

ANNUAL REPORT

ON THE PERFORMANCE OF

KAROO HOOGLAND MUNICIPALITY

FOR THE 2008/09 FINANCIAL YEAR

IN TERMS OF

SECTION 46 OF THE LOCAL GOVERNMENT MUNICIPAL SYSTEMS ACT, 2000

AND

SECTION 121 OF THE MUNICIPAL FINANCIAL MANAGEMENT ACT, 2003

January 2010

ANNUAL REPORT

Mr JJ de Wee

Mayor for Karoo Hoogland Municipality

It is my pleasure to submit the Annual Report of Karoo Hoogland Municipality for the financial year 1 July 2008 to 30 June 2009.

I am satisfied that the report seeks to portray the activities of the municipality during the financial year under review in terms of legislative requirements.

Louis Nothnagel

Municipal Manager

27 January 2010

ACRONYMS AND ABBREVIATIONS

AG	Auditor General
CDW	Community Development Worker
CFO	Chief Financial Officer
COGTA	Co-operative Governance, Human Settlements and Traditional Affairs
DBSA	Development Bank of South Africa
EPWP	Expanded Public Works Programme
FBS	Free basic services
IDP	Integrated Development Plan
KHM	Karoo Hoogland Municipality
KPA	Key Performance Area
LED	Local Economic Development
LGSETA	Local Government Sector Education and Training Authority
MDB	Municipal Demarcation Board
MFMA	Municipal Financial Management Act
MIG	Municipal Infrastructure Grant
MSIG	Municipal Systems Improvement Grant
PMS	Performance Management System
SALGA	South African Local Government Association
SDBIP	Service Delivery Budget Implementation Plan
WSDP	Water Services Development Plan
WSP	Workplace Skills Plan

CONTENTS

Foreword by the Mayor

Overview by the Municipal Manager

CHAPTER 1

BACKGROUND OF THE MUNICIPALITY

OVERVIEW OF THE PERFORMANCE IN PREVIOUS FINANCIAL YEAR 2007/08

CHAPTER 2

MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT - KPA 1

CHAPTER 3

BASIC SERVICE DELIVERY – KPA 2

CHAPTER 4

LOCAL ECONOMIC DEVELOPMENT – KPA 3

CHAPTER 5

FINANCIAL VIABILITY AND MANAGEMENT – KPA 4

CHAPTER 6

GOOD GOVERNANCE AND PUBLIC PARTICIPATION – KPA 5

CHAPTER 7

CONCLUSION

FOREWORD BY THE MAYOR



In her foreword in the 2007/08 Annual Report, my predecessor stated that the 2006/07 and the first six months of the 2007/08 financial year will in all probability be remembered as the period during which KHM experienced its most negative times.

The reasons which led to this statement are addressed in detail in the 2007/08 Annual Report and I will not refer to it again. However I can without any doubt report that significant progress was made during 2008/09 financial year in addressing the problems responsible for the poor performance of KHM in the previous two financial years.

The achievements during the 2008/09 financial year must be evaluated against the remedial actions which were put in place early in 2008 and this will be dealt with in detail in the chapters to follow.

I am convinced that my municipality has taken a giant leap in the right direction. The proof for this statement will be evident in the contents of this report with special reference to the corrective measures which were implemented.

JAN J. DE WEE (MAYOR)

OVERVIEW BY THE MUNICIPAL MANAGER

In the 2007/08 Annual Report I mentioned that Council had to put specific interventions in place to address the wide range of challenges which faced the municipality.

The most important corrective measures identified by Council, were the implementation of a Recovery Plan and to obtain hands-on support from the Northern Cape Provincial Government. This Annual Report will primarily focus on the achievements and constraints experienced with the implementation of the corrective measures during the financial year under discussion.

Specific emphasis will be placed on the performance of KHM in terms of the five national KPA's. My overall evaluation is based very specifically on the achievements of KHM in our strive to meet the strategic objectives of transformation, good governance, economic development and financial viability.

I am optimistic that we stood up against the challenges which faced us and that we are without doubt on track with what we envisage for Local Government, not only a local level but also within a regional and national perspective.

I am also satisfied that this report is a true and just reflection of what really happened in KHM in 2008/09.

Louis Nothnagel

CHAPTER 1

BACKGROUND OF THE MUNICIPALITY

Karoo Hoogland Municipality is an amalgamation of the three towns of Fraserburg, Sutherland and Williston as well as the vast surrounding rural area. The municipality comprises an area of approximately 34 000 km² and falls within the area of jurisdiction of Namakwa District Municipality. The following map demonstrates the location of the municipal area.



The total **population** is approximately 10 500 and the total number of **households serviced** by the municipality is approximately 3 000. This excludes the farms in the rural area.

The municipality is demarcated into four wards. The municipal council have seven councillors of which four are ward representatives and three hold proportional seats. The **vision** of council is to ensure an environment conducive for economic growth with special focus on poverty alleviation and job creation.

The challenges which we face will be addressed in more detail in the chapters to follow, however, because we are a relative small municipality, we had to embark upon a special strategy to overcome our weaknesses. In this regard we:

- Plan before we do;
- Consult before we act;
- Are always aware of our shortcomings;
- Do things in simple ways as we all then understand it;
- Build more capacity through partnerships.

OVERVIEW OF THE PERFORMANCE IN PREVIOUS FINANCIAL YEAR 2007/08

The complexity and nature of events in KHM during 2007/08 necessitates that an overview for this period be dealt with in two separate time frames namely for the period 1 July – 31 December 2007 and the period 1 January – 30 June 2008.

During the first six months of the financial year the negative circumstances in KHM, which originated in the 2006/07 financial year, worsened significantly. Very serious financial problems were experienced as a direct result of the payment boycotts in two towns (Williston and Sutherland) which commenced in September 2006, as well as the lack of proper financial management. During this period (November 2007) two senior officials were suspended by the former Municipal Manager, which led to criminal charges being laid against the MM and a Consulting Firm. As a result of these charges and an investigation by the then MEC for Housing and Local Government, the Council of KHM terminated the services of the former Municipal Manager and the Consultants during December 2007.

Early in 2008 the two suspended officials were reinstated and all alleged charges against them were withdrawn. In March 2008 the current Municipal Manager was appointed as MM by the Council. For the balance of the financial year Council focused on the identification of the main problems and challenges and the compilation of a Recovery Plan with specific short, medium and long term goals and interventions to address the situation.

The Recovery Plan was implemented immediately with the support of the Provincial Departments of Treasury and (former) Housing and Local Government. During the last four to five months of this financial year the corrective measures immediately had positive results. Proof of this is contained in the

“Consolidated Report on the Performance of Northern Cape Municipalities 2007/08”
where it is stated that

“KHM has significantly improved its position since the previous report of 2006/07”.

CHAPTER 2

MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

CAPACITY TO PERFORM MUNICIPAL FUNCTIONS

The Municipal Demarcation Board annually undertakes capacity assessments of all local authorities in South Africa and makes recommendations to the Provincial MEC of Local Government with regard to the capacity of each municipality to perform its functions in terms of the Municipal Structures Act.

The powers and functions of KHM were not adjusted for the year under review.

The municipality still performs 21 functions which is more than the average of 20 in our province.

POLITICAL PROFILE

The seven councillors represent the following political parties:

- | | | | |
|-------------------------------|---|------|---------------|
| ○ Councillor JJ De Wee | - | ANC | Mayor/Speaker |
| ○ Councillor (Ms) JK Malho | - | ANC | |
| ○ Councillor CD Malan | - | ANC | |
| ○ Councillor JJJ Storm | - | NPP | |
| ○ Councillor JJ van der Colff | - | DA | |
| ○ Councillor (Ms) MM van Wyk | - | DA | |
| ○ Councillor SJC Theron | - | ACDP | |

In terms of Section 9 of the Local Government: Municipal Structures Act (No. 117 of 1998) KHM is a category B municipality with a plenary executive system combined with a ward participatory system.

STAFFING AND MANAGEMENT PROFILE

Situation during 2007/08:

Municipal Manager	Acting
Head Corporate Services	Vacant
Chief Financial Officer	Vacant
Head Infrastructure Services	Vacant

Goals in terms of Recovery Plan

To fill the senior positions with competent staff

Achievements

Municipal Manager	Appointed in terms of Section 57 of Municipal Systems Act
Head Corporate Services	Appointed in terms of Section 57 of Municipal Systems Act
Chief Financial Officer	Vacant
Head Infrastructure Services	Appointed in terms of Section 57 of Municipal Systems Act

PERFORMANCE AGREEMENTS

Situation during 2007/08:

No performance agreements were in place

Goals in terms of Recovery Plan

To establish a performance management system in the medium term

Achievements

Municipal Manager appointed in terms of performance based contract
Corporate Services Manager appointed in terms of performance based contract
Infrastructure Services Manager appointed in terms of performance based contract

SKILLS DEVELOPMENT AND TRAINING

The Workplace Skills Plan for 2008/09 was compiled and submitted timeously before 30 June 2008.

Situation during 2007/08

Personnel shortage in certain positions
Limited capacity and skills of certain staff

Goals in terms of Recovery Plan

To fill vacant positions
Internal restructuring to enhance service delivery
Intensive training of certain key employees in finance department

Achievements

Credit Control Officer appointed
Organogram revised and new key positions created
Finance personnel received intensive training

INTERVENTIONS

Situation during 2007/08

A DBSA official was deployed at KHM through the Siyenza Manje Program in March 2008 to provide financial expertise.
During April 2008 the assistance of Provincial Treasury and Local Government was sought to help with the recovery initiatives of Council.

Goals in terms of Recovery Plan

To obtain hands-on support from Provincial Treasury and Local Government to assist with recovery goals.

Achievements

Both the departments of Provincial Treasury and Local Government became actively involved and played a key role in the successes reached during 2008/09.

CHAPTER 3

BASIC SERVICE DELIVERY

Situation during 2007/08

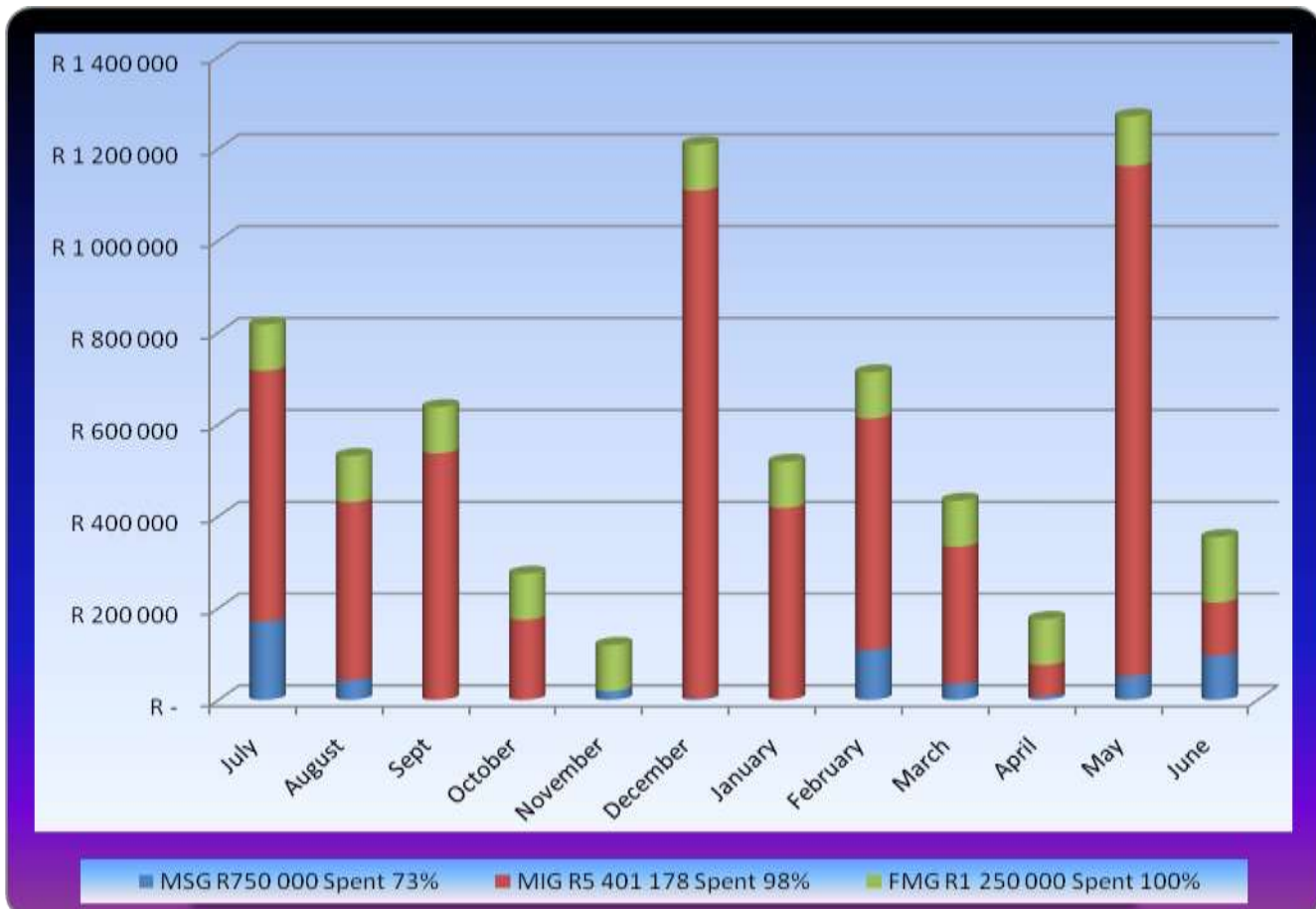
With reference to the provision of basic services (water, electricity and sanitation) the municipality does not face any serious challenges as all households in the municipality receive all these basic services. The major challenge is to address the housing backlogs in all three towns.

Goals in terms of Recovery Plan

No specific goals were identified.

MUNICIPAL INFRASTRUCTURE

The Spending patterns of external grants, with special reference to the Municipal Infrastructure Grant (red), for the 2008/09 financial year are reflected in the following diagram:



ELECTRICITY

The municipality is the service provider in part of Williston and in the whole of Fraserburg.

Eskom is the service provider in the other part of Williston and the town of Sutherland.

All households in the municipal area have access to electricity.

WATER

All households have access to water and receive 6 kilo litre per month free of charge.

The municipality has a water quality monitoring policy in place in terms of the requirements of the Department of Water Affairs and National Legislation.

SANITATION

All households in KHM have access to basic sanitation.

HOUSING

A housing project for the provision of 225 units has been approved by the Department of Housing and Local Government during the financial year under review.

During this year the land surveying and town planning of the area for the proposed project, has been undertaken.

FREE BASIC SERVICES

An Indigent Policy is in place and 960 registered indigent households receive free basic services.

LOCAL ECONOMIC DEVELOPMENT

Situation during 2007/08

During the 2007/08 financial year very little was done to promote economical development.

IDP

During a provincial assessment session in April 2008 the IDP (Integrated Development Plan) of KHM received a very poor rating of 20% overall.

LED

No LED initiatives were in place.

Goals in terms of Recovery Plan

Compilation of a new credible IDP in terms of statutory requirements.

Achievements

To achieve the goals the municipality entered into discussions with officials from the IDP Unit of the Department of Local Government and Housing and it was decided to start with a new IDP process in Karoo Hoogland Municipality. The process commenced in September 2008 with hands-on support from the department. Even though the new IDP was not completed by May 2009, the draft received an average rating of 60% during a provincial assessment. The final product was approved by Council on 25 June 2009.

The organogram has been revised to provide for the posts of LED – and IDP Managers with the view to fill these vacancies in the 2009/10 financial year.

FINANCIAL VIABILITY AND MANAGEMENT

This Key Performance Area is without any doubt the most important one, since no business or organization can fulfill its obligations without financial resources and sound financial management.

The performance of Karoo Hoogland during the year under review must be benchmarked against the performance during the previous financial year. In this regard I wish to refer back to Chapter One (OVERVIEW OF THE PERFORMANCE DURING THE PREVIOUS FINANCIAL YEAR 2007/08) of this report and I specifically need to highlight the fact that during the latter part of 2007/08 all focus was on the compilation of a Recovery Plan with specific goals to address the problems experienced in the previous eighteen months (1 July 2006 – December 2007).

Situation during 2007/08

The following problem areas and goals were identified:

- The payment boycotts initiated by the ratepayers associations in Williston and Sutherland in 2006 had to be addressed as this resulted in serious financial problems within the municipality;
- Proper credit control measures had to be put in place in order to improve the cashflow of the municipality in the immediate short term and to stabilize the financial position over the medium and long term;
- The computer system of the municipality needed to be upgraded with special emphasis on the software to ensure that proper and correct rates and services accounts are generated;
- The computer system of the municipality needed to be upgraded in order to be able to generate specific financial reports required in terms of the MFMA;
- The financial statements had to be compiled and submitted timeously to the AG in terms of legislative requirements ;
- No SDBIP existed and had to be implemented in terms of legislative requirements.

Achievements

- Negotiations were entered into with the two rate payers associations. They were adamant that they were not satisfied with the management and service delivery of the municipality and that they will only consider the termination of the boycotts if it is evident that the municipality is positively addressing its problems.

In October 2008 the Sutherland Rate Payers Association ended their boycott and paid over all the monies which they have kept in a trust for two years, to the municipality.

In April 2009 the Williston Rate Payers Association ended their boycott and reached an agreement with KHM to pay over the monies which they have kept for two years.

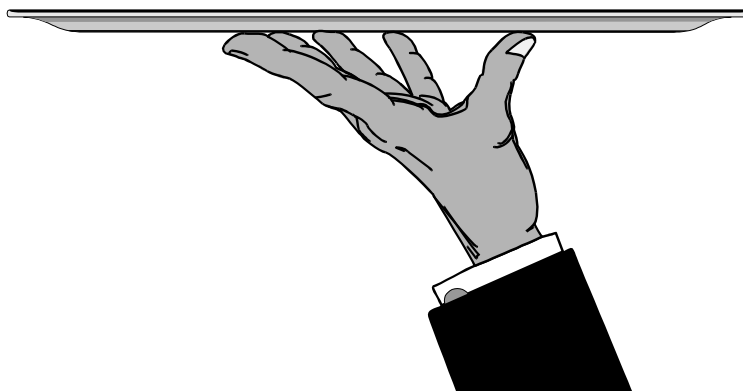
- Early in 2009 a Credit control office was established in the municipality and a dedicated credit control officer was appointed.
- The cashflow and overall financial position of KHM has improved significantly.
- The computer system of the municipality has been upgraded to ensure that proper service accounts are generated.
- Since October 2008 all financial reports required by the MFMA are being generated and submitted timeously on a monthly basis to National Treasury.
- The 2008/09 financial statements were compiled timeously and submitted to the AG before 30 September 2009.
- A SDBIP was implemented with the support of Provincial Treasury.

The Financial Statements and AG Report, as well as our Municipal Manager's comments on the AG Report, are enclosed in terms of Section 121 (3) of the MFMA.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2009



**REPORT OF THE AUDITOR – GENERAL
ON THE FINANCIAL STATEMENTS AND
PERFORMANCE INFORMATION OF KHM
FOR THE YEAR ENDED 30 JUNE 2009**

**SUMMARIZED COMMENTS OF THE
MUNICIPAL MANAGER ON THE
REPORT OF THE AUDITOR – GENERAL
FOR THE YEAR ENDED 30 JUNE 2009**

CHAPTER 6

GOOD GOVERNANCE AND PUBLIC PARTICIPATION

VISION

The **vision** of Council is to ensure an environment conducive for economic growth with special focus on poverty alleviation and job creation.

WARD COMMITTEES

The municipality is demarcated into 4 wards and each ward have a committee. Although they are functional, it is doubtful whether they really play a constructive roll in local government affairs. During the year under review special endeavors were made to improve the functionality of the ward committees.

PUBLIC PARTICIPATION

Situation during 2007/08

The public had a very negative opinion of the municipality and in both Williston and Sutherland, ratepayers have organized themselves and started with a payment boycott. This has lasted for both the 2006/07 and 2007/08 financial years. The negative opinion resulted in poor participation in municipal affairs.

Achievements

It has already been mentioned that the boycotts were both ended during the 2008/09 financial year. The municipality has also made special efforts to enhance communication with the general public through organized structures. This has definitely resulted in more open and better public participation in the affairs of the municipality.

GOVERNANCE PERFORMANCE

The report of the MEC on the performance of municipalities in the Northern Cape for the 2008/09 year has not been made public yet. However the MEC has already publically stated that KHM has improved significantly during the latter part of the 2007/08 year.

The report of the Auditor General (in comparison to the same report for the 2007/08 financial year) speaks for itself and it is evident that the performance of KHM has definitely improved substantially.

SCOPA has also in September 2009 expressed a very positive opinion regarding the state of Local Government in KHM and the corrective measures which have been taken by the municipality.

CONCLUSION

In the broader context and specifically benchmarked against the situation in KHM during 2006/07 and 2007/08, it can positively be stated that the 2008/09 year was a turnaround for KHM and that good progress was made in addressing the wide range and very serious problems which were encountered.

The two main administrative challenges which still faced the municipality at the end of the 2008/09 year were:

- To convert to GAMAP/GRAP and to the compilation of an asset register; and
- To implement an internal audit function.

Processes have already been put in place in order to achieve the above during the 2009/10 financial year.

On a more political level our municipality has to face the dynamics of Local Government. The general face of municipalities nationally is a great concern as the public has a very negative perception of Local Government. This was clearly emphasized by President J Zuma and Minister P Gordhan during a public address in Cape Town in October 2009.

All municipal councillors and officials have an obligation to ensure that their respective municipalities:

- Provide democratic accountable government
- Ensure provision of services in a sustainable manner
- Promote social and economic development
- Promote a safe and healthy environment
- Encourage involvement of communities in matters of local government