



***DRAFT***

**ANNUAL REPORT  
2010/11**

# KEY AWARDS

## KEY AWARDS WON FOR 2010/11 FINANCIAL YEAR

The Municipality and its residents are proud to have been honoured with the following important awards for excellent performance:

Three Provincial Vuna Awards for the continuous maintenance of an unqualified audit outcome; excellent performance in the area of local economic development; as well as third place in overall performance (KPA Achievements).



The National Minister responsible for the Portfolio of Public Works presented a National Award to the Nelson Mandela Bay Municipality for the best cooperative programme in the EPWP Programme in the Country.

The “*All Hands on Waste*” Project of the Municipality received an award from the Mail and Guardian which annually recognizes projects that have a positive impact on the environment and that contributes to addressing climate change issues. The project originated from the R1 million in prize money that was allocated to the Municipality for waste management initiatives when it was chosen as the cleanest town in South Africa in a national government run competition (2009).



The Department of Water Affairs awarded the Nelson Mandela Bay Municipality with “Blue Drop” status in recognition of the high standards maintained in drinking water quality in Nelson Mandela Bay.

The Nelson Mandela Bay Stadium won an engineering excellence award from CESA Glenrand M.I.B. as the best stadium in the country, based on criteria such as easy access and exiting, facilities for the disabled and the aesthetic appearance of the building.

# **TABLE OF CONTENTS**

	<b>Description</b>	<b>Page</b>
PART 1	Introduction and overview	1
	(a) Foreword by the Executive Mayor	1
	(b) Statement by the Municipal Manager	4
	(c) Overview of the Municipality	6
	(d) Executive Summary	9
PART 2	KPA Achievement Reports	13
	Chapter 1 : Organisational Transformation and Institutional Development	13
	Chapter 2 : Basic Service Delivery and Infrastructure Development	32
	Chapter 3 : Local Economic Development	111
	Chapter 4 : Financial sustainability and viability	142
	Chapter 5 : Good Governance and Public Participation	162
PART 3	Functional Area Reporting	201
ANNEXURES:		
	Annexure "A" Organisational Structure	236
	Annexure "B" Audit Reports of the Auditor-General	238
	Annexure "C" Audited Financial Statements	249
	Annexure "D" Audit Committee Chairperson's Report	405
	Annexure "E" Response to Audit Report of the Auditor-General	409
	Annexure "F" Report on Entity	416

<b>PART</b>	<b>INTRODUCTION AND OVERVIEW</b>
<b>1</b>	

## **1.1 EXECUTIVE MAYOR'S FOREWORD**

It is with a sense of humility and responsibility that I introduce the 2010/11 Annual Report of the Nelson Mandela Bay Municipality, in compliance with legislative and accountability requirements. In terms of 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, South African municipalities must prepare annual reports for each financial year and Executive Mayors must table such reports in their Councils within seven months after the end of each financial year.

This Report presents the institution's achievements and challenges in accelerating and improving service delivery and development in Nelson Mandela Bay.

There is no denying that the review period has been a challenging one for the institution, following the cash flow challenge experienced for the greater part of the review period and the consequences this held for service delivery.

### **1.1.1 Achievements**

Despite the challenges stated above, the Municipality still managed to record progress in achieving its objectives in all five key performance areas applicable to local government, which will be outlined in this Annual Report. The key performance areas are as follows:

- 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) Receipt of an unqualified audit opinion from the Auditor-General for the fourth year in succession.
- (b) Provision of potable water within a 200 m radius to 100% of households, with the exception of some smallholdings and farms.
- (c) National recognition for the quality of water provided (Blue Drop status award from the Department of Water Affairs).
- (d) Altogether 2 956 new houses were constructed.
- (e) Provision of electricity to 100% of households on built land demarcated by the Municipality for residential purposes.
- (f) Implementing renewable energy projects such as solar heating.
- (g) Successful hosting of the second Annual Mayoral Cup, which has regenerated soccer, rugby and netball in less privileged areas.
- (h) National recognition for the implementation of the best cooperative in the country, under the EPWP Programme.
- (i) Creation of 3 319 full-time equivalent jobs and 16 130 work opportunities through EPWP Programme.
- (j) Official unveiling of the Cradock Four Heritage Memorial on 6 May 2011.
- (k) Continued inner city rejuvenation, which saw phases 1 of the Strand Street, Donkin Reserve and Uitenhage Market Square upgrading completed, resulting in the transformation of these areas through new design, layout and public art.

### 1.1.2 The year ahead

While progress was made during the 2010/11 financial year, the Municipality experienced some challenges. In the year ahead (2011/12), the following challenges will be addressed:

- (a) Stabilising the administration *inter alia* by filling key strategic vacancies, and tightening discipline and performance.
- (b) Prioritising job creation and developmental initiatives focusing on the youth, gender, people with disabilities and other marginalised sectors.
- (c) Prioritising intergovernmental challenges such as weak systems, uncoordinated planning, and unintegrated budget planning.
- (d) Addressing service delivery challenges such as the slow progress in the provision of integrated and sustainable human settlements.
- (e) Addressing the irregular, fruitless and wasteful expenditure and other findings reflected in the Auditor-General's report.

I would like to express my sincere gratitude to all Councillors, officials, the communities of Nelson Mandela Bay and stakeholders for their efforts, support and hard work, which enabled the institution to record service delivery progress during the year under review.



**COUNCILLOR ZANOXOLO WAYILE**  
**EXECUTIVE MAYOR**

## 1.2 STATEMENT BY THE MUNICIPAL MANAGER

As the Accounting Officer of the Municipality, I confirm that this 2010/11 Annual Report has been compiled in line with the Local Government : Municipal Systems Act 32 of 2000, the Local Government : Municipal Finance Management Act 56 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.

The key priority areas of the institution during the year under review find their expression in the Municipality's Integrated Development Plan, the Budget and the Service Delivery and Budget Implementation Plan. Although this Annual Report reflects considerable progress in the roll-out of services to our communities, we are acutely aware of the gaps and shortcomings that remain and are prioritizing initiatives and programmes to address these. In this regard, the Municipality will develop a Short-Term Recovery Plan to stabilize the institution to address service delivery and development challenges.

- (a) Review of Supply Chain Management Policy, Structures, Systems and Processes.
- (b) Strengthening intergovernmental relations for mutual knowledge exchange and best practices.
- (c) Establishing and strengthening Ward Committees.
- (d) Promotion of sound labour relations.
- (e) Strengthening internal controls and anti-fraud and anti-corruption initiatives.
- (f) Maintaining an unqualified audit opinion and addressing matters of emphasis as reflected in the Auditor-General's report.

- (g) Addressing institutional communication and reputational risks.
- (h) Continue with the initiatives to entrench the culture of performance within the institution.
- (i) Promoting financial discipline and management.

I would like to extend my warmest appreciation to the political leadership and staff of the Nelson Mandela Bay Municipality for their contribution to the progress made during the 2010/11 financial year.

A handwritten signature in black ink, appearing to read 'T. Hani', with a horizontal line underneath the name.

**T HANI**

**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 km<sup>2</sup>. 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.

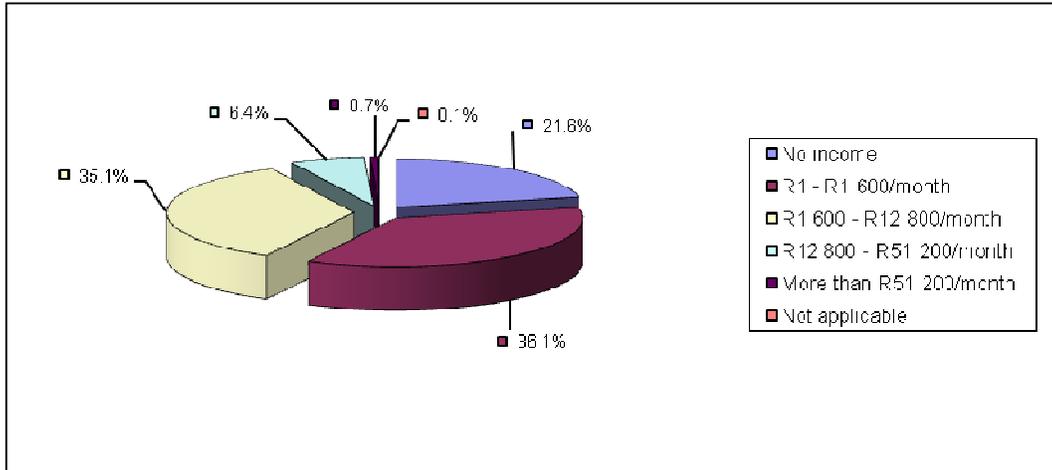
#### **(b) Household data**

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 79 035 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).

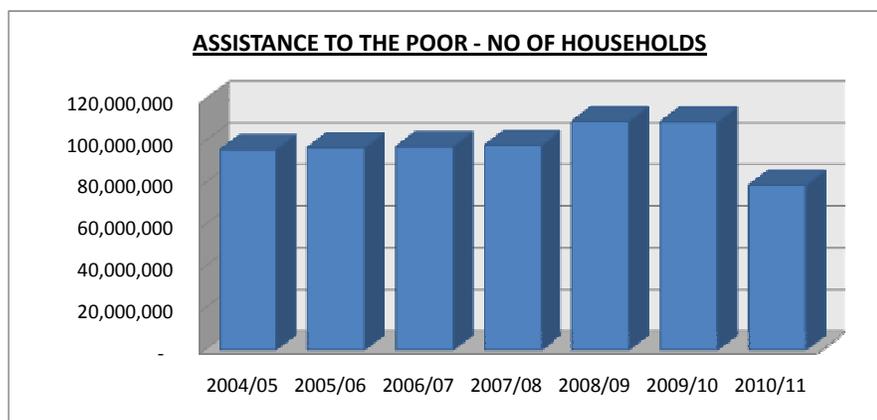
**FIGURE 1: Household incomes**

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.

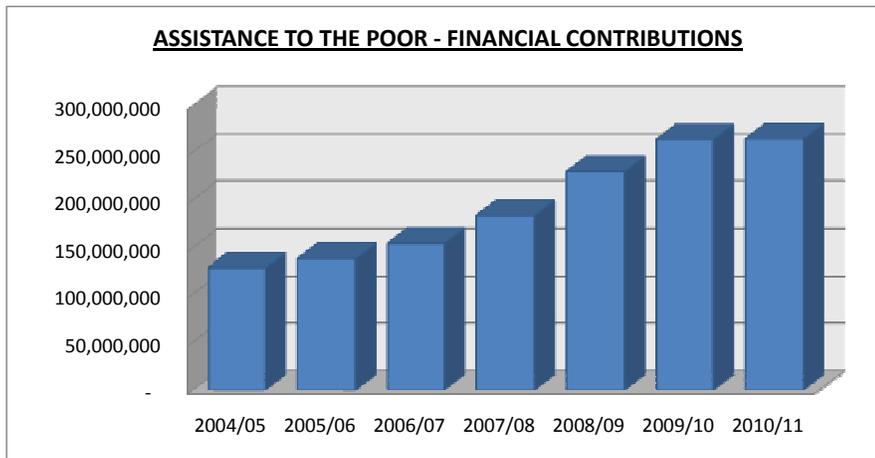
#### *Assistance to the Poor (ATTP)*

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 2010/11 financial year is presented below:

#### 1.4.3.1 Free basic services

The Municipality provides free basic services to approximately 79 035 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:

<b>Type of service</b>	<b>2009/10 Actual</b>	<b>2010/11 Target</b>	<b>2010/11 Actual</b>
% of formal households with access to electricity	99%	97%	100%

<b>Type of service</b>	<b>2009/10 Actual</b>	<b>2010/11 Target</b>	<b>2010/11 Actual</b>
Total number of new electricity connections (RDP and other connections)	3872	5000	2518

#### 1.4.3.3 Water and sanitation

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

<b>Type of service</b>	<b>2009/10 Actual</b>	<b>2010/11 Target</b>	<b>2010/11 Actual</b>
% households within urban edge with access to basic potable water within 200 m radius	100%	100%	100%
Number of new water connections	3592	7900	3047
Number of new households connected to sanitation services	3592	7900	3047

#### 1.4.3.4 Refuse removal

Progress with regard to refuse removal is reflected below:

<b>Type of service</b>	<b>2009/10 Actual</b>	<b>2010/11 Target</b>	<b>2010/11 Actual</b>
% of households with access to basic level of refuse removal (formal and informal)	98% (informal)	95%	98%
	100% (formal)		

#### 1.4.3.5 Housing and land delivery

Performance with regard to housing delivery is reflected below:

Type of service	2009/10 Actual	2010/11 Target	2010/11 Actual
Number of housing opportunities provided	7616 houses were constructed and 3789 houses were issued with occupancy certificates	7900	2956

#### 1.4.3.6 Financial sustainability

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

RATING HISTORY	2009/10	2010/11
Long-term	Aa3.za	Rating currently in progress
Short-term		

The Municipality achieved a revenue collection rate of 97,36% after write-offs and 95,26% before write-offs. In addition, capital expenditure rate of 90,50% 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

<b>PART</b>	<b>KPA ACHIEVEMENT REPORT</b>
<b>2</b>	

**CHAPTER 1: INSTITUTIONAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT**

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
<b>1.1 STRATEGIC PLANNING AND INTEGRATION</b>					
1.1.1	Development and implementation of an IDP and Budget review schedule	IDP and Budget Review Schedule adopted	By June 2011	IDP/Budget Review schedule adopted by Council	The Adopted IDP & Budget were approved at the Council meeting held on 28 June 2011.
1.1.2	Development of a shared long-term vision (20 – 50 years) and long-term plan for Nelson Mandela Bay	N/A	By June 2011	Target not met	The long-term vision and long-term plan were not adopted by Council. There were delays in the project and a request for proposals was advertised in April 2011.
1.1.3	Development of annual Service Level Agreements between directorates to formalise interdirectorate service delivery and accountability	N/A	By December 2010	Service Level Agreements in place	
1.1.4	Review of the Cluster system	Cluster system in place	By September 2010	Cluster system reviewed	The terms of reference for the cluster system were reviewed and the reviewed document was tabled at Management Team on 29 September 2010.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
1.1.5	Implementation of the Turnaround Strategy	Turnaround Strategy adopted	Inclusion of Turnaround Strategy into SDBIP by July 2010	Turnaround Strategy incorporated and reported on as an integral part of the SDBIP	The Turnaround Strategy was implemented and a progress report in this regard was submitted to the Mayoral Committee on 18 August 2010. The Turnaround Strategy's targets were included in the SDBIP.
<b>1.2 PERFORMANCE MANAGEMENT</b>					
1.2.1	Annual review of the Performance Management System	Performance Management System in place	By June 2011	Target not met	This target was negatively affected by the non-achievement of the KPI relating to the review and adoption of a Performance Management Policy, as the latter is an essential element of the System. A critical analysis of the NMBM Performance Management System was performed in the second quarter and the IDP, which includes a chapter on performance management, was adopted on 28 June 2011, following a process of consultation with the communities. The target will be met in the 2011/12 financial year.
1.2.2	Review and adoption of an integrated outcomes-based Performance Management Policy	Performance Management Policy and Toolkit in place	By September 2010	Target not met	The need for wider consultation with stakeholders, including trade unions and SALGA delayed the finalisation of the process. A Policy Review Task Team was established and regular review work sessions are being held. The Policy review process will be completed in the 2011/2012 financial year.
1.2.3	Audit of Performance Management System and information	Quarterly audits	Quarterly audit	Quarterly audit	
1.2.4	Approval of the compliant SDBIP	Compliant SDBIP approved by Executive Mayor	Within 28 days after Budget approval by the Executive Mayor	Within 28 days after Budget approval by the Executive Mayor	

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
1.2.5	Conclusion of compliant performance agreements for Section 57 employees and the Municipal Manager	Compliance performance agreements in place	By July 2010	Compliant performance agreements concluded	
1.2.6	Submission of performance reports indicating performance gaps and improvements Quarterly reports to be submitted by October, January, April and July	Quarterly reports	Quarterly reports submitted by October, January, April, and July	Quarterly reports	
1.2.7	Number of reports submitted to the Executive Mayor and Municipal Manager on non-compliance with Performance Management Policy and reporting timelines	N/A	4	3	The implementation of this intervention commenced in the 2010/11 financial year. A period of 20 working days following the end of each quarter is allowed for the refinement of performance information prior to the submission of quarterly performance analysis reports to the Acting Municipal Manager. The analysis report in respect of the fourth quarter is due for submission to the Acting Municipal Manager by 28 July 2011.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
1.2.8	Roll-out of performance plans to employees (up to Grade 12)	9 directorates rolled out to Director level; 5 directorates rolled out to Assistant Director level; 2 directorates rolled out to lower levels.	By June 2011	Performance plans rolled out to Grade 12	Performance plans were rolled out to Grade 15 in 5 out of 11 directorates (Office of Chief Operating Officer; Budget and Treasury; Corporate Services; Economic Development and Recreational Services and Special Programmes) and to Grade 12 in 1 Directorate (Office of Chief Operating Officer). The Infrastructure and Engineering; Human Settlements; Electricity and Energy; Public Health and Safety and Security Directorates did not comply. The Performance Management Committee meets quarterly in order to provide the necessary capacity and support needed by directorates to ensure that performance management is rolled out throughout the institution. In addition, this is monitored by the Municipal Manager and forms part of his regular consultation sessions with Executive Directors. It is envisaged that the target will be met in the 2011/12 financial year.
1.2.9	Conduct Mid-term and Annual performance reviews of Municipal Manager and direct reportees including MBDA and Service Providers	Annual performance reviews not concluded	Mid-term reviews by February and annual reviews by April	Annual performance reviews of Section 57 employees completed	The processes leading up to the assessment of Section 57 employees commenced in the first quarter of the 2010/11 financial year with the development of and consultation on the Assessment Guidelines. A panel was established and the annual performance reviews of the Section 57 employees were completed in July 2011. The Assessment Panel includes officials occupying strategic positions in other institutions. It is not always possible to convene the full panel at a time that is ideal for the Municipality.
1.2.10	Number of Budget Performance Monitoring meetings held	4	4	4	

KEY PERFORMANCE INDICATOR (KPI)	BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS	
<b>1.3 HUMAN RESOURCES DEVELOPMENT</b>					
1.3.1	Roll-out training in National Treasury Minimum competencies to all designated positions	Functional programme in place	By December 2010	Training rolled out	The Office of the Chief Operating Officer offers ongoing professional advice to officials who have been identified as candidates for formal training, following the initial assessment. In addition, information on accredited service providers offering training on the relevant unit standards, including training schedules, is communicated to the designated group.
1.3.2	Number of reports submitted to National Treasury and Provincial Treasury on compliance with the prescribed minimum competency levels	N/A	2 reports	2 reports	
1.3.3	Establishment of a SAQA certified panel of assessors	N/A	By September 2010	SAQA certified panel of assessors established	A panel of accredited training providers, which makes use of accredited assessors, has been established.
1.3.4	Development and submission of a Workplace Skills Plan (WSP)	Workplace Skills Plan submitted	By March 2011	WSP finalised and submitted to LGSETA	On 30 June 2011, the Workplace Skills Plan was submitted to the Local Government Sector Education and Training Authority (LGSETA).
1.3.5	Provision of career guidance targeting the youth (21 – 35) and unemployed	N/A	By June 2011	Career Day hosted for the youth	The Career Day (targeting Grades 9 – 12) was planned for 22-24 June 2011. Due to the fact that it was during examination time, few learners could attend. An event focusing on the unemployed youth will be held in Motherwell on 22 July 2011.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
1.3.6	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 : Top Management	75	75	72	The Municipality is taking a controlled approach to the filling of vacancies, due to the cash challenge experienced in the financial year and this contributed to the annual target not being met. The target will be reviewed in the 2011/12 financial year.
1.3.7	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 : Senior Management	250	250	73	The Municipality is taking a controlled approach to the filling of vacancies due to the cash challenge experienced in the financial year and this contributed to the annual target not being met. The target will be reviewed in the 2011/12 financial year.
1.3.8	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 : Professionally qualified and experienced specialists and mid management	587	587	569	The Municipality is taking a controlled approach to the filling of vacancies due to the cash challenge experienced in the financial year and this contributed to the annual target not being met. The target will be reviewed in the 2011/12 financial year.
1.3.9	Review the Scarce Skills Acquisition Strategy	Scarce Skills Acquisition Strategy in place	By September 2010	Target not met	The Scarce Skills Close-out report was presented to Executive Mayor, recommending that an appropriately qualified and experienced agent be appointed to oversee all aspects of the scarce Skills Mentorship Programme. Budget constraints associated with the cashflow challenge currently experienced by the Municipality compromised the attainment of this KPI. The target will be reviewed in the 2011/12 financial year.
1.3.10	Number of academically deserving and needy students in critical and scarce skill areas assisted	41 bursaries awarded	50 by June 2011	Target not met	No further bursaries were awarded to students during this period, because of budgetary constraints. The target will be reviewed in the 2011/12 financial year.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
1.3.11	Number of interns trained	10	30 by June 2011	Target not met	Only 12 interns could be recruited and trained during this period, as a result of Budgetary constraints. The target will be reviewed in the 2011/12 financial year.
1.3.12	Number of unemployed graduates provided with a training opportunity (Scarce skills areas)	40	32 by June 2011	Target not met	The target was not met, due to a delay in the Council resolution regarding the next intake of unemployed graduates. 19 unemployed graduates categorised as Scarce Skills graduates received training during this quarter.
1.3.13	Number of unemployed graduates provided with a training opportunity (Critical skills areas)		8 by June 2011	26 critical skills graduates trained	
1.3.14	Development and implementation of a competency based Skills Development Plan	N/A	By June 2011	Target not met	The consultation took place while the feasibility study was undertaken and the business plan was being developed. An Assessment Centre business plan has been completed, which determines the resources required for the establishment of a fully-fledged Assessment Centre to deal with the development and implementation of a competency based Skills Development Plan within the NMBM. Budget constraints associated with the cashflow challenge currently experienced by the Municipality compromised the attainment of this KPI. The target will be reviewed in the 2011/12 financial year.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
1.3.15	Development of an integrated Human Resources Development Plan to include competency based HRD manpower forecasting, mentoring and career planning	N/A	By June 2011	Target not met	Due to the cashflow challenge currently experienced by the NMBM, this project was deferred to the 2012/13 financial year.
<b>1.4 HUMAN RESOURCES ADMINISTRATION</b>					
1.4.1	Existence of uniform conditions of service and pay scales	N/A	By December 2010	Target not met	This target is dependent on the implementation of the results of the TASK Job Evaluation process. The Local Labour Forum (LLF) could not reach consensus on the publishing of TASK results. IMATU advised that its national structures indicated that it should not enter into further discussions with the Employer in the absence of a Collective Agreement.
1.4.2	Review of all HR Policies	N/A	By December 2010	Target not met	The non-availability of stakeholders to meet regularly to finalise the process led to the non-achievement of this target.  The following policies are currently under review: (1) Education, Training and Development Policy. (2) Employee Bursary Policy. (3) Learnership Policy.  It is envisaged that the target will be met in the 2011/12 financial year.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
1.4.3	Turnaround time for recruitment (number of months from submission of recruitment notification)	N/A	3 months	4.5 months	Challenges that continue to hamper compliance with the three month's turnaround time include: (1) Postponement of interview and shortlisting dates by directorates; (2) Delays occasioned by Unions; (3) Delays in signing off the interview proposal/report by directorates; (4) Budgetary constraints, resulting in the freezing of some vacancies, which will impact on the calculation of the turnaround time if the Budget becomes available; (5) Human resources capacity constraints. The target will be reviewed in the 2011/12 financial year.
1.4.4	Development of scientific criteria for staffing/Consideration of requests for approval of vacancies	N/A	By July 2010	Scientific criteria developed	The criteria for the consideration of approvals for critical vacancies were retained. In addition, the Organizational Establishment Policy on staffing and organisational establishment processes was developed and approved.
1.4.5	Review terms of reference and approval criteria for the Critical Vacancies Task Team	Terms of reference in place	By July 2010	Terms of reference and approval criteria reviewed	The criteria for consideration of approvals for critical vacancies were retained. In addition, the Organizational Establishment Policy on staffing and organisational establishment processes was developed and approved.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
<b>1.5 EMPLOYEE RELATIONS</b>					
1.5.1	Resolving key outstanding labour relations issues in line with the operational plan developed between the Municipality and trade unions : Wage parity	N/A	By June 2011	Evaluation and progress report	All applications received were considered. All applications were finalized, with the exception of four cases that were referred to the Review Committee.
1.5.2	Resolving key outstanding labour relations issues in line with the operational plan developed between the Municipality and trade unions : Municipal Police Force	N/A	By June 2011	Target not met	The workshop could not be convened during this quarter, due to the non-availability of key stakeholders. A workshop between Labour and the Employer has been arranged for 25 July 2011. This target will be reviewed in the 2011/12 financial year.
1.5.3	Resolving key outstanding labour relations issues in line with the operational plan developed between the Municipality and trade unions : Rationalisation	N/A	By June 2011	Target not met	The workshop could not be convened during this quarter due to the non-availability of key stakeholders. A workshop between Labour and the Employer has been arranged for 25 July 2011. This target will be reviewed in the 2011/12 financial year.
1.5.4	Resolving key outstanding labour relations issues in line with the operational plan developed between the Municipality and trade unions : Contract 99	N/A	By June 2011	Target not met	The workshop could not be convened during this quarter, due to the non-availability of key stakeholders. A workshop between Labour and the Employer has been arranged for 25 July 2011. This target will be reviewed in the 2011/12 financial year.
1.5.5	Resolving key outstanding labour relations issues in line with the operational plan developed between the Municipality and trade unions : Labour Relations Strategy	N/A	By June 2011	Target not met	The workshop could not be convened during this quarter, due to the non-availability of key stakeholders. A workshop between Labour and the Employer has been arranged for 25 July 2011. This target will be reviewed in the 2011/12 financial year.
1.5.6	Resolving key outstanding labour relations issues in line with the operational plan developed between the Municipality and trade unions : Filling of vacancies	N/A	By June 2011	Evaluation and progress report	

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
1.5.7	Resolving key outstanding labour relations issues in line with the operational plan developed between the Municipality and trade unions : Employment agencies	N/A	By June 2011	Target not met	The workshop could not be convened during this quarter, due to the non-availability of key stakeholders. A workshop between Labour and the Employer has been arranged for 25 July 2011. This target will be reviewed in the 2011/12 financial year.
1.5.8	Resolving key outstanding labour relations issues in line with the operational plan developed between the Municipality and trade unions : Libraries	N/A	By June 2011	Target not met	The workshop could not be convened during this quarter, due to the non-availability of key stakeholders. A workshop between Labour and the Employer has been arranged for 25 July 2011. This target will be reviewed in the 2011/12 financial year.
1.5.9	Resolving key outstanding labour relations issues in line with the operational plan developed between the Municipality and trade unions : Strike agreement : Implementation	N/A	By June 2011	Target not met	The workshop could not be convened during this quarter, due to the non-availability of key stakeholders. A workshop between Labour and the Employer has been arranged for 25 July 2011. This target will be reviewed in the 2011/12 financial year.
1.5.10	Resolving key outstanding labour relations issues in line with the operational plan developed between the Municipality and trade unions : Essential services : Minimum service levels	N/A	By June 2011	Target not met	The workshop could not be convened during this quarter, due to the non-availability of key stakeholders. A workshop between Labour and the Employer has been arranged for 25 July 2011. This target will be reviewed in the 2011/12 financial year.
1.5.11	Resolving key outstanding labour relations issues in line with the operational plan developed between the Municipality and trade unions : Picketing rules	N/A	By June 2011	Evaluation and progress report	

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
1.5.12	Resolving key outstanding labour relations issues in line with the operational plan developed between the Municipality and trade unions : Conditions of Service/Employee benefits (harmonization)	N/A	By June 2011	Target not met	The workshop could not be convened during this quarter, due to the non-availability of key stakeholders. A workshop between Labour and the Employer has been arranged for 25 July 2011. This target will be reviewed in the 2011/12 financial year.
1.5.13	Resolving key outstanding labour relations issues in line with the operational plan developed between the Municipality and trade unions : Review of Recruitment and Selection Policy	N/A	By June 2011	Target not met	The workshop could not be convened during this quarter, due to the non-availability of key stakeholders. A workshop between Labour and the Employer has been arranged for 25 July 2011. This target will be reviewed in the 2011/12 financial year.
1.5.14	Resolving key outstanding labour relations issues in line with the operational plan developed between the Municipality and trade unions Mainstreaming of formal planning processes : Issues of mutual interest	N/A	By June 2011	Target not met	The workshop could not be convened during this quarter, due to the non-availability of key stakeholders. A workshop between Labour and the Employer has been arranged for 25 July 2011. This target will be reviewed in the 2011/12 financial year.
1.5.15	Resolving key outstanding labour relations issues in line with the operational plan developed between the Municipality and trade unions : Performance management	N/A	By June 2011	Target not met	The workshop could not be convened during this quarter, due to the non-availability of key stakeholders. A workshop between Labour and the Employer has been arranged for 25 July 2011. This target will be reviewed in the 2011/12 financial year.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
1.5.16	Implementation of collective agreement on disciplinary matters	N/A	By June 2011	Target not met	The workshop could not be convened during this quarter, due to the non-availability of key stakeholders. A workshop between Labour and the Employer has been arranged for 25 July 2011. This target will be reviewed in the 2011/12 financial year.
1.5.17	Development of a framework for internal communication, which should include strike and labour unrests and other crisis communication	N/A	By September 2010	Target not met	The workshop could not be convened during this quarter, due to the non-availability of key stakeholders. A workshop between Labour and the Employer has been arranged for 25 July 2011. This target will be reviewed in the 2011/12 financial year.
<b>1.6 POLICY ALIGNMENT</b>					
1.6.1	Development of an institutional policy register	Policy management framework in place	By September 2010	Institutional policy register developed	

KEY PERFORMANCE INDICATOR (KPI)	BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS	
<b>1.7 ORGANISATIONAL EFFICIENCIES</b>					
1.7.1	Development of a framework and guidelines to manage overtime in the institution as part of the institutional efficiency programme	N/A	By September 2010	Framework and guidelines to manage overtime developed	The Overtime Guideline Policy was developed during the first quarter of the 2010/11 financial year and has since been implemented and monitored.
1.7.2	Adoption of operational efficiency plan by Mayoral Committee and Council	N/A	By September 2010	Operational efficiency plan adopted	
1.7.3	% reduction in areas of wasteful expenditure, as identified in the operational efficiency plan	N/A	3.00%	0.75%	A comparison of the current expenditure with that realised during a similar period in the previous financial year reveals a reduction of 0.75% in the identified items. It must be noted that part of the said expenditure, such as overtime, incentive bonus, transport, petrol and oil and lubricants, is related to the service delivery priorities of the Municipality, as embedded in the IDP/SDBIP. The Budget and Treasury Directorate is considering the development of benchmark guidelines in respect of an acceptable percentage increase in the relevant operational expenditure items, in line with fluctuations in the fiscal environment. The setting of this KPI and target will be reviewed in the next financial year, in line with such guidelines.
1.7.4	Submission of institutional progress reports on operational efficiency plan to Mayoral Committee and Council	N/A	Quarterly reports by October, January, April and July	Quarterly reports	

**INSTITUTIONAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT:  
CHALLENGES AND REMEDIAL ACTION**

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

- (a) High level of key strategic vacancies, which include the position of Municipal Manager and the following managers reporting directly to the Municipal Manager:
  - i. Executive Director: Electricity and Energy
  - ii. Executive Director: Human Settlements.
  - iii. Executive Director: Infrastructure and Engineering
  - iv. Executive Director: Safety and Security
- (b) Cascading performance management throughout the institution.
- (c) Harmonisation of conditions of service and employee benefits.
- (d) Promoting sound labour relations and improving staff morale.
- (e) 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 7 015 employees.

### **(b) Staff development initiatives during financial year**

A total of 2 346 employees participated in different learning programmes and/ interventions during the 2010/11 financial year in terms of the Workplace Skills Plan submitted on 30 June 2010.

Furthermore, during the 2010/11 financial year, 208 unemployed graduates and experiential learners received training in various fields. Altogether 120 employed and 28 unemployed persons participated in various Learnership Programmes.

### **(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.

<b>Financial years</b>	<b>Total number of staff</b>	<b>Total approved Operating Budget</b>	<b>Personnel expenditure (salary and salary related)</b>	<b>Percentage of expenditure</b>
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%

**(d) Employees' pension and medical aids**

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

<b>Names of Pension Fund</b>	<b>Number of members</b>	<b>Names of medical aid societies</b>	<b>Number of members</b>
Cape Retirement Fund (incl. Pension Fund)	3144	LA Health	1427
SALA Pension Fund	3368	Bonitas	2128
SAMWU Provident Fund	100	KeyHealth	375
		Hosmed	504
		SAMWU Medical Aid	906

**(e) Senior officials' wages and benefits**

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

**Remuneration of Municipal Manager**

Annual remuneration	349,988
Performance bonuses	0
Car allowance	32,000
UIF, Medical and Pension funds, etc.	499
<b>Total</b>	<b>382,487</b>

**Remuneration of Acting Municipal Manager**

Annual remuneration	1,119,516
Performance bonuses	0
Car allowance	0
UIF, medical and pension funds, etc.	1,497
<b>Total</b>	<b>1,121,013</b>

**Remuneration of Chief Financial Officer**

Annual remuneration	779,616
Performance bonuses	0
Car allowance	159,600
UIF, medical and pension funds etc.	139,844
<b>Total</b>	<b>1,079,060</b>

**Remuneration of Chief Operating Officer**

Annual remuneration	788,292
Performance bonuses	0
Car allowance	144,000
UIF, medical and pension funds, etc.	132,974
<b>Total</b>	<b>1,065,266</b>

**Remuneration of Chief of Staff**

Annual remuneration	964,788
Performance bonuses	0
Car allowance	0
UIF, medical and pension funds, etc.	51,318
<b>Total</b>	<b>1,016,106</b>

**Remuneration of Chief Executive Officer – MBDA**

Annual remuneration	1,166,764
Performance bonuses	122,676
Car allowance	60,000
<b>Total</b>	<b>1,349,440</b>

**Remuneration of individual Executive Directors****Corporate Services**

Annual remuneration	920,088
Performance bonus	0
Car allowance	120,000
UIF, medical and pension funds, etc.	1,497
	<b>1,041,585</b>

**Economic Development and Recreational Services**

Annual remuneration	773,052
Performance bonus	0
Car allowance	120,000
UIF, medical and pension funds, etc.	100,432
	<b>993,484</b>

**Public Health**

Annual remuneration	921,211
Performance bonus	0
Car allowance	120,000
UIF, medical and pension funds, etc.	1,497
	<b>1,042,708</b>

**Human Settlements**

Annual remuneration	344,112
Performance bonus	0
Car allowance	40,000
UIF, medical and pension funds, etc.	14,499
	<b>398,611</b>

**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	829,717
Performance bonus	0
Car allowance	121,000
UIF, medical and pension funds, etc.	1,497
	<u>952,214</u>

**Special Programmes Unit**

Annual remuneration	842,088
Performance bonus	0
Car allowance	120,000
UIF, medical and pension funds, etc.	79,557
	<u>1,041,645</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	887,196
Performance bonus	0
Car allowance	120,000
UIF, medical and pension funds, etc.	101,901
	<u>1,109,097</u>

## CHAPTER 2 : BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
<b>2.1 PROVISION OF INTEGRATED AND SUSTAINABLE HUMAN SETTLEMENTS</b>					
2.1.1	Number of low-cost houses built (dependent on availability of funds from Province)	7616 houses were constructed and 3789 were issued with Occupancy Certificates	7900	2956	A total of 2956 units were delivered at the end of the fourth quarter. The annual target of 7900 units was not met due to insufficient funds received from the Provincial Department of Human Settlements. The actual number of units for the fourth quarter is 36, all built in Motherwell NU 29. The expected time by which the target will be met, is June 2013.
2.1.2	Number of erven provided with permanent services	N/A	4500	3813	The Municipality has managed to service 3813 sites. Contractors at both Walmer Area O and Joe Modise Peace Village did not complete their projects, predominantly due to payment delays by the NMBM/Province. The contractor at Joe Modise has since been cancelled, and a new contractor is being appointed. There were also insufficient funds to commence with any new projects due to delayed payments from the Provincial Department of Human Settlements in terms of the Revolving Fund. The target will be achieved during the first and second quarters of the 2011/2012 financial year.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
2.1.3	Number of new housing beneficiaries in the low-cost housing delivery programme educated	5071	4600	7652	7652 new housing beneficiaries in the low-cost housing delivery programme were educated through the Consumer Education Programme.
2.1.4	Number of new destination areas to accommodate relocated households developed	N/A	2 new areas (Wells Estate Phase 3 and Motherwell Phase 2)	2	
2.1.5	Number of households relocated from flood plain servitudes and other stressed areas	1264	1200	1246	
2.1.6	Development and implementation of a Housing Allocation Policy/criteria based on NHNR	Draft Housing Policy in place	By December 2010	Target not met	The target was not met, because the Municipal Manager is still to establish the Allocations Committee in line with the Council resolution. It is envisaged that the target will be met in the 2011/2012 financial year.
2.1.7	Number of land parcels awarded to social housing institutions for social housing development	N/A	4 (Hunters Retreat, Wells Estate, Motherwell and Uitenhage)	Target not met	Three land parcels were awarded to social housing Institutions in terms of the Social Housing Development Programme. The fourth land parcel could not be awarded to a social housing institution, because it did not fall within the Restructuring Zone. Alternative land parcels will be identified in the next financial year (2011/12) within the existing approved Restructuring Zones.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
2.1.8	Number of land parcels identified for gap housing development	N/A	4 (Hunters Retreat, Wells Estate, Motherwell and Uitenhage)	4 (Hunters Retreat, Wells Estate, Motherwell and Uitenhage)	
2.1.9	Establishment of a register of potential social housing sites per completed LSDF	N/A	Register to be in place by June 2011	Register in place	
2.1.10	Completion of a feasibility study and design for the upgrading of existing hostels in Nelson Mandela Bay	N/A	Completed by June 2011	Target not met	The target was not met, since the feasibility study could not be finalised by Province. The KPI will be reviewed in the 2011/12 financial year.
2.1.11	Number of Social Housing Stakeholders Forum meetings held	9	6	7	
2.1.12	Number of informal settlements upgraded and connected to basic services	7	8 by June 2011	8 by June 2011	The Municipality upgraded and connected the following areas with basic services: Chris Hani, Ramaphosa, Arcadia North, KwaNobuhle Areas 9 & 10, Chatty 5, 12, 13 and 15, Ebhongweni, Motherwell NU29 and Joe Slovo power-lines.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
2.1.13	Existence of an Anti-Land Invasion Unit to patrol vacant land and informal areas to prevent invasions	N/A	By June 2011	Target not met	The KPI was not achieved during the period in question, because of lack of funding. However, the Municipality has established a Land Invasion Daily Patrol Programme in response to the challenges. Therefore, this KPI is temporarily managed in terms of the daily patrol programme.
2.1.14	Existence of an integrated programme to develop areas from which people have been relocated to prevent these from being reoccupied	N/A	By September 2010	Target not met	A patrol programme is in existence to curb the re-invasion of areas from which people have been removed. The scope is being extended to ensure a more integrated approach to this KPI. In line with the Management decision, a By-Law Enforcement Task Team for the NMBM, led by Safety and Security, will be implemented in the 2011/12 financial year. The KPI and target will be reviewed in the 2011/12 financial year to ensure an integrated institutional approach.
2.1.15	Number of 'wet-and-defective' houses repaired	14 projects	6235	1464	The underperformance against the target is due to the challenge in respect of additional funding, which was not approved by the Provincial Department of Human Settlements.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
2.1.16	Meeting by the Municipality of all Level 2 accreditation requirements as a housing developer	Business Plan submitted to Provincial Department of Housing	Level 2 by September 2010	All requirements for Level 2 accreditation fulfilled	The Municipality acquired Level 2 Accreditation as confirmed in the letter received from the MEC for Human Settlements, dated 22 December 2010.
2.1.17	Meeting by the Municipality of all Level 3 accreditation requirements as a housing developer	N/A	Level 3 by June 2011	Target not met	Level 3 accreditation is subject to the approval and implementation of Level 2 accreditation, which was obtained on 22 December 2010. The target will be reviewed in the 2011/12 financial year, as this requires the successful implementation of levels 1 and 2 functions.
<b>2.2 SPATIAL DEVELOPMENT PLANNING</b>					
2.2.1	Approval of a reviewed Spatial Development Framework	Ongoing review process	By September 2010	Spatial Development Framework approved by Council	
2.2.2	Approval of the LSDFs	3 LSDF's approved by Council	By September 2010	Target not met	Initial participation processes in respect of the Local Spatial Development Frameworks took place with role-players. Further engagements did not take place due to the Local Government Elections. It is envisaged that the LSDFs will be approved by June 2012.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
<b>2.3 LAND USE MANAGEMENT</b>					
2.3.1	Development and implementation of a strategy to address delays in processing land applications	Revised strategy in place	By September 2010	Strategy developed and implemented	
2.3.2	% of building plan applications responded to within 30 days in terms of the National Building Plan Approval Regulations	N/A	98%	98%	
<b>2.4 MAINTENANCE OF HERITAGE</b>					
2.4.1	Achievement of competency for the built environment heritage aspects, as specified in Section 34 of the SA Heritage Resources Act	N/A	Acquired by June 2011	Target not met	The Municipality has in consultation with the MEC ensured that the Eastern Cape Provincial Heritage Resources Agency (PHRA) Council applied for assessment by the South African Heritage Resources Agency (SAHRA). SAHRA has not finalised the competency assessment criteria for PHRAs. As a result, none of the PHRAs have been assessed.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
2.4.2	Development and implementation of a Built Heritage Plan formulated in conjunction with SAHRA, PHRA and Provincial Department of Arts and Culture	N/A	By July 2010	Plan developed and implemented	Heritage Plan developed and implemented.
2.4.3	Adoption of the Problem Buildings and Heritage By-laws	N/A	By September 2010	Problem Buildings and Heritage By-laws adopted by Council	The by-laws were considered and adopted at the Council meeting held on 24 March 2011.
2.4.4	Adoption of a Heritage Policy for the Municipality	N/A	By September 2010	Heritage Policy adopted	
2.4.5	Number of Heritage Task Team meetings held	N/A	12 meetings	4 meetings	The target could not be met, due to the unavailability of members. The Heritage Task Team meetings are convened politically by the Deputy Executive Mayor, whilst the Chief Operating Officer provides administrative support. The Chief Operating Officer will continue to engage the Deputy Executive Mayor on heritage matters to ensure compliance.
<b>2.5 PROVISION OF WATER</b>					
2.5.1	% households in the urban edge provided with access to basic potable water supply within a 200 m radius	100%	100%	100%	

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
2.5.2	Number of new households provided with water connection (in line with Housing Programme)	3592	7900	3047	Performance against this KPI and target is dependent on the Housing Programme. Refer to actual performance on number of low cost houses built. The total number of new households provided with water connection for the 2010/11 financial year was 3482. Out of this total, 3047 represented RDP installations and 435 represented other new installations.
2.5.3	% compliance with the drinking water standards in line with SANS (South African National Standards 241)	100%	100%	100%	
2.5.4	Existence of a functional Water Demand Management Unit	Water Demand Strategy under implementation	By March 2011	Target not met	The achievement of this KPI is dependent on the Institutional Structure Review, which is still pending. It is envisaged that the matter will be finalised in the 2011/12 financial year.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
2.5.5	% reduction in non-revenue water (unaccounted for water)	0%	1%	0%	Unmetered stands, delays in the capturing of meter information for newly constructed houses, and the challenges being experienced by the Municipality with regard to the billing system contributed to the underperformance in this KPI. Discussions are under way regarding the roles to be played by various supporting directorates towards the realisation of this KPI and target. This will see the correct setting of KPIs and targets and the assignment of relevant responsibilities in this regard in the 2011/12 financial year.
2.5.6	% completion of water resources projects aimed at increasing the water capacity of Nelson Mandela Bay for Nooitgedacht	N/A	40%	5%	The delay in the implementation of water resource projects was due to funding approval only being received in February 2011. Two pipeline contracts were awarded by the Acting Municipal Manager on 30 March 2011. Letters of award were sent out on 8 April 2011. It is envisaged that the physical construction of the pipelines will commence in July 2011.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
2.5.7	% completion of water resources projects aimed at increasing the water capacity of Nelson Mandela Bay Swartkops	N/A	40%	0%	The underachievement of this KPI is due to the unavailability of funding. The implementation of the Swartkops water resource project will be reconsidered in the 2011/12 financial year.
<b>2.6 PROVISION OF SANITATION</b>					
2.6.1	% households with access to basic sanitation (formal and informal)	91%	92%	91.30%	Performance against this KPI and target is dependent on the provision of houses in terms of the Housing Programme.
2.6.2	Number of new households provided with sanitation	3592	7900	3047	Performance against this KPI and target is dependent on the meter connections installed in line with the Housing Programme. A total number of 3482 new households were provided with sanitation connection for the 2010/11 financial year. Of this total, 3047 represented RDP installations and 435 represented other new installations.
2.6.3	Number of ablution facilities constructed in informal settlements	N/A	45	0	Due to an escalation (R320 million, as opposed to the original R60 million) in the cost of ablution facilities, the project was discontinued in line with the resolution of the Portfolio Committee on 3 September 2010. This KPI will be reviewed in the 2011/12 financial year.
<b>2.7 ROADS AND TRANSPORTATION</b>					
2.7.1	Review of the Comprehensive Integrated Transport Plan in accordance with legislation (National Land Transport Act) including transport predictive network modelling	Plan in place	By March 2011	Review of Comprehensive Integrated Transport Plan finalised	

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
2.7.2	% completion of Phase 2 Integrated Public Transport System infrastructure	N/A	80%	100%	
2.7.3	Restructuring of public transport operations and operating contracts	N/A	By June 2011	Target not met	Pending Court case and delays in negotiations with the taxi Industry have resulted in the non-achievement of this KPI.
2.7.4	Km of roads tarred	29.50 km	38 km	56.05 km	
2.7.5	Number of culs-de-sac tarred	52	50	29	Poor performance by contractor resulted in the target not being met. A warning letter was issued to the contractor on 5 April 2011. It is envisaged that the target will be met in the 2011/2012 financial year.
2.7.6	Km of sidewalks tarred	29.70 km	25 km	29.71 km	
2.7.7	Km of roads resurfaced	70 km	70 km	38 km	Underperformance is due to budgetary constraints. The target will be reviewed in the 2011/12 financial year.
2.7.8	Km of roads rehabilitated/reconstructed	3.50 km	4 km	7.06 km	
2.7.9	Km of roads gravelled	90 km	40 km	97 km	
2.7.10	% rehabilitation of one bridge structure (Pell Street Interchange)	Pell Road Phase 1 complete and Lower Valley 80% complete	100%	100%	
2.7.11	Number of streets equipped with traffic calming measures	29	20	36	

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
2.7.12	Number of sets of traffic lights installed	6	6	2	Traffic lights were installed at Addo Road and Jijana Intersection. Due to delays in the design process, implementation was delayed. The target will be reviewed in the 2011/12 financial year.
<b>2.8 STORMWATER</b>					
2.8.1	Km of stormwater drainage installed	11.60 km	4 km	40.76 km	
<b>2.9 ELECTRICITY AND ENERGY</b>					
2.9.1	Number of new erven connected to electricity	3872	5000	2518	The following factors had an influence on the non-achievement of the target: The late delivery of materials and late commencement of civil and housing construction work in some areas, as well as the excavation of deep sewage trenches and construction of roads, which resulted in the stoppage and/or delays in the electrification work; lack of proper surveys (in areas such as Missionvale Phases 2, 4 and 5 and pegged shacks to be moved out of roadways); awarding of contracts to inexperienced contractors; delayed contractor payments due to the financial constraints experienced in the financial year by the Municipality. A multi-stakeholder meeting held on 24 May 2011 saw the resolution of matters pertaining to the shortage of materials. An experienced contractor was appointed to assist semi-skilled SMME contractors in erecting mainly Medium Voltage Aerial Bundled Conductor overhead lines. The target will be reviewed in the 2011/12 financial year.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
2.9.2	% households provided with an electricity connection on land demarcated by the Municipality for residential purposes	99%	97%	100%	
2.9.3	Obtain ROD for wind turbines	N/A	By September 2010	ROD obtained	
2.9.4	Number of households installed with solar water heating (12 000 high- to middle-income households)	N/A	12000	89	Inclement weather contributed to the non-achievement of this target. In addition, challenges experienced in respect of public participation are being addressed through a partnership arrangement by the key directorates. The target will be reviewed in the 2011/12 financial year.
2.9.5	Number of households installed with solar water heating (20 000 low-income households)	1084	20000	28925	

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
2.9.6	Obtain energy generation licence approval from NERSA for Fishwater Flats methane generation	N/A	By December 2010	Target not met	The Fishwater Flats methane generation process is governed by a generation licence from NERSA. NERSA is of the opinion that the Power Purchase Agreement (PPA) should be a national initiative and not an NMBM initiative only and the PPA should follow NERSA's renewable energy feed-in tariff programme. The dispute has not yet been resolved. The generation licence and environmental impact assessment processes are all linked to the already submitted national energy regulator application. This KPI will be reviewed in the 2011/12 financial year.
2.9.7	Commence gas flaring for landfill to gas	ROD awaited	By December 2010	Target not met	The non-attainment of this KPI is due to a delayed EIA process, which is an external competence. A record of decision is still awaited, and until such time, no gas flaring can take place legally. The KPI will be reviewed in the 2011/12 financial year.
2.9.8	Number of municipal buildings fitted with energy efficient lighting	N/A	5 buildings by June 2011	Target not met	Delays were experienced in the DORA Budget provisioning. The project is set to commence in July 2011.
2.9.9	Number of households connected to hot water (geyser) load control	54410	10000	5997	The connection of 5997 households saw the completion of the number of households earmarked for the hot water (geyser) load control project during the 2010/11 financial year.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
2.9.10	Number of existing streetlights replaced with energy efficient lighting	0	15000	0	The project to replace existing streetlights with energy efficient lighting could not proceed, due to a court order issued by the High Court of South Africa in the matter BEKA vs the NMBM, which interdicts and restrains the NMBM from proceeding in any manner with the execution of the contract works relevant to tender CE2763, being the provision of street and flood lighting luminaries in the Metro area. The matter is being closely monitored for a final resolution.
2.9.11	% electricity losses in line with NERSA	7%	7%	2%	
<b>2.10 PRIMARY HEALTH CARE SERVICES</b>					
2.10.1	Number of municipal primary health care facilities constructed	2	4 clinics	Target not met	Underperformance against this KPI is due to budgetary constraints. The target will be reviewed in the 2011/12 financial year.
2.10.2	Number of municipal primary health care facilities upgraded	4	1 clinic (NU2 Clinic)	1 clinic (NU2 Clinic)	

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
2.10.3	Nurse-to-patient-ratio	1:40	1:43	1:52	The non-transference of subsidies by the Provincial Department of Health contributed to the non-filling of vacancies, which led to the non-achievement of this target. The Acting Municipal Manager has been in discussions with the Provincial Department of Health about resolving the matter. It is envisaged that the target will be met once funds have been transferred. A Task Team was formed under the leadership of the Chief Operating Officer to facilitate and co-ordinate the assignment of primary health care to the Metro.
2.10.4	% of community health clinics providing Integrated Management of Childhood Illness (IMCI)	100%	100%	100%	
2.10.5	% of community health clinics providing Antenatal Care (ANC) services (37 out of existing 41 clinics)	93%	90%	90%	
2.10.6	Number of children under the age of 5 years covered in the Expanded Programme on Immunisation in Nelson Mandela Bay	N/A	114295	8251	Challenges are experienced in measuring this KPI, due to non-alignment with the current data sources available. This KPI will be reviewed in the 2011/12 financial year.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
2.10.7	% of designated primary health care facilities providing dual therapy to prevent mother-to-child transmission of HIV (PMTCT) (37 out of 41 clinics)	93%	90%	90%	
2.10.8	Number of training sessions on HIV AIDS and STI held (1 per subdistrict and 1 integrated)	8	4	4	
2.10.9	Number of stakeholder workshops on HIV AIDS and STI conducted Metro-wide	6	2	2	
2.10.10	Number of social mobilisation events on HIV AIDS and STI conducted in 3 subdistricts	10	3	3	
2.10.11	Number of additional primary health care sites providing ART services in Nelson Mandela Bay	6	3 (Masakhane, Du Preez Street, Walmer Gqebera)	3 sites accredited	Three selected Primary Health Care clinics were confirmed as ART-ready sites: (1) Masakhane Clinic, (2) Du Preez Street Clinic (3) Walmer Gqebera Clinic. The National Department of Health moved from a system of ART accreditation to one of "ART readiness".

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
2.10.12	% New Smear Positive Cure Rate	73%	78%	75%	The underperformance against this KPI is due to the resistance of TB patients to take their TB medication. In terms of mitigation, the Public Health Directorate distributes pamphlets to educate community members about the dangers of not taking TB medication. It is envisaged that the performance against this KPI will improve in the 2011/12 financial year.
2.10.13	% reduction in New Smear Positive Defaulter rate	12%	4%	10%	
2.10.14	% New Smear Positive TB Conversion Rate	72%	78%	85%	
2.10.15	% of TB clients on direct observation treatment support (DOTS)	100%	99%	98.70%	
2.10.16	Number of Surveillance Reports on all reported outbreaks of legislated notifiable medical conditions	12	12	12	

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
2.10.17	% clinic tracer drug monthly stock out	N/A	0%	9%	The target was not met, because various tracer drug items were out of stock. Drug supply is dependent on the availability of the drugs from the Provincial Pharmacy. A Task Team was assigned for the delegation and devolution of Primary Health Care functions to the Nelson Mandela Bay Municipality. This will see the achievement of a single health authority. The Municipality will be ultimately responsible for the issuing and ordering of drugs. It is envisaged that the target will be met in the 2011/12 financial year.
2.10.18	Undertake an audit of overcrowded understaffed and poorly serviced clinics as well as areas without clinics in line with the norms and standards	N/A	By December 2010	Intervention plan developed	
<b>2.11 OCCUPATIONAL, HEALTH SAFETY AND WELLNESS</b>					
2.11.1	Review of general health and safety specifications for monitoring of construction sites in line with Construction Regulations	N/A	By September 2010	Specifications reviewed	

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
2.11.2	Operationalisation of a Personal Protective Equipment (PPE) Committee for NMBM	N/A	By September 2010	PPE Committee operational	
2.11.3	Number of Health and Safety Representatives training sessions held	N/A	2 per annum	2 per annum	
2.11.4	Number of Occupational Health Service centres providing ART services for employees	N/A	1 by December 2010	1	Wellness Center in Walmer was accredited as an ART site (known as a Readiness Site).
2.11.5	Recruitment of Peer Educators for provision of HIV and AIDS support from NMBM directorates and Councillors	N/A	Appointment and training of Peer Educators	Appointment and training of Peer Educators	
2.11.6	Number of training sessions on Peer Education Programmes held	N/A	4	4	
2.11.7	Number of training sessions on HIV and AIDS leadership programmes held	N/A	4	4	Four one-day workshops were held by Dr Margo De Kooker on 2, 3, 9 and 10 November 2010.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
2.11.8	Number of courses conducted for Peer Education Coaching	N/A	1	1	Training was presented from 10 to 11 August 2011.
2.11.9	Conduct an Annual Wellness Day for employees and Councillors	N/A	By June 2011	Wellness Day conducted	The annual wellness event for employees and Councillors was held during 13 to 15 April 2011.
2.11.10	Implementation of Substance Abuse Management Programme for NMBM employees	N/A	By June 2011	Progress reports on the counselling of substance abusing persons were submitted to Municipal Manager and Public Health Standing Committee	
2.11.11	Conduct financial education and debt management programmes	N/A	By June 2011	Financial education and debt management workshops conducted	Workshop held on 21 June 2011.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
2.11.12	Submission of employee medical surveillance reports to Public Health Standing Committee Local Labour Forum and Management Team	Employee Report in place	4	4	
2.11.13	Submission of IOD statistical data to Management Team and Department of Labour	4	4	4	
<b>2.12 WASTE MANAGEMENT</b>					
2.12.1	% of households with access to basic level of refuse removal (formal and informal)	100% (formal) 98% (informal)	95%	98%	
2.12.2	Development and implementation of a strategy to provide refuse removal services to households in peri-urban areas	N/A	By December 2010	Target not met	The Strategy on the Elimination of Illegal Dumping, which includes the servicing of rural areas, was presented to the Public Health Standing Committee in February 2011 and deferred when Councillors requested a workshop on the matter. Council went on recess from 1 April to 31 May 2011, which further delayed the process. The Strategy will be presented to the Public Health Standing Committee on 20 July 2011 and to Council on 28 July 2011.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
2.12.3	Number of wheely bins replaced	7478	1500	2770	
2.12.4	Number of new households provided with a wheely bin service	2175	4000	Target not met	The provision of wheely bin services is dependent on the occupation of newly built houses, in line with the Housing Programme. It is envisaged that the target will be reached in the 2011/12 financial year.
2.12.5	Development of Koedoeskloof waste site	450 000 m <sup>3</sup> airspace developed	By June 2011	Target not met	The underachievement of this KPI is due to unforeseen delays in the Supply Chain Management process. The tender will be advertised and a service provider will be appointed in the 2011/12 financial year. Funds already available will be utilised to purchase the additional adjacent land for the development of Koedoeskloof. The target will therefore be met in the 2011/12 financial year.
2.12.6	Number of transfer stations developed	1	2 (New Brighton and Helenvale)	Target not met	The Helenvale transfer station was completed in the second quarter of the 2010/11 financial year. The New Brighton community took Council to court over the development of a transfer station in their vicinity. The matter is still <i>sub judice</i> . Alternative areas for development are being pursued. The target will be reviewed in the 2011/12 financial year.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
2.12.7	Implementation of 1 source separation recycling project	1 recycling project implemented	1 by June 2011	Recycling project implemented	
2.12.8	Number of waste management cooperatives sustained	10	9	9	
2.12.9	Number of wards benefitting from Ward-based Cleaning Programme	24	24	24	
2.12.10	Number of households visited to promote awareness on waste management	3270 awareness events conducted	800	1780	
2.12.11	Development and implementation of a Strategy for the Elimination of Illegal Dumping	Programme under development	By August 2010	Target not met	The Strategy on the Elimination of Illegal Dumping was presented to the NMBM political leadership at a workshop held on 18 February 2011. The Strategy and final Business Plan will be tabled at the Public Health Standing Committee meeting scheduled for 20 July 2011. It is envisaged that the target will be met during the 2011/12 financial year.
<b>2.13 PARKS</b>					
2.13.1	Number of existing Public Open Spaces (POS) upgraded	N/A	10	0	The underachievement on this target was due to the budgetary constraints associated with the cashflow challenge experienced by the Municipality. The target will be reviewed in the 2011/2012 financial year.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
2.13.2	Number of POS maintained (in hectares)	7662	1037	7756	
2.13.3	% area of POS maintained (existing total area of 829 hectares)	100%	100%	100%	
2.13.4	Number of street islands maintained (in hectares)	N/A	1593	734	The underachievement against this target was due to the budgetary constraints associated with the cashflow challenge experienced by the Municipality. The target will be reviewed in the 2011/2012 financial year.
2.13.5	Number of trees planted per annum in line with the Greening Plan	2297	2500	1267	The underachievement against this target was due to the drought situation and water restrictions within Nelson Mandela Bay. It is envisaged that this target will be achieved in the 2011/2012 financial year.
2.13.6	Number of cemeteries upgraded	2	8	8	The Bethelsdorp, Bloemendal and Matanzima Cemeteries, including the Cemetery Offices in Bethelsdorp and Forest Hill, were upgraded. The computerisation of the Walmer, Zwide and Veeplaas Cemeteries was also completed.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
<b>2.14 ENVIRONMENTAL MANAGEMENT</b>					
2.14.1	Establishment of a Climate Change Unit to co-ordinate climate change issues in Nelson Mandela Bay	N/A	By September 2010	Climate Change Unit established	
2.14.2	Formulation of a Conservation Stewardship Framework and development of Implementation Plan	N/A	By June 2011	Target not met	The Draft Business Plan was in place by the end of the second quarter; however, the consideration and approval of the Plan by Council was delayed due to Council going into recess. The item was tabled at the Public Health Standing Committee and it is envisaged that the target will be met during the 2011/2012 financial year.
2.14.3	Development of Environmental Management Framework (EMF)	Draft Framework in place	By June 2011	Framework adopted by Council and submitted for gazetting	
2.14.4	Review of Environmental Policy	N/A	By June 2011	Target not met	The Integrated Environmental Policy has been developed, however, the consideration and approval of the Policy by Council was delayed due to Council recess. The item was tabled at the Public Health Standing Committee and it is envisaged that the target will be met during the 2011/2012 financial year.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
2.14.5	Number of ecotourism projects with direct benefit to adjacent communities implemented within identified nature reserves	3	Van der Kemps Kloof, Springs Nature Reserve, and Van Stadens	Target not met	The delay in the implementation of this KPI is due to the large number of stakeholders to be involved by the Municipality in the implementation of ecotourism projects. The KPI will be reviewed in the 2011/12 financial year.
2.14.6	Number of bilateral meetings held per annum between the Provincial Department of Economic Affairs Environment and Tourism (DEAET) and NMBM for Environmental Impact Assessments (EIAs)	N/A	8	10	
2.14.7	Number of people attending Environmental Awareness Programmes	38065	25000	54224	
<b>2.15 ENVIRONMENTAL HEALTH</b>					
2.15.1	Finalisation of Integrated Air Quality Management Plan	Tender developed	By June 2011	Target not met	The Air Quality Management Plan was developed by Consultants who were commissioned by the Eastern Cape Department of Environmental Affairs and will only be completed after the end of the financial year. It will be presented to the Public Health Standing Committee meeting of 30 August 2011.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
2.15.2	Number of air quality samples analysed	N/A	864	0	The underachievement against this KPI is due to the change in the sampling programme used to report on this KPI. The erstwhile bubbler sampling programme was replaced with real-time analysers, which measures data in percentages on a second by second basis and requires that such data be collected on a monthly period in order to calculate compliance with the air quality standard. This KPI will be reviewed in the 2011/12 financial year.
2.15.3	Number of formal and informal food handling premises evaluated and certified in terms of the Foodstuffs Cosmetics and Disinfectants Act	N/A	1200	1673	
2.15.4	Number of food samples taken at food factories and submitted to a forensic laboratory for analysis	N/A	120	57	The underperformance against this KPI is due to budgetary constrains and the challenges experienced with the appointment of courier services. In mitigation, the Municipality approached the Post Office to courier food samples to the forensic laboratory as an interim arrangement. It is envisaged that the target will be met in the 2011/2012 financial year.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
2.15.5	Number of milking parlours evaluated and certified in terms of the Foodstuffs Cosmetics and Disinfectants Act	N/A	480	253	The number of farms supplying milk to the two heat treatment dairies (Parmalat and Clover) within the Metro reduced drastically from 240 to 140, as a result of the more competitive milk prices offered by the Lancewood and Woodlands Heat Treatment Dairies, which fall outside the municipal area of jurisdiction. This KPI will be reviewed in the 2011/12 financial year.
2.15.6	Number of samples of raw and pasteurised milk taken to ensure compliance	N/A	5000	3079	The underperformance against this KPI is due to the heavy rains during May/June, which made farm roads impassable. Sampling had to be discontinued for periods. The KPI will be reviewed during the 2011/12 financial year due to the reduction in the number of farms (from 240 to 140) supplying milk to the dairies located in the Metro.
2.15.7	Number of flour and maize samples taken at local millers to determine compliance	N/A	24	19	The underperformance against this KPI is due to the limitation on foodstuffs to be monitored and the challenges around the appointment of courier services. In mitigation, the Municipality approached the Post Office to courier the flour and maize samples as an interim arrangement. It is envisaged that the target will be met in the 2011/2012 financial year.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
2.15.8	Number of salt samples taken at local salt factories to determine compliance	N/A	24	23	The underperformance against this KPI is due to the limitation on foodstuffs to be monitored and the challenges around the appointment of courier services. In terms of mitigation, the Municipality approached the Post Office to courier the salt samples as an interim arrangement. It is envisaged that the target will be met in the 2011/2012 financial year.
2.15.9	Number of drinking water samples taken at scientifically mapped points to ensure compliance	N/A	2448	1313	The number of water, points based on the total number of all reservoirs in Nelson Mandela Bay, amounts to 51. Samples taken from these water points amount to 102 samples per month, as they are taken on a fortnightly basis. The KPI will be reviewed in the 2011/12 financial year.
2.15.10	% initiates provided with a pre-circumcision medical examination	N/A	100	100%	
2.15.11	Number of community members attending environmental health awareness programmes	N/A	12000	17047	

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
2.15.12	Number of environmental health awareness sessions presented to communities	N/A	8	4	The non-achievement of this target was due to the budgetary constraints associated with the cashflow challenge experienced by the Municipality. The following environmental health awareness sessions were held: Dairy Awareness Campaign on 18 March 2011; Workshop on Stray Animals on 18 February 2011; and Rodent Control meeting at KwaZakhele Hospital on 22 March 2011. An initiation launch took place on 15 June 2011. It is envisaged that this target will be achieved in the 2011/2012 financial year.
<b>2.16 HIV AND AIDS MAINSTREAMING</b>					
2.16.1	Number of HIV and AIDS Multi-sectoral Operational Forum meetings held	N/A	4	4	
2.16.2	Number of Metro AIDS Council meetings held	N/A	4	2	The underachievement is due to the non-availability of the Executive Mayor, who serves as the Chairperson of the Metro Aids Council, due to commitments outside the country. At the two meetings held, the Terms of Reference of the Metro AIDS Council were reviewed.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
2.16.3	Establishment and training of HIV and AIDS Ward-based Forums	N/A	By December 2010	Target not met	The non-achievement of this target was due to the budgetary constraints associated with the cashflow challenge experienced by the Municipality. An interim structure was established for approval. It is envisaged that the target will be met in the 2011/2012 financial year.
2.16.4	Development of a standard operating procedures manual to implement HIV and AIDS mainstreaming	N/A	By March 2011	Standard operating procedures manual in place	
2.16.5	Number of HIV and AIDS pilot projects implemented in informal settlements	N/A	1	1	
<b>2.17 CRIME PREVENTION</b>					
2.17.1	Establishment of Municipal Police Service	N/A	By December 2010	Target not met	The establishment of a Municipal Police Service is awaiting approval by the Office of the MEC: Safety and Liaison. The establishment of a Task Team for the Metro Police, which will see the acceleration of this KPI, is in progress. The target will be reviewed in the 2011/12 financial year.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
2.17.2	Compile and operationalise an implementation strategy for the establishment of the Municipal Police Service	N/A	By December 2010	Target not met	The establishment of the Municipal Police Service is awaiting approval by the Office of the MEC: Safety and Liaison. The establishment of a Task Team for the Metro Police which will see the acceleration of this KPI, is in progress. The target will be reviewed in the 2011/12 financial year.
2.17.3	Development of a framework and programme for the utilisation and participation of Military Veterans in safety and security programmes and structures	N/A	By June 2011	Target not met	The target could not be met, due to the non-establishment of the Municipal Police Service, which will spearhead the development of the framework and programme. The target will be reviewed in the 2011/12 financial year.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
2.17.4	Development of a Law Enforcement Anti-land Invasion Plan in co-operation with Human Settlements Directorate	N/A	By December 2010	Target not met	The Draft Management and Control of Informal Settlement By-Law, which deals with land invasion, was developed in the third quarter of the 2010/11 financial year. Once the public participation schedule has been finalised by officials and Councillors, a policy based on the By-law will be developed. It is envisaged that the Law Enforcement and Anti-land Invasion Plan will be developed only once public participation processes in respect of the By-law have been completed in the 2011/12 financial year.
2.17.5	Setting standard performance benchmarks for Traffic Officers other safety and security officers as well as collection standards for traffic fines	N/A	By September 2010	Target not met	The performance against this KPI and target is dependent on the establishment of a Municipal Police Service. A report on performance benchmarks was sent to the Acting Municipal Manager on 24 November 2010. Until such time that the Municipal Police Service is established, the 2010/2011 targets will not be met.
2.17.6	Establishment of a Social Crime Prevention Unit linked to Metro Police establishment to ensure the targeting of youth	N/A	By June 2011	Target not met	The target could not be met, due to the non-establishment of the Municipal Police Service.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
2.17.7	Establishment of Ward and area safety and security structures in liaison with SAPS	N/A	By June 2011	Target not met	The target could not be met, due to the non-establishment of the Municipal Police Service.
2.17.8	Number of additional CCTV cameras installed and linked to CCTV central control room	354	20	175	
<b>2.18 DISASTER MANAGEMENT</b>					
2.18.1	Number of additional fully functional Disaster Management offices established	3	2 (Zwide and Walmer, Gqebera)	Target not met	The underperformance against this KPI was due to the budgetary constraints associated with the cashflow challenge currently experienced by the Municipality. Staff members could not be employed to man these offices. The limited resources available were used to construct a secondary Joint Operations Centre (JOC) in Despatch. The target will be reviewed in the 2011/12 financial year.
2.18.2	Number of Disaster Management Advisory Forum (DMAF) meetings held	Fully functional DMAF in place	3	3	

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
2.18.3	Activation of functional Disaster Management Centre as a Joint Operations Centre (JOC)	N/A	By September 2010	Joint Operations Centre activated	JOC is fully functional. It must however, be borne in mind that the activation of the JOC is necessitated by an event/incident (planned/unplanned). However, a service delivery call centre is operational in the JOC and has been functioning since 11 May 2011.
2.18.4	Number of additional disaster early warning CCTV cameras installed	8	4	10	
<b>2.19 TRAFFIC SAFETY</b>					
2.19.1	Turnaround time for the processing of Driver and Learner's licence appointments (number of weeks from date of application to appointments)	N/A	8 weeks	5.5 weeks	
2.19.2	Number of vehicles added to the fleet	N/A	25	10	The underachievement on this target is due to the budgetary constraints associated with the cashflow challenge currently experienced by the Municipality. The target will be reviewed in the 2011/12 financial year.
2.19.3	Planning for construction of additional drivers' licence testing station in Motherwell Thusong	N/A	Planning phase completed for Motherwell Thusong Centre	Target not met	The underachievement on this target is due to the budgetary constraints associated with the cashflow challenge currently experienced by the Municipality. The target will be reviewed in the 2011/12 financial year.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
<b>2.20 EMERGENCY RESPONSE</b>					
2.20.1	Turnaround time for emergency response (from call logging to response) : (a) Fire 10 min.	8 min	10 min	8.06 min	
2.20.2	Turnaround time for emergency response (from call logging to response) : (b) Traffic 10 min.	8 min	10 min	10.9 min	The response time largely depends on the area in which the response is required: as a result of the staff shortage, officers respond outside the areas where they are posted. The target was therefore not met. The target will be reviewed in the 2011/12 financial year.
<b>2.21 COMMUNITY EDUCATION</b>					
2.21.1	Number of educational programmes on fire safety, traffic safety, crime prevention and disaster management implemented	N/A	48	1521	

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
<b>2.22 BY-LAW ENFORCEMENT</b>					
2.22.1	Implementation of By-Law Enforcement Strategy	N/A	By September 2010	By-law Enforcement Strategy implemented	
2.22.2	Number of notices and fines issued and inspections conducted to enforce By-law	N/A	800 fire safety notices, fines and inspections	2548	
		N/A	900 traffic notices and fines	0	Challenges were experienced in the establishment of a dedicated By-law Unit, which is critical for the delivery on this KPI. It is envisaged that the target will be met in the 2011/12 financial year.
		N/A	800 security notices and fines	454	The Budget constraints experienced by the Municipality had a negative effect on the augmentation of staff necessary for delivery on this KPI. The target will be reviewed in the 2011/12 financial year.
<b>2.23 PROTECTION OF MUNICIPAL STAFF AND ASSETS</b>					
2.23.1	Number of risk analysis surveys completed in line with Integrated Security Master Plan	N/A	16	91	

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
2.23.2	Review Firearms Policy	N/A	By December 2010	Draft Policy in place	
2.23.3	Number of investigations finalised to reduce damage to municipal assets	N/A	100	199	
2.23.4	Number of inspections undertaken to ensure high standard of contracted security services	N/A	1000	19229	
<b>2.24 FIRE SERVICES</b>					
2.24.1	Number of fire stations upgraded	N/A	2 (South End and Sidwell Fire Stations)	Target not met	The underachievement on this target is due to the budgetary constraints associated with the cashflow challenge experienced by the Municipality in the 2010/11 financial year. The target will be reviewed in the 2011/12 financial year.

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

### **WATER SUPPLY SERVICE**

#### **(a) Water supply service strategy**

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 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. Another complicating factor that has hampered the general development of peri-urban areas, is the shortage of land, as most peri-urban land is privately owned.

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 was 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 and, in the case of minor disruptions, within 12 hours.

**(b) 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).

**(c) Annual water supply performance**

The annual performance in respect of water supply is reflected under Key Performance Element (KPE) 2.5 on page 38.

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.

**(d) 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 (2011/12), 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 an agreement for the repair of water leakages and ablution facilities at schools with the Departments of Public Works and Education.

**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 22 500 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) 2.6 on page 41.

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**

- 22 500 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 (2011/12), the Municipality will prioritise the following:

- The elimination of the bucket system.
- Pursuing an agreement for the repair of water leakages and ablution facilities at schools with the Departments of Public Works and Education.

## **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 Chatty 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 licenced to sell electricity to customers in its designated area of supply.

In this regard, the Municipality has the following responsibilities:

- Planning, design and operation of its networks.
- Proper metering and recording of customers.
- Maintenance of 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) 2.9 on page 43.

**(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.

In the year ahead (2011/12), 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.

## 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
<b>Total</b>	<b>4214</b>

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**

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

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) 2.7 on page 41.

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	0	0	As and when requested	0	N/A
2	Percentage of road infrastructure requiring upgrading (gravel roads to a surfaced standard)	±56 000 households	452 km	90 km (±11 000 households)	32 km (±4 000 households)	35%
3	Percentage of planned new road infrastructure actually constructed	All households	180 km	20 km	5 km (All households)	25%
4	Percentage of Capital Budget reserved for road upgrading and maintenance effectively used	All households	±R2,8 billion	R423 m	R321 m	75%

#### (d) Tarring of roads

##### Backlog

The tarring backlog is approximately 452 km. It is anticipated that an amount of R1,7 billion will be required for the elimination of this backlog. For the 2010/11 financial year, R273 million was allocated for the tarring of roads. Expenditure at the end of June 2011 amounts to R288 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	20050286	14→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,NdzondeleloEnqileni,Mzilikazi, Siqongwana,Road ACD,ACC,ACD,ACE,ABI,AJI,AKI,ALI,API,Jacaranda,Cowan,Jam Alley,Buffalo,BNU,Fungi,Bree,Lullia 1&2,Fritchards,BNS1&2,AYV 1-4,AYU 1-6,ABI,Marawana,Tom,BOC,BOA1-2,Medusi,BOD,AWQ1-2,AXB1-4,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,A QV,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 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.
2	C186/03A	20050286	30,26,28,29,27	Tarring of gravel roads (Cluster E)	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, Matala,Mayibuye 1-	

No.	Contract No.	Project ID	Ward Allocation	Description	Street Name	Status
3	C186/03B	20050286	30,26,28,29,27	Tarring of gravel roads (Cluster E)	7,Ndebele1-5,Pinapina 1-8, Rambata 1-4, Rebltton 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	Construction completed. The scope was adjusted to accommodate the requirements of the de-densification programme. Due to budgetary limitations, priority 1 roads will remain outstanding, requiring future financing.
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)		
18	C186/18	20050286	30,26,28,29,27	Tarring of gravel roads (Cluster E)		

No.	Contract No.	Project ID	Ward Allocation	Description	Street Name	Status
4	C186/04	20050286	33,36,37	Tarring of gravel roads (Cluster F)	Mkonto 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	Construction Completed.
16	C186/16	20050286	33,36,37	Tarring of gravel roads (Cluster F)	Amen,Ngodono,Nozuko,Ncedisa,Zamdela/Ziduli/Zanazo/Zamukuhle,Mtongana A,B&D,Stofile,Tabalaza A-B,Xundu,Winnie	
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, Mcikwane, 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, Bamalaza, 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, Tyamazash, UL, Ug, Uj, UK, UL, UP, UQ, US, UU, UW, VG, VR, VS, VT, WB	Construction is in progress. The Contractor has not been performing satisfactorily and steps are being implemented to terminate the contract with the current contractor and appoint a new contractor from the list of approved contractors.
8	C186/08	20050286	23,54→59	Tarring of gravel roads (Cluster C)		

No.	Contract No.	Project ID	Ward Allocation	Description	Street Name	Status
9	C186/09	20050286	23,54→59	Tarring of gravel roads (Cluster C)	WD, 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	
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, Gonztshi, Langeni, Mkize, Moshoeshoe, Nankani, Nala, Ntungwana, Qabaka, Dlamini, Fingwana, Jonas, Kondlo, Madaki, Mahanitapayi, Mamvukweni, Stephen	Construction is nearing completion, but bitumen limitations caused a delay.
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. Due to budgetary limitations, priority 1 roads outstanding will remain, requiring future financing.
5	C186/05	20050286	4,12,13,31,32,38,8,39,41	Tarring of gravel roads (Cluster G)		
19	C186/19	20050286	4,12,13,31,32,38,8,39,41	Tarring of gravel roads (Cluster G)		
17	C186/17	20050286	1,40	Tarring of gravel roads (Cluster B)		

No.	Contract No.	Project ID	Ward Allocation	Description	Street Name	Status
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	Construction in progress. 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 (2011/12), 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**

The Municipality provides primary health services to residents through 42 municipal clinics, in addition to the eleven clinics run by the Eastern Cape Department of Health. As access to health care is often problematic, the Municipality runs mobile clinics in twelve wards in Nelson Mandela Bay. The nurse-to-patient ratio in municipal clinics is 1:52. In the 2010/11 financial year, one clinic (NU2) was upgraded. There are currently 17 ART sites in Nelson Mandela Bay, providing treatment to over 20 000 patients.

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.

As was reflected in recent statistics, the Eastern Cape is experiencing a high incidence of HIV and AIDS and TB. The Municipality is implementing its

Integrated HIV and AIDS Plan and is also implementing, with other spheres of government, a TB Crisis Plan. The current new smear positive TB cure rate is 75%; the new smear positive TB defaulter rate is 10%; and the new smear positive TB conversion rate is 85%. Altogether, 98,9% of TB clients are on DOTS.

The key health challenges facing the institution are:

- Non-delegation of primary health care to the Municipality.
- Late and inadequate receipt of provincial subsidies from the Eastern Cape Department of Health.
- The high prevalence of TB, HIV and AIDS.
- Poor state of government hospitals.
- Adherence to norms and standards with regard to access to clinics.

In the year ahead (2011/12), the Municipality will prioritise:

- Pursuing the delegation of the primary health care function to the Municipality.
- Engaging provincial government with regard to funding.
- Undertaking an audit of overcrowded, understaffed and poorly serviced clinics, as well as areas without clinics.
- Developing and implementing a comprehensive primary health care response plan.
- Continued implementation of the integrated HIV and AIDS Plan, inclusive of the TB Crisis Plan for Nelson Mandela Bay.

## **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 commercial, industrial and hazardous waste streams.

The Municipality operates two landfill sites; which mainly focus on general and low hazard waste, whilst a private company operates a landfill site that deals

with hazardous waste. Approximately 650 000 tons of waste is disposed of annually at municipal landfill sites.

The provision of waste management services is guided by the Municipality's Integrated Waste Management Plan, which is in the process of being revised.

The Municipality's refuse collection service is partly rendered by nine (9) co-operatives. A cleansing service are also offered in the form of a Ward-based Cleaning Programme (operational in 24 wards) and approximately 1 000 volunteers.

The table below reflects waste management co-operatives:

COOPERATIVE	AREA SERVICED	NO OF HOUSEHOLDS SERVICED	ORIGINAL PERMANENT COOPERATIVE JOBS AS PER CONTRACT	ADDITIONAL TEMPORARY EMPLOYMENT CREATED BY COOPERATIVE	NEW PERMANENT JOBS CREATED BY COOPERATIVE					PERMANENT JOBS VARIATION AS PER CONTRACT
					Current No.	Gender		Youth <35		
						Male	Female	Male	Female	
Cocisizwe Co-operative	Soweto-on-Sea	5,059	62	0	44	3	41	1	1	-18
Sodlasonke Co-operative	Gqebera (Walmer)	7,329	13	25	27	12	15	3	5	-14
Eyabafazi Co-operative	Matthew Goniwe Hostel	1,761	20	11	21	4	17	4	0	-1
Kuphilwa-Phi Co-operative	Joe Slovo	4,492	59	0	45	7	25	1	12	14
Ncedolwethu Co-operative	Seaview, Beachview, Kini Bay Blue Horizon Bay	993	11	3	7	3	4	2	2	4
		213								
MK	Missionvale	6,003	19	39	17	7	10	3	0	2
Ntingantakandini	Shukushukuma	3,955	37	2	23	2	21	1	4	14
Masiphuhle	Kuyga	2,180	18	4	18	6	12	4	9	0
Colchester Co-operative	Colchester	802	13	0	9	6	3	0	0	4
<b>TOTAL</b>	<b>10</b>	<b>32,805</b>	<b>252</b>	<b>84</b>	<b>211</b>					

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

<b>COOPERATIVE</b>	<b>VALUE OF CONTRACT</b>
Cocisizwe Co-operative	R4,112,003.61
Sodlasonke Co-operative	R5,562,711.00
Eyabafazi Co-operative	R1,997,181.45
Kuphilwa-Phi Co-operative	R3,631,782.00
Ncedolwethu Co-operative - Seaview	R228,442.50
Gqebera (Ward 4)	R1,040,415.75
MK	R3,688,243.20
Ntingantakandini	R2,360,344.00
Masiphuhle	R1,302,419.20
Colchester Co-operative	R838,860.00
<b>TOTAL 10</b>	<b>R24,762,402.71</b>

The table below reflects the areas and 24 wards benefiting from the Ward-based Cleaning Programme:

Northern Areas	Wards 12, 13, 37 and 38
Ibhayi	Wards 15, 16, 22, 28 and 30
Uitenhage	Wards 44, 46, 48, 49, 50 and portion of 53
Motherwell	Wards 23, 53, 54, 55, 56, 57, 58, 59 and 60

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. 2010	OCT. TO DEC. 2010	JAN. TO MARCH 2011	APRIL TO JUNE 2011
		TOTAL	TOTAL	TOTAL	TOTAL
Struanway Road Depot	Quarterly	198	307	300	210
Gail Road Depot	Quarterly	188	288	274	189
Addo Road Depot	Quarterly	481	709	699	481
Cuyler Street Depot	Quarterly	224	395	365	272
		1091	1699	1638	1152

There were no participants in the programme during June 2011, due to a lack of funding.

**(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 this residential area.
  - Manual and mechanical road/street sweeping.
  - Beach cleaning services.
  - Cleaning of ablution facilities.
- Transfer stations:
  - Formal and informal transfer stations.
    - 16 formal transfer/garden waste sites and 53 informal 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).
  - ± 647 155 tons of waste disposed.
    - Koedoeskloof = 224 325 tons.
    - Arlington = 422 930 tons.

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

- Successfully implemented Phase II of the *All Hands on Waste* Programme, which targeted primary schools, taxi ranks and shopping centres. A total of 120 primary schools were visited by the roadshow team, together with the mobile exhibition unit. The Programme included a competition run in primary schools, which ended with a prize-giving ceremony and environmental expo.
- The Programme also won the prestigious *Mail and Guardian* award in the category “Greening the Future” (2011).

Additional annual performance information with regard to waste management services is reflected under Key Performance Element (KPE) 2.12 on page 53.

**(d) Waste management challenge:**

- Illegal dumping of builders’ rubble and domestic refuse.

In the year ahead (2011/12), the Municipality will prioritise the following:

- Development and implementation of an integrated strategy to eliminate illegal dumping.
- Introduction of waste recycling initiatives.
- Implementation of waste management education programmes.

**OCCUPATIONAL HEALTH, SAFETY AND WELLNESS**

The Municipality has a legal, social and strategic responsibility to protect, preserve and invest in employees’ safety and health. In this regard, the Municipality provides the following:

- (a) An integrated employee health, safety and wellness programme.
- (b) Ongoing hazard identification.

- (c) Risk assessment and management.
- (d) Ongoing medical surveillance for employees and serving Councillors.

## **PARKS AND CEMETERIES**

The Municipality is committed to the development and maintenance of public open spaces and cemeteries in a sustainable, aesthetic, eco-friendly 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 respect 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 Municipality has a Draft Biodiversity Sector Plan in place that provides a map of biodiversity priorities and accompanying guidelines to inform land use planning, environmental assessments and natural resource management. The 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**

The Nelson Mandela Bay Municipality is responsible for ensuring the rendering of environmental health services to its communities. This *inter alia* includes the following:

- (a) Aspects of human health and quality of life.
- (b) Assessing, correcting and controlling Environmental Health issues, determined by physical, chemical, biological, social and psychosocial factors.
- (c) Compliance monitoring of water quality.
- (d) Implementation of environmental health promotion and hygiene awareness and educational campaigns.
- (e) Monitoring food safety and hygiene.
- (f) Conducting surveillance at designated premises.
- (g) Ensuring the control and monitoring of vectors and stray animals.
- (h) Monitoring environmental pollution, including air and noise.
- (i) Monitoring waste management, waste disposal, general hygiene and sanitary practice.
- (j) Monitoring to ensure the control of the disposal of the dead.

- (k) Monitoring and ensuring Occupational Health Safety and Environment Services at workplaces within commercial undertakings and industrial areas.
- (l) Monitoring and ensuring adherence to all health standards during traditional circumcision.
- (m) Processing and issuing business licenses and certificates of acceptability.

### **INTEGRATED SUSTAINABLE HUMAN SETTLEMENTS**

The Municipality has a backlog of 87 000 housing units, comprising approximately 38 000 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

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.

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 2 900 housing opportunities, 3 813 serviced sites and 2 610 pegged rudimentary serviced sites were provided.

The finalisation of the review and cleansing of the housing waiting list (now called the Housing Demand Database) has been delayed by the Housing Allocation Policy Programme promulgated by the National Department of Human Settlements at the beginning of this year. In terms of this Policy, Municipal Managers are required to set up Municipal Allocations Committees charged with the responsibility to develop and implement a Municipal Allocations Policy in line with the National Framework.

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 (580 sites) and NU30, Wells Estate (644 sites), Chatty (2 648 sites) and Joe Slovo West (1000 sites). Altogether, approximately 14 000 households need to be relocated from stressed areas.

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 get 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 are 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 (2011/12), 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 m<sup>2</sup> 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 – 2.3 on page 32.

Additional town planning performance information is reflected below.

<b>TYPES OF LAND PLANNING APPLICATIONS : 2010-2011</b>			
	<b>TOTAL</b>	<b>COMPLETE</b>	<b>PENDING</b>
<b>SALT APPLICATIONS</b>	842	517	324
<b>SPECIAL CONSENTS</b>	313	222	91
<b>TOWN PLANNING AMENDMENTS</b>	240	116	124
<b>SITE DEVELOPMENT PLANS</b>	214	149	65
<b>TOWN PLANNING DEPARTURES</b>	69	42	27
<b>REMOVAL OF RESTRICTIONS</b>	91	77	14
<b>UNAUTHORISED USES</b>	614	326	288
	<b>2383</b>	<b>1449</b>	<b>933</b>

**(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 20012/13 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

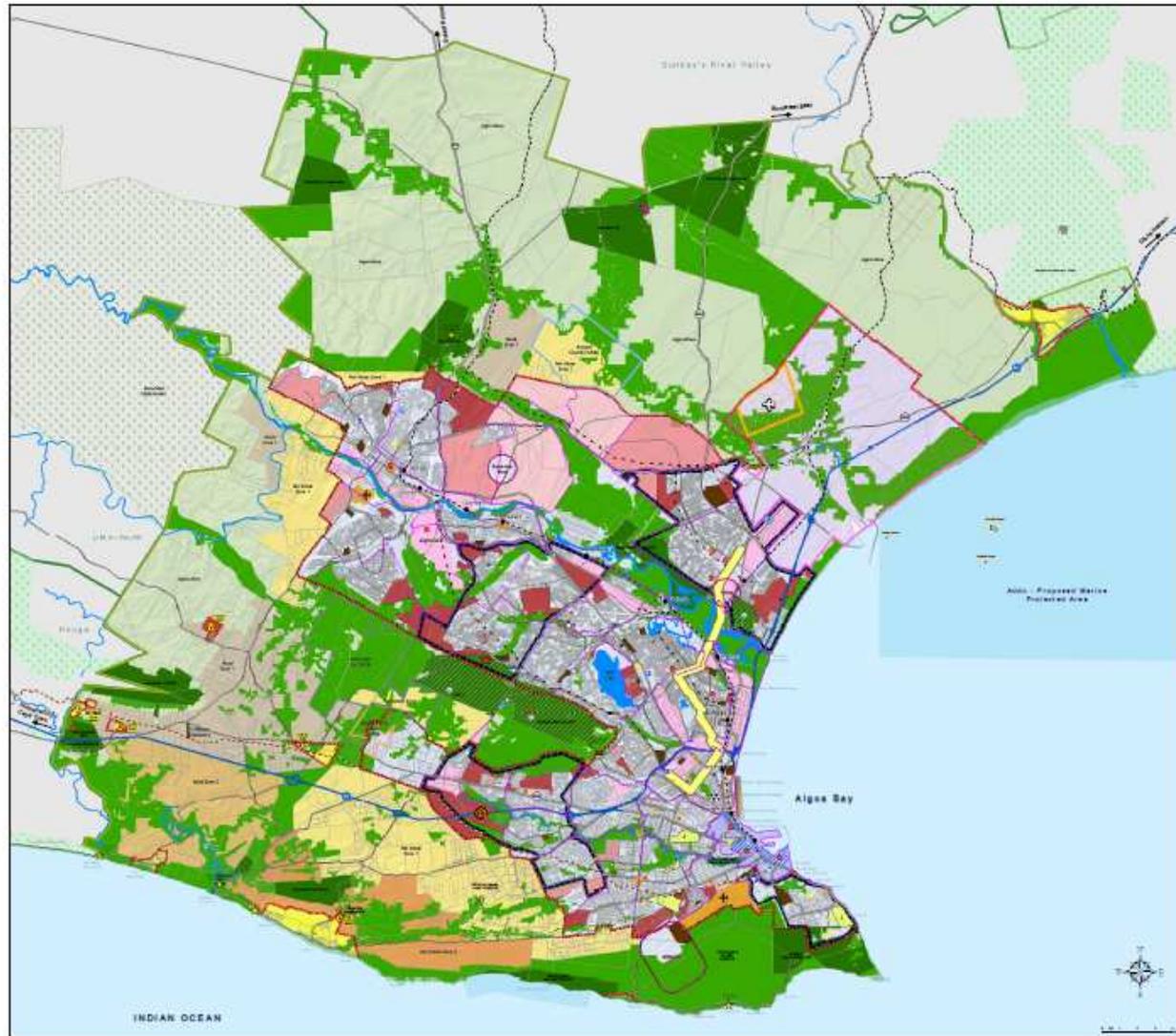
The MSDF encapsulates the following sector plans:

- 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
- Housing Development**
- < 2010
- 2011 - 2019
- 2020 >
- Critical Biodiversity Areas**
- 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
- Peri Urban Zone 1 (1,8ha minimum erf size)
- Peri Urban Zone 2 (5ha minimum erf size)
- Rural Zone 1 (10ha minimum erf size)
- Rural Zone 2 (20ha minimum erf size)
- Urban Growth Boundary
- Rail
- Future Rail
- Rail Narrow Gauge
- Roads**
- 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

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.

The comparative table below reflects the 2009/10 and 2010/11 accident statistics.

### **Road Accident Report**

<b>2009/10</b>	<b>Fatal</b>	<b>Serious</b>	<b>Slight</b>	<b>Damage (no injuries)</b>	<b>Total Accidents</b>
JUL	7	59	308	2051	2425
AUG	16	84	346	2215	2661
SEP	9	75	296	2062	2442
OCT	12	68	360	2053	2493
NOV	10	77	286	2022	2395
DEC	7	79	277	1956	2319
JAN	10	76	201	1791	2078
FEB	13	86	266	1921	2286
MAR	8	79	279	2242	2608
APR	7	79	257	2135	2478
MAY	11	68	3264	2272	2615
JUNE	15	66	264	2222	2567

<b>2010/11</b>	<b>Fatal</b>	<b>Serious</b>	<b>Slight</b>	<b>Damage (no injuries)</b>	<b>Total Accidents</b>
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

*(The Accident Bureau has a major backlog in capturing accidents and is currently capturing the January 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) 2.17 to 2.24 on page 63.

**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:

<b>Number of households receiving free basic services (8 kl of water and 75 kWh of electricity)</b>	<b>Water</b>	<b>Electricity</b>
2009/10	108 665	116 155
2010/11	79 035	67 387

In the year ahead (2011/12), the Municipality will continue to focus on community awareness to ensure that all qualifying households access free basic services. At the same time, it will be verified that those who are benefiting from free basic services do in fact meet the qualifying criteria. As can be seen on the table above, the number of qualifying households has dropped since the commencement of the verification process.

### REHABILITATION MAINTENANCE OF COUNCIL'S ASSETS

CAPITAL PROJECT	REVISED CAPITAL BUDGET 2010/11	EXPENDITURE 2010/11	BUDGET 2011/12
<b>Roads, Stormwater and Fleet Management</b>			
Rehabilitation of Minor Roads	24,458,930	23,851,397	1,680,000
Rehabilitation of Major Roads	16,812,390	16,812,022	
Rehabilitation of Bridge Structures	16,404,580	16,871,149	8,010,700
<b>Sanitation Services</b>			
Reticulation Sewers - Rehabilitation and Refurbishment	13,065,300	13,436,447	4,174,510
Bulk Sewers - Rehabilitation and Refurbishment	6,659,560	6,659,557	7,000,000
Sewage Pump Stations - Rehabilitation and Refurbishment	222,000	221,999	5,500,000
Waste Water Treatment Works - Rehabilitation and Refurbishment	2,358,700	2,358,495	8,7000,000
<b>Water Services</b>			
Dams - Rehabilitation and Refurbishment	0	0	1,000,000
Water Treatment Works - Rehabilitation and Refurbishment	2,297,670	2,298,708	7,000,000
Supply Pipe lines - Rehabilitation and Refurbishment	7,911,340	7,907,698	2,000,000
Reservoirs - Rehabilitation and Refurbishment	11,292,210	11,292,321	1,400,000
Distribution Pipe lines - Rehabilitation and Refurbishment	20,979,720	20,979,735	21,600,000
<b>Electricity and Energy</b>			
Electricity Network Refurbishment	12,002,780	12,028,722	16,600,000
<b>Public Health</b>			
Rehabilitation of Clinics and Buildings	15,371,850	7,785,596	0
Upgrading and Rehabilitation of Beaches	3,047,560	2,895,259	1,000,000
<b>Corporate Services</b>			
Rehabilitation of Halls and Buildings	28,071,110	24,382,823	22,000,000

**OPERATING BACKLOG REQUIREMENTS**

	<b>Total Operational Maintenance Backlog</b>	<b>Annual Requirement to eliminate Backlog</b>	<b>Operating Budget 2010/11</b>	<b>Operating Budget 2011/12</b>	<b>Operating Budget 2012/13</b>
Infrastructure & Engineering	1,187,159,000	242,541,254	266,483,990	361,570,800	329,599,760
EDRS	74,797,363	20,300,000	17,262,980	16,364,870	20,253,682
Environment and Health	38,570,827	17,566,871	6,393,100	5,748,700	7,620,016
Corporate Administration	109,655,985	15,000,000	25,164,640	23,474,530	29,897,659
<b>TOTAL</b>	<b>1,410,183,175</b>	<b>295,408,125</b>	<b>315,304,710</b>	<b>347,037,390</b>	<b>387,371,117</b>

### CHAPTER 3: LOCAL ECONOMIC DEVELOPMENT

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
<b>3.1 ECONOMIC GROWTH AND DEVELOPMENT</b>					
3.1.1	Approval of the LED Strategy	N/A	By September 2010	LED Strategy approved	An LED Strategy is in place. The LED Strategy was approved by the EDTA Standing Committee on 3 February 2011 and approved by the Mayoral Committee on 16 February 2011.
3.1.2	Approval of the Industrial Development Strategy	N/A	By November 2010	Target not met	The reason for the delay in meeting the target is that funding was only made available in the fourth quarter. The tender to appoint a service provider to develop the Industrial Development Strategy was advertised and closed on 21 April 2011. The Technical Evaluation of tenderers is scheduled to take place on 13 July 2011. The tender will be awarded by 30 July 2011. It is envisaged that the KPI and target will only be achieved in the 2011/2012 financial year.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
3.1.3	Reporting on implementation of the reviewed LED Strategy	N/A	4	0	The LED Strategy was approved by the Executive Mayoral Committee in the third quarter. The LED Forum Meeting in the fourth quarter did, however, not take place due to the elections and Council recess. A concerted effort will be made to ensure that a LED Forum Meeting is held in the first quarter of the 2011/2012 financial year.
3.1.4	Development and implementation of an Agricultural Development Plan	N/A	By December 2010	Implementation against Plan	
3.1.5	Existence of an entrepreneurial support programme focusing on youth, women, people with disabilities and HDIs	N/A	By September 2010	Target not met	The target was not met, partly due to the death of the lead consultant, as well as delays in negotiations in the SMME Steering Committee. The final Draft SMME Strategy, which includes an entrepreneurial support programme focusing on youth, women, people with disabilities and HDIs, was received from the service provider. The Strategy will be submitted to the EDTA Standing Committee for adoption in the 2011/2012 financial year.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
3.1.6	Establishment of a construction incubator to promote HDIs	N/A	By September 2010	Construction incubator established	
3.1.7	Number of SMMEs provided with entrepreneurial support	626	350	973	
3.1.8	Number of new co-operatives supported	40	20	58	
3.1.9	Revision of Supply Chain Management Policy to ensure that it benefits HDIs (including women and youth) and SMMEs	Policy in place	By July 2010	Draft revised Policy in place	It is envisaged that the Policy will be adopted by Council in the 2011/12 financial year.
3.1.10	Finalisation of the SCM Process Manual	N/A	By March 2011	Draft SCM Process Manual in place	

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
3.1.11	Evaluation and implementation of SCM model that will ensure dedicated attention to contract management and technical requirements to prevent tender manipulation	N/A	By December 2010	Reviewed SCM model to prevent tender manipulation approved	An amended organogram was submitted to the Municipal Manager on 23 March 2009, requesting that a Contracts Management Division be included on the organogram of the Supply Chain Management Sub-Directorate. This would provide a contracts management support framework to implement the contracts management model by 30 November 2011.
3.1.12	Adoption and implementation of an Events Management Policy linked to tourism promotion to ensure successful hosting and accountability	N/A	By August 2010	Events Management Policy adopted and implemented	
3.1.13	% increase in bed-night occupancy in the Metro facilitated through service level agreement with NMBT	N/A	5%	43.80%	
3.1.14	Establishment of a partnership with the Province and other stakeholders to save Bayworld	N/A	By September 2010	Partnership established	
3.1.15	Number of new major events hosted	4	1 (NMBM International Music Festival)	1	

KEY PERFORMANCE INDICATOR (KPI)	BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
<b>3.2 INVESTMENT FACILITATION AND PROMOTION</b>				
3.2.1	Establishment of partnership with key stakeholders to lobby Petro SA to invest in Nelson Mandela Bay	N/A	By December 2010	Target not met  Commitment from Cabinet to announce that PetroSA will invest in Nelson Mandela Bay has not been forthcoming. It has been established that the project will be costly and will depend on the availability of oil to build a refinery. Government wants private sector to partially finance the project. It is envisaged that the refinery will be identified in the first quarter of the 2011/12 financial year. An informal partnership exists between various stakeholders such as Bedevco, NMMU, KFML, CDC, BMF, Transnet, NMBM, Development Partners, Business Chambers, etc. The lobbying of Petro SA by these stakeholders is an ongoing process and regular meetings are convened to discuss investment possibilities and potential partnerships.
3.2.2	Establishment of a partnership with key stakeholders to lobby and mobilise funding for Coega infrastructural development as well as claim status as an international transshipment hub	N/A	By July 2010	Target not met  No formal partnerships have been established. However, economic development platforms like the Economic Technical Minmec Forum (meetings of Ministers and MECs) are used to lobby and mobilise funding for the Coega Infrastructural development, as well as to claim status as an international transshipment hub. Informal lobbying took place during the Economic Technical MINMEC meeting, which will take place on 17 May 2011. The KPI will be reviewed in the 2011/2012 financial year.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
3.2.3	Number of business and stakeholder forum meetings held in Nelson Mandela Bay to deal with economic development related issues	N/A	4	1	Underperformance against this target is mainly due to non-attendance by stakeholders and the recess of Councillors during the election period. An Economic Development Minmec meeting was held on 17 May 2011 to deal with the economic development related matters of Nelson Mandela Bay, in the absence of the LED Forum convening. A concerted effort will be made to ensure that meetings are convened to focus on specific industrial sectors and possible business opportunities.
<b>3.3 BROAD-BASED ECONOMIC EMPOWERMENT (BEE)</b>					
3.3.1	% tenders awarded in adherence to the broad-based empowerment targets both in terms of number and value- previously disadvantaged individuals	52.67%	50.00%	41.93%	An open and transparent tender process is followed in all instances. The Preferential Procurement Policy Framework Act provides a point scoring base, applied by the Bid Evaluation Committee and Bid Adjudication Committee, which benefits designated groups. The target was not met, as the designated disadvantaged group did not partake fully in SCM procurement processes.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
3.3.2	% tenders awarded in adherence to the broad-based empowerment targets both in terms of number and value : women and youth	27.72%	10.00%	22.87%	
3.3.3	% tenders awarded in adherence to the broad-based empowerment targets both in terms of number and value : people with disabilities	1.35%	2.00%	0.74%	Open and transparent tender processes are followed in all instances. The Preferential Procurement Policy Framework Act provides a point scoring base, which is applied by the Bid Evaluation Committee and Bid Adjudication Committee and which benefits the designated groups. The target was not met, as the designated disadvantaged group did not partake fully in SCM procurement processes.
<b>3.4 MILITARY VETERANS AND SPECIAL SECTOR SUPPORT</b>					
3.4.1	Number of projects benefiting former military veterans facilitated (includes empowerment capacitation etc.)	0	1	1	

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
<b>3.5 RECREATIONAL SERVICES</b>					
3.5.1	Number of beaches maintained with Blue Flag status	3	3	0	Municipal beaches lost their Blue Flag status, due to insufficient funds to ensure regular cleaning and maintenance that meet the high standards and norms of the Blue Flag award. All Blue Flag beaches lost their Blue Flag status due to non-compliance based on an inspection held on 9 January 2011. The NMBM re-applied for full Blue Flag status for Humewood Beach and pilot status for Wells Estate Beach. To initiate compliance efforts in respect of Blue Flag status for NMBM Beaches, the Municipality scheduled an internal Blue Flag Forum meeting. In addition, external presentations were also made to the Hoteliers Forum and NMBT to ensure that private sector (Hotels) and Tourism were brought on board. It is envisaged that Blue Flag status will again be achieved in the 2011/2012 financial year.
<b>3.6 ARTS CULTURE AND LIBRARIES</b>					
3.6.1	Upgrading of Mendi Bottle Store into an Arts and Culture Centre	Business Plan in place	By June 2011	Target not met	The upgrading of the Mendi Bottle Store into an Arts and Culture Centre was delayed, due to the Recreation and Cultural Services Standing Committee taking a resolution on 21 January 2011 that no further external consultants be appointed to this project and that the NMBM Architectural Services be requested to provide new plans in order for funds to be identified to complete the Mendi Bottle Store project. It is envisaged that the upgrade will be completed in the 2011/2012 financial year.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
3.6.2	Number of artists benefitting through NMBM initiatives	315	80	421	
3.6.3	Number of programmes promoting a culture of reading and writing developed and implemented	291	16	176	
<b>3.7 HERITAGE AND MUSEUMS</b>					
3.7.1	Number of heritages sites upgraded	2	1 (Emlotheni)	1 (Emlotheni)	
3.7.2	Number of new heritage sites developed	0	1 (Cradock Four)	1 (Cradock Four)	The Cradock Four heritage site was officially opened on 6 May 2011.
<b>3.8 POVERTY AND JOB CREATION</b>					
3.8.1	All contracts EPWP compliant by ensuring that all capital projects implemented by the Municipality have a job creation element	N/A	By August 2010	All contracts EPWP compliant	
3.8.2	Development of an EPWP Policy/ Strategy to maximise job creation	N/A	By September 2010	EPWP Policy/Strategy developed and adopted by Mayoral Committee	

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
3.8.3	Number of jobs created through EPWP and LED initiatives (including capital projects) (full-time equivalent: FETs)	2276	2764	3319	
3.8.4	Number of jobs created through EPWP and LED initiatives (including capital projects) (work opportunities: WO)	9660	7391	16130	
3.8.5	Number of learnership programmes implemented	1 learnership programme	30	0	The underachievement against this KPI is due to the budgetary constraints associated with the cashflow challenge currently experienced by the Municipality. The target will be reviewed in the 2011/12 financial year.
3.8.6	% registered households earning less than R2020 per month (2 state pensions) with access to free basic services	100%	100%	100%	
3.8.7	Development and implementation of a framework to deal with strategic budget intervention to promote socio-economic development	N/A	By September 2010	Framework developed and implemented	
<b>3.9 DEVELOPMENT OF SPORTS CODES METRO-WIDE</b>					
3.9.1	Number of legacy stadiums completed	N/A	2 by March 2011 (Gelvandale and Zwide Stadiums)	Zwide Stadium completed	

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
3.9.2	% completion of construction of 2 swimming pools	1 swimming pool completed	100% by March 2011 (Zwide and KwaNobuhle Swimming Pools)	Target not met	KwaNobuhle Swimming Pool is 100% complete, while the Zwide Pool is 82.62%. The underperformance against the annual target is due to inclement weather, which delayed the completion of the project. 22 calendar days' extension was requested and has been granted. It is envisaged that the project will be completed in July 2011.
3.9.3	Hosting of an annual Mayoral Cup starting at Ward level	N/A	By March 2011	Mayoral Cup hosted	
3.9.4	Hosting of a Sports Summit to ensure cohesion and integration in sports development	N/A	By December 2010	Target not met	The target was not met, as the Sports Summit was to be held in conjunction with the Arts and Culture Indaba, which was postponed due to the non-availability of the various Ministers. It is envisaged that the Indaba will take place once the relevant Ministers are available. Further discussion will follow through the Sports, Recreation and Culture Services Standing Committee to ensure that the Sports Summit takes place in the 2011/2012 financial year.

## **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.

An Economic Summit involving all local stakeholders was hosted by the Municipality in May 2010, with the aim of crafting broad consensus on re-imagining the economy of the Metro and identifying key short- and medium-term programmes to mitigate the effects of the recession and to place the economy on a higher growth projectory.

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.

## **PROGRESS TOWARDS ACHIEVING KEY LED OBJECTIVES**

The progress made in achieving key LED objectives is reflected on page 111.

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 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:

## **EARLY WARNING SYSTEMS**

### **Weather Intelligence System**

NMBM Disaster Management identified the need to acquire an early warning system for severe weather conditions prior to and during the 2010 World Cup to enhance existing services provided by the South African Weather Services (SAWS).

Disaster Management has always maintained a close working relationship with the SAWS, especially regarding weather warnings. The South African Weather Services, however, recommended that Disaster Management should look at the feasibility of a more advanced and value added service during the 2010 FIFA World Cup, which is provided by their commercial service provider, Commercial Weather Services.

Weather Intelligence Systems supplied the early warning system in terms of the following:

- (a) Detecting lightning and issue lightning warnings in a specified safe zone.
- (b) Utilising the national radar network to detect and track storm cells over the country and issue advance storm warnings of a storm or its projected position actually intersecting with the specified safe zone.
- (c) Integrating meteorological information into a web portal that is accessible from any web connected PC and presented in a user-friendly format.
- (d) No need for specialist meteorological knowledge to interpret the service.
- (e) Geographic point(s) defined by Disaster Management for which the service is configured and determines the extent of the safe zone area around the site for which their service is configured – various shapes and radial distances should be possible.
- (f) Warnings provided to customer specified contact points, with the option of an integrated automated alarm system.

- (g) Workflow provided in both SMS and email format to multiple contact points in three levels of escalation, as specified by the Disaster Management to ensure that the service works 100%.

The Weather Intelligence System proved to be a very effective and reliable system. It was mainly used for outside events prior to the 2010 FIFA SWC event. During the event, it was used particularly on match days, when weather observations were made at the Stadium, the Fan Park and public viewing areas.

### **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 Automatic Rain Stations (ARSs) within the metropolitan area, it was decided to further enhance this network with a total of 8 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:**

- Van Stadens Flower Reserve
- St Albans Prison
- Riverstone
- Lovemore
- Bloemendal
- Coega River (Lower)
- Coega River (Upper)
- Kleinskool Fire Station

**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.

**CCTV cameras were installed at the following locations:**

- Riverstone Road
- Lady Slipper high site
- Stanford Road Bridge
- William Moffat/Third Avenue
- Amsterdamhoek / Swartkops
- Cuyler Street / Uitenhage Bridge
- Parsons Hill
- Third Avenue, Newton Park
- Booyens
- Kabah
- Klein Chatty
- KwaNobuhle

**STATUS OF INTER-GOVERNMENTAL RELATIONS STRUCTURES****1. Local Disaster Management Committees**

To fulfill its obligations in terms of Section 41(d)(iii), 41 (g), 41 (j), and 47(1)(a) of the Disaster Management Act, Act 57 of 2002, the Disaster Management

Committee (DMC) deemed it necessary to establish Local Disaster Management Committees that are mainly aimed at involving Ward structures or communities in disaster management business. After experiencing difficulty in the proper functioning of the Committees, alternative means to achieve the objective were explored. Although some of the Committees are functioning well, Disaster Management Officers were given the freedom to management their Committees according to their individual community requirements.

## **2. Medical Task Team**

A Medical Task Team was established as a component of the Nelson Mandela Bay Disaster Management Advisory Forum. The Task Team consists of medical roleplayers operating in the Nelson Mandela Bay area. They consist of both public and private institutions, services and organisations. The Task Team meets on a monthly basis and is chaired by the NMBM Executive Director of Public Health. The Task Team meets monthly.

The deliverables of the Task Team focused on the 2010 FIFA World Cup SA. The Task Team drafted a mass casualty plan, an outbreak response plan and an environmental health plan.

## **3. East Cape Emergency Services Co-ordinating Committee (ECESCC)**

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

The Committee is responsible for the coordination of response plans for the Eastern Cape, involving different emergency service providers.

#### **4. SAPS Sub-Joint Committee**

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

#### **5. Joint Planning Committees (JPC)**

Joint Planning Committees for national key points plan safety at the NKP and coordinate emergency responses and exercises. There are three JPCs in the Metro, namely Grassridge Power Station, the Reserve Bank, and the SABC.

#### **6. Events Committee**

With the new events legislation coming into effect, the need to have a structure to deal with events issues was formalised. The structure is basically an Events Planning Committee, which is part of the Metro Local Organising Committee (LOC), which meets from time to time. A calendar of dates is spread throughout the months of the year. In the LOC, players or stakeholders scrutinise the event plans and check if they conform 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 the disposal of Disaster Management.

#### **7. Disease Outbreak Response Committee**

This is a specialised committee that deals with communicable diseases. The function of the Committee is to monitor progressive trends and thereby ponder relative interventions. The Committee also ensures that international standards are observed in any given situation.

The Outbreak Response Planning Committee drafted an outbreak response plan for the Metro.

## **POLICY FRAMEWORK FOR DISASTER MANAGEMENT**

A revised policy framework for disaster management is in place. The framework serves to guide the development and implementation of a uniform and integrated disaster risk management policy and plans in the metropolitan area.

## **DISASTER MANAGEMENT ADVISORY FORUM**

The Municipality has a Disaster Management Advisory Forum (DMAF) in place, on which over 60 prominent local organisations and government sector departments are represented.

## **STATUS OF DISASTER MANAGEMENT PLAN**

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

### **Risk Profile**

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

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

- 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 droughts.

### **Local Disaster Management Committees**

Altogether six Local Disaster Management Committees were established in the satellite office areas. Regular meetings are held with Ward Councillors, Ward Committee members and other representatives of various institutions. Ward Disaster Management structures for communities are being establishment.

Regular meetings are held in the eight satellite office areas and these meetings are either area-based or Ward-based. They are composed of representatives from the Ward Councillor Offices, the community, SAPS, Social Development, Housing, Health, etc. In these meetings, the agenda is about disaster management issues that affect communities; the latter is discussed and the representatives have to come up with problem-solving mechanisms to take forward these challenges.

### **Comprehensive Disaster Risk Assessment**

A comprehensive risk assessment was conducted in 2005 as part of the development of the Disaster Management Plan. This was reviewed during the review of the Disaster Management Plan in 2009. The Plan was finalised and officially handed over to the Disaster Management Centre in March 2010.

Community based risk assessments are conducted by each of the satellite offices. The risk assessment findings are then forwarded to all responsible directorates.

### **Awareness and Education**

Awareness campaigns were conducted throughout the year, targeting the following groupings and venues:

- Grade 4 learners (Eye Spy)
- Grade 7 learners
- Libraries
- Shopping Malls Campaign
- Local Disaster Management Committee meeting
- Community-based Risk Assessments
- Flood Response Plans
- Public addresses at community meetings, etc.

### **International Strategy for Disaster Reduction**

The Disaster Management Centre of the Nelson Mandela Bay Municipality supports all endeavors aimed at preventing and reducing the impact of disasters in our communities.

As part of global initiatives to highlight a need to build resilience in the communities, the United Nations held a world conference on disaster reduction initiatives, in Kobe, Japan in 2005. This conference resolved to adopt a disaster reduction charter called Hyogo Framework for Action. This served to highlight the effects that poorly managed disasters could have on communities when not managed properly. Secondly, the charter emphasizes a need to adopt a culture to build safety and resilience at all levels of community engagements.

Further, the Charter was duly accepted to be the campaign which will herald a major review of disasters and disaster reduction efforts.

Furthermore, the campaign is an event held annually with the aim to come up with strategies aimed at reducing the impact of disasters in our communities. October month was selected to be the month for this campaign to highlight disaster reduction measures globally.

However, each year, a theme is selected to drive the campaign. The current theme is “Urban Risk Reduction: Building Resilient Cities, Addressing Urban Disasters”.

During the ISDR week (11 to 14 October 2011), the officers were concentrating on developing Flood Response Plans for flood-prone communities. They have established committees at locally based levels that comprise the community and relevant roleplayers, e.g. Roads and Stormwater, NGOs etc.

**(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.
- 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
<b>HDI</b>	16909	50%	838,145,711	42.02%
<b>Women</b>	9822	10%	352,709,593	17.68%
<b>Youth</b>	2480	10%	114,821,502	5.76%
<b>Local</b>	18628	-	1,502,560,901	75.33%
<b>People with disabilities</b>	500	1%	14,589,807	0.73%
<b>TOTALS</b>	<b>24493</b>		<b>1,994,634,776</b>	

**(c) Intensifying Enterprise Support and Business Development**

**(i) Support to SMMEs**

Business development services provided to SMMEs include the development of a manual on starting up a business; the provision of training in marketing,

tendering and bookkeeping; and co-opting a SEDA construction incubator to assist emerging contractors.

**(ii) Support to co-operatives**

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.

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) Bursaries for management training
- (ii) Registration of co-operatives
- (iii) Advice on opportunities

The following 12 agricultural co-operatives were supported:

<b>PROJECT NAME</b>	<b>PROJECT DESCRIPTION</b>	<b>LOCALITY</b>	<b>JOBS CREATED</b>
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)	Amanzi Estate	4 permanent 2 casual

PROJECT NAME	PROJECT DESCRIPTION	LOCALITY	JOBS CREATED
	under intensive irrigation		
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
Kayamnandi Women In Development	Despatch	Low-cost housing construction	20
Sovuyiso Sewing Co-operative	KwaZakhele	Sewing	8
PEECO	KwaZakhele	Energy	25
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

<b>NAME OF CO-OPERATIVE</b>	<b>AREA</b>	<b>TYPE OF BUSINESS</b>	<b>JOBS CREATED</b>
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
PEECO – Electricians	KwaZakhele	Electrical	25
Licebo Manufacturing & Carpentry	Joe Slovo	Manufacturing & Carpentry	10
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	Sewing	20
Inkwenkwezi Development Trust	KwaDwesi	Sewing	12
Simanye Décor & Design	Uitenhage	Sewing	5

NAME OF CO-OPERATIVE	AREA	TYPE OF BUSINESS	JOBS CREATED
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

In addition, the Municipality is currently supporting ten co-operatives active in refuse collection, benefiting over 250 people and serving approximately 32 805 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 3 319 full-time equivalent opportunities and 16 130 work opportunities were created during the 2010/11 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 12 427 repairs were carried out during the 2010/11 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 worldwide 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 2010/11 Financial Year**

<b>Category</b>	<b>Estimate</b>	<b>Total YTD</b>	<b>% Spent</b>
Recreation and Culture Services	283,784,057	184,759,759	65.11%
Economic Development, Tourism and Agriculture	184,201,170	81,490,428	44.24%

#### **Capital Budget and Expenditure for 2010/11 Financial Year**

<b>Category</b>	<b>Estimate</b>	<b>Total YTD</b>	<b>% Spent</b>
Recreation and Culture Services	108,970,120.00	90,951,147.19	83.46%
Economic Development and Recreational Services	18,585,000.00	9,716,826.83	52.28%

#### **Levies Budget and Expenditure for 2010/11 Financial Year**

<b>Category</b>	<b>Estimate</b>	<b>Total YTD</b>	<b>% Spent</b>
Recreation and Culture Services	13,800,000	13,292,265	96.32%
Economic Development and Recreational Services	18,914,630	14,983,849	79.22%

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

- High unemployment and poverty levels, exacerbated by the recent worldwide recession.
- Lack of mainstreaming of women, youth and people with disabilities.
- Absence of an entrepreneurship support programme.
- Lack of coherent development strategies between the three spheres of government and other roleplayers.
- 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 (2011/12), 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.

**(i) 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 Ngqurha 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.

During the review period, the Coega Development Corporate (CDC) took over the management of the Nelson Mandela Bay Logistics Park (NMBLP) from the Municipality. Current signed tenants at the Logistics Park are listed below:

**Automotive Component Manufacturers**

COMPANY	PRECINCT A	ACTIVITY	ESTIMATED TOTAL INVESTMENT	JOBS OPERATIONAL & CONSTRUCTION
Faurecia Interior Systems	NMBLP	Manufacturing central consoles	R147 million	236 +325
Flextech	NMBLP	Manufacturing side mirrors, cables etc.	R6.5 million	15

COMPANY	PRECINCT A	ACTIVITY	ESTIMATED TOTAL INVESTMENT	JOBS OPERATIONAL & CONSTRUCTION
Grupo Antolin	NMBLP	Manufacturing headliners and side panels	R80 million	96 + 165
Inergy	NMBLP	Manufacturing plastic petrol tanks and accessories	-	-
Rehau	NMBLP	Manufacturing bumper systems	R316 million	160 + 421

**Logistics and warehousing**

COMPANY	PRECINCT A	ACTIVITY	ESTIMATED TOTAL INVESTMENT	JOBS OPERATIONAL + CONSTRUCTION
MSC	NMBLP	Auto Logistics - Container yard	-	-

Significant investments in the automotive sector boosted activity at the Logistics Park and helped to ensure the vibrancy of this industry in the region. A major investor was VWSA, who injected multi-million rand investments into enlarging its plant and streamlining production.

The CDC has already secured major investors, mainly in agro-processing and also the R4 billion manganese smelter.

### CHAPTER 4: FINANCIAL SUSTAINABILITY AND VIABILITY

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
<b>4.1 REVENUE ENHANCEMENT AND CUSTOMER CARE</b>					
4.1.1	Revise Rates Policy	Reviewed Policy in place	By July 2010	Rates Policy revised	
4.1.2	% revenue collected - (excluding write-offs)	93.75%	93.75%	95.26%	
4.1.3	% revenue collected - After write-offs	99.22%	100.00%	97.36%	<p>The decline in the current economic climate has had a negative impact on this ratio. It is considered of the utmost importance that strict financial management is maintained in order to decrease the outstanding debt owed to Council. A Revenue Enhancement Strategy to improve revenue collection has been drafted. The Strategy is monitored by the Chief Financial Officer on a monthly basis and reported to the Budget and Treasury Standing Committee on a quarterly basis. The Debt Relief Programme has been implemented in order to recover outstanding debtors to stabilize the cash flow situation and to ensure that the target is achieved. Furthermore, a new Credit Control Policy was approved by Council on 31 March 2011. The following additional measures were introduced:</p> <ul style="list-style-type: none"> <li>(a) Where arrangement accounts are in default, the purchase of pre-paid electricity by those accounts at the vending stations will be blocked;</li> <li>(b) More stringent arrangement periods and down-payments were introduced, to the benefit of Council;</li> <li>(c) Sms's are being sent to all overdue account holders, informing them of the fact that their accounts are overdue.</li> </ul>

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
4.1.4	Number of new successful donor funding applications made	N/A	4 by June 2011	0	20 new donor applications were made during 2010/11, of which 3 were declined and 17 are awaiting adjudication from the various donor funding institutions. The target will be reviewed in the 2011/12 financial year.
<b>4.2 CASH AND RISK MANAGEMENT</b>					
4.2.1	Turnaround time for bank reconciliations (number of days from month end to completion of reconciliation) : Ordinary accounts	19.08 days	20 days	7.78 days	
4.2.2	Turnaround time for bank reconciliations (number of days from month end to completion of reconciliation) : Main account	22.30 days	35 days	30.5 days	
4.2.3	Credit rating of Aa3.za with stable outlook to be sustained	Aa3.za in place	By June 2011	Commencement of the rating	As the rating is forward looking, it is required that the rating agency reviews the 2010/11 preliminary financial results. The 2011/12 Budget that is required for the rating to be finalized, was only approved on 28 June 2011, which resulted in a delay in achieving the target. It is anticipated that the rating will be finalised by the end of August 2011.

KEY PERFORMANCE INDICATOR (KPI)	BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS	
<b>4.3 BUDGETING AND FINANCIAL ACCOUNTING</b>					
4.3.1	% compliance with the MFMA 14 urgent priorities reporting framework	100%	100%	100%	
4.3.2	Approval of Budget aligned to the IDP within the framework as prescribed by the MFMA	Approved budget in place	By June 2011	Budget aligned to the IDP and approved	The Budget was approved on 28 June 2011.
4.3.3	Debt servicing costs to annual operating income ratio (debt coverage ratio)	2.38%	12.00%	2.81%	
4.3.4	% outstanding service debtors to revenue	9.54%	15%	7.07%	<p>The ratio improved from 24.4% as at 30 June 2010, to 7.07% as at 30 June 2011.</p> <p>It is considered of the utmost importance that strict financial management is maintained in order to decrease the outstanding debt owed to Council. A Revenue Enhancement Strategy to improve revenue collection has been drafted. The strategy is monitored by the Chief Financial Officer on a monthly basis and reported to the Budget and Treasury Standing Committee on a quarterly basis. The decline in the current economic climate has also had a negative impact on this ratio.</p>

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
4.3.5	Cost coverage ratio	0.60 months	31 days	31 days	
4.3.6	Submission of financial statements to Auditor-General	AFS submitted to Auditor-General	By 31 August 2010	By 31 August 2010	
4.3.7	% of the Municipality's Capital Budget spent on capital projects identified in terms of the IDP	80.14%	95.00%	90.50%	<p>The 2010/11 Capital Budget was underspent by R154 million, which represents a spending performance of 90.50% of the Budget.</p> <p><i>The main reasons for the underspending are:</i></p> <p>The new IPTS road construction projects were put on hold due to no progress made with the IPTS negotiations with the relevant stakeholders, resulting in an underspending of R80.6 million.</p> <p>The late adjudication of certain projects in the EDRS Directorate accounted for underspending of R26.8 million (Zwide Swimming Pool and Motherwell Cultural Centre).</p> <p>The late adjudication of the Helenvale Thusong Service Centre contract resulted in underspending of R38.6 million.</p> <p>As mitigation, directorates are encouraged to commence earlier with SCM processes in order to prevent any delays in projects that could result in material underspending of directorate-based budgets.</p>

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
4.3.8	% of the Municipality's approved Operating Budget spent	108.67%	95%	106%	
4.3.9	% of training budget spent	79%	95%	89%	The training budget expenditure has increased from 79% in the 2009/10 financial year to 89% in the 2010/11 financial year. A concerted effort will be made in the 2011/12 financial year to encourage directorates to skill the municipal workforce.
4.3.10	% of the Directorate's approved budget spent on implementing its Workplace Skills Plan	N/A	0.0100%	0.0700%	
<b>4.4 EXPENDITURE MANAGEMENT</b>					
4.4.1	Personnel costs as a % of total operating income	26.79%	34%	29.98%	
4.4.2	Turnaround time for payment of creditors (Number of days from receiving the relevant invoice by the Directorate to payment)	25 days	35 days	32 days	
4.4.3	Turnaround time for payment of creditors (Number of days from receiving signed-off documentation from the relevant directorates)	N/A	16 days	16 days	

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
4.4.4	Turnaround time for payment of service providers (number of days from receipt of invoice)	N/A	30 days	18 days	
4.4.5	Develop and recommend a new funding model for Local Government budget allocations from the national fiscal in line with current local government challenges and lobby SALGA, National Treasury, COGTA and other municipalities	N/A	By June 2011	New recommended funding model developed	<p>A funding model was developed and presented to Council, which resolved that Local Business Tax (LBT) be pursued. A service provider was appointed representing four metropolitan municipalities. The project will result in applications for a new tax being presented to the Minister of Finance, by each municipality, for his consideration in terms of the Municipal Fiscal Powers and Functions Act (MFPFA).</p> <p>In terms of Section 5(2) of the MFPFA, the Minister must within 6 months of receiving the application confirm in writing whether he/she approves. As larger businesses will be paying the tax, the application of the tax received will be for economic services. An item will be presented to the Budget and Treasury Committee meeting of 11 August 2011, requesting Council approval to proceed with a turnover based tax application to the Minister of Finance.</p>

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
4.4.6	Development and implementation of an integrated intervention plan to maximise budget expenditure	N/A	By September 2010	Target not met	The implementation was deferred, due to the financial situation in which the Municipality found itself. This target will be reviewed in the 2011/12 financial year.

**FINANCIAL SUSTAINABILITY AND VIABILITY**  
**PERFORMANCE HIGHLIGHTS, CHALLENGES AND REMEDIAL ACTION**

Towards the end of the review period, the Municipality started to experience a financial challenge, caused by a congruence of factors, amongst other things, a cash flow challenge. The Municipality is development a Turnaround Strategy to address these challenges.

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

**Revenue collection:**

<b>FINANCIAL YEAR</b>	<b>TARGET</b>	<b>ACTUAL</b>
2009/10	98%	99,22% (after write-offs were taken into consideration) 93.75% (before write-offs were taken into consideration)
2010/11	93.75%	97,35% (after write-offs were taken into consideration) 95,26% (before write-offs were taken into consideration)

**Capital expenditure:**

<b>FINANCIAL YEAR</b>	<b>TARGET</b>	<b>ACTUAL</b>
2009/10	95%	80,14%
2010/11	95%	90,50%

Actual capital expenditure for the 2010/11 financial year amounted to R1 472 435, compared to a budget of R1 627 113, resulting in a 90,50% 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 R6 314 billion, compared to the Budget of R6 182 billion. Actual expenditure for the year amounted to R6 412 billion, compared to the Budget of R6 035 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 2011**

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	1,000,000	-	-	-	<b>1,000,000</b>	126,561	388,421	75,838	409,180	<b>1,000,000</b>	N / A	Yes
National Electrification Programme	DME	12,430,000	6,900,000	6,170,000	5,500,000	<b>20,000,000</b>	2,844,293	7,358,700	1,157,605	8,639,402	<b>20,000,000</b>	N / A	Yes
Municipal Infrastructure Grant	DPLG	60,844,000	60,844,000	60,844,000	-	<b>182,532,000</b>	16,565,564	79,169,732	29,609,061	56,190,002	<b>181,534,359</b>	N / A	Yes
Transport or PTIS	NT	122,000,000	110,000,000	196,309,599	23,401	<b>428,333,000</b>	48,767,403	36,381,085	14,290,723	144,690,819	<b>244,130,030</b>	N / A	Yes
Neighbourhood Development Partnership Grant	NT	21,995,100	7,367,900	-	39,334,115	<b>68,697,115</b>	5,736,265	17,164,414	5,049,101	22,383,477	<b>50,333,257</b>	N / A	Yes
Neighbourhood Development Grant - Technical Assistance	NT	-	-	1,343,364	-	<b>1,343,364</b>	-	-	-	-	-	N / A	Yes
Energy Efficiency & Demand Side Management Grant	NT	-	-	25,000,000	-	<b>25,000,000</b>	349,123	593,285	528,957	6,524,183	<b>7,995,548</b>	N / A	Yes

## MEETING OF DONORS' REQUIREMENTS IN RESPECT OF CONDITIONAL GRANTS

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

<b>1. PHB Subsidies</b>	<b>2011</b>	<b>Restated 2010</b>
	<b>R</b>	<b>R</b>
This Grant is received from Provincial Government and is used for the construction of low cost housing.		
<b>Balance at beginning of year</b>	<b>46,948,386</b>	<b>51,264,646</b>
Current year receipts	310,688,751	152,325,617
Funding of Operating Projects/Transferred to Other Income	-68,336,935	19,430,386
Debtor raised	161,874,778	200,577,282
	-	-
Conditions met - transferred to revenue	240,153,800	-376,649,544
Reversal of prior year accrual - payment received	200,577,282	0
<b>Conditions still to be met - transferred to liabilities</b>	<b><u>10,443,898</u></b>	<b><u>46,948,386</u></b>

### 2. Health Subsidies

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

<b>Balance at beginning of year</b>	<b>422,560</b>	<b>0</b>
Current year receipts	50,139,337	102,244,824
Funding of Operating Projects	0	-23,742,628
Debtor raised	2,942,386	5,933,656
Conditions met - transferred to revenue	-46,330,492	-84,013,292
Reversal of prior year accrual	-5,933,656	-
<b>Conditions still to be met - transferred to liabilities</b>	<b><u>1,240,134</u></b>	<b><u>422,560</u></b>

### 3. Equitable Share

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

<b>Balance unspent at beginning of year</b>	<b>0</b>	<b>0</b>
Current year receipts	602,882,820	466,834,967
Funding of Capital Projects	-	-
Conditions met - transferred to revenue	602,882,820	-466,834,967
<b>Conditions still to be met - transferred to liabilities</b>	<b><u>0</u></b>	<b><u>0</u></b>

**4. Finance Management Grant**

2011	Restated 2010
R	R

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

<b>Balance unspent at beginning of year</b>	<b>0</b>	<b>437,677</b>
Current year receipts	1,000,000.00	750,000
Funding of capital projects	-127,675.00	
Conditions met - transferred to revenue	-872,325.00	-1,187,677
<b>Conditions still to be met - transferred to liabilities</b>	<b>0</b>	<b>0</b>

**5. Library Services - Carnegie Corporation Grant**

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

<b>Balance unspent at beginning of year</b>	<b>841,621</b>	<b>791,422</b>
Current year receipts		50,199
Interest received	23,012	0
Grant paid back to National Treasury - Interest portion	-864,633	0
<b>Conditions still to be met - transferred to liabilities</b>	<b>0</b>	<b>841,621</b>

**6. SMME - Development**

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

<b>Balance unspent at beginning of year</b>	<b>192,500</b>	<b>192,500</b>
Current year receipts	0	0
Funding of capital projects	0	0
Conditions met – transferred to revenue	0	0
<b>Conditions still to be met – transferred to liabilities</b>	<b>192,500</b>	<b>192,500</b>

**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.

<b>Balance unspent at beginning of year</b>	<b>84,492</b>	<b>84,492</b>
Current year receipts	0	0
Funding of capital projects	0	0
Transferred to other income	-84,492	0
<b>Conditions still to be met - transferred to liabilities</b>	<b>0</b>	<b>84,492</b>

	2011	Restated 2010
	R	R
<b>8. Disaster Management Grant</b>		
This Grant is used to provide aid to those in need when disasters arise in the metropolitan area.		
<b>Balance unspent at beginning of year</b>	<b>0</b>	<b>42,169</b>
Current year receipts	0	0
Debtor raised	0	3,076,717
Conditions met – transferred to revenue	0	-3,118,886
Funding of capital projects	0	0
Reversal of prior year accrual	-3,076,717	0
Debt impaired	3,076,717	0
<b>Conditions still to be met – transferred to liabilities</b>	<b>0</b>	<b>0</b>

### 9. Municipal Infrastructure Grant

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

<b>Balance unspent at beginning of year</b>	<b>496,772</b>	<b>86,688,636</b>
Current year receipts	182,532,000	156,016,000
Funding of capital projects	-180,161,991	-240,402,747
Conditions met - transferred to revenue	-1,372,368	-1,805,117
<b>Conditions still to be met – transferred to liabilities</b>	<b>1,494,413</b>	<b>496,772</b>

### 10. Ploughing Fields

This grant is used to promote economic development.

<b>Balance unspent at beginning of year</b>	<b>26,545</b>	<b>26,545</b>
Current year receipts	0	0
Funding of capital projects	0	0
Transferred to other income	-26,545	0
<b>Conditions still to be met – transferred to liabilities</b>	<b>0</b>	<b>26,545</b>

### 11. Project Generation (DEAET)

This grant is used to promote economic development.

<b>Balance unspent at beginning of year</b>	<b>7,016,230</b>	<b>7,028,263</b>
Current year receipts	0	-12,033
Funding of capital projects	0	0
Transferred to other income	-7,016,230	0
<b>Conditions still to be met – transferred to liabilities</b>	<b>0</b>	<b>7,016,230</b>

### 12. Amphitheatre - Uitenhage - UDDI

This Grant is used to promote Economic development in the Uitenhage-Despatch Development Initiative (UDDI).

<b>Balance unspent at beginning of year</b>	<b>3,815,178</b>	<b>41,652</b>
Current year receipts	0	3,773,526
Interest transferred to Other Income	-41,653	0
Conditions met - transferred to revenue	0	0
<b>Conditions still to be met - transferred to liabilities</b>	<b>3,773,525</b>	<b>3,815,178</b>

	2011	Restated 2010
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**13. National Treasury – Accreditation of Municipalities**

This grant is used for capacity building of employees in the Municipality's Human Settlements Directorate.

<b>Balance unspent at beginning of year</b>	<b>3,716,666</b>	<b>4,198,406</b>
Current year receipts	4,000,000	3,835,975
Funding of capital projects	0	0
Conditions met – transferred to Revenue	-2,251,638	-4,317,715
<b>Conditions still to be met – transferred to liabilities</b>	<b>5,465,028</b>	<b>3,716,666</b>

**14. Fuel Levy**

This grant is used to compensate for loss of revenue due to the abolishment of RSC levies and therefore replaces the RSC Levies Replacement Grant.

<b>Balance unspent at beginning of year</b>	<b>0</b>	<b>0</b>
Current year receipts	391,668,000	360,042,000
Funding of capital projects	0	0
Conditions met – transferred to revenue	-391,668,000	-360,042,000
<b>Conditions still to be met – transferred to liabilities</b>	<b>0</b>	<b>0</b>

**15. 2010 FIFA World Cup Stadium**

This grant is used to fund the building of the 2010 FIFA World Cup Stadium.

<b>Balance unspent at beginning of year</b>	<b>33,988,642</b>	<b>49,307,271</b>
Current year receipts	2,658,193	175,763,744
Funding of capital projects	-24,963,874	-127,775,700
Conditions met – transferred to revenue	-11,682,959	-63,306,673
<b>Conditions still to be met – transferred to liabilities</b>	<b>0</b>	<b>33,988,642</b>

**16. Walmer Youth Development Project**

This grant is used for youth development.

<b>Balance unspent at beginning of year</b>	<b>53,623</b>	<b>53,623</b>
Current year receipts	0	0
Funding of capital projects	0	0
Conditions met – transferred to revenue	0	0
<b>Conditions still to be met – transferred to liabilities</b>	<b>53,623</b>	<b>53,623</b>

**17. Youth Advisory Centre**

This grant is used for Youth Development.

<b>Balance unspent at beginning of year</b>	<b>0</b>	<b>0</b>
Current year receipts	0	0
Funding of capital projects	0	0
Conditions met – transferred to revenue	0	0
<b>Conditions still to be met – transferred to liabilities</b>	<b>0</b>	<b>0</b>

	2011	Restated 2010
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**18. HIV/AIDS Columbia University Project**

This grant is used for HIV/AIDS projects.

<b>Balance unspent at beginning of year</b>	<b>0</b>	<b>0</b>
Current year receipts	3,582,113	4,183,044
Funding of Operating Projects	0	-759,574
Debtor's accrual raised	1,031,094	
Conditions met – transferred to revenue	-4,613,207	-3,423,470
<b>Conditions still to be met – transferred to liabilities</b>	<b>0</b>	<b>0</b>

**19. Provincial Government Grants**

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

<b>Balance at beginning of year</b>	<b>0</b>	<b>0</b>
Current year receipts	4,500,000	3,500,000
Funding of capital projects	0	0
Conditions met – transferred to Revenue	-4,500,000	-3,500,000
<b>Conditions still to be met – transferred to Liabilities</b>	<b>0</b>	<b>0</b>

**20. Public Transport Infrastructure Grant**

This grant is received from National Treasury for upgrading infrastructure to support the Nelson Mandela Bay Stadium.

<b>Balance unspent at beginning of year</b>	<b>0</b>	<b>318,167,967</b>
Current year receipts	428,333,000	109,551,949
Funding of capital expenditure	-108,644,114	-526,840,954
Debtor raised	0	130,338,781
Reversal of prior year accrual – payment received	-130,338,781	0
Conditions met – transferred to Revenue	-5,147,135	-31,217,743
<b>Conditions still to be met - transferred to Liabilities</b>	<b>184,202,970</b>	<b>0</b>

**21. DME Subsidy on Electricity Connections**

This grant is used to fund electricity connections and, upon application, also the upgrading of electrical infrastructure in order to install these electricity connections.

<b>Balance unspent at beginning of year</b>	<b>0</b>	<b>5,976,651</b>
Current year receipts	20,000,000	0
Funding of capital projects	-19,085,177	-6,891,474
Debtor raised	0	914,823
Reversal of prior year debtor – payment received	-914,823	
<b>Conditions still to be met – transferred to Liabilities</b>	<b>0</b>	<b>0</b>

**22. EU Sector Policy Support Project**

	2011	Restated 2010
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This grant is received from the European Union to fund various authorised developmental projects.

<b>Balance unspent at beginning of year</b>	<b>24,292,924</b>	<b>38,175,634</b>
Current year receipts	0	2,249,626
Funding of capital projects	-10,577,307	0
Conditions met – transferred to revenue	-11,014,801	-16,132,336
Transferred to Other Income	-580,075	0
Interest allocated	642,624	0
<b>Conditions still to be met – transferred to Liabilities</b>	<b>2,763,364</b>	<b>24,292,924</b>

**23. Energy Efficiency & Demand Side Management**

This grant is used to fund energy efficient electricity projects.

<b>Balance unspent at beginning of year</b>	<b>21,283,720</b>	<b>0</b>
Current year receipts	25,000,000	30,000,000
Funding of capital projects	0	0
Conditions met – transferred to Revenue	-7,995,549	-8,716,280
<b>Conditions still to be met – transferred to Liabilities</b>	<b>38,288,171</b>	<b>21,283,720</b>

**24. Other Grants**

These are grants received by the Municipality for various purposes.

<b>Balance unspent at beginning of year</b>	<b>63,016,132</b>	<b>78,725,426</b>
Current year receipts	30,784,296	55,528,795
National and Provincial Government Capex Funding	-20,506,628	-16,922,494
Funding of operating projects/Transferred to other income	-65,698,433	-66,926,305
Debtor raised	75,818,432	75,441,380
Reversal of prior year debtor	-75,441,380	-52,701,301
Debt impaired	38,186,840	0
Conditions met – transferred to revenue	-16,333,717	-10,129,369
<b>Conditions still to be met – transferred to liabilities</b>	<b>29,825,542</b>	<b>63,016,132</b>

**25. Government Grant Revenue**

Funding of capital projects	505,613,574	993,724,317
Conditions met – transferred to revenue	-505,613,574	-993,724,317
<b>Conditions still to be met – transferred to liabilities</b>	<b>0</b>	<b>0</b>

	2011	Restated 2010
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**26. National Lotteries Grant**

This grant is used to fund art and culture programmes.

<b>Balance unspent at beginning of year</b>	<b>0</b>	<b>0</b>
Current year receipts	18,948,694	0
Funding of operating projects		0
Conditions met – transferred to revenue	-10,665,937	-2,677,717
Debtor raised		2,677,717
Reversal of prior year accrual – payment received	-2,677,717	<b>0</b>
<b>Conditions still to be met – transferred to Liabilities</b>	<b>5,605,040</b>	<b>0</b>

**27. Water Demand Management Grant**

This grant is used to fund water demand management initiatives.

<b>Balance unspent at beginning of year</b>	<b>0</b>	<b>0</b>
Current year receipts	12,729,091	13,072,153
Funding of capital projects	-2,257,438	0
Debtor raised	0	4,598,373
Reversal of prior year accrual – payment received	-4,598,373	0
Conditions met – transferred to Revenue	-5,873,281	-17,670,526
<b>Conditions still to be met – transferred to Liabilities</b>	<b>0</b>	<b>0</b>

**28. Neighbourhood Partnership Development Grant**

This grant is used for the urban renewal of townships.

<b>Balance unspent at beginning of year</b>	<b>0</b>	<b>4,164,293</b>
Current year receipts	68,697,115	31,499,999
Funding of capital projects	-42,899,924	-43,097,626
Debtor raised	0	7,433,334
Reversal of prior year accrual – payment received	-7,433,334	
Conditions met – transferred to Revenue		
<b>Conditions still to be met – transferred to Liabilities</b>	<b>18,363,858</b>	<b>0</b>

## LONG-TERM CONTRACTS ENTERED INTO BY THE MUNICIPALITY

Apart from the R470 million loan agreement entered into with Rand Merchant Bank, the Municipality did not enter into any other long-term contracts.

## ANNUAL PERFORMANCE AS PER KEY PERFORMANCE INDICATORS IN FINANCIAL VIABILITY

For annual performance information with regard to financial viability, please refer to page 142.

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	1 627 113 (95%)	1 472 435	90.50%
2	Salary budget as a percentage of the total Operating Budget	1 699 043 (28.15%)	1 893 082	31,36%
3	Total actual trade creditors as a percentage of total actual revenue	1 274 226 (20%)	1 246 360	19.74%
4	Total municipal owned revenue as a percentage of the total actual Budget	4 267 821 (69.04%)	4 502 157	70.07%
5	Rate of municipal debt reduction		23 537	1.72%
6	Percentage of MIG Budget spent	182 532 (95%)	181 534	99%

## 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.

	R 2011	R 2010 Restated
<b><u>Rates and General: Ageing</u></b>		
Current (0-30 days)	33,477,926	71,876,929
31 - 60 days	21,074,990	18,321,973
61 - 90 days	16,136,687	15,400,704
Over 90 days	376,683,907	339,628,448
30 - 60 days	<b>447,373,510</b>	<b>445,228,054</b>
<b><u>Electricity: Ageing</u></b>		
Current (0-30 days)	347,074,887	232,717,857
31 - 60 days	28,506,239	24,809,053
61 - 90 days	3,129,372	7,405,779
Over 90 days	131,491,218	111,187,724
<b>Total</b>	<b>510,201,716</b>	<b>376,120,413</b>
<b><u>Water: Ageing</u></b>		
Current (0-30 days)	154,085,687	112,733,674
31 - 60 Days	39,034,695	29,082,609
61 - 90 Days	20,673,548	19,784,596
Over 90 Days	274,392,491	150,741,721
<b>Total</b>	<b>488,186,421</b>	<b>312,342,600</b>
<b><u>Refuse: Ageing</u></b>		
Current (0-30 days)	17,429,531	16,900,185
31 - 60 days	4,386,828	3,490,530
61 - 90 days	2,616,843	2,823,196
Over 90 days	76,973,559	60,755,514
<b>Total</b>	<b>101,406,761</b>	<b>83,969,425</b>
<b><u>Sanitation: Ageing</u></b>		
Current (0-30 days)	43,276,153	27,946,883
31 - 60 days	8,471,349	9,269,988
61 - 90 days	3,954,031	5,470,044
Over 90 days	101,076,655	85,934,239
<b>Total</b>	<b>156,778,188</b>	<b>128,621,154</b>
<b><u>Housing Rentals: Ageing</u></b>		
Current (0-30 days)	2,129,385	700,454
31 - 60 days	482,191	395,946
61 - 90 days	387,500	357,392
Over 90 days	13,032,488	11,731,932
<b>Total</b>	<b>16,031,564</b>	<b>13,185,725</b>

## **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.

## **INTERGOVERNMENTAL CHALLENGES**

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

### ***In the year ahead (2011/12), 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 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
<b>5.1 LEGAL SERVICES</b>					
5.1.1	Development of an electronic contract management system / model	N/A	By December 2010	Electronic contract management system/model developed	
5.1.2	Establishment of the 3rd and 4th volumes of the Municipal Code	N/A	By June 2011	Target not met	The underachievement against this target is due to budgetary constraints associated with the cashflow challenge currently experienced by the Municipality. The target will be reviewed in the 2011/12 financial year.
5.1.3	Translation of the Municipal Code (IsiXhosa and Afrikaans)	N/A	By June 2011	4 of 8 by-laws (Volume 2) translated into IsiXhosa & Afrikaans	The underachievement on this target is due to budgetary constraints associated with the cashflow challenge currently experienced by the Municipality. The target will be reviewed in the 2011/12 financial year.
5.1.4	Development and implementation of a directorate-based legal compliance manual	N/A	By June 2011	Manual system in place	

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
<b>5.2 EXTERNAL RELATIONS</b>					
5.2.1	Development and implementation of a framework on how to provide support and co-operation on areas of mutual benefit to neighbouring municipalities	N/A	By March 2011	Target not met	A draft framework was developed. The benchmarking and consultation processes took longer than anticipated. The framework will be finalised in the first quarter of the 2011/12 financial year.
5.2.2	Number of service delivery and capacity development partnerships established with key academic institutions and development agencies	N/A	2 by December 2011 (NMMU and Coega Development Corporation)	Target not met	The NMBM/NMMU Memorandum of Understanding is ready for signing by all parties involved. It is currently receiving the attention of the Executive Mayor. The framework for the partnership with Coega is in place and will assist in developing the MoU, to be signed by all parties at a later date. The signing of these MoUs has been negatively affected by other priorities, including the Local Government elections and the Council recess associated with the establishment of a new Council in the latter part of the financial year. It is envisaged that the MoUs will be concluded in the 2011/12 financial year.
5.2.3	Development and implementation of a programme between Cacadu and NMBM to maximize benefits from matters of mutual interest	Consultation process under way	By September 2010	Implementation plan approved between Cacadu and NMBM	

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
5.2.4	Development and implementation of a programme between Nxuba and NMBM to build capacity aimed at the provision of basic services to the community	Draft Programme in place	By December 2010	Target not met	A Draft Programme is in place, but has not yet been approved. The Programme has been kept in abeyance until after the municipal elections, whereafter the implementation will be discussed internally and with the Nxuba Municipality, to reach agreement on areas of implementation.
5.2.5	Development and implementation of a plan to address intergovernmental challenges	N/A	By June 2011	Review and report on progress	
5.2.6	Turnaround time (number of working days) for responding to all Presidential hotline queries through the Office of the Premier (EC Province)	N/A	5 working days	5 working days	
5.2.7	Reporting to DIRCO on all incoming and outgoing international engagements	N/A	Annually by March	Incoming and outgoing international engagements reported to DIRCO	

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
5.2.8	Institutionalisation of DIRCO reporting framework for international engagements	N/A	By September 2010	DIRCO reporting framework institutionalised	
5.2.9	Number of IR/IGR Sub-Committee meetings held	N/A	4	2	The IR/IGR Workshop was held on 19 and 20 August 2010, <i>inter alia</i> including IR/IGR Sub-Committee members. A meeting of the Sub-Committee took place on 27 January 2011. A follow-up meeting was set for 9 March 2011 but was cancelled. Councillors went on recess from April for the Municipal elections in May 2011. The Office is awaiting the announcement of the Councillors who will serve on the Sub-Committee.
5.2.10	Review of Council's International Relations Policy	Policy in place	By December 2010	Draft Policy in place	Some sections of the International Relations Policy have already been reviewed as per Mayoral Minute 62 of 16 February 2011. The full Policy will be presented to the Mayoral Committee in the first quarter of the 2011/12 financial year.
5.2.11	Provide protocol training to Councillors senior officials (Directors upwards) and Personal Assistants	Protocol training provided to Councillors and officials	By June 2011	Target not met	Protocol training for Councillors, which was arranged to take place in June 2011, was cancelled for further consideration by the Speaker of Council. The Chief Operating Officer will continue to engage the Speaker to ensure that protocol training is presented to designated officials and Councillors.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
<b>5.3 INTERNAL CONTROLS</b>					
5.3.1	Review of institutional Risk Management Plans	N/A	Annually by June	Target not met	The target was not achieved due to the resignation of the Chief Risk Officer. The Chief Risk Officer position has since been advertised and the recruitment process is currently underway. The Office of the Chief Operating Officer is in the process of seconding a person from an external audit firm to perform the functions until such time that the Chief Risk Officer is appointed. One risk specialist has been appointed and will commence duties in July 2011. It is envisaged that performance against this KPI will normalise in the 2011/2012 financial year.
5.3.2	Turnaround time for the submission of risk management reports to the Municipal Manager and Audit Committee (number of months following the end of the quarter)	N/A	1 month	4 months	The target was not achieved due to the resignation of the Chief Risk Officer. The Chief Risk Officer's position has since been advertised and the recruitment process is currently underway. The Office of the Chief Operating Officer is in the process of seconding a person from an external audit firm to perform the functions until such time that the Chief Risk Officer is appointed. One risk specialist has been appointed and will commence duties in July 2011. It is envisaged that performance against this KPI will normalise in the 2011/2012 financial year.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
5.3.3	Operationalisation of risk structures	N/A	By September 2010	Risk structures operationalised	
5.3.4	Annual review of the 3-year risk-based audit plan performed	Approved audit plan in place	By June 2011	Target not met	The current three-year plan is revised quarterly and submitted to the Audit Committee. With the appointment of the Chief Risk Officer (CRO) in the first quarter, it was anticipated that sufficient risk assessment would have been conducted for a draft reviewed three-year risk based audit plan to be compiled by the third quarter. However, due to challenges identified by the Chief Risk Officer and his subsequent resignation effective 31 March 2011, this has not come to fruition. The position has been advertised, a process of secondment has been initiated and one permanent staff member will commence in July 2011.
5.3.5	% implementation of the annual audit plan	N/A	100%	97%	The 3% variance in actual performance represents the financial statements close-out process that can only be undertaken after the end of the financial year. At the end of 2010/2011, the following statistics applied: reports issued 28%; fieldwork completed 27%; fieldwork in progress 42%; and fieldwork not commenced 3% (1 audit representing 40 hours). Progress report submitted to the Audit Committee meeting at its meeting held on 30 June 2011. Eight reports were issued subsequent to the date of the progress report and prior to 30 June 2011.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
5.3.6	Number of Audit Committee meetings held	4	4	4	
5.3.7	Annual review of anti-fraud and anti-corruption strategies	Reviewed strategies in place	By September 2010	Anti-fraud and anti-corruption strategies reviewed	
5.3.8	Introduce an education programme and/or conduct workshops to educate employees and Councillors on anti-fraud and anti-corruption strategies and measures	N/A	By December 2010	Workshops held	
5.3.9	Number of reports submitted to the Oversight Committee Executive Mayor and Council outlining all cases of alleged fraudulent activities being investigated	N/A	2.00	Target not met	No Municipal Public Accounts Committee meetings have been held since 17 March 2011, due to the Local Government elections. The next meeting is scheduled for 19 July 2011. An item covering all investigations has been submitted to Secretariat.
5.3.10	Development and implementation of an action plan to address matters arising from the Auditor-General's Report	Action plan in place	By February 2011	Action plan developed to rectify issues raised	

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
5.3.11	Receipt of unqualified Audit Report	Unqualified audit report in place	By December 2010	Unqualified audit report received	
<b>5.4 COMMUNICATION AND PUBLIC PARTICIPATION</b>					
5.4.1	Review of the Communications Strategy and develop and implement a comprehensive Communications Plan that is customer focused and service delivery oriented	Strategy in place	By September 2010	Strategy reviewed and Communications Plan developed and implemented	The Strategy was presented to the Mayoral Committee on 18 August 2010.
5.4.2	Production of media bulletins aimed at profiling key service delivery issues in the media and to the community	Quarterly	Quarterly	Quarterly	
5.4.3	Communicating key Mayoral and Council decisions made to the community via media releases	Monthly	Monthly	Monthly	

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
5.4.4	% increase in the number of visitors to the municipal website (both nationally and internationally)	56.9% increase in hits on the website	10%	41%	A remarkable increase has been achieved in the number of visitors to the municipal website (April = 62 077, May = 77 883, June = 95 196).
5.4.5	Production and publication of an informative community magazine and staff newsletter	Bi-monthly	6	13	Two formal publications ( <i>Ubuntu</i> and <i>Rise Magazines</i> ) published bi-monthly. In addition, the <i>Rise Online</i> newsletter is also produced.
5.4.6	Roll-out of NMBM Language Policy	N/A	By June 2011	Target not met	Documentation such as by-laws, policies, advertisements are translated into the three main local languages. The translation process is ongoing. A task team is in place but, due to non-funding, progress is slow as sufficient training and printing of booklets cannot be afforded from the current Operating Budget. The target will be reviewed in the 2011/12 financial year.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
5.4.7	Development and implementation of an Integrated Public Participation Policy covering public participation and community engagement in municipal planning and decision making processes as well as the implementation of Ward-based projects	N/A	By September 2010	Target not met	The development of the Public Participation Policy was deferred because of the pending election of a new Council. A new plan for stakeholder consultation was developed and implemented. It is envisaged that the target will be met by October 2011.
5.4.8	Development and implementation of a new model for Ward Committees with functional performance management monitoring and evaluation components	N/A	By September 2010	Target not met	The new Council was elected on 18 May 2011. The new leadership decided to hold Ward Committee elections in October 2011. It is envisaged that the target will be met in October 2011.
<b>5.5 SPECIAL SECTOR MAINSTREAMING</b>					
5.5.1	Establishment of a new and strengthening and revitalising existing youth gender and disability structures in the Metro in consultation with relevant groups	N/A	By December 2010	Target not met	The election campaigns caused a delay in the carrying out of responsibilities. Some meetings arranged did not materialise. The election of Special Sector Forums is scheduled for September and October 2011. Consultations have been done with all registered and audited structures.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
5.5.2	Development and review of policies and strategies targeting youth gender and disability development in consultation with relevant groups	N/A	By December 2010	Target not met	Sector policies were circulated for review and alignment to the national and provincial frameworks. The delay in achieving the target is due to extended consultation with the current leadership and special sectors. The review of these policies will be discussed during the election of the different Special Sectors platforms in September and October 2011. It is envisaged that the draft policies/framework will be in place and approved by December 2011.
5.5.3	Allocation of dedicated funding in the budget for special sector skills development and entrepreneurship support	N/A	Annually by June	Target not met	Due to the cashflow challenges experienced by the Municipality, the allocation was highly reduced. The target will be reviewed in the 2011/12 financial year.
<b>5.6 INFORMATION AND COMMUNICATION TECHNOLOGY</b>					
5.6.1	Number of ICT Steering Committee meetings held	Quarterly meetings held	4	2	Two of the four targeted meetings did not take place, due to the non-submission of items for consideration by the ICT Steering Committee. A concerted effort will be made in the 2011/12 financial year to encourage directorates to submit ICT related items to the Committee.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
5.6.2	A functional HR Information System in place	N/A	By June 2011	Functional HR Information System in place	The System Go-Live occurred on 1 April 2011, realizing the successful implementation of Phase 1 (Workforce Management). AS 400 was switched off on 31 May 2011. Efforts will now be directed to the implementation of the second phase, namely the operationalisation of the Employee Self Service / Manager Self Service and Talent Management Modules.
<b>5.7 CUSTOMER CARE</b>					
5.7.1	Implementation of a new Customer Care model (to include response turnaround times)	N/A	By June 2011	New Customer Care Strategy and Model implemented	The implementation of the new Customer Care Strategy and Model includes the introduction of a single contact number for NMBM (0800 205050) introduced during May 2011. In addition, a preliminary reporting framework (EDAMS) emanating from the model is being used by the Joint Operations Centre (JOC). The Customer Care Strategy will be amended to incorporate lessons learnt during the 2010 FIFA World Cup.
<b>5.8 COUNCILLOR SUPPORT</b>					
5.8.1	Development and implementation of a Councillor Support Policy and Model	N/A	By December 2010	Target not met	A Councillor Support Policy was approved in principle as a working document. The establishment of a One-stop Shop is under way. The delay in the implementation of the proposed model is due to the funding requirement, in line with the approved organogram. It is expected that the target will be achieved by the end of December 2011.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
5.8.2	Development of an outcomes-based Councillor Training Programme	N/A	By December 2010	Implementation against training programme	
5.8.3	Number of training opportunities provided to Councillors: (a) Local Government Law and Administration	N/A	20	16	The target was met in July 2011. Class session periods and time tables are determined by SALGA and Fort Hare University. The number of Councillors declined from 19 to 16, since two Councillors successfully completed the programme during the third quarter, whilst a third Councillor was redeployed.
5.8.4	Number of training opportunities provided to Councillors: (b) Municipal Management Development Programme	N/A	5	17	
5.8.5	Number of training opportunities provided to Councillors: (c) Recognition of prior learning	N/A	4	4	

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
<b>5.9 IMPLEMENTATION OF RULES OF ORDER</b>					
5.9.1	Turnaround time for distribution of Council Mayoral Committee Standing Committee and Oversight Committee Agendas	5 days	5 days	5 days	The turnaround time is being adhered to in terms of the deadlines set by Council.
5.9.2	Turnaround time for distribution of minutes of Council Mayoral Committee and Standing Committee meetings	14 days	14 days	14 days	The turnaround time is being adhered to in terms of the deadlines set by Council.
5.9.3	Establishment of a Disciplinary Committee to deal with breach of code of conduct by Councillors	N/A	By September 2010	Target not met	This matter is in the agenda of items to be taken up with the Council's Speaker, who assumed office on 31 May 2011. It is envisaged that the target will be met by the end of August 2011.
<b>5.10 POLITICAL MANAGEMENT AND OVERSIGHT</b>					
5.10.1	Review the roles and responsibilities manual for political office-bearers (Chief Whip Executive Mayor Speaker)	N/A	By March 2011	Manual adopted	The result of the benchmarking exercise confirmed that the current document is still relevant. Unless the delegation of powers system changes, the Section 53 document (Roles and Responsibilities) will be retained in its current form.
5.10.2	Investigate and develop a framework for the establishment of a SCOPA-like Oversight Committee to enhance accountability	Oversight Committee in place	By December 2010	Framework approved by Council	The establishment of the Municipal Public Accounts Committee was approved by Council on 29 October 2010. The Committee is functional.

**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 Municipality has received an unqualified audit report for the fourth successive year from the Auditor-General.

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.

## 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 meetings. Council meetings are held every six weeks, but if urgent issues need to be considered, additional meetings are called.

Council meetings held during the 2010/11 financial year are reflected below.

<b>Number of scheduled meetings</b>	<b>Number of actual meetings held</b>
10	13

### (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 2010/11 financial year are reflected below.

<b>Number of scheduled meetings</b>	<b>Number of actual meetings held</b>
18	13

**(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 2010/11 are as follows:

- (a) Budget and Treasury (scheduled 6; 6 held)
- (b) Corporate Services (scheduled 7; 6 held)
- (c) Economic Development, Tourism and Agriculture (scheduled 8; 5 held)
- (d) Human Settlements (scheduled 14; 10 held)
- (e) Infrastructure, Engineering, Electricity and Energy (7 scheduled; 4 held)
- (f) Public Health (6 scheduled; 4 held)
- (g) Recreation and Culture (7 scheduled; 4 held)
- (h) Safety and Security (7 scheduled; 3 held)

Standing Committee meetings are held every six weeks.

Standing Committee meetings held during the 2010/11 financial year are reflected below.

<b>Number of scheduled meetings</b>	<b>Number of actual meetings held</b>
62	42

**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 52 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 and other stakeholders, as well as the general public of Nelson Mandela Bay.

### **ESTABLISHMENT AND FUNCTIONALITY OF WARD COMMITTEES**

The Municipality had no functional Ward Committee System in place during the review period. The elections of new Ward Committees is scheduled for the 2011/12 financial year.

### **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.

### **COMMUNICATIONS STRATEGY**

The Municipality has a Communications Strategy. This Strategy will be reviewed in the 2011/12 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) Human resources available to lead communications activities**

The Communications Sub-Directorate is under the Director: Communications, supported by 15 permanent and 4 temporary staff members, plus 2 unemployed graduates, under the following units:

- Finance and Administration
- Language Proficiency
- Media Management
- Product Development
- Public Relations and Events Management

**(e) Infrastructural resources available for communications activities**

The Communications Sub-Directorate's Operating Budget is reflected below:

- Rental, staff and admin = R7,9 million
- Communication Strategy (project implementation) = R6,9 million

The Communications Sub-Directorate has the necessary infrastructure, such as offices and electronic and other equipment, as well as a communications library, to enable it to perform its duties successfully.

**(f) 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 (145 key strategic documents were edited over the review period).
- The provision of a speechwriting service for the political leadership and senior management (40 speeches and messages were written).
- The provision of translation services.
- The editing, translation, design, proofreading, booking and submission of all Council advertisements for placement in print media (altogether 352 notices and ads were placed in the print media).
- The development and maintenance of the communications library.
- Consistent communications research.
- Celebrating National Deaf Awareness Month: October 2010: Produced a video-clip of Executive Mayor 'speaking' sign language to raise awareness of deafness and the need to learn sign language, broadcast on the NMBM website and YouTube.

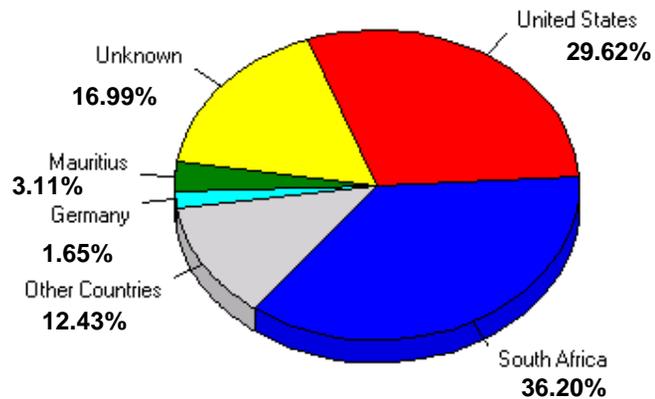
### **Product Development**

- Production of the following promotional material:
- Branding management
- Maintenance and improvement of an official municipal website ([www.nelsonmandelabay.gov.za](http://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 2010	4,371,177	104,556	84,937,172
Aug 2010	3,356,399	78,499	47,727,104
Sep 2010	3,277,642	73,084	45,886,330
Oct 2010	4,619,597	74,818	49,769,923
Nov 2010	3,456,608	74,968	43,796,735
Dec 2010	2,008,086	61,814	33,792,293
Jan 2011	2,791,510	71,000	41,413,374
Feb 2011	2,896,647	61,277	41,449,893
Mar 2011	3,328,154	67,293	50,036,506
Apr 2011	2,703,962	62,077	44,658,501
May 2011	3,905,885	77,883	56,773,589
Jun 2011	4,715,073	95,196	65,196,694
<b>Total</b>	<b>41,430,740</b>	<b>902,465</b>	<b>605,438,114</b>

**Most Active Countries 2010 - 2011**



## **Public Relations and Events Management**

The 2010/11 financial year was approached in terms of the theme ***Working Together We can Build Better Communities!***, with numerous events/public relations activities carrying through the message.

Events included the wrap-up of the successfully hosted 2010 FIFA World Cup™ and the occupancy of Eastern Province Rugby at the Nelson Mandela Bay Stadium.

Various community projects were launched, such as the construction incubator, the Walmer Community Park and the KwaNobuhle Multi-purpose Centre.

Milestone events saw another year of the Mayoral Cup Challenge, various national and International sporting events and signing ceremonies, an Events Summit, the Opening of the Executive Mayor's Office in the Northern Areas, our very first International Music Festival, as well as the all-important announcement of Nelson Mandela Bay winning the bid to host the IRB Sevens for the next four years.

Hosting and/or exhibiting at a number of national and local exhibitions, conferences and trade shows ensured that the Municipality maintained good community relations and kept the public informed.

The Public Relations Unit is in constant liaison with all municipal directorates to ensure that effective public relations related activities, communications plans and strategies and events management practices are developed and implemented.

Furthermore, the "Walk with Wayile" campaign continued to update, portray and recognise exceptional service delivery.

## **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: 29 – 30 July 2010
- EXCO Outreach: 19 – 20 October 2010
- Visit of the Belgian Minister of Foreign Affairs: 4 November 2010
- Assisted with the Matlousana Municipal delegation (Klerksdorp) visit: 14 – 15 March 2011
- Presidential Hotline Coordinating meetings: 15 February 2011 and 9 June 2011
- Human Rights Day celebrations: 21 March 2011
- Freedom Day celebrations: 27 April 2011
- Participation in the Human Settlements IGR Forum

### **Partnerships and their *status quo*:**

#### **International Partnerships**

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

- Göteborg, Sweden
- Jacksonville, Florida, USA
- Ningbo, China

- Annaba, Algeria
- Wakhinane Nimzath, Dakar, Senegal
- Beira, Mozambique
- Tyne-and-Wear Museums, Newcastle, North East England
- 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:
  - Air quality methodologies within Air Quality Management;
  - Sustainable Community Development;
  - Environmental Management (concluded in June 2011).
- Further potential project proposals focusing on the following will be submitted and/or discussed in the next financial year:
  - Inner-city development;
  - Environmental management (continuation of the project);
  - Integrated public transportation planning;
  - Renewable energy.
- The winner of the 2009 NMB Bay Star Awards was given the opportunity to undertake an experiential working visit, where he had the opportunity to work with his counterparts with regard to waste water management.

### **Ningbo**

- The focus in China is two-fold:
  - (1) NMBM support to the Coega Development Corporation with regard to the proposed 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.

**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. In this regard, a mobile clinic is in the process of being acquired through Sister Cities International, in collaboration with the Jacksonville Sister Cities Association.

**Tyne and Wear Museums, Newcastle, North East England**

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

- Preparations are currently underway to participate in a beadwork exhibition, which will be held at the Tyne and Wear Museums in June 2012.

**African cities**

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

**Annaba, Algeria**

The focus on Annaba is on the following areas:

- Electricity and Energy (a pilot project on energy efficient street lighting and lower pressure solar water heaters).
- Signing of an MoU between the Annaba Chamber of Commerce and the NMB Chambers of Commerce.
- Planning for the participation of NMBM in a Culture Week in Annaba.
- Planning for a business visit to 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 inactive.

**Lobatse, Botswana**

This Partnership is currently inactive; 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 affect 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 recognizing 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 develop 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**

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

#### **Establishment of an Intergovernmental Relations Forum**

- Establishment of an IGR Forum with a view to ensure a coordinated structure that will serve as a mechanism to enhance integrated governance and service delivery in Nelson Mandela Bay.

## LEGAL SERVICES

The Municipality has a functional Legal Services Sub-directorate under the Chief Operating Officer, supported by 14 permanent and 1 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 the 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: 541

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

- Motor vehicle insurance claims: 643

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.

- Damages claims: 288

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

(b) Litigation

- Litigation cases: 93

(c) Contract management and legal compliance

- Contracts drafted and vetted: 265

(d) Corporate governance

- Unauthorised land use
  - Breach of NMBM zoning schemes: 189
- Access to information (PAIA)
  - Requests for information: 30
- 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 : 59

**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:

<b>FINANCIAL YEAR</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>
Opinion	Unqualified opinion	Unqualified opinion	Unqualified opinion	Unqualified 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:

- 30 September 2010
- 09 December 2010
- 31 March 2011
- 30 June 2011

The attendance rate in respect of the external members achieved a score (measured in percentage units) of 81%. 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.

Thirteen (13) 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 level of fraud and corruption within the institution during the respective financial year was unacceptable and needed to be addressed by management.
- Risks associated with the Assistance to the poor (ATTP) subsidy.
- Risks associated with unspent European Union Funding.
- Water and electricity losses.
- Directorates to address the findings of the Auditor-General in a serious manner.
- Reputational risk to the institution as a result of negative reporting.
- Cash flow challenges (linked to reputational risk).
- Water crisis (drought).

### **INTERNAL AUDIT**

In terms of the 2010/2011 Internal Audit Plan, the Internal Audit and Risk Assurance Sub-directorate planned the completion of forty-four (44) internal risk-based audits (including *ad hoc* assignments and follow-up audits) relating to the 2010/2011 financial year. A total of forty-two (42) internal audits were completed and reports were issued and/or were in the process of being issued. The remaining two (2) planned internal audits had at that stage commenced and were in progress. 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 has adopted an Anti-Fraud and Anti-Corruption Policy, which was approved on 31 March 2011. The aforementioned Policy is/must be read in collaboration with numerous other legislative provisions in the combat against corrupt and/or fraudulent conduct and/or related practices. This Policy applies to all Councillors and municipal staff, which encompasses that the aforementioned must at all times act honestly, with integrity and safeguard the municipal resources for which they may be responsible and/or accountable.

Whilst this Policy contains a strategy aligned with that of the former Department: Provincial and Local Government Strategy on promoting good governance and accountability, the NMBM Anti-Fraud and Anti-Corruption Policy on its own is deemed inadequate to effectively address this risk. The Council has not initiated a comprehensive awareness and training campaign in order to communicate its documented zero tolerance approach to corrupt and/or fraudulent conducted related practices by Councillors, municipal staff and/or third/external parties.

Forensic Investigative Audit reports by the Internal Audit and Risk Assurance Sub-directorate and/or from external consulting firms revealed a number of high-risk areas within the Nelson Mandela Bay Municipality, with the focus on procurement processes, *inter alia* non-compliance with legislative provisions governing Supply Chain Management processes and financial management. A further matter of concern is the number of contraventions of the provisions contained in the MFMA in that there are no delegations of authority as referenced in Sections 79 and 106 of the MFMA.

Forensic investigations have further revealed a poor corporate memory in respect of the loss and/or non-availability of documentary evidence, which creates uncalculated risks regarding possible litigation and/or judicial processes initiated against the Municipality by third and/or external parties.

The aforementioned Anti-Fraud and Anti-Corruption Strategy in its current format merely remains a strategy and lacks "*meat to the bone*". It is for this

reason that the Chief Operating Officer of the NMBM has instructed the immediate development of an Anti-Corruption Programme, which will entail a comprehensive awareness and training initiative across board, inclusive of Councillors, management, municipal staff, service providers and the community.

From a preventative approach, it is envisaged that all directorates and sub-directorates will be subjected to comprehensive fraud risk reviews, resulting in individual fraud prevention plans per directorate and sub-directorate, which will be monitored and reviewed on an annual basis re compliance in order to harvest a culture of accountability. However, any initiative to promote accountability, good corporate governance and the eradication of corrupt and/or fraudulent practices in whatever form needs to be supported by all roleplayers, with the tone given by the top, with a zero tolerance approach.

The Internal Audit and Risk Assurance Sub-directorate was capacitated with two additional appointments during the latter part of the financial year and in the interim also utilised the services of external consultants on a co-sourcing basis to address the backlog of matters under investigation. Serious consideration is, however, now being given to build and capacitate the Forensic investigative functionality within the Sub-directorate by means of the review of its organisational investigative capacity/structure and the subsequent filling of permanent vacancies with suitably qualified candidates to effectively drive the fraud detection, prevention and eradication measures within the Council.

### **INFORMATION AND COMMUNICATION TECHNOLOGY (ICT)**

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 R4,140,788 on the development of application software to support service delivery, primarily in the area of

financial systems, with emphasis on the Stores and Creditors System and the General Ledger System.

Slightly 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 2010/11, the Corporate GIS within the NMBM continued its proportional growth of previous years in 2010/11. This growth is both in the intranet-based CorpGIS and ArcGIS Desktop environments. CorpGIS gives anybody that is connected to the NMBM internal network access to various GIS mapping services. The GIS environment for this period was expanded with an additional server, while most of the data was manually maintained. The upgrading of the ESRI software from ArcGIS V 9.3 to ArcGIS V 10.0 (version 10) kicked off during May 2011. The ILIS (Integrated Land Information System) Project that was started in November 2009, completed its development phase and entered its building phase during 2010/11. 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 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 are being developed as part of Project ILIS, which include 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 October 2012.

**In the year ahead (2011/12), the Municipality will:**

- develop a policy on the establishment and functionality of Ward Committees and conduct Ward Committee elections.
- 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;
- implement the Customer Care system and model through the War Room on Service Delivery and other initiatives;
- 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 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
<b>6.1 MURP</b>					
6.1.1	Construction of Ikamvelihle pedestrian bridge	85% completed	By September 2010	Ikamvelihle pedestrian bridge completed	
6.1.2	Completion of Motherwell Signage Project	N/A	By December 2010	Motherwell Signage Project completed	
6.1.3	% completion of Motherwell Thusong Service Centre	N/A	100%	80%	The contract was terminated due to the underperformance of the contractor. It is envisaged that the target will be met in the 2011/12 financial year.
<b>6.2 HURP</b>					
6.2.1	Number of community members trained	235	225	252	
6.2.2	Number of local contractors capacitated and supported	8	10	31	

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
6.2.3	Development of a Crime Prevention Strategy	N/A	By March 2011	Target not met	The underperformance against this KPI is due to the ongoing consultation stakeholder process with relevant stakeholders. The Draft Crime Prevention Strategy will be submitted to the Safety and Security Standing Committee scheduled for August 2011 and thereafter to Council. It is envisaged that the target will be achieved towards the end of December 2011.
6.2.4	% completion of Helenvale Multipurpose Community Centre	Detailed designs completed	75% completed by June 2011	Target not met	The underperformance against this KPI is due to the unforeseen delays experienced in Supply Chain processes. It is envisaged that the Helenvale Multipurpose Community Centre will be completed in June 2013 only.

<b>PART</b>	<b>FUNCTIONAL AREA SERVICE DELIVERY REPORTING</b>
<b>3</b>	

**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 <sup>2</sup> (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	108 655 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

<b>Function:</b>	<b>Finance and Administration</b>		
<b>Sub-function:</b>	<b>Finance</b>		
<b>Reporting Level</b>	<b>Detail</b>	<b>Total</b>	
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"> <li>• To improve revenue enhancement and growth</li> <li>• To maximise revenue streams</li> <li>• To empower customers and improve customer care</li> <li>• To promote broad-based economic empowerment</li> <li>• To promote an effective cash and risk management system</li> <li>• To enhance sound financial management</li> <li>• To promote an effective and efficient expenditure system</li> </ul> <p>Key Performance Areas:</p> <ul style="list-style-type: none"> <li>• Ensuring an IDP-based balanced Budget, which enhances financial sustainability and is approved in terms of the legal framework.</li> <li>• Ensuring sustainable and improved revenue generation and collection.</li> <li>• Providing efficient and effective cash management and asset risk management systems.</li> <li>• Providing efficient and effective expenditure management and control processes.</li> <li>• Ensuring a sound and legally compliant system of financial management, advice, control, accounting and reporting.</li> <li>• Providing effective and efficient customer service centres.</li> </ul>		

<b>1</b>	<b>Debtor billings</b>		
	Water		609,506
	Gas		N/A
	Electricity		2,185,508
	KVA		
	Sewerage		246,692
	General rates		885,026
	Refuse		120,675
	Total		<b>4,047,407</b>

<b>2</b>	<b>Debtor collections</b>		<b>3,401,904</b>
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<b>3</b>	<b>Debtor analysis</b>		
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<b><i>Rates and General: Ageing</i></b>	<b>2011</b>	<b>2010 Restated</b>
	<b>R</b>	<b>R</b>
Current (0-30 days)	33,477,926	71,876,929
31 - 60 days	21,074,990	18,321,973
61 - 90 days	16,136,687	15,400,704
Over 90 days	376,683,907	339,628,448
<b>30 - 60 days</b>	<b>447,373,510</b>	<b>445,228,054</b>

<b><i>Electricity: Ageing</i></b>		
Current (0-30 days)	347,074,887	232,717,857
31 - 60 days	28,506,239	24,809,053
61 - 90 days	3,129,372	7,405,779
Over 90 days	131,491,218	111,187,724
<b>Total</b>	<b>510,201,716</b>	<b>376,120,413</b>

<b><i>Water: Ageing</i></b>		
Current (0-30 days)	154,085,687	112,733,674
31 - 60 days	39,034,695	29,082,609
61 - 90 days	20,673,548	19,784,596
Over 90 days	274,392,491	150,741,721
<b>Total</b>	<b>488,186,421</b>	<b>312,342,600</b>

<b><i>Refuse: Ageing</i></b>		
Current (0-30 days)	17,429,531	16,900,185
31 - 60 days	4,386,828	3,490,530
61 - 90 days	2,616,843	2,823,196
Over 90 days	76,973,559	60,755,514
<b>Total</b>	<b>101,406,761</b>	<b>83,969,425</b>

<b><i>Sanitation: Ageing</i></b>		
Current (0-30 days)	43,276,153	27,946,883
31 - 60 days	8,471,349	9,269,988
61 - 90 days	3,954,031	5,470,044
Over 90 days	101,076,655	85,934,239
<b>Total</b>	<b>156,778,188</b>	<b>128,621,154</b>

<b><u>Housing Rentals: Ageing</u></b>	<b>2011</b>	<b>2010 Restated</b>
Current (0-30 days)	2,129,385	700,454
31 - 60 days	482,191	395,946
61 - 90 days	387,500	357,392
Over 90 days	13,032,488	11,731,932
<b>Total</b>	<b>16,031,564</b>	<b>13,185,725</b>

	<b>INTEREST</b>		<b>INTEREST</b>
	Electricity		15,577
	Water		32,641
	Sewerage		11,025
	Refuse		7,822
	General rates		-
	General service charges		16
	Sundry income		46,166
	<b>Total interest</b>		<b>113,249</b>

<b>4</b>	<b>Write-off of debts</b>		114,058
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<b>5</b>	<b>Property rates (residential) – excl. R15,000</b>		<b>(000)</b>
	Number and value of properties rated	213,373	R76,559,227
	Number and value of properties not rated	6,342	R699,471
	Number and value of rate exemptions	308	R986,083
	Rates collectible for the 2010/11 financial year	-	R458,399

<b>6</b>	<b>Property rates (business and commercial and industrial)</b>		
	Number and value of properties rated	22,142	R34,476,077
	Number and value of properties not rated	8609	R6,984,476
	Number and value of rate exemptions	424	R735,191
	Rates collectible for the 2010/11 financial year	-	R405,614

<b>7</b>	<b>Property valuation</b>		
	Year of last valuation	2008	-
	Regularity of valuation	4	-

<b>8</b>	<b>Indigent Policy</b>		
	Number of households affected	67 387	
	Total value		R264 701

<b>9. Top 10 Creditors Paid</b>
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<b>Supplier Code</b>	<b>Supplier Name</b>	<b>Total EFT Paid</b>	<b>Total Value Paid</b>
360	Eskom	1,697,811,849.99	1,697,811,849.99
24435	Mandela Bay Development Agency	120,879,779.74	120,879,779.74
30	WK Construction (Pty) Ltd	115,079,046.62	115,079,046.62
51993	Nedbank Domestic Treasury	104,745,498.12	104,745,498.12
2711	Development Bank of Southern Africa	87,944,823.00	87,944,823.00
2905	Department of Water Affairs & Forestry	76,532,842.20	76,532,842.20
11743	Mawethu Civils (Pty) Ltd	73,162,752.03	73,162,752.03
3004	Conco	72,011,678.90	72,011,678.90
33169	Masakeni Construction (Pty) Ltd	69,118,547.67	69,118,547.67
48593	Volvo Southern Africa (Pty) Ltd	67,238,184.50	67,238,184.50
			<b>2,484,525,002.77</b>

<b>10. Credit Rating</b>
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Credit rating currently in progress.
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### 11. External loans as at 30 June 2011

#### Local Registered Stock

LOAN NO.	INTEREST RATE %	YEAR	DATE REPAYABLE	BALANCE AT 30 June 2010 R	RECEIVED DURING THE YEAR R	REPAID DURING THE YEAR R	BALANCE AT 30 June 2011 R
279	16.90%	2000	30-06-2011	1,184,917	-	1,184,917	-
				<b>1,184,917</b>	<b>-</b>	<b>1,184,917</b>	<b>-</b>
Development Bank of Southern Africa	9.38%		30-09-2015	151,186,637		22,148,533	<b>129,038,104</b>
Amalgamated Banks of South Africa	11.85%		31-12-2017	225,000,000	-	30,000,000	<b>195,000,000</b>
Development Bank of Southern Africa	11.62%		30-09-2029	420,000,000	-	3,316,221	<b>416,683,779</b>
Nedbank	11.70%		31-01-2025	745,000,000	-	32,209,067	<b>712,790,933</b>
Rand Merchant Bank	10.24%		30-05-2031	-	470,000,000		<b>470,000,000</b>
				<b>1,542,371,554</b>	<b>470,000,000</b>	<b>88,858,738</b>	<b>1,923,512,816</b>

### 12. Delayed and Default payments

Zero.

### 3.3 Planning and Development function's performance

<b>Function:</b>	<b>Planning and Development</b>		
<b>Sub Function:</b>	<b>Economic Development</b>		
<b>Reporting Level</b>	<b>Detail</b>	<b>Total</b>	
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"> <li>Promoting investment and maximising the economic potential of Nelson Mandela Bay and the region by supporting priority economic sectors with job creation potential.</li> <li>Providing basic services and poverty relief to the most needy.</li> <li>Creating an enabling environment for economic development and growth by – <ul style="list-style-type: none"> <li>- providing the required infrastructure for growth and development;</li> <li>- streamlining administrative processes and procedures;</li> <li>- providing one point of entry and support for investors and business; and</li> <li>- providing a forum for business interaction and consultation.</li> </ul> </li> <li>Prioritising community empowerment and skills development, focusing on scarce skills.</li> <li>Supporting the Second Economy through – <ul style="list-style-type: none"> <li>- supporting and increasing the business and entrepreneurial activities of emerging businesses and informal traders;</li> <li>- SMME development and co-operative support; and</li> <li>- procurement management.</li> </ul> </li> </ol>		
Description of activity:	<p>The function of economic planning/development within the Municipality is administered as follows and includes:</p> <p><b>Economic growth and development</b></p> <ul style="list-style-type: none"> <li>- To create an enabling environment for economic growth,</li> <li>- To stimulate sectors that promote economic growth and job creation</li> </ul> <p><b>Investment facilitation and promotion</b></p> <ul style="list-style-type: none"> <li>- To facilitate and promote investment in Nelson Mandela Bay</li> </ul>		

	<p><b>Business support</b> - To support and grow new and existing businesses</p> <p><b>To support and grow new and existing businesses</b> - To promote broad-based economic empowerment</p> <p><b>Military Veterans and special sector support</b> - To empower and capacitate Military Veterans and special sectors</p> <p><b>Recreational Services</b> - To ensure beaches and resorts meet set standards of excellence and are safe and user friendly. - Provision of safety (Lifeguards) on 13 bathing beaches, 3 of which had Blue Flag status.</p> <p><b>Arts, culture and Libraries</b> - To promote an economic environment for arts, culture and heritage. - To promote a culture of reading and learning through the provision of library services</p> <p><b>Heritage and museums</b> - To promote and preserve cultural and historic heritage.</p> <p><b>Poverty and job creation</b> - To contribute to halving unemployment by 2014 through the delivery of public and community services</p> <p><b>2010 FIFA World Cup</b> - To ensure that the Municipality meets its responsibilities in terms of the 2010 Host City agreement and beyond</p> <p><b>Development of sporting codes Metrowide</b> - To promote different sporting codes amongst Metro communities</p>		
	<p>The key issues for 2009/10 are:</p> <p><b>Trade and Investment:</b></p> <ul style="list-style-type: none"> <li>▪ Implementation of the Skills Development Plan.</li> <li>▪ Implementation of a programme to support emerging contractors.</li> <li>• Operationalising of the NMB Community TV Station aimed at developing and growing the creative industry in Nelson Mandela Bay.</li> <li>• Investigations into possible industries for diversifying the economy – especially the creative industries, and the maritime industry.</li> <li>• Establishment of the Co-operative Development Centre in partnership with NMMU.</li> </ul> <p>For additional issues, refer to Chapter 3 : Local Economic Development.</p>		
<p>Analysis of the Function:</p> <p>1</p>	<p><i>Statistical information:</i></p> <p>Number and cost to employer of all economic development personnel:</p> <p>- Professional (Directors / Managers)</p> <p>- Non-professional (Clerical / Administrative) - included in above</p> <p>- Temporary</p> <p>- Contract - same as above</p>	<p>R8 898 520</p> <p>R995 080</p>	<p>R (000)</p> <p>R8 515 790</p> <p>R868 000</p>

	Detail and cost of incentives for business investment:		<i>R (000s)</i>
2	There was no investment incentives awarded during 2010/11 financial year.		
3	Detail and cost of other urban renewal strategies:		<i>R (000s)</i>
	- <b>Njoli Square Redevelopment:</b> 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 valued. The conveyancing attorneys have progressed well and, to date, have signed up agreements with 59 land owners.		<i>R121 m</i>
	- <b>Motherwell Urban Renewal:</b> 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. The MURP Office has identified 2 sub-projects to be implemented with funding: Motherwell Thusong Service Centre; and the development of a public open space. Business plans for these two projects were prepared, and National Treasury has accepted this. The construction of the Motherwell Thusong Service Centre is progressing according to plan. This project will cost R46 million to complete.		<i>R29,15 m</i>
	- <b>Red Location Precinct:</b> This project is funding an Art Gallery that specialises in local and "struggle" art and a library. The library incorporates: <ul style="list-style-type: none"> <li>- A virtual library (computer terminals, not books);</li> <li>- A computer training facility, to enable people to learn how to use the virtual library;</li> <li>- 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;</li> <li>- A display area, where the history of Port Elizabeth/Uitenhage will be shown through documents, maps, newspapers, etc.</li> </ul>		<i>R25 m</i>
	- <b>Walmer – Fountain Road Upgrading:</b> 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: <ul style="list-style-type: none"> <li>• Pedestrian improvements to Fountain Road</li> <li>• Public Square, to south of community hall</li> <li>• Upgrading of existing community hall</li> <li>• Construction of new multi-purpose hall between Heugh Road and railway line</li> <li>• Extensions to the existing Walmer Enterprise Village</li> <li>• SMME facilities</li> <li>• Taxi facilities</li> </ul> <p>The construction of the community park is complete, and the park was launched during September 2010.</p> <p>Council approved the business plan for the entire project during 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>		<i>R52 m</i>



	<p>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 an 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.</p> <ul style="list-style-type: none"> <li>- <b>Tramways Building Redevelopment</b> 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.</li> <li>- <b>Uitenhage Market Square Upgrading: Phase 1 and 2</b> 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, trees, planting, and paving. There are also plans for the Agency to install an art-piece on the Square after due consultation with relevant stakeholders.</li> <li>- <b>Whites Road Cliff Stabilisation Project</b> 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.</li> <li>- <b>Donkin Reserve Upgrading: Phases 1, 2 and 3</b> 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.</li> <li>- <b>Inner-city Art project</b> 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.</li> <li>- <b>Athenaeum Club Building Refurbishment</b> This previously derelict municipal asset was renovated into a magnificent arts and culture exhibition centre in the inner-city area of Port Elizabeth.</li> </ul>		<p><i>R26 785 457</i></p> <p><i>R 2 507 715</i></p> <p><i>R 45 812 746</i></p> <p><i>R2 265 124</i></p> <p><i>R3 283 366</i></p>
4	<p>Number of people employed through job creation schemes:</p> <ul style="list-style-type: none"> <li>- Short-term employment</li> <li>- Long-term employment</li> </ul>		<p><i>117</i></p> <p><i>141</i></p>

### 3.4 Performance of Community and Social Services Function

<b>Function:</b>	<b>Community and Social Services</b>
<b>Sub-function:</b>	<b>All inclusive</b>

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 Iron Man 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"> <li>• 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 2011:</i> - Four beaches to be maintained with Blue Flag status</li> <li>• Arts and culture: <i>Strategic objectives:</i> - To promote economic environment for arts, culture and heritage  <i>Key issues for 2011:</i> - Mendi Bottle Store: Feasibility studies were conducted to inform the prospective planning and design of the Mendi Bottle Store.</li> </ul>		

	<ul style="list-style-type: none"> <li>- 34 Art works acquired by NMBM between June 2010 to June 2011.</li> <li>- Purchases - 13 artworks.</li> <li>- Transfers from Drosty Museum in Uitehage – 11.</li> <li>- Donations by friends of the Museum – 8.</li> <li>- Donations from external donors – 2.</li>   <li>- 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: <ul style="list-style-type: none"> <li>o 50 film-makers trained by August 2010.</li> <li>o 178 artists benefiting from Arts Alive during 2010 FIFA World Cup.</li> <li>o 95 Summer season programme.</li> </ul> </li> <li>- To promote a culture of reading and learning through the provision of library services. <ul style="list-style-type: none"> <li>o 347 programmes were implemented to promote the culture of reading between June 2010 to June 2011.</li> </ul> </li>   <li><i>Key issues for 2011:</i> <ul style="list-style-type: none"> <li>- Film makers Training Programme June to August 2010.</li> <li>- Libraries Holiday Programmes.</li> </ul> </li>   <li>• Heritage and museums: <ul style="list-style-type: none"> <li><i>Strategic objectives:</i></li> <li>To promote and preserve cultural and historic heritage.</li>   <li><i>Key issues for 2011:</i> <ul style="list-style-type: none"> <li>- 1 heritage site established (Cradock Four), which was officially opened in May 2011.</li> </ul> </li> </ul> </li>   <li>• Development of sport codes Metro-wide: <ul style="list-style-type: none"> <li><i>Strategic objectives:</i> <ul style="list-style-type: none"> <li>- To promote different sporting codes amongst Metro communities</li> <li>- Implementation of Sports Development Programme</li> </ul> </li>   <li><i>Key issues for 2011:</i> <ul style="list-style-type: none"> <li>- Strategy and programme to increase the level of sports activity in communities to be in place.</li> </ul> </li> </ul> </li> </ul>		
<p>Analysis of the Function:</p>	<p><i>Statistical information</i></p> <p>1 Nature and extent of facilities provided:</p> <p>- Library services</p>	<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"> <li>- Museums and art galleries</li> <li>- Other community halls/facilities</li> <li>- Cemeteries and crematoriums               <ul style="list-style-type: none"> <li>- Number of cemeteries upgraded</li> <li>- Number of cemeteries maintained</li> </ul> </li> <li>- Sporting facilities (specify) (complexes and open fields)</li> <li>- Parks (Public Open Spaces) maintained</li> <li>- Customer Care Centres</li> </ul>	1 municipal museum and 1 art gallery 31  2 20 90  1481 (1397 ha) 13	± 400 000    ± 1,2 million
2	Number and cost to employer of all personnel associated with each community services function: <ul style="list-style-type: none"> <li>- Library services</li> <li>- Arts and culture</li> <li>- Museums and art galleries:               <ul style="list-style-type: none"> <li>• Art Museum</li> <li>• Red Location Museum</li> </ul> </li> <li>- Cemeteries and crematoriums</li> <li>- Sports facilities</li> <li>- Parks</li> <li>- Other community halls/facilities</li> </ul>	179 4 19 9  86  116 285  56	<i>R(000)</i>  R28 349 000 R1881,996 R3 898,100 R2,222,500  R11 373 730  R28,714,200 R36 078 637  R5 668 384

### 3.5 Performance of housing function

<b>Function:</b>	<b>Housing</b>
<b>Sub-function:</b>	<b>N/A</b>

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"> <li>• 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.</li> <li>• To provide serviced sites to all qualifying beneficiaries and to follow that up with the provision of housing.</li> <li>• To ensure that all informal settlements are included in the implementation programmes, either as <i>in situ</i> projects, or as relocation projects.</li> <li>• 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.</li> <li>• To do proper financial planning, i.e. cashflow predictions to ensure the reservation of funds in the three-year MTEF period.</li> <li>• To ensure the establishment of sustainable communities through proper planning and timeous interaction with all relevant intergovernmental stakeholders.</li> <li>• To introduce reliable tracking systems and databases to assist in all monitoring and control activities in the housing delivery process.</li> </ul> <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:	<p><i>Statistical information</i></p> <p>1 Number and cost of all personnel associated with provision of municipal housing:</p> <ul style="list-style-type: none"> <li>- Field (Supervisors/Foremen)</li> <li>- Office (Clerical/Administration)</li> <li>- Contract</li> </ul>		<p>R3 164 174</p> <p>R1 607 423</p> <p>R1 556 751</p>

2	Number and total value of housing projects planned: - Planned (2010/11)	7900	<i>R (000)</i> 287 million (2800 units) shortfall of 299 600
		2956 (actual)	
3	Number and value of rent received from municipal owned rental units	116 units	R288 763
	Number and value of rent received i.r.o Lease of Land	<u>629 units</u>	<u>R220 430</u>
	Totals	<u>745 units</u>	<u>R509 193</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	

<b>Number and cost to employer of all Building Inspectors employed:</b>			<b><i>R (000)</i></b>
- Number of Building Inspectors		22	R6 567 685
- Temporary		<i>nil</i>	<i>nil</i>
- Contract		<i>nil</i>	<i>nil</i>

**BUILDING PLANS INFORMATION FOR 2010/11:**

Applications outstanding 1 July 2010	Category	Number of new applications received during 2010/11	Total value of applications received (Rand)	Applications outstanding 30 June 2011
None	All	10 486	R2 390 153 776	None

**INFORMATION ON ZONING PLANS FOR 2010/11:**

Time taken to approve	Number of approvals outstanding as at 1 July 2010	Number processed (approved)	Outstanding as at 30 June 2011
30 weeks average	933 (Letter Register)	1449 (approval database)	341 (Letter Register)

### 3.6 Performance of waste management function

<b>Function:</b>	<b>Waste Management</b>
<b>Sub-function:</b>	<b>Solid Waste</b>

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"> <li>1. Domestic waste collection <ul style="list-style-type: none"> <li>• Weekly black bag kerbside collection in medium- to high-income areas (formal areas).</li> <li>• Weekly black bag communal collection in informal areas.</li> <li>• Ten bags issued to households every two months.</li> </ul> </li> <li>2. Trade waste collection <ul style="list-style-type: none"> <li>• Contractual service to business <ul style="list-style-type: none"> <li>○ Cubic metre bins</li> <li>○ Frequency dependent on client</li> </ul> </li> </ul> </li> <li>3. Cleansing services <ul style="list-style-type: none"> <li>• Removal of illegally dumped refuse/rubble from municipal owned land</li> <li>• Removal of dead carcasses (dogs, cats) from residential areas</li> <li>• Manual and mechanical road/street sweeping</li> <li>• Beach-cleaning services</li> <li>• Cleaning of ablution facilities</li> </ul> </li> <li>4. Transfer stations <ul style="list-style-type: none"> <li>• Formal and informal transfer stations <ul style="list-style-type: none"> <li>○ 16 formal transfer/garden waste sites and 53 informal sites</li> <li>○ Used for excess and bulky waste</li> <li>○ Proper signage: types of waste acceptable</li> <li>○ To be converted into drop-off/recycling centres, e.g. Blue Horizon Bay Centre</li> <li>○ Low income areas: One (1) site for every 3 000 households (approximate radius of 500 m).</li> <li>○ Medium- to high-income areas: One (1) site should be planned for every 5500 erven (approximate radius of 2,5 km).</li> </ul> </li> </ul> </li> <li>4. Waste disposal <ul style="list-style-type: none"> <li>• Two general waste disposal sites (GLB)</li> <li>• +-512 273 tons of waste disposed <ul style="list-style-type: none"> <li>○ Koedoeskloof = 222 067 tons</li> <li>○ Arlington = 290 206 tons</li> </ul> </li> </ul> </li> </ol>		
	The strategic objective of this function is to: <i>To render quality waste management services to the community</i>		
	The key issues for 2010/2011 are: <ul style="list-style-type: none"> <li>• Creation of additional area space at Koedoeskloof landfill site.</li> <li>• Development of two transfer/ recycling stations.</li> <li>• Distribution of wheely bins as per housing development plan.</li> <li>• Replacement of old wheely bins in Uitenhage (KwaNobuhle).</li> </ul>		

Analysis of the Function:	<i>Statistical information</i>		
1	Number and cost to employer of all personnel associated with refuse removal: - Professional (Engineers/Consultants)  - Field (Supervisors/Foremen)  - Office (Clerical/Administration)  - Non-professional (blue collar, outside workforce) - Temporary - Gap-fillers (temporary assistance)	16 professionals 18 Assistant Superintendents 12 (1 clerk, 5 depot clerks, 3 Community Liaison Officers, 2 Town Rangers, 1 Secretary) 561 0 69	87 189 460 4 260 576 3 162 024 1 463 916 78 302 944 R0 6 500 000
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 - No rubbish disposal	118 470 136 764 19 755 2516 2371 (number of households not receiving a service)	279 896 (HH) 100 000 000 71 000 000 22 680 540 0 1 000 000
3	Total and projected tonnage of all refuse disposed: - Domestic/Commercial - Garden		89351 56385
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: - Domestic/Commercial (total manpower/5%) - Garden (Total manpower/4%)	7 900 households 5% annually as per IWMP 4% annually as per IWMP	R9 970 000 4 359 473 3 487 479
6	Free Basic Service Provision: - Quantity (number of households affected) - Quantum (value to each household)	108 655	R42 539 996
7	Total operating cost of solid waste management function		254 868 840

### 3.7 Public Health Care Services

Sub-function:	PHC Services		
Reporting Level	Clinics		
	Detail	09/10	10/11
Overview:	<p>- To ensure the delivery of coordinated, sustainable, comprehensive primary health care services that prioritise the management of tuberculosis and HIV and AIDS through active community participation, intersectoral collaboration and partnerships, to improve the quality of life of all individuals and communities.</p> <p>- To improve the standards of municipal clinics.</p> <p>- To monitor and assist in reasonable access to welfare services by poor communities.</p>		
Description of activity:	The function of providing community health clinic services within the Municipality is administered as follows and includes:		
	<p><u>Comprehensive primary health care service package</u>            Preventive, promotive and rehabilitative services            Communicable disease control            Reproductive health services            Maternal, child and women's health services            Curative services for acute minor illnesses and chronic diseases (Level 1 primary health care services – non-specialist care delivered at clinic level up to the level of District Hospital)            Ancillary support – radiological and pharmaceutical services            Integrated nutrition services</p> <p>Dental services</p> <p>Mental health (community) services</p> <p>Forensic/District Surgeons' services</p> <p><u>Primary Health Care Programmes</u>            Prevention and control of communicable diseases and outbreak response</p>	<p>NMBM clinics x 42            Satellite x 3;            Mobile x 5;            ECDOH clinics x 8            Pharmacy Depot x 1; NMBM radiography services x 3 at ECDoH (MCHC)</p> <p>ECDOH outreach services at specific NMBM and ECDoH clinics</p> <p>ECDOH outreach at 10 service points</p> <p>ECDOH service based at Dora Nginza Hospital</p> <p>NMBM leads District Outbreak Response Team. 12 monthly disease monitoring Reports available</p>	<p>NMBM clinics x 45            Satellite x 3;            Mobile x 2; (3 out of commission and no funding for replacement)            ECDOH clinics x 8            Pharmacy Depot x 1; NMBM radiography services x 3 at Municipal and 1 at ECDoH (MCHC)</p> <p>ECDOH outreach services at specific NMBM and ECDoH clinics</p> <p>ECDOH outreach at 10 service points</p> <p>ECDOH service based at Dora Nginza Hospital</p> <p>NMBM leads District Outbreak Response Team. 12 monthly disease monitoring reports available</p>

	Detail	09/10	10/11
	Notification of notifiable diseases and vital registration	Notifiable disease reports produced and forwarded to ECDoH, Epidemiology Section on Thursdays @ 10h00 National and Provincial Health policies available and implemented	Notifiable disease reports produced and forwarded to ECDoH, Epidemiology Section on Thursdays @ 10h00 National and Provincial Health policies available and implemented
	Development and implementation of primary health care policies and programmes	NMBM notifiable medical conditions reporting programme in place and functioning  NMBM circumcision database in place	NMBM notifiable medical conditions reporting programme in place and functioning Circumcision and outbreak response policies in place
	Continuous professional development and in-service post-basic training		42 CPD and in-house training courses done
	Management of the National District Health Information System (DHIS)	Version 1.4 used with Environmental Health National data-set incorporated. NMBM reporting programme for notifiable medical conditions replaces non-functional National programme.	Version 1.4 used with Environmental Health National data-set incorporated. NMBM reporting programme for notifiable medical conditions replaces non-functional National programme
	Social Development Cluster, risk mitigation of environmental health exposure		

	Detail	09/10	10/11
	<p><u>Occupational health and safety and environment</u></p> <ul style="list-style-type: none"> <li>- Management of the Occupational Health, Safety and Environment Services of the NMBM.</li> <li>- Co-ordination of the HIV and AIDS Workplace Policy Implementation Strategy.</li> <li>- Ensuring employer compliance with the Occupational Health Safety Act and related legislation.</li> </ul> <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"> <li>- Mobilisation and management of the prevention, care, treatment, support and mitigation of the impact of the pandemic as an internal responsibility of the employer.</li> <li>- Mainstreaming the management of HIV and AIDS as an institutional responsibility to integrate into IDP strategic developmental priorities of all directorates.</li> <li>- 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.</li> </ul>	<p>Assistant Director appointed to co-ordinate implementation of NMBM Integrated HIV &amp; AIDS Plan adopted by Council in 2007</p>	<p>Assistant Director appointed to co-ordinate implementation of NMBM Integrated HIV &amp; 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"> <li>• Provide basic package of PHC Services.</li> <li>• Develop health consciousness in communities to improve quality of life.</li> <li>• To improve the Municipality's clinic standards.</li> <li>• To monitor and assist reasonable access to welfare services by poor communities.</li> </ul>		
	<p><b>The key issues for 2010/11:</b></p> <ul style="list-style-type: none"> <li>• Establish a comprehensive health system (i.e. the District Health System)</li> </ul>	<p>ECDoH still considering Single Health Authority Costing Report covering three-year period (2009-2012)</p>	<p>Single Health Authority was implemented 30 November 2011.</p>

	Detail	09/10	10/11
	<ul style="list-style-type: none"> <li>Reduce the HIV and AIDS infection rate</li> <li>Encourage the development of an HIV and AIDS Policy by other role-players within the municipal area</li> <li>Computerise municipal clinics to link to NMBM server and improve the efficiency of clinics</li> <li>Ensure the effective implementation of the Occupational and Safety Management System for municipal employees</li> <li>Foster a culture of caring for the aged in the municipal area</li> <li>Implement a public health surveillance and monitoring system</li> <li>Establish a system to improve access to welfare services</li> </ul>	<p>98% of NMBM clinics provide preventive antenatal care and PMTCT services. 100% NMBM clinics provide VCT and IMCI services. Metro-wide condom distribution system implemented</p> <p>Assistant Director appointed to co-ordinate implementation of NMBM Integrated HIV &amp; AIDS Plan</p> <p>IPT (VOIP) system in place at 32 (80%) clinics due to funding constraints.</p> <p>Ongoing</p> <p>Health Promotion Programme incorporates care for the elderly at PHC clinics</p> <p>NMBM Notifiable Programme provides the surveillance and monitoring system</p> <p>Referral system for welfare services in place linked to Department for Social Development</p>	<p>92,5% of NMBM clinics provide preventive antenatal care and PMTCT services. 100% NMBM clinics provide VCT and IMCI services. Metro-wide condom distribution system implemented</p> <p>Assistant Director appointed to co-ordinate implementation of NMBM Integrated HIV &amp; AIDS Plan</p> <p>IPT (VOIP) system in place at 35 (80%) clinics due to funding constraints.</p> <p>Ongoing</p> <p>Health Promotion Programme incorporates care for the elderly at PHC clinics</p> <p>NMBM Notifiable Programme provides the surveillance and monitoring system</p> <p>Referral system for welfare services in place linked to Department for Social Development</p>
Analysis of function:	<i>Statistical Information:</i>		
	1. Number, cost of public (excl. private) clinics servicing population (including provincial and municipal clinics)	50 fixed clinics +3 fixed satellite clinics + 8 mobile clinics and 1 youth centre	52 fixed clinics +3 fixed satellite clinics + 5 mobile clinics and 1 youth centre

	Detail	09/10	10/11
	- Public clinics (owned by Municipality)	42 fixed clinics +3 fixed satellite clinics + 5 mobile clinics	44 fixed clinics +3 fixed satellite clinics + 2 mobile clinics
2.	Total annual patient head-count for PHC services provided by the Municipality: July 2009 – June 2010	2,296,956	2,408,403
	Headcount : Five years and older	1,939,010	2,076,661
	Under five years	357,946	331,742
	Total clinic visits for TB DOTS (included in head-count)	590,384	90,000 (Community DOTS clients no longer attend the clinic facilities)
	Per capita allocation (excl. drugs, laboratory costs, etc.) based on 85% coverage of total population	R92.33	R101.45
	Cost per visit (excl. drugs, laboratory costs)	R178 126	R93.10
	<b>TOTAL POPULATION = 1,139,032</b>		
3.	Estimated backlog in number of and cost to build clinics:		
	<i>Construction of KwaNobuhle Clinic</i>	<i>R3,100,000</i>	<i>Done</i>
	<i>Construction of Rocklands Clinic</i>	<i>R3,100,000</i>	<i>Done</i>
	<i>Upgrading of West End Clinic (X-Ray Unit)</i>	<i>R1,700,000</i>	<i>Done</i>
	<i>Upgrading of Walmer Gqebera Clinic (X-ray Unit)</i>	<i>R1,700,000</i>	<i>Done</i>
	<i>Walmer Community Health Centre</i>	<i>R4,852,000</i>	<i>Done</i>
	<i>Clinic improvement for wheelchair facilities</i>		<i>Done</i>
	<i>Upgrading of three clinics for ARV accreditation</i>		<i>Done</i>
	<i>Construction of Ikamvelihle Clinic</i>		<i>Done</i>
	<i>Construction of Joe Slovo Clinic</i>		<i>Done</i>
	<i>Upgrading of Helenvale Clinic</i>		<i>Done</i>
	<b>TOTAL</b>	<b>R14,452,00</b>	<b>Done</b>
4.	Type and number of grants and subsidies received:	1	1
	<i>Total income</i>	<i>R105 162 900</i>	<i>R134,000 000</i>
	<i>Municipal own budget contribution from rates</i>	<i>R29 533 090</i>	
	<i>ATICC note: brought forward from 2007-08, as unspent.</i>	<i>R4 861 209</i>	<i>R3 541 104</i>
	<i>R4,861,209 is funding iro Special Projects only</i>		
	<i>Note: Total value of specific health clinic grants actually received during year to be recorded over four quarters (Jul to Sept. 2009; October to December 2009; January to March 2010; April to June 2010).</i>	<i>R18 907452</i>	<i>(January to March 2011; April to June 2011). No grants received</i>
	<b>Note - four quarters total subsidies reported July2009 to June 2010.</b>	<i>received each quarter</i>	
5.	Total operating cost of health (clinic) function: Combined municipal and provincial expenditure in NMBM	<i>R105 162 900</i> <i>Not available</i>	<i>R134,000 000</i> <i>Not available</i>

### 3.8 Water Supply & Distribution function's performance

<b>Function:</b>	<b>Water</b>
<b>Sub Function:</b>	<b>Water Treatment, Bulk Supply &amp; Distribution</b>

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"> <li>(1) Planning of water distribution reticulation, bulk supply and water treatment.</li> <li>(2) Upgrading of water distribution, reticulation and bulk infrastructure.</li> <li>(3) Integrated delivery of water infrastructure to newly built areas, such as housing development schemes.</li> <li>(4) Maintenance of water distribution, reticulation and bulk infrastructure.</li> </ol> <p><i>Community participation:</i></p> <ol style="list-style-type: none"> <li>(1) Community needs are identified through the IDP consultation process, organisational goals and national targets.</li> <li>(2) Needs are assessed and prioritised.</li> <li>(3) Prioritised projects are included in the Municipality's IDP.</li> <li>(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.</li> <li>(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.</li> </ol> <p>These services extend to the whole municipal area.</p> <p>The Municipality has a mandate to:</p> <ol style="list-style-type: none"> <li>(1) Supply potable water within its area of jurisdiction.</li> <li>(2) Conserve water by investigating more effective and efficient alternative uses and management of water.</li> <li>(3) Investigate the possibility of water recycling and other water sources.</li> </ol> <p><i>The strategic objectives of this function are as follows:</i></p> <ol style="list-style-type: none"> <li>(1) Compiling a Water Master Plan that addresses the following: <ul style="list-style-type: none"> <li>- Provision of potable water.</li> <li>- Expansion of infrastructure to support development.</li> <li>- Investigation of additional water resources</li> </ul> </li> <li>(2) Conserving water by investigating more effective and efficient</li> </ol>		

Reporting Level	Detail	Total	Cost																										
	alternative uses and the management of water.																												
	<p>The key issues for 2010/11 are:</p> <p>(1) Implementing projects to augment water supply.</p> <p>(2) Implementing strategies to address unaccounted for water as part of water demand management.</p> <p>(3) Implementing strategies to reduce the impact of a drought situation.</p> <p>(4) Improving the water reticulation system.</p> <p>(5) Update the Water Services Development Plan.</p> <p>(6) Implementing the approved Water Services By-law.</p>																												
	<p><i>Statistical information</i></p> <p>1. Percentage of total water usage per month</p> <table> <tr> <td>July 2010</td> <td>7131</td> </tr> <tr> <td>August 2010</td> <td>7354</td> </tr> <tr> <td>September 2010</td> <td>7082</td> </tr> <tr> <td>October 2010</td> <td>7222</td> </tr> <tr> <td>November 2010</td> <td>7354</td> </tr> <tr> <td>December 2010</td> <td>7564</td> </tr> <tr> <td>January 2011</td> <td>7935</td> </tr> <tr> <td>February 2011</td> <td>7272</td> </tr> <tr> <td>March 2011</td> <td>7532</td> </tr> <tr> <td>April 2011</td> <td>7203</td> </tr> <tr> <td>May 2011</td> <td>7233</td> </tr> <tr> <td>June 2011</td> <td>6875</td> </tr> <tr> <td>Total (MI)</td> <td>87755</td> </tr> </table> <p><i>Note:</i> This will therefore highlight the percentage of total water stock used per month</p>	July 2010	7131	August 2010	7354	September 2010	7082	October 2010	7222	November 2010	7354	December 2010	7564	January 2011	7935	February 2011	7272	March 2011	7532	April 2011	7203	May 2011	7233	June 2011	6875	Total (MI)	87755	<p><i>Volume</i></p>	
July 2010	7131																												
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May 2011	7233																												
June 2011	6875																												
Total (MI)	87755																												
	<p>2. 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>	92 143 MI	R (000)																										
	<p>3. Total volume and receipts for bulk water sales in kilolitres and rand, by category of consumer:</p> <p>- Water sales</p>	92 143 MI	R (000) R494,2 million																										
	<p>4. Total year-to-date water losses in kilolitres and rand</p> <p>- Average water loss = 26,2%</p> <p>These losses include water lost due to:</p> <ul style="list-style-type: none"> <li>- Unmetered areas</li> <li>- Internal leaks</li> <li>- Old water meters under reading</li> </ul> <p>New housing projects captured on system</p>	22 961 MI	R (000) R136 million																										

Reporting Level	Detail	Total	Cost
<b>Reporting Level</b>	<b>Detail</b>	<b>Total</b>	<b>Cost</b>
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 35 257 0 0 0 49 009 0	R (000)
6.	Number and cost of new connections: Connection to private houses (excluding Metro houses)	435	R (000)
7.	Number and total value of water projects planned and current: - Current (financial year-after-year reported on)  - Planned (future years)	±15 projects ±7 projects	R (000) ±R60 million  ±R1000 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	7900 0 +/- 20 0 0 0 0	R (000)
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 0	R (000)
10.	Total operating cost of water distribution and bulk supply function		R559,9 million

### 3.9 Wastewater management

<b>Function:</b>	<b>Wastewater Management</b>
<b>Sub-function:</b>	<b>Sewage conveyance and Treatment</b>

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 Subdirectorates 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"> <li>(1) Planning of wastewater conveyance and wastewater treatment infrastructure.</li> <li>(2) Upgrading the wastewater conveyance and wastewater treatment infrastructure.</li> <li>(3) Integrated delivery of sanitation infrastructure to newly built areas, such as housing development schemes.</li> <li>(4) Maintenance of the wastewater conveyance and wastewater treatment infrastructure (pipelines, rising mains, pumpstations and wastewater treatment works).</li> </ol> <p><i>Community participation:</i></p> <ol style="list-style-type: none"> <li>(1) Community identifies the needs in terms of the IDP process;</li> <li>(2) Needs are assessed and prioritised;</li> <li>(3) Prioritised projects are included in the Municipality's IDP;</li> <li>(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.</li> <li>(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.</li> </ol> <p>These services extend to the entire municipal area. The Municipality has a mandate to:</p> <ol style="list-style-type: none"> <li>1) Provide a sanitation service in the Nelson Mandela Bay area.</li> <li>2) Maintain the existing sewerage infrastructure.</li> <li>3) Treat wastewater to national standards.</li> <li>4) Investigate the possibility of water recycling.</li> </ol>		

Reporting Level	Detail	Total	Cost
	<p>The strategic objectives of this function are to:</p> <ol style="list-style-type: none"> <li>1) Elimination of pail services.</li> <li>2) Assisting in possible wastewater recycling.</li> <li>3) Providing bulk infrastructure to support housing development and private development initiatives.</li> <li>4) Providing trade effluent monitoring.</li> <li>5) Treat wastewater to national standards.</li> <li>6) Commence with the preparation of a Sanitation Master Plan.</li> </ol>		
	<p><i>The key issues for 2010/11:</i></p> <ol style="list-style-type: none"> <li>1) To improve the sewer reticulation system.</li> <li>2) To maintain the existing sewerage infrastructure.</li> <li>3) To provide for the improved cleaning of sewers.</li> <li>5) To commence with plans to meet the 2014 national target for basic sanitation.</li> </ol>		
<p>Analysis of the Function:</p>	<p><i>Statistical information</i></p> <ol style="list-style-type: none"> <li>1. Number of households with sewerage services, and type and cost of service: <ul style="list-style-type: none"> <li>- Flush toilets (connected to sewerage system) 340 536</li> <li>- Flush toilets (with septic tank) 2 110</li> <li>- Chemical toilets 0</li> <li>- Pit latrines with ventilation 0</li> <li>- Pit latrines without ventilation 0</li> <li>- Bucket latrines 22 500</li> <li>- No toilet provision 8 120</li> </ul> </li> <li>2. Anticipated expansion of sewerage: <ul style="list-style-type: none"> <li>- Flush toilet – Metro houses planned 7900</li> <li>- Pit latrines 0</li> <li>- Bucket latrines 0</li> <li>- No toilet provision 0</li> </ul> </li> <li>3. Total operating cost of sewerage function</li> </ol>		<p>R (000)</p> <p>R442,7 million</p>

### 3.10 Road maintenance's function's performance

<b>Function:</b>	<b>Road Transport</b>
<b>Sub-function:</b>	<b>Roads</b>

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"> <li>• Provide adequate roads to give access to all developed areas, with particular emphasis on good accessibility to major business districts and major employment areas.</li> <li>• Provide adequate major arterials with limited access that provides a reasonably uncongested level of service for peak hour traffic movements.</li> <li>• Select the most cost-effective road alignments, with due consideration to environmental impact.</li> <li>• 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.</li> </ul>		
	<p>The key issues for 2010/11 are:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul>		

	<ul style="list-style-type: none"> <li>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.</li> </ul>		
Analysis of function:	<ol style="list-style-type: none"> <li>Number and cost to employer of all personnel associated with road maintenance and construction: <ul style="list-style-type: none"> <li>Professional (engineers/consultants) 11 R3,008 million</li> <li>Field (supervisors/foremen) 48 R8,010 million</li> <li>Office (clerical/administration) 9 R1,131 million</li> <li>Non-professional (blue collar, outside workforce) 275 R21,881 million</li> <li>Temporary 2 R695,927</li> <li>Contract 2 R1,125 million</li> </ul> </li> <li>Total number, kilometres and total value of road projects planned and current: <ul style="list-style-type: none"> <li>New bitumenised (number) 32 km R152,0 million</li> <li>Existing retarred (number) 92 km R31,4 million</li> <li>Existing resheeted (number) 25 km R6,25 million</li> </ul> </li> <li>Average frequency and cost of re-tarring, re-sheeting roads <ul style="list-style-type: none"> <li>Tar ± 10 years R40/m<sup>2</sup></li> <li>Gravel</li> </ul> <p>Note: based on maintenance records</p> </li> <li>Estimated backlog in number of roads, showing kilometres and capital cost <ul style="list-style-type: none"> <li>Tar 452 km R1,7 billion</li> </ul> </li> </ol>		

### 3.11 Performance of electricity distribution function

<b>Function:</b>	<b>Electricity</b>
<b>Sub-function:</b>	<b>Electricity Distribution</b>

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"> <li>1. Bulk network planning and projects based on the network master plan.</li> <li>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.</li> <li>3. The required distribution and reticulation networks are designed and project managed by the Directorate.</li> </ol> <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"> <li>• The supply of electricity for economic development.</li> <li>• To establish alternative service delivery mechanisms.</li> <li>• To maintain the Electricity and Energy Directorate's assets.</li> <li>• To continue to pursue demand side management of electricity.</li> <li>• To encourage the efficient use of electricity at all levels.</li> <li>• To actively pursue renewable energy resources.</li> </ul>		
Analysis of function:	<p><i>Statistical information</i></p> <ol style="list-style-type: none"> <li>1. Number and cost to employer of all personnel associated with the electricity distribution function: <ul style="list-style-type: none"> <li>- Professional (engineers/technicians/technical managers/consultants) 47</li> <li>- Field (supervisors/foremen/artisans) 171</li> <li>- Office (clerical/administration) 92</li> <li>- Non-professional (blue collar, outside workforce) 298</li> <li>- Temporary 0</li> <li>- Contract 5</li> <li>- In-training students 10</li> </ul> </li> </ol>		<i>R (000)</i>
	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	1060 030 768 497 219 486 1670 841 748 247 522 954 56 889 774	<i>R (000)</i>
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	<i>R (000)</i> 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	<i>R (000)</i>
5.	Number of households with electricity access, and type and cost of service: Credit meters (32 010), Pre-payment meters (265 723)	297 733	<i>R (000)</i>
Reporting Level	Detail	Total	Cost
	- Electrified areas - Municipal - Eskom	284 938 471	
6.	Number and cost of new connections	5 104	<i>R (000)</i> 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) - Planne (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	<i>R (000)</i> N/A
10.	Total operating cost of electricity distribution function		R2 524 876 379

### 3.12 Public Safety

Reporting Level	Detail	Total	
		2009/2010	2010/2011
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"> <li>• Conduct preventative traffic patrols and enforce traffic legislation.</li> <li>• Enforce speed limits</li> <li>• Attend to traffic accidents.</li> <li>• Enforce parking legislation.</li> <li>• Enforce municipal by-laws.</li> </ul>		
	<i>The strategic objectives of this function are to:</i> Ensure the safe and free flow of traffic within the Municipality.		
	<b>The key issues for 2009/2010 are :</b> 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"> <li>• Test applicants and issue learner driver's licences</li> </ul>	18556	28737/19596
	<ul style="list-style-type: none"> <li>• Test applicants and issue drivers' licences</li> </ul>	3703	9657/2664
	<ul style="list-style-type: none"> <li>• Renew credit card type drivers' licences</li> </ul>	41170	39937
	<ul style="list-style-type: none"> <li>• Renew and issue professional drivers' licences.</li> </ul>	10013	9906
	<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.		
	<i>The key issue for 2010/11 was:</i> To improve the level of service by reducing waiting times.	6 weeks	6-7 weeks

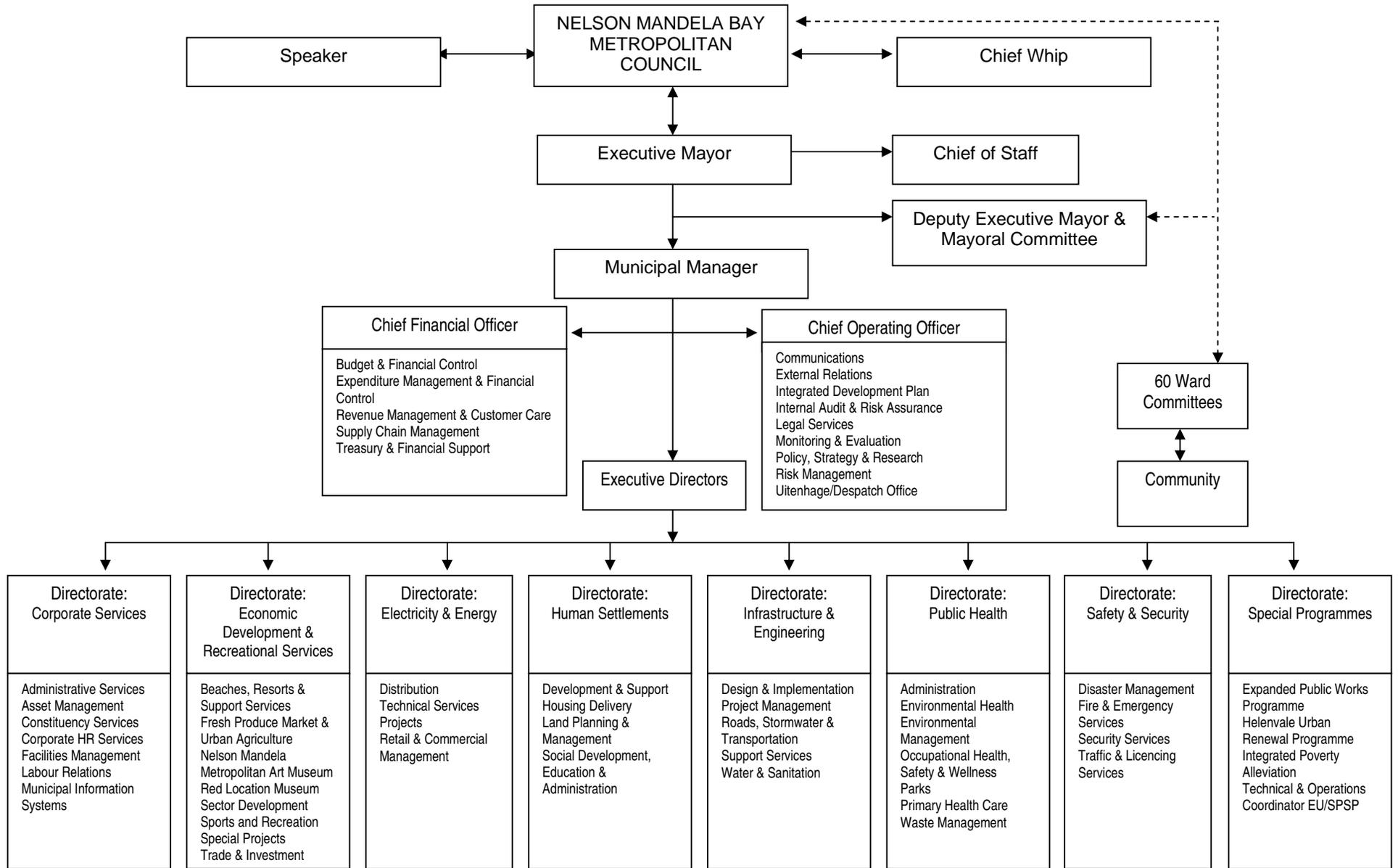
Reporting Level	Detail	Total	
Roadworthy Testing	These services include all vehicle testing functions.  <i>The Municipality has a mandate to:</i> Ensure safety on the road by ensuring that vehicles are roadworthy.  <i>The key issues for 2009/10 was:</i> To improve road safety by testing public and private vehicles for roadworthiness	1098	878
Analysis of function	<b>Statistical Information</b>		
1.	Total number of call-outs attended to in :	<b>2009/2010</b>	<b>2010/2011</b>
	- Emergency call-outs (complaints and motor vehicle accidents)	4962	4240
2.	Average response time to call-outs :	26.10 min	26.06 min
3.	Total number of targeted violation, e.g. traffic offences:	2009/2010 offences	2010/2011 offences
	<b>LICENSING OF DRIVERS</b>	11847	14391
	Unlicensed drivers	10845	12681
	Learner drivers – without supervision/carrying passengers	794	1551
	Other offences regarding driver licensing	208	159
	<b>REGISTRATION/LICENSING OF MOTOR VEHICLES</b>	15533	15800
	Unlicensed/Unregistered motor vehicles	15011	14969
	Other offences regarding registration and licensing	522	831
	<b>MOVING VIOLATIONS</b>	215990	305213
	Driving under the influence of liquor	267	393
	Reckless/Negligent/Inconsiderate driving	3	2
	Speeding offences	178363	271012
	Robot disobedience	1130	1918
	Stop sign disobedience	20039	14487
	Disobedience of other road signs	9714	12174
	Turning when unsafe	1321	230
	Turning without signaling	1728	422
	Illegal overtaking	331	299
	Changing lanes – endangering traffic	2214	3417
	Entering road/intersection when not safe	76	95
	Other moving violations	804	764
	<b>STOPPING AND PARKING</b>	35510	30575
	Stopping where prohibited	2355	2248
	Causing danger/obstruction	3495	3132
	Parking obstructing vehicle entrances	122	123
	Parking in exclusive parking bays (loading zones, bus zones)	5017	7673
	Parking where prohibited – not mentioned elsewhere	6544	6793
	Parking meter violations	17977	10606
	<b>LOADS AND PROJECTIONS</b>	1124	1912
	Overload – passengers	704	1283
	Overload – goods	338	569
	Exceeding projection limits	13	5
	Insecure load spillage	69	55
	<b>VEHICLE DEFECTS</b>	5692	8128
	Defective service/parking brakes	153	315
	Defective steering	1	1

Reporting Level	Detail	Total	
	Defective tyres	2141	3069
	Defective silencer	18	39
	Other defects	3379	4704
	<b>SUNDRY</b>	6167	8600
	Public motor vehicle offences	1851	2620
	Municipal by-laws	201	124
	Not wearing seat belts/safety helmets	2625	3187
	Cellphone: use while driving	736	554
	Other offences	754	2115
	<b>NOTICES</b>	764	640
	Notice to discontinue use of motor vehicle	45	66
	Written warnings issued	719	574
	<b>TOTAL</b>	<b>292 627</b>	<b>385 259</b>
4.	Total number and type of emergencies leading to a loss of life or disaster:	67 fatal traffic accidents	47 fatal traffic accidents
5.	Type and number of grants and subsidies received	None	None
6.	Total operating cost of Police and Traffic function	R151 969 170,00	R153 488 886,00

# **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 accompanying consolidated and separate financial statements of the Nelson Mandela Bay Metropolitan Municipality, which comprise the consolidated and separate statement of financial position as at 30 June 2011, and the consolidated and separate statement of financial performance, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 267 to 376.

### **Accounting officer's responsibility for the consolidated financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (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. 1 of 2010, as amended) (DoRA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008), as well as for such internal control as management determines 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. As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these consolidated and separate financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and *General Notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*. 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.
5. 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 and fair presentation 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.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

7. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the Nelson Mandela Bay Metropolitan Municipality as at 30 June 2011, and its financial performance and cash flows for the year then ended in accordance with GRAP and the requirements of the MFMA, DoRA and the Companies Act.

**Emphasis of matters**

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

**Significant uncertainties**

9. As disclosed in note 45 to the consolidated and separate financial statements, the municipality is the defendant in a number of lawsuits to the value of R165,2 million. The municipality is currently opposing these claims, but the ultimate outcome of these matters cannot presently be determined.
10. As disclosed in note 46 to the consolidated and separate financial statements, the council must still consider the Kabuso Report made public on 20 October 2011 and determine a course of action to deal with potential recoveries in relation to the possible unauthorised, irregular as well as fruitless and wasteful expenditure. Irregular expenditure related to this report is included in the amounts disclosed in note 44 to the financial statements.

**Restatement of comparative figures**

11. As disclosed in notes 40 and 41 to the consolidated and separate financial statements, the comparative figures for 30 June 2010 have been restated as a result of changes in accounting policies and errors discovered during the financial year ended 30 June 2011 in the financial statements of the municipality at, and for the year ended, 30 June 2010.

**Irregular and fruitless and wasteful expenditure**

12. As disclosed in note 44 to the consolidated and separate financial statements, irregular and fruitless and wasteful expenditure of R63,4 million was incurred during the financial year. Irregular expenditure was incurred in contravention of the supply chain management (SCM) requirements, and fruitless and wasteful expenditure was made in vain and would have been avoided had reasonable care been exercised.

**Material losses and impairments**

13. As disclosed in note 35.12 to the consolidated and separate financial statements, water losses of 22 961 megalitres (26,2% of annual water usage) amounting to R135,9 million were incurred during the financial year.
14. As disclosed in note 35.8 to the consolidated and separate financial statements, government debt of R41,2 million was impaired during the financial year.
15. As disclosed in note 28 to the consolidated and separate financial statements, bad debt expenditure amounted to R554,3 million. This was due to bad debt write-offs of R119,6 million and an increase of R434,7 million in the provision for doubtful debts.

**Material underspending of the budget**

16. As disclosed in note 53 to the consolidated and separate financial statements, the municipality underspent its capital budget by R154,4 million.

**Additional matter**

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

**Unaudited supplementary schedules**

18. The supplementary information set out on pages 377 to 378 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

19. In accordance with the PAA and in terms of *General Notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*, I include below my findings on the annual performance report as set out on pages 13 to 200 and material non-compliance with laws and regulations applicable to the municipality.

**Predetermined objectives**

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

**Compliance with laws and regulations****Annual financial statements**

21. The financial statements of the municipality and its municipal entity, the Mandela Bay Development Agency (MBDA), submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements relating to capital and current assets, liabilities, expenditure and disclosure items in the municipality's financial statements and material misstatements relating to disclosure items in the MBDA's financial statements that were identified by the auditors were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

**Procurement and contract management**

22. The municipality and its municipal entity procured goods and services with a transaction value of between R10 000 and R200 000 without obtaining written price quotations from at least three different prospective providers, as per the requirements of Municipal Supply Chain Management Regulation (SCM Regulation) 17(a) and (c) of *General Notice 868 of 2005* issued in *Government Gazette 27636 of 30 May 2005*.

23. The municipality made awards to providers whose directors or principal shareholders were persons in the service of other state institutions in contravention of SCM Regulation 44. Furthermore, the providers failed to declare that they were in the service of the state as required by SCM Regulation 13(c).

24. The entity made awards to suppliers who did not submit a declaration on their employment by the state or their relationship to a person employed by the state as per the requirements of SCM Regulation 13(c).

25. The municipality procured goods and services of a transaction value above R200 000 without inviting competitive bids as per the requirements of SCM Regulations 19(a) and 36(1).

26. The providers in which close family members of persons in the service of the municipality had a private or business interest in contracts awarded by the municipality, failed to declare their relationship to those persons employed by the municipality as per the requirements of SCM Regulation 13(c).

27. Invitations for competitive bidding were not always advertised by the municipal entity for the required minimum period as per the requirements of SCM Regulation 22(1) and 22(2).

28. Sufficient audit evidence could not be obtained that awards had been made by the municipal entity to providers whose tax matters had been declared to be in order by the South African Revenue Service as required by SCM Regulation 43.

**Expenditure management**

29. 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.

30. The accounting officer of the municipality did not take reasonable steps to prevent irregular as well as fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.
31. The accounting officer of the municipal entity did not take reasonable steps to prevent irregular expenditure, as required by section 95(d) of the MFMA.

#### **Human resource management**

32. The acting municipal manager did not sign an annual performance agreement for the year under review, as required by sections 57(1)(b) and 57(2)(a) of the Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA).

#### **Asset management**

33. The accounting officer of the municipality did not take all reasonable steps to ensure that the municipality had and maintained an effective system of internal control for assets as required by section 63(2)(c) of the MFMA.

#### **INTERNAL CONTROL**

34. In accordance with the PAA and in terms of *General Notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the findings on compliance with laws and regulations included in this report.

#### **Leadership**

35. Ethical business practices and good governance is not enforced by top management at all times, resulting in a number of cases of fraud and theft relating to Supply Chain Management (SCM) practices.
36. The municipality did not implement effective human resource management to ensure that adequate and sufficiently skilled resources were in place and that performance was adequately monitored. A large number of key positions, including the municipal manager's position, were vacant for more than 12 months and were staffed with acting appointments. There were significant control deficiencies relating to appointment processes, leave administration and suspensions.
37. The municipal entity lacked sufficient monitoring processes to detect contraventions of the SCM policy.
38. Detailed standard operating procedure documents were not readily available to deal with the day-to-day running of the municipality.
39. The municipality did not have an information technology (IT) governance framework to support the reliability of the systems and the availability, accuracy and protection of information.

#### **Financial and performance management**

40. Documentation related to human resources in support of the amounts in the consolidated and separate financial statements was not easily retrievable, as there were significant deficiencies relating to the filing of documentation.
41. A centralised filing system with respect to the filing of the municipality's SCM documentation was not in place for the full year under review. Difficulties were experienced in obtaining complete, relevant and accurate information in respect of tenders awarded.
42. The checklist used by the municipality to assess individual tenders was not comprehensive enough to ensure adherence to all SCM laws and regulations.

43. The fixed asset register of the municipality was not reconciled on a regular basis to ensure that discrepancies were identified and rectified in a timely manner.
44. The municipality implemented processes in the current year to identify related party transactions; however, these controls were not completely effective as not all related party relationships and transactions were identified and disclosed in the consolidated and separate financial statements.
45. The review and monitoring of compliance with laws and regulations by the municipality were not effective, as there were a number of cases of non-adherence to SCM laws and regulations.
46. The municipal entity's processes to identify and report irregular expenditure were inadequate. This resulted in irregular expenditure not being identified and addressed in a timeous manner.
47. The municipality's manual and/or automated systems were not completely effective for the recording of and reporting on creditors, leave and irregular expenditure. Alternative audit procedures had to be performed to ensure the completeness of the affected account balances and disclosure.
48. The design and implementation of formal controls over municipal IT systems require improvement to ensure the reliability of the system and the availability, accuracy and protection of information, as there were control weaknesses relating to security management, user access control, program change management and IT service continuity.

#### **Governance**

49. Regular risk assessments were undertaken; however, the effectiveness of the monitoring of compliance with the action plans was hampered due to the fact that the municipality's risk officer's position is currently vacant.

#### **OTHER REPORTS**

##### **Investigations**

50. As disclosed in note 44.4 to the consolidated and separate financial statements, investigations into several alleged transgressions are currently in progress and may result in unauthorised, irregular or fruitless and wasteful expenditure.
51. Twenty-two investigations were completed during the year. The irregular expenditure relating to these investigations was included in note 44.3 to the consolidated and separate financial statements.

*Auditor-General*

East London

13 December 2011



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 2011**

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Introduction**

1. I have audited the accompanying financial statements of the Mandela Bay Development Agency NPC, which comprise the statement of financial position as at 30 June 2011, the statement of financial performance, statement of changes in net assets, statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory information, and the directors' report, as set out on pages 381 to 404.

#### **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 (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 management determines 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. As required by section 188 of the Constitution of South Africa, 1996 (Act No. 108 of 1996) and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and *General Notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*. 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.
5. 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.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

7. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Mandela Bay Development Agency NPC as at 30 June 2011, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (GRAP) and in the manner required by the Municipal Finance Management Act and the Companies Act.

**Emphasis of matter**

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

*Irregular expenditure*

9. The municipal entity incurred irregular expenditure as a result of instances of non-compliance with the Supply Chain Management Regulations. This has been disclosed in Note 25 to the financial statements.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

10. In terms of *General notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, we include below our findings on the annual performance report as set out on pages 432 to 449 and material non-compliance with laws and regulations applicable to the municipal entity.

**Predetermined Objectives**

11. There were no material findings relating to the presentation, usefulness and reliability of the performance in the annual performance report.

**Compliance with laws and regulations****Supply Chain Management**

12. The accounting officer did not take reasonable steps to prevent irregular expenditure, as required by section 95(d) of the Municipal Finance Management Act.
13. Goods and services with a transaction value of between R10 000 and R200 000 were procured without obtaining written price quotations from at least three different prospective providers as per the requirements of SCM regulation 17(a) & (c).
14. Invitations for competitive bidding were not always advertised for a required minimum period of days as per the requirements of SCM regulation 22(1) & 22(2).
15. Sufficient audit evidence could not be obtained that awards were made to providers whose tax matters have been declared by the South African Revenue Services to be in order as required by SCM regulation 43.
16. Awards were made to suppliers who did not submit a declaration on their employment by the state or their relationship to a person employed by the state as per the requirements of Municipal SCM regulation 13(c).

**INTERNAL CONTROL**

17. In terms of *General notice 1111 of 2010*, issued in *Governance Gazette 33872 of 15 December 2010*, we considered internal control relevant to our audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the findings on compliance with laws and regulations included in this report.

**Leadership****Effective HR Management to ensure adequate and sufficiently skilled resources are in place and performance is monitored**

18. The entity lacks sufficient monitoring processes to detect contraventions of the Supply Chain Management (SCM) Policy.

**Financial and performance management****Review and monitor compliance with applicable laws and regulations**

19. The entity's processes to identify and report irregular expenditure are inadequate. This resulted in irregular expenditure not being identified and addressed in a timeous manner.

*Auditor - General*

East London

30 November 2011



AUDITOR - GENERAL  
SOUTH AFRICA

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# **Annexure “C”**

## **Audited Financial Statements**

# **Annexure “C1”**

## **Report on the Consolidated Financial Statements**

**NELSON MANDELA BAY METROPOLITAN  
MUNICIPALITY**

**REPORT ON THE CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE FINANCIAL YEAR**

**1 JULY 2010 TO 30 JUNE 2011**

## 1. INTRODUCTION

It is my privilege to present the report on the consolidated financial results of the Nelson Mandela Bay Metropolitan Municipality for the financial year ended 30 June 2011.

The report firstly deals with 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:

	2010/11	2009/10	
<b>Operational Performance</b>	<b>Actual</b>	<b>Actual</b>	<b>Target</b>
<input type="checkbox"/> Actual operating expenditure to budget	106%	108.67%	95%
<input type="checkbox"/> Actual operating income to budget	101.31%	115.51%	95%
<input type="checkbox"/> Capital spending to budget	90.50%	80.14%	95%
<input type="checkbox"/> Personnel costs to income	29.98%	26.79%	34%
<input type="checkbox"/> Repairs and maintenance as % of total Operating expenditure	6.47%	7.21%	9%
<input type="checkbox"/> Debt servicing costs to Annual Operating Income	2.81%	2.38%	12%
<input type="checkbox"/> Net Debtors to Annual Operating Income	7.07%	9.54%	15%
<input type="checkbox"/> Loan Debt to Income Ratio	29.00%	23.85%	28%
<b>Liquidity</b>			
<input type="checkbox"/> Debtors collection period (days)	159	150	55
<input type="checkbox"/> Debtors Collection rate	95.26	93.75%	93.75%
<input type="checkbox"/> Creditors turnover (days)	32	28	30

## 1.2 Key Financial Ratios

This section highlights certain significant ratios relevant to the statement of financial performance and the statement of financial position.

### 1.3 Statement of Financial Performance

	2010/11	2009/10
<b>1.3.1 <u>Personnel Costs to Income</u></b>	<b>29.98%</b>	<b>26.79%</b>

Personnel costs to income express this category of expenditure as a percentage of total income. It indicates whether the control exercised over this expenditure category is reflected in the final results. It is to be noted that the actual 2010/11 personnel costs amounted to 29.98%, 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.

	2010/11	2009/10
<b>1.4.1 <u>Turnover Rate of Consumer Debtors (days)</u></b>	<b>159</b>	<b>150</b>

This ratio measures the efficiency with which the Municipality collects its outstanding debt and converts it back into cash. This ratio reflects a slight deterioration.

	2010/11	2009/10
<b>1.4.2 <u>Consumer Deposits in relation to Consumer Debtors (in days)</u></b>	<b>23.4</b>	<b>21.7</b>

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 2010/11 position reflects that 23.4 days of outstanding debtors are covered by security deposits, compared to 21.7 days for 2009/10.

## 2. CAPITAL EXPENDITURE AND CAPITAL FINANCING

### 2.1 Capital Expenditure<sup>1</sup>

Capital expenditure incurred during the 2010/11 financial year, compared with the adjustments budget, is as follows:

---

<sup>1</sup> 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 excludes minor items that are generally regarded as being expendable, even though in some instances their useful lives may extend beyond one year.

<b>Directorate</b>	<b>Adjustments Budget</b>	<b>Actual Expenditure</b>	<b>Variance with Adjustments Budget {over/(under)}</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
Infrastructure & Engineering	696 129	615 477	(80 652)
Human Settlements	11 355	5 803	(5 552)
Economic Development & Recreational Services	127 555	100 668	(26 887)
Safety & Security	15 086	15 114	28
Corporate Services	42 030	35 864	(6 166)
Budget & Treasury	89 050	87 516	(1 534)
Public Health	77 215	72 547	(4 668)
Sanitation Services	113 420	113 420	-
Water Services	155 496	155 496	-
Electricity & Energy	202 847	186 979	(15 868)
Chief Operating Officer	11 500	13 288	1 788
Municipal Manager	20 000	44 929	24 929
Special Projects and Programmes	64 960	25 114	(39 846)
	<b>1 626 643</b>	<b>1 472 215</b>	<b>(154 428)</b>
Entity: Mandela Bay Development Agency (MBDA)	470	220	(250)
	<b>1 627 113</b>	<b>1 472 435</b>	<b>(154 678)</b>

It should be noted that, compared to the 2010/11 Adjustments Capital Budget, the actual expenditure constituted 90.50% of the Adjustments Budget.

In relation to the underspending of R154 million in the 2010/11 financial year, an amount of R75.3 million was carried over to the 2011/12 financial year, as it related to committed expenditure for contracts already awarded.

## **2.2 Capital Financing**

The 2010/11 capital expenditure was financed as follows:

	<b><u>R'000</u></b>
Capital Replacement Reserve (CRR)	509 815
External Finance Fund	470 000
European Union funding	10 577
Equitable share	4 636
Grants and subsidies – National Government	241 404
Grants and subsidies – Provincial Government	8 304
Provincial Housing Board subsidies	14 862
Public contributions	15 537
Municipal Infrastructure Grant (MIG)	178 215
Department of Minerals and Energy	9 085
<b>TOTAL</b>	<b><u>R 1 472 435</u></b>

### 3. OPERATING RESULTS

The summarised operating results as at 30 June 2011 are as follows:

	2011		
	Actual R'000	Budget R'000	Variance R'000
<b>REVENUE</b>			
Property rates	838 855	862 387	(23 532)
Service charges	3 122 678	3 003 668	119 010
Interest earned - external investments	19 252	22 804	(3 552)
Interest earned - outstanding debtors	113 346	80 000	33 346
Fines	23 736	30 014	(6 278)
Licences and permits	8 153	6 980	1 173
Government grants and subsidies	1 803 791	1 916 273	(112 482)
Rental of facilities and equipment	17 640	18 107	(467)
Income for agency services	1 611	1 472	139
Other Income	363 371	290 933	72 438
Gains on the disposal of property, plant and equipment	1 698	0	1 698
<b>Total Revenue</b>	<b>6 314 132</b>	<b>6 232 639</b>	<b>81 493</b>
<b>EXPENDITURE</b>			
Employee related costs	1 893 082	1 705 218	187 864
Remuneration of Councillors	45 053	49 553	(4 500)
Bad debts	554 275	129 499	424 776
Collection costs	2 952	3 724	(772)
Contracted services	144 271	238 539	(94 268)
Depreciation/Amortisation	529 048	736 126	(207 078)
Impairment	42 184	0	42 184
Repairs and maintenance	415 692	425 880	(10 188)
Finance Charges	177 630	180 796	(3 166)
Bulk purchases	1 575 087	1 532 704	42 383
Grants and subsidies paid	296 231	546 152	(249 921)

	2011		
	Actual R'000	Budget R'000	Variance R'000
General expenses	741 493	510 644	230 849
Loss on disposal of property plant and equipment	5 057	-	5 057
Share of loss in associate	607	-	607
<b>Total expenditure</b>	<b>6 422 661</b>	<b>6 058 836</b>	<b>363 825</b>
<b>Deficit for the year</b>	<b>(108 529)</b>	<b>173 805</b>	<b>(282 334)</b>

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

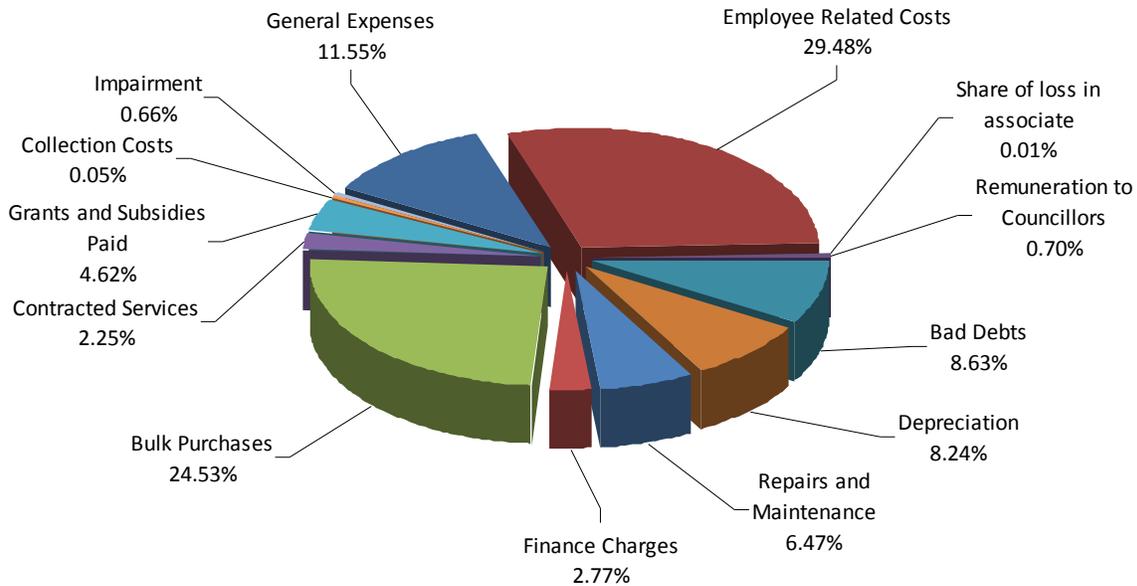
### 3.1 Operating Expenditure

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

	<u>R'000</u>	<u>% of Total Expenditure</u>
Employee related costs	1 893 082	29.48%
Remuneration of Councillors	45 053	0.70%
Bad debts	554 275	8.63%
Collection costs	2 952	0.05%
Contracted services	144 271	2.25%
Depreciation/Amortisation	529 048	8.24%
Impairment	42 184	0.66%
Repairs and maintenance	415 692	6.47%
Finance charges paid	177 630	2.77%
Bulk purchases	1 575 087	24.53%
Grants and subsidies paid	296 231	4.62%
General expenses	741 493	11.55%
Loss on disposal of property, plant and equipment	5 057	0.08%
Share of loss in associate	607	0.01%
<b>Total Expenditure</b>	<b>6 422 661</b>	<b>100%</b>

The expenditure analysis is reflected in the following graph:

**OPERATING EXPENDITURE 2010/11**



Expenditure such as personnel costs, remuneration of councillors, bulk purchases of electricity and water, general expenses and repairs and maintenance in respect of which Council has limited capacity to adjust in the short term, account for approximately 72.7% of operating expenditure. This leaves limited scope for variation of other expenditure categories.

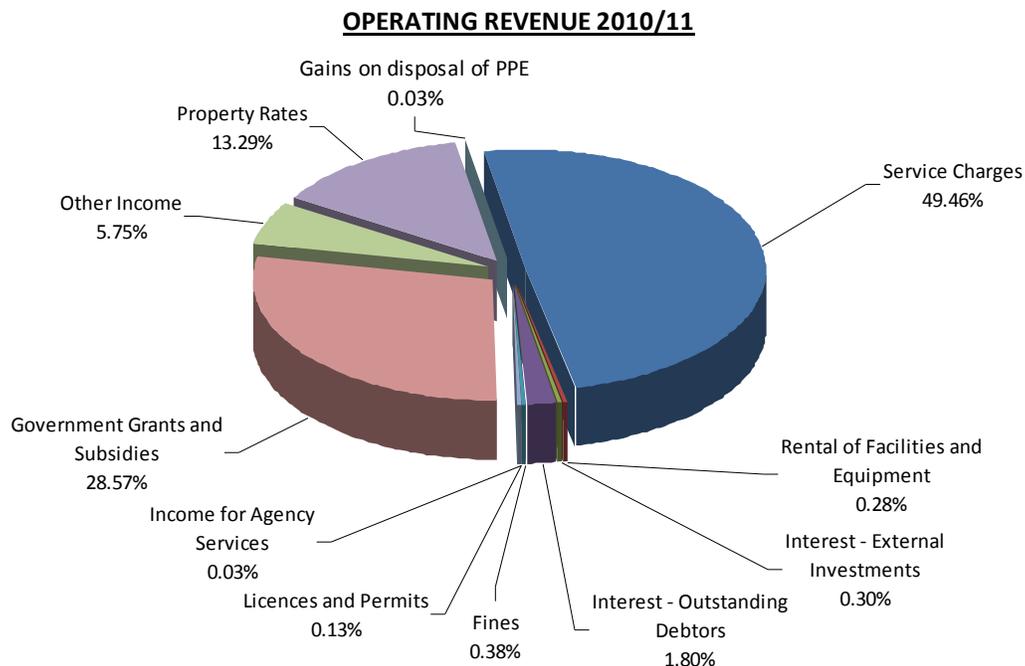
### 3.2 Operating Revenue

The following is a breakdown of Council's operating revenue represented by the respective revenue categories:

<b>REVENUE</b>	<b><u>R'000</u></b>	<b><u>% of Total Revenue</u></b>
Property rates	838 855	13.29%
Service charges	3 122 678	49.46%
Interest earned - external investments	19 252	0.30%
Interest earned - outstanding debtors	113 346	1.80%
Fines	23 736	0.38%
Licenses and permits	8 153	0.13%
Government grants and subsidies	1 803 791	28.57%

	<u>R'000</u>	<u>% of Total Revenue</u>
Rental of facilities and equipment	17 640	0.28%
Income for agency services	1 611	0.03%
Other income	363 371	5.75%
Gains on the disposal of property, plant and equipment	1 698	0.03%
<b>Total Revenue</b>	<b>6 314 132</b>	<b>100.00%</b>

The above breakdown is displayed in the following graph:



Service charges, property rates and grants and subsidies are the major sources of income, constituting 91.3% of the income 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 expenditure<sup>2</sup> amounted to R6 422 661, whilst the total accrued income amounted to R6 314 132. This resulted in an excess of accrued operating expenditure over accrued operating income of R108 529 for the year.

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

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

	R'000	Variance %	R
<b>Expenditure less than budget:</b>			
Councillors' remuneration	4 500	9.08	
Collection costs	772	20.72	
Finance charges paid	3 166	1.75	
Depreciation/Amortisation	207 078	31.98	
Contracted services	94 268	39.52	
Grants and subsidies paid	249 921	45.76	
Repairs and maintenance	<u>10 188</u>	2.39	569 893
<b>Expenditure greater than budget:</b>			
	R'000	Variance %	R
Employee related costs	(187 864)	(11.02)	
Bad debts	(424 776)	(328.01)	
Bulk purchases	(42 383)	(2.77)	
General expenses	(230 849)	(45.21)	
Loss on disposal of assets	(5 057)		
Impairment	(42 184)		
Share of loss in associate	<u>(607)</u>		(933 720)
<b>Income in excess of budget:</b>			
Income for agency services	139	9.44	
Gain on disposal (PPE)	1 698		
Other income	72 438	24.90	
Interest earned – Outstanding debtors	33 346	41.68	
Service charges	119 010	3.96	
Licences and permits	<u>1 173</u>	16.80	227 804

	R'000	Variance	R
<b>Income less than budget:</b>			
Property rates	(23 532)	(2.73)	
Fines	(6 278)	(20.92)	
Interest earned - External investments	(3 552)	(15.58)	
Government grants and subsidies	(112 482)	(5.87)	
Rental of facilities and equipment	<u>(467)</u>	(2.58)	<u>(146 311)</u>
			<b>(R282 334)</b>
Budgeted surplus			<u>R173 805</u>
<b>Net accrued deficit for the year</b>			<b><u>(R108 529)</u></b>

Detailed below are the reasons for the more significant variations:

### **3.3.1 Underspending against budget:**

#### **3.3.1.1 Contracted Services – R94 268**

The underspending is mainly due to the delay in finalising the operational plan for the Integrated Public Transport System.

#### **3.3.1.2 Depreciation – R207,1**

Depreciation was R207,1 million less than the budgeted amount due to a change in the depreciation method used.

#### **3.3.1.3 Grants and Subsidies paid – R249 921**

The amount of R249.9 million is mainly due to a change in accounting practices, with the ATTP subsidies now being classified as grants.

### **3.3.2 Expenditure greater than budget:**

#### **3.3.2.1 Bad Debts – R424 776**

Bad debts increased due to an increase in the provision as a result of an escalation in outstanding debtors.

#### **3.3.2.2 Employee related costs – R187 864**

The increased spending of R187.9 million is mainly as a result of an increase in the past service liability in respect of post-retirement benefits relating to ill health and medical aid contributions.

#### **3.3.2.3 General expenses – R230 849**

The increased spending of R230.8 million is mainly attributable to increased funding for housing top structures, than initially anticipated.

### **3.3.3 Income less than budget:**

#### **3.3.3.1 Government Grants and Subsidies – R112 482**

The Government grants and subsidies were less than the Budget, largely due to the delay in finalising the operational plan for the Integrated Public Transport System.

### **3.3.4 Income in excess of Budget:**

#### **3.3.4.1 Interest Earned – Outstanding debtors – R33 346**

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

## **4. STATEMENT OF FINANCIAL POSITION**

The statement of financial position reflects the financial results and policies of Council at a particular point in time. It is a snapshot at the year-end to determine the asset worth of the organisation and to 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 R185 238 (0.17%) from R109.4 million in 2009/10 to R109.5 million in 2010/11.

### **4.3 Capital Replacement Reserve**

The reserve decreased by R177.9 million (80.44%) from R221.1 million in 2009/10 to R43.3 million in 2010/11.

### **4.4 Donations and Public Contribution Reserve**

The fund decreased by R48.8 million (14.3%) from R340.9 million in 2009/10 to R292.0 million in 2010/11.

### **4.5 Government Grant Reserve**

The fund increased by R44,3 million (1.25%), from R3.55 billion in 2009/10 to R3.59 billion in 2010/11.

### **4.6 Non-current Liabilities**

#### **4.6.1 Long-term liabilities<sup>3</sup>**

Long term liabilities amounted to R1.8 billion in 2010/11, compared to R1.4 billion in 2009/10, and are made up as follows:

---

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

	<b>2010/11</b>	<b>2009/10</b>
	<b>R'000</b>	<b>R'000</b>
External loans	1 831 458	1 449 914
Brookes Bequest	10 393	9 873
Contract Retention Creditors	<u>1 037</u>	<u>1 228</u>
	<b><u>R1 842 888</u></b>	<b><u>R1 461 015</u></b>

The increase is mainly attributable to the raising of new loans, in the amount of R470 million.

#### **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 determined, were discounted to the present day cost 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 R176.3 million as at 30 June 2011. The provision was accordingly determined at R176.3 million, compared to R130.9 million in 2009/10.

#### **4.6.3 Employee Benefits Provisions**

##### **4.6.3.1 Provision for Post Retirement Benefits**

This provision was determined at R1.08 billion, based on an actuarially assessed valuation as at 30 June 2011, compared to R843.7 million in 2009/10. The provision fully covers the liability relating to post-retirement benefits.

#### **4.7 Property, Plant and Equipment**

Property, plant and equipment include infrastructure, buildings, plant and equipment, and amounted to R11.8 billion at year-end, compared to R10.8 billion in 2009/10. The increase of R1 billion is mainly attributable to the construction and upgrading of infrastructure assets.

#### **4.8 Investment Property**

Investment property includes land and buildings and amounted to R71.2 million at year-end, compared to R70.8 million in 2009/10.

#### **4.9 Cash and Investments**

Investments and short-term investment deposits amounted to R486.0 million at year-end, compared to R671.8 million in 2009/10.

The total amount invested, contains certain monies earmarked for specific purposes, over which Council has limited discretion.

#### **4.10 Debtors**

Debtors amounted to R1 732 171 130, before the deduction of the provision for doubtful debts of R1 285 802 865.

The relatively high level of outstanding debtors is a source of concern, for the following reasons:

- It diminishes the ability to spend on infrastructure development required for anticipated economic growth and to address service backlogs in the underdeveloped areas.
- It affects 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>2010/11</u>	<u>2009/10</u>
Debtors (R'000)	1 732 171	1 359 467
Tariff Income and Rates (R'000)	3 961 533	3 305 563
Number of Days	159	150
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. Appropriate measures must be instituted 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, Health, Roads and Library Services.
- Replenishment of the Capital Replacement Reserve.
- Insufficient cashbacking of the 2011/12 Budget and subsequent budgets.
- The need to enhance the Municipality's revenue base.

# **Annexure “C2”**

## **Consolidated Annual Financial Statements**

**NELSON MANDELA BAY METROPOLITAN  
MUNICIPALITY**

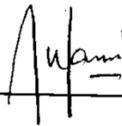
**CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended**

**30 June 2011**

I am responsible for the preparation of these financial statements, which are set out on pages 267 to 378, 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 annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Cooperative Governance and Traditional Affairs' determination in accordance with the Act.

  
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**T HANI – BA, BED, Masters of Education  
Masters of Arts in Development Studies**

**Acting Municipal Manager**

**28 November 2011**

**Date**

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY  
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS****INDEX****Page**

General Information	267
Statement of Financial Position	269
Statement of Financial Performance	270
Statement of Changes in Net Assets	271
The Statement of Cash Flows	273
Accounting Policies	274
Notes to the Financial Statements	305
<i>Appendix A: Segmental Statement of Financial Performance</i>	377
<i>Appendix B: Disclosures of Conditional Grants and Subsidies in terms of Section 123 of the MFMA, 56 of 2003</i>	378

## **ACCOUNTING POLICIES OF THE ECONOMIC ENTITY TO ACCOMPANY ITS FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

### **1. BASIS OF PRESENTATION**

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 off-set 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 significant change in accounting policy relates to the treatment of financial instruments. The Economic Entity has used GRAP 104 to formulate an accounting policy to account for financial instruments. Due to the relatively simple types of financial instruments held by the Economic Entity, the impact of the change is not significant. The effect on the comparative year is disclosed in Note 40.

### **2. CONSOLIDATED FINANCIAL STATEMENTS**

The Economic Entity's financial statements incorporate the financial statements of the parent entity, the Nelson Mandela Bay Municipality 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.

### **3. 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.

#### 4. PRESENTATION CURRENCY

These Consolidated Financial Statements are presented in South African Rand.

#### 5. GOING CONCERN ASSUMPTION

These Consolidated Financial Statements were prepared on a going concern basis.

#### 6. COMPARATIVE INFORMATION

##### 6.1 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).

##### 6.2 Prior year comparatives:

When the presentation or classification of items in the Consolidated Financial Statements are 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, 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.

#### 7. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following approved Standards of GRAP have been approved and issued by the Accounting Standards Board, but will only become effective in the future or have not been given an effective date by the Minister of Finance. The Economic Entity has not early-adopted any new Standards, 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 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	No effective date
GRAP 26	Impairment of cash-generating assets	1 April 2012
GRAP 103	Heritage assets	1 April 2012

GRAP 104	Financial instruments	No effective date
GRAP 105	Transfer of functions between entities under common control	No effective date
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 the management of the entity. The precise impact of this on the financial statements of the Economic Entity is still being assessed but it is expected that this will only result in additional disclosures without affecting the underlying accounting. This standard does not yet have an effective date.

### **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 Economic Entity has considered the principles set by this standard in developing its general asset impairment 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 Economic 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 Economic Entity is expected. This standard does not yet have an effective date.

**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 Economic 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 Economic Entity currently recognises all its heritage assets at cost and includes heritage assets with property, plant and equipment. The key impact of GRAP 103 will therefore only be changes in disclosures.

**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 14). This standard does not yet have an effective date.

**GRAP 105 – Transfer of Function 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 Economic Entity's financial statements is not expected to be significant due to the fact that the Economic Entity rarely enters into such transactions. The standard is only expected to have an impact on the Economic Entity in respect of any future transfers of functions. This standard does not yet have an effective date.

**GRAP 106 – Transfer of Function 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. It is unlikely that the Economic Entity will enter into any such transactions in the near future. This standard does not yet have an effective date.

**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

Economic Entity in the foreseeable future. This standard does not yet have an effective date.

The following interpretations were also issued and are expected to have an insignificant impact on the financial statements. Since they generally reflect the interpretation and principles already established under IFRS apart from the interpretations relating to leases, it is unlikely that the Economic Entity will encounter any of these issues in the normal course of business.

<b>Standard number</b>	<b>Standard name</b>	<b>Effective date (if applicable)</b>
IGRAP2	Changes in Existing Decommissioning Restoration and Similar Liabilities	1 April 2011
IGRAP3	Determining Whether an Arrangement Contains a Lease	1 April 2011
IGRAP4	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 April 2011
IGRAP5	Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies	1 April 2011
IGRAP6	Loyalty programmes	1 April 2011
IGRAP7	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction	No effective date
IGRAP8	Agreements for the Construction of Assets from Exchange Transactions	1 April 2011
IGRAP9	Distributions of Non-cash Assets to Owners	1 April 2011
IGRAP10	Assets Received from Customers	1 April 2011
IGRAP11	Consolidation - Special Purpose Entities	1 April 2011
IGRAP12	Jointly Controlled Entities - Non-Monetary Contributions by Venturers	1 April 2011
IGRAP13	Operating Leases – Incentives	1 April 2011
IGRAP14	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	1 April 2011
IGRAP15	Revenue - Barter Transactions Involving Advertising Services	1 April 2011

## **8. SIGNIFICANT JUDGEMENTS**

In the process of electing the Economic 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 Economic Entity has developed accounting policies in accordance with paragraphs 8, 10 and 11 of GRAP 3.

#### **Financial Instruments**

The Economic Entity has elected to formulate an accounting policy based on GRAP 104, which has been approved but does not have an effective date. The reason for

this is that GRAP 104 was written with a public sector focus and therefore more relevant to the operations of the Economic Entity.

#### Employee Benefits

For consistency and comparability, the Economic 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 Economic Entity has elected to continue applying IAS 36 Impairment of Assets with respect to impairment of cash generating assets.

The Economic Entity has elected to continue applying IPSAS 21 Impairment of Non-Cash Generating Assets with respect to impairment of non-cash generating assets.

#### Non-exchange revenue

The Economic Entity has used the key principles established by GAMAP 9 and GRAP 9 to develop an appropriate accounting policy for accounting for non-exchange revenue.

### **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 using actuarial valuations.

For the Municipal Entity, performance bonus provisions are based on employment contract stipulations and previous performance bonus payment trends. Refer to Note 13 of the accounting policy notes to the Consolidated Financial Statements.

#### Operating lease commitments – the Economic Entity as lessor

The Economic Entity has entered into commercial property leases on its investment property portfolio. The Economic Entity has determined that it retains all the significant risks and rewards of ownership of these plans.

#### GRAP 5 Borrowing Costs

The Economic 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 Economic Entity is able to link borrowings to the specific capital projects. Refer to Note 22 of the accounting policy notes to the Consolidated Financial Statements.

#### Management's Going Concern Assessment

Management considered the following matters relating to the Going Concern:

On 28 June 2011, the Council adopted the 2011/12 to 2013/14 Budget. The 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 for the three-year period.

The Economic Entity's Budget is subjected to a very rigorous independent assessment process to assess its cash backing status before it is ultimately approved by Council. Furthermore, strict daily cash management processes are embedded in the Economic Entity's Operations' to manage and monitor all actual cash inflows and cash outflows in terms of the cash flow forecast supporting the Budget. The cash management processes are complemented by weekly and monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

The Economic 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 Economic Entity improving its cash and cash equivalents position from a projected R 59,9 million upon approval of the 2010/11 Adjustments Budget to R428 million as at the end of June 2011. The Economic Entity has also secured a bank overdraft in the amount of R 450 million to cover short term cash shortfalls as and when the need arises. To date, this facility has not been used.

As the Economic Entity has the power to levy fees, tariffs and charges, this 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 are instituted.

Taking the aforementioned into account, Management has prepared the Consolidated Financial Statements on the Going Concern basis.

## **9. SIGNIFICANT ESTIMATES AND ASSUMPTIONS**

In the process of preparing the Economic Entity's Consolidated Financial Statements, management has made the following key estimates and assumptions:

### *Provision for Rehabilitation of Refuse Landfill Sites*

The Economic 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 5.00% (2010: 5.50%) 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 11.14% (2010: 11.35%).
- b) For landfill sites with a remaining operating life of greater than 5 years, at the average long-term treasury bond rate 4.09% (2010: 11.35%).

### *Provision for Rehabilitation of Swartkops River*

The provision is in relation to the Economic 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%.

#### 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 Note 19 of the accounting policy notes to the Consolidated Financial Statements.

#### Heritage Assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

#### Amounts due to Funders of Construction Contracts

This represents the total value of unspent conditional grant funding that has been received by the entity and which is reflected as payable to funders of construction contracts and other capital projects.

### **10. 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 Economic 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 also 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.

## 11. RESERVES

The Economic 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 Economic 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 Economic 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 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 the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

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 reserves covers the first R10 million in respect of fire insurance, R5 million in respect 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 Economic Entity has been exempted from making contributions to the Compensation Commissioner for Occupational Injuries and Diseases in terms of Section 84 of the COID Act.

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 Economic 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 Economic 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 at least equate to the value of the continuing liability. The market value of the securities is determined annually by the Commissioner and the Economic 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 reserve to the expense account in the Statement of Financial Performance.

**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 (Circular no. 18) 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).

**12. EMPLOYEE BENEFITS**

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.

**Leave pay accrual**

The liability is based on the total amount of leave days due to the employees on the reporting date and on their total remuneration package.

**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 Economic 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. This amount is adjusted annually, based on the average interest earned on investments, by the Economic Entity.

**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. Where performance appraisals have not yet been performed at year-end, a performance bonus provision

is raised based on the employment contract stipulations and previous performance bonus payment trends.

### **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.

### **Retirement benefits**

The Economic 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 in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined contribution plans. The Economic Entity operates three defined benefit pension plans, all of which require contributions to be made to separately administered funds. The cost of providing benefits under the defined benefit plans is determined separately for each plan, using the projected unit credit method. Actuarial valuations are conducted on a Annual basis by independent actuaries for each plan.

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 Economic Entity nor can they be paid directly to the Economic 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 Economic 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 Economic Entity is associated, a member, on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is

liable for the portion as determined by Council from time to time, of the medical aid membership fee and the Economic 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. Actuarial valuations are conducted on an Annual basis by independent actuaries for each plan.

### **13. PROVISIONS**

Provisions are recognised when the Economic 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 will be required to settle the obligation, the provision will be reversed.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a 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 Economic 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 Economic 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 Economic 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.

## **14. FINANCIAL INSTRUMENTS**

### **Initial Recognition**

The Economic Entity recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, the Economic Entity becomes a party to the contractual provisions of the instrument.

A financial instrument or its component parts are classified on initial recognition as a financial liability, a financial asset or a 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 Economic Entity will evaluate the terms of the financial instrument to determine whether it contains both a liability and residual interest component. Such components are classified separately as financial liabilities, financial assets or residual interests.

### **Initial Measurement**

When a financial asset or financial liability is recognised initially, the Economic Entity shall measure 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 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.
  - Derivatives.
  - Combined instruments that are designated at fair value i.e. an instrument that includes a derivative and a non-derivative host contract.
  - 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.
  - An investment in a residual interest for which fair value can be measured reliably.
  - 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 Economic 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 Economic 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 is 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 shall be 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.

### **Off-setting**

The Economic Entity does not off-set 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.

### **Impairments**

All financial assets measured at amortised cost, or cost are subject to an impairment review. The Economic Entity shall assess 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 Economic 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 will include the asset in a group of financial assets with similar credit risk characteristics and collectively assess 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 shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be 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 shall be reversed either directly or by adjusting an allowance account. The reversal shall 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 on which the impairment is reversed. The amount of the reversal shall be 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 shall not be 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.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments below the carrying amounts of such assets.

**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.

For amounts due from trade receivables carried at amortised cost, the Economic Entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Economic Entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it will include the asset in a group of financial assets with similar credit risk characteristics and collectively assess 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 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 expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. If in a subsequent year the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered the recovery is recognised in the income statement.

Other debtors are also assessed for impairment on an annual basis. A provision for impairment of other receivables is established when there is objective evidence that the Economic Entity will not be able to collect all amounts due according to the original terms of receivables. An estimate is made for doubtful debts based on past default experience of all outstanding amounts at year-end.

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 rate method.

### **15. PROPERTY, PLANT AND EQUIPMENT**

#### **Initial recognition and measurement**

Property, plant and equipment are tangible non-current assets (including infrastructure assets), which 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 items will flow to the Economic Entity and the cost or fair value of the items can be measured reliably.

Items of property, plant and equipment are initially recognised as assets on the acquisition date, and are initially recorded at cost.

The cost of an item of property, plant and equipment is the purchase price and the other costs associated with bringing the asset to the location and the condition necessary for it to be capable of operating in the manner intended by the Economic Entity. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the cost 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 Economic 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 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.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Economic 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 Economic 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 Economic 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 no residual values are determined other than for motor vehicles.

The asset's residual values, useful lives and depreciation methods are reviewed at each financial year-end and adjusted prospectively if appropriate.

The annual depreciation rates are based on the following average asset useful lives:

<b>Land and Buildings</b>	Useful Life Range in Years
Buildings	15 - 50
Land	Indefinite Life
<b>Infrastructure Assets</b>	Useful Life Range in Years
Roads, Sidewalks and Stormwater Networks	5 – 100
Beach Developments	30 – 50

Electricity Reticulation and Supply	10 – 80
Sewerage Mains and Purification Works	15 – 80
Waste Disposal Facilities	20 - 100
Water Supply and Reticulation	10 – 50
Dams & Treatment Works	25 – 100
<b>Other Assets</b>	Useful Life Range in Years
Bins & Containers	10
Emergency and Medical Equipment	15
Vehicles and Plant	4 - 30
Office Furniture and Fittings	3 - 10
Landfill Sites	50
Security Systems	5 - 15
Tip Sites	30
Computer Hardware	3 - 8
<b>Community Assets</b>	Useful Life Range in Years
Libraries	15 - 50
Fire Stations	15 - 50
Cemeteries	15 - 50
Clinics	15 - 50
Community Centres	15 - 50
Public Conveniences	15 - 50
Swimming Pools	15 - 50
Recreational Facilities	15 - 50
Selling and 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 Economic 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 owing to the uncertainty regarding their estimated useful lives, as reflected in the table below:

Heritage Sites	Useful Life Range in Years
Memorials and Statues	Indefinite Life
Heritage Sites	Indefinite Life
Museums	Indefinite Life
Art Works	Indefinite Life

## 16. 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 Economic 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 Economic 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 Economic Entity intends to complete the intangible asset for use or sale.
- b) It is technically feasible to complete the intangible asset.
- c) The Economic Entity has the resources to complete the project.
- d) It is probable that the Economic Entity will receive future economic benefits or service potential.
- e) The expenditure can be measured reliably during development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the Economic 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 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 its 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 annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually 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 the 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. The 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. Amortisation is recorded in the Statement of Financial Performance in the expense category consistent with the function of the intangible asset. During the period of development, the asset annually is tested for impairment.

### **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 Annual 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 on each reporting date, and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

### **Impairments**

The Economic 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 on 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.

## 17. 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 Economic 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 the 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 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 Economic 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 cost of day-to-day serving of property, plant and equipment is 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, where considered necessary.

### 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 annual depreciation rates are based on the following estimated average asset lives:

Investment Property	Useful Life Range in Years
Investment Property	
- Land	Indefinite Life
- Other	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 are set out in Note 12 of the Consolidated Financial Statements.

**Impairments**

The Economic 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 are to be derived and all gains or losses are recognised in the Statement of Financial Performance.

**18. 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 sales 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.

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.

**19. 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, 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 Economic 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 craft inventories, project spares, consumable stores, raw materials, work-in-progress (WIP) and finished goods (FG), are valued 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.

A provision is maintained in lieu of obsolete inventory. The level of the 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 occurred.

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.

## **20. IMPAIRMENT OF NON-FINANCIAL ASSETS**

The Economic Entity assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Economic 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 Economic 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 or 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, unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

## **21. REVENUE**

Revenue is only recognised once all the following criteria have been satisfied:

- a) The Economic Entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- b) The amount of revenue can be measured reliably; and
- c) It is probable that the economic benefits or service potential associated with the transaction will flow to the Economic Entity and that the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Economic Entity has an obligation in terms of legislation to collect all revenue and as such, the Economic Entity does not consider the collectability of the revenue on initial recognition. The Economic Entity will assess collectability subsequent to initial measurement and should the receivable be impaired, the impairment loss will be recognised as an expense.

### **Revenue from Exchange Transactions**

Revenue from exchange transactions refers to revenue that accrued to the Economic 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 at the 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 is recognised on a time proportion basis, which takes into account the effective yield on the investment.

Rental income arising on investment properties, facilities and equipment is accounted for on a straight-line basis over the lease terms of 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 unutilized conditional grants is allocated to the creditor, if grant conditions indicate that interest is payable to the funder.

Dividends are recognised on the date that the Economic Entity's right to receive payment is established.

Revenue arising out of situations where the Economic 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 Economic Entity as compensation for executing the agreed services.

Revenue from the sales of goods is recognised when the risk and rewards of ownership is passed to the consumer.

### **Revenue from Non-Exchange Transactions**

Non-exchange transactions are transactions that are not exchange transactions.

Revenue from non-exchange transaction arises when the Economic 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 there is no liability to repay the amount.

Revenue from property rates is recognised when a 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 Economic 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 qualify for recognition and first become available for use by the Economic Entity. Where public contributions have been received but the Economic 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 qualify for recognition and first become available for use by the Economic Entity.

#### **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 assets. 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.

## **22. 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 Economic 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, when incurred.

## **23. LEASES**

### **The Economic 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 Economic Entity. Assets subject to 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. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

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.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005, in accordance with the transitional requirements of IFRIC 4.

#### **The Economic Entity as Lessor**

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Economic 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 Economic 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.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed 1 January 2005 in accordance with the transitional requirements of IFRIC 4.

#### **24. 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 transaction are dealt with in the Statement of Financial Performance in the year in which they occur.

#### **25. VALUE ADDED TAX (VAT)**

The Economic 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.

## **26. 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, Economic 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.

## **27. 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 Economic 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.

## **28. 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.

## **29. RECOVERY OF UNAUTHORISED, IRREGULAR, FRUITLESS AND 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.

## **30. EVENTS AFTER REPORTING DATE**

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date on which 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).
- b) those that is indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The Economic Entity will adjust the amounts recognised in the Consolidated Financial Statements to reflect adjusting events after the reporting date once the event occurred.

The Economic Entity will disclose 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 the 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 immediately recognised as an expense. 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.

**32. TAXATION**

Both the Parent and the Municipal Entity have received tax exemption certificates from the South African Revenue Services.

# **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 2011**

**AUDIT COMMITTEE MEMBERS**

The Audit Committee has adopted appropriate formal terms of reference and consists of four independent members, as listed hereunder (three of the members are chartered accountants, while the other member is an expert in performance management).

Professor D Rosenberg (Chairperson)

Mr R Ortlieb

Mr K Pather

Ms R Shaw

**DATES OF MEETINGS**

30 September 2010

9 December 2010

25 March 2011

30 June 2011

**AUDIT COMMITTEE RESPONSIBILITIES**

The Audit Committee reports that it complied to the extent possible with its terms of reference, including issuing reports after every meeting to alert the Mayor / Acting Municipal Manager to significant issues discussed at the meeting, other matters of interest and matters of particular concern to the Committee. No response was received to these reports, which in itself is a matter of concern.

**OVERALL COMMENTS**

The Audit Committee congratulates the Metro on once again receiving an unqualified audit opinion—this was due entirely to the Herculean efforts of the Chief Financial Officer and his group, in the face of the most trying conditions. The Internal Audit Sub-directorate also made an important contribution to the unqualified report; in

particular, their review of the financial statements prior to audit was of a very high standard.

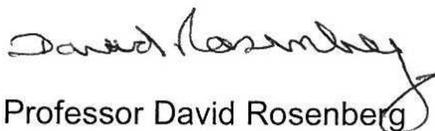
There remains, however, some important matters of emphasis raised by the Auditor-General to which the Metro needs to pay urgent attention. Of particular importance is the underspending of the Capital Budget of R154 million; fruitless and wasteful expenditure of R63 million; and water losses amounting to R135 million. The most important issue, however, is deciding on the action to be taken against certain individuals once the Hawks complete their investigation into the infamous Kabuso Report, which has caused inestimable damage to the reputation of the Metro.

Other specific matters of concern in connection with the Metro are listed hereunder:

- (a) Political interference in the operations of the Metro is the principal reason for the difficulties of the institution; interference in the execution of decisions and in the appointment of personnel particularly senior management, including the Municipal Manager are examples of such interference.
- (b) As pointed out by the Auditor-General in its report, effective leadership is based on a culture of honesty, ethical business practices and good governance, protecting and enhancing the best interests of municipalities . However, this is not being demonstrated by top management, as there are many instances of management override and a number of cases of fraud and theft relating to Supply Chain Management practices.
- (c) The internal auditors' reports and follow-up reports on internal control weaknesses are systematically ignored by most directorates; senior management are either unable or unwilling to force directors to rectify internal control deficiencies so that many of the same weaknesses persist from year to year, rendering the Metro vulnerable to even more fraud and corruption.
- (d) Cash-flow or the lack thereof remains a risk, and unless the Metro is able to increase its revenue base or takes action to prune its operational expenditure, cash-flow shortages will continue to plague the Metro going forward. Ideally, the Metro and the Development Agency should do everything in their power to attract investments to the city and take action to halt the closure of businesses in the city, which closures were evident during the year under review.

- (e) The Metro needs to take great care in appointing the new Municipal Manager and should brook no political interference in this regard. It is imperative that the Metro appoints a person with the requisite skills and one whose integrity is beyond reproach. The likely resignation of the CFO presents a very grave risk to the Metro, since the incumbent has displayed unquestionable skills and energy during very turbulent times and it will be very difficult to fill this position with someone with similar skills and commitment.
- (f) Performance management remains a problem, but this is partly due to a disconnect between what the Auditor-General expects and what the Metro understands what is required regarding an effective performance management system; this is a generic problem also facing other municipalities.
- (g) Certain directorates of the Metro have incumbents who do not have the necessary skills to perform what is required of them. These people need to be replaced. Other directorates have acting managers, which is an invariably problematic situation.

We wish to take this opportunity to thank the Chief Internal Auditor and her group for their outstanding co-operation and commitment in difficult times, and the members of the Auditor-General's Office for their friendly co-operation.

  
Professor David Rosenberg  
Chairperson

# **Annexure “E”**

## **Response to the Audit Report of the Auditor-General**

## **RESPONSE TO AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2011**

### **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:

### **EMPHASIS OF MATTERS**

#### **Significant uncertainties**

9. The Municipality will put the necessary processes in place to conclude litigation in a timely manner.
10. On 8 December 2011, Council considered the Kabuso Report, at which meeting it was resolved that the Report be handed over to the Directorate of Public Prosecutions for further investigation.

#### **Restatement of comparative figures**

11. Accounting policies are assessed on an annual basis and changes are made in line with the applicable accounting framework. Flowing from this, comparative figures require restatement.

#### **Irregular and fruitless and wasteful expenditure**

12. In accordance with the MFMA, instances of irregular and fruitless and wasteful expenditure are reported and investigated, and steps are taken to recover or rectify such expenditure.

#### **Material losses and impairments**

13. 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.

14. The debtor was initially raised, in the understanding that the Provincial Government would fund 60% of the project costs. Provincial Government has now adopted an approach of entering into a service level agreement with the Municipality for each project, with the result that the 60%/40% funding formula is no longer applicable.
15. 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 Programme for Non-ATTP (Non-Assistance to the Poor) customers in order to enhance the collection of outstanding debts.

#### **Material underspending of the Budget**

16. 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-/overspending.

Monthly one-on-one sessions are held with directorates in order to identify problem areas early 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.

#### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

##### **Predetermined objectives**

20. The comments are noted.

##### **Compliance with laws and regulations**

##### **Annual Financial Statements**

21. The necessary control measures have been instituted to obviate the need for material adjustments to the financial statements after submission for auditing purposes.

**Procurement and contract management**

22. In compliance with SCM Policy, the reasons for not obtaining at least three quotations are being recorded and approved by an official designated by the Chief Financial Officer.
23. 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.

24. A circular will be issued to all municipal employees requesting them to disclose particulars of any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state or who has been in the service of the state in the previous twelve months. The required declarations will be obtained and verified as part of the Supply Chain Management process.
25. The necessary procedures will be implemented to ensure compliance with the NMBM Supply Chain Management Policy.
26. A circular will be issued to all municipal employees, requesting them to disclose particulars of any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state or who has been in the service of the state in the previous twelve months. The required declarations will be obtained and verified as part of the Supply Chain Management process.
27. The municipal entity will ensure that invitations for competitive bids are in all instances advertised for the minimum required number of days.
28. The municipal entity will ensure that awards are only made to service providers whose tax matters have been declared in order by the South African Revenue Services.

**Expenditure management**

29. Reporting 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.
30. The accounting officer of the Municipality will take all reasonable steps to prevent irregular and fruitless and wasteful expenditure.
31. The accounting officer of the municipal entity will take all reasonable steps to prevent irregular expenditure.

**Human resources management**

32. The relevant sections of the Municipal Systems Act are applicable to Municipal Managers (not Acting Municipal Managers).

The Municipal Manager was appointed in an acting capacity and was accountable for the deliverables assigned to that position for the acting period, in terms of the respective acting letters. The Acting Municipal Manager was therefore required to account for and report on the performance of the Municipality. Since his acting was on a month-to-month basis, a performance agreement could not be concluded.

**Asset management**

33. In relation to the fixed asset register reconciliation, the following will be implemented:
- The accuracy and completeness of transactions (related to asset additions and disposals) are verified on a regular basis, ensuring alignment between the fixed asset register and the general ledger. Asset additions and disposals will be reconciled on a quarterly basis.
  - A complete reconciliation (including depreciation) can be performed on an annual basis only, due to the fact that depreciation is processed on an annual basis.

The complexity of processing depreciation since the componentisation of assets makes it impractical to process monthly. The annual review of the asset's useful lives influences the depreciation process.

#### **INTERNAL CONTROL**

35. Strict compliance with the Supply Chain Management Policy will be enforced.
36. The Municipality will ensure that effective human resources management practices are implemented.
37. The municipal entity will enhance its monitoring processes to ensure compliance with the Supply Chain Management Policy.
38. The Municipality will pursue the development of detailed standard operating procedures.
39. While no formal ICT Governance Framework has been adopted, an ICT Steering Committee has been in place and functioning since November 2008. Quarterly reports are submitted to the ICT Steering Committee by the Director: Municipal Information Systems. This provides an adequate forum for the effective exercise of "IT Governance" in the Municipality.

#### **Financial and performance management**

40. The necessary control measures will be implemented to improve the completeness and access to human resources related documentation.
41. A centralised filing system relating to SCM documentation has been in place since February 2011. The difficulties experienced in obtaining tender documentation, are mainly attributable to the period when a centralised filing system was not in place.
42. The checklist will be extended to ensure that individual tenders are comprehensively assessed as to whether or not all the SCM laws and regulations have been adhered to.
43. In relation to the fixed asset register reconciliation, the following will be implemented:
  - The accuracy and completeness of transactions (related to asset additions and disposals) will be verified on a regular basis, ensuring

alignment between the fixed asset register and the general ledger. Asset additions and disposals will be reconciled on a quarterly basis.

- A complete reconciliation (including depreciation) can only be performed annually, due to the fact that depreciation is processed on an annual basis.

The complexity of processing depreciation since the componentization of assets makes it impractical to process monthly. The annual review of the asset's useful life influences the depreciation process.

44. The effectiveness of the controls will be enhanced to ensure that all related party relationships and transactions are identified and disclosed in the financial statements.
45. The review and monitoring processes will be enhanced, to ensure compliance with the SCM laws and regulations.
46. The municipal entity's processes will be enhanced to identify and report on irregular expenditure in a timely manner.
47. The Municipality's manual and/or automated controls will be enhanced to ensure completeness relating to the recording of and reporting on creditors, leave and irregular expenditure.
48. The adequacy of the design and implementation of formal control over the Municipality's IT systems will be enforced.

### **Governance**

49. The Municipality is in the process of recruiting a risk officer to ensure effective monitoring of compliance with the action plans.

### **OTHER REPORTS**

#### **Investigations**

50. The comments are noted.
51. The comments are noted.

# **Annexure “F”**

## **Report on Entity (Mandela Bay Development Agency)**

## 1. INTRODUCTION AND OVERVIEW

The MBDA was formed at a critical moment in the CBD of Nelson Mandela Bay as part of a re-engineering process of the City, which has seen acute urban decay over a period of twenty years.

The MBDA's original Mandate Area has been extended to include work in Uitenhage, the North End Stadium Precinct and other emerging nodes. The overall strategic objectives of the MBDA are:

- To maintaining the basic elements of urban renewal, i.e. security, cleansing, and good order;
- To facilitate public and private sector investment through catalytic public sector investment;
- To conserve and promote heritage assets;
- To inspire people to aspire to the Mandate Area;
- To engage stakeholder and partners in the urban renewal process;
- To continuously gain insight into public perception through the monitoring and evaluation of perception assessments through surveys;
- To develop the organisation to adhere to good organisational development and transformation performance management criteria.

The Strategic Plan of the MBDA, launched in May 2010, provides the basis for developing a long-term vision and strategy for the MBDA, which culminated in the acceptance by the political dispensation of the MBDA's Strategic Plan for the period 2009-2014 as a blueprint for economic development through urban renewal.

The significance of this local government re-engineering process is that it has opened the door for significant capital and non-capital investment in the CBD. The establishment of the MBDA provided an agency dedicated to area-based urban renewal, first in the inner city and later throughout other emerging nodes, the Uitenhage CBD, etc.

As stated above, the MBDA, in May 2009, formulated a new five-year strategy, the Strategic Plan, which charged the long-term strategic course for the MBDA's overall development. The Strategic Plan stipulates a long term vision and developmental priorities and strategies and is a further breakdown of the City's 5-year Integrated Development Plan (IDP), which sets out the short- to medium-term objectives and programmes to achieve the vision set out in the Strategic Plan. The IDP contains a number of sectoral plans which roughly corresponds to the Portfolio of the Mayoral Committee. One of these sector plans involves urban renewal in the CBD of Nelson Mandela Bay, including the future development of CBDs in townships. In this process, the MBDA is located in the sector dealing with spatial form and urban management within the Urban Renewal Silo.

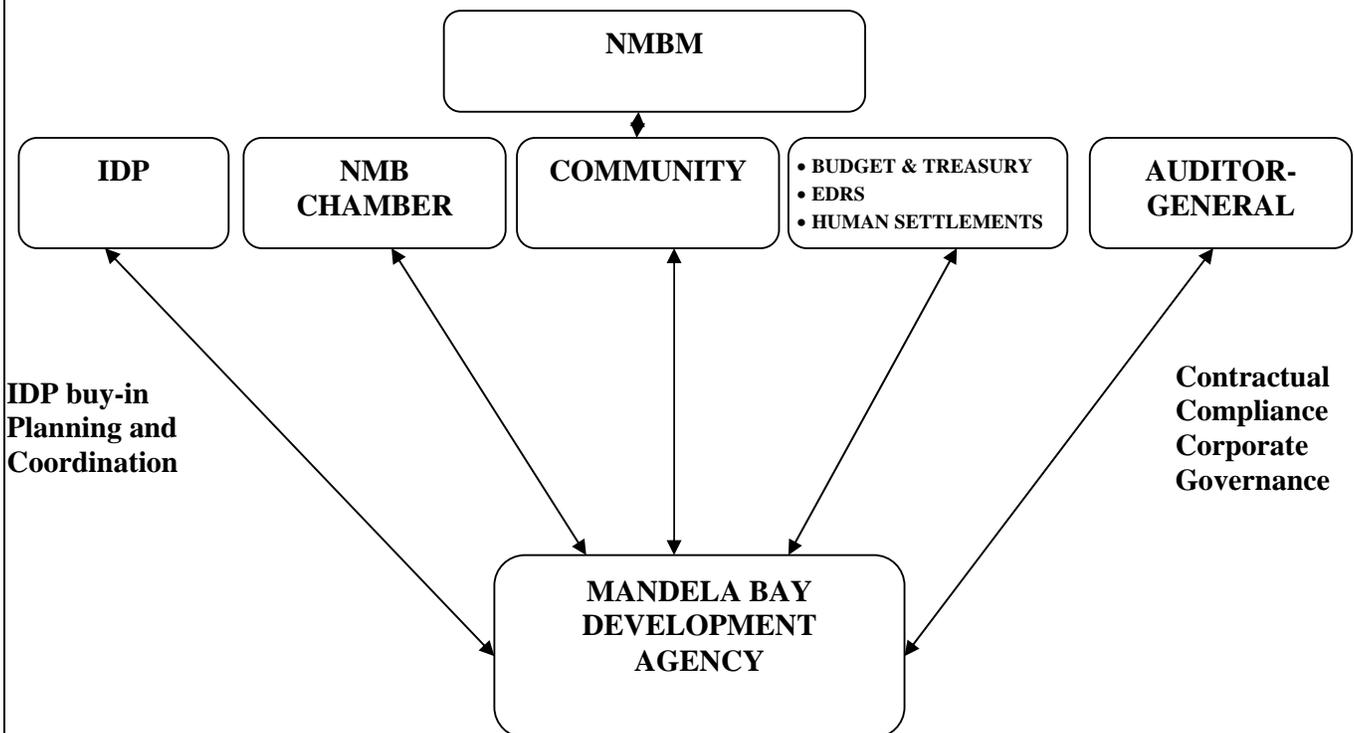
As the development manager of these initiatives, the MBDA coordinates and manages capital investment and other programmes involving both public and private sector stakeholders. In particular, the MBDA has gained significant experience in the following areas:

- Conceptualising projects that will contribute to private sector investment, such as the cleansing programme, regulation of informal trading, maintenance and specific catalytic public sector funded infrastructure projects.
- Public environment upgrades.
- CBD regeneration.
- Area based regeneration focussed on cultural programmes, heritage and entertainment.
- Putting plans in place to regenerate areas in the outlying areas of the CBD, and historically marginalised areas.

The MBDA received its mandate from its parent municipality, the NMBM, acting through the Executive Mayor and Council. It is contractually accountable to a number of key directorates in the NMBM, such as Economic Development and Recreational Services, Human Settlements, and Budget and Treasury, to whom it undertakes compliance reporting in respect of its KPAs and KPIs. The SDA provides corporate governance and related supports, such as financial sustainability and compliance reporting and review.

In respect of strategic and operational matters the MBDA's management is accountable to the MBDA's Board of Directors, which not only stands in its relationship with its company, but also in respect of its political and strategic guidance.

**Figure 1** indicates the stakeholder relationship model that MBDA is using to reach out to the community.



As an agent of the NMBM, the MBDA interacts closely with the various NMBM directorates in respect of their functional interests and development activities. In this regard the MBDA:

- Operates in line with the NMBM's principles as articulated in the IDP.
- Operates within existing agreed plans and frameworks of the NMBM (e.g. the Local Spatial Development Framework (LSDF) for the Mandate Area and Telkom Park).
- Continuously takes consonance of the spatial development frameworks of other areas in the City.
- Considers input in the respect of development designs (especially at feasibility stage) from the various Directorates which will ultimately take over the developments for maintenance purposes once completed.
- Coordinate inputs in respect of development implementation.
- Considers input and seeks agreements in respect of the ongoing operations of the initiative once the development is completed.
- Acts as an implementation agent.

The MBDA is continuously involved in the conceptualisation and implementation of a range of catalytic infrastructure projects to achieve the objectives set out in the Strategic Plan, and effectively the strategic objectives of the IDP.

In the process, the MBDA stimulates and implements area-based initiatives involving capital and non capital developments, such as the provision of cleansing services. The MBDA's overall service to the City in respect of a specific mandate area and any other emerging nodes identified, rests on the following pillars:

- Development and project packaging from conception to completion – This involves identifying strategic urban renewal and economic development opportunities, which can serve as a platform for private sector investment
- Development and project facilitation and coordination – This involves working the various stakeholders and partners to an initiative and ensuring that they are undertaking their roles as expected and as required
- Overall development implementation – Ensuring that the developments are implemented as planned according to budget, quality and timeframes. In this the MBDA may outsource specific project management functions within a development, while maintaining its overall accountability as a developmental manager.
- Assessment of the impact of the MBDA's developments – This is sought to analyse, review, assess and quantify private sector investment and the community's response to the various interactions of the MBDA and assess the economic impacts of these interventions by analysing trends in the rates base and the perceptions of people that may influence investor interest in the MBDA's development areas.
- Promoting growth and development through the development promotion of environments in defined geographical areas

The MBDA is mandated to work on a number of areas over and above the Mandate Area, and this may include in the future townships. This includes working on the regeneration of areas of the City that are either decaying or declining, in order to enhance the ability to contribute to the development of the city and the quality of life of its residents.

**1.1 BOARD OF 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

**1.2 AUDIT COMMITTEE**

Kevin Pather - *Chairperson*  
Lulama Prince  
Stephen Nel

**1.3 HUMAN RESOURCES AND REMUNERATION COMMITTEE**

Phil Gutsche – *Chairperson*  
Wilhela Gie

#### **1.4 EMPLOYMENT EQUITY**

The MBDA is committed to the principles of equity, antidiscrimination and diversity, as enshrined in the Constitution and the Employment Act. In this context, the MBDA seeks to create an institution that reflects the diversity of South African society and contributes to maximising the human resource potential of all our people. In line with this, the MBDA follows employment equity guidelines and annually adjust its employment equity targets and planning.

The overall goal of the MBDA with regard to human resources practice is:

- Provide an environment and culture that supports communication and a right to it and the ability to express one's views being supported, encouraged and respected.
- Ensure fair and consistent application and implementation of employment practices and procedures.
- Whilst the MBDA demographics are diverse and representative, the MBDA continuously endeavours to improve equitable representation of people from designated groups in management positions.
- The MBDA has also introduced affirmative mechanisms targeted at addressing the development of previously disadvantaged individuals by providing opportunities for career advancement, growth and development.

#### **1.5 TRAINING AND DEVELOPMENT**

The MBDA is committed to sustaining a continuous programme of training and development for its management and staff in order to advance with changing times and technology, thus ensuring professional delivery and a competitive edge.

Our vision is to provide an integrated learning experience to our employees, which will strengthen their commitment to the MBDA's values, leadership capability and the capacity to meet current and future business requirements.

#### **1.6 EMPLOYEE PERFORMANCE MANAGEMENT**

The MBDA has a key performance indicator system in place, which is based on its annual business plan and is an essential performance tool that provides a line between the strategies, goals and objectives of the entity and the work objectives of teams and individuals in the company. It also focuses on the development of soft skills, whilst managing employees towards the achievement of team and individual goals and objectives.

The MBDA's performance management system is central to ensuring that all of its employees are competent, motivated and empowered. Where poor work performance is identified, corrective actions are put in place to improve employee performance against the scorecard. The increase in employee awareness of their performance is highly relevant, in given that MBDA employee remuneration and incentive processes are directly linked to level of performance.

## **1.7 FINANCIAL SYSTEMS AND PROCEDURES**

The MBDA has adopted a set of financial systems and procedures intended to ensure:

- Compliance with generally recognised accounting practice (GRAP).
- Adherence to sound internal systems by all MBDA employees.
- Good corporate governance processes throughout the organization.
- A clean external audit by the Auditor-General.
- Compliance with all applicable statutory obligations.
- Timeous production of quality financial management and performance reports.
- Procurement procedures that are competitive, open, transparent and fair.

For the year under review, the internal audit of the MBDA was done by the NMBM Internal Audit Division. The internal audit has enhanced and improved the control environment and risk management within the organization, developing and executing a risk-based internal audit plan.

## **1.8 FOREWORD BY THE EXECUTIVE MAYOR**

The MBDA should be deservedly proud of its achievements for the 2010/11 financial year which again confirm the importance of its role in the NMBM's drive to meet its spatial and urban management development goals.

The MBDA again achieved its set goals in an exemplary manner, often under difficult circumstances, demonstrating the importance of improved cooperation and partnership amongst all the city's roleplayers.

As the implementing agent responsible for urban renewal, the MBDA's achievements far exceeded the expectations not only of the City, but also of the entire nation of South Africa. The progress made in the regeneration and urban development of areas in the City, such as the development of the Donkin Reserve, is further evidence of our commitment to the betterment of these areas. The role of the MBDA is immeasurable: these projects are expected to change the face and the feel of these areas, from the Apartheid era of White cities only, to a city with a multicultural ethnic and diverse backdrop that will effectively make it a city in which all can proudly live, work and play.

It is the success of an organisation such as the MBDA that have contributed positively to the management of Nelson Mandela Bay. The average resident of Nelson Mandela Bay can now see a "puzzle" slowly coming together. Ward Councillors are also beginning to see the benefits of creating dynamic places for people to "live, work and play". It is this "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 eventual investment, and has as an institution 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 Municipality's overall development vision and improves on governance and accountability.

The MBDA has developed a purposeful institution that employs the right people who will create the right recipe to address specific problems in urban transformation. As a City we hope to take this recipe to other parts of the City, *inter alia* township areas, and it is also ready to take on an additional township responsibility, as well a responsibility in respect of social housing projects in the inner city.

The Mayoral Committee is looking forward to the MBDA's continued valued contribution and project management skills in promoting urban renewal and transformation in the CBD and emerging areas.

## **1.9 CHAIRPERSON'S REPORT**

The MBDA is emerging from a very exciting period of large-scale, public investment in infrastructure to promote urban renewal and tourism infrastructure development.

The process has evolved, based on the performance management system implemented by the MBDA and also thanks to the growth in its operational and capital budget to ensure that the catalytic impact of capital projects could lead to higher GDP, employment and rates base.

In 2010/11, the MBDA succeeded in spending about R100 million on infrastructure and the City has already experienced the increase levels of pride, confidence and investment interest flowing from this capital investment.

The Board of Directors of the MBDA is very proud to be associated with the Route 67 project, which has changed the heart of Nelson Mandela Bay's CBD.

As a Board, we would like to thank the Chief Executive Officer and his staff for a very committed, passionate approach, in what is often difficult circumstances. We remain confident that the MBDA will continue to make us proud and meet its mandate, the shareholder, NMBM, by delivering projects that make the City a better place to live, work and invest in.

The Board wishes to express its appreciation to the Executive Mayor, Cllr Zanoxolo Wayile, the members of the Mayoral Committee, the key directorates of EDRS, Budget and Treasury and Human Settlements, including the Planning Directorate for the time and contribution in directing and supporting the MBDA in the implementation of its shareholder's mandate. Their level of engagement and dedication is an example to all.

## **1.10 CHIEF EXECUTIVE OFFICER'S REPORT**

I am delighted to report yet again on a successful year for the MBDA, a year that culminated in the completion of Route 67 on the Donkin Reserve, a project which is unique in South Africa.

During the year under review, the MBDA completed a number of capital projects, such as Strand Street and Uitenhage Market Square upgrades, that brought a new dimension to the Port Elizabeth and Uitenhage CBDs and will eventually be a catalyst for further investment from the private sector.

Although the country and the city have been in recession in the past three years, it is clear that the catalytic impact of the MBDA's work is showing, e.g. the present restoration of the Grand Hotel.

It is furthermore clear that the respective infrastructural projects completed by the MBDA is making a collective impact and that the average man on the street can see there is now a clear difference emerging from the years of urban decay prior to 1995.

The MBDA took a giant leap towards a viable, effective project management house, a support agency that fulfils in three functions on behalf of the NMBM, namely a doer, a supporter, and a promoter.

Urban renewal is not only about brick and mortar, but also about changing the perceptions of people about their City. The MDBA has explored a number of softer issues, such as heritage, culture and greening, to underpin the infrastructure provided.

In a world of rapid change, clearly curtailed by the present economic recession, our strategic priorities are unyielding: to increase the development impact of our projects; to prepare for the years after recession; to build an internal structural faction; and to build on the internal structural and functional gains we have made over the past five years. The MBDA has embarked on various urban renewal projects and has diligently followed the vision set out in the original 5-year Corporate Plan and in the formation of its second 5-year Strategic Plan.

It is likely that the citizens of Nelson Mandela Bay and the rest of South Africa will see a very different city in years to come.

### **CHALLENGES**

As in any other organisation, the MBDA is continuously faced with challenges. A key challenge is securing continued capital funding from existing and other potential funders.

The MBDA follows a strong management objective approach and is continuously involved in training staff in the philosophy of urban renewal and the overall approach

of getting the basics right to ensure that a sound foundation is laid for a economic boom period post the recession.

### **FUTURE STRATEGIC DIRECTION**

The MBDA has established itself as a credible, trusted change agent and project manager.

It has built critical mass in terms of service delivery through service provision and catalytic infrastructure projects and is also recognised as a well-administered entity that delivers on the implementation of the projects identified in its 5-year Strategic Plan and annual business plans.

The Agency works well with the NMBM and is appreciative of the NMBM's financial support, which has culminated in the implementation of key projects. These projects do not only have an innovative aesthetic component, but are also contributing to arts and culture and heritage and, more importantly, it follow a strong rationale in respect of political, social and economic accountability.

The MBDA will always follow the instructions of the NMBM and create projects that will speak to the demand of the community. It is important, though, to be as flexible as possible in recessionary times. The marketplace is ever changing, and the MBDA is always directed to what the customer requires.

### **THE YEAR AHEAD**

The MBDA is looking forward to engage in increased levels of dialogue with the ordinary citizens of the City to ensure that there is overall community buy-in to the projects. It is clear that the mandate of the MBDA will continuously expand to include other strategic projects, and the MBDA will continue to follow its successful recipe in other areas of Nelson Mandela Bay if such an instruction is received from the political leadership.

## 1.11 AUDIT COMMITTEE'S REPORT

### Audit Committee's Report

We present our report for the year ended 30 June 2011.

### 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 of Directors:

KD Pather	-	Independent member and Chairperson
L Prince	-	Director
S Nel	-	Independent member representing the Industrial Development Corporation

The Audit Committee meets at least four times per annum, as per its approved terms of reference, although additional special meetings with the Auditor-General and the Internal Auditor were held as the need arose during the year under review.

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.

<u>Name</u>	<u>Number of Audit committee meetings attended</u>
KD Pather	4
L Prince	1
S Nel	4

**Audit Committee's 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 Statements**

The Audit Committee has noted the unqualified opinion expressed by the Auditor-General on the annual financial statements of the Agency.

**Efficiency and effectiveness of internal controls**

The matters reported in the reports of 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 whilst there is always room for improvement, the internal controls generally functioned adequately during the year under review.

**Relevant legislation**

The Committee's Terms of Reference included responsibility for monitoring:

- The Companies Act
- The Municipal Finance Management Act
- The Local Government Municipal Systems Act

The Committee concentrated primarily on financial legislation and took cognizance of the recommendations of the King III Report on Corporate Governance.

**Performance measurement**

A performance management system has been implemented for all staff members of the Agency. The performance management system is a work in progress, and management is working closely with the external auditors and external consultants in refining and improving the implementation and operation of the performance management system.

**Conclusion**

The Audit Committee accepts the unqualified opinion of the Auditor-General on the annual financial statements for the Agency for the year ended 30 June 2011 and recommends that the audited annual financial statements be adopted by the Board.

**KD PATHER – CA (SA)**  
**CHAIRPERSON**

## 2. PERFORMANCE HIGHLIGHTS IN 2010/11

During the financial period under review, the MBDA achieved the following performance highlights:

- After a number of public meetings, the MBDA completed the Business Plan for the first envisaged Special Rating Area (SRA) in Richmond Hill. It is foreseen that the first SRA for Richmond Hill will be operational from July 2012.
- The Request for Proposal for the design for Belmont Terrace/Bird Street upgrade was drafted and it is foreseen that work will still commence in the 2011/12 financial year.
- The Strand Street Phase 1 environmental upgrade was completed.
- Commencement of Strand Street Phase 2, which includes the construction of a new taxi rank at the harbour entrance.
- Work on the Donkin Reserve Phase 3 was completed.
- Route 67 was completed.
- Uitenhage Market Square was completed.
- Construction on Kings Beach has commenced.
- Refurbishment of the Athenaeum Building was completed.
- Work on the relocation of the tank farm and manganese ore facility made significant progress and Transnet formally announced that the tank farm would be relocated in 2014 and the ore facility in 2017.
- The second phase of the Economic Impact Assessment Barometer was completed. This Barometer tested the perceptions of the public based on the work of the MBDA and also calculated the number of jobs created and the contribution to the GDP.
- The MBDA successfully established its recycling plant in the Baakens River Valley, next to the old Mangold Engineering site.
- The MBDA increased its public profile and an educational/information programme informing the public what the MBDA is all about was significantly increased. It also needs to be noted that such a prominent public profile could also have negative repercussions for the MBDA's relationship with the NMBM.
- Twenty four (24) art pieces were installed along Route 67.
- The Local Spatial Development Framework (LSDF) for the MBDA Mandate Area is in its final stages of completion.
- The MBDA commenced with the Nelson Mandela Bay Stadium Management negotiations contract for the second 3-year period.
- Work commenced from a feasibility point of view on the development of rental housing study on the old Mermaid building site.
- Completion of Whites Road cliff-face rehabilitation.

### 3. CAPITAL PROJECTS

The core activity of the MBDA is the project programme. The philosophy behind this programme is to identify areas that have seen serious urban decay, conceptualise an innovative and creative plan, conduct a public participation process, cost such a plan and lobby for the required capital funding. The MBDA calls this the “concept to completion” approach. These capital projects were the outcome of the extended research continuously conducted by the MBDA to ensure that capital projects are not only about bricks and mortar, but also about changing the perceptions of people.

The capital projects selected were funded through different forms of capital contributions and the overall philosophy was that well-selected, catalytic infrastructure projects funded with public money would always be followed by the private sector over a period in time, resulting in a strong economic multiplier effect.

Indicated in the table below are the capital projects undertaken during the 2010/11 financial year:

PROJECT		Budgeted Capital Spent	Actual Spent at 30 June 2010	Planned Completion Date
1	Donkin Reserve Upgrade – Phase 1	30,000,000	27,929,979	Completed
2	Donkin Reserve Upgrade - Phase 2	6,000,000	4,493,332	Completed
3	Donkin Reserve Upgrade – Phase 3	20,000,000	13,389,435	31/10/2011
4	Uitenhage Market Square Upgrade – Phase 1	16,000,000	15,534,527	Completed
5	Uitenhage Market Square Upgrade – Phase 2	13,000,000	11,250,930	Completed
6	Whites Road Cliff Face Stabilisation	2,700,000	2,507,715	Completed
7	Strand Street Upgrade – Phase 1	30,000,000	29,562,988	Completed
8	Strand Street Upgrade – Phase 2	24,000,000	18,305,417	01/12/2011
9	Athenaeum Club Building Refurbishment	4,500,000	3,283,366	30/11/2011
10	Inner City Art Project	4,000,000	2,265,124	31/12/2011
11	Public Urinals	100,000	21,750	31/07/2011

PROJECT		Budgeted Capital Spent	Actual Spent at 30 June 2010	Planned Completion Date
12	GMA Sewer Rehabilitation (Russel Road to Manchester Street)	13,000,000	1,564,743	01/12/2011

***NOTE: Values indicated are from inception of the project till 30 June 2011***

#### 4. PERFORMANCE MANAGEMENT

The performance reporting is reflected under the respective strategic objectives set for the 2010/11 financial year as follows:

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
<b>4.1 CLEANSING SERVICES (CBD CENTRAL AND UITENHAGE)</b>					
4.1.1	Turnaround time for the maintenance of cleansing services in designated areas (14h00 to 22h00 Mondays to Saturdays)	N/A	Six days per week (Monday to Saturday)	Six days per week (Monday to Saturday)	Both the Uitenhage and Port Elizabeth CBDs are well monitored on a daily basis. All complaints about the level of service by the cleansing top-up service providers are addressed immediately.
4.1.2	% satisfaction with cleansing services in the mandated area through a confidence satisfaction barometer	N/A	70% satisfaction	89,5% satisfaction	Perception survey forms were distributed to businesses in the CBD, i.e. GMA, Strand Street and Chapel Street. Of the 75 forms distributed, 56 were returned with the following comments: Cleanliness: <i>Good</i> (20); <i>Average</i> (31); <i>Poor</i> (6).
<b>4.2 SECURITY SERVICES</b>					
4.2.1	Number of security meetings facilitated for the mandated areas with NMBM Safety and Security SAPS business community and other key stakeholders	N/A	4 by June 2011 (Quarterly meetings)	5 by June 2011 (Quarterly meetings)	Meetings were held on 9 September 2010, 11 November 2010, 17 March 2011, 19 May 2011 and 23 June 2011.
4.2.2	Development of Service Level Agreement between MBDA and NMBM's Safety and Security Volunteers with regard to MBDA mandate area	N/A	By March 2011	Target not met	The non-achievement in this KPI was due to the delays experienced in reaching consensus on the content of the proposed MOU between Safety and Security Directorate and the MBDA. The matter is currently being pursued by the NMBM and MBDA legal teams. It is envisaged that the target will be met in the 2011/12 financial year.

KEY PERFORMANCE INDICATOR (KPI)	BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS	
<b>4.3 PROVISION OF MAINTENANCE AND INFRASTRUCTURE</b>					
4.3.1	Turnaround time for repair and maintenance of infrastructure	N/A	72 hours response period to reported incidents	72 hours response period to reported incidents	
<b>4.4 STAKEHOLDER INITIATIVES</b>					
4.4.1	Number of Special Rating Areas operational by June 2011	N/A	Richmond Hill Special Rating Area operational	Target not met	The implementation of this KPI was delayed, due to the extensive nature of essential consultation with the various stakeholders. Following the internal stakeholder consultation, a public meeting was held on 27 June 2011 at the Richmond Hill Methodist Church in Edward Street to discuss the SRA Business Plan and Budget. The SRA Policy will proceed to the next level: tabling at the Portfolio Committees of EDRS and Budget and Treasury. This target will be met in the 2011/12 financial year.
<b>4.5 FACILITATING PUBLIC CAPITAL PROJECTS</b>					
4.5.1	Number of new capital projects conceptualised and designed	N/A	Consultant appointed	Target not met	The underperformance against this KPI is due to the delays experienced in the Supply Chain process. An Evaluation Committee meeting was held on 2 June and 10 June 2011 and an Adjudication Committee meeting was held on 22 June 2011. The Adjudication Committee referred the report back to the Evaluation Committee in order to verify the scores. An Evaluation Committee was reconvened on 27 June 2011 and an Adjudication Committee meeting is scheduled to reconvene on 4 July 2011. It is envisaged that the consultant will be appointed in the first week of July 2011.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
4.5.2	% of capital projects completed: (a) Strand Street (Phase I)	N/A	Strand Street: Phase 1 completed and signed off by December 2010	Strand Street Phase 1: 100% completed and signed off	
4.5.3	% of capital projects completed: (b) Donkin Reserve (Phase I)	N/A	Donkin Reserve: Phase 1 completed and signed off by July 2010	Donkin Reserve Phase 1: completed and signed off by July 2010	
4.5.4	% of capital projects completed: (c) Uitenhage Market Square (Phase I)	N/A	Uitenhage Market Square: Phase 1 completed and signed off	Uitenhage Market Square Phase 1: completed and signed off by September 2010	
4.5.5	% completion of new Capital Projects: 40% completion of Phase 2 of Strand Street upgrade by June 2011	N/A	40%	59%	
4.5.6	% completion of new Capital Projects: 60% completion of Phase 2 of Donkin upgrade by June 2011	N/A	60%	100%	

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
4.5.7	% completion of new Capital Projects: 100% completion of Phase 2 of Uitenhage Market Square by June 2011	N/A	100%	100%	
4.5.8	% completion of new Capital Projects: 100% completion of Govan Mbeki Avenue Sewer Rehabilitation upgrade by June 2011	N/A	100.00%	0%	The target has not been met, due to a delay from the Construction Industry Development Board (CIDB) regarding the grading of one of the respondents, as well as incomplete documentation received. An internal MBDA evaluation was conducted in February 2011. The successful bidder was appointed on 1 March 2011, and work has since commenced. It is envisaged that the target will only be met in the 2011/12 financial year.
4.5.9	% completion of new Capital Projects: 100% completion of Chapel Lane Furnicular by June 2011	N/A	100%	0%	The project has been cancelled, due to Budget cuts imposed on the MBDA as a result of the cashflow challenge in the Municipality. The KPI will be reviewed in the 2011/12 financial year.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
4.5.10	% completion of new Capital Projects 20% completion of King's Beach / NMBM Triangle rehabilitation by June 2011	N/A	20%	5%	This target has not been met, due to the budget cuts imposed on the MBDA by the NMBM, which resulted in this project being placed on hold and the scope of work amended. A service provider / consultant was appointed on 26 January 2011. The project has commenced and a Request For Proposals (RFP) for the construction tender was advertised on Friday, 27 May 2011 and closed on Friday, 24 June 2011. The RFPs are currently being evaluated by the BVI Consortium, the appointed consultants. This process is also dependent on the budget outcome for the 2011/12 financial year. It is envisaged that construction will commence in August 2011. A Development Forum was hosted on 5 August 2010. The 5% progress is based on the release of the RFP.
<b>4.6 FACILITATION OF PRIVATE SECTOR INVESTMENT IN MUNICIPAL PROPERTY</b>					
4.6.1	% completion of the construction of Tramways Building	N/A	40% by June 2011	Target not met	The target has not been met, due to delays by the developer as a result of ill health and financing. A legal opinion has been received by the agency's attorneys to declare the contract null and void. A submission will be made to the next Board meeting for approval to go ahead and demolish the building or submit a new Request for Proposal. It is envisaged that this target will only be met in the 2011/12 financial year.
4.6.2	% completion of refurbishment of Athenaem Building	N/A	100% by June 2011	100% by June 2011	

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
4.6.3	Purchase and refurbishment of Transnet Building	N/A	By June 2011	Target not met	This target has not been met, due to delays as Transnet was relocating staff to an adjacent building. At the Board meeting held on 11 March 2011, it was resolved that management would pursue any other suitable property that may be for sale in the market with a view to acquiring such a building for use as the Agency's office premises. A new RFP was advertised, calling for interested parties on 21 April 2011 closing on Friday, 27 May 2011, with no responses received to the advertisement. The RFP was thereafter readvertised on Monday, 13 June 2011, closing on Friday, 15 July 2011. This KPI will be reviewed in the 2011/12 financial year.
<b>4.7 PLANNING/SPATIAL FRAMEWORKS AND FEASIBILITY STUDIES</b>					
4.7.1	Completion of Mandate Area Strategic Spatial Implementation Framework (SSIF) LSDF	N/A	By June 2011	Target not met	The underperformance against this KPI is due to delays caused by the project consultants. The data and spatial development proposals were presented to management on 8 December 2010. The Public Participation Process commenced in the fourth quarter. The LSDF for King's Beach must still be completed. This target will only be met in the 2011/12 financial year.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
4.7.2	Relocation of Tank Farm and Manganese facilities - Port Environmental Study	N/A	By March 2011	Target not met	The negotiations between Transnet, the City and Southernport, the three land owners of the Port, have been delaying the finalisation of the Memorandum of Agreement. A feasibility study will be conducted on land usage following the relocation, in terms of port activity scenario versus non-port activity scenario. This target has not been met, as the process is taking much longer than initially anticipated. A renewal for application was advertised by Transnet on 25 January 2011. The MBDA subsequently appointed attorneys to compile an objection report for submission to Transnet. An application for funding to conduct the feasibility study has been made to the Provincial Department and the Head of Tourism at the IDC. It is envisaged that the target will only be met in the 2011/12 financial year.
4.7.3	Completion of Economic Impact Assessment Study Phase 2 (Urban Econ barometer)	N/A	By June 2011	Economic impact assessment study Phase 2 (Urban Econ barometer) completed	
<b>4.8 ENVIRONMENTAL MANAGEMENT</b>					
4.8.1	Development of an action plan for Go Green in-house within the MBDA mandate area	N/A	By December 2010	Action plan developed	

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
4.8.2	Number of green projects implemented	N/A	2 by June 2011	2 green projects implemented	Two green projects have been implemented: a sorting/recycling project and a hanging flower basket project (Govan Mbeki Avenue, Strand Street/Vuyisile Mini Square and Parliament Street).
4.8.3	Number of recycling containers provided within the MBDA mandate area	N/A	4	2	Two containers are in place, operated by Majoka as recycling stations: 1 in Parliament Street and 1 in Govan Mbeki Avenue. Once the current contract expires with Majoka Trading, a tender will be advertised calling for proposals from companies/groups/organisations that will not only collect and sell recyclable materials, but that can make and sell products that will be manufactured from recyclable materials. As mitigation to meet the target, a decision was taken to clear, prepare and fence 500 square metres of site number 5332 in the Baakens River Valley. 4 MBDA containers will be located there. It is envisaged that this target will be met in the 2011/12 financial year.
<b>4.9 STRATEGIC PLANNING AND INTEGRATION</b>					
4.9.1	Existence of an organisational/project management tool to monitor project progress	N/A	By June 2011	Organisational project management tool in place	

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
4.9.2	Obtain income tax / VAT directive from National Treasury and finalise implementation plan for conversion from Section 21 to a private company	N/A	By June 2011	Target not met	The performance against this KPI is dependent on a directive to be received from National Treasury, which remains outstanding. The target will be reviewed in the 2011/12 financial year.
<b>4.10 PERFORMANCE MANAGEMENT</b>					
4.10.1	Existence of performance contracts between CEO and the Chairperson on behalf of the Board as well as between CEO and direct reportees	N/A	By July 2010	Performance contracts in place	MBDA performance contracts were approved by the HR Remuneration Committee on 23 March 2011.
4.10.2	Roll-out of performance plans to all employees	N/A	By June 2011	Target not met	Performance contracts were concluded for the Chief Executive Officer and his direct reportees. The remaining performance contracts are in draft format and will be concluded in the first quarter of the 2011/12 financial year.
4.10.3	Conduct mid-term and annual performance reviews between the Board and CEO and between CEO and direct reportees	N/A	Mid-term (December) and annual (June)	Target not met	The annual performance review of MBDA employees will commence in July 2011.
4.10.4	Submission of performance reports indicating performance gaps and improvements	N/A	Quarterly (September, December, March & June)	Quarterly reports	

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
<b>4.11 HUMAN RESOURCES DEVELOPMENT</b>					
4.11.1	Number of people employed from employment equity target groups	N/A	14	16	14 PDIs are employed on a permanent basis, and 2 are employed on a contractual basis.
4.11.2	% staff who consider organisational planning processes to be inclusive participatory and empowering.	N/A	75% by June 2011 (2 surveys per annum)	Target not met	A survey was set to form part of a strategic planning session, which could not take place due to unforeseen circumstances. A concerted effort will be made in the 2011/12 financial year to complete the survey.
4.11.3	Implementation of RPL/training programme for senior managers in line with National Treasury regulations	N/A	Completion of 5 unit standards per manager by June 2011	Target not met	The MBDA has had to make its own budget provisions for this KPI, as a result of the cashflow challenge by the Municipality. Training has commenced with the first Unit Standard presented on 22 to 23 March 2011; 11 to 14 April 2011; and 27 June 2011 to 1 July 2011. One manager completed 5 Unit Standards, whilst the remaining managers are in the process of completing the required Unit Standards. It is envisaged that the target will be met in the 2011/12 financial period.
4.11.4	% compliance with MBDA's annual skills development programme	N/A	100%	100%	

KEY PERFORMANCE INDICATOR (KPI)	BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS	
<b>4.12 HERITAGE, ARTS AND CULTURE</b>					
4.12.1	Number of public art pieces put in the Donkin Reserve Precinct and inner city	N/A	30	89	
4.12.2	Number of emerging artists promoted by the MBDA	N/A	40	208	
4.12.3	Number of emerging crafters trained by MBDA	N/A	30	32	
<b>4.13 MARKETING PROMOTION BRAND AND PLACE MANAGEMENT</b>					
4.13.1	Number of promotional magazine/newspaper articles published	N/A	10	62	Articles were placed in <i>Fly Piggy</i> and <i>Infocom</i> , <i>The Herald</i> , the <i>PE Express</i> , <i>Eastern Cape Tourism Directory</i> (2011), <i>Your Money, My PE</i> and the <i>Algoa Sun</i> .

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
4.13.2	Number of press conferences arranged with written and electronic media	N/A	4 per annum	4 per annum	Press invites and press releases were sent to the media for the launch of the revamped Uitenhage Market Square, which took place on 9 May 2011 and the launch of the Athenaeum Arts Exhibition, which took place on 16 June 2011.
4.13.3	Number of promotional opportunities identified for large scale advertising	N/A	2 per annum	2 per annum	Govan Mbeki kiosks were branded and advertisements were placed in <i>Fly Piggy &amp; Business Link</i> .
4.13.4	Number of public events identified to attract people to the inner city	N/A	2 per annum	2 per annum	The Athenaeum Arts Exhibition (Athenaeum Book Launch) and the Uitenhage Market Square Launch were identified as projects that would attract people to inner-city areas.
4.13.5	Appointment of new Public Relations and Marketing panel	N/A	By July 2010	Panel appointed	
<b>4.14 PREFERENTIAL PROCUREMENT</b>					
4.14.1	Review of SCM Policy to ensure that it benefits HDIs and SMMEs as per NMBM guidelines	N/A	By December 2010	Target not met	As per the Board meeting of 27 May 2005, all MBDA supply chain matters are to be guided by the NMBM's Supply Chain Management Policy; consequently, the review of the MBDA Supply Chain Management Policy is subject to the review of the NMBM's Supply Chain Management Policy.
<b>4.15 URBAN DEVELOPMENT ZONE (UDZ)</b>					
4.15.1	Number of applicants who have applied for Urban Development Zone tax incentives through the assistance of MBDA	N/A	10	3	To date, only three applications have been received. No new applications were received for the fourth quarter.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
<b>4.16 EXPENDITURE</b>					
4.16.1	% MBDA Capital Budget spent on implementing capital projects	N/A	95%	63.6%	63.6% of the budget was spent. This target has not been met, due to delays caused by year-end processes and the fact that contractors are still verifying invoices for year-end purposes.
4.16.2	Timeous submission of 3-year MTEF Budget Plan to NMBM	N/A	By December annually	3-year MTEF Budget Plan submitted	
<b>4.17 SUPPLEMENTARY FUNDING</b>					
4.17.1	% of additional funding sourced by MBDA to complement municipal funding	N/A	10% by June 2011	15,81% by June 2011	15,81% of additional funding has been secured through the IDC and the Lotto funding received for the 2010/11 financial year.
<b>4.18 COMMUNICATION AND PUBLIC PARTICIPATION</b>					
4.18.1	Number of community outreach programmes undertaken	N/A	6	5	Meetings were held on: <ul style="list-style-type: none"> <li>- 6 August 2010</li> <li>- 27 October 2010</li> <li>- 3 March 2011</li> <li>- 15 March 2011</li> <li>- 19 March 2011</li> </ul> <p>The sixth meeting was scheduled to take place on 23 June 2011, but was postponed to 6 July 2011.</p>

KEY PERFORMANCE INDICATOR (KPI)	BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS	
<b>4.19 PROJECT RELATED PUBLIC PARTICIPATION</b>					
4.19.1	Number of public participation meetings held to foster understanding of the role of MBDA as well as to enhance participation in the implementation of projects within MBDA mandate area	N/A	6	7	Meetings were held on: - 6 August 2010 - 27 October 2010 - 3 March 2011 - 15 March 2011 - 22 March 2011 - 7 April 2011 - 27 June 2011
<b>4.20 INFORMATION COMMUNICATION AND TECHNOLOGY</b>					
4.20.1	Conversion to Pastel Evolution System	N/A	By July 2010	Conversion to Pastel Evolution System completed	
4.20.2	% implementation of data recovery disaster management plan	N/A	100%	95%	The delay in this KPI is due to the ongoing consultative processes. The Draft Data Recovery Disaster Management Plan was tabled at the Audit Committee meeting of 11 February 2011, where further amendments were requested. The revised Draft Plan was submitted to the Audit Committee meeting of 2 June 2011, where it was again referred back for further amendments. It is envisaged that the Data Recovery Disaster Management Plan will be implemented in the 2011/12 financial year.
4.20.3	Implementation of Electronic Asset register	N/A	By September 2010	Register implemented	
<b>4.21 CORPORATE GOVERNANCE</b>					
4.21.1	Receipt of unqualified Audit Report	N/A	By December 2010	Unqualified audit report received	

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
4.21.2	Number of Board meetings held	N/A	4	3	<p>Board meetings were held:</p> <ul style="list-style-type: none"> <li>- 17 September 2010</li> <li>- 3 December 2010</li> <li>- 11 March 2011</li> </ul> <p>A fourth Board meeting was scheduled for 24 June 2011, but postponed due to the non-availability of a quorum and as a result of the Budget not yet being passed by Council. The next Board meeting is scheduled to take place on 5 August 2011.</p>
4.21.3	Number of HR Remuneration Committee meetings held	N/A	3	2	<p>One HR Remuneration Committee meeting was held on 13 December 2010, and a second meeting was held on 23 March 2011. A third HR Remuneration Committee meeting is only scheduled for 18 July 2011, based on the availability of Committee members.</p>
4.21.4	Existence of a Board Charter	N/A	By December 2010	Board Charter in place	
4.21.5	Completion of annual Board Performance Assessment	N/A	Completed by June 2011	Target not met	<p>The Assessment Framework was set to be tabled for discussion at the Board meeting of 24 June 2011. The meeting was postponed, due to the fact that no quorum was present and that the budget had not been passed by the NMBM Council at that stage. It is envisaged that the matter will be resolved at the next Board meeting, scheduled to take place on 5 August 2011.</p>

KEY PERFORMANCE INDICATOR (KPI)	BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS	
<b>4.22 INTERNAL CONTROLS AND RISK MANAGEMENT</b>					
4.22.1	Perform strategic risk assessment	N/A	Appointment of consultants	Target not met	The Audit Committee resolved on 2 June 2011 resolved that consultants not be appointed to perform the strategic risk assessment of the MBDA, since the Committee will manage and perform risk assessments until such time that the Chief Risk Officer is appointed by the NMBM. It is envisaged that the risk assessments will occur in the 2011/12 financial year.
4.22.2	Turnaround time for the submission of risk management reports to the Audit Committee and Board (number of months following the end of the quarter)	N/A	One month after end of quarter	One month after end of quarter	The risk register was submitted to the Audit Committee on 2 June 2011.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
4.22.3	Develop and implement a risk management policy	N/A	By September 2010	Target not met	The Audit Committee on 2 June 2011 resolved that the Chief Risk Officer of the NMBM must develop the Policy for the MBDA. The underperformance of this KPI is due to the resignation of the Chief Risk Officer. It is envisaged that the Risk Management Policy will be developed in the 2011/12 financial year.
4.22.4	Implementation of gift and business declaration register	N/A	By December 2010	Gift and business declaration register implemented	
4.22.5	Number of Audit Committee meetings held	N/A	4	4	Audit Committee meetings were held on: - 14 September 2010 - 12 November 2010 - 11 February 2011 - 2 June 2011
4.22.6	Annual Assessment of the Audit Committee	N/A	Completed by June 2011	Annual assessment completed	The annual assessment of the Audit Committee was done by Audit Committee members and the Board Chairperson in June 2011.

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2010/11	ACTUAL 2010/11	EXPLANATION OF VARIANCE / COMMENTS
4.22.7	Review of Internal Audit and Audit Committee Charters	N/A	Completed by June 2011	Target not met	The Audit Committee resolved on 2 June 2011 that the MBDA must adopt the amended internal audit and Audit Committee charters of the NMBM, which is scheduled to take place in September 2011.
4.22.8	Independent Internal Audit conducted	N/A	One per annum	One per annum	

## **5. CORPORATE GOVERNANCE**

### **5.1 Corporate Governance Statement**

Good corporate governance is essentially about effective leadership. It requires leadership that is able to integrate decision making, business strategy and sustainability. It also calls for an inclusive and collaborative approach in respect of stakeholders, focused on the need for effective engagement and constant update of business affairs for decision making.

The King Code of Governance for South Africa and its Code of Governance Principles (KING III) were launched on 1 September 2009 and came into effect on 1 March 2010.

The MBDA Board of Directors has reviewed its corporate governance practises with a view to fully comply with the requirements of KING III. During the year under review, the MBDA Board continues to consist of a majority of independent non-executive directors.

The company has committed its practice of agreed key performance indicators and measures with the shareholder. Progress against set targets is continuously reviewed by the Board and reported to the shareholder representatives on a quarterly basis.

The Board continued to work collectively, effectively and efficiently in executing its duties and has a strong relationship with the Chief Executive Officer.

The Board of Directors of the MBDA is satisfied that the MBDA has complied with all relevant legislation affecting the company, as reflected in the Auditor-General's report. The MBDA is committed to the following corporate governance principles and they form the core values that guide the MBDA in its business:

- To be an agent of social and economic growth
- Be inclusive and understanding the needs of its stakeholders
- Achieve value for money for our shareholders
- Maintain integrity and respect at all times
- Be accountable about the way we take decisions and the way we use our resources;
- Work as a team
- Seek excellence in the way we operate
- Be open to innovation and to contestability of ideas
- Embed sustainability in everything we do

From a corporate governance point of view, the MBDA also adheres and strives to the following:

- Carry on business through fair commercial and competitive practices

- Removing discrimination and enabling employees to realise their potential through training and development of their skills
- Being responsible towards environmental and social issues
- Play the role of a change agent in urban renewal and transformation, as well as economic transformation

## **5.2 GOVERNANCE STRUCTURE**

### **5.2.1 BOARD OF DIRECTORS**

The Board draws a clear distinction between operational matters on the one hand, which is the responsibility of the Chief Executive Officer, who is not a Board member, and his staff, and providing strategic and political guidance to the CEO, which is the responsibility of the Board.

The MBDA operated during the period of review with 8 (eight) non-executive Board members, who have a range of different skills and experience that they use to the benefit of the MBDA. The non-executive Board of Directors take responsibility for ensuring that the Board promotes proper deliberation of all strategic matters requiring attention. The Board meets on a quarterly basis and retains full and effective control over the MBDA.

Matters of Corporate Governance are continuously scrutinised during meetings to ensure that accountability is taking place within an environment of performance.

The Board has also established the Audit and Human Resources/Remuneration Committees.

The skills of the Board are supplemented at Committee level by external Committee members, as in the case of the Audit Committee. The Board has entrenched sound governance within the MBDA. It is the core of the MBDA's governance system and is overarchingly responsible for:

- Providing clear strategic direction to the entity.
- Ensuring that appropriate management structures are in place to ensure the effective day-to-day operations of the organisation.
- Promoting a culture of ethical behaviour.
- Entrenching sound corporate governance through an integrated governance structure.
- Compliance with all relevant laws, regulations and codes of practise.

### **5.2.2 BOARD EVALUATION**

The effectiveness and performance of all Board members are assessed annually, and any shortcomings are addressed and areas of strength consolidated.

In the current financial year, the MBDA Board of Directors facilitated its performance assessment and that of its committees. The Chairperson of the Board reviews the performance of the CEO and the CEO reviews the performance of the executive management, who in turn evaluate the performance of their staff members.

### **5.2.3 Company Secretarial function**

This role is managed by the Chief Financial Officer and involves a process that ensures that the organisation complies with company legislation and regulations, and keeps Board members informed of their legal responsibilities and duties.

The Company Secretary's duties cover a wide array of functions, including statutory matters, such as the following:

- Organising, preparing Board agendas, and recording minutes of meetings.
- Dealing with correspondence.
- Collating information, writing reports and ensuring that decisions made are communicated to the relevant individuals.
- Contributing to meeting discussions, as and when required, and advising Board members of the legal, governance and accounting implications of proposed policies.
- Monitoring changes and relevant legislation and the regulatory environment and taking appropriate action.
- Liaising with external regulators and advisors, such as lawyers and auditors, etc.
- Developing and overseeing the systems that ensure that the company complies with all applicable codes, as well as its legal and statutory requirements.
- Arranging Annual General Meetings.
- Induction of new or inexperienced directors.
- Assisting the Board Chairperson and CEO in determining an annual course of action.

### **5.2.4 Risk Management and Governance processes**

Risk management is an integral part of good corporate governance at the MBDA. It is a process whereby:

- There is a shared awareness and understanding within the organisation of the nature and extent of the risks it faces.
- The categories and extent of those risks regarded as acceptable and the likelihood and potential of impacts of the risks materialising are established.
- There is regular and ongoing identification, evaluation, management, monitoring, recording and reporting of risks, with a view of improving the organisation's ability to manage and reduce the incidence and impact on the organisation of those risks that do materialise.

- An appropriate assessment is made of the costs of implementation and operating a particular and control related risks.
- The MBDA Board monitors risk through a risk evaluation process. Such a process is aimed at examining risks associated with proposed projects such as the financing, returns and risk profile.
- The MBDA has identified and developed a risk register in which it identifies its risk areas and how to monitor it.
- The MBDA ensures effective internal controls.

## 6. HUMAN RESOURCES

The MBDA's present staff component as per race and gender is reflected as follows:

### RACE

LEVEL	BLACK	WHITE	COLOURED	INDIAN
Management	1	2	-	1
Professional	3	1	-	-
Administration	4	2	4	1

### GENDER

LEVEL	MALE	FEMALE
Management	3	1
Professional	2	2
Administration	4	7

6.1 STAFF ORGANOGRAM AS AT 30 JUNE 2011

