

## Msunduzi City Development Strategy

### DRAFT DISCUSSION DOCUMENT

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**NOTE:**

*This is a draft discussion towards a status quo analysis of Msunduzi Municipality. This document provides a review of key elements of Msunduzi in order that priority elements may be addressed in the City Development Strategy.*

*Comments on this document are sought. These may include issues that you wish to be added in, or comments on any errors or inaccuracies in the document.*

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### List of Abbreviations

ABM	Area Based Management Plan
ANC	African National Congress
BPO & O	Business Process Outsourcing and Offshoring
BRT	Bus Rapid Transit
CBD	Central Business District
CDS	City Development Strategy
DA	Democratic Alliance
DHS	Department of Human Settlements
DMM	Deputy Municipal Manager
EPWP	Expanded Public Works Programme
GDP	Gross Domestic Product
HIV	Human Immunodeficiency Virus
ICT	Information and Communications Technology
IDP	Integrated Development Plan
IRPTN	Integrated Rapid Public Transport Network
KZN	KwaZulu-Natal
KZN DED	KwaZulu-Natal Department of Economic Development
LED	Local Economic Development
LGTA	Local Government Transition Act
MDB	Municipal Demarcation Board
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
NMT	Non-Motorised Transport
PIT	Provincial Intervention Team
PPP	Public-Private Partnership
RAMP	Road Asset Management Plan
RUL	Remaining Useful Life
SACN	South African Cities Network
SDF	Spatial Development Framework
SEA	Strategic Environmental Assessment
SMS	Short Message Service
Stats SA	Statistics South Africa
TB	Tuberculosis
TLC	Transitional Local Council
UKZN	University of Kwazulu-Natal

## 1 INTRODUCTION

City Insight Pty Ltd were appointed by the South African Cities Network (SACN) in August 2013 to undertake a two part process towards the development of a City Development Strategy (CDS) for Msunduzi Municipality. The first component focused on collecting and analysing information on how CDS's and long term strategic plans had been undertaken and implemented amongst South Africa's major cities. The second component is the development of a CDS for Msunduzi municipality. The CDS involves three broad stages: (i) analysing the status quo, (ii) drafting a CDS and (iii) identifying ways in which the strategy is institutionalised. This document is a draft for further comment and refinement of the analysis of the status quo of the municipality.

Comments, additions and corrections to this document are welcomed. Please address these to City Insight Pty Ltd:

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## 2 SETTING THE CONTEXT

The past twenty years have witnessed a remarkable transition away from apartheid to democracy in South Africa. The apartheid system has had to be transformed so that those resources serve all the people of South Africa and that more democratic systems of governance are put in place.

This transition and transformation has occurred whilst the major cities have continued to grow, creating a context in which South Africa has become more urbanised than most countries in sub-Saharan Africa. Urbanisation is a key force for economic development leading to necessary social change and positive political outcomes. Indeed, Africa's urban population is expected to increase threefold, from around 400 million people to around 1.2 billion by 2050, with urban growth often taking the form of informal settlements and slums. The scale of the growth in slums in sub-Saharan Africa is quite staggering – from 103 million in 1990 to 213 million in 2012.<sup>1</sup> So while Africa's future is urban, as is the case elsewhere in the world, the developmental challenges are enormous.

Importantly, and as UN Habitat's recently released State of African Cities 2014 report indicates, "Africa is currently in the midst of a number of simultaneously unfolding and highly significant transitions, among them demographic,

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<sup>1</sup> UN Habitat (2010). State of the World's Cities Report. UN Habitat: Nairobi, Kenya.

economic, technological, environmental, urban and socio-political. These transformations invite complete rethinking of the current developmental trajectories, so as to further facilitate and sustain Africa's strategic re-positioning in the world"<sup>2</sup>.

In world terms, presently more than half of the world's population is urban, with 1.5 billion people living in 600 cities, representing 22% of the globe's population<sup>3</sup>. In 2025, these 600 cities will account for 60% of global GDP (approximately USD64 trillion)<sup>4</sup>.

Whilst 1994 brought about the first democratically elected national government, it would be another six years before local governments held their first democratic elections. Indeed, for local governments in South Africa, the past twenty years can be divided into four periods:

1. **1994-2000:** During this period, the pre-interim and interim phases of municipal establishment, councils found themselves with major amalgamation and transformation challenges as elected leaders tried to find each other and create the foundations upon which the democratic system would be built. In 1995, the Pietermaritzburg Transitional Local Council (TLC) was established with the Greater Edendale area and other areas to the east being incorporated into the city. This was followed in 2000 by the creation of the present municipal area, which brought Vulindlela and additional areas to the east and southeast into the city.
2. **2000-2005:** The first five years of the newly established democratic council of Msunduzi was fraught with challenges. In part this was due to the functional relationship between the Msunduzi Local Municipality and the Umgungundlovu District Municipality needing to be properly defined. The former Pietermaritzburg Transitional Local Council not only delivered all municipal services but was significantly stronger than both the District and other Locals. In the first five years the governance, powers and functions of Msunduzi vis-à-vis Umgungundlovu, including working in traditional areas, had to be sorted out. At the same time, with the incorporation of Vulindlela, further relationships had to be developed.
3. **2006-2010:** The third period may be seen as the period in which Msunduzi had amalgamated its institutional base and now focused on getting integrated policies in place to drive the city going forward.

2 UN Habitat (2014). The State of African Cities 2014: Re-imagining sustainable urban transitions. UN Habitat: Nairobi, Kenya.

3 Dobbs, R., J. Remes, J. Manyika, C. Roxburgh, S. Smit & F. Schaer, (2012). Urban World: Cities and the Rise Of The Consuming Class. McKinsey Global Institute.

4 Ibid.

However, problems began to emerge from 2008 onwards leading to the appointment of an Administrator in early 2010. The SACN notes that the intervention was a result of a “financial crisis brought about by, among others, poor financial controls, corruption among senior staff and failure to prepare proper books of account”<sup>5</sup>.

The primary focus of the Administrator was on the poor state of finances in the municipality and not on broader governance matters.

4. **2011-2014:** the 2011 elections brought with it a new political leadership in council led by the ANC’s Mayor Chris Ndlela. The period is one of recovery (new administration and political leadership) and the development of short- and long-term strategies.

### 3 THE LEGISLATIVE CONTEXT

In 1994 apartheid institutions were mostly still in place and functional. Whilst national elections established an elected Parliament, the duly elected government had to work to keep all institutions functioning, whilst driving the creation of a new Constitution and new legislation for a democratic South Africa.

Given that the apartheid local government institutions were still in place, negotiations in the Local Government Negotiating Forum in 1992/93 and the 1993 Interim Constitution began a process for the restructuring and transformation of local government in South Africa. For the first time, local government formed a full chapter in the Interim Constitution. However, this Constitution, like all previous Constitutions (1909, 1961 and 1983) regarded local government as a tier of government subject to Provincial Government. This changed dramatically with the promulgation of the 1996 Constitution recognizing local government as a distinct sphere of government, which is, in relation to the other two spheres of government, interdependent and interrelated.

The period between 1992 and 1998 was marked by local negotiations, the enactment of the Local Government Transition Act, 1993, local elections in 1995/96 and general restructuring processes at the local level. The plethora of local government bodies such as White Local Authorities, Black Local Authorities, Coloured Management Committees and Indian Local Affairs Committees were reduced from more than 1200 to 843.

<sup>5</sup> SACN (2013). State of City Finances: Towards sustainable municipal finances. SACN: Braamfontein, South Africa.

Real transformation of local government only began with the implementation of the 1996 Constitution, the implementation of which resulted in key local government legislation: the Municipal Demarcation Act, Structures Act, Systems Act, Property Rating Act and the Municipal Finance Management Act.

The following table summarises key moments in how the legislative environment has unfolded over the past 20 years:

#### South Africa's Local Government Legislative Environment 1994 - 2004

PHASES	NATIONAL	KEY MUNICIPAL PROCESSES
<b>1994-2000</b>	<ul style="list-style-type: none"> <li>• Interim Constitution</li> <li>• National/Provincial Elections</li> <li>• LGTA (1996)</li> <li>• Municipal Demarcation Act (1998)</li> <li>• Municipal Structures Act (1998)</li> <li>• Constitution (1996)</li> <li>• National/Provincial elections (1999)</li> </ul>	<ul style="list-style-type: none"> <li>• Pre-Interim and Interim structures from 1994 onwards</li> <li>• 843 municipalities in South Africa continue functioning</li> <li>• Masakhane programme</li> </ul>
<b>2000-2005</b>	<ul style="list-style-type: none"> <li>• Local Elections (2000)</li> <li>• Municipal Systems Act (2000)</li> <li>• Municipal Finance Management Act (2003)</li> <li>• National/Provincial elections (2004)</li> </ul>	<ul style="list-style-type: none"> <li>• 284 new municipalities demarcated</li> <li>• National Local Government strategy</li> <li>• Urban Renewal and Integrated Sustainable Rural Development Programmes</li> <li>• Project Consolidate to assist in the municipal transition</li> </ul>
<b>2005-2010</b>	<ul style="list-style-type: none"> <li>• Local Elections (2006)</li> <li>• Municipal Property Rating Act (2006)</li> <li>• National/Provincial elections (2009)</li> </ul>	<ul style="list-style-type: none"> <li>• Five year strategic agenda</li> <li>• Local Government Turnaround Strategy</li> <li>• National Outcomes and outputs for local government</li> </ul>
<b>2011-2014</b>	<ul style="list-style-type: none"> <li>• Local Elections</li> </ul>	

Importantly, municipalities in South Africa were given a range of functions and powers, symptomatic of the constitutional intentions to take government as close to the people as possible. In brief, these powers can be divided into two groups as follows:

- **“Core/essential” services supporting residents**
  - Water and sanitation
  - Electricity/Energy
  - Refuse removal
  - Firefighting
  - Storm water management in built-up areas
  - Cemeteries
  - Cleansing
  - Local amenities and sport facilities

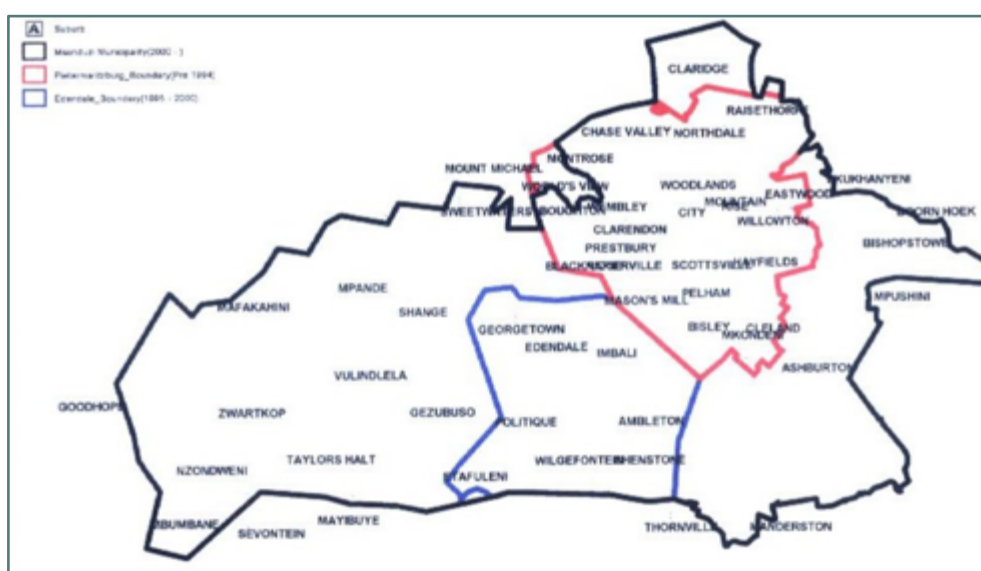


- Municipal parks and recreation
  - Street lighting
  - Municipal roads
  - Traffic and parking
- **“Developmental” services supporting the economy**
  - Most “residential” services
  - Municipal planning
  - Building regulations
  - Trading regulations
  - Licensing and control of undertakings that sell food and liquor to public
  - Environmental health
  - Markets and municipal abattoirs
  - Local tourism
  - Municipal public transport/ Mobility
  - Air pollution
  - Billboards

## 4 MSUNDUZI'S CHANGING GEOGRAPHY

In 1994, during the pre-interim period of local government transformation, Msunduzi's boundary consisted of the old Pietermaritzburg boundary to which Greater Edendale was added. With the promulgation of the Local Government Transition Act (LGTA) in 1996, the Constitution in 1996 and then the Municipal Demarcation Act in 1998, new boundaries were drawn and areas such as Vulindlela were added.

### Msunduzi's Changing Geographical Boundaries



In the transitional situation, the first of a few investigations into whether or not Msunduzi should be a metropolitan council was initiated<sup>6</sup>. The general conclusion was that whilst a metropolitan system would be favourable, the LGTA's definition of a metropolitan area was restrictive.

With the passing of the 1996 Constitution and the creation of the Municipal Demarcation Board in 1999, the existing fragmented and racially-based local government system was transformed into a wall-to-wall system of municipal governance, with only 3 categories of municipalities namely Metropolitan Municipalities (Category A), District Municipalities (Category C) and Local Municipalities (Category B).

The number of municipalities was reduced from 843 in the transitional period to 284 at the beginning of the democratic phase of local government in South Africa. This included 6 metropolitan municipalities, 47 district municipalities and

<sup>6</sup> Francis M. et al. (1994). Investigation into Metropolitan/Non-Metropolitan forms of Local Government for the Greater Pietermaritzburg Area.

231 local municipalities. The demarcation also meant that a more coherent, rational, non-racial and integrated system of municipal government was established with municipalities now encompassing single tax bases (People living, working and shopping in roughly the same municipality).

In the case of Msunduzi, the Municipal Demarcation Board (MDB) decided it would be a Category B municipality. This meant that it would be a Local Municipality in what became known as the Umgungundlovu District (Category C) municipality. Msunduzi dominates the district in terms of having over 60% of the population of the district, with the other 6 local municipalities sharing the rest of the population. Msunduzi also dominates economically. Given that the former Pietermaritzburg Council distributed water and electricity, the National Minister decided that Msunduzi would continue to have these functions and powers, and they wouldn't be split between Msunduzi and the District municipality. This meant that for all intents and purposes, the range of functions executed by Msunduzi are not dissimilar to those executed by Metropolitan areas.

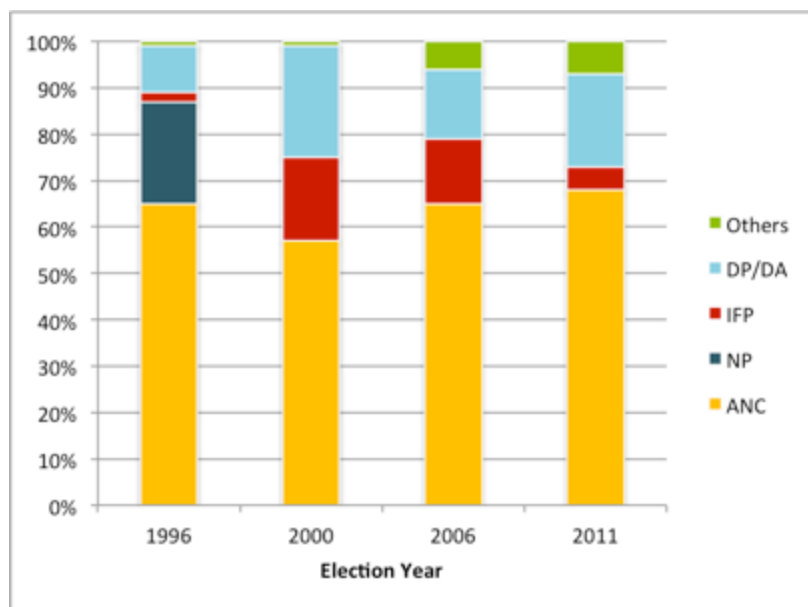
In the mid-2000s the MDB embarked on a process to categorise further metropolitan municipalities. Msunduzi was initially recommended by the Board to become a metropolitan area, together with Mangaung and Buffalo City. However, after considering objections, it was finally not recommended by the MDB and so remains a Local Municipality.

A second process to determine further Category-A municipalities was embarked upon in the post-2011 period and again the MDB decided not to recommend that Msunduzi (or a greater-Msunduzi area) would become a Category-A (Metropolitan) municipality.

## 5 MSUNDUZI'S CHANGING ELECTORAL MAP AND LEADERSHIP

Over the past twenty years the political support map has remained largely unchanged. The ANC remains the major political party, with around 65% support followed by the major opposition, the DA, with around 20% support.

### Msunduzi's Election Results 1996 - 2011



Whilst the ANC has remained the major political party, there have been numerous changes in political and administrative leadership in the municipality, as indicated in the following table:

### Msunduzi's Changing Leadership 1994 - 2014

PHASES	Mayor	City Manager
<b>1994-2000</b>	1995-Jan 1996: R.F. Haswell Jan-June 1996: O. A. Latiff  Interim Phase (July 1996 - Dec. 2000) 1996-Oct 1997: O. A. Latiff Oct. 1997 - 2000: S.E. Gwala	R. Haswell (1999-2001)
<b>2000-2005</b>	G.H. Zondi (2001-2005)	S.B. Nene (2001-2004)
<b>2005-2010</b>	Mrs Z. Hlatwayo (2006-2009) M.A. Tarr (2009-2010)	T. Zulu (2005-2006) R. Haswell (2007-2010) T. Maseko (Acting 2010-2011)
<b>2011-2014</b>	C.J. Ndlela (2011-present)	M.A. Nkosi (2012-present)

In 2009/2010, Msunduzi faced serious financial challenges. These necessitated the intervention of a Provincial Intervention Team (PIT) under section 139 of the Municipal Finance Management Act (MFMA). By mid March 2010, the budget deficit for the budget 2009/10 was estimated at R162 million. The mid-year Adjustments Budget, however, indicated a deficit of R521 million, and a further deficit of R50 million arose from internal funded capital. Contributing factors towards the budget deficit included poor collections processes, unfunded expenditure and high municipal expenditure on services. A number of senior staff members were suspended for corruption and mismanagement, although there appear to have been no convictions or disciplinary sanctions resulting from that process.<sup>7</sup>

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<sup>7</sup> Msunduzi Business Plan (2010).

## 6 CHANGING MSUNDUZI: 2001 TO 2011

South Africa's transition from apartheid to democratic government has not only meant new geographies, new leaders, new systems of government, but has also brought about real changes in a very dynamic landscape.

Unfortunately, pre-2001 national censuses were largely organized around collecting information according to the way apartheid South Africa was organized. It was only with the 2001 census that information was both collected and arranged by actual localities and also that the information collected provided an overview of economic, social and other changes within society. Therefore this report focuses on the information provided by the 2001 and 2011 censuses.

South Africa itself has changed significantly between 2001 to 2011, with the national population of 44.8 million in 2001<sup>8</sup> becoming 48.5 million in 2007<sup>9</sup> and then 51.8 m in 2011<sup>10</sup>.

At the same time, the burden of addressing historical backlogs in basic services has vested with municipal governance who have also had to deal with this increasing population.

The following subsections indicate how the population living within Msunduzi has changed between 2001 and 2011 as reflected in demographic, social and economic changes reflected in the responses provided by residents to the censuses of 2001 and 2011.

### 6.1 CHANGING POPULATION

Msunduzi is the second largest municipality in the province, after eThekweni (excluding district municipalities), with a total population of 552 837 in 2001, and 618 536 in 2011<sup>11</sup>. It is also among the 10 most populous cities in the country, and more densely populated than some metros<sup>12</sup>.

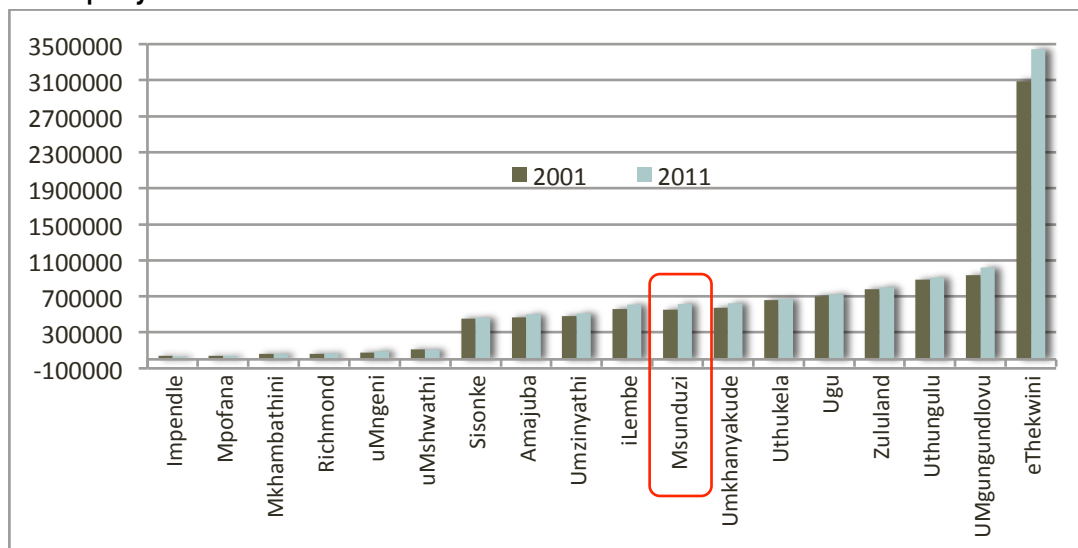
8 Stats SA (2001). 2001 Census. Stats SA: Pretoria, South Africa.

9 Stats SA (2007). Community Survey 2007. Stats SA: Pretoria, South Africa.

10 Stats SA (2011). 2011 Census. Stats SA: Pretoria, South Africa.

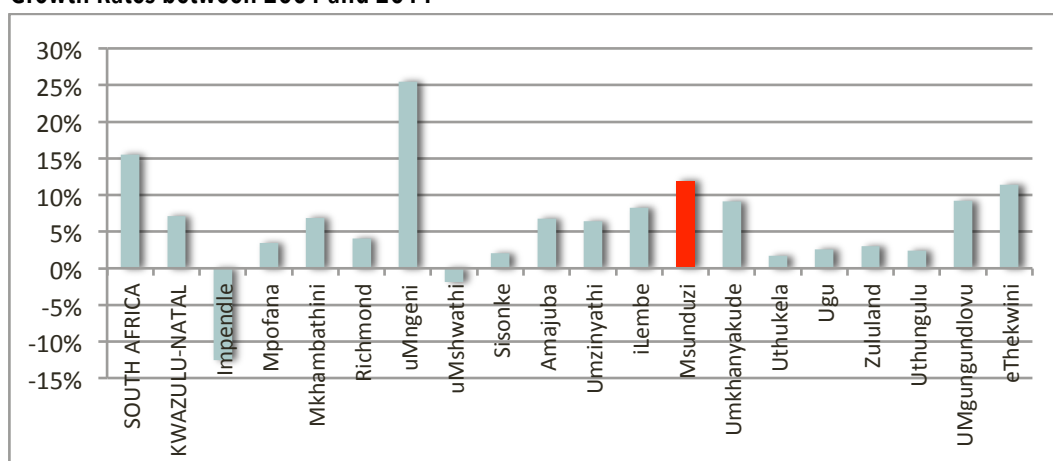
11 Stats SA (2001). 2001 Census. Stats SA: Pretoria, South Africa. & Stats SA (2011). 2011 Census. Stats SA: Pretoria, South Africa.

12 SACN (2012). Secondary Cities in South Africa: The Start of a Conversation. The Background Report March 2012.

**Municipality size - Kwazulu-Natal 2001 and 2011<sup>13</sup>**

Note: This Table shows the relative sizes of eThekweni (category A – Metropolitan), the District Municipalities (Category C) and the Local Municipalities within UMgungundlovu (Category B's).

Msunduzi grew by 12% between 2001 and 2011 – just over a 1% growth per annum. This is lower than South Africa's overall growth rate of 16%, but above KwaZulu-Natal's growth of 7%.

**Growth Rates between 2001 and 2011<sup>14</sup>**

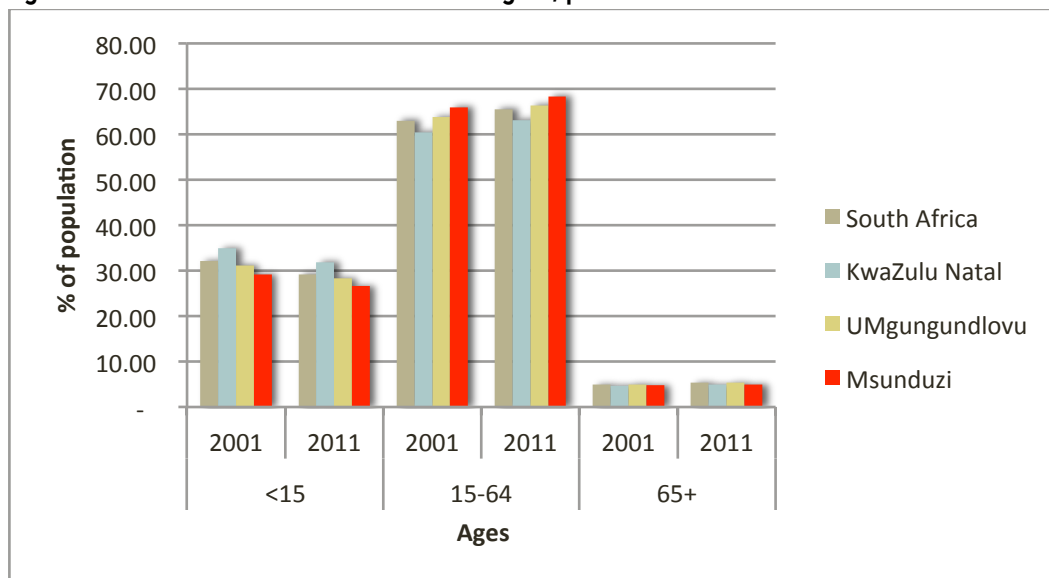
Msunduzi has a greater proportion of its population in the 15 – 64 year group than the national or provincial average. This gives the municipality a reduced

<sup>13</sup> Stats SA (2001). 2001 Census. Stats SA: Pretoria, South Africa. & Stats SA (2011). 2011 Census. Stats SA: Pretoria, South Africa.

<sup>14</sup> Stats SA (2001). 2001 Census. Stats SA: Pretoria, South Africa. & Stats SA (2011). 2011 Census. Stats SA: Pretoria, South Africa.

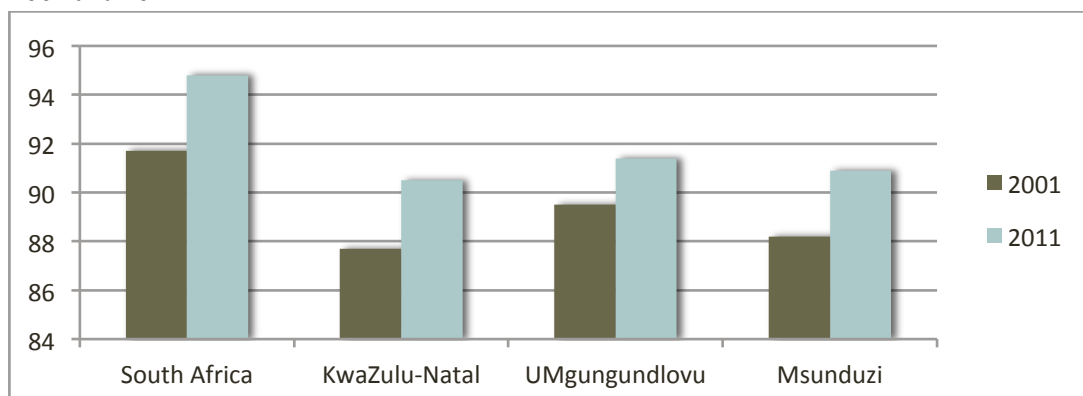
dependency ratio of 46.2 compared to a provincial average of 58.5, meaning that more people in the workforce are contributing to local productivity, but also that more resources can be directed towards investments in growth initiatives.

#### Age Structure - Msunduzi in context of the region, province and national 2001 and 2011<sup>15</sup>



In looking at sex ratios, Msunduzi has proportionately fewer men than women when compared with its district municipality or the nation at large. This could be due to higher levels of migrancy with more men having left the municipality in search of jobs.

#### Sex Ratio: Males per 100 females - Msunduzi in context of the region, province and national 2001 and 2011



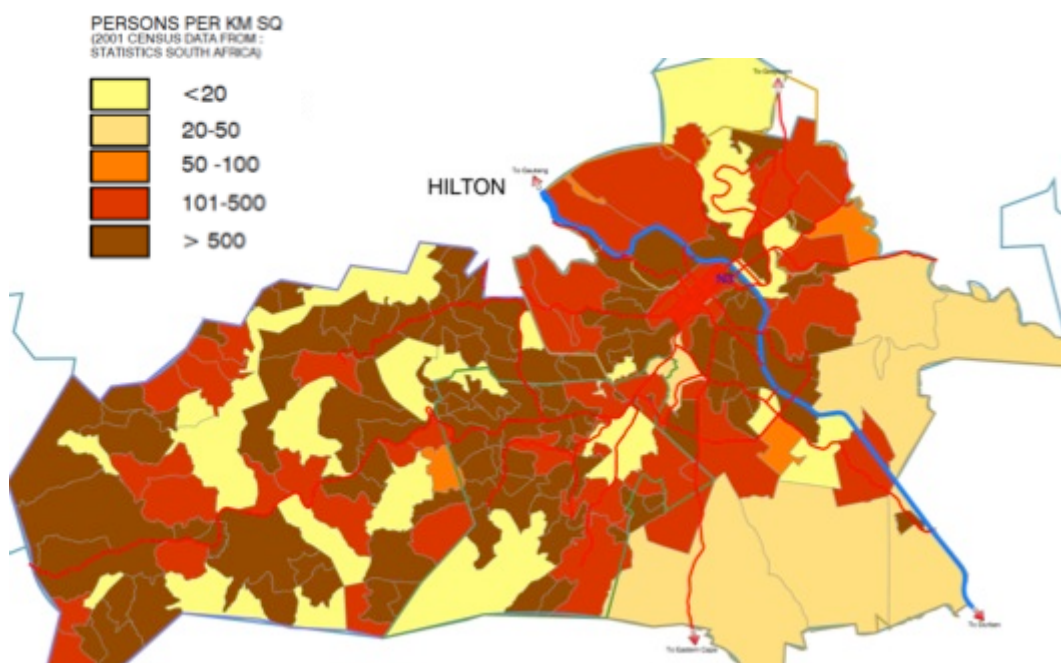
<sup>15</sup> Ibid.



## 6.2 Population Numbers and Densities

Msunduzi's highest population densities<sup>16</sup> are in the Edendale/Imbali Area Based Management Plan (ABM) area in wards 15, 16, 21 and 22, with densities of 29 538 persons<sup>17</sup> per km<sup>2</sup> as well as in the northern ABM Northdale area in wards 28 and 31 where densities are an average of 18 000 per km<sup>2</sup>. These areas also have the highest number of informal dwellings. These residential densities are significant and offer both challenges and advantages for the municipality. The density configurations are the result of apartheid policies and spatial planning, resulting in patterns such as people of Indian origin being largely confined to the Northdale area and once the Group Areas Act was repealed, many people of African origin settling in Northdale given that the apartheid government was far less likely to remove informal settlements in former Indian areas.

### Msunduzi Settlement Density Patterns<sup>18</sup>



## 6.3 Economy

The 2013 Economic profile of the uMgungundlovu region - within which Msunduzi is the largest municipality contributing 73% to the districts' GDP<sup>19</sup> - states the following about the region:

<sup>16</sup> Stats SA (2011). 2011 Census. Stats SA: Pretoria, South Africa.

<sup>17</sup> Stats SA (2011). 2011 Census. Stats SA: Pretoria, South Africa.

<sup>18</sup> Retrieved from: Msunduzi Municipality Website. Map 11 Population Density. Uddi Consultants.

*"Education, historic sites and world class sporting events are amongst the most attractive features in the District coupled with investment opportunities in Information and Communications Technology (ICT), tourism, construction and property development, farming, transport and logistics. The District has also been earmarked for major corridor development, which is expected to boost the districts economy and attract local, national and international role players.*

*The District enjoys a competitive advantage in the field of agriculture as the Spatial Development Plan shows that 83 per cent of the land falls into the high and relatively good potential for agriculture. This, coupled with the abundance of water resources in the form of six significant rivers and five major dams, puts uMgungundlovu into the country's top bracket for agriculture yield potential."*<sup>20</sup>

The table below shows the comparative growth rates of key cities in the province compared to the provincial average.

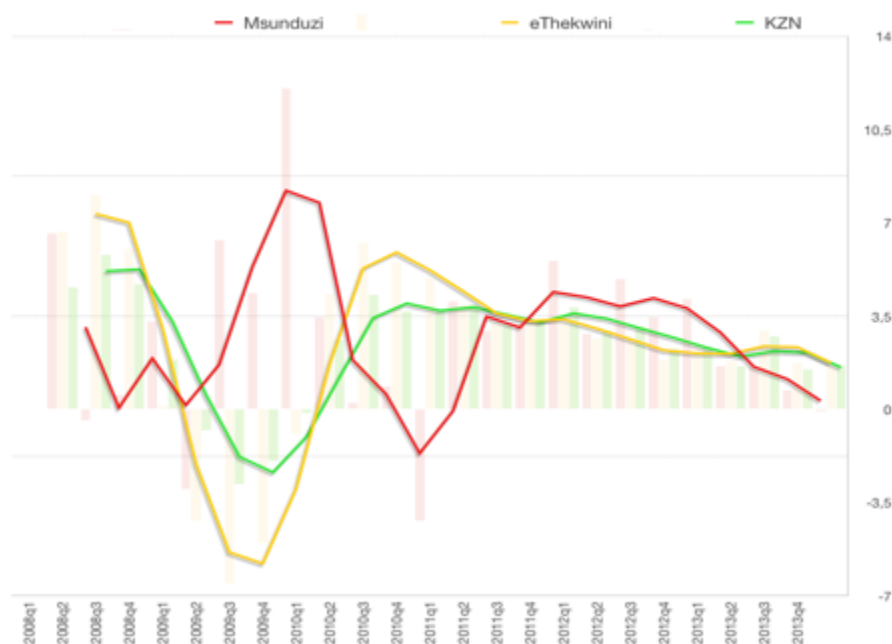
Compared to both the South African and KZN figures, and in marked contrast to that of Durban, Pietermaritzburg has a distinctly counter-cyclical tendency. When the global financial crisis shock impacted on the country, Pietermaritzburg showed resilience. This is in keeping with its capital city status, where the employment and income generated through hosting provincial government buffered the city from the country's broader economic woes. However, the 2009 municipal financial crisis had a significant impact on the city as a whole, putting it into an almost 5% negative growth rate for the 4<sup>th</sup> quarter of 2010.

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19 Coetzee, C. (2013). uMgungundlovu District Municipality: Economic Profile 2013. University of KwaZulu-Natal: Msunduzi, South Africa.

20 Ibid.

### Quarterly comparative Growth Rates and moving averages 2008 to 2013<sup>21</sup>



Other than the counter-cyclical trends, Msunduzi's growth rates are similar to those of the province and eThekweni.

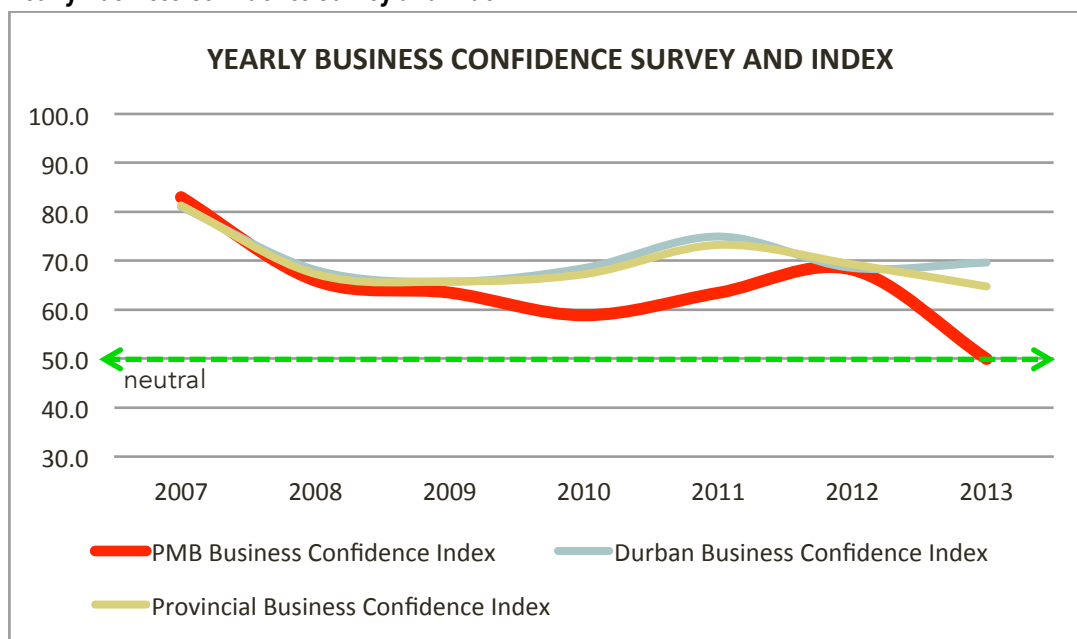
#### 6.3.1 Business Confidence

The analysis of business confidence is an important indicator of the current and expected state of the economy. The indicator is derived from surveys with local retail, wholesale, motor trade, manufacturing, building and construction businesses, who are asked to rate business conditions as "satisfactory" or "unsatisfactory". The index is then derived from the percentage of respondents who find business conditions within the municipality satisfactory. A score of 50 is neutral, 0 indicates an extreme lack of confidence and 100 indicates extreme confidence.<sup>22</sup> The latest figures available (2013) show a business confidence of 50 points which is neutral but has declined from 68 in 2012.<sup>23</sup> This is cause for concern, as a lower business confidence means that existing businesses are less likely to expand and new businesses are less likely to open.

<sup>21</sup> Own calculations based on data retrieved from KZN Provincial Treasury (2014).

<sup>22</sup> UKZN (2007), Economic And Business Report-Pietermaritzburg and Umgungundlovu District. UKZN: Msunduzi, South Africa.

<sup>23</sup> KZN Provincial Treasury data (2014).

**Yearly Business Confidence Survey and Index<sup>24</sup>**

An undated study by the UKZN (approximately 2006) found that 50% of businesses reported a deterioration in the area of community improvement, citing issues such as crime, HIV/AIDS, government inefficiency, lack of maintenance, lack of employment, businesses closing down or moving away, poor condition of roads and increased speed humps.

These declines, below those of eThekweni and the Province, are most worrying and when coupled with the concerns of business around tariffs and service delivery of electricity (in particular) suggest a major challenge to be addressed.

**6.3.2 Msunduzi's Economic Sectors**

The chart below shows that Msunduzi's benefit from being the provincial capital is significant. The personal and general government services sector has provided the city with almost a third of its employment – and has remained remarkably steady over the period between 1996 and 2010. The uMgungundlovu District Municipality Economic Profile of 2013 study<sup>25</sup> states: *"It is estimated that about 50% to 55% of the total wage bill in the Msunduzi economy is generated through the different spheres of government housed in the Msunduzi economy"*<sup>26</sup>.

Other significant sectors for the city are the wholesale and retail trade; hotels and restaurants, manufacturing, transport, storage and communication and

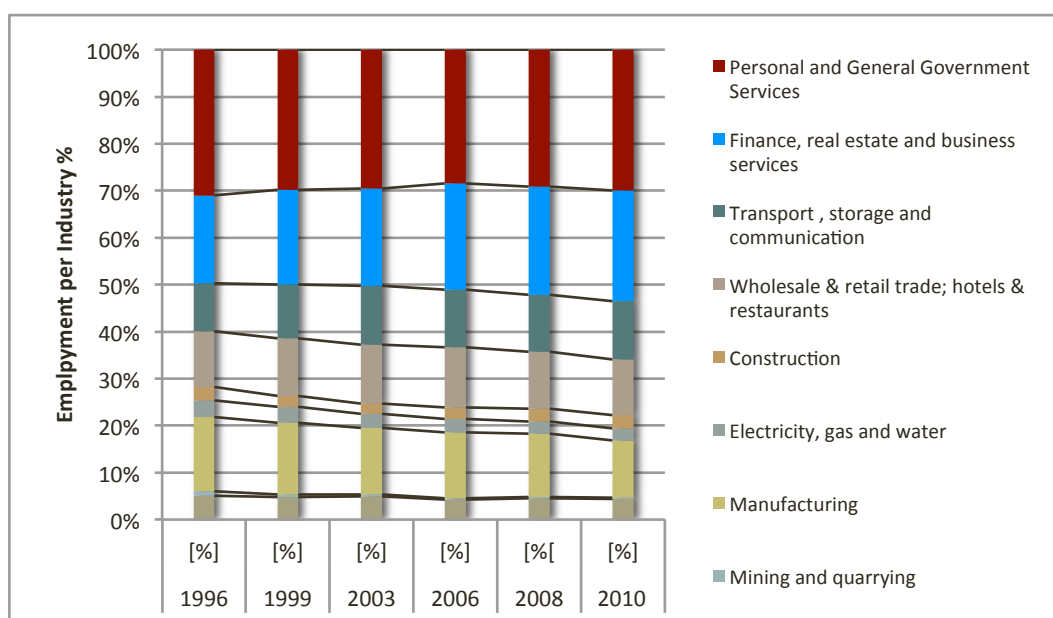
<sup>24</sup> Ibid.

<sup>25</sup> Coetzee, C. (2013). uMgungundlovu District Municipality: Economic Profile 2013. University of KwaZulu-Natal: Msunduzi, South Africa.

<sup>26</sup> Ibid.

finance, real estate and business services sectors. Of these, finance and business services has shown the highest increase over the period, and manufacturing the greatest decline. The uMgungundlovu 2013 study notes that for the region as a whole the productive sectors have contributed very little to the economy. Growth has primarily been generated in the consumptive sectors of the economy.<sup>27</sup> Msunduzi is however the only municipality within the region that has any sizeable commercial or industrial land use.

#### uMgungundlovu Percentage Employment per sector 1996 - 2010

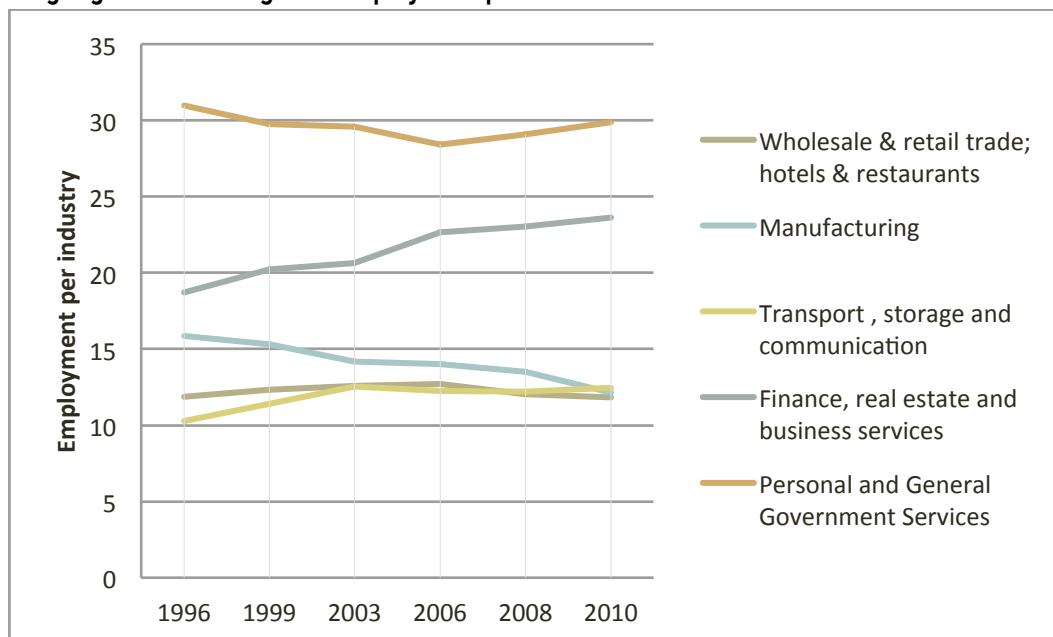


The economic study of the district shows that disposable income has increased at a faster pace than production in the district, suggesting that “more and more goods and services are imported into the district”.<sup>28</sup> This is problematic as bringing goods into the district means that income is not being retained in the district and is not growing the local district economy.

Msunduzi is viewed as a regional urban centre and a node within the district. It services the regional economy and is the dominant economy in the district, accounting for between 75% and 80% of the district economy. It is essentially a service economy and the fact that it is the administrative centre for the province, as well as the major link between the coast and the hinterland, provides an opportunity which impacts on its economy in a number of ways.

<sup>27</sup> Ibid.

<sup>28</sup> Ibid.

**uMgungundlovu Changes in Employment per sector 1996 - 2010**

In considering sector growth potential, the uMgungundlovu Economic Profile report suggests that the Msunduzi municipality has significant potential in the following sectors:

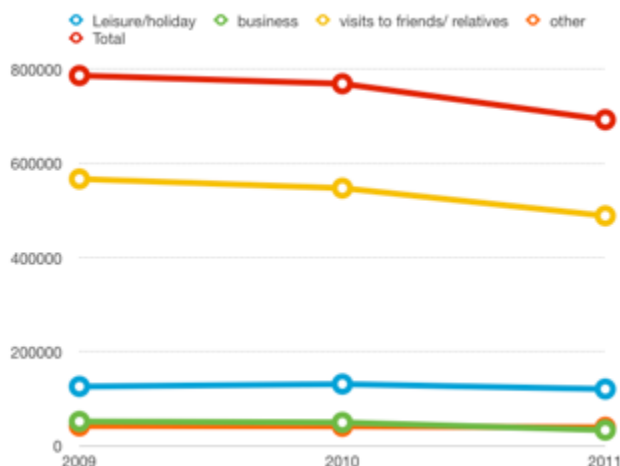
- Sale and repairs of motor vehicles and sale of fuel
- Air transport and transport supporting activities
- Post and telecommunications
- Finance and insurance
- Health and social work

Although the report states that the city has only “some potential” in the education sector – the scale of the Higher Education Department’s spending and existing infrastructure within the city suggests that this is also an area of high potential.

Another frequently stated area of growth potential is in tourism and eventing. The city hosts events such as the Comrades Marathon, Duzi Canoe Marathon and the Midmar Mile, and has other attractions such as the Royal Agricultural Show, Art in the Park and Cars in the Park. The Umgungundlovu Integrated Development Plan (2013) also refers to the region’s good tourism potential. But there is also evidence that the overall tourist numbers are actually decreasing, with almost three quarters of the trips being visits to friends and relatives, as the following chart shows<sup>29</sup>:

29 Robbins, G. (2013). Status Quo Technical Note: Economic. Royal Haskoning DHV: Msunduzi, South Africa.

### Umgungundlovu District Municipality Visitor Profile 2009-2011



These visitors tend to not spend that highly and more often than not take advantage of accommodation provided free by family members or friends.

#### 6.3.3 The Informal sector

Statistics South Africa defines the informal sector as unregistered businesses. These are small businesses that are operated by one or two people, and work from homes, sidewalks and other non-formal places. A 2004 study, cited by the UKZN study found that retail trade accounted for half of informal activity within the district. The study also found that the biggest barriers to operation for informal traders in the district were the cost of transport and in particular the cost of moving their goods to and from the place of sales.

## 6.4 Employment and Household Income

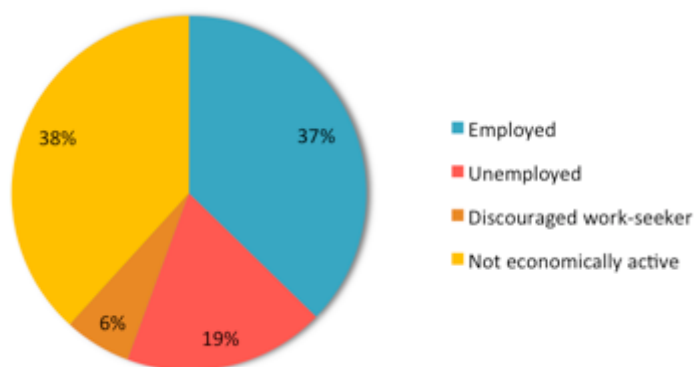
Data indicates that Msunduzi is a significant employer within the district – accounting for almost 70% of the formal employment within the district.

37,3% of Msunduzi's population is formally employed.<sup>30</sup> This figure has declined from 48.2% in 2001, although, as the 2013 Economic profile of the uMgungundlovu region notes the total number of people formally employed by businesses within the municipality has increased.<sup>31</sup> This difference is probably accounted for by the fact that many people work in Msunduzi but live outside of the municipal boundaries.

<sup>30</sup> Stats SA (2011). 2011 Census. Stats SA: Pretoria, South Africa

<sup>31</sup> Coetzee, C. (2013). uMgungundlovu District Municipality: Economic Profile 2013. University of KwaZulu-Natal: Msunduzi, South Africa.

### Msunduzi's Employment Profile: 2011

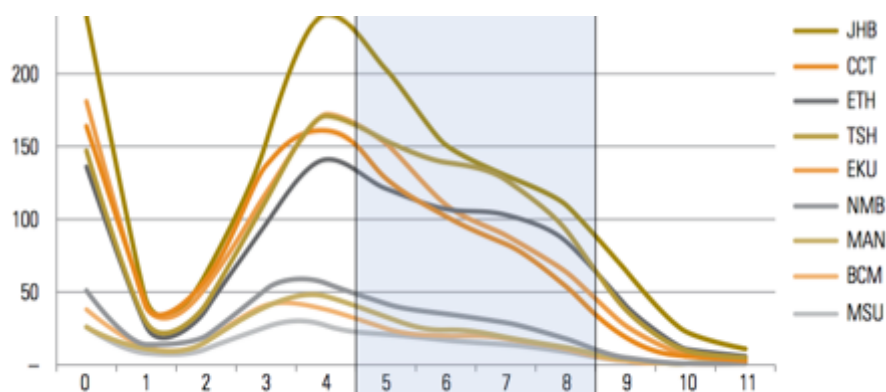


A further positive trend is the decline in the youth (15 – 34 years) unemployment rate which stood at 58.2% in 2001 and declined to 43.1% in 2011.<sup>32 33</sup>

A study by the UKZN in 2013 has shown that businesses in Msunduzi seem to have a preference for full time male labour.<sup>34</sup>

Msunduzi's average household income is R108 926 per annum in 2011, which is markedly up from the figure of R50 178 in 2001.<sup>35</sup> This is lower than South Africa's average annual household income of R119 542 in 2011<sup>36</sup>, but significantly higher than that of the KZN Province, which is R83 050 per annum in 2011<sup>37</sup>. However, as a SACN report shows, Msunduzi's average household income is one of the lowest among the SACN cities.<sup>38</sup>

### Household Income Profiles by SACN City, 2011<sup>39</sup>



32 Msunduzi Municipality Annual Report 2012/13. Msunduzi, South Africa

33 Stats SA (2011). 2011 Census. Stats SA: Pretoria, South Africa and Stats SA (2001). 2001 Census. Stats SA: Pretoria, South Africa

34 Coetzee, C. (2013). uMgungundlovu District Municipality: Economic Profile 2013. University of KwaZulu-Natal: Msunduzi, South Africa.

35 Ibid.

36 Stats SA (2012). Income and Expenditure Survey (IES) 2010/2011. Stats SA: Pretoria/ South Africa.

37 Stats SA (2012). Census 2011 Municipal Report KwaZulu-Natal. Stats SA: Pretoria/ South Africa.

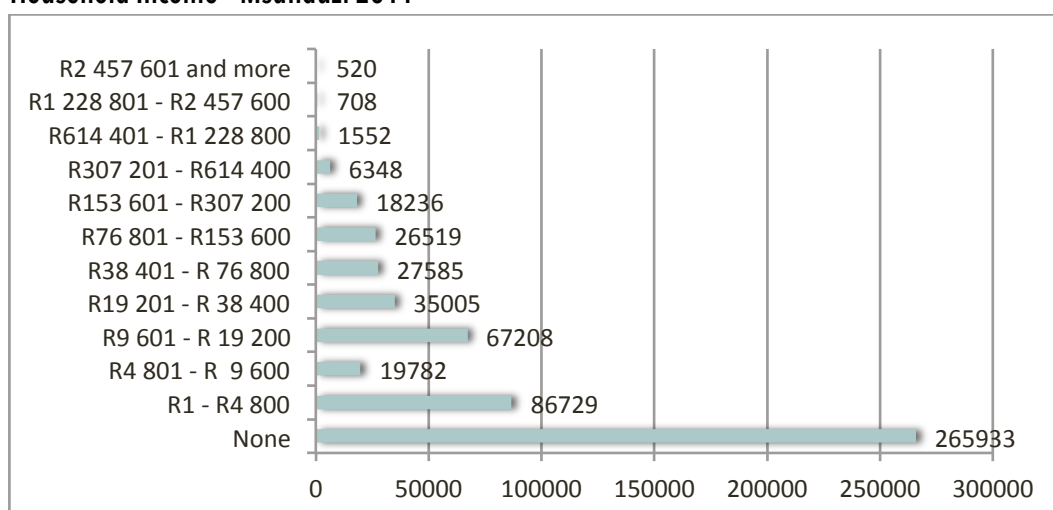
38 Boshoff, L. et al. (2013). State of city finances: Towards sustainable municipal finances. SACN.

39 Ibid.



The breakdown of household income is shown in the figure below<sup>40</sup>. The UKZN 2013 study cited above found that there is a high dependency rate within the uMgungundlovu region, with most households in the region living near the poverty line (although Msunduzi is the exception to this). The study also found a high dependency on child income – in most cases in households headed by children. The region is also characterised by low levels of income generation from self-employment. The authors suggest that this might be due to a low level of skills, with low levels of training taking place<sup>41</sup>. Importantly, this might be compounded by factors associated with lower levels of business confidence such as high barriers posed by the municipality in setting up and registering one's own business.

**Household Income - Msunduzi 2011**<sup>42</sup>



Looking at the changes over time however shows a marked increase in incomes in the middle to upper levels. This could be the result of increased government employment, which provides higher salaries, and more stable employment than the private sector. The chart below provides information for the district as a whole.<sup>43</sup>

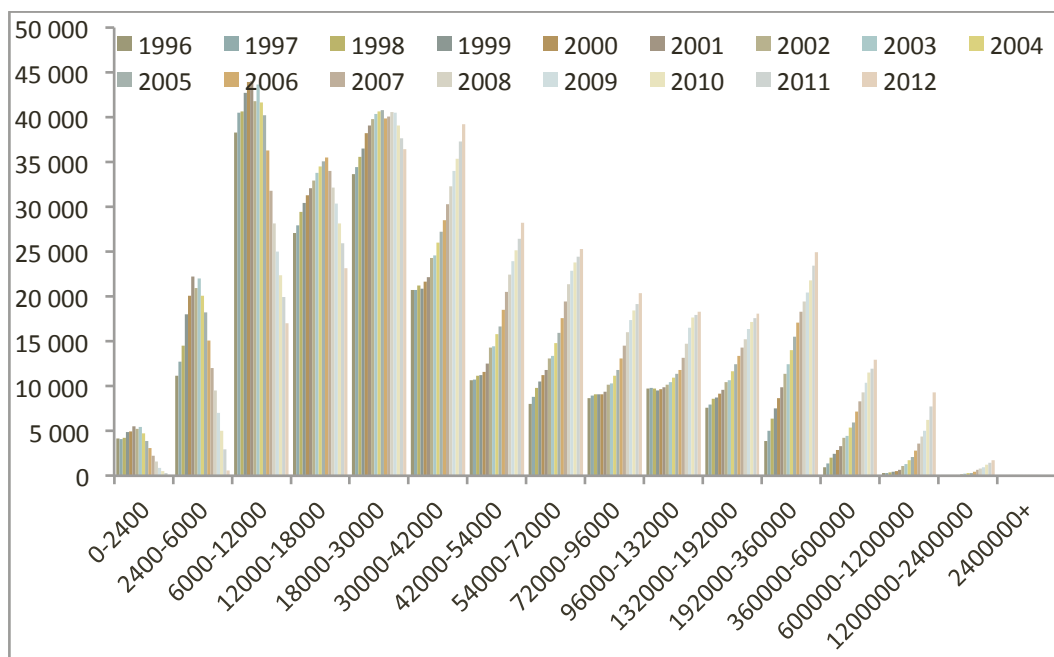
40 Stats SA (2011). 2011 Census. Stats SA: Pretoria, South Africa.

41 Coetzee, C. (2013). uMgungundlovu District Municipality: Economic Profile 2013. University of KwaZulu-Natal: Msunduzi, South Africa.

42 Stats SA (2011). 2011 Census. Stats SA: Pretoria, South Africa

43 Coetzee, C. (2013). uMgungundlovu District Municipality: Economic Profile 2013. University of KwaZulu-Natal: Msunduzi, South Africa.

### Changes in household income 1996 for 2012 - uMgungundlovu district



## 6.5 MSUNDUZI IN THE SOUTH AFRICAN METROPOLITAN CONTEXT

41% of South Africa's population live in its 8 largest municipalities, with Msunduzi accommodating 1,2% of South Africa's total population<sup>44</sup>. The adjacent map shows the concentration of South Africa's population in its metropolitan areas.

Stats SA's Census figures show that growth in Msunduzi has been fairly low, but stable over the past 10 years.

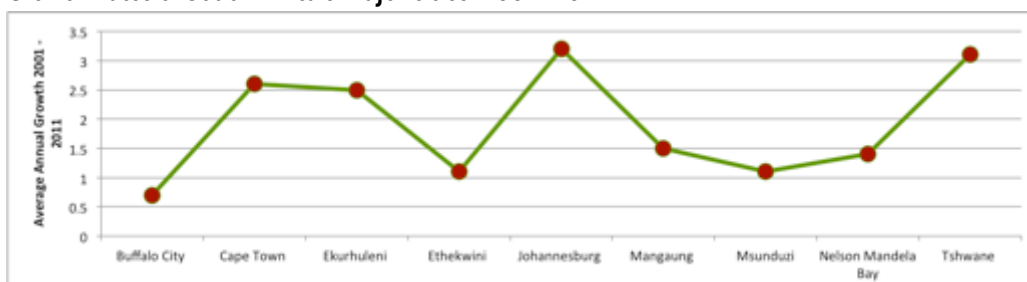
South Africa's Urban Population by city



Between 2001-2011 South Africa's population increased by around 16% but the population in the major cities increased by 25%. During this ten-year period, Msunduzi population grew by only 11%<sup>45</sup>.

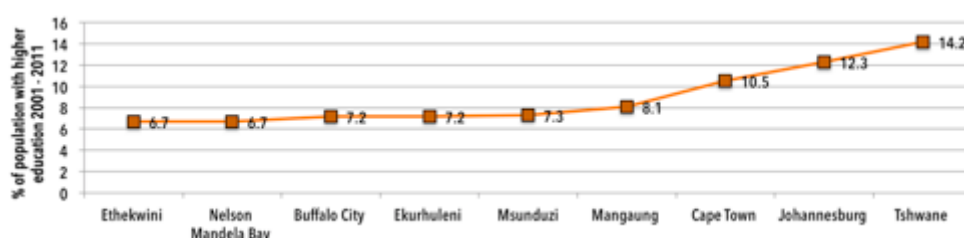
<sup>44</sup> Stats SA (2011). 2011 Census. Stats SA: Pretoria, South Africa.

<sup>45</sup> Stats SA (2011). 2011 Census. Stats SA: Pretoria, South Africa

**Growth Rates of South Africa's major cities 2001 -2011** <sup>46</sup>

Msunduzi has a significantly larger household size than other major cities in South Africa – an average of 3,6 people per household in 2011<sup>47</sup>. It also has one of the highest proportions of female headed households (45,2% of households<sup>48</sup>).

Msunduzi's excellent educational facilities are reflected in the fact that it has the 5<sup>th</sup> highest proportion of people with a higher education of South Africa's large cities. 7,3% of its population have a higher education.

**Higher Education Profile of South Africa's major cities 2011** <sup>49</sup>

In the area of unemployment, Msunduzi's figures show that the city has moved from being in a position worse off than the South African average in both general unemployment as well as youth unemployment to one where it is currently only slightly higher than the national general unemployment level and is lower than the national figures for youth unemployment.

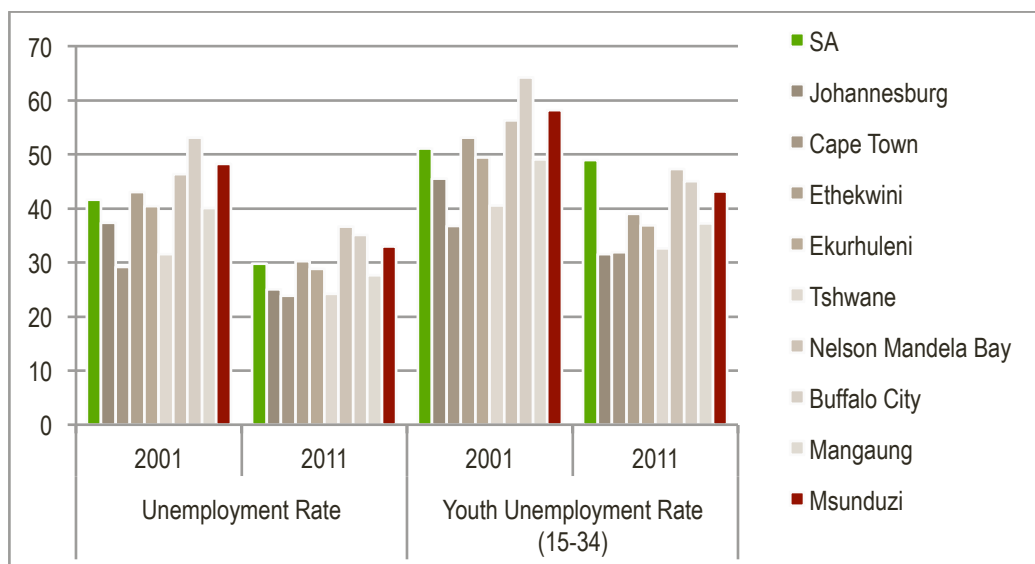
<sup>46</sup> Stats SA (2011). 2011 Census. Stats SA: Pretoria, South Africa

<sup>47</sup> Ibid.

<sup>48</sup> Stats SA (2011). 2011 Census. Stats SA: Pretoria, South Africa.

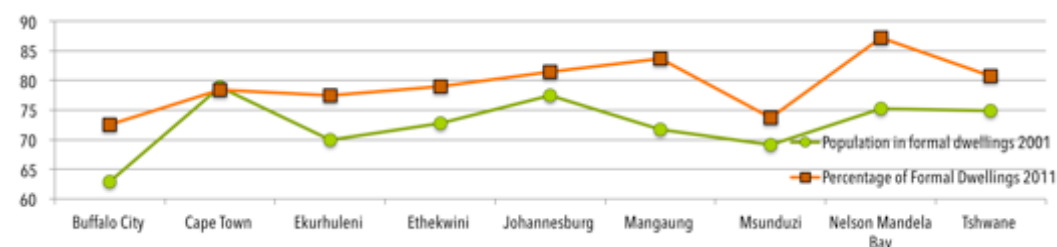
<sup>49</sup> Stats SA (2011). 2011 Census. Stats SA: Pretoria, South Africa

### Unemployment rates in South Africa's major cities 2001 and 2011



Currently, 73.7% of Msunduzi's population live in formal dwellings. This has increased from 69% in 2001. South Africa's national average is 77,6%.<sup>50</sup>

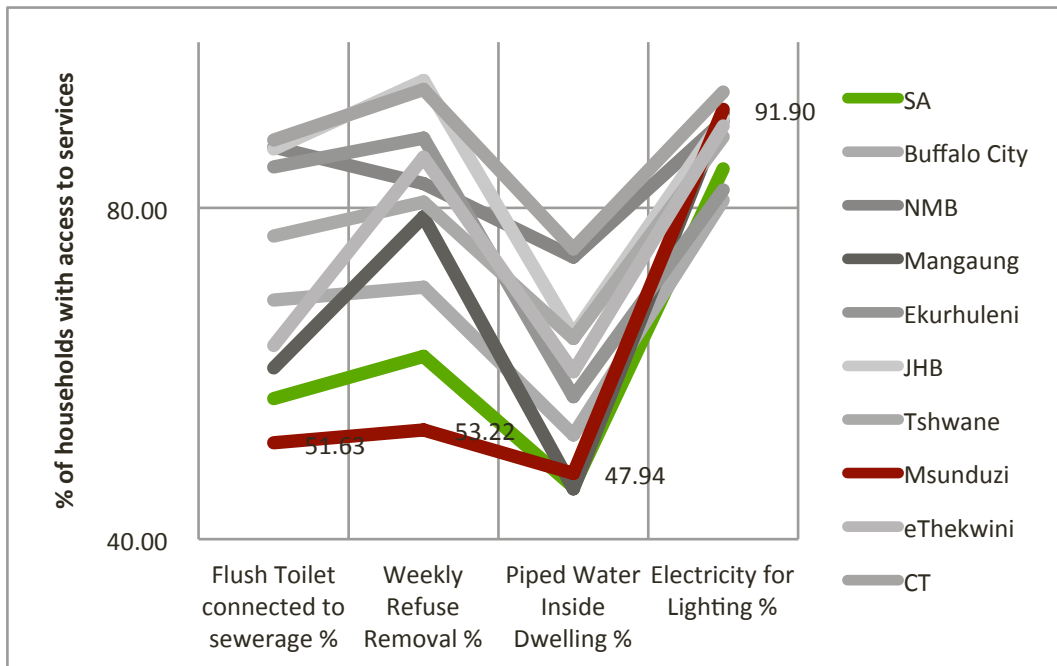
### Population in Formal Dwellings in South Africa's Main Cities 2001 and 2011



In looking at how well Msunduzi fares in providing basic services to its residents, the picture is fairly bleak. Msunduzi is below the other major cities and the South African average in the provision of flush toilets and weekly refuse removal. It provides slightly above the national average in terms of piped water inside dwellings, but this is still well below the other major cities. With regards to the provision of lighting inside dwellings however, Msunduzi fares well where 91% of dwellings have lighting, compared to a national average of 84,7%.

<sup>50</sup> Stats SA (2011). 2011 Census. Stats SA: Pretoria, South Africa.

### Access to Services - A comparison to other Municipalities - 2011



## 7 INFRASTRUCTURE and INFRASTRUCTURE SERVICES

Msunduzi provides the following basic services to households within the Municipality – water, sanitation, electricity, refuse removal roads, stormwater infrastructure and housing<sup>51</sup>.

### 7.1 Service provision through Msunduzi's Indigent Policy

Msunduzi's indigent policy of 2012 ensures that poor households can access basic services. This is offered where a circuit breaker of 20amps is fitted and water consumption is less than 6Kl per month.

In these cases, households qualify for the following:

- A reduction in property rates;
- 70kWh free electricity<sup>52</sup>;
- 6kl free water – this was decreased by 1kl from 7kl due to the increase in number of applications and the municipalities take-over of Vulindlela from uMngeni Water.<sup>53</sup>
- A reduced tariff for refuse removal and sewerage services.

The cost of providing free basic services was R388,3m, yet the municipality only received R40,6 million to provide the service. This amount also takes into consideration the foregone revenue to the city for property rates.<sup>54</sup>

### 7.2 Operation Sukuma Sakhe

Operation Sukuma Sakhe<sup>55</sup> is an initiative of the KZN Province aimed at fast tracking and improving service delivery as well as addressing critical issues facing households such as poverty, unemployment and disease.

Sukuma Sakhe provides a platform whereby needs can be identified and directed towards specific departments or fed into the municipalities medium term plans. This is done through "war rooms" which have been established in 34 of Msunduzi's 37 wards. Each war room is chaired by a member of the ward.

<sup>51</sup> Msunduzi Municipality Annual Report 2012/13. Msunduzi, South Africa.

<sup>52</sup> Msunduzi Municipality. 2014-15 to 2016/2017 Budget: Medium Term Revenue and Expenditure Forecasts.

<sup>53</sup> Ibid.

<sup>54</sup> Msunduzi Municipality Annual Report 2012/13. Msunduzi, South Africa.

<sup>55</sup> This section is based on input made by Community Services Cluster to City Insight

Regular meetings are held in the war rooms where Msunduzi, provincial and national government departments are present. At the time of writing this document, no confirmation had been received on the extent of service delivery that had been achieved through this programme.

### 7.3 Basic Services - Costs and Affordability

A recent SACN<sup>56</sup> report on the state of city finances looks at the monthly cost of service packages to households within the SACN cities. The report divides households into 4 groups: A to D, with A having the lowest property values, electricity and water consumption and D having the highest as indicated in the table below.

**Service Costs for Household Types**

Household Grouping	A	B	C	D
SACN municipality average service costs	R804	R1151	R1910	R3305
Msunduzi service costs	R1041	1428	2292	3381
Msunduzi service cost increase 2009 - 2012	8%	39%	26%	31%

As the table indicates, Msunduzi's service charges are some of the most expensive of the SACN cities, being between 20% to 30% more expensive in the A, B and C categories.

### 7.4 Energy & Electricity

Msunduzi has experienced a high degree of electrical outages over the past few years. This is primarily due to its ageing electrical infrastructure, which has not been adequately maintained.<sup>57, 58, 59.</sup>

The electricity infrastructure in Msunduzi consists of the following:

<sup>56</sup> Boshoff, L. et al. (2013). State of city finances: Towards sustainable municipal finances. SACN: Braamfontein, South Africa..

<sup>57</sup> As reported at a meeting with Infrastructure cluster held on 23rd June 2014.

<sup>58</sup> Msunduzi Business Plan (2010). Msunduzi, South Africa

<sup>59</sup> Msunduzi Municipality Annual Report 2012/13. Msunduzi, South Africa.

- A 33 kV network, which consists of the following substations: Riverside, Retief, Archbell, Pine Street, Woodburn, Hesketh and Crossways. This infrastructure has come to an end of its useful life. Work has begun on upgrading the 33 kV overhead line.<sup>60</sup>
- 88 kV – Masons substation
- 132 kV network which consists of the Northdale, Prince Alfred, Harp, Hulett, Petronet and Mkondeni substations. A major upgrade of this network is required.

An in-depth assessment of the city's electricity infrastructure, outlining the challenges the city is facing has been conducted and the city is now requiring funding to undertake the upgrades and maintenance work required. In 2012, it was estimated that almost R1Bn was required for the upgrade of the 132 kV network.

Whilst Msunduzi provides electricity to 70% of customers within the Municipality, Eskom provides electricity to the remaining 30%.<sup>61</sup> Eskom is licenced to supply electricity in the Greater Edendale and Vulindlela areas, while the Municipality provides electricity in other areas.<sup>62</sup> This creates a disparity in the costs of electricity as well as in the collections process.

- Illegal connections are common and a consistent programme to stop and punish these has not been established. Losses from illegal connections have however decreased to 11.58% in 2012/2013 from 12,95% in 2011/2012. The electricity department are pressurising the housing department to increase formal connections to decrease illegal connections.
- Disconnections are not managed well and non-paying customers are not dealt with timeously – resulting in higher levels of non-payment.
- Maintenance is not planned, resulting in frequent unbudgeted emergencies.
- The department is hampered by their ability to attract and retain qualified and competent technical staff.
- Funding shortages meant that in the 2012/13 financial year no new households were electrified.

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<sup>60</sup> Ibid.

<sup>61</sup> Ibid.

<sup>62</sup> Msunduzi Municipality (2012). Final IDP Process Plan in Preparation for 2013/2014.

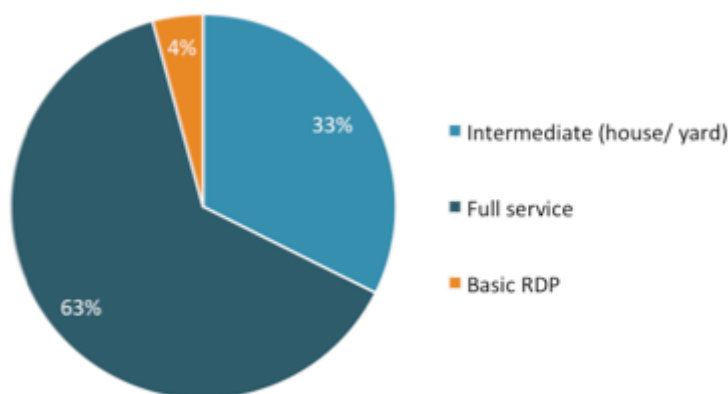


Through its tariffs, the electricity unit generates approximately 40% of the total revenue of the Municipality. Of this, 70% is derived from industrial and commercial customers and 30% from residential customers.<sup>63</sup>

## 7.5 Water and Sanitation

In 2003, Msunduzi was authorized as a Water Service Water Authority. This allows the municipality to provide potable water supply and sanitation systems. To access water, a Bulk Services Agreement was signed with Umgeni Water in 2012.

### Access to Sanitation in Msunduzi, 2011<sup>64</sup>



The diagram above shows that almost a third of households in Msunduzi have access to full service sanitation.

The provision of infrastructure to enable better service delivery is a strategic priority for the municipality.

Issues for water and sanitation are as follows:

1. Approximately 57% of households in Msunduzi have a flush toilet (connected to the sewerage or a septic tank)<sup>65</sup>.
2. There is currently an unaccounted water loss of 36% and non-revenue water has been reduced from 54.10% to 46.6%<sup>66</sup>.
3. Msunduzi is working on a revenue enhancement process for water. This involves changing 5000 water meters, which were identified as damaged or non-functional, which represent approximately 3% of the city's water meters. Over the past year, an increase of 19.5% in domestic use is an

<sup>63</sup> Msunduzi Municipality: Annual Report 2012/13. Msunduzi, South Africa

<sup>64</sup> Stats SA (2011). 2011 Census. Stats SA: Pretoria, South Africa.

<sup>65</sup> Stats SA (2011). 2011 Census. Stats SA: Pretoria, South Africa.

<sup>66</sup> Msunduzi Revised Integrated Development Plan 2011/2012 And Beyond.

indication that meter reading initiatives are becoming more effective and accurate.<sup>67</sup>

4. An estimated 69.3% of Msunduzi's water and sanitation asset are in a poor and very poor condition and have a remaining useful life (RUL) of less than 10 years<sup>68</sup>.
5. Approximately R100m of investment per year of expenditure is required to replace the poor and very poor water infrastructure.
6. In Vulindlela new pipelines are being built using MIG funding.
7. Where households don't pay their water debt, the cut-off or water restriction system is non functional.
8. A huge volume of sewerage drains into storm water channels, which can result in contaminated water.

## 7.6 Housing

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An estimated 26,3% of households (between 16 000 to 25 000 households<sup>69</sup>) in Msunduzi live in informal housing.<sup>70</sup> This includes informal structures, structures built of traditional material (mainly rural) or informal structures in a backyard.

Msunduzi has been granted level 1 housing accreditation from the Province. This allows it to undertake certain housing related functions on behalf of Province. The municipality is also part of the provincial KZN Rental Strategy. A team appointed by the Social Housing Regulatory Authority are assisting the municipality in preparing a pipeline of projects for rental housing.

Some of the key issues with regard to housing in Msunduzi are as follows:

1. Housing delivery has been limited.<sup>71</sup> In 2011, Msunduzi's percentage of formal dwellings was still below SA average with 73,7% in Msunduzi versus 77,7% in South Africa in 2011<sup>72</sup>.

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67 Msunduzi Municipality Annual Report 2012/13. Msunduzi, South Africa

68 Msunduzi Revised Integrated Development Plan 2011/2012 And Beyond.

69 Ibid.

70 Stats SA (2011). 2011 Census. Stats SA: Pretoria, South Africa.

71 Msunduzi Business Plan (2010).

72 Stats SA (2011). 2011 Census. Stats SA: Pretoria, South Africa.

2. A 2011 Housing Sector Plan was approved by council included a slum clearance strategy. This plan is currently under review in order to do the following:
  - ⊗ Review the goals, objectives and targets and establish delivery gaps
  - ⊗ Identify and document obstacles, challenges and bottlenecks
  - ⊗ Triangulate findings with the Informal Settlements Management & Control Strategy and the Housing Value Chain Delivery projects
3. Develop intervention strategies in the form of a revised Housing Sector Plan informed by standing national DHS Guidelines
4. An Informal Settlements Management & Control Strategy is also currently being developed. This will do the following:
  - ⊗ Document and profile existing informal settlements
  - ⊗ Identify existing potential land sites that are susceptible to invasion, and devise pre-emptive interventions to ensure they are not invaded
  - ⊗ Devise strategies to upgrade and integrate existing informal settlements into current and future housing delivery programmes and projects.
5. Msunduzi's housing function also includes the management of 364 units of Council Rental stock in various blocks. The Housing Admin unit is responsible for the letting of rental stock, rent collection, maintenance, housing waiting list and disposal through the Enhanced Discount Benefit Scheme of the DOHS<sup>73</sup>. However, weaknesses in the administration and management of these units has resulted in significant outstanding debt on these premises as well as poor unit maintenance.
6. The majority of housing projects in Msunduzi are individual and project linked subsidy projects. Housing projects in urban areas are as follows:
  - ⊗ A total of 40 housing projects are being administered by the Municipality at present.
  - ⊗ A total of 30 056 housing subsidies for these projects have been applied for.

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<sup>73</sup> Msunduzi Municipality Annual Report 2012/13. Msunduzi, South Africa

- ⊗ To date 25 657 houses have been built and a further 4 399 houses are planned and subsidies allocated<sup>74</sup>. A further 40 604 units are planned. This includes 3 000 rental housing units <sup>75</sup>.

A UKZN Local Economic Assessment report on the uMgungundlovu district (undated) found that 78% residents of Msunduzi were dissatisfied with the housing support services provided to them by the municipality. <sup>76</sup>

## 7.7 Roads, Cycling, Pedestrian, Stormwater and other Transport Infrastructure

### 7.7.1 Non-Motorised Transport (NMT) Infrastructure

Non-Motorised Transport has been prioritized by Msunduzi, where the vision is to: 'Promote walking and cycling as a part of mobility by creating suitable, safe and attractive NMT infrastructure networks that meet the needs of all users'<sup>77</sup>.

Various pedestrian and cycle related facilities have been developed in the city. However outside of the CBD there are fewer sidewalks and cycling facilities and for example, even in the relatively new transport infrastructure around the Midlands Mall, the pedestrian infrastructure is unsafe.

Research into the modal split for school and work trips in Msunduzi shows that 49% of trips are on foot. <sup>78 79</sup>

Issues with regard to NMT infrastructure include:

- A lack of sidewalks in residential areas and poor maintenance
- Informal trading stores encroaching on road reserves, creating safety concerns for pedestrians, cyclists and vehicles.
- In 2014/15 the design of the Non-Motorised Transport network will begin with capital funding to follow.

Planning work has been conducted on the Integrated Rapid Public Transport Network (IRPTN). This is estimated to cost the city R3.1billion over 5 years from 2012/13. A Project Management Unit has been established specifically for this project.

<sup>74</sup> Msunduzi Municipality Integrated Development Plan 2013/14.

<sup>75</sup> Ibid.

<sup>76</sup> Coetzee, C. et al. (Undated). Local Economic Assessment Report uMgungundlovu District: Executive Summary. University of KwaZulu- Natal: Msunduzi, South Africa.

<sup>77</sup> Msunduzi Non-Motorised Transport Plan (2009).

<sup>78</sup> Umbunbundlovu District Municipality Public Transport Plan (2005).

<sup>79</sup> Msunduzi Municipality Comprehensive Integrated Transport Plan 2010-2015.

### 7.7.2 Road Infrastructure

Current road infrastructure in Msunduzi is in a reasonable condition, although approximately 25% of the unpaved roads are in a condition worse than “fair” and approximately 2% (21km) of the paved roads that were surveyed in 2007 were in a “poor” or “very poor” condition. The backlog in unpaved/gravel roads (roads which are in “poor” or “very poor” condition) is considerable and is estimated at 166km, which is 26% of the total unpaved/gravel road network.

The Edendale and Vulindlela areas each account for approximately 20% of the municipal road network. Unlike Pietermaritzburg and the eastern areas though, most of the roads in these areas are unpaved. Approximately 42% of roads in the Edendale area are unpaved and approximately 98% in the Vulindlela area.

There is a significant backlog in terms of gravel roads rehabilitation and maintenance. Currently only reactive maintenance is being completed. Most new roads and upgrades are funded from external sources such as MIG.<sup>80</sup>

The Road Asset Management Plan (RAMP) is to be completed in October 2014, allowing for a complete assessment of the condition of Municipal roads and backlog on gravel roads to a Ward level. This assessment will allow for the prioritisation of roads to be attended in terms of preventative maintenance, with budgets starting to be allocated in this regard and not just for reactive maintenance. At the same time, some R120m per annum for the next 25 years is required for reducing the gravel roads backlog.

## 7.8 Public Transport

Msunduzi does not operate public transport or issue any licences for vehicles. This function will be transferred to the municipality as part of Integrated Rapid Public Transport Network.

Msunduzi’s current public transport system consists of the following<sup>81</sup>:

- Bus – 85 peak subsidised buses and a number of smaller unsubsidised buses
- Minibus Taxi’s – 30 minibus associations operating 146 routes (292 one way routes)
- Metered taxi’s – 2 metered taxi associations operate from six ranks in the city.
- Rail – although a freight system exists, a passenger system only exists

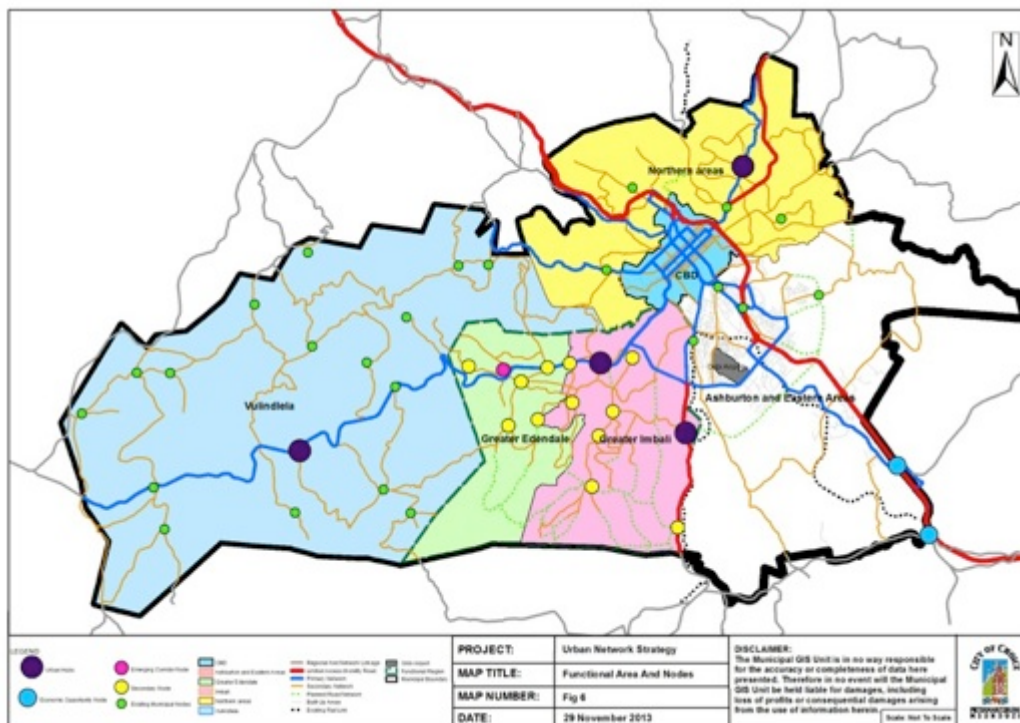
<sup>80</sup> Msunduzi Municipality Annual Report 2012/13. Msunduzi, South Africa

<sup>81</sup> Msunduzi Municipality. Comprehensive Integrated Transport Plan 2010-2015.

between eThekweni and Gauteng.<sup>82</sup>

An Integrated Rapid Public Transport Network (IRPTN) system is currently being planned for the city, with funding from the National Department of Transport. The initial conceptual and research elements of this are currently underway.

#### Transport nodes identified as part of Msunduzi's IRPTN Strategy



Various issues have been identified for the public transport system in Msunduzi<sup>83</sup>:

1. A complicated route system with service overlaps and duplication, and unnecessary transfers
2. Lack of continuous services along the length of the primary corridor linking Edendale and Northdale
3. Modes not not economically optimal.
4. Poor positioning of infrastructure within the public transport system.

<sup>82</sup> Msunduzi Municipality, Comprehensive Integrated Transport Plan, 2010-2015

<sup>83</sup> Msunduzi Municipality, Comprehensive Integrated Transport Plan 2010-2015.

## 8 DEVELOPMENT SERVICES

### 8.1 City Planning

The Msunduzi Municipality has embraced the concept of a Hierarchy of Plans, which is illustrated below. A consolidated Spatial Development Framework (SDF) was adopted by Council in 2009, and a series of Area Based Management Plans (ABM) were adopted in 2010 for the following areas:

- Vulindlela;
- Greater Edendale , Sobantu and Imbali;
- The Northern Areas; and
- CBD, Ashburton and the Eastern Areas.<sup>84</sup>

#### 8.1.1 SDF/IDP-scale plans

The most recently completed Spatial Development Framework for the City dates back to 2009. This plan is deficient, and it is doubtful that it can usefully inform any significant spatial initiatives in its present form. Earlier SDF's (late 1990's) are out of date and no longer useful. Recently, work has begun on preparing an SDF, which should address many of the city's strategic issues.

The focus of this draft SDF is on global connectivity, productive systems, green structure, sustainable transport, quality urbanism, social inclusivity and sustainable services. Key to this process though will be the degree to which shorter-term alignment with both financial and IDP challenges and opportunities can be achieved.

#### 8.1.2 Sectoral/Corridor level plans

**Environment** – The Strategic Environmental Assessment (SEA) for the whole municipality, prepared in 2010, is a useful checklist and performance management tool. There is a need for the municipality to identify priorities in this regard as resources are currently stretched. The Mkhondeni SEA provides a thorough and detailed assessment for the area.

**Residential Strategy** – Work has been done on a residential strategy, although it is now outdated. It does however provide a good basis for further important strategic interventions in the Central area and CBD. Clearly this must

<sup>84</sup> Msunduzi Municipality. Integrated Development Plan 2013/2014.

form part of an overall housing strategy for the city, and it cannot be dealt with simply in an area-by area manner.

**Retail Study** – There is much broad discussion about retail nodes within the city. There is a need however now to understanding the dynamic retail structure of the whole municipality to inform the city's strategy in this regard.

**Transport Corridor** – Although this work has been eclipsed by the BRT initiative, an integrated approach is a very necessary one to ensure that engineering solutions do not eclipse broader development and planning issues.

### 8.1.3 Local/ABM-scale plans

**Urban Design** – A number of urban design initiatives have been developed to revitalise areas around the CBD. Many of these contain innovative ideas that can be included in the City's strategies, in some form, even if not in their entirety due to lack of funding.

**ABM SDF's** – Most of these are of limited value, and hopefully their revision, in due course, following the development of a new Municipal-wide SDF, will be undertaken.

**Schemes** – The Planning Schemes need urgently to be modernised, and brought into line with the SDF in the making. There is an erroneous perception that a scheme is independent of the SDF and other plans. As an example, there is much discussion currently about densification, but schemes still have onerous height restrictions, inexplicable frontage and side spaces, and parking requirements. These need to be reviewed in the light of new strategic approaches. Work has begun on extending the Town Planning scheme to Vulindlela.

**CBD Revitalisation** – There have been many attempts at revitalising the Central area and CBD. Some implementation of these plans has begun.

### 8.1.4 General

The lack of integrated planning (and alignment of plans) in Msunduzi has resulted in an inefficient use of scarce resources. Plans need to closely align to community needs.

In 2012, STATS SA reports that Msunduzi recorded plans passed for buildings valued at R530,6 million.<sup>85</sup> This is low in comparison to the province, where Msunduzi only passed approximately 5% of the provinces plan value. This is a

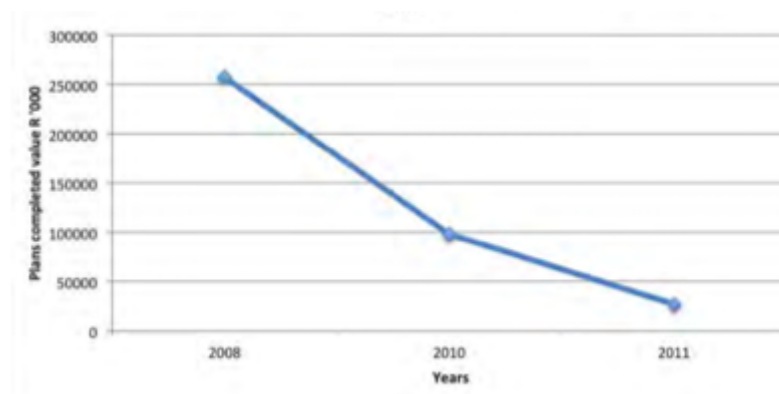
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<sup>85</sup> STATS SA (2013). Report P5041.3



decrease of 1% on the previous year. By the end of the 2013 financial year, R569,6m in building plans had been passed by the city.<sup>86</sup>

#### Msunduzi's Building Plans completed by value 2008 to 2011 (R 000's)<sup>87</sup>



## 8.2 Environment

Pietermaritzburg is situated in the basin of the uMsunduzi River and its tributaries. An escarpment rises approximately 400m above the city to the West and North West.

Msunduzi has an extremely rich cultural, architectural, historical, and archaeological resource base, that collectively makes up the heritage resources of the area. A Cultural Heritage Specialist Study identified and mapped a total of 646 heritage resource points, and 32 heritage resource zones, within the Msunduzi Municipal area.<sup>88</sup>

The 2013/14 IDP states that Msunduzi is a high potential agricultural area and notes some concern at the fact that some of the municipality's high potential agricultural land is used for purposes other than agriculture. Much of the highly productive agricultural land is in the Vulindlela area.

The municipality is one catchment area, with most of the water produced in the area going to supplement Durban's water requirements.<sup>89</sup> Msunduzi itself gets its water from the Umgeni catchment.

Rivers within Msunduzi play an important role in the city's and provinces economic, environmental and social welfare. Other than providing water for industry, domestic use, and agricultural use, they provide clay for bricks, manage

<sup>86</sup> Msunduzi Municipality Annual Report 2012/13. Msunduzi, South Africa.

<sup>87</sup> Robbins, G. (2013). Status Quo Technical Note: Economic. Royal Haskoning DHV: Msunduzi, South Africa..

<sup>88</sup> Msunduzi Municipality. Integrated Development Plan 2013/2014.

<sup>89</sup> Msunduzi Municipality. Integrated Development Plan 2013/2014.

stormwater flow and provide spaces for recreational and social uses. Riparian use of water is limited due to the poor quality of water in many of the rivers and streams within the municipality.

A specialist study mapped over 1000 wetlands within the municipality covering over 10Km<sup>2</sup>. These play an important role in stormwater attenuation and are important wildlife habitats. Climate change studies predict that although Msunduzi's annual rainfall is likely to remain fairly constant, there is an increasing risk of flash floods. This is particularly concerning for the Sobantu, Imbali, Allandale, Rosedale, Oakpark, Townbush Valley, and Prestbury areas. Measures to protect and rehabilitate wetlands, streams, and flood plains, as well as measures to manage and reduce storm water run-off, are necessary to limit potential impacts.

A biodiversity study of the Municipality identified over 200Km<sup>2</sup> of land with conservation importance. Currently, however only 8.5km<sup>2</sup> of this is formally protected. The IDP notes that 56 animal species, 20 plant species, and 8 vegetation types in the Municipality have particular biodiversity significance, with a number of rare or threatened species.

The uMgungundlovu DM is currently preparing a District Climate Change Study, which will be implemented at the local municipal level. The Msunduzi Municipality is also drafting an in-house Climate Change Policy.

The IDP notes that there is a need to mainstream climate change into municipal functions, and to proactively anticipate and deal with climate change, yet raises a concern about limited capacity within the Municipality to deliver on the legal mandate and priority action plans emanating from the Strategic Environmental Management Plan.

### 8.3 Local Economic Development

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Msunduzi has an LED Strategy, developed in 2007, and an LED unit, which drives the implementation of LED programmes and projects.<sup>90</sup>

The LED strategy has prioritised the following sectors:

1. ICT – in particular Business Process Outsourcing and Offshoring (BPO & O) and embedded software and electronics.
2. Tourism - specifically the cultural heritage, adventure, nature and MICE industries.

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<sup>90</sup> Msunduzi Municipality. Integrated Development Plan 2013/2014.

3. Residential and other property development – particularly for middle to lower income residential households where demand outstrips supply; also a parliamentary precinct and improved hotel and conference facilities in the city.
4. Logistics Goods and Services – this includes logistics, supply chain management services, storage, clearance and handling.
5. Health and Education sectors – where the municipality (and surrounding municipalities) have excellent existing facilities which could be built on.
6. Building and construction - to capture the value from National Government spend.
7. Manufacturing – in particular, the Assembly/Manufacture of Solar Heating Panels, Manufacture and Assembly of Farm Irrigation Equipment, Auto Components and Tool and Die Industries, Biofuels, Wood and Wood Products

The strategy also suggested the following project areas:

1. Regeneration strategies for Msunduzi, including:
  - Look at how under-used municipal buildings can be converted, for example to residential use.
  - The development of a parliamentary precinct in the City – which could include hotels and conference facilities.
  - Specific development and upgrade of Edendale
  - Upgrade of Pietermaritzburg town centre
  - Upgrade of Oribi airport to handle larger planes for passengers and freight
2. Encouraging Local Business Growth
  - Through undertaking a business retention survey
  - Providing technical assistance to business
  - Providing financial advice and assistance.
  - Development of a local business-friendly public procurement policy
  - Developing a roster of available industrial and commercial sites and premises to encourage business investment.
3. Encouraging New Enterprise
  - Provision of finance for new businesses
  - Providing technical advice on business management
  - Conducting business mentoring programs
4. Integrating Low Income Workers into the economy

- Skills training in areas which the city is targeting
  - Raising educational achievement through a partnering programme between some of the independent schools and less resourced schools
  - Work experience programme for young pre-matriculants who can engage in short periods of work to gain work experience
5. Investing in hard strategic physical infrastructure in order to make the city more attractive to business.
- Investment in soft infrastructure through fast-tracking the development of essential skills for business
  - Promoting inward investment through undertaking the above projects as well as more specialized ones
6. Sector and cluster development
- Developing cluster-focused public procurement and local purchasing agreements
  - Providing cluster specific information
  - Developing cluster related marketing efforts

During the 2012/ 2013 financial year, the following gains have been achieved towards the LED goal:<sup>91</sup>

1. An informal economy chamber was established;
2. Upgrade of the Pietermaritzburg Airport and implementing mechanisms to ensure that funding received from Province is spent, as well as the development of an airport master plan;
3. Rationalization of the land disposal process – establishment of the Municipal Asset Disposal Committee.
4. The sale of land to Liberty Properties for the Liberty Midlands Mall phase three.
5. Broadband proposal to rationalize internal costs on telecommunications and to create revenue for the City.
6. Pietermaritzburg Urban Renewal programme.

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<sup>91</sup> Msunduzi Municipality Annual Report 2012/13. Msunduzi, South Africa.

## 9 CORPORATE SERVICES

### 9.1 Human resources

Leading and implementing a vision for Msunduzi requires human resources who are competent, experienced and capable to deliver on the functions and powers of local governance. Whilst detailed analysis is still to be done of the capacity within the municipality, there are some worrying trends.

For example, if one looks at the annual returns to the Department of Labour, the workforce profile has changed over the past four years as follows:

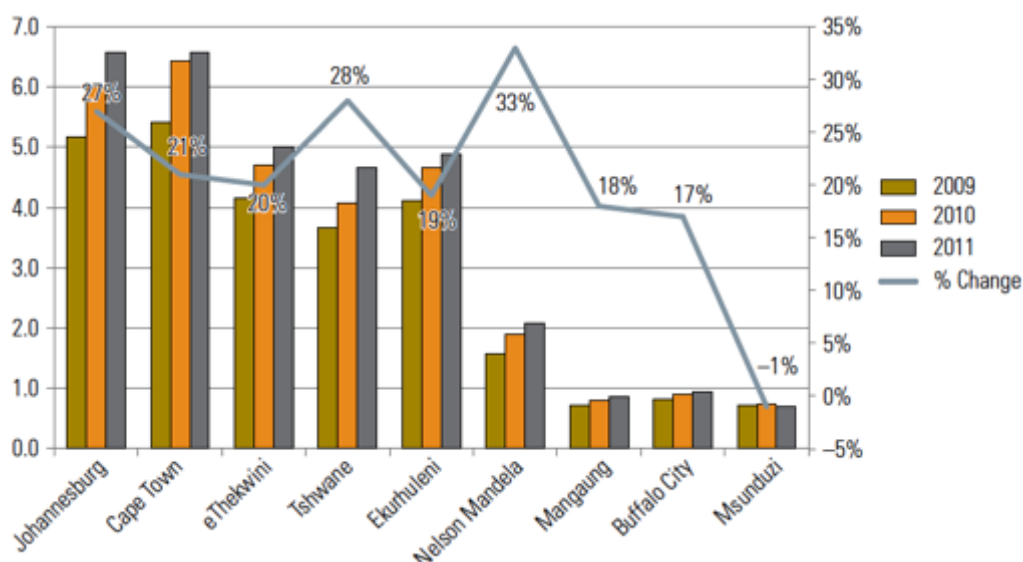
#### Msunduzi's changing workforce 2010 to 2013

Occupational levels	2010	2011	2012	2013
Top management	3	2	4	4
Senior management	27	26	22	28
Professional qualified specialists and mid-management	169	162	150	146
Skilled technical and academically qualified	705	683	597	596
Semi-skilled	902	876	773	763
Unskilled	1238	1182	1089	1031
<b>TOTAL PERMANENT</b>	<b>3044</b>	<b>2931</b>	<b>2635</b>	<b>2568</b>
Temporary employees	33	39	37	1230
<b>GRAND TOTAL</b>	<b>3077</b>	<b>2970</b>	<b>2672</b>	<b>3798</b>

Note the following:

1. Senior and top management numbers have been consistent;
2. The most worrying trend appears in the professional and skilled levels which have lost some 15% of their personnel over this four-year period. Given that these levels are the ones that are critical to service delivery this is a very worrying trend – especially as the loss of institutional memory has a major impact on delivery and performance.
3. The recent increase in temporary staff also requires some explanation.

The following table indicates that remuneration levels in Msunduzi are far lower than for other major cities:

**Remuneration by City (constant 2012) Figures in R billion<sup>92</sup>.****Comparison of municipal size and staffing complement<sup>93</sup>**

	Tshwane	Ekurhuleni	Cape Town	JHB	Msunduzi	NMB
No of Households	911536	1015465	1068573	1434856	163993	324292
Total number of posts	20973	12218	31612	18677	2568	6521
HH per employee	43	83	34	77	64	50

The above table gives comparison of municipal size and staff component. In this small sample, compared to the number of households in the municipality, Cape Town has the greatest staff complement and Ekurhuleni the smallest. Msunduzi's staff complement of 1 employee per 64 households is at the higher end of the scale but understandable for a smaller city.

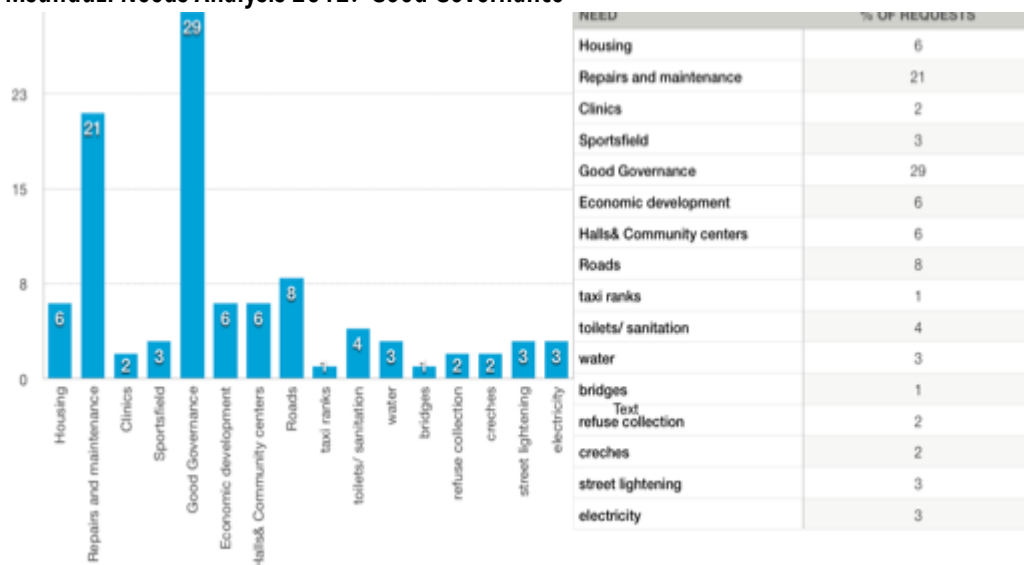
## 9.2 Governance

A needs analysis dating of 2012 has found that the largest portion (29%) of requests received from wards 1 to 37 refers to good governance issues.<sup>94</sup> Clearly this is worrying and when coupled with the basics appearing not be properly done suggests a comprehensive programme of getting back to the basics needs to be undertaken:

<sup>92</sup> Boshoff, L. et al. (2013). State of city finances: Towards sustainable municipal finances. SACN.

<sup>93</sup> Information sourced from (1) No of HH – Stats SA (2) Posts – Current Annual Reports and COGTA Municipal Staffing Guidelines 2014, way forward document.

<sup>94</sup> Msunduzi Municipality. Integrated Development Plan 2013/2014.

**Msunduzi Needs Analysis 2012: Good Governance<sup>95</sup>**

### 9.3 Information and Communication Technologies (ICT)

Msunduzi have begun working on a “remediation plan” to look at the replacement of aging IT infrastructure within the municipality. This plan includes policies and procedures such as an IT Charter, Standard operating Procedures, Security and Logical policies. These were adopted in February 2013. The ICT strategy and department are faced with significant financial constraints.

<sup>95</sup> Msunduzi Municipality. Integrated Development Plan 2013/2014.

## 10 COMMUNITY SERVICES

### 10.1 Health (including environmental health and safety)

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Msunduzi has the following health care facilities:

- 31 Clinics
- 7 Satellite clinics
- 6 Mobile clinics
- 2 Community health care centres.

The management of these have been taken over by Provincial Health.

In 2010 the uMgungundlovu District Municipality had the highest prevalence of HIV/Aids in the province as well as in the country according to the annual Department of Health antenatal survey undertaken at state hospitals. This is of concern and strategies must be developed to address this.<sup>96</sup>

In order to determine Mortality and Morbidity rates for the Municipality, the Department of Health's Annual Report (2011- 2012) has been utilised, which aggregates the information to a District level. The top four causes of years of life lost in the uMgungundlovu DM are:

- TB (22.4%),
- Lower Respiratory Infection (LRI) (10.1%),
- Diarrheal Disease (9.2%), and
- HIV/Aids (8.6%).
- In terms of maternal mortality rates, the District average is 193.5 maternal deaths per 1 000 births, which is classified as "much poorer than expected".<sup>97</sup>

In Msunduzi Municipality the provision of basic environmental health services is acknowledged as an important factor impacting on the quality of living environments and the health of communities.<sup>98</sup> There are various environmental health challenges faced by the Municipality, many of which impact on the health issues raised in the section above.

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<sup>96</sup> Msunduzi Municipality. Integrated Development Plan 2013/2014.

<sup>97</sup> Ibid.

<sup>98</sup> Community Services CDS Document.



Environmental Health Services are provided without funding from National Treasury.<sup>99</sup> These include: water quality monitoring, food quality and safety, health surveillance of premises and vector control. Water sampling of reservoirs and domestic water sources continued for the purposes of Blue Drop status accreditation. The departmental laboratory was used for the monitoring of water and food quality.<sup>100</sup>

The shortage of housing in the municipality has created a high demand and has resulted in 'tenant farming' in some areas, creating some serious environmental health concerns.<sup>101</sup>

## 10.2 Parks and Recreation

There are nine libraries within the Msunduzi Municipal Library Services, the main Bessie Head Library and eight branch libraries. Georgetown provides a study area and a Travelling Library service to schools.<sup>102</sup> The city also has 46 community halls, 19 local halls and 1 theatre.<sup>103</sup>

Msunduzi has seven closed cemeteries and three in current operation. It has three crematoria with two currently being operated. Some concern has been raised about the upkeep of the closed cemeteries.

Msunduzi also has 65 sports facilities and seven municipal swimming pools<sup>104</sup>.

Maintaining the city's parks and recreation areas is a considerable task, with grass cutting, tree felling and clearing of alien plants a major consideration. With a limited budget for equipment the service is, in many areas, limited to grass cutting.<sup>105</sup> The majority of the municipality's (Expanded Public Works Programme) EPWP employees are used to cut grass and clear park areas. A problem has been encountered in that EPWP workers working along side municipal workers are now wanting to be considered for permanent appointment<sup>106</sup> and are wanting wages in line with municipal workers. On the other hand municipal workers are expecting the EPWP workers to do the hard labour and are stepping back from the more difficult jobs.<sup>107</sup>

In Vulindlela problems are experienced with some traditional leaders who believe that the facilities are their own resources and expect a share of the

99 Msunduzi Municipality Annual Report 2012/13. Msunduzi, South Africa.

100 Ibid.

101 Interview with DMM 13th June 2014

102 Msunduzi Municipality Annual Report 2012/13. Msunduzi, South Africa

103 Ibid.

104 Ibid.

105 Meeting with DMM 13th June 2014

106 SACN (2009). The State of Expanded Public Works Programmes in South African Cities 2013: 3-year Report 2009-2012. SACN: Braamfontein, South Africa.

107 Meeting with DMM 13th June 2014.

income from their rental. This issue needs to be addressed to ensure that the public is able to use the facilities.

### 10.3 Pietermaritzburg Airport

In June 2014, the Msunduzi Executive committee resolved to establish a municipal entity to take over control of the airport.<sup>108</sup> Problems had arisen due to an unclear relationship between the airport and the municipality due to the fact that Section 78 processes were not followed. Airports are classified as a function of the district municipality whilst the airport function is provided for by Msunduzi.<sup>109</sup>

Establishing the airport as a municipal entity will allow Msunduzi to have greater control over the running of the airport, allowing for greater growth and development.

Over the past two years the airport has been upgraded with the extension of the departure terminal and apron, using a capital grant of R37m from Province. Plans are underway for the extension of the runway to accommodate bigger airlines to increase the usage and therefore increase revenue.

### 10.4 Solid Waste

The 2011 census showed that Msunduzi has the lowest waste collection rates of any of South Africa's major cities. The 2011 rate was 53% (of households who had waste collected on a weekly basis). This is down from 59% in 2001. The average for South Africa for a whole is 62.1%.

Waste is taken to the New England Landfill Site which serves the disposal needs of not only Msunduzi but local municipalities within the jurisdiction of the District Municipality.

The Site receives approximately 700 tons of waste daily which is spread, compacted and covered. The Site is well managed in strict compliance with relevant environmental legislation and bi-annual monitoring for gas emissions, groundwater and surface water contamination, and leachate emissions is conducted to ensure that the Site does not pose an environmental threat to the environment<sup>110</sup> Msunduzi has partnered with uMgungundlovu district municipality in identifying a new landfill site to use by 2020. This potential site is in an area referred to as "Whispers" which borders Msunduzi and uMshwati (Greytown).

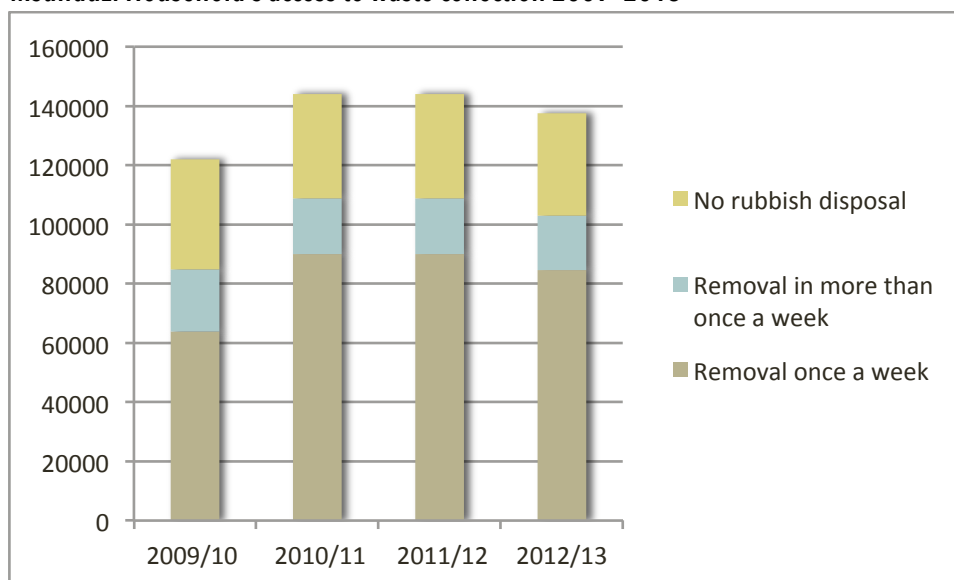
<sup>108</sup> Regchand, S. (2014). Municipality to take over Airport. Article retrieved from the Mercury on June 13th 2014.

<sup>109</sup> Msunduzi Business Plan (2010).

<sup>110</sup> Msunduzi Municipality Annual Report 2012/13. Msunduzi, South Africa.

A challenge is seen in the tip-pickers conducting recycling on an informal basis as they hinder the effective management of the site. In order to address this issue, Msunduzi has partnered with the District to partly formalize and control some activities of the informal tip-pickers through recycling initiatives and establishment of cooperatives.. This demands strong coordination with the Waste Management and Economic Development Units.

**Msunduzi Household's access to waste collection 2009- 2013<sup>111</sup>**



## 10.5 Emergency Services

A significant portion of disaster management and crime prevention is executed by the Safe City Agency, which is an external section 21 agency fully funded by the municipality. Safe City has been formed as a partnership with the business community to combat crime in the city. Council allocates a grant in aid to the entity.

During the 2012/13 year 168 incidents were attended with 3645 families, 3587 houses and 16132 people affected.<sup>112</sup>

## 10.6 Municipal Policing

The City is aiming to upgrade the status of its Traffic Police Department into a Metropolitan Police by 2016/17. The vision is to have the following<sup>113</sup>.

<sup>111</sup> Ibid.

<sup>112</sup> Ibid.

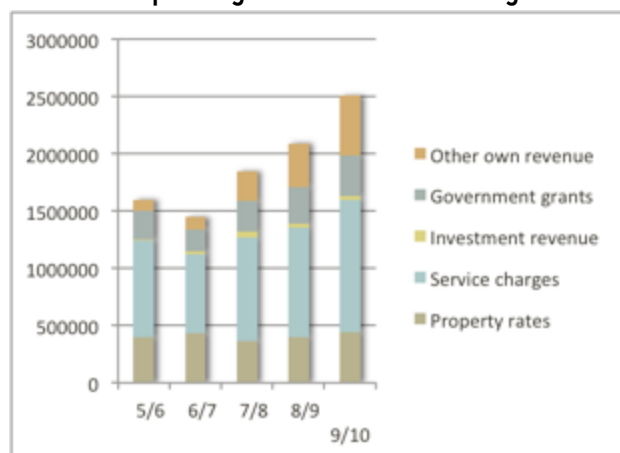
1. To introduce a 24 hr. traffic, bylaws and crime prevention policing service by 2013/14.
2. Extend its traffic and bylaws policing to areas that previously did not have services of this nature, e.g. Vulindlela, Greater Edendale, Willowfontein including the portion of the Northern areas.
3. To maximise the police visibility and patrols in the emerging commercial, industrial and residential nodes.
4. The promotion of pedestrian safety as part of the agenda to promote road safety for this City is experiencing an increase in the number of citizens (pedestrians) from the neighbouring municipality and its own citizens, and this is as a result of their intention to access government services.

## 11 Municipal Finances

In considering the changing financial circumstances of Msunduzi, it is useful to compare its performance in macro terms with those of other municipalities. The actual audited expenditure for each financial year was used and disaggregated into comparable units.

The first major source of revenue for municipalities comes from tariffs charged for water, electricity and the like. These operating revenues for Msunduzi have grown over the past ten years as the following graph indicates:

**Msunduzi - operating revenue sources - changes : 2005 - 2010**



However when placed in perspective through comparing this growth to that of eThekweni and Mhlathuze over the same period, one finds that Msunduzi has experienced the slowest overall growth rate in both revenue received from service charges and the concomitant expenditure on bulk purchases as is evident in the following table:

**Service Charge and Bulk Purchase comparison of eThekweni, Msunduzi and uMhlathuze.**

	2005/06	2008/09	2012/13	CHANGE 05/13 (%)
<b>Revenue: Service Charges</b>				
eThekweni	4510764	6309610	13012770	188,5
Msunduzi	847624	952605	1966934	132,1
uMhlathuze	453542	632066	1277843	181,7
<b>Expenditure: Bulk Purchases</b>				
eThekweni	2443252	3649336	7579646	210,2

Msunduzi	458214	636771	1220917	166,5
uMhlathuze	207577	387375	936067	350,9

Interestingly, the SACN 2013 Finance report argues that more recently: "In order to improve its financial sustainability, Msunduzi had abnormal tariff increases for all of its service charges. In addition, improved billing measures, which were introduced as part of provincial government's intervention, also contributed significantly to the improvement in revenue." One finds, for example, that among the 9 cities, the highest total city revenue increases were found in Mangaung (62,2%), Ekurhuleni (36,6%), Johannesburg (29% and Msunduzi (27,3%) in the years 2009-2011.<sup>114</sup>

The relatively slow rate of growth is also evident in the second largest source of municipal revenue: that of property rates. The following table indicates how that revenue base has changed over the past 7 financial years. Again, Msunduzi has the slowest growth rate of the largest urban municipalities in KwaZulu-Natal.

#### Changes in Revenue from Property Rates comparison of eThekwini, Msunduzi and uMhlathuze

Revenue: Property Rates	2005/06	2008/09	2012/13	CHANGE 05/13 (%)
eThekwini	2823077	3717372	4922451	74,4
Msunduzi	381429	378556	586643	53,8
uMhlathuze	92140	125068	272251	195,5

The third table compares the overall changing revenue and expenditure patterns in the three cities. Once again the slowest overall growth is found in Msunduzi.

#### Changes in Operating Revenue and Operating Expenditure - a comparison of eThekwini, Msunduzi and uMhlathuze

	2005/06	2008/09	2012/13	CHANGE 05/13 (%)
<b>Total Operating Revenue</b>				
eThekwini	11633855	16806584	25849015	122,2
Msunduzi	1872210	2275157	3357481	79,3
uMhlathuze	830333	1012606	1941217	133,8
<b>Total Operating Expenditure</b>				
eThekwini	10577140	14632659	21987848	107,9

<sup>114</sup> Boshoff, L. et al. (2013). State of city finances: Towards sustainable municipal finances. SACN: Braamfontein, South Africa.

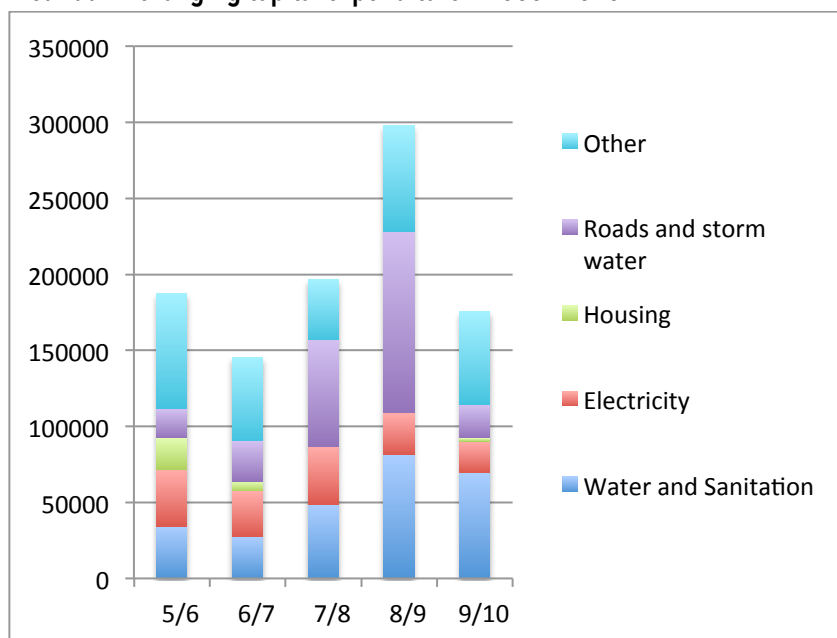
Msunduzi	1706655	2271156	2940776	72,3
uMhlathuze	828311	1232315	2058054	148,5

These three snapshots into the financial base of Msunduzi municipality are representative of the slower growth in economic development in Msunduzi. This translates to lower rates base and lower service charges.

These overall figures could suggest a lack of will to increase rates, tariffs and the like. When coupled with problems in financial management, the financial crisis then emerges from which there is no solution to go through a process of administration.

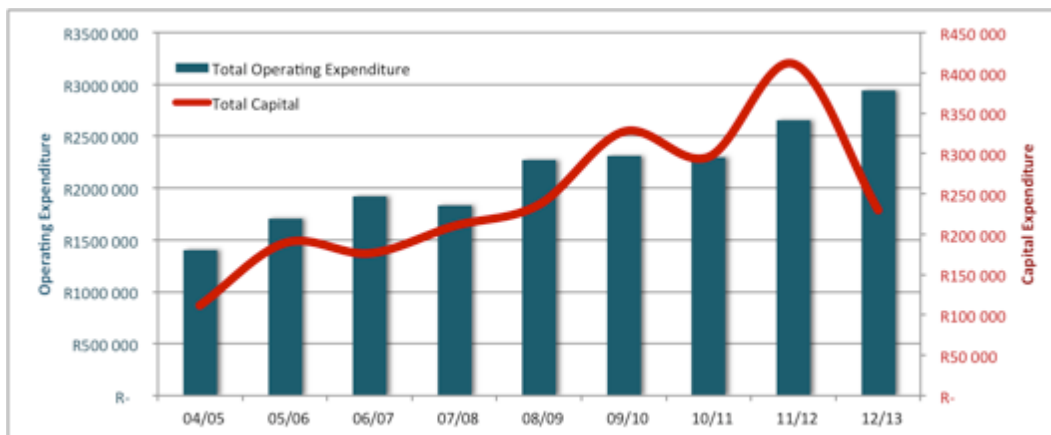
When looking at trends in capital expenditure it is interesting to note how electricity expenditure contracted in the 2008/09 period, particularly compared with other CAPEX

#### Msunduzi - changing capital expenditure - 2005 - 2010



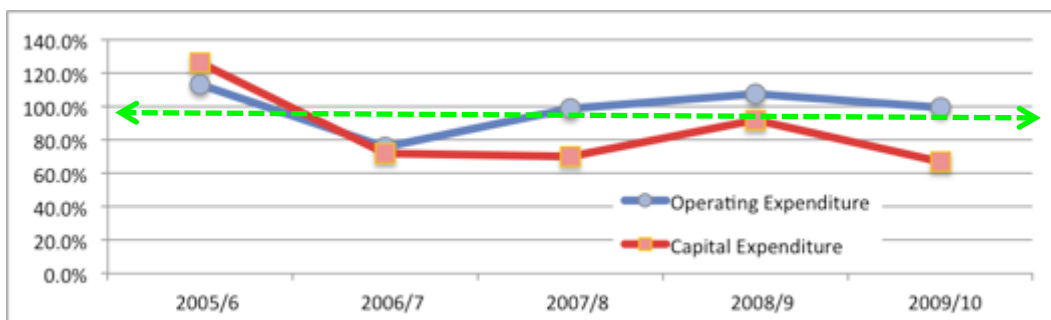
These worrying trends become more evident when one examines the relationship between CAPEX and OPEX over this period. In spite of the city's significant CAPEX needs, one notices a decline in CAPEX during the period of the financial crisis

### Msunduzi: Capital and Operating Expenditure changes 2004 to 2013



The table below give an indication of Msunduzi's changing ability to spend both capital and operating expenditure, comparing actual expenditure to that which was envisaged in the revised budget. At 100% actual expenditure was at the same level as planned. Under 100% suggests that the municipality may have had capacity problems in spending funds.

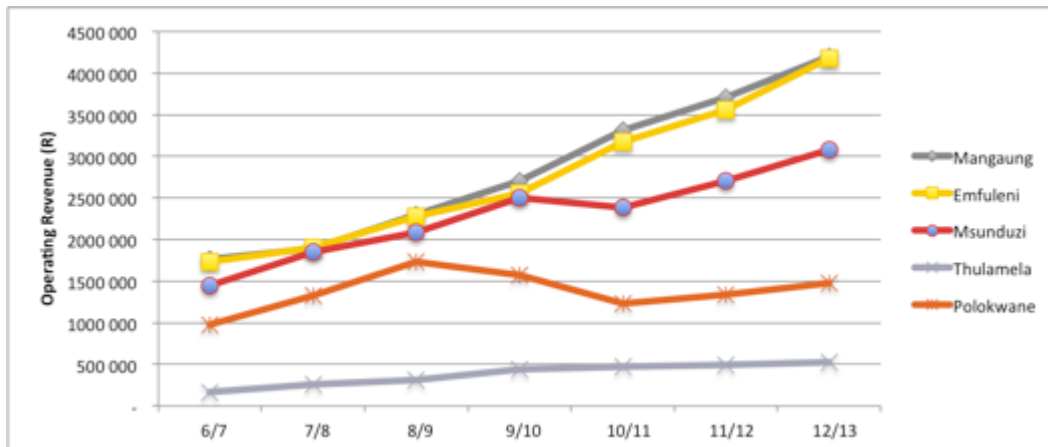
### Msunduzi's Final budget expenditure as a % of revised budget



Using other cities of equal size as a benchmark it is clear that Msunduzi still has some way to go to achieve similar levels of Operating Revenue as is shown in the graph below.

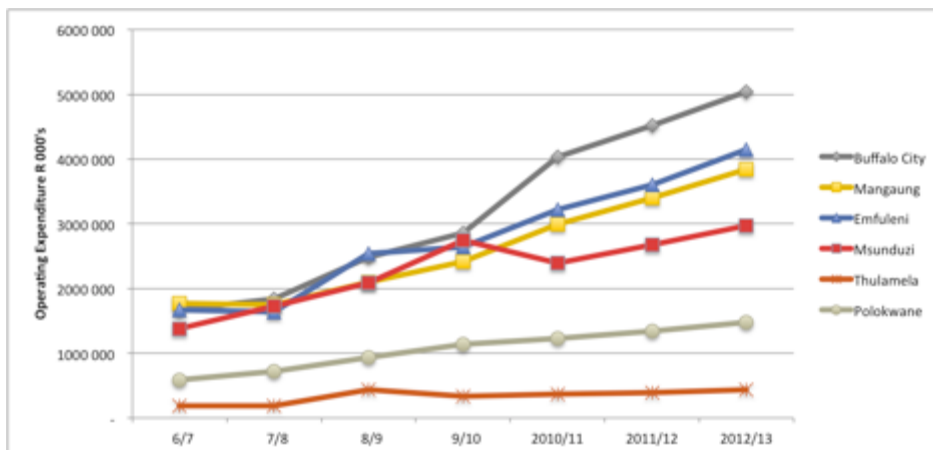


### Msunduzi's Operating revenue - comparison to other municipalities of a similar size (R 000's)



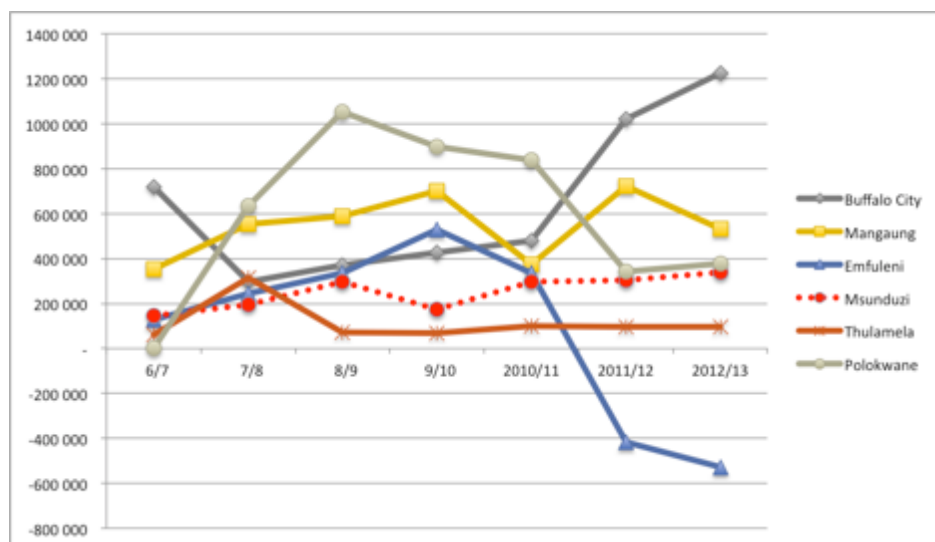
In operating expenditure, comparing Msunduzi to other similar sized cities, shows a relative decline compared to its peers.

### Msunduzi's Operating expenditure - comparison to other municipalities of a similar size (R 000's)



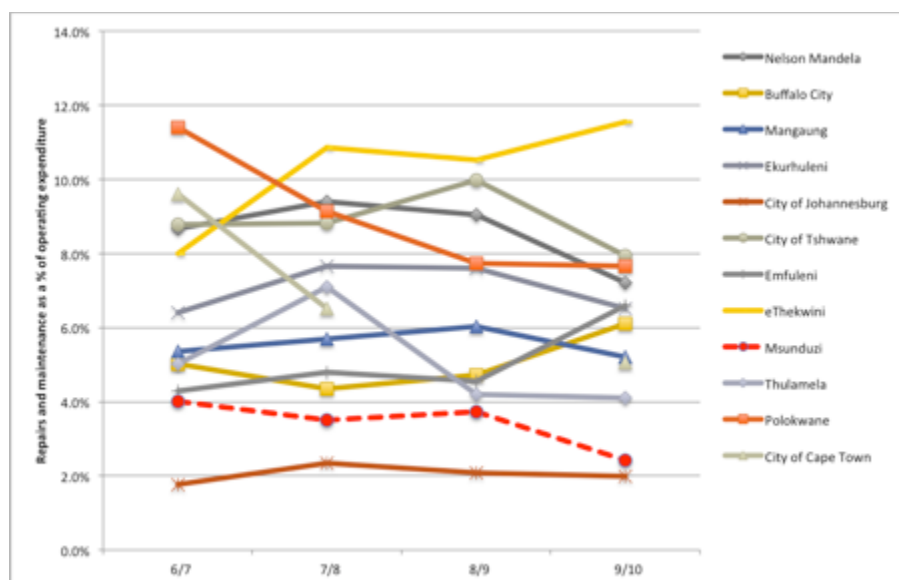
Continuing with the comparison with municipalities of similar size, one finds that generally Msunduzi has far lower levels of CAPEX:

### Msunduzi's Capital expenditure - comparison to other municipalities of a similar size (R 000's)



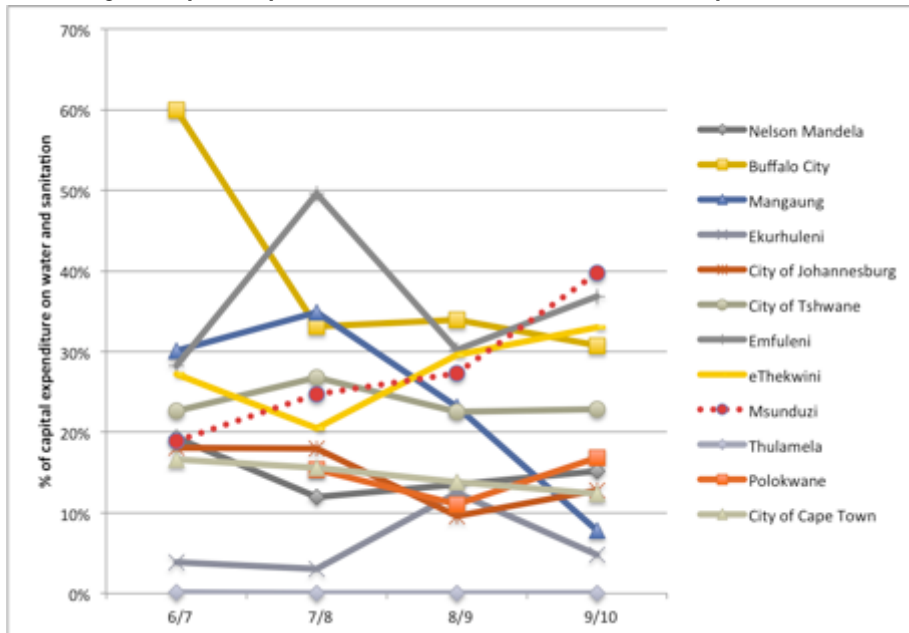
If, on the one hand, revenues are not what they should be, of even more concern is the lower proportion of repairs and maintenance as a percentage of OPEX. In the following chart, the very low levels of expenditure on Repairs and Maintenance in Msunduzi become noticeable:

### Repairs and maintenance as a % of operating expenditure compared to other municipalities (R 000's)



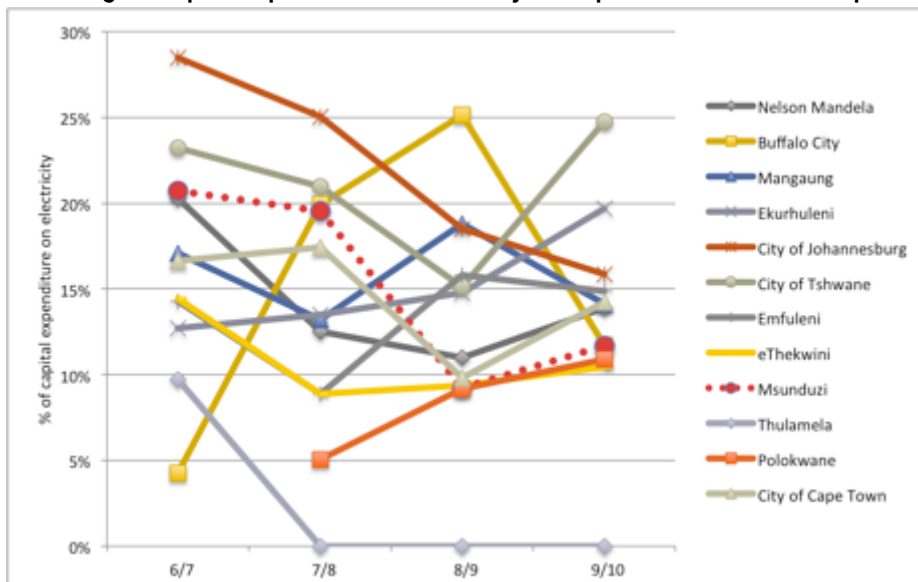
At the same time, Msunduzi has maintained a relatively good level of expenditure on water and sanitation compared with other major cities:

### Percentage of capital expenditure on water and sanitation - comparison to other municipalities



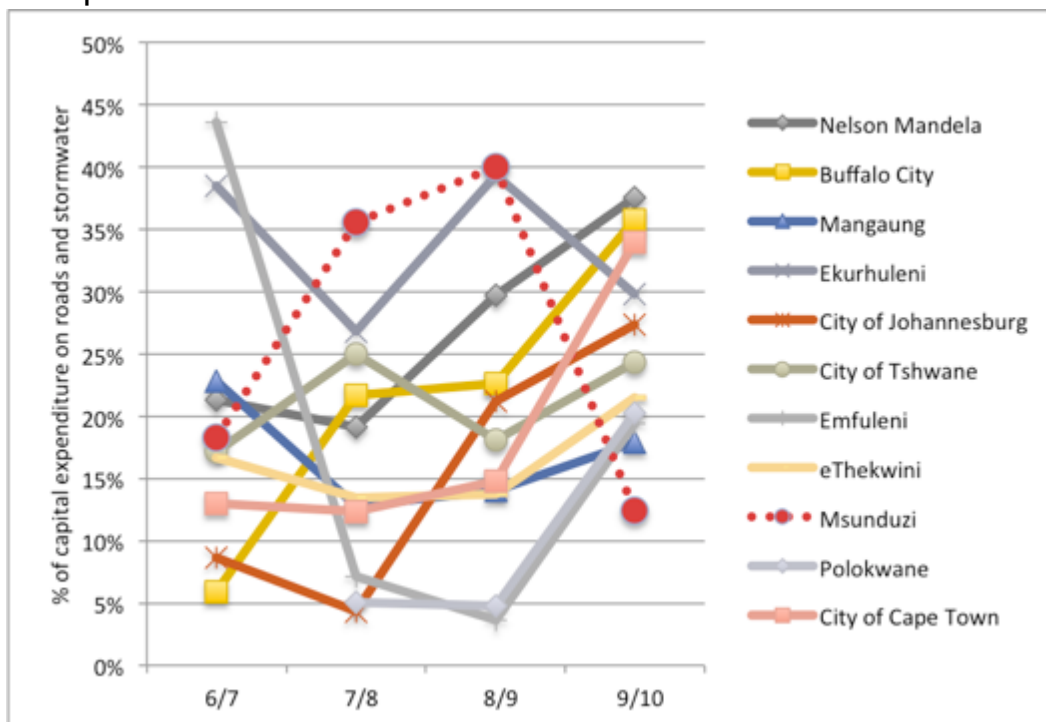
However, the same can't be said of expenditure on electricity where Msunduzi's performance is poorer:

### Percentage of capital expenditure on electricity - comparison to other municipalities



Finally, in its early years Msunduzi performed quite well in terms of spending on roads and stormwater drainage, but by the time of the financial crisis even this expenditure was cut:

### Percentage of capital expenditure on roads and stormwater - comparison to other municipalities



Importantly, the overall financial status of Msunduzi does not indicate a fundamental structural financial crisis. It does suggest, however, a need to develop a long-term strategy around both increasing the revenue base, curbing expenditure on more unnecessary items whilst focusing on the basic s and infrastructure spend, and ensuring economic growth.

This is also reinforced in the most recent, annually-conducted National Treasury assessments of Msunduzi. Their analysis of the tabled budget on 15 May 2014 reviewed the credibility, relevance and sustainability of the Msunduzi budget.<sup>115</sup> Whilst covering many issues, one area which impacts on long-term planning is the need for the city to ensure its budgetary alignment with the IDP exists not only on paper so that there is not an under-achievement of IDP priorities and that the capital budget is properly prioritised. The 2014 mid-year budget and performance assessment of Msunduzi Local Municipality conducted by National Treasury, also reinforces this given that water losses, electricity losses and poor metering all point to a need to improve the infrastructural base through capital injections.<sup>116</sup>

<sup>115</sup> National Treasury (2014). Local Government Draft Assessment of the Tabled 2014/15 MTREF, KZN225. Msunduzi Municipality, South Africa.

<sup>116</sup> National Treasury, 2013/2014. Local Government Mid-Year Budget and Financial Performance Assessments: Msunduzi Municipality Draft Assessment report.

## 12 Customer engagement

Msunduzi have developed a public participation policy, and measures have been undertaken to increase the amount of people attending community meetings and engaging in the development of the IDP. A longer term plan is underway to use social media especially SMS communication to inform and invite communities to meetings.<sup>117</sup> Attention is placed on ensuring the participation of Msunduzi's historically disadvantaged communities.

The following successes have been noted by Community Services:

- Focussed stakeholder forum engagements have been held with targeted roleplayers, such as the Chamber of Business.
- The establishment of the Rates and Tariffs Committee.
- A ward committee system is functioning in the city.
- A municipal call centre has been established.
- A Municipal Rapid Response Team has been established.<sup>118 119</sup>

## 13 Emerging Issues

This developing status quo report relies on information researched and also provided by some of the Msunduzi management. It remains work in progress, but already a summary of the key emerging issues for Msunduzi's longer-term plans are outlined below:

### POLITICAL AND GOVERNANCE ISSUES

1. Whilst Msunduzi's political make-up has remained largely unchanged, it has had a high leadership turnover, creating significant instability for the city.
2. Msunduzi underwent a Section 139 provincial intervention in 2010 due to financial challenges. A provincial intervention team was appointed and took over the management of the city. The intervention ended in 2011. The intervention appears to have primarily focused on reversing the city's financial problems. The 2010 municipal financial crisis significantly affected municipal governance from which Msunduzi is having some difficulty recovering.

<sup>117</sup> Msunduzi Community Services CDS Document.

<sup>118</sup> Msunduzi Municipality Annual Report 2012/13. Msunduzi, South Africa.

<sup>119</sup> Msunduzi Municipality. Integrated Development Plan 2013/2014.

3. Critically, core skilled staff has left the municipality and this will undoubtedly affect delivery. Many of the senior staff are relatively new to the municipality and it will take time before they are fully effective in their portfolio's.

## FINANCIAL AND ECONOMIC ISSUES

4. Whilst over the past ten years, Msunduzi has experienced slow overall growth rate in both revenue received from service charges and the concomitant expenditure on bulk purchases, more recently it has had abnormal increases to catch up.
5. When looking at trends in capital expenditure it is interesting to note how electricity expenditure contracted in the 2008/09 period, particularly compared with other capex. This is worrying given the importance of electricity for business development in particular.
6. Generally, CAPEX levels in Msunduzi are low.
7. Of even more concern is the lower proportion of repairs and maintenance expenditure as a percentage of OPEX
8. At the same time, Msunduzi has maintained a relatively good level of expenditure on water and sanitation compared with other major cities.
9. There is a real need for the city to ensure its budgetary alignment with the IDP exists not only on paper so that there is not an under-achievement of IDP priorities and that the capital budget is properly prioritised.
10. There must also be a greater focus on improving the infrastructural base, given that water losses, electricity losses and poor metering all point to this need.
11. Msunduzi's growth rate is relatively low in the South African context. Its growth has however remained constant between 2001 and 2011.
12. Msunduzi is a key player in the uMgungundlovu district, contributing over 73% of the districts' GDP.
13. Disposable income has increased at a faster pace than production in the district, suggesting the import of goods into the district. This is problematic as bringing goods into the district means that income is not being retained in the district and is not growing the local district economy.

14. The Msunduzi municipality has significant potential in the following sectors:
  - a. Sale and repairs of motor vehicles and sale of fuel
  - b. Air transport and transport supporting activities
  - c. Post and telecommunications
  - d. Finance and insurance
  - e. Health and social work
  - f. Agriculture
15. The district has the following strengths: Education, history, sporting events, investment in ICT, tourism, construction, property development, farming/ agriculture, transport and logistics. The District has also been earmarked for major corridor development.
16. The importance of capital city status is clear and it buffers the city in times of economic down-turn. At the same time, provincial government strategies for the city must be properly synchronised and integrated with Msunduzi's strategies. It is estimated that about 50% to 55% of the total wage bill in the Msunduzi economy is generated through the different spheres of government housed in Msunduzi.
17. Business confidence is declining. 50% of businesses reported a deterioration in the area of community improvement, citing issues such as inadequate electrical infrastructure, crime, HIV/AIDS, government inefficiency, lack of maintenance, lack of employment, businesses closing down or moving away, poor condition of roads and increased speed humps.
18. A worrying trend economically is that for the region as a whole the productive sectors have contributed very little to the economy, and growth has primarily been generated in the consumptive sectors of the economy.
19. An informal economy chamber has been established in 2012 to represent the needs of informal sector;
20. The scale of higher education spending and existing infrastructure within the city suggests that this is an area of high potential growth for the city.

## **SOCIAL ISSUES**

21. Although proportion of people with higher levels of education have declined, it remains an important sector to assist in improving growth and development.
22. Youth unemployment within the city has declined and is below the national average.
23. In 2012, the city developed an indigent policy to ensure that the poor have access to municipal services. The financial viability of this programme is not clear however.
24. Health services within Msunduzi have been taken over by the Provincial Health Department.
25. There are too few environmental health practitioners within the municipality.

## **HUMAN SETTLEMENTS AND BASIC SERVICES**

26. Settlement densities vary significantly across the city, creating problems for a public transport strategy to easily knit the areas together and overcome apartheid spatial patterns.
27. A provincial programme: operation Sukuma Skahe has been implemented, although the effectiveness of this programme is not yet clear.
28. The percentage of people living in informal dwellings has increased by 8%.
29. There are many challenges facing Msunduzi in the provision of basic services.
30. Msunduzi is below the other major cities and the South African average in the provision of flush toilets and weekly refuse removal. Municipal waste collection rates been declining.
31. Msunduzi provides slightly above the national average in terms of piped water inside dwellings, but this is still well below the other major cities.
32. With regards to the provision of lighting inside dwellings however, Msunduzi fares well where 91% of dwellings have lighting, compared to a national average of 84,7%.



33. Housing delivery within the city has been very limited.
34. A provincial social housing programme is looking to provide more rental housing within the city.
35. An informal housing and slum clearance strategy is currently being developed for the city.
36. Disaster management is undertaken by the Safe City Agency – an external unit fully funded by the Municipality – which is currently being changed into a municipal entity.

## INFRASTRUCTURE

37. An integrated public transport network plan is currently being developed for the city and a project management unit has been established to undertake work in this regard.
38. Non-motorised infrastructure has been prioritized by the city. Currently there is a lack of sidewalks in the city. Where sidewalks maintenance and encroachments onto these is cause for concern.
39. Current road infrastructure is in a reasonable condition, although at least 25% of unpaved and 2% of paved roads in a poor condition.
40. Msunduzi's electrical network is old and under pressure. Blackouts are frequent. An indepth electrical infrastructure assessment has been undertaken and longer term planning in this regard is underway. Some electricity in the city is supplied by Eskom, and some by the city itself. This creates a discrepancy in pricing and is the cause of unhappiness for many residents and businesses.
41. Illegal connections are common - the council has not been effective in addressing these.
42. As the water service water authority, Msunduzi appears to be doing fairly well in the provision of water and sanitation. The Ministry of Water Affairs rates Msunduzi 3<sup>rd</sup> in KZN in the KZN Municipal Blue Drop Performance 2012 report, and it also got Blue Drop Status in 2011 and 2012.
43. At the same time, it was estimated in 2009 that almost 70% of Msunduzi's water and sanitation assets are in a poor condition with a remaining useful life of less than 10 years.

## PLANNING and ENVIRONMENTAL ISSUES

- 44. A number of spatial and sector plans have been developed for the city. These provided a good basis for going forward, but now need to be synthesized, integrated and acted upon.
- 45. The city has significant environmental diversity and opportunity. Managing these will be an important aspect of building tourism within the city. Mismanagement of them will also have significant environmental health problems for residents.

## GENERAL

- 46. Actions around governance related matters, including capacity building, enforcement, getting the basics right and spatial targeting, need to be developed and implemented.
- 47. Economic strategies need further development.
- 48. Environmental plans appear to be weakly developed.
- 49. Social issues require clear analysis and plans developed.

## 14 Way Forward

This document has presented a review of key elements to focus discussion towards a city development strategy for Msunduzi. It is the first document for public comment in this process, and aims to lay the basis for discussion on what priority items should be addressed in the City Development Strategy.

If you have any comments, additions or corrections on this document or would like to engage further on this process, please contact City Insight Pty Ltd

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