



DRAFT

**ANNUAL REPORT
2011/12**

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PART	INTRODUCTION AND OVERVIEW
1	

1.1 EXECUTIVE MAYOR'S FOREWORD

This 2011/12 Annual Report of the Nelson Mandela Bay Municipality, which reflects our service delivery and developmental achievements and challenges, is presented in recognition of our obligation to be an accountable and transparent organisation. Such annual reporting is also required from South African municipalities in terms of various pieces of legislation, such as Section 46 of the Local Government: Municipal Systems Act No. 32 of 2000 and Sections 121 and 127(2) of the Local Government: Municipal Finance Management Act No. 56 of 2003. Furthermore, Executive Mayors are required to table such reports in their Councils within seven months after the end of each financial year.

1.1.1 Achievements

The Municipality recorded progress in achieving objectives in terms of the five key performance areas applicable to local government, as are reflected below and outlined in this Annual Report:

- Basic service delivery and infrastructure development
- Municipal transformation and development
- Local economic development
- Municipal financial viability and management
- Good governance and public participation

Performance highlights over the review period include the following:

- (a) Provision of potable water within a 200 m radius to 100% of households, with the exception of some smallholdings and farms.
- (b) Provision of water and sanitation connections to 6 470 new households, against an annual target of 3 600.
- (c) Achievement of 100% compliance with drinking water standards (South African National Standards 241).

- (d) Provision of electricity to 100% of all households on officially surveyed sites.
- (e) Implementing renewable energy projects (e.g. solar heating and wind energy).
- (f) Successful hosting of the third Annual Mayoral Cup, which has regenerated soccer, rugby and netball in less privileged areas.
- (g) Introduction of a co-operative development and support programme in order to stimulate job creation.
- (h) Creation of 1 587 full-time equivalent jobs and 13 592 work opportunities through the Expanded Public Works Programme (EPWP).
- (i) Establishment of NMBM Educational Task Team, focusing on the repair of dilapidated local school buildings and facilities and the needs of underprivileged learners.
- (j) Continued inner-city rejuvenation resulting in the transformation of the Metro through new design, layout and public art.

1.1.2 The year ahead

While progress was made during the 2011/12 financial year, the Municipality experienced some challenges. In the year ahead (2012/13), the following interventions will be undertaken in this regard:

- (a) Stabilising the administration *inter alia* by filling key strategic vacancies (Municipal Manager and Executive Directors).
- (b) Sourcing available national and international funding to augment key service delivery projects and replace aging and poor infrastructure.
- (c) Addressing service delivery protests.
- (d) Transforming and rejuvenating township areas into more liveable and attractive places.

- (e) Re-establishing the Ward Committee System to enhance effective public participation.
- (f) Eliminating the bucket system.
- (g) Developing a long-term vision.
- (h) Addressing irregular, fruitless and wasteful expenditure and improving the audit opinion by the Auditor-General.

In January 2012, the Council and communities of Nelson Mandela Bay suffered a great loss on the tragic death in a car accident of three ANC Councillors, Cllrs Gumenge, Lose and Ngqondi. Again, we express our deepest sympathy to their families and constituents.

Finally, I would like to express my sincere gratitude to all Councillors, officials, the communities of Nelson Mandela Bay and stakeholders for their dedication, support and co-operation, which enabled the institution to record service delivery progress during the year under review. Special mention must be made of the Section 154 support rendered to the institution by the Provincial Government.



COUNCILLOR ZANOXOLO WAYILE
EXECUTIVE MAYOR

1.2 STATEMENT BY THE MUNICIPAL MANAGER

This 2011/12 Annual Report was compiled in line with the Local Government : Municipal Systems Act No. 32 of 2000, the Local Government : Municipal Finance Management Act 56 No. of 2003, the National Treasury Circular No. 11, as well as the customised template and guidelines for municipal annual reports provided by the Provincial Department of Local Government and Traditional Affairs.

This Annual Report serves as a record of and accounting mechanism to communities on the institution's achievements and challenges, as well as the mitigation and remedial measures implemented to address the latter. While it reflects that progress has been made in service delivery, there are undeniably challenges. To strengthen and streamline the institution and its operations to enable the institution to expand and expedite service delivery to the residents of Nelson Mandela Bay, *inter alia* the following interventions/actions will be prioritised in the year ahead:

- (a) Establishment of Rapid Response Teams to enable quicker and more targeted responses to community needs and complaints.
- (b) Review of Supply Chain Management Policy, structures, systems and processes.
- (c) Launching an IGR Forum to strengthen intergovernmental relations.
- (d) Re-establishing and strengthening the Ward Committee System.
- (e) Addressing the issue of the qualified audit opinion received from the Auditor-General and introducing corrective measures towards obtaining a clean audit.
- (f) Vigorously instilling a culture of performance within the institution.
- (g) Promoting financial discipline and management.
- (h) Addressing fraud and corruption in the institution through roadshows and workshops targeted at employees and Councillors.

As Accounting Officer of the institution, I would like to extend my heartfelt appreciation to the political leadership and staff of the Nelson Mandela Bay Municipality for their hard work and dedication, which culminated in the progress made by the institution during the 2011/12 financial year.

A handwritten signature in black ink, appearing to read 'I. Tsatsire', written in a cursive style.

DR I TSATSIRE
ACTING MUNICIPAL MANAGER

1.3 OVERVIEW OF MUNICIPALITY

1.3.1 Geographic and demographic profile

Nelson Mandela Bay is a major seaport and automotive manufacturing centre, located on the South eastern coast of Africa in the Eastern Cape Province of South Africa.

(a) Population

Nelson Mandela Bay (NMB) has a population of 1,1 million and covers an area of 1,950 km². The city has a relatively youthful population, with 37% of residents between the ages of 15 and 34 years, indicating that education and job creation require serious attention. Altogether 26,2% of the population is below the age of 15 years, while 5,3% is 65 years and above. The male:female ratio of the population is 48:52.

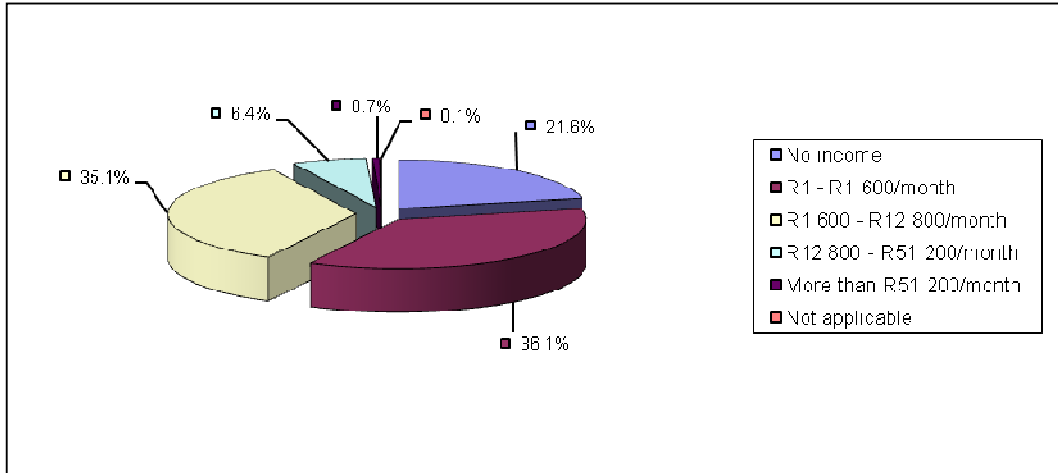
(b) Household data

Number of households	=	289 000 (formal)
	=	38 000 (informal)
	=	49 000 (backyard shacks)

(c) Socio-economic trends

Key socio-economic statistics are as follows:

- Unemployment rate: 28,2%.
- Altogether 86 172 households are receiving free basic services (water, sewerage, electricity, refuse removal and rates).
- 44% of households access at least one social grant.
- HIV and AIDS prevalence rate: 30%, according to antenatal care statistics.
- 20% of residents have no or limited schooling.
- Low household income (see Figure 1).

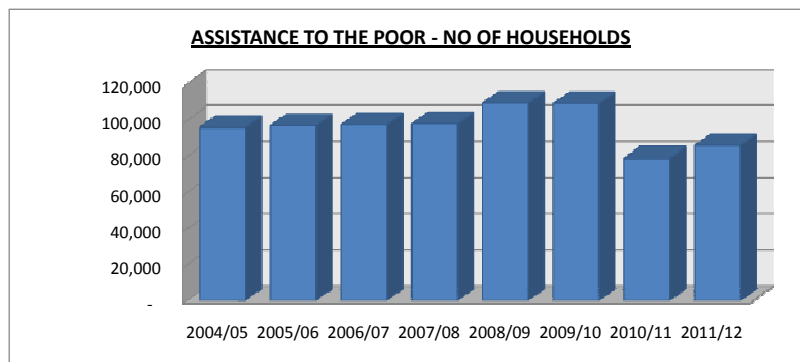
FIGURE 1: Household incomes

Sources: Census 2001; Statistics South Africa

The following aspects support the information provided above and serve to illustrate the socio-economic trends in Nelson Mandela Bay.

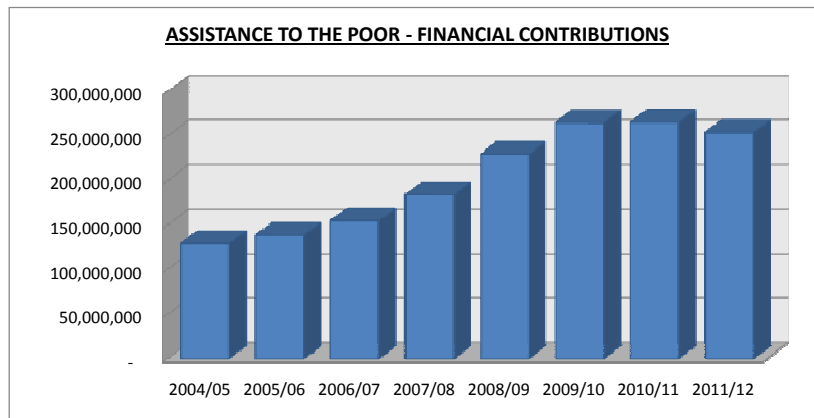
Assistance to the Poor (ATTP)

The Figure below indicates the number of households receiving indigent subsidies from the Municipality.

FIGURE 2: ATTP – Number of households receiving financial assistance

The table below illustrates the financial contributions made to indigent households by the Municipality, since the 2004/05 financial year. indicating the year-by-year increase.

FIGURE 3: ATTP – Financial contributions made to indigent households



1.4 EXECUTIVE SUMMARY

1.4.1 Municipal Vision

'To be a globally competitive and preferred Metropole that works together with the people.'

The Municipality is in the process of developing a new shared vision, mission and long-term development plan for Nelson Mandela Bay.

1.4.2 Core values

The Municipality is committed to deliver services within the framework of *Batho Pele* principles, as outlined below:

- *Courtesy and 'People First'*

Residents should be treated with courtesy and consideration at all times.

- *Consultation*

Residents should be consulted about service levels and quality, when possible.

- *Service excellence*

Residents must be made aware of what to expect in terms of level and quality of service.

- *Access*

Residents should have equal access to the services to which they are entitled.

- *Information*

Residents must receive full and accurate information about their services.

- *Openness and transparency*

Residents should be informed about government departments, operations, budgets and management structures.

- *Redress*

Residents are entitled to an apology, explanation and remedial action if the promised standard of service is not delivered.

- *Value for money*

Public services should be provided economically and efficiently.

1.4.3 Performance highlights

An overview of the basic service delivery and financial performance highlights of the institution during the 2011/12 financial year is presented below:

1.4.3.1 Free basic services

The Municipality provides free basic services to approximately 86 172 indigent households in Nelson Mandela Bay.

1.4.3.2 Electricity

Altogether 100% of formal households now have access to electricity. Progress with regard to the provision of electricity is reflected below:

Type of service	2010/11 Actual	2011/12 Target	2011/12 Actual
% of all households on officially surveyed sites provided with access to electricity	100%	97%	100%

Type of service	2010/11 Actual	2011/12 Target	2011/12 Actual
Number of erven connected to electricity	2518	4 000 (low cost and informal)	3 047
		300 (non-electrified households)	301

1.4.3.3 Water and sanitation

Progress with regard to the provision of water and sanitation services is reflected below:

Type of service	2010/11 Actual	2011/12 Target	2011/12 Actual
% households provided with access to basic potable water supply within 200 m radius	100%	100%	100%
Number of new households provided with water connections	3047	3600	6470
Number of new households provided with sanitation	3047	3600	6470

1.4.3.4 Refuse removal

Progress with regard to refuse removal is reflected below:

Type of service	2010/11 Actual	2011/12 Target	2011/12 Actual
% of formal and informal households receiving a domestic waste collection service	98%	95%	100%

1.4.3.5 Housing and land delivery

Performance with regard to housing delivery is reflected below:

Type of service	2010/11 Actual	2011/12 Target	2011/12 Actual
Number of low-cost housing opportunities provided	2956	3600	1682

1.4.3.6 Financial sustainability

The Municipality's financial position is sound, as reflected by the following credit ratings:

RATING HISTORY	2010/11	2011/12
Credit rating	Aa.3 (with negative outlook)	Rating currently in progress

The Municipality achieved a revenue collection rate of 94,46% before write-offs. In addition, a capital expenditure rate of 88,85% was recorded over the review period.

*** More comprehensive performance information is provided in Part 2, under the following key performance areas:**

- Institutional transformation and organisational development
- Basic service delivery and infrastructure development
- Local economic development
- Municipal financial viability and management
- Good governance and public participation

PART	KPA ACHIEVEMENT REPORT
2	

CHAPTER 1: INSTITUTIONAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2011/12	ACTUAL 2011/12	EXPLANATION OF VARIANCE / COMMENTS
1.1 HUMAN RESOURCE TRANSFORMATION					
1.1.1	Number of officials trained in National Treasury Minimum Competencies in line with set regulations	National Treasury Minimum Competency Training rolled out to Directorates	67	64	The underperformance against the key performance indicator is due to the delays experienced in supply chain management processes in respect of the appointment of a training provider. In terms of mitigation, officials utilised directorates' training budgets to attend the training, in line with set regulations. In 2012, a central fund was made available by the institution. Tipp Focus was appointed in June 2012 to provide National Treasury Minimum Competency Training to designated officials within the Municipality. A concerted effort is being made to enroll more officials on the National Treasury Minimum Competency Programme.
1.1.2	Number of Grade 9 - 12 and unemployed attended career day	Career day hosted for the youth	150 (Grade 9 -12) 400 (Unemployed)	Target not met	Pupils at Nelson Mandela Bay schools write their mid-year exams in the month of June. The hosting of the annual NMBM Career Day in June has had a disruptive effect on the mid-year school exams. It was therefore decided to, starting in 2012, annually host the programme in the month of July. The project implementation plan in respect of the July 2012 Career Day has been developed, stakeholders have been consulted, and the event has been scheduled to take place from 18 - 20 July 2012.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2011/12	ACTUAL 2011/12	EXPLANATION OF VARIANCE / COMMENTS
1.1.3	Number of bursaries to be awarded in critical and scarce skill areas in terms of the NMBM Scarce Skills Strategy	No bursaries awarded	20	0	No bursaries were awarded in the 2011/12 financial year. Municipal funding, which was made available for the delivery of this key performance indicator, is being utilised to cover the costs of existing bursars on the Municipal Scarce Skills Bursary Programme. There are currently 35 active bursars. This key performance indicator will again be pursued in the 2012/2013 financial year.
1.1.4	Number of learnership programmes implemented for employed and unemployed	N/A	8	6	Learnership programmes are funded by the Local Government Sector Education and Training Authority. In the 2011/2012 financial year, funding was awarded for the implementation of the following six learnership programmes only: For Unemployed Learners: (1) National Certificate - Basic Pharmacist Assistant (NQF Level 3) - 27 learners. For Employed Learners - (2) Local Economic Development (NQF Level 5) - 2 learners. (3) Water and Wastewater Process Controllers (NQF Level 3) - 15 learners. (4) Electrical Engineering Distribution (NQF Level 2) - 15 learners. (5) Local government Accounting Resource Guardianship (NQF Level 2) - 10 learners. Further learnerships will again be pursued in the 2012/13 financial year.
1.1.5	Number of unemployed graduates placed in scarce and critical skills areas in terms of the NMBM Scarce Skills Strategy	19 scarce skills and 26 critical skills	40	43	The variance of 20 from the previous quarter refers to 2 graduates who resigned and 18 contracts that ended during the reporting period; the remaining 43 are still active as at 30 June 2012.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2011/12	ACTUAL 2011/12	EXPLANATION OF VARIANCE / COMMENTS
1.1.6	% Recruitments completed within a 3 month turn around period	4,5 months	100%	0%	The underperformance against this key performance indicator is mostly due to the unavailability of suitable candidates in scarce/critical skills areas and the institution's capacity challenge to manage the capturing of advertised vacancies. In terms of mitigation, the sourcing of additional capacity will be prioritised in the 2012/2013 financial year. Despite the challenges mentioned, the following performance is reported: 198 appointments (a carry-over from the previous quarter) were administered within this final quarter of the 2011/2012 financial year. Advertised vacancies (65) for the 4th quarter 2011/2012: 65% (21) await capturing and 35% (44) await shortlisting. The vacancies in progress, which amount to 149 (a carry-over from previous quarters) are as follows: 4% (7) await approval from the Acting Municipal Manager or Executive Director; 16% (24) await interviews ; 40% (60) await shortlisting; 21% (21) await capturing; 24% (37) await advertisement.
1.1.7	Number of people from employment equity target groups employed in the three highest levels of management in compliance with the Municipality's approved Employment Equity Plan (a) Top Management (Municipal Manager Executive Directors and Directors)	72	74	77	

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2011/12	ACTUAL 2011/12	EXPLANATION OF VARIANCE / COMMENTS
1.1.8	Number of people from employment equity target groups employed in the three highest levels of management in compliance with the Municipality's approved Employment Equity Plan (b) Senior Management (Assistant Directors down to Salary Grade 12)	73	579	85	The underperformance against this key performance indicator is due to the high vacancy rate among positions within this category. In terms of mitigation, the filling of vacancies will be prioritised in the 2012/2013 financial year. In addition, the Office of the Chief Operating Officer has developed an action plan to monitor the pace at which vacancies are filled within the institution.
1.1.9	Number of people from employment equity target groups employed in the three highest levels of management in compliance with the Municipality's approved Employment Equity Plan (c) Professionally qualified and experienced specialists and mid management (category per designation)	569	291	683	

INSTITUTIONAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT: CHALLENGES AND REMEDIAL ACTION

The following areas have been identified to be addressed in terms of institutional transformation and organisational development:

- (a) Business re-engineering, to culminate in the development of a new structure, both strategically and operationally.
- (b) Development of a new shared vision, mission and long-term development strategy.
- (c) Filling of key strategic vacancies, which include the position of Municipal Manager and the following managers reporting directly to the Municipal Manager:
 - Chief Financial Officer
 - Executive Director: Corporate Services
 - Executive Director: Electricity and Energy
 - Executive Director: Human Settlements.
 - Executive Director: Infrastructure and Engineering
 - Executive Director: Safety and Security
- (d) Cascading performance management throughout the institution.
- (e) Harmonisation of conditions of service and employee benefits.
- (f) Promoting sound labour relations and improving staff morale.
- (g) Capacity development of both officials and Councillors.

ADDITIONAL INFORMATION AND DATA ON INSTITUTIONAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

(a) Presentation of organisational structure

For the organisational structure, please see Annexure "A".

The Municipality has a work-force of 6 594 employees.

(b) Staff development initiatives during financial year

A total of 3 462 employees participated in different learning programmes and interventions during the 2011/12 financial year in terms of the Workplace Skills Plan submitted on 30 June 2012.

During the 2011/12 financial year, 87 unemployed graduates and experiential learners received training in various fields. A total of 140 employed participated in ABET, 76 employed and 27 unemployed persons participated in various Learnership Programmes. Furthermore, 30 bursaries in the scarce skills areas were awarded to unemployed persons and 110 employees are currently beneficiaries in the Employee Bursary Scheme.

(c) Trends in personnel expenditure

As reflected in the table below, the Municipality has managed to contain personnel expenditure at an acceptable rate, so as to release more funds for service delivery.

Financial years	Total number of staff	Total approved Operating Budget	Personnel expenditure (salary and salary related)	Percentage of expenditure
2006-2007	6 252	3,154,010,310	1,036,653,107	32.86%
2007-2008	6 225	5,145,054,890	1,264,406,908	24.57%
2008-2009	6 473	4,401,649,240	1,286,490,950	29.10%
2009-2010	6 497	5 208 008 400	1 641 282 392	31.51%
2010-2011	7 015	6 035 990 570	1 893 081 855	31.36%
2011-2012	6 594	6 605 474 000	1 858 808 571	28.14%

(d) Employees' pension and medical aids

Information with regard to employees' pension and medical aids is reflected below.

Names of Pension Fund	Number of members	Names of medical aid societies	Number of members
Cape Joint	3131	LA Health	1613
SALA	3359	Bonitas	1964
SAMWU Provident Fund	98	KeyHealth	477
		Hosmed	525
		SAMWU Medical Aid	1045

(e) Senior officials' wages and benefits

Information on senior officials' wages and benefits is reflected below:

Remuneration of Acting Municipal Manager (Mr Ntoba)

Annual remuneration	348,734
Performance bonuses	0
Car allowance	0
UIF, medical and pension funds, etc.	0
Total	348,734

Remuneration of Acting Municipal Manager (Mr T Hani)

Annual remuneration	250,903
Performance bonuses	0
Car allowance	0
UIF, medical and pension funds, etc.	0
Total	250,903

Remuneration of Chief Financial Officer

Annual remuneration	657,989
Performance bonuses	0
Car allowance	106,400
UIF, medical and pension funds, etc.	7,118
Total	771,507

Remuneration of Chief Operating Officer

Annual remuneration	997,134
Performance bonuses	0
Car allowance	144,000
UIF, medical and pension funds, etc.	10,790
Total	1,151,924

Remuneration of Chief of Staff

Annual remuneration	1,109,601
Performance bonuses	0
UIF, medical and pension funds, etc.	11,401
Total	1,121,002

Remuneration of Chief Executive Officer – MBDA

Annual remuneration	1,240,370
Performance bonuses	156,044
Car allowance	60,000
Total	1,456,414

Remuneration of individual Executive Directors**Corporate Services**

Annual remuneration	911,189
Performance bonus	0
Car allowance	110,000
UIF, medical and pension funds, etc.	11,765
	1,032,954

Economic Development and Recreational Services

Annual remuneration	1,042,629
Performance bonus	0
Car allowance	120,000
UIF, medical and pension funds, etc.	1,497
	1,164,126

Public Health

Annual remuneration	983,328
Performance bonus	0
Car allowance	120,000
UIF, medical and pension funds, etc.	12,291
	1,115,619

Human Settlements

Annual remuneration	0
Performance bonus	0
Car allowance	0
UIF, medical and pension funds, etc.	0
	0

Electricity and Energy

Annual remuneration	0
Performance bonus	0
Car allowance	0
UIF, medical and pension funds, etc.	0
<i>(The Electricity and Energy Executive Director's position has been vacant since 1 November 2008).</i>	<u>0</u>

Infrastructure and Engineering

Annual remuneration	0
Performance bonus	0
Car allowance	0
UIF, medical and pension funds, etc.	0
	<u>0</u>

Special Programmes Unit (Strategic Management Unit)

Annual remuneration	910,721
Performance bonus	0
Car allowance	120,000
UIF, medical and pension funds, etc.	78,000
	<u>1,108,721</u>

Safety and Security

Annual remuneration	0
Performance bonus	0
Car allowance	0
UIF, medical and pension funds, etc.	0
<i>(The Safety and Security Executive Director's position has been vacant since 1 April 2010).</i>	<u>0</u>

2010 FIFA World Cup South Africa

Annual remuneration	537,446
Performance bonus	0
Car allowance	70,000
UIF, medical and pension funds, etc.	873
	<u>608,319</u>

CHAPTER 2 : BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2011/12	ACTUAL 2011/12	EXPLANATION OF VARIANCE / COMMENTS
2.1 INTEGRATED AND SUSTAINABLE HUMAN SETTLEMENTS					
2.1.1	Number of low-cost housing opportunities provided	2956	3600	1682	The underperformance is due to delayed payments to the Municipality by the Eastern Cape Department of Human Settlements. This resulted in the Municipality not being able to pay the contractors on time, which eventually delayed the implementation of the housing project. The Municipality engaged with the Eastern Cape Department of Human Settlements on the Joint Task Team and at provincial meetings and consistently raised the delayed payment as a challenge that affected the speedy delivery of housing. In addition, the Municipality has established an Intergovernmental Relations Forum to address this and other intergovernmental challenges.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2011/12	ACTUAL 2011/12	EXPLANATION OF VARIANCE / COMMENTS
2.1.2	Number of erven provided with permanent water and sanitation services	3813	3000	2743	The underperformance against this key performance indicator is due to the service delivery protests experienced in Walmer, Motherwell and Missionvale, which forced contractors to leave the sites. The Municipality has developed an intervention plan to address the challenges in these hotspot areas. The underperformance is also partly as a result of the protracted legal challenge, which delayed project implementation during the initial part of the 2011/2012 financial year. The legal challenge has, however, been resolved, and a service provider was appointed in April 2012. In addition to the above challenges, the project in Missionvale was delayed, because electricity poles and shacks were obstructing construction. Efforts are being made to remove all these obstacles to ensure smooth implementation of the project. It is envisaged that performance will improve in the 2012/13 financial year as a result of the aforementioned interventions.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2011/12	ACTUAL 2011/12	EXPLANATION OF VARIANCE / COMMENTS
2.1.3	Number of settlements upgraded from informal to formal	8	1 new area (Greenfield) constructed 4 in situ development areas completed	1 new Greenfield area constructed & 4 in situ development areas completed	Four (4) in-situ development areas have been completed, namely Zosa Street (completed on 22 September 2011), Kleinskool (completed on 5 September 2011), Mandela and Rholihlahla (both completed on 28 May 2012), as well as the development of a new Greenfield area in Motherwell NU 29 (completed on 30 June 2012).
2.1.4	Number of social housing units provided to the homeless	N/A	300	61	The underperformance against this key performance indicator is partly due to the Walmer service delivery protest, which forced contractors to leave site, as well as the inclement weather experienced during the 2011/2012 financial year, which delayed project implementation. The Municipality has formulated an intervention plan to address the challenges in Walmer. The key performance indicator will be reviewed in the 2012/2013 financial year.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2011/12	ACTUAL 2011/12	EXPLANATION OF VARIANCE / COMMENTS
2.1.5	Number of existing hostels in Nelson Mandela Bay upgraded	N/A	1	0	The underperformance against this key performance indicator is due to the delayed process in the issuing of a valid letter of appointment to the existing service provider. A legal opinion in respect of the appointment of the consultant (Matthew Goniwe Opinion) was received on 19 June 2012. The key performance indicator will be reviewed in the 2012/2013 financial year.
2.1.6	Number of households to be relocated from stressed informal settlements and other servitudes	1246	1200	69	The underperformance against this key performance indicator is due to the unavailability of serviced sites in Wells Estate as a result of a protracted legal challenge. The legal challenge has since been resolved and a contractor was appointed in April 2012 to implement the project. Another reason for the underperformance is the strong resistance from the Vastrap community to the relocation of people to the serviced sites in Chatty (Ward 41) and the Motherwell community, which is also resisting the relocation of people to serviced sites in Motherwell NU 29 (Ward 54). An item has been submitted to the Human Settlements Standing Committee for intervention in this regard. The roll-out of an educational programme will assist in improving performance against this key performance indicator in the 2012/2013 financial year.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2011/12	ACTUAL 2011/12	EXPLANATION OF VARIANCE / COMMENTS
2.1.7	Number of low-cost defective houses repaired	1464	6325	1133	The underperformance is due to delayed payments to the Municipality by the Eastern Cape Department of Human Settlements. This resulted in the Municipality not being able to pay the contractors on time, which ultimately delayed the implementation of the housing project. The Municipality engaged with the Eastern Cape Department of Human Settlements on the Joint Task Team and at provincial meetings and has consistently raised the delayed payment as a challenge that affects the speedy delivery of housing. In addition, the Municipality has established an Intergovernmental Relations Forum to address this and other intergovernmental challenges.
2.2 WATER					
2.2.1	% households provided with access to basic potable water supply within a 200 m radius	100%	100%	100%	Throughout the financial year, the Municipality has consistently recorded 100% achievement against this key performance indicator.
2.2.2	Number of new households provided with water connections	3047	3600 (in line with Housing Programme)	6470	Throughout the financial year, the Municipality has consistently performed well against this key performance indicator.
2.2.3	% compliance with the drinking water standards in line with SANS (South African National Standards 241)	100%	100%	100%	Throughout the financial year, the Municipality has consistently recorded 100% achievement against this key performance indicator.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2011/12	ACTUAL 2011/12	EXPLANATION OF VARIANCE / COMMENTS
2.2.4	% reduction in non-revenue water (unaccounted for water - water variance between water billed and water distributed)	0%	2.00%	6.50%	The accumulative performance up to the end of the fourth quarter in the 2011/12 financial year is measured against the annual performance reported in the fourth quarter of the 2010/11 financial year, which was 26.2%. "1. IWA Water Balance calculation is not suitable for quarterly reporting, as billing information distorts the results due to estimates and adjustments of billed volumes. 2. 2010/11 financial year real losses = 26.2% 3. 2011/12: 1-4 quarter real losses = 19.8% (cumulative real losses)" 4. Actual 4th quarter performance: 26.2%-19.8% = 6.5%.
2.3 SANITATION					
2.3.1	% households with access to basic sanitation (formal and informal)	91,30%	92.00%	89.00%	Percentage calculated: (Formal + Backyard shacks + New low-cost houses) / Formal + Backyard shacks + Informal + New low-cost houses) = $(289\ 000 + 49\ 000 + 1682) / (289\ 000 + 49\ 000 + 38\ 000 + 1682) \% = (339\ 682) / (377\ 682) \% = 89\%$. The underperformance can be attributed to the outstanding review of the number of formal and informal households and backyard shacks, as recorded in the 2011/2012 IDP. The revision of these figures has been earmarked for the 2012/2013 financial year.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2011/12	ACTUAL 2011/12	EXPLANATION OF VARIANCE / COMMENTS
2.3.2	Number of new households provided with sanitation	3047	3600 (in line with Housing Programme)	6470	Throughout the financial year, the Municipality has consistently performed well against this key performance indicator.
2.4 ROADS AND TRANSPORTATION					
2.4.1	Km of gravel roads tarred	56.05km	15km	35.8km	
2.4.2	Number of gravel culs-de-sac tarred	29	50.00	116.00	
2.4.3	Km of new sidewalks constructed	29.71 km tarred	10km	14.46km	
2.4.4	Km of roads resurfaced	38km	5 km By June 2012	11.9km	
2.5 STORMWATER					
2.5.1	Km of stormwater drainage installed	40.76km	10km	8.92km	The underperformance against this key performance indicator is due to the delay in the appointment of the service provider, which had a ripple effect on the implementation of the project. In terms of mitigation, a project steering committee was established to monitor the progress of the project.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2011/12	ACTUAL 2011/12	EXPLANATION OF VARIANCE / COMMENTS
2.6 ELECTRICITY AND ENERGY					
2.6.1	Number of new erven connected to electricity (low-cost and informal houses)	2518	4 000 (low cost and informal	3047	The underperformance against this key performance indicator is due to the cut from R30 million to R25 million in the 2011/12 Budget, which provided for the connection of 3 300 erven only. A continued shortage of materials at the municipal Stores further affected performance against this key performance indicator. In terms of mitigation, reports were submitted to the Service Delivery Cluster Committee, reporting challenges and emphasising the impact these challenges were having on meeting the annual target. Follow-up correspondence was sent to the municipal Stores in an attempt to expedite service delivery.
2.6.2	Number of new erven connected to electricity (non-electrified households)		300 (non- electrified households	301	
2.6.3	% of all households on officially surveyed sites provided with access to electricity	100%	97%	100%	Throughout the financial year, the Municipality has consistently recorded 100% achievement against this key performance indicator.
2.6.4	Purchasing of electricity from a 1.8 MegaWatt wind turbine (renewable sources)	N/A	2 400 000 kwh	4808089.00	
2.6.5	Number of solar geysers installed	Solar water heating installed in 89 high- to middle-income households and 28925 low-income households	1565 by September 2011	1565 achieved in 1st quarter	

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2011/12	ACTUAL 2011/12	EXPLANATION OF VARIANCE / COMMENTS
2.6.6	% Electricity losses controlled in line with NERSA standards (variance between electricity billed and electricity purchased)	2%	7.00%	9.01%	The underperformance against this key performance indicator is due to the continuous challenge of cable theft, illegal connections and meter tampering. In terms of mitigation, an educational programme will be developed and implemented in the 2012/13 financial year to provide customer education, setting out to address, <i>inter alia</i> : Illegal connections; tampering with electricity; safe use of electricity; and cable theft.
2.6.7	Number of substations routinely maintained	N/A	480	1580	
2.6.8	Number of new streetlights installed	N/A	40	103	
2.6.9	Number of area lighting installed (high mast and post/top)	N/A	300.00	208.00	The underperformance against this key performance indicator is due to the demand-driven installation of area lights, in line with the Housing Delivery Programme. Most of the low-cost housing units are built in, or next to, existing areas that do not require post-top/high-mast lighting. A continued effort will be made to ensure that required performance remains in line with the housing delivery programme.
2.7 PRIMARY HEALTH CARE					
2.7.1	Number of municipal primary health care facilities constructed	0	1 clinic constructed (Tshangana)	1 clinic constructed (Tshangana)	
2.7.2	Nurse-to-patient ratio	1:52	1:45	1:44	

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2011/12	ACTUAL 2011/12	EXPLANATION OF VARIANCE / COMMENTS
2.7.3	% of community health clinics providing Integrated Management of Childhood Illnesses (IMCI) (Full package of child health services, e.g. preventative health care immunisations etc)	100%	100.00%	92.85%	The reason for the underperformance against this annual target is the temporary closure of the Schauder Clinic. The Clinic was closed down because the roof of Jarman Hall has been infected by borer beetle. For the safety of the community and in consultation with the relevant Ward Councillor, the closure was agreed to. The infestation will be addressed by the Provincial Department of Public Health in the 2012/2013 financial year.
2.7.4	% of community health clinics providing Antenatal Care (ANC) services (37 out of existing 41 clinics)	90%	90.00%	90.00%	
2.7.5	% of designated primary health care facilities providing dual therapy to prevent mother-to-child transmission of HIV (PMTCT) (37 out of existing 41)	90%	90.00%	90.00%	
2.7.6	% reduction in the prevalence of HIV and AIDS in terms of antenatal statistics	N/A	2.00%	6.07%	
2.7.8	% New Smear Positive Cure Rate (Number of TB cases that convert from TB positive to TB negative)	75%	78.00%	65.50%	The reason for the underperformance against this annual target is the non-receipt of a subsidy from the Provincial Eastern Cape Department of Health, which led to the non-filling of vacancies. Primary Health Care Services have been transferred to the Provincial Eastern Cape Department of Health.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2011/12	ACTUAL 2011/12	EXPLANATION OF VARIANCE / COMMENTS
2.7.9	% reduction in New Smear Positive Defaulter rate (TB patients that have not taken their TB medication continuously)	10%	7.00%	7.40%	
2.7.10	% New Smear Positive TB Conversion Rate (TB patients fully cured from TB)	85%	78.00%	60.10%	The reason for the underperformance against this annual target is a reduction in the number of patients taking their TB treatment on time and completing the TB treatment course. In terms of mitigation, awareness programmes were held to educate community members on the importance of continued treatment and regular testing. Since Primary Health Care has been transferred to the Eastern Cape Department of Health, future performance against this key performance indicator will be monitored by the Province.
2.7.11	% of TB clients on direct observation treatment support programme (DOTS)	98.70%	99.00%	99.50%	
2.8 WASTE MANAGEMENT					
2.8.1	% of formal and informal households receiving a domestic waste collection service	98%	95.00%	100.00%	
2.8.2	Number of waste management co-operative areas sustained	9	9	10	
2.8.3	Number of wards benefiting from community cleansing projects	24	24	51	

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2011/12	ACTUAL 2011/12	EXPLANATION OF VARIANCE / COMMENTS
2.9 ENVIRONMENTAL MANAGEMENT					
2.9.1	Number of people attending environmental Awareness Programmes	54224	25000	34124	
2.10 ENVIRONMENTAL HEALTH					
2.10.1	Number of milking parlours evaluated and certified in terms of the Foodstuffs Cosmetics and Disinfectants Act	253	20	86	
2.11 PARKS AND CEMETERIES					
2.11.1	New play parks or recreational facilities developed	N/A	6	5	The 2011/12 Adjustment Budget provided for the development of the following new play parks – <ul style="list-style-type: none"> • Two in Hlawula Street • One in Dubula Street, • One in Koyana Street, and • One in Ngxasa Street. The remainder of the Budget was utilised for the upgrading of the following existing play parks : De grass (Ward 29), Drophy (Ward 29), Langalibalele (Ward 41) and Melumzi/Mzwandile (Ward 41). The KPI and target will be reviewed in the 2012/13 financial year.
2.11.2	Number of trees planted	1267	790	1483	

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2011/12	ACTUAL 2011/12	EXPLANATION OF VARIANCE / COMMENTS
2.11.3	Number of cemeteries landscaped (all operational cemeteries)	N/A	12	7	Due to escalating costs, the 2011/2012 Budget provided only for the landscaping of the following 7 cemeteries: Bloemendal, Zwide, Veeplaas, KwaZakhele, Motherwell, Despatch and Matanzima. The key performance indicator and target will be reviewed in the 2012/13 financial year.
2.12 HIV AND AIDS MAINSTREAMING					
2.12.1	Number of HIV and AIDS Public Awareness Events held	3	4 (STI Condom Week, World Aids Day, Candlelight Memorial and Partnership against AIDS)	4 (STI Condom Week, World Aids Day, Candlelight Memorial and Partnership against AIDS)	

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2011/12	ACTUAL 2011/12	EXPLANATION OF VARIANCE / COMMENTS
2.13 SAFETY AND SECURITY					
2.13.1	% reduction in road accidents	N/A	1.00%	-10.18%	The underperformance against this key performance indicator is due to unfavourable weather conditions, which resulted in the deterioration of road surfaces, thereby causing road accidents. Traffic law enforcement activities, such as roadblocks to ensure driver fitness and vehicle road worthiness, were enhanced to curtail the high rate of road accidents in the Metro. A continuous effort will be made in the 2012/2013 financial year to curb the high rate of road accidents in the Metro.
2.13.2	% revenue collection on traffic fines	N/A	52.00%	101.55%	
2.13.3	Turnaround time from booking learners and driver's license to the actual test	5.5 weeks	16 weeks	6.7 weeks	
2.13.4	Number of additional CCTV cameras installed	175	14	158	

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2011/12	ACTUAL 2011/12	EXPLANATION OF VARIANCE / COMMENTS
2.13.5	% of CCTV cameras operational	N/A	100%	97.32%	The underperformance against this key performance indicator is due to power faults and technical faults, rendering CCTV cameras non-operational. In mitigation, officials monitor CCTV cameras regularly and report to the service provider as soon as any fault is detected. Faults are repaired, as and when required, on an ongoing basis by the service provider (Afrisec). The turnaround time for the repair of faulty cameras depends on the type of fault detected by the service provider, as some of the detected faults require much time to be fixed. As a result, it is difficult to maintain 100% operation of CCTV cameras within the Nelson Mandela Bay Municipality. A continuous effort will be made in the 2012/2013 financial year to ensure the effective operation of all municipal CCTV cameras within the Nelson Mandela Bay Municipality.
2.14 DISASTER MANAGEMENT					
2.14.1	Number of additional technical natural disaster early warning systems installed	10	6	6	

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2011/12	ACTUAL 2011/12	EXPLANATION OF VARIANCE / COMMENTS
2.14.2	Number of disaster awareness programmes held in communities	N/A	100	102	
2.15 FIRE SAFETY					
2.15.1	% reduction in fire incidents	N/A	1.00%	-5.04%	The underperformance against this key performance indicator is due to the increase in fires in vegetation, resulting from the lush vegetation growth emanating from excessive rainfalls experienced during the 2011/2012 financial year. The lush vegetation becomes a fire risk when dried. Fire inspections as well as educational programmes were conducted to ensure fire safety compliance and increased awareness of fire hazards. A continuous effort will be made in the 2012/2013 financial year to curb the high rate of fire incidents in Nelson Mandela Bay.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2011/12	ACTUAL 2011/12	EXPLANATION OF VARIANCE / COMMENTS
2.16 EMERGENCY SERVICES					
2.16.1	Response rate to emergencies: Traffic	10.9 min	10 minutes	21.06 minutes	The underperformance against this key performance indicator is due to the high rate of vacancies within the Traffic Department of the Municipality (Traffic Law Enforcement Officers). This challenge, coupled with the high rate of road accidents experienced in the Metro during the 2011/2012 financial year, resulted in a heavier workload for Law Enforcement Officers and required them to work beyond their normal working hours. As a result, response times to traffic emergencies have increased. In terms of mitigation, the redistribution of manpower will be considered. A concerted effort will be made in the 2012/2013 financial year to reduce traffic accident response rates.
2.16.2	Response rate to emergencies: Fire	8.06 min	10 minutes	8.96 minutes	

BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT PERFORMANCE HIGHLIGHTS, CHALLENGES AND REMEDIAL ACTION

WATER SUPPLY SERVICE

The Municipality has a mandate to supply potable water within its area of jurisdiction and to conserve water as a natural resource. This includes bulk water supply and reticulation, in respect of which key functions are:

- Planning and research for sustainable water supply.
- Upgrading and maintenance of water distribution, reticulation and bulk infrastructure.
- Integrated delivery of water infrastructure to support integrated human settlements and economic development.

In order to achieve its water supply mandate, the Municipality prepared a Water Services Development Plan, which is currently being reviewed for the next five-year cycle in terms of the following IDP cycle.

Furthermore, the Municipality adopted a Water Master Plan (up to 2020), which identifies gaps and interventions and is revised on an annual basis. As a result of the drought and the fact that most of the recommendations of the original plan have been implemented, the Plan is currently being reviewed with the recommendations of the recently completed Algoa Reconciliation Study, as carried out by the Department of Water Affairs (DWA).

The Municipality provides water within a 200 m radius of the homes of all residents within the urban edge of the Metro, in terms of which standpipes are installed in the informal settlements.

With regard to water quality, the Municipality complies with national standards (SANS 241) for the provision of quality water to consumers.

In the provision of new services, the provision of bulk water is aligned with the Housing Programme to ensure bulk water provision to the areas under development.

Bulk supply pipelines and distribution reticulation support the water delivery service. Maintenance staff is in place to minimise water disruptions and to ensure that, in the case of major disruptions, the water supply will be re-established within 24 hours.

(a) Levels of water supply service

Two levels of water service standards are provided within Nelson Mandela Bay:

- Individual water connections, at full pressure.
- Communal standpipes to RDP standards (minimum 200 m walking distance).

(b) Annual water supply performance

The annual performance in respect of water supply is reflected under Key Performance Element (KPE) 2.2 on page 26.

In addition to the progress reflected under KPE 2.5, all indigent households, clinics and schools in Nelson Mandela Bay have access to basic potable water.

(c) Water services challenges

- Crisis drought conditions.
- Ensuring long-term sustainability during drought periods in respect of which additional funding of R351 million is required for projects such as the Nooitgedagt Low Level Scheme.
- Lack of funding for Coega Bulk services (R4,5 billion).

- High level of unaccounted for water.
- High level of water leakages in schools.
- Shortage of technical skills.

In the year ahead (2012/13), the Municipality will prioritise the following:

- Pursuing the application made for the remaining funding to complete the Nooitgedagt Low Level Scheme.
- Pursuing the application made for funding for Coega Bulk Services to the value of R4,5 billion.
- Development and implementation of strategies to address high levels of water leakages and unaccounted for water.
- Comprehensive educational and awareness programmes to conserve water.
- Pursuing additional funding of the agreement for the repair of water leakages and ablution facilities at schools with the Departments of Public Works and Education after the transfer of an initial R2.5 million only.

SANITATION SERVICE

(a) Sanitation services supply strategy

The Municipality has a mandate to provide basic sanitation services within its area of jurisdiction. This includes the provision of bulk sanitation supply and reticulation, in respect of which key functions are as follows:

- Planning and research for sustainable provisioning of basic sanitation.
- Upgrading of sanitation infrastructure.
- Maintenance of wastewater conveyance and wastewater treatment infrastructure (pipelines, rising mains, pump stations and wastewater treatment works).
- Integrated delivery of sanitation infrastructure to support integrated human settlement and economic development, thereby eradicating buckets.

In order to achieve its water supply mandate, the Municipality prepared a Water Services Development Plan, which is currently being reviewed for the next five-year cycle in terms of the IDP cycle.

The Municipality's Sanitation Master Plan identifies gaps and interventions. The Plan will be submitted for formal approval to Council and is also aligned with the Housing Programme.

(b) Levels of sanitation services

The Metro provides waterborne sanitation to formal households. The challenge lies in informal settlements, where approximately 23 000 buckets are currently still in use as a means of sanitation.

(c) Annual performance

For annual performance in respect of sanitation services, please refer to Key Performance Element (KPE) 2.3 on page 27.

In addition to the progress reflected under KPE 2.6, all indigent households, clinics and schools in Nelson Mandela Bay have access to basic sanitation.

(d) Sanitation services challenges

- Approximately 23 000 buckets are still in use as a means of sanitation.
- Poor sanitation at schools, caused by broken plumbing infrastructure.
- Shortage of technical skills.

In the year ahead (2012/13), the Municipality will prioritise the following:

- The elimination of the bucket system as an integrated approach through the delivery of housing (Integrated Human Settlement approach).
- Pursuing additional funding of the agreement for the repair of water leakages and ablution facilities at schools with the Departments of Public Works and Education after the transfer of an initial R2.5 million only.

ELECTRICITY SERVICES

(a) Electricity services delivery strategy and main role-players

The Municipality provides the residents of Nelson Mandela Bay with electricity through the Eskom supply received at the Coega Substation (132 kV) and distributed through a number of major substations (medium voltages of 22, 11 and 6,6 kV) to various distribution substations, where it is transformed down to low voltage (400/230 volts three/single phase).

The Municipality is licensed to sell electricity to customers in its designated area of supply.

In this regard, the Municipality has the following responsibilities:

- Preparing a sustainable business for the future through the promotion of alternative renewable energy sources.
- Planning, designing and operating its networks.
- Proper metering and recording of customers.
- Maintaining an acceptable standard of electricity supply to all customers.

(b) Levels and standards of electricity services

The Municipality is tasked with the provision of a safe and reliable electricity supply to all customers in accordance with its legislated mandate and the relevant national standards and, as such, there is no high or low standard of supply. Both underground and the overhead powerline supplies employed in urban areas comply with the relevant standards. The rural areas are reticulated with bare conductor medium-voltage overhead powerlines and insulated service connections. High-voltage distribution is mainly carried out via bare conductor overhead powerlines.

(c) Annual performance as per key performance indicators in electricity services

The annual performance in respect of electricity services is reflected under Key Performance Element (KPE) 2.6 on page 29.

(d) Electricity services challenges:

- ESKOM's limited generation capacity and recent price hikes.
- Theft of electricity (tampering) and cables, and vandalism.
- Insufficient/Inadequate electricity generation capacity to attract investors (Coega).
- Residents living in undemarcated areas.
- Shortage of technical skills.
- Institutional finance and cash-flow challenges.

In the year ahead (2012/13), the Municipality will prioritise the following:

- Pursuing alternative sources of energy, particularly solar heating.
- Conserving energy through the implementation of energy efficient measures.
- Running educational programmes on the correct usage, efficient management and conservation of energy.
- Rolling out the Integrated Energy Plan for the Metro.
- Continuing to roll out the "Go Green" Campaign.
- Involving the community in a pro-active manner in loss control measures.
- Building a green economy destination of choice for the attraction of FDI (Foreign Direct Investment).

ROAD MAINTENANCE

(a) Road maintenance services delivery strategy and main role-players

The road network within Nelson Mandela Bay falls under the jurisdiction of the following authorities:

- The South African National Roads Agency Limited (SANRAL), which is responsible for National Route 2, which traverses the metropolitan area.
- The Eastern Cape Department of Roads and Transport, which is responsible for provincial trunk, main and district roads within the metropolitan area.
- The Nelson Mandela Bay Municipality (NMBM), which is responsible for all municipal roads. The NMBM also acts as the agent for the Eastern Cape Department of Roads and Transport for certain main roads within the metropolitan area. These provincial roads and other key roads that serve mainly a mobility function are termed Roads of Metropolitan Significance (ROMS). Funding for the maintenance of ROMS is shared between the Eastern Cape Department of Roads and Transport (responsible for 60% of the costs) and the NMBM (responsible for 40% of the costs).

TABLE 1: Road Network in Nelson Mandela Bay

Road Authority	Length (km)
SANRAL	141
Eastern Cape Department of Roads and Transport	738
NMBM (including ROMS)	3335
Total	4214

The total road network within Nelson Mandela Bay and under the jurisdiction of the NMBM comprises approximately 3 335 km, of which approximately 2 764 km (83%) are surfaced black-top roads.

(b) Levels and standards in road maintenance services

The various levels and standards of the road network under the jurisdiction of the Municipality are reflected in the table below.

TABLE 2: Road Network under Jurisdiction of NMBM

Road Type	Length (km)
Tar	2764
Concrete	115
Block paving	4
Gravel	452
Total	3335

The Municipality operates a Road Management System (RMS), which ensures the proper management of its road infrastructure, in order to:

- Optimise the use of road infrastructure;
- Reduce the need for road reconstruction;
- Determine Capital and Maintenance Budget requirements;
- Implement cost savings on road maintenance;
- Improve riding quality;
- Improve road safety (skid resistance, better drainage, etc.);
- Create a positive image for investment and tourism.

(c) Annual performance as per key performance indicators in road maintenance services

The annual performance information in respect of road maintenance services is reflected under Key Performance Element (KPE) 2.4 on page 28.

Other additional performance information is provided in the table below:

	Indicator name	Total number of households/ customers expected to benefit	Estimated backlogs (actual numbers)	Target set for the financial year under review (actual numbers)	Number of households/ customers reached during the financial year	Percentage of achievement during the year
1	Percentage of households without access to gravel or graded roads	±41602 households	341 km	As and when requested	0	N/A
2	Percentage of road infrastructure requiring upgrading (gravel roads to a surfaced standard)	±41602 households	341 km	15 km (±1830 households)	35 km (±4 270 households)	233%
3	Percentage of planned new road infrastructure actually constructed	All households	341 km	12 km	15 km (All households)	108%
4	Percentage of Capital Budget reserved for road upgrading and maintenance effectively used	All households	±R3.5 billion	R155 m	All households	95%

(d) Tarring of roads

Backlog

The tarring backlog is approximately 341 km. It is anticipated that an amount of R1,28 billion will be required for the elimination of this backlog. For the 2011/12 financial year, R105 million was allocated for the tarring of roads. Expenditure at the end of June 2012 amounts to R 114.8 million.

Progress with regard to the tarring of gravel roads is indicated in the table below:

No.	Contract No.	Project ID	Ward Allocation	Description	Street Name	Status
1	C186/02, C186/20, C186/14 , C186/15, C186/20, C186/25& C186/30	20050286	14→15,16, 17, 18,19,20, 21,22,24	Tarring of gravel roads (Cluster D)	Dora, Dubula, Gqamlana, Madala, Gratten, Jabavu, Mjo, Mnyazi Circle, Area 1-17, Road DWF, Ross, Luvuyo, Vukani, Vumani, Ndzonelelo Enqileni, Mzilikazi, Siqongwana, Road ACD, ACC, ACD, ACE, ABI, AJI, AKI, ALI, API, Jacaranda, Cowan, Jam Alley, Buffalo, BNU, Fungi, Bree, Lullia 1 & 2, Fritchards, BNS 1 & 2, AYW 1-4, AYU 1-6, ABI, Marawana, Tom, BOC, BOA1-2, Medusi, BOD, AWQ 1-2 , AXB 1-4, APY, APX, APW, APV, APT, APS, APO, APN, APM, APL, APJ, APH, APG, APK, APF, APE, APD, APC, APB, APAATZ, ATR, ATY, ATX, ATW, ATV, ATS, ATQ, ARK, ARJ, ARC, ARF, ARG, AQM, ARL, ARH, AQN, ARQ, AOF, AOE, AOJ, AOK, AOL, ARA, ARD, AQO, AQR, AQS, AQT, AQU, AQV, AQP, AQF, Mkabalaza, APE, Lane1-3, AOT, AOU, AOR, Jokweni, Mjamba1-2, AOG, AOF, AOE, AOB, ANQ, ANR, ANT, AOC, AOD, ANZ, ANY, ANX, ANW, AOC2	All roads construction in the first phase of priority 1 were completed. The second phase is now in progress. Due to budgetary limitations, priority 1 roads will remain outstanding, requiring future financing.

No.	Contract No.	Project ID	Ward Allocation	Description	Street Name	Status
2	C186/03A	20050286	30,26,28,29,27	Tarring of gravel roads (Cluster E)	<p>Kula 1-2, Kulati, Mahlasela, Makhuphula1-2, Manana, Notoza, Mtati, Ngwatyu1-2, Ngxiki, Vinqi, Mle, W26/US2, W26/US3, Masiza, Arch1-2, AUTSHAMOT 1- 7, Calata 1-2, Elumphumiweni 1-6, Herry 1-5, Lilian 1-11, Luwela 1-3, Malibale1-5, Matale, Mayibuye 1-7, Ndebele1-5, Pinapina 1-8, Rambata 1-4, Rebliton 1-5, BZL, Sibite 1-5, Sheya 1-13, Sodolopho 1-4, Soga 1-2, Umbaba 1-2, Viva, Johson , W27/US2, W27/US3, W27/US4, W27/US9/W27/US10, W27/11, 1-2, Fumba 1-3, General walkup 1-3, Gili 1-3, Gqomose 1-5, Khoza, Mbekweni, DAC 1-2, DAD1-2, DPE 1-3, DPI, DPK, DPL 1-3, DPO, DQG, Shety 1-2, Khama 1-4, Khonza 1-5, Livingston drive 1-2, Pepeta, Rubusana, Umata, Klienskoll/Redhouse aterial, Unknown, Pumlani 1-2, BZV 1-2 , BZW 1-2, BZX 1-2, BZZ 1-2, DAA 1-2, Shukushukuma 1-7</p>	<p>Construction is completed.</p> <p>All road construction completed for these contracts. .</p>
3	C186/03B	20050286	30,26,28,29,27	Tarring of gravel roads (Cluster E)		
18	C186/18	20050286	30,26,28,29,27	Tarring of gravel roads (Cluster E)		
11	C186/11	20050286	30,26,28,29,27	Tarring of gravel roads (Cluster E)		

No.	Contract No.	Project ID	Ward Allocation	Description	Street Name	Status
18	C186/18	20050286	30,26,28,29,27	Tarring of gravel roads (Cluster E)		
4	C186/04	20050286	33,36,37	Tarring of gravel roads (Cluster F)		
16	C186/16	20050286	33,36,37	Tarring of gravel roads (Cluster F)	nMkonto A, Mxenge, Ngoyi, Stweti, Olwethu, Dolo, Khayingo, Mabida, Marks, Mpentshe, Dolo A-D, Marks A-D, Mpentse A-E, Andile, Gobile, Kabende, Phandle, MzwandileA-D, Pangalala, Siya, Melumzi, Mgxasheka, Dano, Lamani, Mbethe, Mtimkulu, ShopeA, Wellington, Govan Mbeki A-C, Mxenge, Mkonto A-B, Slovo, Tembeka-Thembisa, Melumuzi, Nohila, No Amen, Ngodono, Nozuko, Ncedisa, Zamdela/Ziduli/Zanazo/Zamukuhle, Mtongana A, B&D, Stofile, Tabalaza A-B, Xundu, Winie	Construction completed.

No.	Contract No.	Project ID	Ward Allocation	Description	Street Name	Status
7	C186/07	20050286	23,54→59	Tarring of gravel roads (Cluster C)	Makragato, Hamani, Menja 1-2, Ngqika, ABQ, ABR, ABS, ABT, ABU, ABW, ABX, ABY, ABZ, ACA, ACB, ACC, ACX, ACY, AEE, AEJ, AEK, AEL, AEM, AEO, AEP, AEQ, AER, AES, AEU, AEY, Road C, Dyakalasho, Mckwane, Ncuka, Myamakazi, AA, AB, AC, AD, AW, BW, HB, HC, HD, HE, HF, HG, HH, HJ, HK, HL, HS, HW, HX, HY, HZ, JA, JB, JC, JD, JE, JL, JM1-2, JN, JO1-2, JP1-2, JR, JS, JT, JX, JZ, KA, KB, M, Q, U, Y, Silwanyana, Takane, Whula, Bambilaza, Khuna, Heshu, Machel, Makhotyana, Maphikela, Mokgatho, Motswaledi, Molekwane, Zama, Mantyontya, Myathaza 1-2, QC, QD, QE, QG, QK, QL, QM, QN, QO, QB, QQ, QR, QS, QT, QU, QV, QW, QX, QY, SB, Sontonga, Tyamzash, UL, Ug, Uj, UK, UL, UP, UQ, US, UU, UW, VG, VR, VS, VT, WBWD, WE, WJ, WK, WV, XC, XQ, XS, XV, YO, YP, YQ, YT, Mlonji, AHD, AHH, ALT, ALZ, AMS, AMD, AME, AMJ, AMN, AMP, AMR, AMW, SF, SJ, SH 1-2, XH, XJ, XL, YH, YL, ZC, ZE, SH, ST, SU, TA, TD, TT, TV, TZ, UB, UC, UE, VX, WC, WL, WM, WO, WS, XD, YX, YY	The Contractor did not perform satisfactorily and steps were taken and implemented to terminate all contracts with the current contractor and appoint a new contractor from the list of approved contractors. A new contractor was appointed.
8	C186/08	20050286	23,54→59	Tarring of gravel roads (Cluster C)		
9	C186/09	20050286	23,54→59	Tarring of gravel roads (Cluster C)		
33	C186/33	20050286	55 & 58	Tarring of gravel roads (Cluster C)	Bambilaza Street, Guna Street, Makhotyana, Maphike, Molekwane, Motswaledi, Zama, Monji, Road AHD, Road AHH, Road ALT, Road ALZ, AME, AMD, AMJ, AMP, AMM, AMR, AMS, AMW, SF, SG	All road construction has been completed.

No.	Contract No.	Project ID	Ward Allocation	Description	Street Name	Status
34	C186/34	20050286	54 & 56	Tarring of gravel roads (Cluster C)	Silwana Street, Takane Street, Wula Street, Myathaza Street, Mantyontya Street,	All road construction has been completed.
35	C186/35	20050286	57&59	Tarring of gravel roads (Cluster C)	Ngwevana Street, Ngxotwane Street, Mpheko, Ngabe Street, Road UF, UK, UP, UQ, WBWD, XC, XQ, WV, WK, UU	All road construction has been completed.
36	C186/36	20050286	23	Tarring of gravel roads (Cluster C)	Mokgatho Street, Hamani Street, Mokgatho Street, Road ABQ, ABS, Road ABQ, ABR, ABT, ABU, ABW, ACC, AEO, ACY, AEQ, AEE, AES, AEJ, ABY, Road C	All road construction has been completed.

No.	Contract No.	Project ID	Ward Allocation	Description	Street Name	Status
10	C186/10	20050286	44→47,50→51	Tarring of gravel roads (Cluster H)	Alex, Alex extension, Cacadu, Cetu, Hlobo, Ketshe, Kanyisa, Mtwaku, Freematle, Jayiya, Nqombela, Zk Mathews, Molly black burn, Madikizela, Mabida, Ndwelanda, Ndlazi, Ntsasa, Nqilo, Tutula, mhlana, Dikiza, Gontzshi, Langeni, Mkize, Moshoeshoe, Nankani, Nala, Ntungwana, Qabaka, Dlamini, Fingwana, Jonas, Kondlo, Madaki, Mahanitapayi, Mamvukweni, Stephen	All road construction has been completed.
13	C186/13	20050286	4,12,13,31,32,38,8,39,41	Tarring of gravel roads (Cluster G)	Charlene, Cherbourg, Chalons, Lacroix, Sedan, Truro, Worthingi, Almond, Bamboo, Brittlewoot, Camelton, Carob, Coffee, Fiji, Hazelnut, Holly, Kamassie, Cok, Corkie, Lemon, Morocco, Swiden	Construction is complete.
5	C186/05	20050286	4,12,13,31,32,38,8,39,41	Tarring of gravel roads (Cluster G)		
27	C186/27	20050286	29,38 & 41	Tarring of gravel roads (Cluster G)	Sweeden Street, Canada Street, Greece Street, Korea Crescent 1.2-1.3-1.4, Uganda Street, Kok Street, Road A, Road B	All roads are completed.
19	C186/19	20050286	4,12,13,31,32,38,8,39,41	Tarring of gravel roads (Cluster G)	Hawthorne, The Knoll, Charlene Place, Dijon Road, Macon Road Ria Ave, Canada, Namibia Street, Almond Street, Auburn Street, Bamboo Street,	All roads are completed.
28	C186/28	20050286	9,10,11&12	Tarring of gravel roads (Cluster G)	Bridmore Road, Link Road, The Knoll, Tyler Street, Burness Street, Road DXW, DXX, DXY, DYB, DYC	All roads are completed.
29	C186/29	20050286	31 & 32	Tarring of gravel roads (Cluster G)	Columbia Crescent, Limpompo Street, Missouri Street, Orinoco Street, Peace Street, Emfuleni, Gamtoos Gqili Street, Qhagquwa Street, Road BAN, Thukela street	All road construction has been completed.
32	C186/32	20050286	4	Tarring of gravel roads (Cluster G)	Jackson Nhose Road, Mpukane Street, Mtyobo Street, Ncukuthu Street, Ndlovu Street, Nicholas Bell Road, Ntombekhaya Mgubasi	All road construction has been completed. However, the outstanding roads will be allocated and done in the next fin year.

No.	Contract No.	Project ID	Ward Allocation	Description	Street Name	Status
17	C186/17	20050286	1,40	Tarring of gravel roads (Cluster B)	Nzotoyi, DRA-Mission, DRA/DRC, DYH/DRB, DRF, DPR, DRA, DYX, DRK, DYW, DRG/A, DRQ, DRR, DYD, DRG/B, DTD, DYJA, DYY, DZA, DYZ, DYV, DYU, DYT/DYS, DYK, DYO/DYL, DYM, DYN, DYP, DYR, DYQ, DYI, DYG, DYF, DYA, DRD, DRE, DRL, DRM, DRS, DRU, DRT, DRJ, DYJB, DTA, DTB, DTC, DRH, Olive lane, Reginald, Rebeek	Construction of first phase is complete as per scope.
26	C186/26	20050286	1,40	Tarring of gravel roads (Cluster B)	Olive Street, Reginald Road, Riebeeck Street, Nzotoyi Road, Roads DYH, DYW, DYX, DYH, DYD, DRC, DRB, DRF, DRC, DRG, DRA, DRH, DPR, DRQ, DRO, DRJ	All road construction has been completed.
6	C186/06	20050286	52,53,60	Tarring of gravel roads (Cluster A)	Maraboe 1-2, Mosi 1-2, Mossia 1-2, Tortelduif 1-3, Uil, Vink 1-3, Anovuyo 1-2, Ematyeni 1-3, Flenagan, India 1-2, July 1-2, Mafana 1-6, Mgiwu, Mzayiya, Sokabo, William 1-2	All road construction has been completed. The contractor was not performing, but alternative arrangements have been made by the contractor, which are proving successful.
21	C186/21	20050286	52,53,60	Tarring of gravel roads (Cluster A)		
22	C186/22	20050286	52,53,60	Tarring of gravel roads (Cluster A)		

(b) Challenges

- Aging and poor road infrastructure in disadvantaged areas.
- Cost of the elimination of the tarring backlog.
- Challenges around the implementation of the Integrated Public Transport System.
- Limited funding received for the maintenance of ROMS from the Eastern Cape Provincial Government.
- Limited funding to address service delivery and maintenance backlogs.
- Shortage of technical skills.

In the year ahead (2012/13), the Municipality will prioritise the following:

- Sourcing of additional funding to eliminate backlogs.
- Rolling out of the Integrated Public Transport System.
- Tarring gravel roads in disadvantaged areas.
- Providing stormwater drainage.

PROVISION OF PRIMARY HEALTH SERVICES

Four months into the 2011/2012 financial year, a resolution was passed on Thursday, 27 October 2011 to transfer the PHC Clinic Services to the Eastern Cape Department of Health. On 29 December 2011, the Transfer Agreement was signed by the Acting Municipal Manager, Mr T Hani, and a representative of the Superintendent General's Office of the ECDoH, Dr T Sibeko, along with other delegates of the NMBM, namely Legal Services, Public Health and Budget and Treasury. The effective transfer of PHC services date was 1 January 2012. Monthly negotiation and provincialisation meetings took place between the NMBM representative departments and ECDoH and 30 June 2012 was the last working date for all PHC staff under NMBM Management.

The transfer of all PHC assets, both movable and immovable, that were considered to be used 50 plus 1 for the purposes of PHC service delivery have until 31 December 2012 to be finalised.

With effect 1 January 2013, the NMBM no longer provides primary health services to residents through 42 municipal clinics. All PHC clinics services in the Metro are run by the Eastern Cape Department of Health. In areas that find access to health care problematic, the ECDoH runs mobile clinics in various wards in Nelson Mandela Bay.

The Municipality provides an integrated employee health, safety and wellness programme and ongoing medical surveillance for employees. The Municipality also runs annual employee wellness programmes, during which employees are provided with free medical and health advice and testing.

The Eastern Cape is experiencing a high incidence of HIV and AIDS and TB. The ECDoH is implementing its Integrated HIV and AIDS Plan under the auspices of the HIV and AIDS, Sexually Transmitted Diseases and TB (HAST) Directorate.

The key health challenges facing the delivery of health services to the residents in the Metro Health District are:

- The high prevalence of TB, HIV and AIDS.
- Except for Uitenhage area, there are no district hospitals in the Metro to relieve the pressure from the higher-level tertiary hospitals of Dora Nginza and Livingstone.
- Overcrowded, understaffed PHC clinics, areas without clinics and no 24 hour Community Health Centres offering casualty/trauma care other than the Letitia Bam and Motherwell CHC, the other CHCs of Central CHC, West End CHC and KwaZakhele Maternity Birthing Unit (located at Dora Nginza Hospital under the management of the Metro Health District Office) only offer a 24 hour PHC Maternity Birthing Unit service.

WASTE MANAGEMENT

Waste Management Services in Nelson Mandela Bay are rendered by the Municipality, as well as private contractors. The Municipality mainly focuses on household and commercial waste streams, while the private contractors focus on industrial, health care risk waste and hazardous waste streams.

The Municipality operates two landfill sites, Koedoeskloof and Arlington, which mainly focus on general and low-hazard waste, whilst a private company operates a landfill site that deals with general and hazardous waste. Approximately 500 000 tons of waste is disposed of annually at municipal landfill sites.

The Municipality's Integrated Waste Management Plan (IWMP) guides the provision of waste management services and other waste related projects in Nelson Mandela Bay. The IWMP is currently under review and will be for the period 2013 to 2017.

The household refuse collection service is rendered by the municipal community co-operatives – ten (10) co-operatives. An additional cleansing service is also offered in the form of a Ward-based Cleaning Programme (operational in 51 wards).

Council resolved to expand the use of co-operatives by converting the Ward Based Cleansing programme to community co-operatives. This will not only contribute to the cleanliness of the areas, but also create a large number of sustainable jobs.

The table below reflects waste management co-operatives:

COOPERATIVE	AREA SERVICED	WARD NR	NO. OF HOUSEHOLDS SERVICED	JOBS CREATED BY COOPERATIVE
Cocisizwe Co-operative	Soweto-on-sea	27/24/26	5,059	40
Sodlasonke Co-operative	Gqebera (Walmer)	4	7,329	44
Eyabafazi Co-operative	Matthew Goniwe Hostel	20	1,984	21
Kuphilwa-Phi Co-operative	Joe Slovo	41	4,492	44
Ncedolwethu Co-operative	Blue Horizon Bay	40	213	6
MK	Missionvale	31/32	6,003	37
	Kleinskool	33/37		
Ntingantakandini	Shukushukuma (M/Well)	55	3,955	28
Masiphuhle	Kuyga	40	2,180	16
Gqebera Ward 4	Seaview, Beachview, Kini Bay	40	993	9
Colchester Co-operative	Colchester	53	820	10
TOTAL	10		33,028	255

The following table reflects the monthly value of waste management tenders awarded to the relevant co-operatives:

COOPERATIVE	MONTHLY EXPENDITURE AGAINST CO-OP
Cocisizwe Co-operative	R 124,198.00
Sodlasonke Co-operative	R 168,569.00
Eyabafazi Co-operative	R 66,597.00
Kuphilwa-Phi Co-operative	R 110,054.00
Ncedolwethu Co-operative	R 6,922.00
MK	R 124,262.00
Ntingantakandini	R 73,760.00
Masiphuhle	R 40,700.00
Gqebera Ward 4	R 31,527.00
Colchester Co-operative	R 25,420.00
TOTAL 10	R 772,009

The table below reflects the areas and 51 wards benefiting from the Ward-based Cleaning Programme:

Northern Areas	Wards 7, 10, 11, 12, 13, 29, 31, 32, 33, 34, 35, 37, 38, 41
Ibhayi	Wards 14, 15, 16, 17, 18, 19, 20, 21, 22, 24, 25, 26, 28, 30, 36
Uitenhage	Wards 40, 42, 43, 45, 44, 46, 47, 48, 49, 50, 52, 53
Motherwell	Wards 23, 54, 55, 56, 57, 58, 59, 60
City Areas	Wards 3, 4, 12, 14, 17, 18, 31

The Ward-based Cleaning Programme is based on a three-month rotational system. The table below provides details of the rotational system, as well as the beneficiaries.

WASTE MANAGEMENT DEPOT	FREQUENCY OF ROTATION	JULY TO SEPT. 2011	OCT. TO DEC. 2011	JAN. TO MARCH 2012	APRIL TO JUNE 2012
		TOTAL	TOTAL	TOTAL	TOTAL
Struanway Road Depot	Quarterly	99	102	102	70
Gail Road Depot	Quarterly	94	96	96	63
Addo Road Depot	Quarterly	242	236	235	160
Cuyler Street Depot	Quarterly	125	132	126	91
Harrower Road Depot	Quarterly	8	8	12	7
		568	576	565	1709

(b) Levels and standards in waste management services

- Domestic waste collection:
 - Weekly kerbside black bag collection service in medium to high-income areas (formal areas).
 - Weekly black bag communal collection service in informal areas.
 - Ten bags issued to households every two months.
- Trade waste collection:
 - Contractual service to business.
 - Cubic metre bins.
 - Frequency dependent on client.
- Cleansing services:
 - Removal of illegal dumping on municipal owned land.
 - Removal of dead carcasses (dogs, cats) within residential areas.
 - Manual and mechanical road/street sweeping.
 - Beach cleaning services.
 - Responsible for some of the NMB ablution facilities.
- Transfer stations:
 - Formal and informal drop-off sites/transfer stations.
 - 16 formal drop-off centres, 3 transfer sites, 6 communal collection points and 49 temporary skip sites.
 - Used for excess and bulky waste.
 - Proper signage: types of waste acceptable.
 - To be converted into drop-off/recycling centres, e.g. Blue Horizon Bay Centre.
 - Low-income areas: One centre for every 3 000 households in a proximity of 500 m.
- Waste disposal:
 - Two general waste disposal sites (General Large B).
 - ± 485 756 tons of waste disposed.
 - Koedoeskloof = 177 660 tons.
 - Arlington = 304 096 tons.

(c) Annual performance as per key performance indicators in waste management services

At least 99% of all residents in peri-urban areas have access to waste management services in terms of the National Domestic Waste Collection Standards. An awareness leaflet was created and distributed to inform all residents in peri-urban areas of the location of the drop-off sites and on how to deal with waste in general.

An item was submitted to the Public Health Standing Committee on 9 March 2012 to request approval of the Strategy to Eliminate Illegal Dumping. This strategy will enable the NMBM to reduce illegal dumping.

Due to the cost of implementing the strategy and the non-availability of funds, it was recommended that the plan be implemented in three phases namely: immediate-, short-term and medium to long-term actions.

An amount of approximately R6,7 million to increase the frequency of refuse collection in the wheely bin areas may have an positive effect on the illegal dumping taking place in the affected areas. This will only come into effect in the 2012/13 financial year.

Two recycling areas where identified to start recycling initiatives. The Project Implementation Committees for Seaview and Soweto-on-Sea identified suitable sites to place containers for the sorting of the material. This proposal went through the formal Land Matter circulation process of the Human Settlements Directorate. Subsequent to this, there were no funding for the equipment and the projects did not go ahead.

Additional annual performance information with regard to waste management services is reflected under Key Performance Element (KPE) 2.8 on page 32.

(d) Waste management challenge:

- Illegal dumping of builders' rubble and domestic refuse.
- Lack of capital funding for waste infrastructure.
- Lack of operating funding to render services.
- Non-compliance with the National Waste Act and Strategies due to lack of funding.
- Outdated organogram and organisational structures that do not assist service delivery.
- Non filling of vacancies.
- Lack of sufficient transport to render services.
- Lack of sufficient support services.

In the year ahead (2012/13), the Municipality will prioritise the following:

- Implementation of the Elimination of Illegal Dumping Strategy.
- Introduction of waste recycling initiatives.
- Implementation of waste management education programmes.
- Filling of vacancies.

OCCUPATIONAL HEALTH, SAFETY AND WELLNESS

The Nelson Mandela Bay Municipality has a legal, social and strategic responsibility to protect, preserve and invest in employees' health, safety and wellness. In this regard the Municipality provides:

- (a) An integrated, sustainable employee health and wellness management system.
- (b) A sustainable quality safety management system.

As part of the Occupational Health Safety and Wellness Management Systems, the Municipality is focusing on the following:

- An ongoing medical surveillance (statutory and executive) of employees and serving Councillors;
- Sick absenteeism analysis and specialist intervention;
- Financial education and debt management programme;
- Providing support mechanisms aimed at reducing substance abuse and promoting responsible alcohol use;
- Provision of Health and Wellness Campaigns;
- Development and implementation of Occupational Health and Safety Management System Standard (OHSAS) 18001:2007, for Hazard Identification, Risk Assessment and Control;
- Emergency preparedness and evacuation in high-rise buildings;
- Construction safety management.

Workplace HIV & AIDS

The Municipality is implementing intervention strategies to respond to the challenges of HIV and AIDS in the workplace. Each intervention is linked to the priority areas, goals and objectives of the current National Strategic Plan (NSP), the four priority areas of which are as follows:

- a) Prevention
- b) Treatment, care and support
- c) Monitoring, research and surveillance
- d) Human Rights and access to justice

The municipal intervention includes:

- Establishing, reviewing and communicating an HIV and AIDS and Wellness Policy and related workplace procedures that express overall direction and demonstrate commitment to implementation.
- Identifying and training behaviour change agents that can influence, teach and support positive and health-seeking behaviour in other.

- Providing on-site care and support services for employee wellness and encourage active participation in wellness support groups and other initiatives.
- Mobilise medical schemes to partner with the Occupational Health Service in order to improve on HCT and Wellness Screening.

Anti-Retroviral Treatment (ART)

The NMBM Employee Wellness Centre has been accredited by the Eastern Cape Department of Health to provide ART for municipal employees. This treatment programme is meant for all employees who are in need of treatment. The programme excludes employees who are covered by medical aid, unless they have exhausted the benefits allowed by the medical aid for HIV and AIDS treatment.

In the case of employees who have exhausted their medical benefits, Council takes over treatment only if the standard treatment regime offered through its workplace Treatment Programme would be adequate, and would pose no medical risk to the employee.

PARKS AND CEMETERIES

The Municipality is committed to the development and maintenance of public open spaces and cemeteries in a sustainable, aesthetic, eco-friendly and safe environment to enhance the marketability of Nelson Mandela Bay and improve the quality of life for all. In this regard, key functions include:

- (a) Planning and development of zoned public open spaces, including street islands.
- (b) Maintenance of parks, flowerbeds, developed public open spaces and playground equipment.
- (c) Tree planting and subsequent maintenance (excluding watering) on street verges and developed public open spaces.

- (d) Provision of playground equipment.
- (e) Provision of cemetery services.
- (f) Provision of new burial space, cemetery burial services and record keeping.
- (g) Beautification.
- (h) Upgrading/Maintenance.
- (i) Provision of advice to the public regarding plant diseases and identification, where possible.

ENVIRONMENTAL MANAGEMENT

The Municipality is responsible for protecting, maintaining and ensuring the sustainable utilisation of Nelson Mandela Bay's globally important biodiversity and environmental assets and for giving guidance with regard to environmental compliance and sustainability. This includes, *inter alia*, the maintenance of the following:

- (a) Integrated Environmental Plan, which is a Sector Plan of the IDP.
- (b) The development of climate change response strategies.
- (c) The conservation of the nature reserves and natural systems of Nelson Mandela Bay.
- (d) Assisting in conducting an environmental audit for Nelson Mandela Bay.

The Department of Economic Development, Environmental Affairs and Tourism (DEDEAT) is currently subjecting the Draft Bioregional Sector Plan of the Municipality to the gazetting process. Once Gazetted, the Bioregional Sector Plan will provide a map of biodiversity priorities and accompanying guidelines to inform land use planning, environmental assessments and natural resource management. The Draft Biodiversity Sector Plan is a spatial plan that shows terrestrial and aquatic features that are critical for conserving biodiversity and maintaining eco-system functioning. These areas are referred to as critical biodiversity areas.

ENVIRONMENTAL HEALTH

Environmental Health focuses on those aspects of human health, including quality of life, that are determined by physical, chemical, biological, social and psychosocial factors in the environment. It also refers to the theory and practice of assessing, correcting, controlling and preventing those factors in the environment that can potentially adversely affect the health of present and future generations.

Environmental Health Services include performance of the following core functions

- (a) Monitoring water quality and availability and ensuring water safety and acceptability in respect of quality.
- (b) Food control.
- (c) Waste management and general hygiene monitoring.
- (d) Health surveillance of premises.
- (e) Surveillance and prevention of communicable diseases, excluding immunisations.
- (f) Vector control.
- (g) Environmental pollution control.
- (h) Disposal of the dead.
- (i) Chemical safety.
- (j) Noise control.

The following statistics were recorded:

COMPLIANTS FROM THE COMMUNITY

During the period 1 July 2011 to 30 June 2012, a total of five thousand two hundred and sixty (5260) new environmental health related complaints from the community were registered and investigated.

FOOD HANDLING PREMISES

Two thousand and seven (2007) premises have been visited. During the visits, it has been found that one thousand six hundred and fourteen (1614) premises complied and three hundred and ninety three (393) premises did not comply with the environmental health requirements. Compliance notices were served on the relevant owners to comply.

Food handling premises	Total	Number complied	Number outstanding
General dealers	534	368	166
Butcheries wholesale/retail	130	108	22
Fish mongers	2	2	0
Restaurants/Fish/Chips takeaways	308	233	75
Milk depots	18	18	0
Bakeries	68	55	13
Bakery delivery vehicles	56	43	13
Home industries	21	21	0
Market	252	252	0
Fruit and vegetables	115	115	0
Hawkers	399	298	101
Accommodation establishments (food)	24	23	1
Warehouses (food)	9	9	0
Crèches/Homes for the aged	71	69	2

BUSINESS LICENCES

	Applications Received	Licenses Issued	Applications Outstanding
Hawkers	297	147	150
Sale or Supply of Meals	145	12	133
Places of Entertainment	4	0	4
Total	446	159	287

WATER SAMPLES

Drinking Water

Water samples are taken by the EHPs at Sub-District level. One thousand two hundred and twenty four (1224) samples plus eighty (89) re-samples have been taken to monitor bacteriological compliance. To ensure compliance with the SANS code for drinking water, a Water Quality Forum was established. This Forum, with representatives from the Infrastructure and Engineering

Directorate, Scientific Services and Environmental Health, addresses all aspects that impact negatively on water quality.

Swartkops River

Two hundred and forty eight (248) samples of the Swartkops River were taken at the Settlers Bridge, Swartkops Village, Motherwell Canal, Redhouse and Perseverance. The overall results were satisfactory. Stormwater entering the river at the Motherwell Canal continued to be a source of pollution.

North End Lake

Monitoring of the water of the North End Lake continued. One hundred and sixty eight (168) samples were taken. Results indicated the water to be unfit for full contact recreational purposes.

PAUPER/DESTITUTE BURIALS AND EXHUMATIONS

One hundred and thirty four (134) applications for the burial of pauper/destitute persons were received and processed. Ninety seven (97) applications for exhumations were received and processed.

FOOD SAMPLING

Ninety four (94) food samples were taken and submitted to the Forensic Laboratory in Cape Town for chemical analysis in order to ensure food safety.

DAIRY CONTROL

Samples of raw milk collected from bulk tanks on registered farms were analysed at the municipal Scientific Laboratory:

	Number of Samples	Unsatisfactory
Somatic Cell Counts	698	42
Standard Bacteria Counts	998	10
Inhibitory Substances	923	0

Inspections were done at the farms concerned, notifying them of the presence of penicillin or inhibitory substances in their milk. All milk indicating the presence of penicillin or inhibitory substances was withdrawn. The relevant heat treatment dairy was also informed.

HEAT TREATMENT DAIRIES

The results of tests on milk and milk products collected from heat treatment dairies or from milk depots for analysis are listed below:

	Samples Taken	Unsatisfactory
Standard Bacterial Count	483	17
Coliform Count	1335	93
Faecal E Coli Test	1511	0
Phosphatase Test	699	1

Consignments of milk or milk products found to be unsatisfactory were withdrawn from sale.

RETAIL OUTLETS TO THE PUBLIC

The number and results of samples collected from various outlets within the municipal area and subjected to the Coliform Test are given below.

Number of Samples	Failures
396	12

SOFT SERVE SAMPLES

Two hundred and ninety six (296) samples were taken from outlets, with a 78% compliance rate. Health education was given and re-samples taken to ensure compliance.

AIR POLLUTION CONTROL

Complaints

One hundred and sixty seven (167) new complaints were received.

Categories of complaints received	Number of complaints
Excessive smoke	41
Grit, dust, soot and sawdust	38
Offensive odours/fumes	34
Burning of garden and other refuse	44
Other (spray painting)	10

Two hundred and thirty three (233) follow-up inspections were made during this period.

Complaints received	Number of complaints
Excessive smoke	60
Grit, dust, soot and sawdust	56
Offensive odours/fumes	48
Burning of garden and other refuse	61
Other (spray painting)	8

NOISE CONTROL

Complaints

This section has received one hundred and fifty four (154) complaints regarding noise nuisances.

Amplified music	92
Panel beating	27
Plant (air conditioners)	18
Other (cutting machines)	17

Two hundred and one (201) follow-up inspections regarding noise nuisances were carried out in order to monitor compliance.

Amplified music	116
Panel beating in residential areas	31
Plant (air-conditioner units etc.)	37
Other sources (noisy birds)	17

INTEGRATED SUSTAINABLE HUMAN SETTLEMENTS

The Municipality has a backlog of 71 411 housing units, comprising approximately 22 411 informal households and 49 000 backyard shacks.

The Housing Turnaround Strategy of the Nelson Mandela Bay Municipality provides for the implementation of seven programmes to accelerate housing delivery, i.e.:

- Blocked projects
- SCCCA projects
- Running projects
- Future projects
- Seven-year Housing Delivery Plan, including the upgrading of informal settlements
- Rectification of poorly constructed houses from the period 1994 - 2003.
- A Social Housing Programme

In addition, the Municipality has developed a Human Settlements Sector plan, in line with the new mandate of sustainable and integrated human settlements and in line with the accreditation requirements.

The Municipality is working tirelessly towards the MinMec target of assigning the human settlements function to municipalities.

The following are the main components of the housing delivery cycle:

- Project identification.
- Project funding applications and agreements with the Province.
- Applications for enrolment with the NHBRC.
- Procurement of contractors.
- Processing and signing of letters of award.
- On-site progress certification.
- Beneficiary management
- Transfer of properties.
- Final submissions of claims to Province.
- Closing out report.

Through accreditation, the Municipality has appointed quality assurance personnel and is expecting to receive staff from the Provincial Department of Human Settlements in line with accreditation and assignment processes.

The Municipality has complied with the beneficiary allocation guidelines in that a Beneficiary Allocations Committee has been established, has determined all inclusive criteria consistent with the guidelines, and has allocated beneficiaries in Motherwell NU 29 Phase 2 (2102), Missionvale 2498, Tyriville 187, Roos 28 and Mandela Rolihlahla 216 Projects.

This year has been marked by violent service delivery protests, especially in the Walmer region. This could be attributable to the slow pace of service delivery premised from insufficient grant funding to address both the infrastructure backlogs, land matters and top-structure construction.

To this effect, new ways of funding human settlements initiatives are being explored, including turning to private partners. Expression of interest advertisements have been issued for developer(s) to finance the Motherwell NU12, 29, 30 and 31 mixed-use projects. An area that the Municipality is currently strengthening, is project supervision and management. As some emerging contractors failed in the past, the Municipality now uses experienced contractors, especially for major projects. In the review period, altogether

1682 housing opportunities, 2743 serviced sites and 3200 pegged sites were provided and 1133 houses rectified.

The Municipality has a Relocation Plan in place, which is an integral part of the Upgrading of Informal Settlements Programme. In terms of the Relocation Plan, communities living in stressed areas, such as floodplain areas and tipsites, are prioritised and relocated to destination areas, such as Motherwell NU29 (1293 serviced sites), Wells Estate (100 serviced sites) and Chatty (1389 serviced sites). Altogether, approximately 14 000 households need to be relocated from stressed areas. Included in this relocation plan are areas of in situ developments where the de-densification and development of the affected areas take place.

As part of the implementation plan, housing consumer education is an integral part of the package for programmes to deliver houses, as reflected in the SDBIP.

A Land Invasion Strategy was developed.

Human Settlements Directorate has provided temporary structures in cases of emergencies and disasters in various communities. We have facilitated this provision with the support of the Provincial Department of Human Settlements, as it is one of their functions.

In support of a Disaster Management Plan, pieces of land must be identified throughout the NMBM jurisdiction in order to utilise them to build temporary structures immediately, as and when people have been affected by disasters and rendered homeless as a result.

The Municipality is prioritising social housing and what is known as gap housing, i.e. housing for households earning between R3 500 and R15 000 per month and finding it difficult to obtain bonds. The National Social Housing Act requires that local authorities identify and approve restructuring zones in which social housing grants will be awarded to accredited social housing

institutions. In this regard, six restructuring zones (Inner-city area, Walmer, Mount Road, Despatch, Uitenhage and William Moffett Expressway) were identified by the Municipality and have been approved by the Provincial Department of Human Settlements. Seven more areas have been identified and are awaiting approval. The Municipality appointed two accredited social housing partners, namely SOHCO Amalinda and Own Haven, through the procurement processes. These two social housing institutions will be awarded social housing sites in the NMBM for development.

A further social housing institution, called Imizi, which was formed by the Municipality, is nearing accreditation and is currently busy with the development of the Walmer Golf Estate Project.

With regard to gap housing, targeting households with a monthly income of between R3 500 and R15 000, land parcels were identified in areas such as Parsonslei and Wells Estate. Servicing details and layouts are being finalised before proposal calls will be advertised.

The intention is to develop these projects in terms of public-private partnerships and as mixed-income inclusionary housing projects. In the gap housing sector, the private sector also provides gap housing and the Municipality actively promotes integrated human settlements, including gap and social housing by the private sector on private land. Incentives through the financial services charter have also influenced this sector.

The following challenges regarding the development of sustainable human settlements have been identified:

- Insufficient funding for projects from national and provincial departments.
- The quantum of subsidy per unit is insufficient to provide quality sustainable human settlements.
- Non-gazetting or late gazetting of housing funding to fit into the Municipality's three-year budget cycle.
- Insufficient land in government ownership located close to economic opportunities.

- Project management capacity in terms of core technical skills and numbers.
- Service delivery protests are associated with housing only, instead of being regarded as a broader social and economic challenge.
- EIA approvals are required, which can take a number of months.
- Illegal occupation of houses, and corruption.
- Lack of capacity among emerging contractors.

In the year ahead (2012/13), the Municipality will prioritise the following:

- Implementation of social housing.
- Pursuing Level 3 accreditation.
- Relocation of families who are in immediate danger and communities living in environmentally stressed areas.
- Development of a Law Enforcement Anti-Land Invasion Plan.
- Implementation of the Integrated Development Planning Matrix.
- Rectification of 'wet-and-defective' houses.
- Identification of effective financing options for historically disadvantaged individuals to acquire land.

(a) Levels and standards in housing delivery

The Metro provides a standard 40 m² Metro house, which was improved in the previous review period. All projects are enrolled with the NHBRC to ensure the protection of consumers. Final unit reports are issued on the completion of each house, incorporating the 'Happy Letters' signed by beneficiaries.

Medium-density housing typologies have been developed in Walmer, Zosa Street and Motherwell.

TOWN PLANNING

The Municipality's town planning activities comprise the following:

- Strategic planning services.
- Development of policy.
- Managing special projects.
- Processing of town planning applications from the private and public sectors.
- Rezoning/Subdivision/Land preparation for municipal service delivery projects.
- Preparation of plans/subdivisions for the development of low-income housing.
- Preparation of plans/subdivision for developments other than low-income housing.
- Development of land.
- Investigation and disposal of municipal land.
- General advice on planning and property development matters.
- Maintenance of databases on development and relevant statistics.
- Building plan processing in terms of the National Building Regulations.
- Facilitation of social housing and gap housing.

(a) Levels and standards in town planning

The turnaround time for building plans is seven (7) working days after submission. Thereafter, the applicant is informed either that the plan has been approved or that it has deficiencies that need to be rectified.

Building plans go through a rigorous technical assessment process. This includes the verification of technical compliance for, *inter alia*, the following:

- Town planning regulations, such as zoning, building lines, height and floor space index (FSI).
- Electricity regulations and standards.
- Drainage regulations.

- Site stormwater.
- Transportation aspects, such as site access.
- Compliance with fire regulation.
- Health aspects, such as ventilation/building materials.
- Structural engineering compliance, where necessary.

The above is to ensure that plans comply with municipal regulations. Thereafter, development on site is monitored by the Building Inspectorate to ensure compliance with the approved building plans.

Town planning applications that are of an uncomplicated nature and to which there have been no objections are generally approved within six months of the date of submission.

(b) Annual performance as per key performance indicators in housing and town planning services

The progress made in achieving key performance indicators in respect of housing and town planning services is reflected in KPE 2.1 on page 22.

Additional town planning performance information is reflected below.

TYPES OF LAND PLANNING APPLICATIONS : 2011-2012			
	TOTAL	COMPLETE	PENDING
SALT APPLICATIONS	354	187	167
SPECIAL CONSENTS	154	106	48
TOWN PLANNING AMENDMENTS	97	29	68
SITE DEVELOPMENT PLANS	117	76	41
TOWN PLANNING DEPARTURES	18	10	8
REMOVAL OF RESTRICTIONS	38	31	7
UNAUTHORISED USES	228	109	119
	1006	548	458

(c) Town planning challenges

- Inexperienced and insufficient staff cause delays in the processing of land applications.
- Planning to provide sustainable human settlements closer to work opportunities.

To fast-track key and strategic land applications and to deal with issues of policy and strategy, a Multi-disciplinary Task Team, comprising representatives from municipal directorates, meets every three weeks. This also serves to enhance co-ordination and integration.

SPATIAL PLANNING**(a) Preparation and approval process of spatial development frameworks****Metropolitan Spatial Development Framework (MSDF)**

To ensure sustainable growth and development in Nelson Mandela Bay, all strategic planning processes are aligned and fully integrated by the Metropolitan Spatial Development Framework (MSDF). The Framework was approved by Council in March 2009 and is continuously evolving and reviewed annually. Key to this is the City-wide Development Strategy, which will be completed in the 2012/13 financial year. This long-term Strategy will inform all integrated development planning that caters for the short- and medium-term development of the Metro. The MSDF spatially reflects the IDP.

The MSDF outlines the desired spatial development of the metropolitan area, as contemplated in Section 25(e) of the Municipal Systems Act (Act 32, 2000). It also highlights priority investment and development areas and therefore serves as a guide to decision-makers and investors. The MSDF is an integral

component of the IDP and translates this Plan into its spatial implications to provide broad, overall development guidelines. The Municipality's MSDF is aligned with other development strategies nationally, provincially and regionally.

The Spatial Development Framework is based on three key focal points, namely sustainable community planning methodology; corridors and accessibility; and economic development and growth in achieving restructuring, integration and sustainability.

(i) Sustainable community planning methodology

The existing pattern of development in Nelson Mandela Bay is the result of past segregation-based planning, which has separated different racial groupings in geographical terms and has resulted in great disparities in standards of living, access to infrastructural services, employment and cultural and recreational facilities. These imbalances, which serve as constraints for redevelopment, are being addressed in the MSDF.

Sustainable Community Units (SCUs) have been introduced to achieve a more balanced structure in Nelson Mandela Bay in order to reduce discrepancies in terms of service provision and standards; promote integration in socio-economic and functional terms; and provide for economic activities and employment opportunities.

SCUs are defined by the distance that an average person can comfortably walk in half an hour, i.e. a 2 km radius. In other words, amenities, facilities and job opportunities must be within walking distance of all residents. All SCUs in Nelson Mandela Bay are to be linked by a public transport network to ensure that all areas are accessible to all communities by means of public transport, as is also required in terms of the Integrated Transport Plan (ITP).

In attempting to achieve both sustainability and integration, the following six functional elements have been identified as requiring attention:

- Housing
- Work
- Services
- Transport
- Community
- Character and identity

In focusing on these six elements, minimum standards have been defined for addressing an acceptable planning quality, ensuring quality of life for the residents in these areas.

(ii) Corridors and accessibility

The restructuring of Nelson Mandela Bay envisages the development of corridors along major routes, which have the potential for integrated mixed land use development, supported by improved public transport services (e.g. the Khulani Corridor). An Integrated Transport Plan has been developed as a key component of the MSDF to improve accessibility for all residents of Nelson Mandela Bay.

(iii) Economic development and growth

This crucial component of the Spatial Development Framework seeks to generate a means to support and enhance urban development. Various interventions may be utilised to support economic growth and development, based on a number of considerations, such as the importance of linking the residents of Nelson Mandela Bay to opportunities; directing investments to places where they will have the greatest effect; protecting and enhancing natural and cultural resources for sustainability; and enriching the experience of Nelson Mandela Bay.

(iv) Implementation and prioritisation of MSDF

The MSDF provides strategic guidance regarding the areas on which the Municipality should focus the allocation of its resources. In order to assist in prioritising projects and allocating resources, four main elements of the MSDF

were isolated as geographic entities, which provide guidance as to where the priority capital investment areas lie. These areas are:

- Core economic areas
- Infill priority areas
- Strategic development areas
- Service upgrading priority areas

The MSDF comprises a number of topic-specific planning documents, including the following:

- Strategic Environmental Assessment
- Urban Edge/Rural Management and Urban Densification Policies
- Demographic Study Updates
- Land Use Management System

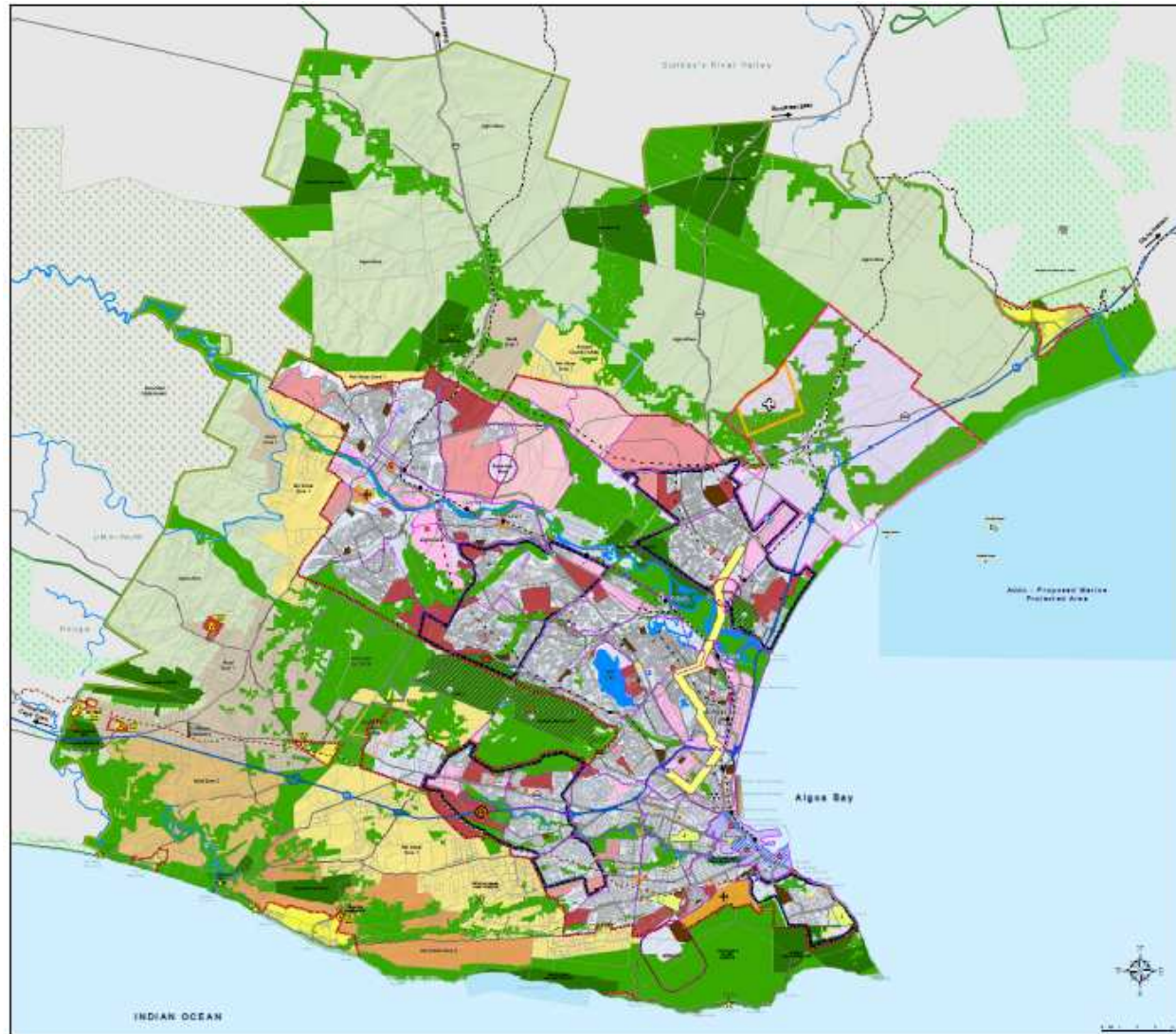
The MSDF encapsulates the following sector plans:

- Disaster Management Plan
- Integrated Waste Management Plan
- Strategic Environmental Assessment
- Metropolitan Open Space System
- Water Services Development Plan
- Integrated Transport Plan
- Housing Programme
- Economic Development Strategy

The Spatial Development Framework of the Municipality is reflected in the map below. The map specifically shows the following aspects, which are dealt with in more detail in the Spatial Development Framework Report:

- Urban growth areas, phased over time
- Urban edge, beyond which development is limited
- Major development nodes
- Major transport routes, including corridors for investment and development
- Environmentally protected areas
- The Municipality's proposed low-income housing programme

MAP 1: Spatial Development Framework of Nelson Mandela Bay



Legend

- 2010 Soccer Stadium
- Abattoir
- Education
- Hospitals
- Proposed Nature Reserve
- Resorts
- Rural Villages
- Railway Station
- Strategic Intervention Projects
- Sustainable Community Units
- UDZ Boundary
- Waste Landfill Buffer 500m (Approximate only)
- Wedgewood Golf Estate
- Hopewell Eco Estate
- Amanzi Country Estate
- Cadastre
- Business Areas
- Neighbourhood Node
- Regional Node
- Metropolitan Node
- N2 Development Node
- Urban Growth Boundary
- Rail
- Future Rail
- Rail Narrow Gauge
- National Roads
- Major Arterial
- Minor Arterial
- Future Roads
- Khulani Corridor
- Airport
- Proposed Future Airport
- Groendal State Forest
- Addo National Park
- Cemeteries
- Coastal Villages
- Coega IDZ
- Eastern Cape Surrounds
- Golf Courses
- Hazardous Waste Area
- Industrial
- Main Rivers and Inland Water Areas
- Mandela Bay Development Agency (MBDA) Mandate Area
- Marine Protected Area
- Nature Reserves outside NMB boundary
- North End Beach Reclamation Project
- Restructuring Zones
- Housing Development < 2010
- Housing Development 2011 - 2019
- Housing Development 2020 >
- Protected Area 1
- Protected Area 2
- Critical Biodiversity Area (Includes Critical Ecological Support Areas 1 & 2 - refer SRK Conservation Assessment Plan for more detail)
- Rural Policy Areas Agriculture
- Rural Policy Areas Peri Urban Zone 1 (1,8ha minimum erf size)
- Rural Policy Areas Peri Urban Zone 2 (5ha minimum erf size)
- Rural Policy Areas Rural Zone 1 (10ha minimum erf size)
- Rural Policy Areas Rural Zone 2 (20ha minimum erf size)

The MSDF has a secondary level of planning termed Local Spatial Development Frameworks (LSDFs), which cover the entire municipal area at a more detailed level of planning. The LSDFs identify local nodes for development, major transport routes, specific land uses, social housing opportunities and residential densities. The Lorraine LSDF and the 2010 Stadium Precinct LSDF in North End were both approved by Council in the review period.

(b) Spatial planning services challenges

The challenges around spatial planning services were reflected in the sections on integrated human settlements and town planning above.

SAFETY AND SECURITY

The safety and security of all residents, tourists, the business community and property is a key focus area of this Municipality. In this regard, the Municipality focuses on crime prevention, disaster management, road and traffic safety, fire services, internal security services, as well as the establishment of a municipal Police Service.

To create a safe and secure environment in Nelson Mandela Bay, the full participation of all stakeholders, including our residents and the business community, is required in addressing the following challenges:

- (a) Reducing crime.
- (b) Reducing the risk of disasters.
- (c) Reducing the risk of fire and other emergency-related risks.
- (d) Reducing accidents and road fatalities.
- (e) Maintaining acceptable levels of response to emergencies.
- (f) By-law enforcement.
- (g) Protection of municipal employees and assets.

A number of programmes have been developed to address these challenges, which include:

- Crime Prevention Strategy.
- Disaster Management Plan.
- Community Fire Safety Outreach Programmes.
- A fine system, with increased fine amounts, for fire safety related violations.
- Firearm Policy and Operational Implementation Strategy.
- Executive Protection Policy.
- Road Safety

The comparative table below reflects the 2010/11 and 2011/12 accident statistics.

Road Accident Report

2010/11	Fatal	Serious	Slight	Damage (no injuries)	Total Accidents
JUL	14	53	316	2242	2625
AUG	17	85	293	2262	2657
SEP	7	67	241	2053	2368
OCT	9	80	333	2386	2808
NOV	10	66	236	2086	2398
DEC	6	84	280	2119	2489
JAN	5	9	183	878	1075
FEB	11	30	237	973	1251
MAR	8	46	235	1068	1357
APR	2	31	214	936	1183
MAY	7	46	239	1017	1309
JUNE	8	76	256	1163	1503

2011/12	Fatal	Serious	Slight	Damage (no injuries)	Total Accidents
JUL	8	55	206	1158	1427
AUG	4	46	250	1104	1404
SEP	4	67	241	1027	1339
OCT	6	83	212	919	1220

(The Accident Bureau has a major backlog in capturing accidents and is currently capturing the November 2011 accidents only, due to a staff shortage).

(a) Annual performance as per key performance indicators in safety and security services

The annual performance in respect of safety and security services is reflected under Key Performance Elements (KPE) 2.13 on page 35.

ASSISTANCE TO THE POOR SCHEME

The Council adopted an Assistance to the Poor Policy, which provides a framework for the provision of free basic services (75 kWh of free electricity per month and 8 kl of free water per month) to indigent households. This Policy was developed following comprehensive community meetings and workshops with Councillors and municipal officials. The Municipality keeps a register of all indigent households receiving assistance in terms of the Policy.

Altogether 100% of qualifying households, whether those who applied to the Municipality or those identified as complying with the qualification criteria, receive these free basic services. The cost of the provision of the services is approximately R21.7 million per month. The table below reflects the extent of the provision of free basic services:

Number of households receiving free basic services (8 kl of water and 75 kWh of electricity)	Water	Electricity
2010/11	79 035	67 387
2011/12	86 172	64 150

In the year ahead (2012/13), the Municipality will continue to focus on community awareness to ensure that all qualifying households access free basic services. At the same time, those benefiting from free basic services will be verified in order to ascertain that they do meet the qualifying criteria. As can be seen on the table above, the number of qualifying households has dropped since the verification process commenced in 2010.

REHABILITATION MAINTENANCE OF COUNCIL'S ASSETS

CAPITAL PROJECT	REVISED CAPITAL BUDGET 2011/12	EXPENDITURE 2011/12	BUDGET 2012/13
Roads, Stormwater and Fleet Management			
Rehabilitation of Minor Roads	2,000,000	508,990	0
Rehabilitation of Major Roads	0	0	0
Rehabilitation of Bridge Structures	15,000,000	8,349,996	500,000
Sanitation Services			
Reticulation Sewers - Rehabilitation and Refurbishment	3,350,000	2,964,888	15,200,000
Bulk Sewers - Rehabilitation and Refurbishment	7,000,000	4,562,231	9,000,000
Sewage Pump Stations - Rehabilitation and Refurbishment	5,550,000	2,656,510	17,500,000
Waste Water Treatment Works - Rehabilitation and Refurbishment	11,031,830	11,031,827	48,126,000
Water Services			
Dams - Rehabilitation and Refurbishment	1,000,000	0	3,700,000
Water Treatment Works - Rehabilitation and Refurbishment	6,500,000	1,524,663	35,800,000
Supply Pipe Lines - Rehabilitation and Refurbishment	4,858,350	4,858,350	10,000,000
Reservoirs - Rehabilitation and Refurbishment	3,590,150	3,589,628	1,800,000
Distribution Pipe Lines - Rehabilitation and Refurbishment	37,000,000	36,635,726	33,950,000
Electricity and Energy			
Electricity Network Refurbishment	40,764,559	35,570,521	44,507,000
Public Health			
Rehabilitation of Clinics and Buildings	0	0	800,00
Upgrading and Rehabilitation of Beaches	1,850,000	1,690,515	2,100,000
Corporate Services			
Rehabilitation of Halls and Buildings	27,839,200	26,145,482	12,200,000

OPERATING BACKLOG REQUIREMENTS

	Total Operational Maintenance Backlog	Annual Requirement to eliminate Backlog	Operating Budget 2011/12	Operating Budget 2012/13	Operating Budget 2013/14
Infrastructure and Engineering	1,187,159,000	242,541,254	361,570,800	329,599,760	329,599,760
EDRS	74,797,363	20,300,000	16,364,870	20,253,682	19,950,370
Environment and Health	38,570,827	17,566,871	5,748,700	7,620,016	7,620,016
Corporate Administration	109,655,985	15,000,000	23,474,530	29,897,659	29,897,659
TOTAL	1,410,183,175	295,408,125	347,037,390	387,371,117	387,067,805

CHAPTER 3: LOCAL ECONOMIC DEVELOPMENT

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2011/12	ACTUAL 2011/12	EXPLANATION OF VARIANCE / COMMENTS
3.1 ECONOMIC GROWTH AND DEVELOPMENT					
3.1.1	Value of new investments/expansions in Nelson Mandela Bay through NMBM's initiatives	N/A	Minimum of R100 million combined	Minimum of R100 million combined	
3.1.2	Value of new export contracts facilitated through the Municipality's initiatives	N/A	R1.5 million	R10 million	
3.2 POVERTY ERADICATION					
3.2.1	Number of emerging businesses trained on entrepreneurship: SMMEs	973 SMMEs provided with entrepreneurial support	500	753	
3.2.2	Number of emerging businesses trained on entrepreneurship: Tourism SMMEs		20	262	
3.2.3	Number of emerging businesses trained on entrepreneurship: New Co-operatives		20	22	
3.2.4	Number of emerging businesses trained on entrepreneurship: Informal Traders		200	293	
3.2.5	Number of SMMEs provided with start up support (trading facilities and equipment)		10	13	

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2011/12	ACTUAL 2011/12	EXPLANATION OF VARIANCE / COMMENTS
3.2.6	% households earning less than R2280 per month (2 state pensions) with access to free basic services	100%	100%	100%	A total of 86 172 households were registered as indigent at 30 June 2012. All qualified for free basic services. 72 400 qualified for free basic water and sanitation; 64 833 qualified for free basic electricity, while 66 819 qualified for free basic refuse removal. In the 2011/2012 financial year, the Municipality provided free basic water to indigent households to the value of R54 784 989.56; free basic electricity to the value of R35 216 888.54; refuse to the value of R45 324 228.77; rates to the value of R46 695 315.49 and sewerage to the value of R71 985 586.71. In total, the value of free basic services provided to indigent households within the Nelson Mandela Bay Municipality in the 2011/2012 financial year amounted to R254 007 009.10.
3.3 BROAD-BASED ECONOMIC EMPOWERMENT (BEE)					
3.3.1	% tenders awarded in adherence to the broad-based empowerment targets both in terms of number and value (a) Previously disadvantaged	41,93%	50.00%	36.45%	The underperformance against this key performance indicator is due to the fact that the designated groups did not fully participate in Supply Chain Management tendering processes. In terms of mitigation, roadshows have been held by the Municipality to promote the participation of designated groups in the advertised tenders. A continuous effort will be made in the 2012/2013 financial year to encourage previously disadvantaged people to participate in the tendering processes of the Municipality.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2011/12	ACTUAL 2011/12	EXPLANATION OF VARIANCE / COMMENTS
3.3.2	% tenders awarded in adherence to the broad-based empowerment targets both in terms of number and value (b) Women and youth	22,87%	10.00%	8.65%	The underperformance against this key performance indicator is due to the fact that the designated groups did not fully participate in Supply Chain Management tendering processes. In terms of mitigation, roadshows have been held by the Municipality to promote the participation of designated groups in the advertised tenders. A continuous effort will be made in the 2012/2013 financial year to encourage women and youth to participate in the tendering processes of the Municipality.
3.3.3	% tenders awarded in adherence to the broad-based empowerment targets both in terms of number and value (c) People with disabilities	0,74%	2.00%	0.44%	The underperformance against this key performance indicator is due to the fact that the designated groups did not fully participate in Supply Chain Management tendering processes. In terms of mitigation, roadshows have been held by the Municipality to promote the participation of designated groups in the advertised tenders. A continuous effort will be made in the 2012/2013 financial year to encourage people with disabilities to participate in the tendering processes of the Municipality.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2011/12	ACTUAL 2011/12	EXPLANATION OF VARIANCE / COMMENTS
3.4 JOB CREATION AND EPWP					
3.4.1	Number of learners on Infrastructure Learnership Programme	0	20	0	The underperformance against this key performance indicator is due to the unavailability of funding to implement the Infrastructure Learnership Programme in the 2011/2012 financial year. In terms of mitigation, a draft letter of intent/commitment was drafted and circulated to the Human Settlements Directorate and the Mandela Bay Development Agency for comment, whereafter it will be submitted to the National Department of Public Works for signature. This key performance indicator and target will be reviewed in the 2012/2013 financial year.
3.4.2	Number of Full-Time Equivalent (FTE) jobs to be created	3319	1498	1587.50	
3.4.3	Number of Work Opportunities (WO) to be created	16130	5137	13592	
3.5 RECREATION, ARTS AND CULTURE					
3.5.1	Number of beaches with Blue Flag status	0	1	1	
3.5.2	% Construction progress of Mendi Multi-Purpose Cultural Centre	Target not met	25% construction completed	Target not met	The Municipality anticipated a budget of R15 million to achieve 25% construction. Of the anticipated R15 million, only R3 million was made available for the 2011/12 financial year. The key performance indicator and target will be reviewed in the 2012/13 financial year.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2011/12	ACTUAL 2011/12	EXPLANATION OF VARIANCE / COMMENTS
3.5.3	Number of artists benefiting economically from the Municipality's activities	421	100	249	
3.5.4	Number of initiatives promoting a culture of reading	176 programmes	2 per library benefiting 22 libraries	2 (benefiting 22 libraries)	
3.6 BUILT HERITAGE					
3.6.1	Number of additional heritage sites assessed and included in the heritage inventory	N/A	221 by September 2011	221 achieved in 1st quarter	

LOCAL ECONOMIC DEVELOPMENT PERFORMANCE HIGHLIGHTS, CHALLENGES AND REMEDIAL ACTION

BRIEF OVERVIEW

The Municipality has an Economic Development Strategy for Nelson Mandela Bay in place, with a review period of five years. The Municipality has comprehensively revised the LED Strategy, which was adopted by Council in February 2011. The LED Strategy focuses on the following:

- Building and strengthening the auto manufacturing base of the local economy, whilst also diversifying within manufacturing.
- Promoting the diversification of the local economy, focusing on industries with the potential to create jobs, and harnessing skills and innovative capabilities.
- Promoting entrepreneurship and providing support to small businesses and the growth of co-operatives.

The economic vision for Nelson Mandela Bay is for it to become a hub for innovation and sustainable production and consumption. It is based on infrastructure development, skills development and institution building as catalysts in developing and sustaining the local economy.

The strategic interventions that were pursued we built on the social consensus achieved in the Economic Summit that was held in May 2010. Furthermore, the emphasis on job creation and poverty alleviation was underscored by the President's State of the Nation Address in February 2011, urging South Africans to collectively fight against unemployment, poverty and inequalities.

PROGRESS TOWARDS ACHIEVING KEY LED OBJECTIVES

The progress made in achieving key LED objectives is reflected on page 89.

Additional performance information is reflected below.

(a) Improve public and market confidence

The Nelson Mandela Bay Municipality has policies in place to enable and promote investment and trade in the Metro, such as an Investment Incentives Policy geared at promoting investment in priority sectors. Film, ICT and Business Process Outsourcing (BPO) are regarded as key sectors in the diversification of the economy, contributing to the GDP and promoting investment. A review of the Investment Strategy and the Incentive Policy was initiated to strengthen our ability to attract investments.

A legacy of hosting the 2010 FIFA World Cup™ is improved infrastructure, which will benefit the Metro and attract investors. The upgrades include an improved roads network and future access to affordable and reliable transport. 2010 brought massive publicity and marketing opportunities for the Metro, allowing it to showcase itself to most countries in the world, thereby unlocking its tourism potential and potentially attracting massive investment in the local hospitality industry.

Other initiatives with economic spin-offs include the SMART City process and inner-city regeneration, as well as the Njoli Square upgrade and urban renewal, targeting the previously disadvantaged areas, such as Motherwell and Helenvale. Investigations on the feasibility of possible developments in the Stadium precinct are underway.

(i) Role of disaster management in creating conducive environment for economic development

The Nelson Mandela Bay Municipality has developed a comprehensive Disaster Management Plan, which includes the following:

DISASTER MANAGEMENT CENTRE

1.1 Disaster Management Centre

The Disaster Management Centre (DMC), based at the South End Fire Station in Humewood, is fully functional. All senior and administrative staff are based at the DMC. The Executive Director: Safety and Security is also situated at the DMC building.

The DMC consists of office, storage, kitchen and bathroom facilities, a well equipped boardroom, which serves as the joint operations centre during disasters, a second boardroom, which serves as a separate meeting room during disasters, as well as an auditorium shared by the DMC and the Fire and Emergency Services for workshops and large meetings. The auditorium will also serve as a media briefing facility during disasters.

1.1.1 JOC and Systems

The Disaster Management Centre has a central node boardroom, which comprises an appropriate facility for multi-disciplinary strategic management of response and recovery operations during or after disasters. It serves the dual purpose of providing a venue for regular meetings and activities for strategic planning and other disaster management related activities.

At present, the Joint Operations Centre (JOC) is used on a full-time basis as a Service Delivery JOC. This is an interim arrangement until a facility will be available for that purpose.

The Disaster Management Centre has four systems that are used. The first system is the MSCS system that allows the role-players to view CCTV cameras on the video wall, projector or LCD screens. The second system is the Indigo Vision Control Centre system that allows the operator of the CCTV cameras to control and maneuver the cameras. These two systems work hand in hand and without one another, role-players cannot view and monitor certain areas in the Metro so as to make correct decisions.

The NTI (Network Technology Incorporated) system, which is informally called the matrix, is the system that makes it easy for the operator to switch from projectors, video wall and LCD screens quickly on request of the role-players in the JOC. This system allows role-players to do presentations whilst monitoring CCTV cameras.

The EDAMS system is used extensively by the service delivery JOC. This system is on the NMBM network. It is a complaints logging system, where all the service delivery complaints are logged by call takers and transferred by the system to the relevant role-players in the JOC in order give quicker service delivery.

1.1.2 GIS Office

Disaster Management Centre has a Geographical Information System Office for their spatial data. This office is responsible for the disaster related collection of relevant spatial information and the analysis of that information thus putting the information across in a readable and understanding manner, i.e. map making.

This office is also responsible for the collection of the contacts and resource database. It has currently developed a database system for all the contacts data and resource data that is being collected and has been collected, so as to make it easy when the National Disaster Management Centre has developed a standard disaster management information system to export the data collected. The data collection is done through forms or questionnaires created in this office.

This office is also responsible for a sms system that permits the user to send bulk sms's to role-players notifying them of weather warnings and when a JOC needs to be activated.

1.2 Satellite Disaster Management Offices

For practical purposes, an approach is followed where a centralised main Disaster Management Centre exists to guide and co-ordinate all disaster management projects and activities, with decentralised satellite centres being established to ensure that "on the ground" contact within communities is possible. Ultimately, twelve satellite offices are envisaged by the DMC. The demarcation of areas of responsibility per satellite facility is largely based on existing ward boundaries, to allow for closer ward and community liaison. Top management is centralised at the DMC.

The following eight satellite Disaster Management Offices are fully established:

1.2.1 Chatty Office based at Chatty Clinic in Bertram Street, Chatty

This satellite office consists of two offices, kitchen, storeroom and toilets. It is fully functional.

The office is presently staffed by a Disaster Management Officer.

1.2.2 Despatch Office situated at 6 Main Street, Despatch.

This satellite office consists of three offices, two bathrooms, a kitchen, a boardroom and stores. It is fully functional. As part of its upgrading plan, the boardroom, kitchen and toilet of the facility have been renovated. The boardroom was transformed into the DMC's secondary joint operations centre, whereas the toilets and kitchen was additions to the building.

The office is staffed by one Disaster Management Officer. The facility will also host the Senior Disaster Management Officer responsible for the Northern Areas, who is also responsible to maintain and manage the joint operations centre.

1.2.3 Greenbushes Office situated at the James Kleynhans Centre, Lakeside Road, Greenbushes.

The office consists of one office, a toilet and a container used as a store. It is fully functional. Disaster Management used to share the complex with the Fire and Emergency Services, Traffic Training College and Security Services before the recent development of the Traffic College. It currently forms part of the fire station.

The office is staffed by one disaster management officer.

1.2.4 KwaNobuhle Office situated at the KwaNobuhle Fire Station in Ponana Tini Rd, KwaNobuhle, Uitenhage

This satellite office consists of two offices, toilets, a reception area, a boardroom/meeting room, a kitchen and a store. It is fully functional.

The office is staffed by one Disaster Management Officer and one Disaster Management Assistant.

1.2.5 KwaZakhele Office based at the KwaZakhele Fire House, Qunta Street, KwaZakhele.

This satellite office consists of two offices, kitchen, container as a store and bathroom facility. It is fully functional.

The office is staffed by one a Disaster Management Officer and Disaster Management Assistant.

1.2.6 Motherwell Office situated at Addo Road Depot, Addo Road, Motherwell

This satellite office consists of two offices, a kitchen, container as a store and bathroom facility. It is fully operational.

The office is staffed by a one Disaster Management Officer.

1.2.7 Wells Estate Office situated at Wells Estate Clinic, Sinethemba Street, Wells Estate

This satellite office consists of an office, toilet, store and shares a boardroom with the clinic. It is fully operational.

The office is staffed by a one Disaster Management Officer.

1.2.8 Kabah

This is a fully operational newly established satellite office that consists of an office and a store.

The office is staffed by a one Disaster Management Officer

1.3 Centralised Control Centre

Because of the fact that Disaster Management does not have a 24-hour facility/operations centre, the centralised control centre of the Safety and Security Directorate is used for that purpose. Disaster Management staff are on a roster to be on 24-hour stand-by. Stand-by staff is called by the Control Centre in the event of major incidents and disasters.

2. STATUS OF INTER-GOVERNMENTAL RELATIONS STRUCTURES

2.1 Disaster Management Advisory Forum

The Disaster Management Advisory Forum is fully established. Meetings were held on:

- 6 September 2011
- 6 March 2012
- 8 May 2012

Various initiatives were facilitated, including an exercise to link the hazards on a hazards matrix with the responsible role-players. The aim of this is to do response and mitigation planning. A workshop must still be arranged to complete this process.

The Provincial Disaster Management Centre provides support to the DMAF in the form of regular presentations.

Poor attendance remains a challenge.

2.2 Local Disaster Management Committees

To fulfill our obligation in terms of Sections 41(d)(iii), 41 (g), 41 (j), and 47(1)(a) of the Disaster Management Act, Act 57 of 2002, the DMC deemed it necessary to establish Local Disaster Management Committees that are mainly aimed at involving ward structures or communities in the disaster management business. After experiencing difficulty in the proper functioning of the committees, alternative means of achieving the objective were explored. Although some of the committees are functioning well, Disaster Management Officers were given the freedom to manage their committees according to their individual community requirements.

2.3 East Cape Emergency Services Committee (ECESCC)

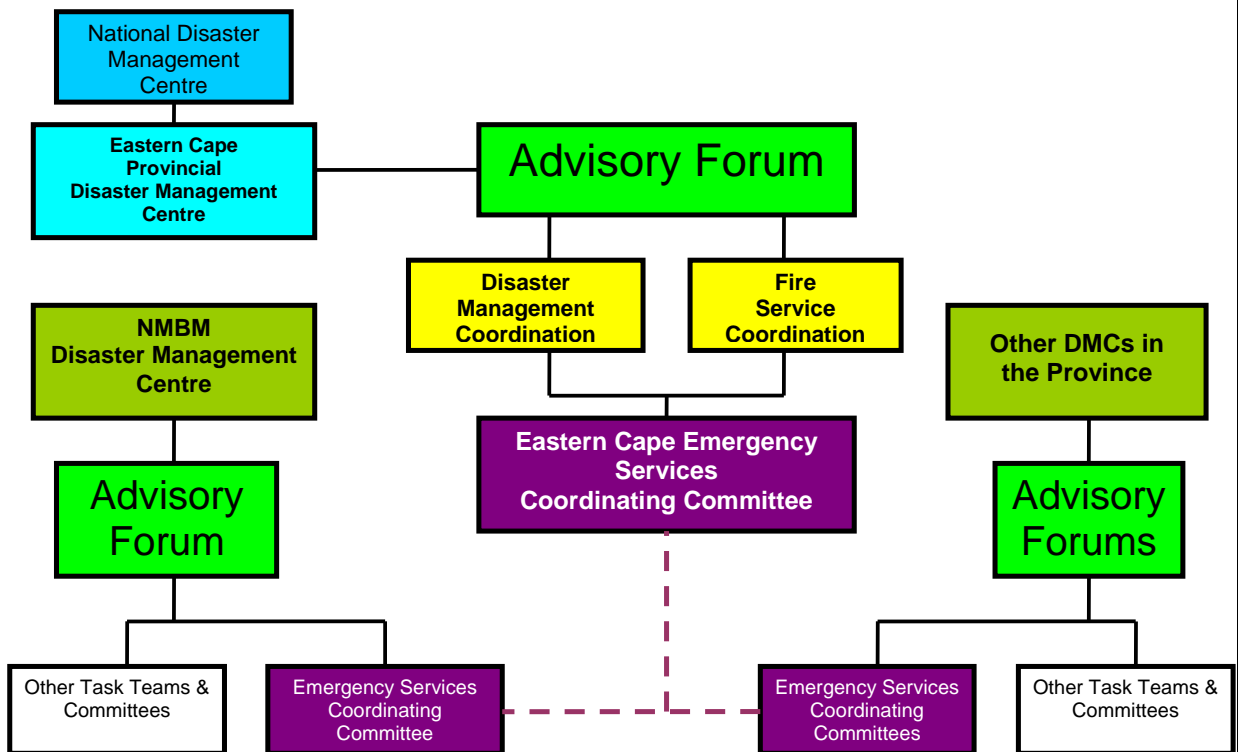
The ECESCC concentrates on emergency response matters and covers an area greater than the NMBM (i.e. including East London; Cacadu District Municipality, etc.). However, 90% of the members are from the NMBM area.

The Committee meets on monthly basis and consists of the different emergency services, hospital trauma units, private ambulance services, water rescue, hazmat response agencies, etc. The following sections are represented:

ACSA Fire and Rescue	SA Air Force
Air Traffic Navigational Services	SA Military Health Services
NMBM Disaster Management	SANDF J Tac HQ (EC)
Cacadu Disaster Management:	SAPS Airwing
NMBM Fire & Emergency Services	SAPS Dog Unit
Emergency Medical Services	SAPS Divers
NMBM Traffic Service	SAPS Disaster Management
SAPS Emergency Services	Netcare 911
Transnet National Ports Authority	St George's Hospital
Transnet Freight Rail	Greenacres Hospital
Provincial Traffic	Mercantile Hospital
SAMSA	Cuyler Hospital
NSRI	Enviroserve Waste-Tech
SAN Parks	Xtreme Projects
SANRAL	Mountain Club SA
Paramedics 24/7	Gardmed
Cape Chemicals	NMBT
Coastal Water Rescue	Provincial Disaster Management Centre
Traumanet	SAPS 10111 Call Centre
NMBM Beaches	P.E. Amateur Radio Society
State hospital trauma centres	NMBM Service Delivery JOC

Currently, a disaster management official takes chairmanship of the Committee. For years, there were discussions of restructuring the Committee to function according to geographical representation. The chairperson proposed realignment of and restructuring the committee to function as a subsidiary of the Disaster Management Advisory Forum to deal with emergency response planning matters within the municipal boundaries. After a voting process in the committee in support of the proposal, a report was submitted to Council to adopt the Committee as part of the structure of the Advisory Forum. A resolution in this regard is still pending.

The following diagram illustrates the positioning of the Committee and the proposed provincial alignment:



2.4 SAPS Sub-Joints Committee

Disaster Management participates in the SAPS Metro Sub-Joints structure, which meets on a bi-monthly basis.

2.5 Disease Outbreak Response Team

This is a specialised committee established by the district office of the Department of Health, which meets to deal with communicable diseases. Its role and function is to monitor progressive trends and thereby ponder relevant interventions, making sure that international standards are observed in any given situation. The committee meets on a monthly basis.

The outbreak response plan for the district is currently being revised.

2.6 SABS Technical Committee 223 – National Disaster Management (SABS TC 223)

The Disaster Management Centre is a permanent member of SABS TC 223. The Disaster Management Centre attends TC 223 meetings two times a year. The Committee drafts national standards for matters relating to disaster management and gives input on international disaster management related standards.

2.7 Events Committee

With the new events legislation in effect, a need to have a structure to deal with events issues was formalised. The structure is basically an event planning committee, which is part of the Metro Local Organising Committee (LOC), which meets from time to time. There is a calendar of dates spread throughout the months of the year. In the LOC, players or stakeholders are scrutinising the events' plans and check if they conform to and comply with the new legislation. All Disaster Management Officers have equitable

opportunity to interact with other non-Disaster Management stakeholders. Other benefits are the circle of networks of other services at your disposal.

A new events coordinating office has been established named the Nelson Mandela Bay Municipality Events Management Office. All event organisers are required to apply and submit a brief programme and do a presentation to the Events Planning Committee (EPC). In terms of the events legislation, it is named the “**events safety and security planning committee**”. All low-risk categorised events scheduled on the event calendar are discussed in the said structure. However, medium to high-risk categorisation events are discussed in the Local Organising Committee (LOC), chaired by the authorised member (SAPS). The committee considers an event risk categorisation, gives guidance and assists in preparing a safety and security plan. The Disaster Management team play an important role in this Committee, making sure that event legislation is adhered to.

3. STATUS OF DISASTER MANAGEMENT PLAN

A Level 2 Disaster Management Plan was completed in March 2010.

Risk Profile

The risk profile for the Nelson Mandela Bay Municipality is based on the data received from stakeholder consultations, as well as the base data (including reports) collected during the risk assessment study.

The disaster risks for the Nelson Mandela Bay Municipality have been rated and are indicated in the table below:

Hazard Name	Risk Ratings (DRA 2010)
Hydro-meteorological Hazards - Floods (River, Urban and Dam Failure)	0.85
Hazardous Material - Hazmat: Fire/Explosion (Storage and Transportation)	0.85
Hazardous Material - Hazmat: Spill/Release (Storage and Transportation)	0.82

Hazard Name	Risk Ratings (DRA 2010)
Hydro-meteorological Hazards - Severe Storms (Wind, Hail, Snow, Lightning, Fog)	0.81
Disease/Health - Disease: Human	0.78
Hydro-meteorological - Drought	0.78
Environmental Degradation	0.76
Fire Hazards - Formal and Informal Settlements/ Urban Area	0.76
Fire Hazards - Veld/Forest Fires	0.73
Pollution - Water Pollution (Fresh and Sea)	0.72
Major Event Hazards (Cultural, Religious, Political, Recreational, Commercial, Sport)	0.71
Oceanographic - Storm Surge	0.71
Transport Hazards - Road Transportation	0.70
Civil Unrest - Xenophobic Violence	0.69
Structural Failure	0.68
Pollution - Land Pollution	0.68
Civil Unrest - Terrorism	0.67
Oceanographic - Sea Level Rise (Climate Change)	0.67
Pollution - Air Pollution	0.65
Civil Unrest - Demonstrations / Riots	0.65
Oceanographic - Tsunami	0.65
Transport Hazards - Rail Transportation	0.64
Infrastructure Failure/Service Delivery Failure	0.64
Civil Unrest - Armed Conflict (Civil/Political War)	0.61
Disease/Health - Disease: Animal	0.61
Geological Hazards - Earthquake	0.60
Transport Hazards - Air Transportation	0.58
Transport Hazards - Water Transportation	0.57
Civil Unrest - Refugees/Displaced People	0.51
Infestations - Plant Infestations (Intruder Plants)	0.44
Disease/Health - Disease: Plants	0.41
Radio Active Fall-out	NA

The top rated risks for the Nelson Mandela Bay Municipality were identified as:

- Floods, especially affecting informal settlement and infrastructure;
- The effects of fire, explosions and spillage of hazardous materials;
- Severe storms;

- Human disease. This category includes diseases that can lead to rapid onset as well as slow onset disasters. Diseases and conditions included under this category include HIV/AIDS, tuberculosis, cholera, and asthma.
- Drought, as is evident from the 2010 / 2011 droughts experienced.

4. DISASTER RESPONSE CAPABILITIES

Disaster Management Integration

Disaster Management is grouped with municipal emergency services under the Safety and Security Directorate. This allows for frequent contact with the organisations that will respond to disaster situations.

The location of the DMC at the headquarters of the Fire and Emergency Services enables immediate and direct interaction with the service primarily responsible for managing emergencies. The DMC is also linked to the network of emergency communication and CCTV control centres. This contributes to the effectiveness of the DMC Joint Operations Centre during disaster situations.

The interaction between disaster management and other emergency services in the ECESCC has over many years established an excellent working relationship that has been proven over and over again in numerous incidents requiring joint response operations.

Internal Arrangements

All disaster management personnel are utilised when a disaster occurs. Disaster Management is structured in such a way that provision is made for all functions when dealing with disasters. The stand-by shift system deals with notification and smaller incidents, whereas a full call-out procedure will deal with disaster situations.

The regional demarcation of satellite areas ensures that operational staff deal with their jurisdiction areas. This leaves little room for under-reporting and non-response.

Financial Capacity

The operational budgetary provisions are aimed at day-to-day operational requirements. The disaster management budget makes provision for disaster relief during abnormal relief requirements. The same budget allocation is used on a daily basis for day-to-day relief requirements.

There is currently no provision in individual departmental budgets for disaster management, neither for normal disaster management related projects, nor for disaster response. Any disaster related response is covered within the normal budgetary provisions. This situation puts pressure on the response to disasters.

Early Warnings

Early Warning: Remote Camera Project

It was decided to install CCTV cameras at remote sites to monitor potential high-risk flooding areas. The CCTV surveillance and monitoring system is integrated with the current NMBM Disaster Management CCTV system, as well as the Command and Control Centre. Cameras are strategically placed in and around the NMBM area. Surveillance is done in the Command and Control Centre located at the South End Fire Station. The CCTV technology can also accommodate additional camera and surveillance monitoring capabilities. The early warning system is also connected to the wireless backbone infrastructure of the Metro.

The CCTV cameras were installed at the following locations:

- Riverstone Road
- Lady Slipper high site
- Stanford Road bridge
- William Moffett / 3rd Avenue
- Amsterdamhoek / Swartkops
- Cuyler Street / Uitenhage bridge
- Parsons Hill
- 3rd Avenue, Newton Park
- Booyens
- Kabah
- Klein Chatty
- KwaNobuhle

Flash Flood Warning System and Automatic Rain Stations (ARSs)

The NMBM is part of the flash flood guidance system for South Africa (SAFFG), which is based on the CAFFG system for Central America.

Although the SAWS has a network of ARSs within the metropolitan area, it was decided to contribute to the enhancement of this network by installing a total of eight ARSs, which effectively cover the entire area and should improve the flood prediction capability of the Port Elizabeth Branch of the Weather Services.

Automatic rain gauges purchased by the NMBM and installed by the SAWS:

- Flower Reserve (Van Stadens)
- St Albans Prison
- Riverstone

- Lovemore
- Bloemendal
- Coega River - Lower
- Coega River - Upper
- Chatty Fire station

5. DISASTER-RELATED INCIDENTS

Summary of major incidents during the year

Date	Incident	Effect on community	Action Taken	Classified	Infrastructure damage	Cost
5 July 2011	Flooding	180 persons evacuated	Victims housed in community halls & relief material provided	No	Nil reported	(Cost with 24 July incident)
24 / 25 July 2011	Flooding	360 persons	Victims housed in community halls & relief material provided	No	Nil reported	Total cost of relief material: R63 703.65. (including 5 July incident)
24 March 2012	Flooding	Approximately 220 persons	Victims housed in community halls & relief material provided	No	Nil reported	Total cost of relief material: R67 470.80 (including 26 March incident)
26 March 2012	Shack Fire	Approximately 84 persons	Victims housed in community halls & relief material provided	No	Nil reported	(Cost with 24 March incident)
9 April 2012	Flooding	184 persons	Victims housed in community halls & relief material provided	No	Nil reported	Total cost of relief material: R35 529,15 (including isolated shack fire incidents)
9 June 2012	Flooding	Approximately 586 persons	Victims housed in community halls & relief material provided	No	Nil reported	R49 092.06 (including isolated shack fire incidents)

Relief to the total value of **R483 689.90** was provided to disaster victims throughout the year.

6. PUBLIC AWARENESS

School and Community Safety for Grade 7

Grade 7

No. of learners = 7368

No. of schools = 75

Grade 4

No. of learners = 3510

No. of schools = 43

Safety Campaign at Shopping Centres and Malls

- A total of 15 shopping malls were visited, where awareness campaigns were held.
- A total of 1290 pamphlets were distributed.

Libraries Disaster Awareness Project

Pamphlets provided at libraries:

Drought = 2291

Flood = 2660

Fire = 2758

7. CHALLENGES AND ACHIEVEMENTS

Achievements

- A fully functional Disaster Management Centre established, as required by the Disaster Management Act
- A Joint Operations Centre with a back-up Joint Operations Centre in Despatch (recently upgraded)

- A number of early warning systems installed, including a CCTV system and a network of automatic rain gauges that operate with the Flash Flood Guidance System of the SA Weather Services
- A fully operational duplicate weather system installed in the JOC
- An appointed Head of Disaster Management Centre and community orientated Disaster Management structures and activities, as required by the Act, including eight established satellite offices
- To achieve our mandate, the Disaster Management organogram has been restructured and approved
- The revised Disaster Management Plan has been adopted by Council
- The Disaster Management Policy Framework has been adopted by Council
- Priority disaster risks of the Metro have been identified and mapped
- Established Disaster Management Advisory Forum
- Established Local Disaster Management Committees at community level

Challenges

- Some key positions on the organogram to execute our mandate are currently vacant
- Initiatives to reduce identified priority risks have not been developed
- Risk reduction-related projects and initiatives have not been included in IDPs
- Guidelines for incorporating disaster management programmes and initiatives into the activities of other municipal organs of state and key institutional role-players have not been developed and implemented.
- Risk-related information has not been incorporated into spatial development frameworks.
- Disaster Management focal/nodal points have not been identified by each department
- A municipal standard for conducting comprehensive disaster risk assessments has not been developed

- Regulations, standards, by-laws and other legal instruments that encourage risk-avoidance behaviour are not being enforced
- Permanent operational budget cuts
- Funding needs – including:
 - Start-up funding for important projects, e.g. community volunteer project
 - Disaster risk management ongoing operations
 - Training and capacity-building programmes in communities
 - No capital funding available

(b) Comparative and competitive advantages for industry

The Municipality operates in a co-operative environment with all spheres of government and other metropolitan and local municipalities. The comparative advantages of Nelson Mandela Bay include the following:

- Good progress made with the completion of the Industrial Strategy, which will outline key economic sectors that can be supported and grown to achieve the economic vision for Nelson Mandela Bay.
- Nelson Mandela Bay is a port city, thereby creating an environment for tourism, as well as a transport hub.
- Provision of infrastructure at Logistics Park.
- Urban rejuvenation and upgrading of central city areas undertaken by the MBDA. The mandate of the MBDA was expanded to include town rejuvenation.
- Coega Industrial Development Zone and deepwater Port of Ngqura, supported by the PE Harbour Port.
- World-class automotive industry.
- Superb educational institutions and facilities:
 - Altogether 273 schools.
 - One university (the Nelson Mandela Metropolitan University), which has over 20 000 students.
 - Four technical colleges and two FET institutions, namely the PE College and the Midlands College.

- Abundant open land ready for development.
- A world-class transport network (sea, air, road and rail).
- Tourism:
 - 40 km expanse of golden unspoilt beaches.
 - Thirteen bathing beaches.
 - Within easy access of world-class nature parks and game reserves, where one can view magnificent big African game, including the Shamwari Game Reserve and Addo National Elephant Park. Other popular game parks in the Metro are Kragga Kamma and Seaview.
- Abundant talent for the development of the creative industries:
 - Registration of film place.
 - ICT incubator with 20 small companies.
 - Formal university courses in arts and culture.
 - Facilities to develop and showcase talent.
 - Opera House, Art Museums, Red Location Art Gallery, etc.

(i) Implementation of Supply Chain Management

The progress made in implementing the Municipality's Supply Chain Management Policy is reflected below:

Specified goal	Count figures	Annual target	Rand value	Percentage figure
HDI	14598	50%	692,119,004	35.25%
Women	8351	10%	306,291,228	15.6%
Youth	256	10%	8,533,890	0.43%
Local	16459	-	1,020,089,353	51.96%
People with disabilities	288	1%	8,549,217	0.44%
TOTALS	22484		1,963,380,814	

(c) Intensifying Enterprise Support and Business Development**(i) Support to SMMEs**

Business development services provided to SMMEs include provision of business skills training and the small business incubation programme. The NMBM has so far developed two small business incubators in:

- Information, Communication and Technology
- Construction

All these developmental programmes are assisting in the development of sustainable small businesses.

(ii) Support to co-operatives

The NMBM has developed a registered Cooperative Forum (Tertiary Cooperative), which serves as an umbrella body for all cooperatives in the NMB region.

It has further developed sectorial secondary cooperatives that will enhance the development of cooperatives in each sector (Agriculture; Tourism; Textile and Manufacturing).

A Co-operative Development Centre was established in partnership with the NMMU. It is located at the Missionvale Campus to enable easy access. The Centre provides the following services:

- (i) Business management training
- (ii) Registration of co-operatives
- (iii) Advice on opportunities

The following twelve agricultural co-operatives were supported:

PROJECT NAME	PROJECT DESCRIPTION	LOCALITY	JOBS CREATED
Enjongweni Co-operative	Vegetable production under intensive irrigation	Motherwell	18 permanent
Sililitha Co-operative	Vegetable production under intensive irrigation	KwaZakhele, Daku	4 permanent 2 casual
Bloemendal Hydroponics	Tunnel production of high-quality vegetables	Bloemendal	10 permanent
Masibulele Co-operative	Vegetable production under intensive irrigation	Despatch	6 permanent 4 casual
Sandile Co-operative	Vegetable production under intensive irrigation	Uitenhage – KwaNobuhle	10 permanent 5 casual
Rosedale	Vegetable production under intensive irrigation	Uitenhage – Rosedale	10 permanent
TATI	Vegetable production under intensive irrigation	Uitenhage – KwaNobuhle	18 permanent 40 casual
Laphumikhwezi	Land Reform Agricultural Development (LRAD) under intensive irrigation	Uitenhage – Kruisrivier	8 permanent
Iliso Farmers Trust	Land Reform Agricultural Development (LRAD) under intensive irrigation	Amanzi Estate	4 permanent 2 casual
Uitenhage Small Farmers Trust (USFT)	Land Reform Agricultural Development (LRAD) under intensive irrigation	Uitenhage	19 permanent
Walmer Hydroponics	Tunnel production of high-quality vegetables	Walmer	6 permanent
Zanethemba Nursery	Seedlings propagation	Motherwell	10 permanent

Other co-operatives supported under Sector Development include the following:

NAME OF CO-OPERATIVE	AREA	TYPE OF BUSINESS	JOBS CREATED
Sinemibono Brick Manufacturing Cooperative	New Brighton	Brick manufacturing	30
Kayamandi Women In Development	Despatch	Brick Manufacturing and Poultry	20
Sovuyiso Sewing Co-operative	KwaZakhele	Sewing	8

NAME OF CO-OPERATIVE	AREA	TYPE OF BUSINESS	JOBS CREATED
Licebo Manufacturing & Carpentry	Joe Slovo	Carpentry	10
Asixhomi Civil Construction Co-operative	Nceba Faku/ Booyens Park	Construction	10
Sihlangene Catering Services Co-operative	Struandale and Ntshekisa Road	Catering	8
Mthomasebe Construction Co-operative	KwaMagxaki	Construction	10
Siyakha Women In Development	New Brighton	Construction	10
Mawethu Sewing Co-operative	Zwide	Sewing	7
Abenzi Designers	Mira House	Sewing	8
Bahlobile Abafazi	Joe Slovo	Sewing and designing	10
Red Location Backpackers	Red Location	Accommodation	20
Inkwenkwezi Development Trust	KwaDwesi	Gardening and construction	12
Simanye Décor & Design	Uitenhage	Sewing	5
Izandla Zomzantsi	Uitenhage	Sewing	5
Rastas Designers	KwaZakhele	Sewing	5
Noneluntu Women's Organisation	New Brighton	Sewing and HIV awareness	6
Ziphila Phi Designers	Joe Slovo	Sewing	13
Northern Areas Business Skills	Northern Areas	Business development	6
Phuhlisa Community Based Organisation	NMB – Central	Computers	7
Socokisa Designers	NMB – Lazmark House	Sewing	5
Sokwakha Dressmakers	Zwide	Sewing	6
Phaphamani Makhosikaza Brick Manufacturing Cooperative	New Brighton	Brick manufacturing	30
Colchester Cleaning Cooperative	Colchester	Cleansing	20
Sovuyiso Sewing Cooperative	KwaZakhele	Sewing	8
Qoqani Cleaning Cooperative	Red Location	Cleansing	8
Walmer Hydroponics	Walmer	Food garden	8
Licebo Manufacturing & Carpentry	Joe Slovo	Manufacturing & Carpentry	10

NAME OF CO-OPERATIVE	AREA	TYPE OF BUSINESS	JOBS CREATED
Asixhomi Civil Construction Cooperative	Nceba Faku/Booyens Park	Construction	10
Sihlangene Catering Services Cooperative	NMB – operating at Labour Corner of Struandale and Ntshekisa Road	Catering	8
Mthomasebe Construction Cooperative	Kwa Magxaki	Construction	10
Siyakha Women in Development	New Brighton	Sewing	10
Mawethu Sewing Coop	Zwide	Sewing	7
Abenzi Designers	Mira House	Sewing	8
Bahlobile Abafazi	Joe Slovo	Sewing	10
Red Location Backpackers	Red Location	Tourism	20
Inkwenkwezi Development Trust	KwaDwesi	Sewing	12
Simanye Décor & Design	Uitenhage	Sewing	5
Izandla Zomzantsi	Uitenhage	Sewing	5
Rasta's Designers	KwaZakhele	Sewing	5
Noneluntu Women's organization	New Brighton	Sewing	6
Ziphila Phi Designers		Sewing	13
Northern Areas Business and Skills	Northern Areas	Sewing	6
Phuhlisa Community Based Organisation	NMB – Central	Sewing	7
Rosedale Designers	Rosedale	Sewing	10
Socokisa Designers	NMB – Lazmark House	Sewing	5
Sokwakha Dressmakers	Zwide	Sewing	6

The second Annual Co-operative Indaba was held. It also provides co-operatives with a platform to showcase their products and share information or support.

In addition, the Municipality is currently supporting ten co-operatives active in refuse collection, benefiting over 255 people and serving approximately 33 028 households.

(d) Support Social Investment Programme

Social investment programmes include the following:

(i) Job creation and Expanded Public Works Programme

The Municipality is also prioritising the implementation of the EPWP and other job creation initiatives. As reflected above, the co-operatives supported by the Municipality has a job creation component. Altogether 1 587 full-time equivalent opportunities and 13 592 work opportunities were created during the 2011/12 financial year.

(ii) Poverty eradication programmes in the Metro

The Municipality is implementing a number of programmes aimed at eradicating poverty, focusing on the following:

- Implementation of EPWP (job creation and learnerships).
- SMME and co-operative development.
- Provision of free basic services.
- Repair of water leaks in indigent households (in respect of which 17 095 repairs were carried out during the 2011/12 financial year).
- Unemployed graduates training.
- Bursaries and learnerships.
- Preferential procurement processes.
- 2010 related programmes and initiatives.
- Special sector capacitation (women, youth and people living with disabilities).
- Implementation of urban renewal programmes.

The legacy of the world-wide economic meltdown is still felt in Nelson Mandela Bay, adding to the pressure on the Municipality to eradicate poverty and to seek innovative and appropriate solutions to the high unemployment and poverty levels in Nelson Mandela Bay communities.

- (e) Information relating to budget provision and expenditure in Economic Development and Recreational Services is indicated below:

Economic Development and Recreational Services

Operating Budget and Expenditure for 2011/12 Financial Year

Category	Estimate	Total YTD	% Spent
Recreation and Culture Services	244,715,770	210,491,865	86 %
Economic Development, Tourism and Agriculture	183,626,000	175,154,487	95 %

Capital Budget and Expenditure for 2011/12 Financial Year

Category	Estimate	Total YTD	% Spent
Recreation and Culture Services	108,970,120.00	90,951,147.19	83.46%
Economic Development and Recreational Services	30,092,820	15,721,234	52,24 %

Levies Budget and Expenditure for 2011/12 Financial Year

Category	Estimate	Total YTD	% Spent
Recreation and Culture Services	20,820,000	20,065,465	96.38 %
Economic Development and Recreational Services	20,049,510	18,573,032	89.89 %

(f) **Challenges regarding LED Strategy implementation**

- High unemployment and poverty levels, exacerbated by the recent world-wide recession and delayed economic recovery.
- Lack of mainstreaming of women, youth and people with disabilities.
- Absence of a comprehensive and resourced entrepreneurship support programme.
- Lack of coherent development strategies between the three spheres of government and other role-players.
- Evaluation criteria emanating from PPFA are not skewed towards HDIs and BEEs.
- Food security.
- Inadequate resources to promote investments and provide incentives to potential investors.

In the year ahead (2012/13), the Municipality will:

- Implement an entrepreneurship support programme, targeting HDIs and SMMEs.
- Develop emerging/HDI contractors as part of the EPWP and ensure that all projects implemented have a job creation element.
- Revise the NMBM's Supply Chain Management Policy to ensure that it benefits HDIs and SMMEs.
- Evaluate and implement a Supply Chain Management model that will ensure dedicated attention to contract management and technical requirements to prevent tender manipulation.

(g) Coega Development

The Coega Development Corporation is entrusted with facilitating the creation of an industrial complex offering strategic economic advantages; providing a location for the establishment of strategic investments; exploiting existing industrial capacity, promoting integration with local industry and increasing value-added production. This will see the Corporation becoming a major creator of employment and contributing to the region both economically and socially.

(h) Dictates of the development logic

Investment activities in Coega are dictated by the following:

- National Policy – Industrial.
- Regional Industrial Development Strategy.
- Sectors, as approved by the Metro, DEDEA and DTI.
- Land Use Framework Plan – Clustering concept.
- Investor demand.
- State of the required basic economic infrastructure.
- Required level of responsiveness to investor demands.

- Rate of development required and approved by shareholders – desired end state.
- Budget availability and allocation.

The Deepwater Port of Ngqura became operational in October 2009. This positions the Metro as a major player in global transshipment through its ability to receive larger ships and, consequently, increased volumes of trade.

The CDC secured a major OEM investor – FAW – to construct trucks at the IDZ. Further investments, including a smelter, will be realised soon. The NMBM partnered with the CDC to secure the investment by the call centre industry by Discovery. The announcement of these Strategic Infrastructure Projects (SIPS) for future development in the harbour will further strengthen the CDC's offering. Coega harbour will increase its capacity leading to increased volumes of exports through our shores.

CHAPTER 4: FINANCIAL SUSTAINABILITY AND VIABILITY

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2011/12	ACTUAL 2011/12	EXPLANATION OF VARIANCE / COMMENTS
4.1 REVENUE MANAGEMENT AND CUSTOMER CARE					
4.1.1	% Billed revenue collection rate (before write-offs)	95,26%	94.00%	94.46%	
4.1.2	Number of new successful donor funding received	0	2.00	0.00	Twenty-one (21) donor applications were submitted to the Jobs Fund during the 2011/2012 financial year. Unfortunately, none were successful, because the applications did not meet the Jobs Fund Eligibility Criteria. In terms of mitigation, the Municipality will establish a task team to coordinate all future donor and grant fund applications, in partnership with the Provincial Department of Economic Development and potential funders.
4.2 CASH AND RISK MANAGEMENT					
4.2.1	Credit rating to be achieved	Aa.3 (with negative outlook)	Credit rating of Aa3.za achieved by June 2012	Credit rating of Aa3.za achieved	
4.3 BUDGETING AND FINANCIAL ACCOUNTING					
4.3.1	Legislated compliant cash backed budget approved by Council	Budget aligned to IDP and approved by Council on 28 June 2011	By June 2012	Legislative compliant cash backed budget approved by Council	The legislative compliant cash-backed Budget was approved by Council on 20 June 2012.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2011/12	ACTUAL 2011/12	EXPLANATION OF VARIANCE / COMMENTS
4.3.2	A debt servicing costs to annual operating income ratio (debt coverage ratio)	2,81%	15.00%	5.00%	
4.3.3	% outstanding service debtors to revenue	7,07%	20.00%	14.20%	
4.3.4	Cost coverage ratio	31 days	1 month	1.33 month	
4.3.5	Personnel costs as a % of total operating income	29,98%	34.00%	27.25%	
4.3.6	% of the Municipality's capital budget spent on capital projects identified as per the IDP	90,50%	95% by June 2012	88.85%	The 2011/2012 Ward-based Budget was approved on 11 October 2011. This resulted in many capital projects commencing only mid/end October 2011, which impacted negatively on annual performance. In mitigation, capital expenditure is monitored by the Budget Monitoring Task Team to ensure the effective and speedy implementation of capital projects. In addition, a conscious effort is being made to approve the 2012/2013 Ward-based Budget as early as possible (latest in July 2012), so that capital projects can commence on time in the 2012/2013 financial year.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2011/12	ACTUAL 2011/12	EXPLANATION OF VARIANCE / COMMENTS
4.3.7	% of the Municipality's approved operating budget spent	106%	95% by June 2012	86.20%	The underperformance against this key performance indicator is due to the high rate of vacancies in the Municipality and the lower volume of 'bad debts written off' within the 2011/2012 financial year. Employee related cost and 'bad debt written off' form a significant proportion of the Operating Budget. The implementation of the Operating Budget is monitored by the Budget Monitoring Task Team to ensure that operating expenditure is according to Budgetary provision. The key performance indicator will be reviewed in the 2012/2013 financial year.
4.3.8	% of the Municipality's approved budget spent on implementing its Institution Workplace Skills Plan	N/A	0.01%	0.05%	

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2011/12	ACTUAL 2011/12	EXPLANATION OF VARIANCE / COMMENTS
4.3.9	% of the institutional training budget spent on implementing Institutional Workplace Skills Plan	89%	95.00%	57.00%	The underperformance against this key performance indicator is due to the under-expenditure of Directorates' training budgets, as a result of various challenges, such as the high vacancy rate and the lack of local training providers accredited in scarce and critical skills areas. Institutional training budget expenditure is monitored by the Nelson Mandela Bay Municipality's Skills Development and Employment Equity Committee. Directorate skills development forums and focus groups have been established as an additional mitigation measure to monitor and ensure expenditure in line with Directorates' training budgets.
4.3.10	% of the Municipality's approved budget spent on repairs and maintenance	N/A	7.00%	5.65%	Asset repairs and maintenance are carried out on a planned and unplanned basis. The target was not met, since the provision for unplanned asset repairs and maintenance did not materialise within the 2011/2012 financial year. Spending patterns in respect of repairs and maintenance are monitored by the Budget Monitoring Task Team.

FINANCIAL SUSTAINABILITY AND VIABILITY
PERFORMANCE HIGHLIGHTS, CHALLENGES AND REMEDIAL ACTION

The Municipality has made progress in recovering from its cash flow challenge experienced in the previous review period. Full recovery is pursued through cooperation with National Treasury and other state institutions, the core objective remaining long-term financial sustainability.

Statistics in respect of revenue collection and capital expenditure are reflected in the tables below:

Revenue collection:

FINANCIAL YEAR	TARGET	ACTUAL
2010/11	93.75%	97,35% (after write-offs were taken into consideration) 95,26% (before write-offs were taken into consideration)
2011/12	93,75%	94,46% (before write-offs were taken into consideration)

Capital expenditure:

FINANCIAL YEAR	TARGET	ACTUAL
2010/11	95%	90,50%
2011/12	95%	88.85%

Actual capital expenditure for the 2011/12 financial year amounted to R1 096 993 337, compared to a budget of R1 234 601 637, resulting in a 88,85% spending rate.

AUDITED FINANCIAL STATEMENTS

The Audited Financial Statements of the Municipality are contained in Annexure "B".

BUDGET TO ACTUAL COMPARISON

Actual income for the year amounted to R7 607 billion, compared to the Budget of R6 553 billion. Actual expenditure for the year amounted to R7 044 billion, compared to the Budget of R6 935 billion.

GRANT AND TRANSFER SPENDING

Information on the grants and subsidies received by the Municipality over the review period is reflected in the table below.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
DISCLOSURES OF CONDITIONAL GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 FOR THE YEAR ENDED 30 JUNE 2012

Name of Grants	Name of Organ of State	Quarterly Receipts				Total Funds Received	Quarterly Expenditure					Reasons for Delay	Did Municipality comply with grant conditions
		July-Sept	Oct-Dec	Jan- Mar	April-June		July-Sept	Oct-Dec	Jan- Mar	April-June	Total Spent		
Financial Management Grant	NT	1,250,000				1,250,000	137,553	238,737	296,162	577,548	1,250,000	N / A	Yes
National Electrification Programme	DME	20,000,000	5,000,000			25,000,000	7,781,902	6,517,097	2,115,001	8,586,000	25,000,000	N / A	Yes
Municipal Infrastructure Grant/Urban Settlement Development Grant	DPLG	167,542,000	167,542,000	167,542,000		502,626,000	38,116,038	105,977,962	118,101,164	240,430,836	502,626,000	N / A	Yes
Transport or PTIS	NT	117,000,000	103,000,000	120,000,000		340,000,000	2,373,900	4,581,100	23,496,136	88,132,669	118,583,805	N / A	Yes
Neighbourhood Development Partnership Grant	NT	13,200,000		1,800,000		15,000,000	3,098,641	1,241,359	9,431,754	16,114,784	29,886,538	N / A	Yes
Neighbourhood Development Grant - Technical Assistance	NT	-		1,343,364	-	1,343,364	-	-	-	-	-	N / A	Yes
Energy Efficiency and Demand Side Management Grant	NT	-	-	10,000,000		10,000,000	2,163,429	3,932,835	4,810,611	35,772,366	46,679,241	N / A	Yes
Municipal Drought Relief Grant	MDRG	320,000,000	130,000,000			450,000,000	59,908,578	83,667,568	69,609,538	176,464,192	389,649,876	N / A	Yes

MEETING OF DONORS' REQUIREMENTS IN RESPECT OF CONDITIONAL GRANTS

Compliance with donor requirements in respect of conditional grants is reflected below:

1. PHB Subsidies

This Grant is received from Provincial Government and is used for the construction of low-cost housing.

	<u>2012</u>	<u>2011</u>
	<u>R</u>	<u>R</u>
Balance at beginning of year	10,443,898	46,948,386
Current year receipts	307,604,503	310,688,751
Funding of Operating Projects	0	(68,336,935)
Debtor raised	178,334,636	161,874,778
Conditions met - Transferred to revenue	(325,878,474)	(240,153,800)
Reversal of prior year accrual	(161,874,778)	(200,577,282)
Conditions still to be met - transferred to liabilities	8,629,785	10,443,898

2. Health Subsidies

This grant is received from the Provincial Government and used in the Health function.

Balance at beginning of year	1,240,134	422,560
Current year receipts	93,494,829	50,139,336
Debtor raised	59,009,543	2,942,386
Conditions met - Transferred to revenue	(151,985,478)	(46,330,492)
Funding of Other Debtor	(1,722,761)	
Reversal of prior year accrual	0	(5,933,656)
Conditions still to be met - transferred to liabilities	36,267	1,240,134

3. Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Balance unspent at beginning of year	0	0
Current year receipts	656,653,000	602,882,820
Conditions met - Transferred to revenue	(656,653,000)	(602,882,820)
Conditions still to be met - transferred to liabilities	0	0

4. Finance Management Grant

This grant is used in the financial reform project under the guidance of National Treasury.

Balance unspent at beginning of year	0	0
Current year receipts	1,250,000	1,000,000
Funding of Capital Projects	0	(127,675)
Conditions met - Transferred to Other Income - VAT portion	(70,133)	
Conditions met - Transferred to revenue	(1,179,867)	(872,325)
Conditions still to be met - transferred to liabilities	0	0

5. Library Services - Carnegie Corporation Grant

This Grant is used in the provision of books and services in the Municipality's libraries.

	<u>2012</u> <u>R</u>	<u>2011</u> <u>R</u>
Balance unspent at beginning of year	0	841,621
Interest received	0	23,012
Grant paid back to National Treasury - Interest portion	0	(864,633)
Conditions still to be met - transferred to liabilities	0	0

6. SMME - Development

This subsidy is used for the development of small businesses in the metropolitan area.

Balance unspent at beginning of year	192,500	192,500
Conditions met - Transferred to Other Income	(192,500)	0
Conditions still to be met - transferred to liabilities	0	192,500

7. Project Consolidate

This Grant was received from the Department of Provincial and Local Government as an initiative to improve municipal systems relating to the collection of debt.

Balance unspent at beginning of year	0	84,492
Transferred to Other Income	0	(84,492)
Conditions still to be met - transferred to liabilities	0	0

8. Disaster Management Grant

This Grant is used to provide aid to those in need when disasters arise in the metropolitan area.

Balance unspent at beginning of year	0	0
Reversal of prior year accrual	0	(3,076,717)
Debt impaired	0	3,076,717
Conditions still to be met - transferred to liabilities	0	0

9. Municipal Infrastructure Grant

This grant is used for the provision of infrastructure in the metropolitan area.

Balance unspent at beginning of year	1,494,413	496,772
Current year receipts		182,532,000
Funding of Capital Projects	68,967	(180,161,991)
Conditions met - Transferred to revenue	(1,563,380)	(1,372,368)
Conditions still to be met - transferred to liabilities	0	1,494,413

10. Ploughing Fields

This grant is used to promote economic development.

Balance unspent at beginning of year	0	26,545
Transferred to Other Income	0	(26,545)
Conditions still to be met - transferred to liabilities	0	0

11. Project Generation (DEAET)

This grant is used to promote economic development.

	<u>2012</u>	<u>2011</u>
	<u>R</u>	<u>R</u>
Balance unspent at beginning of year	0	7,016,230
Transferred to Other Income	0	(7,016,230)
Conditions still to be met - transferred to liabilities	<u>0</u>	<u>0</u>

12. Amphitheatre – Uitenhage - UDDI

This Grant is used to promote Economic development in the Uitenhage and Despatch Development Initiative.

Balance unspent at beginning of year	3,773,525	3,815,178
Interest transferred to Other Income	0	(41,653)
Conditions still to be met - transferred to liabilities	<u>3,773,525</u>	<u>3,773,525</u>

13. National Treasury - Accreditation of Municipalities

This Grant is used for capacity building of employees in the NMBM's Housing and Land Directorate.

Balance unspent at beginning of year	5,465,027	3,716,665
Current year receipts	5,000,000	4,000,000
Conditions met - Transferred to revenue	(4,867,349)	(2,251,638)
Conditions still to be met - transferred to liabilities	<u>5,597,678</u>	<u>5,465,027</u>

14 Fuel Levy

This Grant is to compensate for loss of revenue due to the abolishment of RSC Levies and therefore replaces the RSC

Balance unspent at beginning of year	0	0
Current year receipts	0	391,668,000
Conditions met - Transferred to Other Income	0	(391,668,000)
Conditions still to be met - transferred to liabilities	<u>0</u>	<u>0</u>

15. 2010 Soccer World Cup Stadium

This Grant is used to fund the building of the 2010 Soccer World Cup Stadium.

Balance unspent at beginning of year	0	33,988,642
Current year receipts	0	2,658,193
Funding of Capital Projects	0	(24,963,876)
Conditions met - Transferred to revenue	0	(11,682,959)
Conditions still to be met - transferred to liabilities	<u>0</u>	<u>0</u>

16. Walmer Youth Development Project

This Grant is used for Youth Development.

Balance unspent at beginning of year	53,623	53,623
Conditions met - Transferred to Other Income	(53,623)	0
Conditions still to be met - transferred to liabilities	<u>0</u>	<u>53,623</u>

17. HIV/AIDS Columbia University Project

This Grant is used for HIV / AIDS projects.

Balance unspent at beginning of year	0	0
Current year receipts	2,626,463	3,582,113
Debtor's accrual raised	0	1,094,124
Conditions met - Transferred to revenue	(1,532,339)	(4,613,207)
Reversal of prior year accrual	(1,094,124)	(63,030)
Conditions still to be met - transferred to liabilities	0	0

18. Provincial Government Grants

This grant is received from the Provincial Government and used to subsidise Libraries.

Balance at beginning of year	0	0
Current year receipts	5,747,000	4,500,000
Conditions met - Transferred to revenue	(5,747,000)	(4,500,000)
Conditions still to be met - transferred to liabilities	0	0

19. Public Transport Infrastructure Grant

This Grant is received from National Treasury for upgrading of infrastructure support relating to public transport.

Balance unspent at beginning of year	168,904,002	0
Current year receipts	320,000,000	428,333,000
Funding of Capital Expenditure	(71,953,033)	(108,644,114)
Reversal of prior year accrual	0	(130,338,781)
Conditions met - Transferred to Other Income - VAT portion	(9,910,582)	(15,298,968)
Conditions met - Transferred to revenue	(16,425,609)	(5,147,135)
Conditions still to be met - transferred to liabilities	390,614,778	168,904,002

20. DME Subsidy on Electricity Connections

This Grant is used to fund electricity connections and upon application also the upgrade of the Electricity infrastructure in order to install these electricity connections.

Balance unspent at beginning of year	0	0
Current year receipts	25,000,000	20,000,000
Funding of Capital Projects	(25,000,000)	(19,085,177)
Debtor Raised	0	0
Reversal of prior year accrual	0	(914,823)
Conditions still to be met - transferred to liabilities	0	0

21. EU Sector Policy Support Project

This Grant is received from the European Union to fund various authorised developmental projects.

Balance unspent at beginning of year	2,763,365	24,292,923
Funding of Capital Projects	0	(10,577,306)
Conditions met - Transferred to revenue	(2,546,040)	(11,014,801)
Transferred to Other Income	0	(580,075)
Interest allocated	68,457	642,624
Conditions still to be met - transferred to liabilities	285,782	2,763,365

22. Energy Efficiency and Demand Side Management

This Grant is used to fund Energy Efficient Electricity Projects.

Balance unspent at beginning of year	35,948,515	20,063,441
Current year receipts	10,000,000	25,000,000
Conditions met - Transferred to Other Income - VAT portion	(5,567,781)	(1,119,377)
Conditions met - Transferred to revenue	(40,380,734)	(7,995,549)
Conditions still to be met - transferred to liabilities	0	35,948,515

23. Other Grants

These are grants received by the NMBM for various purposes.

Balance unspent at beginning of year	29,825,540	63,016,132
Current year receipts	16,677,922	30,784,296
Funding of Capital Projects	33,345,520	(20,506,628)
Funding of Operating Projects	0	(65,698,435)
Transfer to Other Income	(2,178,860)	0
Debtor raised	0	75,818,432
Reversal of prior year accrual	(75,818,432)	(75,441,380)
Transfer accrual to Drought Relief Grant Funding	38,495,510	0
Debt impaired	0	38,186,840
Conditions met - Transferred to revenue	(9,540,568)	(16,333,717)
Conditions still to be met - transferred to liabilities	30,806,632	29,825,540

24. Government Grant Revenue

Funding of Capital Projects	915,672,157	500,977,507
Conditions met - Transferred to revenue	(915,672,157)	(500,977,507)
Conditions still to be met - transferred to liabilities	0	0

25 National Lotteries Grant

This grant is used to fund Art and Culture programmes

Balance unspent at beginning of year	5,605,040	0
Current year receipts	0	18,948,694
Conditions met - Transferred to revenue	0	(10,665,937)
Reversal of prior year accrual	0	(2,677,717)
Conditions still to be met - transferred to liabilities	5,605,040	5,605,040

26. Water Demand Management Grant

This grant is used to fund Water Demand Management initiatives

Balance unspent at beginning of year	0	0
Current year receipts	2,000,000	12,729,092
Funding of Capital Projects	0	(2,257,438)
Debtor raised	0	2,000,000
Reversal of prior year accrual	(2,000,000)	(4,598,373)
Conditions met - Transferred to revenue	0	(7,873,281)
Conditions still to be met - transferred to liabilities	0	0

27. Neighbourhood Partnership development Grant

This grant is used for the urban renewal of townships

Balance unspent at beginning of year	18,363,857	0
Current year receipts	15,000,000	68,697,115
Funding of Capital Projects	(33,010,999)	(42,899,924)
Reversal of prior year accrual	0	(7,433,334)
Conditions met - Transferred to Other Income	(352,858)	0
Conditions still to be met - transferred to liabilities	0	18,363,857

28. Drought Relief Grant Funding

This grant is used for drought relief projects

Balance unspent at beginning of year	0	0
Current year receipts	450,000,000	0
Funding of Capital Projects	(310,172,608)	0
Transfer from Other Grants	(38,495,510)	0
Conditions met - Transferred to Other Income - VAT portion	(42,669,653)	0
Conditions still to be met - transferred to liabilities	58,662,229	0

29. Urban Settlement Development Grant

This grant is used for the urban renewal projects

Balance unspent at beginning of year	0	0
Current year receipts	502,626,000	0
Funding of Capital Projects	(469,929,316)	0
Conditions met - Transferred to Other Income - VAT portion	(32,280,610)	0
Conditions still to be met - transferred to liabilities	416,074	0

30. Skills Development Grant

This grant is used for skills development

Balance unspent at beginning of year	0	0
Current year receipts	5,000,000	0
Conditions still to be met - transferred to liabilities	5,000,000	0

LONG-TERM CONTRACTS ENTERED INTO BY THE MUNICIPALITY

The Municipality did not enter into any long-term contracts during the review period.

ANNUAL PERFORMANCE AS PER KEY PERFORMANCE INDICATORS IN FINANCIAL VIABILITY

For annual performance information with regard to financial viability, please refer to page 123.

Additional performance information is reflected in the table below.

	Indicator name	Target set for the year (R000)	Achievement (R000)	Achievement %
1	Percentage of expenditure on Capital Budget	1 172 872 (95%)	1 096 993	88.85%
2	Salary budget (employee related costs) as a percentage of the total Operating Budget	1 917 569 (29.3%)	1 858 809	28.14%
3	Total actual trade creditors as a percentage of total actual revenue	1 519 919 (20%)	1 014 958	13.36%
4	Total municipal owned revenue as a percentage of the total actual Operating Budget	4 560 419 (69.04%)	4 956 072	75.03%
5	Rate of municipal debt (reduction) / increase (i.e. Outstanding Debt at 30 June 2011 – Outstanding Debt at 30 June 2012 / Debt at 30 June 2011 x 100)		28 828	1.67%
6	Percentage of USDG Budget spent	477 495 (95%)	502 626	100%

ARREARS IN PROPERTY RATES AND SERVICE CHARGES

The arrears in property rates and services charges over the review period are reflected in the table below.

	2012	Restated 2011
<u>Rates and General: Ageing</u>		
Current (0-30 days)	(3,010,967)	33,477,926
31 - 60 Days	21,088,740	21,074,990
61 - 90 Days	12,808,485	16,136,687
Over 90 Days	361,021,861	376,683,907
Total	391,908,119	447,373,510

<u>Electricity: Ageing</u>		
Current (0-30 days)	440,322,833	361,135,473
31 - 60 Days	76,902,243	28,506,239
61 - 90 Days	44,013,491	3,129,372
Over 90 Days	128,828,968	131,491,218
Total	690,067,535	524,262,302

<u>Water: Ageing</u>		
Current (0-30 days)	85,094,016	151,791,160
31 - 60 Days	26,042,980	39,034,695
61 - 90 Days	16,538,635	20,673,548
Over 90 Days	272,652,476	274,392,491
Total	400,328,107	485,891,894

	2012	Restated 2011
<u>Refuse: Ageing</u>		
Current (0-30 days)	15,513,953	17,429,531
31 - 60 Days	5,397,760	4,386,828
61 - 90 Days	3,829,954	2,616,843
Over 90 Days	86,962,579	76,973,559
Total	111,704,246	101,406,761
<u>Sanitation: Ageing</u>		
Current (0-30 days)	26,006,394	41,895,085
31 - 60 Days	10,233,522	8,471,349
61 - 90 Days	6,335,336	3,954,031
Over 90 Days	106,451,973	101,076,655
Total	149,027,225	155,397,120
<u>Housing Rentals: Ageing</u>		
Current (0-30 days)	542,429	2,129,385
31 - 60 Days	431,294	482,191
61 - 90 Days	491,209	387,500
Over 90 Days	14,690,509	13,032,488
Total	16,155,441	16,031,564

PRESSURES FACING MUNICIPALITY'S BUDGET

- Global economic meltdown.
- Huge maintenance and service delivery backlogs.
- Depletion of the Capital Replacement Reserve.
- Coega IDZ infrastructure requirements.
- Maintaining collection rates at targeted levels.
- Financial affordability of external loan financing.
- Threats of current and future electricity prices and consequences thereof.

INTERGOVERNMENTAL CHALLENGES

- Unfunded mandates, especially around provincial road construction, low-income housing delivery and libraries.
- Non-gazetting of budgets by provincial departments.
- Escalating cost of electricity.
- Provincial debt.

In the year ahead (2012/13), the Municipality will focus on the following:

- Integrated political intervention to deal with the aforementioned intergovernmental challenges.
- Full identification and mobilisation of all resources at the disposal of the Municipality to promote service delivery.
- Review of credit control policies and revival of an integrated campaign to improve payment for municipal services.
- Campaign to register ATTP qualifying households.
- Institutional efficiencies.
- Enhancing the Municipality's revenue base.

CHAPTER 5 : GOOD GOVERNANCE AND PUBLIC PARTICIPATION

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2011/12	ACTUAL 2011/12	EXPLANATION OF VARIANCE / COMMENTS
5.1 EXTERNAL RELATIONS					
5.1.1	Number of service delivery and capacity development partnerships established with key academic institutions and development agencies	0	2	0	A Draft Memorandum of Understanding is in place. The underperformance against this key performance indicator is due to the delay caused by the ongoing engagements between the Nelson Mandela Bay Municipality, the NMMU and Coega on finalising the Memorandum of Understanding. A continued effort will be made in the 2012/2013 financial year to conclude the Memorandum of Understanding in pursuit of the partnership.
5.2 INTERNAL CONTROLS					
5.2.1	Receipt of unqualified Audit Report from the Auditor-General	Unqualified Audit Report received	Unqualified Audit Report received by December 2011	Unqualified Audit Report received for 2010/11	
5.3 COMMUNICATION					
5.3.1	% increase in the number of visitors to the municipal website (from both nationally and internationally)	41%	10% by June 1012	12%	

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2011/12	ACTUAL 2011/12	EXPLANATION OF VARIANCE / COMMENTS
5.3.2	Number of community magazine editions published	6	6 editions	3 editions	A single festive 8th edition was published in early January 2012 to cover the publication periods of Sept/Oct, Nov/Dec and Jan/Feb. The March/April/May (9th) edition was published in May 2012. The annual target could not be achieved, due to the expiry of the contract of the service provider responsible for the production of the Ubuntu Community Magazine. Supply chain processes are currently underway to appoint a new service provider.
5.4 PUBLIC PARTICIPATION AND SPECIAL SECTOR DEVELOPMENT					
5.4.1	Number of ward committees established	N/A	60 by December 2011	Target not met	Performance against this key performance indicator was placed on hold due to a Council decision taken on 23 February 2012 to appoint a political task team to investigate the Ward Committee establishment process and present Council with a report for further resolution. A policy on the establishment of Ward Committees has been drafted and tabled in Council on 23 February 2012. A concerted effort will be made in the 2012/2013 financial year to establish ward committees.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2011/12	ACTUAL 2011/12	EXPLANATION OF VARIANCE / COMMENTS
5.4.2	Number of Ward Committee meetings held (per ward per annum)	0	6	0	Performance against this key performance indicator was placed on hold due to a Council decision taken on 23 February 2012 to appoint a political task team to investigate the Ward Committee establishment process and present Council with a report for further resolution. A policy on the establishment of Ward Committees has been drafted and tabled in Council on 23 February 2012. A concerted effort will be made in the 2012/2013 financial year to establish ward committees.
5.4.3	Number of outreach programmes held in terms of service delivery	N/A	2	2	
5.4.4	Number of women and people with disabilities provided with entrepreneurship training 120 (Women)	N/A	120	89	The underperformance against this key performance indicator is due to the limited number of the target group attending training. A concerted effort will be made in the 2012/13 financial year to interact with female stakeholders to improve performance.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2011/12	ACTUAL 2011/12	EXPLANATION OF VARIANCE / COMMENTS
5.4.5	Number of women and people with disabilities provided with entrepreneurship training (people with disabilities)	N/A	30	1	The underperformance against this key performance indicator is due to the limited number of the target group attending training. A concerted effort will be made in the 2012/13 financial year to partner with the Association for the Disabled to improve performance against this key performance indicator.
5.4.6	Number of HIV and AIDS orphans benefiting through the provision of uniforms and stationery as part of back to school AIDS Campaign	N/A	110 by March 2012	Target not met	The Public Health Directorate identified a total of 163 orphaned pupils who qualified to become beneficiaries of the "Back to School Programme". This Programme was, however, replaced by the Mayor's Back to School Campaign to which R88477.55 was donated by various donors and media partners. In addition, a variety of school uniform items and 1500 pairs of school shoes were mobilised.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2011/12	ACTUAL 2011/12	EXPLANATION OF VARIANCE / COMMENTS
5.4.7	Number of National pride celebrations hosted	N/A	10 (International Women's Day, Human rights Day, Freedom Day, May Day, International Children's Day, Youth Day, Women's Day, Heritage Day, Aged Day, International Disability Day)	7	<p>The following seven National Pride celebrations have been hosted by the Nelson Mandela Bay Municipality:</p> <ol style="list-style-type: none"> 1. Women's Day 2. Heritage Day 3. Human Rights Day 4. International Women's Day 5. International Children's Day 6. Youth Day 7. Freedom Day <p>The following National pride celebrations could not be hosted due to limited funds:</p> <ol style="list-style-type: none"> 8. May Day (coordinated by the Presidency) 9. Aged Day 10. International Disability Day. Budget provision will be reviewed in the 2012/2013 financial year.
5.4.8	Number of youth provided with entrepreneurship training	N/A	120	291	

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2011/12	ACTUAL 2011/12	EXPLANATION OF VARIANCE / COMMENTS
5.4.9	Number of rural youth brigades focusing on one or more of the following literacy environmental protection HIV/AIDS and education	N/A	10 (Wards 40 and 60)	0	The operationalisation of rural youth brigades remains outstanding due to the unavailability of funding. In terms of mitigation, a multi-directorate task team comprising Constituency, Public Health, Corporate Services, Expanded Public Works Programme and the Office of the Chief Operating Officer was established to oversee the operationalisation of the rural youth brigades. An item has been prepared to be tabled at Mayoral Committee for approval to mobilise funding in respect of the operationalisation of the brigades.
5.5 COUNCIL OVERSIGHT AND SUPPORT SERVICES					
5.5.1	Number of Council meetings held	13	16	17	

GOOD GOVERNANCE AND PUBLIC PARTICIPATION PERFORMANCE HIGHLIGHTS, CHALLENGES AND REMEDIAL ACTION

Good corporate governance is vital for providing people-driven service delivery and development and promoting accountability and transparency.

The special desks for sectors, such as the youth, women, children, the disabled and the elderly, ensure that the issues affecting these vulnerable groupings receive priority attention.

The Municipality has a vibrant External Relations Programme in place, with partnerships with a number of overseas cities, as well as cities on the African continent. These partnerships have had positive spin-offs in the areas of economic development, arts and culture, land planning and environmental management.

A growing priority for the Municipality is extending its intergovernmental programmes to ensure a joint approach to service delivery and poverty challenges. Towards this end, it has concluded agreements with neighbouring municipalities.

The Municipality received a qualified audit report from the Auditor-General in respect of the 2011/12 financial year. The Municipality is putting measures in place to improve the audit opinion as well as address issues of irregular, fruitless and wasteful expenditure.

OVERVIEW OF EXECUTIVE AND COUNCIL FUNCTIONS AND ACHIEVEMENTS

(a) Council

The Municipality has 120 Councillors (60 Proportional Representation (PR) Councillors, and 60 Ward Councillors). The Speaker chairs Council meetings. The Council has a formal set of Rules of Order to guide proceedings during Council Committee meetings. Council meetings are held every six weeks, but if urgent issues need to be considered, additional special Council meetings are convened in terms of the Rules of Order.

The Municipality convenes Council and Committee meetings in accordance with the Calendar of Meetings, which is adopted annually by Council. Council meetings held during the 2011/12 financial year are reflected below.

Number of scheduled meetings	Number of actual meetings held
11	17

(b) Executive Mayoral Committee System

The Municipality has an Executive Mayoral Committee system, which consists of the Executive Mayor, the Deputy Executive Mayor and nine Mayoral Committee members.

The Mayoral Committee meetings are held fortnightly.

Mayoral Committee meetings held during the 2011/12 financial year are reflected below.

Number of scheduled meetings	Number of actual meetings held
22	10

(c) Standing Committees of Council

There are eight Standing Committees of Council, each chaired by a Mayoral Committee member, as well as Constituency Services. The Standing Committees for 2011/12 are as follows:

- (a) Budget and Treasury (scheduled 8; 9 held)
- (b) Corporate Services (scheduled 7; 8 held)
- (c) Economic Development, Tourism and Agriculture (scheduled 7; 7 held)
- (d) Human Settlements (scheduled 14; 11 held)
- (e) Infrastructure, Engineering, Electricity and Energy (scheduled 7 ; 7 held)
- (f) Public Health (scheduled 7; 8 held)
- (g) Recreation and Culture (scheduled 7; 7 held)
- (h) Safety and Security (scheduled 7; 5 held)

Standing Committee meetings are held every six weeks.

Standing Committee meetings held during the 2011/12 financial year are reflected below.

Number of scheduled meetings	Number of actual meetings held
64	62

(d) Municipal Public Accounts Committee

The Municipality has a Municipal Accounts Committee (MPAC) in place. MPAC meetings for 2011/12 are as follows:

Number of scheduled meetings	Number of actual meetings held
14	12

PUBLIC PARTICIPATION AND CONSULTATION

Municipal decision-making and planning processes are underpinned by public engagement and community consultation. During the review period, the institution ran a number of community outreach programmes, imbizo's, roadshows and other community outreaches in both the urban and peri-urban areas of Nelson Mandela Bay. Altogether 82 public meetings were held in the various municipal Wards and clusters. These meetings were established in consultation with Ward community structures and achieved engagement with all six Ward clusters, Special Sector Forum structures, key sectors of society, with the support of SANGOCO, and other stakeholders, as well as the general public of Nelson Mandela Bay.

The relationship between SANGOCO and Council grew progressively through partnership campaign programmes that entrenched broader participation of their affiliated bodies in various activities relevant to their area of specialisation and interest, including improvement of service delivery.

Efforts to increase community participation

In an effort to strengthen community participation and the advisory role of various interest groups, Gender and Women Empowerment, Children's Advisory Council, Persons with Disabilities Forum, Children's Forum and Older Persons Forum, were established to coordinate and integrate matters of common interest with NMBM Directorates and other state institutions.

ESTABLISHMENT OF CLUSTER COORDINATING COMMITTEES

Cluster Coordinating Committees have also been established to assist and advise Council on the organising and hosting of the iconic dates (National Pride and Observance dates).

The Municipality coordinated participation and entrepreneurship support programmes through Youth Advisory Centres in an effort to contribute towards their empowerment and development so that they become their own governors and navigate through the mainstream of economic transformation.

The Municipality worked together with local state institutions, particularly the Office of the Premier and Government Communication Information System to integrate community service delivery programmes through the establishment of government clusters at regional level. Efforts were made to establish these clusters in the six clustered wards of the NMBM in order to ensure that state departments work closely with Ward Councillors and existing Ward community structures on service delivery matters.

PUBLIC HEARINGS COORDINATED IN SUPPORT OF PROVINCE AND NATIONAL LEGISLATURES

On matters of public hearings from other spheres of government, the Municipality continued to play a major role in organising the hearings in conjunction with available officials from Committees of the Legislatures when they communicate with and visit the NMBM for support and assistance.

A number of hearings were held successfully, despite short notice and limited resources.

COLLABORATIVE EFFORTS BETWEEN NMBM AND OTHER SPHERES ON COMMUNITY PARTICIPATION RELATED ACTIVITIES

As a way of strengthening the relationship between the two spheres of government and local government, a delegation of civil society organisations and special sector advisory councils participated in public participation and petition sessions that included the parliament for children, youth and older persons.

The Municipality, as a result of the collaborative relationship with the other spheres of government, including legislatures, coordinated submissions on issues coming from Older Persons, Children and Youth to be raised in their individual Parliamentary sessions arranged by provincial and national Speakers, in conjunction with Office of the Premier and EXCO.

Greater participation took place on all the iconic dates held at national and provincial levels at the identified centres of activity.

COMMUNITY DEVELOPMENT WORKERS' PERFORMANCE MONITORING

Altogether 36 Community Development Workers are working within Nelson Mandela Bay. The Municipality liaises with Community Development Workers through the Constituency Services Office. A challenge is the co-ordination of control over, as well as the accountability of Community Development Workers to the Municipality. There is a need for the development and implementation of a framework on the utilisation of Community Development Workers by the three spheres of government.

ESTABLISHMENT AND FUNCTIONALITY OF WARD COMMITTEES

The Municipality had no functional Ward Committee System in place during the review period. The Municipality did, however, initiate a process for the establishment of Ward Committees – the elections of new Ward Committees is scheduled for the 2012/13 financial year.

COMMUNICATIONS STRATEGY

The Municipality has a Communications Strategy. This Strategy will be reviewed in the 2012/13 financial year.

(a) Purpose of Communications Strategy

The purpose of the Communications Strategy is to ensure that all communications initiatives in the Nelson Mandela Bay Municipality are well coordinated, integrated and focused.

(b) Principles of Communications Strategy

Key principles of the Communications Strategy are as follows:

- All communication should be clear, concise and easily understandable.
- All communication should be timely and up to date, and reflect Council's position.
- All municipal published material should adhere to an acceptable and easily recognisable corporate identity.
- In terms of legislative tenets and the NMBM's official Language Policy, multilingualism and a high standard of language usage should apply.
- Honest and open two-way communication must be maintained.

(c) Objectives of Communications Strategy

- The establishment, maintenance, enhancement and promotion of a positive and sound relationship and mutual understanding between the Nelson Mandela Bay Municipality and all its target publics and stakeholders.
- Promoting quality service delivery to all residents.
- Ensuring a high level of understanding among the public regarding the role of and services provided by the Municipality; how to gain access to

and efficiently use these services; as well as their own obligations and duties as citizens.

- Equipping and empowering the public with the knowledge to fully participate and engage in local government planning and decision-making processes.
- Ensuring a high level of understanding among employees and Councillors of the Council's vision, decisions and strategic plans, as well as their own role in the realisation thereof.
- Establishing a clear brand identity for Nelson Mandela Bay.
- Promoting Nelson Mandela Bay as a destination of choice amongst tourists and investors.
- Ensuring integrated service delivery across the three spheres of government.
- Anticipating and proactively planning for municipal crises.

(d) Progress with implementation of Communications Strategy

Media Management

- Media releases and service delivery profiling – minimum of three releases every week, as well as radio interviews to communicate the releases to a wider audience.
- Press conferences – at least one per month.
- Media workshops – one workshop held annually.
- Media monitoring – comprehensive monthly reports compiled.
- Efficient responses to enquiries initiated by media houses.
- Attendance of Standing Committee and Council meetings to identify and release service delivery related issues and Council policies to target audiences.

Language Proficiency

- The provision of a language proficiency service, which includes the editing and translation of all key Council documents.
- The provision of a speechwriting service for the political leadership and senior management.
- The provision of translation services.
- The editing, translation, design, proofreading, booking and submission of all Council advertisements for placement in print media.
- The development and maintenance of the Communications library.
- Consistent communications research.

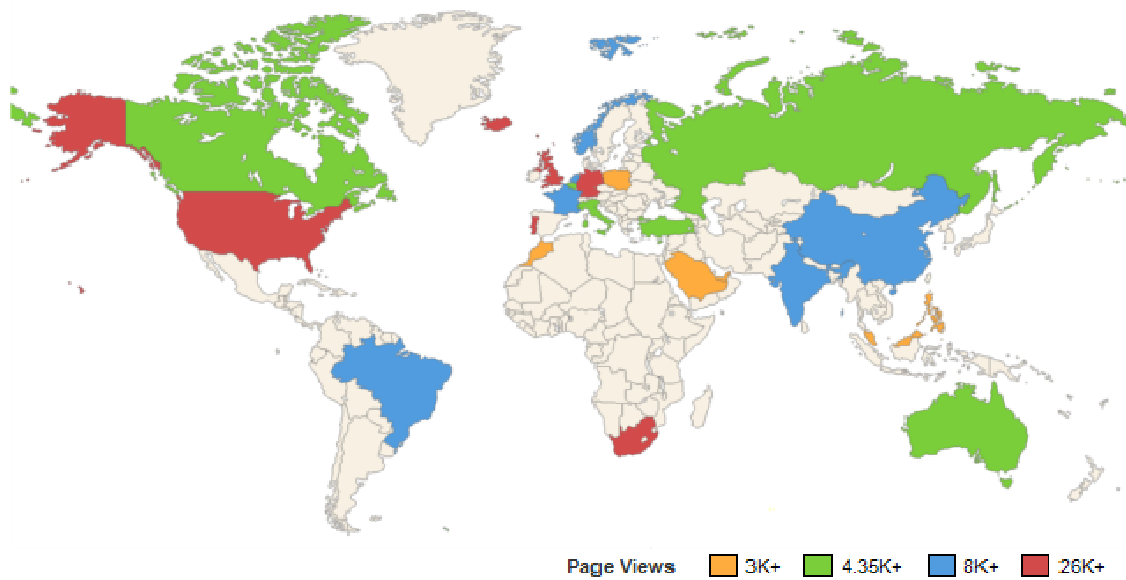
Product Development

- Production of promotional material.
- Branding management
- Maintenance and improvement of an official municipal website (www.nelsonmandelabay.gov.za).

The table below illustrates the increase in the number of visitors to the website, as well as the bandwidth usage.

Month	Hits	Visitors	Bandwidth (KB)
Jul 2011	4,311,570	97,110	60,633,365
Aug 2011	3,890,578	94,149	66,332,547
Sep 2011	3,085,276	76,182	45,324,685
Oct 2011	3,578,746	84,037	52,651,909
Nov 2011	3,307,961	83,676	44,914,324
Dec 2011	2,155,611	64,371	33,729,939
Jan 2012	2,760,324	91,411	29,929,400
Feb 2012	3,470,450	106,981	39,382,600
Mar 2012	3,321,066	105,887	41,156,700
Apr 2012	2,767,159	94,877	33,718,000
May 2012	3,524,662	114,234	41,408,700
Jun 2012	2,986,354	110,989	41,095,800
Total	39,159,757	1,123,904	530,277,969

Most Active Countries 2011 - 2012



INTERNATIONAL AND INTERGOVERNMENTAL RELATIONS

A dedicated External Relations Unit is located in the Office of the Chief Operating Officer, which co-ordinates the Municipality's International Relations Policy and Intergovernmental Relations Framework, which were respectively adopted on 28 March 2002 and 19 September 2007.

Quarterly Technical Support Group meetings and Premier's Co-ordinating Forum meetings are held.

Some of the IGR and non-partnership related IR meetings coordinated and/or attended during the review period are reflected below:

- Visit by a Toledo, Ohio University delegation: 08 July 2011
- SALGA Working Group on Governance, IGR and IR: 23 August 2011
- Information sharing session with SALGA Representative with regard to Council's Coordinated Approach on International Engagements: 27 October 2011
- Participation at the BRICS Friendship Cities and Local Governments Cooperation Forum in Sanya, Hainan Island in China: 1 - 3 December 2011
- Provincial International Relations and Cooperation Forum: 17 November 2011, 16 March 2012 and 31 May 2012
- Preparations for the EXCO Outreach of 5 - 6 July 2012
- Visit by EU Trade Development Commission Counselors: February 2012
- Visit by representatives from Ham Chang Construction, a South Korean company investigating the construction of a desalination plant in NMB: 27 March 2012
- Visit by Indonesian Ambassador, His Excellency S. Sabaruddin: 22 May 2012
- Human Rights Day celebrations: 21 March 2012

- Consultative Forum on International Relations: 12 - 13 October 2011 and 12 April 2012
- Working visit to eThekweni Municipality with a view to enter into a formal agreement to establish a relationship focusing on areas of mutual interest: 2 - 3 February 2012
- Preparations for the Forum on China-Africa Local Government Cooperation taking place in Beijing, August 2012

Partnerships and their *status quo*:

International Partnerships

Currently there are nine signed agreements, of which the following five are active:

- Göteborg, Sweden
- Jacksonville, Florida, USA
- Ningbo, China
- Annaba, Algeria
- Tyne-and-Wear Museums, Newcastle, North East England

Inactive Partnerships:

- Wakhinane Nimzath, Dakar, Senegal
- Beira, Mozambique

Dormant Partnerships

- Dutch Partnership
- Lobatse, Botswana

Göteborg

- The Göteborg Partnership is by far the most active and effective of the Municipality's partnerships. The partnership projects focus on knowledge exchange and capacity building in the following areas, which will be finalised in 2012:

- Air quality methodologies within Air Quality Management
 - Sustainable Community Development
- During 2012, a new approach to the partnership between the two cities was discussed and a new model of cooperation was devised in order to maximise the benefits of the cooperation projects between the two cities.
- The new model will ensure that all projects are connected and interrelated and that synergy is established between the projects so that all support fundamental common aims and objectives.
- The projects will also be aligned with the cities' visions and subscribe to the aspects of integration and sustainability (in all their dimensions) that are fundamental to the vision of each city. Based on the discussions, the Extension of the Partnership Contract was signed on 30 January 2012.
- Based on the above discussion, it was agreed that the following suite of projects be developed and submitted to ICLD in November 2012:
 - The examination of the gap between policy and implementation in local government with four support projects consisting of:
 - Inner City Planning and Development
 - Sustainable Mobility
 - Sustainable Energy
 - Climate Change

Ningbo

- The focus in China is two-fold:
 - (1) NMBM support to the Coega Development Corporation with regard to the establishment of a manufacturing plant for First Automobile Works (FAW), based in Changchun, Jilin, in Nelson Mandela Bay.

(2) Continuation of the economic development and tourism focus in Ningbo.

- With regard the economic development focus an MoU between NMB Chambers of Commerce and Ningbo Chamber of Commerce was signed in September 2011 and subsequently a “Doing Business in China” workshop was held at the NMB Business Chamber on 1 March 2012
- With regard to tourism, the following issues were undertaken:
 - A letter of intent was signed with Asia Arts Expo, as they have been looking for a gateway into Africa (they are already big in Europe). The plan is for Asia Arts Expo to open their African headquarters in NMB.
 - NMBT launched their website in Mandarin: the address is www.nmbtcn.com.
 - NMBT also launched the new brochure and marketing strategy, which includes two representatives who will market the city to the China market in Chinese.
 - Attending workshops facilitated by South African Tourism in three cities of Beijing, Shanghai and Hong Kong.

Jacksonville

Focus areas are economic development, trade, culture, education, science and technology, environmental issues and governance.

The focus for this financial period is on a poverty alleviation project within the Health Services, as well as Education. In this regard, a mobile clinic was donated to the Chatty Extension Community and the official handover was done by representatives from the Jacksonville Sister Cities Association and Sister Cities International on 26 April 2012. The JSCA and NMBM have also agreed that financial support will be given to the Schools Renovation Programme. In this regard, the ablution facilities at the Joe Slovo Primary and Phakamisa High Schools will form part of the programme.

Tyne and Wear Museums, Newcastle, North East England

The focus is on museums, culture, heritage and visual arts.

- Preparations for the Mfengu beadwork exhibition, which was held at the Tyne and Wear Museums in May – September 2012.
- Participation at the official opening of the Exhibition on 31 May 2012
- Signing the extension of the Joint Arrangement of Friendship and Cooperation between the Nelson Mandela Bay Municipality and Tyne and Wear Museums for the period up to March 2014

African cities

The focus in partnerships on the African continent is on the provision of support and capacity building in various areas.

Annaba, Algeria

The focus on Annaba is on the following areas:

- Signing of an MoU between the Annaba Chamber of Commerce and the NMB Chambers of Commerce on 30 August 2011.
- Electricity and energy (a pilot project on energy-efficient street lighting and lower-pressure solar water heaters was launched in January 2012, with the support of EnviroLight, with regard to the street lights, and Tasol Solar Energy Solutions, regarding the heaters. The two companies donated the equipment that was installed and were responsible for the installation).
- Planning for the participation of NMBM in a Culture Week in Annaba.
- Planning for reciprocal business visits to NMB and then Annaba.

Wakhinane Nimzath, Dakar, Senegal

The focus of this partnership is to provide support and capacity development to Wakhinane Nimzath.

Beira, Mozambique

The focus of this partnership is on infrastructure, engineering, waste management and environment, town planning and tourism.

Dutch Partnership - Stichting Steun NMB

This partnership is currently dormant.

Lobatse, Botswana

This partnership is currently dormant; however, a process is underway to resuscitate the partnership.

Intermunicipal Partnerships

A key priority for the Municipality is to share experiences, knowledge and support with its surrounding municipalities. In this regard, the Municipality has concluded partnerships with Nxuba and Cacadu, as well as a co-operative arrangement with the Sunday's River Municipality. Salient points regarding these partnerships are provided below.

Nxuba

- On 17 November 2006, an MoU between the NMBM and the Nxuba Municipality was signed in Nelson Mandela Bay with a view to promote and facilitate intergovernmental relations between the two municipalities on matters of mutual interest, including information

sharing, best practices and capacity building and, more particularly, in the following areas:

- Human resources development;
 - Economic development and agriculture;
 - Infrastructure and engineering;
 - Sport, recreation and culture;
 - Environment and health services;
 - Legal and corporate affairs; and
 - Any other matter of strategic importance that affects the interests of the parties.
- Subsequently, the Municipality provided support with regard to electricity and energy challenges.

Cacadu

- An agreement on friendship and cooperation with the Cacadu Municipality was signed on 17 November 2006, in terms of which the focus will be on the following matters:
 - The exchange of experience and knowledge on the different aspects of local government administration.
 - The development of co-operation in economic development and tourism, focusing on encouraging co-operation between the business communities, especially medium- and small-sized businesses, of both local government entities.
 - The promotion and support of mutually beneficial infrastructural development.
 - Any other matter of strategic importance that affects the interests of both municipalities.
 - International relations, for mutual benefit.
- In August 2008, with the support of GTZ, the two institutions developed a co-operative action plan to promote development. The areas of focus are:

- o Agriculture and agro-processing.
- o Spatial development and land use management.
- o Institutional capacity and shared services.
- o Transportation and strategic infrastructure.
- o Urban regeneration and CBD renewal.
- o Strategic partnerships with higher education institutions.
- o Regional branding and marketing.
- o Strategic development.

Discussions on the development of an implementation framework are continuing.

Cooperation with academic institutions and development agencies on integrated service delivery and capacity development

Nelson Mandela Metropolitan University

- In recognising the pivotal role of the NMBM and NMMU in the socio-economic development of the city, the two institutions entered into discussions with the view to developing an MoU between them that would enhance their existing relations and identify further areas of collaboration.
- The MoU will be signed within the next financial year.

Coega Development Cooperation

- An MoU between NMBM and the CDC is in the process of being developed.

Establishment of an Intergovernmental Relations Forum

- Establishment of an IGR Forum with a view to ensuring a coordinated structure that will serve as a mechanism to enhance integrated governance and service delivery in Nelson Mandela Bay. The Forum was launched during the Premier's EXCO Outreach on 5 July 2012. Preparations are underway for the inaugural meeting of the Technical NMB IGR Forum in preparation for the inaugural meeting of the NMB IGR Forum.

LEGAL SERVICES

The Municipality has a functional Legal Services Sub-directorate under the Chief Operating Officer, supported by twelve permanent and one temporary staff member.

Key functions of the Legal Services Sub-directorate include:

- Legal advisory services.
- Property legal services.
- Claims, collections and litigation services.
- Labour law advisory services.
- Contract management.
- Legislative compliance and legal educational services.

A new and more representative legal panel is in place, which ensures a more equitable distribution of legal work.

Statistical information on the matters handled by the Legal Services Sub-directorate are detailed below.

(a) Claims

- Public liability claims: 266

Public liability claims were mainly as a result of open manholes, uneven pavements, and use of public facilities, such as swimming pools and parks.

- Motor vehicle insurance claims: 347

Motor vehicle claims emanate from motor vehicle collision involving municipal vehicles initiated by third parties. The Municipality also counter claims against third parties for damages made to municipal property.

- Damage claims: 144

Damage claims normally involve movable and immovable property, resulting mainly out of actions of contractors damaging underground cables.

(b) Litigation

- Litigation cases: 41

(c) Contract management and legal compliance

- Contracts drafted and vetted: 288

(d) Corporate governance

- Unauthorised land use
 - Breach of NMBM zoning schemes: 114
- Access to information (PAIA)
 - Requests for information: 48
- By-laws
 - Volume 1 of the Municipal Code was constituted.
 - By-laws developed : 9
- (e) Labour law related matters
 - Labour law matters referred to Legal Services : 37

AUDIT OPINION FROM OFFICE OF AUDITOR-GENERAL

The progress of the Municipality with regard to the audit opinion received from the Office of the Auditor-General is reflected below:

FINANCIAL YEAR	2007/08	2008/09	2009/10	2010/11	2011/12
Opinion	Unqualified opinion	Unqualified opinion	Unqualified opinion	Unqualified opinion	Qualified opinion

AUDIT COMMITTEE FUNCTIONALITY

The Audit Committee comprises four (4) external members, these being:

- Prof. D Rosenberg (Chairperson);
- Ms R Landman-Shaw;
- Mr K Pather; and
- Mr R Ortlieb.

There were no changes in the composition of the Audit Committee during the relevant financial year. As contained in the provisions referenced in the Audit Committee Charter, four (4) meetings were held during the financial year, on the following dates:

- 29 September 2011
- 12 December 2011
- 02 April 2012
- 28 June 2012 (held 13 July 2012)

The attendance rate in respect of the external members achieved a score (measured in percentage units) of 88%. In addition to the above meetings, certain Audit Committee members also attended the MPAC meetings and assisted in the performance measurement assessments of the Acting Municipal Manager and Section 57 executive directors. The Internal Audit and

Risk Assurance Sub-directorate provided administrative support to the Audit Committee in the execution of its mandate.

Seventeen (17) resolutions emanated from the aforementioned meetings of the Audit Committee for the financial year. All the Audit Committee related findings noted by means of documented resolutions were addressed, either administratively and/or by the respective directorates vested in the Nelson Mandela Bay Municipality.

Issues of concern raised by the Committee during the year, *inter alia*, included the following:

- The increasing number of irregular and fraudulent cases emanating from tenders.
- Risks pertaining to fruitless and wasteful expenditure.
- The Auditor-General focus on excessive use of consultants.
- The delay in filling vacant positions.
- The protracted delays in addressing employee suspensions.
- Payments made without sufficient documentation.
- Political interference in administration.
- The status of the Integrated Public Transport System.
- The increasing number of tip-offs.
- The consequences to NMBM of businesses relocating to other areas.
- Performance management matters.

INTERNAL AUDIT

In terms of the 2011/2012 Internal Audit Plan, the Internal Audit and Risk Assurance Sub-directorate planned the completion of fifty-three (53) internal risk-based audits (including *ad hoc* assignments and follow-up audits) relating to the 2011/2012 financial year. A total of thirty-nine (39) internal audits were completed and reports were issued and/or were in the process of being

issued. The remaining fourteen (14) planned internal audits were transferred to the 2012/2013 Audit Plan and were mainly follow-up audits. Executive summaries of all audit reports were submitted to the Audit Committee during its quarterly Audit Committee meetings, as referenced above. All known items of materiality and significance were brought to the attention of the Audit Committee.

ANTI-CORRUPTION STRATEGIES

The Council's has a formal Anti-Fraud and Anti-Corruption Policy in place, in addition to a whistle blowing policy and hotline.

The Municipality is in the process of rolling out a comprehensive Anti-Fraud and Anti-Corruption Strategy.

INFORMATION AND COMMUNICATION TECHNOLOGY (ICT)

The Nelson Mandela Bay Metropolitan Municipality is, of necessity, an information-driven organisation. Without accurate, timely and above all, *available* information, it would be impossible to manage the vast array of complex interactions – internal and external – that occur daily. The extent to which these information needs are met is determined by the investment that the NMBMM is willing and able to make on information technology.

The ICT focus will remain on strengthening the ICT governance framework, including paying attention to protecting the institution's ICT network in the face of growing and sophisticated security threats, extending the reach of ICT services offered by the Municipality to communities to better enhance access to municipal services and, in the process, building on continuing efforts to bridge the digital divide and laying the foundation for a knowledge economy in the city. Other areas of focus are the development of ICT Disaster Recovery Plans and Business Continuity Plans to ensure the uninterrupted supply of services during disasters and operational down-times. Equally, it should be the organisation's collective responsibility to ensure that all corporate ICT

projects, i.e. Project Kusile, Project ILIS and Project Billing, are successfully completed and that the necessary governance, decision-making and supporting environments are provided, without losing sight of the importance of continuing to establish value for money accruing from these projects

The need for an updated coherent, comprehensive Information and Communications Technology (ICT) strategy for the Municipality is self-evident. To be meaningful, the ICT strategy must be updated aligned to the vision of the municipal leadership and provide the documentary framework within which the information systems infrastructure of the Municipality is developed and expanded to meet the demand for facilities and information.

The strategic objectives of ICT Management are therefore to:

- align information systems to support the Municipality's business objectives;
- provide the Municipality with quality information and/or knowledge to support and enhance decision making, collaboration and information sharing;
- Provide the abovementioned through integrated information management, communications and systems technology;
- Improve the service delivery of the municipal Information Systems Division;
- Provide strategic direction and high-level technology architecture designs to municipal Information Systems.

Critical Challenges:

- Lack of ICT governance frameworks (ICT Charter, effective ICT Strategy and other governance mechanisms).
- Lack of executive sponsorship of ICT initiatives and the ICT Steering Committee for effective ICT delivery.
- Lack of an integrated ICT service delivery mechanism.
- Inadequate staffing levels.

Strategies to address these challenges:

- Gap analysis performed by MIS in conjunction with Internal Audit and the Risk Assurance Sub-directorate.
- Development of ICT Charter and updating the Information Security Policy and related standards.
- Re-capacitating the MIS Sub-directorate with the required critical resources, i.e. staff levels.
- Developing ICT service continuity plans and procuring related technologies.
- Procuring and implementing technology based intrusion detection and prevention systems.

ICT Expenditure information

The Municipality's ICT Strategy, which was developed by the Information and Communications Technology (ICT) Steering Committee, provides the documentary framework within which the information systems infrastructure of the Municipality may be developed and expanded to meet the current and future demand for ICT facilities and decision-supporting information.

In the review period, the Municipality spent R4 962 435,00 on the development of application software to support service delivery, primarily in the area of financial systems, with the emphasis on the Stores and Creditors System and the General Ledger System.

More than R3,6 million was spent on upgrades to information technology infrastructure, primarily application servers and the completion of the "Voice-over Internet Protocol" telephone system roll-out.

GEOGRAPHICAL INFORMATION SYSTEM (GIS)

In 2011/12, Corporate GIS within the NMBM continued its proportional growth of previous years. This growth was in both in the intranet-based CorpGIS and ArcGIS Desktop environments internally as well as on the internet based official NMBM internet site externally. CorpGIS gives anybody that is connected to the NMBM internal network access to various GIS mapping services and these maps were reworked and improved to meet all the various directorates' needs. Additional services rendered by CorpGIS were software support and training for GIS related software.

The GIS hardware environment was expanded with upgrades of the current servers to meet the users' growing demands. While most of the data was still manually maintained, a number of data verifying models were introduced to maintain accuracy. The upgrading of the ESRI software from ArcGIS V9.3 to ArcGIS V10.0 (version 10) were completed and implemented. NMBM was one of the first municipalities in South Africa that was fully operational with V10.0 on both server and desktop platforms.

The ILIS (Integrated Land Information System) Project that was started in November 2009 completed its development and building phases and entered its testing phase during 2011/12. The project involves developing and implementing automated workflows and improved business processes that will enhance all aspects of land management. Essentially, Project ILIS will become the master database of all property information from where it will be deployed to other applications that require property information, such as the Billing System, Lamacs (Municipal Land Asset Management System) and Value Assist (Valuation System).

In addition to integrating the existing systems, new applications were developed and are being finalised as part of Project ILIS, which included a Building Plans Management System and a Housing Delivery Management

System. To ensure that Project ILIS is sustainable, a support structure will need to be implemented before the project concludes in March 2013.

In the year ahead (2012/13), the Municipality will:

- Submit a policy on the establishment and functionality of Ward Committees and conduct Ward Committee elections for adoption and implementation.
- Review and strengthen the Municipality's anti-fraud and anti-corruption strategies and its investigative capacity.
- Strengthen risk management.
- Review and strengthen the Municipality's external relations programmes.
- Pursue all intergovernmental challenges in the Metro together with the Provincial and National Government.
- Develop and implement an action plan to deal with issues raised in the Auditor-General's Report and provide quarterly progress reports.
- Improve and expand public participation and involvement in municipal planning and decision-making processes.
- Promote capacity development of Councillors and officials in order to accelerate institutional transformation and development.

SPECIAL CROSS-CUTTING PROGRAMMES

The Municipality's performance in respect of cross-cutting issues is reflected in the table below.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2011/12	ACTUAL 2011/12	EXPLANATION OF VARIANCE / COMMENTS
6.1 MURP					
6.1.1	Number of people trained in terms of MURP skills audit	N/A	500 community members	509	
6.1.2	Number of schools renovated	N/A	1 (Cingani High School)	1 (Cingani High School)	
6.2 HURP					
6.2.1	Number of multipurpose community centres constructed	0	1 (Helenvale)	Target not met	The underperformance against this key performance indicator is due to the delay experienced in the implementation of the project as a result of prolonged procurement processes. The project implementation was further delayed by the resistance of the Helenvale community as a result of their dissatisfaction with the procedures followed in the employment of local labour on the project. In terms of mitigation, the contractor committed to work extra hours on Saturdays to make up for lost time. Construction is progressing well, with most of the substructure work having been completed. The construction of the Helenvale Thusong Service Centre is expected to be completed by April 2013.

PART	FUNCTIONAL AREA SERVICE DELIVERY REPORTING
3	

3.1 General information

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY GENERAL INFORMATION			
Reporting Level	Detail	Total	
Information:	<i>Statistical information</i>		
1	Geography: Geographical area in square kilometres Note: Indicate source of information	1950 km ² (GIS, Demarcation Board)	
2	Demography: Total population Note: Indicate source of information	1050927 (STATSSA Community Survey 2007)	
3	Indigent households Note: Indicate source of information and define basis of indigent policy, including definition of indigent	86 172 households (municipal database)	
4	Total number of voters	566 668	
5	Age breakdown: - 65 years and over - between 40 and 64 years - between 15 and 39 years - 14 years and under Note: Indicate source of information	58128 249861 480934 262006 (STATSSA Community Survey 2007)	
6	Household income: - No income and R801 – R1600 per month - R1601 – R3200 per month - R3201 – R6400 per month and above Note: Indicate source of information	811466 53505 115780 (STATSSA Community Survey 2007)	

3.2 Finance and Administration function's performance

Function:	Finance and Administration		
Sub-function:	Finance		
Reporting Level	Detail	Total	
Overview	This overview covers all activities relating to the finance functions of the Municipality, including revenue collection.		
Description of activity:	<p>The Municipality's mandate:</p> <p>The Budget and Treasury Directorate of the Municipality is committed to its mandate to provide a comprehensive financial management service to Council and the other directorates of the Municipality.</p> <p>The Directorate supports the Integrated Development Plan of Council by striving to provide a stable and sustainable financial environment from which Council can deliver services to all residents of Nelson Mandela Bay.</p> <p>Objectives of the Directorate:</p> <ul style="list-style-type: none"> • To improve revenue enhancement and growth • To maximise revenue streams • To empower customers and improve customer care • To promote broad-based economic empowerment • To promote an effective cash and risk management system • To enhance sound financial management • To promote an effective and efficient expenditure system <p>Key Performance Areas:</p> <ul style="list-style-type: none"> • Ensuring an IDP-based balanced Budget, which enhances financial sustainability and is approved in terms of the legal framework. • Ensuring sustainable and improved revenue generation and collection. • Providing efficient and effective cash management and asset risk management systems. • Providing efficient and effective expenditure management and control processes. • Ensuring a sound and legally compliant system of financial management, advice, control, accounting and reporting. • Providing effective and efficient customer service centres. 		

1	Debtor billings		
	Water		391,431
	Gas		N/A
	Electricity		3,136,977
	KVA		
	Sewerage		294,327
	General rates		929,516
	Refuse		156,809
	Total		4,909,063

2	Debtor collections		4,569,243
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3	Debtor analysis		
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	2012	Restated 2011
<u>Rates and General: Ageing</u>		
Current (0-30 days)	(3,010,967)	33,477,926
31 - 60 Days	21,088,740	21,074,990
61 - 90 Days	12,808,485	16,136,687
Over 90 Days	361,021,861	376,683,907
Total	391,908,119	447,373,510
<u>Electricity: Ageing</u>		
Current (0-30 days)	440,322,833	361,135,473
31 - 60 Days	76,902,243	28,506,239
61 - 90 Days	44,013,491	3,129,372
Over 90 Days	128,828,968	131,491,218
Total	690,067,535	524,262,302
<u>Water: Ageing</u>		
Current (0-30 days)	85,094,016	151,791,160
31 - 60 Days	26,042,980	39,034,695
61 - 90 Days	16,538,635	20,673,548
Over 90 Days	272,652,476	274,392,491
Total	400,328,107	485,891,894
<u>Refuse: Ageing</u>		
Current (0-30 days)	15,513,953	17,429,531
31 - 60 Days	5,397,760	4,386,828
61 - 90 Days	3,829,954	2,616,843
Over 90 Days	86,962,579	76,973,559
Total	111,704,246	101,406,761

Sanitation: Ageing		
Current (0-30 days)	26,006,394	41,895,085
31 - 60 Days	10,233,522	8,471,349
61 - 90 Days	6,335,336	3,954,031
Over 90 Days	106,451,973	101,076,655
Total	149,027,225	155,397,120
Housing Rentals: Ageing		
Current (0-30 days)	542,429	2,129,385
31 - 60 Days	431,294	482,191
61 - 90 Days	491,209	387,500
Over 90 Days	14,690,509	13,032,488
Total	16,155,441	16,031,564

INTEREST		'000
Electricity		23,143
Water		61,703
Sewerage		27,922
Refuse		21,587
General rates		-
General service charges		93,149
Sundry income		4,489
Total interest		231,993

4	Write-off of debts		251,152
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5	Property rates (residential) – excl. R15,000		(000)
	Number and value of properties rated	219,480	R80,861,237
	Number and value of properties not rated	5,663	R721,807
	Number and value of rate exemptions	141	R112,240
	Rates collectible for the 2011/12 financial year	-	R518,915

6	Property rates (business and commercial and industrial)		
	Number and value of properties rated	23,112	R36,093,697
	Number and value of properties not rated	9,623	R7,250,015
	Number and value of rate exemptions	754	R1,669,043
	Rates collectible for the 2011/12 financial year	-	R461,235

7	Property valuation		
	Year of last valuation	2008	-
	Regularity of valuation	4	-

8	Indigent Policy		
	Number of households affected	86 172	
	Total value		R252 770

9. Top Ten Creditors Paid

Supplier Code	Supplier Name	Total EFT Paid	Total Value Paid
360	Eskom	2,142,806,628.41	2,142,806,697.12
54609	Cycad Pipelines	142,155,434.64	142,155,434.64
39826	Scribante Construction	121,868,240.36	121,868,240.36
51993	Nedbank Domestic Treasury	104,767,997.12	104,767,997.12
2711	Development Bank of Southern Africa	91,127,334.65	91,127,334.65
24435	Mandela Bay Development Agency	75,087,589.41	75,087,589.41
33169	Masakeni Construction	74,325,257.76	74,325,257.76
2905	Dept. of Water Affairs	67,242,616.93	67,242,616.93
47705	Access Facilities	66,653,576.16	66,653,576.16
6338	First National Bank	55,558,054.00	55,558,054.00
			2,941,592,798.15

10. Credit Rating

Credit rating currently in progress.

11. External loans as at 30 June 2012

Local Registered Stock

LOAN NO.	INTEREST RATE %	YEAR	DATE REPAYABLE	BALANCE AT 30 June 2011 R	RECEIVED DURING THE YEAR R	REPAID DURING THE YEAR R	BALANCE AT 30 June 2012 R
279	16.90%	2000	30-06-2011	-	-	-	-
				-	-	-	-
Development Bank of Southern Africa	(9.38 & 11.62%)		30-09-2015 & 30-09-2029	545,721,884		31,192,754	514,529,130
Amalgamated Banks of South Africa	11.85%		31-12-2017	195,000,000	-	30,000,000	165,000,000
Nedbank	11.70%		31-01-2025	712,790,933	-	21,985,607	690,805,326
Rand Merchant Bank	10.24%		30-05-2031	470,000,000	-	8,879,867	461,120,133
				1,923,512,817	-	92,058,228	1,831,454,589

12. Delayed and Default payments

Zero.

3.3 Planning and Development function's performance

Function:	Planning and Development		
Sub Function:	Economic Development		
Reporting Level	Detail	Total	
Overview:	<p>Local economic development is a dynamic and sustainable process, which creates wealth and raises living standards. This has a number of implications, including increased entrepreneurial and business activity, as well as the improved material status of citizens through access to resources and basic services. The Municipality's Economic Development Strategy seeks to improve the Metro's global competitiveness and simultaneously reduce poverty. Effectively, this Strategy recognises that Nelson Mandela Bay is part of the global economy and needs to ensure that it creates a safety net for the poor.</p> <p>The Municipality is committed to transforming Nelson Mandela Bay into a globally competitive and preferred destination for investors and tourists. The work of the Municipality in developing the local economy is complemented by a number of fora, such as the LED Forum, the Economic Advisory Panel and the GDS Co-ordinating Forum. In addition, a number of development agency boards are operative in Nelson Mandela Bay.</p> <p>The Municipality has identified priority areas to ensure that the economic development goals of Nelson Mandela Bay are achieved. These strategic priorities include the following:</p> <ol style="list-style-type: none"> a) Promoting investment and maximising the economic potential of Nelson Mandela Bay and the region by supporting priority economic sectors with job creation potential. b) Providing basic services and poverty relief to the most needy. c) Creating an enabling environment for economic development and growth by – <ul style="list-style-type: none"> - providing the required infrastructure for growth and development; - streamlining administrative processes and procedures; - providing one point of entry and support for investors and business; and - providing a forum for business interaction and consultation. d) Prioritising community empowerment and skills development, focusing on scarce skills. e) Supporting the Second Economy through – <ul style="list-style-type: none"> - supporting and increasing the business and entrepreneurial activities of emerging businesses and informal traders; - SMME development and co-operative support; and - procurement management. 		
Description of activity:	<p>The function of economic planning/development within the Municipality is administered as follows and includes:</p> <p>Economic growth and development</p> <ul style="list-style-type: none"> - To create an enabling environment for economic growth, - To stimulate sectors that promote economic growth and job creation <p>Investment facilitation and promotion</p> <p>Three investments were secured in the NMB Region for the 2011/2012 financial year and the value of the investment was above R100 million. These investments include Discovery, Lighting Innovations and FAW.</p>		

	<p>Business support - To support and grow new and existing businesses</p> <p>To support and grow new and existing businesses - To promote broad-based economic empowerment</p> <p>Military Veterans and special sector support - To empower and capacitate military veterans and special sectors</p> <p>Recreational Services:</p> <p><i>Strategic objectives:</i> - To ensure that beaches and resorts meet set standards of excellence and are safe and user friendly. - Provision of safety (Lifeguards) on thirteen bathing beaches, one of which had Blue Flag Status.</p> <p><i>Key issues for 2011:</i> - Maintain one beach for Blue Flag Status and prepare another beach for Blue Flag Status in 2013.</p> <p>-</p> <ul style="list-style-type: none"> • Arts and culture: <p><i>Strategic objectives:</i> - To promote economic environment for arts, culture and heritage</p> <p>Libraries:</p> <p><i>Strategic Objective:</i> To promote a culture of reading and learning through the provision of library services.</p> <ul style="list-style-type: none"> ○ 634 programmes were implemented to promote the culture of reading from June 2011 to June 2012. <p><i>Key issues for 2011 /12:</i></p> <ul style="list-style-type: none"> - Libraries Holiday Programmes. <ul style="list-style-type: none"> • Living Arts: <p><i>Strategic objective:</i></p> <ul style="list-style-type: none"> - To promote artist development and create economic opportunities through training, capacity building, exposure, etc. in the promotion of arts and culture, coupled with ongoing advocacy and support for local artists: <ul style="list-style-type: none"> ○ 196 artists benefiting from programmes. <p><i>Key issues for 2011 /12:</i></p> <ul style="list-style-type: none"> - Mendi Bottle Store: Planning and design phase complete and architectural building plans complete of the Mendi Bottle Store. - Exposure of artists in various municipal events, e.g. Ironman, Splash, Heritage Day events 		
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	<ul style="list-style-type: none"> • Heritage and museums: <p><i>Strategic objectives:</i></p> <p>To promote and preserve cultural and historic heritage.</p> <p><i>Museums</i></p> <ul style="list-style-type: none"> - Nelson Mandela Metropolitan Art Museum - Two artworks acquired by NMBM between July 2011 to June 2012. - Purchases - zero artworks. - 19 exhibitions held at the NMM Art Museum - 1x international exhibition (Tyne and Wear) - Donations by Friends of the Museum – 2. - - Red Location Museum - Zero artworks acquired by RLM between July 2011 to June 2012. - Purchases - zero artworks. - 2.x Exhibitions held at the RLM Museum - 3 x Lectures <p>Zero donations</p> <p><i>Heritage</i></p> <p><i>Key issues for 2011 /12:</i></p> <ul style="list-style-type: none"> - researched exhibition contributing to archival information on five prominent women in the struggle history of NMB. <ul style="list-style-type: none"> • Development of sport codes Metro-wide: <p><i>Strategic objectives:</i></p> <ul style="list-style-type: none"> - To promote different sporting codes amongst Metro communities - Implementation of Sports Development Programme <p><i>Key issues for 2011:</i></p> <ul style="list-style-type: none"> - Strategy and programme to increase the level of sports activity in communities to be in place. 		
	<p>The key issues for 2011/12 are:</p> <p>Trade and Investment:</p> <ul style="list-style-type: none"> • Bay TV started operating in October 2011. The Station has managed to create 43 employment opportunities to young people in the region. One of the home grown presenters, has now been appointed by SABC to co-host one of the most popular shows on SABC 1, which takes place during the Friday Night slot, at 21:00. From a development point of view, this proves that community media is indeed a platform to nurture and grow community talent. Currently 30 staff members are being trained through a funding sourced from the Media Information Communications Technologies (MICT) Seta. Bay TV has also hosted a workshop that was attended by accredited film producers within the Nelson Mandela Bay. The workshop was meant to open doors for the upcoming producers so that they can easily and freely be able to showcase and highlight their creativity in what they are doing. The workshop brought to the fore the experience of the established film makers, so they could impart their experience and expertise to the emerging film producers. The station has been included in Digital Satellite Television (DSTV) from 		

	<p>13 November 2012. Bay TV is targeting to reach a target of 300 000 viewers by December 2012.</p> <ul style="list-style-type: none"> • A draft Industrial Development strategy, which highlights a number of possible industries for diversifying the economy, has been drawn up. The strategy will be submitted to the Council committee for adoption. • Value of export promotion contracts facilitated through the municipal initiative was R300 000 direct and R9.7 million on indirect exports. • 46 SMMEs were trained and registered as exporters in the 2011/12 financial year. These SMMEs included the following companies: Bronsor, Mantacor, Mjolo Brothers, Design@Bay, Ocean Vibe, Lutu Consultancy, Momento's of Africa, Overberg Thatch, Pulene Enterprise. 		
Analysis of the Function:			
	<i>Statistical information</i>		
	Nature and extent of facilities provided:	<i>Number of facilities:</i>	<i>Number of users:</i>
	- Library services	21 buildings 16 outreach sites	
	-Museums	2 municipal museums	
	Heritage Sites	17	
	1 Number and cost to employer of all personnel associated with each community services function:		<i>R(000)</i>
	- Library services	194	R41,896,170
	- Arts and culture	5	1,090,770
	- Museums:		
	<ul style="list-style-type: none"> • Art Museum • Red Location Museum 	19 9	R4,134,290 R2,222,500
2 Detail and cost of incentives for business investment:			<i>R (000s)</i>
	There was no investment incentives awarded during 2010/11 financial year.		
3 Detail and cost of other urban renewal strategies:			<i>R (000s)</i>
	<p>- Njoli Square Redevelopment: This project comprises the development of a civic centre, supported by public transport, commercial facilities (formal and informal) and tourism facilities in the heart of one of the oldest dormitory suburbs in Port Elizabeth. All seventy five (75) properties within the footprint area have now been valuated. The conveyancing attorneys have progressed well and, to date, have signed up agreements with 70 land owners.</p>		<i>R121 m</i>
	<p>- Motherwell Urban Renewal: Initially five sub-projects in Motherwell were identified for funding: Tyinira Precinct Design; cultural activity centre; hawkers' facilities; upgrading of public transport and an SMME industrial hive. It was agreed that only two projects will be implemented with the NDPG funding: Motherwell Thusong Service Centre; and an SMME industrial hive. Business plans for these two projects were prepared, and National Treasury</p>		<i>R29,15 m</i>

	<p>has accepted this. The construction of the Motherwell Thusong Service Centre is progressing according to plan. The total project will cost R46 million to complete, but NDPG will contribute R17,5m. Construction should be completed by December 2012. The designs for the SMME industrial hive are currently underway.</p> <p>- Red Location Precinct: This project is funding an Art Gallery that specialises in local and “struggle” art and a library. The library incorporates:</p> <ul style="list-style-type: none"> - A virtual library (computer terminals, not books); - A computer training facility, to enable people to learn how to use the virtual library; - Archive storage for the City’s historic and invaluable collection of books, documents, newspapers and maps of Port Elizabeth and Uitenhage. This will include a reading room for learners; - A display area, where the history of Port Elizabeth/Uitenhage will be shown through documents, maps, newspapers, etc. <p>Both these building are complete and operational issues are being addressed.</p> <p>- Walmer – Fountain Road Upgrading: This project is located in the Gqebera Township. It can be best described as a “focused urban renewal” project. It consists of a number of sub-projects ordered along the strip or corridor between Heugh Road, Walmer and the Community Hall at the southern end of Fountain Road. The sub-projects include the following:</p> <ul style="list-style-type: none"> • Pedestrian improvements to Fountain Road • Public Square, to the south of the community hall • Upgrading of existing community hall • Construction of new multi-purpose hall between Heugh Road and railway line • Extensions to the existing Walmer Enterprise Village • SMME facilities • Taxi facilities <p>The construction of the community park is complete, and the park was launched in September 2010.</p> <p>Council approved the business plan for the entire project in April 2009. National Treasury has approved the business plan (January 2010), allowing for the following projects that are currently being planned: Pedestrian Upgrade; Advice Centre; and Youth Centre.</p> <p>Construction of the Advice Centre; and Youth Centre has commenced and will be completed by December 2012.</p> <p>- Helenvale Upgrading: The funding for this project is being used to prepare a business plan, construct a multi-purpose centre, upgrade sidewalks and develop community parks.</p> <p>The business plan for the sidewalks was approved by National Treasury in September 2009. The tender for the construction of the sidewalks was advertised in November 2009. The contractor has been on site since June 2010, and the contract is complete. The construction of the multi-purpose centre and upgrade of the community precinct have commenced.</p> <p>It must be stated that this project now resorts under the MBDA.</p>		<p><i>R25 m</i></p> <p><i>R52 m</i></p> <p><i>R71 m</i></p>
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	<ul style="list-style-type: none"> - Science Centre: A Science and Technology Centre is being implemented in the old Railway repairs and manufacturing workshop, erected in 1876. It will be the first science and technology centre in the Eastern Cape and is due to open early in 2013. - Despatch Brickfields Chimney: During the previous financial year, funding was received from MIG for the restoration of the Despatch Brickfields Chimney. This chimney has been in existence since 1899 and is one of the oldest and most remarkable landmarks in South Africa. The restoration was completed, but funding was needed to upgrade the access road, erect proper signage and pave the area around the chimney so that it becomes a fully-fledged tourist attraction. Funds have been received and planning and detailed designs are underway. - Multi-purpose Centre Chatty: A site was identified in the Chatty area that is part of the Zanemvula Project. A working relationship is being established with the Premier's Office to combine the Multi-purpose Centre and the Thusong Centre. A funding application was submitted in December 2008 to the Provincial Department of Housing Local Government and Traditional Affairs for funding. Funding has been made available and the tendering process for the construction is underway. - Strand Street Environmental Upgrading: Phase 2 This project is progressing well, with Phase 1 having been completed at a cost of R29,6 million. This includes the redevelopment of the old Jetty Street to form an interlink between Strand Street and Govan Mbeki Avenue. In addition, streets were paved and steel structures, lighting and street furniture were installed. Phase 2, which comprises the upgrading of the bus terminal in Strand Street and various areas in the Street, as well as the Baakens Street Circle, which will soon house and art-piece, is progressing well. In addition, a taxi rank will be created for the relevant taxi associations to facilitate and regulate better traffic flow. The project has been completed. An art piece will be constructed at the Strand Street Circle. - Tramways Building Redevelopment The developer earmarked for this project did not meet all the conditions of the lease agreement concluded with the Municipality. The MBDA has therefore been mandated by its Board to redevelop the building to serve as the Agency's headquarters and office premises. The redevelopment design has been approved, the construction tender advertised and construction will commence at the end of January 2013. Construction will take two years to complete. - Uitenhage Market Square Upgrading: Phase 1 and 2 Phase 1 of this project was completed at a cost of R15,5 million. Phase 2 was also completed in the same period, at a cost of R11,3 million. This project was launched in 2011 by the Executive Mayor. The upgrading involved lighting, tree planting, and paving. There are also plans for the Agency to install an art-piece on the Square after due consultation with relevant stakeholders. The project has been completed. 		<p style="text-align: right;"><i>R23 000 000</i></p> <p style="text-align: right;"><i>R26 785 457</i></p> <p style="text-align: right;"><i>R 2 507 715</i></p> <p style="text-align: right;"><i>R 45 812 746</i></p> <p style="text-align: right;"><i>R2 265 124</i></p> <p style="text-align: right;"><i>R3 283 366</i></p>
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4	<ul style="list-style-type: none"> - Whites Road Cliff Stabilisation Project This project was approached on an urgent basis following a structural engineers' report stating that the cliff was unstable and posed a health and injury threat. The project has been completed. - Donkin Reserve Upgrading: Phases 1, 2 and 3 This heritage site was transformed into a vibrant public open space that celebrates the cultural diversity and history of Nelson Mandela Bay. It is poised to become a major tourist attraction, as it contains public art and the Route 67 project, which is a tribute to the struggle heroes of the region. Phase 1 to 3 has been completed. Phase 4, the construction of an amphitheatre, is in the process of completion. - Inner-city Art project This project has been funded from a National Lotteries Board arts grant and involves various art-pieces that form part of Route 67, as well as inner-city art initiatives. The project is ongoing. - Athanaeum Club Building Refurbishment This previously derelict municipal asset was renovated into a magnificent arts and culture exhibition centre in the inner-city area of Port Elizabeth. The project is ongoing, the main building has been redeveloped and the little theatre is presently being upgraded – completion November 2012. Other projects that were not mentioned: <ul style="list-style-type: none"> - The redevelopment of Belmont Terrace and Bird Street – in process. - The redevelopment of King's Beach – Phase 1 completed; Phase 2 in process. 		
Number of people employed through job creation schemes:			
- Short-term employment		117	
- Long-term employment		141	

3.4 Performance of Community and Social Services Function

Function:	Community and Social Services
Sub-function:	All inclusive

Reporting Level	Detail	Total	
Overview:	<p>This overview covers all activities associated with the provision of community and social services.</p> <p>This Municipality will develop and upgrade local sports facilities. Nelson Mandela Bay's stature as a host of major national and international sporting events is growing, following its securing of host city status for major competitions, such as the International Ironman and Sevens Rugby Series. For many years, the Bay has been known as the Watersports Capital of Africa, hosting a variety of well-known annual watersport events and angling competitions, such as Splash Festival and the Algoa Bay Tuna Classic.</p> <p>In order to fulfil its legal obligations, the Municipality needs to identify and grade its heritage resources to ultimately provide a heritage resources management plan for the heritage resources in its care. One of the MSDF implementation strategies is the preparation of a heritage register. The NMBM has a wealth of heritage resources that are not known and are not well maintained. In order to ensure that they are maintained properly, a register must be compiled.</p> <p>In addition to the aspect of legislative compliance, the development of heritage resources will play a vital role in cultural tourism. Heritage resources will be included in the Nelson Mandela Bay Freedom Trail, which will ultimately feed into the Provincial Heritage Route.</p> <p>Nelson Mandela Bay prides itself in having two internationally acclaimed and award-winning museums, namely the Red Location Museum of Struggle and the Nelson Mandela Metropolitan Art Museum.</p>		
	The function of providing various community and social services within the Municipality is administered as follows and includes:		
Description of activity:	<ul style="list-style-type: none"> • Recreational Services: <i>Strategic objectives:</i> To ensure that beaches and resorts meet set standards of excellence and are safe and user friendly. <i>Key issues for 2012/13:</i> <ul style="list-style-type: none"> - One beach to be maintained with Blue Flag status • Events Management To ensure that the events staged and hosted in the city are co-ordinated and managed effectively in line with the Events Policy as well as the Safety at Sports and Recreational Events Act No. 2 of 2010 (SASREA). • Arts and culture: <i>Strategic objectives:</i> <ul style="list-style-type: none"> - To promote economic environment for arts, culture 		

	<p>and heritage</p> <p><i>Key issues for 2011:</i></p> <ul style="list-style-type: none"> - Mendi Bottle Store: Feasibility studies were conducted to inform the prospective planning and design of the Mendi Bottle Store. - 34 Artworks acquired by NMBM between June 2010 to June 2011. - Purchases - 13 artworks. - Transfers from Drostdy Museum in Uitehage – 11. - Donations by Friends of the Museum – 8. - Donations from external donors – 2. <p>- 80 economic opportunities to be created (training, capacity building, exposure, etc.) in the promotion of arts and culture, coupled with ongoing advocacy and support for local artists:</p> <ul style="list-style-type: none"> o 50 film-makers trained by August 2010. o 178 artists benefiting from Arts Alive during 2010 FIFA World Cup. o 95 Summer Season Programme. - To promote a culture of reading and learning through the provision of library services. <ul style="list-style-type: none"> o 347 programmes were implemented to promote the culture of reading between June 2010 to June 2011. <p><i>Key issues for 2011:</i></p> <ul style="list-style-type: none"> - Film-makers' Training Programme: June to August 2010. - Libraries Holiday Programmes. <ul style="list-style-type: none"> • Heritage and museums: <i>Strategic objectives:</i> To promote and preserve cultural and historic heritage. <p><i>Key issues for 2011:</i></p> <ul style="list-style-type: none"> - 1 heritage site established (Cradock Four), which was officially opened in May 2011. <ul style="list-style-type: none"> • Development of sport codes Metro-wide: <i>Strategic objectives:</i> <ul style="list-style-type: none"> - To promote different sporting codes amongst Metro communities - Implementation of Sports Development Programme <p><i>Key issues for 2011:</i></p> <ul style="list-style-type: none"> - Strategy and programme to increase the level of sports activity in communities to be in place. 		
Analysis of the Function:	<p><i>Statistical information</i></p> <p>1 Nature and extent of facilities provided:</p> <ul style="list-style-type: none"> - Library services 	<p><i>Number of facilities:</i></p> <p>22 buildings 16 outreach sites</p>	<p><i>Number of users:</i></p>

	<ul style="list-style-type: none"> - Museums and art galleries - Other community halls/facilities - Cemeteries and crematoriums <ul style="list-style-type: none"> - Number of cemeteries upgraded - Number of cemeteries maintained - Sporting facilities (specify) (complexes and open fields) - Parks (Public Open Spaces) maintained - Customer Care Centres 	1 municipal museum and 1 art gallery 35 2 20 90 1481 (1397 ha) 13	R 656 060 R± 1,2 million
2	Number and cost to employer of all personnel associated with each community services function: <ul style="list-style-type: none"> - Library services - Arts and culture - Museums and art galleries: <ul style="list-style-type: none"> • Art Museum • Red Location Museum - Cemeteries and crematoriums - Sports facilities - Parks - Other community halls/facilities (Corporate Services) 	179 4 19 9 86 116 285 54	<i>R(000)</i> R28 349 000 R1881,996 R3 898,100 R2,222,500 R11 373 730 R28,714,200 R36 078 637 R 1 194 100

3.5 Performance of housing function

Function:	Housing
Sub-function:	N/A

Reporting Level	Detail	Total	
Overview:	This overview covers all activities associated with the provision of housing.		
Description of activity:	<p>The function of providing housing within the Municipality is administered as follows and includes:</p> <ul style="list-style-type: none"> • To identify the needs of the community w.r.t. housing and services backlogs and to ensure that a realistic programme is prepared to achieve eradication, in alignment with national targets. • To provide serviced sites to all qualifying beneficiaries and to follow that up with the provision of housing. • To ensure that all informal settlements are included in the implementation programmes, either as <i>in situ</i> projects, or as relocation projects. • To ensure that implementation programmes are properly coordinated, i.e. destination areas timeously prepared for relocation, and to ensure that all this is done as per the priority criteria set by Council. • To do proper financial planning, i.e. cashflow predictions to ensure the reservation of funds in the three-year MTEF period. • To ensure the establishment of sustainable communities through proper planning and timeous interaction with all relevant intergovernmental stakeholders. • To introduce reliable tracking systems and databases to assist in all monitoring and control activities in the housing delivery process. <p>The main objective is to eradicate housing backlogs through the upgrading of all informal settlements, thereby creating sustainable communities.</p> <p>The key issue for 2010/11 will be to gain momentum in the implementation of the Seven-year Housing Delivery Plan, and to secure the necessary funding from Province to achieve the set targets.</p>		
Analysis of the function:	<i>Statistical information</i>		
1	Number and cost of all personnel associated with provision of municipal housing:		73 753 395

Reporting Level	Detail	Total	
2	Number and total value of housing projects planned: - Planned (2011/12)	3600 1682 (actual) 6325 1133(actual)	R (000) 360 000 000 168 200 000 Varies
3	Number and value of rent received from municipal owned rental units	116 units	R855 860
	Number and value of rent received i.r.o Lease of Land	<u>375 units</u>	<u>R 253 353.40</u>
	Totals	<u>491 units</u>	<u>R 1 109 213.40.</u>
4	Breakdown of type of habitat: - number of formal houses - number of informal dwellings - number of backyard shacks	289 000 38 000 49 000	

Number and cost to employer of all Building Inspectors employed:		R (000)
- Number of Building Inspectors	22	R6 567 685 Plus 6% as from 1 st July 2011
- Temporary	nil	nil
- Contract	nil	nil

BUILDING PLANS INFORMATION FOR 2011/12

Applications outstanding 1 July 2010	Category	Number of new applications received during 2011/2012	Total value of applications received (Rand)	Applications outstanding 30 June 2011
None	All	7007	R2951.940.000	None

INFORMATION ON LAND PLANNING APPLICATIONS FOR 2011/12

Time taken to approve	Number of applications outstanding as at (31 Dec 2010 to 1 July 2011)	Total Number of all processed (left the section)	Outstanding as at 30 June 2012
30 weeks average	400 (letter register)	548 (letter register)	458(Letter Register)

APPROVAL DATABASE for 2011-2012	
TOTAL REZONING, SPECIAL CONSENT APPLICATIONS RECEIVED	REZONING AND SPECIAL CONSENT APPLICATIONS APPROVED
251	105

3.6 Performance of waste management function

Function:	Waste Management
Sub-function:	Solid Waste

Reporting Level	Detail	Total	
Overview:	This overview covers refuse removal, solid waste disposal and landfill, street cleaning and recycling.		
Description of activity:	<p>The refuse collection functions of the Municipality are administered as follows and include:</p> <ol style="list-style-type: none"> 1. Domestic waste collection <ul style="list-style-type: none"> • Weekly black bag kerbside collection in medium- to high-income areas (formal areas). • Weekly black bag communal collection in informal areas. • Ten bags issued to households every two months. 2. Trade waste collection <ul style="list-style-type: none"> • Contractual service to business <ul style="list-style-type: none"> ○ Cubic metre bins ○ Frequency dependent on client 3. Cleansing services <ul style="list-style-type: none"> • Removal of illegal dumping on municipal owned land. • Removal of dead carcasses (dogs, cats) within the residential area. • Manual and mechanical road/street sweeping. • Beach cleaning services. • Responsible for some of the NMB ablution facilities. 4. Transfer stations <ul style="list-style-type: none"> • Formal and informal drop-off sites/transfer stations. • 16 formal drop-off centres, 3 transfer sites, 6 communal collection points and 49 temporary skip sites. • Used for excess and bulky waste. • Proper signage: types of waste acceptable. • To be converted into drop-off/recycling centres, e.g. Blue Horizon Bay Centre. • Low-income areas: One centre for every 3 000 households in a proximity of 500 m. • Medium- to high-income areas: One (1) site should be planned for every 5500 erven (approximate radius of 2,5 km). • Waste disposal: <ul style="list-style-type: none"> • Two general waste disposal sites (General Large B). • ± 485 756 tons of waste disposed. • Koedoeskloof = 177 660 tons. • Arlington = 304 096 tons. 		
	The strategic objective of this function is to: <i>render quality waste management services to the community</i>		
	<p>Key issues for 2011/2012:</p> <ul style="list-style-type: none"> • Implement Elimination of Illegal Dumping Strategy • Introducing two recycling initiatives • Conversion of bi- wheely bins collection to weekly collection • Filling of vacancies 		

Analysis of the Function:	<i>Statistical information</i>		
1	Number and cost to employer of all personnel associated with waste management services: - Managerial staff and Consultants - Field (Supervisors/Foremen) - Office (Clerical/Administration) - Non-professional (blue collar, outside workforce) - Temporary (graduate trainees)	653 16 professionals 20 Assistant Superintendents 12 (1 clerk, 5 depot clerks, 3 Community Liaison Officers, 2 Town Rangers, 1 Secretary) 611 3	R 113 448 942 R 6 553 960 R 4 553 331 R 18 687 257 R 56 584 977 R 289 577
2	Number of households receiving regular refuse removal services, and frequency and cost of service: - Removed by Municipality at least once a week - Removed by Municipality less frequently - Communal refuse dump used - Own refuse dump (areas outside urban edge) - No rubbish disposal (number of households not receiving a service)	278 696 (HH) 121 468 139 082 18 146 2 516 912	R 71 407 937
3	Total and projected tonnage of all refuse disposed: - Domestic/Commercial - Garden	92 539 66 338	
4	Total number, capacity and life expectancy of refuse disposal sites: - Domestic/Commercial (number) - Garden (number)	2 76	
5	Anticipated expansion of refuse removal service: Change bi-weekly to weekly service	60 000	R 4 244 740
6	Free Basic Service Provision: - Quantity (number of households affected) - Quantum (value to each household)	86 172 R 526	R 45 324 228
7	Total operating cost of solid waste management function		R 311 951 203

3.7 Public Health Care Services

Sub-function: PHC Services		
Reporting Level		
	Detail	2011/12
Overview:	Note: PHC clinic services transferred to ECDoH on 1 January 2012	
Description of activity:	<p><u>Occupational health and safety and environment</u></p> <ul style="list-style-type: none"> - Management of the Occupational Health, Safety and Environment Services of the NMBM. - Co-ordination of the HIV and AIDS Workplace Policy Implementation Strategy. - Ensuring employer compliance with the Occupational Health Safety Act and related legislation. <p>Managing the Occupational Primary Health Clinic for employees.</p> <p>Occupational risk assessment and monitoring mitigation of risk factors in the workplace.</p>	<p>Ongoing</p> <p>Implementation Plan in place</p> <p>Quarterly submission of reports and inventories of legal compliance by Directors</p> <p>Ongoing</p> <p>Mitigation measures implemented</p>
	<p><u>Integrated HIV and AIDS Programme</u></p> <ul style="list-style-type: none"> - Mobilisation and management of the prevention, care, treatment, support and mitigation of the impact of the pandemic as an internal responsibility of the employer. - Mainstreaming the management of HIV and AIDS as an institutional responsibility to integrate into IDP strategic developmental priorities of all directorates. - External responsibility as a sphere of government in promoting, co-ordinating and providing political leadership for multi-sectoral response and the greater involvement of people living with HIV and AIDS (GIPLA) UNAIDS principle. 	<p>Assistant Director appointed to co-ordinate implementation of NMBM Integrated HIV & AIDS Plan adopted by Council in 2007</p>
Strategic objectives of function	<p>The strategic objectives of this function are to:</p> <ul style="list-style-type: none"> • Develop health consciousness in communities to improve quality of life. • To monitor and assist reasonable access to welfare services by poor communities. • Encourage the development of an HIV and AIDS Policy by other role-players within the municipal area • Ensure the effective implementation of the Occupational and Safety Management System for municipal employees • Foster a culture of caring for the aged in the municipal area • Establish a system to improve access to welfare services 	<p>Assistant Director appointed to co-ordinate implementation of NMBM Integrated HIV & AIDS Plan</p>

3.8 Water Supply & Distribution function's performance

Function:	Water
Sub Function:	Water Treatment, Bulk Supply & Distribution

Reporting Level	Detail	Total	Cost
Overview:	This overview covers water treatment, bulk distribution and reticulation of water.		
Description of activity:	<p>The water treatment, bulk distribution and reticulation functions of the Municipality are administered as follows and include:</p> <p>The Water and Sanitation Sub-Directorate comprises five divisions (Water Distribution; Water Management and Bulk Supply; Wastewater Conveyance; Wastewater Treatment; and Planning and Research).</p> <p><i>The functions applicable to the Water Distribution and Water Management and Bulk Supply Divisions are:</i></p> <ol style="list-style-type: none"> (1) Planning of water distribution reticulation, bulk supply and water treatment. (2) Upgrading of water distribution, reticulation and bulk infrastructure. (3) Integrated delivery of water infrastructure to newly built areas, such as housing development schemes. (4) Maintenance of water distribution, reticulation and bulk infrastructure. <p><i>Community participation:</i></p> <ol style="list-style-type: none"> (1) Community needs are identified through the IDP consultation process, organisational goals and national targets. (2) Needs are assessed and prioritised. (3) Prioritised projects are included in the Municipality's IDP. (4) Prioritised projects are included in the Three-year Capital Budget Programme for funding and implementation. Due to financial constraints, a limited number of projects are funded. (5) Approved projects are planned, designed and implemented internally and externally. Prior to implementation, a consultative process takes place between the community and the Municipality. The latter happens in close liaison with Ward Councillors and Ward Committees. <p>These services extend to the whole municipal area.</p> <p>The Municipality has a mandate to:</p> <ol style="list-style-type: none"> (1) Supply potable water within in its area of jurisdiction. (2) Conserve water by investigating more effective and efficient alternative uses and management of water. (3) Investigate the possibility of water recycling and other water sources. <p><i>The strategic objectives of this function are as follows:</i></p> <ol style="list-style-type: none"> (1) Compiling a Water Master Plan that addresses the following: <ul style="list-style-type: none"> - Provision of potable water. - Expansion of infrastructure to support development. - Investigation of additional water resources (2) Conserving water by investigating more effective and efficient alternative uses and the management of water. 		

Reporting Level	Detail	Total	Cost																												
	<p>The key issues for 2012/13 are:</p> <p>(1) Implementing projects to augment water supply. (2) Implementing strategies to address unaccounted for water as part of water demand management. (3) Implementing strategies to reduce the impact of a drought situation. (4) Improving the water reticulation system. (5) Updating the Water Services Development Plan. (6) Implementing the approved Water Services By-law.</p>																														
1.	<p><i>Statistical information</i></p> <p>Percentage of total water usage per month</p> <table data-bbox="505 758 1146 1203"> <thead> <tr> <th></th> <th style="text-align: right;"><i>Volume</i></th> </tr> </thead> <tbody> <tr><td>July 2011</td><td style="text-align: right;">7199</td></tr> <tr><td>August 2011</td><td style="text-align: right;">7566</td></tr> <tr><td>September 2011</td><td style="text-align: right;">7356</td></tr> <tr><td>October 2011</td><td style="text-align: right;">7652</td></tr> <tr><td>November 2011</td><td style="text-align: right;">7463</td></tr> <tr><td>December 2011</td><td style="text-align: right;">7635</td></tr> <tr><td>January 2012</td><td style="text-align: right;">7926</td></tr> <tr><td>February 2012</td><td style="text-align: right;">7736</td></tr> <tr><td>March 2012</td><td style="text-align: right;">8092</td></tr> <tr><td>April 2012</td><td style="text-align: right;">7830</td></tr> <tr><td>May 2012</td><td style="text-align: right;">7871</td></tr> <tr><td>June 2012</td><td style="text-align: right;">7370</td></tr> <tr><td style="text-align: right;">Total (MI)</td><td style="text-align: right;">91700</td></tr> </tbody> </table> <p><i>Note:</i> This will therefore highlight the percentage of total water stock used per month</p>		<i>Volume</i>	July 2011	7199	August 2011	7566	September 2011	7356	October 2011	7652	November 2011	7463	December 2011	7635	January 2012	7926	February 2012	7736	March 2012	8092	April 2012	7830	May 2012	7871	June 2012	7370	Total (MI)	91700		
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2.	<p>Total volume and cost of bulk water purchases in kilolitres and rand, by category of consumer</p> <p>- Raw water purchased (Water consumption + 5%)</p>	96 285 MI																													
3.	<p>Total volume and receipts for bulk water sales in kilolitres and rand, by category of consumer:</p> <p>- Water sales</p>	58 656 MI	R 465,38 million																												
4.	<p>Total year-to-date water losses in kilolitres and rand</p> <p>Average water loss = 21%</p> <p>Saving in reduction of losses compared to previous years water audit</p> <p>These losses include water lost due to:</p> <ul style="list-style-type: none"> - Unmetered areas - Internal leaks - Old water meters under reading <p>New housing projects captured on system</p>	19 272 MI	R 24, 334 million																												

Reporting Level	Detail	Total	Cost
			<i>R (000)</i>
5.	Number of households with water service, and type and cost of service: - Piped water inside dwelling - Piped water inside yard - Piped water on community stand: distance < 200m from dwelling - Piped water on community stand: distance > 200m from dwelling - Boreholes - Springs - Rainwater tanks - Backyard shacks - Unserved	289 000 38 000 49 000 0	
6.	Number and cost of new connections: Connection to private houses (excluding Metro houses)	435	<i>R (000)</i>
7.	Number and total value of water projects planned and current: - Current (financial year-after-year reported on) - Planned (future years)	±5 projects ±4 projects	<i>R (000)</i> ±R40 million ±R500 million
8.	Anticipated expansion of water service: - Piped water inside dwelling – Metro houses planned - Piped water inside yard - Piped water on community stand: distance < 200m from dwelling - Piped water on community stand: distance > 200m from dwelling - Boreholes - Springs - Rainwater tanks	3600 0 +/- 20 0 0 0	<i>R (000)</i>
9.	Estimated backlog in number (and cost to provide) water connection: - Piped water inside dwelling - Piped water inside yard - Piped water on community stand: distance < 200m from dwelling - Piped water on community stand: distance > 200m from dwelling - Boreholes - Springs - Rainwater tanks	0 0 0 0 0 0	<i>R (000)</i>
10.	Total operating cost of water distribution and bulk supply function		<i>R 491,632,580</i>

3.9 Wastewater management

Function:	Wastewater Management
Sub-function:	Sewage conveyance and Treatment

Reporting Level	Detail	Total	Cost
Overview:	This overview covers the provision of wastewater conveyance and treatment.		
Description of activity:	<p>The sanitation functions of the Municipality are administered as follows and include:</p> <p>The Water and Sanitation Sub-directorate comprises five divisions (Water Distribution; Water Management and Bulk Supply; Wastewater Conveyance; Wastewater Treatment; and Planning and Research).</p> <p><i>The functions applicable to the Wastewater Conveyance and Treatment Divisions are:</i></p> <ol style="list-style-type: none"> (1) Planning of wastewater conveyance and wastewater treatment infrastructure. (2) Upgrading the wastewater conveyance and wastewater treatment infrastructure. (3) Integrated delivery of sanitation infrastructure to newly built areas, such as housing development schemes. (4) Maintenance of the wastewater conveyance and wastewater treatment infrastructure (pipelines, rising mains, pump stations and wastewater treatment works). <p><i>Community participation:</i></p> <ol style="list-style-type: none"> (1) Community identifies the needs in terms of the IDP process; (2) Needs are assessed and prioritised; (3) Prioritised projects are included in the Municipality's IDP; (4) Prioritised projects are included in the Three-year Capital Budget Programme for funding and implementation. Due to financial constraints, a limited number of projects are funded. (5) Approved projects are planned, designed and implemented internally and externally. Prior to the implementation, a consultative process takes place between the community and the Municipality. The latter happens in close liaison with the Ward Councillors and Ward Committees. <p>These services extend to the entire municipal area. The Municipality has a mandate to:</p> <ol style="list-style-type: none"> 1) Provide a sanitation service in the Nelson Mandela Bay area. 2) Maintain the existing sewerage infrastructure. 3) Treat wastewater to national standards. 4) Investigate the possibility of water recycling. 		

Reporting Level	Detail	Total	Cost
	<p>The strategic objectives of this function are to:</p> <ol style="list-style-type: none"> 1) Elimination of pail services. 2) Assisting in possible wastewater recycling. 3) Providing bulk infrastructure to support housing development and private development initiatives. 4) Providing trade effluent monitoring. 5) Treating wastewater to national standards. 6) Commencing with the preparation of a Sanitation Master Plan. 		
	<p><i>The key issues for 2012/13:</i></p> <ol style="list-style-type: none"> 1) To improve the sewer reticulation system. 2) To maintain the existing sewerage infrastructure. 3) To provide for the improved cleaning of sewers. 5) To commence with plans to meet the 2014 national target for basic sanitation. 		
<p>Analysis of the Function:</p>	<p><i>Statistical information</i></p> <ol style="list-style-type: none"> 1. Number of households with sewerage services, and type and cost of service: <ul style="list-style-type: none"> - Flush toilets (connected to sewerage system) 340 536 - Flush toilets (with septic tank) 2 213 - Chemical toilets 0 - Pit latrines with ventilation 123 - Pit latrines without ventilation 0 - Bucket latrines 23 000 - No toilet provision – communities are sharing buckets. 8 120 2. Anticipated expansion of sewerage: <ul style="list-style-type: none"> - Flush toilet – Metro houses planned 3600 - Pit latrines 0 - Bucket latrines 0 - No toilet provision 0 3. Total operating cost of sewerage function 		<p>R (000)</p> <p>R385,191,650</p>

3.10 Road maintenance function's performance

Function:	Road Transport
Sub-function:	Roads

Reporting Level	Detail	Total	Cost
Overview:	This overview covers the construction and maintenance of roads within the Municipality's jurisdiction		
Description of activity:	<p>The road maintenance and construction responsibilities of the Municipality are administered as follows and include:</p> <p>The Nelson Mandela Bay Municipality (NMBM) administers the maintenance and construction of all municipal roads. Although it acts as agent for the Eastern Cape Provincial Government in maintaining and constructing Roads of Metropolitan Significance, all the functions are also administered by the NMBM. The maintenance functions are administered by the Roads and Stormwater Sub-directorate and the construction of roads by the Design and Implementation Sub-directorate. Maintenance activities are mainly performed by in-house staff, and the construction of roads by the private sector.</p> <p>These services extend to planning; conceptual and preliminary design; and maintenance, but do not take account of the network under the jurisdiction of national/provincial/other private sector government.</p> <p>The Municipality has a mandate to: Provide an efficient, safe, affordable, sustainable and accessible multi-modal transport system that is integrated with land-use development to ensure optimal mobility for the residents and users of transport system in the metropolitan area.</p> <p>The strategic objectives of this function are to:</p> <ul style="list-style-type: none"> • Provide adequate roads to give access to all developed areas, with particular emphasis on good accessibility to major business districts and major employment areas. • Provide adequate major arterials with limited access that provides a reasonably uncongested level of service for peak hour traffic movements. • Select the most cost-effective road alignments, with due consideration to environmental impact. • Provide for maintenance of existing roads to ensure that the level of service required is maintained and the optimum use is made of the limited funds available. 		
	<p>The key issues for 2012/13 are:</p> <ul style="list-style-type: none"> • Project budgeting be carried out over a three-year budget cycle to enable proper project programming and to effectively utilise available funding, on the basis that budgets are indicative and are subject to annual review and approval. • Due to the importance of integrated planning, a specific Business Plan should be submitted to address the transport planning process of the CITP, in terms of national requirements, including supporting planning, such as the preparation of management systems. 		

	<ul style="list-style-type: none"> The funding of maintenance projects to be in terms of a Road and Bridge Management System, to be prepared and updated every three years, in consultation with and subject to the approval of the NMBM and the Department of Roads and Transport. 		
Analysis of function:	1. Number and cost to employer of all personnel associated with road maintenance and construction:		<i>R (000)</i>
	- Professional (engineers/consultants)	11	<i>R3,008 million</i>
	- Field (supervisors/foremen)	48	<i>R8,010 million</i>
	- Office (clerical/administration)	9	<i>R1,131 million</i>
	- Non-professional (blue collar, outside workforce)	275	<i>R21,881 million</i>
	- Temporary	2	<i>R695,927</i>
	- Contract	2	<i>R1,125 million</i>
	2. Total number, kilometres and total value of road projects planned and current:		<i>R (000)</i>
	- New bitumenised (number)	341 km	<i>R1.28 billion</i>
	- Existing retarred (number)	128 km	<i>R128 million</i>
	- Existing resheeted (number)	43 km	<i>R10,25 million</i>
	3. Average frequency and cost of re-tarring/re-sheeting roads		<i>R (000)</i>
	- Tar	± 10 years	<i>R70/m²</i>
	- Gravel	± 6 months	<i>R35/m²</i>
	Note: based on maintenance records		
	4. Estimated backlog in number of roads, showing kilometres and capital cost		<i>R (000)</i>
	- Tar	341 km	<i>R1,28 billion</i>

3.11 Performance of electricity distribution function

Function:	Electricity
Sub-function:	Electricity Distribution

Reporting Level	Detail	Total	Cost
Overview:	The overview covers the bulk purchase and distribution of electricity		
Description of activity:	<p>The electricity purchase and distribution functions of the Municipality are administered as follows and include:</p> <ol style="list-style-type: none"> 1. Bulk network planning and projects based on the network master plan. 2. The supply of electricity to customers is initiated either through applications from developers or through the electrification development plans, in conjunction with the Human Settlements Directorate. 3. The required distribution and reticulation networks are designed and project managed by the Directorate. <p>The Municipality has a mandate to administer and supply electricity services within its designated area of supply.</p> <p>The strategic objective of this function is to supply a safe and reliable electricity supply in accordance with the national standards and at an acceptable price to all.</p> <p>The key issues for 2010/11 are:</p> <ul style="list-style-type: none"> • The supply of electricity for economic development. • To establish alternative service delivery mechanisms. • To maintain the Electricity and Energy Directorate's assets. • To continue to pursue demand side management of electricity. • To encourage the efficient use of electricity at all levels. • To actively pursue renewable energy resources. 		
Analysis of function:	<p><i>Statistical information</i></p> <ol style="list-style-type: none"> 1. Number and cost to employer of all personnel associated with the electricity distribution function: <ul style="list-style-type: none"> - Professional (engineers/technicians/technical managers/consultants) - Field (supervisors/foremen/artisans) - Office (clerical/administration) - Non-professional (blue collar, outside workforce) - Temporary - Contract - In-training students 	<p>47</p> <p>171</p> <p>92</p> <p>298</p> <p>0</p> <p>5</p> <p>10</p>	<p><i>R (000)</i></p> <p>170 464 397</p>
	Total staff cost excluding contract and temporary staff		R152 169
	Total cost of contractual and temporary staff		R2 759

Reporting Level	Detail	Total	Cost
Overview:	The overview covers the bulk purchase and distribution of electricity		
2.	Total quantity and cost of bulk electricity purchases in kilowatt hours and rand, by consumer category: - Residential - Commercial - Industrial - Steam supplies - Street lighting	1 022 314 734 477 729 035 1 941 579 339 - 56 892 000	R (000) 889 901 903 492 617 748 1 466 693 049 - 27 138 000
3.	Total quantity and receipts for bulk electricity sales in kilowatt hours and rand, by category of consumer: - Household - Commercial - Industrial - Steam Supplies - Street Lighting	1060 030 768 497 219 486 1670 841 748 247 522 954 56 889 774	R (000) 711 715 404 117 1 073 992 973 33 266 21 419
4.	Total year-to-date electricity losses in kilowatt hours and rand	43 599 601	R (000)
5.	Number of households with electricity access, and type and cost of service: Credit meters (29 984), Pre-payment meters (276 492)	306 476	R (000)
Reporting Level	Detail	Total	Cost
	- Electrified areas - Municipal - Eskom	284 938 471	
6.	Number and cost of new connections	5 104	R (000) 25 061 500
7.	Number and cost of disconnections and reconnections Disconnections Reconnections Pre-payment meters blocked Pre-payment meters unblocked	28 493 3 786 52 089 47 517	4 273 950 7 813 350
8.	Number and total value of electrification projects planned and current: - Current (financial year after year reported on) 2010/11 - Planned (future years - 2011/12) - Planned (future years - 2012/13)	5 104 4 089 4 082	25 061 500 25 000 000 30 826 540
9.	Type and number of grants and subsidies received: A – A08 No subsidy received during the 2009/10 financial year. O – D08 J – M09	N/A	R (000) N/A
10.	Total operating cost of electricity distribution function		R2 524 876 379

3.12 Public Safety

Reporting Level	Detail	Total	
		2010/2011	2011/2012
Overview	Includes traffic, licensing and parking control		
Description of activity	The traffic control functions of the Municipality are administered as detailed below.		
Traffic law enforcement	These include all law enforcement activities. <i>The Municipality has a mandate to :</i>		
	<ul style="list-style-type: none"> • Conduct preventative traffic patrols and enforce traffic legislation. • Enforce speed limits • Attend to traffic accidents. • Enforce parking legislation. • Enforce municipal by-laws. 		
	<i>The strategic objectives of this function are to:</i> Ensure the safe and free flow of traffic within the Municipality.		
	Key issues for 2011/2012: Extend the current 18-hour service in Port Elizabeth to a 24-hour service throughout Nelson Mandela Bay.		
	Reduce the number of traffic accidents by 1%		
	Restrict the following offence rates to –		
	- Drunken driving (% offences)	0%	0%
	- Speeding (% offences)	34.6%	34.6%
	- Defective tyres (% offences)	20.5%	20.5%
	- No-stopping areas (incidents per hour)	33.0%	33.0%
- Traffic signals (incidents per hour)	7.2%	7.2%	
- Stop signs (incidents per hour)	12.6%	12.6%	
Driver's Licences	These services include all driver testing functions. <i>The Municipality has a mandate to :</i>		
	<ul style="list-style-type: none"> • Test applicants and issue learner driver's licences 	28737/19596	29560/19058
	<ul style="list-style-type: none"> • Test applicants and issue drivers' licences 	9657/2664	10727/2863
	<ul style="list-style-type: none"> • Renew credit card type drivers' licences 	39937	41806
	<ul style="list-style-type: none"> • Renew and issue professional drivers' licences. 	9906	10611
	<i>The strategic objectives of this function are to:</i> Ensure safety on the road by ensuring a high level of competency amongst vehicle drivers.		
	Key issue for 2011/12: To improve the level of service by reducing waiting times.	6-7 weeks	4 Weeks

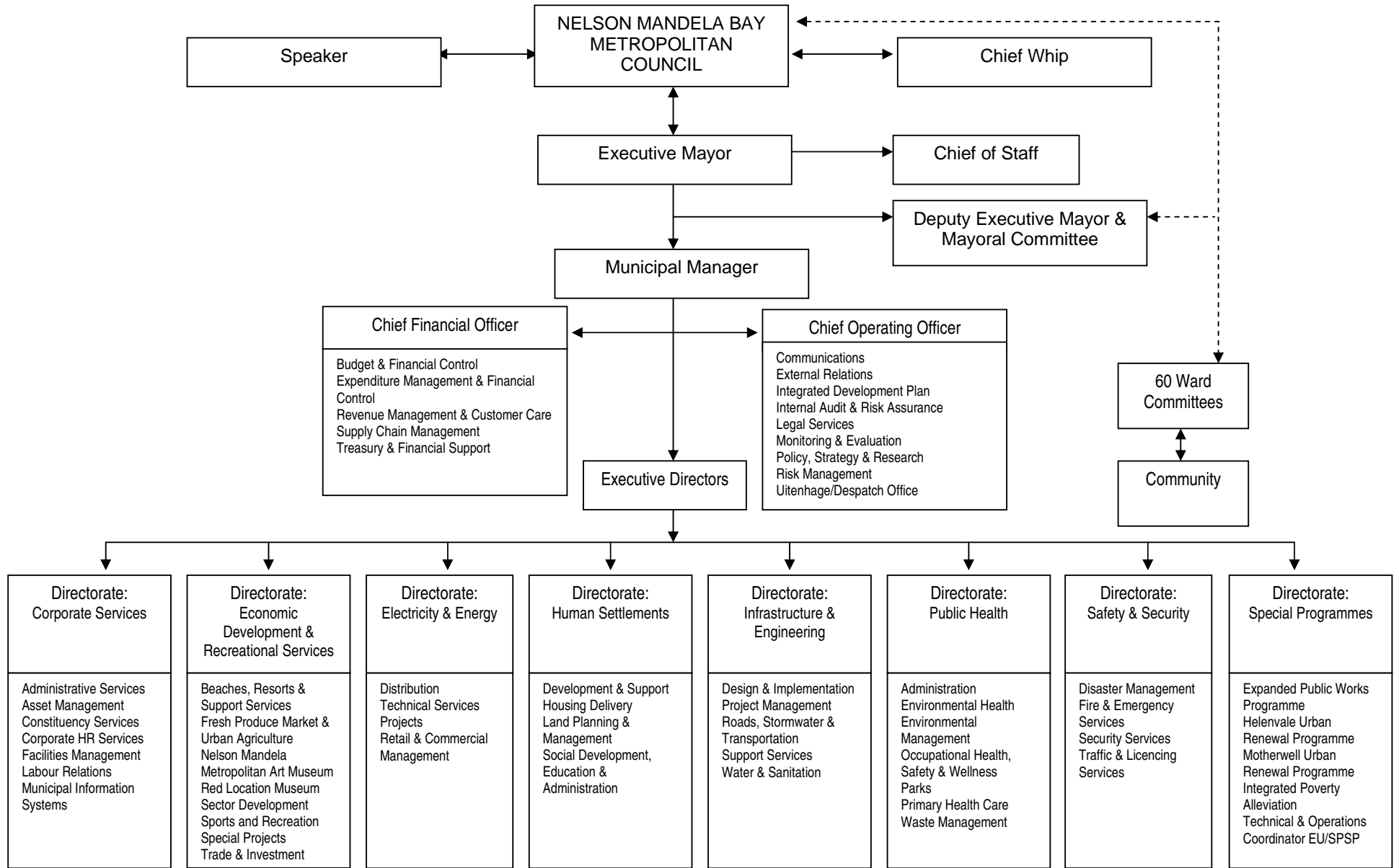
Reporting Level	Detail	Total	
Roadworthy Testing	These services include all vehicle testing functions. <i>The Municipality has a mandate to:</i> Ensure safety on the road by ensuring that vehicles are roadworthy.	878	1733
	<i>Key issues for 2011/12:</i> To improve road safety by testing public and private vehicles for roadworthiness		
Analysis of function	Statistical Information		
1.	Total number of call-outs attended to in :	2010/2011	2011/12
	- Emergency call-outs (complaints and motor vehicle accidents)	4240	9879
2.	Average response time to call-outs :	26.06 min	14:30
3.	Total number of targeted violation, e.g. traffic offences:	2010/2011 offences	2011/2012 offences
	LICENSING OF DRIVERS	14391	15198
	Unlicensed drivers	12681	13191
	Learner drivers – without supervision/carrying passengers	1551	1716
	Other offences regarding driver licensing	159	291
	REGISTRATION/LICENSING OF MOTOR VEHICLES	15800	14709
	Unlicensed/Unregistered motor vehicles	14969	14371
	Other offences regarding registration and licensing	831	338
	MOVING VIOLATIONS	305213	254604
	Driving under the influence of liquor	393	880
	Reckless/Negligent/Inconsiderate driving	2	2
	Speeding offences	271012	232128
	Robot disobedience	1918	2218
	Stop sign disobedience	14487	8564
	Disobedience of other road signs	12174	7253
	Turning when unsafe	230	170
	Turning without signaling	422	539
	Illegal overtaking	299	184
	Changing lanes – endangering traffic	3417	2096
	Entering road/intersection when not safe	95	54
	Other moving violations	764	516
	STOPPING AND PARKING	30575	25309
	Stopping where prohibited	2248	2093
	Causing danger/obstruction	3132	3189
	Parking obstructing vehicle entrances	123	159
	Parking in exclusive parking bays (loading zones, bus zones)	7673	7113
	Parking where prohibited – not mentioned elsewhere	6793	6106
	Parking meter violations	10606	6649
	LOADS AND PROJECTIONS	1912	1830
	Overload – passengers	1283	1220
	Overload – goods	569	552
	Exceeding projection limits	5	6
	Insecure load spillage	55	52
	VEHICLE DEFECTS	8128	7570
	Defective service/parking brakes	315	337
	Defective steering	1	3

Reporting Level	Detail	Total	
	Defective tyres	3069	2755
	Defective silencer	39	34
	Other defects	4704	4441
	SUNDRY	8600	7767
	Public motor vehicle offences	2620	2752
	Municipal by-laws	124	105
	Not wearing seat belts/safety helmets	3187	2307
	Cellphone: use while driving	554	339
	Other offences	2115	2264
	NOTICES	640	1391
	Notice to discontinue use of motor vehicle	66	65
	Written warnings issued	574	1326
	TOTAL	385259	328378
4.	Total number and type of emergencies leading to a loss of life or disaster:	47 fatal traffic accidents	60 fatal traffic accidents
5.	Type and number of grants and subsidies received	None	None
6.	Total operating cost of Police and Traffic function	R153 488 886,00	R148 394 460,00

Annexure “A”

Organisational structure of Nelson Mandela Bay Municipality

ORGANISATIONAL STRUCTURE OF NELSON MANDELA BAY MUNICIPALITY



Annexure “B”

Audit Reports of the Auditor-General

Annexure “B1”

Audit Report of Nelson Mandela Bay Municipality

**REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL LEGISLATURE
AND THE COUNCIL ON THE NELSON MANDELA BAY METROPOLITAN MUNICIPALITY**

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Introduction

1. I have audited the consolidated and separate financial statements of the Nelson Mandela Bay Metropolitan Municipality and its subsidiary set out on pages 241 to 359, which comprise the consolidated and separate statement of financial position as at 30 June 2012, the consolidated and separate statement of financial performance, statement of changes in net assets and the statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the consolidated financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No.56 of 2003) (MFMA), the Division of Revenue Act of South Africa, 2010 (Act No. 6 of 2011, as amended) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these consolidated and separate financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2001) (PAA), the general notice issued in terms thereof and International Standards on Auditing (ISAs). Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated and separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an

opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and separate financial statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for qualified opinion

Irregular expenditure

6. Due to inadequate record keeping and staffing capacity issues within the supply chain management (SCM) unit, I was unable to obtain sufficient appropriate audit evidence to confirm that contracts awarded, that resulted in expenditure in the current financial year, were made in accordance with the requirements of the SCM legislation.

No alternative audit procedures could be performed to obtain reasonable assurance that the expenditure incurred on these awards was not irregular.

Consequently, I was unable to determine whether any adjustment relating to the disclosure of irregular expenditure in note 44.2 to the consolidated financial statements was necessary.

7. Contracts were awarded based on preference points that were not calculated in terms of section 2 of the Preferential Procurement Policy Framework Act, 2000 (Act No.5 of 2000) (PPPFA) and its regulations.

Consequently, irregular expenditure in note 44.2 to the consolidated financial statements is understated by at least R149 054 and it is not practicable to determine the full extent of the understatement as a result of the number of awards made.

8. The allocations with respect to the Integrated Public Transport Systems (IPTTS) grant were not utilised solely for the purpose stipulated in the grant framework as required by section 15(1) of the DoRA.

Consequently, irregular expenditure in note 44.2 to the consolidated financial statements is understated by at least R5,9 million and the full extent of the understatement is impracticable to determine as a result of the volume of transactions processed in respect of the grant.

9. Procurement of goods and services was deliberately split into parts or items of smaller value to avoid complying with the requirements of SCM regulations 19(a) and 36(1).

Consequently, irregular expenditure in note 44.2 to the consolidated financial statements is understated by at least R4,4 million and the full extent of the understatement is impracticable to determine as a result of the number of awards made.

Qualified opinion

10. In my opinion, except for the possible effects of the matters described in the Basis for qualified opinion paragraphs, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the Nelson Mandela Bay Metropolitan Municipality and its subsidiary as at 30 June 2012 and their financial performance and cash flows for the year then ended, in accordance with GRAP and the requirements of the MFMA and DoRA.

Emphasis of matters

11. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Significant uncertainties

12. As disclosed in note 45 to the consolidated financial statements, the municipality is the defendant in a number of lawsuits to the value of R100 million. The municipality is currently opposing these claims, however, the ultimate outcome of these matters cannot currently be determined.
13. As disclosed in note 46.1 to the consolidated financial statements, the council has adopted the recommendations of the Kabuso Report (previously made public on 20 October 2011) on 8 December 2011. The recommendations of the report are in the process of implementation to deal with the possible unauthorised, irregular and fruitless and wasteful expenditure.

Restatement of corresponding figures

14. As disclosed in notes 40 and 41 to the consolidated financial statements, the comparative figures for 30 June 2011 have been restated as a result of a change in accounting policy and errors discovered during the financial year ended 30 June 2012 in the financial statements of the municipality at, and for the year ended, 30 June 2011.

Unauthorised, irregular and fruitless and wasteful expenditure

15. As disclosed in note 44 to the consolidated financial statements, R557,2 million of unauthorised, irregular and fruitless and wasteful expenditure was incurred during the financial year.
16. Unauthorised expenditure amounting to R318,7 million was incurred due to overspending in respect of a number of votes within the approved municipal expenditure budget.
17. Irregular expenditure amounting to R234 million was incurred which related to contraventions of the SCM requirements.

18. Fruitless and wasteful expenditure amounting to R4,5 million was incurred due to the breach of contractual agreements and would have been avoided had reasonable care been exercised.

Transfer of functions

19. As disclosed in note 46.2 to the consolidated financial statements, the operations of the primary health care function are due to be transferred to the provincial Department of Health on 1 July 2012. The function has been accounted for in terms of a discontinued operation. The disposal group comprises all revenue, expenses, assets and liabilities attributable to the provision of health care services.

Material losses/ Impairments

20. As disclosed in note 28 to the consolidated financial statements, bad debts expenditure amounted to R257 million. This is due to bad debt write-offs of R251 million and an increase in the provision for doubtful debts by R6 million.
21. As disclosed in note 35.7 to the consolidated financial statements, an impairment expense of R93 million had been incurred against the "new billing system" due to future service potential no longer being foreseen. The comparative information for fruitless and wasteful expenditure as disclosed note 44 to the consolidated financial statements has been restated to include this amount.
22. As disclosed in note 35.11 to the consolidated financial statements, water losses of 19 272 megalitres (21%) amounting to R127,2 million were incurred during the financial year.

Material under-spending of the budget

23. As disclosed in note 53 to the consolidated financial statements, the municipality has under-spent on its capital budget by R137,7 million. This is further reflected in note 9 to the consolidated financial statements depicting the level of unspent conditional grants at year-end.

Additional matter

24. I draw attention to the matter below. My opinion is not modified in respect of this matter

Unaudited supplementary schedules

25. The supplementary information set out on pages 358 to 359 does not form part of the consolidated financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

Withdrawal from the audit engagement

26. A number of misstatements have been identified in the consolidated financial statements. This, in addition to the limitations imposed on the audit and the significant amount of investigations into alleged irregularities at the municipality, is indicative of possible fraud which calls into question the reliability of evidence obtained and the credibility of the accounting records and documentation. But for the legislated requirement to perform the audit of the municipality I would have withdrawn from the engagement in terms of the ISAs.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

27. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

28. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages 13 to 171 of the annual report.
29. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury *Framework for managing programme performance information* (FMPPI).

The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

30. There were no material findings on the annual performance report concerning the usefulness and reliability of the information.

Additional matter

31. Although no material findings concerning the usefulness and reliability of the performance information were identified in the annual performance report, I draw attention to the following matter below. This matter does not have an impact on the predetermined objectives audit findings reported above.

Achievement of planned targets

32. As reported in the annual performance report, only 60% of the planned targets were achieved during the year under review. The main reasons for the under-achievement were the delays in receipt of funding, a reduction in grant funding received and poor implementation of the budget and inadequate performance monitoring.

Compliance with laws and regulations

33. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the general notice issued in terms of the PAA are as follows:

Annual financial statements

34. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA.
35. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements receiving a qualified audit opinion.

Procurement and contract management

36. Sufficient appropriate audit evidence could not be obtained that:
- goods and services of a transaction value above R0,2 million were procured by means of inviting competitive bids and/or that deviations were approved by the accounting officer only if it was impractical to invite competitive bids, as required by SCM regulation 19(a) and 36(1)
 - invitations for competitive bidding were advertised for a required minimum period of days, as required by SCM regulation 22(1) and 22(2)
 - bid specifications for procurement of goods and services through competitive bids were drafted in an unbiased manner that allowed all potential suppliers to offer their goods or services, as per required by SCM regulation 27(2)(a)
 - bid specifications were drafted by bid specification committees which were composed of one or more officials of the municipality as required by SCM regulation 27(3)

- contracts were awarded to bidders based on points given for criteria that were stipulated in the original invitation for bidding, as required by SCM Regulations 21(b) and 28(1)(a) and Preferential Procurement Regulations
 - bids were evaluated by bid evaluation committees which were composed of officials from the departments requiring the goods or services and at least one SCM practitioner of the municipality as required by SCM regulation 28(2)
 - bid adjudication was always done by committees which were composed in accordance with SCM regulation 29(2)
 - the preference point system was applied in all procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act, 2000 (Act No.5 of 2000) (PPPFA) and SCM regulation 28(1)(a)
 - contracts were awarded to bidders that scored the highest points in the evaluation process, as required by of section 2(1)(f) of PPPFA
 - contracts were only extended or modified after tabling the reasons for the proposed amendment in the council of the municipality, as required by section 116(3) of the MFMA
 - all extensions or modifications to contracts were approved by a properly delegated official, as required by SCM regulation 5
 - construction contracts were awarded to contractors that were registered with the Construction Industry Development Board (CIDB) and qualified for the contract in accordance with section 18(1) of the Construction Industry Development Board Act, 2000 (Act No. 38, 2000) (CIDB Act) and CIDB regulations, 2004 17 and 25(7A)
 - contracts were only awarded to providers whose tax matters have been declared by the South African Revenue Service to be in order as required by SCM regulation 43
 - contracts were awarded only to bidders who submitted a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c)
 - all contracts were awarded in accordance with the legislative requirements and a procurement process which is fair, equitable, transparent and competitive, as the requested tender files could not be provided for audit purposes within the agreed time frames due to inadequate record keeping and the significant number of vacancies within the SCM unit
37. Contracts and quotations were awarded to bidders based on preference points that were not calculated in accordance with the requirements of section 2 of the PPPFA and its regulations.
38. Construction contracts entered into by the municipal entity were not always registered with the CIDB, as required by section 22 of the CIDB Act and CIDB regulation 18.
39. Goods and services of a transaction value above R200 000 were procured without inviting competitive bids as per the requirements of SCM regulation 19(a) and 36(1).

40. Awards were made to providers who are persons in the service of the municipality in contravention of SCM regulations 44.
41. Awards were made to providers who are persons in the service of other state institutions, in contravention of SCM regulations 44. Similar awards were identified in the prior year and no effective steps were taken to prevent or combat the abuse of the SCM process in accordance with SCM regulation 38(1).

Expenditure management

42. Money owing by the municipality was not always paid within 30 days of receiving an invoice or statement, as required by section 65(2)(e) of the MFMA.
43. The accounting officer did not take effective steps to prevent unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.
44. An adequate management, accounting and information system was not in place which recognised expenditure when it was incurred and accounted for creditors as required by section 65(2)(b) of the MFMA.

Human resource management

45. Three acting senior managers were appointed for periods exceeding six months, in contravention of section 56(1)(c) of the Municipal Systems Act, 2000 (Act No. 32 of 2000).

Conditional grants

46. The municipality did not submit MFMA implementation plans to the National Treasury to address weaknesses in financial management, as required by the Division of Revenue Grant Framework, Gazette No.34280.

Asset management

47. All investments were not made in accordance with the requirements of the investment policy, as required by Municipal Investment Regulation 3(3) as investments held at certain financial institutions exceeded 25% of the investment portfolio of the municipality.

Internal control

48. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for qualified opinion and the findings on compliance with laws and regulations included in this report.

Leadership

49. There is a serious lack of permanent and committed leadership within the municipality. This lack of guidance and ultimate instability has filtered through the key functional areas of the institution, resulting in a lack of accountability for poor performance.

50. The leadership failed to maintain the integrity of their system of internal control by not ensuring its enforcement as a result of vacancies at management level. Certain employees in acting positions do not necessarily have the required skills and knowledge and are often not in the position long enough to instil the values of the municipality within the function they are managing.

51. This lack of stable leadership contributed to the significant amount of irregular expenditure incurred.

52. Key staff members are overloaded and do not have sufficient capacity to assist with the audit process throughout the year. This matter is further aggravated due to a lack of a succession plan while these key members are not available.

53. Certain staff members employed in the accounting function do not have sufficient working knowledge of the underlying system and the applicable financial reporting framework.

54. There is an apparent lack of detailed standard operating procedure documents within the municipality. The evidence provided does not adequately deal with the day-to-day running and guidance of the municipality and its staff members (both new and existing).

55. This is a lack of commitment by the leadership to monitor the implementation of action plans to address internal control deficiencies identified by both internal and external audit.

56. Poor implementation of the budget and inadequate performance management resulted in the non-achievement of 40% of the annual performance targets of the municipality.

57. The budgetary process does not take into account the full extent of the non-cash flow items resulting in the over-spending of the approved municipal budget.

Financial and performance management

58. Due to the number of vacancies within the SCM unit, there was a lack of staff to check that the systematic filing method in place for the record keeping of SCM documentation was applied effectively. The majority of requested documentation could not be supplied within the required time frames and as a result the existence of the documentation and occurrence of the transactions could not be confirmed.
59. All creditors are not reconciled due to a lack of receipt of statements. There are inadequate supervisory checks over the creditors reconciliations as a number of errors supporting this have been identified.
60. There is no central point for receipt of invoices, ensuring that all invoices received have been processed, which contributed to delays between the time an invoice is received and the time it is submitted to the creditors department for payment to suppliers.
61. Certain journal vouchers do not contain sufficient supporting documentation to ensure the accuracy and validity of the entries being passed. Persons responsible for the review of journals do not necessarily return journals with inadequate supporting documentation to those who are responsible for the preparation thereof prior to authorisation.
62. Reconciliations of assets and liabilities are performed; however, reconciling items are not always addressed, followed up on nor resolved timeously.
63. The financial statements are not subject to a detailed independent review prior to submission for audit purposes.

Governance

64. A risk assessment was conducted by the municipality and a risk strategy which included a fraud prevention plan was prepared. The risks identified by management were, however, not adequately matched with the appropriate internal controls of the municipality; which contributed to the internal control deficiencies identified during the audit.
65. There is a lack of commitment by the leadership to adequately response to the internal control deficiencies identified by internal audit.
66. The audit committee made numerous recommendations during the year under review to the accounting officer and the mayor relating to the evaluation and monitoring of responses to risk and weaknesses in the internal control environment. However, these recommendations are not adequately acted upon.

OTHER REPORTS**Investigations**

67. As disclosed in note 44 to the consolidated financial statements, investigations into several alleged transgressions are currently in progress and may result in unauthorised, irregular or fruitless and wasteful expenditure.
68. Nineteen investigations, eight of which relate to SCM, were still in progress at year-end. Twenty investigations, three of which related to SCM, were completed during the year. The irregular expenditure relating to these investigations is included in note 44.2 to the consolidated financial statements.

Auditor-General

East London

7 December 2012



**AUDITOR - GENERAL
SOUTH AFRICA**

Auditing to build public confidence

Annexure “B2”

Audit Report of Mandela Bay Development Agency

REPORT OF THE AUDITOR-GENERAL TO THE BOARD OF DIRECTORS AND THE PROVINCIAL LEGISLATURE ON THE FINANCIAL STATEMENTS OF MANDELA BAY DEVELOPMENT AGENCY NPC FOR THE YEAR ENDED 30 JUNE 2012

Introduction

1. I have audited the financial statements of the Mandela Bay Development Agency NPC set out on pages 361 to 385, which comprise the statement of financial position as at 30 June 2012, the statement of financial performance, statement of changes in net assets and the statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Companies Act, 2008 (Act No. 71 of 2008) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issues in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material aspects, the financial position of the Mandela Bay Development Agency NPC (MBDA) as at 30 June 2012, and its financial performance and cash flows for the year then ended in accordance with the SA Standards of GRAP and in the manner required by the MFMA and the Companies Act.

Additional matter

7. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Other reports required by the Companies Act

8. As part of our audit of the financial statements for the year ended 30 June 2012, I have read the directors' report for the purpose of identifying whether there are material inconsistencies between this report and the audited financial statements. This report is the responsibility of the preparer. After reading this report I have not identified material inconsistencies between the report and the audited financial statements. I have not audited the report and accordingly do not express an opinion on it.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

9. In accordance with the PAA and the general notice issues in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

10. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report of the MBDA as set out on pages 430 to 431 of the annual report.
11. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury *Framework for managing programme performance information*.

The reliability of the information in respect of the selected objectives was assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

12. There were no material findings on the annual performance report of the MBDA concerning the usefulness and reliability of the information.

Additional matter

13. Although no material findings concerning the usefulness and reliability of the performance information were identified in the annual performance report, I draw attention to the following matter.

Achievement of planned targets

14. As reported in the annual performance report, only 41% of the planned targets were achieved during the year under review. The reasons for the underachievement include the lengthy public participation process for capital projects that contributed to the late start of many of the capital projects undertaken and the timing of expenditure incurred.

Compliance with laws and regulations

15. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My finding on material non-compliance with specific matters in key applicable laws and regulations as set out in the general notice issued in terms of the PAA is as follows:

Procurement and contract management

16. Construction projects were not always registered with the Construction Industry Development Board (CIDB), as required by section 22 of the CIDB Act, 2000 (Act No. 38 of 2000) and CIDB regulation 18.

Internal control

17. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matter reported below under the fundamentals of internal control is limited to the significant deficiencies that resulted in the finding on compliance with laws and regulations included in this report.

Financial and performance management

18. Management did not properly review and monitor the entity's compliance with laws and regulations. As a result material non-compliance was identified relating to the CIDB and the Municipal Supply Chain Management Regulations, GNR868 of 30 May 2005.

Auditor General

East London
30 November 2012



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure “C”

Financial Statements

Annexure “C1”

**Report by the Acting
Chief Financial Officer
on the Consolidated
Financial Statements**

**NELSON MANDELA BAY METROPOLITAN
MUNICIPALITY**

**REPORT BY THE ACTING CHIEF FINANCIAL OFFICER ON
THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE
FINANCIAL YEAR**

1 JULY 2011 TO 30 JUNE 2012

1. INTRODUCTION

It is a sincere privilege to present the report on the consolidated financial results of the Nelson Mandela Bay Metropolitan Municipality for the financial year ended 30 June 2012.

The report covers the Key Financial Ratios, Capital Expenditure, the overall Operating Results and the Statement of Financial Position. It concludes with a brief summary of the overall results.

1.1 Performance Review

Below is a brief performance overview comparing the financial results, with the financial targets:

	2011/12	2010/11	
Operational Performance	Actual	Actual	Target
<input type="checkbox"/> Actual operating expenditure to budget	99.88%	106%	95%
<input type="checkbox"/> Actual operating income to budget	114.04%	101.31%	95%
<input type="checkbox"/> Capital spending to budget	88.85%	90.50%	95%
<input type="checkbox"/> Personnel Costs to income	24.44%	29.98%	34%
<input type="checkbox"/> Repairs and Maintenance as % of total Operating Expenditure	6.15%	6.47%	7%
<input type="checkbox"/> Debt servicing costs to Annual Operating Income	2.80%	2.81%	15%
<input type="checkbox"/> Net Debtors to Annual Operating Income	6.37%	7.07%	20%
Liquidity			
<input type="checkbox"/> Debtors collection period (days)	144	159	55
<input type="checkbox"/> Debtors Collection Rate	94.46	95.26	93.75%
<input type="checkbox"/> Creditors Turnover (days)	31	32	30

1.2 Key Financial Ratios

This section highlights certain key ratios pertaining to the statement of financial performance and the statement of financial position.

1.3 Statement of Financial Performance

	2011/12	2010/11
1.3.1 <u>Personnel Costs to Income</u>	24.44%	29.98%

Personnel costs to income reflects this category of expenditure as a percentage of total income. It indicates whether effective control is exercised over this expenditure category as reflected in the final results. The actual 2011/12 personnel costs amounted to 24.44%, compared to the target of 34%. This ratio reflects that the personnel costs are within the target of 34%.

1.4 Statement of Financial Position

The ratios in this section indicate the Municipality's financial position.

	2011/12	2010/11
1.4.1 <u>Turnover Rate of Consumer Debtors (days)</u>	144	159

This ratio measures the efficiency with which the municipality collects its outstanding debt and the associated conversion into cash. This ratio reflects a slight improvement compared to the previous year.

	2011/12	2010/11
1.4.2 <u>Consumer Deposits in relation to Consumer Debtors (in days)</u>	17.6	23.4

Consumer deposits are maintained as a security against non-payment by debtors. This ratio reflects how many days of outstanding consumer debtors are covered by cash held as deposits.

The 2011/12 position reflects that 17.6 days of outstanding debtors are covered by consumer deposits, compared to 23.4 days for 2010/11.

2. CAPITAL EXPENDITURE AND CAPITAL FINANCING

2.1 Capital Expenditure¹

Capital expenditure incurred during the 2011/12 financial year, compared with the adjustments budget, is as follows:

¹ Capital expenditure is regarded as any expenditure incurred or incidental to the acquisition or improvement of land, buildings, engineering structures and machinery and equipment. This expenditure normally confers a lasting benefit and results in the acquisition of, or extends the life of a fixed asset or long-term work. It includes vehicles, office furniture and equipment but would exclude minor items that are generally regarded as being expendable even though in some instances their useful lives may extend beyond one year.

Directorate	Adjustments Budget	Actual Expenditure	Variance with Adjustments Budget {over/(under)}
	R'000	R'000	R'000
Infrastructure & Engineering	299 162	276 623	(22 539)
Human Settlements	102 000	75 968	(26 032)
Economic Development & Recreational Services	60 318	33 140	(28 178)
Safety & Security	4 809	4 792	(17)
Corporate Services	36 339	35 704	(635)
Budget & Treasury	27 865	24 405	(3 460)
Public Health	41 706	39 614	(2 092)
Sanitation Services	118 723	103 202	(15 521)
Water Services	410 000	374 708	(35 292)
Electricity & Energy	86 000	91 489	5 489
Chief Operating Officer	12 000	11 449	(551)
Special Projects and Programmes	34 680	25 897	(8 783)
	1 234 601	1 096 993	(137 608)
Entity: Mandela Bay Development Agency (MBDA)	365	234	(131)
	1 234 966	1 097 227	(137 739)

The actual expenditure constituted 88.85% of the 2011/12 Adjustments Capital Budget.

In relation to the under spending of R137 million in the 2011/12 financial year, an amount of R17.4 million was carried over to the 2012/13 financial year as it related to committed expenditure for contracts already awarded. The remaining difference of R120.4 million is mainly attributable to the under spending relating to the Drought relief projects in the amount of R38.1 million and general under spending on various projects.

2.2 Capital Financing

The 2011/12 Capital Expenditure was financed as follows:

	<u>R'000</u>
Capital Replacement Reserve (CRR)	159 048
Grants and Subsidies – National Government	428 123
Grants and Subsidies – Provincial Government	12 740
Provincial Housing Board Subsidies	11 866
Public Contributions	10 190
Urban Settlements Development Grant	<u>475 260</u>
TOTAL	<u>R 1 097 227</u>

3. OPERATING RESULTS

The summarised operating results as at 30 June 2012 are as follows:

	2012		
	Actual R'000	Budget R'000	Variance R'000
REVENUE			
Property rates	929 517	961 565	(32 048)
Service Charges	3 490 744	3 540 253	(49 509)
Interest earned - external investments	59 060	28 000	31 060
Interest earned - outstanding debtors	121 634	81 993	39 641
Fines	25 655	24 119	1 536
Licences and Permits	9 019	7 399	1 620
Government Grants and Subsidies	2 134 442	1 351 061	783 381
Rental of facilities and equipment	15 318	18 431	(3 113)
Income for agency services	1 397	1 402	(5)
Other Income	820 152	656 207	163 944
Total Revenue	7 606 937	6 670 431	936 506
	2012		
	Actual R'000	Budget R'000	Variance R'000
EXPENDITURE			
Employee related costs	1 858 809	1 856 525	2 283
Remuneration of Councillors	49 919	51 083	(1 164)
Bad debts	298 900	282 163	16 737
Collection costs	3 123	3 947	(824)
Contracted services	207 849	194 461	13 388
Depreciation / Amortisation	760 032	720 320	39 712
Impairment of assets	109 211	0	109 211
Repairs and Maintenance	433 228	468 454	(35 226)
Finance Charges	213 160	215 412	(2 252)
Bulk purchases	1 972 513	1 944 128	28 385
Grants and subsidies paid	285 916	370 961	(85 045)
General Expenses	833 236	944 799	(111 563)

	2012		
	Actual R'000	Budget R'000	Variance R'000
Loss on disposal of Property Plant and Equipment	17 431	-	17 431
Share of loss in associate	207	-	207
Total Expenditure	7 043 534	7 052 255	(8 721)
Surplus/ (Deficit) for the year	563 403	(381 824)	945 227

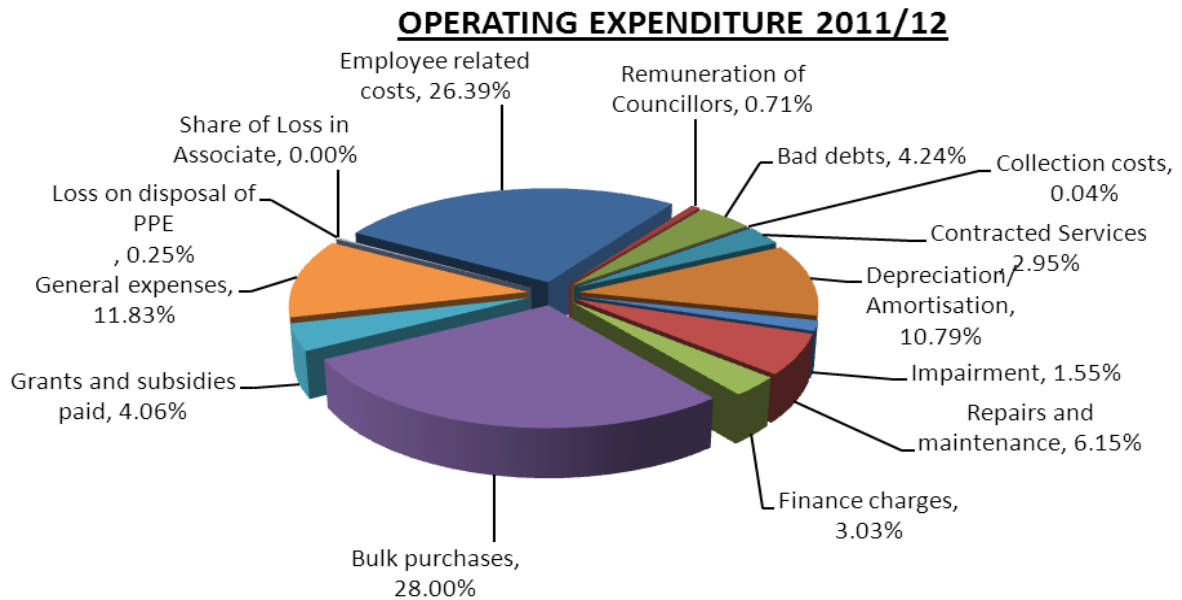
The reasons for the expenditure and revenue variances compared to the budget, are discussed in Section 3.3 of the report.

3.1 Operating Expenditure

The analysis of Council's operating expenditure is as follows:

	<u>R'000</u>	<u>% of Total Expenditure</u>
Employee related costs	1 858 809	26.39%
Remuneration of Councillors	49 919	0.71%
Bad debts	298 900	2.24%
Collection costs	3 123	0.04%
Contracted services	207 849	2.95%
Depreciation/Amortisation	760 032	10.79%
Impairment	109 211	1.55%
Repairs and Maintenance	433 228	6.15%
Finance charges paid	213 160	3.03%
Bulk purchases	1 972 513	28.00%
Grants and subsidies paid	285 916	4.06%
General Expenses	833 236	11.83%
Loss on disposal of Property, Plant and Equipment	17 431	0.25%
Share of loss in associate	207	0.00%
Total Expenditure	7 043 534	100%

The expenditure analysis is reflected in the following graph:



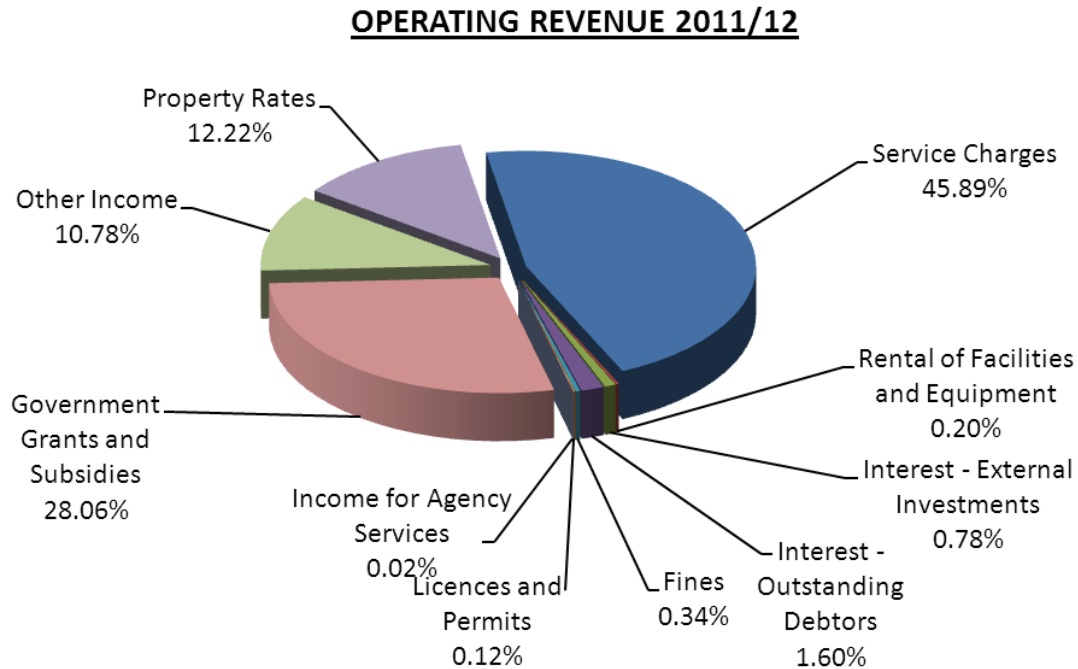
Expenditure such as personnel costs, remuneration of councillors, bulk purchases of electricity and water, general expenses and repairs and maintenance, account for approximately 73.1% of operating expenditure, in relation to which Council has limited capacity to adjust in the short term. This in turn leaves limited flexibility for the adjustment of other expenditure categories.

3.2 Operating Revenue

The analysis of Council's operating revenue is as follows:

	<u>R'000</u>	<u>% of Total Revenue</u>
REVENUE		
Property rates	929 517	12.22%
Service Charges	3 490 744	45.89%
Interest earned - external investments	59 060	0.78%
Interest earned - outstanding debtors	121 634	1.60%
Fines	25 655	0.34%
Licenses and Permits	9 019	0.12%
Government Grants and Subsidies	2 134 442	28.06%
Rental of facilities and equipment	15 318	0.20%
Income for agency services	1 397	0.02%
Other Income	820 152	10.78%
Total Revenue	7 606 937	100.00%

The above breakdown is displayed in the following graph:



Service charges, property rates and grants and subsidies are the major sources of revenue, constituting 86.2% of the municipality's revenue base.

The net operating results are normally reflected in the statement of financial position, which will now be discussed.

3.3 Operating Results - Variances

Total accrued operating expenditure² amounted to R7 043 534, whilst the total accrued income amounted to R7 606 937. This resulted in an excess of accrued operating income over accrued operating expenditure of R563 403 for the year.

After comparing actual accrued expenditure and accrued income with the adjustments budget, the results are attributable to the following:

	R'000	Variance %	R
Expenditure less than budget:			
Remuneration of Councillors	1 164	2.28	
Collection Costs	824	20.88	
Finance Charges Paid	2 252	1.05	
General Expenses	111 563	11.81	

² Expenditure incurred in the daily operations of the organisation, such as remunerating personnel, transport, repairs and maintenance of equipment, etc

	R'000	Variance %	R
Expenditure less than budget (Continued) :			
Grants and Subsidies paid	85 045	22.93	
Repairs and Maintenance	<u>35 226</u>	7.52	236 074
Expenditure greater than budget:			
Employee related costs	(2 283)	(0.13)	
Bad Debts	(16 737)	(5.93)	
Bulk Purchases	(28 385)	(1.46)	
Depreciation/ Amortisation	(39 712)	(5.51)	
Contracted services	(13 388)	(6.88)	
Loss on Disposal of Assets	(17 431)		
Impairment of assets	(109 211)		
Share of loss in associate	<u>(207)</u>		(227 354)
Income in excess of budget:			
Fines	1 536	6.37	
Government Grants and Subsidies	783 381	57.98	
Other Income	163 944	24.98	
Interest Earned – Outstanding Debtors	39 641	48.35	
Interest Earned - External Investments	31 060	110.93	
Licences and Permits	<u>1 620</u>	21.89	1 021 182
Income less than budget:			
Property Rates	(32 048)	(3.33)	
Service charges	(49 509)	(1.40)	
Income for agency services	(5)	(0.36)	
Rental of facilities and equipment	<u>(3 113)</u>	(16.89)	(84 675)
			945 227
Budgeted Deficit			<u>(381 824)</u>
Net accrued surplus for the year			<u>R563 403</u>

Detailed below are the reasons for the more significant variations:

3.3.1 Underspending against budget:

3.3.1.1 Grants and Subsidies paid – R85 045

The under spending is mainly due to work in progress relating to MBDA projects, which had to be capitalised, resulting in an increase in PPE and an equivalent decrease in Grants and Subsidies paid.

3.3.2 Expenditure greater than budget:

3.3.2.1 Impairment of assets – R109 211

The impairment is mainly attributable to the “new billing system” as no future service potential is foreseen.

3.3.3 Income in excess of budget:

3.3.3.1 Interest Earned – Outstanding debtors – R39 641

The interest earned on outstanding debtors was in excess of the budget, due to an increase in outstanding debtors.

3.3.3.2 Interest Earned – External Investments – R31 060

The interest earned on external investments was in excess of the budget, due to an increase in the investment portfolio.

3.3.3.3 Other Income – R163 944

The other income was in excess of the budget, mainly due to long outstanding creditors being transferred to other income.

3.3.3.4 Government Grants and Subsidies – R783 381

The government grants and subsidies was in excess of the budget, due to a change in Accounting Practices, resulting in capital expenditure incurred relating to grant funding being recognised as revenue.

4. STATEMENT OF FINANCIAL POSITION

The statement of financial position indicates the financial results and policies of Council at a particular point in time. It represents a snapshot at year-end to determine the asset worth of the organisation and the extent to which that worth is encumbered.

4.1 Financial Policies

No significant financial policy reviews were undertaken during the year.

4.2 Housing Development Fund

The fund increased by R182 931 (0.17%) from R109.5 million in 2010/11 to R109.7 million in 2011/12.

4.3 Capital Replacement Reserve

The reserve decreased by R38.8 million (89.61%) from R43.3 million in 2010/11 to R4.5 million in 2011/12.

4.4 Donations and Public Contribution Reserve

The fund increased by R10.7 million (3.5%) from R302.8 million in 2010/11 to R313.5 million in 2011/12.

4.5 Government Grant Reserve

The fund increased by R676 million (18.69%) from R3.62 billion in 2010/11 to R4.29 billion in 2011/12, mainly due to funding of expenditure associated with the Integrated Public Transport System (IPTS) and Drought Relief projects.

4.6 Non-current Liabilities

4.6.1 Long Term liabilities³

Long term liabilities amounted to R1.7 billion in 2011/12 compared to R1.8 billion in 2010/11 and is made up as follows:

	2011/12 R'000	2010/11 R'000
External loans	1 734 172	1 831 458
Brookes Bequest	10 922	10 393
Contract Retention Creditors	115	1 037
	<u>R1 745 209</u>	<u>R1 842 888</u>

The decrease is mainly attributable to the repayment of the loans.

4.6.2 Non-Current Provisions

4.6.2.1 Provision for Rehabilitation of Landfill Sites

Provision has been made for the costs relating to the rehabilitation of landfill sites situated at Arlington, Koedoeskloof and Ibhayi. The costs as determined were discounted to the present day costs of rehabilitating the tip sites by adjusting for inflation related increases and applying a discounting factor equivalent to the average cost of borrowing. The discounted rehabilitation costs of landfill sites amounted to R213.2 million as at 30 June 2012. The provision was accordingly determined at R213.2 million, compared to R176.3 million in 2010/11.

³ Long term liabilities consist of mainly external loans repayable over a period of longer than one year after the balance sheet date.

4.6.3 Employee Benefits Provisions

4.6.3.1 Provision for Post Retirement Benefits

This Provision was determined at R1.18 billion, based on an actuarially assessed valuation as at 30 June 2012, compared to R1.08 billion in 2010/11. The provision fully covers the liability relating to post retirement benefits.

4.7. Property, Plant and Equipment

Property, plant and equipment includes infrastructure, buildings, plant and equipment, and amounted to R12.3 billion at year-end, compared to R11.9 billion in 2010/11. The increase of R400 million is mainly attributable to the construction and upgrading of Infrastructure Assets.

4.8. Investment Property

Investment property includes land and buildings and amounted to R180 million at year-end, compared to R71.8 million in 2010/11.

4.9. Cash and Investments

Investments and short-term investment deposits amounted to R1.2 billion at year-end, compared to R486 million in 2010/11.

The total amount invested, contains certain monies earmarked for specific purposes, over which Council has limited discretion.

4.10. Debtors

Debtors amounted to R1 759 190 673 before the deduction of the Provision for Doubtful Debts of R1 274 825 975.

The relatively high level of outstanding debtors is a source of concern for the following main reasons:

- it impacts on the ability to spend on infrastructure development required for anticipated economic growth and to address service backlogs in the underdeveloped areas;
- it influences Council's credit rating;
- it limits the ability to budget for growth;
- it affects tariffs negatively, requiring higher than inflation increases.
- it influences the level of expenditure on the maintenance of assets.

The inability to collect outstanding debts timeously is reflected in the debtors' collection period. The situation is as follows:

4.10.1 Average Debtors' Collection Period for Electricity, Water, Refuse, Sewerage and Property Rates

	<u>2011/12</u>	<u>2010/11</u>
Debtors (R'000)	1 759 191	1 732 171
Tariff Income and Rates (R'000)	3 490 744	3 121 530
Number of Days	144	159
Target	55	55

The following measures have been implemented to arrest the growth in arrear debtors:

- The Revenue Enhancement Strategy is being implemented to improve revenue collection.

5. OVERALL RESULTS AND COMMENTS

The overall financial results are generally considered to be acceptable. In order to sustain this situation the maintenance of sound financial management practices is required as well as mitigating the risks that impact on financial sustainability by instituting appropriate measures to address such risks.

The present risks are essentially the following:

- Continued non-payment of accounts by debtors.
- The requirement to contain personnel costs.
- Non-compliance with sound financial management practices.
- Limited spending on the maintenance and renewal of infrastructure assets.
- Possible acceptance by the municipality of unfunded mandates, such as the provision of Housing, Roads and Library Services.
- Replenishment of the Capital Replacement Reserve.
- Insufficient cashbacking of the 2012/13 Budget and subsequent budgets.
- The need to enhance the Municipality's revenue base.

Annexure “C2”

Audited Consolidated Financial Statements

**NELSON MANDELA BAY METROPOLITAN
MUNICIPALITY**


CONSOLIDATED FINANCIAL STATEMENTS

For the year ended

30 June 2012

I am responsible for the preparation of these financial statements, which are set out on pages 243 to 359, in terms of section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, as disclosed in note 27 of these consolidated financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Cooperative Governance and Traditional Affairs' determination in accordance with the Act.



7 December 2012

**DR I TSATSIRE – (Doctor's degree in Philosophiae
M Tech – Public Management, B Tech Public Administration)**

Date

Acting Municipal Manager

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS****INDEX****Page**

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NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2012

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	Local Government
Mayoral Committee	
Executive Mayor	Cllr Zanoxolo Wayile
Councillors	Cllr N.N. Sihlwayi (Deputy Executive Mayor) Cllr M.E. Hermans (Speaker) Cllr F. T. Sibeko (Chief Whip) Cllr A.C.G. Mfunda (Infrastructure and Engineering and Electricity and Energy) Cllr N.S. Magopeni (Corporate Services) Cllr W. Jikeka (Safety and Security) Cllr T.B. Mafana (Constituency Services) Cllr T. H. Ngcolomba (Economic Development, Tourism and Agriculture) Cllr B. Lobishe (Sport, Recreation, Arts and Culture) Cllr P.M. Ndlovu (Public Health) Cllr F. Desi (Human Settlements) Cllr B. Naran (Budget and Treasury)
Accounting Officer (Acting Municipal Manager)	Themba Hani
Chief Financial Officer (CFO) - Acting	Selwyn Thys
Chief Operating Officer (COO)	Dr Israel Tsatsire
Chief of Staff	Bheza Ntshona
Executive Directors	Tembisa Nompandana (Acting - Corporate Services) Zolile Siswana (Economic Development and Recreational services) Dr Elizabeth Chabula-Nxiweni (Public Health) Koslin Naicker (Acting - Housing and Land) Peter Nielson (Acting - Electricity and Energy) Walter Shaidi (Acting - Infrastructure and Engineering) Henning Hansen (Acting - Strategic Programmes Unit) Shane Brown (Acting - Safety and Security)
Registered Office	1 st Floor City Hall Govan Mbeki Avenue Port Elizabeth 6001
Business Address	1 st Floor City Hall Govan Mbeki Avenue Port Elizabeth 6001

Postal Address	P O Box 116
	Port Elizabeth
	6000
Bankers	Standard Bank of South Africa
Auditors	Auditor-General (SA)
Physical Address of Auditors	Walmer Park House
	16 th Avenue
	Walmer
	Port Elizabeth
	6070
Postal Address of Auditors	P O Box 210917
	The Fig Tree
	Port Elizabeth
	6033

ACCOUNTING POLICIES OF THE ECONOMIC ENTITY TO ACCOMPANY ITS FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1. BASIS OF PREPARATION and STATEMENT OF COMPLIANCE

The Consolidated Financial Statements are prepared on the accrual basis of accounting and the transactions, assets and liabilities included in the financial statements are measured at cost unless otherwise stated.

These Consolidated Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

These Consolidated Financial Statements have been prepared in accordance with the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3.

The principal accounting policies adopted in the preparation of these Consolidated Financial Statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's Consolidated Financial Statements, unless explicitly stated. The effects on the comparative year of changes in accounting policies are disclosed in Note 40.

1.1 Consolidated financial statements

The Economic Entity's financial statements incorporate the financial statements of the parent entity, Nelson Mandela Bay Entity and all its municipal entities, presented as a single entity and consolidated at the same reporting date as the parent entity.

The controlled entities have the same reporting date and reporting period as the controlling entity.

All inter-entity transactions and balances, unrealised gains and losses within the Economic Entity are eliminated upon consolidation. Where appropriate, the accounting policies of controlled entities conform to the policies adopted by the Economic Entity.

1.2 Municipal entities

Municipal entities are all controlled entities over which the Economic Entity has ownership control or effective control to govern the financial and operating policies of such controlled entities to benefit from its activities.

2. PRESENTATION CURRENCY

These Consolidated Financial Statements are presented in South African Rand.

3. GOING CONCERN ASSUMPTION

These Consolidated Financial Statements have been prepared on a going concern basis.

4. COMPARATIVE INFORMATION

4.1 Current year comparatives (Budget)

Budgeted amounts have been included in the Consolidated Financial Statements for the current and previous financial years. Refer to Note 52 of the Notes to the Consolidated Financial Statements.

4.2 Prior year comparatives

When the presentation or classification of items in the Consolidated Financial Statements is amended, prior period comparative amounts are reclassified and restated. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

Where there has been a change in accounting policy in the current year and the standards require retrospective adjustment, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

The nature and reasons for the reclassifications and restatements are disclosed in Note 40 to the Consolidated Financial Statements.

5. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

STANDARDS

The following revised and newly approved Standards of GRAP have been approved and issued by the Accounting Standards Board but only become effective in the future or have not been given an effective date by the Minister of Finance. The Entity has not early-adopted any new Standards or revised Standards of GRAP but has in some cases referred to them for guidance in developing appropriate accounting policies in accordance with the requirements of Directive 5: Determining the GRAP Reporting Framework.

Standard number	Standard name	Effective date (if applicable)
GRAP 1 (revised)	Presentation of Financial Statements	1 April 2013
GRAP 3 (revised)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2013
GRAP 9 (revised)	Revenue from Exchange Transactions	1 April 2013
GRAP 12 (revised)	Inventories	1 April 2013
GRAP 13 (revised)	Leases	1 April 2013
GRAP 16 (revised)	Investment Property	1 April 2013
GRAP 17 (revised)	Property, Plant and Equipment	1 April 2013
GRAP 18	Segment Reporting	No effective date
GRAP 20	Related Party Disclosures	No effective date
GRAP 21	Impairment of Non-cash-generating Assets	1 April 2012
GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers)	1 April 2012
GRAP 24	Presentation of Budget Information in Financial Statements	1 April 2012
GRAP 25	Employee Benefits	1 April 2013
GRAP 26	Impairment of Cash-generating Assets	1 April 2012
GRAP 103	Heritage Assets	1 April 2012
GRAP 104	Financial Instruments	1 April 2012
GRAP 105	Transfer of Functions Between Entities under Common Control	No effective date

Standard number	Standard name	Effective date (if applicable)
GRAP 106	Transfer of Functions Between Entities not under Common Control	No effective date
GRAP 107	Mergers	No effective date

GRAP 18 - Segment Reporting

Requires additional disclosures on the various segments of the business in a manner that is consistent with the information reported internally to management of the entity. The precise impact of this on the financial statements of the Entity is still being assessed but it is expected that this will only result in additional disclosures without affecting the underlying accounting. The standard does not have an effective date yet.

GRAP 20 – Related Party Disclosures

The objective of this standard is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties. It is expected that adoption of this standard will result in additional disclosures. The standard does not have an effective date yet.

GRAP 21 – Impairment of Non-Cash Generating Assets

This standard becomes effective for years beginning on or after 1 April 2012 and will only be formally adopted on that date. It determines the requirements and provides additional guidance on how to impair non-cash generating assets, being assets that are not held to generate any sort of commercial benefit. In particular, it provides guidance on how to determine an asset's recoverable service amount in the absence of any future cash flows.

The Entity has considered the principles set by this standard in developing its general asset impairment (including both cash generating and non-cash generating assets) policy and therefore does not expect any significant changes in how assets will be accounted for or disclosed when the standard becomes effective.

GRAP 23 – Revenue from Non-Exchange Transactions

This standard becomes effective for years beginning on or after 1 April 2012 and will only be formally adopted on that date. It determines the requirements and provides additional guidance on how to account for revenue from non-exchange transactions. In particular, it requires the entity to recognise revenue from grants received, to the extent that there are no further conditions attached to the grant that give rise to an obligation to repay. Most of the grants received by the Entity are

conditional grants and revenue is currently only recognised when the conditions associated with the respective grants are met and therefore it is not expected to have a significant impact on the financial statements when it becomes effective.

GRAP 24 – Presentation of Budget Information in the Consolidated Financial Statements

This standard becomes effective for years beginning on or after 1 April 2012. It determines the specific requirements and provides additional guidance on how to present a comparison between budgeted and actual amounts in the financial statements, as required by GRAP 1. This is expected to add significantly to the level of disclosures currently being provided in terms of the interim guidance on minimum budget information from the Accountant General's Office.

GRAP 25 – Employee Benefits

This standard prescribes similar requirements to those in terms of IAS 19: Employee Benefits. Since IAS 19 has been applied in developing the current accounting policy, no significant impact on the financial statements of the Entity is expected. This standard is effective for financial years beginning on or after 1 April 2013.

GRAP 26 – Impairment of cash-generating assets

This standard becomes effective for years beginning on or after 1 April 2012 and will not be early adopted. It determines the requirements and provides additional guidance on how to impair cash generating assets, being assets that are expected to generate a commercial benefit. The standard requires a similar treatment to that currently required by IAS 36, the principles of which have already been incorporated into the accounting policies of the Entity in the prior year. As a result, the impact of this standard becoming effective is expected to be limited.

GRAP 103 – Heritage Assets

This standard becomes effective for periods beginning on or after 1 April 2012 and has not been early adopted. It determines requirements for accounting for heritage assets. Heritage assets are defined as assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations. The Entity currently recognises all its heritage assets at cost and includes heritage assets with property, plant and equipment other than library books meeting the definition of heritage assets. Such heritage library books have not been recognised to date. The key impact of GRAP 103 will therefore be changes in disclosures and the recognition of additional heritage assets, namely the library books referred to in the previous sentence.

GRAP 104 – Financial Instruments

This standard will introduce some relatively significant changes when compared to IAS 39, especially in the way financial assets are classified and treated. The key principles established by this standard have already been utilised to develop appropriate accounting policies for accounting for financial instruments and therefore it is not expected to have a significant impact on the financial statements when it becomes effective (refer accounting policy Note 12). This standard becomes effective for periods beginning on or after 1 April 2012.

GRAP 105 – Transfer of Functions between Entities Under common Control

This standard provides the accounting treatment for transfers of functions between entities under common control. However, the impact on the Entity's financial statements is not expected to be significant because the Entity rarely enters into such transactions. The standard is only expected to have an impact on the Entity in respect of any future transfers of functions. This standard does not yet have an effective date.

GRAP 106 – Transfer of Functions between Entities Not Under common Control

This standard deals with other transfers of functions (i.e. between entities not under common control) and requires the entity to measure transferred assets and liabilities at fair value. The key principles established by this standard have been utilised to develop an appropriate accounting policy for transfers of functions for entities not under common control and therefore it is not expected to have a significant impact on the financial statements when it becomes effective. This standard does not have an effective date yet.

GRAP 107 – Mergers

This standard deals with requirements for accounting for a merger between two or more entities and is unlikely to have an impact on the financial statements of the Entity in the near future. This standard does not yet have an effective date.

INTERPRETATIONS

The following interpretations have been approved and issued by the Accounting Standards Board but only become effective in the future or have not been given an effective date by the Minister of Finance. These interpretations are expected to have an insignificant impact on the financial statements since they generally reflect the interpretation and principles already established under GRAP.

Standard number	Standard name	Effective date (if applicable)
IGRAP1 (replacement)	Applying the probability test on initial recognition of revenue	1 April 2013
IGRAP7	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction	1 April 2013
IGRAP11	Consolidation - Special Purpose Entities	Effective date of GRAP 105/106/10 (once determined)
IGRAP12	Jointly Controlled Entities - Non-Monetary Contributions by Venturers	Effective date of GRAP 105/106/10 (once determined)
IGRAP 16	Intangible Assets – Website Costs	1 April 2013

6. SIGNIFICANT JUDGEMENTS

In the process of electing the Entity's accounting policies management has made the follow significant judgements:

Policies not covered by Directive 5

In respect of accounting standards for material transactions, events or conditions not covered by Directive 5: Determining the GRAP Reporting Framework, the Entity has developed accounting policies in accordance with paragraphs 8, 10 and 11 of GRAP 3.

Financial Instruments

In the prior year, the Entity elected to formulate an accounting policy based on GRAP 104, which was approved but not yet effective. The reason for this is that GRAP 104 was written with public sector focus and therefore more relevant to the operations of the Entity.

Employee Benefits

For consistency and comparability, the Entity has elected to construct a policy note based on IAS 19 Employee Benefits because in prior years the policy was based on IAS 19 Employee Benefits.

Impairment of Assets

The Entity has elected to continue applying IAS 36 Impairment of Assets with respect to impairment of cash generating assets.

The Entity has elected to continue applying GRAP 21 Impairment of Non-Cash Generating Assets with respect to impairment of non-cash generating assets.

Non-exchange revenue

The Entity used paragraphs .29-.35, .39-.54, .61(b)(iii), (vi), (viii), (ix) and .62(a) and (b) of GAMAP 9 on Revenue (see paragraph .44 of GRAP 9) to account for government grants, transfers, equitable share allocations, property rates, fines and donations received by it.

Transfer of functions between Entities not under common control

The Entity has elected to formulate an accounting policy based on GRAP 106, which has been approved but does not have an effective date. The key reason for the opting to use the GRAP 106 standard is because:

- The Entity will be required to apply GRAP 106 in the future.
- The Entity has not entered into similar transactions in the past.
- The treatment will therefore be consistent when the GRAP standard becomes effective.
- Directive 5 specifically allows for the use of GRAP 106

Other key judgements

Provisions and contingent liabilities

Management judgement is required when disclosing and measuring provisions and contingent liabilities. Provisions have been discounted where the effect of discounting is material. Refer to accounting policy Note 11.

Operating lease commitments – the Entity as lessor

The Entity has entered into commercial property leases on its investment property portfolio. The Entity has determined that it retains all the significant risks and rewards of ownership of these properties and therefore has continued to recognise the investment properties.

GRAP 5 Borrowing Costs

The Entity has determined that it is inappropriate to capitalise borrowing costs, as it is unable to establish a clear link between borrowing costs and numerous individual assets falling within the

broader range of specific capital projects. The Entity is able to link borrowings to the specific capital projects. Refer to accounting policy Note 20.

Management's Going Concern Assessment

Management considered the following matters relating to the Going Concern:

On 22 June 2012, the Council adopted the 2012/13 to 2014/15 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash backed over the three-year period.

The Entity's Budget is subjected to a very rigorous independent assessment process to assess its cash backing status before Council ultimately approves it. Furthermore, strict daily cash management processes are embedded in the Entity's Operations' to manage and monitor all actual cash flows in terms of the cash flow forecast supporting the Budget. The cash management processes is complemented by weekly and monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be implemented.

The Entity developed a Financial Recovery Plan to address the cash flow challenges experienced at the beginning of the 2010/11 financial year. This plan has resulted in the Entity improving its cash and cash equivalents position from a projected R 59,9 million in 2010/11 to R 1.12 billion as at the end of June 2012. The Entity secured a bank overdraft of R 450 million to cover short-term cash shortfalls, if required – to date this facility has not been used.

Because the Entity has the power to levy fees, tariffs and charges, it will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned, into account, Management has prepared the Consolidated Financial Statements on the Going Concern basis.

7. SIGNIFICANT ESTIMATES AND ASSUMPTIONS

In the process of preparing the Entity's Consolidated Financial Statements, management has made the following key estimates and assumptions:

Provision for Rehabilitation of Refuse Landfill Sites

The Entity has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost. The cost factors as determined have been applied and projected at an inflation rate of 5.50% (2011: 5.00%) and discounted to the present value:

- a) For landfill sites with a remaining operating life of less than 5 years, at the average short term borrowing cost of 11.04% (2011: 11.14%).
- b) For landfill sites with a remaining operating life of greater than 5 years, at the average long-term treasury bond rate 2.38% (2011: 4.09%).

Provision for Rehabilitation of Swartkops River

The provision is in relation to the Entity's obligation to address the environmental pollution of the Swartkops River. The provision is based on the estimated costs to carry out the rehabilitation work of a wetland beside the Swartkops River, which was present valued at a rate of 11.04% (2011 11.00%).

Pension and other post-employment benefits

The cost of defined benefit pension plans, other post employment medical benefits, and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. For key assumptions, refer Note 47 of the Consolidated Financial Statements.

Property, plant and equipment

The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives and in what condition they will be at that time.

Inventory

The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir. Refer to accounting policy Note 17.

Heritage Assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated as these assets are considered to have indefinite lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

8. HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Entity were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes both complete and in progress as at 1 April 1998, were transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

9. RESERVES

The Entity maintains various internal reserves in terms of specific requirements.

Capital Replacement Reserve (CRR) – Internal reserve administered within the Accumulated Surplus for control purposes.

In order to finance the provision of infrastructure and other items of property, plant and equipment, investment property and intangible assets from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR in terms of a Council resolution.

The amount transferred to the CRR is based on the Entity's need to finance future capital projects included in the Integrated Development Plan.

The following provisions are set for the creation and utilisation of the CRR:

- The cash funds that support the CRR are invested until utilised. The cash may only be invested in accordance with the investment policy of the Entity.
- The CRR may only be utilised to finance purchasing items of property, plant and equipment, investment property and intangible assets and may not be used for the maintenance of these items.
- Whenever the CRR is utilised, the CRR is reduced by an amount equal to the cost price of the asset and the accumulated surplus is credited by a corresponding amount.
- If a profit is made on the sale of assets, the profit on these assets is reflected in the Statement of Financial Performance and is then transferred, via the Statement of Changes in Net Assets, to the CRR, if it is cash backed.

Capitalisation Reserve (CR) – Internal reserve administered within the Accumulated Surplus for control purposes.

With the implementation of GAMAP, the balance on certain funds created in terms of the various Provincial Ordinances applicable at the time that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a CR instead of the accumulated surplus/ (deficit) in terms of a directive (Circular no. 18) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that transfers from this reserve to the accumulated surplus / (deficit) offset the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment.

When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/ (deficit).

When an item of property, plant and equipment is disposed of, the balance in the Capitalisation Reserve, relating to such item is transferred to the accumulated surplus/ (deficit).

Donations and Public Contributions Reserve – Internal reserve administered within the Accumulated Surplus for control purposes.

When items of property, plant and equipment, investment property and intangible assets are financed from public contributions and donations, a transfer is made from the accumulated surplus/

(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment, investment property and intangible assets are depreciated or amortised, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/ (deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment, investment property and intangible assets financed from donations and public contributions.

When an item of property, plant and equipment, investment property and intangible assets is disposed of, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/ (deficit).

Self - Insurance Reserve – Internal reserve administered within the Accumulated Surplus for control purposes.

A Self-Insurance Reserve exists to provide cover for selected risks including fire, storm, workmen's compensation, public liability and motor vehicles. The reserve is re-insured externally to cover major losses.

Premiums are charged to the respective Directorates at market related rates, taking into account past experience of claims and replacement values of the insured assets.

The reserve covers the first R10 million in respect of fire insurance, R5 million in respects of public liability insurance and R3 million in respect of fidelity guarantee insurance, of any one claim.

The maximum aggregate exposure during any one year in respect of public liability insurance amounts to R10 million and in respect of fidelity guarantee insurance amounts to R17 million. There is no maximum aggregate exposure in respect of fire insurance.

Claims in excess of the above maximum aggregate exposures are covered by re-insurance.

Compensation for Occupational Injuries and Diseases (COID) Reserve

The Entity has been exempted from making monthly contributions to the Compensation Commissioner for Occupational Injuries and Diseases in terms of Section 84 of the COID Act, but

is required to maintain a reserve of R10 million. This reserve is subject to Consolidated review by the Commissioner.

The certificate of exemption issued by the Commissioner and as prescribed by the Compensation for Occupational Injuries and Diseases Act (No. 130 of 1993), requires that the Entity deposit cash and/or securities relating to COID with the Commissioner. The market values of which in aggregate, shall not be less than the capitalised value of the continuing liability of the Entity as at 31 December of each year.

The continuing liability is that of pensions, with the capitalised value being determined based on an actuarial determination as prescribed by the Commissioner. A COID reserve has been established to be equal to or greater than the value of the continuing liability. The Commissioner determines the market value of the securities consolidatedly and the Entity is required to meet any shortfall in the aggregate value of the securities as at 31 December. Monthly pensions are funded by transferring funds out of the COID reserve to Accumulated Surplus in the Statement of Changes in Net Assets.

Government Grant Reserve – Internal reserve administered within the Accumulated Surplus for control purposes.

When items of property, plant and equipment, investment property and intangible assets are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grant Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment, investment property and intangible assets are depreciated or amortised, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government funded items of property, plant and equipment, investment property and intangible assets are offset by transfers from this reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment, investment property and intangible assets financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/ (deficit).

10. EMPLOYEE BENEFIT OBLIGATIONS

Remuneration to employees is recognised in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs.

The costs of all short-term employee benefits, such as leave pay, are recognised in the period the employee renders the related service.

Short-term employee benefits are measured on an undiscounted basis.

Leave pay accrual

The liability is based on the total amount of leave days due to the employees at reporting date and on the total remuneration package of the employees.

Gratuity Provision

A provision in respect of the liability relating to gratuities payable to employees that were not previously members of a pension fund is maintained. The gratuity is payable by Council to wage earners who joined the Entity before 1988. The Council decided to make gratuity payments to these employees upon retirement. The amount payable is based on the individual employee wage rate and the number of years in service until the employee joined a pension fund. The provision is determined with reference to minimum wage rate applicable immediately prior to joining the pension fund multiplied by number of year's service and adjusted consolidatedly based on the average interest earned on investments.

Provision for Performance Bonuses

A provision in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees is maintained.

Long service awards

Employees who have completed 25 years unbroken service are entitled to receive a once-off cash award not exceeding R2,500. The cash award is included in the employee's salary in the month of the service anniversary. No provision is raised because this is a non-vesting condition.

Retirement benefits

The Entity provides retirement benefits for its employees and councillors.

Defined contribution plans are post employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

Defined benefit plans are post-employment benefit plans other than defined contribution plans. The cost of providing benefits under the defined benefit plans is determined separately for each plan, using the projected unit credit method. Independent Actuaries conduct actuarial valuations on a regular basis for each plan.

Multi-employer plans are treated as defined contribution plans. Refer to accounting policy note 47.

The actuarial gains or losses are recognised in the Statement of Financial Performance in the year incurred.

The past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits have already vested, immediately following the introduction of or changes to a pension plan, past service costs are recognised immediately.

The defined benefit asset or liability comprises the present value of the defined benefit obligation (further detail is available in Note 47), less past service costs not yet recognised and less the fair value of plan assets out of which the obligations are to be settled. Plan assets are assets that are held by long-term employee benefit funds or qualifying insurance policies. Plan assets are not available to the creditors of the Entity nor can they be paid directly to the Entity.

Fair value is based on market price information and in the case of quoted securities; it is the published bid price. The value of any defined benefit asset recognised is restricted to the sum of any past service costs and actuarial gains and losses not yet recognised and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan. It should be noted that there are currently no plan assets.

Medical Aid: Continued Members

The Entity provides post-retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the Medical Aid Funds with which the Entity is associated, a member, on retirement, is entitled to remain a continued member of such medical aid fund. Should the member opt to remain on the fund, the member is liable for the portion as determined by Council from time to time, of the medical aid membership fee and the Entity for the remaining portion.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution.

The liability in respect of current pensioners is regarded as fully accrued and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation.

The actuarial gains or losses are recognised in the Statement of Financial Performance in the year incurred. Independent Actuaries conduct actuarial valuations on a regular basis for each plan.

11. PROVISIONS

Provisions are recognised when the Entity has a present obligation (legal or constructive) as a result of past events and it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date (for example in the case of obligations for the rehabilitation of land). The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost.

If the effect of the time value of money is material, provisions are discounted using a rate that reflects, where applicable, the risk of the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that there will be an outflow of resources embodying economic benefits or service potential to settle the obligation, the provision is reversed.

Future events that may affect the amount required to settle an obligation are reflected in the provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- a) The Entity has a detailed formal plan for the restructuring identifying at least:
 - The business or part of a business concerned; the principal locations affected.
 - The location, function, and approximate number of employees who will be compensated for terminating their services.
 - The expenditures that will be undertaken.
 - When the plan will be implemented.
- b) The Entity has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The Entity does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

12. FINANCIAL INSTRUMENTS

Initial Recognition

The Entity recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, the Entity becomes a party to the contractual provisions of the instrument.

A financial instrument or its component parts is classified on initial recognition as a financial liability, a financial asset or residual interest in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and a residual interest.

The Entity evaluates the terms of a financial instrument to determine whether it contains both a liability and residual interest component. Such components are classified separately as financial liabilities or residual interests.

Initial Measurement

When a financial asset or financial liability is recognised initially, the Entity measures it at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example where interest free credit is granted or where credit is granted at a below market rate of interest.

Subsequent Measurement

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost.

All financial assets and financial liabilities are measured after initial recognition using the following categories:

- a) Financial instruments at fair value.
 - Instruments held for trading.
 - Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition.
 - Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

- b) Financial instruments at amortised cost.

Non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that the Entity designates at fair value at initial recognition or are held for trading.

- c) Financial instruments at cost.

Investments in residual interests that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

The Entity assesses which instruments should be subsequently measured at fair value, amortised cost or cost, based on the definitions of financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost as set out above.

Concessionary loans

An entity first assesses whether the substance of a concessionary loan meets the definition of a financial instrument. On initial recognition, an entity analyses a concessionary loan into its component parts and accounts for each component separately. An entity accounts for that part of a concessionary loan that is:

- a) A social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- b) Non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

The part of the concessionary loan that is a social benefit or non-exchange revenue is determined as the difference between the fair value of the loan and the loan proceeds, either paid or received.

After initial recognition, an entity measures concessionary loans in accordance with the subsequent measurement criteria set out for all financial instruments.

Derecognition

A financial asset or the specifically identified cash flows of an asset are derecognised, when:

- a) The cash flows from the asset expire, are settled or waived;
- b) Significant risks and rewards are transferred to another party; or
- c) Despite having retained significant risks and rewards, the entity has transferred control of the asset to another entity.

A financial liability is derecognised when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where the terms of an existing financial liability are modified, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired or through the amortisation process.

Offsetting

The Entity does not offset financial assets and financial liabilities in the Statement of Financial Position unless a legal right of set-off exists and the parties intend to settle on a net basis or to realise the asset and settle the liability simultaneously.

Impairment of financial assets

All financial assets measured at amortised cost, or cost are subject to an impairment review. The Entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For financial assets held at amortised cost:

The Entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If an entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal may not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

For financial assets held at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Such impairment losses are not reversed.

Policies relating to specific financial instruments

Investments at amortised cost

Investments, which include fixed deposits and short-term deposits invested in registered commercial banks, are categorised as financial instruments at amortised cost and are subsequently measured at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

Investments at fair value

Investments, which represent listed investments in equity for which fair value can be measured reliably, are subsequently measured at fair value.

Gains and losses in the fair value of such investments are recognised in the Statement of Financial Performance.

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost.

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks.

Trade and other receivables

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost, less provision for impairment.

Bad debts are written off in the year in which they are identified as irrecoverable, subject to the approval of the Council. Amounts receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

Trade and other payables

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost using the effective interest method.

13. PROPERTY, PLANT AND EQUIPMENT

Initial recognition and measurement

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes and are expected to be used during more than one year.

Items of property, plant and equipment are recognised when it is probable that future economic benefits or service potential associated with the item will flow to the Entity and the cost or fair value of the item can be measured reliably.

Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Entity. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a similar asset, the acquired asset is initially measured at the carrying value of the asset given up.

Where an item of property, plant and equipment is acquired in exchange for a dissimilar asset, the acquired item is initially measured at the fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Entity expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Subsequent measurement

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Entity replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequent expenditure including major spare parts and servicing equipment qualify as property, plant and equipment if the recognition criteria are met.

Depreciation

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The Entity maintains and acquires assets to provide a social service to the community, with no intention of disposing of the assets for any economic gain and thus residual values are determined to be nil other than for motor vehicles.

The assets' residual values, useful lives and depreciation methods are reviewed at each financial year-end and adjusted prospectively if appropriate.

The Consolidated depreciation rates for the current and previous year are based on the following average asset useful lives:

Land & Buildings	Useful Life Range in Years
Buildings	15 - 50
Land	Indefinite Life
Infrastructure Assets	Useful Life Range in Years
Roads, Sidewalks & Stormwater Networks	5 – 100
Beach Developments	30 – 50
Electricity Reticulation & Supply	10 – 80
Sewerage Mains & Purification Works	15 – 80
Waste Disposal Facilities	20 -100
Water Supply & Reticulation	10 – 50
Dams & Treatment Works	25 – 100
Other Assets	Useful Life Range in Years
Bins & Containers	10 - 15
Emergency & Medical Equipment	15
Vehicles & Plant	4 - 30
Office Furniture & Fittings	3 - 10
Landfill Sites	50
Security Systems	5 - 15
Tip Sites	30
Computer Hardware	3 - 8

Community Assets	Useful Life Range in Years
Libraries	15 - 50
Fire Stations	15 - 50
Library Books	10
Cemeteries	15 - 50
Clinics	15 - 50
Community Centres	15 - 50
Public Conveniences	15 - 50
Swimming Pools	15 - 50
Recreational Facilities	15 - 50
Selling & Letting Schemes	15 - 50

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

Impairments

The Entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Heritage Assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated because these assets have indefinite useful lives, as reflected in the table below:

Heritage Sites	Useful Life Range in Years
Memorials & Statues	Indefinite Life
Heritage Sites	Indefinite Life
Museums	Indefinite Life
Art Works	Indefinite Life

14. INTANGIBLE ASSETS

Initial recognition and measurement

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences and development costs. The Entity recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Entity and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- a) The Entity intends to complete the intangible asset for use or sale.
- b) It is technically feasible to complete the intangible asset.
- c) The Entity has the resources to complete the project.
- d) It is probable that the Entity will receive future economic benefits or service potential.
- e) The ability to measure reliably the expenditure during development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the Entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a similar asset, the acquired asset is initially measured at the carrying value of the asset given up.

Where an intangible asset is acquired in exchange for a dissimilar asset, the acquired asset is initially measured at the fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset given up.

Subsequent measurement

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments.

The cost of an intangible asset is amortised over the useful life where that useful life is finite. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Financial Performance in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised but are tested for impairment consolidatedly, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed Consolidatedly to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment Consolidatedly.

Amortisation and impairment

Amortisation is charged to write off the cost of intangible assets over their estimated useful lives using the straight-line method.

The Consolidated amortisation rates are based on the following estimated average asset lives:

Intangible	Useful Life Range in Years
Computer Software	2 – 5
Website Development	3 – 5

The amortisation period, the amortisation method and residual value for intangible assets with finite useful lives are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

Impairments

The Entity tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is performed at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

15. INVESTMENT PROPERTY**Initial recognition and measurement**

Investment property includes property (land or a building or part of a building or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services or the sale of an asset in the ordinary course of operations.

Investment property is initially recognised when future benefits are probable and the cost or fair value can be determined reliably.

At initial recognition, the Entity measures investment property at cost including transaction costs once it meets the definition of investment property.

Where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property held at fair value to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

The costs of day-to-day servicing of investment properties are recognised in the Statement of Financial Performance as incurred.

Subsequent measurement

Investment property is measured using the cost model. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment. Land is not depreciated. Investment properties are written down as a result of impairment in terms of the impairment policy.

Depreciation

Depreciation begins when the asset is available for use. Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The Consolidated depreciation rates are based on the following estimated average asset lives:

Investment Property	Useful Life Range in Years
Investment Property <ul style="list-style-type: none"> ○ Land ○ Other 	Indefinite Life 15 - 50

The investment property's residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate, at each financial year-end.

Fair Value

The assumptions for determining the fair value of the Investment property is set out in Note 12 of the Consolidated Financial Statements.

Impairments

The Entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an Investment Property is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

Derecognition

An Investment Property is derecognised when there is a disposal or no future economic benefits or service potential are to be derived from the use of the asset and all gains or losses are recognised in the Statement of Financial Performance.

16. NON-CURRENT ASSETS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Immediately before classification as held for sale, the assets (or components of a disposal group) are re-measured in accordance with the Entity's accounting policies for the individual assets.

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

Any impairment loss on a disposal group is allocated to assets and liabilities on pro rata basis. No loss is allocated to inventories, financial assets and investment property, which continue to be measured in accordance with the Entity's accounting policies.

Gains on the subsequent increase in fair value less costs to sell are not recognised in excess of any cumulative impairment loss. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.”

17. INVENTORIES

Initial recognition and measurement

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes (other than VAT), transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the Entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Subsequent measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress (WIP) and finished goods (FG), are measured at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. The basis of determining cost is the first-in, first-out (FIFO) method.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

An impairment provision for the write down of inventory is maintained in lieu of obsolete inventory. The level of the impairment provision for obsolete inventory is the value equivalent to the value of inventory assessed as obsolete at financial year-end.

Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The cost of water purchased and not yet sold as reflected in the statement of financial position comprises the purchase price and other costs attributable to the acquisition. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase. The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir.

18. IMPAIRMENT OF NON-FINANCIAL ASSETS

The Entity assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Entity estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, other fair value indicators are used.

Impairment losses of continuing operations are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Entity makes an estimate of the assets or cash-generating unit's recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

19. REVENUE

Revenue is only recognised once all of the following criteria have been satisfied:

- a) The significant risks and rewards of ownership of the goods are transferred or with reference to the stage of completion in the case of revenue related to services rendered;
- b) The Entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold or services rendered;
- c) With respect to services rendered, the stage of completion at reporting date can be reliability measured;
- d) With respect to services rendered, the costs associated to the transaction and the costs to complete the transaction can be measured reliably;
- e) The amount of revenue can be measured reliably; and
- f) It is probable that the economic benefits or service potential associated with the transaction will flow to the Entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Entity has an obligation in terms of legislation to collect all revenue and as such, the Entity does not consider the collectability of the revenue on initial recognition. The Entity assesses collectability subsequent to initial measurement and should the receivable be impaired, the impairment loss is recognised as an expense.

Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Entity directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable, excluding indirect taxes, rebates and discounts.

Service charges relating to electricity, water and sewerage are based on consumption. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to

provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Electricity meters in industrial areas are read at the end of each month and billed the following month. Premises with high-tension electricity supplies are read and billed monthly.

Revenue arising from the consumption of electricity and water in the month of June is fully accounted for whether invoiced or not.

Revenue from the sale of electricity prepaid meter cards is recognised on consumption of the purchased units unless impracticable in which case revenue is recognised at point of sale.

Revenue arising from the application of the approved tariffs, fees and charges is generally recognised when the relevant service is rendered.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff. Tariffs are determined per category of property usage and are levied monthly based on the costs of providing the refuse removal service.

Interest income is recognised in surplus or deficit as it accrues, using the effective interest method.

Rental income arising on investment properties, facilities and equipment is accounted for on a straight-line basis over the lease term on ongoing leases.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on trust funds is allocated to the fund concerned
- Interest earned on unutilised conditional grants is allocated to the creditor (i.e. recognised as an obligation), if grant conditions indicate that interest is payable to the funder.

Dividends are recognised on the date that the Entity's right to receive payment is established.

Revenue arising out of situations where the Entity acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the Entity as compensation for executing the agreed services.

Revenue from Non-Exchange Transactions

Non-exchange transactions are transactions that are not exchange transactions.

Revenue from non-exchange transactions arise when the Entity either receives value from another entity without directly giving approximately equal value in exchange or gives value to another entity without directly receiving approximately equal value in exchange.

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and all relevant conditions have been met.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Council applies a flat rating system. The same rate factor is applied for land and buildings. In terms of this system, assessment rates are levied on the value of land and buildings in respect of properties. Rebates are granted according to the use of the property concerned.

Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Fines are recognised when it is probable that future economic benefits will flow to the Entity, the costs can be reliably measured and all restrictions have been complied with. Fines constitute both spot fines and summonses. Revenue from spot fines is recognised when payment is received and the revenue from the issuing of summonses is recognised when collected. Due to the various legal processes that can apply to summonses and the inadequate information received from the courts, it is not possible to measure this revenue in the invoicing period.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Entity. Where public contributions have been received but the Entity has not met the related conditions, a creditor (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Entity.

Fuel levy is recognised in revenue when the income is received.

Grants, transfers and donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional and funds are invested until it is utilised.

The liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants without any conditions attached are recognised as revenue when the asset is recognised.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor.

20. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The Entity ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete.

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established.

Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance using the effective interest method.

21. LEASES**The Entity as Lessee**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Entity. Assets subject to finance leases are recognised at the lower of the fair value of the assets and the present value of the minimum lease payments. Assets subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life or the lease

period if shorter. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest method.

Operating leases are those leases that do not fall within the scope of the above definition. Payments made under operating leases are charged to the Statement of Financial Performance on a straight-line basis over the term of the relevant lease.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

The Entity as Lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Entity's net investment in the lease. Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on the Entity's net investment outstanding in respect of the leases.

Rental Income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

22. FOREIGN CURRENCY TRANSACTION

Transactions in foreign currencies are initially accounted for at the rate of exchange ruling on the date of the transaction. Exchange differences arising on the settlement of creditors or on reporting of creditors at rates different from those at which they were initially recorded are expensed.

Transactions in foreign currency are accounted for at the spot rate of the exchange ruling on the date of the transaction.

Gains and losses arising on the translation are recognised in the Statement of Financial Performance in the year in which they occur.

23. VALUE ADDED TAX (VAT)

The Entity accounts for Value Added Tax on the payments basis. Revenue, expenses and assets are recognised net of the amount of VAT. The net amount of VAT recoverable from or payable to, the taxation authority is disclosed on the face of the statement of financial position.

24. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, Entity or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance in the year in which it is incurred.

25. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Entity's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance in the year in which it is incurred.

26. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance in which it is incurred.

27. RECOVERY OF UNAUTHORISED, IRREGULAR, FRUITLESS & WASTEFUL EXPENDITURE

The recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is probable. The recovery of unauthorised, irregular, fruitless and wasteful expenditure is treated as other income in the Statement of Financial Performance when it meets the definition of an asset.

28. EXPENDITURE

Expenses are recognised once all of the following criteria have been satisfied:

- a) There is a probable decrease in economic benefits or service potential in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets other than those relating to distributions to owners.
- b) The amount of expenditure can be measured reliably.

Expenses are measured at the same value at which the assets have been depleted or liabilities incurred.

Grants, transfers and donations

Grants, transfers and donations made are recognised when the resources have been transferred to the beneficiaries. A corresponding asset is raised to the extent that the grant, transfer or donation is conditional.

The asset is transferred to the Statement of Financial Performance as and when the conditions attached to the grant are met.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor.

29. TRANSFER OF FUNCTION BETWEEN ENTITIES NOT UNDER COMMON CONTROL

The Entity uses the acquisition method in accounting for transactions relating to transfers of function, between entities not under common control.

Applying the acquisition method requires:

- a) Identifying the acquirer.
- b) Determining the acquisition date.
- c) Recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree.
- d) Recognising the difference between (c) and the consideration transferred to the seller.

The acquisition date is the date on which control is transferred from the acquiree to the acquirer.

Entity as the acquirer:

At acquisition date, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree shall be recognised if:

- a) The assets taken on and the liabilities assumed meets the definitions of an asset and liability as set out in the Framework for the Preparation and Presentation of Financial Statements.
- b) These assets and liabilities relate to the binding agreement between the parties to the transaction and may not relate to separate transactions.

Assets and liabilities not previously recognised by the acquiree will be recognised if these assets and liabilities now meet the recognition criteria (for example internal generated intangible assets not previously recognised).

The acquirer measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

Entity as the acquiree:

At acquisition date, the acquiree derecognises the identifiable assets and liabilities transferred.

The acquiree recognises the difference between the consideration received and the carrying value of the assets and liabilities transferred in the Statement of Financial Performance at acquisition date.

30. EVENTS AFTER THE REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the Consolidated Financial Statements are authorised for issue. Two types of events can be identified:

- a) Those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- b) Those that is indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The Entity adjusts the amounts recognised in the Consolidated Financial Statements to reflect adjusting events after the reporting date once the event occurred.

The Entity discloses the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the Consolidated Financial Statements.

31. CONSTRUCTION CONTRACTS

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of the contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that is probable to be recovered. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date exceed capital grants received, the surplus is shown as amounts due from funders for contract work. For contracts where capital grants received exceed contract costs incurred to date, the surplus is shown as the amounts due to funders for contract work. Amounts received before the related work is performed are included in the statement of financial position, as a liability, as unspent project funding received. Amounts billed for work performed but not yet paid by the funder are included in the statement of financial position under trade and other receivables.

Unutilised project funding is reflected on the Statement of Financial Position as a Current Liability - Unspent Project Funding. The cash received is invested until it is utilised.

Annexure “C3”

Financial Statements of Entity (Mandela Bay Development Agency)

Annexure “D”

Audit Committee Chairperson’s Report

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY – ANNUAL
REPORT OF AUDIT COMMITTEE FOR FINANCIAL YEAR ENDED
30 JUNE 2012**

AUDIT COMMITTEE MEMBERS

The Audit Committee has adopted formal terms of reference in terms of an Audit Committee Charter and consists of four independent members, three of whom are chartered accountants and the other member is an expert in performance management regulations within local government.

The members comprise:

- Professor D Rosenberg (Chairperson)
- Ms R Landman-Shaw
- Mr R Ortlieb
- Mr K Pather

During the year under review, four Audit Committee meetings were held.

After every meeting, the Audit Committee wrote a report addressed to the Executive Mayor and others drawing attention to internal control deficiencies and to major risks facing the Municipality. Regrettably, management chose not to respond to any of these reports and very few of the recommendations made by the Committee were implemented.

AUDIT COMMITTEE RESPONSIBILITIES

The Audit Committee reports that it complied to the extent possible with its terms of reference and the Auditor-General did not raise any exceptions in connection with the performance of the Audit Committee in their report to the Eastern Cape Provincial Legislature and the Council of the Municipality.

OVERALL COMMENTS

As was widely reported in the press, the Municipality was rendered largely dysfunctional for parts of the financial year due mainly to faction fighting within the ruling political party. This was characterized by somewhat chaotic Council meetings from time to time and delays in appointing key staff such as the Municipal Manager and the Chief Financial Officer – both positions have been vacant for a number of years, in addition, the majority of the Executive Director positions remain vacant. Another troubling matter was the unjustified suspension and threatened suspension (some were subsequently lifted) of a few key employees.

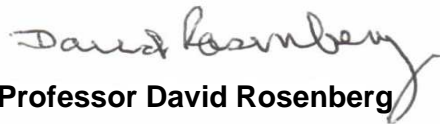
Given the foregoing, it is not surprising that the Municipality received a qualified Audit Report from the Auditor-General for the financial year under review. The major reason for the qualification was in respect of the Supply Chain Management (SCM) Unit where inadequate record keeping and staffing capacity made it impossible for the Auditor-General to confirm that expenditure incurred was in accordance with SCM legislation. The Auditor-General also noted certain other breaches, one of which was an intentional breach in order to avoid complying with SCM regulations. The Auditor-General also raised certain emphasis of matter in his report, the most important of which was that the Municipality is the defendant in a number of law suits to the value of R100 million and the outcome of these law suits cannot presently be determined. Also, the Auditor-General drew attention to R347 million of irregular and fruitless and wasteful expenditure, which was incurred during the financial year.

We strongly recommend that the Municipality urgently fills all senior vacant positions with people with the requisite skills and experience and whose reputations are beyond reproach and that staff be held fully accountable for their actions. Weaknesses in internal controls are reported in certain areas year after year by the internal auditors, only to reappear the next time an internal audit is conducted. At this time, we are particularly concerned about the total lack of internal control at the municipal market where billions of rands

change hands every year. We also need to draw attention to the fact that a commitment for a clean audit for the 2013/14 financial year were made to the Auditor-General in mid 2012 – a clean audit is a far more onerous challenge that obtaining an unqualified report and unless management takes appropriate action immediately to improve the control environment, this objective will not be achieved.

In closing, we wish to thank the Internal Audit Department and the Auditor-General's Office for their outstanding work and for their close co-operation and we look forward to working with them and with management to rectify the problems currently being experienced by the Municipality.

Sincerely

A handwritten signature in black ink that reads "David Rosenberg". The signature is written in a cursive style with a long, sweeping tail on the letter "g".

Professor David Rosenberg
Chairperson

1 January 2013

Annexure “E”

Response to the Audit Report of the Auditor-General

RESPONSE TO AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2012

INTRODUCTION

In accordance with the *Public Audit Act, No. 25 of 2004*, Council has to consider the audit report within one month after its first sitting after the audit report has been submitted by the Auditor-General.

Detailed below are the responses, with reference being made to the paragraph numbering in the audit report:

Basis for qualified opinion

Irregular expenditure

6. In relation to the Request for Information (RFI) 29, the Auditor-General (AG) was advised towards the end of July 2012 that the files in question were available for audit. At that time the AG indicated that they will only commence their audit upon conclusion of Internal Audit's audit of the SCM tender files. The AG's audit only commenced towards the end of September 2012, which impacted negatively on the timeous verification and auditing of the Supply Chain Management (SCM) tender files, leaving limited time for management to address audit findings in this regard.

The staff capacity issues at the SCM Unit impacted negatively on the provision of SCM tender files within the agreed timeframes relating to RFI 111. Management will institute the necessary action to ensure an appropriate filing system.

The qualified audit opinion is primarily based on the fact that all the SCM tender files were not available for audit inspection. It should be noted that in relation to a sample of payments selected from the tender files for auditing purposes, no audit findings were issued in this regard.

All the SCM tender files relating to RFI's 29 and 111 will be made available to the AG before the commencement of the 2012/13 audit, in order to ensure that the qualification is addressed and not carried forward to the 2012/13 financial year.

7. The municipality will put the necessary processes in place to ensure that preference points are correctly calculated in all instances, in accordance with section 2 of the Preferential Procurement Policy Framework Act, 2000 and its Regulations.
8. In order to create an efficient public transport system, stormwater systems on the outside perimeter of the Stadium had to be remedied first. The ineffective system on the outside of the Stadium caused damage on the inside perimeter of the Stadium. As the initial work was funded from the IPTS Grant, further related expenditure had to be funded from the same source.

The aforementioned comments were not taken into account by the AG.

9. The tenders awarded during the 2011/12 financial year will be assessed to ascertain whether orders for the procurement of goods and services were indeed split.

Emphasis of matters

Significant uncertainties

12. The municipality will put the necessary processes in place to conclude litigation in a timely manner. In this regard a litigation register has been implemented to track progress relating to lawsuits.
13. On 8 December 2011, Council adopted various recommendations relating to the Kabuso Report. The recommendations are in the process of being implemented.

Restatement of comparative figures

14. Accounting policies are assessed on an annual basis and changes made in line with the applicable accounting framework. Flowing from this comparative figures require restatement.

Unauthorised, irregular and fruitless and wasteful expenditure

15. In accordance with the MFMA, instances of unauthorised, irregular and fruitless and wasteful expenditure are reported and investigated, and steps taken to recover or rectify such expenditure.
16. The total actual expenditure, incurred by the Municipality, was below the total approved budget. The actual expenditure associated with certain votes exceeded the approved budget as a result of the inclusion of the following non-cash flow items, representing accounting adjustments that had to be processed:

	R
Post Retirement Benefits	96,864,280
Impairment of assets	109,210,754
Loss on disposal	17,430,969
Bad debts	16,738,725
Depreciation	<u>39,714,005</u>
Total	<u>R279 958 733</u>

The non-cash items are discussed below:

Non-cash employee costs: Provision for post retirement benefits – Non-current provision

Budget	R 38 861 760
Actual	<u>R135 726 040</u>
Difference	<u>R 96 864 280</u>

The budget provision relates to the current portion of the post retirement obligations. The non-current provision of R99 542 767, as included in the actual expenditure, was not budgeted for, as the obligations only fall due in subsequent financial years.

The difference of R96 846 280 is thus not deemed to be unauthorised expenditure.

Impairment of Assets: **R109 210 754**

At the time of the preparation and adoption of the 2011/12 Adjustments Budget, the Municipality could not reasonably have foreseen, which assets would require impairment. Accordingly no budget provision was made. The assessment is normally performed on an annual basis at the end of the particular financial year-end.

The actual amount of R109 210 753 is thus not deemed to be unauthorised expenditure.

Loss on disposal of assets: **R17 430 969**

At the time of the preparation and adoption of the 2011/12 Adjustments Budget, the Municipality could not reasonably have foreseen which assets would be disposed. Accordingly no budget provision was made.

The actual amount of R17 430 969 is thus not deemed to be unauthorised expenditure.

Impairment of debtors

The 2011/12 Adjustments Budget was based on a debtors payment ratio of 93,75%, which equated to a budgeted amount of R282 151 180. The provision as raised in the 2011/12 Financial Statements was based on the principles of GRAP 104, resulting in a provision in the amount of R298 889 905.

The difference of R16 738 725 does not constitute unauthorised expenditure as the Budget and the Financial Statements were prepared on a different basis.

Depreciation

The actual depreciation, compared to the 2011/12 Adjustments Budget, was as follows:

<u>Budgeted Amount</u>	<u>Actuals</u>	<u>Difference</u>
R720 156 280	R759 870 275	R39 714 005

The basis for calculation of the actual depreciation changed, compared to the budgeted amount for the following reasons:

- Assets with nil values, but with remaining useful lives had to be taken into account in the determination of the final actual depreciation as per the Financial Statements **(this was not taken into account upon the preparation and adoption of the 2011/12 Adjustments Budget)**.
 - The basis for calculating the asset useful lives had to be reviewed in line with the Auditor-General's audit findings in this regard. The financial systems had to be reconfigured to process the revised basis for determining depreciation, which was processed at year-end. As this was processed at year-end, it could not reasonably have been taken into account upon the preparation and adoption of the 2011/12 Adjustments Budget.
17. The irregular expenditure mainly relates to deviations as approved by the Acting Municipal Manager in line with the SCM Policy. It is contended by the AG that the deviations in question, amounting to R175 million, could have been avoided if proper planning was in place to undertake the normal SCM processes, hence they viewed it as irregular. Management disagrees with this audit finding and has consequently requested Internal Audit to reassess this matter, with the view of making the required adjustments, upon the submission of the 2012/13 Financial Statements.

A further amount of R42 million relates to tenders that were awarded to service providers employed by the State.

SCM tender documentation requires bidders to declare whether any of its directors or principal shareholders is in the service of the State. Tenders are not awarded in instances where directors or principal shareholders are employed by the State.

Where no declarations are made it is not possible to determine whether directors or principal shareholders are in the service of the State as the Municipality does not have access to the databases of other organs of state. In the event that tenders have been awarded to businesses with directors or principal shareholders in the service of the state, the relevant contracts will be cancelled and the businesses blacklisted.

18. The Fruitless and wasteful expenditure mainly relates to municipal officials who have been suspended for periods longer than 3 months, amounting to R2.6 million.

Transfer of functions

19. The comments are noted.

Material losses and impairments

20. The collection of outstanding debt is undertaken in accordance with the Municipality's Credit Control Policy. The municipality has also embarked on a Debt Relief program for Non-ATTP (Non-Assistance to the Poor) customers in order to enhance the collection of outstanding debts.
21. The impairment expense of R93 million relates to the "new billing system". The amount was written off based on an annual assessment of impairment of assets, in accordance with the applicable accounting standards; and as no future service potential is foreseen.

The Municipality is currently pursuing legal action to recover the costs incurred in this regard. An amount of R30 million was actually paid to the service provider, with the remaining R63 million being accrued.

22. The municipality is implementing various strategies, such as fixing burst water pipes and water leakages, and rehabilitating and maintaining the relevant water infrastructure in order to curb water losses. It should be noted that the monetary value of water losses reduced by R24.3 million, compared to the previous financial year.

Material underspending of the budget

23. The necessary controls will be implemented to ensure the timeous implementation of capital projects. The following structures are in place to monitor Capital Budget performance:

The Budget Performance Monitoring Forum meets every two months, as opposed to previously meeting on a quarterly basis. The Executive Directors present their capital budgets at the Forum meetings by project, with detailed explanations in the event of under/over spending.

Monthly one-on-one sessions are held with Directorates in order to identify problem areas early on in the process. These meetings are attended by the Chairperson of the Budget and Treasury Committee, the Portfolio Councillor and the Executive Director of the Directorate concerned and representatives from the Budget and Treasury Directorate.

Adoption of the 2013/14 Budget within the legislated timeframes will be attended to, in order to mitigate the risk of underspending.

Additional matter

24. The comments are noted

Unaudited supplementary schedules

25. The comments are noted.

Withdrawal from the audit engagement

26. During the course of the audit, all the required accounting records and documentation, except certain SCM tender files, were provided to the AG, who never raised issues pertaining to reliability and credibility.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**Predetermined objectives**

28. The comments are noted.
29. The comments are noted.
30. The comments are noted.

Additional matter

31. The comments are noted

Achievement of planned targets

32. The reason(s) for under performance is unique to each key performance indicator and target where non-achievement has been reported. Quarterly Performance Reports clearly indicate the reason(s) for underperformance reported, as well as mitigating measures / corrective actions to correct under performance and the envisaged date when the target will be achieved / performance will be rectified. To group the reason(s) for under performance under one/more groupings would be misleading and a misrepresentation of the actual facts.

Compliance with laws and regulations**Annual Financial Statements**

34. The necessary control measures have been instituted to obviate the need for material adjustments to the financial statements after submission for auditing purposes.
35. All material misstatements, as identified by the auditors and the municipality that could be corrected within the available time, were corrected and all the necessary supporting records were indeed provided to the auditors. The only supporting records that could not be provided related to certain SCM tender files.

Procurement and contract management

36. The necessary procedures will be implemented to ensure that the required audit evidence is provided within the given timeframes.
37. The necessary procedures will be implemented to ensure compliance with the relevant regulations.
38. The municipal entity will implement the necessary procedures to ensure compliance with the relevant Act and regulation.
39. The necessary procedures will be implemented to ensure compliance with the Supply Chain Management Policy.
40. A circular will be issued to all municipal employees requesting them to disclose particulars of any awards made to them. The required declarations will be obtained and verified as part of the Supply Chain Management process.
41. SCM tender documentation requires bidders to declare whether any of its directors or principal shareholders are in the service of the State. Tenders are

not awarded in instances where directors or principal shareholders are employed by the State.

Where no declarations are made it is not possible to determine whether directors or principal shareholders are in the service of the State as the Municipality does not have access to the databases of other organs of state. In the event that tenders have been awarded to businesses with directors or principal shareholders in the service of the state, the relevant contracts will be cancelled and the businesses blacklisted.

Expenditure management

42. Reporting of the status of all payments made is done on a monthly basis to various Standing Committees and is also included in the Performance Scorecards of all Executive Directors. The following controls have also been implemented to ensure that invoices are paid by their respective due dates:

- Daily scheduling by the Cash Management Section of all Electronic Funds Transfers by payment due date.
- The requesting of a "Late payment reason" should an invoice be older than 30 days.

The Creditors section will furthermore ensure that all invoices overdue for 60 days or greater as identified in the Supplier reconciliation process are communicated in writing to the respective ED's. A standing item reporting on these overdue invoices and the respective directorates will also be submitted to the Management Team and the Budget and Treasury Committee.

The IT section has also been requested to develop and implement a Workflow Management Module that aims to record and implement the applicable turnaround timeframes for each payment coupled with escalation rules for those documents that exceed the respective turnaround timeframes

43. The accounting officer will take all reasonable steps to prevent unauthorised, irregular and fruitless and wasteful expenditure.

44. The accounting officer will take all reasonable steps to ensure that all expenditure is recognised when it is incurred and that the corresponding creditors are raised.

Human resource management

45. The acting appointments for Senior Managers were made by the Acting Municipal Manager after following the required due processes.

Conditional grants

46. As the municipality had complied with all the conditions of the MFMA Implementation Plan, it no longer submitted the said plan to National Treasury. This was in accordance with an arrangement with National Treasury. The municipality furthermore complies with the financial reporting requirements of National Treasury in terms of the grants gazetted in the Division of Revenue Act.

The municipality will ensure that the MFMA Implementation Plan is updated, where applicable, and submitted to National Treasury on a regular basis.

47. Asset management

The surplus funds of the municipality were invested into money-market accounts, after the cash challenges experienced by the municipality during 2010, in order to ensure that sufficient cash was available when so required (currently there are only two money market accounts, one each at Nedbank and Investec bank).

The aforementioned is in line with Section 5 of the Municipal Investment Regulations, which requires a municipality to take all reasonable and prudent steps to ensure that investments are made with regard to the probable safety of the investment, the liquidity needs of the municipality and the probable income to be derived from the investment.

As the cash position of the Municipality improves and funds become available for longer term investments, the investment portfolio will be diversified across the

different financial institutions, types of investments and the investment maturities in accordance with the investment regulations.

INTERNAL CONTROL

Leadership

49. The comments are noted.
50. The municipality will ensure that effective human resource management practices are implemented, in order to deal with vacancies at a management level, including the respective capacities of acting appointees.
51. The comments are noted.
52. Capacity constraints will be addressed to facilitate the conduct of the audit.
53. The necessary training will be provided in this regard.
54. The municipality will pursue the development of detailed standard operating procedures.
55. Internal audit will in future report on a regular basis on the status of implementation of the audit action plans, so that the necessary corrective action can be instituted timeously.
56. The reason(s) for under performance is unique to each key performance indicator and target where non-achievement has been reported. Quarterly Performance Reports clearly indicate the reason(s) for underperformance reported, as well as mitigating measures / corrective actions to correct under performance and the envisaged date when the target will be achieved / performance will be rectified. To group the reason(s) for under performance under one/more groupings would be misleading and a misrepresentation of the actual facts.

57. The issue of non-cash flow items will be considered, in conjunction with the annual budgeting process.

Financial and performance management

58. In relation to the Request for Information (RFI) 29, the Auditor-General (AG) was advised towards the end of July 2012 that the files in question were available for audit. At that time the AG indicated that they will only commence their audit upon conclusion of Internal Audit's audit of the SCM tender files. The AG's audit only commenced towards the end of September 2012, which impacted negatively on the timeous verification and auditing of the Supply Chain Management (SCM) tender files, leaving limited time for management to address audit findings in this regard.

The staff capacity issues at the SCM Unit impacted negatively on the provision of SCM tender files within the agreed timeframes relating to RFI 111. Management will institute the necessary action to ensure an appropriate filing system.

59. All creditors' reconciliations will be thoroughly checked to ensure accuracy.
60. Reporting of the status of all payments made is done on a monthly basis to various Standing Committees and is also included in the Performance Scorecards of all Executive Directors. The following controls have also been implemented to ensure that invoices are paid by their respective due dates:
- Daily scheduling by the Cash Management Section of all Electronic Funds Transfers by payment due date.
 - The requesting of a "Late payment reason" should an invoice be older than 30 days.

The Creditors section will furthermore ensure that all invoices overdue for 60 days or greater as identified in the Supplier reconciliation process are communicated in writing to the respective ED's. A standing item reporting on these overdue invoices and the respective directorates will also be submitted to the Management Team and the Budget and Treasury Committee.

The IT section has also been requested to develop and implement a Workflow Management Module that aims to record and implement the applicable turnaround timeframes for each payment coupled with escalation rules for those documents that exceed the respective turnaround timeframes

61. The AG did not clearly indicate the extent of the supporting documentation required, for the journal vouchers selected. All the journal vouchers as provided to the AG, were sufficiently supported as required. In future the AG should indicate the extent of the supporting documentation required, when requesting journal vouchers.
62. All long outstanding reconciling items will be followed up and resolved timeously.
63. The financial statements were subjected to independent review by Internal Audit and all findings raised were addressed, prior to submission of the financial statements.

Governance

64. The development of appropriate internal controls to mitigate risks identified, will be attended to.
65. Internal audit will in future report on a regular basis on the status of implementation of the audit action plans, so that the necessary corrective action can be instituted timeously.
66. Internal audit will in future report on a regular basis on the status of implementation of the audit action plans, so that the necessary corrective action can be instituted timeously.

OTHER REPORTS

Investigations

67. The comments are noted.
68. The comments are noted.

Annexure “F”

Report on Entity (Mandela Bay Development Agency)

1. CORPORATE PROFILE AND OVERVIEW

The Mandela Bay Development Agency (MBDA) is a wholly owned entity of the Nelson Mandela Bay Municipality (NMBM), which stimulates and supports area-based urban renewal development initiatives throughout Nelson Mandela Bay, with a strong focus on the Port Elizabeth Central Business District (CBD) as well as Uitenhage, North End and Helenvale.

The MBDA was formed at a critical time in the history of Nelson Mandela Bay when urban decay had started to reduce the rates base of the City, and the downward trend in the CBD of Port Elizabeth had led to decline in interest in real estate investment.

The Strategic Spatial Implementation Framework (SSIF) of the MBDA developed in 2006 was a point of departure to reverse the economic development fortunes in the Mandate Area of the MBDA. The SSIF established the basis of a long term vision and strategy for the MBDA, which culminated in the acceptance of SSIF by the NMBM Council as the blueprint for economic development and urban renewal in the Mandate Area. The establishment of the MBDA provided an agency dedicated to geographic based regeneration, first in the inner city and later throughout Nelson Mandela Bay.

In May 2010 the MBDA revised its 5-year strategy, which chartered the long term strategic course for the Agency. The 5-year Strategic Plan stimulates a long term vision and development priorities and strategies and is accompanied by a set of Key Performance Indicators (KPIs), which sets out the short to medium term objectives and programmes to achieve the vision as set out in the SSIF.

The Integrated Development Programme (IDP) of the NMBM contains sector plans related to urban renewal which correspond to the SSIF and the 5-year Strategic Plan and in terms of this process, the MBDA is located in the sector dealing with urban renewal and urban management and development planning.

As a result of these initiatives, the CBD of Port Elizabeth experienced marked shifts in perceptions and investment decisions of private sector investors who identified Nelson Mandela Bay as a positive location for real estate investment.

The increased enthusiasm of the private sector continues to present an opportunity for the MBDA as it seeks to encourage partnerships and involve the private sector, provincial and national governments in the NMBM and MBDA's capital project developments and responding private sector investment.

The MBDA was established expressly for the facilitating such developments and encouraging private sector confidence and investment. Its cumulative and growing experience in the developments it conceptualises, implements and manages, represents a significant asset for the NMBM. As the development manager of these initiatives, the MBDA coordinates and manages capital investment and other initiatives such as cleansing and security and the regulation of informal trading, involving both public and private sector stakeholders. In particular, the MBDA has gained significant experience in the following areas:

- Inner city urban renewal;
- A “bottoms-up” approach in concept to completion in development projects;
- The rejuvenation and development of decayed areas;
- The regeneration of historically marginalised areas;
- Establishing a particular brand of urban planning and urban renewal, with an emphasis on public participation.

The MBDA continues to expand and enhance its competence and meet the urban renewal needs of the NMBM. Furthermore, the MBDA continues to deepen the economic and social impacts of its work and ensure that environmental impacts are mitigated as far as possible.

Other than as an implementation agent of the NMBM, with a particular emphasis on urban renewal, the MBDA, through a very strong social approach has also become a key transformation agent in the Nelson Mandela Bay Metropole.

2. INSTITUTIONAL ARRANGEMENTS

The MBDA receive its mandate from the NMBM, acting through its Board of Directors, the Executive Mayor, the Municipal Manager and NMBM Council. It is contractually accountable to the NMBM to whom it undertakes compliance reporting in respect of its KPI targets being achieved. The MBDA relies on the NMBM for service delivery direction in terms of its contractual obligations contained in the Service Delivery Agreement, and on the political

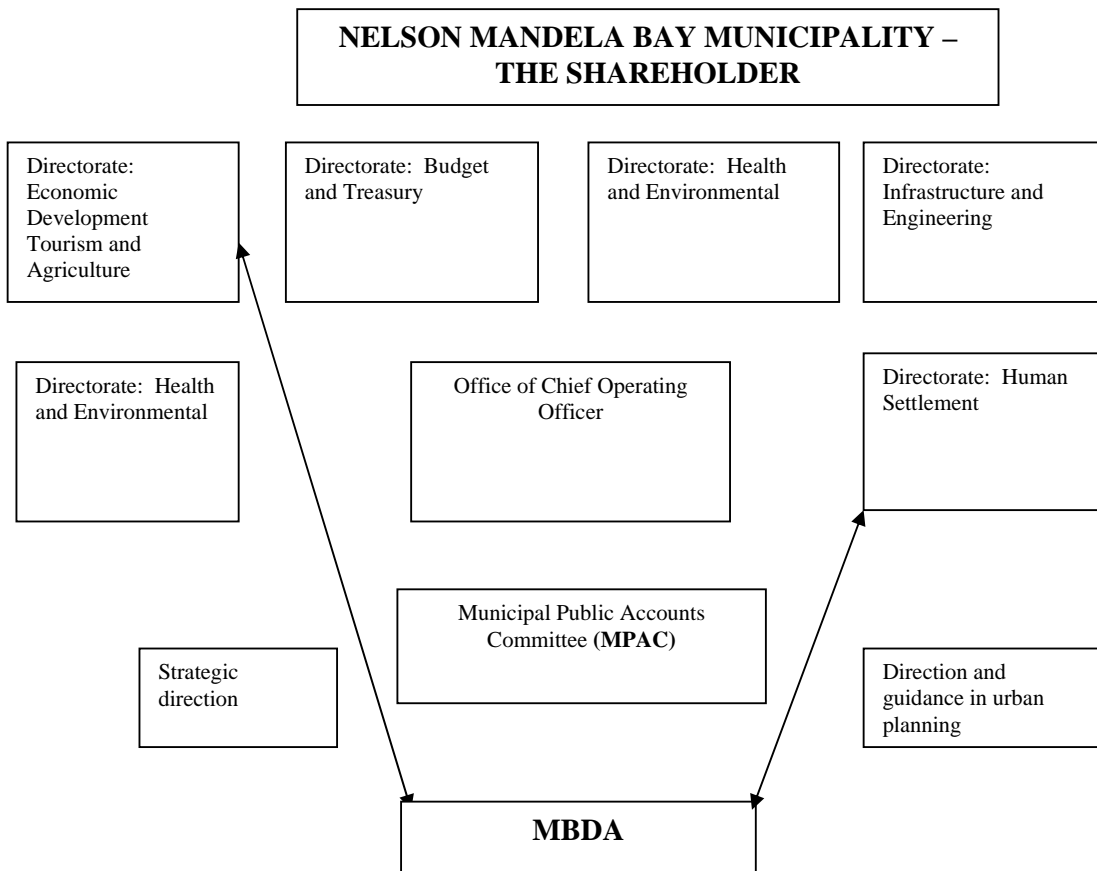
dispensation for its political mandate. The shareholder, which is the NMBM, provides corporate governance in related support such as sustainability and compliance reporting and review.

The MBDA regularly interacts with certain key NMBM directorates, namely Economic Development, Tourism and Agriculture; Human Settlements; Budget and Treasury; Environmental Health; Infrastructure and Engineering as well as Safety and Security.

The MBDA Board is responsible for providing strategic planning and guidance to management as well as ensuring oversight on corporate governance matters, while management is responsible for operational matters in line with the strategic planning and mandate documents of the Agency as well as the IDP of its parent municipality..

The MBDA coordinates its area based developments and other catalytic interventions with the NMBM. Additionally, the MBDA engages with client departments that take ownership of infrastructure and assets created by the MBDA, in particular the Infrastructure and Engineering Directorate.

Figure 1 outlines the key relationship lines between the NMBM and the MBDA.



3. ORGANISATIONAL OVERVIEW

Vision

The establishment of world-class, well managed, sustainable and vibrant urban places in Nelson Mandela Bay.

Mission

To revitalise and promote designated, sustainable urban places, in partnership with the NMBM, and to the benefit of the whole community.

Mandate

The MBDA was mandated by the NMBM to drive urban regeneration in Nelson Mandela Bay CBD and other designated areas. The Agency was formed in 2003, when the city fathers saw an urgent need to reverse the downward trend of the CBD, which is the main contributor to the rates base of the NMBM, and the Agency idea was initiated between the NMBM, the Industrial Development Corporation (IDC) with the overall philosophy being that cities and their CBD's are the engines of growth in the region, and that the agency's overall approach will not only be that of promoter and supporter, but also that of a doer, in getting the catalytic services implemented as well as catalytic capital projects that will be a platform for private sector investment.

As a Special Purpose Vehicle (SPV) formed by the NMBM as a municipal entity, the MBDA is governed by the Municipal Systems Act 32 of 2000 and the Municipal Finance Management Act 56 of 2000. In addition the Companies Act is also applicable to the Agency.

The MBDA operates under a specific approved Mandate Document, which outlines that a focused approach needs to be followed in respect of services provided, catalytic infrastructure projects and liaison with other parastatals and government departments in creating a conducive, investment environment in the Mandate Area. With this in mind, the NMBM also has a Service Delivery Agreement (SDA) with the MBDA and which will come up for renewal in December 2012.

The MBDA Board of Directors is an experienced collection of individuals that have the development of the City at heart, and which provides a wide array of political, strategic and business experience and guidance and operational oversight in obtaining the Agency's objectives.

Values

Core values that guide the way that the MBDA does its business are:

- Be an agent of social and economic deterrents;
- Will be inclusive in understanding the needs of our stakeholders;
- Will achieve value for money with our stakeholders;
- Will maintain integrity, transparency and respect at all times;
- Will be accountable about the way we take decisions and the way the MBDA uses its resources;
- Will work as a team as part of a wider team;
- Will seek excellence in the way it operates;
- Will be open to innovation and contestability of ideas; and
- Will embed sustainability in everything the MBDA does.

Strategic Objectives

To realise the vision, the regional economic strategy focuses on eight strategic objectives which address urban renewal in the Mandate Area:

- Engaging effectively with stakeholders and partners in order to foster understanding, buy-in and shared delivery of urban renewal;
- Promoting, facilitating and managing the basics of security, cleansing and regulatory compliance to strengthen public and investor confidence;
- Implementing catalytic capital projects in designated urban places as a stimulus for private sector investment;
- Enabling the conservation and management of heritage in order to forge a unique identity for place and its people;
- Marketing the area as a first choice destination to live, work and play;

- Being an effective, accountable, learning, creative and caring organisation, respected by staff and stakeholders;
- Managing the area for environmental sustainability; and
- Facilitating social and economic opportunities in all projects and activities in order to contribute to economic inclusion and growth.

Foundations for success

The MBDA recognises that success in achieving its objectives will depend on the following success factors -

- **People-centred mindset:** To recognise that people receive the impacts of our activities, and that their views of the future of the mandate must therefore inform its plans and actions.
- **Innovation:** Evolving urban conditions and stakeholder needs will require that it constantly look for fresh ways of doing things and better ways of achieving sustainable results.
- **Optimal resource allocation:** It recognises that effective project management will underpin accountability for resource use.
- **Skilled and motivated team:** Is committed to using the best of its skills and taking opportunities for self-development and learning.
- **Partnerships and networking:** Accept that the MBDA cannot deliver urban renewal on its own and believes in working in partnerships within and external to the City where the respective partners acknowledge their roles and individual strengths by maximising the collective impact of their efforts.
- **Strong local government support:** Acknowledge the critical importance of an on-going constructive working relationship with the NMBM.

Project Performance

- Cleansing services, CBD, Central and Uitenhage
- Security services
- Provision of maintenance and infrastructure
- Stakeholder initiatives
- Facilitating public capital projects

- Facilitation of private sector investment and municipal property
- Planning/spatial framework and feasibility studies
- Environmental management
- Strategic planning and integration
- Performance management
- Human resource development
- Heritage, arts and culture
- Marketing promotion brand and place management
- Preferential procurement
- Urban Development Zone (UDZ)
- Sound expenditure processes
- Creating supplementary funding
- Effective communication and public participation
- Public participation and projects
- Effective information and communication and technology
- Effective corporate governance
- Effective internal control and risk management

4. BOARD OF DIRECTORS AND SUB-COMMITTEES

DIRECTORS

-Saki Macozoma
Chairperson of the Board

-Phil Gutsche
Deputy Chairperson of the Board

-Hannah Sadiki

-Alfred Da Costa

-Wilhela Gie

-Danny Jordaan

-Rojie Kisten

-Lulama Prince

AUDIT COMMITTEE

-Kevin Pather - *Chairperson*

-Lulama Prince

-Stephen Nel

HUMAN RESOURCES AND REMUNERATION COMMITTEE

-Phil Gutsche – *Chairperson*

-Wilhela Gie

5. FOREWORD BY THE EXECUTIVE MAYOR

While the world, South Africa and Nelson Mandela Bay are in the grips in an economic recession, the MBDA should deservedly proud of its achievements for the 2011/2012 financial year, which again confirm the importance of its role in the NMBM to drive economic development through urban renewal.

The MBDA once again achieved most of its set goals, objectives and targets in an exemplary manner often under difficult circumstances, demonstrating the importance of improved cooperation and partnership amongst all the role players. The MBDA has developed a formula of working with a number of key stakeholders in its success recipe namely the NMBM, private sector, the community, the youth as well as national and international stakeholders.

As the implementing agent responsible for urban renewal, the MBDA's achievements far exceeded the expectations of the City and the general public. Progress made in the development of decayed areas in the City such as the Donkin Reserve, and Kings Beach is further evidence of the NMBM and MBDA's commitment to the improvement of these areas. The role of the MBDA is invaluable as the implementing agent of the NMBM and these projects are expected to change the face and feel of these areas in years to come. One can already see the change emerging in the higher rental per square meter in the Govan Mbeki Avenue precinct and the private sector response to the redevelopment of the Donkin Reserve.

The MBDA is not only an infrastructure implementing arm of the NMBM, but is also acting as a transformation agent from the apartheid era of white cities to a city of multi cultural ethnic and diverse backdrop that will eventually make it a city for all to proudly live, work and play. It is "middle class" cities such as Nelson Mandela Bay and in particular Port Elizabeth that will probably see a high level real estate development in the post recession area.

It is the success of an organisation such as the MBDA that has contributed positively to the management of Nelson Mandela Bay. The average resident of Nelson Mandela Bay can now see the "puzzle" slowly coming together, and NMBM ward councillors are beginning to see the benefits of creating dynamic places for people to live, work and play, which have a positive impact on private sector investment and which is the real driver of economic

development and the expansion of the rates base. It is this dynamic place-making model that creates an attractive, conducive, working, living and playing environment for all the people of Nelson Mandela Bay.

The MBDA concentrates on creating institutional capacity, infrastructure, innovation and eventually investment. The MBDA as an institution has embarked on the implementation of an organisational structure that fits its programmes, as well as the needs of the municipality, and it is this approach that supports the Metro's overall development vision, and improves governance and accountability.

The NMBM is particularly proud of the MBDA's Public Participation Process in the cycle of concept to completion. Not only has the MBDA created a model of a top down approach where communities feel part of the design process, but it has also created a recipe for sustainability to enable projects to become sustainable and to create a private sector multiplier investment impact.

The MBDA has developed a purposeful institution that is driven by the needs of the Municipality and has built a competent and competitive staffing component and it is hoped that the NMBM will learn from this process and that the same formula will apply in other parts of the City, particularly in townships.

The Mayoral Committee is looking forward to the MBDA's continued valued contribution in project management skills in promoting urban renewal and transformation in the CBD and emerging areas. I am very pleased to advise that the MBDA is now poised to work in township areas such as Helenvale, where the NMBM and MBDA will sign an agreement with a German donor, KfW Bank, who will co-fund an urban renewal process in this strife-torn township.

In conclusion I am further also pleased to note that the MBDA also has further plans for urban renewal upgrading initiatives in New Brighton, Veeplaas and Gqebera commencing in the 2012/13 financial period.

ZANOXOLO WAYILE
EXECUTIVE MAYOR

6. CHAIRPERSON'S REPORT

Eight years ago, in June 2003, the MBDA was registered as a company that is wholly owned by the NMBM. The primary objective of the MBDA initially was to promote economic development through urban renewal in a mandated CBD area.

In the eight years of its existence, in general, and the inner city in particular, the CBD was significantly transformed. At the beginning of year 2000, the historic city centre was widely regarded as a no-go area for business and tourists alike, and for an economic hub of its size, the importance of the inner city was short on facilities, attractions and events and the downward spiral of the City had a negative impact on the rates base of the NMBM. Visitors from other parts of the country and abroad, went out of their way to avoid Nelson Mandela Bay. The NMBM was faced with an immense developmental challenge, further compounded by severe financial constraints. It was clearly a situation where no-one gave the Port Elizabeth CBD a chance for revival. To restore confidence in the inner city the NMBM acted proactively through the vision of its city fathers to find proactive ways to invest in the future of the CBD and urban renewal thus became an important development strategy.

While many challenges remain, the urban renewal results achieved are clearly evident and extremely positive. Investment in the inner city has blossomed and the new face of the city is beginning to make an impact on local, national and international investors. Nelson Mandela Bay, and in particular the Port Elizabeth CBD, has reasserted itself as a historic, heritage and cultural hub of South Africa, with heritage buildings playing their part in this process.

Vibrant, confident and resurrected Port Elizabeth CBD and the city at large, hosted the FIFA World Cup in 2010 and it serves as an important reminder of all that has been achieved and what the City should strive to sustain.

The MBDA has played a critical role in facilitating and investing in its transformation of the Port Elizabeth city centre. Many of the landmark initiatives and buildings that characterise the new Port Elizabeth is a stark reminder of the efforts to transform the CBD. The upgraded Govan Mbeki Avenue, the revamp of Parliament Street, the revamp of Strand and Jetty Street, the redevelopment of the Donkin Reserve and the present transformation of Kings Beach are some of the projects that gave the CBD a new lease on life. These and

many more projects are testament to the efforts of the MBDA team, its partners and service providers.

The global showdown in 2008 to 2011 showed an adverse impact on property demands across South Africa as well as in Port Elizabeth. However, vacancy rates in the Govan Mbeki Avenue and Parliament Street areas rose marginally over the period, which was due to the urban renewal efforts of the MBDA and not necessarily the real estate economics of the day. MBDA investments in these areas have thus proved resilient even during such times of economic crisis.

Deteriorating economic conditions in 2008 to 2011 have also increased the element of crime in the CBD and the MBDA has put measures into place, *inter alia* the employment of a private security company to reduce such crime levels.

The achievements of the MBDA over the past eight years are best seen through the eyes and feet of city residents and visitors. The increase in the level of entertainment, tourism and leisure in the upgraded areas cannot always be measured in numeric terms, but rather in softer terms such as confidence and pride displayed by stakeholders.

There are signs that the CBD of Port Elizabeth is being transformed and that the MBDA has played a key role in enhancing the image and efficiency of key urban nodes throughout Nelson Mandela Bay.

The MBDA does not work alone though, but rather in partnership with various public and private partners as well as stakeholders of the City. It has helped to develop areas into greener, friendlier, historically and more conscience areas than before the MBDA got involved. All this had been achieved on a relatively low budget but with a resultant high impact.

In taking Nelson Mandela Bay to its stated goal of becoming a competitive City, the achievements of the past will need to be replicated, expanded and sustained and many more obstacles will need to be overcome. The NMBM is therefore fortunate to have at its disposal a team of experienced, skilled and committed development practitioners in the MBDA.

Key challenges however still remain such as the sourcing of adequate NMBM funding, building stronger network of stakeholder relationships at a local, national and international

level, as well as branding the work of the Agency to further create a positive impact on private sector investment.

Thanks must go to the NMBM's political and administrative leadership, dedicated Board members and employees of the MBDA, the committed and enthusiastic private partners that respond to the MBDA's development activities as well as the public development partners and funders who have all been part of the MBDA success story.

SAKI MACOZOMA

7. CHIEF EXECUTIVE OFFICER'S REPORT

The 2011/12 financial year has been an important year in the history of the MBDA. It marked a period of serious financial constraints within the Metro, and it became clear that the MBDA needed to work more smartly within its considerably reduced budget allocation and also raise more external funding for the conceptualisation and implementation of its projects.

During the period under review, the MBDA continued with its public environment upgrading projects in the Port Elizabeth inner city, which are all further contributing to the completion of the MBDA's urban renewal infrastructure "puzzle".

While the MBDA is undertaking these projects in a period of recession, it is encouraging to note that the response of the private sector to the MBDA's public sector investments is positive based on market research conducted as well as reciprocal private sector investment.

Urban renewal initiatives such as cleansing and security are also making a collective impact and the man on the street can hopefully also see what the MBDA believes is a major improvement emerging from the prior years of urban decay.

Within its limited budget the MBDA has taken a giant leap towards becoming a viable, effect project management house and fulfilling key functions on behalf of the NMBM, namely being a doer, a supporter, and a promoter of various key projects and initiatives.

The present construction of the R1,0 billion Boardwalk investment is an example of a supporter and promoter through the work of the MBDA and the Eastern Cape Gambling and Betting Board.

It is also important to realise that the MBDA's work is not only about bricks and mortar, but also one of being a change and transformation agent and the Agency has explored a number of issues such as culture and heritage to use as key features in the upgrading of decayed urban areas. The upgrading of the Donkin Reserve heritage site is a case in point.

In a world of rapid change, particularly in response to the present economic recession, our strategic priorities are unyielding, which is to increase the impact of our projects through increased employment, gross domestic product and the City's rates and revenue base.

The MBDA is not without its challenges, the biggest being funding, particularly against the backdrop of the present cashflow crisis within the NMBM. The MBDA is however putting measures in place to source external funding and a consultant will be appointed in the new year to assist with this critical process.

A finance agreement will also be signed shortly with German donor KfW Bank for EUR 5 Million to be spent in Helenvale over the next four to five years as part of a safety and peace program through urban upgrading.

The MBDA has a further challenge in revising its current marketing efforts in on its projects to a much more pro-active strategic branding exercise and measures are being put in place to increase the urban renewal efforts of the MBDA from a local, national and international perspective.

A third challenge that faces the MBDA is its present stakeholder networking strategy and the management and Board is presently looking at a more effective stakeholder networking exercise, not only at local level, but also at national and international level. Such a stakeholder network management process will entail a number of government, private sector and non government institutions and will enable the MBDA to raise its work to a much higher level.

The MBDA works well with the NMBM and is appreciative of its financial support, which has culminated in key projects being implemented. These projects do not only have an innovative aesthetic component, but are also catalytic social projects, particularly through the public participation and bottoms up approach. It is also important for the MBDA that these projects make social, economic and political sense.

The urban renewal programme of the MBDA now forms a key component of economic development in the NMBM and speaks to the demands and needs of the community. It is important though that such plans remain flexible and is adapted if the demands of the community change for good reason.

In the year ahead, the MBDA is looking forward to engaging in increased levels of dialogue with the ordinary citizens of the City in order to ensure that its projects remains in touch with the needs and demands of the community at large. It is also assumed that the mandate of

the MBDA will continuously expand to include other key strategic projects in other developing nodes of Nelson Mandela Bay, such as the present urban renewal programme in Helenvale as well as future township upgrading projects.

PIERRE VOGES

8. AUDIT COMMITTEE REPORT

We present our report for the year ended 30 June 2012.

Audit Committee members and attendance

The Audit Committee has adopted appropriate formal terms of reference and consists of two independent and external members as well as a Board director as follows:

KD Pather	-	Independent member and Chairperson
L Prince	-	Director
S Nel	-	Independent member representing Industrial Development Corporation (IDC)

The Audit Committee met at least four times during the year as per its approved terms of reference. Additional special meetings were held with Management, the Auditor General and the Internal Auditor during the year to address specific matters.

The Internal Audit function has been outsourced to the parent municipality's internal audit department in line with relevant legislation.

During the year under review, four Audit Committee meetings were held and the attendance register records indicate:

Name	No. of Audit Committee meetings attended
KD Pather	4
L Prince	0
S Nel	3

During the period under review the Board's committee representative did not attend any committee meetings, whilst one of the meetings was attended by an audit committee member of the parent municipality, who was appointed as a proxy committee member.

The Agency had also requested the Acting Municipal Manager's office to advertise for a further external audit committee member to be appointed but to date this has not been auctioned and will be followed up by management in the new financial period.

Audit Committee Responsibilities

The Audit Committee reports that it has complied, as far as possible, with its responsibilities set out in the approved terms of reference.

Review of the Annual Financial Statement

The Audit Committee has noted the unqualified opinion together with the emphasis of matter expressed by the Auditor-General on the annual financial statements of the Agency.

Efficiency and effectiveness of the internal controls

Whilst there is always room for improvement, the matters reported by the Internal Auditor and the Auditor-General as well as matters brought to the attention of the Accounting Officer, by way of informal queries and management letters, indicate that there has been a marked improvement in the Agency's supply chain management processes from the previous financial period.

It is further also noted that the internal controls functioned satisfactorily during the period under review.

Relevant legislation

The committee's terms of reference included responsibility for monitoring:

- The Company's Act
- The Municipal Finance Management Act
- The Local Government Municipal Systems Act

The committee concentrated primarily on the financial legislation and took cognizance of the recommendations of the King III Report on Corporate Governance.

Performance Information and Management

A performance information and management system has been implemented by the Agency and which is aligned to the parent municipality's Integrated Development Plan (IDP) and Service Delivery Budget Implementation Program. The Agency reports on a quarterly basis to the parent municipality regarding its performance targets and key performance indicators and there were no material audit findings in terms of the performance information as reported during the period under review.

Conclusion

The Audit Committee reviewed the Annual Financial Statements Audited by the Audit General, and recommends to the Board its approval for adoption, the unqualified opinion of the Auditor-General on the annual financial statements for the Agency for the year ended 30 June 2012.

KD PATHER - CA(SA)
CHAIRPERSON

9. HUMAN RESOURCES COMMITTEE REPORT

The MBDA's staff component as at 30 June 2012 and as per employment equity principles is reflected as follows:

RACE

LEVEL	BLACK	WHITE	COLOURED	INDIAN
Management	1	2	-	1
Professional	3	-	-	-
Administration	5	1	5	1

GENDER

LEVEL	MALE	FEMALE
Management	3	1
Professional	1	2
Administration	2	10

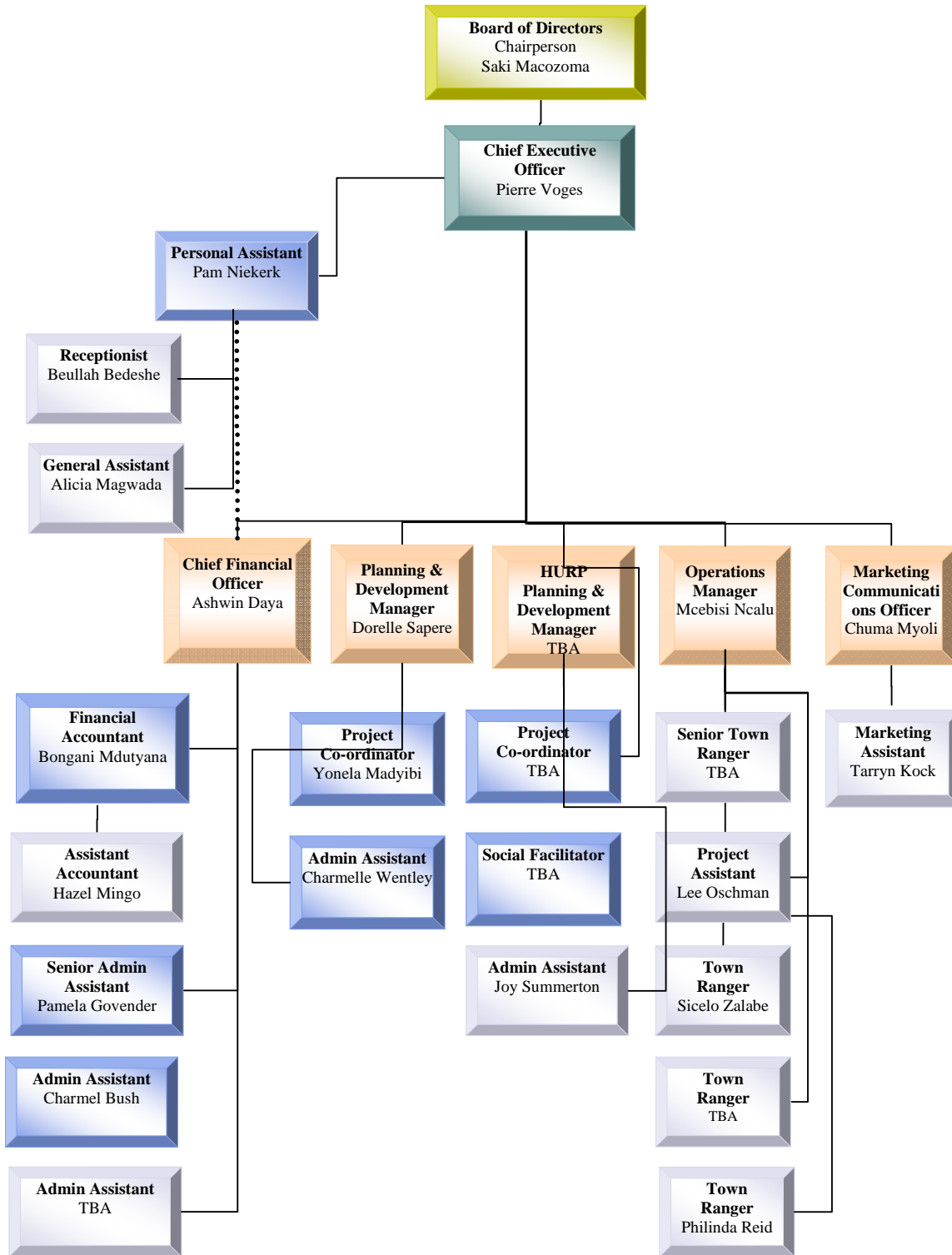
During the period under review the Agency also appointed consultants to review the Agency's remuneration and grading system in order that the existing grading system is replaced with the TASK grading system and which has to be implemented in line with a directive that all municipalities and their entities are to convert to this grading system.

This exercise is progressing well and will be finalised in time for the new TASK system to be implemented effective July 2012. In addition job descriptions are also being formulated reviewed, revised and updated and this exercise will be completed by December 2012.

The organogram for the MBDA will be revised in the 2012/13 financial period in line with the Helenvale Urban Renewal Program (HURP) unit having been relocated to the Agency by the NMBM and interviews will be conducted in the new year to staff the vacant positions within the HURP unit.

PHIL GUTSCHE

9.1 MBDA STAFF ORGANOGRAM AS AT 30 JUNE 2012



10. PERFORMANCE HIGHLIGHTS IN 2011/12

During the financial period under review, the MBDA achieved the following performance highlights:

- Completion of Phase 1 of Kings Beach Triangle Upgrade and commencement of Phase 2;
- Completion of the Govan Mbeki Avenue Sewer Rehabilitation project between Russel Road and Manchester Street;
- Completion of Phase 3 of Donkin Reserve Phase 3 and commencement of Phase 4;
- Inner City Arts project funded by National Lotteries Board is progressing well and the final tranche expected is expected during 2012/13;
- Refurbishment of the Athenaeum Club Building was completed;
- The NMBM resolved to transfer the Helenvale Urban Renewal Program (HURP) to the MBDA
- Transnet formally announced that the tank farm will be relocated in 2016 and the manganese ore facility in 2017;
- The Local Spatial Development Framework (LSDF) for the MBDA Mandate Area was completed;
- The Nelson Mandela Bay Stadium Management contract for a second 3-year period was finalised ;
- Consultants were appointed to consider the feasibility of a mixed-use development in the old Mermaid building precinct;
- New cleansing service providers for the Port Elizabeth and Uitenhage CBDs were contracted
- Public urinals in Govan Mbeki were completed
- Professional consultants for the Tramways Building redevelopment were appointed with a view to finalising a design plan and calling for construction tenders by latter part of 2012
- A tender was advertised calling for consultants to consider the commercial feasibility of the Apple Express rail line
- Voting has commenced on the Richmond Hill Special Rating Area (SRA) initiative that has been initiated and facilitated by the Agency and this process

is expected to be finalised by early 2013 so that an SRA can be formally launched by property owners in this precinct

- The first inner-city Urban Run event was held on the Donkin Reserve and was hailed as a huge success

11. CAPITAL PROJECTS

During the period under review the MBDA completed and signed off capital projects to the value of R77,1 million (see table below).

However it is important to note that MBDA capital projects are typically multi-year in nature and that most of these projects commenced between 12 to 24 months ago and that some projects could span over a 36-month period As well.

Projects tend to commence slowly due to the complexities around the planning, public participation and design / master planning and tender preparation phases and normally in the subsequent periods budget is spent more rapidly due to the construction phase setting in.

Indicated in the table below are the capital projects undertaken during the 2011/12 financial year:

	PROJECT	Budgeted Capital Spend	Actual Spend at 30 June 2012	Planned Completion Date
1	Public Urinals – Govan Mbeki Ave	176 750	176 000	Completed
2	Kings Beach Triangle Upgrade Phase 1	15 023 385	13 695 698	Completed
3	Kings Beach Triangle Upgrade Phase 2A	2 707 400	727 306	28-Feb-13
4	GMA Sewer Rehabilitation (Russel Road to Manchester Street)	10 564 743	9 749 779	Completed
5	Donkin Reserve Upgrade - Phase 3	18 389 435	18 145 221	Completed
6	Donkin Reserve Upgrade - Phase 4	10 000 000	2 021 892	31-Mar-13
7	Inner City Arts Project	7 957 724	6 297 170	30-Jun-13
8	Bird Street / Belmont Terrace Upgrade	15 000 000	736 830	31-Mar-13

	PROJECT	Budgeted Capital Spend	Actual Spend at 30 June 2012	Planned Completion Date
9	Strand Street Upgrade - Phase 2	31 305 417	31 116 831	Completed
10	Athenaeum Club Building Refurbishment	4 533 366	4 214 015	Completed
11	Refurbishment of Immovable Property (Tramways)	14 955 000	318 750	March 2015

NOTE: Values indicated are from inception date of the project till 30 June 2012

12. PERFORMANCE MANAGEMENT

Performance reporting is reflected under the respective strategic objectives set for the 2011/12 financial year as follows:

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2011/12	ACTUAL 2011/12	EXPLANATION OF VARIANCE / COMMENTS
12.1 CLEANSING SERVICES (CBD, CENTRAL AND UITENHAGE)					
12.1.1	% satisfaction with cleansing services in Port Elizabeth and Uitenhage Central Business Districts	89,5%	80% satisfaction level achieved	83.4%	83.4% of the respondents within the Metro continue to feel that the presence of permanent cleaners in Central and the CBD is having a positive impact on these areas. This is more than the targeted 80%. This indicates that the cleaners in these areas are doing in ensure cleanliness within the Metro.
12.2 FACILITATING PUBLIC CAPITAL PROJECTS					
12.2.1	Number of new Special Rating Areas (SRA) operational	0	1 SRA by March 2012 (Richmond Hill)	Target not met	The underperformance against this key performance indicator resulted from the pre-requisite voting process in respect of the development of the Special Rating Areas (SRAs). As many of the voters (property owners) live outside Nelson Mandela Bay (countrywide or worldwide) they need to be traced to cast their votes. 258 votes out of the total of 750 have been received. 34% of the required (50%+1%) have been received. All the votes are expected to be collected by December 2012 and the Richmond Hill Special Rating is expected to be implemented in June 2013.
12.2.2	Number of new capital projects implemented in the MBDA mandated area (a. Strand Street Environmental upgrade Phase 2 Bus terminus upgrade and traffic management measures completed)	Strand Street Phase 1 completed	100% completed by Dec 2011	100% completed by Dec 2011	

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2011/12	ACTUAL 2011/12	EXPLANATION OF VARIANCE / COMMENTS
12.2.3	Number of new capital projects implemented in the MBDA mandated area (b. Kings Beach Southern Beach Front redevelopment phase 1)	5% completion	100% completed	100% completed	The King's Beach Environmental Upgrade (Phase 1) was completed on 22 May 2012.
12.2.4	Number of new capital projects implemented in the MBDA mandate area (c. Belmont Terrace / Bird Street environmental upgrade)	N/A	50% completed	Target not met	The underperformance against this key performance indicator was due to the lengthy public participation process, which extended to December 2011. The project implementation plan has been amended to speed up the implementation of the project. A contractor was appointed on 28 May 2012. The Belmont Terrace/Bird Street Environmental Upgrade is expected to be completed in March 2013.
12.2.5	Number of new capital projects implemented in the MBDA mandated area (d. Govan Mbeki Avenue Sewer Rehabilitation upgrade - Russel road to Manchester Street)	0%	100% completed by March 2012	100% completed	The Govan Mbeki Avenue Sewer Rehabilitation upgrade (Russell Road to Manchester Street) was completed on 20 December 2011.
12.2.6	Value of investment attracted to the MBDA mandate area as a result of urban transformation (capital infrastructure urban management promotion of culture and heritage)	N/A	R50 million by June 2012	R 244.9 million	Approximately R98.4 million was invested by the Mandela Bay Development Agency in the Donkin Reserve, King's Beach and Uitenhage Market Square Upgrade. The investment generated approximately R244.9 million in additional production/new business sales. This rise in production led to a corresponding increase in Gross Value Added, which grew by R80,9 million as a direct result of the upgrades. During the course of these projects ,a total of 673 direct, indirect and induced employment opportunities were created.