

# Annual Report 2008/2009



*Cacadu is committed to the fight  
against HIV & Aids*



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## PART 1

### INTRODUCTION AND OVERVIEW

#### EXECUTIVE MAYOR'S FOREWORD

This annual report gives an extensive overview of the highlights and successes in the performance of the Cacadu District Municipality. It reflects on the many challenges that were faced in the period of review.

As a sphere of Government, our objective is to continually improve our service to impact positively on the lives of the communities in the District. This is indeed a daunting challenge. I can however confidently state that the District Municipality has made tremendous efforts in supporting and building capacity in the nine local municipalities. Two of the municipalities however, viz. Koukamma and Sundays River Valley, experienced political and institutional challenges. Our service delivery in the District Management Area continues to be of a high standard.

The Council performance in infrastructure planning and implementation is highly commendable, and this is evident throughout the District. The District Municipality is continuing to invest in water and sanitation. In the past year the Municipality has successfully implemented a road reconstruction programme to repair flood damage which affected the area.

We have recognized that economic development and investment are crucial, and have achieved good success through the various programmes in creating the environment for increased economic activity at local municipality level. With regards to tourism, we have received an international award from Switzerland for our tourism marketing drive.

I am pleased to state that there is improved stability with regards to primary health care, and this is evident in the improved service. The Provincial Government fortunately recognized that the primary health care funding had to improve substantially, for the service to be properly rendered.

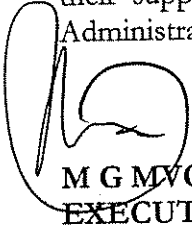
In the period of review, the Council has given serious attention to special programmes and HIV and AIDS. Policies were revised, strategies were developed and there is now a clearer focus on what has to be achieved in the years ahead.

Our communication with Stakeholders is crucial, and during the period of review, we have launched "Cacadu News" to reach all residents of the District. We are however embarking on an initiative to identify all stakeholders in our District, with whom we should interact.

We can pride ourselves on the high level of corporate governance at the institution and the fact that for the third successive year, we have achieved an unqualified audit report. Notwithstanding our limited revenue base, the Council finances are in a healthy position.

All employees have performance plans. This will ideally lead to better performance and achievement of our various targets. Our aim in 2009/10 is to assist all nine municipalities to have effective performance management systems, and for all their employees to have performance plans.

I want to thank the Speaker of Council, members of the Mayoral Committee, and all Councillors for their support in this period of review. I want to also thank the Municipal Manager and the Administration for their efforts in realizing our various targets during the year.



**M G MVOKO**  
**EXECUTIVE MAYOR**

## YEARLY PROGRAM PRIORITIES' STATEMENT

Council has adopted a development facilitation model to guide its business processes. This model has three complementary subsidiary roles -

- Cacadu District Municipality as a district-wide integrated planning authority.
- Cacadu District Municipality as an infrastructure development agent.
- Cacadu District Municipality as a technical and institutional capacity resource to local municipalities.

The Integrated Development Plan is a five year strategic framework to focus the institution in serving its constituents. The first development priority is infrastructure investment. In this regard, Council undertook to ensure that there is adequate service provision in the District Management Area with special reference to water provision, acceptable sanitation and waste management. In addition, the focus also included assisting local municipalities in various areas of integrated planning, which includes infrastructure planning and service delivery mechanisms.

With regards to Support and Capacity Building as the second priority, the various Departments within the District Municipality embarked on initiatives to assist and capacitate local municipalities. These programmes included institutional support, financial support and project implementation.

The third priority for the financial year involved economic development. Here, the District Municipality undertook various initiatives to encourage and facilitate economic development in all municipalities. In addition, the District Municipality's focus also included the development of tourism and marketing of the region.

The fourth priority for the year included a range of community services. Due to the manner in which the various functions are adjusted between the District Municipality and the local municipalities, the District Municipality focuses only on certain services. These include Primary Health Care, Environmental Health, Disaster Management and Fire, as well as Libraries.

One has to note that many of the projects cover several financial years, and progress for the year is measured in terms of the Service Delivery Budget Implementation Plan.

Progress and achievement during the year has been very commendable. In many cases however, the targets for the year have not been fully achieved. This is due to a variety of factors. The District Municipality, in many of the economic development projects for example, manages the funds allocated by the Provincial Government to local municipalities. In many instances the projects were not properly conceived. Other factors include delays in project implementation, as well as non-cooperation from some local municipalities.

The various projects that were incomplete have been rolled over into the 2009/10 financial year, and with the improved performance monitoring, there ought to be significant performance improvements.

  
**D M PILLAY**  
**MUNICIPAL MANAGER**



## OVERVIEW OF THE MUNICIPALITY

The Cacadu District Municipality (CDM), DC10, is the largest (58 243 km<sup>2</sup>) of the six (6) District Municipalities in the Eastern Cape Province. The District is situated in the western portion of the Province, bordering the Western Cape, Northern Cape and two other District Municipalities in the Eastern Cape, namely Chris Hani District Municipality and Amathole District Municipality.

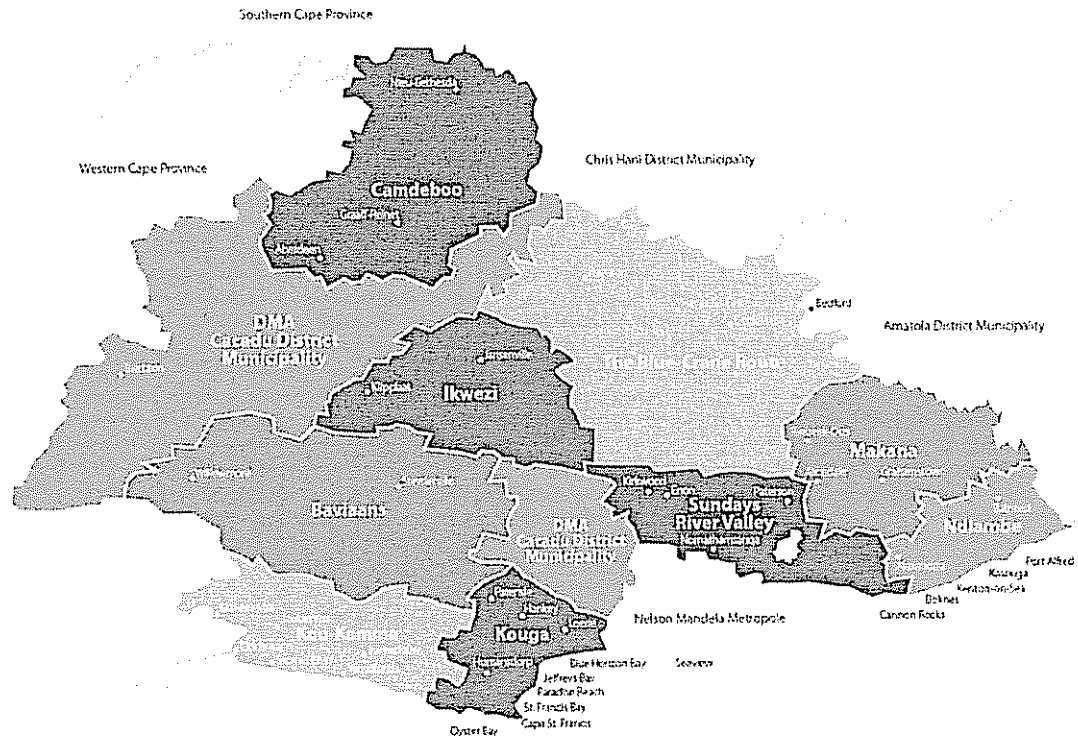
The District consists of nine (9) local municipalities (Category B Municipalities) and four other portions collectively known as the District Management Area (DMA). Two of the four areas are National Parks, namely the Addo National Elephant Park and the Tsitsikamma National Park. These parks are managed by the South African National Parks Board.

The District wholly borders the Nelson Mandela Metropolitan Municipality (NMMM), and consequently, land access to the NMMM is via the CDM. The nine local municipalities in CDM and their respective towns are:

	<b>MUNICIPALITY</b>	<b>MAJOR SETTLEMENTS / TOWNS</b>
EC101	Camdeboo	Graaff-Reinet, Aberdeen, Nieu-Bethesda
EC102	Blue Crane Route	Somerset-East, Cookhouse, Pearston
EC103	Ikhwezi	Jansenville, Klipplaat, Waterford
EC104	Makana	Grahamstown, Alicedale, Riebeeck-East
EC105	Ndlambe	Port Alfred, Kenton-on-Sea, Bushmans River, Alexandria
EC106	Sundays River Valley	Kirkwood, Addo, Paterson
EC107	Baviaans	Willowmore, Steytlerville
EC108	Kouga	Jeffreys Bay, Humansdorp, Hankey, Patensie, St Francis Bay
EC109	Kou-Kamma	Joubertina, Kareedouw, Louterwater
DC10	Cacadu DMA	Rietbron, Wolvfontein, Vondeling, Glenconner, Kleinpoort, Miller

Cacadu District Municipality has the largest number of Category "B" Municipalities in the country.

## GEOGRAPHIC AREA



## SOCIO-ECONOMIC DISTRICT PROFILE

The Cacadu District constitutes less than 5,3% (census 2001 stats) of the population of the Eastern Cape Province. The district is dominated by a Karoo landmass resulting in low population densities and scattered, small inland towns. There are higher densities along the coast and in urban centers.

The estimation of population numbers within the Cacadu District has been a contentious issue over the past number of years primarily due to the generally held opinion that Census 2001 figures are flawed within the Cacadu District. The Local Municipality apparently most affected by the alleged flaw in the Census 2001 statistics is Makana. This arguably is supported by local knowledge of under enumeration and a broad survey undertaken by the CDM as part of its water and sanitation backlog study that estimated the population within Makana to be approximately double than that of the Census 2001 survey.

The survey undertaken as part of the water and sanitation backlog study varied per Local Municipality. However, as stated before, the most significant variation existed within the Makana Local Municipality. The huge difference in Makana is attributed to the amount of informal settlements that are being established as a result of general urbanisation and farm evictions. These

numbers are a particular concern as they have a direct impact on funding allocations of Government Grant Funding.

The difficulty with the above is that in the absence of a fully fledged, methodologically acceptable census, 2001 Census figures will continue to be utilised by government departments in the determination of grant allocations, etc. As such the CDM has attempted to illustrate a more updated picture of socio-economic issues within the District through the projection of Census 2001 figures utilising the Global Insight database. This does not deter from the fact that population numbers are in all likelihood understated within the Cacadu District.

In 2004, the Urban Economist Group contracted to develop a district economic growth and development strategy, estimated the population to be 438 800. The average growth rate of the Cacadu District is estimated at 2%, which is higher than the Provincial and National growth rates, estimated at 1.4% and 1.3% respectively. As such government funding bodies should bear in mind the figures as illustrated in the table below when determining their respective allocations to Local Municipalities.

Local Municipality	Major Settlements	Comparable Statistics		
		Census (2001)	LM Survey (2005)	Global Insight (2007)
Camdeboo	Graaff-Reinet, Aberdeen, Nieu-Bethesda	44 366	51 601	44 352
Blue Crane	Somerset East, Cookhouse, Pearston	36 384	36 798	36 107
Ikwezi	Jansenville, Klipplaat, Waterford	10 366	9 144	10 423
Makana	Grahamstown, Alicedale, Riebeeck-East	74 527	140 120	74 561
Ndlambe	Port Alfred, Kenton-on-Sea, Bushmans River, Alexandria	55 471	58 927	64 671
SRV	Kirkwood, Addo, Paterson	41 464	61 003	37 384
Baviaans	Willowmore, Steytlerville	15 338	16 522	15 686
Kouga	Jeffreys Bay, Humansdorp, Hankey, Patensie, St Francis	70 482	88 254	80 459
Koukamma	Joubertina, Kareedouw, Louterwater	34 289	45 464	40 674
ECDMA 10	Rietbron, Wolwefontein, Vondeling, Glenconner	6 531	2 192	8 638
<b>TOTAL</b>		<b>389 296</b>	<b>510 025</b>	<b>412 956</b>

The population in the Cacadu District is concentrated in Makana, Kouga and Ndlambe, with more than 50% of residents in the District residing in these Municipalities. The remaining Municipalities all have less than 50 000 inhabitants per Municipality.

Unemployment in the Cacadu District is estimated at 52 036 (20.5%), as per census 2001 figures. Between 1996 and 2001, employment increased slightly by (2 490) whilst the number of the

unemployed increased significantly (6 047). Slow job growth and the increase in the number of job-seekers will lead to a decline in the ability of residents to pay for services and a proportional increase in the need for indigent support and subsidies.

Due to its rural nature the largest proportion of the population in the Cacadu District is employed in the Agriculture sector. There has also been a significant growth in the Tourism sector with resultant employment opportunities.

In the DMA, the majority of the population are farm workers who are seasonally employed. This group of people is mobile and will seasonally migrate in pursuit of work opportunities as far as the Western and Northern Cape.

### **MAJOR EVENTS WHICH AFFECTED THE WORKING ENVIRONMENT DURING THE YEAR**

- Decision taken to hand Primary Health Care agency function back to the Provincial Department of Health due to ongoing underfunding;
- Piloting of standing committees
- Escalation of institutional, financial and service provision problems in Kou-Kamma Municipality
- Review of organizational structure and decision that all future staff appointments be on a permanent employment contract basis
- Roll-out of Performance Management System to all employees of the municipality;
- Provincial Health Department substantially increased the funding allocation for Primary Health Care Services just prior to the end of the financial year.



## EXECUTIVE SUMMARY

This report has been compiled in accordance with the guidelines issued by the Department of Local Government and Traditional Affairs. The detailed performance is reflected in the Performance Report which is an annexure to this annual report.

The five Key Performance Areas of National and Provincial Government inform the development priorities of the Cacadu District Municipality.

The nine local municipalities in the Cacadu District are primarily responsible for infrastructure services, due to the fact that these functions have been adjusted to them. The District Municipality is however solely responsible for all infrastructure services in the District Management Area. In this regard, it is gratifying to note that all communities in the DMA have access to water, sanitation and refuse removal.

During the period of review, the District Municipality completed the rehabilitation of the infrastructure in the Koukamma area that was affected by flooding in the previous financial year.

With regards to water, all municipalities in Cacadu are Water Service Authorities. The District Municipality however supports its local municipalities. A Section 78 (3) Assessment was done, whereby the possibility of various external mechanisms needs to be considered. A decision is now awaited from the local municipalities.

Rainwater tanks were installed for all residents in the Rietbron area, and funding was provided to Ikwezi Municipality for the installation of rainwater tanks in Jansenville. This was successfully implemented as well.

Electricity Master Plans were developed for Blue Crane Route, Bavians and Ikwezi. These municipalities were also assisted with as built drawings as well. On the planning side, the land availability audit was completed. A Portal has also been developed to assist all municipalities with planning and building control support.

With regards to transport, a road accident database tool has been developed to assist the Provincial Government to identify accident hotspots in the District, and thereby influence their roads infrastructure budgets. The upgrading of most public transport facilities, as envisaged, was also completed. The annual update of the Integrated Transport Plan was however not done.

Challenges exist in effecting transfers to all beneficiaries in the various housing developments. The incomplete housing projects were subsequently transferred back to the Province, in line with the request from them.

With regards to support to and capacity building of local municipalities, the District Municipality embarked on several projects.

A review of the Roles and Responsibilities, as well as the Delegations and the Rules of Order commenced for all local municipalities, with the exception of Kouga Municipality (who previously

embarked on this initiative themselves). This project is in various stages of implementation at the respective municipalities.

All municipalities were also assisted to develop a Communication Strategy. In addition, a Skills Audit was conducted in all nine municipalities. This Skills Audit helped the municipalities to compile proper Workplace Skills Plans.

The District Municipality has also embarked on ensuring that Performance Management is institutionalized in all municipalities. With the assistance of GTZ, a German development partner of Cacadu District Municipality, Baviaans, Sundays River Valley, Blue Crane Route, Ndlambe and Ikwezi were assisted in the period of review. These municipalities will continue to be assisted in 2009/10. The other remaining municipalities are also targeted for assistance.

The District Municipality has also been instrumental in ensuring good corporate governance in local municipalities, and has previously facilitated and continues to support the outsourced internal audit function and shared Audit Committee System.

Selected municipalities were assisted with GRAP implementation, and the District Municipality facilitated the appointment of a service provider to assist all local municipalities towards the completion of Asset Registers.

In the area of economic development, the District Municipality has entered into a partnership with Thina Sinako and SEDA to promote economic development in the Cacadu area. The SMME Strategy was adopted. There are presently three SEDA offices in the District, viz., Humansdorp, Graaff-Reinet and Grahamstown, to assist the District Municipality in this regard.

In addition, the District Municipality has a partnership with the CSIR to conduct research into and develop natural fibres, from products in the District. This is a long-term initiative. The initial trials are positive, and the progress is being continually evaluated.

Several of the local municipalities have previously successfully applied to the Provincial Government for funding for economic development projects in their area. These funds were channeled to the District Municipality. During the period of review, where municipalities have presented credible business plans to the District Municipality, these funds have been transferred to them. There are still however many projects where proper business plans have not yet been developed, and this has resulted in the funds not yet been spent.

A successful application has been made to the Development Bank of Southern Africa for funding to investigate catalytic initiatives in the District. The approval has been received, however the implementation will only occur in the next three financial years of the LED initiative programme.

The District Municipality was also responsible to compile or update the Tourism Development Plans of all nine local municipalities. In addition, a District Tourism Master Plan was also completed.

The District Municipality embarked on an extensive marketing campaign promoting the area and its products. A successful campaign known as the "Seven Wonders" received international acclaim.

The Policy on Support to Festivals was adopted, and work has commenced to integrate and transform local tourism organizations in all municipalities.

As indicated earlier, the District Municipality embarks on certain functions that have been adjusted to it or where it has been appointed as an agent. With regards to Primary Health Care, the District Municipality is the agent of the Provincial Government. The District Municipality operates 18 fixed clinics, 11 satellite clinics, as well as 26 mobile clinics.

It is important to note that during the period of review, the District Municipality has upgraded the salaries of the staff in Primary Health Care. This has resulted in stability in the service, with reduced turnover as well as improved motivation. The funding for the service has substantially improved from the R16,7 million received in 2007/08 to R26 million in 2008/09. The Provincial Government has however taken a decision to provincialize (take back) the service. SALGA has supported the decision and Council is awaiting the implementation plan from Province in this regard. At this stage though, it is clear that this process could take 18 to 24 months.

The District Municipality has appointed seven of the local municipalities in its area as its agents to render the environmental health function. The District Municipality continues to provide the service in Ikwezi, Baviaans and the District Management Area. A Section 78 (1) Assessment has commenced to determine the appropriate funding levels for an acceptable service in the District.

The District Municipality has again played a key role in assisting needy communities during times of disaster. The Disaster Risk Management Policy Framework was adopted and a Risk Assessment Plan for all municipalities completed. The Disaster Management Plan will be done in 2009/10.

Fire vehicles and equipment was purchased for certain municipalities. A Section 78 (1) Assessment for all the local municipalities was conducted. This will help the District Municipality and the local municipalities to improve the service to the appropriate levels.

The District Municipality embarked on a programme called "Connect with Cacadu" in terms of which computers with internet and email as well as programmes to provide educational, information and other useful facilities were installed in libraries for use, free of charge, by communities. Fourteen libraries in local municipalities were connected to the system during the year under review, and a further 10 libraries will be connected during 2009/2010 financial year.

### **Financial Performance 2008/2009**

The Municipality is in a very healthy financial situation at this point in time.

Details of the operating results for the year ended 30 June 2009 are reflected on page 60. The total income amounted to R254,9 million which is an increase of R38,9 million over the previous financial year. The increase in revenue is mainly due to:

- the gain on revaluation of investments property
- the increase in investments interest of R20,3 million is due to a change in accounting policy where all interest must be routed through the revenue account before being expensed.



The total expenditure for the financial year ended 30 June 2009 amounted to R227,6 million which is an increase of R27,9 million on the previous financial year. The increase is mainly due to marginal increases in remuneration costs and the new accounting policy in respect of interest reflected as an expense when credited to conditional grant and other accounts. The accumulated surplus for the current financial year amounted to R26,8 million.

Since 2002 Cacadu District Municipality has struggled to perform its legal mandate due the fact that it had its tax base reduced. It is currently totally dependent on national government grants for financing its operating expenditure.

In order to respond to these challenges the municipality has adopted a pragmatic approach to ensure that it is able to continue providing services and add value in the district. Over a number of years it has been able to maintain and increase the balance of its accumulated surplus which is fully funded. It has been possible to maintain service standards through the use of interest on investments to finance operating expenditure.

In respect of the current financial year ended 30 June 2009 the Auditor General has issued an unqualified audit opinion with one matter of emphasis. The matter of emphasis relates to the restatement of corresponding figures for 30 June 2009 as result of changes in accounting policies and errors discovered during the 30 June 2009 financial year.

The Cacadu District Municipality is proud of the fact that is has received unqualified audit reports in three successive financial years. It is working hard to achieve a clean audit report by the end of 2011 financial year.

It is also clear from the Auditor-General's report that the municipality is doing exceptionally well in the area of financial and risk management and internal control.

## PART 2

### KPA ACHIEVEMENT REPORTS

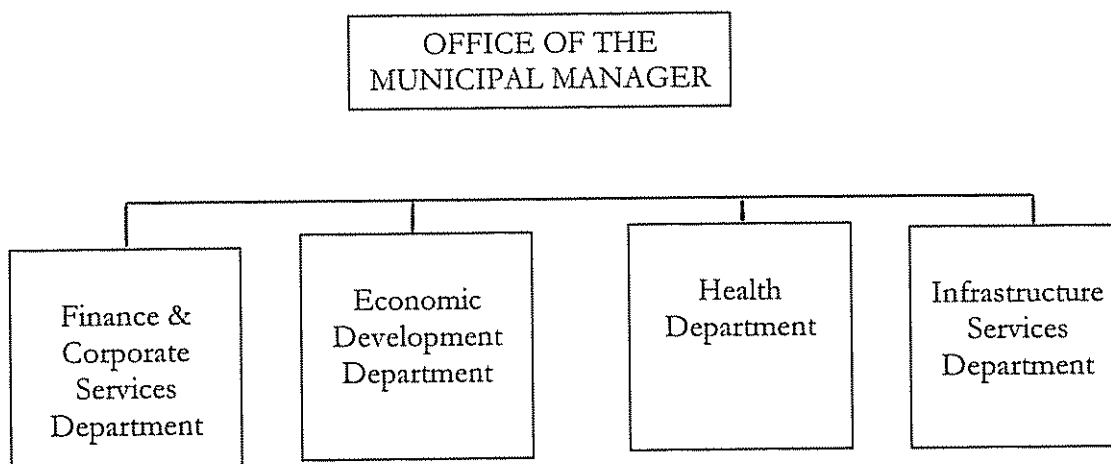
#### CHAPTER 1 : ORGANISATIONAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT (KPA 1)

##### PRESENTATION OF THE ORGANISATIONAL STRUCTURE

The total number of approved posts of the Cacadu District Municipality is 282. The total number of vacant posts is 30. The Macro Organisational Structure is attached as an Annexure to the Annual report - see Page 223.

All five performance agreements and employment contracts (Municipal Manager and four section 57 managers) were submitted to the Department of within the prescribed time.

##### ADMINISTRATIVE STRUCTURE



##### MUNICIPAL MANAGER

Mr D M (Ted) Pillay

##### DIRECTOR : FINANCE AND CORPORATE SERVICES

Mr D de Lange

##### DIRECTOR : INFRASTRUCTURE SERVICES

Mr L Nama

##### DIRECTOR : ECONOMIC DEVELOPMENT

Ms M Mama

##### MANAGER : HEALTH SERVICES

Mrs X Sandi

##### GRADING OF LOCAL AUTHORITY

Grade 9

**STAFF DEVELOPMENT INITIATIVES DURING THE FINANCIAL YEAR****Training courses attended by officials and councilors**

Course	Number benefited
Intro Arc GOS 1	1
Disciplinary Skills Workshop	2
Management Accounting and Finance	1
Procurement, soliciting and evaluation of tender offers	5
Computer training	15
Economic defensive driving	4
CPMD and 4 additional modules	6
CPMD	8
CPLD	1
Civil Designer	8
Report writing	9
Project Management	13

**Workplace Skills Plan**

A Workplace Skills Plan for 2008/2009 was adopted and implemented.

**Human Resource Development Plan**

Substantial progress was made with the development of this plan which will be adopted in the 2009/2010 financial year

**KEY HR STATISTICS PER FUNCTIONAL AREA**

Full time staff complement per functional area

**Section 57 and MM**

	Approved positions	Number of approved posts per position	Filled posts	Vacant posts
1	Municipal Manager	1	1	None
2	Director: Finance and Corporate Services	1	1	None
3	Director: Economic Development	1	1	None
4	Director: Infrastructure Services and Planning	1	1	None

5	Manager : Health Services	1	1	None
	<b>Total</b>	<b>5</b>	<b>5</b>	

#### Office of the Municipal Manager

	Approved positions	Number of approved posts per position	Filled posts	Vacant posts
1	Manager : Capacity Building	1	1	None
2	Senior PMS Officer	1	1	None
3	Senior Admin Officer	2	2	None
4	Special Programmes Officer	1	0	1
5	HIV and Aids Co-ordinator	1	1	None
6	Personal Assistant	3	3	None
	<b>Total</b>	<b>9</b>	<b>8</b>	<b>1</b>

#### Water and Sanitation

	Approved positions	Number of approved posts per position	Filled posts	Vacant posts
1	Manager: Water and Sanitation	1	1	None
2	Technician	2	1	1
	<b>Total</b>	<b>3</b>	<b>2</b>	<b>1</b>

Electricity - Not applicable - CDM does not provide electricity

#### Health

	Approved positions	Number of approved posts per position	Filled posts	Vacant posts
1	Manager:Primary Health Care Services	1	1	None
2	CPN : Administration	1	1	None
3	Clerks Grade 1	2	2	None
4	Typist Clerk	1	1	None
5	Manager : PHC	1	1	None
6	Personal Assistant	1	1	None
7	Senior Typist Clerk	1	1	None
8	Primary Health Care Services Personnel	164	148	16
	<b>Total</b>	<b>172</b>	<b>156</b>	<b>16</b>

**Housing**

	Approved positions	Number of approved posts per position	Filled posts	Vacant posts
1	Housing Co-ordinator	1	1	None

**Transport**

	Approved positions	Number of approved posts per position	Filled posts	Vacant posts
1	Manager: Roads and Transport	1	1	None
2	Technician	1	0	1
3				
	<b>Total</b>	<b>2</b>	<b>1</b>	<b>1</b>

**Finance**

	Approved positions	Number of approved posts per position	Filled posts	Vacant posts
1	Manager: Finance	1	1	None
2	Senior Accountants	3	2	1
3	Accountant	1	1	None
4	Assistant Accountant	1	1	None
5	Senior Buyer	1	1	None
6	Finance Senior Clerk	1	1	None
7	Debtors Clerk	1	1	None
8	Creditors Clerk	2	1	1
9	Fleet / Asset Management Clerk	1	1	None
10	Finance Archives Clerk	1	1	None
11	Finance Clerks	2	0	2
12	Personal Assistant	1	1	None
14	<b>Total</b>	<b>16</b>	<b>12</b>	<b>4</b>

**Corporate Services**

	Approved positions	Number of approved posts per position	Filled posts	Vacant posts
1	Manager: Corporate Services	1	1	None
2	Legal Officer	1	1	None
3	Senior Human Resources Officer	1	1	None
4	Skills Development Facilitator	1	1	None

5	Human Resources Administrator	1	1	None
6	Public Relations Officer	1	1	None
7	Senior Administration Officer	1	1	None
8	Administration Officers	3	3	None
9	Senior Archives Clerk	1	1	None
10	Archives Clerks	3	3	None
11	Print Room Operator	1	1	None
12	Switchboard Operator	1	1[Temp]	None
13	Messenger	1	1	None
14	General Workers [Tea Services]	3	3	None
15	District Management Area: Manager	1	1	None
16	Assistant administration and Librarian	1	1	None
17	General Workers [Cleaning and sanitation]	8	5	3
18	Typist Clerk	1	0	1
	<b>Total</b>	<b>31</b>	<b>27</b>	<b>4</b>

#### Economic Development

	Approved positions (Ex: Managers/Asst. Managers)	Number of approved posts per position	Filled posts	Vacant posts
1	Manager: Tourism and Marketing	1	1	None
2	Manager: Local Economic Development	1	1	None
3	Manager: Trade and Investment	1	0	1
4	Administration Officer	1	1	None
5	Personal Assistant	1	1	None
6	Tourism Officer	1	1	None
	<b>Total</b>	<b>6</b>	<b>5</b>	<b>1</b>

**Planning Unit**

	Approved positions	Number of approved posts per position	Filled posts	Vacant posts
1	Head : Planning Unit	1	1	None
2	Development Planner	2	2	None
3	GIS Specialist	1	0	1
4	Town Planner	1	0	1
	<b>Total</b>	5	3	2

**Project Management**

	Approved positions	Number of approved posts per position	Filled posts	Vacant posts
1	Project Manager	1	1	None
2	Senior Technician	2	1	1
3	Building Inspector	1	1	None
	<b>Total</b>	4	3	1

**Infrastructure Admin Support**

	Approved positions	Number of approved posts per position	Filled posts	Vacant posts
1	Personal Assistant	1	1	None
2	Senior Clerk	1	1	None
3	Typist	2	2	None
	<b>Total</b>	4	4	None

**Municipal Health**

	Approved positions	Number of approved posts per position	Filled posts	Vacant posts
1	Manager	1	1	None
2	Environmental Health Officer	2	2	None
	<b>Total</b>	3	3	None

### Disaster Management and Fire Service

	Approved positions	Number of approved posts per position	Filled posts	Vacant posts
1	Head : Disaster Management	1	1	None
2	Manager : Operations	1	1	None
3	Manager : Communications and Training	1	1	None
4	Satellite Officers	4	3	1
5	Control room operators	4	4	None
6	Fire Officer	1	1	None
7	Reservists	7	7	None
	<b>Total</b>	19	18	1

### TECHNICAL STAFF REGISTERED WITH PROFESSIONAL BODIES

A system is being developed to capture this type of information

### LEVEL OF EDUCATION AND SKILLS

A system is being developed to capture this type of information

### TRENDS ON TOTAL PERSONNEL EXPENDITURE

Years	Total number of staff	Total approved Budget	Personal expenditure (salary and salary related)	Percentage of expenditure
2004-2005	238			
2005-2006	249	R155 933 979	R23 290 009	14.94%
2006-2007	241	R390 340 441	R24 799 959	6.35%
2007-2008	143	R357 338 133	R24 331 377	6.81%

### LIST OF PENSION AND MEDICAL AIDS TO WHICH EMPLOYEES BELONG

Names of pension fund	Number of members	Names of medical Aids	Number of members
Cape Joint Retirement Fund	126	Bonitas	42
Cape Joint Provident Fund	5	L.A. Health	16
		Hosmed	3
		SAMWU Med	13
		Key Health	4

**SENIOR OFFICIALS' WAGES AND BENEFITS** - this information is contained in the Annual Financial Statements



## IMPLEMENTATION OF THE PERFORMANCE MANAGEMENT SYSTEM

The Performance Management System (PMS) has been implemented and cascaded to all levels of staff in the organization. Regular performance assessments and reviews are held. The system was automated in March 2009, during the year under review.

### ANNUAL PERFORMANCE AS PER KEY PERFORMANCE INDICATORS IN MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

	Indicator name	Target set for the year	Achievement level during the year	Achievement percentage during the year	Overall achievement rate including previous years.
1	Vacancy rate for all approved posts	100%	Most vacancies are frozen		
2	Percentage of appointments to strategic positions (Municipal Manager and Section 57 Managers)	100%	100%	100%	100%
3	Percentage of Section 57 Managers including Municipal Managers who attended at least 1 leadership training course within the financial year	100%	100%	100%	100%
4	Percentage of Managers in Technical Services with a professional qualifications	100%	100%	100%	100%
5	Adoption and implementation of Performance Management System	100%	100%	100%	100%
6	Adoption and implementation of a Human Resource Development Plan including workplace skills plan	HR Development Plan is included in the WSP and submitted to LGSETA each year [100%]	40%	60%	80%

7	Percentage of staff that have gone through a skill audit (including competency profiles) within the past 5 years	100% Skills Audit Competency profiles are being developed for future implementation	80%	60%	80%
8	Percentage of Councillors who attended at least 1 leadership training course within the financial year	100%	80%	80%	100%
9	Percentage of Councillors: - with disability - female - youth	0 7 1			
10	Adoption of the Employment Equity Policy	A five year plan was adopted in 2004 and expires in 31 August 2009. New Plan is under development	New plan to be made ready and approved by 31 November 2009	100% However, achievements on the revised plan should be ongoing and depend on the changing environment	100%

#### MAJOR CHALLENGES AND REMEDIAL ACTIONS IN REGARD TO HUMAN RESOURCE AND ORGANIZATIONAL MANAGEMENT

- A need for capacitating existing staff with leadership skills;
- Additional resources – technological tools , personnel etc;
- Empowerment and accountability;
- Introduction of incentives scheme bonuses for high achievers;
- Review of the job descriptions to avoid and eliminate overlapping of responsibilities;
- Revise Performance contracts to be in line with the changing environment , legislation, and additional Council new role.



## **CHAPTER 2: BASIC SERVICE DELIVERY PERFORMANCE HIGHLIGHTS (KPA 2)**

### **WATER SERVICES**

#### **Water services delivery strategy and main role-players:**

Includes water services development planning for the entire District, the implementation of Source Development, Bulk Water Supply and water reticulation infrastructure projects for various local municipalities and in the District Management Area.

The function is administered by the Department: Infrastructure Services and includes:

- Development Planning
- Assist local municipalities to develop the required Water Service Authority and Water Services Provider Capacity.
- Investigation into the Water Services Provider function in DMA, Kou-Kamma, Kouga, Bavians, Ikwezi, Blue Crane Route, Ndlambe areas. (Section 78 (G) Assessment)
- Water supply services in the District Management Area.

#### **Strategic objective**

To provide every household within the District with access to at least a basic level of service and strive to provide an appropriate level of service.

#### **Key issues for 2008/2009**

- Assist with the preparation of CIP for each Local Municipality.
- Completion of the Section 78 (3) Assessment in the Cadadu Region
- Maintenance backlogs assessment in Blue Crane Route Municipality
- Augmentation of Bulk Water Supply in Rietbron, Glen Conner & Kleinpoort.

#### **Levels and standards in water services:**

The planning and co-ordination is done by 1 Engineer. The water supply services in the DMA are administered by 1 DMA Manager, 1 Operator and 4 Workers who are also involved in the provision of other municipal services such as roads and streets, refuse removal etc. in the DMA.

#### **Grants Received:**

DWAF: R1,4m (Section 78(iii))  
 MIG: R3,738m (Bulk Water Supply)  
 DLG & TA: R0,5m (Section 78(iii))

The bulk of the funding was used for the upgrading of the Rietbron, Glenconner & Kleinpoort bulk service. The rest of the funds were used for the Section 78(iii) assessment in the Cacadu region.

#### Annual performance as per key performance indicators in water services

No	Indicator name	Total number of household/customer expected to benefit	Previous years achievement level
1	Percentage of households with access to potable water	100%	100%
2	Percentage of indigent households with access to basic free potable water	100%	100%
3	Percentage of clinics with access to potable water	100%	100%
4	Percentage of schools with access to potable water	100%	100%
5	Percentage of households using buckets	0%	0%

Number of households reached: 412

#### Major challenges in water services and remedial actions

Major challenges include drought conditions.

### ELECTRICITY SERVICES

#### Electricity services delivery strategy and main role-players

The Cacadu District Municipality is only responsible for energy supply to the DMA.

#### Level and standards in electricity services

The settlement of Rietbron is fully serviced. The level of service within the respective railway settlements are as follows:

**Glenconner** has twelve (12) houses far apart from one another with the furthest house situated 500m away from densely populated area. There is Eskom supply point near the area which is approximately 50m to four houses near it, 300m away from seven houses and 600m to the house at the entrance to the area from Jansenville route.

It is therefore possible to supply the houses with Eskom supply. The cost estimate for electrifying the houses is R135 000 and R75 000 for upgrading the existing transformer.

*Wolwefontein* has ten (10) houses lined up next to one another. There is an existing electricity line (approximately 200m) from which the houses can be connected to. However this line is on the other side of the railway line. It will therefore be required that before installation way-leave applications are made with Spoornet for the line to cross the rail. The installations are estimated to be R95 625 for electrical service connection to all ten houses and R112 500 for upgrading and connecting to the existing transformer.

*Miller* has eight (8) houses and one (1) school. The houses, as with other areas, are also placed far apart which makes it difficult and costly to electrify from the nearest Eskom supply. The nearest Eskom supply is to a farm which is approximately 1.5km to the furthest house and the farm is on the other side of the railway line where most of the houses are situated. The cost estimate for electrifying the houses and the school from Eskom supply is R130 000 and R200 000 for upgrading the existing line and a new transformer.

*Kleinpoort* has nine (9) houses with three (3) houses situated on the side of Jansenville route and other six (6) across the railway line. The three houses are approximately 100m from the Post Office with existing Eskom supply to it and the other houses are approximately 300m from the Post Office. It will be feasible to electrify the houses using Eskom supply as it is near both areas. The cost estimate R95 000 for houses connection and R60 000 for connecting onto and upgrading of transformer. The cost estimate for solar power supply is R491 518 or R876 268 and R40 000 for annual maintenance.

*Vondeling* has five houses which are 100m to 400m apart from each other. The nearest existing Eskom line is approximately 35km from this area on the way to Willowmore. Since the area is far from the existing supply it will be costly to bring power to the area. The cost estimate is R56 250 for house connections and R624 375 to bring power to the area.

## **SANITATION**

### **Sanitation services delivery strategy and main role-players**

Includes all activities related to sanitation services development planning for the District as well as bucket eradication projects.

The sanitation function of the municipality is administered by the Department: Infrastructure Services and includes development planning and sanitation services in the District Management Area.

The Strategic Objective of this function is to provide every poor household with a basic level of service.

### **Level and standards in sanitation services**

Number and cost of all personnel associated with the sanitation function: 1 Engineer

The sanitation services in the DMA are administered by a 1 DMA Manager, 1 Operator and 4 Workers, who are also involved in the provision of other municipal services such as roads and streets, refuse removal etc.

In the entire District, 51% of households have a full waterborne sanitation system.

**Grants received: None**

**Annual performance as per key performance indicators in sanitation services**

No	Indicator name	Total number of household/customer expected to benefit	Previous years achievement level
1	Percentage of households with access to sanitation services	100%	100%
2	Percentage of indigent households with access to free basic sanitation services	100%	100%
3	Percentage of clinics with access to sanitation services	100%	100%

Number of households reached: 412

**Major challenges in sanitation services and remedial actions**

Water shortages.

**ROAD CONSTRUCTION AND MAINTENANCE**

The District Municipality is not responsible for road maintenance.

**WASTE MANAGEMENT**

**Waste management services delivery strategy and main role-players**

Includes all activities related to refuse removal, solid waste disposal and street cleaning.

The solid waste function of the Municipality is administered by the Department: Infrastructure Services & Planning and the Finance & Corporate Services Department and includes:

- Household refuse removal services in Rietbron.
- Provision of solid waste disposal sites serving all communities in the DMA.

- Assisting local municipalities with the provision of solid waste disposal sites in their areas of jurisdiction.

The strategic objective of this function is to provide every household with a basic level of service.

**Key issues for 2008/2009** - Completion of a District wide waste management plan.

### Level and standards in waste management services

The personnel associated with the solid waste disposal function are:

1 x Municipal Health Officer	1 x DMA Manager
4 x Workers	1 x Operator

The above officials are also involved in the provision of other municipal services such as water, roads, sanitation, etc.

Number of households receiving regular refuses removal services: 334

Frequency of service: Weekly

### Annual performance as per key performance indicators in waste management services

No	Indicator name	Total number of household/customer expected to benefit	Previous years achievement level
1	Percentage of households with access to refuse removal services	81%	81%
2	Percentage of DM with waste management plan	100%	100%
3	Percentage of municipal landfills in compliance with Environmental conservation Act	N/A	N/A

Number of households reached at Rietbron: 334

Number of households reached at nodal points  
e.g. Glenconner, Kleinpoort, Wolwefontein,  
Miller & Vondeling: 78 (only waste cells provided)

### Major challenges in waste management services and remedial actions:

Geographic spread of the area.



## HOUSING AND TOWN PLANNING

### **Housing and town planning services delivery strategy and main role-players**

The role of the municipality is to administer and implement projects on behalf of local municipalities. The functions are as follows: enter into land availability agreement and service agreements; submit township applications and general plans for approval; open township registers; submit housing applications for Housing Board (HB) approval; allocate sites terms of HB approvals; approve engineering plans, award engineering contracts; and construction of services; construction of top structures and transfer of ownership.

Local municipalities are autonomous bodies with respect to land use planning. The District Municipality has however entered into an agreement with the Baviaans Local Municipality to practice aspects of land use management on their behalf.

#### *Main Players*

District Municipality – Planning & Implementation  
DHLGTA - Project Approval and Funding

**Level and standards in Housing and town planning services - N/A**

**Annual performance as per key performance indicators in housing and town planning services - N/A**

**Major challenges in housing and town planning services and remedial actions - Sector Department blockages**

## SPATIAL PLANNING

### **Preparation and approval process of SDF:**

The CDM's SDF is reviewed annually and prepared in-house. Aspects relevant to the latest review include the District wide Area Based Plan and Land Availability Audit.

### **Land use management:**

Local municipalities are autonomous bodies with respect to land use planning. The District Municipality has however entered into an agreement with the Baviaans Local Municipality to practice aspects of land use management on their behalf.

### **Major challenges in spatial planning services and remedial actions**

Provincial sector departments do not refer to the respective SDF's when devising their implementation framework for capital expenditure.

## **INDIGENT POLICY IMPLEMENTATION**

### **Preparation and approval process of the indigent policy**

The Municipality has an approved Indigent Policy, which came into effect July 2006. The Policy is reviewed annually.

The Policy provides for the following Free Basic services for (persons who qualify):

- Water: 100% subsidy up to 6 kl per household per month
- Electricity: 100% subsidy up to 50 kWh per household per month
- Property Rates: 100% rebate (effective 1 July 2009)

### **Implementation of the policy**

The Indigent Policy requires that persons apply to the Municipality to register on the indigent database. The database was updated and implemented 1 July 2009.



### OVERALL SERVICE DELIVERY BACKLOGS

NOTE: The reference on pages 5 and 6 to flawed population figures is also relevant here.

	Access to water											
	Water on site			Community Stand			Borehole/tank		Natural water/dam		Water vendor/other	
	Census 2001	RSS 2006	%	Census 2001	RSS 2006	%	Census 2001	RSS 2006	Census 2001	RSS 2006	Census 2001	RSS 2006
Eastern Cape	37.4	41.8	25.3	25.1	4.0	3.8	31.4	28	1.9	1.4		
Cacadu DC	74.7	85.8	17.9	10.0	3.1	1.4	2.8	1.4	1.5	1.3		
Camdeboo	91.0	98.4	8.2	1.6	0.2	0.0	0.2	0.0	0.4	0.0		
Blue Crane	76.8	100.0	13.4	0.0	3.2	0.0	4.4	0.0	2.2	0.0		
Ikvezi	91.0	83.1	7.6	0.0	0.5	12.9	0.2	0.0	0.7	4.0		
Makana	76.2	76.5	19.0	16.5	2.3	2.5	1.7	1.6	0.9	2.9		
Ndlambe	62.1	69.2	27.3	19.7	5.6	0.7	3.1	8.3	1.8	2.2		
Sunday's River Valley	61.8	86.6	17.6	13.4	9.4	0.0	7.4	0.0	3.8	0.0		
Baviaans	86.1	90.6	8.9	0.0	2.0	7.2	2.6	0.0	0.5	2.1		
Kouga	75.2	83.6	22.4	15.3	0.4	0.0	0.8	0.0	1.1	1.1		
Kou-Kamma	77.0	93.8	12.5	6.2	3.9	0.0	5.3	0.0	1.3	0.0		
ECDMA10	73.0	79.4	24.3	8.3	1.6	8.2	0.9	4.1	0.1	0.0		

Source : Population Census 2001 & Rapid Services Survey 2006

Access to Sanitation

	Flush toilet (connected to sewerage system)		Flush toilet (with septic tank)		Chemical toilet		Pit latrine with ventilation (VIP)		Pit latrine without ventilation		Bucket latrine		None	
	Census 2001	RSS 2006	Census 2001	RSS 2006	Census 2001	RSS 2006	Census 2001	RSS 2006	Census 2001	RSS 2006	Census 2001	RSS 2006	Census 2001	RSS 2006
	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Eastern Cape	30.9	31.1	2.2	1.3	2.0	0.6	5.6	7.2	23.1	33.9	5.6	4.0	30.6	21.8
Cacadu DC	40.3	67.8	11.1	3.5	0.8	0.0	5.3	0.1	16.2	4.9	14.3	14.5	12.0	9.3
Camdeboo	68.7	85.8	7.0	0.8	0.1	0.0	4.3	0.0	3.2	9.4	11.2	0.6	5.5	3.4
Blue Crane	47.1	74.2	4.1	0.0	2.5	0.0	1.4	0.0	8.0	0.0	20.1	25.8	16.7	0.0
Ikwezi	17.7	66.7	11.4	0.0	0.1	0.0	4.8	0.0	2.8	11.6	48.8	21.7	14.5	0.0
Makana	34.1	57.1	2.9	1.6	0.2	0.0	7.9	0.0	13.6	2.9	29.7	17.5	11.6	20.8
Ndlambe	24.3	44.7	27.3	4.7	0.5	0.0	5.8	0.7	28.0	0.7	0.6	17.0	13.6	32.2
Sunday's River Valley	24.0	58.8	4.8	0.0	1.6	0.0	8.7	0.0	40.7	28.5	6.5	12.7	13.7	0.0
Baviaans	30.3	34.8	21.7	14.5	0.4	0.0	5.8	0.0	11.4	0.0	19.0	47.5	11.3	3.2
Kouga	51.8	75.2	10.8	7.9	0.7	0.0	2.5	0.0	9.8	1.5	13.3	11.8	11.0	3.5
Kou-Kamma	50.6	88.8	12.3	5.0	1.3	0.0	5.1	0.0	15.5	0.0	5.5	6.2	9.8	0.0
ECDMA10	13.9	29.4	21.6	20.0	0.1	1.4	17.3	8.3	18.3	22.7	4.1	1.4	24.7	16.7

Source : Population Census 2001 & Rapid Services Survey 2006

## **CHAPTER 3: MUNICIPAL LOCAL ECONOMIC DEVELOPMENT FRAMEWORK- (KPA 3)**

### **BRIEF PRESENTATION OF LED STRATEGY/PLAN**

During the Cacadu District Municipality 2005/06 Integrated Development Plan review process, it became increasingly apparent that the district as a whole needs an integrated approach towards economic development. The district adopted an approach of moving away from planning for isolated local economic development projects and thus developing a district-wide economic growth and development strategy (EGDS). The EGDS was completed in May 2006, in collaboration with stakeholders from national, provincial and local government. Key elements of the EGDS include the following:

#### **Economic Vision**

*“a growing and diversified district economy optimizing all available resources to enhance the quality of life in our communities”*

#### **Strategic Objectives**

- To leverage available resources to achieve investment in economic infrastructure in partnership with relevant stakeholders.
- To achieve year-on-year economic growth by developing strategic sectors in the district
- To develop and enhance technical and life skills in line with labour market demands of the district, its strategic sectors and the region at large
- To build appropriate internal and external institutional capacity necessary to improve integration, alignment and coordination of economic development programmes
- To establish and sustain partnerships and regional linkages aimed at promoting economic development

#### **Pillars**

The economic vision and objectives guided the formulation of strategic development pillars. Five main pillars have identified for stimulating sustainable economic growth and development in CDM. These pillars are:

- Economic Infrastructure;
- Sector Development;
- Human Resources and Skills Development;
- Institutional Development; and
- Regional Linkages

#### **a. LED unit / Department**

The municipality has set up a Department of Economic Development, of which LED is one of the functions. The entire department is set up as follows:

- Head of the Department
- Project Manager: LED
- Project Manager: Tourism Development and Marketing

- LED Advisor (a two year contract of a specialist in Agriculture, supported by German Development Corporation, ending March 2011);
- Tourism and Marketing Officer
- LED Administrator
- Personal Assistant to the Director

**b. Status of co-operation with other municipal services / departments**

- Joint IDP formulation and reviews
- Weekly management meetings;
- Monthly deliberations on the SDBIP
- Quarterly LED and Infrastructure Forum meetings

**c. Level of LED budget expenditure compared to LED approved budget**

Complete

**PROGRESS TOWARDS ACHIEVING THE LED KEY OBJECTIVES**

**a. Exploit comparative and competitive advantage for industrial activities**

Cacadu has entered into an agreement with the DBSA Development Fund to be a pilot on the LED Initiative (LEDI). The LEDI funds large capital catalytic economic infrastructure projects, as well as developing and implementing regional economic turnaround strategies.

Briefly, the LEDi seeks to find a way:

- To ensure that the economies of our areas act as spaces of inclusion not exclusion, of economic integration and not growing marginalization and inequity
- Of spreading opportunity through maximizing the economic potential of areas outside the dominant cores, through fostering local space economies that drive shared growth
- To take advantage of high-impact, quick-win investment opportunities that could have a catalytic ripple effect on economic growth
- Exploiting and benefiting from comparative and competitive advantages

**Key elements of the LEDi include the following:**

**I. Agri-Innovation Intervention**

**a. Fibre Innovation Hub**

- i. Finalising business plans and funding for pineapple beneficiation
- ii. Agave Americana Business Plan
- iii. Readiness assessment of other fibres in the district

**b. Renewable energy project development**

- i. Audit of all renewable energy initiatives in region
- ii. Hydro-electric scheme feasibility study in Blue Crane

**c. Agro-tourism route development**

- i. Preparation of agro-route strategy based on tourism plans
- ii. Facilitation of pilot agro-route partnership

**II. Economic Growth and Development Strategy Review**

**a. Growth and development plan**

- i. Revision of growth and development plan
- ii. Economic modelling
- iii. Institutional Review and OD Strategy

**b. Infrastructure investment and financial plan**

- i. Local Municipal infrastructure assessments
- ii. Municipal Service Finance Model

**III. Technical Support Team**

- a. Process facilitator
- b. Programme Manager
- c. Stakeholder manager

**b. Intensify Enterprise support, business development and Support Social investment program**

Cacadu District Municipality received financial support from the Provincial Department of Local Government and Traditional Affairs to develop an SMME Development Strategy. The draft strategy has been completed, awaiting adoption by Council.

A detailed evaluation of SMME Institutional and service support in Cacadu reveals the following:

1. Uneven distribution of SMME services [*Makana* and *Ndlambe* – have up to 70% more SMME support services and pilot projects than in other localities like *Camdeboo* and *Kou-Kamma*]
2. Services provided are effective and useful for some who can access them, but the issue is these services are not provided on a scale large enough nor at a rate fast enough to have a noticeable impact on SMME growth and development.
3. An SMME service delivery gap exists in terms of sector-specific support for agriculture, tourism and small-scale manufacturing
4. This gap is further exacerbated by the ineligibility of most potential entrepreneurs because they are too poor and too historically disadvantaged to meet the stringent criteria of the limited existing support services
5. The existing financial institutions do not provide the right kind, right priced, and right amount of financial assistance to the SMMEs in Cacadu – insufficient micro-financing appetite to meet the demands of local entrepreneurs
6. Fragmented and generally uncoordinated approach to SMME Development making it very difficult for intended beneficiaries to know where to go for the appropriate service
7. Rural areas in some localities have non-existent SMME support services
8. The absence of an integrated SMME support programme across the district adds to the disjointed approach in the developing the sector



### c. SMME Strategic Objectives

In order to achieve the stated SMME vision for the area, the CDM and its partners ought to commit themselves to the following strategic goals and objectives:

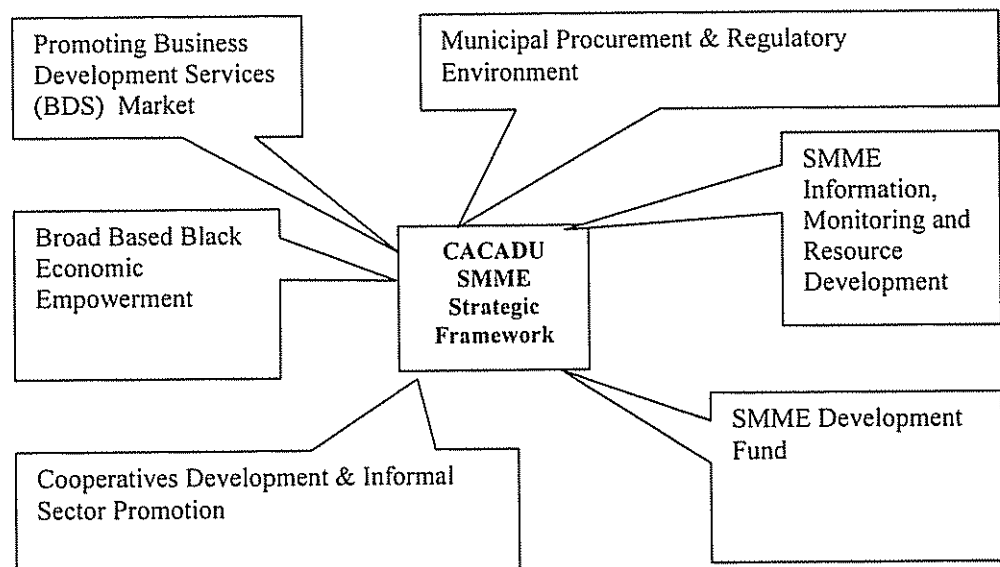
1. To improve access to market-driven and sustainable business development support services for the informal, micro, small and medium-sized enterprises in both urban and rural areas.
2. To strengthen the planning, coordination and institutional capacity for SMME support in the district thus ensuring the creation of an enabling and conducive environment for SMMEs.
3. To establish effective and functional partnerships with key provincial and national institutions, as well as escalating the promotion of the economic opportunities across the district.
4. To diversify the existing SMME development base through agriculture, environmental management, tourism and manufacturing development.
5. To increase women, youth and black participation in the entrepreneurial and SMME development sector of the District and its economy.
6. To increase the number of start-ups, and the number of existing enterprises that accelerate beyond survivalist stage.

These strategic objectives set out a performance measure for this SMME Strategy and are generally congruent with those set-out in the Provincial Growth and Development Plan of the Eastern Cape, which seeks to increase the number of start-ups and boost the growth prospects of existing enterprises in the district.

### Strategic Pillars for SMME Development in Cacadu

The *strategic pillars* define an area of priority focus. It has a collective economic force that can generate sufficient economic energy and momentum to create a series of sustainable opportunities to achieve short, medium and long-term objectives of any strategy.

The pillars are:



**ANNUAL PERFORMANCE AS PER KEY PERFORMANCE INDICATORS IN LED**

	Indicator name	Target set for the year	Achievement level during the year (absolute figure)	Achievement percentage during the year	Overall achievement rate including previous years.
1	Percentage of LED Budget spent.	18 993 197	5 209 214	27,4%	30,5%
2	Number of LED stakeholder forum held	4	3	75%	Only set up in this financial year
3	Percentage of SMME that have benefited from a SMME support program	352	64	15	20%
4	Percentage of unemployed people with employment opportunity	N/A	N/A	N/A	N/A

**CHALLENGES REGARDING LED STRATEGY IMPLEMENTATION**

Successful implementation of the LED Strategy largely depends on capacity of the LED Departments at local municipalities. The District Municipality received LED grants from provincial departments and these must then be transferred to local municipalities. Transferring of these grants has been a challenge due to absence of feasibility studies and/or business plans.

During May 2009, Cacadu commissioned an assessment of the status of LED in the entire district. Outcomes of this assessment highlighted at least some of these challenges:

- a) Seven (7) out of nine (9) local municipalities have LED strategies.
- b) Although all local municipalities have indicated to have an existing economic profile, there is a need to improve the quality and extent of socio-economic intelligence that can support planning and decision-making at both strategy and project levels.
- c) LED awareness and understanding in all local municipalities needs to be further deepened with the view to shift 'old mindsets' and align local approach to the national perspective of the LED policy guidelines.

- d) None of the municipalities seem to have credible project management systems.
- e) The majority of local municipalities do not have functional LED forums to ensure effective LED coordination and stakeholder participation.
- f) None of the local municipalities have LED monitoring and evaluation systems to ensure continuous improvement and learning.
- g) The majority of LMs continue to heavily rely on under-capacitated LED Units which lack appropriate staffing levels, systems and resources to better facilitate LED. Most LED Units are staffed by single persons who also double as IDP and/or Tourism coordinators.
- h) The focus of existing “LED” projects in the district leans more towards poverty alleviation in nature. The majority of LMs do not have well screened and assessed and prioritised LED projects that can have a meaningful impact on economic growth and job creation.
- i) There are presently no guidelines on how to identify, define, assess and prioritise flagship and catalytic initiative that could have a meaningful impact at different levels.

These challenges will then form basis/agenda/core programme of the LED District Support Team, planned to roll out in the New Year.

- Facilitate improved LED leadership and stakeholder participation at both district and local municipal levels
- Support the establishment of functional LED forums and private-public dialogue platforms;
- Strengthen and advocate for improved municipal leadership participation and commitment to local LED processes;
- Improve monitoring and evaluation systems and processes critical to ensure continuous feedback and learning from district and local LED processes.
- Improve the role, capacities and systems of the LED Unit thus enabling them to better facilitate LED processes at both LM and DM level;
- Improve the participation of local communities and stakeholders in LED by deepening LED understanding, shifting existing mindsets and thus ensuring a generic consensus in line with the national LED guidelines is achieved at both LM and DM levels;
- Improve the quality of socio-economic intelligence to bolster planning as well as investment decision-making;

- Strengthen existing LED strategies by:
  - Improving the quality of data used as well as analysis;
  - Improving the analysis of sectors, industries and localities;
  - Factoring in respective comparative and competitive advantages;
  - Refining strategy focus areas to ensure alignment between LM and DM strategies
  - Develop and providing appropriate guidelines that will assist with effective implementation, resourcing and monitoring of LED strategies.



## CHAPTER 4: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT (KPA 4)

### AUDITED FINANCIAL STATEMENTS (AFS)

The Audited Financial Statements for 2008/2009 financial year appear on page 39 to page 111.

### BUDGET TO ACTUAL COMPARISON

Included in AFS as above

### GRANTS AND TRANSFERS' SPENDING

Included in AFS as above

### MEETING OF DONORS' REQUIREMENTS IN RESPECT OF CONDITIONAL GRANTS

All conditions were met.

### LONG TERM CONTRACTS ENTERED INTO BY THE MUNICIPALITY

Long term contracts are those contracts that extend over a period of more than 12 months. Cacadu District Municipality entered into the following long term contracts during the year under review:

SERVICE PROVIDER	DESCRIPTION	DURATION OF CONTRACT
KPMG	Internal auditing	5 years
Gestetner	Copier	2 years
Panasonic	Copier	3 years
ABSA	Banking	5 years

**ANNUAL PERFORMANCE AS PER KEY PERFORMANCE INDICATORS IN FINANCIAL VIABILITY**

	Indicator name	Target set for the year R(000)	Achievement level during the year R(000)	Achievement percentage during the year
1	Percentage of expenditure on capital budget	R7 501	R3 743	50%
2	Salary budget as a percentage of the total operational budget	R39 740	R31 860	81%
3	Total actual trade creditors as a percentage of total actual revenue	R0	R0	0%
4	Total municipal own revenue as a percentage of the total actual budget	R267 740	R228 518	85%
5	Rate of municipal consumer debt reduction	R0	R982	100%
6	Percentage of MIG budget appropriately spent	R7 638	R6 275	82%
7	Percentage of MSIG budget appropriately spent	R2 173	R1 632	75%

**AUDIT COMMITTEE FUNCTIONALITY**

See report by Audit Committee attached as an Annexure on pages 224 to 226.

**ARREARS IN PROPERTY RATES AND SERVICE CHARGES**

Rates: Ageing

0-90 days	2 018
+90 days	15 480
	<u>17 498</u>

Services: Ageing

0-90 days	49 022
+90 days	169 447
	<u>218 469</u>

## ANTI CORRUPTION STRATEGY

Council approved the Anti Corruption Strategy and Fraud Prevention Plan on 29 August 2007.

The members of the Anti –Fraud and Corruption Committee are:

- Chairperson of the Audit Committee or any other member of the Audit Committee should the chairperson not be available;
- Internal Auditor;
- Municipal Manager; and
- Departmental Heads

The Council also approved the Whistle Blowing Policy and guideline for Fraud and Corruption investigation.

The awareness campaign was launched in January 2009 and more awareness interventions are planned.

No cases of fraud or corruption were reported during the 2008/2009 financial year.



ANNUAL  
FINANCIAL  
STATEMENTS  
2008/2009



**ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

**1.1.1 Reporting Entity**

The Cacadu District Municipality and Joint Venture consist of the consolidation between the Cacadu District Municipality and its portion of the Kouga Development Agency which were established in joint venture with the Kouga Municipality as a multi- jurisdictional service utility in terms of the Local Government Systems Act, 2000 .

**1.1.2 Basis of preparation**

**(a) Statement of compliance**

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance.

These accounting policies are consistent with the previous period, except for the changes set out in note 22: Changes in accounting policy .

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) and the International Public Sector Accounting Standards (IPSAS) where applicable in terms of Directive five including any interpretations of such Statements issued by the Accounting Practices Board.

The entity has elected to early adopt the following requirement(s) in GRAP:

Standard no.	Standard title	GRAP, GAMAP and/or SA GAAP requirement(s), exempted in terms of General notice 552 of 2007, that have been early adopted
GRAP 23	Revenue from Non-Exchange Transactions (Taxes and Transfers)	<ul style="list-style-type: none"> <li>▪ The entire standard</li> </ul>

**(b) Basis of Measurement**

The financial statements have been prepared on the historical cost basis except for Land and Buildings, which are revalued.

**ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009****(c) Basis of Consolidation**

The consolidation of the annual financial statements for the joint venture was done by applying the equity method as allowed by GRAP 8.

**(d) Use of estimates and judgements**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the notes to the financial statements.

**(d) Offsetting**

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

**1.2 PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand.

**1.3 GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on a going concern basis.

**1.4. PROPERTY, PLANT AND EQUIPMENT (PPE)****1.4.1. Recognition**

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

**ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009****1.4.2. Initial recognition**

Property, Plant and Equipment are initially recorded at cost.

The "initial measurement" of property, plant and equipment, upon its "initial recognition" refers to property, plant and equipment's value when the current basis of accounting was first adopted, i.e. 1 July 2005. The "cost" of property, plant and equipment upon "initial recognition" is either its cost or fair value at initial recognition. The "cost" of land and buildings on 1 July 2005 would constitute its fair value on that date as no cost is available. The "cost" of other assets would be its carrying amount (cost less accumulated depreciation) as at that date on the assumption that the carrying amount represents the asset's fair value at 1 July 2005 if the asset was acquired prior to this date.

Where the cost of an item of property, plant and equipment was acquired in exchange for, a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets it was measured at the fair value of the asset received, which is equivalent to the fair value of the asset given up adjusted by the amount of any cash or cash equivalents transferred.

The cost of assets acquired in an exchange of similar assets, are measured at the carrying value of the asset given up and no profit or loss is recognized.

**1.4.3. Subsequent measurement.**

Property, plant and equipment, is stated at cost, less accumulated depreciation and any impairment losses. Land is not depreciated as it is deemed to have an indefinite life.

CDM adopted the cost model for all classes of PPE except for Land and Buildings for which the Fair value method has been adopted.

Land and buildings will be re-valued every five years commencing from 1 July 2007. Should the need arise, the valuations would be performed more regularly.

If an asset's carrying amount is increased as a result of a revaluation, the increase shall be credited directly to a revaluation surplus. However, the increase shall be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in surplus or deficit. However, the decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

**ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

The revaluation surplus included in net assets in respect of an item of property, plant and equipment will be transferred directly to accumulated surpluses or deficits when the asset is derecognised.

Any subsequent expenditure to any asset that increases the value of the asset is seen as an improvement and will be capitalised during the year in which such expenditure is incurred. Replacement costs or repairs that does not increase the value of any asset, will be expensed in the year such expenditure is incurred.

#### 1.4.4 Depreciation

When components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment and are depreciated according to their different useful lives.

The depreciation charge for each year is recognized in surplus and deficit unless it is included in the carrying amount of another asset.

Assets held under finance leases are depreciated over the lower of the term of the lease period or the life expectancy of the asset.

Depreciation is calculated on cost less residual value, using the straight line method, over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated useful lives:

	Years
Buildings	50
Specialised vehicles	5-20
Electricity	5-30
Motor vehicles	5-10
Water	5-20
Office equipment	2-10
Sewerage	15-20
Furniture and fittings	7-15
Bins and containers	5-10
Specialised plant and equipment	5-15
Computer equipment	2-10

The residual value and the useful life of each asset are reviewed annually.

**ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009****1.4.5. Impairment**

The entity assesses at each statement of financial position date whether there is any indication that an asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

**1.4.6. Derecognition**

The carrying amount of an item of property, plant and equipment shall be derecognised:

- (a) on disposal, or
- (b) when no future economic benefits or service potential are expected from its use or disposal.

**1.4.7. Gains or losses**

The gains and losses arising from the de-recognition of property, plant and equipment (difference between carrying amount less any revaluation surpluses and net disposal proceeds) are included in surplus or deficit.

**ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009****1.5 INVESTMENT PROPERTY****1.5.1. Initial recognition**

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

**1.5.2. Subsequent measurement - Fair Value model**

Investment property is subsequently measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

Re-valuation will take place every five years commencing from 1 July 2007. Should the need arise, the valuations would be performed more regularly.

**1.5.3. Depreciation**

Depreciation is calculated using the straight line method, over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated useful lives:

	Years
Buildings	50

The depreciation charge for each year is recognized in surplus and deficit.

**1.5.4. Impairment**

The entity assesses at each statement of financial position date whether there is any indication that an investment property may be impaired. If any such indication exists, the entity estimates the recoverable amount of this property.

If there is any indication that an investment property may be impaired, the recoverable amount is estimated for the property. If it is not possible to estimate the



**ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

recoverable amount of the property, the recoverable amount of the cash-generating unit of properties to which the property belongs is determined.

The recoverable amount of an investment property or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an investment property is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued investment property is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units.

Any reversal of an impairment loss of a revalued investment property is treated as a revaluation increase.

**1.5.5. Derecognition**

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

**1.5.6. Gains or losses**

The gains and losses arising from the de-recognition of investment properties (difference between carrying amount less any revaluation surpluses and net disposal proceeds) are included in surplus or deficit.

**1.6. HERITAGE ASSETS**

Heritage assets are assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

**1.6.1 Initial recognition**

A heritage is measured at its cost unless it is acquired through a non-exchange transaction which will be measured at its fair value as at the date of acquisition.

**ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

## 1.6.2. Subsequent measurement – Cost model

All heritage assets excluding land and properties will subsequently be measured at cost less any accumulated impairment losses.

## 1.6.3. Subsequent measurement – Fair value model

Subsequent measurement for land and properties classified as heritage assets is at fair value.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is being credited directly to the revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

## 1.6.4. Depreciation.

Heritage assets are not depreciated.

## 1.6.5. Impairment

CDM assess at each reporting date whether there is an indication that a heritage assets may be impaired. Such impairment is recognised in surplus and deficit.

## 1.6.6. Derecognition

The carrying amount of a heritage asset should be derecognised:

- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.

## 1.6.7. Gain or loss on disposal

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

**ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009****1.7. RESERVES**

## Revaluation Reserve

The surplus arising from the revaluation of land and buildings is credited to the Revaluation Reserve. As revalued buildings are depreciated, the revaluation surplus is realised through a transfer of an equivalent amount from the revaluation reserve to the accumulated surplus. On disposal, the net revaluation surplus is transferred to the accumulated surplus while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

**1.8. PROVISIONS**

A provision is recognised when the municipality has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate.

Where the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation. The discount rate shall be the effective interest rate. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

If the municipality has an onerous contract, the present obligation under the contract shall be recognized and measured as a provision.

**1.9. EMPLOYEE BENEFITS**

## 1.9.1. Defined Contributions

Payments to defined contribution retirement benefit plans are charged to the Statement of financial performance as they fall due. Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the scheme is equivalent to those arising in a defined contribution retirement benefit plan.

The Council provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for

**ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

30% of the medical aid membership fee, and the Council for the remaining 70%. The medical aid contributions are charged to the Statement of financial performance as they fall due.

The retirement benefits are calculated in accordance with the rules of the funds. Full actuarial valuations are performed on a regular basis on defined benefits contribution plans, unless exemption to do so has been obtained from the Registrar of Pension Funds.

**1.9.2 Defined Benefits**

The municipality's net obligation in respect of defined benefit retirement and post retirement plans are calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and any unrecognised past service costs and the fair value of any plan assets are deducted. The actuarial valuation is performed by an independent qualified actuary on a regular basis using the projected unit credit method. When the calculation results in a benefit to the municipality, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan. The actuarial gain is transacted in full in the statement of financial performance and not calculated and accounted for according to the "corridor" method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in the statement of financial performance on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the statement of financial performance.

**1.9.3 Accrued Leave Pay**

The leave pay accrual is calculated taking into account the actual number of days accrued and the remuneration as at 30 June.

**1.9.4 Other short term employee benefits**

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered) are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

**ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009****1.10. LEASES****1.10.1 Municipality as the lessee**

Leases in terms of which the municipality assumes substantially all the risks and rewards of ownership are classified as finance leases and where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases.

Upon initial recognition the finance leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments and the corresponding liabilities are raised. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred

Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of financial performance on a straight-line basis over the period of the lease.

**1.10.2 Municipality as the lessor**

Assets leased to third parties under operating leases are included in property, plant and equipment in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

**1.11. INVESTMENTS**

The Municipality classifies its investments as loans and receivables.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Loans and receivables are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables, receivable within 12 months are included in cash and cash equivalents in the Statement of Financial Position.

Investments are initially measured at fair value and subsequently at amortised cost if material.

**ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009****1.12. INVENTORIES**

Unsold properties are valued at the lower of cost and net realisable value. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

**1.13. TRADE AND OTHER RECEIVABLES**

Accounts receivable are classified as "Loans and Receivables" and are initially recognized at fair value. Subsequent measurement is at amortised value if material. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

**1.14. TRADE AND OTHER PAYABLES**

Trade and other payables are classified as "Liabilities at amortised cost" and are initially recognized at the fair value of the present obligation of a past event. Subsequent measurement is at amortised value if material.

**1.15. REVENUE RECOGNITION**

Revenue comprises the cost of the consideration received or receivable for the sale of goods and services in the ordinary course of the Municipality's activities. Revenue is measured at the fair value of the consideration received or receivable net of value added tax, estimated returns, rebates and discounts and after eliminated revenue within departments of the Entity. Revenue is recognised as follows:

**1.15.1 Revenue from Exchange Transactions**

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when consumed. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when consumed and accrued accordingly.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

**ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest and rentals are recognised on a time proportion basis.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Income collected on behalf of "principals" is recognised on a monthly basis once the income collected on behalf of the principal has been quantified. The income recognised is in terms of the agency agreement.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised.

All other revenue is recognised as it accrues.

#### 1.15.2 Revenue from non-exchange transactions

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Revenue from Regional Levies, both those based on turnover as well as those based on remuneration, is recognised on the payment due basis.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, at the cost of the consideration received or receivable.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property,

**ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the entity has not met the condition, a liability is recognised.

Contributed property, plant and equipment is recognised when ownership of the items of property, plant and equipment is transferred to the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

**1.16. VALUE ADDED TAX**

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors and claimed from SARS once payment is made to a creditor.

The net VAT is either classified as "Loans and receivables" or "Financial liabilities at amortised cost".

**1.16.1 Measurement**

Initial measurement is at cost Subsequent measurement is at amortised cost if material.

**1.16.2 Derecognition**

VAT is derecognised when the net payment is paid or received from SARS whichever is applicable when the VAT return is presented.

**1.17. SEGMENTAL INFORMATION**

The principal segments have been identified on a primary basis by classification of the revenue and expenditure and on a secondary basis by the classification of service of operations. The secondary basis is representative of the internal structure for both budgeting and management purposes.



**ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009****1.18. GRANTS-IN-AID**

The Council transfers money, from time to time to, individuals, organisations and other sectors of government in accordance with the Municipal Finance Management Act.

When making these transfers, CDM does not:

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction
- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as an expense in the period that the events giving rise to the transfer occurred.

**1.19. CASH AND CASH EQUIVALENTS**

Cash includes cash on hand and cash with banks. Cash equivalents are short – term, liquid investments that are held with registered banking institutions with maturities of twelve months or less and are subject to an insignificant risk of change in value.

Cash and cash equivalents are classified as “Loans and Receivables” and are initially measured at cost. Subsequent measurement is at face value or if material at amortised value.

Investments are derecognised when withdrawn.

**1.20. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and detailed further in the notes to the financial statements and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.21. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the

**ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS  
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Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and detailed further in the notes to the financial statement, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.22. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and detailed further in the notes to the financial statements and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.23. COMPARATIVE INFORMATION**

Budget information in accordance with GRAP 1 has been provided in an annexure to these financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

**1.24. BORROWING COSTS**

Borrowing costs are recognised as incurred and expensed in the Statement of Financial Performance.

**1.25. UNUTILISED CONDITIONAL GRANTS****1.25.1 Initial recognition**

Unutilised conditional grants are reflected on the Statement of Financial Position as a Short-term Portion of Deferred Income. They represent unspent government grants, subsidies and contributions from the public. The following conditions are set for the creation and utilisation of these creditors:

**ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

- The grant received are initially recognised as cost as deferred income.
- Whenever an item of property, plant and equipment is funded from a Grant, an amount equal to the purchase price is transferred from the Deferred income account to the operating account on the Statement of Financial Performance as revenue.
- Whenever operational expenditure is funded from a Grant an amount equal to the expenditure is transferred from the Deferred income account Grant to the operating account on the Statement of Financial Performance as revenue to offset the expenditure which was expensed through the operating account.
- The cash which backs the unspent portion is invested until utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If the grant conditions indicate that interest is payable to donors then interest earned on unutilised conditional grants is allocated to the funds and is not recognised in the Statement of Financial Performance.
- The unspent grant is classified as “Financial liabilities at amortised cost”.

**1.25.2. Subsequent measurement**

Deferred income unspent grants are subsequently measured at amortised cost if material.

**1.25.3 Derecognition**

Deferred income unspent grants are derecognised when the balance was expended per the conditions as set for a grant.

**1.26. EFFECTIVE INTEREST RATE**

The entity uses the prime interest rate less .5% to discount future cash flows.

**1.27. FINANCIAL INSTRUMENTS**

The entity classifies financial assets and financial liabilities into the following categories:

- Financial assets: Loans and receivables
- Financial liabilities: at amortised cost

**ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009****1.27.1. Initial recognition and measurement**

Financial instruments are recognised initially when the entity becomes a party to the contractual provisions of the instruments.

The entity classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in profit or loss.

**1.27.2. Subsequent measurement**

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

**1.27.3. Fair value determination**

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the entity establishes fair value by using face value or if material, valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs.

**1.27.4. Impairment of financial assets**

At each end of the reporting period the entity assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

Impairment losses are recognised in surplus or deficit.

**ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available for sale.

**1.27.5. Gains and losses**

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit, and
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

**1.27.6. Derecognition****1.27.6.1. Financial assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the entity retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the entity has transferred its rights to receive cash flows from the asset and either
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the entity has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the entity's continuing involvement in the asset.

**ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

## 1.27.6.2. Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

**CACADU DISTRICT MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2009**

	Note	2009 R	2008 R
<b>Net Assets</b>		251,905,615	211,046,630
Revaluation Reserve	1	59,700,104	43,923,916
Accumulated Surplus	2	192,205,511	167,122,714
<b>Non-current Liabilities</b>		46,956,048	44,314,122
Long-term Liabilities	3 8	42,195	-
Post employment medical benefit	4 8	46,913,853	44,314,122
<b>Current Liabilities</b>		223,751,807	213,610,999
Short-term Portion of Deferred Income	3b 8	191,772,385	178,338,242
Short-term Portion of Long Term Liabilities	3a 8	52,392	122,679
Short-term portion of Post employment medical benefit	4 8	2,916,602	2,795,895
Trade and other payables from exchange transactions	5 8	20,386,661	25,720,144
Provisions	10 8	150,716	-
Bank Overdraft	14	8,473,051	6,634,039
<b>TOTAL NET ASSETS AND LIABILITIES</b>		<u>522,613,470</u>	<u>468,971,751</u>
<b>ASSETS</b>			
<b>Non-current Assets</b>		86,606,836	59,726,959
Property, Plant and Equipment	6 8	72,972,770	55,830,833
Investment Properties	7 8	13,579,500	3,583,000
Investment in joint venture	14	-	210,179
Long-term Receivables	9 8	54,566	102,947
<b>Current Assets</b>		436,006,634	409,244,792
Short-term Portion of Long-term Receivables	9 8	17,971	15,660
Trade and other receivables from exchange transactions	11 8	67,067	130,758
Other receivables from non-exchange transactions	11 8	1,767,488	7,056,022
VAT	12	17,754,480	13,852,366
Deposits paid	13 8	21,310	16,120
Cash and Cash Equivalents	14 8	416,378,318	388,173,866
<b>TOTAL ASSETS</b>		<u>522,613,470</u>	<u>468,971,751</u>

( Note : The Statement of Financial Position has been prepared in accordance with GRAP 1)

**CACADU DISTRICT MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009**

	Note	Actual	
		2009	2008
		R	R
<b>REVENUE</b>			
Rental	16	863,853	855,266
Investment Interest	16	42,737,659	22,437,022
Other Interest	16	223,693	185,382
Income for agency services	16	27,193	26,994
Government grants and subsidies	16 15	196,173,123	186,246,670
Tariffs and Charges	16	227,562	205,861
Property Rates	16	30,869	28,488
Fair Value Gain on Revaluation of Investment Property	7	9,996,500	-
Other revenue	16	4,651,569	1,981,596
<b>Total revenue</b>		<b>254,932,021</b>	<b>211,967,279</b>
<b>OTHER INCOME</b>			
Gains on disposal of property, plant and equipment		-	1,092,380
Actuarial Gain on Valuation of post employment medical benefit		-	2,969,953
<b>Total other income</b>		<b>-</b>	<b>4,062,333</b>
<b>Total Income</b>		<b>254,932,021</b>	<b>216,029,612</b>
<b>EXPENDITURE</b>			
Employee related costs	17.1	27,388,171	24,297,105
Remuneration of Councillors	17.2	4,472,291	3,841,746
Contribution to bad debt provision		1,555,518	7,930,583
Bad debts written off		1,423,769	-
Collection costs		119,130	156,550
Depreciation	6	2,455,438	3,056,861
Impairment loss		283,035	-
Repairs and maintenance		1,033,339	650,826
Finance cost	19	152,155	112,739
Bulk Purchases	20	12,621	13,238
Contracted services		3,115,212	2,514,672
Conditional Grant expenditure	21	127,037,879	125,990,896
Other Grants and Subsidies paid	21	9,168,194	5,783,000
General expenses-other		43,028,766	19,746,221
Discounting of post employment medical benefit.	4	5,472,548	4,494,833
Loss on disposal of property, plant and equipment		923,769	1,106,965
Cross subsidisation		-	44,756
<b>Total Expenditure</b>		<b>227,641,835</b>	<b>199,740,991</b>
<b>Portion of surplus / (deficit) in the joint venture.</b>		<b>(485,180)</b>	<b>23,778</b>
<b>Surplus for the year</b>		<b>26,805,006</b>	<b>16,312,399</b>
Refer to Appendix E(1) for explanations of variances			

(Note: the income statement has been prepared in accordance with GRAP 1 and the budget formats)



**CACADU DISTRICT MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2009**

	Note	Revaluation Reserve	Accumulated Surplus	Total
		R	R	R
Previously stated balance at 1 July 2007		49,585,807	122,689,655	172,275,462
Adjustment to investment in the joint venture	23.2		(61,651)	(61,651)
Net effect of adjustments	23	-	16,822,327	16,822,327
Restated balance at 1 July 2007		49,585,807	139,450,331	189,036,138
<b>2008</b>		(5,661,891)	22,404,306	16,742,415
Surplus for the year		-	16,312,399	16,312,399
Total of other transactions on net assets for 2008		(5,661,891)	6,091,907	430,016
Transfer for purchase of asset		-	85,566	85,566
Disposal of property transfers		(1,668,854)	1,668,854	-
Revaluation Reserve on Investment Properties transferred to				
Accumulated surplus		(3,583,000)	3,583,000	-
Assets previous not included on Asset Register now included		-	344,450	344,450
Offsetting of depreciation.		(410,037)	410,037	-
Previously stated balance at 30 June 2008		43,923,916	161,854,637	205,778,553
Restatement of prior year errors.	23	-	5,268,078	5,268,078
Restated balance at 30 June 2008		43,923,916	167,122,715	211,046,631
<b>2009</b>		15,776,188	25,082,795	40,858,983
Surplus for the year		-	26,805,006	26,805,006
Total of other transactions on net assets for 2009		15,776,188	(1,722,211)	14,053,977
Transfer for purchase of asset		-	(1,140,850)	(1,140,850)
Revaluations		15,776,188	-	15,776,188
Transferred to Health		-	(581,361)	(581,361)
Balance at 30 June 2009		59,700,104	192,205,510	251,905,614

## CACADU DISTRICT MUNICIPALITY

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	NOTES	2009 R	2008 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from regional services levies, government grants and subsidies and other income		215,154,466	172,976,626
Cash paid to suppliers and employees		(223,671,609)	(163,316,140)
Cash generated from/(utilised by) operations	24	(8,517,143)	9,660,486
Investment interest		42,961,352	22,622,403
Finance cost		(152,155)	(112,739)
<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>		<b>34,292,054</b>	<b>32,170,150</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment.	6	(5,610,732)	(3,957,886)
Proceeds on disposal of property, plant and equipment.		582,743	3,410,504
Decreases in long term receivables.		46,070	149,366
<b>NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES</b>		<b>(4,981,919)</b>	<b>(398,016)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Finance leases repaid		(28,093)	(548,405)
Increase/(Decrease) in deferred income		-	104,701,497
Outflow from post employment medical benefit.		(2,916,602)	(2,795,894)
<b>NET CASH INFLOW/(OUTFLOWS) FROM FINANCING ACTIVITIES</b>		<b>(2,944,695)</b>	<b>101,357,198</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>26,365,440</b>	<b>133,129,332</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>381,539,827</b>	<b>248,410,495</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	14	<b>407,905,267</b>	<b>381,539,827</b>
		<b>(26,365,440)</b>	<b>(133,129,332)</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
<b>1 REVALUATION RESERVE</b>		
Land and buildings were valued at 30 June 2009 using the income capitalisation, comparable sales of sectional title office developments and comparable sales methods by Suid Kaap Waardeerders, a registered and independent valuator.		
The revaluation surplus is reconciled as follows:		
Balance at beginning of the year	43,923,916	49,585,807
Balance on assets disposed of adjusted to surplus.	-	(1,668,854)
	<u>43,923,916</u>	<u>47,916,953</u>
Revaluation during the year	15,776,188	-
Adjustments	-	(3,583,000)
Off-set depreciation	-	(410,037)
Balance at the end of the year	<u><u>59,700,104</u></u>	<u><u>43,923,916</u></u>
<b>2 ACCUMULATED SURPLUS</b>		
<i>The Accumulated surplus is reserved for the following purpose:</i>		
General	192,205,511	167,122,714
Total	<u><u>192,205,511</u></u>	<u><u>167,122,714</u></u>
<i>The Accumulated surplus available cash is ring fenced for the following purposes:</i>		
General	138,199,748	103,496,113
Capital financing	-	48,626,601
Allowance for impairment	12,920,677	-
Restructuring grant funds allocated to surplus	15,000,000	15,000,000
Total accumulated funds invested	<u><u>166,120,425</u></u>	<u><u>167,122,714</u></u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
<b>3 LONG-TERM LIABILITIES</b>		
<b>3a Finance leases</b>		
Finance leases	94,587	122,679
Less: Short -Term Portion transferred to current liabilities	(52,392)	(122,679)
	<u>42,195</u>	<u>-</u>

As no inherent interest rate to the contract could be determined the incremental borrowing rate equal to the prime rate applicable at inception date was applied and is currently repayable in monthly instalments of R7 958 per month.

The totals of the present value of the future minimum lease payments at the balance sheet date are :

Within one year	52,392	122,679
Later than one year, but not later than five years	<u>42,195</u>	<u>-</u>
	<u>94,587</u>	<u>122,679</u>

The discounting rate was based on prime rate at the date of inception

All finance leases have a 0% escalation.

The contract with Sharp for a photostat machine has no renewal period and is rented month by month after the end of the contract until a 30 day notice period is given for collection.

The Gestetner and Panasonic contracts both (for photostat machines) have a 90 days notice period for termination of the contract. The renewal policy for Gestetner is on a month to month basis and for Panasonic on an annual basis.

Detailed information is available on Appendix A.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
<b>3b Deferred income</b>		
Conditional Grants from Government	180,358,705	175,382,701
National Government Grants	96,166,447	134,884,198
Provincial Grants and subsidies	84,192,258	40,498,503
Conditional Third party Grants from Government	11,413,680	2,912,677
Provincial Grants and subsidies - 3rd party	9,443,846	2,499,564
Other	1,969,834	413,113
Other donations	-	42,864
Total Conditional Grants and Subsidies	191,772,385	178,338,242
Less : Short-term portion transferred to current liabilities	191,772,385	178,338,242
Total Deferred income	-	-
A complete list of all conditions are available at the Cacadu District Municipality during office hours.		
See Appendix F for a reconciliation of grants from National/Provincial Government. These amounts are fully invested until utilised.		
Total Long-term liabilities	42,195	-

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
4 POST EMPLOYMENT MEDICAL BENEFIT		
Provision for Post Employment Medical Benefit	49,830,455	47,110,017
Short term portion of Provision for Post Employment Medical Benefit	<u>(2,916,602)</u>	<u>(2,795,895)</u>
Total Non-Current Provisions	<u>46,913,853</u>	<u>44,314,122</u>

The District Municipality's net obligation in respect of post employment medical benefits was calculated by Jacques Malan Consultants and Actuaries as at 30 June 2008. The provision was established for the purpose of generating interest that is utilised to fund the yearly medical scheme commitments in respect of post employment medical benefits. The expected future outflows are dependent upon the life expectancy of existing members and their spouses. 190 People are currently covered by the fund. (2008: 194)

**Valuation Method****Pre Retirement Benefit**

The total value of the death in service benefit was calculated by discounting the future subsidies payable to dependants on the death of an employee. The expected increase in medical aid premiums and expected mortality for adults were taken into account.

**Post Retirement Benefits**

The post retirement value is the discounted value of the benefits which become payable after the retirement of the member. This benefit accrues over the working lifetime of the employee. The value shown is the portion of the total value that has accrued up to the valuation date, assuming that the liability accrues uniformly over the member's working lifetime.

**Accrued defined benefit obligation**

The accrued liability was calculated by taking a pro-rata portion of the total calculated value. This portion is based on the past service of members relative to their prospective total service.

**Current Service Cost**

The Current Service Cost is based on the liability that is expected to accrue over the year preceding the valuation date.

**Valuation Assumptions**

## Rate of Interest

Medical Aid Inflation Rate

8.68% p.a.

Investment Return

10.18% p.a.

The investment return assumption has been based on the yield on the R186 South African government bond as at 30 June 2008 plus a risk premium of 1.25%.

**Mortality Rates**

Mortality for pre retirement benefits has been based on the SA 72-77 mortality table rated down three years for females and on the PA (90) ult. mortality table for post retirement benefits.

**Normal Retirement Age**

The Normal Retirement Ages for the Municipality are 65 years for male employees and 60 years for female employees. An average retirement age of 63 years for male employees and 58 years for female employees has been assumed.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R

**Spouse Dependents**

It was assumed that 95% of current single male and female employees would be married at retirement. It was assumed that all employees who are currently married will be married at retirement. It was also assumed that a current employee is married if they have one or more adult dependents and that one of the adult dependents is the continuation member's spouse.

**Gender**

Where the gender of the members was unavailable, it was assumed that the members are female, as this is considered to be more prudent.

**Child dependents**

It was assumed that child dependents complete their studies on average at the age of 21 years.

**Withdrawals**

Withdrawals from employment were taken into account according to the following

Age	Males	Females
20	10%	10%
30	7%	7%
40	3%	3%
50+	0%	0%

**Medical Aid Contributions at Retirement**

It is assumed that 90% of the members will remain members of the medical aid scheme after retirement and that members would be in the same contribution category in all future years as on the valuation date.

The above assumptions are consistent with the assumptions used in the previous valuation done at 30 June 2005.

**Post Employment Medical Benefits**

The movement in the post employment medical benefit is reconciled as follows:-

Balance at beginning of year	47,110,017	48,241,644
Expected benefit Payments	(2,916,602)	(2,795,895)
Reflected on the statement of financial performance:		
Current service cost - included in general expenses	164,492	139,388
Discounting of post employment medical benefit (interest costs)	5,472,548	4,494,833
Actuarial (Gain)/loss	-	(2,969,953)
Balance at end of year	<u>49,830,455</u>	<u>47,110,017</u>

The estimated expected timing of resulting outflows of post employment medical benefits are:

Within one year	3,388,100	3,537,600
Later than one year, not later than five years	17,399,782	18,167,548
Later than five years	29,042,573	25,404,869
Balance at end of year	<u>49,830,455</u>	<u>47,110,017</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
The present value of the defined benefit obligation for the current annual period compared to the previous four annual periods are as follows:		
Financial Period 2008/09	49,830,455	
Financial Period 2007/08	47,110,017	
Financial Period 2006/07	48,241,644	
Financial Period 2005/06	49,461,662	
Financial Period 2004/05	50,869,282	
<b>Accumulative Actuarial (Gain) / Loss</b>		
Balance beginning of the year	(8,909,859)	(5,939,906)
Projected during the year	-	(2,969,953)
<b>Accumulated balance at the end of the year</b>	<u>(8,909,859)</u>	<u>(8,909,859)</u>

There was no actuarial gain/loss for 2008/2009

## 5 TRADE AND OTHER PAYABLES

Trade and other payables from exchange transactions.

Classified as financial liabilities at amortised cost

Trade creditors	215,288	162,838
Sundry creditors	144,764	116,608
Accruals	10,917,328	15,604,792
Employee costs	387,120	222,754
<b>Total financial liabilities</b>	<u>11,664,500</u>	<u>16,106,992</u>
<b>Other accruals and payables</b>		
Payments in advance- RSC Levies	1,841	5,765
Payments in advance- Other	9,214	4,828
Payments in advance - Rietbron rates	17,213	-
Payments in advance - Rietbron rates interest	245	-
Payments in advance- Service debtors	5,288	4,626
Payments in advance - Surety deposits	-	14,461
Payments in advance	33,801	29,680 *
Unidentified deposits	41,407	46,585
Accrued leave	1,845,924	1,476,447 *
Infrastructure projects from Levies	6,801,029	8,060,440 *
<b>Total other accruals and payables</b>	<u>8,722,161</u>	<u>9,613,152</u>
<b>Total trade and other payables from exchange transactions</b>	<u>20,386,661</u>	<u>25,720,144</u>
<b>Total Trade and other Payables</b>	<u>20,386,661</u>	<u>25,720,144</u>

\* Not financial liabilities

Normal terms of payment is 30 days and no amortisation was calculated.

The carrying amount of financial liabilities approximates their fair value due to their short-term nature except as hereunder.

The sundry creditors reconciliation included long outstanding reconciling items that dates back as far as 2005. These reconciling items have been taken to accumulated surplus to the value of R27 346.

Infrastructure projects from Levies were reduced with a prior year correction to the amount of R 1 574 366.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

6 PROPERTY, PLANT AND EQUIPMENT	Infra- structure R	Community R	Other R	Leased assets R	Total R
<b>2008/09</b>					
<u>Restated carrying value at 30 June 2008</u>	216,748	8,367,730	47,161,052	85,303	55,830,833
Asset value	443,147	8,367,730	61,683,853	296,707	70,791,437
Cost	443,147	19	25,752,313	296,707	26,492,186
Revaluation	-	8,367,711	40,111,593	-	48,479,304
Change in accounting policy transfer to Investment properties	-	-	(3,583,000)	-	(3,583,000)
Prior year errors	-	-	(597,053)	-	(597,053)
Accumulated Depreciation	(226,399)	-	(14,522,801)	(211,404)	(14,960,604)
- Based on cost	(226,399)	-	(13,550,413)	(211,404)	(13,988,216)
- Based on revaluation	-	-	(972,388)	-	(972,388)
<u>Additions</u>	-	-	5,564,684	46,051	5,610,735
Cost	-	-	5,564,684	46,051	5,610,735
<u>Depreciation for the year</u>	(40,409)	-	(2,357,371)	(57,658)	(2,455,438)
- Based on cost	(40,409)	-	(2,357,371)	(57,658)	(2,455,438)
- Based on revaluation	-	-	-	-	-
<u>Carrying value of disposals</u>	-	-	(1,506,512)	-	(1,506,512)
Asset value	-	-	(4,405,081)	-	(4,405,081)
Revaluations	-	-	-	-	-
Cost	-	-	(4,405,081)	-	(4,405,081)
Accumulated depreciation	-	-	2,898,569	-	2,898,569
- Based on cost	-	-	2,898,569	-	2,898,569
- Based on revaluation	-	-	-	-	-
<u>Revaluation at 30 June 2009</u>	-	4,216,770	11,559,417	-	15,776,187
Elimination of accumulated depreciation against gross carrying amount of assets	-	-	1,018,579	-	1,018,579
Revaluation at 30 June 2009	-	4,216,770	10,540,838	-	14,757,608
Impairment based on cost	-	-	(283,035)	-	(283,035)
<u>Carrying value at 30 June 2009</u>	176,339	12,584,500	60,138,235	73,696	72,972,770
Asset value	443,147	12,584,500	73,147,450	342,758	86,517,855
Cost	443,147	19	27,050,407	342,758	27,836,331
Revaluation	-	12,584,481	46,097,043	-	58,681,524
Accumulated Depreciation	(266,808)	-	(13,009,215)	(269,062)	(13,545,085)
- Based on cost	(266,808)	-	(13,009,215)	(269,062)	(13,545,085)
- Based on revaluation	-	-	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Carrying amount of property, plant and equipment retired from active use amounts to R1 076 773.79. These items of PPE might be disposed of in 2009/10.

The prior period error of R619 945 consist of a property in Alexandria reflected in the financial statements in prior years that was previously sold, but incorrectly reflected as an asset. Also included in the amount is capitalised assets resulting from finance lease transactions that was not capitalised at date of inception of lease.

Land and buildings were valued at 30 June 2009 on the basis of willing buyer and willing seller by Suid Kaap Waardeerders, a registered and independent valuator. A register is available for inspection at the Cacadu District Municipality Head office in Govan Mbeki Avenue, Port Elizabeth.

Assets acquired through finance leases are included in the total property plant and equipment figure. The cost of these finance leases are R342 757.87 (2008 = R296 707.20), Accumulated Depreciation of R269 062.10 (2008 = R211 403.88) and a carrying value of R73 695 (2008 = R85 303.32).

The carrying value of properties are measured at fair value as these properties were taken on at fair value and not at cost. The carrying value of these properties if measured under the cost model could not be calculated.

Refer appendix B for more detail

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2007/08	Infra- structure R	Community R	Other R	Leased Assets R	Total R
<b>Restated Carrying value at 30 June 2007</b>	<b>254,257</b>	<b>8,367,730</b>	<b>52,198,985</b>	<b>141,523</b>	<b>60,962,495</b>
Asset value	443,147	8,367,730	63,879,151	296,707	72,986,735
Cost	443,147	19	16,511,037	296,707	17,250,910
Adjustment for Primary health care Revaluation	-	8,367,711	5,511,383	-	5,511,383
Accumulated Depreciation	(188,890)	-	41,856,731	(155,184)	(12,024,240)
- Based on cost	(188,890)	-	(7,198,288)	(155,184)	(7,542,362)
Adjustment for Primary health care - Based on revaluation	-	-	(3,843,243)	-	(3,843,243)
	-	-	(638,635)	-	(638,635)
<b>Additions</b>	-	-	3,957,886	-	3,957,886
Cost	-	-	3,957,886	-	3,957,886
<b>Depreciation</b>	(37,509)	-	(2,963,132)	(56,220)	(3,056,861)
-Cost	(37,509)	-	(2,553,095)	(56,220)	(2,646,824)
-Revaluation	-	-	(410,037)	-	(410,037)
<b>Carrying value of disposals/transfer to inventory</b>	-	-	(1,852,634)	-	(1,852,634)
Asset value	-	-	(2,141,842)	-	(2,141,842)
Revaluation transfer to current asset	-	-	(1,745,138)	-	(1,745,138)
Cost	-	-	(396,704)	-	(396,704)
Accumulated Depreciation	-	-	289,208	-	289,208
Accumulated Depreciation - cost	-	-	212,924	-	212,924
Accumulated Depreciation - revaluation	-	-	76,284	-	76,284
<b>Revaluation at 30 June 2008</b>	-	-	-	-	-
<b>Adjustments made at 30 June 2008</b>	-	-	(4,180,053)	-	(4,180,053)
Change in accounting policy transfer to Investment properties	-	-	(3,583,000)	-	(3,583,000)
Prior year errors	-	-	(597,053)	-	(597,053)
<b>Carrying value at 30 June 2008</b>	<b>216,748</b>	<b>8,367,730</b>	<b>47,161,052</b>	<b>85,303</b>	<b>55,830,833</b>
Asset value	443,147	8,367,730	61,683,853	296,707	70,791,437
Cost	443,147	19	25,752,313	296,707	26,492,186
Revaluation	-	8,367,711	40,111,593	-	48,479,304
Change in accounting policy transfer to Investment properties	-	-	(3,583,000)	-	(3,583,000)
Prior year errors	-	-	(597,053)	-	(597,053)
Accumulated Depreciation	(226,399)	-	(14,522,801)	(211,404)	(14,960,604)
- Based on cost	(226,399)	-	(13,550,413)	(211,404)	(13,988,216)
- Based on revaluation	-	-	(972,388)	-	(972,388)

Carrying amount of property, plant and equipment retired from active use amounts to R37 463. These items of PPE might be disposed of in 2008/09.

The change in accounting estimate, as a result of the revision of useful lives and residual values, amounted to R180 873

Refer Appendixes B and C for more detail on property, plant and equipment.