

**TO:** ILEMBE DISTRICT MUNICIPALITY

**FROM:** CHIEF EXECUTIVE OFFICER

**DATE:** 13 JANUARY 2022

**SUBJECT: MID YEAR BUDGET & PERFORMANCE ASSESSMENT - 2021/2022 FINANCIAL YEAR**

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## **1 Purpose of the Report**

To present the 2021/2022 mid-term budget and performance assessment for the period covering 1 July 2021 to 31 December 2021 in terms of section 88 of the Municipal Finance Management Act of 2003.

## **2 Deliberations**

In terms of Section 88 of the Municipal Finance Management Act,

- (1) the Accounting Officer of a Municipal Entity must by 20 January of each year,
  - a) assess the performance of the Entity during the first half of the financial year, taking into account—
    - (i) the monthly statements referred to in section 87 for the first half of the financial year and the targets set in the service delivery, business plan or other agreement with the Entity's Parent Municipality; and
    - (ii) the Entity's annual report for the past year, and progress on resolving problems identified in the annual report; and
  - b) submit a report on such assessment to—
    - (i) the Board of directors of the Entity; and
    - (ii) the Parent Municipality of the Entity.

- (2) A report referred to in subsection (1) must be made public.

The budget assessments are aimed to provide a high level report regarding the state of the Entity and budget implementation. The mid-term assessment is now being circulated to apprise the Board and Parent Municipality of the financial status as well as the status of operations for the Entity.

## **3 Discussion**

This review is covered under the following broad headings;

- Financial Management Review
- Mid-term Performance Review
- Annual Report

Please note that for the purposes of the discussions that follow, all amounts have been rounded off to the nearest hundred thousand rand. Exact amounts can be obtained from the budget extract that has been appended to this item.

### **3.1 Financial Management Review**

#### **3.1.1 Summary and overview**

Enterprise iLembe as the Economic Development Agency is mandated to drive economic development in the district as well as to promote trade and investment and as such the Vision of the Agency is "To be a leading economic development agency that enables the iLembe district to be a destination of choice for investment, business and tourism."

The focus of the Entity's resources is geared to economic upliftment of the poor areas of the district and creating better relationships and co-operation within local municipalities.

The report provides feedback on the Municipal Entity's performance on the delegated mandate from the Shareholder and the Board of Directors.

### 3.1.2 Finance and Budget Review

The approved budget for the 2021/22 financial year was R38, 4 million for operational expenses. The capital budget as approved was R2, 7 million for capital assets. The year-to-date Operating Revenue amounted to R21, 2 million and the year-to-date operating expenditure amounted to R16 million. The year-to-date operations resulted in an operating surplus of R 5, 2 million as disclosed in table F2.

The following Table F2 – Financial Performance reflects the overall financial performance as at December 2021, and below the table are the explanations for variances that are at over or under the 10% threshold.

<b>Ilembe Enterprise - Table F2 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M06 December</b>						
Description	Current Year 2021/22					
	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %
<b>R thousands</b>						
<b>Revenue By Source</b>						
Rental of facilities and equipment	660	–	–	330	(330)	-100.0%
Interest earned - external investments	360	27	192	180	12	6.7%
Transfers and subsidies	36,817	3,040	20,615	18,409	2,206	12.0%
Other revenue	808	48	364	404	(40)	-9.8%
						<b>9.6%</b>
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>38,646</b>	<b>3,115</b>	<b>21,171</b>	<b>19,323</b>	<b>1,849</b>	
<b>Expenditure By Type</b>						
Employee related costs	21,739	1,408	9,159	10,869	(1,710)	-15.7%
Remuneration of Directors	963	50	326	481	(155)	-32.2%
Depreciation & asset impairment	2,400	285	1,087	1,200	(113)	-9.4%
Finance charges	118	0	1	59	(58)	-98.7%
Other materials	309	2	38	155	(117)	-75.4%
Contracted services	4,980	281	1,918	2,490	(572)	-23.0%
Other expenditure	7,986	1,279	3,482	3,993	(511)	-12.8%
<b>Total Expenditure</b>	<b>38,494</b>	<b>3,304</b>	<b>16,011</b>	<b>19,247</b>	<b>(3,235)</b>	<b>-16.8%</b>
<b>Surplus/(Deficit) for the year</b>	<b>152</b>	<b>(189)</b>	<b>5,160</b>	<b>76</b>	<b>5,084</b>	

#### Revenue by Source

The operating surplus as at the 31 December 2021 was R5, 2 million. IDM owes the Entity for the December 2021 invoice. The January invoice has also been submitted. Below are the explanations for variances that are at or over the 10% threshold.

**i) Rental of Facilities**

A variance of 100% under-billing was recorded under this category at the end of the period. This relates to the rental amounts budgeted for the leasing of tunnels. The Entity entered into a contract with DeCaJu Agricultural Ventures in December 2019, for the leasing of five tunnels over a period of three years, ending in November 2022. In June 2021, DeCaJu sent an email withdrawing from the contract with immediate effect. A formal letter was subsequently received.

DeCaJu currently owes the Entity an amount of **R902 750.00** and a letter of demand was sent in this regard, no correspondence has been received in this regard. The legal panel has been engaged for quotations on the recovery of this debt. The budget will be reviewed during the adjustments budget process in February 2022.

**ii) Transfers and Subsidies**

This refers to grant funding received by the Entity. A variance of 12% over billing was realized during the period under review. It must be noted that the Entity has continued with the implementation of projects using the unspent funds which will be appropriated during the adjustments budget process.

**Expenditure by Type**

**i) Employee Related Costs**

A variance of 15, 7% under expenditure existed under this category. This is due to positions that were budgeted for but not yet filled. There is a challenge currently with the salary to expenditure ratio, which exceeds the norm and therefore the filling of certain positions has been put on hold. This does have an impact on capacity and segregation of duties within the SCM unit, considering the AG finding on the decentralization of SCM. In the interim, capacity has been built using contract employment whilst the Entity looks at other avenues to build capacity, increase revenue or interns resourcing through IDM and other stakeholders.

**ii) Remuneration of Directors**

This relates to the amounts paid to Board members as a monthly retainer as well as quarterly sittings. The variance of 32, 2% under expenditure was recorded as at reporting date. This is due to a vacancy that exists in the Board composition, which is in the process of being filled. Expenditure is also dependent on the frequency of meetings the Board holds to conduct Entity business.

**iii) Finance Charges**

A variance of 98, 7% under expenditure was recorded under this category. This relates to the finance charges in relation to the lease of vehicles. Finance is in the process of preparing the mid-term financial statements, which will include the split between the capital portion and the interest expense on the lease of vehicles. The applicable amounts will then be transferred from the balance sheet, where all expenditure is currently booked.

This budget will also be reviewed during the adjustments budget process as the lease will expire during the second quarter and the Entity has opted to purchase the vehicles as opposed to leasing.

#### iv) Other Materials

A variance of 75, 4% under expenditure existed under this vote. This is linked to the repairs and maintenance as and when required. Expenditure will pick-up as the year progresses, however there may be savings realized.

#### v) Contracted Services

This category includes expenditure that is based on receipt of invoices, e.g., internal audit which invoices after the end of each quarter, as well as legal services which are on an ad hoc basis. A variance of 23% under expenditure was recorded.

#### v) Other Expenditure

A variance of 12, 8% under expenditure existed in this category. This includes various line items, where in some cases, procurement processes are being finalized or recently concluded. Expenditure is expected to pick up in the coming months.

The budget will be adjusted accordingly, where applicable, during the adjustments budget process that must be finalized by February 2022.

### Capital Expenditure

Ilembe Enterprise - Table F3 Monthly Budget Statement - Capital Expenditure - M06 December						
Description	Current Year 2021/22					
	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %
<b>R thousands</b>						
<b>Capital expenditure by Asset Class/Sub-class</b>						
<b>Community Assets</b>	–	497	727	–	(727)	-100.0%
Centres	–	497	727	–	(727)	-100.0%
<b>Other assets</b>	2,200	–	48	1,100	1,052	95.6%
Municipal Offices	2,200	–	48	1,100	1,052	95.6%
<b>Computer Equipment</b>	100	–	159	50	(109)	-218.4%
Computer Equipment	100	39	159	50	(109)	-218.4%
<b>Furniture and Office Equipment</b>	450	–	13	225	212	94.0%
Furniture and Office Equipment	450	–	13	225	212	94.0%
<b>Total Capital Expenditure</b>	<b>2,750</b>	<b>497</b>	<b>948</b>	<b>1,375</b>	<b>427</b>	<b>31.0%</b>
<b>Funded by:</b>						
Provincial Government	–	497	727	–	(727)	-100.0%
<b>Transfers recognised - capital</b>	–	497	727	–	(727)	-100%
<b>Internally generated funds</b>	2,750	39	221	1,375	1,154	83.9%
<b>Total Capital Funding</b>	<b>2,750</b>	<b>536</b>	<b>948</b>	<b>1,375</b>	<b>427</b>	<b>31%</b>

### **Expenditure by standard classification**

As at the end of the reporting period, most capital projects have not had any movements as procurement processes are being finalized.

- For community assets, the Youth Enterprise Park (YEP) project is a project rolled over from the previous financial year, which is near completion. As the process for roll-over applications for unspent grants is only embarked on after the annual financial statements have been prepared, the budget will only be included when the adjustments budget process is finalized.
- The renovations of the building project has not yet commenced. This was advertised during the second quarter with the expected commencement date being within the third quarter.
- The computer budget is for the replacement of computers according to the fixed asset register.
- The furniture and equipment budget is linked to the office renovations.

It is anticipated that the capital expenditure will be used in full by the end of the financial year.

The 2021/2022 review calls for the budget to be adjusted in order to cater for all the issues that have been picked up. The budget may be adjusted upwards or downwards, in terms of section 87 (6) of the Municipal Finance Management Act.

### **Financial Position**

The Entity has community wealth of R35 million at the reporting date and this is inclusive of assets and accumulated surpluses. At the reporting date, the current ratio was at an acceptable level at 1.5:1.

### **Cash Flows**

The Entity had a balance of R11, 7 million as at 31 December 2021. The number of days cash on hand was 57 days. The cost coverage was 1, 83:1. The Entity is in a stable position as far as cash is concerned and is currently able to meet its obligations.

### **Service Delivery and Budget Implementation Plan**

The Entity's overall performance was relatively sound as at mid-term, a more comprehensive outlook can be viewed on the organisational service delivery and budget implementation plan. There was a total of 26 out of 31 Key Performance Indicators met during the first half of the year, this represents a performance of 84%. This includes performance in relation to quarterly performance targets as set out in the Service Delivery and Budget Implementation Plan (SDBIP) for 2021/2022 financial year. Material variances have been explained in the SDBIP report. The service delivery and budget implementation plan will have to be reviewed when the budget is reviewed and adjusted in line with the issues that have been cited throughout the report. The updated SDBIP as at 31 December 2021 is attached hereto as **Annexure B**.

### **3.1.3 Governance**

The Entity currently has a Board of Directors that oversee the activities of the Entity whereby the Entity remains accountable. Enterprise iLembe's policies and procedures are in place. These policies and procedures are reviewed by management and tabled to the Board annually.

Enterprise iLembe has a functioning audit committee. The Risk Committee is in place and is chaired by an independent chairperson. The Internal Audit function is outsourced and continues to function in guiding the management team on financial controls and corporate governance matters.

The Service Delivery Budget Implementation Plan (SDBIP) is monitored and reported on a monthly basis to IDM.

The Agency reports on a monthly basis to the Economic Development & Planning Portfolio Committee and Finance Portfolio Committee of iLembe District Municipality. The reporting to these committees in November and December 2021 was interrupted as a result of the Local Government elections and subsequent inauguration of the new Council. Reporting will resume in January 2022.

### **3.1.4 Human Resources**

The Human Resources function includes staff management, policies and processes which outline the control, conduct and functioning of the employees on a day-to-day basis. The human resource function also incorporates the administration function of the Entity.

- There are currently 33 positions of which 26 are permanent and 3 are contract positions. There are 4 vacancies and 0 acting positions. There are currently 2 interns within the tourism department funded by EDTEA.
- The following positions were filled in the period under review: Chief Executive Officer, Company Secretary & Head of Legal, and Intern (Winery).

Please see Organogram attached as **Annexure D**

### **Covid-19 Workplace Plan**

At the onset of the coronavirus (COVID-19) pandemic a Workplace Plan was developed as part of risk management. The plan includes supply of PPE to staff and implementation social distancing measures within the workplace. In addition, the offices are regularly sanitized. Where possible, virtual meeting platforms such as Microsoft Teams and Zoom are used for meetings.

### **3.1.5 Information & Communications Technology (ICT)**

The Entity's ICT infrastructure services the needs of twenty five (25) permanent users which includes both full time employees and interns. The Entity has an IT Service Level Agreement (SLA) with the iLembe District



Municipality (IDM). The SLA outlines the assistance rendered to the Entity by the District. The following highlights some IT systems and infrastructure utilised by the Entity and its current status quo;

➤ **Telephone & Internet Connectivity**

Liquid Telecom's Telephone contract has expired and Vodacom have been appointed as the new service provider. The implementation and rollout phase will commence before end of January 2022.

Internet Connectivity – During the later part of the year we experienced hardware failure with one Cisco device that allows us to connect to the internet, due to the ICT budget constraints we approached IDM to assist with procuring and installing the devices. A company (Speccom PTY Ltd) was subsequently contracted. They have provided us with a temporary solution as the cisco devices are usually imported, we should expect the devices to be installed before end of January 2022.

➤ **Payroll & ESS**

VIP Payroll and ESS are hosted on Cloud by Sage. Backups are done on a daily basis.

➤ **Munsoft Financial Management System**

The main Munsoft System server is housed and connected via iLembe District Municipality utilising the same connectivity line as the emails.

➤ **Emails**

Emails are now being managed by the Entity, they are no longer hosted by IDM. Emails are now hosted through a Cloud Infrastructure.

➤ **Internet Line 50mb Line Upgrade**

Due to the Entity moving or hosting emails on the Cloud Infrastructure it was a requirement to upgrade our internet line/speed from 10mb to 50mb.

➤ **ICT Panel Appointments**

The ICT Panel was appointed on the 6<sup>th</sup> October 2021. The ICT Panel consists of eighteen (18) service providers who specialises in various areas of ICT expertise. One of the main benefits of the ICT Panel cutting down on the time and cost of going through repeated RFPs and quick turnaround when services are requested.

➤ **SharePoint Site – Cloud Shared Drive**

Everyone has been fully trained on how to use the Cloud Shared Drive wherein all departmental documents are saved.

### 3.2 Local Economic Development Projects & Management

The Agency mandate is to drive economic development and promote trade and investment within the key sectors of Agriculture, Tourism, Manufacturing and Property development & construction. Below is a status update on the projects that the Agency has been implementing in the period under review.

#### 3.2.1 LED Project Updates

PROJECT NAME	LOCATION	PROJECT DETAIL	BENEFIT	ALLOCATED APPROVED BUDGET	EXPENDITURE TO DATE & CURRENT STATUS QUO
<b>BIOMASS PROCESSING</b>	District Wide	<ul style="list-style-type: none"> <li>- Enterprise iLembe commenced with implementing this project in 2018/19 after receiving grant funding of R 5 million from COGTA.</li> <li>- The Grant roll-over application was not approved by KZN COGTA and all savings were subsequently recalled and transferred back to the funder.</li> <li>- The technical partner has secured off-take agreements with Sappi, holiday houses, Roots [Mandeni Mall]; Pick n` Pay; and many more.</li> <li>- The Biomass Plant project has received an additional funding of R 2 million through the Operation Vula Funding from the Department of Economic Development Tourism and Environmental Affairs [EDTEA] for the construction and commission of additional machinery to meet market demand.</li> <li>- The one outstanding deliverable on the project is the implementation of the SMME benefit model, where the project is required to create opportunities for local SMMEs to benefit from the Biomass Project value chain.</li> <li>- To date, the SMME benefit model framework have been drafted and approved by the PSC and currently Mandeni LM is busy with the identification of SMMEs to benefit from the project.</li> </ul> <p><b>Challenges:</b></p> <ul style="list-style-type: none"> <li>- The technical partner owes the Entity money for rent as well as advance funding in terms of the Enterprise Development Model – a letter of demand has been issued to the Technical Partner in this regard.</li> </ul>	Job creation, SMME development.	<b>R5,000,000</b> Department of Cooperative Governance & Traditional Affairs (COGTA)	<b>R4, 984, 554.46</b> Current

		- The project funder has also raised concerns on some aspects of the project which management are in the process of addressing.			
<b>HYDROPONIC TUNNELS</b>	District Wide	<p><b>Maphumulo and Mandeni Tunnels:</b> these tunnels had been earmarked for cannabis cultivation following engagements with Moses Kotane Institute. Progress in this respect has been significantly hampered by the dissolution of the Cannabis unit at MKI. The Entity is currently seeking technical partners to renovate and operationalize the tunnels.</p> <p><b>Bulwer Tunnels:</b> The Traditional council has received funding from COGTA for an agricultural project with various deliverables in close proximity to the existing tunnels. The Agribusiness Development Agency is the implementing agent for the project working with Enterprise iLembe and DARD. The renovation of the tunnels will be included in this project.</p> <p><b>Ndwedwe Mlamula area:</b> The tunnel has been fully repaired and engagements have been held with inkosi Mlamula to formulate an operational model for the operationalization of the tunnel. The potential technical partner has been identified and assessments has been done to repair the tunnel. Enterprise iLembe intends to transfer the structure before June 2022.</p>		<b>R0</b>	<b>R0</b>

<b>RASET SUPPORT PROGRAM</b>	District Wide	<p>This project entailed;</p> <ul style="list-style-type: none"> <li>- Repairs to Embambedweni tunnels</li> <li>- Provision of irrigation and fencing to various open fields</li> <li>- Capacity building to farmers.</li> </ul> <p>The grant savings of R2.2m were recalled by the funder (KZN COGTA) and subsequently transferred in October 2021.</p>	Job creation, Cooperatives development, farmer development	<p><b>R5, 000, 000.00</b></p> <p>Department of Cooperative Governance &amp; Traditional Affairs (COGTA)</p>	<p><b>R2,794,392.27</b></p>
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<b>DISTRICT BUSINESS INCUBATOR</b>	District Wide	<p>The business incubator continues to operate to assist local enterprises to obtain access to infrastructure, market, procurement opportunities and finance.</p> <p>The incubator has been operational for three years and has since inception provided business support to approximately 200 local SMMEs providing several forms of business support such as training, mentorship, coaching, access to work space, networking, advisory services, formalization of informal businesses and access to other Enterprise development programmes.</p> <p>The number of businesses enrolled at the Business Incubator has now grown from 57 to 83 all coming from the iLembe Family of Municipalities. These SMMEs are supported with the following:</p> <ul style="list-style-type: none"> <li>Training and mentorship</li> <li>Mentoring and Coaching</li> <li>Access to finance or funding opportunities</li> <li>Access to market and opportunities</li> <li>Technical support</li> <li>Access to office space with high-tech computer equipment, printers, receptionist services and infrastructure.</li> </ul> <p>There has been a substantial number of positive achievements over the past three years in achieving the ultimate goal of creating sustainable businesses and eventually creating sustainable employment.</p>	SMME Development	<b>R6 088 284,00</b> iLembe District/Ei	<b>R6 088 284,00</b> + Extension of scope <b>R633 986,72</b>

<b>MANDENI YOUTH ENTERPRISE PARK</b>	Mandeni	<p>MVI-SSS was appointed as the contractor for the Mandeni Youth Enterprise Park. The construction progress is as follows:</p> <ul style="list-style-type: none"> <li>- Site Establishment - 100% complete</li> <li>- Bulk earthworks – 100% complete</li> <li>- Kerbs – 100% complete</li> <li>- G5 Layer works – 100% complete</li> <li>- Stormwater pipes – 100% complete</li> <li>- New sewer lines – 100% complete</li> <li>- New water lines – 100% complete</li> <li>- Paving – 98% in progress</li> <li>- Concrete Stub base – 100% complete</li> <li>- Blue stone – 0% not yet commenced</li> <li>- Fencing – 98% in progress</li> <li>- Containers on site – 50% in progress</li> <li>- Container fabrication – 50% in progress</li> </ul>	Youth SMME Development	<p><b>R6,000,000</b></p> <p>Department of Cooperative Governance &amp; Traditional Affairs (COGTA)</p>	<p><b>[Main Contractor]- R3 125 141,27</b></p> <p><b>[Consultant]- R1 666 537,95</b></p> <p><b>[Variation Order] - R196 737,72</b></p>
<b>UIF LEARNERSHIP PROGRAMME</b>	District Wide	<p>The only outstanding deliverable for this programme is the issuance of learner certificates. To this end, service providers are currently engaging with the respective SETAs to finalize learner verification and to obtain learner certificates.</p> <p>To date, Enterprise iLembe can confirm that only 1 programme [Plant production] out of 11 is 100% complete where learner certificates have been received from AgriSETA.</p> <p>Enterprise iLembe is assisting learner to obtain employment by issuing letters confirming participation in the learnership programme to those learners who are applying for jobs.</p>	70 % UIF beneficiaries, 30% unemployed Youth	<p><b>R62,683,250.00</b></p> <p>Department of Labour- UIF</p>	<p><b>2019- R 11 999 307,00</b></p> <p><b>2020- R 34 103 629, 00</b></p> <p><b>2021- R 13 818 474,00</b></p>

<b>PUBLIC WI-FI</b>	District Wide	<p>-Physical verification was completed by the service provider in May 2021 and later conducted by Ei internal Project Manager and the ICT Officer on the 21st November 2021.</p> <p>-Enterprise iLembe is currently coordinating with KZN-COGTA to formulate the commercialization of the Public Wi-Fi project.</p> <p>-Grant savings have been recalled and subsequently transferred back to the funder.</p> <p>-Enterprise iLembe has finalized and submitted the close out report in line with the KZN CoGTA prescribed template.</p>	Improved connectivity in Maphumulo and Ndwedwe areas. This will encourage new investment and improve business efficiencies to the existing businesses.	<b>R2,500,000</b>  Department of Cooperative Governance & Traditional Affairs (COGTA)	<b>R2,461,707.84</b>
<b>MINI FACTORIES PROJECT</b>	Ndwedwe	Enterprise iLembe submitted grant roll-over application to KZN CoGTA in May/June 2021 for approval to utilize grant savings in the 2022 FY, however the roll-over application was unsuccessful, KZN-CoGTA recalled the funds and Enterprise iLembe transferred the funds back to KZN-CoGTA.	Entrepreneurship opportunities for local youth, women and the community	<b>R2 500 000</b>  Department of Cooperative Governance & Traditional Affairs (COGTA)	R0
<b>KWASHUSHU HOTSPRINGS &amp; NTUNJAMBILI MOUNTAIN</b>	Maphumulo Local Municipality	<p>A full Feasibility, Concept &amp; Business Plan for the KwaShuShu Hotspring and Ntunjambili Mountain Project in Maphumulo was developed and finalised in 2020. Project concept includes the establishment of tourism facilities at these project sites including basic infrastructure, adventure activities and attractions and accommodation facilities.</p> <p>Enterprise iLembe made an application to the Department of Economic Development, Tourism &amp; Environmental Affairs (EDTEA) for funding to commence with implementation of the first phase of the development of the project.</p> <p>Status as at 31 December 2021</p> <ul style="list-style-type: none"> <li>Funding approval received in August 2021</li> <li>Funding Agreement signed in October 2021</li> </ul>	SMME development, job creation, entrepreneur development, geographic spread and benefit of tourism	EDTEA: R2 500 000 EI: R300 000	R0

		<ul style="list-style-type: none"> <li>Implementation Plan submitted in November 2021/Revised submitted in December 2021</li> <li>Funding received in December 2021</li> <li>SCM processes to commence in January 2021.</li> </ul>			
<b>IDC PARTNERSHIP: BUSINESS RECOVERY FUNDING</b>	District Wide	<p>This fund, which is administered by IDC, is aimed at supporting businesses who were directly and indirectly impacted by the unrests of July 2021 with the provision of financial support and well as business support and mentorship through the iLembe Business Incubator.</p> <p>Beneficiaries for the IDC Relief fund will be identified from the consolidated database that was compiled immediately following the unrest.</p> <p>Status as at 31 December 2021</p> <ul style="list-style-type: none"> <li>Funding approval received on 01 December 2021</li> <li>Funding Agreement signed and submitted with required compliance documents on 13 December 2021</li> <li>Currently awaiting funding transfer from IDC after which assessments and disbursements will commence</li> </ul>	SMME support and development, business resuscitation, growth and expansion	<b>IDC: R5 000 000</b>	<b>R0</b>
<b>ILEMBE ICT PROJECT</b>	KDM and Mandeni	<p>The Swiss State Secretariat for Economic Affairs (SECO), through the Vuthela LED programme, in partnership with the Moses Kotane Institute (MKI) and Enterprise iLembe (Ei) are implementing the iLembe ICT Project aimed at developing the youth of KwaDukuza and mandeni to obtain digital skills and be trained on software and ICT systems development. The project targets 100 youth (50 from KwaDukuza and 50 from Mandeni Municipality) who will be trained on a National certificate in ICT Systems and Software Development, SAQA ID: 48872, 133 credits.</p> <p>The project will be delivered in two venues via two partnerships: at the Moses Kotane Institute Digital Centre in Mandeni and at Enterprise iLembe's Incubator in KwaDukuza.</p> <p>The Project was officially launched on the 1st of October 2021 at KwaDukuza Town Hall.</p>	Job creation, SMME development, Social upliftment (education, health, safety & security)	<b>R0</b>	<b>R0</b>



<b>OPEN FIELDS</b>	District wide	<p>Enterprise iLembe continues to support iLembe District farmer open field projects. Currently Enterprise iLembe is working with 20 Open Fields projects within the District as per the SDBIP, where the support is provided to 5 open fields projects per Local Municipality. The support of the entity is not restricted to the 20 open field projects, the following technical and financial support has been extended to various open field farmers:</p> <ul style="list-style-type: none"> <li>-Provide technical support i.e. advices on planting patterns according to production plan, soil sampling and application methods of fertilizer and chemicals etc.</li> <li>-Mechanization and inputs</li> <li>-Link farmers with potential funders</li> <li>-Alignment with DOA</li> <li>-Link farmers with relevant markets for commodities outside of NSNP and for surplus.</li> <li>-Conduct regular skills gap analysis on local cooperatives</li> <li>-Design production plan to allocate commodities to projects.</li> </ul>	Job creation, Cooperatives development, farmer development	<b>R500,000.00</b>	<b>R1,642.96</b>
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### 3.2.2 Social Facilitation

Enterprise iLembe continues to play an active role in supporting iLembe co-operatives and SMMEs by ensuring compliance with statutory regulations such as CIPC, SARS, Dept. of Labour, CSD etc.

SMMEs and Co-operatives are assisted with support in accessing funding and market opportunities. Enterprise iLembe works with a number of stakeholders in ensuring support to local SMMEs, through the implementation of capacity building programmes, funding workshops and market linkages.

Below is the process flow of the support services provided to iLembe SMMEs and co-operatives;



Enterprise iLembe Social Facilitation Unit has been supporting iLembe SMMEs during the social unrest and the looting that took place in July 2021 where, Enterprise iLembe facilitated access to funding to business that were badly affected by the looting. A total of 10 businesses we assisted in packaging applications to access the business support fund initiated by Trade and Investment KZN. The closing date for the business support fund was on the 31<sup>st</sup> October 2021.

Ongoing training and capacity building programmes have been taking place during the first and the second quarter of the financial year, where the focus has been on business compliance with the aim of assisting businesses to access the UIF TERS fund for business affected by COVID-19 and the looting.

### 3.3 Tourism, Communication, Marketing and Investment (TCMI)

The mandate of ensuring that the destination remains top of mind for tourism, business and investment included the following programmes and activities during the first half of the financial year.

#### 3.3.1 KwaShushu Hotspring & Ntunjambili Mountain Tourism Projects

Details of this project are included in section 3.2.1 above.

### 3.3.2 Media Campaigns – KZN North Coast is open for business and safe for travel

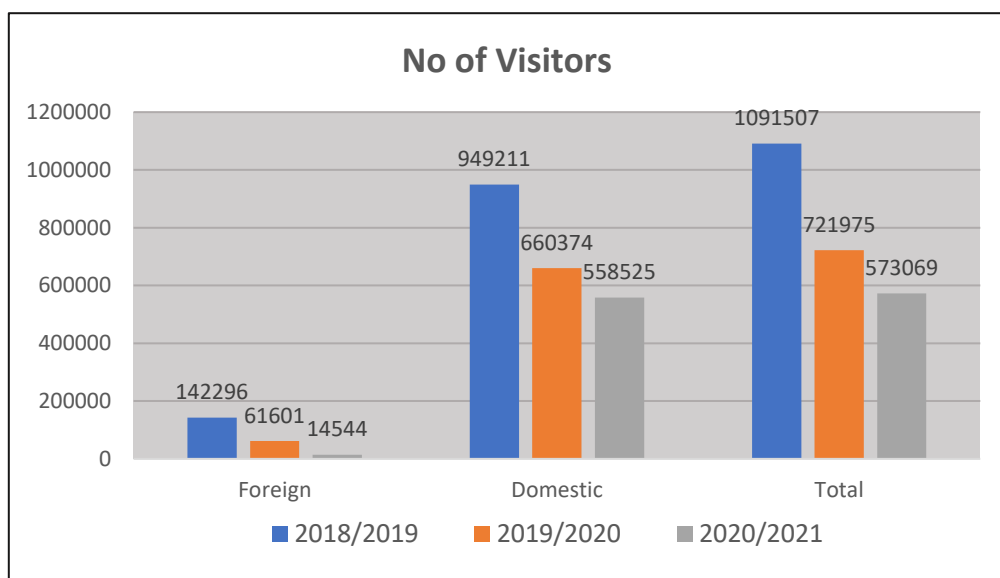
- As part of the tourism recovery campaign, the 'We are open for Business' campaign commenced in August 2021 in partnership with the tourism trade. The videos are shared across all social media platforms as well as on partner sites such as Tourism KwaZulu Natal. There are six videos focusing on accommodation, attractions and activities, conferencing and tours. These are released on a weekly basis in order to ensure sustained momentum.
- In partnership with Tourism KZN, Enterprise iLembe conducted radio interviews with Cape Town based radio station Heart FM and television interviews with the SABC3 breakfast show Espresso. In addition, tv, radio and social media influencers were hosted by TKZN and EI to experience some of the tourism offerings such as microlighting, water activities at the Ballito Cable Ski Park and wine tasting at Seventeen87 Wine Cellar.

### 3.3.3 Tourism Packages and Specials

The Entity worked closely with the tourism trade product owners to put together packages and specials on a monthly basis with the aim to ensure increased occupancy and visitor numbers to the District, these specials were promoted on various tourism websites and social media platforms to encourage visitors to travel and take-up the special offers.

### 3.3.4 Tourism Sector Performance

The onset of the coronavirus in South Africa had a major negative impact on the tourism sector as a whole, initially attributed to the complete shutdown of the travel and hospitality sector and thereafter followed by the various adjusted level restrictions on travel and trade. The graph below depicts the impact on the tourism sector in the iLembe District over the past three (3) financial years.



### **3.3.5 2021 December Festive Season**

The average occupancy rate for the December/January festive season was 77%, reaching 100% during the peak festive period. Most hospitality establishments and local retailers reported a bumper trading period which is a significant improvement from 2020.

On 24 December 2021, Greyman Music Events hosted the Africa is not a Jungle series of music events which featured main headline artist Black Coffee. The event was held at Sugar Rush Park and despite the inclement weather was attended by approximately 2000 people (in line with the COVID-19 restrictions for outdoor events). Through this event the destination received a lot of media exposure which assists in placing the destination on national and global platforms with the aim to increase visitor numbers and investments into the district.

### **3.3.6 Women Leading in the KZN Tourism Recovery Dialogue**

Enterprise iLembe was invited by the Department of Economic Development and Tourism to participate in a 'Women Leading the KZN Economic Recovery Dialogue Session' for tourism. This session took place from 20-22 August 2021 in the South Coast. The session included media interviews with SA FM & Gagasi with the focus for best case practice and interventions to increase economic activities during the COVID-19 Pandemic. Other participants included Tourism KZN, Ithala, Durban ICC, KZN Gambling Board, Moses Kotane Institute, Durban Tourism and South Coast Tourism.

### **3.3.7 September – Heritage & Tourism Month**

In an effort to encourage locals to explore the activities and attractions that is available right on our doorsteps and to promote the regions history and culture, a Heritage & Tourism Feature is being placed in various local media publications during the month of September. This is also to support local businesses as part of the #supportlocal campaign.

A live on-air radio interview was held with Johannesburg based Radio Station Radio 702 on Tuesday 28 September 2021 as part of the World Tourism Day Celebrations.

### **3.3.8 iLembe Hosts the Provincial Tourism Masterplan Committee**

The Provincial Tourism Masterplan Implementation Committee of which Enterprise iLembe is a member of held their quarterly meeting in iLembe on 02 – 03 September 2021 at the Boathouse in Ballito. Part of the session included site visits to some of the local tourism attractions such as Monkeyland, Rain Farm Game Lodge and the Seventeen87 Wine Cellar. Enterprise iLembe also made a presentation on some of the projects in the pipeline and progress made to date on the implementation of the Tourism Recovery Plan.

### **3.3.9 Seventeen87 Wine Cellar**

The Seventeen87 Wine Cellar has been adhering to the COVID-19 Adjusted Level 3 lockdown restrictions since the launch. This has impacted the sale of wine during some months (alcohol sale restrictions), despite this the winery has become a popular tourist attraction for both locals and visitors as visitors can experience wine tasting and purchase bottles of wine. The Seventeen87 Wine Cellar due to its very nature has to operate as a hospitality

business which necessitates that it is open 7 days a week. An intern has been appointed on a 12-month internship to assist at the winery.

There has been an increased effort to promote and market the wine cellar through various platforms, with the focus on social media platforms including a social media birthday competition.

The sales revenue and net profit for the Seventeen87 Wine Cellar for the period under review is as follows:

<b>Q1 &amp; Q2 2021</b>	<b>Sales</b>
July	R720
August	R10 622
September	R29 867
October	R34 381
November	R13 030
December	R40 031
<b>Total</b>	<b>R128 651</b>

### **3.3.10 Investment Promotion**

#### **3.3.10.1 SA FM Investment Profile**

On 19 August 2021, a radio interview was conducted on SA FM as part of rebuilding investor confidence following the July unrests as well profiling some of the opportunities available for potential investors. In addition, the interview also touched on the Economic Recovery plan and some of the interventions undertaken to mitigate the impact of COVID-19. This was followed by media articles in print and electronic platforms to reiterate the message to a larger audience.

#### **3.3.10.2 Brand South Africa – Investment Promotion Seminar**

Ei participated in the Brand South Africa Investment Promotion Seminar on 03 September 2021. The seminar focused on the South African 5-year investment drive and investment conference interventions in the context of global-and local market upheaval brought about by the COVID-19 pandemic.

#### **3.3.10.3 iLembe Business Confidence Index (iBCI)**

The mid-year business confidence index conducted in partnership with the iLembe Chamber of Commerce Industry and Tourism (ICCIT) was finalised in August 2021 and the survey revealed that business sentiment in the iLembe District, has plummeted to its lowest level since the inception of the iBCI – it is also the 2nd successive survey period recording record lows, confirming the downward spiral of economic sentiment. The Covid-19 crisis, combined with the civil unrest in the iLembe District, ravaged business sentiment and created significant uncertainty within the regional economy.

- The **Construction, Property Development, Property Sales** sector was the most confident economic sector - The KZN unrests contributed to the negative sentiment in this sector, with disruptions to existing contracts, impact on market demand, and investor sentiment being quoted as determinants of

rebuilding, reinvestment, and new investments. Views expressed by responding businesses repeated concerns pertaining to delayed planning approvals and unwieldy building control processes.

- The **Tourism, Catering, Accommodation, Property Management** was the most pessimistic sector. The safety and security concerns, and travel disruptions brought about by the KZN Unrests 21/7, added to distress of businesses continued struggle to plot an escape from the dire state of this sector
- The diminishing confidence in the **Manufacturing, Assembly** is driven by a variety of factors influencing sentiment. Load shedding/load curtailment, power failures, industrial and community unrest, inadequate security, and decaying and inadequate infrastructure in industrial nodes, continue to undermine the sentiment in this sector,
- Whilst **business expectations** for the 2<sup>nd</sup> half of 2021 improved markedly, it still remained negative.

#### 3.3.10.4 Stakeholder Engagements

The following are some of the stakeholder and investor engagement sessions/meetings took place during the past quarter;

No	Stakeholder	Purpose
1	iLembe Chamber of Commerce	Areas of collaboration, working together towards ensuring that the ease of doing business in iLembe is seamless, support of Ei's One Stop Shop application to TIKZN
2	iLembe Chamber of Commerce & Tourism Sector	Engagement with tourism stakeholders on the impact of the beach closures due to the chemical spillage from UPL
3	Department of Economic Development, Tourism & Environmental Affairs (EDTEA)	Areas of collaboration for SMME Development such as Operational Vula
4	Local Municipalities LED Units (Mandeni, Maphumulo and Ndwedwe)	Areas of collaboration
5	Moses Kotane Institute	MOU finalisation, Cannabis Project and other areas of collaboration such as Digital Hubs/Centres
6	Old Mutual	Engagement on the Masisizane Fund which offers Low interest loans for SMMES
7	Industrial Development Corporation (IDC)	Unrest Relief Fund
8	Elan Property Group	Blythedale Coastal Resort – developers contribution and Shift Africa Programme
9	INSETA and FoodBEV SETA	Opportunities for collaboration, training and skills development
10	KZN Department of Human Settlements	Opportunities in the construction industry for SMMES

11	IT Varsity Launch	The IT Varsity Training Programme was officially launched. (Partnership with Vuthela LED and KwaDukuza Municipality)
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**Engagements with various project promoters and investors were ongoing and included the following:**

- Collins Group in respect to the planned Club Med Hotel Development.
- PI Group – Investing in an Edutainment Centre in Ballito (45mil project)
- Royal Palm Lakes Development
- Ballito Multimed Hospital
- Elan Property Group – Blythedale Coastal Resort
- Isithebe Revitalisation
- Slate Studios – Film Studio Development
- Southern Africa Film Studio
- North Point Property Development

### **3.4 Strategy, Planning and Risk Management**

#### **3.4.1 Enterprise Risk Management**

The Entity conducted a risk assessment during the start of the financial year and the top key risks were identified, measured and prioritised and the updated risk register was adopted on 31 August 2021 by the Board of Enterprise iLembe, in line with the provisions of Section 95(c) (i) of the Municipal Finance Management Act (Act). For the current period under review, the Risk Management Committee held two meetings on 8 July 2021 and 15 October 2021 to discuss the first quarter risk monitoring. In addition, the Board adopted the following policy documents pertaining to risk management: risk management committee charter, risk management framework, and the anti-fraud and corruption strategy.

Risk Management Reports are presented to the Audit Committee and tabled at Board by the Chairperson of the Audit Committee. The second quarter risk reports will be presented at the next audit committee-meeting scheduled for January 2022.

#### **3.4.2 Vuthela iLembe LED programme**

The Vuthela iLembe LED programme is a support programme for the District that is being implemented in collaboration of KwaDukuza and Mandeni Local Municipalities. The programme is composed of 5 components- however the table below provides a progress summary for Partnerships and Cooperation, which has a direct impact on Enterprise iLembe:

#### **Partnerships and Cooperation progress:**

- The contracting for the Performance Management and Human Resources Development has been completed and the project has commenced. It is anticipated that this project will be completed by May 2022.
- The Terms of Reference for the Project Management and Information Systems project have been approved and the procurement process has commenced.

### **3.5 Annual Report 2021/2022**

The first draft of the Annual Report for the 2021/2022 financial year was submitted to the AG and Shareholder on 31 August 2021 is attached as **Annexure C**.

## **4 RECOMMENDATIONS:**

It is recommended THAT

- a) The Mid-Year Budget and Performance Assessment Report for Enterprise iLembe for the 2021/2022 financial year as presented in terms of section 88 of the MFMA be noted.
- b) That in year budget reports together with supporting documentation submitted in terms of section 87(11) of the MFMA be noted.
- c) The budget for Enterprise iLembe be adjusted where necessary in terms of section 87 (6) of the MFMA.

#### **SIGNATURE OF AUTHOR**



Linda Mncube  
Chief Executive Officer

13/01/2022

Date