has iLembe Family of Municipalities for the year under review

1.2. Organisational Performance Outcomes

• Background

In our 2006/2007 Annual Report, we reported that the year (2006/2007) started and proceeded to completion without a Performance Management System in the form of an Organisational Performance Scorecard with clearly pre-determined KPI's and targets. Although there was reference to an "interim performance plan;" but such was never a substitute for the Municipality's PMS. In the absence of a plan at the start of the financial year (2006/2007) it was practically and logistically not feasible to benchmark performance of the year.

Notwithstanding the anomaly, we reported the actual achievement of 3022 households who received access to clean water and 5680 households who gained access to VIP Sanitation at the cost of R75 189 681.

We started the year under review with a negative cash flow of R5.3M and consumer debtors book at R123M. We also started the year under review on a solid foundation of a comprehensive five year plan (2007-2012) and an Organisational Performance Scorecard for 2007/2008. It is this scorecard against which the performance for the year, is benchmarked. The said Organisational Performance is attached to this report and marked Annexure "A".

• Performance Results

TOP LEVEL SUMMARY OF TOTAL NUMBER OF KPA'S IN ORGANISATIONAL & MM'S SCORECARDS - 2007/2008

PERFORMANCE Rating	TOTAL KPA's	1	2	3	4	5	Aggregate % Success
Organisational Scorecard	66	31 - X (crosses)		35 - ✓ (ticks)			35/66 = 53%
Municipal Manager's Scorecard							37/78 = 47%
Operating Budget	49	8	17	24	0	0	
Capital Budget	29	5	11	8	5	0	
Sub Total	78	13	28	32	5	0	

In terms of the above table we are comparing the Organisational Performance Scorecard results to the performance results of the Municipal Manager in order to establish both integrity and consistency of the Performance Management System of iLembe. The Organisation had a total of 66 KPA's whilst the Municipal Manager had a total of 78 KPA's the performance of the Municipal Manager is rated on a score of 1 to 5 which is prescribed in the legislation (Performance Management Regulations 2006). The rating of the Organisational Performance is rated by means of either an X or a tick. A tick reflects met targets in terms of the targeted results, whilst as X indicates targets which were not met. The targets which were not met ranged between 10 % progress to ± 80 % progress towards meeting the target.

Although 31 KPA's in the Organisational Scorecard were indicted as having not been met and therefore failed, the reality is that there was substantial progress on most of the 31 KPA's that were not met, however that substantial progress fell short of 100 % achievement as per the targets, and hence an overall performance rating of 53 %. This 53 % excludes the progress achieved on the uncompleted targets.

In the case of the Municipal Manager's scorecard the rating of 1 represents below 50 % performance, rating of 2 represents 50 % but less than 100 % of the target, rating of 3 represents 100 % achievement of the target, while a rating of 4 and 5 represents exceeding the targets. Again in this regard in terms of aggregate success rating, the aggregate rating of 47 % for the Municipal Manager excludes the progress made on the targets on which 100 % was not achieved. Had the progress on the targets which were not met, been

factored into the aggregate success rate, the performance rating of the Municipal Manager's scorecard would have been much more higher. The same principle applies to the organisation and the rest of Directors. The aggregate system does not accommodate progress made on projects on which targets were not met by whatever percentage.

The KPA's of the Organisational Scorecard constitutes the core of the Municipal Managers scorecard, which means all the 66 KPA's of the Organisation where directly cascaded onto the Municipal Managers scorecard, and in addition 12 new KPA's were included in the Municipal Managers scorecard, thus totalling 78 KPA's.

It is conceded that the Municipal Manager did not meet all the said targets, consequently the organisation failed accordingly. The reasons for these failures are briefly dealt with below. What this report reflects particularly the above mentioned account is that there was an honest account of what has been done or / and not done on the ground. There is consistency between the success rate of the Organisation and that of the Municipal Manager. The failure rate falls within the same region in varying details. We are of the view that the function of a Performance Management System is about setting specific targets and accounting for progress on the targets. This account will include accounting for the targets on which there was failure, in the form of having not achieved the targets for whatever reason. In actual fact the integrity of a Performance Management lies in reporting more elaborately on targets on which 100 % results were not achieved. Knowing one's failure is a good basis for progress in the following year, but hiding one's failure is a sure recipe for perpetual failure in the future years. In this overview we give a brief account of the Organisational Performance and the common reasons behind some of the failures to achieve targets. The details of the performance evaluation results of the Senior Management (all Section 57 Managers) is included in Chapter two dealing with the Performance Management System in general. The said Chapter contains the Performance report in terms of Section 46 of the Municipal Systems Act.

During the 2007/2008 financial year, the municipality implemented various capital infrastructure projects aimed primarily on reducing the backlogs on water and sanitation at the total cost of R71million.

Table 8 : LG Support, Sanitation, Water & WSDP

Location	Project Type	Amount	Percentage	Jobs
Ilembe	LG Support	159973.92		
Ndwedwe	Sanitation	9223853.92	50%	294
Maphumulo	Sanitation	2235500.00	12%	28
Mandeni	Sanitation	4491994.85	24%	37
KwaDukuza	Sanitation	2517641.71	14%	0
Total		18468990.48		
Ndwedwe	Water	30519944.21	58%	788
Maphumulo	Water	14480430.87	27%	342
Mandeni	Water	6943015.07	13%	49
KwaDukuza	Water	1047265.86	2%	52
Total		52990656.01		
Ilembe	WSDP	98469.07		Total 1590

Table 9 : Water Summary 2007/2008

HIGH LEVEL SUMMARY OF 2007/2008 HOUSEHOLD BENEFICIARIES: WATER (PER LM)			
LOCAL MUNICIIPALITY	TOTAL NUMBER OF HH TARGETED	ACTUAL NUMBER OF HH SERVED	% SUCCESS
1. KwaDukuza	2500	0	0%
2. Mandeni	1830	1830	100%
3. Mapumulo	2801	830	30%
4. Ndwedwe	3179	1611	51%
TOTAL	10310	4271	42%

Table 10 : Sanitation Summary

HIGH LEVEL SUMMARY OF 2007/2008 HOUSEHOLD BENEFICIARIES: SANITATION (PER LM)			
LOCAL MUNICIIPALITY	TOTAL NUMBER OF HH TARGETED	ACTUAL NUMBER OF HH SERVED	% SUCCESS
1. KwaDukuza	200	0	0%
2. Mandeni	1000	1627	163%
3. Mapumulo	1800	1504	84%
4. Ndwedwe	2480	3831	154%
TOTAL	5480	6962	132%

Table 11 : Backlogs at June 2008 Water

LOCAL MUNICIPALITY	POPULATION	HOUSEHOLDS	2004/2005	2005/2006	2006/2007	2007/2008	BACKLOG % 2007/2008	ACCESS % 2007/2008
	UWP BACKLOG ESTIMATES		HOUSEHOLDS WITH ACCESS TO WATER				HH	HH
Mandeni	131 830	32 352	12 440	12 740	12 740	14 570	61	45
KwaDukuza	252 053	58 000	47 300	48 300	49 300	49 300	15	85
Ndwedwe	208 447	30 824	15 797	16 805	17 160	18 771	44	61
Maphumulo	212 909	24 731	8 470	9 298	10 965	11 795	56	48
Total	805 239	145 907						
Access to Water			84 007	87 143	90 165	94 436		65%
Backlogs			61 900	58764	55 742	51 471	35%	
Achievements			3 501	3 136	3 022	4 271		

Table 12 : Sanitation

LOCAL MUNICIPALITY	POPULATION	HOUSEHOLDS	2004/2005	2005/2006	2006/2007	2007/2008	BACKLOG % 2007/2008	ACCESS % 2007/2008
	UWP BACKLOG ESTIMATES		HOUSEHOLDS WITH ACCESS TO SANITATION				HH	HH
Mandeni	131 830	32 352	17 889	18 643	20 538	22 165	37	69
KwaDukuza	252 053	58 000	42 762	44 544	45 544	45 544	22	78
Ndwedwe	208 447	30 824	11 362	11 835	13 718	17 549	56	57
Maphumulo	212 909	24 731	9 116	9 496	10 398	11 902	58	48
Total	805 239	145 907						
Access to Sanitation			81 129	84 518	90 198	97 160		67%
Backlogs			64 778	61 389	55 709	48 747	33%	
Achievements			3 247	3 389	5 680	6 962		

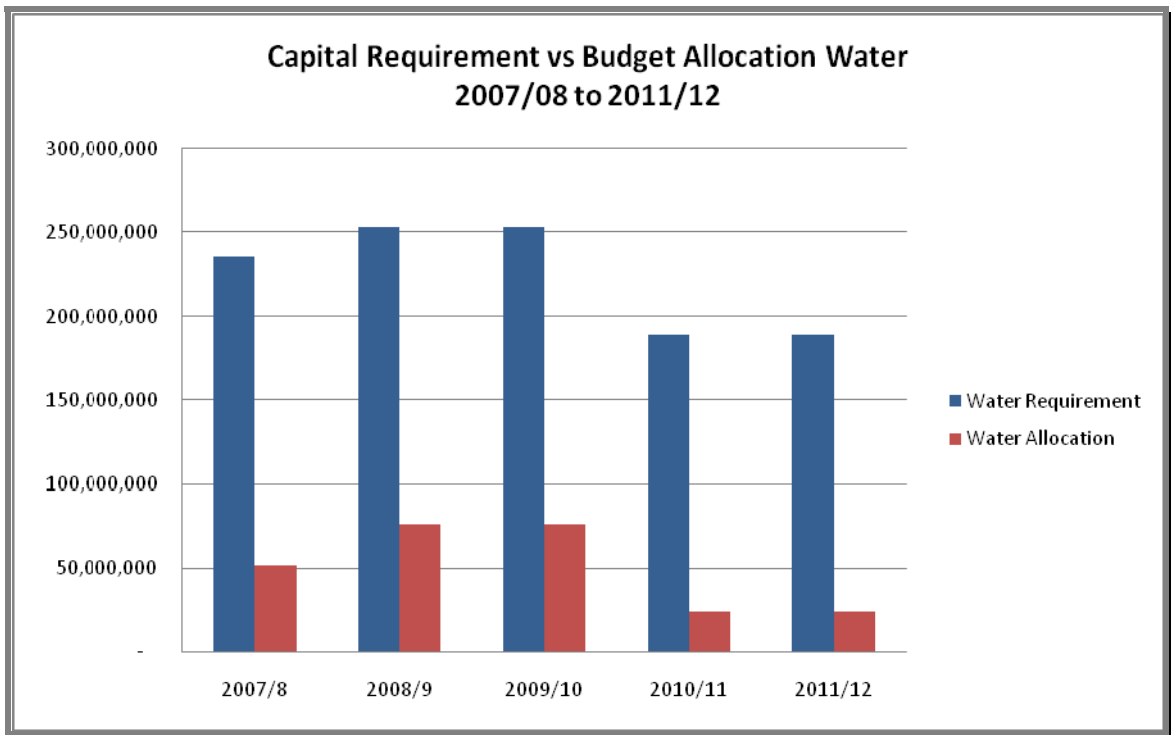
A total of 4271 households gained access to water service whilst 6952 households gained access to sanitation service (VIP). Consequently, the water infrastructure backlogs were reduced from 38 % in June 2007 to 35% in June 2008. The sanitation backlogs were reduced from 38 % to 33 % during the same period.

Comparing the Performance results of 2007/2008 to the performance results of the previous year the 2007/2008 results show a substantial improvement of 29 % growth in respect of the reduction of water backlogs, and 19 % growth in respect of reduction in the sanitation backlog. In reality 2007/2008 financial year is not only the best year ever, from the point of view of having a Performance Management System but it also produced the best results ever in respect of both water and sanitation when compared to iLembe's performance in previous years. Yes! We did not achieve the targets but we exceed our performance of the previous years. This increase in performance verses failure to meet the targets is a lucid illustration of the fact that we had over targeted. In other words, our 2007/2008 targets were in certain instances over ambitious and therefore unrealistic. The performance results of 2007/2008 provide a concrete learning lesson to both the organisation and the Senior Management.

In 2007, the Council adopted a five year IDP (2007-2012) with a new vision for the District: Vision 2027; in terms of which vision, iLembe aims to be "A world Class African Destination with excellent Services". Accompanying this vision is a Capital Investment Framework (CIP) setting out in numerical terms the type and size of public investment needed in the district per public service department. The total for all public services (all three spheres of Government) stood at R4.6 billion in 2007; of which R876.2million and R1 billion represent the investment requirements for water and sanitation respectively.

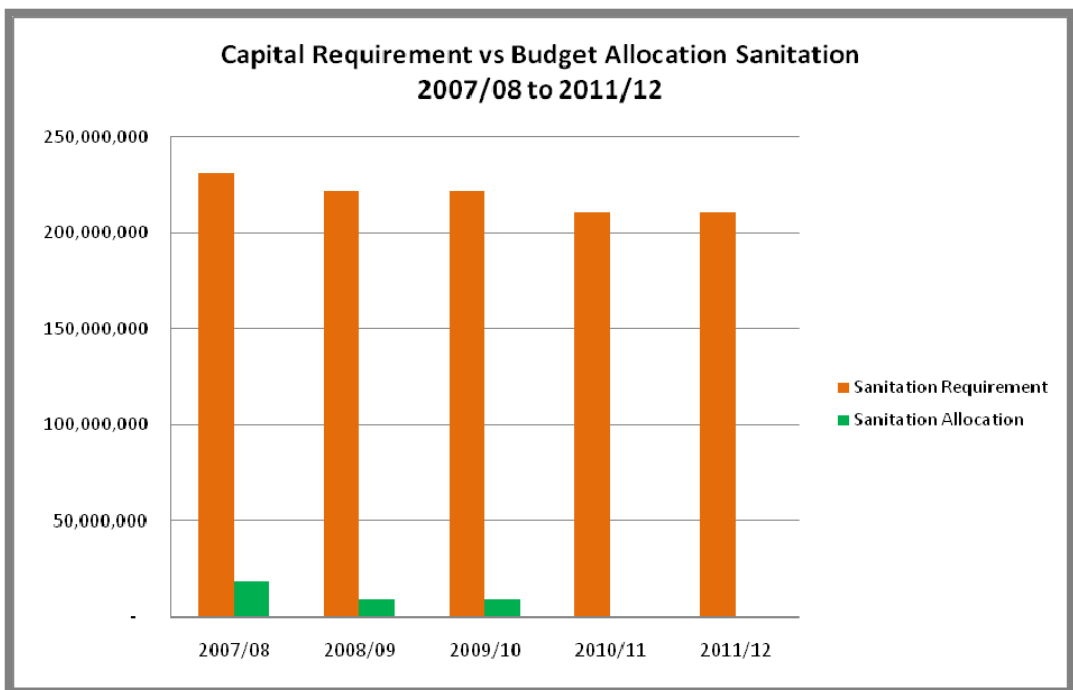
The following graphic diagram provides a lucid snapshot of the IDP Capital Investment requirement verses the actual budget allocation. For the first year (2007/2008) iLembe was 70 % short and there are no prospects that it will be possible to make up the difference in the ensuing year (2008/2009)

	2007/8	2008/9	2009/10	2010/11	2011/12
Water Requirement	236,264,050	253,387,240	253,387,240	189,191,000	189,091,000
Water Allocation	51,464,050	75,987,240	75,987,240	23,691,000	23,691,000



IDP
Budget

	2007/08	2008/09	2009/10	2010/11	2011/12
Sanitation Requirement	231,460,451	222,250,308	222,250,308	210,750,000	210,750,000
Sanitation Allocation	18,710,451	9,500,308	9,500,308	-	-



IDP
Budget

In summary, the following are headline success results for 2007/2008:

- 29 % growth in access to water
- 19 % growth in access to sanitation
- 100 % expenditure in MIG Funding
- Cash-base surplus of R1.9 Million (from a cash deficit of R5.3 million)
- A credible Performance Management System

2. Chapter Two: Institutional Transformation and Development

2.1 PMS (Organisation and Individual Performance)

Background

In the context of iLembe, the concept of performance scorecard and Service Delivery and Budget Implementation Plan are use interchangeable. This is so, because iLembe adopted a consolidated performance scorecard/SDBIP. The scorecard replicates the SDBIP. A planning tool (SDBIP) has been simplified into a more reader-friendly reporting tool (scorecard).

To make the refinements iLembe's PMS Unit conducted repeated SDBIP workshops with departmental teams, comprising: Directors, Level 3 Managers and Technical Officers (the last group for Technical Services only). This continued from November/December, 2007 through January/February, 2008. The PMS Unit made presentations to ExCo in March, 2008 to introduce the extent and nature of proposed refinements to SDBIPs/scorecards.

Refinements were technical in nature:

- Key Performance Areas (KPA) that included more than one item to be measured were broken-down into numerous KPAs. An example was Human Resources that had multiple measurables in a single KPA in the original SDBIP articulation. It needed to be separated out for: Recruitment, Annual Workplace Skills Plan, Staff Development, Disciplinary Proceedings and Grievance Procedures etc
- Key Performance Indicators (KPIs) were re-articulated to better enhance measurability. The percentage of KPIs in original departmental SDBIPs that could not be reliably measured was a significant 18% - (17/95)
- Additional KPIs were added for selected Key Performance Areas (KPA) to obtain a fuller picture of performance. In addition to Number of Households served, Percentage Construction was included for infrastructure delivery, for example
- A column for Activities/Deliverables was created to allow for closer monitoring of in-year, quarterly milestones
- Baselines were revisited and updated
- Clustering KPA responsibilities together for Level 3 Managers was done to better monitor their individual performances, and
- The sequence of KPAs in SDBIPs (planning tools) was repeated in the scorecards (reporting tools) to avoid the confusion in original documents where cross-checking between the two was hampered by the absence of a common order.

A shortcoming of the original SDBIP that was not addressed in the refinement process was the lack of weightings for KPAs. Intended to differentiate more strategically important KPAs from those of less significance to the municipality, weightings are not apportioned in either original or refined

SDBIPs/scorecards. All KPAs in the original 2007/2008 SDBIP/scorecard are by default accorded equal status. This weakness in the PMS Tools has been corrected in 2008/2009.

Selected Targets were reconsidered. Numbers of households targeted for service delivery did not decrease. The number of policies requiring documentation did not decrease. As far as possible, the numeric values targeted across the municipality’s departments were left intact. Instead, targeted deadlines were set back some months, or at worst, to the end of the financial year in a few instances.

By April/May, 2008 ExCo had appreciated that technical refinements might contribute to greater accuracy in reporting on performance. It was acknowledged that reworked targets could lead to higher percentage success rates from refined SDBIPs/scorecards.

Analysis of results at the end of the year compared achievements against original targets to achievements against refined targets. These are detailed in Section 3, hereunder. The analysis reveals that the overall depiction of performance is indeed more gratifying for the latter, refined targets. It is perhaps debatable whether this is a more accurate depiction of iLembe’s organisational performance.

ORGANISATIONAL AND MUNICIPAL MANAGER’S SCORECARDS

Overview

In the municipality’s 2006/2007 financial year the process of alignment between the institution’s IDP and budget was not properly undertaken. SDBIPs/scorecards were not developed for the MM and Section 57 Managers. The organisation relied on reporting against less formal targets set for the MM to gauge organisational performance. These targets were not supported by well defined KPIs. It was reported for the previous financial year that, since MM had met approximately 60% of the targets set for him, iLembe had operated at roughly a 60% success rate.

For the 2007/2008 reporting period a discrete Organisational Scorecard is differentiated from the MM’s SDBIP/Scorecard. The organisational scorecard reflects an overall aggregate **success rate of: 53%**. MM’s comparable **success rate is: 47%**

TOP LEVEL SUMMARY OF TOTAL NUMBER OF KPA'S IN ORGANISATIONAL & MM'S SCORECARDS - 2007/2008

Scores of:

PERFORMANCE IN:	TOTAL KPAs	Scores of:					Aggregate % Success
		1	2	3	4	5	
Organisational Scorecard	66		31 - X (crosses)		35 - √ (ticks)		35/66 = 53
Municipal Manager’s Scorecard							37/78 = 47%
Operating Budget	49	8	17	24	0	0	
Capital Budget	29	5	11	8	5	0	
Sub Total	78	13	28	32	5	0	

The percentage success reflects: the organisational scorecard has **35 successes out of 66 KPAs**, and MM’s has **37 successes out of 78 KPAs**.

For the Organisational Scorecard success is indicated with a tick and failure with a cross. For MM, scores of 1 or 2 are failures and 3 to 5 are successes – according to definitions in the August, 2006 PMS Regulations. Differing interpretations of how to score the 1 and 2 classifications arose between the Mayor and MM. If a Director did not meet target but demonstrated some progress MM allowed a 2. The Mayor required at least 50% progress towards target. MM therefore tended to get scores of 1, when he had given a 2 to Directors.

Comparison between Organisational and MM's Performance Results

The Organisational Scorecard is organised according to the 5 prescribed national KPAs. These are:

- Infrastructure & Service Delivery
- Socio-Economic Development
- Financial Viability
- Good Governance & Public Participation and
- Institutional Transformation.

A sixth is Spatial Frameworks & Land Use Management.

MM's SDBIP/scorecard is organised according to the departmental structure of the municipality. When Directors fail MM gets scored as not having met target.

The organisational scorecard and MM's therefore do not correspond on a one-to-one basis. All the additional 12 KPAs in MM's scorecard however link back to one of the national KPAs.

INDIVIDUAL SECTION 57 MANAGERS' SCORECARDS

Overview

DEPARTMENT	DIRECTOR	TOTAL	1	2	3	4	5	Aggregate % Success
Municipal Manager	Bamba							37/78 = 47%
Operating Budget	Ndwandwe	49	8	17	24	0	0	
Capital Budget		29	5	11	8	5	0	
Sub Total		78	13	28	32	5	0	
Technical Services	Jogie							19/40 = 48%
Operating Budget	Naidoo	12	5	0	5	2	0	
Capital Budget		28	5	11	7	5	0	
Sub Total		40	10	11	12	7	0	
Socio-Economic Dev	Mike Newton							10/14 = 71%
Operating Budget		14	0	4	6	4	0	
Finance Dept	Mathobi							13/29 = 45%
Operating Budget	Mkhize	29	2	14	13	0	0	
Corporate Governance	Ernest Shozi							2/9 = 22%
Operating Budget		9	3	4	2	0	0	
Corporate Services	Vacant	Corporate Services was without a Director and the applicable KPA's are reflected under the Municipal Manager's Scorecard						N/A
Operating Budget								

The fewer the total number of KPAs per cluster, the greater the percentage significance of success or failure of individual KPAs.

The range for total number of KPAs starts at around 8 for Corporate Services (subsumed under MM's scorecard) or 9 for Corporate Governance – the two fewest. The largest number of KPAs rises to 40 for Technical Services (more than double for the two fewest combined).

In between, Socio-Economic Development & Planning (14) had half as many as Finance (29). The 14 KPAs in the former is divided between relatively many KPA clusters (LED & Tourism, Environmental Health, Disaster Management and Planning) meaning that each has relatively few KPAs.

When Technical Services and Finance are combined they account for 40 out of the total 66 KPAs in the organizational scorecard. This translates to a 60% dominance of work loads by only two departments.

Socio-Economic Development's 14 KPAs in total, (the next highest number) is deceptive. In the latter department's SDBIP/scorecard, all 3 KPAs dealing with the operational activities to promote Local Economic Development (LED) have KPIs measuring the number of meetings, workshops and trade shows attended. The KPAs are: Processes to allow engagement of public & private sectors in the district economy, Processes to link formal and second economies and Promotion of King Shaka Heritage route. Another KPA (Enterprise iLembe) can also claim little more than attendance at meetings. 100% of LED activities or around 30% (4/14 of the Departments KPAs) of the entire department's activities are not productive in the sense of delivering services to the municipality's citizens; but focusing more on meetings, workshops, exhibitions etc.

Service Delivery Departments/Directorates

The two departments in iLembe responsible for direct service delivery (Technical Services and Socio-Economic Development & Planning) were the two highest scoring within the institution. While this might initially be perceived as a positive result for service delivery, closer analysis recognises that it is not necessarily so.

For the highest scoring department (71% for Socio-Economic Development & Planning) - Disaster Management returned a 100% result. This was for producing a Framework document. No implementation of the plan was credited to the department. Environmental Health had measurement challenges. This challenge has been addressed in the ensuing year.

For the second highest scoring department (48% for Technical Services – Capital and Operating Budgets, but 42% for Capital Budget only) planning capacity could be called into question. For new water connections perhaps the department planned to do too much (over-targeted), whereas for new sanitation infrastructure it could be that it under-targeted.

Meetings with the complement of engineering consultants retained by the municipality highlighted SCM issues for much difficulty in meeting project deadlines. Lengthy SCM turn-around times were influential in delaying many projects and resulting in "artificially" low percentage success rates.

Preferential procurement of previously disadvantaged construction contractors also threw up debate on the fine balance between the needs to empower black entrepreneurs and the consequences for service delivery when they cannot, always, handle the size and/or complexity of some contracts.

Ultimately though, Technical Services with its substantial budget compared to Socio-Economic Services actually delivered significantly more tangible benefit on the ground.

One qualifying remark concerning Technical Services, though, was the former Director's concentration on Municipal Infrastructure Grant (MIG) expenditure and relative neglect of other funding sources as well as his

over-reliance on consultants' reports as opposed to his own staff's calculations of progress: both factors eventually leading to the need to continually double-check accuracy.

Support Departments/Directorates

The Finance section at iLembe when analyzed alongside other support departments accounts for greater strategic importance and work loads than the other two combined.

Corporate Services and Corporate Governance both struggled with debilitating circumstances during the reporting period.

The first was without a departmental head for most of the year, due to the Director's suspension. Out of four Managers at the beginning of the year, only two remained at the end of the year. Among the two remaining Managers, the HR incumbent never looked like overcoming staff and skills shortages in that Unit. Staff Leave records were arguably most identified as problematic (due to the financial implications of leave encashment practices) but other functions, too, were poorly performed. Replacement of staff (throughout the institution) who vacated positions for a variety of reasons, proved inordinately time consuming. In some cases re-populating the current organogram's budgeted posts simply never happened during the financial year. The responsibility cannot be located with the individual Manager (HR). The MM's Office did share the function in terms of approving the advertisement of posts (subject to budget availability) and sitting on selection panels. The other remaining Manager who acted as a caretaker head of Corporate Services, eventually assumed control of the Administration portfolio. The dual role was coped with sufficiently well. Legal Services was outsourced.

Corporate Governance had fewest KPAs and retained its two managers reporting to the Head for the whole reporting period. Nevertheless, it performed way below requirement. Arbitrary activities such as arranging logistics for events and functions (like SALGA Games, Heritage Day celebrations and similarly non-core occasions) detracted heavily from its mainstream purpose of facilitating robust Public Participation.

iLembe's organogram was due for review during 2007/2008. The exercise was not satisfactorily accomplished, even with the assistance of foreign donor funding for an external consultant. In 2008/2009 the KPA will be carried over.

Perhaps resolution of restructuring issues might result in some of the difficulties faced by the support departments discussed heretofore, being addressed.

Even Finance, among support orientated departments, while seeming to perform better than other support departments – revealed challenges.

SCM remains under-resourced in terms of personnel and skills. It continues to negatively influence service delivery.

Billing & Revenue Collection face inherited and particularly difficult issues to address. Greater collaboration between Finance and Technical Services around customer databases, registration of new water meters and closer monitoring of field staff could contribute to improvements in receipt of monies owed to the municipality.

ITC (except insofar as it relates to Finance specifically) is vastly under-utilised by other departments. This is of particular concern in Technical Services, where automation of business processes would go a long way to enhancing service delivery. ITC should streamline record keeping of complaints and facilitate improved customer relations. It could render PMS transparent in real time (not just at the end of months and/or quarters). The potential for ITC to secure performance efficiencies across the entire spectrum of municipal endeavor cannot be claimed to have been even nearly realised.

Essentially, that Finance leads the way among support to service delivery departments is of little consequence when its actual value to Technical and Socio-Economic Development Services implementation of developments among iLembe's communities remains sub-standard.

The Status of Water/Sanitation Delivery in 2007/2008

The various tables in the foregoing give a picture that can only be described as "bad performance". There is integrity in the system in the sense that besides minor differences in percentages of either success or failure between the Organizational Performance Scorecard and that of the Municipal Manager or the differences between the Municipal Manager and the Directors, there is consistence in the "region of failure". It is not a situation where the institution fares badly whilst the senior management (Municipal Manger and other Section 57 Managers) are said to have performed well. PMS in the iLembe District Municipality is being implemented and reported upon honestly and equitably. The system is still wobbly which is natural for an infant system - but it is believed iLembe should take satisfaction in the fact that the system is capable of reporting successes and, more importantly, failures relatively reliably!

The performance picture in the foregoing is not a desirable one; but one that is nonetheless real and practical. For those living in the district, particularly in the area of KwaDukuza, the results would not be a surprise. They attest to the daily experiences of people in the area regarding water service delivery.

The citizens of the district have experienced two related types of problems regarding water service: long hours, if not days, of discontinuity to service as a result of either planned or unplanned shut downs and a low pressure in the system that results in certain areas not receiving water for days if not weeks. The situation was particularly critical during the period of October 2007 to March/ April 2008 in KwaDukuza, when reservoirs simply could not fill-up. This phenomenon occurred immediately after there had been a major break-down at Umvoti Water Works which lasted for about a week.

Before setting out what the institution has been doing during the year under review, to mitigate the above, it is important to place "failure" in its proper context. There are two types of failures. There is failure due to internal factors and failure due to external factors. The former is failure whose prevention was within the control of the management of the institution whilst the latter is failure whose control was not within the reach of the Management. The failure to meet the targets by management in the above-mentioned performance scorecards constitute an "internal failure" that is a failure which the concerned Manager could have prevented and met the target. For the purpose of this report, "internal failure" means a failure whose circumstances or conditions were within the control of the Manager; whilst an "external failure" means a failure whose circumstances or conditions were not within the control of the manager or the institution.

The failure by various managers (Municipal Manager and Directors) to meet the Scorecard targets may be attributable to five common factors that seem to run through the performance report of every senior manager:

- Lack of data to determine appropriate and factual baseline
- Unstructured and ambitious targets
- Ambiguity of KPI's and targets
- The scorecard not the anchor and the hallmark of Manager's conduct
- Capacity constraints

These factors are not in any order of importance and each of them played out in one or more of the Manager's performance scorecard and the implementation thereof. In some cases, a combination of these factors played out during the formulation and/or the implementation of the scorecard.

In the absence of the factual information (baseline) at the start of the time of the compilation or formulation of the scorecard, it is likely that the Manager, out of sheer goodwill, would pick on an unrealistic target; which later proves to be too ambitious to deliver on. There were instances when the requisite processes could not be completed within the time of the target; meaning that the target date was not worked out of the input processes and the timing of some of the compulsory inputs and processes. There are many instances when the capacity limitations in various units, was underestimated. Many projects got delayed because of the capacity constraints to put together a mere bid document. The management of the consultant, from a design

and quality control point of view, was non-existent. Certain projects begin experiencing technical/functional problems in no time after completion; while other projects simply do not deliver the intended outcome due to the either wrong designs or use of poor quality of material or a combination of both.

The biggest weakness was the failure by managers without exception to make the performance scorecard the anchor of his/her entire conduct for undivided and unshared attention. This phenomenon does take the focus of the manager away from the scorecard to other important pressures. Yet at the end of the year those other important pressures do not come into the equation for evaluation. There are managers who did a lot of good work that was not accounted for in the scorecard. Thus they could not claim the benefits of such work.

There were and there still are many challenges in the administration regarding the operational systems and operating competencies within various units. One such operational systems challenge is Munsoft which is the financial and billing system. Of the eleven modules of Munsoft, iLembe uses no more than three (billing, cash book and to a limited extent; stores). The problem with billing is not the Munsoft system but management of the data input (meter reading data) into the system. There have been attempts to get the Creditors Module implemented properly to no success.

The billing system presents the biggest challenge in the sense that it has immediate effect on the bottom-line.

There are interventions that are underway in that area. A service provider has been appointed to undertake water supply points and water meter audits so that iLembe has the correct status and reading of every meter. This exercise will provide an up-to-date status of every consumer in the system; where after the implementation of the "Rand for Rand scheme" will move into full gear. On the management of cash-flow, a "first" for iLembe was achieved in that the 2007/08 financial year was closed with a cash surplus of R1,9 million. This was not just a budget surplus but cash in the bank. This is a phenomenal achievement if one takes into account that the said year was started with a cash deficit of R5.3 million. This translates into a cash-flow improvement of R7 million during a single financial year.

In Technical Services, there are three critical areas of challenge; namely Operations and Maintenance, Project Management and Engineering Capacity. The challenge includes running an engineering function such as Water and sanitation without a Civil Engineer. Besides the former Director, there was no Engineer in the system at both a planning level (Water Authority) and operations level. Although the Technical Officers do have relevant technical skills for operation they have been operating without an Engineer's Supervision as required in terms of SABS. On Project Management, the MIG Office (National and Provincial) has just approved (October 2008) iLembe's application to establish a fully fledged PMU in the institution. This is certainly going to help a great deal. The good news regarding MIG, is that during the year under review there was no roll-over. There was 100 % expenditure. This is another "first".

The biggest challenge facing the institution is that there is no infrastructure maintenance programme. What the municipality is currently doing is attending to emergency repairs (unplanned repairs); yet the infrastructure is more than 30 years old. Moreover, it was designed for a far lower demand than the current demand; hence the endless water pipe-bursts and water pressure problems. Without planned maintenance (preventative and service) there is no way iLembe can meet the water and sanitation standards (SANS 241/2006). The bulk of the existing reticulation infrastructure is long over-due for both replacement and upgrade. It is pleasing to report that with the partnership of DWAF, plans are underway to Audit and review the district's water reticulation infrastructure in order to determine the specifics of either replacements or upgrade. This report will give iLembe a technical status report and an action programme to address the deficiencies in the system thus focusing the organization on maintenance rather than unplanned repairs.

Sometime in October 2007 to March 2008, KwaDukuza area faced a severe water supply discontinuity. This emergency forced iLembe to appoint a firm of Consulting Engineers to investigate the cause of the problem and provide the municipality with a solution. Two findings were made regarding the water service from this source.

Firstly, Umvoti System's supply volumes and the consumption volumes are finely balanced. Water consumption is almost equal to the water production volumes. This means that the system has no spare capacity. This is a high risk area in the sense that any interruption in the bulk supply system has an immediate effect on the reticulation system to continue to supply the community with water. What compounds this problem is the reticulation systems losses, in the form of leaks.

Secondly, the entire water reticulation infrastructure is riddled with countless leaks of varying sizes. There is a probability that this phenomenon is common to all iLembe's water supply systems.

To address both the supply system upgrade and the incessant leaks, with the assistance of DLGTA, the municipality embarked on infrastructure upgrade in KwaDukuza and Mapumulo to improve the water service delivery in these areas at the total cost of about R13 million.

During the 2007/2008 financial year, the municipality implemented various capital infrastructure projects aimed primarily on reducing the surge of water and sanitation backlogs across the length and breadth of the district at the total cost of R71million.

Location	Project Type	Amount	Jobs
Ilembe	LG Support	159973.92	
Ndwedwe	Sanitation	9223853.92	294
Maphumulo	Sanitation	2235500.00	28
Mandeni	Sanitation	4491994.85	37
KwaDukuza	Sanitation	2517641.71	0
Total		18468990.48	
Ndwedwe	Water	30519944.21	788
Maphumulo	Water	14480430.87	342
Mandeni	Water	6943015.07	49
KwaDukuza	Water	1047265.86	52
Total		52990656.01	
Ilembe	WSDP	98469.07	Total 1590

Skills created by Capital Projects								
WATER	Bricklayers	Plumbers	Pipelayers	Valve Installers	Tracktor / Excavator operator	Machine operator assistant	Pipefitter	Shatter hand
Mandeni	0	1	10	0	0	0	0	0
KwaDukuza	0	0	0	0	0	0	0	0
Ndwedwe	0	4	6	6	0	2	0	12
Maphumulo	12	12	2	0	2	0	21	0
Total	12	17	18	6	2	2	21	12
Sanitation	Bricklayers	Quality Assurance	Supervisor	Storekeeper				
Mandeni	40	1	0	1				
KwaDukuza	0	0	0	0				
Ndwedwe	93	10	1	0				
Maphumulo	2	0	0	0				
Total	135	11	1	1				

The following Tables demonstrate the associated patterns for numbers of beneficiaries of new water and sanitation investments in the district – across the local municipalities.

HIGH LEVEL SUMMARY OF 2007/2008 HOUSEHOLD BENEFICIARIES: WATER (PER LM)			
LOCAL MUNICIPALITY	TOTAL NUMBER OF HH TARGETED	ACTUAL NUMBER OF HH SERVED	% SUCCESS
1. KwaDukuza	2500	0	0%
2. Mandeni	1830	1830	100%
3. Mapumulo	2801	830	30%
4. Ndwedwe	3179	1611	51%
TOTAL	10310	4271	42%

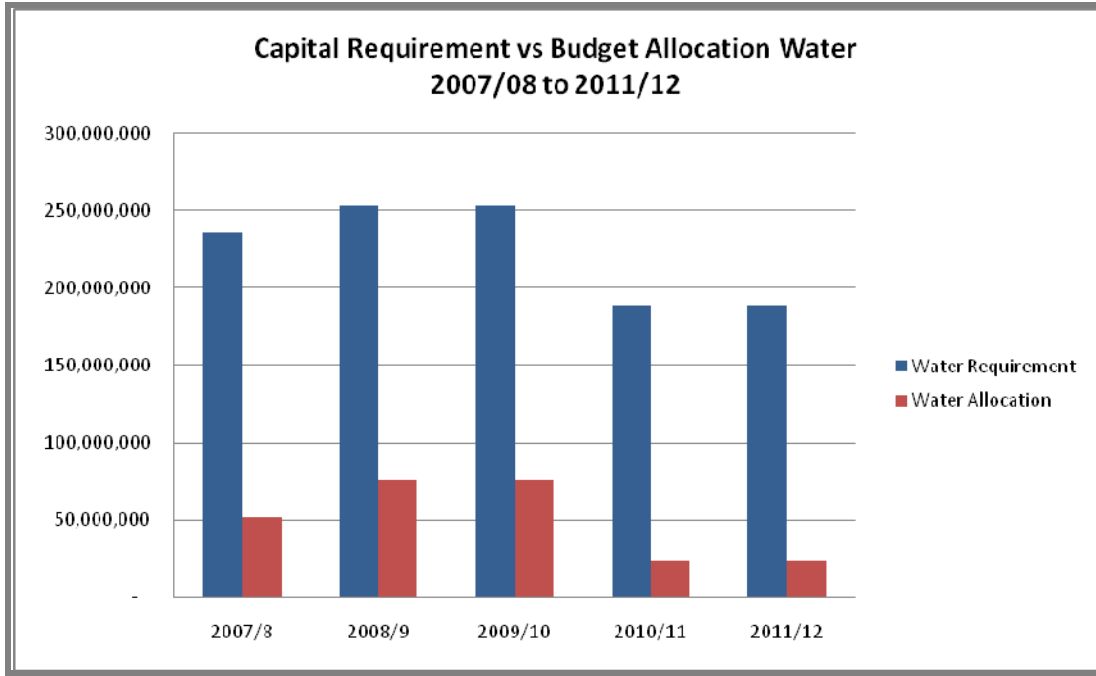
HIGH LEVEL SUMMARY OF 2007/2008 HOUSEHOLD BENEFICIARIES: SANITATION (PER LM)			
LOCAL MUNICIPALITY	TOTAL NUMBER OF HH TARGETED	ACTUAL NUMBER OF HH SERVED	% SUCCESS
1. KwaDukuza	200	0	0%
2. Mandeni	1000	1627	163%
3. Mapumulo	1800	1504	84%
4. Ndwedwe	2480	3831	154%
TOTAL	5480	6962	132%

A total of 4271 households gained access to water service whilst 6952 households gained access to sanitation service (VIP). Consequently, the water infrastructure backlogs were reduced from 38 % in June 2007 to 35 % in June 2008. The sanitation backlogs were reduced from 38 % to 33 % during the same period.

In 2007, the Council adopted a five year IDP (2007-2012) with a new vision for the District: Vision 2027; in terms of which vision, iLembe aims to be “A world Class African Destination with excellent Services”. Accompanying this vision is a Capital Investment Framework (CIP) setting out in numerical terms the type and size of public investment needed in the district per public service department. The total for all public services (all three spheres of Government) stood at R4.6 billion in 2007; of which R876.2million and R1 billion represent the investment requirements for water and sanitation respectively.

The following graphic diagram provides a lucid snapshot of the IDP Capital Investment requirement verses the actual budget allocation. For the first year (2007/2008) iLembe was 70 % short and there are no prospects that it will be possible to make up the difference in the ensuing year (2008/2009). iLembe probably over-estimated its ability to deliver on a vision like this in five years time. This is another ambitious target, which poses the risk of never being met.

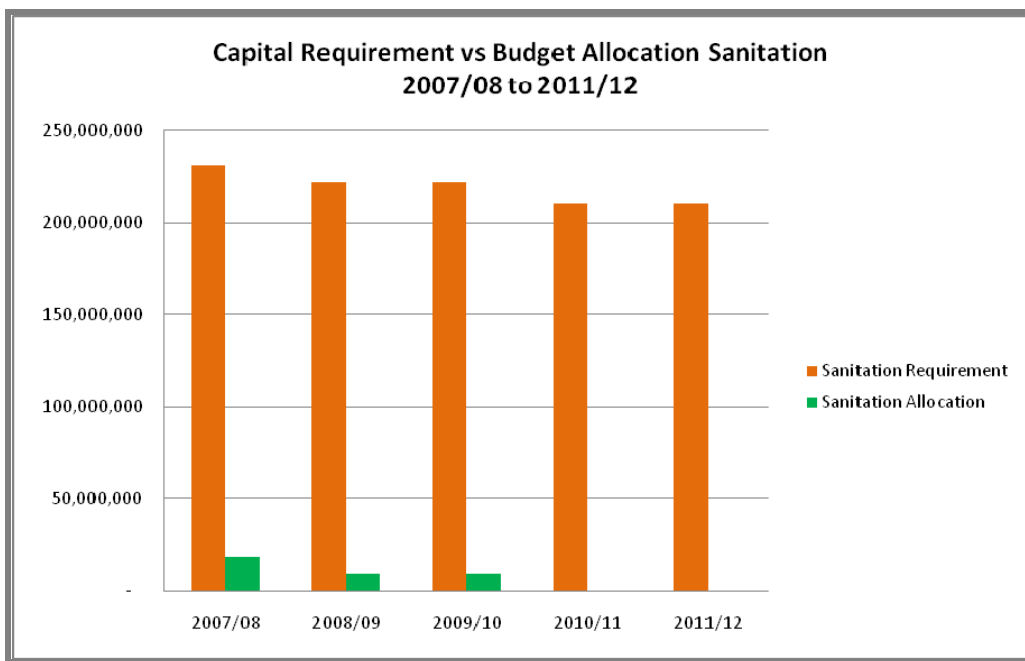
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Water Allocation	51,464,050	75,987,240	75,987,240	23,691,000	23,691,000



IDP Budget

The graphs speak for themselves.

	2007/08	2008/09	2009/10	2010/11	2011/12
Sanitation Requirement	231,460,451	222,250,308	222,250,308	210,750,000	210,750,000
Sanitation Allocation	18,710,451	9,500,308	9,500,308	-	-



IDP Budget

In conclusion the above sketched under performance by Management is largely a function of the factors mentioned above as the common reason for under performance. These include failure to focus on the score card, capacity constraints, lack of resources for infrastructure maintenance and information recording regarding previous performance. The fact of failure to focus on the scorecard is illustrated by the report of Management which simply did not report on the KPI's and targets set out in the scorecard, but rather on some activities which in some instances were not in their respective scorecard. The year under review has been a lesson indeed. In the foregoing we have indicted corrective measures in respect of all these factors. These corrective measures are in the Performance Scorecards of the 2008/2009 financial year.

Although the above performance indicates a rather poor state of performance when comparing the results to the planned targets. The variance between the actual results and planned results indicates a need for improvement on our planning capabilities, which will be attended to in the ensuing year. However, 2007/2008 performance of the Municipality was better than the past years performance, in many ways than one. This is illustrated by the following facts:

- Credible PMS (never existed before)
- 29 % growth in access to water
- 19 % growth in access to sanitation
- 100 % expenditure on MIG
- Cash flow surplus of R1.9 million (from cash flow deficit of R5.3 million)

2.2 Human Resources

The department was without a head for most of the year, due to the Director's suspension. Out of four Managers at the beginning of the year, only two remained at the end of the year. Among the two remaining Managers, the HR incumbent never looked like overcoming staff and skills shortages in that Unit. Staff Leave records were arguably most identified as problematic (due to the financial implications of leave encashment practices) but other functions, too, were poorly performed. Replacement of staff (throughout the institution) who vacated positions for a variety of reasons, proved inordinately time consuming. In some cases re-populating the current organogram's budgeted posts simply never happened during the financial year. The responsibility cannot be located with the individual Manager (HR). The MM's Office did share the function in terms of approving the advertisement of posts (subject to budget availability) and sitting on selection panels.

3. Chapter Three: Financial Management

3.1 Background and Overview of the 2007/08 financial year

This overview gives a snapshot of the comparison between the budget and the actuals, it is a high level summary of both the monthly reports and the financial statements for 2007/2008. The first part indicates the sources of income, thus representing Operating Budget (income) whilst the second part indicates the Operating Budget (expenditure). For the ease of understanding, the expenditure is broken down into category cost centres, and later divided into department cost centres for the purpose of internal controls.

We set out hereunder the summary of the Financials without any analysis, we have included an item called Financial Challenges, at the end of this part which attempts to analyse the apparent difference between the budget and the actuals. But more importantly the analysis will also deal with other financial viability issues.

3.2 Operating Budget

Details of the operating income and expenditure are as follows:

Income:

	ACTUAL 2007/08	BUDGET 2007/08	ACTUAL 2006/07
Central and Provincial Government Grants and Subsidies	102 330 335	149 055 500	94 027 310
Water Income	56 740 197	49 301 362	49 045 935
Sewerage Income	11 432 300	11 900 154	10 670 139
Business Levy Income	54 961	20 298	3 759 583
Interest on Investments	5 546 454	900 000	1 834 971
Other Income	17 606 569	11 716 050	8 324 091
	193 710 816	222 893 364	167 662 029

Expenditure:

The details per category of expenditure are as follows:

	ACTUAL 2007/08	BUDGET 2007/08	ACTUAL 2006/07
Salaries, wages and allowances	56 633 916	57 754 723	53 431 558
Bulk Purchases	27 924 676	32 640 000	9 371 460
General Expenses	38 834 693	45 644 671	37 808 910
Repairs and Maintenance	12 320 569	13 044 481	7 197 341
Capital Charges	9 983 069	12 459 078	10 912 065
Contributions to Fixed Assets	986 250	643 500	309 585
Contributions	35 136 937	21 878 083	54 562 705
Projects/Functions	4 773 051	44 336 005	5 239 680
	186 593 161	228 400 541	178 833 304
Less: Amounts Charged Out	(5 628 436)	(5 507 171)	(5 705 932)
	180 964 725	222 893 370	173 127 372

The details of expenditure per department are as follows:

	ACTUAL 2007/08	BUDGET 2007/08	ACTUAL 2006/07
Corporate Services	21 036 672	27 032 098	21 945 449
Council General	5 587 326	5 263 000	6 228 967
Finance	5 767 870	5 869 919	7 985 150
Municipal Manager	3 585 870	5 092 291	2 269 080

Technical Services Overheads	7 219 335	7 207 571	2 780 162
Corporate Governance	4 096 964	3 954 316	1 911 007
Information Technology	3 050 431	3 070 330	2 326 048
LED and Planning	7 150 135	7 268 035	7 509 633
Support Services	1 590 754	1 739 479	1 489 707
Sewerage	23 263 423	20 350 920	12 566 515
Water	93 842 894	91 709 406	101 075 972
Functions	4 773 051	44 336 005	5 039 682
	180 964 725	222 893 370	173 127 372

3.3 Capital Budget

Details of the capital expenditure are as follows:

	ACTUAL 2007/08	BUDGET 2007/08	ACTUAL 2006/07
Furniture and Equipment	730 278	508 000	335 328
Computers	233 822	135 500	59 763
Vehicles	0	0	731 921
Buildings	85 900	0	392 440
Infrastructure	79 207 299	93 393 000	75 189 681
	80 257 299	94 036 500	76 709 133

Resources used to finance the capital expenditure were as follows:

	ACTUAL 2007/08	BUDGET 2007/08	ACTUAL 2006/07
Contribution from Revenue	986 249	643 500	309 585
DBSA Loans	7 766 438	18 200 000	9 989 587
MIG Funds	71 504 612	75 193 000	65 678 040
Drought Relief Grant	0	0	731 921
	80 257 299	94 036 500	76 709 133

3.4 Water Losses

Details of the water losses for the past three years are as follows:

	2007/08	2006/07	2005/06
Water Purchased	18 266 322 kl.	14 765 521 kl.	15 732 848 kl.
Water Sold	10 479 600 kl.	8 909 040 kl.	10 180 172 kl.
Percentage Loss	42.6%	39.7%	35.3%

There are various factors contributing to the water losses. It is sometimes misleading to call all of them “water losses”. These factors include unmeasured delivery of water to poor communities in the form of community stand-pipes. The other factors are unlawful consumption of water and the reticulation infrastructure leaks due to the ageing infrastructure. In 2008/2009 budget provisions have been made to address refurbishment of the infrastructure and a comprehensive assessment of our water infrastructure in the form of a “Water Conservation and Demand Management Study” for a targeted maintenance programme.

3.5 Tariff

For the 2007/08 year tariffs were increased on average by 8% for both water and sanitation.

3.6 Investment(s)

The following schedule reflects the total external investments of the Municipality for the year under review compared with the previous year:

Details of Investments	2006/07	2006/07
ABSA Zero Coupon	12 791 824	11 358 464
ABSA Short Term Investments	18 859 714	3 615 408
First National Bank Short Term Investments	9 324 139	29 771 820
Standard Bank Short Term Investments	17 270 230	1 697 303
Rand Merchant Bank Short Term Investments	34 155 487	0
New Republic Bank Investment Under Curatorship	860 399	838 105
	93 261 793	47 281 100

The market value of investments is shown as par, on the basis that this will be the value realised on maturity.

3.7 External Loans

The following external loans were outstanding as at 30 June 2008:

EXTERNAL LOANS	Int. Rate %	Redeemable	Balance at 30/06/08 R.
Annuity Loans			
Development Bank of SA	10.80	2025	61 345 980
Development Bank of SA	9.02	2010	982 656
Stock Loan:			
ABSA Bank	10.65	2025	30 000 000
Sub Total			92 328 636
Ex KwaDukuza:			
Registered Stock			
FNB (CMB) Nominees	16.90	30/06/2011	1 015 036
Long Term Loans			
Infrastructure Corporation	Finance 16.00	30/06/2011	3 999 500

Annuity Loans			
Development Bank of SA	16.50	-	559 301
Development Bank of SA	13.45	12/2014	9 030
Sub Total			5 582 867
TOTAL			97 911 503

3.8 General Comment

Some pertinent facts about the financial statements for the year ending 30 June 2008 are:

- The Accumulated Surplus as at 30 June 2008 was R19 722 356 (R8 246 198 in 2007).
- The surplus for the year was R12 746 091 (R5 465 343 deficit in 2007). This happened mainly due to the fact that during the year unnecessary expenditure was curtailed due to the Municipality experiencing a negative cash flow.
- Consumer Debtors decreased to R117 822 274 from R122 773 990 in 2007. This was due to the fact that consumer debtors of R48 620 047 were written off during 2007/08.
- Assets financed during 2006/07 from MIG funding amounted to R71 504 612 (R65 678 040 in 2007) and from DBSA Loans amounted to R7 766 438 (R9 989 587 in 2007).
- Unspent Grants as at 30 June 2008 amounted to R87 082 534 (R24 848 111 in 2007). This total is made up mainly of MIG Grants at R25 724 533, Beach Restoration Grant R31 179 820, Water and Sanitation Refurbishment Grant R10 669 000 and Operations Refurbishment Grant R7 863 000. It is important to make a point regarding MIG. The R25 724 533 is the total balance in the MIG account. About R7.2 million of the total represents the actual unspent MIG, whilst R18.5 million of the total represents VAT claimed and received in respect of MIG projects. The VAT amount will be committed to capital projects in the ensuing year.
- The status of the Municipality's financial viability in terms of the National KPIs on financial viability is as follows:

<p>▪ Debt coverage</p> $A = \frac{B - C}{D} = \frac{193710816 - 102330335}{9983069} = 9,15$ <p>Where-</p> <p>"A" represents debt coverage "B" represents total operating revenue received = R193 710 816 "C" represents operating grants = R102 330 335 "D" represents debt service payments (i.e interest + redemption) due within the financial year = R9 983 069</p>	
<p>▪ Cost coverage</p> $A = \frac{B + C}{D} = \frac{7210152 + 93261793}{12579133} = 7,99$ <p>Where -</p> <p>"A" represents cost coverage "B" represents all available cash at a particular time = R7 210 152 "C" represents investments = R93 261 793</p>	

"D" represents monthly fixed operating expenditure = R12 579 133

▪ **Outstanding service debtor to revenue**

$$A = \frac{B}{C} = \frac{117822274}{47716909} = 2,47$$

Where -

“A” represents outstanding service debtors to revenue

“B” represents total outstanding service debtors = R117 822 274

“C” represents annual revenue actually received for services = R47 716 909

3.9 Financial Challenges

After starting the 2007/08 financial year with a cash flow deficit of R5.3 million, by 30 June 2008 there was a cash flow surplus of R1.9 million. This was mainly achieved by prudent control over the expenditure of the Municipality during the 2007/08 financial year. The Municipality's cash flow situation still needs to improve further and it is planned to build up a working capital reserve of twice the monthly expenditure of the Municipality in the ensuing years. The R1.9 million Cash Surplus is not a challenge but a solution to the challenge. What remains a challenge, however, is the inadequacy of working capital reserve.

One of the strategies to achieve this working capital reserve is to increase the consumer debtor payment rate. However the management of the consumer debtors arrears during the year has been a challenge. It became apparent that our systems particularly the billing systems, were suspect. During the year under review, much of the effort in respect of revenue, went into sorting out systems.

The following strategies were initiated in this regard:

- Data cleansing exercise - This exercise is in progress and a service provider has been engaged to conduct fieldwork investigations which involves the collection of consumer, meter and property data. This project will be completed in the 2008/2009 financial year.
- Credit Control and Debt Collection - A Rand for Rand campaign was embarked on, which allows the consumer to enter into an agreement to pay the current account and have the arrears parked away from his current account. The idea to separate the arrears from the current account is to achieve preferably 100 % payment on current accounts without the burden of the arrears. The arrears are dealt with separately under a payment incentive scheme called Rand for Rand scheme. In terms of this scheme the for every amount paid by the consumer towards part of the arrears, the Municipality writes off the arrears by the same amount, in this sense the Municipality contributes 50 % towards payment of the arrears. The consumer has a responsibility of ensuring that the current account is paid in full as and when due. The plan is to institute credit control in the 2008/09 financial year as we believe by then our billing will have stabilised.
- Improved customer care – We are in the process of reducing the turnaround time in resolving consumer queries. In addition we have seen an increase in the number of meters which are actually read and this has resulted in consistent consumption records for the past six months. This will be an ongoing exercise in the 2008/09 year.

The strategies listed above will translate into numbers in the ensuing year. For the financial year under review we have made a contribution to the provision for bad debts in the amount of R32 251 550. The total provision for bad debts as at 30 June 2008 was R64 133 110. An improvement in the collection of revenue in general and collection of outstanding arrears in particular would do positive wonders to both our cash flow and the

quality of our balance sheet. When we account for the ensuing year (2008/2009), this will become more evident.

The financial statements for the year under review are attached hereto as Annexure “B”.

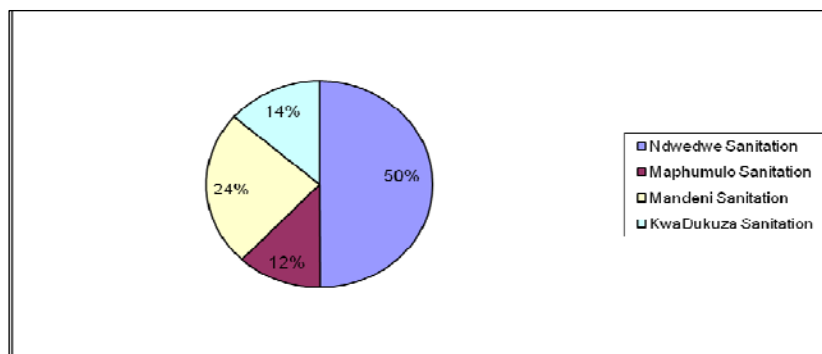
4. Chapter Four: Infrastructure and Service Delivery

During the 2007/2008 financial year, the municipality implemented various capital infrastructure projects aimed primarily on reducing the backlogs on water and sanitation at the total cost of R71million.

Table 13

Location	Project Type	Amount	Percentage	Jobs
Ilembe	LG Support	159973.92		
Ndwedwe	Sanitation	9223853.92	50%	294
Maphumulo	Sanitation	2235500.00	12%	28
Mandeni	Sanitation	4491994.85	24%	37
KwaDukuza	Sanitation	2517641.71	14%	0
Total		18468990.48		
Ndwedwe	Water	30519944.21	58%	788
Maphumulo	Water	14480430.87	27%	342
Mandeni	Water	6943015.07	13%	49
KwaDukuza	Water	1047265.86	2%	52
Total		52990656.01		
Ilembe	WSDP	98469.07		Total 1590

Sanitation



Water

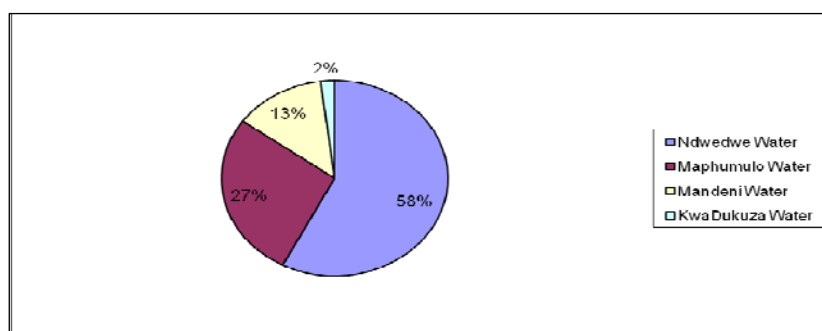


Table 14

HIGH LEVEL SUMMARY OF 2007/2008 HOUSEHOLD BENEFICIARIES: WATER (PER LM)			
LOCAL MUNICIPALITY	TOTAL NUMBER OF HH TARGETED	ACTUAL NUMBER OF HH SERVED	% SUCCESS
1. KwaDukuza	2500	0	0%
2. Mandeni	1830	1830	100%
3. Mapumulo	2801	830	30%
4. Ndwedwe	3179	1611	51%
TOTAL	10310	4271	42%

HIGH LEVEL SUMMARY OF 2007/2008 HOUSEHOLD BENEFICIARIES: SANITATION (PER LM)			
LOCAL MUNICIPALITY	TOTAL NUMBER OF HH TARGETED	ACTUAL NUMBER OF HH SERVED	% SUCCESS
1. KwaDukuza	200	0	0%
2. Mandeni	1000	1627	163%
3. Mapumulo	1800	1504	84%
4. Ndwedwe	2480	3831	154%
TOTAL	5480	6962	132%

Table 15 : – Backlogs at June 2008 Water

LOCAL MUNICIPALITY	POPULATION	HOUSEHOLDS	2004/2005	2005/2006	2006/2007	2007/2008	BACKLOG % 2007/2008	ACCESS % 2007/2008
	UWP BACKLOG ESTIMATES		HOUSEHOLDS WITH ACCESS TO WATER				HH	HH
Mandeni	131 830	32 352	12 440	12 740	12 740	14 570	61	45
KwaDukuza	252 053	58 000	47 300	48 300	49 300	49 300	15	85
Ndwedwe	208 447	30 824	15 797	16 805	17 160	18 771	44	61
Maphumulo	212 909	24 731	8 470	9 298	10 965	11 795	56	48
Total	805 239	145 907						
Access to Water			84 007	87 143	90 165	94 436		65%
Backlogs			61 900	58764	55 742	51 471	35%	
Achievements			3 501	3 136	3 022	4 271		

Table 16 : Sanitation

LOCAL MUNICIPALITY	POPULATION	HOUSEHOLD S	2004/2005	2005/2006	2006/2007	2007/2008	BACKLOG % 2007/2008	ACCESS % 2007/2008
	UWP BACKLOG ESTIMATES		HOUSEHOLDS WITH ACCESS TO SANITATION				HH	HH
Mandeni	131 830	32 352	17 889	18 643	20 538	22 165	37	69
KwaDukuza	252 053	58 000	42 762	44 544	45 544	45 544	22	78
Ndwedwe	208 447	30 824	11 362	11 835	13 718	17 549	56	57
Maphumulo	212 909	24 731	9 116	9 496	10 398	11 902	58	48
Total	805 239	145 907						
Access to Sanitation			81 129	84 518	90 198	97 160		67%
Backlogs			64 778	61 389	55 709	48 747	33%	
Achievements			3 247	3 389	5 680	6 962		

A total of 4271 households gained access to water service whilst 6952 households gained access to sanitation service (VIP). Consequently, the water infrastructure backlogs were reduced from 38 % in June 2007 to 35% in June 2008. The sanitation backlogs were reduced from 38 % to 33 % during the same period.

Comparing the Performance results of 2007/2008 to the performance results of the previous year the 2007/2008 results show a substantial improvement of 29 % growth in respect of the reduction of water backlogs, and 19 % growth in respect of reduction in the sanitation backlog. In reality 2007/2008 financial year is not only the best year ever, from the point of view of having a Performance Management System but it also produced the best results ever in respect of both water and sanitation when compared to iLembe's performance in previous years. Yes! We did not achieve the targets but we exceed our performance of the previous years. This increase in performance verses failure to meet the targets is a lucid illustration of the fact that we had over targeted. In other words, our 2007/2008 targets were in certain instances over ambitious and therefore unrealistic. The performance results of 2007/2008 provide a concrete learning lesson to both the organisation and the Senior Management.

Challenges

Like many Municipalities in the Country, the Municipality faces the following challenges;

- Water Resource Constraints
- Technical Capacity
- Infrastructure Maintenance

There are two critical areas of technical capacity; namely, Engineering Capacity (Civil) to plan, design and operate Water and Sanitation business; and the Project Management skills to manage Capital projects of Water Engineering nature. However, the resolution in this regard is in sight, in that MIG Programme has just granted the Municipality the use of the MIG funds to create and maintain the PMU capacity.

The combination of Water Resource Scarcity (shortfall) and lack of infrastructure maintenance programmes is a critical challenge. It is compounded by the persistent shortage of engineering skills in the market. We have just completed a feasibility study on the use of Uthukela River System as the source of Bulk Water Supply for the iLembe District. We are currently exploring funding models. In the face of both the excessive water losses and the need for a focussed infrastructure refurbishment/replacement, we have procured the services of a specialist Consulting Engineers to undertake a comprehensive study on Water Conservation and Demand Management to provide us with various mitigating options.

5. Chapter Five: Socio- Economic Services

5.1 LED STRATEGY

- **A District Wide LED Strategy** has been developed and the project is completed. The Regional LED strategy has led to the development of four sector masterplans:
 - Agricultural Masterplan
 - Tourism Masterplan
 - Manufacturing Masterplan
 - Retail/Services Masterplan

In addition, a specialised study was concluded on the Value Chain Analysis for the iLembe Agriprocessing Hub, to link to the Dube Trade Port. The Business plan for the Hub itself has been completed for a while, and is presently on the open market in search of a private investor through the offices of Trade and Investment KZN.

The completion of the strategies has led to a number of business plans being developed to attract possible funding by the Corridor project, and the Department of Agriculture which is currently working on the Business Plans related to the agricultural projects.

Forums established

During the course of the year, the following forums were constituted and administered:

- Ilembe LED Coordinating Forum
- Ilembe Agricultural Forum
- Ilembe Secondary Cooperative Forum
- Cultural Upliftment Forum Amagosa
- iLembe NAFCOC Committee

SMME Development

- **Basic Business:** Principles & Entrepreneurship and SMME development was funded by IDC in partnership with Ithala, and SEDA. Participants were introduced in entrepreneurial thinking generating ideas, and taking calculative risk. The major part of this training was to understand the cash flow and the purpose of a business plan. The wholesale and Retail seta also funded 6 groups of 50 participants per course.
- **Co-operative Development:** The Department of Labour funded an intensive 6 months training for 9 co-operatives that are now on placement. This was a very comprehensive training and the District conducted a close monitoring and support. Sectors are formed and are in operation.
- **Art and Craft:** The District was instrumental in the alignment of this sector and the improvement of crafting skill. Crafters were also exposed to Hilton Conference, Durban Exhibition, Galaga Estate and Gateway Indaba. The District contributed in preparation of Umhlanga Reed Dance.

Tourism

The following activities took place within the tourism component of the LED Unit during the 2007/2008 period:

- **King Shaka Heritage Route**
Received funding from Corridor Development Programme; R615 000 for the upgrade of sites along the King Shaka Heritage Route.
- **North Coast Travel Guide**
A 36 page Tourism Brochure for the North Coast was produced with a print run of 20 000 copies. Distribution through various tourism information offices, airport kiosks, tourism outlets and domestic tourism exhibitions and trade shows.
- **2010 Tourism Road Shows**
We hosted the Tourism Enterprise Programme 2010 Soccer World Cup Road show – targeting the tourism industry.
- **Service Excellence Awards**
iLembe District managed to clinch three awards at the Province's Tourism Service Excellence Awards event held at the ICC in April 2008. The winners were Sangweni Tourism Centre, Nyoni Craft Centre and Dolphin Manor Guesthouse.
- **Tourism White Paper**
iLembe District Municipality played an integral role in assisting with the drafting of the Tourism White Paper for the province. Key input into the area of the role and functions and district and local municipalities in tourism. The paper is now awaiting Cabinet's final approval.
- **Participation at Various Tourism Forums**
iLembe District Municipality is represented at key tourism forums in the province giving input to various programmes and campaigns. Some of the forums are; Provincial Tourism Committee (chaired by the MEC for Arts, Culture and Tourism), Provincial Tourism Forum (chaired by the CEO of Tourism KZN), Provincial BEE Forum (chaired by the DACT), Provincial Trade Forum (chaired by TKZN).

5.2 Environmental Health

Municipal health services comprise of the following components namely; water quality monitoring, food control, waste management, health surveillance of premises, surveillance and prevention of communicable diseases, excluding immunisations, vector control, environmental, pollution control, disposal of the dead and chemical safety.

Albeit that the services rendered are routine in nature emphasis is placed on the issuing of Certificates of Acceptability in respect of food handling premises, water and food sampling, scrutiny of building plans, issuing of Certificates of Competency to funeral undertaking premises, making recommendations to the Licensing Authority on food premises and places of Public entertainment in terms of the Business Act, ensuring proper and effective waste management practices including medical waste etc. The SDBIP clearly indicates that over 2082 inspections took place during the year in question, with all queries being capably addressed by the staff.

In terms of Vector control, 64 complaints were received and attended to. Though vector control remains a contentious issue, spraying of mosquito breeding areas and other nuisances such as fleas and ticks continues as well as the capturing of vector such as rats, which are taken to laboratories for bleeding and dissecting to establish the presence of disease that could be detrimental to human health.

Major focus has been placed on Air Quality Monitoring which has increased staff involvement surrounding developments in this regard, and personal involved with this function has attended a number of workshops and training sessions to keep abreast with progress. In terms of Section 14(3) of the Air Quality Act, the

Municipality will designate an Air Quality Officer from its administration in the new year to be responsible for co-ordinating matters pertaining to air quality management in the municipality.

5.3 Disaster Management

As a follow-up on last years report in respect of the declared Tidal Surge disaster which affected the KwaDukuza coastline, an amount of R 33,400,000.00 was awarded by National Government for the reconstruction and rehabilitation of the beaches. This has resulted in collaboration between the District Municipality and the Kwadukuza Local Municipality in order to effect the reparations at hand.

The Disaster Management unit has been attending various meetings and monitoring of the tidal surge damage progress for reporting purposes to the district and provincial disaster management centre.

Incidents for the 2007/2008 financial year were dominated by fire caused by either veld fires or negligence. The disaster management team rendered assistance to affected persons in respect of emergency relief aid.

- The unit facilitated awareness programmes which were held at various schools within in the district.
- The disaster management team was present at both major events inter alia the Shembe Pilgrimage and King Shaka Heritage day.
- The provision of portable toilet facilities has continued throughout the year.
- Maintenance of the Hypochloride machines utilised for the manufacturing of bleach is ongoing

In terms of strategy, a service provider was appointed to assist with the formulation of the iLembe District Disaster Management Plan. Work commenced during December 2007 and a number of workshops / meetings were held during the reporting period. So far a Disaster Management Framework has been completed ready to proceed to the preparation of a Disaster Management Plan.

6. Chapter six: Good Governance

6.1 Auditor General

The Auditor General has audited the financial statements of the Ilembe District Municipality as at 30 June 2008. These included the municipality balance sheet, income statement and cash flow statement for the year then ended. A copy of the Auditor General's Report is attached hereto as Annexure "A". For ease of reference we have attached to the Auditor General's report the Management response and actionplans to this report as Annexure "A1".

In general the report found that "the financial statements of the Ilembe District Municipality as at 30 June 2008 and its financial performance and cash flows for the year then ended have been prepared, in all material respects, in accordance with the basis of accounting as set out in accounting policy note 1 and in the manner required by the MFMA and DoRA."

The Municipality received a qualified report in respect of Water service charges, specifically the Auditor General found that "the existing system of control over the billing of water service charges could not be relied upon for the purpose of (the) audit as detailed testing revealed incorrect meter readings and billing, unreasonable estimates, negative estimates, incorrect tariffs utilised on certain accounts and significant adjustments to consumers' accounts. The entity's records did not permit the application of alternate audit procedures and it was not possible to quantify the error in water service charges. "

The Auditor General's report further highlighted certain aspects of the Municipal Finance Management Act to be complied with and required status updates of various previous processes and investigations into financial management matters which have not yet been concluded.

As indicated before the management response to the concerns raised by the Auditor General including the current status of issues and planned actions are recorded as Annexure "A1"

6.2 Internal Audit and Audit Committee

Appointment and attendance of the Audit Committee

The Audit Committee was appointed and effective from 1 May 2008. As such this committee was not operational in the year under review as has been highlighted by the Office of the Auditor General. Since its appointment, the committee has held the following meetings:

Date	Present	Apologies
19 August 2008	T F Zulu N Mohamed B Sithole K M Moodley J Muir S Ndaba	S D Shezi
29 August 2008	T F Zulu S D Shezi N Mohamed K M Moodley S Ndaba	J Muir B Sithole

With the Audit Committee coming into office, the Governance structures have been put to place and approved. These include the Audit Committee Charter and the Internal Audit Charter. These were necessary to ensure that the committee operates within the agreed upon protocol.

We are satisfied that since appointment, the committee has fulfilled its mandate in terms of the Municipal Finance Management Act (MFMA) and principles of best practice.

Approval of the Financial Statements

The Annual Financial Statements of the Municipality have served before and been approved by the Audit Committee prior to submission to the Office of the Auditor General. This review did not constitute an audit as it is not the function of this committee to do so, but an evaluation of the appropriateness of the accounting principles applied and the reasonableness of the amounts and disclosures on the financial statements. The Committee was satisfied that the Annual Financial Statements were a fair reflection of the Municipality's financial engagements for the year under review. A reservation was, however, made by the Committee that these statements would undergo thorough scrutiny by the Office of the Auditor General and independent findings made; which the committee accepts.

Effectiveness of the Internal Audit Function

The committee has since appointment reviewed the effectiveness of the Internal Audit Function and has made the conclusions that this would not be achieved as the Unit is currently under-resourced and underfunded. Proposals have been made and accepted by the committee, subject to availability of funds, to increase the structure of the unit in the long term and co-source the internal audit function in the short to medium terms.

The Internal Audit Coverage plan for the 2008/2009 financial years has served before the Audit Committee and been approved. The committee is satisfied that this is progressing as designed, notwithstanding the need for extended capacity.

Effectiveness of systems of Internal Control

The Municipality engaged on a Risk Assessment exercise with the assistance of Provincial Treasury which typically included the assessment of the systems of internal control, risk management and governance.

Evaluation of Municipal Performance

The committee also serves as a performance management committee for the municipality. To this end the Committee has evaluated the performance of all Section 57 employees including the Municipal Manager.

The committee would like to extend its appreciation to the Municipal Officials under the leadership of the Municipal Manager and the Mayor for the support provided in order to enable it to fulfil its mandate. The committee is looking forward to a fruitful and successful year with the municipality

6.3 INTERGOVERNMENTAL RELATIONS AND PUBLIC PARTICIPATION

CORPORATE GOVERNANCE INPUT

Over the term under review iLembe District Municipality has worked consistently to meet the precisely defined legislative requirements. This section reviews achievements in building new mechanisms to reach out to stakeholders and to improve inter-governmental relations and to enable stakeholders to participate meaningfully in key processes. Below, we note progress with establishing various forums. And, we record what has been done to set up these forums.

The term under review has seen a number of important forums being formed in an attempt to improve Public Participation and inter-governmental relations by involving various stakeholders in governance issues. Most important of those are the Municipal Managers Forum, Speakers Forum, Stakeholders Forum and the Mayors Forum.

1. MAYORS FORUM

In the past, relations between municipalities were overwhelmingly competitive, rather than co-operative. Today iLembe Municipality regularly interacts with other municipalities within the District namely iLembe, kwaDukuza, Mandeni, Maphumulo and Ndwedwe. So far three out of four Mayors Forum meetings has been held.

2. SPEAKERS

Inter-governmental Relations has been strengthened by the formation of Speakers Forum. Speakers within the district work hand in hand with one another on issues affecting governance on an everyday basis. Speakers Forum meets quarterly, so far, four out four meetings have been held.

3. MUNICIPAL MANAGER'S FORUM

Motivated by the principle of cooperation, the municipalities within the district have come together to look at what can be done to collaboratively work together, plan together and align plans. The district has formed the Municipal Manager's Forum to take process forward. The Municipal Manager's of all municipalities within the district are working together to develop a common vision and common strategy. Four meetings have been held in the term under review.

4. STAKEHOLDERS FORUM

iLembe municipality has built partnerships and collaborative planning relationships with other government departments such as Social Development, Economic Affairs, Transport, ESKOM, SAPS, Justice, Public Works and may more. This Forum meets quarterly, four meetings have been held.

5. CONCLUSION

The District has made enormous progress in deepening democracy. It has also taken innovative steps forward defining a better system of governance. Despite this progress, this work is only just beginning.

6.4 Council and Portfolio Committee

During the year under review Council had 5 ordinary meetings and 5 special meetings. Exco had 17 Ordinary meetings and 16 special meetings. Portfolio Committees had a total of 41 meetings.

7. Chapter seven: Outlook for 2008/2009