



SEKHUKHUNE
District Municipality

Annual Report

2015/2016

January 2016



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CHAPTER ONE: INTRODUCTION

Structure of the annual report of Sekhukhune District Municipality

Sekhukhune District Municipality (SDM) herein presents annual report for 2015-2016 financial year. The annual report is a statutory requirement for all municipalities in South Africa, primarily to report on performance during the year under review. Guided by Municipal Finance Management Act (MFMA) Circular 63 of 2012, contents of this annual report are set out as below:

Chapter 1: Introduction

Chapter 2: Governance;

Chapter 3: Service Delivery Performance;

Chapter 4: Organisational Development Performance;

Chapter 5: Financial Performance;

Chapter 6: Auditor General's Findings;

Appendices; and

Volume II: Annual Financial Statements (AFS)

However, this introductory chapter begins by presenting the legislative background, powers and functions of SDM, overviews on demographic; service delivery and financial health, and a summary of the annual report process.

Legislative framework for annual reporting

Requirement for a municipal annual report

Section 46 (2) of the Local Government: Municipal Systems Act (MSA) 56 of 2000 recognizes that a municipality shall have an annual report as a component of performance management, which shall consist of annual performance report.

Section 121 of the Local Government: Municipal Finance Management Act (MFMA) 56 of 2003 requires that every municipality must prepare an annual report for each financial year. This section outlines the purposes of annual report, which are:

- To provide a record of activities of the municipality or its entity for that particular year
- To provide a report on performance against the budget of the municipality or entity for that year
- To promote accountability to the local community

The above section also specifies the contents of annual report in detail, which include annual financial statements; auditor general's audit report, annual performance report, and other issues.

Submission and tabling of annual report

Section 127(2) of Local Government: Municipal Finance Management Act (MFMA) 56 of 2003 provides details on the requirements of submission and tabling of annual reports. The section requires that within 7 months after a financial year the Mayor of a municipality must submit an annual report of that particular year to Council. In addition to this requirement, Circular 11 of MFMA states that annual report must be tabled on 31 January and considered by Council on 31 March of the following financial year.

However, MFMA Circular 63 of 2012 requires that the draft annual report must be prepared and submitted to internal auditing, combined audit/performance committee, auditor general, and Council of the municipality whereas Council submits the unaudited annual report to MPAC. The latest MFMA circular of 2012 (No.63) provides the latest guidelines that should be followed.

Section 127 also says the accounting officer of the municipality must make public the annual report according to section 21A of the Municipal Systems Act, and invite the local community to contribute towards the annual report. Finally, Section 127 of MFMA requires the accounting officer to submit the annual report to the Auditor General, provincial treasury and the provincial department of local government.

Preparation of annual report

There are two MFMA circulars which were made to guide preparation of annual reports of municipalities and their entities: Circular 11 of 2005 and Circular 63 of 2012. The two circulars are supposed to be read concurrently (in conjunction with each other).

MFMA Circular No.11 (2005) was made to provide guidance on preparation of annual report. The circular re-emphasise the requirements of annual report stated in the MFMA and the MSA, and supplements two documents which were produced earlier in the same year of 2003, namely the National Treasury “Budget Circular 2” and Annual Report Guidelines.

However the circular goes further to describe the timelines required to produce the annual report, and accordingly states that the annual report must be tabled on 31 January and considered by Council on 31 March of the following financial year. At the same time the Council is required to adopt an oversight report over the annual report.

Circular 11 also prescribed the format which an annual report must have, namely:

Chapter 1: Introduction and Overview

Chapter 2: Performance Highlights

Chapter 3: Human Resource and other Organisational Management

Chapter 4: Audited Statements and Related Financial Information

Chapter 5: Functional Area Service Delivery Reporting

Also mentioned in the same circular 11 are the requirements on annual report according to Division of Revenue Act (DORA), which requires inclusion of certain issues in the annual report, including:

How the municipality met the requirements of the use of conditional grants

Use of donor funding

Information on long-term contracts

MFMA Circular No.63 of 2012 builds on Circular 11, and its main aim is to provide guidance to municipalities and municipal entities on new Annual Report Format and its contents. This particular circular states that over and above the purposes of annual report stated above, the annual report also aims to reduce the additional reporting requirements that will otherwise arise from Government Departments, monitoring agencies and financial institutions. The specific goals of the new annual report format are the following:

Standardise reporting to enable municipalities / municipal entities to submit comparable Annual Reports;

Align financial and non-financial reporting in the Annual Report;

Create a standardised reporting structure that will enhance comprehensive oversight, meaningful evaluation and improved understanding of service delivery output;

Ensure the standardisation of terminology used in Annual Reports; and

Support the internal and external audit process.

Circular 63 of 2012 requests that the format of the annual report for municipalities and municipal entities be set out as below:

Chapter 1: Mayor's Foreword and Executive Summary;

Chapter 2: Governance;

Chapter 3: Service Delivery Performance;

Chapter 4: Organisational Development Performance;

Chapter 5: Financial Performance;

Chapter 6: Auditor General's Findings;

Appendices; and

The format as prescribed by the latest MFMA circular (No.63) was used for preparation of the annual report for Sekhukhune District Municipality for 2015-2016.

Municipal powers and functions

The powers and functions of Sekhukhune District Municipality are determined in terms of the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996) Schedule 4 Part B as follows:

- Fire fighting
- Local Tourism
- Municipal Airports except for Ephraim Mogale and Elias Motsoaledi
- Municipal Planning
- Municipal Health Services
- Municipal Public Transport
- Markets
- Municipal Abattoirs
- Regional Land Fill Sites
- Water
- Sanitation

Demographic overview

Population

Statistics South Africa indicated during the 2016 Community Survey that the total population of Sekhukhune district is 1 169 762. In Census 2011, the population of Sekhukhune District Municipality stood at 1 076 830 persons. The SDM total population increased by 8,6% over the past five years. The youth population, which consists of

mostly unemployed persons, increased by 30% over the same five years. The table below displays the official numbers:

| Municipality | POPULATION | | AS % of district population 2016 | YOUTH POPULATION | |
|-------------------|------------------|------------------|----------------------------------|------------------|----------------|
| | 2011 | 2016 | | 2011 | 2016 |
| Fetakgomo | 93 795 | 96 668 | 8% | 31 594 | 38 955 |
| Greater Tubatse | 335 676 | 393 713 | 34% | 128 819 | 184 259 |
| Makhuduthamaga | 274 358 | 283 956 | 24% | 88 663 | 107 577 |
| Ephraim Mogale | 123 648 | 127 168 | 11% | 42 964 | 51 829 |
| Elias Motsoaledi | 249 363 | 268 256 | 23% | 86 165 | 109 022 |
| Sekhukhune | 1 076 840 | 1 169 762 | 100% | 378 205 | 491 642 |

Source: Census (2011), Community Survey (2016)

It can therefore be inferred that the average annual growth rate for the population of Sekhukhune district is 1,7% considering the growth rate of 8,6% over the past five years. Based on this, the projected population number for the district shall be around 1, 368,621 by the end of 2017.

However, Statistics South Africa indicated during the 2011 census figures that the annual population growth rate in the district was at 1% per annum. Based on that statement, it can be seen that the population growth rate was projected to be slower as the district population was to reach 1, 130, 670 in 2016. However, this projected number has been exceeded in 2016 community survey as demonstrated in the above table.

The population growth rate in Greater Tubatse local municipality is higher as compared to the rest of the local municipalities in the district in the last five years. Tubatse's growth rate of 17,2% percent is even higher than the district growth rate of 1,7%.

The factors that drive population growth in Greater Tubatse local municipality are ongoing mining activities in the area as well as the growing retail sector as a result of this growth. Therefore many residents of the district travel and reside in Greater Tubatse local municipality for employment opportunities.

Elias Motsoaledi also experiences a high growth rate of 7,5% which is the second highest in the district. The strong agricultural sector in Elias Motsoaledi in Groblersdal area sees the movement of people especially seasonal workers who come during ploughing and harvesting times.

Households

Households in the district have also increased from a total of 263 802 in 2011 to 290 489 in 2016 according to the Community Survey of 2016. This is an increase of 10% over the last five years. It can thus be inferred that households have a possible average increase of 2% per annum. The table below presents the official numbers provided by Statistics South Africa through its normal studies:

| MUNICIPALITY | HOUSEHOLDS 2011 | HOUSEHOLDS 2016 | AS PERCENTAGE |
|-------------------------------|----------------------------|----------------------------|--------------------------|
| Greater Tubatse/ Fetakgomo | 106 050 | 125 454 | 43% |
| Makhuduthamaga | 65 217 | 64 769 | 22% |
| Elias Motsoaledi | 60 251 | 66 330 | 23% |
| Ephraim Mogale | 32 284 | 33 936 | 12% |
| Sekhukhune | 263 802 | 290 489 | 100% |

Source: Census (2011), Community Survey (2016)

The average growth rate of Sekhukhune population and households per annum (1,7% and 2% respectively) imply that there will be a continual increase in demand for services in future, particularly water; sanitation and electricity. Future resource allocation for these services by the SDM need to increase accordingly, which must be considered through its planning processes.

Service delivery overview

Sekhukhune District Municipality is a water services authority and water services provider in accordance with its powers and functions.

The Municipality is currently providing full water and sanitation services in the main towns such as Burgersfort (12 815 people), Marble Hall (4 025 people), Groblersdal (6 312 people), Steelpoort (3 374 people) and Ohrigstad (1 520 people). These areas have access to other high level services such as refuse removal and roads.

Villages in the vast rural areas are being provided with water using underground sources and water tankers where necessary. Most of the rural villages in the flag boshielo water scheme are receiving water services in a much more improved way than most rural other villages.

In 2015-2016 financial year, a number of villages have begun benefitting from water provided by a main pipe from De Hoop dam, namely: Mpelegane, Maepa, Ratau, Maphopha, Rantho, Masha, Malekana and Maseven. This is a notable progress as De Hoop dam's provision is beginning to reach villages.

The SDM is currently implementing a massive sanitation programme and providing Ventilated Improved Pit latrines (VIP's) to various households. In the 2015/2016 financial year 17 481 VIP Sanitation units were built across the district as part of providing communities with sanitation.

The SDM is also providing services relating to firefighting, emergency and disaster management relevant to its powers and functions.

Financial health overview

Assets

Sekhukhune District Municipality has a number of assets in the form of water and sanitation infrastructure (immovable assets) as well as those assets that are movable (office furniture and vehicles). In the 2015/2016 financial year the municipal assets stood at R2,6 Billion and the year earlier which is 2014/2015, the municipal assets were at R2,5 Billion. There was overall increase in the SDM assets. The total liabilities for the 2015/2016 financial year for SDM stood at R334 million in contrast to R425 million in the 2014/2015 financial year.

The net asset position of the municipality stands at R2, 3 billion in 2015-2016 compared to R2 billion in the 2014/2015 financial year.

Revenue

The total revenue realised by the SDM for the 2015/2016 financial year stood at R1,286 Billion as compared to total revenue of R889,7 Million in the 2014/2015 financial year. Revenue from exchange items is summarised as follows:

Service charges which is sale of water and sewer services stood at 51,7 Million compared to R42,7 Million in the 2014/2015 financial year.

Interest from receivables stood at R7,4 Million in 2015-2016 compared to R4,6 Million in the 2014/2015 financial year. Other sources of revenue such as sale of tender documents contributed R10 Million in the 2015/2016 financial year as compared to R2, Million in the previous financial year of 2014/2015.

The total revenue from exchange items stood at R88,8 Million in 2015-2016 compared to R114,7 Million in the 2014/2015 financial year.

Revenue from non-exchange items stood at R1,1 billion compared to R775 Million in 2014/2015 financial year. The bulk of the revenue from non-exchange items is the government subsidies and grants which clearly indicate that we are a grant dependent municipality.

Expenditure

The total expenditure for the municipality in 2015-2016 was R1 033 194 414, in contrast to R862 967 182 that was spent in 2014-2015. Personnel costs remain the largest item of expenditure in the 2015-2016 financial year at R295 million (29%) compared to 2014/2015 financial year at R267 Million. This relates to the payment of salaries and allowances for staff members in the district.

VIP Sanitation is the second largest area of expenditure at R242 million (23%) compared to R86,6 Million of 2014-2015. The municipality has been constructing VIP Sanitation

units in all the five local municipalities as part of dealing with the sanitation backlogs. Other areas of expenditure are as depicted in the chart below.

General expenses is the third biggest expenditure item at R196 million (19%) compared to R176 Million of 2014-2015. The top five general expense items relate to provision of security, lease rental and operating lease, fuel and lubricants, laboratories and chemicals and well as consulting professional services.

Bulk purchases becomes the fourth largest area in the expenditure items at R142 million (14%) compared to R109,5 Million of 2014-2015. Bulk purchases relate to purchase of electricity for water operations as well as purchase of water from various service providers for provision to communities.

Statutory Annual Report Process

| No. | Activity | Timeframe |
|-----|---|-----------|
| 1 | Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period. | July |
| 2 | Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting). | |
| 3 | Finalise 4 th quarter Report for previous financial year | |
| 4 | Submit draft Annual Report to Internal Audit and Auditor-General | |
| 5 | Municipal entities submit draft annual reports to MM | |
| 6 | Audit/Performance committee considers draft Annual Performance Report of municipality and entities (where relevant) | August |
| 8 | Mayor tables the unaudited Annual Report | |

| | | |
|----|--|---------------------|
| 9 | Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General. | |
| 10 | Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase | |
| 11 | Auditor General assesses draft Annual Report including consolidated Annual Financial Statements and Performance data | September - October |
| 12 | Municipalities receive and start to address the Auditor General's comments | |
| 13 | Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report | November |
| 14 | Audited Annual Report is made public and representation is invited | |
| 15 | Oversight Committee assesses Annual Report | |
| 16 | Council adopts Oversight report | |
| 17 | Oversight report is made public | December |
| 18 | Oversight report is submitted to relevant provincial councils | |
| 19 | Commencement of draft Budget/ IDP finalisation for next financial year. Annual Report and Oversight Reports to be used as input. | January |

CHAPTER TWO: GOVERNANCE

Introduction to governance

Section 2 of the Local Government Municipal Systems Act, 2000 (Act 32 of 2000) defines a municipality as follows;

“a municipality is-

Is an organ of state within the local sphere of government exercising legislative and executive authority within an area determined in terms of the Local Government Municipal Demarcation Act, 1998

Consists of –

The political structures and administration of the municipality; and

The community of the municipality”

Section 152 of the Constitution of the Republic of South Africa provides for the following as objects of local government;

Section 152 (1) the objects of local government are;

To provide democratic and accountable government for local communities

To ensure the provision of services to communities in a sustainable manner

To promote social and economic development

To promote a safe and healthy environment and;

To encourage the involvement of communities and community organisations in the matters of local government

Political and administrative governance

In terms of the Municipal Structures Act, the Council of the Municipality is the highest decision making body. The council appoints Accounting Officer who runs the day to day operations of the municipality on behalf of the council.

Introduction to political governance

In our resolve to enhance good governance and accountability, the Municipality adopted separation of powers model, marking a new dispensation in the history of Sekhukhune, which sees the legislative arm of council being separated from the executive arm. This is in line with the governance approach that seeks to put in place an independent oversight mechanism to ensure that democracy is deepened and that effective public service delivery takes place to benefit the communities of Sekhukhune.

This model will yield the following benefits:

A structured and systematic co-ordination and management of the overall work of council and its committees;

That council is used as a platform for improved quality and techniques of plenary debates on local issues requiring the attention of Council;

Improved management of petitions processes and the Legislature's public participation programmes, as well as

Strengthening Council's ability to make and review the efficacy of by-laws approved.

Finally the decision to separate powers should be viewed within the context of seeking to achieve sound governance, accountability, representation and participation through clear delineation of powers and functions between the executive and legislative arms of Council. It ensures that the executive is held accountable for service delivery undertakings and shortcomings through an independent representative oversight body of the legislative arm.

Section 79 committees

Council established section 79 committees to play oversight role and monitor the work of the executive and administration. The established committees are aligned to administrative departments of the municipality and are chaired by non-executive councillors.

Mayoral committee and Office of the Speaker

The Executive Mayor is the political head of the Institution and is assisted by Mayoral Committee. The Executive accounts to council on a regular basis on the work of the municipality. The speaker of the municipality is head of council and is responsible for management of council meetings and processes.

Audit committee

The Municipality has established an Audit Committee which is also responsible for performance audit. The audit committee of the municipality provides opinion and recommendations on amongst other issues the Annual Financial Statements before submission to Auditor General.

The Members of the Audit Committee are as follows - from 1 July 2015 to 30 June 2016:

Mr. K.M. Ramukumba (chairperson)

Ms. S.V. Mabilane

Mr. L. Langalibalela

Mr. P. R. Mnisi

Mrs. S.M. Makinta

The audit committee members should meet 4 times per annum as per its approved terms of reference. During the current year four meetings were held and the members attended as follows:

| Name of member | Number of meetings attended |
|--------------------------------|------------------------------------|
| Mr. K. Ramukumba (Chairperson) | 4 |
| Mr. R. Mnisi | 2 |
| Mrs. SM. Makinta | 2 |
| Mr. L. Langalibalela | 4 |
| Ms. S Mabilane | 4 |

Risk steering management Committee

The risk management steering committee has been established to advise the municipal manager on risk management issues. In Sekhukhune District Municipality the Risk Management Steering Committee is chaired by a member of the Audit Committee and reports from the Risk Management Steering Committee are then tabled to the Audit Committee.

Municipal Public Account Committee (Oversight committee)

In line with legislation the District has established an oversight committee made up of non-executive councillors to provide an opinion on the annual report before tabling to council. The oversight report will be published separately as per the MFMA guidance.

Political structures in detail

| | Position | Name |
|---|---|---------------------------|
| 1 | Executive Mayor | Cllr. Mogobo David Magabe |
| 2 | Speaker | Cllr. N.C Mathebe |
| 3 | Chief Whip | Cllr. C.M Marota |
| 4 | MMC Budget and Treasury | Cllr. Lionel Seloane |
| 5 | 1 st MMC Infrastructure and water services | Cllr. M.J Mathale |

| | | |
|----|---|----------------------|
| 6 | 2 nd MMC Infrastructure and Water services | Cllr. M.F Lekola |
| 7 | MMC Corporate services | Cllr. T.L Nchabeleng |
| 8 | 1 st MMC Community services | Cllr. P.M Mamahlako |
| 9 | MMC Planning and Economic Development | Cllr. R.M Matlala |
| 10 | 2 nd MMC Community services | Cllr. R.C Kupa |
| 11 | MMC Office of Executive Mayor | Cllr. Kgoloko N.L |

The total number of Councillors before the 18th May 2011 Local Government were 41 with 17 as party representatives and 24 representing local municipalities.

After the 18th May 2011 Local Government Elections, the number of Councillors stands as 48 with 19 being party representatives and 29 being local municipalities' representatives.

Directly Elected Councillors

| DIRECTLY ELECTED COUNCILLORS | | | |
|-------------------------------------|--------------------------------------|----------------------|--------------------------|
| Council Members | Full Time / Part Time (FT/PT) | Position held | Party Represented |
| Cllr Mathebe N.C | FT | Speaker | ANC |
| Cllr Magabe M.D | FT | Executive Mayor | ANC |
| Cllr Mathale M.J. | FT | MMC | ANC |
| Cllr Marota C.M | FT | Chief Whip | ANC |
| Cllr Matlala R.M | FT | MMC | ANC |
| Cllr Seloane L.M | FT | MMC | ANC |
| Cllr Nchabeleng T.L | FT | MMC | ANC |
| Cllr Mamahlako P.M. | PT | MMC | ANC |
| Cllr Kgoloko M.L. | PT | MMC | ANC |

| DIRECTLY ELECTED COUNCILLORS | | | |
|-------------------------------------|--------------------------------------|------------------------|--------------------------|
| Council Members | Full Time / Part Time (FT/PT) | Position held | Party Represented |
| Cllr Kupa R.C | FT | MMC | ANC |
| Cllr Lekola M.F | FT | MMC | ANC |
| Cllr Thamaga M.M. | FT | MPAC Chairperson | ANC |
| Cllr Mabuza D.L. | PT | Community Services | ANC |
| Cllr Sihlangu T.L | PT | Budget & Treasury | ANC |
| Cllr Mafefe O.H | PT | Corporate Services | ANC |
| Cllr Makitla R.J, | PT | Community Services | ANC |
| Cllr Makuwa T.H | PT | Budget & Treasury | AZAPO |
| Cllr Mokwana L.W | PT | Infrastructure & Water | COPE |
| Cllr Tala D.L. | PT | Infrastructure & Water | DA |

SECTION - 79 PORTFOLIO COMMITTEES OF COUNCIL

| BUDGET AND TREASURY (BTC) MEMBERS |
|---|
| Cllr Marapi S (Chairperson) |
| Cllr Thobejane MD (Portfolio whip) |
| Cllr Mamogobo S. |
| Cllr Moifo H.K |
| Cllr Thokoane .J. |
| Cllr Kgwedi J.L |
| Cllr Mohlala MJ |
| Cllr. Malatjie M |
| Cllr. Mokwana LW |
| 10. Cllr Tau L.C |

| |
|--|
| Kgoshi Masha L.A |
| COMMUNITY SERVICES (SC) |
| Cllr. Malatjie MN (Chairperson) |
| Cllr. Shai A.M (Portfolio whip) |
| Cllr Makgoga N.H |
| Cllr. Matjomane. D. |
| Cllr. Makuwa T.H |
| Cllr. Nkadimeng S.P |
| Cllr.Mabuza D.L |
| Kgoši Mathebe C. |
| Kgosi Rantho NJ |
| Cllr Kekana K.N |
| Cllr Makola MM |
| CORPORATE SERVICES |
| Cllr Mafefe O.H (Chairperson) |
| Cllr Masemola H.R (Portfolio Whip) |
| Cllr Tala D.L |
| Cllr Makuwa T.H |
| Cllr Tshoma. L. |
| Cllr Shai A.M |
| Cllr. Matjomane D. |
| Cllr: Kupa R.C |
| Cllr: Makola M.M |
| Cllr: Kekana K.N |
| Kgoši Mogashoa M.E |
| INFRASTRUCTURE AND WATER SERVICES |
| Cllr Ratau M.F (Chairperson) |
| Cllr Malaka M.S (Portfolio Whip) |

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|--|
| Cllr Makuwa T.H |
| Cllr Mokwana L.W |
| Cllr Mohlala M.J |
| Cllr Tala D.L |
| Cllr. Makitla R.J |
| Cllr. Shai A.M |
| Kgoši Madihlaba D.G |
| Kgošigadi Riba S.G |
| Cllr Rakoena M.F |
| PLANNING AND ECONOMIC DEVELOPMENT |
| Cllr Sihlangu T.L (Chairperson) |
| Cllr. Mabuza D.L (Portfolio whip) |
| Cllr Tshoma L. |
| Cllr Rakoena M.F |
| Cllr Makitla R.J |
| Cllr Kupa R.C |
| Cllr Thokwane J. |
| Cllr Masemola H.R |
| Cllr Mokwana L.W |
| Cllr Kgwedi J.L |
| Cllr.Kgoši Matlala –Lehwelere M.A |

SECTION - 79 STANDING COMMITTEES OF COUNCIL

| |
|---|
| RULES AND PETITIONS COMMITTEE |
| Cllr Mathebe N.C (Chairperson) |

| |
|--|
| Clr Maleka E.K |
| Clr Shai A.M |
| Clr Malatjie M.N |
| Clr Makitla R.J |
| Clr Masemola H.R |
| Clr Thobejane M.D |
| Clr Makuwa T.H. |
| Clr Tala D.L. |
| Clr Mokwana L.W |
| ETHICS COMMITTEE |
| Clr Mabuza D.L (Chairperson) |
| Clr Malaka M.S |
| Clr Shai A.M |
| Clr Thokoane J |
| Clr Tala D.L |
| Clr Masemola H.R |
| Clr Mamogobo. S. |
| Clr Maleka E.K |
| MUNICIPAL PUBLIC ACCOUNTS COMMITTEE |
| Clr Thamaga M.M (Chairperson) |
| Clr Malaka M.S |
| Clr Moifo H.K |
| Clr Thobejane M.D |
| Clr Marapi S. |
| Clr Maleka E.K |
| Clr Mokwana L.W |
| Clr Tala D.L |
| Clr Thokwane M.J. |
| Clr Nkadimeng S.P |

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| AUDIT COMMITTEE |
| Mr. Ramukumba K (Chairperson) |
| Mr. Langalibalela L |
| Ms. Makinta S |
| Ms. Mabilane S.V |
| Mr. Mnisi P.R |
| CHAIRPERSONS' COMMITTEE |
| Cllr. Maleka E.K (Chairperson) |
| Cllr. Ratau M.F |
| Cllr. Mafefe O.H |
| Cllr. Malatjie M.N |
| Cllr Mabuza D.L |
| Cllr. Sihlangu T.L |
| Cllr. Marapi S |
| Cllr. Thamaga M.M |
| PROGRAMMING COMMITTEE |
| Cllr Mathebe N.C (Chairperson) |
| Cllr Seloane L.M (Leader of Executive Business in Council) |
| Cllr Marota M.C (Chief whip) |
| Cllr Maleka E.K (Chair of Chairs) |
| Cllr Makuwa T.H |
| Cllr Mokwana L.W |
| Cllr Tala D.L |

SPECIAL COMMITTEES OF COUNCIL

| |
|--|
| COUNCIL WHIPPERY |
| Cllr Marota C.M (Council Chief Whip) |
| Cllr.Kgwedi J.L |

| |
|--|
| Cllr Makuwa T.H |
| Cllr Mokwana L.W |
| GEOGRAPHICAL NAMES COMMITTEE |
| Cllr. Mathebe N.C (Chairperson) |
| Cllr. Maleka E.K (Deputy Chairperson) |
| Cllr. Marota M.C |
| Cllr. Ratau M.F |
| Cllr. Malaka M.S |
| Cllr. Tala D.L |
| Cllr. Thokoane M.J |
| Cllr. Mokwana L.W |
| MMC Kgoloko N.L |
| Kgošigadi Riba S.G |
| Kgoši Malekana N.M |
| Kgoši Lehwelere – Matlala M.A |
| Kgoši Mogashoa M.E |

MUNICIPAL PORTFOLIO COMMITTEES

| MUNICIPAL COMMITTEES | PURPOSE OF COMMITTEE |
|-----------------------------|---|
| Corporate Services | Committee plays oversight and ensures department implements Human resources development strategy/policy and other related policies and that staff |

| | |
|--|--|
| | establishment is in line with IDP objectives |
| Community Services | Committee plays oversight and ensures that the department functions properly and implement core mandate such as disaster management and emergency services |
| Planning and Economic Development | Committee plays oversight and ensures that department deliver on its mandate of economic growth, job creation, poverty and proper spatial planning |
| Budget and Treasury | Committee plays ensures that financial resources of the municipality are managed in line with legislation and accounting of fiancés takes place |
| Infrastructure and Water Services | Committee plays oversight and ensures that department provides basic services to communities and capital budget is spend in line with council priorities |
| The Section 79 Committees are contributing effectively to the overall functioning of Council wherein they meet on a monthly basis. They receive reports from Members of the Mayoral Committee who make recommendations to Council for approval. On the basis of the Portfolio Committee recommendations Council is able to take decisions as the matter tabled by the Executive Mayor would have be reviewed by the Portfolio Committee to advice council appropriately. | |

Political Decision Making

The District municipality has adopted a separation of powers model wherein Council is vested with the legislative authority and plays an oversight role on the Executive. The Executive on the other hand led by the Executive Mayor is responsible for execution and accounts to council on the implementation of council decisions.

The decision making process starts with administration preparing reports/items for mayoral committee, followed by section 79 committees and ultimately council makes final determination.

Administrative Governance

The Management of the institution is entrusted with role of advising Council as well for the implementation of council resolutions. It is led by the Municipal Manager who is the overall Accounting Officer (AO). The Management is further complemented by line function Managers who are responsible for management of various municipal departments.

The Management functions as a collective through regular monthly management meetings and accounts to the Executive through Mayoral Committee meetings.

Top Administrative Structure

| Position | Name | Comments |
|--|----------------------|--|
| Municipal Manager | Ms. M.F Mokoko | Served full 12 months in 2015/2016 financial year |
| Chief Financial Officer | Mr. C. Malema | Acting position 3 months, the CFO resigned in January 2015 |
| Director Corporate services | Mr. P. Phahlamohlaka | Served for full 12 months in 2015/2016 |
| Director Planning and Economic Development | Mr. A. Matjiya | Served full 12 months in 2015/2016 financial year |
| Director Community Services | Mr. S. Masemola | Served for full 12 months in 2015/2016 |
| Director Infrastructure and Water Services | Mr. B. Mtshali | Served for full 12 months in 2015/2016 |
| Chief Audit Executive | Mr. N. Marobane | Served for full 12 months in 2015/2016 |
| Deputy Director Office of Executive Mayor | Mr. K Phasha | Served for full 12 months in 2015/2016 |
| Council Secretary | Mr. D. Mabelane | Served for full 12 |

Intergovernmental Relations

The Intergovernmental Relations and Framework Act make provision for establishment of intergovernmental structures. Moreover, it makes provision for establishment of Intergovernmental Technical Support structures. Sekhukhune District Municipality has established Mayor's Forum as an Intergovernmental Relations Structure to deal with issues of common interest within the district. The Mayor's Forum is chaired by the Executive Mayor of the district and also attended by Mayors of the five local municipalities.

There are also two technical support structures that have also been established to support the Mayor's Forum namely the municipal managers' Forum and Technical Clusters. There are four Technical clusters dealing with key Local Government Key Performance Indicators:

| ITEM | Cluster | Focus areas | Chair |
|---------------------------|----------------------|---|--|
| Resuscitation of clusters | Development planning | Development planning: Spatial /SPLUMA Economic Strategic planning Housing | Director Planning and Economic Development |
| | Corporate | Job evaluation | Director Corporate |

| | | | |
|--|-------------------------------------|--|--|
| | services | ICT Governance Framework LLF Functionality Legal services Policy and by-law bench marking Political administrative interface Minimum competencies | Services |
| | Internal audit/Risk and performance | Risk assessment Performance auditing Internal audit | Chief Audit Executive |
| | Financial Services | Revenue enhancement Free basic services Financial statements Grant performance | Chief Financial Officer |
| | Basic services | Capital grant performance Disaster management Emergency services Refuse removal Operations and | Director Infrastructure and Water Services |

| | | | |
|--|--|--|---|
| | | maintenance Municipal health services Roads and storm water Electricity Public transport Environmental management | |
| | Communication and public participation | Customer care Hotline issues Stakeholder engagement Council meetings calendar | Deputy Director Office of Executive Mayor |

Provincial Intergovernmental Structure

In the year under review, Sekhukhune District Municipality participated in the following provincial Inter-Governmental Relations Structures

Premier Inter-Governmental Forum attended by the Executive Mayors and Municipal Managers which provides strategic direction in aligning the work of government in the province

Governance and Administration Cluster attended by the Municipal Manager which interfaces with the work of the Provincial Executive

Various Technical Working Groups focusing on the development of Limpopo Development Plan.(LDP)

Provincial Communicators Forum which focuses on enhancing communication between government, communities and social partners

The Sekhukhune District Municipality has benefited a lot from attending provincial IGR structures as it gives the municipality an opportunity to plan in line with provincial priorities and objectives. Some of the interventions have resulted in tangible programmes and projects on the ground.

Relationships with municipal entities

The District has established Sekhukhune District Agency (SDA), a special purpose vehicle for facilitation of high impact economic development programmes.

The Agency has a board of directors which accounts to the Municipality and has appointed Chief Executive Officer to oversee day to day operations and business of the Agency.

The district has opted for a shareholder compact model which regulates the relationship between the entity and the municipality.

The board is constituted by individuals drawn from various sectors with diverse skills and expertise.

The board for Sekhukhune Development Agency (SDA) was first appointed on the 28 September 2012. The board served during 2015-2016 with the following members:

Mr. Nkadimeng Chipyane Clifton Tito (Chairperson)

Ms Mathabatha Yvonne Stephina Mmadikgomo

The term for SDA Board is not more than three years and thereafter a new board will be selected by Sekhukhune District Municipality.

The following board members have resigned during the 2015/2016 financial year from Sekhukhune Development Agency Board:

Mr. Mafolo Titus Magashe

Ms Maleka Sharon Mmakopi

District Intergovernmental Structure

Sekhukhune District Municipality as a custodian of inter-governmental relations structures in the district has facilitated the establishment of the following forums for better coordination with the five local municipalities

Mayors Forums which is a strategic political fora for all the six (06) mayors in the district and meets on a regular basis to provide overall governance leadership

Speakers Forum which is constituted by all speakers in the district to share information and knowledge on how to conduct council activities as well as develop common perspective around issues of governance

Chief Whip's Forum is a forum chaired by the district chief whip and includes all chief whips from local municipalities which meets on a regular basis to share experiences on developing common ground around issues of code of conduct for councillors and related issues

Municipal Managers Forum which is a platform for all six municipal managers in the district to interact on a regular basis and provide administrative leadership to all municipalities in the district

Inter-Governmental Relations Clusters which are inclusive of all the six municipalities in the district and meets on a regular basis to share experiences and strategies in various technical areas

The district working together with the five local municipalities have been able to derive the following benefits from coordinated IGR efforts

- Minimize duplication of resources
- Encouraged local horizontal learning
- Sharing of scarce resources
- Enhanced government cohesion

Public Accountability and participation

Public meetings

Municipalities are by law required to foster public participation and ensure its citizenry is engaged in matters of governance. Sekhukhune District Municipality places public participation and accountability at the centre of its work. The Municipality has adopted a communication strategy which encompasses an on-going public participation programme.

Communication channels that were used to engage communities include;

- Monthly Mayoral Outreach Programs
- Quarterly Council Imbizos
- Regular interactions and stakeholders engagement such as Mining communities, business formations and Non-Governmental Organisations
- Monthly Internal newsletters and quarterly external newsletters publications
- Radio-Interviews with Executive Mayor and Members of the Mayoral Committee
- Inclusive IDP/Budget public participation programme

In the 2015/2016 financial year, the Municipality managed to arrange 9 IDP/Budget consultation forums reaching out to many villages and stakeholders some of which were never reached before.

The Municipality also arranged annual State of the District Address (SODA) to provide a platform for the Council to account to the public on the affairs of the Municipality.

The website of the Municipality is now functional (www.sekhukhunedistrict.gov.za) and updated on a regular basis especially the component where compliance issues have to be adhered to such as publishing of annual report, tenders and vacancies.

Ward Committees

In terms of the Municipal Structures Act 117 of 1998, Ward Committees are established to enhance participatory democracy in local government.

The Sekhukhune District Municipality working together with its five local municipalities and the Demarcation Board managed to establish or delineate new four municipal

boundaries with **117** wards and 764 villages in the year under review. However, these were only going to take effect in the new financial year of 2016-2017.

In the year under review, ward committees in Sekhukhune have been engaged with regard to level of services the communities receive. This was done with a goal of determining the situational analysis to enable future planning.

Working together with the district and local municipalities, ward committees in the district have been able to play a significant role in the following areas:

- Sensitising the municipality on developmental challenges and pressures within local communities;
- Communicated government messages to the communities.

Website

The website for the financial year 2015/2016 was functional with mandatory updates having been done, namely, IDP, Budget, SDBIP, Annual Report. From content management point of view for general information dissemination, the communication Unit working hand in hand with the State Information Technology Agency (SITA) updated the website through posting of official statements and speeches. However challenges still remain for the website to function optimally, some of the challenges are

Regular updating of content

Creating awareness for internal departments to provide information in a timely manner

Marketing the use of the website for external audiences

Research has been done on products that will offer the following to the communities:-

- Touch-screen kiosks that can be used for inter alia the following:

- Customer Complaints
- Customer Compliments
- Customer Comments
- General Survey Interaction
- Information Centre

Public satisfaction on municipal services

The Sekhukhune District Municipality conducted annual customer satisfaction survey which revealed that majority of citizens in Sekhukhune (approximately 62%) is reasonably satisfied with provision of services by the municipality.

In between the year the municipality has a dedicated customer care unit which processes day to day community complaints and monitor adherence to Batho-Pele principles by municipal officials.

Batho Pele Forum as a platform to engage with government service points to assess the delivery of services. The Municipality through its council has adopted important policies and guidelines to guide Batho Pele and customer management processes. The policies include Batho-Pele service standards, Dingongorego policy, and service charter.

The municipality has the following platforms to receive and manage queries from communities and stakeholders,

- Suggestion boxes in all offices
- 24 hour call centre

- Regular outreach for face to face interaction
- Premier hotline
- Presidential hotline

As part of elevating and prioritising customer care and Batho-Pele issues, the municipality has moved the division from Corporate services to Office of the Executive Mayor so that queries raised by municipality are attended to and necessary political support is provided.

CHAPTER THREE: SERVICE DELIVERY

Water Provision

The Department of Infrastructure and Water Services is responsible for delivery of water and sanitation services in the entire SDM area. The municipality has completed its Water Services Development Plan (WSDP) during the year under review. Together with the Water Master Plan, the two plans guide implementation of various water schemes and provide a blue print of providing water sustainably in the district.

In 2015-2016 financial year, a number of villages have begun benefitting from water provided by a main pipe from De Hoop dam, namely: Mpelegane, Maepa, Ratau, Maphopha, Rantho, Masha, Malekana and Maseven. This is a notable progress as De Hoop dam's provision is beginning to reach villages.

The Municipality is currently providing full water and sanitation services in the main towns such as Burgersfort (12 815 people), Marble Hall (4 025 people), Groblersdal (6 312 people), Steelpoort (3 374 people) and Ohrigstad (1 520 people). These areas have access to other high level services such as refuse removal and roads.

The following areas can be regarded as semi-urban areas where some full service is being received although in some areas there is no full coverage. These areas are not benefitting from the same full package of services in urban areas but are better off as compared to the rural villages. These areas are Motetema (7 151 people); Monsterlus (7 470 people); Leeuwfontein (10 565 people); Praktiseer (28 951 people); Mapodile (6 312 people); Elandskraal (6 225 people) and Elandsdoorn (19 349 people).

Most of the rural villages in the flag boshielo water scheme are receiving water services in a much more improved way than most rural other villages.

There are 764 villages in the district that are being served using underground water and in areas where there are no services at all or challenges with ground water, water tankers are being utilised. In the 2015/2016 financial year SDM spent R48,1 million on repairs and maintenance, R142,3 million on water (bulk) purchases and R18,6 million on

debt impairment. The figures as indicated above were also servicing villages that are not having access to water through the municipal water treatment systems.

Sanitation provision

With regard to sanitation provision, the municipality is currently implementing a massive sanitation programme and providing Ventilated Improved Pit latrines (VIP's) to the various households. The programme is aimed at reducing the sanitation backlogs as well as ensuring that people have access to basic sanitation.

In the 2015/2016 financial year 17 481 VIP Sanitation units were built across the district as part of providing communities with sanitation. An amount of R242, 4 million was used to provide the VIP sanitation units, which were transferred immediately when expenditure was incurred. The programme is multi-year in focus and will also be rolled out in the 2016/2017 financial year and beyond until such time that the sanitation targets are met.

Local Economic Development

Sekhukhune District Municipality is responsible for facilitation and coordination of Local Economic Development in the district as a whole. The district is therefore responsible for facilitation and coordination of the four main sectors of the district economy as follows:

Tourism development

Agriculture development

Mining Development

Trade and Industry

Sekhukhune District Municipality has a number of tourism development opportunities that exist in the local municipalities as well as those that have potential to develop. The cases in point can be summarised below:

- Development of Schuinsdraai nature reserve which is located in Ephraim Mogale Local Municipality
- Tjate heritage site
- De Hoop Dam

Sekhukhune District Municipality is working jointly with Department of Water and Sanitation to finalise De Hoop Dam Resource Management Plan. The Resource plan is aimed at addressing issues of future utilisation of the dam as well as ensuring that various communities that are affected by De Hoop Dam can have access to tourism and development opportunities.

With regard to Agriculture development, the district is currently working with Department of Rural Development and Land Reform on the Agripark concept. In the 2014/2015 financial year a business plan was compiled through Sekhukhune Development Agency to package all the available agricultural initiatives that could support the Agripark. In this instance the following projects are identified in the Agripark business plan:

- Development of Abbatoir in Elias Motsoaledi Local Municipality
- Support milling project around Nebo
- Development of new vegetable packhouse in the district

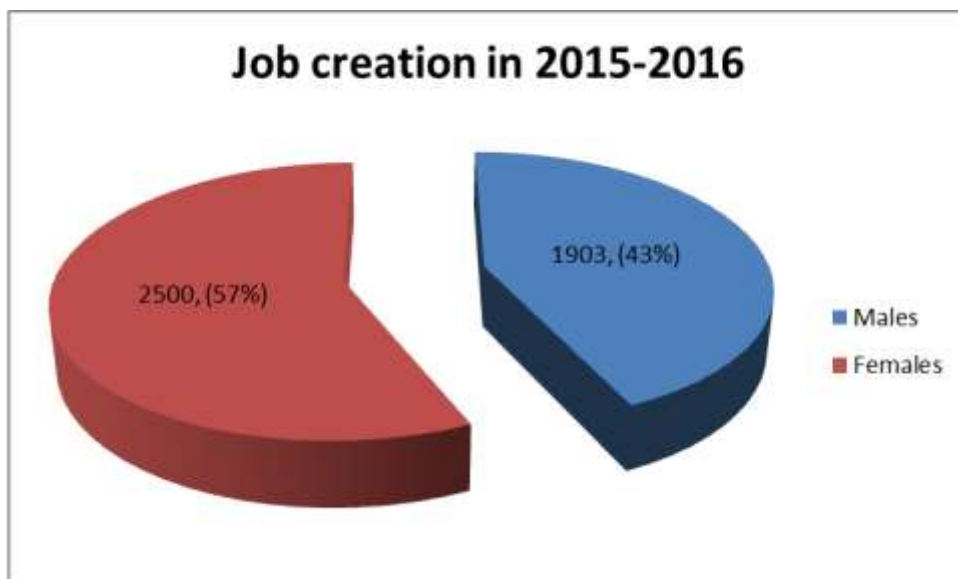
In 2015/2016 District Agri Park Management Council (DAMC) was established, which is a representative body of organised farmers and business in the district. The council act primarily as the “voice” of key stakeholders in the relevant districts and will leverage support for the Agri Park developments, will interface with various structures at provincial and district level to provide advice and support. It will also act as an independent watchdog in relation to the developments of the Agri Parks.

Trade and industry has also become one of the draw cards in the district in as far as economic development is concerned. The post 1994 period has seen development of new retail shopping centres in the district such as Moutse Mall in Elias Motsoaledi; Bopedi Shopping Centre in Fetakgomo Local Municipality; Tubatse Crossing in Greater Tubatse Local Municipality and Moratiwa shopping centre in Makhuduthamaga Local Municipality. The growing retail sector is an attestation that the economy of the district is changing and will continue to change.

There is equally a growing trend for new industrial activities in Greater Tubatse Local Municipality. These industries are related and supportive to the growing mining initiatives in the district. Greater Tubatse Local Municipality for instance, has a large component of industrial brick manufacturers which also supports the burgeoning property development in the district.

Job creation through municipal projects

In the 2015/2016 financial year, Sekhukhune District Municipality through its various projects and programmes managed to create 4 403 job opportunities. Out of the 4 403 jobs that were created, about 1 903 were males (43%) and 2 500 were females (57%). Youth comprised 2 206 (50%) job opportunities and there were only 3 people with disabilities that were employed during the 2015/2016 financial year. The chart below represents the proportions of males and females of the total number.



CHAPTER FOUR: ORGANISATIONAL DEVELOPMENT PERFORMANCE

Organisational Development Performance

Sekhukhune District Municipality through its Performance Management System developed the Service Delivery and Budget Implementation Plan (SDBIP) for 2015/2016. The Service Delivery and Budget Implementation Plan for 2015/2016 comprised 215 targets. At the end of the year, 143 targets were achieved versus 72 that were not achieved.

The overall percentage achievement for 2015/2016 stood at 66.5%. The average performance if one takes into account all the departments scores is 73% which is the mean. The Departments that performed below average performance is Infrastructure and Water Services and Office of the Speaker at 34% and 61% respectively.

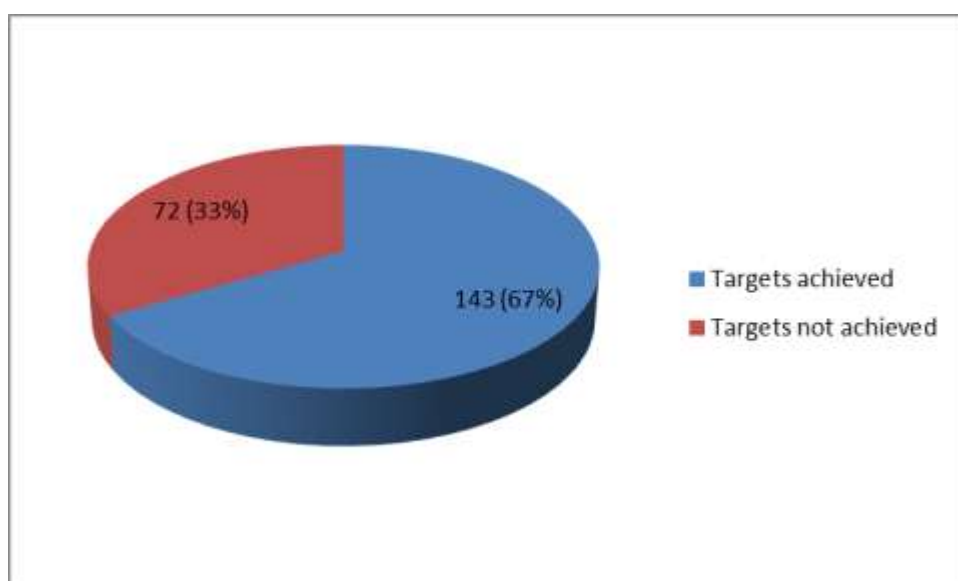
Even though the departments have performed generally well in terms of their targets, it is still concerning that the department that responsible for approximately 70% of the budget has not performed well which is Infrastructure and water services. This is also reflected in the section 52 financial report where it shows that our expenditure on capital programme is not improving.

This literally implies that the municipality did not achieve 33.5% of the targets set as per the figure below:

Table: Detailed 2015-2016 annual performance per department

| Department | Number of annual targets | Target achieved | Targets not achieved | Overall Percentage achievement |
|-----------------------------------|--------------------------|-----------------|----------------------|--------------------------------|
| Budget and Treasury | 14 | 10 | 4 | 71% |
| Community Services | 25 | 24 | 1 | 96% |
| Corporate services | 41 | 31 | 10 | 75% |
| Infrastructure and water services | 64 | 22 | 42 | 34% |
| Office of Municipal manager | 18 | 15 | 3 | 83% |
| Office of Executive Mayor | 21 | 17 | 4 | 80% |
| Planning and Economic Development | 19 | 16 | 3 | 84% |
| Office of the speaker | 13 | 8 | 5 | 61% |
| TOTAL | 215 | 143 | 72 | 66.5% |

Overall municipal performance in 2015-2016 displayed on a chart.



There are a number of challenges as to why some targets could not be achieved by the municipality. These can be summarised as follows:

- Setting of objectives that were not realistic for attainment
- Inadequate budgetary constraints
- Targets that rely of third parties for achievement

Introduction to Municipal Personnel

Human Resources Unit is a division that falls under the Corporate Services Department. It plays a critical role in the Organisation in respect of talent attraction, terminations, declaration of employees to UIF, leave administration, Employment Equity, HR Resources information management system, employee benefits, Long service recognition and HR policy development. It largely reinforces the white paper in HRM which requires Human resources in Public Sector (including Local Government) to be managed, utilized and maintained efficiently and effectively. This approach would allow Sekhukhune District Municipality to manage within nationally defined parameters its own employees.

Total number of Employees, Staff turn- over and Vacancies

As per Organizational structure of the 2015/2016, 939 posts were filled. This means that the total number of personnel was 939 at the end of June 2016. As at the end of June 2016, vacancy rate was 13% (positions that were funded).

A breakdown of the posts in the organization is reflected in the table below:

Total Number of Employees

| Name of Department | Number | M | F |
|--------------------|--------|---|---|
|--------------------|--------|---|---|

| | | | |
|-------------------------------|-----|-----|-----|
| Executive Mayor's Office | 39 | 20 | 19 |
| Office of the Speaker | 18 | 10 | 8 |
| Municipal Manager's Office | 16 | 9 | 7 |
| Corporate Services | 59 | 24 | 35 |
| Budget & Treasury | 63 | 29 | 34 |
| Planning | 11 | 5 | 6 |
| Community Services | 87 | 64 | 23 |
| Community Services Volunteers | 13 | 7 | 6 |
| Infrastructure/Water | 42 | 26 | 16 |
| Fetakgomo Region | 47 | 31 | 16 |
| Makhuduthamaga | 95 | 66 | 29 |
| Elias Motsoaledi | 123 | 79 | 44 |
| Tubatse | 126 | 87 | 39 |
| Ephraim Mogale | 57 | 42 | 15 |
| Workshop | 18 | 15 | 3 |
| Pump Operators | 106 | 77 | 29 |
| TOTAL | 939 | 597 | 342 |

| Details | Total Appointments during Financial Year | Terminations During Financial Year |
|---------|--|------------------------------------|
| 2015/16 | 134 | 43 |

Senior management posts' vacancy rate in comparison with the SDM local municipalities for 2015-2016

| Municipality | Number of posts | Filled | Vacant | Vacancy rate |
|------------------|-----------------|--------|--------|--------------|
| Fetakgomo | 5 | 4 | 1 | 20% |
| Greater Tubatse | 6 | 4 | 2 | 33,3% |
| Makhuduthamaga | 6 | 3 | 3 | 50% |
| Ephraim Mogale | 5 | 3 | 2 | 33,3% |
| Elias Motsoaledi | 7 | 6 | 1 | 14,2% |
| Sekhukhune | 7 | 6 | 1 | 14,2% |
| Total | 36 | 26 | 10 | 27,7% |

HR Policies, Plans and Strategy

Policy is important in managing organisations. It provides direction and boundaries for the organisation's approaches. It also clarifies and clears actions of both employees and management. HR Organisational policies are implemented daily in the Organisation and they are guided by the SALGBC Agreements and various pieces of legislations applicable to Local Government Sector. This is done efficiently because legislative compliance is the pillar of good governance.

The HR Unit is reporting annually to the Department of Labour in Polokwane in terms of EE report whereby the Component is responding to progress registered in terms of both the numeric targets and goals as indicated in the three year cycle of Employment Equity plan of the Municipality.

Injuries on duty dealt with during the year under review (2015-2016):

| Name of employee | Claim no | Date of accident/diagnoses | Progress |
|------------------|----------|----------------------------|-------------------------|
| Lekubu PE | B0S01107 | 2010-01-22 | Documents submitted and |

| | | | |
|------------------|--------------------------|--------------|---|
| | | | awaiting full clinical/medical report for finalization. Reminder was made with Tubatse administration on 30.08.2015. No response from Tubatse region. |
| Moswane M | B1054637 | 16.05.2011 | No permanent disablement. Finalized. |
| Nkabinde S | B1/134839 | 10/10/2012 | No permanent disablement. |
| Sikulana A T | H20011515 | 17/09/2013 | No permanent disablement. Claim finalized |
| Sibethas TT | A9127526 | 20.09.2010 | No permanent disablement and awaiting finalization letter. |
| Mabena P | Claim not yet allocated. | 20.11.2009 | Awaiting resumption report for payment of temporary total disablement |
| Matlala KE | H30154454 | 13.06.2013 | No permanent disablement. Finalized |
| Masoikaneneng MA | H/20068644 | 07.06.2012 | Finalized. No permanent disablement. |
| Mogohloane RG | H20011516 | October2014 | Finalized. Award given |
| Masha MH | A9128026 | October 2014 | No permanent disablement |
| Lekala M | | October 2014 | No temporary or permanent disablement. |

| | | | |
|----------------|--------|--------------|---|
| Maunatlala MR | 542317 | 5 May 2015 | Temporary total disablement paid and claim finalized. |
| Mokgwatjana MM | | 24 June 2015 | Awaiting finalization |
| Mahlangu SL | | 27.06.2016 | Awaiting claim number, I.OD forms submitted |

Labour relations cases

In the year under review (2015-2016) the municipality had to contend with the following cases affecting its employees:

Sixteen (16) different cases of misconduct were received during the year under review and twelve (12) of those cases have been finalised. Three (3) of the four (4) cases that are still pending were received towards the end of the financial year. One (1) case of dishonesty could not be finalised on time due to the non-availability of the employee who was off-sick.

The sanctions issued during the year under review vary in their severity i.e. dismissal, suspension without pay, written and final written warnings etc. Two (2) employees were dismissed for fraud and dishonesty during this financial year. Four (4) employees were issued with final written warnings as a sanction for misconduct in terms of Schedule 8 of the Labour Relations Act. One (1) employee was issued with written warning as a sanction for misconduct in terms of Schedule 8 of the Labour Relations Act. In four (4) instances, the final written warning was coupled with suspension without pay. Two (2) employees were cleared of wrong doing after the investigation and their cases were closed immediately.

Two (2) collective grievances & two (2) individual grievances were received and all were resolved in line with the grievance procedure.

Thirteen (13) labour disputes were referred to South African Local Government Bargaining Council (SALGBC). Five (5) Arbitration awards of the finalised cases are in favour of the municipality and one (1) against the municipality. Four (4) disputes are still pending.

Three (3) disputes have been escalated to the Labour Court and the employees are challenging their dismissal. Matters at Labour Court normally take longer than expected to be finalized.

Skills development and training

The following table indicates various programmes as well as budget commitments undertaken by the Municipality to address the skills of its employees as well as the general communities.

Training Spend in 2015-2016

| PROJECTS | BUDGET ALLOCATED | REVIEWED BUDGET |
|-----------------------|-------------------------|------------------------|
| External bursaries | R3 000 000 | R3 000 000 |
| Staff bursaries | 0 | R0 |
| WSP Implementation | R500 000 | R600 000 |
| Experiential learning | 1 800 000 | 1 181 352 |
| Internship | R1 200 000 | R1 200 000 |

Bursaries

In the 2015/2016 financial year Sekhukhune District Municipality has been supporting students financially to study for various programmes at Universities.

The municipality is currently providing financial assistance to needy students who are attending various tertiary institutions. There are forty-one (41) students that are currently in the programme through the external bursary scheme that we provide. Approximately R3 Million is being spent every year on the bursary scheme. These students are studying in the various fields such as Engineering, Health Sciences, Accounting and Information Communication Technology.

CHAPTER FIVE: FINANCIAL PERFORMANCE

Statement of financial performance

The total revenue realised by the SDM for the 2015/2016 financial year stood at R1,286 Billion as compared to total revenue of R889,7 Million in the 2014/2015 financial year. Revenue from exchange items is summarised as follows:

Service charges which is sale of water and sewer services stood at 51,7 Million compared to R42,7 Million in the 2014/2015 financial year.

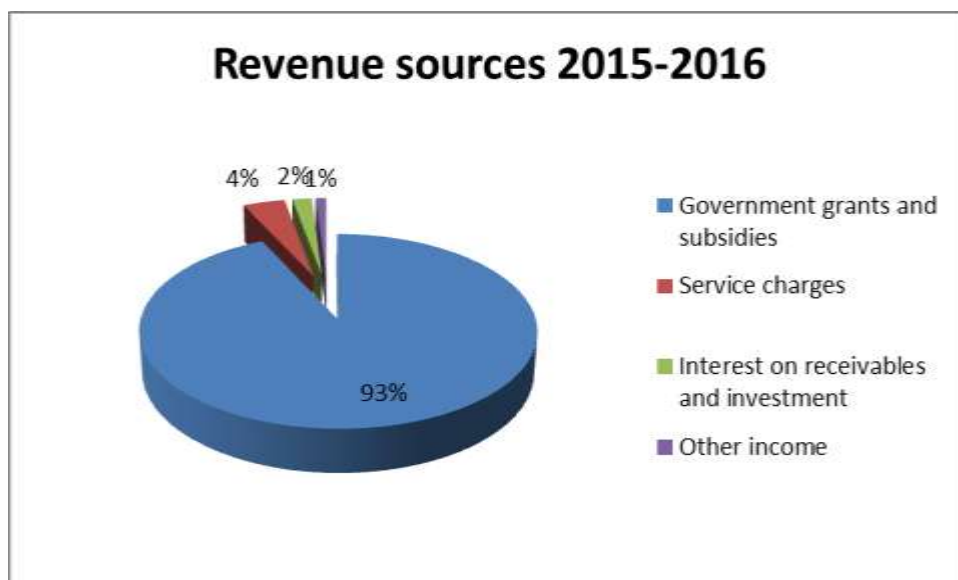
Interest from receivables stood at R7,4 Million in 2015-2016 compared to R4,6 Million in the 2014/2015 financial year. Other sources of revenue such as sale of tender documents contributed R10 Million in the 2015/2016 financial year as compared to R2, Million in the previous financial year of 2014/2015.

The total revenue from exchange items stood at R88,8 Million in 2015-2016 compared to R114,7 Million in the 2014/2015 financial year.

Revenue from non-exchange items stood at R1,1 billion compared to R775 Million in 2014/2015 financial year. The bulk of the revenue from non-exchange items is the

government subsidies and grants which clearly indicate that we are a grant dependent municipality.

Revenue sources



The above chart shows proportions of revenue for 2015-2016, whose total amount was R 1, 286 billion. The chart indicates that the municipality is still receiving a large chunk of its revenue from government subsidies and grants at 93% (R1,2 Billion) which is proportionally similar to the previous year. Service charges which is mainly water and sewer charges in the urban areas amount to 4%, which represent R51,7 million compared to R42,7 Million of the previous year and Interest which is at 2% amounting to R24 million compared to R16 Million of the previous year. The interest portion is divided into two components, that is, interest from investments and interest from receivables.

Expenditure

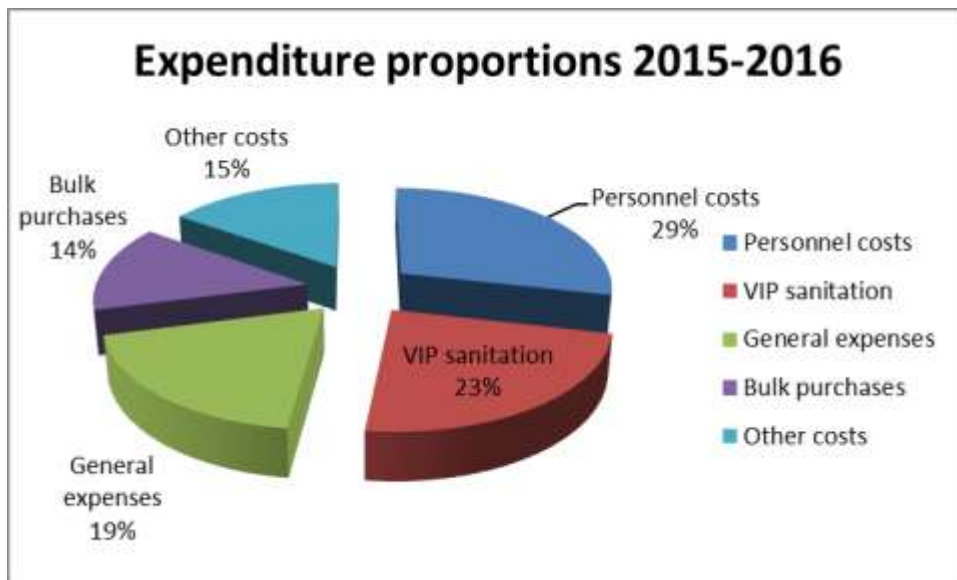
The total expenditure for the municipality in 2015-2016 was R1 033 194 414, in contrast to R862 967 182 that was spent in 2014-2015. The chart below indicates that personnel costs remain the largest item of expenditure in the 2015-2016 financial year at R295 million (29%) compared to 2014/2015 financial year at R267 Million. This relates to the payment of salaries and allowances for staff members in the district.

VIP Sanitation is the second largest area of expenditure at R242 million (23%) compared to R86,6 Million of 2014-2015. The municipality has been constructing VIP Sanitation units in all the five local municipalities as part of dealing with the sanitation backlogs. Other areas of expenditure are as depicted in the chart below.

General expenses is the third biggest expenditure item at R196 million (19%) compared to R176 Million of 2014-2015. The top five general expense items relate to provision of security, lease rental and operating lease, fuel and lubricants, laboratories and chemicals and well as consulting professional services.

Bulk purchases becomes the fourth largest area in the expenditure items at R142 million (14%) compared to R109,5 Million of 2014-2015. Bulk purchases relate to purchase of electricity for water operations as well as purchase of water from various service providers for provision to communities.

The above expenditure situation is displayed on the chart below:



Surplus

The surplus as declared in the 2015-2016 was R251,9 million compared to R26,8 Million of previous year.

Asset Management

The Municipality has during 2015/2016 financial year used the appointed service provider to deal with asset management matters over the 12 months. During 2015/2016 all the movable assets have been dealt with, 100% of immovable assets were verified and accounted for. The municipality is continuing the process to clean-up immovable assets during 2016/2017 and beyond. It must be emphasised that these immovable assets are mainly the water services infrastructure that were transferred to the district municipality during the establishment of water services authority and provider functions.

Thus the municipality has a number of assets in the form of water and sanitation infrastructure (immovable assets) as well as those assets that are movable (office furniture and vehicles). In the 2015/2016 financial year the municipal assets stood at R2,6 Billion and the year earlier which is 2014/2015, the municipal assets were at R2,5 Billion. There was overall increase in the SDM assets. The total liabilities for the

2015/2016 financial year for SDM stood at R334 million as compared to R425 million in the 2014/2015 financial year.

Net asset position = Assets: Liabilities

The net asset position of the municipality stands at R2, 3 billion in 2015-2016 compared to R2 billion in the 2014/2015 financial year.

The net asset position has increased as compared to the previous year. Even though the municipality current assets are less than its current liabilities resulting in negative current ratio, the municipality management has assessed that the municipality is a going concern as majority of its current liabilities are made up of retention liability which will not be paid out in the foreseeable future due to long term contracts.

Spending Against Capital Budget

Sekhukhune District Municipality received an amount of R637 million in 2015-2016 compared to R296 Million in capital grants in the 2014/2015 financial year. The grants were received as follows:

Municipal Infrastructure grant to the tune of R463 Million

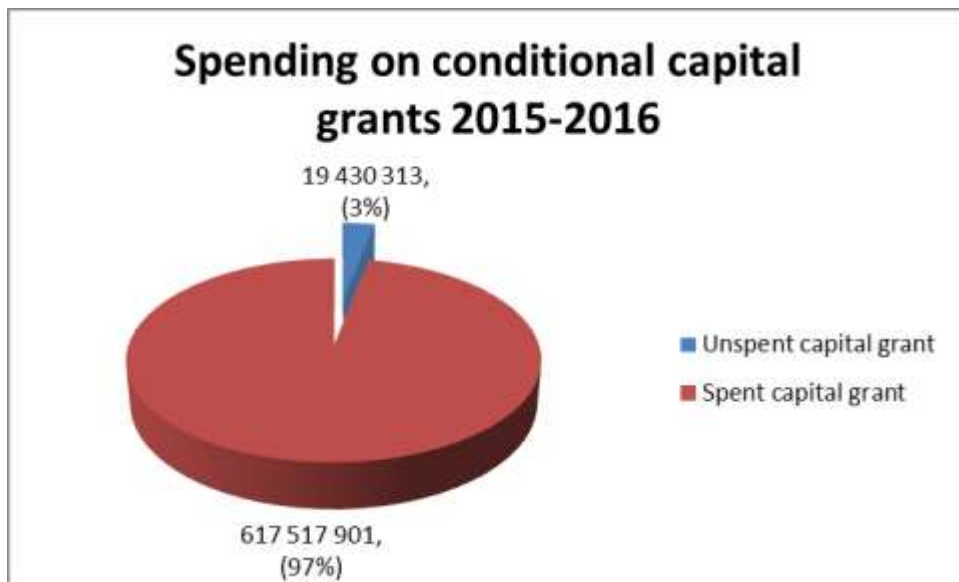
Regional Bulk Infrastructure Grant to the tune of R154 Million

Water Services Operating Grant to the tune of R12,5 Million

Rural Household Infrastructure Grant to the tune of R5,7 Million

Out of the R637 Million in capital grants that was received, not all the funding was spent at the end of the financial year 2015-2016. R19,4 million was not spent compared to R177,4 million in 2014-2015 financial year.

The figure below summarises the percentage capital expenditure on capital grants:



Sources of finance for capital funding

| Revenue source | Receipts 2015/2016 | As percentage |
|--|-----------------------|---------------|
| Municipal Infrastructure Grant (MIG) | R462,8 million | 73% |
| Regional Bulk Infrastructure Grant (RBIG) | R153,5 million | 24% |
| Water Services Operating Grant (WSOG) | R12,6 million | 2% |
| Rural Households Infrastructure Grant (RHIG) | R5,6 million | 1% |
| Rural Transport Service and Infrastructure Grant (RTSIG) | R2,3 million | 0% |
| Total capital grants | R636,9 million | 100% |

Municipal Infrastructure Grant is the main source of funding for capital projects in the 2015/2016 financial year as depicted in the table above. The second highest is Regional

Bulk Infrastructure Grant which stood at 24% of the total capital funding in the 2015/2016 financial year.

Cash flow management and Investment

By the end of the financial year 2015/2016 Sekhukhune District Municipality closed cash and cash equivalents of R913 000.

The receipts by the closure of the financial year looking at cash flow from operating activities is that R1, 076 billion was received and total payments of R919,6 million were made. The net cash flow from operating activities at the close of the 2015/2016 period stood at R157,3 million.

Cash flow from investing activities (purchase of plant and equipment) stood at R351 million at the end of the 2015/2016 financial year.

The above trends indicate that the SDM did not have any difficulties in the 2015/2016 financial year in terms of management of its cash flows and paying its dues.

Supply Chain Management

Procurement of goods and services done during the year were in compliance with supply chain management policy and regulations.

Grap Compliance

The annual financial statements (AFS) have been prepared according to GRAP standards as required by the Municipal Finance Management Act.

CHAPTER SIX: AUDITOR GENERAL FINDINGS AND OPINION

Auditor General Report 2015/2016 financial year

During the financial 2015/2016 the Auditor General of South Africa issued an Unqualified Audit Opinion for Sekhukhune District Municipality. This implies that the municipality has improved in the manner in which financial management is being undertaken.

Auditor General Report 2014/2015

The Auditor General has given Sekhukhune District Municipality an Unqualified Audit Opinion in the 2014/2015 financial year. This built on the other Unqualified Audit Opinion of 2013-2014.

Conclusions

The draft annual report for 2015/2016 is hereby presented to reflect the performance of the municipality during the period under review. Many challenges still remain to be resolved and it requires the collaboration of all stakeholders to put their shoulders behind the wheel to ensure that service delivery is achieved whilst at the same time proper administrative systems and processes are also put in place to comply with best practices.

This annual report must not be read in isolation, the annexures to the annual report as stated below are also central towards overall understanding of the annual report namely:

Annexure A: Audited Annual Financial Statement 2015/2016

Annexure B: SDBIP Cumulative Performance Report 2015/2016

Annexure C: Performance of Service Providers Report 2015/2016

Annexure D: Audit Committee Report 2015/2016

Annexure E: Sekhukhune Development Agency Report 2015/2016

Annexure F: Oversight Report 2015/2016

Annexure G: Community consultation Report 2015/2016

Annexure H: Audit Action Plan 2015/2016

Glossary

Annual Financial Statement: the statement that reflects the financial position of the municipality regarding the revenue and expenditures, the statement also shows whether the municipality will be able to operate in the next twelve months based on its assets and liabilities using a formula on financial ratio to determine health

Annual Report: report that is compiled by the municipality indicating overall performance of the organisation in all key areas of service delivery and institutional performance, the report is compiled in terms of Local Government Municipal Finance Management Act, 2003 and submitted in the beginning of the third quarter of the municipal financial year to Council and other legally established structures for review and consideration

Governance: refers to establishment and implementation of systems, processes and procedures to ensure that the municipality and/or organisation complies with the laws, protocols, codes, standards for the purposes of managing risk and internal controls which applies here in South Africa and internationally

Integrated Development Plan (IDP): A five year strategic plan undertaken by a municipality outlining the key projects and programmes to be implemented by the Council which is prepared in accordance with the Local Government Municipal Systems Act, 2000 (Act 32 of 2000). The IDP can be reviewed annually in accordance with a prescribed process.

Risk Assessment: overall process of risk identification, risk quantification and risk evaluation in order to identify potential opportunities and minimise loss

Risk management: the identification and evaluation of actual and potential risk areas as they pertain to the organisation as a total entity, followed by a process of either avoidance, termination and transfer, tolerance, exploitation, or mitigation of each risk, or a response that is a combination or integration

Service Delivery and Budget Implementation Plan (SDBIP): this refers to a detailed plan compiled by a municipality indicating the processes, measurement, indicators and targets that will be followed in implementing the IDP

Supply Chain Management: known and recorded systems and procedures for procurement of goods and services that are being followed by the municipality in line with the Preferential Procurement Framework Act