

A. FOREWORD TO THE ANNUAL REPORT 2006/2007

The current council assumed office on 14 March 2006, and inherited a hugely dysfunctional municipality. It is common knowledge that the Provincial Executive Council had, during 2005, resorted to invoking the provisions of section 139 of the Constitution of the Republic of South Africa, after the Elundini Municipality had consistently failed to discharge its executive obligations. Needless to mention that the administration of the municipality was abysmal, and labour disputes were the order of the day.

The Council has since stabilized the administration and launched the municipality on a path to meaningfully discharge its obligations. Although it is to be accepted that the problems of the previous term permeated through to the period under review, there are significant milestones which have been achieved and which have perched the municipality on a pedestal to accelerate service delivery and attain its vision of “*a better life for all*”

Significant progress has been made in reshaping the municipal administration during the latter half of the 2006/2007 financial year. These are captured in the organizational overview. The appointment of a new management team has, in particular, has been a significant milestone for the municipality.

As a low capacity municipality in terms of the framework for the implementation of the Municipal Finance Management Act No 56 of 2003, the preparation of an annual report has become peremptory in respect of the 2006/2007 financial year. MFMA circular no 11 issued on 14 January 2005 provides guidance on the preparation of the annual report. It is accepted that, in view of the challenges that have beset the municipality as captured above, exacerbated by the loss of institutional memory (none of the previous managers is with the municipality), it has not been possible to comply to the set format in totality. Efforts have been made, however, to make the annual report as informative as possible despite the obvious challenges.

Our annual report bears testimony to the challenges which have pervaded the municipality, but also points to a concerted effort to attain excellence in service delivery. It is only through the hegemony of and cohesion in our council, the ethos of good management in our administration as well as the unwavering support and constructive contribution of our communities that the Elundini Municipality will make a positive and measurable difference in the lives of the people of Elundini.

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I wish to express my sincere gratitude to my fellow councilors as well as the Municipal Manager and his team for their dedication, support and hard work. The support and positive contribution given by the people of Elundini in the midst of serious service delivery shortcomings has been gratifying.

Councilor Bongani Salman
Mayor

B. OVERVIEW OF THE MUNICIPALITY

a) Introduction

The project consolidate status accorded to the Elundini Municipality in 2004 by the Department for Provincial and Local Government is indicative of a local government which has been experiencing certain challenges with regard to its constitutional mandate. The Elundini Municipality is a rural municipality and consequently experiences certain challenges which are inherent to such municipalities. Such challenges include, inter alia, the following: -

- Huge infrastructural backlogs
- Inadequate revenue base resulting in total reliance on government grants and inability to attend to basic service delivery;
- Inability to attract the skills required for effective service delivery;
- Poor interface between the Council and the electorate;
- Absence of systems, policies and procedures
- High levels of poverty and unemployment, as well as an economy that is growing far lesser than the national levels.
- A spiral of the HIV and AIDS pandemic

The Elundini Municipality is strategically positioned to achieve excellent economic growth as a result of the investment initiative in a timber processing plant. The economic spin offs accruing from this investment must be deliberately ploughed in those areas where the citizenry has not seen the dawn of economic freedom. This is ideal and the ethos which must drive the development agenda of the Elundini Municipality.

The institutional reconfiguration of the Elundini Municipality, the upskilling of the workforce, and reshaping of the strategic focus of the Council are central for the attainment of the ideal of a better life for the people of Elundini.

b) Brief Profile of the Elundini Municipality

The Elundini Municipality has three towns (Mt Fletcher, Maclear and Ugie) and is characterized by remote rural villages situated in the foothills of the Maluti mountains and southern Drakensberg range. The R56 runs from Elliot through the Elundini municipal area, linking the three main towns with KwaZulu Natal.

The largest infrastructure backlogs in the Ukhahlamba district are found in Elundini municipal area and only 36% of the labour force is employed. There is a high level of dependency on government grants and subsidies.

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The farming activities are mainly communal, with some limited commercial farming being practiced. The investment by PG Bison into the timber manufacturing services is beginning to have a positive impact economically and in the development of bulk infrastructure and, if well managed, will benefit the area as a whole.

The population of the municipality is approximately 137 580 people (2001 census) residing in 33248 households. The population makes 40.31% of the total population residing in the Ukhahlamba district, making it the most populated local municipality in the district.

Approximately 50.3 % of the population falls in the 15 – 65 age category which can be seen as the economically active sector of the population, with 42% of the population below the age of 15. The overall male – female ratio is approximately 46:54. The majority of the population (98%) are black Africans.

The strategic pillars which have been identified for the growth of the local economy are agriculture, forestry and tourism.

c) Political Structure

The Elundini Municipality has 32 councilors, consisting of 16 ward councilors and 16 party representative councilors. Two of the members are occupying the positions of Mayor and Speaker, and have been designated as fulltime office bearers.

In terms of section 9 (b) of the Municipal Structures Act, the Elundini Municipality has an executive committee system combined with a ward participatory system. The Council has appointed 6 members to the Executive Committee, including the Mayor who is the chairperson.

During the period under review, the following members served in the Executive Committee: -

Name	Portfolio	Gender	Remuneration (R)
Cllr B Salman	Mayor	Male	448 096
Cllr D D Mvumvu	Community Services	Male	187 679
Cllr N R Lengs	Technical Services	Female	187 679
Cllr M P S Leteba	Financial Services	Female	187 679
Cllr N F Mphithi	Corporate	Female	187 679

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	Services		
Cllr N Ndzamela	N/A	Female	140 759
Cllr M Mqamelo	N/A	Male	46 920

Note: Cllr Ndzamela's political party membership was terminated and she consequently lost her seat in the Council at the end of March 2007. The Independent Electoral Commission declared councilor Mqamelo as a councilor was subsequently appointed to the Executive Committee.

Councilor LS Baduza has served as the Speaker of the Council and her earnings during the year under review amounted to R361 160.

Remuneration for the rest of the Councilors, all of whom are serving the Council on a part time basis, amounted to R3 469 200.

Councilors have been remunerated in terms of the Remuneration of Public Office Bearers Act No of 199 and in terms of Government Notice No R1224 issued by the Minister for Provincial and Local Government on 4 December 2006.

d) Standing Committees

At its inaugural meeting on 14 March 2006, the Council appointed the following standing committees in terms of sections 79 and 80 of the Municipal Structures Act: -

- Section 79 committee
- Corporate Services Standing Committee
- Financial Services Standing Committee
- Technical Services Standing Committee
- Community Services Standing Committee

Whereas the terms of reference for the four other committees can be deduced from the fact that they have been designed and structured so as to resemble the administrative departments, there are no clear terms of reference for the section 79 committee. Accordingly, the section 79 committee has never met, and any matters which are deemed not to be in the purview of any of the four functional committees have been reported directly to the Executive Committee.

All the members of the council have been allocated to standing committees, and at least 4 members of the Executive Committee are the chairpersons of the four functional standing committees as envisaged in section 80(3) of the Municipal Structures Act.

e) Functioning of Council and its committees

Political Structure	Number of ordinary meetings held	Number of special meetings held	percentage of members in attendance at Council /committee meetings (%)	Percentage of members absent without apology (%)
Council	4	6	79,6	12,2
Executive Committee	4	1	100,0	0
Section 79 committee	0	0	0	0
Corporate Services Committee	6	0	75,0	7,0
Financial Services Committee	5	0	77,5	13,0
Technical Services Committee	5	0	68,0	18,0
Community Services Committee	3	0	72,0	15,0

In terms of section 18(2) of the Municipal Structures Act, a municipal council must meet at least quarterly. The threshold of quarterly meetings in the Elundini Municipality is based on a calendar year.

The Executive Committee has operated on the basis of its powers derived from legislation, and there has been no delegation of powers by the Council during the period under review.

The standing committees have an advisory role to the Executive Committee.

f) Ward Committees

The Elundini Municipality has established 16 ward committees. The committees are chaired by the respective ward councilors, and each ward committee has ten other elected members. No particular powers have been assigned to the ward committees and ward submission are made through the ward councilors. The Elundini Municipality views ward committees as rudimentary organs for deepening democracy and major community consultation process have been done mainly through the ward committees. Due to poor institutional arrangements, the municipality has not, during

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the period under review, been able to design appropriate mechanisms to support the ward committees.

The functionality of the ward committees may best be depicted through the number of meetings held during the period under review: -

Ward Number	No of meetings	Average attendance (%)
1	?	83
2	?	
3	4	55
4	6	64
5	5	86
6	5	98
7	7	82
8	5	88
9	?	
10	?	
11	2	75
12	3	70
13	3	84
14	2	80
15	?	
16	7	65

Various training programmes to capacitate the ward committees were conducted during the year under review.

g) Management Committee

During the year under review, the Council appointed a Municipal Manager in terms of section 82 of the Municipal Structures Act and the managers directly accountable to the Municipal Manager in terms of section 56 of the Municipal Systems Act No 32 of 2000.

Position	Incumbent	Period employed	Remuneration (R)
Municipal Manager	Mr. SPH Belebese	1/7/06 – 31/12/06	205 205
	Mr K Gashi	2/1/07 – 30/6/07	346 154
Manager – Corporate Services	Mr. S Matubatuba	1/3/07 – 30/6/07	211 830

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Chief Financial Officer	Mr. L Fokazi	1/3/07 – 30/6/07	211 830
Manager – Technical Services	Mr. J S Schmidt	1/7/06 – 30/11/06	157 824
	Mr. O G Letsholonyane	1/4/07 – 30/6/07	159 645
Manager – Community Services	Mr. F Malobola	1/7/06 – 28/2/07	290 555
	Mrs. L Mqokoyi	1/4/07 – 30/6/07	158 325

During the year under review, the Ukhahlamba District Municipality provided the services of two of its officials to act in the positions of Manager – Corporate Services and Chief Financial Officer prior to the appointment of the current incumbents. Internal acting arrangements were made in respect of the Manager – Technical Services and Manager – Community Services until the appointment of the current incumbents.

h) Municipal Departments

Council adopted an organizational structure in August 2006, with the following departments: -

Name of Department	Responsibilities
Office of the Municipal Manager	<ul style="list-style-type: none"> • Special Programmes • Public participation • Communications • Customer care • Intergovernmental relations • Internal audit
Corporate Services	<ul style="list-style-type: none"> • Humanresources management and administration • Skills development • Traffic services • Council and committees • Administrative units • Legal services • Registry
Financial Services	<ul style="list-style-type: none"> • Supply chain management • Expenditure • Revenue • Asset management • Accounting

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	<ul style="list-style-type: none"> • Budgeting
Technical Services	<ul style="list-style-type: none"> • Roads and stormwater • Electricity • Water and sanitation • Solid waste sites
Community Services	<ul style="list-style-type: none"> • Refuse removal • Parks and gardens • Pounds • Local economic development • Community facilities • Poverty alleviation • Libraries • Housing

i) Staff Profile

I. Racial classification and gender distribution

Racial Classification	Males	Females	Total	Percentage – racial grouping (%)
Africans	95	50	145	91,8
Coloureds	7	0	7	4,4
Indians	-	-	-	-
Whites	3	3	6	3.8
Total	105	53	158	100
Percentage – gender distribution	66,5%	33,5%	100%	

II. Age Grouping

AGE	A		C		W	
	F	M	F	M	F	M
27-35	17	17	0	0	0	0
36-40	12	29	0	1	0	0
41-50	16	25	0	2	3	3
51-65	5	24	0	4		

III. Educational Profile

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OCCUPATIONAL CATEGORY	MALE			NQF	FEMALE		NQF
	A	C	W		A	W	
Sections 57 Managers	4			6-7	1		8
Professionals	6	1	2	4-6	3		5-6
Technicians	4		1	5-6	1		4-5
Clerks	2		1	4-6	20	3	4-6
Service & Sales workers	4			4-5	2		4-5
Operators	9			2-4			
General workers	65	6		0-2	23		0-2
TOTAL	94	7	4		50	3	
GRAND TOTAL	158						

EXPLANATORY NOTES

NQF LEVEL	Level of qualification
0	Less than Std 7 or no Education at all
2	STD 7
3	STD 8
4	STD 10
5	N6
6	National Diploma & Junior Degree
7	Four year university Degree
8	Master's Degree

IV. No of Industrial Actions = 1 on 15 December 2006

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V. Trainings Conducted

Training	Service Provider	No of participants
Labour Relations Workshop	Global Business Solutions	5
Batho Pele	Premiers' Office	2

VI. There was only one resignation and two deaths during the year under review.

VII. Legal Matters

CASE	ISSUE	STATUS
1. V. Matyeni	a) Two cases involving subsistence and traveling allowance claims b) Acting Allowance	a) Both finalized b) Pending
2. N. Bob & 10 others	Unfair Dismissal	Pending
3. X Marubelela	Civil Claim against	Pending
4. Z. Mbombo	Embezzlement of funds	Finalised
5. Bezuidenhout & others	Standby allowance	Finalised

VIII. During the year under review, 709 traffic tickets with a value of R402 300 were issued for various section 56 traffic offences.

IX. Backlogs In Service Delivery

Total number of households	33248
Total number of h/holds with access to basic water supply	10923
% of households with access to basic water	32.85%
Total number of households with access to electricity	20455
% of households with access to electricity	
Total number of households with access to sanitation	
% of households	

X. Policies adopted and systems established by the municipal council during the year under review

Council has during the year under review, adopted the following policies and established systems as described hereunder: -

- A human resources policy manual, entailing the following policies: -
 - Normative framework for human resources management;
 - Organisational design, approving and changing the organizational structure, creating and abolishing posts and the staff establishment;
 - Recruitment, selection, appointment, promotion and demotion;
 - Relocation policy;
 - Labour relations
 - Employee remuneration
 - Allowances;
 - Employee benefit schemes
 - Legal aid to employees and cession of action
 - Occupational health, employee wellness and workplace safety;
 - Private work
 - Training and development
 - Career opportunities, succession planning and rapid progression;
- Financial policies adopted are the following: -
 - Supply chain management policy
 - Travel and subsistence policy
 - Budget policy
 - Banking and investment policy
 - Tariffs policy
 - Credit control policy
 - Fleet control policy
 - Indigent policy

XI. Steinhoff /PG Bison Investment Initiative

Recently, Steinhoff / PG Bison bought out north eastern cape forests from Mondi. The Government has identified timber processing as an ASGISA project and the Elundini Municipality has, during the year under review, disposed certain pieces of land to the company to facilitate the investment.

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The following pieces of land were disposed off:

- Erf 5430 in Ugie, measuring 25 hectares, for the purpose of developing a truck stop – R3 million
- Portion of erf 1 in Maclear, measuring 1156,5615 hectares for the purpose of building a hotel and middle income housing – R5, 559 million
- Erf 5429 in Ugie measuring 68,4055 hectares, for development of a commercial park – R4 million
- 121 erven in Prentjiesberg, Ugie, for the purpose of building high income houses for occupation by the employees of Steinhoff International – R5,15 million
- 160 business erven in Ugie, which are reserved for commercial development by Steinhoff International – R2,2 million.

The agreements of purchase and sale of some of the pieces of land provide for the installation of bulk services (Truck stop and commercial park) and high level, internal services are being installed in the residential erven.

C. MAJOR PROJECTS UNDERWAY DURING THE YEAR UNDER REVIEW

Project Name	Project Value (R million)	Comments
Construction of access roads in ward 1,5 and 6	9,1	Completed – phase 2 to start during the 2007/8 financial year
Implementation of phase 1 of the Maclear electricity master plan	1,7	Currently under implementation
Installation of services in Prentjiesberg	23,6	Currently underway – municipality's obligations in terms of the agreements of purchase and sale with Steinhoff/ PG Bison. Water and sanitation services being installed by Ukhahlamba DM with a separate budget. Project to overlap to the 2007/8 financial year
Maclear outfall sewer	3,8	Implemented by Ukhahlamba DM
Maclear waste treatment plant	6,8	Implemented by Ukhahlamba DM
Implementation of Ugie Water and Sanitation	100,0	Implemented by Ukhahlamba DM – Still in progress

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master plan		
Mt Fletcher and bulk rural water supply	200,0	Implemented by Ukhahlamba DM – multi year project
Construction of the Ugie – Langeni Road		Implemented by Department of Transport
Construction of R56 – Mt Fletcher/ Maclear		Implemented by the Department of Transport

An amount of R3 million of the MIG allocation was withheld by the Department of Provincial and Local Government during February 2007 for under spending and poor or no reporting. The funding has been refunded during the November 2008, which has resulted in the increase of the MIG allocation for the 2007/8 financial year from R9 million to R12 million.

D. ANNUAL FINANCIAL STATEMENTS AND ANNUAL PERFORMANCE REPORT

In terms of section 126 of the Local Government: Municipal Finance Management Act No 56 of 2003, the accounting officer of a municipality must prepare the annual financial statements of the municipality and, within two months after the end of the financial year to which those statements relate, submit the statements to the Auditor General for auditing.

Section 126(3) of the MFMA requires the Auditor General to audit those financial statements and submit an audit report on those statements to the accounting officer of the municipality within three months of receipt of the statements.

In terms of section 126(4), if the Auditor General is unable to complete an audit within three months of receiving the financial statements from an accounting officer, the Auditor General must promptly submit a report outlining the reasons for the delay to the relevant municipality and to the relevant provincial legislature and parliament.

Section 46 of the Local Government: Municipal Systems Act No 32 of 2000 directs that a municipality must prepare for each financial year a performance report reflecting: -

- a) The performance of the municipality and of each external service provider during that financial year;
- b) A comparison of the performance referred to in paragraph a) with targets set for and performances in the previous financial year; and
- c) Measures taken to improve performance.

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Section 46(2) of the Systems Act requires an annual performance report to form part of the municipality's annual report. Section 45(b) of the Systems Act requires the annual performance report to be audited annually by the Auditor General.

i. Compliance with section 126 of the Local Government: Municipal Finance Management Act

- The annual financial statements of the Elundini Municipality for the year ended 30 June 2007 were prepared and submitted to the Auditor General on 31 August 2007;
- Although the Auditor General has conducted an audit on the annual financial statements, a report as contemplated in section 126(3)(b) of the MFMA has not been submitted to the Elundini Municipality;
- Furthermore, no report in terms of section 126(4) has been submitted;
- A letter of enquiry to the Auditor General in regard to the above matter, was forwarded to the Office of the Auditor General on 9 January 2008. The response from the Auditor General has been received on 28 January 2008.

The annual financial statements which constitute an integral part of the annual report for the year ended 30 June 2007, have no audit opinion on them, expressed or disclaimed, and are attached herewith.

ii. Compliance with section 46 of the Local Government: Municipal Systems Act.

- During the year under review, the Elundini Municipality did not establish a performance management system as contemplated in section 38 of the Systems Act.
- Except for the performance agreement signed with the current Municipal Manager for the period January 2007 to June 2007, no performance agreements were signed with the previous Municipal Manager and those managers which were directly accountable to them;
- As the current section 56 Managers joined the municipality towards the end of the financial year, no performance agreements in relation to the 2006/2007 financial year were signed with them;

iii. Platform for performance evaluation

- The municipality did not have a service delivery and budget implementation plan as required in terms of section 53 and 69 of the Municipal Finance Management Act for the year under review, mainly due to the fact that these provisions were to take effect only from the budget relating to the 2007/2008 financial year;
- On 29 January 2007, after receiving a report on the institutional shortcomings of the municipality from the Municipal Manager, the Council adopted an action plan of “quick wins” for the period January 2007 to June 2007;
- The Auditor General has accepted the action plan as a performance report and agreed to perform an audit thereon as envisaged in section 45(b) of the Municipal Systems Act.

The audit report on the performance of the municipality has not yet been issued by the Auditor General. The action plan as adopted by Council is attached herewith.

E. PRIORITIES FOR THE 2007/2008 FINANCIAL YEAR

The following priorities are pivotal to the Elundini Municipality in respect of the 2007/2008 financial year: -

i. Municipal Institutional Development and Transformation

- Review of the organizational structure to align with the IDP and to address operational deficiencies
- Attainment of the objectives of the employment equity act;
- Adoption and implementation of a performance management system;
- Implementation of ICT systems

ii. Basic service delivery

- More households to receive clean water;
- Electrification rollout by ESKOM to meet the national targets and improvement in the quality of electricity provisioning in the town of Mt Fletcher and the licenced areas of Maclear and Ugie;
- Proper management of the solid waste sites;
- Construction of access roads;
- Housing delivery;

iii. Local economic development

- Development and implementation of a LED strategy;
- Harnessing of the investment in the timber processing;
- Development of a spatial development framework and release of land for commercial development

iv. Municipal Financial Viability and Financial Management

- Development of a property rating policy and a new valuation roll;
- Accurate financial report and implementation of the provisions of the MFMA;
- Improvement in financial controls and an improvement in the opinion of the Auditor General;
- Realistic and accurate budgeting;
- Disposal of redundant assets
- Aggressive collection of revenue

v. Good Governance and Public Participation

- Functional Audit Committee
- Support to ward committees
- Development and implementation of by-laws

F. CONCLUSION

The Elundini Municipality has put in place sound administrative systems in place with clear mechanisms to foster community participation and excellence is service delivery. The municipality, working with other spheres of government and other strategic partners, is also creating an environment to boost investor confidence in our municipality.

The success of the efforts of the Elundini Municipality are intertwined with the improvement in the quality of the lives of the people of Elundini.