



Advancing Service Delivery And Development





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Vision

“A non-discriminatory society of healthy and empowered people, living in a safe, transformed and sustainable environment, underpinned by a thriving and growing economy in which all participate and benefit fairly and equitably.”

Mission

“Enhancing our performance and work ethic to reach world-class standards, by placing emphasis on customer satisfaction and total quality management of all resources at our disposal.”



Acronyms and Abbreviations

MIG	Municipal Infrastructure Grant
DBSA	Development Bank of South Africa
NRW	Non-Revenue Water
DWAF	Department of Water Affairs and Forestry
PMU	Project Management Unit
EHP	Environmental Health Practitioners
ISD	Institutional and Social Development
JIPSA	Joint Initiative on Priority Skills Acquisition
ASGISA	Accelerated and Shared Growth Initiative-South Africa
IDP	Integrated Development Plan
SDBIP	Service Delivery and Budget Implementation Plan
SDIP	Service Delivery Improvement Plan
MSA	Municipal Systems Act

MFMA	Municipal Finance Management Act
GDS	Growth and Development Summit
CGTA	Corporate Governance and Traditional Affairs
EIA	Environmental Impact Assessment
DAEA	Department of Agriculture and Environmental Affairs
HIV	Human Immune Deficiency Virus
AIDS	Acquired Immune Deficiency Syndrome
CDW	Community Development Worker
PVA	Public Viewing Area
OHS	Occupational Health and Safety
DMAF	Disaster Management Advisory Forum
HIRA	Hazard Identification and Risk Management
EPWP	Expanded Public Works Programme



INTRODUCTION AND OVERVIEW

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Executive Summary

The Ugu District Municipality's Annual Report has been developed according to the provisions of Section 121 of the Municipal Finance Management Act (MFMA), 56 of 2003 and Section 46 of the Local Government: Municipal Systems Act (MSA), 32 of 2000.

According to the National Treasury guidelines for the preparation of the Annual Report, the report should comprise five chapters to reflect the key activities undertaken within the organisation during the year under review. A brief summation of what is contained in each chapter is outlined below.

Chapter 1: This chapter contains the geographic location of the Municipality as well as the population dynamics of the District. Key to this chapter is the consultative processes that the Municipality embarked on, which led to the creation of our IDP document. The chapter touches on issues of governance and how the Council is constituted.

Chapter 2: This chapter reports and highlights some of the key achievements and challenges of the organisation during the year under review. Though the Municipality had faced a number of challenges, which ranged from the flood disasters and tidal waves, we continued to excel in service delivery. This has been evident through the number of accolades that the Municipality has received. A detailed account of this is outlined in this chapter.

Chapter 3: This chapter reports on the programmes designed by the Municipality to improve employment equity and skills development. It also highlights Human Resource Management Policies and Practices that have been carried out to build staff capacity. To ensure transparency, issues of remuneration of Senior Management have also been covered.

Chapter 4: Amongst the highlights is the fact that the organisation has managed to open all financial books for the important credit rating agency that was appointed by the National Treasury. This signified our commitment to a transparent process of doing business with public funds and above all to get a measure of our credit rating for both short-term and long-term investment grading.

Also key in this chapter is the fact that we have maintained our timely submission of the Annual Financial Statements to the Auditor-General for auditing. In doing so, we have again received an unqualified Audit Report for the year ended 30 June 2009.

Chapter 5: This chapter reports on the progress on service delivery and development for the year under review. The format used in reporting is in line with the National Treasury guidelines. Performance progress is reported according to the five National KPAs and also highlights the challenges experienced as well as progress made in addressing those challenges.

The increased compliance level is reflected by the timely preparation and approval of the IDP, Budget, SDBIP, PMS, Performance Contracts, Work-Place Skills Plan and the Annual Financial Statements.

Legal Framework



The 2008/09 Annual Report has been prepared in accordance with the provisions of Section 121 of the Municipal Finance Management Act (MFMA), 56 of 2003 and Section 46 of the Local Government: Municipal Systems Act (MSA), 32 of 2000, and thereafter approved by the Municipal Council after following all the processes prescribed by Section 129 of the MFMA. In compliance with the provisions of the MFMA, this Annual Report was tabled by the Mayor at a Municipal Council meeting held on 21 January 2010, as prescribed by Section 127 of the MFMA, and was thereafter publicised for comments, this done in terms of Section 21A of the MSA.

The Annual Report was further considered by the Oversight Committee established by the Municipal Council, as directed by Section 129 of the MFMA, to assist the Municipal Council in considering the Annual Report. The report of the Oversight Committee is included in the Annual Report and is therefore made public in terms of Section 21A of the MSA.

In presenting this report for the financial year ended 30 June 2009, we acknowledge progress made during the 2008/09 financial year and the challenges that lie ahead. A detailed account of all the challenges and remedial actions going forward has been provided within this report.

Mr Luvuyo Mahlaka
Municipal Manager

Mayor's Foreword



It's a matter of great fulfilment for me to make this input on the occasion of our review for the financial year 2008/09.

We have once again displayed our total commitment to serving our people with humility, dignity and dedication, which is why we were honoured by the Premier's Service Excellence Gold Award. This award bears testimony to our efforts of prioritising service delivery, in accordance with our mandates.

The financial volatility which reared its ugly head in the second half of the period under review had its effects felt with regards to our service delivery programme.

Despite this environment, our efforts aimed at rolling out water and sanitation services, particularly in the rural areas of our municipality received our focused attention. This achievement takes us closer to the realisation of the national targets, although much work still lies ahead of us.

The progress recorded in relation to local economic development programmes is pleasing, particularly as they relate to 2010 and beyond. While the challenge of resources remains an issue of concern, our innovative projects, as informed by our LED strategy ensured that we post good results. We are confident of the future of these projects in the period ahead.

We pride ourselves for the work we undertook in ensuring that we develop a transformed organisation that is responsive to the needs of our communities. The same focus has been extended to vulnerable groups in our society, including women and children and HIV/AIDS victims.

Local government, by its very nature, is challenging and requires a dynamic application of strategies and tactics. I do want to record my appreciation to the political and administrative leadership that have rolled up their sleeves and led from the front to record the progress we have made in the year under review.

Going forward, I have full confidence in this team and I'm convinced indeed that working together we can and we will do more to bring a better life to all our people.

A handwritten signature in black ink, appearing to read 'SB Cele'.

Cllr SB Cele

Mayor

Municipal Manager's Statement



I join the Mayor, Cllr SB Cele, in presenting the Annual Report of Ugu District Municipality for the 2008/09 financial year. The report has been prepared in compliance with the provisions of the Municipal Systems Act, 32 of 2000 and the Municipal Finance Management Act, 56 of 2003 as well as the National Treasury Circular Number 11.

The report details the achievements made towards the fulfilment of the municipal objectives reflected in the Integrated Development Plan (IDP), the Budget, the Service Delivery Improvement Plan (SDIP) and the Service Delivery and Budget Implementation Plan (SDBIP). The report also records challenges faced in the 2008/09 financial year together with the corrective measures for the 2009/2010 financial year.

The financial year 2008/09 was of particular significance to our business. The Municipality witnessed progress and performance recognitions, including:

- a. Improved credibility of the Integrated Development Plan (IDP) and budgetary controls
- b. Maintenance of an unqualified audit report from the Auditor-General
- c. Achievement of a Gold Award for the 2008/09 Premier's Service Excellence Awards
- d. Improved provision of households with potable water and sanitation facilities.

However, the following challenges require our undivided commitment:

- a. Improving the financial liquidity position of the Municipality
- b. Achievement of Clean Audit opinion by 2014
- c. Provision of water and sanitation services to all residents by 2014
- d. Maintenance of massive infrastructure rollout
- e. Development of job opportunities and reduction of poverty levels through our Infrastructure and Local Economic Development programmes.

The report was examined by the Oversight Committee in order to determine whether the activities recorded in this report are a true reflection of the work carried out during the financial year. Following the consideration of the Annual Report, the Oversight Committee thereafter presented before the Council their report for consideration and adoption. A copy of the Oversight Committee's report and the resolution of Council are annexed in this report. I must thank the Oversight Committee for a thorough consideration of the report and the suggestions made to improve our reporting.

To all the stakeholders and partners who share our vision, both in the public sector and private sector, we say thank you for believing in us and making the recorded achievements a reality. Once again, your support is our strength.

To my colleagues, I wish to extend my sincere thanks for the hard work and further confirm our collective commitment that "There is no substitute for hard work". The political leadership has once again led the Municipality to greater levels of achievement; the guidance of our political leaders continues to be the source of energy for the Ugu team.

Thank you!

A handwritten signature in black ink, appearing to be 'L. Mahlaka'.

Luvuyo Mahlaka
Municipal Manager

Audit Committee Chairperson's Report



We are pleased to present our report for the financial year ended 30 June 2009.

1. Audit Committee Members and Attendance

In terms of the Municipal Finance Management Act (MFMA) and the Ugu District Municipality's Audit Charter, the Audit Committee must consist of five members, three of whom must be external independent members. None of the members may be Councilors. The Audit Committee consists of the members listed hereunder and meets at least four times per annum as per its approved Charter. During the year under review the mandatory quarterly meetings, and one special meeting, were held.

Name of Member	Number of Meetings Attended
Mr Anil Ramnath (Chairperson) ^A	8/8
Mr David Parry ^A	8/8
Mr Silas Hlope ^A	4/8
Mr Luvuyo Mahlaka ^B	7/8
Mr Mdu Myandu ^C	2/2

Table 2: Statistical report on the number of Audit Committee Meetings.

A – External member

B – Municipal Manager

C – Deputy Municipal Manager

2. Audit Committee's Responsibilities

The Audit Committee's responsibilities are outlined in Section 166(2)(b) of the Municipal Finance Management Act, 56 of 2003. The Audit Committee has adopted appropriate formal Terms of Reference as its Audit Committee Charter, has regulated its affairs in compliance with this Charter and has discharged all its responsibilities as contained therein.

A summary of the Audit Committee's responsibilities in terms of the MFMA and its Charter is that it is responsible for, among other things, the following:

Auditors and External Audit

Discuss and review with external auditors, *inter alia*:

- the nature and scope of the audit function;
- agreeing to the timing and nature of reports from the external auditors;
- considering any problems identified in the going concern of the Municipality;
- review the Auditor-General's management letter and management response; and
- meeting the Auditor-General at least annually to ensure that there are no unresolved issues of concern.

Annual Financial Statements

- Review significant adjustments resulting from the audit;
- Review effectiveness of the internal audit;
- Review risk areas of the operations to be covered in the scope of the internal and external audits; and
- Review the adequacy, reliability and accuracy of the financial information provided to management and other users of such information.

Performance Management

- Review of the quarterly reports submitted by internal audit on performance measurement;
- Review the performance management system ensuring functionality thereof and compliance with the Act;
- Focus on economy, effectiveness, efficiency, reliability and impact applicable to the Municipality's own key performance indicators; and
- Reporting on the outcomes of its review and focus areas to the Council, at least twice per annum.

Internal Control and Internal Audit

The monitoring and supervising of the effective function of the internal audit including:

- evaluating performance, independence and effectiveness of internal audit and external service providers through internal audit;
- review the effectiveness of the internal controls and to consider the most appropriate system for the effective operation of its business; and
- initiating investigations within its scope, e.g. employee fraud, misconduct or conflict of interest.

Ethics

Reviewing the effectiveness of mechanisms for the identification and reporting of:

- any material violations of ethical conduct of Councillors and municipal staff;
- compliance with laws and regulations; and
- environmental and social issues.

Compliance

- Carrying out investigations into financial matters as Council may request;
- Reviewing the effectiveness of mechanisms for the identification and reporting of:
 - compliance with laws and regulations; and
 - the findings of regulatory bodies or audit observations.

The Audit Committee is satisfied that it has complied with its responsibilities and has discharged them properly and efficiently.

3. The Effectiveness of Internal Controls

The system of controls is designed to provide cost-effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. In line with the MFMA and the King II Report on Corporate Governance requirements, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and

effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the Annual Financial Statements, the matters of emphasis and management letter of the Auditor-General, it was noted that no significant or material non-compliance with prescribed policies and procedures have been reported. Accordingly, we can report that the system of internal control for the period under review was effective. The Audit Committee is satisfied with the internal controls in place and overall adherence to those controls.

4. The Quality in Year Management and Monthly/Quarterly Report Submitted in terms of the MFMA

The Audit Committee received and reviewed certain performance management reports and is satisfied with the content and quality of these monthly and quarterly reports prepared and issued by the Accounting Officer and management during the year under review.

5. Internal Audit Function

During the year under review, an audit plan was prepared based on the Annual Risk Assessment. The following is a list of projects undertaken by Internal Audit, arising from the risk assessment:

- Post Implementation Review of the ERP system
- Procure to Pay
- Fleet Management
- MFMA Compliance Review
- Follow up Reviews (HR and Financial Statement Close Process)
- Call Centre Management
- Performance Management Systems' Review 1 & 2 (Six-monthly Reviews).

The Audit Committee is satisfied with the performance of the Internal Audit Function and reports that all the projects have been completed by the end of the financial year.

6. Evaluation of Annual Financial Statements

The Audit Committee has:

- reviewed and discussed with the Auditor-General and the Accounting Officer the audited Annual Financial Statements to be included in the Annual Report;
- reviewed the Auditor-General's management letter and management responses;
- reviewed the accounting policies and practices;
- evaluated the audited Annual Financial Statements to be included in the Annual Report and, based on the information provided to the Audit Committee, considered that the said

statements comply in all material respects with the requirements of the MFMA and Treasury Regulations as well as South African Statements of Generally Accepted Accounting Practice (GAAP) and certain statements of Generally Recognised Accounting Practice (GRAP) and statements of Generally Accepted Municipal Accounting Practice (GAMAP); and

- reviewed the particulars of the management action plan in response to the issues raised by the Auditor-General in his report.

The Committee concurs and accepts the conclusions of the Auditor-General on the Annual Financial Statements and is of the opinion that the audited Annual Financial Statements be accepted and read together with the report of the Auditor-General. The Audit Committee also notes the matters raised under the heading "Other Matters" as well as the non-compliance with regulatory requirements under the heading "Audit Findings (Performance Information)" in the Report of the Auditor-General. We also note the particulars of the management action plan in response to the issues raised by the Auditor-General in his report.

7. Conclusion

I would like to thank my colleagues for making themselves available to serve on this Committee and for the significant contribution that they have made. As an Audit Committee, we rely to a great extent on the Manager: Internal Audit and his staff in the Internal Audit Department for their support and assistance and, in particular, for the role they continue to play in improving the accounting and internal auditing systems and controls at Ugu District Municipality. We are indebted to them for their efficient service and assistance.

We are also grateful to the Chief Financial Officer, the Auditor-General and other invitees to our meetings, including the external service providers, all of whom provided invaluable information to the Committee.



Mr Anil Ramnath

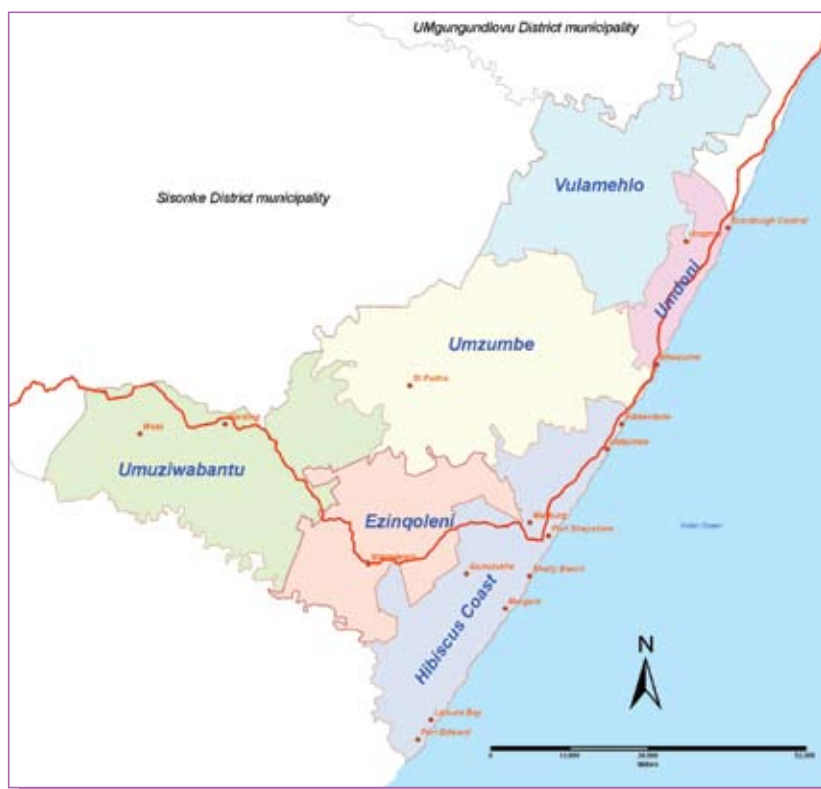
Chairperson: Ugu District Municipality

Audit Committee

Date: 8 September 2009



Overview of the Municipality



YEAR		POPULATION
2001	2002	704 028
2002	2003	709 660
2003	2004	715 337
2004	2005	721 060
2005	2006	726 828
2006	2007	732 643
2007	2008	738 504
2008	2009	744 412
2009	2010	750 367
2010	2011	756 370
2011	2012	762 420

Population Projections (at 0.8% growth rate)

Who Are We?

Ugu District Municipality has been classified as a Category C, Grade 5 Urban Municipality by the Municipal Demarcation Board in terms of Section 4 of the Local Government: Municipal Structures Act, 1998. It was established on 5 December 2000 through the disestablishment of the Ugu Regional Council. Ugu District Municipality is one of the ten district municipalities in the province of KwaZulu-Natal. KwaZulu-Natal is one of the nine provinces of the Republic of South Africa. It is a subtropical region of lush and well-watered scenic valleys and deep gorges with large rivers flowing perennially into the warm Indian Ocean. This is currently the only province with a monarchy (Zulu Kingdom) specifically provided for in South Africa's Constitution.

Where is Ugu District Municipality?

It is located in the most southern end of the province and its sphere of jurisdiction is commonly known as the South Coast of KwaZulu-Natal. It is 5 866km² in extent and boasts a spectacular coastline of 112 kilometres, which forms its eastern border. It is bordered by the Eastern Cape Province to the south, the Indian Ocean to the east, in the west by Umgungundlovu District Municipality, where we find the province's Capital City, and Sisonke District Municipality on the southern side. The region

is bordered on the north by the eThekweni Municipality, home to the City of Durban, which is notably the province's 'commercial capital'.

The Municipality consists of eighty-one municipal wards, which culminate into six local municipalities, namely Hibiscus Coast, Ezingolweni, Umuziwabantu, Vulamehlo, Umzumbi and Umdoni. The region includes forty-two traditional authorities, which all form part of the Zulu Kingdom and its monarchy. According to Statistics SA (2001), Ugu has a population density of 142 persons per km, which is higher than the provincial average of 104 people per km.

According to the Household Survey Data, Statistics SA (2007) Ugu District Municipality has a total population of 709 918 compared to the KZN Province, which has a total population of 10 259 230. The population growth for the District is estimated to be 0.8% per annum.

How is Ugu District Municipality Structured?

In accordance with the Constitution Act 108 of 1996, the Ugu District Municipality's Council is the ultimate political decision-making body of the Municipality.

The Mayor of Ugu District Municipality takes overall strategic and political responsibility, whilst the Municipal Manager

heads the Municipality's administration and is responsible for the implementation of policies and the Integrated Development Plan (IDP).

What is the Municipality's Vision and Mission?

During the preparation of the five-year Integrated Development Plan (IDP) in 2007/08, the Council adopted a long-term vision and mission. Through this vision and mission the Council expresses the desired future state for the District and commits to how it will achieve this objective.

Vision

A non-discriminatory society of healthy and empowered people living in a safe, transformed and sustainable environment, underpinned by a thriving and growing economy in which all participate and benefit fairly and equitably.

Mission

Enhancing our performance and work ethic to reach world-class standards, by always placing emphasis on customer satisfaction and total quality management of all resources at our disposal.

What is the Status of the Ugu IDP?

An IDP Review Framework as well as a Process Plan was adopted by Council in its sitting of June 2008. The IDP Review for 2008/09 financial year has been prepared in terms of the Local Government: Municipal Systems Act, 32 of 2000. As mentioned earlier, the Council adopted its IDP Review Framework Plan by 31 August 2008. The IDP Review took into consideration the comments of the MEC raised in the 2007/08 IDP Review. It is also one way of implementing the Exco Legkotla Resolutions.

There were a number of IDP strategic Planning Sessions which took place between January and February 2009 between sector departments, municipalities, stakeholders and the private sector in order to strengthen, integrate and promote partnership and public participation as well as to ensure that there was alignment of our programmes and projects across the District.

In an effort to make Ugu's IDP legitimate and credible, a number of planning, consultation and information sharing sessions were organised, which include the following:

A. Exco Legkotla

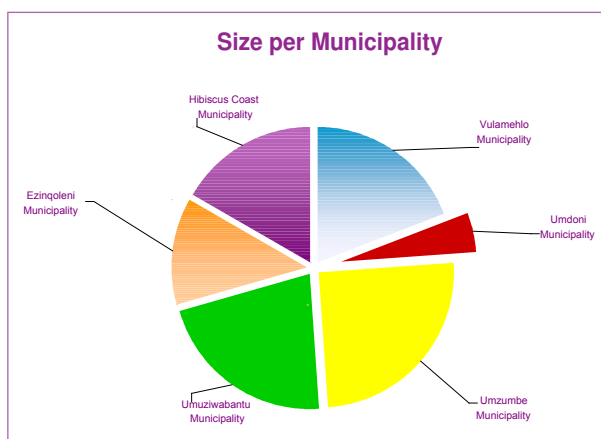
The Exco Legkotla was held on 19 - 20 January 2009 with a view to conducting a 2008/09 mid-year performance review. This session assisted the Municipality to address the institutional challenges and agree on appropriate interventions to accelerate service delivery.

B. Stakeholder Consultation

During the IDP roadshows in March and April, the following key

MUNICIPALITY	AREA SIZE (KM ²)	POPULATION (2004)	POPULATION DENSITY (PERSONS PER KM ²)
Vulamehlo Municipality	973	84 352	86.7
Umdoni Municipality	238	63 661	267.5
Umzumbe Municipality	1,259	196 202	155.8
Umuziwabantu Municipality	1,088	93 720	86.1
Ezinqoleni Municipality	649	55 163	85.0
Hibiscus Coast Municipality	837	222 304	265.6
Ugu District	5,044	715 402	141.8

Population and Area Size



issues were raised as challenges:

- Centralised economy within urban centres (Hibiscus Coast and Umdoni)
- High rate of unemployment
- High Poverty rate
- Low income levels
- Average economic growth
- Transformation on the ownership of land
- Slow delivery on Land Reform Programme
- Land use planning: sparsely distributed population and topography resulting in costly provision of services
- Limited economic potential in rural areas / poor investment in the area due to land under the Ingonyama Trust
- Environmental health and management related issues
- High prevalence of HIV/AIDS
- Skills shortage within the economy
- Absence of tertiary education facilities
- High number of child-headed households
- High illiteracy (large percentage of children of school going age are not attending school)
- Water and sanitation backlogs
- Decrease in manufacturing sector
- Limited and lack of access to schools and basic care centres
- Housing and electricity backlogs

- Limited access to telecommunication
- Poor condition of roads and transport.

C. IDP Alignment and Strategic Sessions:

At a strategic planning meeting in January 2009, Ugu proposed to translate its vision into a workable plan that has budgets and timeframes in order to achieve its five year targets. This plan is aligned with both the National Key Performance Areas and a Municipal Balanced Scorecard as part of its Performance Management System. Development programmes were developed around these key strategic focus areas. The plans are also indicative of the resolutions taken at the District Lekgotla. These were further aligned with Sector Department programmes to be implemented within Ugu and the Local Municipalities. The translated Ugu vision has also been aligned with other Government Priorities, as stated in the:

- Accelerated and Shared Growth Initiative – South Africa (ASGISA);
- Joint Initiative on Priority Skills Acquisition (JIPSA);
- Millennium Development Goals (MDG);
- Provincial Growth and Development Strategy (PGDS);
- State of the Nation Address 2009/10;
- State of the Province Address 2009/10; and
- Ugu District Family of Municipalities Priorities 2010/11.

To ensure that the Municipality delivers according to the Government's programme of action, the following plans will form the basis of the service delivery performance of the Ugu District Municipality.

The Ugu vision was translated into these five key focus areas and aligned to the National Key Performance Areas.

1.1 Non-Discriminatory Society

- Institutional Transformation and Development
- Good Governance and Public Participation

1.2 Healthy and Empowered People

- Infrastructure Development and Basic Service Delivery
- Local Economic Development

1.3 Safe, Transformed and Sustainable Environment

- Infrastructure Development and Basic Service Delivery
- Good Governance and Public Participation
- Institutional Transformation and Development

1.4 Thriving and growing economy

- Local Economic Development
- Financial Viability and Management
- Infrastructure Development and Basic Service Delivery

1.5 Participate and Benefit Fairly and Equitably

- Good Governance and Public Participation
- Financial Viability and Management
- Local Economic Development

Sixteen high level strategic objectives were developed and distributed among the five departments within the Municipality to ensure that there was alignment across all plans in the IDP and also to ensure that the organisation worked towards the achievement of these objectives in the next five years.



Ugu's High Level Objectives

2.1 Office of the Municipal Manager:

- » To promote a culture of participatory democracy and integration
- » To facilitate the creation of a safe environment for all inhabitants
- » To fast track the spatial, economic and social integration.

2.2 Corporate Services:

- » To ensure sustainable institutional capacity
- » To promote and uphold principles of good governance
- » To manage institutional risks.

2.3 Treasury:

- » To reduce dependency on grant transfers and actively seek alternative revenue
- » To ensure financial sustainability and management
- » To uphold treasury norms and standards.

2.4 Water Services:

- » To maintain high quality of water and sanitation services
- » To provide sustainable water and sanitation infrastructure
- » To provide universal access to water and sanitation.

2.5 Infrastructure and Economic Development (IED):

- » To promote and facilitate economic transformation, sustainable growth and development
- » To promote a healthy and hygienically safe environment, which supports sustainable utilisation of natural resources, and creates an environmentally educated society
- » To promote and facilitate public infrastructure investment
- » To promote, facilitate and implement anti-poor economic development interventions.



Executive Committee Structure

Executive Committee

The Executive Committee has delegated plenary powers to exercise the powers, duties and functions of Council, excluding those plenary powers expressly delegated to other standing committees and those powers which are wholly resolved to the Ugu District Council. Notwithstanding the above, the Executive Committee is authorised to exercise any of those plenary powers delegated to other Standing Committees in circumstances where any matters from these committees are referred to the Executive Committee.

In line with Section 80 of the Municipal Structures Act, the Municipality currently has five multi-party Portfolio Committees, namely: the Water and Sanitation Committee; the Finance, Budget Control and Monitoring Committee; the Planning, Tourism and Economic Development Committee; the Youth Committee; and the Corporate Services, Human Resources, Health and Safety Committee. These Portfolio Committees continue to assist the Executive Committee in policy development and monitoring to accelerate service delivery, as well as the oversight of strategic programmes and projects.

Water and Sanitation Committee

The terms of reference of this committee are to advise and make recommendations to the Executive Committee on:

- applicable legislation relating to water and sanitation services;
- feasibility studies and partnership models of water and sanitation projects;
- approval of business plans;
- tariff rates and appeals for reduction in water charges;
- emergency water and drought programme;
- status reports of water and sanitation projects;
- provision of water to informal settlements;
- water loss programme;
- water awareness programmes and community participation, water quality/pollution;
- free basic services;
- development control (servitudes, new/existing development plans);
- enforcement of by-laws; and
- operation and maintenance plans for water sanitation.

Planning, Tourism and Economic Development Committee

The terms of reference of this committee are to advise and make recommendations to the Executive Committee on:

- all applicable legislation relating to tourism, social and economic development, national development programmes, provincial development programmes, trading regulations, investment opportunities, transport, land affairs, electrifications, housing and public works; and
- all aspects of local tourism and economic development; activities of economic development and tourism; and all fiscal and other incentives designed to promote social and economic development.

Finance, Budget Control and Monitoring Committee

The terms of reference of this committee are to advise and make recommendations to the Executive Committee on:

- The budget and reports on economic issues, statistical information, agreements, financial reports, and reports on economic and policy statements;
- increasing public awareness of the budget and Government financial and economic policies,
- encouraging informed debate on the budget;
- the Government's policies regarding budget;
- The District Municipality's domestic borrowing policies;
- seeking advice from all three spheres of Government, on financial and other budget-related matters;
- budget process in terms of legislation, thus ensuring that budgets are based on priorities and realistic income and expenditure;
- processes that need to be put in place for formulating and monitoring the budget, throughout its cycle, that will enhance the District Municipality's role in appropriating and overseeing the budget, and make the budget process more responsive to stakeholders;
- budget programmes that need to be given special emphasis during budget implementation;
- ensuring that the budget of the District Municipality is used as a primary tool for implementing National and Provincial Policies; and
- relevant legislation and bills with financial and budget implications.

Corporate Services, Human Resources, Health and Safety Committee

The terms of reference of this committee are to advise and make recommendations to the Executive Committee on:

- all applicable legislation with regards to labour-related matters, employment equity, human resources, occupation-

- al health and safety, records management, environmental health, fire fighting services and disaster management;
- various policies, strategies and plans in relation to labour relations, staff appointments, monitoring and evaluation of Key Performance Indicators set in respect of human resources or corporate administration;
- enforcing all criminal law that the Municipality is charged with administering;
- organisational restructuring;
- Information and Communication Technology, including e-government;
- facilities management; shared services; and
- business improvement.

Youth Committee

The Terms of Reference of this Committee are to advise and make recommendations to the Executive Committee on:

- facilitating the formulation of Ugu District Youth Development Policy Framework (UDYDPF), which serves as the Council

guidelines during the coordination and implementation of youth development programmes;

- monitoring the implementation of the proposed policy intervention in the form of youth development programmes; ensuring that youth development is mainstreamed by all the departments within Ugu District Municipality;
- playing a lobbying and advocacy role for the consideration of youth development interests by other portfolio committees within Council;
- ensuring that youth development programmes are implemented within the ambits of the Local Government legislative and National Youth Development Policy Frameworks; and
- drawing terms of reference for Local Youth Units and providing guidance on how youth development should be mainstreamed at Local Municipality level, and participating in the formulation of a youth development strategy of Ugu District Youth Unit and monitoring and evaluating the impact out of strategy implementation.

Below is the statistical report on the attendance of Portfolio Committee Meetings.

PORTFOLIO COMMITTEE	MEETINGS SCHEDULED	MEETINGS HELD	% OF SITTINGS
Planning, Tourism and Economic Development Committee	14	7	50%
Water and Sanitation Committee	10	6	60%
Finance, Budget Control and Monitoring Committee	10	7	70%
Corporate Services, Human Resources, Health and Safety Committee	10	6	60%
Youth Committee	10	1	10%

Table 2: Statistical Report on the Attendance of Portfolio Committee Meetings.

Governance: Executive Structure



*Mayor:
Cllr SB Cele*



*Deputy Mayor:
Cllr NR Bhengu*



*Speaker:
Cllr RR Pillay*



*Exco
Cllr. Cynthia Mqwebu*



*Exco
Cllr Ian Mavundla*



*Exco
Cllr MB Khawula*



*Exco
Cllr SG Nyawuza*

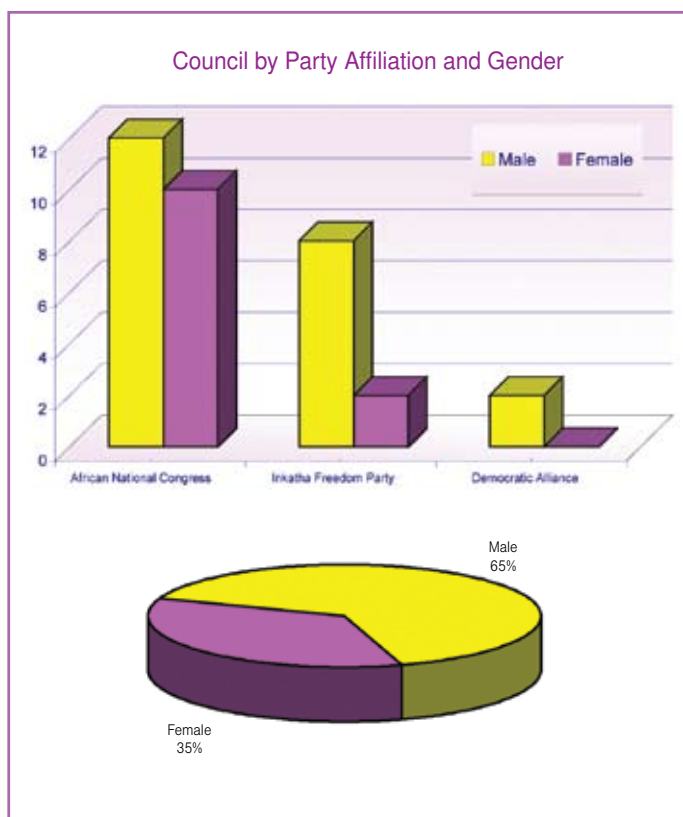
Council

The executive and legislative authority of a municipality is vested in its Municipal Council. The pre-eminent roles of the Council, amongst others, are the approval of by-laws, budgets, policies, IDP, tariffs for rates and service charges.

The Council consists of 34 members, seven of whom are full-time. The following table depicts political and gender representation on Council:

PARTY	COUNCILLORS	FEMALE	MALE
African National Congress	22 (65%)	10	12
Inkatha Freedom Party	10 (29%)	2	8
Democratic Alliance	2 (6%)	-	2
TOTAL	34	12 (35%)	22 (65%)

Political and Gender Representation on Council







PERFORMANCE HIGHLIGHTS & CHALLENGES

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Water and Sanitation

Performance Highlights

- » Reduction of water and sanitation backlogs through 100% expenditure of MIG allocation
- » Upgrade of Umtwalume waterworks and restoration of reliable water supply
- » 22km of pipeline extensions for rural water supply undertaken through voluntary labour by communities under the Masakhane Programme
- » 100 additional free basic water standpipes installed within 200m of people's homes
- » 99% water quality compliance with South African National Standard 214
- » 96% debt collection ratio maintained
- » Completion of Refurbishment of Mbango Sewage Treatment Works under the DBSA funded programme
- » Development and adoption of a Water Safety Plan for the District
- » Successful first year implementation of the NRW Master Plan reducing non-revenue water from 47.6% to 44.6% and also releasing saved water to new consumers
- » 7 341 VIP toilets completed for rural sanitation
- » The Municipality has embarked on a programme to identify all illegal water connections within the District. 643 people applied for amnesty and 473 illegal connections were found. Many convictions and admission of guilt cases have been achieved.
- » Pipe replacement programme. 19km of old asbestos cement pipes, cast iron pipes and galvanised pipes replaced.

Level and Standard of Service

The District continued to provide services in terms of the basic requirements as stipulated by the Department of Water Affairs and Forestry (DWAF).

The water quality is monitored on a regular basis and results are submitted to the water and sanitation portfolio and DWAF. The water quality achieved was above 99% for all the treatment plants.

To meet future water demands, the following key projects commenced during the last quarter of the financial year: Bhoboyi water scheme R200 million with work on the dam, bulk pipelines and pump station well underway. A 245m long, 1350mm diameter tunnel has been completed for the dam outlet pipelines.

An area-based implementation of the Non Revenue Water Master Plan yielded positive results such as an average reduction in flow of 1 423 m³/day, lower pressures, reduction of NRW

from 47.6% to 44.6% and availability of previously lost water to new areas.

Identification of illegal connections was intensified over the last six months of the financial year to reduce water losses and regularise water connections.

A total of 7 341 VIP toilets were constructed in the 2008/09 financial year, bringing the backlog to 56 557 toilets.

Key Challenges

- » Increased demand and request for water due to communities shunning rudimentary schemes in preference for piped water and increased demand for tankered water in areas with poor river, spring and borehole water yields during winter
- » Refurbishment of existing urban sewage infrastructure requires more funding
- » Expansion of bulk water supply and waterborne sewage systems require loans for next phase
- » Upgrade of existing peri-urban water supply schemes require more funding to reduce impact of water demand bottlenecks
- » Upgrade of low-cost housing sanitation systems require more cost-effective solutions
- » Inability to fill vacancies for artisans and engineers
- » High overtime costs for water operations.

Constraints

In order to address the challenges and demands placed upon the Municipality, the following constraints need to be overcome:

- » Power supply to key projects to minimise power outages;
- » Access to additional capital funding for backlog alleviation;
- » Access to softer loans for urban sanitation programmes;
- » Access to additional grant funding for urban low-cost housing sanitation and backlog eradication, and drought relief support for selected areas;
- » Identify training facilities for the skills needed by the organisation in water and sewage operations; and
- » Create new operational rules and rationalise staff arrangements to suit seasonal peaks.

Strategies Developed

- » Created a basket of projects within the MIG programme for flexibility in implementation
- » Seek alternative bulk funding mechanism
- » Development of a control centre and contact centre strategy

- » Development of a water safety plan for the District
- » By-law enforcement plan and development of peace officers
- » Meter replacement programme through contractors
- » Shift system for water reticulation
- » Revised vehicle policy.

Expanded Public Works Programme (EPWP): Ugu District

Background to the Project

DWAF, supported and assisted by sanitation role players, has developed and launched a National Sanitation Programme that is already showing positive results. The Programme focuses on the eradication of the sanitation backlog in the rural, peri-urban and informal settlement areas.

The sanitation backlog targets are to be met through the provision of two primary deliverables, namely promotion of sanitation, health and hygiene awareness, and the provision of basic toilet facilities. Secondary deliverables are necessary to create an appropriate enabling environment for a community-based approach, including training and capacity building elements. Projects will be implemented using a community-based approach. The highest priority will be given to those communities that face the greatest health risk due to inadequate sanitation and who cannot afford to meet their own requirements.

Therefore to meet all of the above requirements as set out by DWAF, innovative programmes need to be considered which will accelerate the delivery of sanitation. Our submission to EPWP looks at the innovative sanitation programme currently rolled out in the Ugu District Municipality. The programme allows for a community-based approach. The main focus of this submission is on the manufacturing and supplying of the preferred sanitation technology choice, namely the concrete precast C-section toilet.

Site and project details:

Ugu District Municipality is currently using the Mark 2 concrete C-section toilet. It has the support and approval of the Ugu politicians and officials as its preferred sanitation structure for implementation within its rural sanitation programme. Ugu PMU has also advised the Department of Housing to make use of this structure on its Rural Housing Programmes.

It comprises eight concrete C-sections that are grouted on top of each other to form the top structure. A concrete roof slab, vent pipe complete with fly screen, plastic pedestal complete

with toilet seat and flap, galvanised steel pivotal door and concrete floor slab are also built into the toilet. The pits are either partially or fully lined.

The programme is registered with the Expanded Public Works Programme (EPWP), and mentorship and training of the local emerging contractors has been included. The Ugu PMU employs its own project officers who provide on-site support, check conformity to the contract, quality management, approval of payments and work closely with the community. In addition, Ugu PMU employs local Institutional & Social Development Consultants (ISD) who deals with the daily on-site social issues and has also brought in the Municipality's Environmental Health Practitioners (EHPs) to carry out health and hygiene education amongst the communities.

What differentiates this project?

The project allows for the full participation of the community in making an informed decision on the type of toilet they are being provided with. The programme has both the Ugu political and officials' support on the technology and implementation process. Since the year 2002 when the outbreak of cholera had a devastating impact on households in Ugu, no known case of cholera has been reported. Health and hygiene is provided to each beneficiary through the Provincial Department of Health and a good working relationship exists between the Department of Health and Ugu.

All employment opportunities are sourced from the project area, including the emerging contractors and employees on the pre-cast yards. The involvement of a BEE majority Women owned Co-operative has also ensured that previously disadvantaged people and businesses are involved in the economic mainstream, especially where Government funding is being used.

Ugu PMU section is now fully responsible for the implementation of its sanitation programme. This has created savings that will be placed back into the programme to build additional toilets.

How does Ugu Ensure that EPWP is Functional in its Municipality/Department?

All new projects are unbundled to ascertain where maximum local employment opportunities can be created. The Ugu Municipality has implemented a Targeted Procurement Policy which ensures that BEE companies are considered during the tender stage. Labour intensive methods are considered over machine/mechanical methods, with clear motivation from consultants why labour intensive methods cannot be used.

The PMU section works closely with the Ugu Local and Economic Development section assisting in identifying opportunities that will create local employment.

Championing the EPWP in the Ugu Municipality

The EPWP is championed through the Ugu PMU Manager's office. Politicians and officials are supportive of the EPWP programme and the positive impact it is having on communities who have high unemployment, poverty and HIV/AIDS.

How does Ugu Ensure Buy-in of all Stakeholders, and Ensure Motivation to Pursue EPWP Compliance?

The EPWP is one of the initiatives agreed to at the Growth and Development Summit (GDS) in June 2003. The EPWP is a GDS programme.

Ugu Plan to Continue Promoting EPWP Within the Municipality and to Extend the WPWP Programme

Through its commitment to addressing unemployment within its

communities, Ugu will continue to identify projects that can be used for labour intensive methods. Branding using the EPWP logo will continue and the training and advising of Ugu staff, officials and politicians will continue to ensure support and buy-in. Consultants will also be requested to support the EPWP guidelines and to "think out of the box" by finding innovative ways of creating employment on their projects.

Building a stronger relationship with the EPWP team in KZN and sharing of good practices will continue.

Advice for the Other Departments/Municipalities on how to Scale Up on EPWP

- ▶▶ Sharing of good practices and measuring the impact it has on the communities
- ▶▶ Ensuring that "Targeted Procurement" is properly implemented
- ▶▶ Developing policy and guidelines to support the inclusion of EPWP on projects
- ▶▶ Building of commitment within the Municipality staff and other stakeholders.



Baboyi Dam construction



Local Economic Development Highlights

PROJECT MANAGEMENT UNIT

SHARED SERVICES

Overview

Most of the local municipalities (LMs) within the District are classified as low capacity and hence they face challenges in implementing MIG-funded projects. The PMU section provides support to these LMs in implementation of the MIG-funded projects

Table 1: Umuziwabantu projects

Date	Contract No.	Contract Name	Description	Contractor	Award Value	Surety	Status
07.07.2008	Ugu-02-838-2008	Harding roads upgrade	Upgrade of Moodie and Musgrave Streets	Queensburgh Equipment Rental CC	R4 893 733 incl. VAT, cont and esc	10%	Complete
25.07.2008	Ugu-02-839-2008	Harding Roads	Harding roads upgrade (Shepstone and Hancock)	Mfihleleni Construction	R7 036 453 incl. VAT, cont and esc	10%	Complete

Table 2: Umzumbe projects

Date	Contract No.	Contract Name	Description	Contractor	Award Value	Surety	Status
17.10.2008	Ugu-02-670-2007	Mabheleni sports Field Ward 6: variation order	Construction of Mabheleni Sports Field	Mdima Civils	R614 571 incl. VAT and incl.: variation order		Complete

Highlights

The Ugu PMU Shared Service was acknowledged by the DPLG as “best practice” to be emulated by other districts. Consequently, DPLG raised awareness and promoted the shared services concept to be considered by other municipalities as a service delivery model. Targeted municipalities for this option were:

- » Municipalities receiving MIG Funding for the first time but lacking capacity to establish their own PMU sections;
- » Municipalities not receiving sufficient funds to manage PMU; and
- » Municipalities that lack technical skills.

The registration and implementation of MIG projects was expedited, with staff capacitated to implement future MIG projects with minimal intervention from the District.

Actual Performance

The projects mentioned in Table 1 and 2 were implemented and completed successfully.

Challenges

- » Roles and responsibilities of parties to the shared services agreement were not clearly defined, for example, funding was not transferred from local municipalities to the District before the implementation of the projects accordingly. This resulted in the District having to pay contractors first and only then recovering outstanding payments from the respective local municipality. This was resolved through the conclusion of the shared services agreement.

PROJECT CONSOLIDATE

Overview

Ezinqoleni Municipality was identified as the municipality within the District that was facing challenges in terms of service delivery.

Actual Performance

Some of the projects mentioned in Table 3 below were implemented successfully.

Table 3

Date	Contract No.	Contract Name	Description	Contractor	Award Value	Surety	Status
09.12.2008	Ugu-02-867-2008	Ezingqoleni Rehabilitation Projects	Supply and delivery of 20m ³ capacity rear refuse compactor with skip type bins for the compactor	L. Hadebe Trading and projects	R1 761 000 incl. VAT and cont	Not required	Complete
30.01.2009	Ugu-02-872-2008	Ezingqoleni Urban Node	Rehabilitation of Ezingqoleni urban node access road	Sphephelo Transport/ Stemashan Construction JV	R7 089 959	10%	Under implementation

Highlights

- ▶ The DTLGA has a constitutional obligation to support and develop capacity in municipalities
- ▶ The department was to assist the Municipality with Rehabilitation of Ezingqoleni Urban Node in terms of the Municipality's Business Plan as approved by the Department.

Challenges

Some projects i.e. lighting project could not be implemented due to lack of funding.

Ugu SPORTS AND LEISURE CENTRE

Overview

The country was announced to host the 2010 FIFA World Cup and the District aims to attract tourists and to be a world-class sports destination. Ugu is planning to secure a team that will utilise the sports complex as a training camp during the 2010 events.

Actual Performance

The Earthworks project was successfully completed. Other components of the project are still under implementation in good progress.



Table 4

Date	Contract No.	Contract Name	Description	Contractor	Award Value	Surety	Status
29.08.2008	Ugu-02-858-2008	Ugu Sports and Leisure Centre	Earthworks: Platform and stormwater	Gigaba Multicrop Construction JV	R16 573 819 incl. cont and esc	10%	Complete
28.04.2009	Ugu-01-864-2009	Ugu Sports and Leisure Centre	Fencing	ABSCO Contractors/Ubomi Co-Op JV	R 1 459 657 incl. VAT, cont and esc	5%	Under implementation
01.06.2009	Ugu-02-912-2009	Ugu Sports and Leisure Centre	Proposed new indoor sport centre	Sanyathi Civils, Engineering and Construction	R12 902 234 incl. VAT, cont and esc	12.5%	Under implementation
01.06.2009	Ugu-02-913-2009	Ugu Sports and Leisure Centre	Sports and Leisure Centre	Dezzo Projects CC	R18 599 599 incl. VAT, cont and esc	12.5%	Under implementation

Highlights

- » The country was announced to host the 2010 FIFA World Cup and the District aims to be a world-class sports destination
- » To secure a team that will utilise the Sports and Leisure Centre as a training camp and also to attract tourists
- » The DLGTA has a constitutional obligation to support and develop capacity in municipalities; they agreed to assist by funding some works of the projects from the Project consolidate funding
- » Municipal Infrastructure Grant also provided funding for the project
- » Ugu District Municipality also counter funded the project.

Challenges

Lack of funding delayed the implementation of the project but this was resolved with intervention from DLGTA and MIG Funding.

MIG FUNDING: SANITATION FACILITIES

Overview

In 2000, the District experienced a cholera epidemic due to the lack of proper sanitation infrastructure. Since the epidemic the District has been implementing proper sanitation in the rural areas. MIG Sanitation allocation is aimed at reducing the backlog of sanitation facilities in the rural areas.

Actual Performance

The target for the 2008/09 financial year was to reduce the backlog by 5 000 units but this was exceeded when Ugu District Municipality and Umzumbe Municipality came on board to assist by providing additional funding. See Table 5 on the next page.



Sod Turning VIP Toilet, Umzumbe

Table 5

Funder	No. of Units
MIG	5 757
Ugu District Municipality	1 728
Umzumbe Municipality	758
Total Number of Units	8 243

Highlights

- ▶▶ The target for this financial year was 5 000 units to be installed using the MIG funding
- ▶▶ The District Municipality and Umzumbe Municipality decided to provide funding from their equitable share to help to reduce the backlog
- ▶▶ The backlog was reduced by 8 243 units this year.

Challenges

- ▶▶ There is a huge backlog of sanitation services in the District
- ▶▶ During the early stage of construction, problems obtaining a priority list from different local municipalities were experienced but that was resolved and projects were delivered successfully. We aim to obtain priority lists at least three months prior to commencement of projects.

MIG FUNDING: WATER FACILITIES

Overview

It is the function of the District Municipality to provide basic water to the community. The Municipal Infrastructure Grant is funding water projects to ensure that the communities have access to safe clean water facilities. It is also funding emergency water i.e. boreholes and springs to the communities that do not have bulk water.

Actual Performance

All projects as identified by the District were implemented and the District achieved 100% expenditure on MIG funding. All projects as identified for the 2008/09 were completed.

Highlights

- ▶▶ Ugu District is receiving funding from MIG for the implementation of water projects within the District to reduce the backlog
- ▶▶ Ugu District achieved 100% expenditure on MIG by implementing sustainable water projects for communities
- ▶▶ Ugu has an emergency water programme i.e. borehole repairs and springs protection that is aimed at ensuring that the communities have access to clean water.

Challenges

- ▶▶ There is a huge backlog of sanitation services in the District
- ▶▶ Funding is limited. More funding is required to fast track reduction of the backlog in the district.

UMZIMKULU AUGMENTATION SYSTEM

Overview

It was discovered that the Bhobhoyi Water Treatment Plant was not receiving enough raw water. The objective for this project was to upgrade raw water abstraction to the said plant.

Actual Performance

The projects that are currently under implementation can be seen in Table 6 on the next page.



Table 6

Date	Contract No.	Contract Name	Description	Contractor	Award Value	Surety	Status
12.08.2008	Ugu-02-621-2008	Izotsha to Shelley Beach Project	Construction of 600mm diameter steel pipeline x 3 500m long from Izotsha River to Shelley Beach	Shula Construction CC	R18 514 192 incl. VAT, cont and esc	10%	Under implementation
29.09.2008	Ugu-07-622-2008	Umzimkhulu to Izotsha Water Project	Construction of 600mm diameter steel pipeline x 3 700m long from Umzimkhulu Waterworks to Izotsha River	Mesiya Civils/ Just in Time Joint Venture	R17 430 073 incl. cont and esc	10%	Under implementation
30.01.2009	Ugu-02-727-2007	Umzimkhulu Water Augmentation Scheme	Stage 1 (2006) alterations and extensions to St Helen's Rock Pumpstation – Civil Engineering	Pilcon – Unicon JV	R9 978 930 incl VAT	10%	Under implementation

Highlights

- ▶ The Ugu District Municipality received Loan Funding from DBSA for implementation of this project
- ▶ Some components of this project are currently under implementation.

Challenges

- ▶ The project was delayed due to the late release of funding
- ▶ On receipt of funding some of the contracts were delayed by EIA processes that took time to be approved by DAEA.

OSLO BEACH OFFICE COMPLEX

Overview

It was noted that the IED Department was increasing its employment and there was a need for more offices to accommodate all officials. The Municipality wanted to do away with renting of offices and aimed at building its own office complex. Oslo Beach was identified as a suitable place to build the office complex as the land was owned by the Municipality.

The Oslo Beach Water Services offices were burnt down by a fire in 2007 resulting in officials being relocated to other offices. Office space was limited and it was not conducive for officials to work under. There was a need for offices to be renovated to accommodate officials that lost their offices. See Table 8 on the next page.



Oslo beach offices parking area



Oslo beach office entrance

Actual Performance

Contractors were appointed to build the offices. See Tables 7 and 8.

Table 7: Defaulted Contractor: Phase 1

Date	Contract No.	Contract Name	Description	Contractor	Award Value	Surety
02.05.2007	Ugu-02-647-2007	New Ugu District Municipality Office Block	Construction of new Ugu District Municipality office block	DGS Contracting Services	R5 951 633	5%

Table 8

Date	Contract No.	Contract Name	Description	Contractor	Award Value	Surety
10.07.2008	Ugu-07-836-2008	Renovation of Ugu offices – Oslo Beach	Renovation to Ugu offices – Oslo Beach	C & R ABD JV	R13 775 641	10%
02.03.2009	Ugu-02-887-2009	Completion of new Ugu District Municipality Office Complex	Completion of new Ugu District Municipality Office Complex	C & R ABD JV	R9 274 835 incl. VAT, cont and esc	5%

Highlights

New Office Complex

- » There was a need for office space for IED officials and the Council approved a proposal for the building of a new Office Complex at Oslo Beach.
- » A contractor was appointed for the construction of the project but could not fulfill his contract. See Table 7
- » The contract was terminated and a new contractor was appointed in March for completion of both phases (Phase 1 and 2). See Table 8
- » The project is still under implementation.



Job Creation

Overview

The rate of unemployment is high in the District. The Municipality as a developing agent resolved that employment should be created during the implementation of projects within the District. It resolved that local people be employed during implementation and that scarce skills be out sourced if not available within the District.

Actual Performance

See Table 9 on job creation.

Highlights

- » Ugu believes that part of development is to create job opportunities for the communities
- » Ugu urges all service providers e.g. contractors, to employ local people during the implementation of projects. Scarce skills labour could be sourced outside the District where none is available
- » During the 2008/09 financial year, 9 350 jobs were created:

Table 9

Type of Labour	No. of Jobs Created
Skilled	350
Unskilled	9 000
Total Number of Jobs	9 350

Challenges

Wage disputes were reported but were resolved when Ugu approved an increase.

Local Economic Development

The Local Economic Development Unit has been involved in many programmes and projects that are aimed at creating jobs, wealth and sustainable livelihoods. Key programmes will be briefly outlined in this section to show the overall performance of the units and our District economy.

Cooperative Development Programme

The Cooperative Development Programme is in its second year of implementation. Key milestones have been achieved. Forty-two cooperative developers (LED officers, CDWs, ESayidi FET Staff, public servants and members of the Secondary Cooperative) have been intensively trained in the development of cooperatives. Fourteen sector base cooperatives have been established with the intention to register them as secondary cooperatives and saving cooperatives. Ugu District Municipality has procured good quality protective clothing for their 400 strong workforce from Siphilangendwangu Association members. There are other goods and services that have been procured from cooperatives that are in line with creating access to markets for cooperatives. Ugu District Municipality has developed and adopted a District Cooperative Strategy. The cooperatives programme is gaining

momentum in terms of implementation and key sector departments (Department of Economic Development and Department of Trade and Industry) have been engaged to fund the roll-out of the programme. There is a growing common approach and understanding amongst all key stakeholders or cooperative developers, about the sustainable cooperative developing methods that are advocated by Cooperative Development Strategy.





Ntelezi Msani Heritage Tourism Project

Ntelezi Msani Heritage Tourism Project aims to celebrate and highlight the role of Ugu District in the 1906 Bhambatha Uprising or Poll Tax Resistance. It is centred on the role of uNdunankulu Ntelezi Msani ka Khukuleka, who was one of the twenty-five Poll Tax prisoners who were sentenced and sent to exile on St. Helena Island. He died in exile. There has been research about him and during the financial year Ugu District Municipality and Umzumbe Municipality had undertaken a trip with the families of Ugu Heroes to the island, in order to conduct a ritual ceremony (*ukubuyisa umuntu ngehlala*). The death certificate was also received from St Helena Island Authorities. There has been an official link that has been created between Ugu District Municipality and St Helena Island Government, which will have a beneficial impact in terms of tourism and the cultural exchange programme. The concept design of the Ntelezi Msani Memorial Precinct project is underway, which includes a library, museum with modern interactive archives centre, tourism information office, memorial arch for the 1906 Ugu Heroes, and an amphitheatre. This project has great potential to unlock tourism in the hinterland.



Ntelezi Msani Heritage Tourism Launch

DBSA Local Economic Development Initiative – Pilot Project

Ugu District Municipality has been chosen as one of the three municipalities in South Africa that are earmarked to benefit in the newly established DBSA Local Economic Development Initiative. The aim of this programme is to support the district economies that have a great potential to grow and create necessary jobs and wealth, by addressing constraints, building institutional capacity to implement LED turnaround strategies and also to strengthen alignment of all plans between local municipalities and the district municipalities. The sugar industry and timber industry have been earmarked for great attention through this initiative. During the month of June 2009, Ugu District Municipality received a notification of approval of a R7,5 million grant for this programme in year one.



Ugu South Coast Tourism Board

Ugu South Coast Tourism Board was finally incorporated as a municipal entity, wholly owned by Ugu District Municipality. The mandate of the entity is tourism marketing and tourism development. The company has begun to enhance the generic destination and also bid for major events that have a larger multiplier effect i.e. Harley Davidson Motorbike Show. This event has been secured for the next five years by Ugu South Coast Tourism and the economic spinoffs will be maximised by tourism and retail sector stakeholders.

2010 FIFA World Cup Preparations

Ugu District Municipality hosted a successful 2010 FIFA World Cup Summit, which was aimed at assessing the state of readiness for 2010. The key stakeholders recommitted themselves in the successful participation of our district in the 2010 FIFA World Cup. The Public Viewing Area Programme was implemented during the 2009 Confederation Cup, with many lessons learnt during this programme. There is a concerted effort to market the District as a base camp for a team, and a lot of engagement has been done through our FIFA agent to secure the team that will use Ugu as its base camp. Phase 1 of the new soccer stadium is currently under construction and is expected to be completed and handed over in March 2010.

Ugu Fresh Produce Market

The Ugu Fresh Produce Market Business Plan has been reviewed in order to adapt to the prevailing market environment and also to address the method of trade. In its strategic review it has positioned itself primarily as a developmental regional facility whose main mandate is to break the market barriers of entry to emerging farmers across the province. The appointment of market agents came as a result of a robust approach that encouraged local business people to make good use of the opportunity at their disposal. This resulted in the establishment of Hibiscus Coast Market Agents, a fully BBBEE-owned local business.

There was also a commissioning of the refrigerated storage and ripening facility aimed at adding value to the produce and ultimately provides a secondary income stream to the market for its financial viability and the complementation of the main revenue stream derived from sales commission. The entire project continues to break new ground by aggressively expanding its marketing geographical area province-wide, whilst putting a particular emphasis on emerging farmers, and ensuring that their quality produce is marketable across all markets with the inclusion of the most discerning international markets. The project has registered a turnover of over R5 million as of 23 August 2008 when it was officially opened for trading.

One of the strategic components of the market, the Emerging Farmers Pack House is being built through funding from the European Union – Gijima KZN LED Funds. This will ensure value add and recovery to the produce of emerging farmers.

Mayoral Programmes

HIV/AIDS and Special Programmes Unit

This programme is performing well although there were a few challenges experienced in the first quarter of reporting. The Women Council did not initially function well as planned. All planned activities were not supported strongly. There was a lack of dedicated coordinators in the Local Municipalities to drive the event-driven programmes. However, these challenges are now being addressed as some of the LMs have now appointed dedicated coordinators for these programmes.

There is a dedicated programme of action, funding and coordinating forum for each programme and also strategies to link with the local economic development and in line with the National Policy Frameworks.

Programme for People with Disabilities & Gender

- » District and local municipality forums in place with dedicated annual budgets
- » Skills development programmes

- » Support for civil society organisations
- » Integrated planning with other sectors in the Disability Programme.

Programme for Senior Citizens

- » Coordinating forum is in place with stakeholder representation and key people from implementing sector departments and local municipalities
- » Integrated District programmes of action for 2009 to 2011 in place
- » Sector plans and Budget allocation for each financial year
- » Programmes facilitated in collaboration with all key implementing sectors
- » Standardised monitoring, evaluation and reporting systems.



Gender Forum Launch



Disabled Fun day



Disability Forum Launch

Achievements

- ▶ HIV prevalence decreased from 39.1% in 2007 to 37.1% in 2008 (KZN DOH Epidemiology report -2007)
- ▶ Functional District AIDS Council launched in December 2006
- ▶ Dedicated EAP Coordinator, with a Council adopted workplace programme for HIV and AIDS
- ▶ Council adopted Strategy for HIV and AIDS 2007-2011 developed
- ▶ Dedicated budget/operational plans for HIV, AIDS, Gender, People with Disabilities, Children and Senior Citizens
- ▶ Integrated and multisectoral planning, monitoring and evaluation
- ▶ Strategy for monitoring and evaluation, based on standardised reporting systems
- ▶ Coordinated response and collaboration with key implementing sectors and civil society
- ▶ Municipality recognised as a central player for support.

Ongoing support for Local Municipalities, interim councils for HIV & AIDS in Umuziwabantu and Vulamehlo, full councils in Umdoni, Hibiscus, Umzumbe and Ezinqoleni municipalities, establishment of forums for other programmes finalised.

Challenges

There are, however, challenges:

- ▶ Socio economic factors;
- ▶ Human resource limitations especially in local municipalities. Complexity of key programmes e.g. HIV & Senior Citizens require a dedicated focus;
- ▶ Effective coordination and quality management on key programmes not effective (too complex and the District too wide). Each programme needs a dedicated facilitator even at district level; and
- ▶ Lack of baseline information to guide planning.

Proposed Interventions

To address the above, the following actions, among others, will be carried out:

- ▶ Facilitate support for local municipalities to develop dedicated programmes of action; and
- ▶ Employ dedicated coordinators or focal persons with relevant experience/skills and academic background, especially in the local municipalities.

Youth Development

The following are in place for the development of youth:

- ▶ Ugu District Municipality Youth Development Policy Framework, which is influenced by the International Institutional & Policy Environment, National Institutional & Policy Environment and Provincial Institutional & Policy Environment;
- ▶ Ugu District Youth Unit/Umsobomvu Youth Advisory Centre Project Initiative is aimed at providing young people with relevant and up-to-date information that could help them



Career Exhibition Law Society



Career Exhibition



Career Exhibition

make correct decisions concerning their livelihoods. The proposed centres would be used to help the youth to access information in this regard;

- » Ugu District Youth Development Guidelines to the Youth Committee to lobby and advocate for the establishment of Youth Development Units, within Council of local municipalities as a measure to institutionalise and mainstream youth development. The preparations for the District Youth Development guidelines were as a result of a consultation with Ugu District Youth Development Task Team; and
- » The baseline survey on the status of youth development in all municipal wards within the jurisdiction of the Ugu District Municipality was conducted. The Youth Development Unit within Ugu District Municipality commissioned a mini-research exercise that was aimed at establishing the existing status quo of youth development. This research was also aimed at finding out the youth development needs at various municipal wards and was meant to be a social research initiative.

Challenges

- » Delays in Data Capturing were experienced due to data capturers spending a significant amount of time in the field and the questionnaires were returned to the LMs for correction
- » Cooperative programme was also changed to Youth Voter Education and Democracy in order to ensure there was full involvement of youth in issues of democracy and elections as recommended by the Youth Task Team.

Mayorality and Communications

A Communicators' forum was established and is running very successfully. However, little progress in crime, fraud and corruption prevention has been made. A Crime Reduction Strategy is not yet completed because inputs from the Department of Community Safety are still awaited. Honouring radio slots is always a challenge due to the tight schedule of the Mayor. A lot of families received assistance from the Mayoral Fund. There was also a Summit for women in leadership which took place. Two projects were handed over on site in a sod turning ceremony.

Community Participation Strategy

In order for the IDP to be reflective of the community needs, the latter must participate in shaping the IDP. To this end, the District has employed a range of mechanisms to communi-

cate and involve its residents, with varying levels of success. A Community Participation Strategy has been developed which is aimed at consolidating and formalising these initiatives to ensure that there is an effective, well coordinated and ongoing interaction between the Municipality and the communities it serves on municipal affairs. Although this strategy is in existence, its adequacy in terms of communication could not be ascertained. According to our recent customer satisfaction survey, the involvement of all citizens in municipal business is still inadequate. The IDP/Budget road shows conducted have shown poor attendance in some of the rural areas.

Ward Committees

The District includes six local municipalities with 81 wards and some ward committees have been established. However, the key challenges that hinder effectiveness of ward committees include administration/logistics support and the vastness and inaccessibility of rural wards. Some of the areas are serviced by the Community Development Workers who have a dual responsibility to report to the Department of Local Government and Traditional Affairs and Local Municipalities, but they are accountable to the former. To address these challenges a Provincial Public Participation Practitioners' Workshop was held where resolutions were taken, which are still with the Provincial office. The recent (held 21 July 2009) Ugu Public Participation Practitioners meeting LMs reported as follows:

- » That there is improvement in the state of ward committees in the District compared to the report presented in the workshop in March which stated that 40 out of 81 ward committees are non-functional;
- » That a District Public Participation Workshop involving all six Speakers, CDWs, Ward Councillors, House of Traditional leaders, GCIS and Ward Committee Secretaries be convened by the District in this quarter;
- » That the DPLG Public Participation Unit should be invited to present the resolutions of the last Provincial Workshop, which covers the following:
 - Functionality of ward Committees
 - Role of CDWs
 - Funding Model
 - Marketing Strategy for Ward Committees; and
- » Those LMs should prepare PowerPoint presentation about the state of their ward committees and also discuss and adopt the assessment questionnaire developed by the Province as a benchmark.

Mayoralty: Highlights

Ugu Lwethu Mayoral Programme

A successful programme that involves 150 young people was launched as a pilot, and saw these young people empowered through training in a paralegal NQF Level 4 qualification. As part of the programme, these young people were deployed in all local municipalities, working with the community in identifying indigent households and enrolling them on the municipal indigent programme, verifying their details of those who are already on the indigent system, identifying and reporting leaking taps and water pipes, and working with other government departments in rolling out services.

The success of this project is well recorded and community structures have given extremely positive feedback.

Siyanakekela Verge Cutting Project

In response to the need to support local municipalities with their core functions, the District, in partnership with the Hibiscus Coast Municipality, launched a verge cutting project called Siyanakekela (We Care). The project saw 150 unemployed people receiving training and short-term employment to keep the verges neat and tidy.

As part of the sustainability strategy, the group will be transformed into cooperatives, with a secured market of servicing the verges and general cleanliness of certain areas within the municipal area.

The cooperation displayed during this project is testimony of the need for good intergovernmental relations. Furthermore, the public has provided extremely positive feedback with regards to this programme.



Ugu Lwethu at Work



Ugu Lwethu Graduation



Ugu Lwethu Launch

Siyanakekela Verge Cutting Project





Public viewing

Public Viewing of FIFA Confederations Cup

As part of the preparations for the 2010 FIFA World Cup, the Municipality, in partnership with the Provincial Government, hosted a six-day Public Viewing Area (PVA), complete with the state-of-the-art big screen and carnival atmosphere. This concept of bringing the game to the people received huge support from the public and helped to boost the local economy in terms of creating opportunities for small business and cooperatives. Over 10 000 people attended the PVA.



Corporate Strategy and Shared Services

Overview

The implementation of shared services fulfils the legislative mandate of the District Municipality to support local municipalities, especially the low capacity municipalities. During the 2008/09 Financial year, two shared services were fully implemented, PMU and Internal Audit. A service level agreement has been signed with all local municipalities for the implementation of a Development Planning Shared Services co-funded by the Provincial Department of Local Government and Traditional Affairs for the next three years. This initiative is aimed at supporting local municipalities with low capacity in development planning issues.

The establishment of shared services considers the possibility and feasibility of a number of municipalities pooling resources in order to deliver services in the most cost-effective manner. The shared services enable the District to render support to all low capacity municipalities in its area of jurisdiction to enable them to deliver services to their communities. The following shared services continue to assist the Ugu Family of municipalities to deliver services:

- ▶ Project Management Unit shared services involving two local municipalities – Umuziwabantu and Umzumbe;
- ▶ Internal audit for Umuziwabantu, Umzumbe Ezingoleni, Vulamehlo and Umdoni; and
- ▶ Emergency shared services for the North – Umdoni, Umzumbe and Vulamehlo.

Highlights

The development planning shared services will be implemented in the new financial year. Service Level Agreements have been signed with all participating municipalities. The Department of Local Government and Traditional Affairs has co-funded the initiative for a period of three years with all participating municipalities.

Challenges

There are still challenges experienced in establishing a fire fighting shared service due to a shortage of funding. The Province is being consulted to assist in this regard. But municipalities are requested to budget for this function in the 2010/11 financial year.

The following shared services were implemented successfully:

Internal audit

Provision of shared internal audit services between the Ugu District Municipality and local municipalities.

Actual Performance

The approved annual internal audit plan had been completed by the financial year end of 2008/09. This unit provided independent assurance and consultancy service in terms of its approved Internal Audit Charter to Management & Council by auditing high risk areas as determined by the Annual Risk Assessment. A total of ten Audit reports in terms of the approved Audit Plan were presented to the Audit Committee, which facilitated in the creation of action plans by management to address weaknesses and thus mitigate against associated risks.

Batho Pele

Actual Performance

Batho Pele was introduced and implemented in 2007 as a tool for service delivery inculcation of the culture of customer care in the District. This has also addressed service delivery improvement by introducing principles which guide the transformation of service delivery to be people-centric.

The legislative framework calls for the setting up of service standards, defining outputs and targets, and benchmarking performance indicators against international standards. Similarly, it also calls for the introduction of monitoring and evaluation



Service Commitment Charter Launch

mechanisms and structures to measure progress on a continuous basis. To this end, a Service Commitment Charter was launched in 2008 followed by a customer satisfaction survey to establish a baseline for the implementation of the charter. The customer satisfaction survey was conducted and completed in June 2009. The following concerns were raised by the communities:

- » 40% of the citizens complain about services that are inadequate;
- » 30% of the citizens do not understand the role of the Municipality in the LED;
- » 44% are dissatisfied with the procurement policy and procedures followed by the Municipality when procuring goods and service;
- » 47% feel that the municipal officials do not adhere to the policies and procedures of the business process of the Municipality; and
- » 35% expressed dissatisfaction with public participation and involvement of citizens in the municipal business.

Challenges

These concerns were incorporated in the Batho Pele SDIP 2009/10 in order to be addressed.

The Belief Set, which says, "We Belong, We care, We serve" is a value system which clearly captures the revitalised Batho Pele culture in Ugu. The challenge, however, is still with the dissemination of this culture of being people-centric at all times by all employees. Training is conducted, but it cannot involve all employees at the same time, hence the process is slow. There is still a responsibility to spread Batho Pele within the entire District. To this end a District-Wide Batho Pele Forum has been established and endorsed by the IGR Forum.

Risk Management

Overview

Risk is an inherent part of all activities undertaken by the Municipality. Risk management provides a reasonable assurance to government that the municipal organisational objectives will be achieved within a tolerable level of residual risks.

Section 3.2.1 of the Treasury Regulations further prescribes that "the accounting officer must ensure that a risk assessment is conducted regularly to identify emerging risks of the institution". A risk management strategy, which must include a fraud prevention plan, must be used to direct internal audit effort and priority, and to determine the skills required of managers and staff to improve controls and to manage these risks.

Actual Performance

All five departments have been assessed.

Challenges

The following challenges are still experienced:

- » The implementation of a fraud prevention plan;
- » Mainstreaming of risk management in the organisation; and
- » Integration of internal and external risks (OHS and Disaster risks).

Performance Management

Overview

The implementation of PMS is to fulfil the legislative mandate, improve service delivery and provide a mechanism to report back to National Government and the public. Performance Management focuses on results rather than activities and behaviours. It aligns the activities and processes to the goals of the Municipality and encourages a culture of accountability and performance. It is able to provide early warning signs of underperformance or non-performance, thus allowing relevant interventions for improvement.

Actual Performance

Four Quarterly Review meetings were conducted as planned. The reviewed SDBIP for 2008/09 was posted on the website. The PMS Policy has been reviewed for implementation in the new financial year.

Integrated Development Planning

Overview

There is a credible IDP for 2008/09 prepared in line with the IDP Framework Plan of the District as agreed by all the municipalities in the District. This was achieved through a constant consultation with all local municipalities within the area of Ugu jurisdiction. This was achieved through the collaboration of IDP Managers Forums, IDP Representative Forums, Steering Committees, EXCO and the Councils of the respective municipalities. The reviewed IDP was about 35% credible and aligned to other local municipalities' priorities. However, Ugu's reviewed IDP scored 81.48% in the provincial assessment, and the overall average for the family of municipalities was 60%.

Role of Traditional Leaders and Communities in the IDP

The internal and external role players have roles and responsibilities in terms of the IDP development process. The IDP Representative Forum consists of representatives from all local municipalities, the house of traditional leaders, civil society and service providers/sector departments. This forum provides public and private sector input into the IDP. Ugu District Municipality has ensured the continual participation of all the role players to ensure maximum input into the IDP during the process. However, there is still no satisfactory participation by all. Traditional leaders will be involved vigorously to achieve desired results.

Actual Performance

IDP review sessions were conducted with all sectors, and were completed before 31 May 2009. The Reviewed IDP was completed and the Council resolution is available. The provincial score obtained in the assessment of the IDP was 81.48%.

Highlights

Development planning of a shared services memorandum of agreement has been concluded to share spatial planning, development administration, performance management, data systems administration and GIS.

Challenges

The challenges are that low capacity municipalities are unable to attend alignment meetings due to their being overstretched. The other challenge Ugu District Municipality still faces is the involvement of all sector departments so that the IDP becomes a truly inclusive state plan to deliver services to its citizens.



Environmental Services

Environmental Health Services – Highlights

Health Education

Annual health and hygiene education is conducted in all selected schools each year throughout our local municipalities through a programme that is specially directed to schools. At least eight schools per year are targeted to benefit from this programme.

Members of the public have been reached in several ways, viz. in focus groups like youth, in open exhibitions, workshops, public spaces, businesses, etc. This ensured in advance that the public and focus groups, especially formal and informal businesses, are better prepared for 2010 events and beyond in their different respective ways of involvement e.g. food preparation, general health and hygiene.

An education programme is going to be rolled out internally to Ugu employees according to their different levels of employment and work stations. In 2009/10 it will essentially be an experimental programme whose successes will be replicated and innovated over the years.

Food Control

Food safety control is essential in ensuring that the public accesses food and food products that are free of contamination and hazards. Several premises have been visited for regular inspections and on-site education. Under the LED programme, SMMEs that were selected to offer catering services for Public Viewing Areas during the FIFA Confederations Cup were trained specifically in health and hygiene food handling practices and were monitored throughout the event. This exercise was essential in ensuring that small, thriving businesses do not miss out on the opportunity due to non-compliance, thereby assisting them through basic capacity building on the food safety aspect without compromising the health and hygiene standards.

Under the instruction of Provincial and National Govern-

ment, all the food premises that were trading in food products that were prohibited under special circumstances, like discovery of Melamine in infant feed products, were cleared and procedurally disposed of under surveillance. Suspected, investigated and randomly reported cases were also attended to regularly as usual under the Food Control Programme to ensure compliance with food safety standards.

Compliance and Law Enforcement

All Environmental Health Practitioners that were scheduled for training to become Peace Officers have been trained and registered as such. They are now able to exercise law enforcement powers where compliance is required.

Environmental Management – Highlights

Environmental Education, Awareness and Training

The partnership that exists between Ugu District Municipality, sector departments and public entities ensures that education reaches all sectors of the community, either through environmental calendar days or planned events to focus groups. These include:

- » **Community Development Workers (CDWs):** these are now the watchdogs of environmental issues in their respective wards and communities. This is a programme that has been confirmed by the Department of Local Government and Traditional Affairs to be unique to Ugu Municipality in KwaZulu-Natal and may be replicated in other municipalities in the Province. The partnership is ongoing.
- » **Wetlands Programme:** this has been initiated with the deep rural schools in the District. In 2008/09 schools in deep rural Umzumbe participated and will continue participating in the programme during 2009/10 financial year. The Adopt-a-Wetland project is being envisaged, an opportunity



Bluff Nature Reserve wetland during Umzumbe schools wetlands educational tour

of using wetlands as one of the initiatives geared towards combating climate change and global warming (understanding them as carbon sinks in addition to forests) will be explored. Fire breaks, green corridors, flood control points, etc. will be explored.

- » **Eco-Schools Programme:** this programme was formerly conducted by the Department of Agriculture, Environment and Rural Development (DAERD) and the Wildlife and Environmental Society of South Africa (WESSA). Ugu District Municipality got involved for the first time in 2008/09 in order to ensure the maximum participation of schools in the Eco-Schools Programme, especially the previously disadvantaged and those that are still struggling to participate.
- » **Events:** Environmental calendar days are duly observed and celebrated in selected communities that fall within a local municipality that is the beneficiary of such an event in a particular year. All the local municipalities equitably benefit from all such events and target workshops.
- » **Youth Education Workshops:** these were conducted on a request basis. Lovelife Youth Group benefited during the financial year. They will be engaging in community environmental projects in their respective areas as they are now able to identify environmental challenges and execute actions where possible.
- » **Traditional Healers and Traditional Leaders:** these were some of the most significant achievements that the Ugu Environmental Task Team has registered in the financial year. Biodiversity issues were well articulated and understood by these two important pillars of the society. Sector departments, DAERD in particular, with full cooperation of these two focus groups and the Municipality, is planning to take the programme forward by opening nurseries in the identified areas. However, this programme will unfold with the subsequent years going forward.

This is a direct implementation of Local Agenda 21 principle of education and capacity building on environmental management at local level, and also in the form of partnerships.

Integrated Coastal Zone Management Ugu Working for the Coast Project

This project is funded by the national Department of Environmental Affairs to the total value of R10 million over a three year MTEF Cycle, with an allocation of R3,3 million each year. 2008/09 is its first year of implementation, with a total of 68 temporary jobs, 67 under the EPWP criteria and one non-EPWP. The project consists of, amongst others, dune rehabilitation, beach clean-up, and clearing of alien invasive plants around estuarine environments from Scottburgh to Port Edward.

Ugu Coastal Working Group

From the White Paper on Sustainable Coastal Management in South Africa 2000 to the National Environmental Management: Integrated Coastal Management Act (ICMA) 2008, Ugu District has always upheld to the national best practice of having a standing Coastal Working Group. This has eventually received a proper legal backing from the new ICMA and support from local conservancies, environmental NGOs, the political leadership of both districts and local municipalities and government officials. From 2009/10 the group will be renamed as per the provisions of ICMA and be a standing advisory body to the Municipal Manager and the Council.

Disaster Management

Overview

Disaster Management within the District is coordinated in partnership with the six local municipalities, namely: Umdoni, Ezingqoleni, Umzumbe, Vulamehlo, Hibiscus Coast and Umuziwabantu.

Disaster Management Centre

The District established in its administration a disaster management centre in 2005, which specialises in issues concerning disasters and disaster management. The centre is promoting an integrated and coordinated approach to disaster management, with special emphasis on prevention and mitigation, by the department and other internal units within the administration of the District and also by department and other units within the administration of the Local Municipalities.

Powers of the Centre

The centre exercises its powers and performs its duties subject to the Municipality's IDP and other directives of the municipal council acting within the national and provincial disaster management frameworks. It is also the responsibility of the centre:

- ▶▶ To liaise and coordinate its activities with the provincial disaster management centre;
- ▶▶ To support and assist in preparation, regular review and updating of disaster management plans, activities and strategies to coordinate the implementation and integration thereof;
- ▶▶ To give guidance in the municipal area to assess and prevent or reduce the risk of disasters;
- ▶▶ Monitor measures performance from time to time and evaluates progress and initiatives; and
- ▶▶ To submit annual reports to the municipal council, provincial disaster management centre, national disaster management centre and each local municipality within the District.

Disaster Management Advisory Forum (DMAF)

The Disaster Management Advisory Forum is fully operational and was formed in terms of the Disaster Management Act No 57 of 2002, Section 51 coupled with Section 42, which requires the Municipality to establish a multi-disciplined structure consisting of representatives from the District Municipality, all Category B municipalities within the District, provincial departments who have a role to play in disaster management and have offices within the area, senior representatives of national departments within the area and all role-players, such as NGOs in the District.



Lot 163 Reynolds Street, Port Shepstone

The Forum is being utilised as 'a body in which a municipality and relevant disaster management role players in the municipality consult one another and coordinate their actions on matters relating to disaster management.' The Forum meets at least four times per annum.

Risk Reduction Planning

Funding

Through the support from the Provincial Department of Local Government and Traditional Affairs, a sum of R700 000 was made available for the Risk Reduction Planning Project. This contract was awarded to Africon Consulting for a sum of R615 600 (incl. VAT). To date, Risk Assessment and Risk Prioritisation, as well as Risk Reduction and Preparedness Planning have been completed. The draft Phase three sector is nearing completion; the service provider is busy with annexure to the plan.

Methodology

The methodology used is participatory for purposes of ensuring that Disaster Management is understood by people at a grass roots level as they will be involved in identifying the inherent risks/hazards in their communities, prioritising the identified risks/hazards and working out mechanisms for reduction of the prioritised risks. This requires full participation of the local communities as the communities are the custodians of indigenous knowledge and everyday occurrences, and are the people who should be involved in the risk reduction processes of the same.

Stakeholders' Participation and Communities

This exercise also requires the full participation of the Sector departments. Participation by sector departments has been secured as the sector departments are members of the Disaster

Management Joint Operations Command (JOC), which was set up during the 17 June 2008 Coastal Floods disaster and has continued to operate as the platform for practitioners across government departments and NGOs involved in environmental management, health, emergency and medical services, as well as welfare. This helps in the integration of planning and is also presented to the IDP Representative Forum for purposes of integration. It has however, been realised that the implementation of the Risk Reduction plans requires integration by the constituency municipalities and allocation of resources by the same. The organs of local government, namely the Councillors, the Ward committees and Amakhosi are the main entry point and base for the project. Consolidation of the partnership between organs of Local Government and the Sector Departments' community-based structures, namely the Community Health Workers.

Skills Transfer and Training

Provision has been made for training as part of the project; this is part of the phases that will be implemented in the next financial year. Provision has been made for two incumbents to be engaged in a one-year contract, who are unemployed graduates in the fields of environment, planning and engineering, to work with the Consultants in Disaster Management as part of skills development of the youth in the scarce skill of planning. There is, however, no provision to absorb these trainees, but as the district youth, they will benefit in skills as job seekers.

Extension of Communication in the District

An agreement was entered into with SANDF for the Municipality to have the use of the Near Radio System which was previously used for Civil Defence. The system was installed in the Disaster Control Room. The centre recently completed the District Communication Strategy and Information Management Systems, which will assist a district in ensuring that there is a central communication. The strategy is still a draft to be tabled in the Council for approval.

Emergency services

A Policy document and Incident Management Protocol have been developed and are in the process of being approved.

Status of Readiness to Deal with Disaster Including Financial Capabilities

Using the lessons learned from the 2008 June Floods, all sectors in Ugu District Municipality have learned a lesson in terms of identifying their roles and allocating funding for disaster as per financial year concerned. Some local municipalities are able to deal with minor incidents, without involving the District. At the moment, Ugu has volunteers in all local municipalities. There is also a programme that is located in the office of the Mayor which is called Ugu Lwethu and those volunteers are assisting in providing early warnings and also in reporting to the centre. Members from various local municipality wards have been trained in fire fighting in order to help communities when there are fires.

Status of Readiness to Deal with the 2009 Confederation Cup and the FIFA 2010 Event

The strategies have been formulated and the District is in the process of employing the consulting team that will help in terms of consolidating disaster management plans in the District. Terms of reference have been completed and tenders will be called for shortly. The province allocated a grant of R500 000 for assisting the District in preparation of the disaster contingency plans for the coming event. The Task Team was formed to monitor the planning process and the District is also a member of the Provincial Steering Committee on 2010. The 2010 Disaster Plan draft is in place and is ready to be tabled in the Council for approval.

Status and Result of Disaster Risk Assessment Undertaken

Hazards identification and Risk prioritisation has been done in the District. The table below outlines the same:

Hazard Identified	Project	Responsible Department
Fire	Fire fighting equipment and training	DM, LMs and Province
Drought	Drought relief and water provision	DWAF and Ugu DM
Floods	Roads and bridges	DoT, DM, LMs
Hail storms	Wind breakers, settlement planning	DoH, DAEA, DWAF, DM and LMs, DLGTA
Anthrax	Early warning, education and awareness	DoH, DoA, DM, LMs
Tuberculosis	Awareness, prevention	DoH, DM
Xenophobia	Awareness, prevention and early warning	DM, LMs,
Measles	Prevention, education	DoH
Cholera	Awareness, water testing	DoH, DM
Human diseases	Awareness, vaccination, reporting, early warning	DoH, DM, LMs
Water pollution	Water quality management, waste management, awareness, water services provision	DM, DWAF, DAEA, DoH,
Land degradation	Prevention of de-forestation, prevention of soil erosion, grasslands management, settlement planning	DAEA
Polio	Awareness, prevention	DoH, DM, LMs
Air pollution	Awareness, monitoring, education, prevention, enforcement	DM
Shingella Dysentery	Water quality management, education, spring protection projects	DoH, DAEA,
Wind	Awareness and prevention	DAEA, DM and LMs
Tidal waves	Early warning, Awareness and Prevention	DWAF, DAEA, DM and LMs
Rabies	Vaccination and early warning	DoH, DM and LMs
Hazardous materials	Waste management, prevention and Early warning signals	DAEA, DM and LMs
Accidents by roads	Clear or proper signage and awareness of responsible driving	DoT, SANRAL, DMs and LMs
Dam failures	Over flooding prevention, early warning signals,	DWAF, DMs and LMs

In order to address the IDP objective on mitigation against disasters, Ugu District Municipality adopted a strategy on risk identification, reduction and mitigation measures, which resulted in prioritisation and implementation of the project on hazard identification and risk prioritisation. The Ugu family of Municipalities working with the communities of Ugu have identified the above listed hazards and prioritised them accordingly. Emanating from these hazards, projects towards mitigating the same are being identified as in the above table.

Major incidents

Coastal floods disaster

A heavy rain storm accompanied by gale force winds on 18 June 2008 resulted in unprecedented flooding claiming the lives of 13 people and leaving many families destitute. Of the six local municipalities within the District, five of them were severely affected.

The Ugu District Disaster Management Centre was activated and all emergency services were advised of the emergency situation.

The Municipal Council, on considering information provided by the Ugu Disaster Management Centre, declared the District a disaster area.

A number of bodies from the 13 fatalities were only recovered days after the storm. Some were buried in the mass funeral conducted with the support of the Province, while other families preferred to bury their dead, but were also assisted by the municipalities.

Challenges

- » Insufficient funding in the following categories of Disaster Management: Emergency Relief, Capacity Building, Public Awareness, Training
- » Risk Reduction, Policy and Compliance, Information, Communication and Detection Systems
- » Inadequate human resources at local municipality level.

Emergency Services

Fire Fighting Study

Africon report on district fire fighting was finalised and presented to the District Disaster Management Advisory Forum and was commended. This is part of the risks identified from this current study. This function has been assigned to the shared services section but this department has taken the initiative to promote Fire Fighting in the District. There has been an urgent need for the expansion of this service for years but due to the cost of services it has not been implemented. The District Fire Fighting Study was undertaken as part of the Disaster Risk Reduction planning, which recommends the funding of assets for R 2.3 million grant be allocated by the Provincial Disaster Management Centre to Umdoni, which has a shared service with Vulamehlo and Umzumbe.

Fire & Rescue Services Models

The Task Team formed by the members from Ugu District Municipality and representatives from six local municipalities have completed the work that was given to them by the MM's Forum to identify the possible models to be implanted in the District for the fire and rescue services. The Municipality now has a four-year plan to establish and maintain a Fire & Rescue Services as the Brigade Service Act and the SANS (South African National Standards) Code 10090 (Community Fire Protection). The plan is based on the following principles:

- » In terms of Section 84 of the local Government Municipal Structures Act, No. 117 of 1998, Fire Fighting Services are a "District Municipality Function". However, this does not prevent local municipalities from establishing and operating their own fire fighting service at local level.



Figure 3: Flood disaster

Training on Fire Fighting

A training programme had been conducted and basic assessments were done, with 530 people trained from Ezinqoleni, Hibiscus Coast, Umzumbe, Vulamehlo and Umuziwabantu trained in Fire Fighting Awareness. It is envisaged that Basic Fire Fighting training and advanced fire fighting training will follow. Upon training they were deployed to their respective local municipalities to form community fire fighting teams. To date, fire fighting Awareness as the first phase of our disaster management training is being undertaken in conjunction with local municipalities.

Conclusion

The centre is exercising its powers and performs its duties subject to the Integrated Development Plan and the directions of the Ugu District Municipality Council acting within the national and provincial disaster management frameworks. It is also the responsibility of this centre to liaise with and to coordinate its activities with the provincial disaster management centre and to support and assist in the preparation, regular review and updating of disaster management plans and strategies with a view of aligning these plans and activities and strategies to coordinate the implementation and integration thereof in its area.

The centre is also giving guidance in the municipal area to assess and prevent or reduce the risk of disasters. The centre also submits annual reports to the Municipal Council, the provincial disaster management centre, the national centre and to each local municipality in the area of the District Municipality.

The above is within the ambit of collaboration and cooperative governance as required by the Constitution of the Republic of South Africa and legislation regulating the local government dispensation.



KZN Municipal Service Excellence Awards

Performance and Recognition Awards

The Municipality won the following performance and recognition awards during the year under review:

KZN Municipal Service Excellence Award

In 2008, Ugu District Municipality received a Recognition Certificate for KZN Municipal Service Excellence Award. The District was the first runner-up in these awards.

Premier's Service Excellence Awards

During the 2008/09 year under review, Ugu District Municipality won a Gold Trophy and a Certificate of Recognition in the Premier's Service Excellence Awards for the implementation of Batho Pele in the Province. Ugu was the only District Municipality in the Province that received the gold award, competing against Government Departments. The District will hold the title of Champions in Service Delivery through implementation of Batho Pele principles for the next two years.

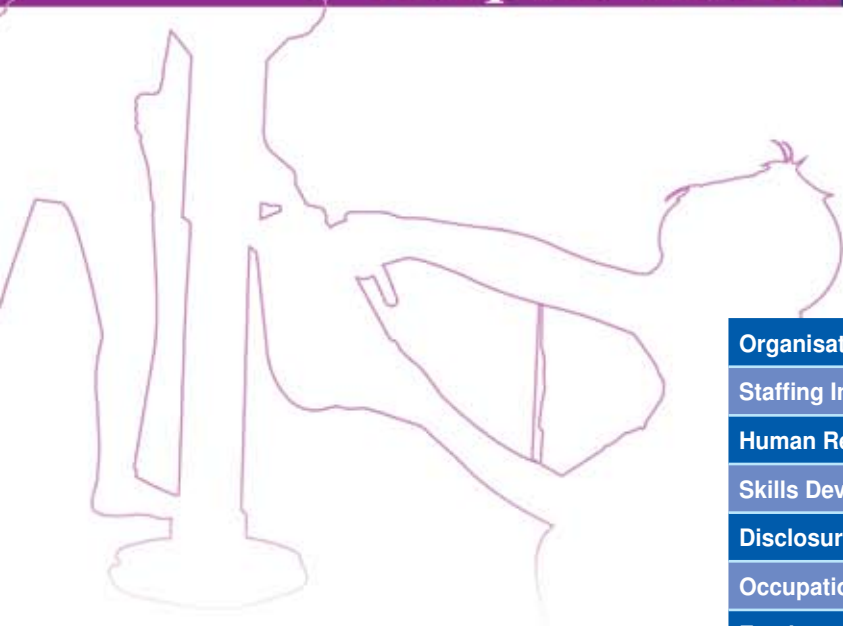


Premier's Service Excellence Awards



HUMAN RESOURCES AND OTHER ORGANISATIONAL MANAGEMENT

Chapter Three



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Organisational Structure



Municipal Manager
Luvuyo Mahlaka



Deputy Municipal Manager
Mduduzi Mnyandu



GM: Water Services
Max Pawandiwa



CFO
Ved Hukum



GM: Operations
Tolomane Mnyayiza



Acting GM: IED
Charl Wilcocks

Administration

The administration of the Municipality is headed by the Municipal Manager. The Municipality has four administrative departments, each being headed by a General Manager. In addition, the Deputy Municipal Manager within the Office of the Municipal Manager is responsible for the efficient and effective operation of all departments.

Office of the Municipal Manager

The Office of the Municipal Manager is responsible for the following functions: Development Planning; Strategy and Shared Services; Internal Audit; Mayoralty and Communication; Legal Services; Environmental Services; Youth Development; HIV/AIDS and Special Programmes.

Development Planning – Responsibilities include the implementation of the Municipality's Performance Management System as aligned to the Integrated Development Plan (IDP), and to monitor and report on the progress and implementation thereof.

Strategy and Shared Services – Responsibilities include the facilitation of strategic forums among the family of municipalities within the District, some through the implementation of shared services. This also ensures the management of enterprise-wide risk, service excellence and performance management.

Internal Audit – Responsibilities include the provision of internal audit services to the Municipality as well as the coordination of the implementation of the internal audit service as a shared service within the District. The section also facilitates the external audit services required by the Municipality.

Mayoralty and Communications – Responsibilities include the coordination of Mayoral executive support, corporate communications events and general marketing and maintenance of the profile of the Municipality. This section also acts as the vehicle for the realisation of intergovernmental and cooperative governance structures and events.

Legal Services – Responsibilities include the coordination of legal research towards ensuring legal compliance, contract management and associated advisory services.

Environmental Services – Responsibilities include the coordination and implementation of environmental management and environmental health services.

Youth Development – The Office is responsible for institutionalisation and mainstreaming of Youth Development within Ugu District Municipality.

Special Programmes – The Office heads up advocacy and lobbying for the development and mainstreaming of issues which affect the following vulnerable groups: Senior Citizens, People with Disabilities, Women and Farmworkers.

HIV/AIDS – The Office conducts aggressive lobbying for the support, assistance and development of people living with and/or affected by HIV and/or AIDS, as well as children who are either directly or indirectly affected by the epidemic as a result of their very vulnerable status or through being orphaned by the disease.

Departments

The Municipality has the following four administrative departments:

Corporate Services Department

The Corporate Services Department, headed by the General Manager Corporate Services includes: Human Resources, Secretariat, Information and Communication Technology (ICT), Geographic Information Systems (GIS), Registry and Auxiliary Services, and Disaster Management.

The following are the functional areas of the sections within the Department:

Human Resources – Coordination of sound labour relations, Human Resources management and recruitment strategies, employee wellness, organisational development and Occupational Health and Safety.

Secretariat – Coordination of secretariat support to Council and its committees.

ICT – Ensuring the efficient implementation of information management systems implementation and maintenance of application systems implementation of Enterprise Resource Planning hardware and software maintenance information systems security and general coordination of management of ICT systems.

GIS – Coordinates the placing of socio-economic and developmental information in a spatial context. This assists the political leadership and management in decision making and service delivery implementation planning. Spatial analysis, as well as spatial modelling, is also done.

Registry and Auxiliary Services – Records management, registry management, facilities management, security management, telecommunications and building maintenance.

Disaster Management – Coordination of the prevention, mitigation of disaster effects and the management of disasters when they occur.

Treasury Department

The Treasury Department includes: Equity and Accounts, Grants and Expenditure, Budget Control and Supply Chain Management.



Ved Hukum

Equity and Accounts – Asset management, loans, insurance and investments and cash collection.

Grants and Expenditure – Coordination of accounts payable, payroll and management of grants received.

Budget Control – Preparation of budget, financial forecasting and preparation of financial statements.

Supply Chain Management – Coordination of procurement of goods and services, and management of the supplier database and procurement contracts.

Infrastructure and Economic Development Department

The Infrastructure and Economic Development Department (IED) is made up of the following sections: Project Management Unit, IED Finance, and LED and Tourism.

Project Management Unit (PMU) – Implementation of MIG funded projects such as water, sanitation and community facilities.

Infrastructure and Economic Development Finance – Responsible for the management of the budgets for the MIG grant, as well as all other departmental grants and funding.

LED and Tourism – Facilitating and coordinating activities and programmes that would yield shared economic growth and extensive marketing of the District.

Water Services Department

The following are the sections which make up the Water Services Department: Water Services Operations, Water Services Authority (WSA) and Administration, Water Services Income and Fleet Management.



Water Services Operations – Management of all technical operations (water and sanitation) within the various areas covering the District.

Water Services Authority – Responsible for the implementation of Water Services Development Plan, water services provision legislation and by-laws, legislative prescripts of the department and development control, GIS, scientific services and design of projects and project management.

Water Services Income – Billing of residential and industrial consumers, collection of debt, as well as the coordination of indigent support and provision of contact centre facilities and systems which are derived from Batho Pele principles.

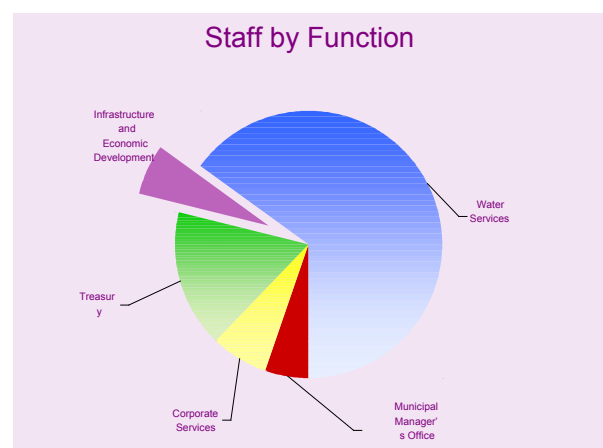
Fleet Management – Ensure that the organisation adequately supports service delivery through the provision and management of a safe and efficient fleet.

Staffing Information

The Municipality currently has 858 permanent staff members employed, with a 100 vacant posts as illustrated in the following table:

Function	No. of Staff	No. of Vacancies
Municipal Managers	45	8
Corporate Services	59	7
Treasury	143	11
Infrastructure and Economic Development	54	18
Water Services	557	56
Total	858	100

Table 4: Approved Posts



The following policies and by-laws were developed and in certain cases reviewed during the 2007/08 financial year:

- » Fraud Prevention Strategy
- » Information Communications and Technology (ICT) Strategy
- » Risk Management Policy
- » E-mail and Internet Policy
- » Revised Indigent Policy
- » Ugu Fresh Produce Market By-Law
- » Credit Control Policy
- » Water Services Tariff Policy
- » Agenda Delivery.

The following are the medical aid schemes in operation in the Municipality:

- » KeyHealth
- » Bonitas
- » Hosmed
- » LA Health
- » Samwumed.

The following are pension fund schemes in existence in the Municipality:

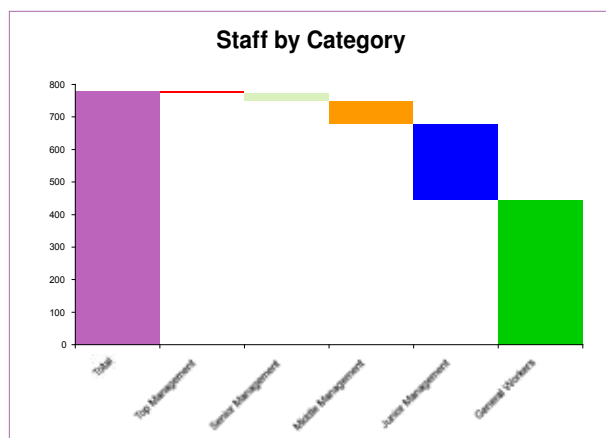
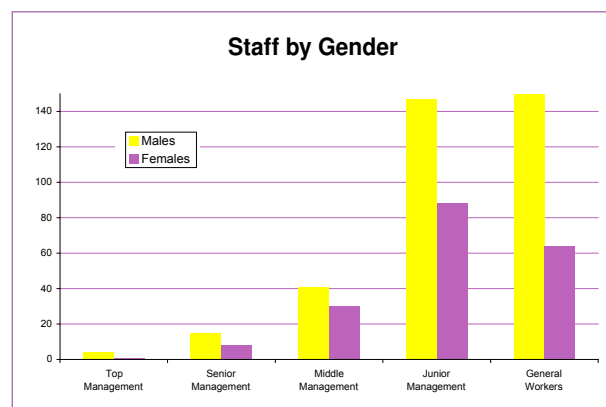
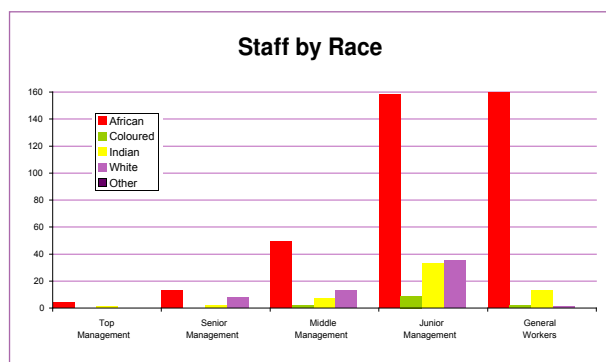
- » Natal Joint Municipal Pension/Provident Funds (NJMPF)
- » Government Employees Pension Fund (GEPF)
- » Municipal Councillors Pension Fund (MCPF).

Human Resource Profile

The following table provides staffing information:

Level	Region Demographics	Ugu – Overall														
		Top Management			Senior Management			Middle Management			Junior Management			General Workers		
Nos. off		5			23			71			235			445		
		Exist	Ideal	Diff	Exist	Ideal	Diff	Exist	Ideal	Diff	Exist	Ideal	Diff	Exist	Ideal	Diff
African Males	40.2	3	2.01	-0.99	7	9.25	2.25	26	28.54	2.54	91	94.47	3.47	366	178.890	-187.11
African Females	49.1	1	2.46	1.46	6	11.29	5.29	23	34.86	11.86	67	115.39	48.39	63	218.495	155.50
Coloured Males	0.4	0	0.02	0.02	0	0.09	0.09	0	0.28	0.28	6	0.94	-5.06	1	1.780	0.78
Coloured Females	0.4	0	0.02	0.02	0	0.09	0.09	2	0.28	-1.72	3	0.94	-2.06	1	1.780	0.78
Indian Males	2.0	1	0.10	-0.90	1	0.46	-0.54	6	1.42	-4.58	29	4.70	-24.30	13	8.900	-4.10
Indian Females	2.1	0	0.11	0.11	1	0.48	-0.52	1	1.49	0.49	4	4.94	0.94	0	9.345	9.35
White Males	2.5	0	0.13	0.13	7	0.58	-6.43	9	1.78	-7.23	21	5.88	-15.13	1	11.125	10.13
White Females	2.7	0	0.14	0.14	1	0.62	-0.38	4	1.92	-2.08	14	6.35	-7.66	0	12.015	12.02
Other Males	0.2	0	0.00	0.00	0	0	0	0	0	0	0	0	0	0	0.732	0
Other Females	0.3	0	0.00	0.00	0	0	0	0	0	0	0	0	0	0	0.189	0
TOTAL	100	5	5	0	23	23	0	71	71	0	235	234	-1	445	443	-2.67

Table 5: Employment equity statistics



Skills Development

A total of 452 employees received training in the 2008/09 financial year at a cost of R810 000.

Section 57 and Council

A Skills Audit has been conducted for all Section 57 Managers. DPLG Performance Management Regulations and MFMA provisions stipulate that Performance Evaluation Panels must be set up to conduct performance assessments of municipalities and Section 57 staff in municipalities. This training was targeted at S57 staff and Exco members of the entire family of municipalities. Supply Chain Management and Bid Committee of Local Municipalities also participated in this training. The participants included Senior and Middle Management. A total of 54 delegates were trained on the programme. S57 managers also underwent training on the Promotion of Administration Justice Act.

Minimum Competency Levels for Senior Management

The Municipal Finance Management Act, Sections 83, 107 and 119 prescribe that the Accounting Officer, Senior Managers, the Chief Financial Officer and other financial officials of a municipality

must meet the financial management competency levels prescribed by regulation. National Treasury issued regulations on Minimum Competency Levels on 15 June 2007. The regulations prescribe the minimum competency levels for the following categories of employees:

- ▶▶ Accounting Officers of municipalities and municipal entities;
- ▶▶ Chief Financial Officers of municipalities and municipal entities;
- ▶▶ Senior Managers of municipalities and municipal entities;
- ▶▶ Other Financial Officials of municipalities and municipal entities; and
- ▶▶ Supply Chain Management Officials of municipalities and municipal entities.

The regulations further require each municipality to report in its Annual Report consolidated information in respect of progress made in the attainment of minimum competency levels by the above mentioned categories of employees.

The report on progress made as at 30 June 2009 is provided in the table below in a format provided by the National Treasury.

Official	A Total number of officials employed by municipality [(Regulation 14(4)(a) and (c))]	B Total number of officials employed by municipal entities [(Regulation 14(a) and (c))]	C Consolidated: Total of A and B	D Consolidated: Competency assessments completed for A and B [(Regulation 14(4)(b) and (d))]	E Consolidated: Total number of officials whose performance agreements comply with Regulation 16 [(Regulation 14(4) (f))]	F Consolidated: Total number of officials that meet prescribed competency levels [(Regulation 14 (4) (e))]
Financial Official						
Accounting Officer	1	N/A	1	1	1	1
Chief Financial Officer	1	N/A	1	1	1	1
Senior Managers	4	N/A	4	-	4	4
Any other Financial Officials	4	N/A	4	4	N/A	4
Supply Chain Management Officials						
Head of Supply Chain Management Unit	1	N/A	1	1	1	1
Supply Chain Management Managers	1	N/A	1	-	-	1
Total	12	-	12	7	7	12

Table 6: Minimum Competency Levels for Senior Management

Column A – gives the total number of officials employed in the categories mentioned above.

Column B – gives the total number of officials employed by the municipal entity if applicable and such officials being in the categories mentioned above.

Column C – gives a total of employees covered in columns A and B.

Column D – gives the total number of employees that have undergone competency assessments.

Column E – gives the total number of officials whose performance contracts for the year ended 30 June 2008 indicated the attainment of these competency levels as a performance target.

Column F – gives the total number of officials that meet the minimum competency levels.

Technical

Internally Focused

- » Water and Wastewater Processes
- » TLB Operator
- » Crane Operator
- » Bobcat Operator
- » Validation of Laboratories
- » Adroit Configuration
- » Preventative Maintenance and Management of Water Plants
- » Air Quality Management
- » Engineering Development
- » Transportation of Hazardous Chemicals
- » Handling and Storage of Chlorine
- » RPL for Plumbers

The RPL project was aimed at recognising the skills and expertise of the plumbers in the employ of the Municipality with a view to training them in order to attain an accredited qualification, as well as addressing the critical and scarce technical skills as have been identified nationally. Forty one plumbers have been identified to undergo the assessment and training, at the end of which they will receive a qualification.

Externally focused

Monyetla Contact Centre Skills (Work Readiness) Programme:

The Municipality opened its doors to serve as a workplace provider over a period of six months for 20 unemployed learners who participated in the said project.

At least ten learners were absorbed by the Municipality.

Civil Engineering Internship

The Municipality served as a workplace provider for 12 Civil Engineering students who required experiential training for their qualification. The Internship programme is currently underway and will conclude in January 2010.

Administrative

Internally Focused

The ABET programme has been revisited and re-launched in partnership with Department of Education – Centres have been established at Port Shepstone and Harding where DoE Officials conduct classes for 42 learners.

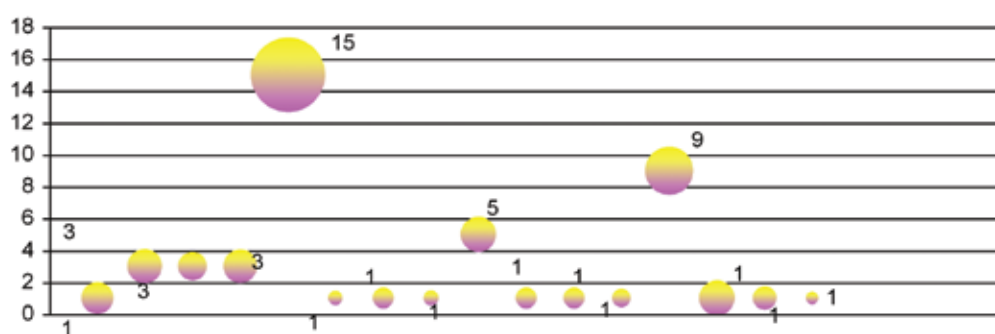
- » Orientation Programme for 60 newly employed staff members
- » Payroll Administration and HR Modules
- » ArcGIS
- » Real Asset Management

- » Galatrix Software
- » Office Protocol
- » Microsoft Tech-Ed
- » Debt Counselling
- » Records Management
- » Essential Tools for Editors and Journalists
- » Performance Management
- » Leadership training in Sustainable Development
- » Leadership for Project Managers
- » Call Centre/Customer Care
- » PAJA Workshop
- » Fraud and Money Laundering
- » Certificate Programme for Leadership Development
- » Certificate Programme for Municipal Development
- » GRAP
- » Electronic Records Management
- » Personal Financial Management
- » Supervising Internal Audit Project
- » Disciplinary Skills
- » Business Contracts and SLAs
- » BAUD System
- » Project Administration
- » HiPath 3000 Technician (Basic and Advanced)
- » Business Writing and Communication Skills
- » Municipal Budgeting and Financial Management
- » Project Preparation
- » Managing Credit, Accounting and Debt Recovery
- » Peace/Law Enforcement Officers.

Field of Study	No. of Awardees	Value
Finance	15	R74 470
Water	9	R31 262
Development Studies	1	R2 970
Local Government	1	R14 300
Public Management	3	R16 740
Civil Engineering	3	R11 505
Public Relations	3	R 15 430
Health Studies	5	R17 280
Real Estate	1	R6 295
Administration	1	R3 140
IQS CIS Management Programme	1	R6 320
Project Management	1	R6 300
IT Management	1	R4 715
Business Administration	1	R17 000
HR Management	1	R7 860
LLB	1	R2 250

Table 7: Bursaries Awarded to Staff Members

Training Beneficiaries



No	Name and Surname	Gender	Field of Study
1.	Sandile Mthethwa	Male	B Tech
2.	Benson Ndlovu	Female	B Admin
3.	Noncedo Gidimisani	Female	B Tech
4.	Zoli Mkhwanazi	Female	Dip Road Transport Mngt
5.	Andile Luthuli	Male	Dip Road Transport Mngt
6.	Masiza E Mbhele	Male	Advanced Cert Public Admin
7.	Arthur Mbhele	Male	B Tech
8.	Sipho Dlamalala	Male	Od Etdp
9.	Rishaal Ramdeen	Male	N Dip Civil Eng
10.	Mondli Ngcobo	Male	Ba Human & Social Studies
11.	Zingisa Sapho	Male	Cert Local Govt
12.	Khanyisani Ndlovu	Male	Cert Call Centre Operation
13.	Zimbini Ntlangula	Female	B Admin
14.	Lungile Zuma	Female	B Admin
15.	Jabu Bukhosini	Female	MBA
16.	Philani Gambushe	Male	Public Relations
17.	Sandisiwe Duma	Female	B Admin
18.	Silindile Lushaba	Female	B Admin
19.	Sanelisiwe Ndwalande	Female	Dip Human Resources

No	Name and Surname	Gender	Field of Study
20.	Sizwe Zondi	Male	Public Admin
21.	Aslam Khamissa	Male	Accounting Standards
22.	Jabulani Bhengu	Male	Project Mngt
23.	Ravendra Jumna	Male	Dip Civil Eng
24.	Clive Baloo	Male	Public Admin
25.	Derrick Ndlovu	Male	Matric
26.	Mandla Mkhngco	Male	Mbl
27.	Maureen Memela	Female	BA Admin
28.	Lorraine Gumbi	Female	MBA
29.	Queenie Ogle	Female	Dip Public Mngt
30.	Ntombikhona Malimela	Female	Secretarial Studies
31.	Lindani Mzotho	Male	Dip Public Admin
32.	Siziwe Dudeni	Male	Dip Human Resource Mngt
33.	Ngaleka Ndabayakhe	Male	B Com
34.	Michael Bliss	Male	B Com
35.	Mzikayise Madlala	Male	Cert Plumbing
36.	Mziwandile Nene	Male	Dip Project Mngt
37.	Sandile Phakathi	Male	Cert Project Mngt
38.	Phindile Mbutho	Female	Dip Project Mngt
39.	Sibisiso Khuzwayo	Male	Cert Plumbing
40.	Ndabo Shezi	Male	Dip Public Mngt
41.	Zintle Mavundla	Female	Comp Studies

Externally focused Careers Exhibition

The project emanated from the influx of young people to the Municipality who are desperate for financial assistance and bursaries. Many of these youths have completed their schooling and are unemployed but are willing to pursue a career.

Objectives:

- ▶▶ To disseminate information on tertiary studies, requirements and possible financial aid to all youth in the community
- ▶▶ To assist the youth in exploring alternative measures in accessing tertiary education and technical college routes
- ▶▶ To motivate young people for their best performance at high school levels in preparation for further and higher education levels and accessing scholarships and bursaries
- ▶▶ To provide young people with an opportunity to meet with representatives of various institutions of further and higher education, SETAs and financial providers
- ▶▶ To assist learners with subject choice for career development
- ▶▶ To set up tertiary support systems for Ugu students in tertiary institutions.

Various local, provincial and national institutions were invited to showcase youth development opportunities in their respective sectors.

The Careers Exhibition Day was attended by ±3 000 school-going young people from 123 local high schools (Grades 11 and 12) and ±500 unemployed matriculated young people. Six learners received financial aid to the value of R60 000 to register with various universities.

Internship Programme

The Municipality embarked on an aggressive internship programme, with a view to providing qualified, unemployed graduates with practical experience in order that they become employable.

The distribution of interns was as follows:

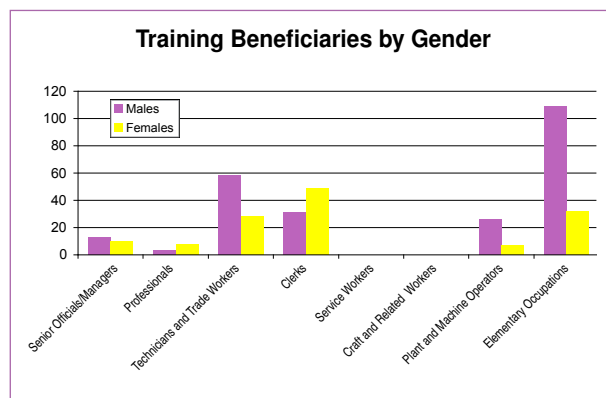
Area of Focus	No. of Interns
Registry Management Services	8
Financial Management	3
Human Resources Management	5
GIS	4
ICT	1
LED	2
Contact Centre Operations	6
Office Administration	4

Table 8: Distribution of Interns

The following table provides a breakdown of training beneficiaries per occupational categories:

Occupational Category	Males	Females	Total
Senior Officials/Managers	13	10	23
Professionals	3	8	11
Technicians & Trade Workers	58	28	86
Clerks	31	49	80
Plant and Machine Operators	26	7	33
Elementary Occupations	109	32	141
Total	248	137	385

Table 9: Training beneficiaries per occupational category



Training – filing skills development



Training – telephone skills development

Disclosures

Remuneration of Councillors

Councillor	Total Cost (R)	
	2009	2008
Mayor	674 269	649 730
Deputy Mayor	475 437	515 444
Speaker	458 617	499 811
Executive Committee Members	1 703 796	1 796 016
Councillors	2 230 285	1 887 662
Total	5 542 404	5 348 663

Table 10: Remuneration of Councillors

Remuneration for Senior Management

	2009 R	2008 R
Remuneration of the Municipal Manager		
Annual Remuneration	536 233	379 146
Leave encashed	-	426 883
Car, Entertainment, Housing, Subsistence and Other Allowances	368 275	277 127
Performance Bonus	61 409	61 890
Company Contributions to UIF, Medical and Pension Funds	10 215	60 757
Total	976 131	1 205 802
Remuneration of the Deputy Municipal Manager		
Annual Remuneration	375 314	83 420
Leave encashed	70 335	83 623
Car, Entertainment, Housing, Subsistence and Other Allowances	104 483	90 030
Performance Bonus	-	48 367
Company Contributions to UIF, Medical and Pension Funds	6 188	16 652
Total	556 319	322 092
Remuneration of the Chief Financial Officer		
Annual Remuneration	364 183	299 719
Leave encashed	-	129 778
Car, Entertainment, Housing, Subsistence and Other Allowances	300 510	304 676
Performance Bonus	61 409	63 565
Company Contributions to UIF, Medical and Pension Funds	98 630	97 248
Total	824 732	894 984
Remuneration of the General Manager: Corporate Services		
Annual Remuneration	160 760	452 697
Leave encashed	74 994	-
Car, Entertainment, Housing, Subsistence and Other Allowances	70 000	215 870
Performance Bonus	-	-
Company Contributions to UIF, Medical and Pension Funds	7 862	18 194
Total	313 616	686 761

The General Manager: Corporate Services resigned on 31 October 2008.

The Deputy Municipal Manager assumed the acting position from November 2008 to June 2009.

	2009 R	2008 R
Remuneration of the General Manager: Infrastructure and Economic Development		
Annual Remuneration	226 650	521 400
Leave encashed		
Car, Entertainment, Housing, Subsistence and Other Allowances	81 197	232 080
Performance Bonus	47 763	64 370
Company Contributions to UIF, Medical and Pension Funds	3 408	8 512
Total	359 018	826 362

The post became vacant in September 2007.
The General Manager: Infrastructure and Economic Development assumed the acting position from June 2008 to November 2008.
With effect from 1 December 2008 the Senior Manager: IED Finance assumed the acting position. At year-end the position was still vacant.

Remuneration of the General Manager: Water Services		
Annual Remuneration	539 411	521 400
Leave encashed	51 703	-
Car, Entertainment, Housing, Subsistence and Other Allowances	162 323	160 926
Performance Bonus	61 409	64 370
Company Contributions to UIF, Medical and Pension Funds	7 508	6 862
Total	822 354	753 558

Remuneration of the General Manager: Operations		
Annual Remuneration	258 291	343 865
Car, Entertainment, Housing, Subsistence and Other Allowances	-	-
Performance Bonus	134 750	152 175
Company Contributions to UIF, Medical and Pension Funds	4 436	5 516
Total	397 477	501 555

The General Manager: Operations was appointed in December 2008.
The Municipal Manager was acting in the post from March 2008 to November 2008.

Remuneration of the Special Advisor		
Annual Remuneration	389 218	376 222
Leave encashed	42 828	-
Car, Entertainment, Housing, Subsistence and Other Allowances	140 273	123 903
Performance Bonus	34 464	35 579
Company Contributions to UIF, Medical and Pension Funds	6 918	6 359
Total	613 700	542 063

The following compensation was payable to key management personnel in terms of IAS 19 as at 30 June:

Post Employment Benefits		
Chief Financial Officer	42 369	31 588
Total	42 369	31 588
Other Long-term Benefits		
Chief Financial Officer	45 369	35 293
Total	45 369	35 293

Occupational Health and Safety

An integrated approach to Safety, Health and Environment (SHE) risk management, using the International Organisation for Standardisation (ISO) management principles, is used at all the operational worksites within the District. The National Occupational Safety Act (NOSA) Quality Management System is used to manage the reporting and recording of internal safety, health and environmental incidents.

Highlights

A Hazard Identification and Risk Assessment (HIRA) of 30 more sites were conducted in the 2008/09 financial year. Following from the HIRA, a SHE Management System has been developed. The Ugu District Municipality, with the assistance of a service provider developed an Occupational Health and Safety Risk Management System that was adopted by Top Management in 2008. For the system to be implemented and utilised, all senior and middle management staff must be trained on the operations and functions of the system. The training is scheduled for August 2009.

Bobcat, TLB and Crane Operators were trained in January 2009. They received certificates and driver permits that are valid for three years.

Hepatitis A & B Vaccination Programme for new staff working in the Sanitation Sections were conducted. The programme stretched over a five-month period, ending off with a booster vaccination to ensure staff are protected against the virus.

Inspection of different sites indicated a positive improvement since the base line hazard identification and risk assessment that was conducted over a two year period (2005-2007).

There was a reduction in incidents (injuries on duty) of over 50% in the 2008/09 financial year compared to the previous year.

Installation of fire detection systems were installed at the Park Rynie Offices (old Umgeni Building) and the refurbished Oslo Beach Offices. These systems are radio linked to relevant staff that will respond in an emergency.

Employee Assistance Programme (EAP)

The EAP is striving to effect change in knowledge, attitude, life-style, behaviour and the environment leading to prevention, risk reduction and early detection of any adverse wellbeing challenges that may affect the organisation's employees.

Projects

Personal Financial Management Training

Observations revealed that there was an increase in garnishees against the employees on a monthly basis, as well as a lack of knowledge of implications of the National Credit Act. Employees were heavily indebted to micro-lenders.

Staff members from the junior management level and below have undergone training, with a second roll-out of such training planned for the next financial year 2009/10.

This training has resulted in improved personal financial management, and debt counselling has been identified as a further intervention in order to further reduce financial mismanagement by staff members. To this end, four peer educators were trained as Debt Counsellors.

Substance Abuse

Based on absenteeism patterns and referrals to the EAP, training on substance abuse was conducted. The training included a component on how supervisors can identify and manage staff

members who abuse substances whilst on duty.

Information, education and training programmes concerning alcohol and drugs is undertaken to promote safety and health in the workplace. The awareness workshops are directed at all workers, and contain information on the physical and psychological effects of alcohol. Information, education and training programmes concerning alcohol and drugs include the following information with respect to the working environment:

- ▶▶ the laws and regulations covering alcohol and drugs;
- ▶▶ information pertaining to alcohol- and drug-related problems, provided, however, that individual confidentiality is respected;
- ▶▶ Services available to assist workers with alcohol and drug-related problems, both within and outside of the workplace, including information concerning assessment and referral services, counselling, treatment and rehabilitation programmes; and
- ▶▶ in addition to participating in the information, education and training programmes are directed at supervisors and managers to enable them:
 - to identify changes in individual workplace performance and behaviour, which may indicate that the services of an employee assistance programme (EAP) are required;



EAP General Worker's Workshop

- to explain and respond to questions about the Municipality's policy regarding alcohol and drugs; and
- to support a recovering worker's needs and monitor his/her performance, when the person returns to work;

Supervisory Training

A lack of awareness of municipal policies, as well as implementation of the same, informed the need for such training. Evidence of the success of the training has been seen through the increased ability of the supervisors to manage various staff issues at the shop floor level.

Health Awareness Programmes

A partnership has been entered into between the Municipality and the District Office of the Department of Health on rolling out of the following health awareness programmes:

HIV and AIDS

Prevention through information and education

HIV and AIDS information and education programmes are essential to combat the spread of the epidemic and to foster greater tolerance for workers who are infected and affected by HIV/AIDS. Effective education contributes to the capacity of workers to protect themselves against HIV infection. It significantly reduces HIV-related anxiety and stigmatisation, minimises disruption in the workplace and brings about attitudinal and behavioural change.

The HIV and AIDS workplace programme ensures support at the highest levels and the fullest participation of all concerned. Information and education is provided in a variety of forms, such as written pamphlets and group information sharing sessions.

These sessions are tailored to behavioural risk factors of the workforce and its cultural context. They are delivered by trusted and respected individuals; hence, we have conducted them in partnership with Department of Health nurses. Peer education has been found to be particularly effective as there have been referrals from the peer educators.

Linkage to Health Promotion Programmes

The HIV and AIDS educational programme is linked to health promotion programmes dealing with issues such as substance abuse, stress and reproductive health at the workplace. It also highlights that intoxication due to alcohol and drugs could lead to behavior which increases the risk of HIV infection.

Practical Measures to Support Behavioural Change

Employees are provided accurate and up-to-date education about risk reduction strategies, and condoms should be available.

Anti-Retroviral Treatment for both the employee and partner is provided including ongoing treatment adherence support.



Supervisor's workshop



Healthy lifestyle

Cancer

Workshops were conducted to educate employees.

Tuberculosis

Tuberculosis (TB) ranks as one of the world's most lethal but also most treatable infectious diseases in adults. When the treatment is properly given and adhered to, it can be cured. Yet, two million people die each year from TB. Three quarters of these are men and women in the most productive age group. This results in significant economic consequences.

Managing TB in the workplace makes a good business sense. The workplace is a win-win setting for TB management – for both the worker and the Municipality. For the worker, the workplace is a convenient location to gain awareness and receive treatment support for TB. For the Municipality, TB management saves costs by reducing absenteeism and staff turnover – through prompt diagnosis and effective treatment – and by reducing transmission to other workers with attendant costs. TB management within the Municipality is not only due to cost saving at the workplace, it is part of corporate responsibility programmes, and is a broad commitment to improving the well-being of the community. Where TB prevalence is high, TB management at the workplace is an opportunity for the Municipality to concretely demonstrate its social commitment, as showing that the Municipality is concerned about the community is well-being at large.

TB is a major contributor to ill health and poverty in a community. The success of the Municipality is closely linked to the health and prosperity of the community. The community is a source of workers, services, contractors and business; it is a key part of the overall business environment. In high prevalence settings, many workers are vulnerable to TB. A sick worker means disrupted workflow, reduced productivity, weeks or months of absenteeism and, potentially, the direct costs of treatment. The average time lost from normal activities due to TB infection is six months. All this can add up to substantial costs to the Municipality.

Diabetes Management

A person with well managed diabetes does not pose a threat to his or her colleagues or to the efficient operation in the workplace. In fact, it has been observed that people with well managed diabetes often miss fewer days due to illness because, in order to manage their blood glucose effectively, they must lead generally healthier lifestyles. It is important that everyone in the workplace have accurate information about diabetes. Communication, cooperation and accurate information will encourage

a healthier and more productive environment, hence diabetes education and awareness is one of the EAP projects.

People with diabetes often face discrimination in the workplace simply because others do not understand diabetes and how it is managed. People with diabetes may conceal their disease from their employers and colleagues in order to avoid negative reactions, rejection or outright discrimination. As a result, an insulin injection may be missed, a blood glucose test forgotten or a meal postponed, consequently jeopardising an individual's overall health and perhaps his or her safety on the job. The majority of people manage their diabetes by eating a healthy diet, maintaining a healthy body weight and exercising regularly. Some individuals require oral medications and/or insulin, administered by syringe or insulin pen.

Diabetes is unique to each person. Therefore, a diabetes management plan is also unique to each person's needs. A plan would include regular medical reviews, an exercise programme and diet, insulin or other medication therapy. Self-monitoring of blood glucose, with a blood glucose meter, enables a person with diabetes to adjust the timing and amount of insulin to match different activity levels, as well as the amount, timing and type of food consumed.

Human rights codes provide that an employer must accommodate a person with diabetes up to the point of "undue hardship". Reasonable accommodation of a person with diabetes may simply mean altering an employee's work schedule to include regular breaks to eat a snack, to monitor blood glucose or to administer medication in a private location. A person's medical information is confidential.

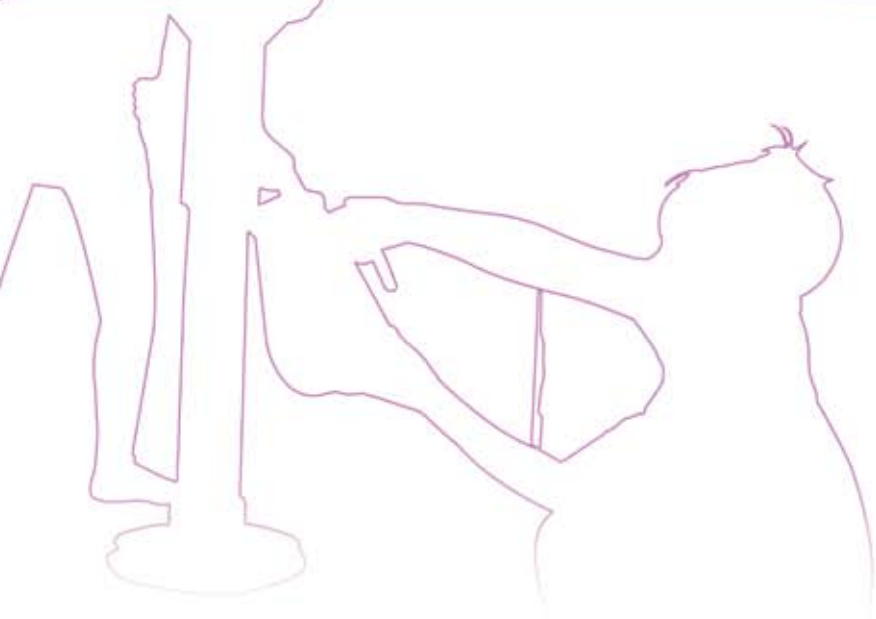
Highlights:

- » The Municipality provides care and support and provides access to health services that fulfil the needs of employees with TB and related illnesses, conducts referrals for treatment and care services, and pays for them.
- » The DOTS approach is provided by the peer educators
- » Measures to accommodate and support workers with TB are made through flexible leave arrangements, rescheduling of working times, and arrangements for return to work
- » Improvement of treatment adherence and less sick leave utilisation.
- » Confidence amongst people who are diabetic because they feel more accepted as their colleagues understand better why they have to inject themselves and eat the type of meals they eat
- » Screening for lifestyle-related illnesses (hypertension, diabetes, cholesterol levels, body mass index.



FINANCIAL STATEMENTS AND RELATED FINANCIAL INFORMATION

Chapter Four



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General Information

MAYOR

Councillor SB Cele

DEPUTY MAYOR

Councillor NCP Mqwebu

SPEAKER

Councillor MA Chiliza

MEMBERS OF THE EXECUTIVE COMMITTEE

Mayor

Deputy Mayor

Speaker (Ex officio)

Councillors:

S Mahomed

IM Mavundla

SG Nyawuza

One Vacancy

GRADING OF THE LOCAL AUTHORITY

Grade 5

AUDITORS

Auditor-General

PRIMARY BANKER

Absa Bank Ltd

REGISTERED OFFICE

Aqua House

28 Connor Street

Port Shepstone

PO Box 33

Port Shepstone

4240

Telephone:

(039) 688-5700

Facsimile:

(039) 682-4820

E-mail:

info@ugu.org.za

Website:

www.ugu.gov.za

MUNICIPAL MANAGER

L Mahlaka

CHIEF FINANCIAL OFFICER

VH Hukum

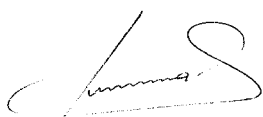
General Information (continued)

Other Managers	
Deputy Municipal Manager	MB Mnyandu
General Manager: Operations	OT Mnyayiza
Senior Manager: Strategy & Shared Services	MJ Ngesi Dr
Senior Manager: Mayoralty & Communications	BF Dube
Manager: Internal Audit	A Gonzalves
Manager: Development Planning	NP Sibisi
Manager: Legal Services	P Sughudav
Manager: HIV/AIDS & Rights of the Child	MB Mnguni
Manager: Youth Development	SZ Khuzwayo
Manager: Sports Development	Vacant
Manager: Special Programmes	Vacant
Manager: Professional & Support	Vacant
Manager: Grants & Expenditure	TN Vezi
Manager: Equity & Accounts	SJ van Rooyen
Manager: Budget Office	SP Mbili
Manager: Supply Chain Management	FW Mbili
General Manager: Corporate Services	Vacant
Manager: Secretariat, ICT & Auxiliary Services	Y Roboji
Manager: Job Evaluation Process	HEAM Wilcocks
Manager: Human Resources	VO Mazibuko (Acting)
General Manager: Infrastructure & Economic Development	Vacant
Senior Manager: Project Management Unit	PS Watson
Manager: Tourism & Local Economic Development	SV Hlongwane
Manager: Project Management Unit	Vacant
Manager: IED Finance	CT Wilcocks
Manager: Market	T Khwela
Manager: Disaster Management	SBB Ngcamu (Acting)
Manager: Environmental Services	N Nkqeto
General Manager: Water Services	MN Pawandiwa
Senior Manager: Water Services Authority	J van der Walt Dr
Senior Manager: Water Services Operations	M Ncube
Area Manager: North	SS Nxusa (Acting)
Manager: Water Services Income	N Mvumbi
Manager: Area Manager – South – Water Services	L Cele
Manager: Mechanical & Electrical	PF Hart
Manager: Administration – Water Services	DI MacIntosh

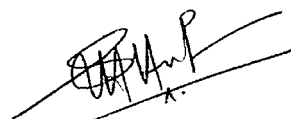
Approval of Financial Statements

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 69 to 239, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003), and which I have signed on behalf of the Municipality.

These Annual Financial Statements will be presented to the Council for information during September 2009.



L MAHLAKA
Municipal Manager
28 August 2009



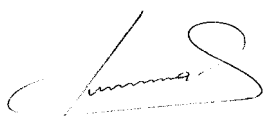
VED H HUKUM
Chief Financial Officer
28 August 2009
Counter Signed

Members of Council

Councillors		Councillors	
SB Cele	ANC	BR Duma	ANC
NC Mqwebu	ANC	NH Gumede	ANC
MA Chiliza	ANC	JP Janse van Vuuren	ANC
B Cele	ANC	GM Mchunu	ANC
TN Dzingwa	ANC	MA Mpisi	ANC
CA Gamble	ANC	MR Ngcobo	ANC
BT Lubanyana	ANC	AD Ngubo	ANC
S Mahomed	ANC	Y Nair	ANC
IM Mavundla	ANC	ZJ Zwane	ANC
E Moosa Bux	ANC	GN Mbambo	IFP
D Nciki	ANC	NA Mhlongo	IFP
VL Ntanza	ANC	SD Njongo	IFP
MG Sonwabo	ANC	FB Shezi	IFP
A C Human	DA	BN Shoji	IFP
D Snashall	DA		
NF Maphumulo	IFP		
BO Ngcobo	IFP		
SG Nyawuza Dr	IFP		
M Pillay	IFP		
SM Zuma	IFP		

CERTIFICATION OF REMUNERATION OF COUNCILLORS

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



L MAHLAKA

Municipal Manager

28 August 2009

Foreword

We are pleased to present this financial report that reflects our commitment to the principle of good governance and clean administration by our Council.

As a responsible local government structure, we have worked hard during the period under review to execute the mandate given to us by the communities we serve.

We want to make the observation that the state of our organisational finance is relatively sound. We continue to receive over 95% of every Rand we bill.

As a developmental local government institution, we place very high emphasis on total compliance with financial legislation governing our conduct. We will continue to place great focus on empowering our public representatives in playing a vigorous oversight role in the management of public funds.

We wish to thank Council and our administration for their hard work in ensuring that we post positive results in respect of our financial management.

I thank you.



COUNCILLOR SB CELE

Mayor

28 August 2009

Report of the Auditor-General to the KwaZulu-Natal Provincial Legislature and the Council on the Financial Statements and Performance Information of Ugu District Municipality for the year ended 30 June 2009

Report on the Financial Statements

Introduction

1. I have audited the accompanying financial statements of the Ugu District Municipality which comprise the statement of financial position as at 30 June 2009, the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 92 to 189.

The Accounting Officer's Responsibility for the Financial Statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the Standard of Generally Recognised Accounting Practices (Standards of GRAP) and in the manner required by the Local Government: Municipal Finance, Management Act 2003 (Act No. 56 of 2003) (MFMA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Auditor-General's Responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Act, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of MFMA, my responsibility is to express an opinion on these financial statements, based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing read with General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement. Including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error, in making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management as well as evaluating the overall presentation of the financial statements.
6. Paragraph 11 & et seq. of the Standards of GRAP, GRAP 1 Presentation of Financial Statement requires the financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the Ugu District Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

8. In my opinion the financial statements present fairly, in all material respects, the financial position of the Ugu District Municipality as at 30 June 2009 and its financial performance and cash flows for the year then ended, in accordance with the Standards of GRAP and in the manner required by the MFMA.

Emphasis of Matters

Without qualifying my opinion, I draw attention to the following matters:

Unauthorised Expenditure

9. As disclosed in note 46.1 to the financial statements, unauthorised expenditure to the amount of R55,6 million was incurred as proper supply chain management procedures had not been followed.

Irregular Expenditure

10. As disclosed in note 46.3 to the financial statements, irregular expenditure to the amount of R5,8 million was incurred as proper supply chain management had not been followed.
11. As disclosed in note 46.3 to the financial statements, irregular expenditure to the amount of R6,9 million was incurred as a result of non-compliance with section 67 the MFMA.

Restatement of Corresponding Figures

12. As disclosed in notes 40 and 41 to the financial statements, the corresponding figures for 30 June 2008 have been restated as a result of a change in accounting policy and errors discovered during 2008/09 in the financial statements of the Municipality at and for the year ended 30 June 2008.

Material Losses

13. As disclosed in note 38.1 to the financial statements, water losses amounting to R33 365 000 were incurred.

Other Matters

Without qualifying my opinion, I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Material Inconsistencies in Other Information Included in the Annual Report

14. We acknowledge receipt of the draft annual report. The final annual report in terms of section 127(2) of the MFMA of section 127(2) of the MFMA will be reviewed on receipt.

Unaudited Supplementary Schedules

15. The Municipality provided supplementary information in annexures E1 and E2 to the financial statements on whether resources were obtained and used in accordance with GRAP 1 Presentation of Financial Statements. The supplementary budget information and other supplementary information set out on pages XX and XX do not form part of the financial statements and are presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

Non-compliance with Applicable Legislation

Municipal Finance Management Act

16. The Municipality did not comply with section 65(2)(e) of the Municipal Finance Management Act that requires all payments to be made within 30 days.

Governance Framework

17. The governance principles that impact the auditor's opinion on the financial statements to the responsibilities and practices of the accounting officer and executive management and are reflected in the key governance responsibilities addressed over the page:

Unauthorised Expenditure

18. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
Clear trail of supporting documentation that is easily available and provided in a timely manner			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.	✓	
Quality of financial statements and related management information			
2.	The financial statements were not subject to any material amendments resulting from the audit.		✓
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.		✓
Timeliness of financial statements and management information			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines in section 126 of the MFMA.	✓	
Availability of key officials during audit			
5.	Key officials were available throughout the audit process.	✓	
Development of and compliance with risk management, effective internal control and governance practices			
6.	Audit committee		
	• The entity had an audit committee in operation throughout the financial year.	✓	
	• The audit committee operates in accordance with approved, written terms of reference.	✓	
	• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.	✓	
7.	Internal audit		
	• The entity had an internal audit function in operation throughout the financial year.	✓	
	• The internal audit function operates in terms of an approved internal audit plan.	✓	
	• The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.	✓	
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.	✓	
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.	✓	
10.	The information systems were appropriate to facilitate the preparation of the financial statements.	✓	
11.	Risk management was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in section 62(1)(c)(i) of the MFMA.	✓	
12.	Powers and duties are assigned as set out in section 79 of the MFMA.	✓	
Follow-up of audit findings			
13.	The prior year's audit findings have been substantially addressed.	✓	
14.	SCOPA/Oversight resolutions have been substantially implemented.		✓
Issues relating to the reporting of performance information			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.	✓	
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.	✓	
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the District Municipality against its mandate, predetermined objectives, outputs, indicators and targets in section 68 of the MFMA.	✓	
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.	✓	

19. There was a clear trail of supporting documentation that was easily available. The financial statements and management information were submitted timeously, but the financial statements required some material adjustments because accounts payables were not recorded in the correct accounting period, long-outstanding receivables were not measured at amortised cost less a provision for impairment, and expenses at year-end were included in the accounts receivable. The key officials were always available and had substantially addressed the prior year findings.

Report on Other Legal and Regulatory Requirements

Report on performance information

20. I have reviewed the performance information as set out on pages xx to xx.

The Accounting Officer's Responsibility for the Performance Information

21. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality, prepared by the municipality in terms of section 46 of the Local Government, Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

The Auditor-General's responsibility

22. I conducted my engagement in accordance with section 13 of the PAA read with General Notice 616 of 2008, issued in Government Gazette No 31057 of 15 May 2008 and section 45 of the MSA.
23. In terms of the foregoing my engagement included performing procedures of a review nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
24. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the review findings reported below.

Audit finding on performance information

Non-compliance with regulatory requirements

Public was not given notice on adoption of Integrated Development Plan

25. The Ugu District Municipality did not give notice to the public of the adoption of the Integrated Development Plan as required by section 25 of the MSA.

Appreciation

26. The assistance rendered by the staff of the Ugu District Municipality during the audit is sincerely appreciated.

Pietermaritzburg

Pietermaritzburg
30 November 2009



AUDITOR - GENERAL

Management Report Findings for the year ended 30 June 2009

Corrective Management Plans

No	Finding	Corrective Action	Completion Date	Responsible Manager/ General Manager
(A) EMPHASIS OF MATTER				
1	Unauthorised expenditure	<p>With the new financial system in place, the budget office will, in addition to the normal budget checks, be able to track expenditure that is committed per order, to avoid over expenditure when the vote has already been committed.</p> <p>The Budget Office will exercise caution when preparing for the Budget Adjustment, and will monitor the expenditure budget to actual variance on a weekly basis.</p>	Immediate	Manager: Budget Office
2	Irregular expenditure	<p>The correct Municipal Bid Document (MBD) form, which requests the submission of financial statements, is now used when bids are invited.</p> <p>These were once off payments. Hibiscus Coast Tourism has since been absorbed as an entity of the municipality, and a service level agreement is currently being finalized, which agreement clearly sets out transfer payments to the entity.</p>	<p>Immediate</p> <p>Completed</p>	<p>Manager: Supply Chain Management</p> <p>Manager: Supply Chain Management</p>
3	Restatement of corresponding figures	It is a requirement of GRAP that all changes in accounting policy must, as far as is practicable, be applied retrospectively. The restatement of comparative figures, will thus always be emphasized by the Auditor-General.	Not applicable	GM: Treasury
4	Material losses	<p>To reconfigure the water balance sheet and align to financial reporting.</p> <p>To exclude the free basic standpipe water figures, whose cost is recoverable under our equitable share.</p> <p>Completion of the reporting functionality of the billing system – To investigate alternative mechanisms to extract billing figures.</p> <p>Completion of second phase of non-revenue water (NRW) reduction project.</p> <p>Establishment of pressure and meter zone and subsequently reduce apparent losses.</p> <p>Completion of meter audit.</p> <p>Develop asset replacement programme for meters.</p> <p>Repair and replace malfunctioning meters.</p> <p>Reduction of billing errors and apparent water losses.</p> <p>Reduce illegal consumption.</p>	<p>June 2010</p> <p>31 March 2010</p> <p>June 2010</p> <p>June 2010</p> <p>June 2010</p> <p>June 2010</p> <p>June 2010</p>	<p>Senior Manager: Operations</p> <p>ERP Manager</p> <p>Area Manager WC & DM</p> <p>Senior Manager: WSA</p> <p>Area Manager WC & DM</p> <p>Manager: Water Services Income</p>

No	Finding	Corrective Action	Completion Date	Responsible Manager/ General Manager
(B) OTHER MATTERS				
5	Municipal Finance Management Act	<p>A record of invoices submitted for payment, which do not comply with pre-payment requirements is kept and invoices are returned to user departments for rectification and re-submission. The Sub-Accountant Accounts Payable would trace them for prompt re-submission.</p> <p>A separate record would be kept of all late invoice submission by Suppliers whose payment may not be made within 30 days.</p> <p>Both these records would be evaluated by the Manager: Grants and Expenditure and reported to Extended Top Management monthly.</p>	01 January 2010	Manager: Grants and Expenditure
(C) OTHER REPORTING RESPONSIBILITIES				
6	Public was not given notice on adoption of Integrated Development Plan	This notice was issued for the 2009/2010 financial year, and in future such legislative compliance shall be strictly adhered to.	Not applicable	Senior Manager: Strategy and Shared Services

Management Report Findings for the year ended 30 June 2009

Corrective Management Plans

No	Finding	Corrective Action	Completion Date	Responsible Manager/ General Manager
(A) MATTERS AFFECTING THE AUDITOR'S REPORT				
1	Bidders did not furnish audited annual financial statement	The correct Municipal Bid Document (MBD) form, which requests the submission of financial statements, is now used when bids are invited.	Immediate	Manager: Supply Chain Management
2	Payment to Hibiscus Coast Tourism Association	These were once off payments. Hibiscus Coast Tourism has since been absorbed as an entity of the municipality, and a service level agreement is currently being finalized, which agreement clearly sets out transfer payments to the entity.	Completed	Manager: Supply Chain Management
3	Expenditure exceeds budget	With the new financial system in place, the budget office will, in addition to the normal budget checks, be able to track expenditure that is committed per order, to avoid over expenditure when the vote has already been committed. The Budget Office will exercise caution when preparing for the Budget Adjustment, and will monitor the expenditure budget to actual variance on a weekly basis.	Immediate	Manager: Budget Office
4	Payment not made within 30 days of the receipt of invoice (Municipal Finance Management Act Section 65(2)(e))	A record of invoices submitted for payment, which do not comply with pre-payment requirements is kept and invoices are returned to user departments for rectification and re-submission. The Sub-Accountant Accounts Payable would trace them for prompt re-submission. A separate record would be kept of all late invoice submission by Suppliers whose payment may not be made within 30 days. Both these records would be evaluated by the Manager: Grants and Expenditure and reported to Extended Top Management monthly.	01 January 2010	Manager: Grants and Expenditure
5	Public was not provided with notice of the adoption of the IDP	This notice was issued for the 2009/2010 financial year, and in future such legislative compliance shall be strictly adhered to.	Not applicable	Senior Manager: Strategy and Shared Services

No	Finding	Corrective Action	Completion Date	Responsible Manager/ General Manager
(B) OTHER IMPORTANT MATTERS				
6	No assessment of internal audit by Audit Committee	Internal audit has undergone an independent quality review assessment by National Treasury, the results of which will be reported to the Audit Committee. A separate assessment by the Audit Committee will be conducted prior to the close of the 2010 financial year.	31 January 2010	Manager: Internal Audit
7	Audit Committee Assessment not conducted	An audit committee assessment for the 2009/10 financial year will be conducted with the assistance of the DLGTA.	30 June 2010	Manager: Internal Audit
8	Internal audit recommendation not implemented	Through the Risk Management Committee, it will be ensured that all internal audit recommendations are implemented.	30 June 2010	General Manager: Operations
9	Cellphones not raised as assets	A list of all handsets on contract will be compiled and values will be obtained from the service provider. Should this meet capitalisation requirements, the phones will be capitalised and depreciated over two years.	30 June 2010	Manager: Equity and Accounts
10	Incomplete asset register	The insured values and estimated residual values will be added to the assets register by 30 June 2010. This will be done as at 30 June as the values need to be adjusted at the end of each year.	30 June 2010	Manager: Equity and Accounts
11	No exception reports are generated	Measures are afoot to correct this situation. Axapta consultants are working with Treasury Management to develop these reports.	31 January 2010	Manager: ERP Project
12	Difference between the amount of bad debts written off in the AFS and the amount approved by Council	<p>The reason for the difference in the values is due to the fact that some customers did pay or applied for indigent support before the actual write off process. Some customers either had full amounts rebated through indigent support or a portion of the approved write off paid.</p> <p>Nevertheless, care shall be taken in future to ensure that all debtors proposed for write offs, are those that have also gone through a vetting process for indigent support.</p>	30 June 2010	Manager: Water Services Income

No	Finding	Corrective Action	Completion Date	Responsible Manager/ General Manager
13	Interest earned as per investment register does not agree to confirmations	<p>This matter will be followed up with the banks to determine how the amounts on the bank verifications are calculated.</p> <p>All interest received are recalculated and differences are communicated to the banks and followed up. The recalculations are now saved as part of the investments register and will be available for audit in the future.</p>	30 April 2010	Manager: Equity and Accounts
14	Cash flow and Investment Report not submitted timeously	There have been some challenges in the current year regarding the timeous submission thereof; however when the phase II upgrade of the Axapta system is completed and functioning well, the reports will be completed timeously and filed accordingly.	31 March 2010	Manager: Budget Office
15	Acting allowances overpaid	<p>Monthly monitoring reports shall be done.</p> <p>Deviations from the policy shall be identified and corrected immediately.</p>	From January 2010	GM: Corporate Services
16	Long Services Allowances paid in every month	<p>This stated payment has been terminated with effect from October 2009.</p> <p>An acknowledgement of debt agreement has been signed and repayments effected from November 2009.</p> <p>Monthly reviews shall be undertaken by Human Resources in order to determine overpayment prior to finalization of monthly pay run.</p>	30 November 2009	GM: Corporate Services
17	Overtime paid to employees who's salary exceeds the threshold	<p>Monthly monitoring reports shall be done.</p> <p>Deviations from the policy shall be identified and corrected immediately.</p>	From January 2010 - continuously	GM: Corporate Services
18	Trade creditor not recorded in the correct accounting period	<p>A record of invoices submitted for payment, which do not comply with pre-payment requirements is kept and invoices are returned to user departments for rectification and re-submission. The Sub-Accountant: Accounts Payable would trace them for prompt re-submission.</p> <p>A separate record would be kept of all late invoice submission by Suppliers whose payment may not be made within 30 days.</p> <p>Both these records would be evaluated by the Manager: Grants and Expenditure and reported to Extended Top Management monthly.</p>	01 January 2010	Manager: Grants and Expenditure

No	Finding	Corrective Action	Completion Date	Responsible Manager/ General Manager
(C) ADMINISTRATIVE MATTERS				
19	Staff Advances does not agree to supporting schedule	The unreconciled amount of R30,514.02 being brought forward balance from prior years would be written off in the 2009/2010 financial year as irrecoverable sundry debts, once a resolution from the Executive Committee is obtained.	31 March 2010	Manager: Grants and Expenditure
20	No committee formed to administer the Indigent Support programme	<p>The committee that is referred to in this report and also mentioned in the policy is a working committee, which segregates the various roles of each employee in the indigent support process. It is not a formal Council Committee that meets to discuss issues or has terms of reference.</p> <p>A solution will be to change the wording in the policy when policies are reviewed so as to avoid the conflict.</p>	31 May 2010	Manager: Water Services Income
21	Excess leave not encashed or forfeited	<p>Annual leave monthly monitoring reports that indicate employee leave credits in excess of 48 days shall be prepared.</p> <p>Departmental leave plans shall be developed and implemented by General Managers.</p>	From January 2010 - ongoing.	GM: Corporate Services

Report of the Chief Financial Officer

1. INTRODUCTION

It gives me great pleasure to present the financial position of Ugu District Municipality at 30 June 2009 and the results of its operations and cash flows for the year then ended.

The Statement of Financial Position at 30 June 2009 indicates an increase in Net Assets, and an increase in Non-current Liabilities and in Current Liabilities.

The increase in Net Assets is ascribed primarily to the increase in Accumulated Surplus as a result of identifying, componentising and measuring immovable assets. The increase in Non-current Liabilities is primarily as a result of additional Long-term Loans being taken up for infrastructure expansion and refurbishment and an increase in Retirement Benefit Liabilities.

2. KEY FINANCIAL INDICATORS

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the Municipality.

Financial Statement Ratios:

Indicator	2009	2008
Surplus before Appropriations	19 626 075	117 263 329
Surplus at the End of the Year	692 538 673	548 964 425
Expenditure Categories as a Percentage of Total Expenses:		
Employee Related Costs	25.56%	30.19%
Remuneration of Councillors	0.86%	1.24%
Bad Debts	1.61%	0.66%
Collection Costs	0.01%	0.05%
Depreciation	3.93%	6.85%
Repairs and Maintenance	4.72%	4.37%
Interest Paid	1.31%	1.81%
Bulk Purchases	3.11%	3.91%
Contracted Services	1.92%	2.03%
Grants and Subsidies Paid	25.06%	19.17%
General Expenses	32.51%	29.72%
Current Ratio:		
Creditors Days	69	67
Debtors Days	120	146

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix D, whilst operational results per category of expenditure, together with an explanation of significant variances of more than 10% from budget, are included in Appendix E(1).

The services offered by Ugu District Municipality can generally be classified as General, Economic and Trading Services and are discussed in more detail below.

The overall operating results for the year ended 30 June 2009 are as follows:

Details	Actual 2008/09 R	Actual 2007/08 R	Percentage Variance %	Budgeted 2008/09 R	Variance actual/ budgeted %
Revenue:					
Opening surplus	64 822 350	29 131 414	122.52%	-	-
Operating revenue for the year	667 167 447	547 722 129	21.81%	591 898 383	12.72%
Appropriations for the year	(48 475 606)	(75 513 052)	-35.80%	-	-
GRAP 17 adjustments	270 082 799				
	<u>953 596 989</u>	<u>501 340 491</u>	<u>90.21%</u>	<u>591 898 383</u>	<u>61.11%</u>
Expenditure:					
Operating expenditure for the year	647 541 371	430 458 800	50.43%	591 898 383	9.40%
Closing surplus	306 055 618	64 822 350	372.15%	-	-
	<u>953 596 989</u>	<u>501 340 491</u>	<u>90.21%</u>	<u>591 898 383</u>	<u>61.11%</u>

3.1 General Services:

This entails the management of infrastructure and other grants, which are used primarily for infrastructure development, local economic development and tourism marketing and development.

Details	Actual 2008/09 R	Actual 2007/08 R	Percentage Variance %	Budgeted 2008/09 R	Variance actual/ budgeted %
Revenue	360 464 357	286 366 593	25.88%	276 504 580	30.36%
Expenditure	288 405 260	160 177 683	80.05%	262 377 450	9.92%
Surplus	72 059 097	126 188 910	-42.90%	14 127 131	-
Surplus as % of total revenue	<u>19.99%</u>	<u>44.07%</u>		<u>5.11%</u>	

Variance from 2007/08 actual:

The 25,88% increase on last year's actual revenue is primarily as a result of the Flood Disaster Grant being included in revenue. The 80,05% increase on last year's actual expenditure is primarily as a result of the Flood Disaster Grant expenditure.

Variance from 2008/09 budget:

The 30,36% increase on the reporting year's budget is primarily as a result of grants not budgeted for, being received. The 9,92% increase on last year's actual expenditure is primarily as a result of grants being spent, which were not budgeted for.

3.2 Economic Services:

This essentially entails the construction, operation and maintenance of sanitation schemes within the area of jurisdiction of the Municipality.

Details	Actual 2008/09 R	Actual 2007/08 R	Percentage Variance %	Budgeted 2008/09 R	Variance actual/ budgeted %
Revenue	52 367 139	55 460 823	-5.58%	56 111 730	-6.67%
Expenditure	58 142 229	45 289 782	28.38%	56 111 730	3.62%
Surplus / (deficit)	(5 775 091)	10 171 041	-156.78%	0	-
Surplus / (deficit) as % of total revenue	-11.03%	18.34%		0.00%	

Variance from 2007/08 actual:

The 5,58% decrease on last year's actual revenue is primarily as a result of fewer properties being used for conservancy tank services. The 28,38% increase on last year's actual expenditure is primarily as a result of increased departmental chargeouts to other services.

Variance from 2008/09 budget:

The 6,67% decrease on the reporting year's budget is primarily as a result of fewer properties being billed for sanitation charges. The 3,62% increase on the reporting year's budget is primarily as a result of additional repairs and maintenance work being carried out on sanitation infrastructure.

3.3 Trading Services:

This entails the construction, operation and maintenance of all water schemes located within the area of jurisdiction of the Municipality.

Details	Actual 2008/09 R	Actual 2007/08 R	Percentage Variance %	Budgeted 2008/09 R	Variance actual/ budgeted %
Revenue	254 335 951	205 894 713	23.53%	259 282 073	-1.91%
Expenditure	300 993 882	224 991 334	33.78%	273 409 204	10.09%
Surplus / (deficit)	(46 657 931)	(19 096 622)	144.33%	(14 127 131)	-
Surplus / (deficit) as % of total revenue	-18.35%	-9.27%		-5.45%	

Variance from 2007/08 actual:

The 23,53% increase on last year's actual revenue is primarily as a result of more grant income being allocated towards basic services. The 33,78% increase on last year's actual expenditure is primarily as a result of increased grant expenditure and unforeseen maintenance expenditure as a result of floods experienced.

Variance from 2008/09 budget:

The 1,91% decrease on the reporting year's budget is primarily as a result of a drop in water consumption. The 10,09% increase on the reporting year's budget is primarily as a result of additional repairs and maintenance work being carried out on water infrastructure and additional bulk water purchases.

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Property, Plant and Equipment during the year amounted to R233 032 606 (2007/08: R206 535 297). Full details of Property, Plant and Equipment are disclosed in Note 12 and appendices B, C and E(2) to the Annual Financial Statements.

Details	Actual 2008/09 R	Actual 2007/08 R	Percentage Variance %	Budgeted 2008/09 R	Variance actual/ budgeted %
Capital Replacement Reserve	86 372 557	39 116 845	120.81%	85 145 500	1.44%
External Loans	13 751 110	24 710 373	-44.35%	15 500 000	-11.28%
Finance Leases	2 304 580	13 538 741	-82.98%	10 000 000	0.00%
Grants and Subsidies	130 604 359	129 169 338	1.11%	145 544 108	-10.26%
	<u>233 032 606</u>	<u>206 535 297</u>	<u>12.83%</u>	<u>256 189 608</u>	<u>-9.04%</u>
	-			-	

Source of funding as a percentage of Total Capital Expenditure:

Details	2009	2008
Capital Replacement Reserve	37.06%	18.94%
External Loans	5.90%	11.96%
Finance Leases	0.99%	6.56%
Grants and Subsidies	56.05%	62.54%
	<u>100.00%</u>	<u>100.00%</u>

Property, Plant and Equipment is funded to a great extent from grants and subsidies as the Municipality does not have the financial resources to finance infrastructure capital expenditure from its own funds.

5. RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

Details	2009 R	2008 R
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	-	-
Revenue variances	75 269 064	77 391 221
Expenditure variances:		
Employee Related Costs	6 983 089	4 473 539
Remuneration of Councillors	(832 137)	98 307
Bad Debts	(7 095 654)	180 278
Collection Costs	54 522	(214 656)
Depreciation	7 961 887	8 204 347
Impairment losses	3 855 696	-
Repairs and Maintenance	(4 318 666)	461 270
Interest Paid	(738 514)	718 875
Bulk Purchases	(4 370 891)	(1 833 167)
Contracted Services	(2 246 062)	1 789 741
Grants and Subsidies Paid	(39 687 508)	14 562 067
General Expenses	(15 208 751)	11 431 508
Loss on Disposal of Property, Plant and Equipment	-	-
Actual surplus before appropriations	19 626 075	117 263 329
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	-	-
Executive and Council	9 047 472	(97 105)
Finance and Administration	(23 238 502)	(2 006 578)
Planning and Development	72 590 452	129 798 716
Public Safety	289 168	2 232 277
Environmental Protection	(1 102 116)	382 826
Waste Water Management	(5 775 091)	10 171 041
Water	(32 530 800)	(23 106 621)
Other	345 492	(111 227)
Actual surplus before appropriations	19 626 075	117 263 329
	-	-

Details of the operating results per segmental classification of expenditure are included in Appendix D, whilst operational results per category of expenditure, together with an explanation of significant variances of more than 10% from budget, are included in Appendix E (1).

5.2 Capital Budget:

Details	Actual 2008/09 R	Actual 2007/08 R	Variance actual 2008/09 / 2007/08 R	Budgeted 2008/09 R	Variance actual/ budgeted R
Executive and Council	2 067 721	1 808 345	259 376	38 500	2 029 221
Finance and Administration	5 776 543	121 410 506	(115 633 963)	9 094 500	(3 317 957)
Planning and Development	-	49 467	(49 467)	3 675 000	(3 675 000)
Public Safety	-	6 130 902	(6 130 902)	230 000	(230 000)
Sport and Recreation	23 108 133	18 823 439	4 284 694	24 500 000	(1 391 867)
Environmental Protection	-	98 329	(98 329)	-	-
Waste Water Management	8 822 271	30 642 214	(21 819 944)	19 706 000	(10 883 729)
Water	190 755 291	26 071 494	164 683 797	198 945 608	(8 190 317)
Other	2 502 646	1 500 601	1 002 046	-	2 502 646
	<u>233 032 606</u>	<u>206 535 297</u>	<u>26 497 309</u>	<u>256 189 608</u>	<u>(23 157 002)</u>
	-			-	-

Details of the results per segmental classification of capital expenditure are included in Appendix C, together with an explanation of significant variances of more than 5% from budget, are included in Appendix E (2).

6. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2009 amounted to R692 538 673 (30 June 2008: R548 964 425) and is made up as follows:

Capital Replacement Reserve	171 843
Capitalisation Reserve	49 240 952
Donations and Public Contributions Reserve	76 351
Government Grants Reserve	336 993 910
Accumulated Surplus	<u>306 055 618</u>
	<u>692 538 673</u>

The Capital Replacement Reserve replaces the previous statutory funds, like the Capital Development Fund, and is a reserve established to enable the Municipality to finance future capital expenditure. Cash contributions, depending on the availability of cash, is made annually to the reserve.

The Capitalisation Reserve and Donations and Public Contributions Reserve are utilised to offset the cost of depreciation of assets over the lifespan of such assets. Amounts equal to the cost of assets acquired from Public Contributions are transferred to the reserve annually.

The Municipality, in conjunction with its own capital requirements and external funds (external loans and grants), is able to finance its annual infrastructure capital programme.

Refer to the Statement of Change in Net Assets for more detail.

7. DEFERRED REVENUE

Deferred Revenue has been restated to adhere to the provisions of GAMAP 9, Revenue (paragraphs 42-46, revenue from non-exchange transactions), in accounting for assets acquired from Government Grants. Refer to Note 40.1 on "Change in Accounting Policy" for details of the restatement.

8. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2009 was R114 260 896 (30 June 2008: R102 283 709).

New loans to the amount of R16 410 441 (2008: R38 249 115) was taken up during the financial year to enable the Municipality to finance part of its capital requirements for the year.

Refer to Note 4 and Appendix "A" for more detail.

9. RETIREMENT BENEFIT LIABILITIES

The outstanding amount of Retirement Benefit Liabilities as at 30 June 2009 was R20 565 203 (30 June 2008: R18 399 580).

This liability is in respect of continued Health Care Benefits for employees of the Municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

Refer to Note 5 for more detail.

10. NON-CURRENT PROVISIONS

Non-current Provisions amounted R4 874 279 as at 30 June 2009 (30 June 2008: R3 355 076) and is made up as follows:

Provision for Long-term Service	4 874 279
	<u>4 874 279</u>

These provisions are made in order to enable the Municipality to be in a position to fulfil its known legal obligations when they become due and payable.

Refer to Note 6 for more detail.

11. CURRENT LIABILITIES

Current Liabilities amounted R450 374 496 as at 30 June 2009 (30 June 2008: R267 746 485) and is made up as follows:

Consumer Deposits	Note 7	17 474 507
Provisions	Note 8	1 953 407
Creditors	Note 9	122 761 621
Unspent Conditional Grants and Receipts	Note 10	300 409 992
Operating Lease Liability	Note 11	25 426
Current Portion of Long-term Liabilities	Note 4	7 749 544
		<u>450 374 496</u>

Current Liabilities are those liabilities of the Municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the Municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

12. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R911 089 647 as at 30 June 2009 (30 June 2008: R573 043 877).

During the year under review the remaining useful life of Property, Plant and Equipment was taken into consideration during the process of identifying, componentising and measuring immovable assets. As a result, the carrying value of Property, Plant and Equipment increased by R123 948 173, mainly due to assets previously not carried in the Asset Register.

Refer to Note 12 and Appendices B, C and E (2) for more detail.

13. INTANGIBLE ASSETS

The net value of Intangible Assets were R7 595 443 as at 30 June 2009 (30 June 2008: R9 400 627).

These are assets which cannot physically be identified and verified and are in respect of computer software and water rights/servitudes obtained by the Municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 13 for more detail.

14. NON-CURRENT INVESTMENTS

The Municipality held Investments to the value of R15 676 174 as at 30 June 2009 (30 June 2008: R13 775 686).

These investments are ring-fenced for purposes of the security for and repayment of Long-term Liabilities, with the result that no amounts are available for own purposes.

Refer to Note 15 for more detail.

15. LONG-TERM RECEIVABLES

Long-term Receivables of R78 690 at 30 June 2009 (30 June 2008: R88 917) is made up as follows:

Officials: Relocation Loans	21 654
Officials: Sundry Loans	64 575
	<hr/>
	86 229
Less: Short-term portion included in Current Assets	7 540
	<hr/>
	78 690

Refer to Note 16 for more detail.

16. CURRENT ASSETS

Current Assets amounted R348 173 594 as at 30 June 2009 (30 June 2008: R344 440 168) and is made up as follows:

Inventory	Note 17	7 887 616
Assets classified as Held-for-Sale	Note 18	622 433
Consumer Debtors	Note 19	45 616 246
Other Debtors	Note 20	37 981 544
VAT	Note 21	59 956 625
Bank, Cash and Cash Equivalents	Note 22	196 101 591
Current Portion of Long-term Debtors	Note 16	7 540
		348 173 594

The Short-term Investment Deposits are ring-fenced for the purposes of the Capital Replacement Reserve, Unspent Conditional Grants and the repayment of the Current Portion of Long-term Liabilities and no funds are available for own purposes.

Refer to the indicated Notes for more detail.

17. INTER-GOVERNMENTAL GRANTS

The Municipality plays an important role in the upliftment of the poor and sustaining and improving of infrastructure for all its citizens for which it uses grants received from government and other organisations, and has a big responsibility as custodian of these funds.

Refer to Notes 10 and 27, and Appendix F for more detail.

18. EVENTS AFTER THE REPORTING DATE

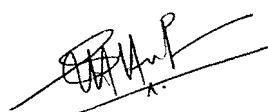
Full details of all known events, if any, after the reporting date are disclosed in Note 57.

19. GENERALLY RECOGNISED ACCOUNTING PRACTICE (GRAP)

In order to adhere to principles and procedures prescribed by law and the directions of National Treasury, the Annual Financial Statements have been converted to the new reporting GRAP-format.

20. EXPRESSION OF APPRECIATION

I am grateful to the Mayor, Deputy Mayor, Speaker, members of the Executive Committee, Councillors, the Audit Committee, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff who assisted with the collation of year-end information, for without their assistance these Annual Financial Statements would not have been possible.



Chief Financial Officer
28 August 2009

Statement of Financial Position

for the year ended 30 June 2009

	Note	2008 R	2009 R
NET ASSETS AND LIABILITIES			
Net Assets (Community Wealth)		692 538 673	548 964 425
Accumulated Surplus	2	692 538 673	548 964 425
Non-Current Liabilities		139 700 379	124 038 365
Long-term Liabilities	4	114 260 896	102 283 709
Retirement Benefit Liabilities	5	20 565 203	18 399 580
Non-current Provisions	6	4 874 279	3 355 076
Current Liabilities		450 374 496	267 746 485
Consumer Deposits	7	17 474 507	16 485 647
Provisions	8	1 953 407	1 297 574
Creditors	9	122 761 621	79 397 470
Unspent Conditional Grants and Receipts	10	300 409 992	159 799 012
Operating Lease Liabilities	11	25 426	35 211
Current Portion of Long-term Liabilities	4	7 749 544	10 731 570
Total Net Assets and Liabilities		1 282 613 548	940 749 276
ASSETS			
Non-Current Assets		934 439 953	596 309 107
Property, Plant and Equipment	12	911 089 647	573 043 877
Intangible Assets	13	7 595 443	9 400 627
Non-current Investments	15	15 676 174	13 775 686
Long-term Receivables	16	78 690	88 917
Current Assets		348 173 594	344 440 168
Inventory	17	7 887 616	6 296 615
Non-current Assets Held-for-Sale	18	622 433	169 436
Consumer Debtors	19	45 616 246	44 069 623
Other Debtors	20	37 981 544	43 712 547
VAT Receivable	21	59 956 625	28 229 753
Bank, Cash and Cash Equivalents	22	196 101 591	221 937 705
Current Portion of Long-term Receivables	16	7 540	24 489
Total Assets		1 282 613 548	940 749 276

Statement of Financial Performance

for the year ended 30 June 2009

Budget		
2008	2009	
R	R	
		REVENUE
198 395 758	218 838 830	Service Charges
-	-	Regional Service Levies – Turnover
235 012	739 173	Rental of Facilities and Equipment
11 200 000	25 687 311	Interest Earned – External Investments
954 123	1 010 202	Interest Earned – Outstanding Debtors
177 935 719	235 529 046	Government Grants and Subsidies Received
-	-	Public Contributions and Donations
81 610 296	110 093 820	Other Revenue
-	-	Gains on Disposal of Property, Plant and Equipment
470 330 908	591 898 383	Total Revenue
		EXPENDITURE
134 422 135	172 526 485	Employee Related Costs
5 446 970	4 710 267	Remuneration of Councillors
3 000 000	3 300 000	Bad Debts Provision
-	90 000	Collection Costs
37 689 979	33 417 727	Depreciation and Amortisation
-	-	Impairment Losses
19 283 083	26 235 458	Repairs and Maintenance
8 502 161	7 775 676	Finance Costs
15 000 000	15 750 000	Bulk Purchases
10 534 056	10 176 350	Contracted Services
97 097 513	122 583 361	Grants and Subsidies Paid
139 355 011	195 333 060	General Expenses
470 330 909	591 898 383	Total Expenditure
(0)	-	SURPLUS FOR THE YEAR
		Refer to Appendix E(1) for explanation of variances

The prior year's comparative figures for Service Charges and Interest Earned on Outstanding Debtors have been restated by an amount of R1 055 776 as a result of the correction of revenue recognised in terms of GRAP 9 and IAS 39 implemented during 2007/08. Please refer to Note 41.2 for details of the restatement.

Actual			
	Note	2009 R	2008 R
	24	201 994 736	184 689 450
		-	8 429
	25	290 641	219 663
	26	10 747 736	10 875 656
	26	3 392 998	868 798
	27	339 770 505	273 742 787
	28	1 941 348	-
	29	109 029 483	76 102 316
		-	1 215 030
		667 167 447	547 722 129
	30	165 543 396	129 948 597
	31	5 542 404	5 348 663
	33	10 395 654	2 819 722
		35 478	214 656
	32	25 455 840	29 485 632
	33	(3 855 696)	-
		30 554 124	18 821 813
	34	8 514 190	7 783 287
	35	20 120 891	16 833 167
	36	12 422 412	8 744 315
	37	162 270 869	82 535 446
	38	210 541 811	127 923 503
		647 541 371	430 458 800
		19 626 075	117 263 329

The prior year's comparative figure for Government Grants and Subsidies Received has been restated by an amount of R11 367 283 as a result of the reversal of IAS 20 implemented during 2007/08. Please refer to Note 40.2 for detail of the restatement.

Statement of Changes in Net Assets

for the year ended 30 June 2009

Description	Revaluation Reserve	Total for Accumulated Surplus/(Deficit) Account	Total
	R	R	R
2008			
Balance at 30 June 2007	-	231 179 314	231 179 314
Change in Accounting Policy (Note 40)		200 521 782	200 521 782
Restated Balance	-	431 701 097	431 701 097
Surplus for the year		117 263 329	117 263 329
Property, Plant and Equipment purchased		-	-
Donations/Grants utilised to obtain PPE		-	-
Interest received		-	-
Offsetting of Depreciation		-	-
Balance at 30 June 2008	-	548 964 425	548 964 425
2009			
Change in Accounting Policy (Note 40)		-	-
Restated Balance	-	548 964 425	548 964 425
Surplus for the year		19 626 075	19 626 075
Transfer to CRR		-	-
Property, Plant and Equipment purchased		-	-
Donations/Grants utilised to obtain PPE		-	-
Interest received		-	-
Offsetting of Depreciation		-	-
	-	568 590 500	568 590 500
Implementation of GRAP 17		123 948 173	123 948 173
Balance at 30 June 2009	-	692 538 673	692 538 673

Details on the movement of the Reserves are set out in Note 2.

Cash Flow Statement

for the year ended 30 June 2009

	Note	2009 R	2008 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from Ratepayers, Government and Other		835 714 692	581 769 776
Cash paid to Suppliers and Employees		(639 953 647)	(414 020 619)
Cash generated from/(utilised in) Operations	42	195 761 045	167 749 157
Interest received	26	14 140 734	11 744 454
Interest paid	34	(8 514 190)	(7 783 287)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		201 387 589	171 710 324
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	12	(233 032 606)	(206 535 297)
Purchase of Intangible Assets	13	(1 312 948)	(1 693 101)
Proceeds on Disposal of Property, Plant and Equipment		-	6 140 479
Proceeds on Disposal of Intangible Assets		-	2 939 874
Decrease/(Increase) in Non-current Investments	15	(1 900 488)	(285 763)
Decrease/(Increase) in Long-term Receivables	16	27 177	(57 949)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		(236 218 864)	(199 491 756)
CASH FLOWS FROM FINANCING ACTIVITIES			
New Loans raised	4	16 410 441	38 249 115
Loans repaid	4	(7 415 280)	(7 107 970)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		8 995 161	31 141 145
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(25 836 115)	3 359 713
Cash and Cash Equivalents at the beginning of the year	22	221 937 705	218 577 993
Cash and Cash Equivalents at the end of the year	22	196 101 591	221 937 705

Accounting Policies to the Annual Financial Statements for the year ended 30 June 2009

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The Annual Financial Statements have been prepared in accordance with the Accounting Standards as prescribed by the Minister of Finance in terms of Government Gazette number 31021, Notice Number 516, dated 9 May 2008, and also in terms of the standards and principles contained in Directives 3 and 5 issued by the ASB in March 2009.

The Accounting Framework of the Municipality, based on the preceding paragraphs, is therefore as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changing in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-current Assets Held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets
GAMAP 9	Paragraphs relating to Revenue from Non-exchange Transactions
IPSAS 20	Related Party Disclosures
IPSAS 21	Impairment of Non Cash-generating Assets
IFRS 3	Business Combinations
IFRS 7	Financial Instruments: Disclosures
IAS 19	Employee Benefits
IAS 32	Financial Instruments: Presentation
IAS 36	Impairment of Assets
IAS 39	Financial Instruments: Recognition and Measurement
IFRIC 4	Determining whether an Arrangement contains a Lease

1. BASIS OF PRESENTATION (continued)

1.1 Changes in Accounting Policy and Comparability

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the year ended 30 June 2009 the Municipality has adopted the accounting framework as set out above. The details of any resulting changes in accounting policy and comparative restatements are given in Notes 40 and 41 to the Annual Financial Statements.

The Municipality changes an Accounting Policy only if the change:

- (a) is required by a Standard of GRAP; or
- (b) results in the Annual Financial Statements providing reliable and more relevant information about the effects of transactions, other events or conditions, on the performance or cash flow.

1.2 Critical Judgements, Estimations and Assumptions

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the Municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.2.1 Revenue Recognition

Accounting Policy clause 9.2 on Revenue from Exchange Transactions and Accounting Policy clause 9.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the Municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (Revenue from Exchange Transactions) and GAMAP 9 (Revenue) as far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.2.2 Financial Assets and Liabilities

The classification of Financial Assets and Liabilities, into categories, is based on judgement by management.

1.2.3 Impairment of Financial Assets

Accounting Policy clause 5.4 on Impairment of Financial Assets describes the process followed to determine the value with which financial assets should be impaired. In making the estimation of the impairment, the management of the Municipality considered the detailed criteria of impairment of financial assets as set out in IAS 39: Financial Instruments – Recognition and Measurement. The management of the Municipality is satisfied that impairment of financial assets recorded during the year is appropriate. Details of the impairment loss calculation are provided in Notes 16, 19 and 20 to the Annual Financial Statements.

1.2.4 Useful Lives of Property, Plant and Equipment

As described in Accounting Policy clauses 2.2, 3.2 and 4.2, the Municipality depreciates/amortises its Property, Plant and Equipment and Intangible Assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

1. BASIS OF PRESENTATION (continued)

1.2.5 Impairment: Write-down of Property, Plant and Equipment and Inventories

Significant estimates and judgements are made relating to Property, Plant and Equipment impairment tests and write down of Inventories to Nett Realisable Values.

1.2.6 Defined Benefit Plan Liabilities

As described in Accounting Policy clause 12.3, the Municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the Municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Notes 5 and 6.1 to the Annual Financial Statements.

1.3 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the Municipality's functional currency.

1.4 Going Concern Assumption

The Annual Financial Statements have been prepared on a going concern basis.

1.5 Offsetting

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

1.6 Standards, Amendments to Standards and Interpretations Issued but not yet Effective

The following GRAP standards have been issued but are not yet effective and, accordingly, have not been adopted by the Municipality:

• GRAP 18	Segment Reporting – issued March 2005
• GRAP 23	Revenue from Non-Exchange Transactions (Taxes and Transfers) – issued February 2008
• GRAP 24	Presentation of Budget Information in Financial Statements – issued November 2007
• GRAP 103	Heritage Assets – issued July 2008

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the Municipality:

• IAS 19	Employee Benefits – effective 1 January 2009
• IFRIC 17	Distribution of Non-cash Assets to Owners – effective 1 July 2009
• IAS 39	Financial Instruments: Recognition and Measurement – portions of standard effective 1 July 2009

1. BASIS OF PRESENTATION (continued)

Management has considered all of the foregoing GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the Municipality.

See Note 59 to the Annual Financial Statements for more detail.

2. PROPERTY, PLANT AND EQUIPMENT

2.1 Initial Recognition

Property, Plant and Equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used for more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and if the cost or fair value of the item can be measured reliably.

Property, Plant and Equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost.

When significant 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.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost must then be measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently, all property plant and equipment, except for Infrastructure Assets, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

2. PROPERTY, PLANT AND EQUIPMENT (continued)

2.3 Depreciation

Depreciation on assets other than land is calculated on cost, using the straight-line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the Municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

Depreciation only commences when the asset is available for use, unless stated otherwise. The depreciation rates are based on the following estimated useful lives:

Asset Class	Years	Asset Class	Years
Infrastructure		Other	
Roads and Paving	10-100	Buildings	25-30
Pedestrian Malls	15-30	Specialist Vehicles	10-15
Electricity	15-60	Other Vehicles	5-15
Water	15-100	Office Equipment	3-15
Sewerage	15-60	Furniture and Fittings	5-15
Community Improvements	25-30	Watercraft	15-20
Recreational Facilities	15-30	Specialised Plant and Equipment	10-15
Security	15-25	Other Plant and Equipment	2-15

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

2.4 Land

Land is stated at historical cost and is not depreciated as it is regarded as having an infinite life.

2.5 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is commissioned into use.

2.6 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as Property, Plant and Equipment controlled by the Municipality or where shorter, the term of the relevant lease if there is no reasonable certainty that the Municipality will obtain ownership by the end of the lease term.

2.7 Heritage Assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding their estimated useful lives.

2.8 Infrastructure Assets

Infrastructure assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the Municipality in terms of the Asset Management Policy.

2. PROPERTY, PLANT AND EQUIPMENT (continued)

2.9 Derecognition of Property, Plant and Equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not included in revenue.

Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the proceeds from sales proceeds are included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

2.10 Impairment

2.10.1 Impairment of Cash Generating Assets

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

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual 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.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

2.10.2 Impairment of Non-cash Generating Assets

The Municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-cash generating unit to which the asset belongs is determined.

2. PROPERTY, PLANT AND EQUIPMENT (continued)

2.10.2 Impairment of Non-cash Generating Assets (continued)

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

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service 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.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

3. INTANGIBLE ASSETS

3.1 Initial Recognition

Identifiable non-monetary assets without physical substance which are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes are classified and recognised as Intangible Assets. The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with IPSAS 21/IAS 36.

3. INTANGIBLE ASSETS (continued)

Intangible Assets are initially recognised at cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is acquired. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

3.2 Subsequent Measurement, Amortisation and Impairment

Amortisation is charged on a straight-line basis over the intangible assets' useful lives, which are estimated to be between three to five years. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes obtained by the Municipality give the Municipality access to land for specific purposes for an unlimited period – however, such intangible assets are subject to an annual impairment test.

Intangible Assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

3.3 Derecognition

Intangible Assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

3.4 Transitional Provisions

Costs incurred on intangible assets (other than on computer software and servitudes) were expensed and not capitalised in the previous financial year as required by IAS 38 as this requirement was exempted in terms of General Notice 522 of 2007. Although the capitalisation of the costs incurred to establish computer and servitudes as intangible assets was also exempted in the previous financial year in terms of General Notice 522 of 2007, the National Treasury approved a deviation from the basis of accounting applicable to the Municipality in terms of the foregoing General Notice which granted the Municipality the capitalisation of the costs incurred to establish computer software and servitudes as intangible assets in the previous financial year. The Municipality accounted for all costs incurred that meet the intangible asset definition and recognition requirements as intangible assets for the financial year ended 30 June 2009 (and retrospectively, where practicable) in accordance with the requirements of GRAP 102, GRAP 3 and ASB Directive 3.

4. INVESTMENT PROPERTY

4.1 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.

The cost of self-constructed investment property is the cost at date of completion.

4. INVESTMENT PROPERTY (continued)

4.1 Initial Recognition (continued)

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- all properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- land held for a currently undetermined future use (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- a building owned by the Municipality (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the Municipality); and
- a building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-current Assets Held-for-Sale, as appropriate:

- property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- property that is being constructed or developed for future use as investment property;
- property that is leased to another entity under a finance lease;
- property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- property held for strategic purposes or service delivery.

4.2 Subsequent Measurement

Investment Property is measured using the cost model and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is estimated at 20-30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

5. FINANCIAL INSTRUMENTS

The Municipality has various types of financial instruments and these can be broadly categorised as either Financial Assets or Financial Liabilities.

5.1 Financial Assets – Classification

A financial asset is any asset that is a cash or contractual right to receive cash. The Municipality may have the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Unlisted Investments (Local Authority Stock)
- Investments in Fixed Deposits (Banking Institutions, etc)
- Long-term Receivables
- Consumer Debtors
- Other Debtors
- Bank, Cash and Cash Equivalents

5. FINANCIAL INSTRUMENTS (continued)

5.1 Financial Assets (continued)

In accordance with IAS 39.09 the Financial Assets of the Municipality are classified as follows into the four categories allowed by this standard:

Type of Financial Asset	Classification in terms of IAS 39.09
Unlisted Investments – Stock	Held at fair value through profit or loss
Bank, Cash and Cash Equivalents	Available for sale
Bank, Cash and Cash Equivalents – Call Deposits	Available for sale
Long-term Receivables	Loans and receivables
Consumer Debtors	Loans and receivables
Other Debtors	Loans and receivables
Investments in Fixed Deposits	Held to maturity
Bank, Cash and Cash Equivalents – Notice Deposits	Held to maturity

Financial assets at fair value through profit or loss are financial assets that meet either of the following conditions:

- they are classified as held for trading; or
- upon initial recognition they are designated at fair value through the Statement of Financial Performance.

Available-for-sale investments are financial assets that are designated as available for sale or are not classified as:

- Loans and Receivables;
- Held-to-Maturity Investments; or
- Financial Assets at fair value through the Statement of Financial Performance.

Loans and Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and Receivables are recognised initially at cost which represents fair value. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

Held-to-Maturity Investments are financial assets with fixed or determinable payments and fixed maturity where the Municipality has the positive intent and ability to hold the investment to maturity.

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). Cash Equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, which are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash-on-hand, deposits held on call with banks, net of bank overdrafts. The Municipality categorises cash and cash equivalents as Financial Assets: Available for Sale.

5.2 Financial Liabilities – Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The Municipality may have the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities
- Creditors
- Bank Overdraft
- Short-term loans

5. FINANCIAL INSTRUMENTS (continued)

5.2 Financial Liabilities – Classification (continued)

- Current Portion of Long-term Liabilities
- Consumer Deposits

There are two main categories of Financial Liabilities, the classification based on how they are measured. Financial liabilities may be measured at:

- (i) fair value through profit or loss; or
- (ii) not at fair value through profit or loss ('other financial liabilities')

Financial liabilities that are measured at fair value through profit or loss are financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short-term; derivatives other than hedging instruments are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives). Financial liabilities that are measured at fair value through profit or loss are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Any other financial liabilities are classified as Other Financial Liabilities and are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

In accordance with IAS 39.09 the Financial Liabilities of the Municipality are all classified as financial liabilities that are not measured at fair value through profit or loss.

5.3 Initial and Subsequent Measurement

5.3.1 Financial Assets:

Held-to-maturity Investments and Loans and Receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with revenue recognised on an effective yield basis.

Financial Assets at Fair Value and Available-for-Sale are initially and subsequently, at the end of each financial year, measured at fair value with the profit or loss being recognised in the Statement of Financial Performance.

5.3.2 Financial Liabilities:

Financial liabilities at fair value are initially and subsequently measured at fair value. Other financial liabilities are measured at amortised cost using the Effective Interest Rate Method.

5.4 Impairment of Financial Assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of trade receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

5. FINANCIAL INSTRUMENTS (continued)

5.4 Impairment of Financial Assets (continued)

With the exception of Available-for-Sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of Available-for-Sale equity securities, impairment losses previously recognised through profit or loss are not reversed through the Statement of Financial performance. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

Consumer Debtors are stated at cost less a provision for impairment. The provision is made in accordance with IAS 39.64 whereby the recoverability of Consumer Debtors is assessed individually and then collectively after grouping the assets in financial assets with similar credit risks characteristics. Government accounts are not provided for as such accounts are regarded as receivable.

Loans and Receivables are non-derivative Financial Assets with fixed or determinable payments. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and receivables are recognised initially at cost which represents fair value. After initial recognition Financial Assets are measured at amortised cost, using the Effective Interest Rate Method less a provision for impairment.

5.5 Derecognition of Financial Assets

The Municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the Municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the Municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

5.6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the Municipality's obligations are discharged, cancelled or they expire.

6. RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES

It is the policy of the Municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the Municipality is exposed on the reporting date.

Risks and exposure are disclosed as follows:

Credit Risk

- Each class of financial instrument is disclosed separately.
- Maximum exposure to credit risk not covered by collateral is specified.
- Financial instruments covered by collateral are specified.

Liquidity Risk

- A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities.
- Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

6. RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES

Liquidity Risk (continued)

- A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Note 49.9 to the Annual Financial Statements.

7. INVENTORIES

7.1 Initial Recognition

Inventories comprise current assets held-for-sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

7.2 Subsequent Measurement

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge, they are valued at the lower of cost and current replacement cost.

Water is valued at purified cost insofar as it is stored and controlled in reservoirs and the distribution network at year-end.

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 and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

8. NON-CURRENT ASSETS HELD-FOR-SALE

8.1 Initial Recognition

Non-current Assets and Disposal Groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

8.2 Subsequent Measurement

Non-current Assets and Disposal Groups classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

8. NON-CURRENT ASSETS HELD-FOR-SALE (continued)

8.2 Subsequent Measurement (continued)

A non-current asset is not depreciated (or amortised) while it is classified as held-for-sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held-for-sale are recognised in surplus or deficit.

9. REVENUE RECOGNITION

9.1 General

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The Municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

9.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable.

9.2.1 Service Charges

Service charges relating to water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year end when estimates of consumption up to year end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges from sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly/annually.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

9.2.2 Finance Income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on Unutilised Conditional Grants is allocated directly to the Creditor: Unspent Conditional Grants, if the grant conditions indicate that interest is payable to the funder.

9.2.3 Rentals Received

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

9. REVENUE RECOGNITION (continued)

9.2 Revenue from Exchange Transactions (continued)

9.2.4 Tariff Charges

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

9.2.5 Revenue from Agency Services

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified. The revenue recognised is in terms of the agency agreement.

9.2.6 Sale of Goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

9.3 Revenue from Non-exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

9.3.1 Public Contributions

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 are brought into use. Where public contributions have been received and the Municipality has not met the condition, a liability is recognised.

9.3.2 Other Donations and Contributions

Donations and Contributions are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are available for use.

9.3.3 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

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. Such revenue is based on legislated procedures.

10. GOVERNMENT GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with all 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.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Municipality with no future related costs, are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

The Municipality accounted for government grants and receipts in the previous financial year in accordance with the requirements of IAS 20, excluding paragraphs 24 and 26 replaced by GAMAP 12.8, GAMAP 17.25 and GAMAP 9.42-46. For the year ended 30 June 2009 (and retrospectively, where practicable) government grants and receipts are accounted for in accordance with the requirements of GAMAP 9.42-46 and ASB Directives 3 and 5.

11. PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The Municipality has a detailed formal plan for the restructuring identifying at least:

- The business or part of a business concerned;
- The principal locations affected;
- The location, function, and approximate number of employees who will be compensated for terminating their services;
- The expenditures that will be undertaken; and
- When the plan will be implemented.

(b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

12. EMPLOYEE BENEFITS

12.1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The Municipality has opted to treat its provision for leave pay as a provision.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a provision in the Statement of Financial Position. The Municipality recognises the expected cost of performance bonuses only when the Municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

12.2 Defined Contribution Plans

A defined contribution plan is a plan under which the Municipality pays fixed contributions into a separate entity. The Municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

12. EMPLOYEE BENEFITS (continued)

12.2 Defined Contribution Plans (continued)

The Municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The Municipality has no further payment obligations once the contributions have been paid.

12.3 Defined Benefit Plans

A defined benefit plan is a plan that defines an amount of benefit that an employee will receive on retirement.

12.3.1 Post-retirement Health Care Benefits

The Municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. 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 the Medical Aid Fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are accounted for using the "corridor method". Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

12.3.2 Long-service Allowance

The Municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the Municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The Municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance.

12.4 Provincially-administered Defined Benefit Plans

The Municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 50 of the Annual Financial Statements for details). The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Discounted Cash Flow Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

13. LEASES

13.1 The Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or Intangible Assets subject to finance lease agreements

13. LEASES (continued)

13.1 The Municipality as Lessee

are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. 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.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease.

13.2 The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale revenue is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental revenue is recognised on a straight-line basis over the term of the relevant lease.

14. BORROWING COSTS

Borrowing costs incurred relating to qualifying assets and all other borrowing costs incurred were recognised as expenses in the Statement of Financial Performance in the previous financial year in accordance with the benchmark treatment in the old IAS 23, i.e. expensing all borrowing costs. The Municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance for the financial year ending 30 June 2009 in accordance with the requirements of GRAP 5 and ASB Directive 3.

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established – the Municipality expenses borrowing costs when it is inappropriate to capitalise it. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete.

15. GRANTS-IN-AID

The Municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the Municipality 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 expenses in the period that the events giving rise to the transfer occurred.

16. VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the cash basis.

17. CASH AND CASH EQUIVALENTS

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

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

18. UNAUTHORISED EXPENDITURE

Unauthorised Expenditure is expenditure that has not been budgeted for; 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. If the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

19. 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 Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

20. 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. If the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

21. FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance. It was accounted for the effect of changes in foreign exchange rates in the previous financial year in accordance with the requirements of GAMAP 4, if applicable. The Municipality accounts for the effect of changes in foreign exchange rates, if applicable, for the financial year ending 30 June 2009 (and retrospectively, where practicable) in accordance with the requirements of GRAP 4, GRAP 3 and ASB Directive 3.

22. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in Accounting Policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the Municipality restated the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 40 for details of changes in accounting policies.

22. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS (continued)

The retrospective application, where practicable, of changes in accounting policies effected by management in accordance with the requirements of GRAP 3 was exempted in the previous financial year in terms of General Notice 522 of 2007 (providing that these changes in accounting policies were applied prospectively by the Municipality). The Municipality applied changes in accounting policies effected by management retrospectively, where practicable, for the financial year ended 30 June 2009 in accordance with the requirements of GRAP 3.

Changes in Accounting Estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the Notes to the Annual Financial Statements where applicable.

Correction of Errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the Municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 41 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

Although the identification and disclosure of the impact of GRAP standards that have been issued but are not yet effective was exempted in the previous financial year in terms of General Notice 522 of 2007, the National Treasury approved a deviation from the basis of accounting applicable to the Municipality in terms of the foregoing General Notice which granted the Municipality the identification and disclosure of the impact of GRAP standards that have been issued but are not yet effective in the previous financial year. The Municipality continued to identify and disclose the impact of GRAP standards that have been issued but are not yet effective for the financial year ended 30 June 2009 in accordance with the requirements of GRAP 3.

23. RELATED PARTIES

Individuals, as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

24. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in Notes 52 and 53 to the Annual Financial Statements.

25. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in Note 57 to the Annual Financial Statements.

26. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

27. COMPARATIVE INFORMATION

27.1 Current year comparatives:

Budgeted amounts have been included in the Annual Financial Statements for the current financial year only.

27.2 Prior year comparatives:

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

Notes to the Annual Financial Statements

For the year ended 30 June 2009

	2009 R	2008 R
1. GENERAL INFORMATION		
Ugu District Municipality is a local government institution in Port Shepstone, KwaZulu-Natal. The addresses of its registered office and principal place of business are disclosed under 'General Information' included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the Municipality are disclosed in the Annual Report and are prescribed by The Constitution.		
2. ACCUMULATED SURPLUS		
The Accumulated Surplus consists of the following Reserves:		
Capital Replacement Reserve (CRR)	171 843	78 179 223
Capitalisation Reserve	49 240 952	73 003 445
Donations and Public Contributions Reserve	76 351	8 576 229
Government Grants Reserve	336 993 910	324 383 178
Accumulated Surplus/(Deficit) due to the results of Operations	306 055 618	64 822 350
Total Accumulated Surplus	692 538 673	548 964 425
Accumulated Surplus has been restated to adhere to the provisions of GAMAP 9 (paragraphs 42-46), Revenue on revenue from non-exchange transactions. Refer to Note 40.1 on 'Change in Accounting Policy' for details of the restatement.		
The Capital Replacement Reserve is a reserve to finance future capital expenditure and is invested in Financial Instrument Investments. See Notes 15 and 22 for more detail.		
The Capitalisation Reserve equals the carrying value of the items of property, plant and equipment from the former legislated funds. The Capitalisation Reserve ensures community wealth and is not backed by cash.		
The Donations and Public Contributions Reserve equals the carrying value of the items of property, plant and equipment financed from public contributions and donations. The Donations and Public Contributions Reserve ensures community wealth and is not backed by cash.		
The Government Grants Reserve equals the carrying value of the items of property, plant and equipment financed from government grants. The Government Grants Reserve ensures community wealth and is not backed by cash.		
Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.		

	2009 R	2008 R
3. DEFERRED REVENUE		
Deferred Revenue has been restated to adhere to the provisions of GAMAP 9 (paragraphs 42-46), Revenue on revenue from non-exchange transactions, in accounting for assets acquired from Government Grants. Refer to Note 40.1 on 'Change in Accounting Policy' for details of the restatement.		
4. LONG-TERM LIABILITIES		
Local Registered Stock	20 300 000	20 300 000
Annuity Loans	91 633 942	79 473 231
Capitalised Lease Liabilities	10 076 498	13 242 048
Sub-total	122 010 440	113 015 279
Less: Current Portion transferred to Current Liabilities	7 749 544	10 731 570
Local Registered Stock	-	-
Annuity Loans	1 944 636	1 450 419
Capitalised Lease Liabilities	5 804 908	9 281 151
Total Long-term Liabilities	114 260 896	102 283 709

4.1 Summary of Arrangements

Local Registered Stock is repaid over a period of two years (2008: three years) and at interest rates varying from 15,60% to 16,80% (2008: 15,60% to 16,80%) per annum. Local Registered Stock is not secured.

Annuity Loans are repaid over periods varying from four to twenty (2008: five to fifteen) years and at interest rates varying from 2,65% to 11,00% (2008: 2,65% to 11,00%) per annum. Annuity Loans are not secured.

Capitalised Lease Liabilities relates to Vehicles with lease term periods of three years (2008: three years). The effective interest rate on Finance Leases is between 11,42% and 12,50% (2008: 11,42% to 12,50%). Capitalised Lease Liabilities are secured over the items of vehicles leased.

R15 676 174 (2008: R13 775 686) has been invested specifically in a ring-fenced account for the repayment of Long-term Liabilities. See Notes 15 and 45 for more detail.

Refer to Appendix A for more detail on Long-term Liabilities.

Notes to the Annual Financial Statements (continued)

For the year ended 30 June 2009

	2009		2008	
	R		R	
4.2 Obligations under Finance Leases				
The Municipality as Lessee:				
Finance Leases relate to property, plant and equipment with lease terms of not more than three years (2008: three years). The effective interest rate on Finance Leases is between 11,42% and 12,50% (2008: 11,42% and 12,50%).				
The risks and rewards of ownership in respect of the property, plant and equipment will transfer to the Municipality at the conclusion of the agreement.				
The Municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.				
The obligations under Finance Leases are as follows:				
	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2009 R	2008 R	2009 R	2008 R
Within one year	6 637 056	9 121 565	6 637 056	9 121 565
In the second to third years inclusive	4 333 539	10 621 607	4 333 539	10 621 607
	10 970 595	19 743 172	10 970 595	19 743 172
Less: Future Finance Obligations	894 098	6 501 124	894 098	6 501 124
Present Value of Minimum Lease Obligations	10 076 498	13 242 048	10 076 498	13 242 048
Less: Amounts due for settlement within 12 months (Current Portion)			(5 804 908)	(9 281 151)
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)			4 271 590	3 960 897
	2009		2008	
	R		R	
The Municipality has finance lease agreements for the following significant classes of assets:				
- Vehicles				
Included in these classes are the following significant leases:				
(i) Vehicles				
- Instalments are payable monthly in arrears			4 271 590	3 960 897
- Average period outstanding			18 months	28 months

	2009 R	2008 R
- Average effective interest rate based on prime	11.43%	11.43%
- Average monthly instalment	546 172	34 216
5. RETIREMENT BENEFIT LIABILITIES		
5.1 Post-retirement Health Care Benefits Liability		
Balance at Beginning of Year	18 399 580	16 748 086
Contributions to Provision	2 856 377	2 227 486
Balance at End of Year	21 255 957	18 975 572
Transfer to Current Provisions	(690 754)	(575 992)
Total Post-retirement Health Care Benefits Liability	20 565 203	18 399 580
<p>The Municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying 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) is entitled to remain a continued member of such medical aid fund on retirement, in which case the Municipality is liable for a certain portion of the medical aid membership fee. The Municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.</p> <p>The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2009 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.</p> <p>The members of the Post-employment Medical Aid Benefit Plan are made up as follows:</p>		
In-service Members (Employees)	378	278
Continuation Members (Retirees widowers and orphans)	44	38
Total Members	422	316
<p>The liability in respect of past service has been estimated as follows:</p>		
In-service Members	10 171 437	8 534 977
Continuation Members	10 354 735	9 226 395
Total Liability	20 526 172	17 761 372

Notes to the Annual Financial Statements (continued)

For the year ended 30 June 2009

	2009 R	2008 R																																																			
<p>The Municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:</p> <ul style="list-style-type: none"> - Bonitas - Hosmed - Keyhealth - LA Health - Samwumed <p>The Current-service Cost for the year ending 30 June 2009 is estimated to be R939 548, whereas the cost for the ensuing year is estimated to be R1 318 923 (2008: R837 965 and R939 548 respectively).</p> <p>The principal assumptions used for the purposes of the actuarial valuations were as follows:</p> <table> <tr> <td>Discount rate</td><td>9.08%</td><td>10.97%</td></tr> <tr> <td>Health Care Cost Inflation Rate</td><td>7.76%</td><td>9.78%</td></tr> <tr> <td>Net Effective Discount Rate</td><td>1.22%</td><td>1.08%</td></tr> <tr> <td>Expected Retirement Age – Females</td><td>63</td><td>63</td></tr> <tr> <td>Expected Retirement Age – Males</td><td>63</td><td>63</td></tr> </table> <p>Movements in the present value of the Defined Benefit Obligation were as follows:</p> <table> <tr> <td>Balance at the beginning of the year</td><td>17 761 372</td><td>17 369 028</td></tr> <tr> <td>Current service costs</td><td>939 548</td><td>837 965</td></tr> <tr> <td>Interest cost</td><td>1 916 829</td><td>1 389 522</td></tr> <tr> <td>Benefits paid</td><td>(575 992)</td><td>(620 942)</td></tr> <tr> <td>Actuarial losses/(gains) unrecognised</td><td>484 414</td><td>(1 214 200)</td></tr> <tr> <td>Present Value of Fund Obligation at the end of the Year</td><td>20 526 172</td><td>17 761 372</td></tr> <tr> <td>Actuarial losses/(gains) unrecognised</td><td>729 786</td><td>1 214 200</td></tr> <tr> <td>Total Recognised Benefit Liability</td><td>21 255 957</td><td>18 975 572</td></tr> </table> <p>The amounts recognised in the Statement of Financial Position are as follows:</p> <table> <tr> <td>Present value of fund obligations</td><td>20 526 172</td><td>17 761 372</td></tr> <tr> <td>Unfunded Accrued Liability</td><td>20 526 172</td><td>17 761 372</td></tr> <tr> <td>Unrecognised actuarial gains/(losses)</td><td>729 786</td><td>1 214 200</td></tr> <tr> <td>Total Benefit Liability</td><td>21 255 957</td><td>18 975 572</td></tr> </table>	Discount rate	9.08%	10.97%	Health Care Cost Inflation Rate	7.76%	9.78%	Net Effective Discount Rate	1.22%	1.08%	Expected Retirement Age – Females	63	63	Expected Retirement Age – Males	63	63	Balance at the beginning of the year	17 761 372	17 369 028	Current service costs	939 548	837 965	Interest cost	1 916 829	1 389 522	Benefits paid	(575 992)	(620 942)	Actuarial losses/(gains) unrecognised	484 414	(1 214 200)	Present Value of Fund Obligation at the end of the Year	20 526 172	17 761 372	Actuarial losses/(gains) unrecognised	729 786	1 214 200	Total Recognised Benefit Liability	21 255 957	18 975 572	Present value of fund obligations	20 526 172	17 761 372	Unfunded Accrued Liability	20 526 172	17 761 372	Unrecognised actuarial gains/(losses)	729 786	1 214 200	Total Benefit Liability	21 255 957	18 975 572		
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Total Benefit Liability	21 255 957	18 975 572																																																			

				2009 R	2008 R
The amounts recognised in the Statement of Financial Performance are as follows:					
Current service cost				939 548	837 965
Interest cost				1 916 829	1 389 522
Total Post-retirement Benefit included in Employee Related Costs (Note 30)				2 856 377	2 227 486
The history of experienced adjustments is as follows:					
	2009 R	2008 R	2007 R	2006 R	2005 R
Present Value of Defined Benefit Obligation	20 526 172	17 761 372	17 369 028	9 923 229	-
Deficit	20 526 172	17 761 372	17 369 028	9 923 229	-
Experienced adjustments on Plan Liabilities	885 881	(1 367 240)	-	-	-
				2009 R	2008 R
In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2006 reporting period.					
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:					
Increase:					
Effect on the aggregate of the current service cost and the interest cost				416 264	327 584
Effect on the defined benefit obligation				3 424 528	2 415 632
Decrease:					
Effect on the aggregate of the current service cost and the interest cost				(357 191)	(278 723)
Effect on the defined benefit obligation				(2 754 300)	(2 045 157)
The Municipality expects to make a contribution of R3,152 million (2008: R2,856 million) to the Defined Benefit Plans during the next financial year.					
Refer to Note 50 “Multi-employer Retirement Benefit Information” for more information regarding the Municipality’s other retirement funds that are Provincially and Nationally administered.					

Notes to the Annual Financial Statements (continued)

For the year ended 30 June 2009

	2009 R	2008 R
6. NON-CURRENT PROVISIONS		
Provision for Long-term Service	4 874 279	3 355 076
Total Non-current Provisions	4 874 279	3 355 076
The movement in Non-current Provisions are reconciled as follows:		
Balance at beginning of year	3 355 076	3 566 064
Contributions to provision	2 001 643	40 240
	5 356 719	3 606 304
Transfer to current provisions	(482 440)	(251 228)
Balance at end of year	4 874 279	3 355 076
	-	-
6.1 Long-service Awards		
<p>The Municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after five years of continuous service and every five years thereafter to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.</p>		
<p>The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2009 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.</p>		
<p>At year-end, 858 (2008: 779) employees were eligible for Long-service Awards.</p>		
<p>The Current-service Cost for the year ending 30 June 2009 is estimated to be R480 370, whereas the cost for the ensuing year is estimated to be R818 999 (2008: R408 199 and R480 370 respectively).</p>		
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount rate	9.21%	10.97%
Salary Cost Inflation Rate	6.67%	9.03%
Net Effective Discount Rate	2.38%	1.78%
Expected Retirement Age – Females	63	63
Expected Retirement Age – Males	63	63

	2009 R	2008 R			
Movements in the present value of the Defined Benefit Obligation were as follows:					
Balance at the beginning of the year	3 606 304	3 956 728			
Current service costs	480 370	408 199			
Interest cost	381 832	316 538			
Benefits paid	(251 228)	(390 664)			
Actuarial losses/(gains) recognised	1 139 440	(684 497)			
Present Value of Fund Obligation at the end of the Year	5 356 718	3 606 304			
Actuarial losses/(gains) unrecognised	-	-			
Total Recognised Benefit Liability	5 356 718	3 606 304			
The amounts recognised in the Statement of Financial Position are as follows:					
Present value of fund obligations	5 356 718	3 606 304			
Unfunded Accrued Liability	5 356 718	3 606 304			
Actuarial gains/(losses) not recognised	-	-			
Total Benefit Liability	5 356 718	3 606 304			
The amounts recognised in the Statement of Financial Performance are as follows:					
Current service cost	480 370	408 199			
Interest cost	381 832	316 538			
Actuarial losses/(gains)	1 139 440	(684 497)			
Total Post-retirement Benefit included in Employee Related Costs (Note 30)	2 001 643	40 240			
The history of experienced adjustments is as follows:					
	2009 R	2008 R	2007 R	2006 R	2005 R
Present Value of Defined Benefit Obligation	5 356 718	3 606 304	3 956 728	3 056 841	-
Deficit	5 356 718	3 606 304	3 956 728	3 056 841	-
Experienced adjustments on Plan Liabilities	(1 326 236)	663 002	-	-	-

Notes to the Annual Financial Statements (continued)

For the year ended 30 June 2009

	2009 R	2008 R
<p>In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2006 reporting period.</p> <p>The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:</p> <p>Increase:</p> <p>Effect on the aggregate of the current service cost and the interest cost 78 276 61 197</p> <p>Effect on the defined benefit obligation 379 481 268 046</p> <p>Decrease:</p> <p>Effect on the aggregate of the current service cost and the interest cost (69 479) (54 428)</p> <p>Effect on the defined benefit obligation (340 769) (240 947)</p> <p>The Municipality expects to make a contribution of R1 290 723 (2008: R862 202) to the defined benefit plans during the next financial year.</p>		
7. CONSUMER DEPOSITS		
Water	17 474 507	16 485 647
Total Consumer Deposits	17 474 507	16 485 647
Guarantees held in lieu of Water Deposits	357 080	252 480
<p>Consumer Deposits are paid by consumers on application for new water connections. The deposits are repaid when the water connections are terminated. In cases where consumers default on their accounts, the Municipality can apply the deposit as payment for any outstanding balances on the account.</p> <p>No interest is paid on Consumer Deposits held.</p>		
8. PROVISIONS		
Performance Bonus	780 214	470 354
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 5 above)	690 754	575 992
Current Portion of Non-Current Provisions (See Note 6 above):	482 440	251 228
Total Provisions	1 953 407	1 297 574

	2009 R	2008 R
Performance Bonuses accrue to senior managers on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.		
The movement in current provisions are reconciled as follows:		
Performance Bonus		
Balance at beginning of year	470 354	-
Contributions to provision	780 214	470 354
Expenditure incurred	(470 354)	-
Balance at end of Year	780 214	470 354
Current Portion of Non-Current Provisions:		
	Long-term Service R	Post- retirement R
30 June 2009		
Balance at beginning of year	251 228	575 992
Transfer from non-current	482 440	690 754
Expenditure incurred	(251 228)	(575 992)
Balance at end of Year	482 440	690 754
30 June 2008		
Balance at beginning of year	390 664	620 942
Transfer from non-current	251 228	575 992
Expenditure incurred	(390 664)	(620 942)
Balance at end of Year	251 228	575 992
9. CREDITORS		
Trade Creditors	1 034 384	5 404 202
Payments received in Advance	14 161 957	9 915 720
Retentions	2 957 912	2 822 138
Staff Leave	6 841 089	3 321 015
Other Creditors	37 919 173	19 755 970

Notes to the Annual Financial Statements (continued)

For the year ended 30 June 2009

	2009 R	2008 R
Total Creditors	122 761 621	79 397 470
<p>The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the Municipality deals with. The Municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.</p>		
10. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
10.1 Conditional Grants from Other Spheres of Government	252 522 731	123 049 058
National Government Grants	172 488 025	73 421 125
Provincial Government Grants	78 255 104	47 686 670
Other Spheres of Government	1 779 602	1 941 263
10.2 Other Conditional Receipts	47 887 261	36 749 954
Developers' Contributions	47 577 385	36 667 574
Public Contributions	309 876	82 380
Total Conditional Grants and Receipts	300 409 992	159 799 012
<p>The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.</p> <p>See Note 27 for the reconciliation of Grants from Other Spheres of Government and Note 28 for the reconciliation of Other Conditional Receipts.</p> <p>Refer to Appendix F for more detail on Conditional Grants.</p>		
11. OPERATING LEASE LIABILITIES/PAYABLES		
<p>Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following liabilities have been recognised:</p>		
Balance at beginning of year	35 211	39 731
Operating Lease expenses recorded	547 120	307 974
Operating Lease payments effected	(556 906)	(312 494)
Total Operating Lease Liabilities	25 426	35 211

	2009 R	2008 R
11.1 Leasing Arrangements		
The Municipality as Lessee:		
Operating Leases relate to property, plant and equipment with lease terms not longer than five years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the Municipality exercises its option to renew. The Municipality does not have an option to purchase the leased asset at the expiry of the lease period.		
11.2 Amounts payable under Operating Leases		
At the Reporting Date the Municipality had outstanding commitments under Non-cancellable Operating Leases for property, plant and equipment, which fall due as follows:		
Office Equipment:	468 084	544 348
Within one year	421 137	294 294
In the second to third years, inclusive	46 947	250 054
Over three years	-	-
Total Operating Lease Arrangements	468 084	544 348
The following payments have been recognised as an expense in the Statement of Financial Performance:		
Minimum lease payments	547 120	307 974
Total Operating Lease Expenses	547 120	307 974
The Municipality has operating lease agreements for the following classes of assets, which are only significant collectively:		
- Office Equipment		
The following restrictions have been imposed on the Municipality in terms of the lease agreements on Office Equipment:		
(i) The equipment shall remain the property of the rentor.		
(ii) The hirer shall not sell sublet, cede, assign or delegate any of its rights or obligations on the equipment.		
(iii) The equipment shall be returned in good order and condition to the rentor upon termination of the agreement.		

Notes to the Annual Financial Statements (continued)

For the year ended 30 June 2009

12. PROPERTY, PLANT AND EQUIPMENT

30 June 2009

Reconciliation of Carrying Value

Description	Land and Buildings R	Infra-structure R	Community R	Other R	Total R
Carrying values at 1 July 2008	40 466 446	460 805 107	28 283 343	43 488 981	573 043 877
Cost	48 410 547	631 796 287	29 151 798	82 173 856	791 532 488
- Completed Assets	48 410 547	631 796 287	29 151 798	82 173 856	791 532 488
- Under Construction	-	-	-	-	-
Correction of error (Note 41)	-	-	-	-	-
Revaluation	-	-	-	-	-
Accumulated Impairment Losses	(3 223 726)	(14 799)	-	(617 171)	(3 855 696)
Accumulated Depreciation:	(4 720 375)	(170 976 380)	(868 455)	(38 067 704)	(214 632 914)
- Cost	(4 720 375)	(170 976 380)	(868 455)	(38 067 704)	(214 632 914)
- Revaluation	-	-	-	-	-
Acquisitions	21 975 124	173 636 846	25 610 780	11 809 857	233 032 606
Borrowing Costs Capitalised	-	-	-	-	-
Capital under Construction	-	-	-	-	-
Additions:	-	-	-	-	-
- Cost	-	-	-	-	-
- Borrowing Costs Capitalised	-	-	-	-	-
Increases in Revaluation	-	-	-	-	-
Reversals of Impairment Losses	3 223 726	14 799	-	617 171	3 855 696
Depreciation:	(644 034)	(12 367 953)	(794 761)	(8 530 960)	(22 337 708)
- Based on Cost	(644 034)	(12 367 953)	(794 761)	(8 530 960)	(22 337 708)
- Based on Revaluation	-	-	-	-	-
Carrying value of Disposals:	-	-	-	-	-
- Cost	-	-	-	-	-
- Revaluation	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-
- Based on Cost	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-
Carrying value of Transfers to Held-for-Sale:	-	-	-	(452 997)	(452 997)
- Cost	-	-	-	(3 008 655)	(3 008 655)
- Revaluation	-	-	-	-	-

Description	Land and Buildings R	Infra-structure R	Community R	Other R	Total R
- Accumulated Impairment Losses	-	-	-	-	-
- Accumulated Depreciation	-	-	-	2 555 658	2 555 658
- Based on Cost	-	-	-	2 555 658	2 555 658
- Based on Revaluation	-	-	-	-	-
Decreases in Revaluation	-	-	-	-	-
Impairment Losses	-	-	-	-	-
Capital under Construction	-	-	-	-	-
- Completed	-	-	-	-	-
Other Movements:	(20 779 096)	126 180 187	18 547 082	-	123 948 173
- Cost	(20 785 798)	763 080 889	17 685 329	-	759 980 420
- Revaluation	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-
- Accumulated Depreciation	6 703	(636 900 702)	861 753	-	(636 032 247)
- Based on Cost	6 703	(636 900 702)	861 753	-	(636 032 247)
- Based on Revaluation	-	-	-	-	-
Carrying values at 30 June 2009	44 242 166	748 268 985	71 646 444	46 932 052	911 089 647
Cost	49 599 872	1 568 514 021	72 447 907	90 975 058	1 781 536 859
- Completed Assets	49 599 872	1 568 514 021	72 447 907	90 975 058	1 781 536 859
- Under Construction	-	-	-	-	-
Revaluation	-	-	-	-	-
Accumulated Impairment Losses	(0)	0	-	-	(0)
Accumulated Depreciation:	(5 357 707)	(820 245 036)	(801 463)	(44 043 006)	(870 447 212)
- Cost	(5 357 707)	(820 245 036)	(801 463)	(44 043 006)	(870 447 212)
- Revaluation	-	-	-	-	-
Carrying values at 1 July 2007	9 151 392	335 305 926	26 904 735	28 122 064	399 484 117
Cost	16 569 525	489 941 122	27 617 742	59 491 014	593 619 404
- Completed Assets	16 569 525	489 941 122	27 617 742	59 491 014	593 619 404
- Under Construction	-	-	-	-	-
Correction of error (Note 41)	-	-	-	-	-
Revaluation	-	-	-	-	-
Accumulated Impairment Losses	(3 223 726)	(25 222)	-	(700 845)	(3 949 793)
Accumulated Depreciation:	(4 194 407)	(154 609 974)	(713 007)	(30 668 106)	(190 185 494)
- Cost	(4 194 407)	(154 609 974)	(713 007)	(30 668 106)	(190 185 494)
- Revaluation	-	-	-	-	-

Notes to the Annual Financial Statements (continued)

For the year ended 30 June 2009

Description	Land and Buildings R	Infra-structure R	Community R	Other R	Total R
Acquisitions	31 787 603	146 371 797	1 463 350	26 912 546	206 535 297
Borrowing Costs Capitalised	-	-	-	-	-
Capital under Construction	-	-	-	-	-
Additions:					
- Cost	-	-	-	-	-
- Borrowing Costs Capitalised	-	-	-	-	-
Increases in Revaluation	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-
Depreciation:	(515 114)	(16 366 406)	(155 448)	(10 949 065)	(27 986 033)
- Based on Cost	(515 114)	(16 366 406)	(155 448)	(10 949 065)	(27 986 033)
- Based on Revaluation	-	-	-	-	-
Carrying value of Disposals:	-	(4 382 068)	-	(543 381)	(4 925 450)
- Cost	-	(4 414 197)	-	(3 684 033)	(8 098 230)
- Revaluation	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-
- Accumulated Depreciation	-	32 129	-	3 140 652	3 172 781
- Based on Cost	-	32 129	-	3 140 652	3 172 781
- Based on Revaluation	-	-	-	-	-
Carrying value of Transfers to Held-for-Sale:	-	-	-	(64 054)	(64 054)
- Cost	-	-	-	(523 983)	(523 983)
- Revaluation	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	94 097	94 097
- Accumulated Depreciation	-	-	-	365 832	365 832
- Based on Cost	-	-	-	365 832	365 832
- Based on Revaluation	-	-	-	-	-
Decreases in Revaluation	-	-	-	-	-
Impairment Losses	-	-	-	-	-
Capital under Construction - Completed	-	-	-	-	-
Other Movements:	42 565	(124 141)	70 706	10 871	(0)
- Cost	53 419	(102 436)	70 706	(21 689)	(0)
- Revaluation	-	-	-	-	-
- Accumulated Impairment Losses	-	10 423	-	(10 423)	-
- Accumulated Depreciation	(10 854)	(32 129)	-	42 983	-
- Based on Cost	(10 854)	(32 129)	-	42 983	-
- Based on Revaluation	-	-	-	-	-

Description	Land and Buildings R	Infra- structure R	Community R	Other R	Total R
Carrying values at 30 June 2008	40 466 446	460 805 107	28 283 343	43 488 981	573 043 877
Cost	48 410 547	631 796 287	29 151 798	82 173 856	791 532 488
- Completed Assets	48 410 547	631 796 287	29 151 798	82 173 856	791 532 488
- Under Construction	-	-	-	-	-
Revaluation	-	-	-	-	-
Accumulated Impairment Losses	(3 223 726)	(14 799)	-	(617 171)	(3 855 696)
Accumulated Depreciation:	(4 720 375)	(170 976 380)	(868 455)	(38 067 704)	(214 632 914)
- Cost	(4 720 375)	(170 976 380)	(868 455)	(38 067 704)	(214 632 914)
- Revaluation	-	-	-	-	-

Other movements of property, plant and equipment to the amount of R123 948 173 (2008: R0) are in, respect of the implementation of GRAP 17 (see Notes 12.4 12.5 and 40.3).

Refer to Appendices B, C and E(2) for more detail on property, plant and equipment, including those in the course of construction.

Notes to the Annual Financial Statements (continued)

For the year ended 30 June 2009

	2009 R	2008 R
12. PROPERTY, PLANT AND EQUIPMENT (Continued)		
12.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use:		
No property, plant and equipment that is fully depreciated, is in use at year-end by the Municipality.		
12.2 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal:		
Land and Buildings	-	-
Infrastructure	-	-
Community	-	-
Other	622 433	169 436
Carrying Value of PPE retired from active use and held for disposal	622 433	169 436
	-	-
12.3 Assets pledged as security:		
The Municipality's obligations under Finance Leases (see Note 4) are secured by the lessors' title to the leased assets. No other assets of the Municipality have been pledged as security.		
12.4 Impairment of Property, Plant and Equipment:		
Impairment of property, plant and equipment was taken into consideration by the consultants, Ubuntu Business Advisory and Consultation Services, during the process of identifying, componentising and measuring immovable assets, and included in the Depreciated Replacement Cost calculated during the exercise. The amounts for Impairment were not calculated separately and therefore no impaired values are disclosed.		
12.5 Change in Estimate – Useful Life of Property, Plant and Equipment reviewed:		
The Remaining Useful Life of property, plant and equipment was taken into consideration by the consultants, Ubuntu Business Advisory and Consultation Services, during the process of identifying, componentising and measuring immovable assets, and included in the Depreciated Replacement Cost calculated during the exercise. The amounts for Change in Useful Life were not calculated separately and therefore no changes in values are disclosed.		

	2009 R	2008 R	
12.6 Land and Buildings carried at Fair Value:			
The Municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.			
12.7 Compensation received for Losses:			
Compensation, included in Operating Surplus, was received from the Municipality's insurers for property, plant and equipment lost during the year:			
Compensation received from insurers	-	2 942 446	
Carrying value of lost assets	-	(4 967 066)	
Surplus/(Deficit) on Compensation received for Lost PPE	-	(2 024 620)	
13. INTANGIBLE ASSETS			
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	7 595 443	9 400 627	
The movement in Intangible Assets is reconciled as follows:			
	Computer Software	Servitudes	Total
Carrying values at 1 July 2008	8 604 937	795 690	9 400 627
Cost	13 737 605	795 690	14 533 295
Accumulated Amortisation	(5 132 669)	-	(5 132 669)
Acquisitions during the Year:	-	1 312 948	1 312 948
Purchased	-	1 312 948	1 312 948
Internally Developed	-	-	-
Amortisation during the Year:	(3 118 131)	-	(3 118 131)
Purchased	(3 118 131)	-	(3 118 131)
Internally Developed	-	-	-
Disposals during the Year:	-	-	-
At Cost	-	-	-
At Accumulated Amortisation	-	-	-
Carrying values at 30 June 2009	5 486 805	2 108 638	7 595 443
Cost	13 737 605	2 108 638	15 846 243
Accumulated Amortisation	(8 250 800)	-	(8 250 800)

Notes to the Annual Financial Statements (continued)

For the year ended 30 June 2009

	Computer Software	Servitudes	Total
Carrying values at 1 July 2007	11 394 102	752 897	12 146 999
Cost	15 027 172	752 897	15 780 069
Accumulated Amortisation	(3 633 070)	-	(3 633 070)
Acquisitions during the Year:	1 650 308	42 793	1 693 101
Purchased	1 650 308	42 793	1 693 101
Internally Developed	-	-	-
Amortisation during the Year:	(1 499 599)	-	(1 499 599)
Purchased	(1 499 599)	-	(1 499 599)
Internally Developed	-	-	-
Disposals during the Year:	(2 939 874)	-	(2 939 874)
At Cost	(2 939 874)	-	(2 939 874)
At Accumulated Amortisation	-	-	-
Carrying values at 30 June	8 604 937	795 690	9 400 627
Cost	13 737 605	795 690	14 533 295
Accumulated Amortisation	(5 132 669)	-	(5 132 669)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 32).

The disposal of Intangible Assets relates to software purchased in respect of the "Xellent Billing System". This billing system was not implemented, hence invoices raised in respect of the software in the 2006/07 financial year have been reversed in the previous year. See Notes 52.3 and 53.1 for further information in respect of the billing system.

All of the Municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the Municipality.

The following restrictions apply to Intangible Assets:

- Axapta Financial Software:
 - (i) The system is non-assignable, non-transferable, and the Municipality has no exclusive rights to use the system.
 - (ii) The system may be used on only one database at any one time.
 - (iii) The Municipality, as the licensee, shall not grant usage of, or distribute, the system in its original or modified form, to a third party for the third party's benefit.
 - (iv) The Municipality has no intellectual property rights to the system.

Refer to Appendix B for more detail on Intangible Assets.

	2009 R	2008 R
13.1 Significant Intangible Assets:		
Significant Intangible Assets, that did not meet the recognition criteria for Intangible Assets as stipulated in IAS 38 and SIC 32, are the following:		
(i) Website Costs incurred during the last two financial years have been expensed and not recognised as Intangible Assets.		
13.2 Intangible Assets with Indefinite Useful Lives:		
The following classes of Intangible Assets are not amortised as they are regarded as having indefinite useful lives:		
Carrying Value of Servitudes: Sewerage Distribution	1 355 740	42 793
Carrying Value of Servitudes: Water Reticulation	752 897	752 897
Total Carrying Value of Intangible Assets with Indefinite Useful Lives	2 108 638	795 690
Servitudes are regarded as having Indefinite Useful Lives as they are registered permanently, the agreements not having a maturity date.		
13.3 Impairment of Intangible Assets:		
No impairment losses have been recognised on Intangible Assets of the Municipality at the reporting date.		
14. INVESTMENT PROPERTY		
The Municipality did not have any property to be classified as Investment Property in terms of its Accounting Policies and Asset Management Policy at year-end.		
15. NON-CURRENT INVESTMENTS		
Financial Instruments		
Fixed Deposits	15 676 174	13 775 686
Short-term Financial Instruments	-	-
Total Investments		
All Investments	15 676 174	13 775 686
Less: Short-term Portion transferred to Current Investments	-	-
	15 676 174	13 775 686
	-	-
Fixed Deposits are investments with a maturity period of more than 12 months and earn interest rates varying from 12,90 % to 13,39 % (2008: 12,90% to 13,39%) per annum.		

Notes to the Annual Financial Statements (continued)

For the year ended 30 June 2009

	2009 R	2008 R	
Fixed Deposits of R15 676 174 (2008: R13 775 686) are ring-fenced for the purposes of repaying Long-term Liabilities as set out in Note 45.			
16. LONG-TERM RECEIVABLES			
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2009			
Officials: Relocation Loans	21 654	-	21 654
Sundry Loans	64 575	-	64 575
	86 229	-	86 229
Less: Current Portion transferred to Current Receivables			7 540
Officials: Relocation Loans			7 540
Sundry Loans			-
Total Long-term Receivables			78 690
			-
As at 30 June 2008			
Officials: Relocation Loans	36 544	-	36 544
Sundry Loans	76 863	-	76 863
	113 406	-	113 406
Less: Current Portion transferred to Current Receivables			24 489
Officials: Relocation Loans			14 889
Sundry Loans			9 600
Total Long-term Receivables			88 917
			-
RELOCATION LOANS			
Relocation Loans granted to officials are expensed after 36 months' service in the Municipality. A pro rata amount is recovered should an official leave the service of the Municipality within the 36-month period.			
SUNDRY LOANS			
Sundry Loans comprise expenditure recoverable from officials for damages caused to municipal property. The debt is repaid by monthly deductions of R800. One official was dismissed in February 2008, but has signed a consent to judgement.			

	2009 R	2008 R
17. INVENTORY		
Consumable Stores – at cost	654 695	-
Maintenance Materials – at cost	6 331 362	5 691 142
Water – at cost	860 325	605 472
Goods Held-for-Sale	41 235	-
Total Inventory	7 887 616	6 296 615
Inventories are held for own use with the result that no write downs of Inventory to Net Realisable Value were required.		
The cost of water production for the year amounted to R3,77 per kilolitre (2008: R3,36 per kilolitre).		
The cost of Inventories recognised as an expense during the period was R15 297 405 (2008: R11 770 000).		
Inventories of R551 314 (2008: R267 350) are expected to be utilised only after more than twelve months.		
18. NON-CURRENT ASSETS HELD-FOR-SALE		
Property Held-for-Sale – at cost	622 433	169 436
Total Non-current Assets Held-for-Sale	622 433	169 436
Liabilities associated with Non-current Assets Held-for-Sale	-	-
Net Non-current Assets Held-for-Sale	622 433	169 436
18.1 Property Held-for-Sale		
The Municipality intends to dispose some of its property, plant and equipment through public auction within the next twelve months. No impairment loss was recognised on reclassification of the property as held-for-sale nor at 30 June 2009.		

Notes to the Annual Financial Statements (continued)

For the year ended 30 June 2009

	Gross Balances R	Provision for Impairment R	Net Balance R
19. CONSUMER DEBTORS			
As at 30 June 2009			
Service Debtors:	58 466 746	28 410 599	30 056 147
Sewerage	12 558 751	6 123 736	6 435 016
Water	45 907 994	22 286 863	23 621 131
Water Rate Debtors	11 072 092	-	11 072 092
Other Trade Debtors	4 488 007	-	4 488 007
Total Consumer Debtors	74 026 845	28 410 599	45 616 246
As at 30 June 2008			
Service Debtors:	52 172 636	22 519 193	29 653 443
Sewerage	10 891 600	5 053 043	5 838 558
Water	41 281 036	17 466 150	23 814 885
Water Rate Debtors	9 131 338	-	9 131 338
Other Trade Debtors	5 284 842	-	5 284 842
Total Consumer Debtors	66 588 816	22 519 193	44 069 623

Included in Consumer Debtors is an amount of R2,8 million (2008: R4,5 million) in respect of the consumption of metered services not billed as at 30 June.

The Credit Control Policy states that the average credit period for Consumer Debtors is 30 days. Except for Water Rates, no interest is charged on trade receivables. Such interest is charged at the prime rate, charged by the Municipality's banker, plus one per cent per annum on the outstanding balance. The Municipality enforces its approved Credit Control Policy to ensure the recovery of Consumer Debtors.

The Municipality receives applications that it processes. Deposits are required to be paid for all water accounts opened. There are no consumers who represent more than 5% of the total balance of Consumer Debtors.

	2009 R	2008 R
19.1 Ageing of Consumer Debtors		
Sewerage: Ageing		
<i>Current:</i>		
0-30 days	5 456 923	4 862 716
<i>Past Due:</i>		
31-60 Days	596 110	591 610
61-90 Days	381 983	384 232
91-120 Days	330 375	273 755
+120 Days	5 793 360	4 779 287

	2009 R	2008 R
Total	12 558 751	10 891 600
Water: Ageing		
<i>Current:</i>		
0-30 days	19 175 585	18 862 195
<i>Past Due:</i>		
31-60 Days	2 450 204	2 539 407
61-90 Days	1 691 329	1 758 712
91-120 Days	1 170 476	1 403 911
+ 120 Days	21 420 400	16 716 811
Total	45 907 994	41 281 036
Water Rates: Ageing		
<i>Current:</i>		
0-30 days	957 158	567 590
<i>Past Due:</i>		
31-60 Days	22 493	7 161
61-90 Days	6 868	26 468
91-120 Days	93 927	9 102
+120 Days	9 991 646	8 521 017
Total	11 072 092	9 131 338
Other Debtors: Ageing		
<i>Current:</i>		
0-30 days	-	-
<i>Past Due:</i>		
31-60 Days	-	-
61-90 Days	-	-
91-120 Days	-	-
+120 Days	4 488 007	5 284 842
Total	4 488 007	5 284 842
As at 30 June 2009 Consumer Debtors of R20 026 581 (2008: R19 777 122) were past due but not impaired. The age analysis of these Consumer Debtors are as follows:		
31-60 Days	3 068 807	3 138 177
61-90 Days	2 080 180	626 061
91-120 Days	130 963	405 900
+120 Days	14 746 630	15 606 984
Total	20 026 581	19 777 122

Notes to the Annual Financial Statements (continued)

For the year ended 30 June 2009

	2009 R	2008 R
19.2 Summary of Debtors by Customer Classification		
The Customer Classification cannot be provided as the Custima Billing System used by the Municipality cannot generate reports in this format.		
19.3 Reconciliation of the Provision for Impairment		
Balance at beginning of year	22 519 193	22 296 048
Impairment Losses recognised	8 393 453	2 819 722
Impairment Losses reversed	-	-
Amounts recovered	6 582	51 525
Amounts written off as uncollectable	(2 508 628)	(2 648 102)
Balance at end of year	28 410 599	22 519 193
In terms of the financial instruments classification (Note 49.1), management has classified consumer debtors as loans and receivables for the purposes of assessing interest rate risk, credit risk and liquidity (Notes 49.4, 49.6.2 and 49.10). The concentration of credit risk has been on residential consumers. Consequently, in determining the recoverability of debtors, the Municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Consumer Debtors has been more aggressive in the year under review, and has been made for all residential consumer balances outstanding for more than 90 days (2008: 60 days). In management's professional judgement, no further credit provision is required in excess of the Provision for Impairment.		
Consumer Debtors comprises a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer Debtors are presented net of a provision for impairment.		
No provision has been made in respect of government debt and Water Rates as these amounts are considered to be fully recoverable. The Municipality holds collateral over these balances in the form of Consumer Deposits/Guarantees, which are not covering the total outstanding debt and vacant property respectively.		
19.4 Ageing of impaired Consumer Debtors		
<i>Past Due:</i>		
61-90 Days	-	1 543 350
91-120 Days	1 463 816	1 280 869
+120 Days	26 946 783	19 694 973
Total	28 410 599	22 519 193

	2009 R	2008 R
20. OTHER DEBTORS		
Government Subsidy Claims	21 387 840	42 392 448
Insurance Claims	1 623 639	-
Sundry Deposits	594 655	424 840
Sundry Debtors	16 377 611	32 540 751
	<hr/>	<hr/>
	39 983 745	75 358 039
Less: Provision for Impairment	(2 002 201)	(31 645 492)
	<hr/>	<hr/>
Total Other Debtors	37 981 544	43 712 547
<p>The average credit period for Government Grants and Subsidies is dependent on the Government Department involved and the nature of the claim. No interest is charged on outstanding Government Grants and Subsidies. The subsidies are payable to the Municipality due to allocations made in the DORA or based on agreements between the Municipality and the relevant departments.</p> <p>Insurance Claims are amounts which are claimable in terms of the insurance contract entered into by the Municipality. The average waiting period depends on the nature of the claim. No interest is charged on outstanding insurance claims.</p> <p>Included in Sundry Deposits is an amount of R473 322 (2008: R303 507) in respect of cash deposits made to Eskom for the supply of electricity.</p> <p>Sundry Debtors are in respect of debits outstanding at year-end on normal business transactions entered into by the Municipality.</p>		
20.1 Reconciliation of Provision for Impairment		
Balance at beginning of year	31 645 492	31 645 492
Impairment Losses recognised	2 002 201	-
Amounts written off as uncollectable	(31 645 492)	-
	<hr/>	<hr/>
Balance at end of year	2 002 201	31 645 492
<p>The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.</p> <p>The Provision for Impairment on Other Debtors (Loans and Receivables) exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.</p>		

Notes to the Annual Financial Statements (continued)

For the year ended 30 June 2009

	2009 R	2008 R
<p>In determining the recoverability of a Debtor, the Municipality considers any change in the credit quality of the Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to most of these debtors being sundry in nature. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.</p> <p>The following loans and receivables are included in the total amount of the Provision for Impairment:</p> <p>Sundry Debtors</p> <p>Government Subsidy Claims</p> <p>Other</p> <p>Total Provision for Impairment on Other Debtors</p>	<p>-</p> <p>2 002 201</p> <p>-</p> <p>2 002 201</p>	<p>4 708 613</p> <p>26 876 385</p> <p>60 494</p> <p>31 645 492</p>
21. VAT RECEIVABLE		
VAT Receivable	59 956 625	28 229 753
<p>VAT is payable on the cash basis. Once payment is received from debtors, VAT is paid over to SARS.</p> <p>No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The Municipality has financial risk policies in place to ensure that payments are effected before the due date.</p> <p>The Municipality was undergoing a VAT audit at year-end to confirm the completeness and validity of the net VAT due to the Municipality.</p>		
22. BANK, CASH AND CASH EQUIVALENTS		
Bank, Cash and Cash Equivalents	196 101 591	221 937 705
Bank Overdraft	-	-
Total Bank, Cash and Cash Equivalents	196 101 591	221 937 705
<p>For the purposes of the Statement of Financial Position and the Cash Flow Statement, Bank, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.</p>		

	2009 R	2008 R
22.1 Current Investment Deposits		
Call Deposits	37 904 586	38 816 511
Notice Deposits	111 529 953	169 922 806
Short-term Portion of Investments	-	-
Total Current Investment Deposits	149 434 540	208 739 317
Call Deposits are investments with a maturity period of less than three months and earn interest rates varying from 11,60 % to 15,60 % (2008: 11,60% to 15,60%) per annum.		
Notice Deposits are investments with a maturity period of less than 12 months and earn interest rates varying from 7,25 % to 12,35 % (2008: 11,60% to 15,60%) per annum.		
Short-term Investment Deposits are attributable to Funds as follows:		
Capital Replacement Reserve	-	49 196 735
Unspent Conditional Grants	149 434 540	159 542 582
Total Short-term Investment Deposits	149 434 540	208 739 317
22.2 Bank Accounts		
Cash in Bank	46 122 145	12 698 387
Bank Overdraft	-	-
Total Bank Accounts	46 122 145	12 698 387
The Municipality has the following bank accounts:		
Absa Bank Ltd – Port Shepstone		
<i>Account Number 406 668 6529 (Primary Bank Account):</i>		
Cash book balance at beginning of year	5 422 341	186 423
Cash book balance at end of year	30 042 339	5 422 341
	30 042 339	5 422 341
Bank statement balance at beginning of year	5 422 341	186 423
Bank statement balance at end of year	30 042 339	5 422 341
	30 042 339	5 422 341
<i>Account Number 406 668 6472 (General Bank Account):</i>		
Cash book balance at beginning of year	3 583 249	(4 815 248)
Cash book balance at end of year	3 791 348	3 583 249
	3 791 348	3 583 249
Bank statement balance at beginning of year	5 569 392	1 658 789
Bank statement balance at end of year	4 898 155	5 569 392
	4 898 155	5 569 392

Notes to the Annual Financial Statements (continued)

For the year ended 30 June 2009

	2009 R	2008 R
<i>Account Number 406 668 6294 (Collection Account):</i>		
Cash book balance at beginning of year	8 536	-
Cash book balance at end of year	49 775	8 536
	49 775	8 536
Bank statement balance at beginning of year	8 536	-
Bank statement balance at end of year	49 775	8 536
<i>Account Number 406 671 0647 (Consumer Deposits Bank Account):</i>		
Cash book balance at beginning of year	354 022	2 597 424
Cash book balance at end of year	546 714	354 022
	546 714	354 022
Bank statement balance at beginning of year	354 022	2 597 424
Bank statement balance at end of year	546 714	354 022
<i>Account Number 406 660 3763 (Salaries Account):</i>		
Cash book balance at beginning of year	82 317	(15 750)
Cash book balance at end of year	5 249	82 317
	5 249	82 317
Bank statement balance at beginning of year	131 648	29 055
Bank statement balance at end of year	52 518	131 648
<i>Account Number 406 757 0977 (Sanlam Group Life Account):</i>		
Cash book balance at beginning of year	2 273 628	(91)
Cash book balance at end of year	3 462 447	2 273 628
	3 462 447	2 273 628
Bank statement balance at beginning of year	2 273 719	(91)
Bank statement balance at end of year	3 462 447	2 273 719
<i>Account Number 406 668 6367 (MIG Project Account):</i>		
Cash book balance at beginning of year	950 602	17 078 032
Cash book balance at end of year	7 550 367	950 602
	7 550 367	950 602
Bank statement balance at beginning of year	950 602	19 699 104
Bank statement balance at end of year	7 550 367	950 602
<i>Account Number 407 187 0797 (Disaster Account):</i>		
Cash book balance at beginning of year	17 450	-
Cash book balance at end of year	212 170	17 450
	212 170	17 450
Bank statement balance at beginning of year	17 450	-
Bank statement balance at end of year	212 170	17 450

	2009 R	2008 R
<i>Account Number 407 198 0239 (Market Account):</i>		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	461 736	-
	461 736	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	461 736	-
First National Bank of SA Ltd – Port Shepstone		
<i>Account Number 534 8085 2369 (Primary Bank Account):</i>		
Cash book balance at beginning of year	-	2 864 731
Cash book balance at end of year	-	-
	-	-
Bank statement balance at beginning of year	-	2 957 045
Bank statement balance at end of year	-	-
<i>Account Number 620 1194 3398 (ACB Deposits Account):</i>		
Cash book balance at beginning of year	-	1 093 479
Cash book balance at end of year	-	-
	-	-
Bank statement balance at beginning of year	-	1 093 479
Bank statement balance at end of year	-	-
<i>Account Number 534 8801 7494 (Direct Deposits Account):</i>		
Cash book balance at beginning of year	-	730 150
Cash book balance at end of year	-	-
	-	-
Bank statement balance at beginning of year	-	730 150
Bank statement balance at end of year	-	-
<i>Account Number 534 8109 8673 (Ugu RDP DWAF Project Account):</i>		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	-	-
	-	-
Bank statement balance at beginning of year	-	9 836 165
Bank statement balance at end of year	-	-
Standard Bank – Port Shepstone Branch		
<i>Account Number 05 330 000 9 (Direct Deposits Account):</i>		
Cash book balance at beginning of year	6 242	11 420
Cash book balance at end of year	(0)	6 242
	-	6 242

Notes to the Annual Financial Statements (continued)

For the year ended 30 June 2009

	2009 R	2008 R
Bank statement balance at beginning of year	6 242	11 420
Bank statement balance at end of year	-	6 242
<i>Account Number 05 330 662 7 (Group Life Scheme Account):</i>		
Cash book balance at beginning of year	-	1 696 723
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	-	1 696 778
Bank statement balance at end of year	-	-
Bank Accounts are attributable to Funds as follows:		
Capital Replacement Reserve	171 843	28 982 488
Unspent Conditional Grants	150 975 452	256 431
Available for/(Utilised by) Operational Purposes	(105 025 151)	(16 540 532)
Total Bank and Cash	46 122 145	12 698 387
	-	-
Interest on overdrawn current accounts are charged at the banker's prime rate. Interest is earned at different rates per annum on favourable balances.		
22.3 Cash and Cash Equivalents		
Cash Floats and Advances	544 906	500 002
Other Cash Equivalents	-	-
Total Cash on hand in Cash Floats, Advances and Equivalents	544 906	500 002
23. OPERATING LEASE ASSETS/RECEIVABLES		
The Municipality had no long-term arrangements to be classified as operating lease agreements for the two financial years.		
24. SERVICE CHARGES		
Sale of Water	152 861 029	139 031 289
Sewerage and Sanitation Charges	49 133 707	45 658 162
Total Service Charges	201 994 736	184 689 450
The comparative figures for Service Charges have been restated to adhere to the provisions of GRAP 9, Revenue, and IAS 39, <i>Financial Instruments: Recognition and Measurement</i> . Refer to Note 41.2 on "Correction of Error" for details of the restatement.		

	2009 R	2008 R
<p>The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.</p>		
25. RENTAL OF FACILITIES AND EQUIPMENT		
Rental Revenue from Buildings	94 581	99 000
Rental Revenue from Other Facilities	196 060	120 663
Total Rental of Facilities and Equipment	290 641	219 663
<p>Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.</p>		
26. INTEREST EARNED		
External Investments:		
Bank Account	5 220 189	3 751 001
Short-term Investments	3 627 059	5 450 307
Long-term Investments	1 900 488	1 674 349
	10 747 736	10 875 656
Outstanding Debtors:		
Outstanding Billing Debtors	1 119 379	(186 978)
Fair Value adjustment of Service Charges	2 273 619	1 055 776
	3 392 998	868 798
Total Interest Earned	14 140 734	11 744 454
<p>Interest Earned on Financial Assets, analysed by category of asset, is as follows:</p>		
Available-for-Sale Financial Assets	8 847 248	9 201 307
Loans and Receivables	3 392 998	868 798
Held-to-Maturity Investments	1 900 488	1 674 349
	14 140 734	11 744 454
<p>The comparative figures for Interest Earned have been restated to adhere to the provisions of GRAP 9, Revenue, and IAS 39, <i>Financial Instruments: Recognition and Measurement</i>. Refer to Note 41.2 on "Correction of Error" for details of the restatement.</p>		

Notes to the Annual Financial Statements (continued)

For the year ended 30 June 2009

	2009 R	2008 R
27. GOVERNMENT GRANTS AND SUBSIDIES		
Provincial Equitable Share	108 828 000	78 168 283
Levies Replacement	32 295 067	28 706 000
Other Grants Received	867 358	482 018
Operational Grants	141 990 425	107 356 301
Conditional Grants	197 780 080	166 386 486
National: FMG Grant	779 822	501 545
National: DEAT Grant	345 624	1 145 128
National: MIG Grant	161 744 738	138 708 304
National: DWAF Grant	4 724 807	11 912 065
Provincial: Local Government Grants	2 935 622	6 018 985
Provincial: Dept of Sport & Recreation Grant	2 558 079	216 957
Provincial: Dept of Transport Grant	-	89 722
Provincial: Dept of Local Government & Traditional Affairs Grant	22 446 270	7 211 797
Other Spheres of Government Grants: DBSA	2 094 438	581 983
Other Spheres of Government Grants: Industrial Development Corporation	150 680	-
Total Government Grants and Subsidies	339 770 505	273 742 787
<p>The comparative figures for Government Grants and Subsidies have been restated to adhere to the provisions of GAMAP 9 (paragraphs 42-46), Revenue on revenue from non-exchange transactions. Refer to Note 40.2 on "Change in Accounting Policy" for details of the restatement.</p>		
27.1 National: Equitable Share		
Balance unspent at beginning of year	-	-
Current year receipts	108 828 000	78 168 283
Conditions met – transferred to Revenue: Operating Expenses	(108 828 000)	(73 908 486)
Conditions met – transferred to Revenue: Capital Expenses	-	(4 259 797)
Conditions still to be met – transferred to Liabilities (see Note 10)	-	-
<p>In terms of the Constitution, this unconditional grant is used primarily to subsidise the provision of basic services to the community. All registered indigents receive a monthly subsidy towards the cost of basic services, which is funded from this grant. No funds were withheld.</p>		

	2009 R	2008 R
27.2 National: Finance Management Grant (FMG)		
Balance unspent at beginning of year	1 312 031	1 129 573
Current year receipts	610 240	684 003
Conditions met – transferred to Revenue: Operating Expenses	(725 136)	(501 545)
Conditions met – transferred to Revenue: Capital Expenses	(54 686)	-
Conditions still to be met – transferred to Liabilities (see Note 10)	1 142 449	1 312 031
<p>The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). No funds were withheld.</p>		
27.3 National: Economic Affairs and Tourism Grant (DEAT)		
Balance unspent at beginning of year	469 526	1 442 943
Current year receipts	24 342	171 710
Conditions met – transferred to Revenue: Operating Expenses	(345 624)	(166 240)
Conditions met – transferred to Revenue: Capital Expenses	-	(978 887)
Conditions still to be met – transferred to Liabilities (see Note 10)	148 244	469 526
<p>The European Community represented by the Department of Economic Development (Gijima KZN) awarded the grant for the implementation of the action entitled "Strengthening the LED Enabling Environment". No funds were withheld.</p>		
27.4 Provincial: Local Government Grants		
Balance unspent at beginning of year	7 460 556	6 466 545
Current year receipts	1 290 996	7 012 996
Conditions met – transferred to Revenue: Operating Expenses	(2 935 622)	(6 018 985)
Conditions met – transferred to Revenue: Capital Expenses	-	-
Conditions still to be met – transferred to Liabilities (see Note 10)	5 815 930	7 460 556
<p>Various grants are paid by Provincial Local Government to help implement the IDP, PMS, Sports Stadium and financial reform initiatives as required by the Municipal Finance Management Act (MFMA), 2003 and the Municipal Systems Act (MSA), 2000. No funds have been withheld.</p>		
27.5 National: Municipal Infrastructure Grant (MIG)		
Balance unspent at beginning of year	45 410 572	46 923 860
Current year receipts	263 625 446	137 195 017
Conditions met – transferred to Revenue: Operating Expenses	(40 679 550)	(30 903 969)
Conditions met – transferred to Revenue: Capital Expenses	(121 065 188)	(107 804 335)
Conditions still to be met – transferred to Liabilities (see Note 10)	147 291 281	45 410 572

Notes to the Annual Financial Statements (continued)

For the year ended 30 June 2009

	2009 R	2008 R
<p>The MIG grant is aimed at supplementing municipal budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households and for the provision, rehabilitation and renewal of municipal infrastructure. No funds were withheld.</p>		
27.6 National: Dept of Water Affairs and Forestry (DWAF) Grant		
Balance unspent at beginning of year	18 768 440	2 612 855
Current year receipts	4 046 488	28 067 650
Conditions met – transferred to Revenue: Operating Expenses	(4 271 984)	(785 049)
Conditions met – transferred to Revenue: Capital Expenses	(452 823)	(11 127 016)
Conditions still to be met – transferred to Liabilities (see Note 10)	18 090 121	18 768 440
<p>DWAF grants are aimed at supplementing municipal budgets to assist with the construction of water delivery infrastructure, execution of water service delivery and the development of an Asset Management Plan. No funds were withheld.</p>		
27.7 Provincial: Dept of Public Works Grant		
Balance unspent at beginning of year	2 240 463	2 002 201
Current year receipts	239 281	238 262
Conditions met – transferred to Revenue: Operating Expenses	-	-
Conditions met – transferred to Revenue: Capital Expenses	-	-
Conditions still to be met – transferred to Liabilities (see Note 10)	2 479 744	2 240 463
<p>Public Works Grants are utilised to construct or upgrade various infrastructure of informal settlement areas within the municipal district through utilising labour intensive construction methods in order to maximise job creation for local communities and opportunities for emerging contractors. No funds were transferred to the Municipality for the year under review.</p>		
27.8 Provincial: Dept of Sport and Recreation Grant		
Balance unspent at beginning of year	3 843 623	8 911 538
Current year receipts	2 030 969	(4 850 959)
Conditions met – transferred to Revenue: Operating Expenses	(2 558 079)	(216 957)
Conditions met – transferred to Revenue: Capital Expenses	-	-
Conditions still to be met – transferred to Liabilities (see Note 10)	3 316 512	3 843 623
<p>The purpose of the grant received from the Department of Sport and Recreation was to promote mass participation of a number of selected sport codes and related activities within disadvantaged communities in conjunction with other recreation federations, as well as to assist with the construction of the Ugu Sports and Leisure Centre. No funds were withheld.</p>		

	2009 R	2008 R
27.9 Provincial: Dept of Transport Grant		
Balance unspent at beginning of year	243 984	114 170
Current year receipts	26 079	219 536
Conditions met – transferred to Revenue: Operating Expenses	-	(89 722)
Conditions met – transferred to Revenue: Capital Expenses	-	-
Conditions still to be met – transferred to Liabilities (see Note 10)	270 063	243 984
<p>This funding was furnished by the KZN Department of Transport to assist with the preparation of a Public Transport Plan as required by the National Land Transport Transition Act, 2000. No funds were transferred to the Municipality for the year under review.</p>		
27.10 Provincial: Dept of Local Government and Traditional Affairs Grant		
Balance unspent at beginning of year	41 358 601	13 549 602
Current year receipts	53 276 454	35 020 796
Conditions met – transferred to Revenue: Operating Expenses	(13 414 608)	(2 212 495)
Conditions met – transferred to Revenue: Capital Expenses	(9 031 662)	(4 999 302)
Conditions still to be met – transferred to Liabilities (see Note 10)	72 188 785	41 358 601
<p>Grants received from DLGTA are utilised to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required by the Municipal Structures Act. They are aimed at supplementing municipal budgets to assist with the assessment of water service delivery mechanisms, water delivery planning and water services technical support. Funding was also received to assist with the construction of the Ugu Sports and Leisure Centre. No funds were withheld.</p>		
27.11 Other Government: DBSA		
Balance unspent at beginning of year	1 362 467	1 182 290
Current year receipts	2 034 830	762 160
Conditions met – transferred to Revenue: Operating Expenses	(2 094 438)	(581 983)
Conditions met – transferred to Revenue: Capital Expenses	-	-
Conditions still to be met – transferred to Liabilities (see Note 10)	1 302 859	1 362 467
<p>The purpose of this grant was to assist with the development of business plans for the seven flagship projects in the municipal area. The objectives of the projects are to enhance rural economic development and broad-based community information dissemination and empowerment. No funds were withheld.</p>		

Notes to the Annual Financial Statements (continued)

For the year ended 30 June 2009

	2009 R	2008 R
27.12 Other Government: Industrial Development Corporation		
Balance unspent at beginning of year	578 796	-
Current year receipts	48 627	578 796
Conditions met – transferred to Revenue: Operating Expenses	(150 680)	-
Conditions met – transferred to Revenue: Capital Expenses	-	-
Conditions still to be met – transferred to Liabilities (see Note 10)	476 743	578 796
<p>The purpose of this grant was to assist with the development of business plans for the seven flagship projects in the municipal area. The objectives of the projects are to enhance rural economic development and broad-based community information dissemination and empowerment. No funds were withheld.</p>		
27.13 Changes in levels of Government Grants		
<p>Based on the allocations set out in the Division of Revenue Act, (2009), government grant funding is expected to increase over the two years 2009/10 and 2010/11.</p>		
28. PUBLIC CONTRIBUTIONS AND DONATIONS		
Conditional Contributions	1 312 948	-
Unconditional Contributions	628 400	-
Total Public Contributions and Donations	1 941 348	-
28.1 Reconciliation of Conditional Public Contributions and Donations		
28.1.1 Developers' Contributions		
Balance unspent at beginning of year	36 667 574	23 974 994
Current year receipts	12 222 759	12 692 580
Conditions met – transferred to Revenue: Operating Expenses	-	-
Conditions met – transferred to Revenue: Capital Expenses	(1 312 948)	-
Conditions still to be met – transferred to Liabilities (see Note 10)	47 577 385	36 667 574
<p>The District Municipality receives funds from Public Developers to provide municipal services to new developments. These contributions were utilised for this purpose. No funds have been withheld.</p>		
28.1.2 Public Contributions		
Balance unspent at beginning of year	82 380	-
Current year receipts	855 896	82 380
Conditions met – transferred to Revenue: Operating Expenses	(628 400)	-
Conditions met – transferred to Revenue: Capital Expenses	-	-
Conditions still to be met – transferred to Liabilities (see Note 10)	309 876	82 380

	2009 R	2008 R
The District Municipality receives funds from Public Donors to provide humanitarian aid in various instances. These contributions were utilised for these purposes. No funds have been withheld.		
29. OTHER REVENUE		
Internal Recoveries	105 504 440	72 660 180
Sundry Services Rendered	3 317 326	3 265 818
Tender Deposits Forfeited	87 543	91 332
Other Revenue	120 175	84 987
Total Other Revenue	109 029 483	76 102 316
The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 24 to 26, rendered which are billed to or paid for by the users as the services are required according to approved tariffs. Internal Recoveries are received from other trading and economic services.		
30. EMPLOYEE RELATED COSTS		
Salaries and Wages	96 294 776	77 689 116
Contributions for UIF, Pensions and Medical Aids	28 867 427	19 768 786
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	16 475 900	14 381 561
Housing Benefits and Allowances	1 398 912	1 115 545
Overtime Payments	17 381 907	14 387 722
Performance Bonuses	266 453	338 140
Defined Benefit Plan Expense:	4 858 020	2 267 726
Current Service Cost	1 419 918	1 246 164
Interest Cost	2 298 661	1 706 060
Net Actuarial (gains)/losses recognised	1 139 440	(684 497)
Total Employee Related Costs	165 543 396	129 948 597
Advances are made to employees in terms of the Municipality's policy to assist them in the event of the death of a dependant. Loans to employees are set out in Note 16.		
Remuneration of the Municipal Manager		
Annual Remuneration	536 233	379 146
Leave Encashed	-	426 883
Car, Entertainment, Housing, Subsistence and Other Allowances	368 275	277 127
Performance Bonus	61 409	61 890
Contributions to UIF, Medical and Pension Funds	10 215	60 757
Total	976 131	1 205 802

Notes to the Annual Financial Statements (continued)

For the year ended 30 June 2009

	2009 R	2008 R
<i>Remuneration of the Deputy Municipal Manager</i>		
Annual Remuneration	375 314	83 420
Leave Encashed	70 335	83 623
Car, Entertainment, Housing, Subsistence and Other Allowances	104 483	90 030
Performance Bonus	-	48 367
Contributions to UIF, Medical and Pension Funds	6 188	16 652
Total	556 319	322 092
The General Manager: Infrastructure and Economic Development was appointed in this post with effect from 1 December 2008.		
<i>Remuneration of the Chief Financial Officer</i>		
Annual Remuneration	364 183	299 719
Leave Encashed	-	129 778
Car, Entertainment, Housing, Subsistence and Other Allowances	300 510	304 676
Performance Bonus	61 409	63 565
Contributions to UIF, Medical and Pension Funds	98 630	97 248
Total	824 732	894 984
<i>Remuneration of the General Manager: Corporate Services</i>		
Annual Remuneration	160 760	452 697
Leave Encashed	74 994	-
Car, Entertainment, Housing, Subsistence and Other Allowances	70 000	215 870
Performance Bonus	-	-
Contributions to UIF, Medical and Pension Funds	7 862	18 194
Total	313 616	686 761
The General Manager: Corporate Services resigned on 31 October 2008. The Deputy Municipal Manager assumed the acting position from November 2008 to June 2009.		
<i>Remuneration of the General Manager: Infrastructure and Economic Development</i>		
Annual Remuneration	226 650	521 400
Leave Encashed	-	-
Car, Entertainment, Housing, Subsistence and Other Allowances	81 197	232 080
Performance Bonus	47 763	64 370
Contributions to UIF, Medical and Pension Funds	3 408	8 512
Total	359 018	826 362

	2009 R	2008 R
<p>The post became vacant in September 2007. The General Manager: Infrastructure and Economic Development assumed the acting position from June 2008 to November 2008. With effect from 1 December 2008 the Senior Manager: IED Finance assumed the acting position. At year-end the position was still vacant.</p>		
Remuneration of the General Manager: Water Services		
Annual Remuneration	539 411	521 400
Leave Encashed	51 703	-
Car, Entertainment, Housing, Subsistence and Other Allowances	162 323	160 926
Performance Bonus	61 409	64 370
Contributions to UIF, Medical and Pension Funds	7 508	6 862
Total	822 354	753 558
Remuneration of the General Manager: Operations		
Annual Remuneration	258 291	343 865
Leave Encashed	-	-
Car, Entertainment, Housing, Subsistence and Other Allowances	134 750	152 175
Performance Bonus	-	-
Contributions to UIF, Medical and Pension Funds	4 436	5 516
Total	397 477	501 555
<p>The General Manager: Operations was appointed in December 2008. The Municipal Manager was acting in the post from March 2008 to November 2008.</p>		
Remuneration of the Special Advisor		
Annual Remuneration	389 218	376 222
Leave Encashed	42 828	-
Car, Entertainment, Housing, Subsistence and Other Allowances	140 273	123 903
Performance Bonus	34 464	35 579
Contributions to UIF, Medical and Pension Funds	6 918	6 359
Total	613 700	542 063
<p>The following compensation was payable to key management personnel in terms of IAS 19 as at 30 June:</p>		
Post Employment Benefits:		
Chief Financial Officer	42 369	31 588
Total	42 369	31 588
Other Long-term Benefits:		
Chief Financial Officer	45 223	35 293
Total	45 223	35 293

Notes to the Annual Financial Statements (continued)

For the year ended 30 June 2009

	2009 R	2008 R
Staff Leave Benefits:		
Municipal Manager	77 067	57 763
Deputy Municipal Manager	86 730	32 752
Chief Financial Officer	29 864	15 291
General Manager: Corporate Services	-	36 214
General Manager: Infrastructure & Economic Development	-	-
General Manager: Water Services	35 243	13 035
General Manager: Operations	24 566	-
Special Advisor	68 625	75 244
Total	322 095	230 299
31. REMUNERATION OF COUNCILLORS		
Mayor	674 269	649 730
Deputy Mayor	475 437	515 444
Speaker	458 617	499 811
Executive Committee Members	1 703 796	1 796 016
Councillors	2 230 285	1 887 662
Total Councillors' Remuneration	5 542 404	5 348 663
<i>In-kind Benefits</i>		
The Councillors occupying the positions of Mayor, Deputy Mayor, Speaker and Executive Committee Members of the Municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the Municipality in order to enable them to perform their official duties.		
Councillors may utilise official Council transportation when engaged in official duties.		
The following additional personal support is provided by the Municipality:		
(i) The Mayor has one full-time bodyguard and one full-time driver.		
(ii) The Deputy Mayor has one full-time aide, fulfilling various personal duties.		
(iii) The Speaker has one full-time driver.		
32. DEPRECIATION AND AMORTISATION		
Depreciation: Property, Plant and Equipment	22 337 708	27 986 033
Amortisation: Intangible Assets	3 118 131	1 499 599
Total Depreciation and Amortisation	25 455 840	29 485 632

	2009 R	2008 R
33. IMPAIRMENT LOSSES		
33.1 Impairment Losses on Fixed Assets		
Impairment Losses Reversed:	(3 855 696)	-
Property, Plant and Equipment	(3 855 696)	-
	(3 855 696)	-
33.1 Impairment Losses on Financial Assets		
Impairment Losses Recognised:	10 395 654	2 819 722
Consumer Debtors	8 393 453	2 819 722
Other Debtors	2 002 201	-
	10 395 654	2 819 722
Total Impairment Losses	6 539 958	2 819 722
34. FINANCE COSTS		
Loans and Payables at amortised cost	7 920 174	5 577 271
Finance Leases	594 016	2 098 477
Other Interest Paid	-	107 538
Total Interest Paid on External Borrowings	8 514 190	7 783 287
The weighted average capitalisation rate on funds borrowed generally is 7,86% per annum (2008: 6,79% per annum).		
35. BULK PURCHASES		
Water	20 120 891	16 833 167
Total Bulk Purchases	20 120 891	16 833 167
Bulk Purchases are the cost of commodities not generated by the Municipality, which the Municipality distributes in the municipal area for resale to the consumers. Bulk Water is purchased from the Umgeni Water Board and eThekweni Municipality.		

Notes to the Annual Financial Statements (continued)

For the year ended 30 June 2009

	2009 R	2008 R
36. CONTRACTED SERVICES		
Agency Services	2 007 303	1 218 276
Alarm Monitoring Services	34 675	27 651
Cash Banking Services	143 278	13 807
Chemistry Services	556 886	406 423
Cleaning Services	838 516	609 335
Consultants' Fees	3 675 786	807 265
Internal Audit Services	162 278	83 407
Security Services	4 290 225	4 638 464
Other Contracted Services	713 466	939 688
Total Contracted Services	12 422 412	8 744 315
37. GRANTS AND SUBSIDIES PAID		
Low Income Subsidy	33 270 159	21 885 088
Community Projects	117 528 214	51 749 604
Drought Relief	4 868 873	4 847 480
Other Benevolent Organisations and Grants-in-Aid	6 603 622	4 053 275
Total Grants and Subsidies	162 270 869	82 535 446
<p>The Low Income Subsidy is in respect of providing basic service levels to indigent households. Refer to Note 27.1.</p> <p>Community Projects consist primarily of Ventilated Pit Latrines (VIPs) constructed for communities that have no access to sanitation services. This project is accelerated to deal swiftly with the Municipality's sanitation backlog programme as funded through the Municipal Infrastructure Grant.</p> <p>Drought Relief is meant to provide relief to areas not being supplied with potable water under conditions of drought.</p> <p>In respect of Grants-in-Aid, the Mayor makes grants available on application after consultation with the Municipal Manager / Executive Committee on the merits of such an application.</p>		

	2009 R	2008 R
38. GENERAL EXPENSES		
Included in General Expenses are the following:		
Accommodation, Seminars and Travelling	2 138 243	1 329 458
Audit Fees	1 394 307	950 510
Consultant IT Support	728 979	683 712
Electricity	15 381 124	10 490 152
Insurance General	2 239 763	747 459
Kwanaloga Games	2 262 127	1 562 290
Materials: Connections	1 553 935	975 616
Materials: Purification	2 970 922	3 084 833
Postage	1 359 522	858 160
Printing and Stationery	1 554 805	1 231 074
Rentals: Property, Plant and Equipment	5 453 972	3 623 156
Small Tools	2 354 520	27 200
Telephones, Facsimiles and Internet Lines	1 651 289	3 632 123
Transport Costs	14 681 289	8 836 580
Internal Charges	105 504 440	72 660 180
Other General Expenses	49 312 574	17 231 000
Total General Expenses	210 541 811	127 923 503
The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the Municipality and not directly attributable to a specific service or class of expense. Internal Charges are charged to other trading and economic services for support services rendered.		
38.1 Material Losses	33 365 000	30 908 160
Estimated Non-revenue Water (NRW)	33 365 000	30 908 160
A five-year strategic non-revenue water reduction plan was adopted and implemented by the Executive Committee in May 2008. The below-mentioned technical information was derived as part of the implementation plan:		
Volumes in Ml/year:		
System Input Volume	27 718	29 117
Billed Authorised Consumption	16 133	18 385
Unbilled Authorised Consumption	1 145	1 145
Apparent Losses	2 291	1 918
Real Losses	9 162	7 670
NRW	11 585	10 732

Notes to the Annual Financial Statements (continued)

For the year ended 30 June 2009

	2009 R	2008 R
38.2 Flood Damage	11 088 410	584 558
<p>Flood damage costs resulted from unseasonal torrential rains that occurred on 17 and 18 June 2008, mainly in three local municipal areas within the District. This resulted in serious structural damage, with houses flooded, bridges washed away and closure of roads. The Municipality had to repair infrastructure in order to restore service delivery. The flood damage was unforeseen and has never occurred previously.</p> <p>No other extra-ordinary expenses were incurred.</p>		
39. DISCONTINUED OPERATIONS		
No operations have been discontinued.		
40. CHANGE IN ACCOUNTING POLICY		
<p>The Municipality adopted the exempted portions of the following International Accounting Standards for the first time during the financial year 2008/09 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1. These have been implemented as at 30 June 2009:</p> <ul style="list-style-type: none"> GAMAP 9 Revenue (sections applicable to Non-exchange Transactions) GRAP 03 Accounting Policies, Changes in Accounting Estimates and Errors GRAP 17 Property, Plant and Equipment IFRS 3 Business Combinations 		
GAMAP 9 – Revenue:		
<p><i>Government Grants</i>, previously recognised in terms of IAS 20 (<i>Accounting for Government Grants</i>), have now been recognised in the Annual Financial Statements of the Municipality as at 30 June 2009 in terms of GAMAP 9, Revenue, paragraphs 42-46 on revenue from non-exchange transactions. The full net liabilities have been recognised retrospectively in the Annual Financial Statements.</p> <p>The comparative amounts have been restated. The effect of the change in Accounting Policy is as follows:</p>		
40.1 Reclassification of Accumulated Surplus, Deferred Revenue, PPE and Intangible Assets		
<p>The prior year figures for Accumulated Surplus and Deferred Revenue have been restated to correctly disclose the monies held by the Municipality in terms of GAMAP 9.</p> <p>The opening balances for Accumulated Surplus, PPE and Intangible Assets have been restated to correctly disclose the assets held by the Municipality in terms of GRAP 17 (See Note 40.3 below).</p>		

	Accumulated Surplus	Deferred Revenue	PPE	Intangible Assets
The effect of the Change in Accounting Policy is as follows:				
Balances published as at 30 June 2007	(231 179 314)	(206 581 123)	405 184 526	12 505 931
Reclassify Government Grant Reserve	(206 581 123)	206 581 123	-	-
Reclassify Historical Cost	18 837	-	(1 527 531)	1 508 694
Reclassify Accumulated Depreciation/Amortisation	6 040 504	-	(4 172 878)	(1 867 626)
	Accumulated Surplus	Deferred Revenue	PPE	Intangible Assets
Restated Balances as at 30 June 2007	(431 701 097)	-	399 484 117	12 146 999
Transactions incurred for the Year 2006/07:				
Contribution to Reserves	-	-	-	-
Interest allocated to Reserves	(10 875 959)	-	-	-
Assets obtained from Reserves	42 020 247	(129 169 338)	-	-
Offset of Depreciation	22 511 999	-	-	-
Appropriations from/(to) Reserves	75 513 052	-	-	-
Surplus for the Year	(117 263 329)	-	-	-
Transfer of Transactions to Accumulated Surplus	(129 169 338)	129 169 338	-	-
Restated Balances as at 30 June 2008	(548 964 425)	-	399 484 117	12 146 999

40.2 Reclassification of Revenue and Expenditure:

The prior year figures of Government Grants and Subsidies (Note 27) have been restated to correctly classify the transactions related to Assets obtained from Government Grants (previously included in the Government Grant Reserve).

The prior year figures of Depreciation and Amortisation (Note 32) have been restated to correctly classify the transactions related to the reclassification of the opening balances of Assets as described in Notes 40.1 and 40.3.

The effect of the Change in Accounting Policy is as follows:

	Depreciation & Amortisation	Government Grants	Surplus for the year
Revenue as per AFS previously published for 2007/08		155 940 732	1 288 665
Reclassification of Assets obtained from Grants		129 169 338	129 169 338
Reclassification of Depreciation of Assets obtained from Grants		(11 367 283)	(11 367 283)
Restated Revenue as per AFS currently disclosed for 2007/08		273 742 787	

Notes to the Annual Financial Statements (continued)

For the year ended 30 June 2009

	Deprecia- tion & Amortisation	Government Grants	Surplus for the year
Expenditure as per AFS previously published for 2007/08	27 658 241		
Reclassification of Accumulated Depreciation	1 204 849		(1 204 848.99)
Reclassification of Accumulated Amortisation	622 542		(622 541.97)
Restated Expenditure as per AFS currently disclosed for 2007/08	29 485 632		117 263 329

GRAP 17 – Property, Plant and Equipment:

Property, Plant and Equipment of the Municipality are now recognised in terms of GRAP 17, Property, Plant and Equipment, and implemented as at 30 June 2009. As a result of the process of identifying, componentising and measuring immovable assets, in terms of the accounting standard, the values of the Municipality's assets were adjusted to Depreciated Replacement Cost.

40.3 Reclassification of Accumulated Surplus, PPE and Intangible Assets

The year-end figures for Accumulated Surplus, PPE and Intangible Assets have been restated to correctly disclose the assets held by the Municipality in terms of GRAP 17.

	Accumulated Surplus	PPE	Intangible Assets
Original Balances as at 30 June 2009	(568 590 500)	787 141 474	7 595 443
Reclassification of Historical Cost	-	759 980 420	-
Reclassification of Accumulated Depreciation/Amortisation	-	(636 032 247)	-
Reclassification of Accumulated Surplus Account for Carrying Value:			
Capitalisation Reserve	23 107 495	-	-
Donations and Public Contributions Reserve	8 499 878	-	-
Government Grants Reserve	114 527 254	-	-
Retained Income	(270 082 799)	-	-
Restated Balances now published per AFS as at 30 June 2009	(692 538 673)	911 089 647	7 595 443
The effect of the Change in Accounting Policy is as follows:			
The effect of the above-mentioned changes in Accounting Policies on the profit and loss is an increase of R117,8 million for the financial year 2007/08 and the nature of the changes in the Accounting Policies is as follows:			
• GAMAP 9 Revenue (sections applicable to Non-ex change Transactions)		-	117 802 055
• GRAP 1 Property, Plant and Equipment		-	(1 827 391)
		(51 032 172)	
Total Decrease/(Increase) in Surplus as at 30 June		-	115 974 664
The above-mentioned changes in Accounting Policies had no effect on the Accumulated Surplus as at 30 June 2008, but the Accumulated Surplus as at 30 June 2007 has increased by R200,5 million. Accumulated Surplus increased with an amount of R123 948 173 as at 30 June 2009 as a result of the implementation of GRAP 17.			

	2009 R	2008 R
41. CORRECTION OF ERROR		
41.1 Reclassification of Revenue:		
The prior year figures of Revenue for Service Charges and Interest Received on Outstanding Debtors have been restated to correctly classify the nature of Revenue of the Municipality in terms of GRAP 9 and IAS 39, recognition of revenue.		
The effect of the Correction of Error is as follows:		
	Service Charges	Interest Debtors
Revenue as per AFS previously published for 2007/08	185 745 226	(186 978)
Reclassification of Sanitation Revenue	(351 918)	351 918
Reclassification of Water Revenue	(703 858)	703 858
Revenue as per AFS currently disclosed for 2007/08	184 689 450	868 798
	2009 R	2008 R
42. CASH GENERATED BY OPERATIONS		
Surplus/(Deficit) for the Year	19 626 075	117 263 329
Adjustment for:		
Depreciation and Amortisation	25 455 840	29 485 632
Impairment Losses on Property, Plant and Equipment	(3 855 696)	-
Gains on Disposal of Property, Plant and Equipment	-	(1 215 030)
Property, Plant and Equipment transferred to Non-current Assets Held-for-Sale	452 997	64 054
Other Movement on Property, Plant and Equipment	-	0
Contribution to Retirement Benefit Liabilities	2 856 377	2 227 486
Expenditure incurred from Retirement Benefit Liabilities	(575 992)	(620 942)
Contribution to Provisions – Current	780 214	470 354
Contribution to Provisions – Non-current	2 001 643	40 240
Expenditure incurred from Provisions	(721 582)	(390 664)
Contribution to Impairment Provision	10 395 654	2 819 722
Bad Debts Recovered	6 582	51 525
Bad Debts Written-off	(34 154 120)	(2 648 102)
Investment Income	(14 140 734)	(11 744 454)
Interest Paid	8 514 190	7 783 287
Operating Surplus before working capital changes	16 641 446	143 586 437

Notes to the Annual Financial Statements (continued)

For the year ended 30 June 2009

	2009 R	2008 R
Decrease/(Increase) in Inventories	(1 591 002)	(2 124 626)
Decrease/(Increase) in Non-current Assets Held-for-Sale	(452 997)	77 308
Decrease/(Increase) in Consumer Debtors	(7 438 029)	3 461 973
Decrease/(Increase) in Other Debtors	35 374 295	(20 902 768)
Decrease/(Increase) in VAT Receivable	(31 726 873)	(12 365 791)
Increase/(Decrease) in Consumer Deposits	988 860	1 174 900
Increase/(Decrease) in Creditors	43 364 150	3 357 802
Increase/(Decrease) in Conditional Grants and Receipts	140 610 979	51 488 441
Increase/(Decrease) in Operating Lease Liability	(9 785)	(4 520)
Cash generated by/(utilised in) Operations	195 761 045	167 749 157
43. NON-CASH INVESTING AND FINANCING TRANSACTIONS		
During the 2008/09 financial year, the Municipality acquired R2 659 331 (2007/08: R13 538 741) of vehicles under finance leases. These lease agreements have been capitalised and the acquisitions will be reflected in the Cash Flow Statement over the term of the finance leases via lease repayments.		
44. FINANCING FACILITIES		
Unsecured Bank Overdraft Facility, reviewed annually and payable at call:		
- Amount used	-	-
- Amount unused	6 000 000	2 000 000
	6 000 000	2 000 000
Unsecured DBSA Loan Facility with maturity date to be determined upon final disbursement:		
- Amount used	-	-
- Amount unused	62 000 000	-
	62 000 000	-
Secured Bank Loan Facilities with various maturity dates through to 2011 and which may be extended by mutual agreement:		
- Amount used	10 921 687	11 712 931
- Amount unused	9 178 313	8 387 069
	20 100 000	20 100 000
45. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities (See Note 4)	122 010 440	113 015 279
Used to finance Property, Plant and Equipment – at cost	(122 010 440)	(113 015 279)
Sub-total	-	-

	2009 R	2008 R
Cash set aside for the Repayment of Long-term Liabilities (See Notes 4, 15 and 22)	15 676 174	13 775 686
Cash invested for Repayment of Long-term Liabilities	15 676 174	13 775 686
Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that Long-term Liabilities can be repaid on redemption date.		
46. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
46.1 Unauthorised Expenditure		
Reconciliation of Unauthorised Expenditure:		
Opening balance	-	-
Unauthorised Expenditure current year	55 642 988	-
Approved by Council or condoned	(55 642 988)	-
To be recovered – contingent asset (see Note 53)	-	-
Transfer to receivables for recovery (see Note 20)	-	-
Unauthorised Expenditure awaiting authorisation	-	-
Incident	Disciplinary Steps/Criminal Proceedings	
<i>Net operating expenditure amounting to R55 642 988, not budgeted for, was incurred as a result of the flood disaster occurrence in June 2008. The Executive Committee, on 11 February 2009, accepted the grant of R114 million in respect of the flood disaster and approved immediate implementation of the programme; from which the above-mentioned operating expenditure was incurred.</i>	None	
	2009 R	2008 R
46.2 Fruitless and Wasteful Expenditure		
To the best of management's knowledge, instances of note indicating that Fruitless and Wasteful Expenditure was incurred during the year under review were not revealed.		
46.3 Irregular Expenditure		
Reconciliation of Irregular Expenditure:		
Opening balance	2 658 447	-
Irregular Expenditure current year	12 653 992	2 658 447
Condoned or written off by Council	(2 658 447)	-
Irregular Expenditure awaiting condonement	12 653 992	2 658 447

Notes to the Annual Financial Statements (continued)

For the year ended 30 June 2009

Incident	Disciplinary Steps/Criminal Proceedings	
Payments of R5 756 788 to successful bidders in respect of capital works, in the absence of receipt of their audited financial statements, as required by paragraph 23 of the Supply Chain Management Policy. This non-compliance has not compromised any of the bid processes, which have been fair, equitable and transparent.	A report was furnished to the Executive Committee on 11 November 2009, for condonement of such "irregular expenditure."	
Payments of R6 897 204 made to the Hibiscus Coast Tourism Association in the absence of a written agreement. This was contra to the requirements of Section 67(1) of the MFMA. The Hibiscus Coast Tourism Association has since been absorbed into the Ugu South Coast Tourism entity of the District Municipality.	A report was furnished to the Executive Committee on 11 November 2009, for condonement of such deviation and has further been explained under Note 47.8.	
	2009 R	2008 R
47. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
47.1 Contributions to organised local government – SALGA		
Opening Balance	-	-
Council Subscriptions	837 288	652 514
Amount Paid – current year	(837 288)	(652 514)
Amount Paid – previous years	-	-
Balance Unpaid (included in Creditors)	-	-
47.2 Audit Fees		
Opening Balance	0	0
Current year Audit Fee	1 375 917	950 510
Amount Paid – current year	(1 357 527)	(950 510)
Amount Paid – previous years	-	-
Balance Unpaid (included in Creditors)	18 390	0
The balance unpaid represents the audit fee for planning the audit for the 2008/09 financial year and is payable by 31 July 2009.		
47.3 VAT		
VAT inputs receivables and VAT outputs payables are shown in Note 21. All VAT returns have been submitted by the due date throughout the year.		
47.4 PAYE and UIF		
Opening Balance	-	(0)
Current year Payroll Deductions	29 252 054	22 631 391
Amount Paid – current year	(29 252 054)	(22 631 391)
Amount Paid – previous years	-	-
Balance Unpaid (included in Creditors)	-	-

	2009 R	2008 R	
47.5 Pension and Medical Aid Deductions			
Opening Balance	-	-	
Current year Payroll Deductions and Council Contributions	31 577 887	24 130 577	
Amount Paid – current year	(31 577 887)	(24 130 577)	
Amount Paid – previous years	-	-	
Balance Unpaid (included in Creditors)	-	-	
47.6 Councillor’s arrear Consumer Accounts			
The following Councillors had arrear accounts outstanding for more than 90 days as at:			
30 June 2009	Total	Outstanding up to 90 days	Outstanding more than 90 days
VL Ntanza	2 552	2 348	204
Total Councillor Arrear Consumer Accounts	2 552	2 348	204
30 June 2008	Total	Outstanding up to 90 days	Outstanding more than 90 days
None	-	-	-
Total Councillor Arrear Consumer Accounts	-	-	-
During the year the following Councillors had arrear accounts outstanding for more than 90 days:			
30 June 2009	Highest amount outstanding	Ageing	
VL Ntanza	204	>90 days	
30 June 2008	Highest amount outstanding	Ageing	
None	-	>90 days	

Notes to the Annual Financial Statements (continued)

For the year ended 30 June 2009

			2009 R	2008 R
47.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act No known matters existed at reporting date.				
47.8 Deviation from, and ratification of, minor breaches of the Procurement Processes In terms of section 36(2) of the Supply Chain Management Policy approved by Council it is stipulated that bids where the formal procurement processes could not be followed, must be noted in the financial statements. Deviations from the tender stipulations in terms of the Municipality's Supply Chain Management Policy were presented to the Executive Committee, which condoned the various cases.				
Department	Date	Successful Tenderer	Reason	Amount Excl. VAT
Water Services	July 2008	United Engineering	Emergency water supply in affected areas	53 580
Procurement of stands for water tanks to supply water as normal supply was interrupted				
Water Services	July 2008	LNY Construction and Civils	Flood damage	713 880
Appointment of contractors to urgently repair damaged bulk water supply mains				
Water Services	July 2008	Stephen's Electrical	Flood damage	20 727.60
Appointment of contractor to repair flooded electrical panel for pump station				
Water Services	August 2008	Redco Plant Hire	Flood damage	225 600
Appointment of contractors to urgently supply backfill material for repairs to pipelines damaged during torrential floods				
Water Services	August 2008	CK Plant Hire	Flood damage	18 126
Appointment of contractors for urgent repairs to pipelines damaged during torrential floods, restoring water supply				
Water Services	August 2008	Ferris Wheel Trading 1	Flood damage	76 950.00
Procurement of Jolo tanks from nearest suppliers for emergency water supply as normal supply was interrupted				
Water Services	August 2008	Macingwane Security & Garden Services	Flood damage	246 069.00
Appointment of contractors for urgent repairs to pipelines damaged during torrential floods, restoring water supply and land slide				
Water Services	August 2008	Electron	Flood damage	425 231.20
Appointment of contractors for urgent repairs to pipelines damaged during torrential floods, restoring raw sewage leakage into river				
Water Services	August 2008	P & S Power Products	Flood damage	351 628.44
Appointment of contractors for urgent repairs to pipelines damaged during torrential floods, restoring raw sewage leakage into river				
Water Services	August 2008	KRS Auto/AIs Cartage	Flood damage	9 120
Appointment of contractors for cleaning of beaches spoiled during torrential floods				
Water Services	August 2008	South Coast Auto Diesel CC	Emergency callout	9 930.38
Appointment of contractors for urgent repairs to standby generator during power outage				

Department	Date	Successful Tenderer	Reason	Amount Excl. VAT
Water Services	August 2008	SS Maintenance	Emergency water supply in affected areas	152 190
Appointment of contractors for emergency water supply during floods				
Water Services	August 2008	Trinity Safewear & Equipment	Emergency water supply in affected areas	47 332.80
Procurement of spares for emergency repairs to pump to restore water				
Water Services	August 2008	Malibu Steel CC	Flood damage	66 120
Procurement of material for urgent repairs to pipelines damaged during torrential floods, restoring water supply				
Water Services	September 2008	Macingwane Security & Garden Services	Emergency repairs	294 245.40
Appointment of contractors due to limited staff compliment for emergency repairs to pipelines, restoring water supply				
Water Services	September 2008	FSGonzalves	Flood damage	99 955.73
Repairs to roof as a result of floods				
Water Services	September 2008	Malibu Steel CC	Emergency repairs	132 240
Appointment of contractors for urgent repairs to pipelines damaged during torrential floods, restoring water supply and land slide				
Water Services	September 2008	CK Plant Hire	Emergency repairs	11 970
Procurement of earth moving plant for emergency repairs to pipelines, restoring water supply				
Water Services	September 2008	Town & Around Civils CC	Flood damage	228 210.42
Appointment of contractors for urgent repairs to pipelines damaged during torrential floods				
Municipal Manager	October 2008	Oluhluthando Trading	Urgent requirement	1 600
Unexpected catering for senior citizens during meeting				
Municipal Manager	October 2008	Turner Legal	Specialist service	53 000
Appointment of attorney for expert opinion on an urgent basis				
Municipal Manager	October 2008	Deshan Naidoo	Specialist service	150 000
Appointment of attorney for litigation on an urgent basis				
Water Services	October 2008	Adroit Technologies	Sole supplier	950 000
Appointment of sole supplier for the upgrade of telemetry equipment				
Corporate Services	October 2008	Anusha's Catering Service	Flood damage	666.05
Appointment of caterers for catering services during emergency meeting regarding torrential foods				
Water Services	October 2008	CK Plant Hire	Emergency repairs	3 078
Procurement of earth moving plant for emergency repairs while own plant is under repair				

Notes to the Annual Financial Statements (continued)

For the year ended 30 June 2009

Department	Date	Successful Tenderer	Reason	Amount Excl. VAT
Water Services	October 2008	Bearing Man Group	Emergency repairs	1 829.37
Appointment of contractors for urgent repairs to pump, restoring water supply to reservoir				
Municipal Manager	November 2008	Vesubuhle Events	Urgent requirement	324 336
Specialist events coordinator services within a short space of time				
Water Services	November 2008	WSSA	Contract renewal	1 738 000
Contract renewal for waste water treatment works maintenance				
Water Services	December 2008	KES Contractors	Flood damage	720 863
Extension of contract for contractor to complete repairs caused by flood damage on sports field				
Water Services	December 2008	KRS Auto/AIs Cartage	Emergency repairs	2 372.34
Procurement of earth moving plant for emergency repairs while own plant is under repair				
Water Services	December 2008	Drain Experts	Emergency services	128 374
Appointment of contractors to combat spillage experienced after hours				
Water Services	December 2008	Hidrostal	Sole supplier	19 482.60
Procurement of material for repairs from sole suppliers				
Water Services	December 2008	SS Maintenance	Emergency repairs	127 680
Appointment of contractors for urgent repairs to damaged pipelines, preventing sewage overflow and contamination of river				
Water Services	December 2008	KRS Auto/AIs Cartage	Emergency repairs	12 596.75
Procurement of earth moving plant for emergency repairs while own plant is not available				
Water Services	December 2008	Macingwane Security & Garden Services	Emergency repairs	229 350.90
Appointment of contractors for urgent repairs to pipelines damaged during flooding, restoring water supply				
Water Services	December 2008	Tree Top Plant Hire CC	Emergency repairs	5 842.50
Procurement of earth moving plant for emergency repairs while own plant is not available				
Water Services	December 2008	Lezak Trading CC	Emergency services	2 065.80
Procurement of water tankers for emergency services due to limited own resources				
Water Services	January 2009	Dee's Scrap Metal	Urgent requirement	8 771
Appointment of contractor for the removal of scrapmetal uncovered during site cleaning				
IED	January 2009	Ikhayala Manzi	Specific requirements	47 171
Suitable venue hire for workshop. Facilitator has special needs and venue can provide				
Water Services	January 2009	Liquid Platinum	Flood damage	5% of project fee
Appointment of specialist service provider to assist manage disaster recovery projects				

Department	Date	Successful Tenderer	Reason	Amount Excl. VAT
Municipal Manager	February 2009	Spuyoyo	Single source	2 500
Provision of service provider for sound equipment at a workshop. Was not provided by venue				
IED	March 2009	Isibizo Roads and Construction	Urgent requirement	4 375 000
Appointment of service provider for Hibiscus pothole repair pilot project				
IED	March 2009	WEC Projects	Sole supplier	7 837 300
Manufacturer of package plants for Malangeni Treatment Plant				
Corporate Services	March 2009	Dell Computers (Pty) Ltd	Sole supplier	1 968 846.12
Procurement of computer equipment from manufacturers				
Water Services	March 2009	Tree Top Plant Hire CC	Emergency services	2 280
Procurement of earth moving plant for emergency repairs while own plant is not available				
Water Services	March 2009	Abaziyo Consulting Engineers	Emergency repairs	424 793.78
Appointment of consultants for urgent repairs to problematic water scheme works				
Water Services	May 2009	Macingwane Security & Garden Services	Emergency repairs	92 263.05
Appointment of contractors for urgent repairs to disrupted water supply				
Water Services	May 2009	Moollas Siza Hardware CC	Emergency repairs	6 650.05
Procurement of spares for emergency repairs to own earth moving plant				
Water Services	May 2009	Sheppie Water Distributors CC	Emergency repairs	2 728.48
Appointment of contractors for urgent water supply to premises used for festival				
Municipal Manager	May 2009	Seethal Attorneys	Emergency services	19 585
Appointment of consultants for urgent and specialist legal aid				
Water Services	June 2009	Liquid Platinum	Flood damage	470 000
Variation order – appointment of specialist service provider to assist manage disaster recovery projects				
Water Services	June 2009	WEC Projects	Sole supplier	8 301 942
Manufacturer of sewage treatment works at Melville				
Water Services	June 2009	L Afrique Liquide	Flood damage	918 000
Supply of mobile water treatment plant for disaster recovery projects				
Municipal Manager	June 2009	Catalyst Entertainment//MBS Music Live at the Shack Entertainment Ringo Madlingozi Music Productions	Specific requirements	249 924
Appointment of specific artists, managed by specific record label, for Ugu Jazz Festival				
IED	June 2009	Hibiscus Coast Tourism Association	Specific requirements	6 897 203.84
Resolved that the Association would provide all tourism marketing and tourism development initiatives on behalf of the District Municipality				

Notes to the Annual Financial Statements (continued)

For the year ended 30 June 2009

	2009 R	2008 R
48. COMMITMENTS FOR EXPENDITURE		
48.1 Capital Commitments		
Commitments in respect of Capital Expenditure:		
- Approved and Contracted for:	155 947 956	71 142 252
Infrastructure	152 194 632	62 785 927
Community	220 591	4 647 792
Heritage	315 000	-
Other	3 217 733	3 708 533
Housing Development Fund	-	-
Investment Properties	-	-
- Approved but not yet Contracted for:	43 176 854	16 324 252
Infrastructure	42 686 054	14 824 252
Community	-	-
Heritage	-	-
Other	490 800	1 500 000
Housing Development Fund	-	-
Investment Properties	-	-
Total Capital Commitments	199 124 810	87 466 504
This expenditure will be financed from:		
External Loans	6 842 819	311 953
Capital Replacement Reserve	-	-
Government Grants	106 613 161	80 348 144
District Council Grants	-	-
Public Contributions	-	-
Own Resources	85 668 830	6 806 407
	199 124 810	87 466 504
48.2 Lease Commitments		
Finance Lease Liabilities and Non-cancellable Operating Lease Commitments are disclosed in Notes 4 and 11.		
48.3 Other Commitments		
The Municipality has entered into a contract with Lootch Security for the provision of security guard services for the next two years for a contract amount of R3 584 766, which will give rise to an annual charge of R1 792 383.		
The Municipality has entered into a contract with Sukuma Security for the provision of security guard services for the next two years for a contract amount of R5 213 952, which will give rise to an annual charge of R2 606 976.		

		2009 R	2008 R
49. FINANCIAL INSTRUMENTS			
49.1 Classification			
FINANCIAL ASSETS:			
In accordance with IAS 39.09 the Financial Assets of the Municipality are classified as follows (FVTPL = Fair Value through Profit or Loss):			
Financial Assets	Classification	2009 R	2008 R
Non-current Investments			
Fixed Deposits	Held to maturity	15 676 174	13 775 686
Long-term Receivables			
Officials: Relocation Loans	Loans and receivables	14 115	21 654
Sundry Loans	Loans and receivables	64 575	67 263
Consumer Debtors			
Sewerage	Loans and receivables	6 435 016	5 838 558
Water	Loans and receivables	23 621 131	23 814 885
Water Rate Debtors	Loans and receivables	11 072 092	9 131 338
Other Trade Debtors	Loans and receivables	4 488 007	5 284 842
Other Debtors			
Sundry Deposits	Loans and receivables	594 655	424 840
Sundry Debtors	Loans and receivables	16 377 611	32 540 751
Government Subsidy Claims	Loans and receivables	21 387 840	42 392 448
Provision for Impairment	Loans and receivables	(2 002 201)	(31 645 492)
Bank, Cash and Cash Equivalents			
Call Deposits	Available for sale	37 904 586	38 816 511
Notice Deposits	Held to maturity	111 529 953	169 922 806
Bank Balances	Available for sale	46 122 145	12 698 387
Cash Floats and Advances	Available for sale	544 906	500 002
Current Portion of Long-term Receivables			
Officials: Relocation Loans	Loans and receivables	7 540	14 889
Sundry Loans	Loans and receivables	-	9 600
		295 461 783	323 608 968

Notes to the Annual Financial Statements (continued)

For the year ended 30 June 2009

Financial Assets	Classification	2009 R	2008 R
SUMMARY OF FINANCIAL ASSETS			
Held to maturity:			
Non-current Investments	Fixed Deposits	15 676 174	13 775 686
Bank, Cash and Cash Equivalents	Notice Deposits	111 529 953	169 922 806
		<u>127 206 127</u>	<u>183 698 492</u>
Loans and Receivables			
Long-term Receivables	Officials: Relocation Loans	14 115	21 654
Long-term Receivables	Sundry Loans	64 575	67 263
Consumer Debtors	Sewerage	6 435 016	5 838 558
Consumer Debtors	Water	23 621 131	23 814 885
Consumer Debtors	Water Rate Debtors	11 072 092	9 131 338
Consumer Debtors	Other Trade Debtors	4 488 007	5 284 842
Other Debtors	Sundry Deposits	594 655	424 840
Other Debtors	Sundry Debtors	16 377 611	32 540 751
Other Debtors	Government Subsidy Claims	21 387 840	42 392 448
Other Debtors	Provision for Impairment	(2 002 201)	(31 645 492)
Current Portion of Long-term Receivables	Officials: Relocation Loans	7 540	14 889
Current Portion of Long-term Receivables	Sundry Loans	-	9 600
		<u>83 684 019</u>	<u>87 895 577</u>
Available for Sale:			
Bank, Cash and Cash Equivalents	Call Deposits	37 904 586	38 816 511
Bank, Cash and Cash Equivalents	Bank Balances	46 122 145	12 698 387
Bank, Cash and Cash Equivalents	Cash Floats and Advances	544 906	500 002
		<u>84 571 637</u>	<u>52 014 900</u>
Total Financial Assets		<u>295 461 783</u>	<u>323 608 968</u>
		-	-
FINANCIAL LIABILITIES:			
In accordance with IAS 39.09 the Financial Liabilities of the Municipality are classified as follows (FVTPL = Fair Value through Profit or Loss):			
Long-term Liabilities			
Local Registered Stock	Financial liabilities at amortised cost	20 300 000	20 300 000
Annuity Loans	Financial liabilities at amortised cost	89 689 307	78 022 811
Consumer Deposits			
Electricity and Water	Financial liabilities at amortised cost	17 474 507	16 485 647

Financial Assets	Classification	2009 R	2008 R
Creditors			
Trade Creditors	Financial liabilities at amortised cost	1 034 384	5 404 202
Payments received in Advance	Financial liabilities at amortised cost	14 161 957	9 915 720
Retentions	Financial liabilities at amortised cost	2 957 912	2 822 138
Projects	Financial liabilities at amortised cost	59 847 106	38 178 425
Other Creditors	Financial liabilities at amortised cost	37 919 173	19 755 970
Bank Overdraft			
Bank Overdraft	Financial liabilities at amortised cost	-	-
Current Portion of Long-term Liabilities			
Annuity Loans	Financial liabilities at amortised cost	1 944 636	1 450 419
		252 170 070	195 656 348
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Local Registered Stock	20 300 000	20 300 000
Long-term Liabilities	Annuity Loans	89 689 307	78 022 811
Consumer Deposits	Electricity and Water	17 474 507	16 485 647
Creditors	Trade Creditors	1 034 384	5 404 202
Creditors	Payments received in Advance	14 161 957	9 915 720
Creditors	Retentions	2 957 912	2 822 138
Creditors	Projects	59 847 106	38 178 425
Creditors	Other Creditors	37 919 173	19 755 970
Bank Overdraft	Bank Overdraft	-	-
Current Portion of Long-term Liabilities	Annuity Loans	1 944 636	1 450 419
		<u>252 170 070</u>	<u>195 656 348</u>
Total Financial Liabilities		<u>252 170 070</u>	<u>195 656 348</u>

49.2 Fair Value

The Fair Values of Financial Assets and Financial Liabilities are determined as follows:

- The Fair Value of Financial Assets and Financial Liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices.

The management of the Municipality is of the opinion that the carrying value of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values. The fair value of Financial Assets and Financial Liabilities were determined after considering the standard terms and conditions of agreements entered into between the Municipality and other parties as well as the the current payment ratios of the Municipality's debtors.

Notes to the Annual Financial Statements (continued)

For the year ended 30 June 2009

	2009 R	2008 R
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49.3 Capital Risk Management

The Municipality manages its capital to ensure that the Municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The Municipality's overall strategy remains unchanged from 2008.

The capital structure of the Municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 4, Bank, Cash and Cash Equivalents and Equity, comprising Accumulated Surplus as disclosed in Note 2 and the Statement of Changes in Net Assets.

Gearing Ratio

In terms of the Municipality's five-year financial plan, financial benchmarks, year-on-year in respect of the debt-to-equity ratio, is reflected at 100%, increasing to 105%. This aggressive ratio is as a result of the developmental challenges faced by the Municipality. Some of the borrowings are below market related rates.

The gearing ratio at the year-end was as follows:

Debt	111 933 942	99 773 231
Bank, Cash and Cash Equivalents	(46 667 051)	(13 198 389)
Net Debt	65 266 891	86 574 842
Total Capital	757 805 565	635 539 267
Net debt to total capital ratio	8.61%	13.62%

Debt is defined as Long- and Short-term Liabilities, as detailed in Note 4.

Total Capital includes all Funds and Reserves of the Municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

49.4 Financial Risk Management Objectives

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IASs mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the Municipality in undertaking its activities.

The Directorate: Treasury monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The Municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports quarterly to the Municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

2009
R

2008
R

49.5 Significant Accounting Policies

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenue and expenditure are recognised, in respect of each class of Financial Asset, Financial Liability and Equity Instrument are disclosed in the Accounting Policies to the Annual Financial Statements.

49.6 Market Risk

The Municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 49.8 below). No formal policy exists to hedge volatilities in the interest rate market.

49.6.1 Foreign Currency Risk Management

The Municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

49.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The Municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting percentage exposure limits, which are included in the Municipality's Investment Policy. These limits are reviewed periodically by the Chief Financial Officer and authorised by the Council.

Consumer Debtors comprise a large number of ratepayers, dispersed across different industries and geographical area. Periodic credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment/discounting, where applicable.

The Municipality is not exposed to interest rate risk as the Municipality borrows funds at fixed interest rates.

The Municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The Municipality had no floating rate long-term financial instruments at year-end requiring an Interest Rate Sensitivity Analysis.

Notes to the Annual Financial Statements (continued)

For the year ended 30 June 2009

49. FINANCIAL INSTRUMENTS (Continued)

49.7 Effective Interest Rates and Repricing Analysis

In accordance with IAS 32.67(a) and (b) the following tables indicate the average effective interest rates of Income-earning Financial Assets and Interest-bearing Financial Liabilities at the reporting date and the periods in which they mature or, if earlier, reprice:

30 June 2009

Description	Note ref in AFS #	Average effective Interest Rate %	Total R
FIXED RATE INSTRUMENTS			
Held-to-maturity Investments	15		15 676 174
INCA		13.39%	14 439 211
INCA		12.90%	1 236 963
Secured Bank Facilities	4		(20 300 000)
INCA		16.80%	(18 500 000)
INCA		15.60%	(1 800 000)
Unsecured Bank Facilities	4		(91 633 942)
DBSA		10.00%	(1 219 715)
DBSA		2.65%	(5 000 000)
DBSA		5.00%	(25 000 000)
DBSA		5.00%	(24 710 373)
DBSA		5.00%	(13 751 110)
DBSA (Ex Hibiscus Coast)		Various	(19 535 188)
DBSA (Ex Umdoni)		Various	(1 433 899)
DBSA (Ex Umuziwabantu)		Various	(983 657)
Total Fixed Rate Instruments			(96 257 768)
VARIABLE RATE INSTRUMENTS			
Short-term Investment Deposits	22	11.93%	149 434 540
Bank Balances and Cash	23	11.93%	196 101 591
Total Variable Rate Instruments			345 536 130
30 June 2008			
FIXED RATE INSTRUMENTS			
Held-to-maturity Investments	15		13 775 686

	6 Months or less	6-12 Months	1-2 Years	2-5 Years	More than 5 Years
	R	R	R		R
	-	-	15 676 174	-	-
	-	-	14 439 211	-	-
	-	-	1 236 963	-	-
	-	-	(20 300 000)	-	-
	-	-	(18 500 000)	-	-
	-	-	(1 800 000)	-	-
	-	-	-	-	(91 633 942)
	-	-	-	-	(1 219 715)
	-	-	-	-	(5 000 000)
	-	-	-	-	(25 000 000)
	-	-	-	-	(24 710 373)
	-	-	-	-	(13 751 110)
	-	-	-	-	(19 535 188)
	-	-	-	-	(1 433 899)
	-	-	-	-	(983 657)
	-	-	(4 623 826)	-	(91 633 942)
	149 434 540	-	-	-	-
	196 101 591	-	-	-	-
	345 536 130	-	-	-	-
	-	-	-	13 775 686	-

Notes to the Annual Financial Statements (continued)

For the year ended 30 June 2009

Description	Note ref in AFS #	Average effective Interest Rate %	Total R
INCA		13.39%	12 538 723
INCA		12.90%	1 236 963
Secured Bank Facilities	4		(20 300 000)
INCA		16.80%	(18 500 000)
INCA		15.60%	(1 800 000)
Unsecured Bank Facilities	4		(79 473 231)
DBSA		10.00%	(1 457 300)
DBSA		2.65%	(5 000 000)
DBSA		5.00%	(25 000 000)
DBSA		5.00%	(24 710 373)
DBSA		5.00%	-
DBSA (Ex Hibiscus Coast)		Various	(20 436 444)
DBSA (Ex Umdoni)		Various	(1 711 101)
DBSA (Ex Umuziwabantu)		Various	(1 158 012)
Total Fixed Rate Instruments			(85 997 545)
VARIABLE RATE INSTRUMENTS			
Bank Cash and Cash Equivalents	23	11.93%	221 937 705
Total Variable Rate Instruments			221 937 705

49.8 Other Price Risks

The Municipality is not exposed to equity price risks arising from equity investments as the Municipality does not trade these investments.

49.9 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the Municipality's short, medium and long-term funding and liquidity management requirements. The Municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 44 is a listing of additional undrawn facilities that the Municipality has at its disposal to further reduce liquidity risk.

Liquidity and Interest Risk Tables

The following table details the Municipality's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Municipality can be required to pay. The table includes both interest and principal cash flows.

	6 Months or less	6-12 Months	1-2 Years	2-5 Years	More than 5 Years
	R	R	R		R
	-	-	-	12 538 723	-
	-	-	-	1 236 963	-
	-	-	-	(20 300 000)	-
	-	-	-	(18 500 000)	-
	-	-	-	(1 800 000)	-
	-	-	-	-	(79 473 231)
	-	-	-	-	(1 457 300)
	-	-	-	-	(5 000 000)
	-	-	-	-	(25 000 000)
	-	-	-	-	(24 710 373)
	-	-	-	-	-
	-	-	-	-	(20 436 444)
	-	-	-	-	(1 711 101)
	-	-	-	-	(1 158 012)
	-	-	-	(6 524 314)	(79 473 231)
	221 937 705	-	-	-	-
	221 937 705	-	-	-	-

Notes to the Annual Financial Statements (continued)

For the year ended 30 June 2009

Description	Note ref in AFS #	Average effective Interest Rate %	Total R
30 June 2009			
Non-interest bearing		0.00%	140 236 127
Fixed Interest Rate Instruments		8.03%	217 803 834
			358 039 961
30 June 2008			
Non-interest bearing		0.00%	95 883 117
Fixed Interest Rate Instruments		8.03%	124 297 203
			220 180 320

	6 Months or less	6-12 Months	1-2 Years	2-5 Years	More than 5 Years
	R	R	R		R
	140 236 127	-	-	-	-
	6 328 005	7 103 005	34 506 009	38 466 109	131 400 706
	146 564 132	7 103 005	34 506 009	38 466 109	131 400 706
	95 883 117	-	-	-	-
	5 553 005	5 553 005	11 106 009	46 840 428	55 244 756
	101 436 122	5 553 005	11 106 009	46 840 428	55 244 756
	6	12	24	60	60

Notes to the Annual Financial Statements (continued)

For the year ended 30 June 2009

	2009	2008		
	R	R		
49. FINANCIAL INSTRUMENTS (Continued)				
49.10 Credit Risk Management				
<p>Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Municipality. The Municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Municipality uses other publicly available financial information and its own trading records to assess its major customers. The Municipality's exposure of its counterparties are monitored regularly.</p>				
<p>Potential concentrations of credit rate risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.</p>				
<p>The Municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting percentage exposure limits, which are included in the Municipality's Investment Policy. These limits are reviewed periodically by the Chief Financial Officer and authorised by the Council.</p>				
<p>Trade receivables consist of a large number of customers, spread across diverse industries in the geographical area of the Municipality. Periodic credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee is increased accordingly.</p>				
<p>Consumer Debtors comprise a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.</p>				
<p>In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.</p>				
<p>Long-term Receivables and Other Debtors are individually evaluated annually at balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment/discounting, where applicable.</p>				
<p>The Municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Municipality defines counterparties as having similar characteristics if they are related entities.</p>				
<p>The table below shows the balance of the five major counterparties at the balance sheet date. Management is of the opinion that, although these parties are the five counterparties with highest outstanding balances, no significant credit risk exposure exists, based on the payment history of the parties.</p>				
Counterparty and Location	30 June 2009 Credit Limit R	Carrying Amount R	30 June 2008 Credit Limit R	Carrying Amount R
Charprop 299 CC	-	-	-	119 880
SM Govender	-	163 609	-	-

Counterparty and Location	30 June 2009 Credit Limit R	Carrying Amount R	30 June 2008 Credit Limit R	Carrying Amount R
Illovo Sugar Ltd	-	-	-	160 847
Sisonke District Municipality	-	316 832	-	114 790
Star Choice Trading 147 (Pty) Ltd	-	197 652	-	196 096
The Farm Homeowners Association	-	144 844	-	-
Ukasa River Estate Development	-	-	-	800 720
Umdoni Municipality	-	315 093	-	1 077 297
			2009 R	2008 R
<p>Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the Municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained.</p> <p>The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:</p>				
Fixed Deposit Investments			15 676 174	13 775 686
Long-term Receivables			86 229	113 406
Consumer Debtors			45 616 246	44 069 623
Other Debtors			37 981 544	43 712 547
VAT Receivable			59 956 625	28 229 753
Bank, Cash and Cash Equivalents			196 101 591	221 937 705
Maximum Credit and Interest Risk Exposure			355 418 409	351 838 721
Credit quality of Financial Assets:				
The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:				
Long-term Receivables				
Group 1			86 229	113 406
Group 2			-	-
Group 3			-	-
Total Long-term Receivables			86 229	113 406
			-	-

Notes to the Annual Financial Statements (continued)

For the year ended 30 June 2009

	2009 R	2008 R
Consumer Debtors		
Counterparties without external credit rating:		
Group 1	28 658 472	27 430 678
Group 2	2 211 143	1 031 961
Group 3	14 746 630	15 606 984
	<u>45 616 246</u>	<u>44 069 623</u>
Total Consumer Debtors	45 616 246	44 069 623
	-	-
Other Debtors		
Group 1	-	-
Group 2	-	-
Group 3	37 981 544	43 712 547
	<u>37 981 544</u>	<u>43 712 547</u>
Total Other Debtors	37 981 544	43 712 547
	-	-
Bank Balances		
ABSA Bank Ltd	97 556 684	76 431 461
First National Bank of SA Ltd	15 000 000	43 000 000
INCA	15 676 174	13 775 686
Nedbank Ltd	38 000 000	44 000 000
Standard Bank	45 000 000	58 006 242
	<u>211 232 858</u>	<u>235 213 389</u>
Total Bank Balances	211 232 858	235 213 389

Group 1 – High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Group 2 – Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Group 3 – Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

None of the financial assets that are fully performing have been renegotiated in the last year.

50. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

Ugu District Municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

Councillors have the option to belong to the Pension Fund for Municipal Councillors.

All full-time employees belong to the KwaZulu-Natal Joint Municipal Pension Fund, which are made up by the Retirement, Superannuation and Provident Funds.

2009
R

2008
R

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the Municipality with respect to the retirement benefit plans is to make the specified contributions. Where Councillors/employees leave the plans prior to full vesting of the contributions, the contributions payable by the Municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R13,9 million (2008: R12,6 million) represents contributions payable to these plans by the Municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation. For both the Superannuation and Retirement Funds valuations making use of the Discontinuance Method Approach have been included as well.

DEFINED BENEFIT SCHEMES

Retirement Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 31 March 2006.

The interim valuation performed as at 31 March 2008 revealed that the fund had a shortfall of R170,6 million (31 March 2007: shortfall of R229,8 million), with a funding level of 90,2% (31 March 2007: 85,7%). The contribution rate, including the surcharges below, paid by the members (8,65%) and municipalities (29,00%) should be sufficient to eradicate the shortfall in the fund by 30 June 2010.

The actuarial shortfall is taken into account by determining surcharges, to be met by increased contributions. These surcharges, of which 1,65% is paid by members, are as follows:

- From 1 July 2006 14%
- From 1 July 2007 17%

This surcharge is payable until 1 July 2010. This position will be monitored on an annual basis.

The fund has effectively been closed to new members and in order to allow for the improving pensioner mortality, an extension of the above-mentioned surcharge for another two years will be necessary.

Notes to the Annual Financial Statements (continued)

For the year ended 30 June 2009

	2009 R	2008 R
Superannuation Fund:		
The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 31 March 2008.		
The statutory valuation performed as at 31 March 2008 revealed that the fund had a surplus of R111,8 million (31 March 2007: surplus of R20,9 million), with a funding level of 102,6% (31 March 2007: 100,5%). The contribution rate paid by the members (9,25%) and municipalities (18,00%) is 1,27% less than the required contribution rate for future service and will be reviewed at the next interim valuation as at 31 March 2009 when the outcome of a possible merger with the Retirement Fund above will be known with more certainty.		
Although the fund has effectively been closed to new members, the fund was certified to be in a sound financial position as at 31 March 2008 on the DCF Method.		
DEFINED CONTRIBUTION SCHEMES		
Municipal Councillors Pension Fund:		
The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2006.		
The statutory valuation performed as at 30 June 2006 revealed that the fund had a funding ratio of 106.5%. The contribution rate paid by the members (13,75%) and Council (15%) is sufficient to fund the benefits accruing from the fund in the future.		
No further details could be provided for after the last valuation, being 30 June 2006.		
Provident Fund:		
The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 31 March 2006.		
The interim valuation performed as at 31 March 2008 revealed that the market value of the fund was R604,7 million (31 March 2007: R556,6 million). The contribution rate payable (either 5%, 7% or 9,25% by the member and 1,95 times the member's contributions by the employer), is sufficient to cover the cost of benefits and expenses and the fund was certified to be in sound financial condition as at 31 March 2008. The recorded deficit of R3,3 million (31 March 2007: Surplus) will be met from future investment earnings.		
51. RELATED PARTY TRANSACTIONS		
51.1 Interest of Related Parties		
Councillors and/or management of the Municipality have relationships with businesses as indicated below:		
Name of Related Person	Designation	Description of Related Party Relationship
None declared	Councillors	
None declared	Managers	
None declared	Senior Managers	

	Sewerage Charges	Water Charges	Sundry Charges	Outstanding Balances
	R	R	R	R

51.2 Services rendered to Related Parties

During the year the Municipality rendered services to the following related parties that are related to the Municipality as indicated:

For the Year ended 30 June 2009

Councillors	73 516	61 654	-	4 658
Municipal Manager and Section 57 Personnel	2 126	13 150	-	361
Total Services	75 641	74 804	-	5 018

For the Year ended 30 June 2008

Councillors	70 781	67 475	-	2 062
Municipal Manager and Section 57 Personnel	2 921	13 206	-	674
Total Services	73 702	80 681	-	2 736

The services rendered to Related Parties are charged at approved tariffs that were advertised to the Public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 57 Personnel. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

51.3 Loans granted to Related Parties

In terms of the MFMA, the Municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. Loans, together with the conditions thereof, granted prior to this date are disclosed in Note 16 to the Annual Financial Statements.

51.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 30 and 31 respectively, to the Annual Financial Statements.

Notes to the Annual Financial Statements (continued)

For the year ended 30 June 2009

Company Name	Related Person	Municipal Capacity	Purchases for the Year	Purchases for the Year
51.5 Purchases from Related Parties				
The Municipality procured goods and/or services from the following companies, which are considered to be Related Parties:				
Canaan Productions t/a Lighthouse	E Enock	Employee	45 548	-
Dan's Cleaning Services	T Malishe	Employee	118 379	-
In Toto Law School	P Sughudav	Employee	450 000	3 600
MB Electrical & Lighting	ClIr Moosa Bux	Councillor	139 998	69 203
Skhunyana Training Consultants	N Gumbi	Employee	74 310	64 000
Vovolethu Function and Catering	Z Mbhele	Gijima Employee	-	55 220
Total Purchases			828 235	192 023
The transactions were concluded in full compliance with the Municipality's Supply Chain Management Policy and the transactions are considered to be at arm's length.				
			2009 R	2008 R
52. CONTINGENT LIABILITIES				
52.1 Guarantees:			2 862 000	2 862 000
(i) The Municipality issued a bank guarantee in the amount of R10 000 in favour of Hibiscus Coast Municipality in lieu of a deposit on the electricity accounts of the Municipality.			10 000	10 000
(ii) The Municipality issued a bank guarantee in the amount of R2 852 000 in favour of Eskom to cover deposits on the electricity accounts of the Municipality.			2 852 000	2 852 000
(iii) The Municipality issued a letter of undertaking to McGarr Preston & Co Trust for the purchase of Portion 7 and Portion 14 of Farm Lot RA No 5100 in the extent of 47.7 hectares. Currently a private bond is being drawn to deal with the transfer.			-	-
52.2 Powers and Functions:			5 075 295	4 787 716
It has come to the attention of management that a local municipality has indicated its intention of raising a claim against the District to recover expenses incurred in respect of the Environmental Health Powers and Functions. Negotiations have been entered into in this regard between the municipalities. Currently management is of the opinion that there are no legal grounds to entertain a possible claim.			5 075 295	4 787 716

	2009 R	2008 R
52.3 Court Proceedings:	4 371 554	4 607 087
(i) Council is involved in a dispute with Sublime Marketing (the applicant), where the applicant is claiming an amount of R227 412, with interest, in respect of functions performed on behalf of Ezingoleni Municipality/Horseshoe Farm. Council has filed a notice to defend the matter. The outcome of the legal processes is unknown at this stage.	227 412	227 412
(ii) Council is involved in a dispute with ARS Investment CC (the applicant), where the applicant is claiming that Council was negligent and caused flood damage estimated at R216 000. Council has handed the documents to its Insurer with a view to appoint an attorney to defend the matter. The matter has been settled.		216 000
(iii) Council has been involved in a court case with ABCON/PILCON Projects into alleged fraud and/or fronting in terms of its Supply Chain Management Policy. Although judgement has been passed, an appeal has been lodged. The outcome is not known at this stage.	-	-
(iv) Council is currently involved in a dispute with an individual in respect of alleged damages of R19 533 caused by a burst water mains. The matters have been referred to the Municipality's insurers for settlement.	-	19 533
(v) Council is involved in a dispute with separate individuals in respect of alleged damages to their vehicles caused by motor accidents involving municipal vehicles. The matters have been referred to the municipality's insurers for settlement.	-	-
(vi) Council is involved in disputes with both Telkom and Eskom in respect of alleged damages to their cable networks caused by municipal repair work. The possible liability amounts to R184 560, plus costs. The matter with Telkom has been settled whilst the outcome of the legal process with Eskom is unknown at this stage.	184 560	184 560
(vii) Notice has been served to the Municipality by Bytes Systems Integration (Pty) Ltd for breach of contract, requiring the Municipality to pay an amount of R3 959 582 to BSI in order to rectify the breach. Failing to comply, BSI notified the Municipality of its intention to terminate its contract with the Municipality and institute legal action for recovery of all outstanding moneys including interest, standing time, legal costs and damages suffered. The breach originates from the alleged non-payment of invoices rendered for the customisation, implementation and training fees relating to the Xellent Billing Module of the Microsoft Axapta ERP Project. The Municipality is disputing the claim (see Note 53.1). Arbitration has been set down for 5 to 9 October 2009.	3 959 582	3 959 582
52.4 Insurance Claims:	531 600	-
(i) Claims to the value of R531 600 lodged against the Municipality for alleged damages caused by incidents of which the Municipality should take ownership, have been referred to the Municipality's insurers. The outcome of these claims are unsure at year-end.	531 600	-
53. CONTINGENT ASSETS		
53.1 Court Proceedings:	-	-
(i) The Municipality has engaged in legal proceedings to claim against Bytes Systems Integration (Pty) Ltd for breach of contract. The alleged breach is for contractual work not completed, but claimed or payment, on the Microsoft Axapta ERP Project for the development, customisation, implementation and training of accounting software to be utilised by the Municipality. The amount of the claim is still being calculated at the reporting date and the outcome is not known yet. Also see Note 52.3 in this regard. Arbitration has been set down for 5 to 9 October 2009.	-	-

Notes to the Annual Financial Statements (continued)

For the year ended 30 June 2009

	2009 R	2008 R
<p>(ii) The Nyenyezi Communal Property Association has indicated that it desires to transfer a housing development project, known as the "Jesus Housing Development", to the Municipality. It is being investigated whether this will be probable as the land was originally transferred to the community in terms of a Regional Land Claim. Should the Constitution provide for the sale and transfer of the property, the Municipality shall acquire the property through a deed of sale and establish a township in terms of the "Less Formal Township Establishment Act (Act 113 of 1991)". The value of the asset and the cost of transfer are unknown at this stage.</p>		
54. IN-KIND DONATIONS AND ASSISTANCE		
<p>The Municipality did not receive any In-kind Donations and Assistance during the year under review.</p>		
55. COMPARISON WITH THE BUDGET		
<p>The comparison of the Municipality's actual financial performance with that budgeted, is set out in Annexures "E(1) and E(2)".</p>		
56. PRIVATE PUBLIC PARTNERSHIPS		
<p>The Municipality registered a private company on 17 February 2009. The main business and objects of the entity is to market and develop tourism for the entire district. At year-end the entity was yet to commence operations.</p>		
57. EVENTS AFTER THE REPORTING DATE		
<p>57.1 Municipal Entity – Ugu South Coast Tourism (Pty) Ltd:</p>		
<p>The Ugu South Coast Tourism Entity, which was registered on 17 February 2009, commenced operations on 1 July 2009. No commitments were made by the entity prior to the commencement of operations. Ugu District Municipality holds all shares (100%) in the entity.</p>		
58. COMPARATIVE FIGURES		
<p>The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note 40) and prior period Errors (Note 41).</p>		
59. STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED		
<p>At the date of authorisation of these Annual Financial Statements, the Municipality has not applied the following GRAP standards that have been issued, but are not yet effective:</p> <ul style="list-style-type: none"> • GRAP 18 Segment Reporting • GRAP 23 Revenue from Non-exchange Transactions (Taxes and Transfers) • GRAP 24 Presentation of Budget Information in Financial Statements • GRAP 103 Heritage Assets 		
<p>Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.</p>		
<p>Management has considered all the GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the Municipality.</p>		



APPENDICES



APPENDIX A

Schedule of External Loans

for the year ended 30 June 2009

Details	Original Loan Amount R	Interest Rate	Loan Number	Redeemable
LOCAL REGISTERED STOCK				
INCA	18 500 000	16.80%	A162	30/06/2011
INCA	1 800 000	15.60%	91 92 & 93	30/06/2011
Total Local Registered Stock	20 300 000			
ANNUITY LOANS				
DBSA	3 194 261	10.00%	-	31/03/2013
DBSA	5 000 000	2.65%	-	30/06/2015
DBSA	25 000 000	5.00%	101980/001	31/03/2022
DBSA	25 000 000	5.00%	101980/002	30/06/2023
DBSA	62 000 000	5.00%	102756/001	30/06/2029
DBSA (Ex Hibiscus Coast)	18 573 441	Various	Various	Various
DBSA (Ex Umdoni)	2 500 000	Various	Various	Various
DBSA (Ex Umuziwabantu)	1 850 000	Various	Various	Various
Total Annuity Loans	143 117 702			
CAPITAL LEASE LIABILITIES				
Ex Hibiscus Coast	-	Fluctuate	-	2006
Wesbank	438 782	Fluctuate	GMK00024L	01/04/2009
Wesbank	438 782	Fluctuate	GMK00025K	01/04/2009
Wesbank	438 782	Fluctuate	GMK00026J	01/04/2009
Wesbank	438 782	Fluctuate	GMK00027H	01/04/2009
Wesbank	438 782	Fluctuate	GMK00002A	01/05/2009
Wesbank	438 782	Fluctuate	GMK00003X	01/05/2009
Wesbank	483 598	12.50%	TYL45387W	31/12/2009
Nedbank	20 100 000	11.41%	Various (79)	Various
Total Capital Lease Liabilities	23 216 289			
TOTAL EXTERNAL LOANS	186 633 991			

	Balance at 30 June 2008	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2009
	R	R	R	R
	18 500 000	-	-	18 500 000
	1 800 000	-	-	1 800 000
	20 300 000	-	-	20 300 000
	1 457 300	-	237 585	1 219 715
	5 000 000	-	-	5 000 000
	25 000 000	-	-	25 000 000
	24 710 373	-	-	24 710 373
	-	13 751 110	-	13 751 110
	20 436 444	-	901 256	19 535 188
	1 711 101	-	277 202	1 433 899
	1 158 012	-	174 354	983 657
	79 473 231	13 751 110	1 590 398	91 633 942
	175 286	-	-	175 286
	139 399	-	139 399	-
	139 399	-	139 399	-
	139 399	-	139 399	-
	139 399	-	139 399	-
	151 595	-	151 595	-
	151 595	-	151 595	-
	496 918	-	264 415	232 503
	11 709 057	2 659 331	4 699 679	9 668 709
	13 242 048	2 659 331	5 824 882	10 076 498
	113 015 279	16 410 441	7 415 280	122 010 440

APPENDIX A

Schedule of External Loans (continued)

as at 30 June 2009

LOCAL REGISTERED STOCK

Originally structured unsecured 30-year loan. Original loan capital of R20,3 million. Interest is paid semi-annually in December and June.

ANNUITY LOANS

DBSA (Umzinto Water Scheme):

Structured unsecured 20-year loan. Original loan capital of R3 194 261 is repayable annually in fixed instalments of capital and fixed rate interest.

DBSA (Ugu Fresh Produce Market):

Structured unsecured 10-year loan. Original loan capital of R5 000 000 is repayable semi-annually in fixed instalments of capital and interest, the first payment commencing in December 2010.

DBSA (Phase 1 – Sanitation Refurbishment):

Structured unsecured 15-year loan. Original loan capital of R25 000 000 is repayable semi-annually in 26 fixed instalments of capital and interest, the first payment commencing on the last day of the fifth half-year after the half-year during which the first disbursement was advanced to the borrower.

DBSA (Phase 2 – Sanitation Refurbishment):

Structured unsecured 15-year loan. Original loan capital of R25 000 000 is repayable semi-annually in 26 fixed instalments of capital and interest, the first payment commencing on the last day of the fifth half-year after the half-year during which the first disbursement was advanced to the borrower.

DBSA (Phase 1 – Umzimkulu Water Augmentation):

Structured unsecured 20-year loan. Original loan capital of R62 000 000 is repayable monthly in 216 fixed instalments of capital and interest, the first payment commencing on the last day of the 25th month after the month during which the first disbursement was advanced to the borrower.

DBSA (Ex Hibiscus, Umdoni and Umuziwabantu):

Structured unsecured loans taken over from the local municipalities as a result of a change of powers and functions. These loans are repaid semi-annually at various interest rates.

CAPITALISED LEASE LIABILITIES

Structured secured finance leases over vehicles; lease repayments over a period of three years at both fixed and variable interest rates.

APPENDIX B

Analysis of Property, Plant and Equipment

as at 30 June 2009

Description	Cost/Revaluation						
	Opening Balance R	Additions R	Under Construction R	Disposals R	GRAP 17 Adjustments R	Closing Balance R	
Land and Buildings							
<i>Land:</i>							
Land: Developed	9 548 507	-	-	-	-	9 548 507	
<i>Buildings:</i>							
Office Buildings	38 853 167	21 909 789	-	-	-	39 765 805	
Workshops and Depots	8 873	-	-	-	(0)	8 873	
Hostels: Workers	-	-	-	-	-	-	
Other Buildings	-	65 335	-	-	-	276 687	
	48 410 547	21 975 124	-	-	(0)	49 599 872	
Infrastructure							
<i>Roads:</i>							
Roads	615 911	-	-	-	(615 911)	-	
<i>Security Measures:</i>							
Access Control	75 184	-	-	-	(75 184)	-	
Fencing/Perimeter Protection	1 325 587	-	-	-	(958 128)	367 458	
Security Systems	112 005	-	-	-	(112 005)	-	
<i>Sewerage:</i>							
Reticulation	32 629 740	8 123 948	-	-	(32 629 740)	8 123 948	
Pumping Stations	1 265 768	2 397 428	-	-	61 779 769	65 442 965	
Treatment Works	104 074 991	-	-	-	53 621 964	157 696 955	
<i>Water:</i>							
Dams and Weirs	-	-	-	-	260 399 531	263 500 000	
Reservoirs and Tanks	59 055 771	-	-	-	669 555 252	728 611 023	
Pumping Stations	-	-	-	-	52 540 000	52 540 000	
Treatment Works	-	6 405 477	-	-	50 075 000	56 480 477	
Reticulation	312 228 033	156 451 105	-	-	(233 294 325)	235 384 813	
Meters	16 703 481	258 888	-	-	(16 595 987)	366 382	
Mains	103 709 816	-	-	-	(103 709 816)	-	
	631 796 287	173 636 846	-	-	759 980 420	1 568 514 021	

	Accumulated Depreciation/Impairment					Carrying Value R	Budget Additions 2009 R
	Opening Balance R	Additions R	Disposals R	GRAP 17 Adjustments R	Closing Balance R		
	-	-	-	-	-	9 548 507	-
	7 941 735	(2 595 072)	-	(0)	5 337 698	34 428 107	19 385 000
	2 366	296	-	0	2 662	6 211	8 300 000
	-	-	-	-	-	-	1 260 000
	-	15 085	-	-	17 347	259 340	
	7 944 101	(2 579 692)	-	(0)	5 357 707	44 242 166	28 945 000
	-	-	-	-	-	-	
	24 922	-	-	(24 922)	-	-	
	375 462	4 387	-	(111 006)	268 842	98 616	280 000
	110 461	-	-	(110 461)	-	-	1 900 000
	6 944 540	(14 799)	-	(6 929 741)	-	8 123 948	524 000
	322 193	784 205	-	37 839 967	38 946 365	26 496 600	
	41 337 211	2 283 247	-	57 274 060	100 894 519	56 802 437	2 936 000
	-	1 130 544	-	188 016 001	190 015 000	73 485 000	
	27 333 665	6 316 572	-	354 732 087	388 382 324	340 228 699	18 110 000
	-	409 859	-	23 227 232	23 637 091	28 902 909	
	-	390 629	-	31 449 734	31 840 364	24 640 113	
	32 212 304	1 044 087	-	12 917 563	46 173 954	189 210 859	117 774 985
	7 200 701	4 424	-	(7 118 548)	86 577	279 805	4 108 000
	55 129 721	-	-	(55 129 721)	-	-	30 190 123
	170 991 179	12 353 154	-	636 032 247	820 245 036	748 268 985	175 823 108

APPENDIX B

Analysis of Property, Plant and Equipment (continued)

as at 30 June 2009

Description	Cost/Revaluation						
	Opening Balance R	Additions R	Under Construction R	Disposals R	GRAP 17 Adjustments R	Closing Balance R	
Community Assets							
<i>Recreational Facilities:</i>							
Lakes and Dams	3 100 469	-	-	-	-	-	
<i>Sports Facilities:</i>							
Sports Complexes	-	23 108 133	-	-	-	43 367 093	
Stadiums	-	-	-	-	-	-	
<i>Other Facilities:</i>							
Markets	26 051 329	2 502 646	-	-	-	29 080 814	
	29 151 798	25 610 780	-	-	-	72 447 907	
Other Assets							
<i>Computer Equipment:</i>							
Computer Hardware	11 944 108	5 150 869	-	(370 673)	-	16 724 304	
<i>Furniture and Fittings:</i>							
Cabinets and Cupboards	248 415	23 315	-	-	-	271 730	
Chairs	15 263	-	-	-	-	15 263	
Desks and Tables	228 059	122 199	-	-	-	350 257	
Other Furniture and Fittings	338 607	10 333	-	-	-	348 940	
<i>Office Equipment:</i>							
Air Conditioners	593 025	45 041	-	-	-	638 065	
Audiovisual Equipment	-	15 200	-	-	-	15 200	
Kitchen Appliances	-	7 321	-	-	-	7 321	
Office Equipment/ Machines	309 948	-	-	-	-	309 948	
Photographic Equipment	-	14 070	-	-	-	14 070	
Other Office Equipment	-	35 287	-	-	-	35 287	
<i>Plant and Equipment:</i>							
Compaction Equipment	-	73 990	-	-	-	73 990	
Compressors	202 897	195 724	-	-	-	398 621	
Generators & Allied Eq							
Fire Arms	53 070	-	-	-	-	53 070	
Gardening Equipment	306 806	-	-	-	-	306 806	

Accumulated Depreciation/Impairment						Carrying Value R	Budget Additions 2009 R
	Opening Balance R	Additions R	Disposals R	GRAP 17 Adjustments R	Closing Balance R		
	868 455	-	-	-	-	-	
	-	-	-	-	-	43 367 093	
	-	-	-	-	-	-	24 500 000
	-	794 761	-	-	801 463	28 279 351	
	868 455	794 761	-	-	801 463	71 646 444	24 500 000
	5 718 635	1 478 854	(345 654)	-	6 851 835	9 872 469	6 635 000
	102 498	23 447	-	-	125 945	145 785	
	6 620	1 948	-	-	8 568	6 695	
	69 784	36 378	-	-	106 162	244 095	
	107 972	34 609	-	(0)	142 581	206 359	3 364 000
	336 132	57 256	-	-	393 388	244 678	111 500
	-	933	-	-	933	14 267	
	-	263	-	-	263	7 058	
	137 513	24 799	-	-	162 312	147 636	
	-	1 131	-	-	1 131	12 939	
	-	3 598	-	-	3 598	31 689	
	-	1 108	-	-	1 108	72 882	
	237 728	31 057	-	-	268 785	129 836	30 000
	-	7 581	-	-	7 581	45 489	
	215 031	9 515	-	-	224 546	82 260	

APPENDIX B

Analysis of Property, Plant and Equipment (continued)

as at 30 June 2009

Description	Cost/Revaluation						
	Opening Balance R	Additions R	Under Construction R	Disposals R	GRAP 17 Adjustments R	Closing Balance R	
Laboratory Equipment	442 814	77 164	-	-	-	590 613	
Radio Equipment	470 700	-	-	-	-	470 700	
Telecommunication Equipment	162 673	756 205	-	-	-	918 878	
Other Plant and Equipment	15 169 494	2 558 680	-	-	-	17 728 174	
<i>Motor Vehicles:</i>							
Bakkies (LDVs)	-	797 795	-	-	-	797 795	
Cycles	112 405	-	-	(18 000)	-	94 405	
Graders	651 270	-	-	-	-	651 270	
Motor Cars	4 067 475	229 289	-	(286 545)	-	4 010 219	
Tractors	1 148 783	968 000	-	(365 000)	-	1 751 783	
Trucks	45 609 161	729 375	-	(1 968 437)	-	44 370 099	
Watercraft	28 250	-	-	-	-	28 250	
	-	-	-	-	-	-	
<i>Other Assets:</i>	-	-	-	-	-	-	
Laboratories	70 635	-	-	-	-	-	
	82 173 856	11 809 857	-	(3 008 655)	-	90 975 058	
Total	791 532 488	233 032 606	-	(3 008 655)	759 980 420	1 781 536 859	
	0.00					0.00	
Intangible Assets							
Capitalised Development Costs	-	-	-	-	-	-	

	Accumulated Depreciation/Impairment					Carrying Value R	Budget Additions 2009 R
	Opening Balance R	Additions R	Disposals R	GRAP 17 Adjustments R	Closing Balance R		
	338 964	41 075	-	-	389 966	200 647	467 000
	355 868	47 589	-	-	403 457	67 243	450 000
	107 651	120 499	-	-	228 150	690 728	
	9 835 520	1 162 582	-	-	10 998 102	6 730 072	5 474 000
	-	-	-	-	-	797 795	
	97 409	1 510	(18 000)	-	80 919	13 486	
	475 817	7 586	-	-	483 403	167 867	
	1 731 752	336 622	(269 633)	-	1 798 741	2 211 478	390 000
	415 396	39 271	(243 433)	-	211 234	1 540 549	
	18 380 522	4 443 066	(1 678 937)	-	21 144 651	23 225 448	10 000 000
	4 136	1 514	-	-	5 650	22 600	
	9 928	-	-	-	-	-	
	38 684 875	7 913 789	(2 555 658)	-	44 043 006	46 932 052	26 921 500
	218 488 610	18 482 013	(2 555 658)	636 032 247	870 447 212	911 089 647	256 189 608
	0.00				0.00	0.00	
	-	-	-	-	-	-	

APPENDIX B

Analysis of Intangible Assets (continued)

as at 30 June 2009

Description	Cost/Revaluation						
	Opening Balance R	Additions R	Under Construction R	Disposals R	GRAP 17 Adjustments R	Closing Balance R	
Computer Software	13 737 605	-	-	-	-	13 737 605	
Copyrights, Patents and Trademarks	-	-	-	-	-	-	
Documents and Charts	-	-	-	-	-	-	
Rights and Servitudes	795 690	1 312 948	-	-	-	2 108 638	
	-	-	-	-	-	-	
Total Intangible Assets	14 533 295	1 312 948	-	-	-	15 846 243	
Total Fixed Asset Register	806 065 782	234 345 553	-	(3 008 654)	759 980 419	1 797 383 10	

Accumulated Depreciation/Impairment						Carrying Value R	Budget Additions 2009 R
	Opening Balance R	Additions R	Disposals R	GRAP 17 Adjustments R	Closing Balance R		
	5 132 669	3 118 131	-	-	8 250 800	5 486 805	2 100 000
	-	-	-	-	-	-	
	-	-	-	-	-	-	
	-	-	-	-	-	2 108 638	1 000 000
	-	-	-	-	-	-	
	5 132 669	3 118 131	-	-	8 250 800	7 595 443	3 100 000
	223 621 278	21 600 143	(2 555 657)	636 032 246	878 698 012	918 685 089	259 289 608

APPENDIX C

Segmental Analysis of Property, Plant & Equipment

as at 30 June 2009

Description	Cost/Revaluation					
	Opening Balance	Additions	Under Construction	Disposals	GRAP 17 Adjustments	
	R	R	R	R	R	
Executive and Council	4 958 401	2 067 721	-	-	1 314 047	
Finance and Administration	232 024 378	5 776 543	-	(370 673)	(200 584 653)	
Planning and Development	484 342	-	-	-	(32 331)	
Health	-	-	-	-	-	
Community and Social Services	-	-	-	-	-	
Housing	-	-	-	-	-	
Public Safety	6 207 350	-	-	-	(6 079 677)	
Sport and Recreation	22 178 960	23 108 133	-	-	(1 920 000)	
Environmental Protection	120 313	-	-	-	336 214	
Waste Management	163 711 355	8 822 271	-	(292 712)	(9 530 281)	
Roads and Transport	-	-	-	-	-	
Water	335 356 768	190 755 291	-	(2 345 270)	997 175 353	
Electricity	-	-	-	-	-	
Other	26 490 622	2 502 646	-	-	(20 698 252)	
Total	791 532 488	233 032 606	-	(3 008 655)	759 980 420	

Accumulated Depreciation/Impairment							
	Closing Balance	Opening Balance	Additions	Disposals	GRAP 17 Adjustments	Closing Balance	Carrying Value
	R	R	R	R	R	R	R
	8 340 169	1 832 625	376 363	-	(423 540)	1 785 447	6 554 721
	15 848 445	5 640 415	1 376 366	(345 654)	(787 394)	5 874 767	9 973 677
	452 012	200 169	27 869	-	51 922	279 960	172 052
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	127 673	44 830	16 893	-	616	62 339	65 334
	43 367 093	3 009	-	-	(3 009)	-	43 367 093
	456 527	39 330	37 481	-	59 999	136 809	319 718
	162 710 632	57 247 821	3 672 198	(268 480)	33 947 534	94 599 073	68 111 560
	-	-	-	-	-	-	-
	1 521 153 494	153 478 056	12 180 083	(1 941 523)	603 188 475	766 907 353	754 246 141
	-	-	-	-	-	-	-
	29 080 814	2 355	794 761	-	(2 355)	801 463	28 279 351
	1 781 536 859	218 488 610	18 482 013	(2 555 658)	636 032 247	870 447 212	911 089 647

APPENDIX D

Segmental Statement of Financial Performance

for the year ended 30 June 2009

2008 Actual Revenue R	2008 Actual Expenditure R	2008 Surplus/ (Deficit) R	Description	2009 Actual Revenue R	2009 Actual Expenditure R	2009 Surplus/ (Deficit) R
29 965 588	32 190 692	(2 225 105)	Executive and Council	49 781 944	50 697 871	(915 928)
88 963 910	77 413 645	11 550 264	Finance and Administration	107 315 697	114 727 337	(7 411 640)
164 877 994	48 385 620	116 492 374	Planning and Development	197 923 637	99 416 586	98 507 051
2 491 512	859 235	1 632 277	Public Safety	4 977 648	20 388 480	(15 410 832)
-	117 174	(117 174)	Environmental Protection	-	1 607 722	(1 607 722)
55 460 823	45 289 782	10 171 041	Waste Water Management	52 367 139	58 142 229	(5 775 091)
205 894 713	224 991 334	(19 096 622)	Water	254 335 951	300 993 882	(46 657 931)
67 589	1 211 317	(1 143 727)	Other	465 432	1 567 264	(1 101 832)
547 722 129	430 458 800	117 263 329	Total	667 167 447	647 541 371	19 626 075

APPENDIX E (1)

Actual versus Budget (Revenue and Expenditure)

for the year ended 30 June 2009

Description	2008/09 Actual R	2008/09 Budget R	2008/09 Variance R	2008/09 Variance %
REVENUE				
Service Charges	201 994 736	218 838 830	(16 844 094)	(8.34)
Rental of Facilities and Equipment	290 641	739 173	(448 532)	(154.33)
Interest Earned – External investments	10 747 736	25 687 311	(14 939 575)	(139.00)
Interest Earned – Outstanding debtors	3 392 998	1 010 202	2 382 796	70.23
Government Grants and Subsidies	339 770 505	235 529 046	104 241 459	30.68
Other Revenue	109 029 483	110 093 820	(1 064 337)	(0.98)
Public Contributions and Donations	1 941 348	-	1 941 348	100.00
Total Revenue	667 167 447	591 898 383	75 269 064	12.72
EXPENDITURE				
Employee Related Costs	165 543 396	172 526 485	(6 983 089)	(4.22)
Remuneration of Councillors	5 542 404	4 710 267	832 137	15.01
Bad Debts	10 395 654	3 300 000	7 095 654	68.26
Collection Costs	35 478	90 000	(54 522)	(153.68)
Depreciation	25 455 840	33 417 727	(7 961 887)	(31.28)
Repairs and Maintenance	30 554 124	26 235 458	4 318 666	14.13
Interest Paid	8 514 190	7 775 676	738 514	8.67
Bulk Purchases	20 120 891	15 750 000	4 370 891	21.72
Contracted Services	12 422 412	10 176 350	2 246 062	18.08
Grants and Subsidies Paid	162 270 869	122 583 361	39 687 508	24.46
General Expenses	210 541 811	195 333 060	15 208 751	7.22
Total Expenditure	647 541 371	591 898 383	55 642 988	9.40
NET SURPLUS FOR THE YEAR	19 626 075	-	19 626 075	

APPENDIX E (2)

Actual versus Budget (Acquisition of Property, Plant and Equipment)

for the year ended 30 June 2009

Description	2008/09 Actual R	2008/09 Under Construction R	2008/09 Total Additions R	2008/09 Budget R	2008/09 Variance R	2008/09 Variance %
Infrastructure						
Executive and Council	2 067 721		2 067 721	38 500	2 029 221	5 270.70
Finance and Administration	5 776 543		5 776 543	9 094 500	(3 317 957)	(36.48)
Planning and Development	-		-	3 675 000	(3 675 000)	(100.00)
Public Safety	-		-	230 000	(230 000)	(100.00)
Sport and Recreation	23 108 133		23 108 133	24 500 000	(1 391 867)	(5.68)
Waste Management	8 822 271		8 822 271	19 706 000	(10 883 729)	(55.23)
Water	190 755 291		190 755 291	198 945 608	(8 190 317)	(4.12)
Total	233 032 606	-	233 032 606	256 189 608	(23 157 002)	(9.04)



APPENDIX F

Disclosure of Grants & Subsidies in Terms of Section 123 of MFMA, 56 of 2003

Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts							
		June	Sept	Dec	March	June	June	Sept	
FMG	National Treasury	0	500 000	0	0	0	214 064	390 188	
Equitable Share	National Treasury	0	43 707 689	32 780 767	54 634 611	0	26 747 508	24 459 519	
Sports and Recreation	Dept Sport & Rec	600 000	0	925 000	275 000	600 000	43 228	265 544	
Gijima	DEAT	0	0	0	0	0	232 010	0	
Various Provincial	DLGTA	810 000	10 250 000	0	26 500 000	35 193 540	2 404 001	2 891 254	
Various National (inc. MIG)	DPLG	48 897 123	63 663 700	49 529 285	123 262 239	75 254 084	48 383 564	48 065 788	
DWAF	DWAF	7 322 500	1 336 200	34 000	1 114 000	446 800	9 119 845	620 403	
Various	DBSA	150 000	150 000	0	0	300 000	0	0	
Various Co-operative Projects	IDC	0	0	0	0	0	0	54 680	
Various (Public Contributions)	OTHER	2 834 296	1 872 363	1 801 130	2 127 223	2 299 527	0	0	
Total Grants and Subsidies Received		60 613 919	121 479 951	85 070 182	207 913 073	114 093 950	87 144 220	76 747 376	

Quarterly Expenditure				Grants and Subsidies Delayed/ Withheld					Reason for Delay/ With- holding of Funds	Compli- ance to Rev- enue Act (*) See below	Reason for Non- compli- ance
	Dec	March	June	June	Sept	Dec	March	June		Yes/No	
	235 336	69 256	85 042	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
	25 119 932	27 700 345	31 548 204	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
	1 424 276	628 840	239 420	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
	0	345 624	0	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
	13 333 540	2 753 012	5 663 270	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
	47 212 226	41 891 654	60 972 505	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
	1 244 088	1 876 367	860 144	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
	235 059	0	74 073	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
	0	0	96 000	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
	0	0	3 400	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
	88 804 457	75 265 098	99 542 058	0	0	0	0	0			



SERVICE DELIVERY REPORTING

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Water & Sanitation

Functional Areas

The Water Services Department consists of the following sections:

1. Water Services Operations section is managed by the Senior Manager Operations and has three divisions:
 - Area North – Incorporating Umdoni, Vulamehlo and a portion of Umzumbe Municipalities
 - Area South – Incorporating Hibiscus Coast and portions of Ezingoleni and Umzumbe Municipalities
 - Area South West – Incorporating Umuziwabantu and a portion of Ezingoleni Municipalities
 - Area Managers are responsible for the operation and maintenance of sewage treatment works and water treatment plants, and maintenance of water and sewage reticulation systems within their area of operation.
2. Mechanical and Electrical Division, which are responsible for the maintenance of pump stations, workshops and equipment at all treatment works.
3. Water Conservation and Demand Management divisions are responsible for leakage management, water loss project and installation and maintenance of new meters and associated equipment.

Operational Areas:

Administration Section – This section is responsible for staff matters and cost control for the department.

Water Services Authority (WSA) – Managed by a Senior Manager. Ensures the compliance of all water provision legislation and supporting by-laws together with control of building developments in the District. It is also responsible for planning and approval of projects and development of the Water Services Development plan, Geographic Information system as well scientific services (laboratory)

Fleet Management – All operational units are supported by the Fleet Management Section, being responsible to ensure that service delivery is maintained through the provision of an efficient fleet.

Number and cost to employer of all personnel associated with water and sanitation.

DETAIL	NUMBER	COST (R)
Professional (Engineers, Technologists, Technicians, Technical Assistants and Accountants)	33	10 009 432
Supervisors/Foreman	20	4 719 177
Artisans	40	7 201 506
Office (Clerical/Administration)	47	7 268 011
Semi-Skilled	200	20 021 445
General workers	262	17 461 268
Total	602	66 680 838

Table 11

Functional Areas:

Water Supply

The Municipality is a Water Services Authority as well as a water services provider. Approximately 10% of its water is purchased from Umngeni water and eThekweni metro for consumers in the Northern District.

The Municipality has a mandate to provide water and sanitation services:

The strategic objectives of this function are:

- » accelerated provision of access to basic water services;
- » planning and regulating water services provision;
- » ensuring continuous water supply;
- » ensuring safe drinking water for all; and
- » maintaining and developing sustainable infrastructure.

The key issues in 2008/09 were:

- » mitigation of flood disaster in June/July 2008;
- » reduction of water losses and enforcement of illegal connections bylaws;
- » implementation of bulk infrastructure projects and rural water supply;
- » commissioning of South Coast bulk pipeline by Umngeni Water;
- » commissioning of upgraded Umtwalume water works;
- » implementation of pipeline extension programme;
- » preparation of asset management plan;
- » undertake meter audit;
- » development of a control centre and enhanced call centre; and
- » implementation of the blue drop water quality management system.

Water Distribution

WATER DISTRIBUTION		
DETAIL	TOTAL (KL)	COST (R)
Includes the bulk purchase and distribution of water	6 380 014	19 547 324
Number and cost to employer of all personnel associated with the water distribution function	Number	R
Professional (Engineers, Technologists, Technicians, Technical Assistants and Accountants)	33	10 009 432
Supervisors/Foreman	20	4 719 177
Artisans	40	7 201 505
Office (Clerical/Administration)	47	7 268 011
Semi-Skilled	200	20 021 445
General workers	262	17 461 268
Total	602	66 680 838
Total volume and cost of bulk water sales in kilolitres and rand	KL	R
Umgeni water	6 380 014	19 547 324
Total volume and receipts for bulk water sales in kilolitres and rand	KL	R
Sisonke District Municipality	407 638	1 178 074
Number and cost of new connections	Number	R
15mm dia	157	405 152
15mm dia (rural)	1 153	1 441 573
20mm dia	18	46 329
25mm dia	5	18 778
	6	35 241
50mm dia – 100mm dia	56	601 000
Total Number and Cost	1 395	2 512 828
Number and total value of water projects planned and current:	Number	R
Current	6 824	112 000 000
Planned as per the Water Master Plan	56 099	1.1 Billion
Free Basic Service Provision		
Households	36 768	11 420 482
Standpipes	4 000	Free
Quantum (value to each household)	6kl per household	R36.36 per household
Total operating cost of water distribution function		226 013 345

Table 12

Waste Water Management

This functional area includes the provision of sanitation services.

The sewerage functions of the Municipality are administered as follows and include:

Water Services Operations:

Waste Water Treatment – Conveying, treating and disposing/

discharging effluent in a correct manner and ensuring that the process comply with national standards.

Operations and Maintenance – Maintains the existing sewage reticulation infrastructure and clearing conservancy tanks and septic tanks.

Electrical and Mechanical – Support services to maintain pump stations and associated equipment.

Water Services Authority

This functional area is responsible for the following:

Planning and Administration – Development of five-year plan infrastructure investment plan, new projects, design of projects, design approval of all new projects.

Development Control – Performs plan approval function for every development.

Regulating and Monitoring – Enforcement of legislation, monitoring and reporting GIS, aerial photography and spatial information as well scientific services, and monitoring effluent and water quality

The strategic objectives of this function are:

- » Providing and ensuring access to basic water and sanitation services
- » Ensuring compliance with water and waste water regulations and standards
- » Enforcing water and sanitation by-laws as well as related building regulations within Ugu area.

The key issues for 2008/09 are:

- » Securing the loans for water and waterborne sanitation projects
- » Revision of water and sanitation tariffs
- » Private package plants audit to reduce water pollution
- » Creation of a by-law enforcement unit
- » Preparation of asset management plan
- » Refurbishment of sewage treatment plants.

WASTE WATER SECTION – Analysis of the Function

Number and cost to employer of all personnel with sanitation functions:

Staff	No	Cost (R)
Field (Supervisors and Foreman)	5	1 227 210
Artisans	3	500 655
Semi-Skilled	8	1 027 848
General Workers	108	11 379 823
TOTAL	124	14 135 536

Table 13

Number of households with sanitation services, and type and cost of service:

Sanitation Service	No.
Consumers connected to sewage systems	19 580
Consumers connected to conservancy or septic tanks	19 916
Pit latrine with ventilation	70 719

Table 14

Anticipated Expansion of Sanitation Systems

Service	No.	Value (R)
Flush toilet	As per 20-year sanitation master plan	435 000 000
No of toilet provided (VIPs)	47 429	337 000 000
Total anticipated Operating Cost of Sanitation Function		45 289 782

Table 15

Residential Units (Households)

No Of Consumer Units With:	Urban	Rural
Tanker Service or Natural Source (Backlog)	0	47 856
House connections, yard tap, stand pipe	38 595	75 886

Table 16

Residential Consumer Units for Sanitation

Consumer Units With: (Including Non-Residential)	Urban	Rural
Non or inadequate: Below RDP Pit (including Informal settlements)	0	56 557
Consumer Installations: On-site dry or equivalent including VIP toilets USD composting system	0	51 740
Discharge to sewer treatment works (intermediate or full waterborne)	19 580	0
	24 162	123 600

Table 17

Treasury

Overview

"The centre of all financial operations, the custodian of all municipal wealth", the Treasury Department is headed by the General Manager: Treasury and comprises the following sections:

- » Equity and Accounts
- » Grants and Expenditure
- » Supply Chain Management
- » Budget Office
- » Income

Treasury is primarily responsible for ensuring transparency, accountability and sound financial management. This means ensuring that all statutory requirements are adhered to, monthly management reports, National Treasury in-year monitoring reports and annual financial statements are prepared and submitted on time, financial resources are effectively and efficiently utilised, and there is efficient implementation of the Supply Chain Management Policy.

Function of the Treasury Department

Budget Office – The Manager Budget Office is responsible for ensuring optimal allocation and utilisation of economic resources in all departments within the Municipality to achieve its strategic objectives.

Grants and Expenditure – The Manager: Grants and Expenditure is responsible for salaries administration, creditors management, VAT returns, grants and subsidies administration.

Equity and Accounts – The Manager: Equity & Accounts is responsible for maintaining the Fixed Assets Register, Loans Register, Investments Register, General Ledger, and Cash Management. He is also responsible for the investing of all unused and surplus funds at the best possible rates with the lowest risk to the Municipality to ensure good cash management.

Income – The Manager: Income is responsible for Debt Collection and Management, Recognition of Municipal revenue, Indigent support and Administration, Administration and maintenance of Customers Accounts and Customer Care to ensure good debt management.

Supply Chain Management – The Manager: Supply Chain is responsible for the implementation of the SCM Policy and ensuring that the procurement of goods and services is done in a fair, equitable, transparent, competitive and cost-effective manner. She is also responsible for disposing redundant goods that are of no use to the Municipality.

Activities

- » Supply chain management
- » Cash and bank accounts management
- » Financial planning and forecasting
- » Long- and short-term debt management
- » Administration of government grants and subsidies
- » Assets and liabilities management
- » Expenditure management
- » Revenue Management

Supply Chain Management

Overview

The fundamental role and responsibility of the Supply Chain Management (SCM) unit is to implement the SCM Policy in terms of section 111 of the MFMA, giving effect to section 217 of the Constitution; and Part 1 of Chapter 11 and other applicable provisions of the Act, in a fair, equitable, transparent, competitive and cost-effective manner. It does so in compliance with the regulatory framework prescribed in Chapter 2 of the SCM Regulations; and any minimum norms and standards that may be prescribed in terms of section 168 of the Act.

The above is achieved through the procuring of goods and services, and disposing of those redundant or of no use to the Municipality.

A guiding tool, an SCM policy was adopted in October 2005 to ensure that goods and services are procured as legislated and in line with the Municipality's goals.

Functions of the Supply Chain Management Unit

The functions of the Supply Chain Management Unit within the Municipality are, amongst others, administered as follows:

- » Through the monitoring by the Provincial Treasury as regards the status on the implementation of the SCM Policy
- » Through the oversight role of the Municipal Council by continuous assessment of policy implementation progress through quarterly and ad hoc reports as requested.
- » The maintenance of a credible supplier database. The accounting officer, through the Chief Financial Officer, strategically manages the day-to-day SCM Policy implementation, especially the establishment and maintenance of the supplier database that promotes rotation of suppliers, implementation of the bid committee systems and further monitors operations to ensure that procurement activities are conducted as legislated, giving effect to fair, transparent, equitable and cost-effective procurement of goods and services

- » Supply Chain Management monitors the efficient use of municipal funds. This report intends showing spend on the different commodities for different values.

1. Analysis of spend FY 2008/09

No. of vendors paid including donations	1 107	
Total value	271 093 023	
Value ordered from black-owned SMMEs	150 192 341	55% of total spend
Obtained from black-owned businesses	174 454 749	64% of total spend
Obtained from black female-owned businesses	26 193 744	10% of total spend
Obtained from youth-owned businesses	17 546 164	6,47% of total spend
Obtained from local businesses	153 138 975	56% of total spend
From JVs and cooperatives	21 660 835	8% of total spend

- » An SMME is broadly defined as a business whose turnover is less than R10 million per annum.
- » Black-owned refers to persons who did not have a franchise in national elections prior to 1994. Included are females and the disabled. For purposes of this report, female ownership is shown separately.
- » Local business refers to businesses within the Ugu District Municipality

The figures shown above are for entities whose records are known. Some companies do not have records on our system. It is these companies that require additional work to obtain further statistics. We have dedicated a resource in this regard.

2. The top twenty suppliers are shown below:

C & R / ABD Joint Venture	12 306 760.71
SSI Engineers and Environmental	9 005 953.59
Hall Longmore (Pty) Ltd	7 759 606.90
Town & Around Civils CC	7 503 243.39
Shula Construction CC	5 922 534.74
HT Civils	5 780 398.18
JDTW Security CC	5 780 290.00
Magma Trading CC	5 475 755.08
WSSA	4 547 149.94
Wasteng (Pty) Ltd	4 141 103.46
Isibizo Roads and Construction	4 120 141.43
WSN Business Enterprise	3 739 949.02
Pilcon Unicon JV	3 513 746.67
Midmar Transport	3 140 568.40

MNM General Engineering Supplies	2 941 029.55
Ziyanda Consulting CC	2 807 963.75
Macingwane's Security & Garden	2 794 256.83
JOAT Sales & Services CC	2 760 643.88
SPL Ndovela Construction Cater	2 592 715.76
Sonny Buchaya Contractors CC	2 556 609.92
Aqua Transport	2 499 711.60

3. Annual Priorities

The key issues in the 2008/09 financial year were:

- » SCM Policy annual review: The policy has been approved up to Provincial Treasury level
- » Cleansing of the supplier database: The cleansing of the database is an ongoing process. Vendors are encouraged to keep their records up to date by contacting the SCM office. As a project, a service provider was appointed in FY2008/09 to go through all records and update details of the respective service providers. We achieved a 30% success rate. The project will be continued and students are being used in this regard
- » Implementation of the integrated Procurement Supply Chain Management module within the new ERP system has been completed.

4. Supply Chain Management Governance

There are three bid committees in place:

- » bid specification,
- » bid evaluation;
- » bid adjudication committee to make specifications, recommend bidding adjudication committee; and awarding bids, respectively depending on delegation authorities.

On average, the time taken from tender advertisement to award of tender is one month for each tender.

Both the 80/20 (Contracts with the value above R200 000 to R500 000) and 90/10 (Contracts with the value above R500 000) preference point systems were used, with the greater number of evaluations being made on the 90/10 split.

Bid Committees' Membership:

Bid Specification Committee

Deputy Municipal Manager
Relevant managers

Bid Evaluation Committee Members

Manager: Grants and Expenditure (Chairperson)
Manager: Special Projects
Manager: Secretariat, ICT and Auxiliary services

Bid Adjudication Committee Members

General Manager: Treasury

General Manager: Corporate Services

General Manager: Water Services

General Manager: Infrastructure and Economic Development

5. Bids awarded for the financial year:

Contract No.: Ugu-07-647-2007: Construction of New Ugu District Municipality Office Block – Phase 2: I&ED Building: Lot 10 Oslo Beach	DGS Contractors for the construction of the second storey I&ED building	R5 824 009
Contract No.: Ugu-07-835-2008: Renovations to Existing Ugu Workshops – Marburg	Msimango M & S construction	R526 316
Contract No.: Ugu-02-838-2008: Harding Roads Upgrades (Musgrave Phase 2 Moodie)	Queensburg Equipment Rental	R3 260233
Contract No.: Ugu-02-844-2008: Refurbishment of Three Ugu North Coast Sewage Pump Stations	Klomac Engineering	R1 994 509
Contract No.: Ugu-07-621-2006: Construction of 600mm Diameter Steel Pipeline x 3500mm Long from Izotsha River to Shelly Beach	Shula Construction CC	R16 240518
Contract No.: Ugu-07-834-2008: Renovations to Existing Ugu Offices: Park Rynie	Msimango M and S Construction CC	R1 525 000
Contract No.: Ugu-07-836-2008: Renovation to Existing Ugu Offices: Lot 10 Oslo Beach	C&R ABD JV	R11 422 413
Contract No.: Ugu-07-677-2007: Mains Replacement Programme Replacement of Pipeline at Batstones Drift Bridge		extended by R158 947 to R830 000
Contract No.: Ugu-02-841-2008: Upgrading of Mthimude Sportsfield	Goplan Homes CC	R1 646 870
Contract No.: Ugu-02-839-2008: Harding Roads Upgrade (Shepstone and Hancock)	Mfihleni Construction	R5 344 006
Contract No.: Ugu-02-845-2008: Compilation of a Business Plan for the Ugu District Broadband Network Incorporating Development of a Sustainable Broadband Infrastructure and Network Operating Strategy in Accordance with Goals Identified in the Ugu ICT Local Economic Development Plan	MGM Telecoms	R500 000

Infrastructure & Economic Development

The Department is headed by the General Manager: Infrastructure and Economic Development. The Department comprises of following Sections:

Local Economic Development

Overview

The LED Section is responsible for all activities associated with economic development initiatives, which include economic planning, investment facilitation, packaging of investment opportunities, promotion of partnerships, promotion of Small Medium and Micro Enterprises (SMMEs), mainstreaming of vulnerable groups (youth, women and physical challenged individuals) in economic development, promoting sustainable livelihoods and rural economic development. The section is also responsible in ensuring that there is tangible and visible economic sector ownership and management transformation that contributes towards bridging the gap between the first and second economies.

Description of the Activity

The function of the economic development within the Municipality is administered as follows:

Economic Planning – This section is responsible for economic development planning and support of the local municipalities in their planning function. i.e. developing, reviewing and implementation of the Economic Development plans including sector plans. This function involves continuous research on the economic trends and economic impact assessments.

Cooperatives Development Programme – The Cooperatives Development Programme has been one of the biggest economic transformation programmes that Ugu District Municipality has been doing in the last two years. The programme is an international benchmark programme that focuses on building capacity of cooperative developers, capacity building of cooperatives executive, establishment of the sector base secondary cooperatives, linking cooperatives with various markets, and ensuring that cooperatives have access to raw materials, skills development and finance.

SMME Development Programmes and Support – This function involves total business development of emerging entrepreneurs through various partnerships with key players in SMME development and support i.e. SEDA, SARS, etc. The function also focuses on ensuring that there is a conducive environment for businesses to thrive and create jobs.

Tourism Marketing and Tourism Development – This is the function of the newly established municipal entity known as Ugu-South Coast Tourism. The entity is directly linked with the

Department of Infrastructure and Economic Development and the GM: IED sits on the board as one of the observer representing Ugu District Municipality. USCT is responsible for destination marketing, events packaging and management, and lastly tourism development (developing new tourism product, enterprise development and skills development). The LED Unit remains a unit that is the custodian of the function and policies related to the tourism function.

Agricultural Development Programme – This is the programme that focuses on promoting agriculture and food security amongst the rural community. The programme also focuses on beneficiation of Ugu produce within the District and also ensuring that there is an access to market for emerging farmers. The programme also focuses in reviving and redeveloping of the key sub-sectors that have contributed in the sustainable agriculture ventures within the District. Those sub-sectors are the sugar and timber industries.

The unit also is responsible for supporting new sectors that are emerging because of innovation, international protocols and environmentally friendly initiatives. These industries have the potential to create new jobs and are sustainable. It includes sectors like Renewable Energy, Business Processing and Outsourcing (BPO), and other new sectors.

Black Economic Empowerment Monitoring is a task that is performed to monitor the BEE implementation in the District internally (supply chain management spends) and externally (private sector procurement and BEE deals facilitation).

The unit also responsible for identifying investment support infrastructure that is needed to contribute in the business retention and expansion. That programme involves rehabilitation and upgrading of infrastructure in our economic nodes i.e. Park Rynie Industrail Park, Harding CBD Renewal and Ezingolweni CBD Road upgrade.

Key issues: 2008/09

- » Cooperative Development Programme
- » Ntelezi Msani Heritage Project
- » 2010 World Cup Preparations & Catalyst projects
- » Park Rynie Industrail Park Project
- » DBSA Local Economic Development Initiative
- » Investment Facilitation – Business Processing and Outsourcing Centre
- » Land Acquisition Strategy and Land Claims Finalisation Strategy Development
- » Ugu South Coast Tourism Board Operations

Urban Renewal Strategies as Business Retention, Attraction and Expansion Strategy

Three urban renewal projects in the District are currently being implemented namely, Harding CBD Infrastructure upgrading project, Ezingolweni CBD Renewal and Umzinto CBD Renewal Plan. The projects form part of the business retention, attraction and expansion strategy.

The Harding CBD Project included the town clean-up, restructuring of major town roads, storm water drainage system, an improvement of traffic control infrastructure. The main roads to town have been developed. Harding has also been earmarked for the piloting of the Broadband project that will act as the enabler for economic development and improvement of service delivery. The town has been identified as a potential beneficiary of the recently established Small Towns Regeneration.

Ezingolweni CBD renewal has received a funding of R8 million from the Department of Traditional and Local Government. The roads redevelopment is underway at Ezingolweni CBD and new Hawkers infrastructure has been constructed.

The Umzinto Urban Renewal Project is still in the planning stage and the urban renewal plan and business plan have been completed. Funding is required to implement the project as whole and renew confidence in Umzinto CBD.

Other Rural Development Strategies

The Municipality's rural strategy is based on the integrated approach which involves providing basic services through the Water Services Authority, coordinating investment by other departments in the District and also focusing on the P68 Corridor Development. The progress in terms of the poverty eradication programmes is significant. The infrastructure development programmes are subscribing to the principles of the Extended Public Works Programme (EPWP). A number of jobs have been created.

List Of Key Performance Areas	Actual	Target
Cooperatives Development Programme	100%	100%
Operation of the Single Tourism body	70%	100%
Manufacturing Sector Support Programme	89%	100%
Implementation of Ugu District Sport Complex	90%	100%
Emerging Contractors Development programme (SMME Support)	95%	100%
Implementation of the LED Strategy and its Sector Strategies	95%	100%
Investment Facilitation Programme	70%	100%
Partnerships Enhancement Programme	100%	100%

Table 18: Analysis of the Local Economic Development Function

Detail	Total	Amount (R)
Number and cost to employer of all economic development personnel	5	R1 627 135
Professional (Directors/Managers)	3	R1 951 882
Non-professional (Clerical/Administrative)	2	R527 364
Temporary	0	0
Contract	0	0
Detail and cost of urban renewal strategies: Ezingolweni CBD	1	R8 million

Table 19: Grants received

Detail	Total	Amount (R)
Type and number of grants and subsidies received:		
Corridor	2	R3,7 million
Gijima Emerging Farmers Depot	1	R338 000
Total	3	R4 038 000

Table 20: Grants received

Service Delivery Reporting



Call Centre Operations



Boboyi Disaster Housing



Boboyi Dam construction

Progress on Past Year's Annual Report

The Annual Report 2007/08 specifically identified key challenges and constraints experienced; the following focal areas of municipal performance were highlighted:

No.	Key Challenges	Progress Made	Constraints
1.	Backlog reduction to increase access to basic water and sanitation	Developed funding model and business plans for leveraging MIG funds using private sector funding	Affordable funding or alternate grant funding
2.	Refurbishment of existing urban sewage infrastructure	Developed funding model and business plans for leveraging MIG funds using private sector funding	Affordable funding or alternate grant funding
3.	Expansion of bulk water supply and water-borne sewage systems	Prepared business plans for water and sanitation augmentation projects	Affordable funding or alternate grant funding
4.	Upgrade of existing peri-urban water supply schemes	Establishment of MoU with Umgeni Water in implementing strategic projects	Affordable funding or alternate grant funding
5.	Upgrade of low-cost housing sanitation systems	Extensive discussions with Funders to deal with same	Affordable funding or alternate grant funding
6.	Drought mitigation in selected areas	Extensive discussions with Funders to deal with same	Affordable funding or alternate grant funding
7.	Insufficient funding in the following categories of Disaster Management: Emergency Relief, Capacity Building, Public Awareness, Training, Risk Reduction, Policy and Compliance, Information, Communication and Detection Systems		
8.	Inadequate human resources at a local municipality level.(shared services: disaster management)		

Management confirms that all of the 2007/08 municipal performance focal areas continued to receive adequate time, energy and attention.



Handover of a house to a disaster flood victim

Annual Performance Reports

DEPARTMENT: OFFICE OF THE MUNICIPAL MANAGER							
KPA	Objectives	Key performance indicators	2007/08		2008/09		Measures to improve performance
			SDBIP targets	Actual achievement	SDBIP targets	Actual achievements	
Institutional Transformation & Development	Development of contracts in alignment with SDBIP & PMS	Meeting management of Municipality to set KPIs	Set indicators for all KPAs	Indicators for all Section 57 staff set	Set indicators for all KPAs	Indicators for all Section 57 staff set	Achieved
		Number of performance contracts signed for section 57	7 by 31 July 2008	100%	7 by 31 July 2009	100%	Achieved
	Fully functional performance management system and SDBIP aligned to the IDP	Number of review meetings conducted	4 reviews by 30 June 2008	100%	4 reviews by 30 June 2009	100%	Achieved
		Number of quarterly reports consolidated	4 reports by 30 June 2008	100%	4 reports by 30 June 2009	100%	Achieved
	To prepare an integrated development plan fostering integrated development planning approach ensuring sustainable and participatory development	A newly formulated five-year IDP	100% by 30 June 2008	100%	100% reviewed IDP by 30 June 2009	100%	Achieved
	To ensure that the Municipality has good management system for effective implementation and monitoring of IDP projects	% PMS & SDBIP completion	100% by 30 June 2008	100%	100% by 30 June 2009	100%	Achieved
	PMS Policy and procedure manual implemented and followed in conducting business	Adopted PMS Policy & Procedure Manual	100% implementation of PMS Policy & Procedure Manual	100%	Review of PMS Policy & Procedures Manual completed by 30 June 2009	Policy not yet adopted by Exco & Council	Policy to be taken to Exco for approval in the second quarter of the new financial year.
	To ensure maintenance of service standards	Approved Service Commitment Charter	100% Approved Service Commitment Charter by 30 June 2008	100%	100% implementation of the Service commitment Charter	50%	Advocacy campaigns will be conducted in the 2009/10 financial year to ensure effective implementation
	To ensure improvement of service delivery	Approved Service Delivery Improvement Plan (SDIP)	100% by 30 June 2008	100%	Reviewed SDIP by 30 June 2009	100%	Achieved

KPA	Objectives	Key performance indicators	2007/08		2008/09		Measures to improve performance
			SDBIP targets	Actual achievement	SDBIP targets	Actual achievements	
	To ensure improvement of service delivery and customer care	Number of Batho Pele principles and flagship projects successfully implemented in accordance with Batho Pele principles	2 flagship and Batho Pele principles implemented	2 flagship and 8 Batho Pele principles implemented	11 principles and 2 flagship projects by 30 June 2009	All eleven principles are being implemented. Ugu DM won a Gold Award at a Premier's Service Excellence Award for implementing Batho Pele	Achieved
	To ensure improvement of service delivery	Sound and reliable statistical data	N/A	N/A	Conduct 2 customer satisfaction surveys by 30 June 2009	2 surveys conducted	Achieved
	Annual Report for the Municipality in accordance with MFMA	1 adopted annual report	Adopted and approved annual report	100%	1 adopted annual report	100%	Achieved
	To provide an independent assurance and consultancy service to Management & Council by auditing high risk areas as determined by the Annual Audit Plan, to facilitate the creation of plans by management to address those risks and to report to the Audit Committee.	Number of audit reports presented to the Audit Committee for assessment	10 audit reports presented to the Audit Committee by the 30 June 2008	7 audit reports presented to the Audit Committee by the 30 June 2008	10 audit reports presented to the Audit Committee by the 30 June 2009	10 audit reports presented to the Audit Committee by the 30 June 2009	Achieved
Good Governance and Community Participation	To ensure a better aligned and statistically sound IDP	% assessment credibility score obtained in the provincial IDP assessment	70% credibility assessment	80%	70% credibility assessment	81.48%	Achieved
	To ensure that UDM has an SDF with strong reference to economic development issues	Availability of adopted SDF & LUMF	N/A	N/A	Reviewed and adopted SDF & LUMF	TOR not finalised due to the change of scope of the project	Project has been deferred to the 2009/10 Financial year
	To ensure a well planned Public Transport System	% adoption of public transport plan by Council	Develop Terms of Reference for PTP	Terms of reference adopted	Reviewed Ugu District Public Transport Plan	Not achieved. Project deferred to 2009/10 due to lack of funding to implement the project.	Find other alternative sources of funding to review the plan
	To ensure good governance through enhanced participation by having a well informed public on District IDP	Number of IDP roadshows conducted within all LMs	N/A	N/A	24 roadshows	24 roadshows conducted within all LMs	Achieved

KPA	Objectives	Key performance indicators	2007/08		2008/09		Measures to improve performance
			SDBIP targets	Actual achievement	SDBIP targets	Actual achievements	
	To ensure achievement of municipal objectives within tolerable degree of residual risk	Number of risk assessment meetings and campaigns conducted	100% implementation of action plans by 30 June 2008	95% implementation of action plans	27 risk assessments and 4 risk campaigns	100%	Achieved
	To deliver services in the most cost-effective manner that also support local municipalities	Number of new and existing shared services implemented	Implement 10 Shared Services	6 Shared Services are functional	6 Shared Services	2 existing Shared services implemented PMU & Internal Audit. SLA has been signed for the new Development Planning Shared services to begin in July 2009. EMS and Fire Fighting are yet to be finalised	Fast track the process of finalising EMS & Fire Fighting in the new financial year
Good Governance and Community Participation	To help provide relief to the public and various stakeholders	Number of NGOs receiving Grants in aid	30 organisations	100%	30 organisations	100%	Achieved
	To update the public on the progress, success and challenges with respect to service delivery and development	Number of radio slots broadcasted per month fortnightly	54 radio slots	54 radio slots	54 radio slots	36 radio slots commissioned	Identify alternate representative to Mayor to do slots
	To develop and implement a clear media relations and engagement programme that facilitates the principles of openness and transparency	Number of media conferences conducted	24 media releases	24 media releases	24 media releases	24 media releases, 50 press releases produced annually	Achieved
	To officially handover council-funded projects to various communities in a spirit that promotes cooperation and partnership between Council and various communities	Number of project handovers and sod turnings conducted	24 project handovers	24 project handovers	24 project handovers and sod turnings	21 project handovers and sod turnings were conducted	None, as the project is per projects handed over
Good Governance and Community Participation	Institutionalisation of youth development within Ugu District Municipality	Baseline Survey Report on the status of youth development in the District	Ugu District Municipality status on youth development known for future modes of intervention	85% of baseline survey was accomplished	Finalisation of the baseline survey study	Finalised. 182 young people volunteered for data collection and received certificates from DSD Research Unit. Baseline Survey Report presented to Top Management	Achieved

KPA	Objectives	Key performance indicators	2007/08		2008/09		Measures to improve performance
			SDBIP targets	Actual achievement	SDBIP targets	Actual achievements	
	Support and encourage youth participation on matters of community development and related transformation processes within the context of local governance	Formulation of youth development policy framework	Facilitate development of youth development policy framework	100% accomplished	Develop National Youth Development strategy	100%	Achieved
	Support and encourage youth participation on matters of community development and related transformation processes within the context of local governance	Promote youth involvement on issues of local governance through skills development	Host district careers exhibition day and award registration fees to 6 learners	100% achieved	Career guidance and 6 rural student finance allocation/registration fees	100% achieved. Partnership forged with Dept of Education at implementation stage resulting into savings amounting to R110 000, with only an expenditure of R40 000.	Achieved
	Support and encourage youth participation on matters of community development and related transformation processes within the context of local governance	Youth participation on matters of Local Government	Hold youth parliament sessions	100% achieved	Conduct 1 district youth parliament session by all LMs	Session attended by 150 young people	Achieved
Institutional Transformation & Development	To facilitate a coordinated programme for people with disabilities, women, farm workers, children and senior citizens	Number of LMs with functional forums for vulnerable groups	Acquire 100% participation of stakeholders	Local gender forums at Umzumbe, HCM and Ezingoleni. District senior citizen launched and functional and District disability forum in place	4 LMs	One senior citizens forum established in Hibiscus Coast Municipality	3 LMs will establish their forums in the new financial year
		Coordinated HIV and AIDS strategy for the District	N/A	N/A	Coordinated HIV and AIDS Strategy in place by 30 June 2009	The HIV & AIDS Strategy for the District has been developed and approved by Exco. All sectors' activities/programmes aligned to the District Strategy.	Achieved
	To facilitate coordination of an integrated strategy for HIV and AIDS in the District	Number of Local AIDS Councils established	N/A	N/A	Establish 10 Local AIDS Councils in 6 LMs	5 Local AIDS Councils have been established in Vulamehlo, Umdoni, Umzumbe, Hibiscus and Ezingoleni	To be followed up with remaining LMs in the new Financial Year

DEPARTMENT: CORPORATE SERVICES							
KPA	Objectives	Key performance indicators	2007/08		2008/09		Measures to improve performance
			SDBIP targets	Actual achievement	SDBIP targets	Actual achievements	
Institutional Transformation and Development	To empower employees through focused and continuous professional skills development	The percentage of a municipality's budget actually spent on implementing its workplace skills plan	100%	100%	100%	152%	To request more funding for training and skills development in the new financial year
	To ensure development of dynamic and successive leadership within the municipal management	The number of people from employment equity groups employed in the three highest levels of management in compliance with a municipality's approved employment equity targets	100%	100%	90% of identified vacancies filled by June 2009	Total representation at top management levels for the year is 9.68%. 90% of advertised positions were filled with youth. 70% of identified positions were filled	To recruit more of the designated groups in management levels in accordance with Employment Equity Plan
	Enhanced management's ability to fulfil roles regarding EAP utilisation and access	Number of awareness campaigns conducted	100%	100%	100% implementation of EAP Plan	100%	Achieved
	To extend and promote disaster management in the District	Number of workshops conducted	N/A	N/A	24 workshops	24 workshops conducted and 530 people trained in Fire Fighting Awareness, Disaster Management and First Aid	Achieved
Good Governance and Public Participation	To guide development of a disaster risk management information systems and establish communication links with all disaster risk management role players	Availability of Approved Communication Strategy	N/A	N/A	Approved Communication Strategy	The Communication Strategy is developed and Information Systems Strategy is in place	Achieved
Good Governance and Public Participation	To create a local government institution embracing the good governance and Batho Pele principles	% implementation of the billing, Axapta, web functionality and disaster recovery plan for ERP	N/A	N/A	Implementation of the ERP system.	Phase 1 of billing system went live on 1 July 2009 – 95% achieved Axapta upgraded to 2009 version – 90% achieved	Cost centre breakdown to be finalised by 31 July 2009 The budget deficit was funded from the IT asset budget

KPA	Objectives	Key performance indicators	2007/08		2008/09		Measures to improve performance
			SDBIP targets	Actual achievement	SDBIP targets	Actual achievements	
Institutional Transformation & Development	To ensure improved organisational performance	% compliance with information management	100% implementation of filing system	100%	100% efficient registry operations	Filerite Licence acquired – 100% achieved <ul style="list-style-type: none"> • additional filerite equipment acquired • Registry stationary, procured and utilised for filing – ongoing • Re-filing of property files and capturing onto filerite 95% complete 	Registry staff are assisting with the completion of the filerite capturing and re-filing project

DEPARTMENT: INFRASTRUCTURE & ECONOMIC DEVELOPMENT (IED)							
KPA	Objectives	Key performance indicators	2007/08		2008/09		Measures to improve performance
			SDBIP targets	Actual achievement	SDBIP targets	Actual achievements	
Local Economic Development	Ensure economic transformation by bridging the gap between first and second economy	Number of jobs created through municipal LED initiatives	100%	90%	20 trainers trained, 9 cooperatives Cluster Developed and 3 products supported	34 trainers trained and 11 associations established. Cooperatives have been awarded contracts by Ugu DM and delivered on time. Those contracts or orders were on water services, staff protective clothes, toilet paper, catering and construction work	Achieved
	To create sustainable, statutory complying and sustainable SMMEs benefiting from the Targeted Procurement policy	Number of jobs created through municipal LED initiatives	100%	100%	Sustainable SMMEs benefiting from ten set aside products and services by 30 June 2009	Harding and Park Rynie replaced pipes. Contracts were awarded to emerging contractors. 29 Bhoboyi Floods victims' houses were completed on time by the emerging contractors. NPC Cimpor has become a private sector partner in this project by availing funds to the tune of R2,4 million over a 3 year period	Achieved
	To improve market access for emerging farmers and make the market efficient, profitable and sustainable	Number of jobs created through municipal LED initiatives	N/A	N/A	A fully BEE operated, sustainable business	Hibiscus Market Agent was appointed as a local fully BBBEE compliant company	Achieved
Infrastructure and Basic Service Delivery	To enhance the District as a world class sporting destination	% Municipality's capital budget spent on projects identified in the Municipality's IDP	N/A	N/A	Launch the sports complex and align to the 2010 world cup by 31 December 2009	100% completion of stormwater and Bulk earthworks project	Achieved
	To reduce the backlog of sanitation facilities	Number of households with access to sanitation	N/A	N/A	Reduce the current backlog by 5 000 households by 31 March 2009	8 243 households served	Achieved

KPA	Objectives	Key performance indicators	2007/08		2008/09		Measures to improve performance
			SDBIP targets	Actual achievement	SDBIP targets	Actual achievements	
	To reduce the backlog of water facilities	Number of households with access to water	N/A	N/A	Reduce the current backlog by 4 665 households by 31 March 2009	5 120 households served	Achieved
	To ensure communities that are not receiving minimum service levels have access to an emergency level of service	Number of boreholes and springs rehabilitated	N/A	N/A	Rehabilitate a minimum of 100 springs and maintain at least 100 boreholes by 30 June 2009	153 springs protected, 79 boreholes repaired	Limited funding. More funding to be outsourced in the new financial year
	To ensure provision of sustainable services	The percentage of a municipality's capital budget actually spent on capital projects identified in the IDP.	N/A	N/A	Commissioning of water scheme by 30 June 2009	87% of the capital budget spent on capital projects	87% expenditure relates to the total budget considering portion of 2009/10 allocation already received. Whereas 2008/09 allocation has been spent in full – 100%
Local Economic Development	To implement a minimum of 60% of contracts through labour intensive methodologies	The number of jobs created through the Municipality's Local Economic Development initiatives, including capital projects	N/A	N/A	350 skilled persons, 9 000 unskilled persons	2 629 skilled and 15 596 unskilled	Achieved
Spatial Analysis and Environmental Management	To improve environmental sustainability	Number of Peace Officers trained	N/A	N/A	10 Peace Officers trained by 31 December 2008	100% on EHP registration	Achieved
	To maintain a good/acceptable state of air in the District	Emissions Inventory and updated reports on ambient air status by 30 June 2009	N/A	N/A	Monitor and compile 3 reports/quarter; database	100% Monitoring; 1 report; 50% achievement on database	DAEA to address all through their service provider and report thereof; for database the project will run over to FY 2009/10 and compile database in line with national certificate

KPA	Objectives	Key performance indicators	2007/08		2008/09		Measures to improve performance
			SDBIP targets	Actual achievement	SDBIP targets	Actual achievements	
	To ensure safe potable water for human consumption and recreational purposes.	% Compliance to Water Quality standards	100%	100%	120 samples	85 water samples were taken for analysis	Sample test results and communication to the affected parties
	Enforce compliance with sanitation standards and procedures	% Adherence to environmental health standards	100%	100%	Inspection of food premises – 567/quarter; Sampling, testing and analysis – 60 swabs/quarter	679 food handling premises and assistance given to the approval of 27 new business licence applications	Achieved
Spatial Analysis and Environmental Management	To champion a multi-stakeholder/sectoral coastal management programme, thereby promoting awareness on the linkage between environmental management and tourism programmes and projects	Running Ugu Coastal Working Group and resultant programmes, reporting to the Provincial Coastal Committee (PCC)	5 meeting/year	3 meetings held	5 meetings/year, bi-monthly/quarterly reports to the PCC	3 meetings achieved, 3 reports to the PCC meetings	Partially achieved
	To strengthen and widen environmental education in the District	Observation and Celebration of environmental calendar days – World Environmental Day, hosting schools competitions, Host and participate in community and focus group outreach programmes	100%	100%	All significant calendar days per annum	100% expenditure 100% achievement on all environmental awareness programmes plus 1 more education workshop for youth group (not necessarily scheduled)	Achieved
	To ensure all new buildings comply with SABS 0400	Number of building plans inspected	N/A	N/A	540 plans and 12 building sites	All submitted building plans scrutinised and approved from an environmental health perspective	The number of plans being submitted is expected to drop due to the current financial climate
	To ensure improvement of environmental planning and reporting	Providing inputs into development applications at least – 4 projects/quarter; render support internally to municipal development projects, development planning as per projects received	N/A	N/A	Develop the required environmental planning and reporting tools by 30 June 2009	80% of submitted projects received their comments (both internal and external)	To work on some way of registering the projects on a job card. HR capacity needs to be enhanced in this aspect

KPA	Objectives	Key performance indicators	2007/08		2008/09		Measures to improve performance
			SDBIP targets	Actual achievement	SDBIP targets	Actual achievements	
	To widen solid waste management services to previously neglected areas to control waste disposal	Integrated Waste Management Plan (IWMP) for the District	1st draft by 30 June 2009	20% – Tender processes by target date	1st draft IWMP submitted by 30 June 2009, with Shared Service Model for Waste Management	Project rolled over to financial year 2009/10. Ezingoloni LM assisted to strengthen their base of municipal waste management services. Shared Services model to be finalised in 2009/10	Partially achieved and target revisited
	To ensure improvement of integrated environmental planning and reporting	Strategic Environmental Assessment for Umuziwabantu and Umdoni local municipalities	Completed 1st draft by 30 June 2009	0%	Draft SEAs submitted for both local municipalities	Project rolled over to 2009/10, Umdoni to manage theirs in-house with part-time support from Ugu and Province, while Umuziwabantu will be given full-time support by Ugu DM and DAEA	Both targets revisited

DEPARTMENT: TREASURY

KPA	Objectives	Key performance indicators	2007/08		2008/09		Measures to improve performance
			SDBIP targets	Actual achievement	SDBIP targets	Actual achievements	
Institutional Transformation and Development	To ensure continuous improvement of workplace skills competency	% of a municipality's budget actually spent on implementing its workplace skills plan	Staff training and development	Training needs were identified and submitted to the training coordinator to verify the credibility of the service provider and take the processes further where necessary	80% budget allocated	20 Treasury staff members received Financial Management training. 80% of the budget used on skills development	Achieved
	Restructuring of the institutional set-up for enhanced service delivery and development	% of budget actually spent on implementing the workplace skills plan	Restructuring of Treasury staff	Finalising institutional capacity set-up report to the Municipal Manager prior to including the revised organogram in the 2008/09 IDP review process	95% workforce productivity	90% achieved. Reports have been submitted to the MM. Now awaiting LLF discussions	To be finalised in the first quarter of the new financial year once awaited inputs have been received
Financial management and Viability	To enhance cost-effectiveness within the Treasury Department	Financial viability as expressed by the ratios in the gazette	N/A	N/A	10% revised operating budget	21.8% cost savings	Achieved
	To comply with Section 71 and Section 72 of the MFMA	Accurate and timeous reports submitted to Provincial Treasury and National Treasury	Submission of all monthly and quarterly reports to Provincial and National Treasuries	All monthly and quarterly reports were submitted to Provincial and National Treasuries	100% accurate and timeous reporting	75% of the returns were submitted timeously	Integration of the billing system with Axapta and the asset module will reduce manual work done on some of the returns
Good Governance and Public Participation	To comply with chapter 4 of the MFMA pertaining to Budget preparation process	Approved Integrated IDP, PMS and Budget Process Plan	Preparation of the IDP, PMS and Budget Process Plan for 2008/09	The Budget Process plan for 2008/09 was adopted by Council in conjunction with IDP Process Plan on August 2007	Preparation of the IDP, PMS and Budget Process Plan for 2009/10 (100%)	The Process plan was prepared jointly with the Planning Department and approved by Council (100%)	Achieved
Local Economic Development	To collect maximum returns on investments	% Maximum interest on investments	N/A	N/A	To collect maximum returns on investments	76,2% of budgeted interest has been realised. Investments are realised and cash is re-invested as and when necessary	Achieved
Financial Management and Viability	To ensure the sustained collection of revenue	Improved ratio of sustainable debt collection	N/A	N/A	97% collection rate	98.46% achieved at year end	Achieved

KPA	Objectives	Key performance indicators	2007/08		2008/09		Measures to improve performance
			SDBIP targets	Actual achievement	SDBIP targets	Actual achievements	
	To ensure that all revenue is billed	% of meters captured currently not in the billing system	N/A	N/A	To bill 80% of all new connections	85%. A total of 1 326 applications were received and 1 132 applications were connected on the system by end of June	Achieved
Good Governance and Public Participation	To give access, awareness and enhancing communication levels	% of the community made aware of Indigent Support Programme	To conduct 6 road shows per local municipality	Eleven road shows were held successfully in five local municipalities with the exception of Vulamehlo	100% community awareness	24 indigent road shows conducted in all 6 LMs	Achieved
	To establish feedback mechanisms enabling effective communication between Ugu and customers	Improved customer care and 100% ongoing availability of human resources, equipment and reporting mechanisms	Installation of call centre system and training of staff	Installation is complete, further training for the supervisor is scheduled for August 2008	100% Call Centre efficiency	A new system, Faultman, has been installed to help with the monitoring and tracking of complaints. The system will also assist in ensuring that accurate incident information is recorded and reported	Achieved
Good Governance and Public Participation	To give access, awareness and enhancing communication levels	% Improvement on customer care and service delivery	N/A	N/A	100% implementation of Customer Care Service Charter	80% draft document completed, awaiting approval by relevant committees	The final draft to be completed in the first quarter of the new financial year
Basis Service Delivery	To increase the number of households receiving indigent support to 5 000	Increased number of households receiving indigent support in respect of water services to 5 000			1 000 households	5 154 households	Achieved
Local Economic Development	To align Supply Chain Management Policy with the latest amendments and additions to legislation	Number of jobs created through the Municipality's Local Economic Development initiatives	SCM Policy Review, amendment and approval	Policy review plan is in place. Task team has been set. Legislative changes were identified and necessary amendments were affected to the SCM Policy. However, there is still a debate between Treasury and DTI regarding some legislation. Changes will be effected when this has been concluded	65% of tenders awarded to PDIs	63%	Give feedback to service providers as they quote, whenever they enquire

KPA	Objectives	Key performance indicators	2007/08		2008/09		Measures to improve performance
			SDBIP targets	Actual achievement	SDBIP targets	Actual achievements	
	To promote the integration of the previously disadvantaged into the mainstream economy	% Reviewed and approved SCM Policy	N/A	N/A	100% approved policy	90%	Prequalification of targeted groups of service providers in selected services. Where the policy allows, only the targeted groups are invited to quote for work
Financial Management and Viability	To ensure that goods are acquired and received by the Municipality in order to achieve its objective as stated in the IDP	Increased accountability on the management of municipal assets	N/A	N/A	100% goods receiving and recording	60% achieved. Integration still under discussion. Training of staff done	Discussions for the integration to be concluded in the first quarter of the new financial year
	To ensure that a GRAP compliant, effective, complete and updated Fixed Register exists	% updated Fixed Assets Register	To identify and record all movable assets register	100%. All assets were identified and recorded as at 30 June 2008	100% updated fixed assets register	90% movable assets purchased to March 2009 is bar-coded	Itemisation of infrastructure assets is in progress and should be finished by end of July 2009
	To ensure that debt is only incurred when necessary to meet public needs	Acquiring Long-term Loans to meet Capital Budget Requirements	To finalise all business plans and secure long-term debt	Only certain business plans have been submitted to Provincial Treasury and National Treasury. Three business plans were submitted to DBSA	100% approved loan funding and signed loan agreement	Loan Approved by Council and agreement signed	Achieved
	To ensure that the operations of the Municipality are not interrupted through unplanned loss of assets	100% continuous and uninterrupted flow of services	To reinstate insurance cover for 2007/08 for a year	Short-term insurance cover was obtained from Indwe Risk Management Services	100% insurance cover on all assets at replacement values	92% achieved	Replacement value of assets has been revised and the Insurance Premium has been paid for annually in advance
	To increase municipal revenue in accordance with infrastructure and developmental mandate	Financial viability as expressed by the ratios in the gazette	Preparation of Cash Collection Implementation Plan	Agreement has been signed for 12 months ending 1 February 2009	100% approved cash collection and banking implementation plan	Bank deposits take place daily	Achieved
Financial Management and Viability	To maintain uninterrupted flow of goods and services to ensure efficient service delivery	% Compliance with MFMA Legislation	N/A	N/A	100% reduction of >30 days outstanding payments	90% achieved	To monitor delays and address them with respective managers and report non-compliance to top management as and when it persists

KPA	Objectives	Key performance indicators	2007/08		2008/09		Measures to improve performance
			SDBIP targets	Actual achievement	SDBIP targets	Actual achievements	
	To measure the level of implementation of the projects which are identified in the IDP	% of a municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the IDP	N/A	N/A	100% expenditure 12 monthly reports and 4 quarterly performance reviews conducted	87% achieved. Capital spending progresses according to anticipated trends	87% expenditure relates to the total budget considering portion of 2009/10 allocation already received. Whereas 2008/09 allocation has been spent in full – 100%

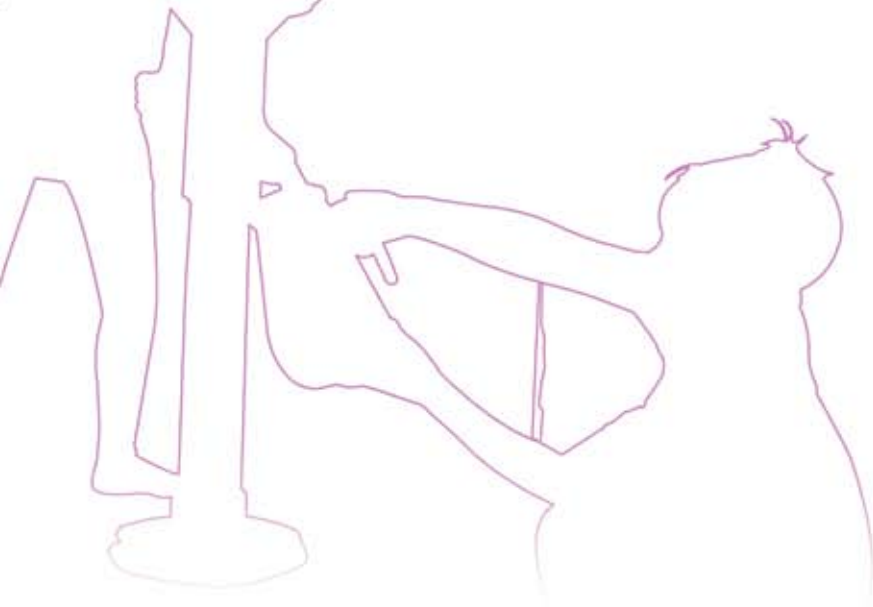
DEPARTMENT: WATER SERVICES							
KPA	Objectives	Key performance indicators	2007/08		2008/09		Measures to improve performance
			SDBIP targets	Actual achievement	SDBIP targets	Actual achievements	
Financial Management and Viability	To ensure sustainable and effective service development	Improved compliance to SANS 241 and improved service delivery	100%	100%	100% compliance with SANS 241	100% achieved	Achieved
	To ensure sustainable and effective service delivery	Sustainable and effective service delivery	N/A	N/A	100% replacement of identified mains and rural extensions within budget	Replaced Urban (30.90%) Rural (33.3%)	Achieved
	To ensure sustainable and effective service delivery	% completion of review of vehicle policies	N/A	N/A	100% by March 2009	100% complete	Achieved
	To ensure sustainable and effective service delivery	% completion of review of vehicle policies	100%	95%	100% by March 2009	100% complete	Achieved
	To ensure sustainable and effective service delivery	Number of monthly reports	100%	100%	12 monthly reports	Target fully achieved	Achieved
	To ensure revenue enhancement and water conservation	% Completion of issued job cards	N/A	N/A	100% replacement of stopped meters within two calendar months reporting	All stopped meters were replaced, but faulty meters are not reported regularly	The new job card system soon to be implemented should be able to rectify the situation
Institutional Transformation and Development	To restructure the institutional set-up for the enhanced service delivery and development	Number of people from employment equity target group employed in the 3 highest management levels	100%	95%	23 additional staff employed by 30 June 2009	20 staff members employed at 30 June 2009	Improve turn-around period on interview process
	To restructure the institutional set-up for the enhanced service delivery and development	Percentage of municipal budget actually spent on workplace skills plan	N/A	N/A	100% completion of manuals by 30 June 2009	Drafted document 70% completed	The final document to be completed in the first quarter of the new financial year
Financial Management and Viability	To ensure effective cost control within department budgets	% completion of ERP system budget module	N/A	N/A	100% by June 2009	Cost Centres identified and the consultant has set up the dimensions on system. All budget data to be captured for all cost centres	Achieved
Good Governance and Public Participation	To ensure that all developments comply with Ugu and sanitation by-laws	Number of inspections conducted	N/A	N/A	277 reported cases	277 cases in various stages of prosecution	Achieved

KPA	Objectives	Key performance indicators	2007/08		2008/09		Measures to improve performance
			SDBIP targets	Actual achievement	SDBIP targets	Actual achievements	
Basic Service Delivery	To ensure sustainable and effective service delivery	Number of households with access to basic level of sanitation	100%	100%	4 665 VIP toilets built by March 2009	5 120 additional VIP toilets delivered, representing 9% reduction	Achieved
	To ensure sustainable and effective service delivery	Number of households with access to basic level of water	100% expenditure of Mig water budget by March 2009	100%	Provision of basic water services to 5 577 households, representing 3% reduction by March 2009	5 577 households complete. 3% backlog reduction	Achieved
Good Governance and Public Participation	To ensure that all developments comply with Ugu and sanitation by-laws	Well regulated and controlled development compliant to Municipality by-laws	N/A	N/A	180 plans, 450 inspections	483 plans 627 inspections	Achieved
Basic Service Delivery and Infrastructure Investment	To ensure expansion of sanitation system	% completion of plans for water-borne sanitation projects	100%	100%	100% completion of design for water-borne sanitation – Uvongo	Design work – 100%. EIA submitted to DAEA for consideration	Achieved
	To ensure expansion of sanitation system	% completion of plans for water-borne sanitation projects	N/A	N/A	100% completion design water-borne sanitation – Pennington	100% – Design complete, RoD in place	Achieved
	To ensure expansion of sanitation system	% completion of plans for water-borne sanitation projects	N/A	N/A	100% completion of design water-borne sanitation – Park Rynie	100% complete environmental process completed and authorisation document issued by the DAEA	Achieved
Basic Service Delivery and Infrastructure Investment	To ensure expansion of sanitation system	% completion of plans for water-borne sanitation projects	N/A	N/A	100% completion of Design water-borne sanitation harding	100% complete environmental process completed and authorisation document issued by the DAEA	Assessment report submitted to DAEA for approval and project authorisation
	To ensure expansion of sanitation system	% completion of plans for water-borne sanitation projects	N/A	N/A	100% completion of design water-borne sanitation – Shelly beach	50% complete ROD – outstanding	Sought assistance of Hibiscus to utilise part of site for new prison
	To ensure expansion of sanitation system	% completion of plans for water-borne sanitation projects	N/A	N/A	% completion of waterborne sewage preliminary design reports (Umtetweni, Scottburgh)	100%	Achieved



COUNCIL'S OVERSIGHT REPORT FOR THE 2008/09 ANNUAL REPORT

Chapter Six



Report to Council

Oversight Report in respect of the 2008/09 Annual Report for Ugu District Municipality

Date: 19 March 2010

1. Purpose

To propose that the Municipal Council adopts the Oversight Report in respect of the 2008/ 2009 Annual Report.

2. Background and Rationale

2.1 Oversight Process

The Council at its meetings held on 22 January and 28 February 2008 respectively, established the

Oversight Committee comprising of 8 non-executive councillors and 2 community representatives.

The establishment of this committee was done in line with the MFMA Circular Number 32, issued by

National Treasury on 15 March 2006, and Sections 33 and 79 of the Municipal Structures Act, 1998.

The Oversight Committee meetings were held on the following dates to consider the Annual Report:

- 09 February 2010;
- 11 March 2010 and
- 19 March 2010

The minutes of all the above mentioned meetings are attached hereto as Annexure A, B and C

2.2 Consultation Process

Following the tabling of the 2008/2009 Annual Report at a Council meeting held on 21 January 2010, a public notice on the availability of the 2008/2009 Annual Report was placed in the local media. The community was invited to submit representations on the report. Copies of the Annual Report were placed for review at the following public places: Scottburgh Library, Port Shepstone Library, Margate Library, Uvongo Library; Umuziwabantu Library, Ezingoleni Library, all Local Municipality Offices and Ugu District Municipality Offices. The annual report was also posted on the municipal website for public comments. Oversight Committee meetings were also advertised in the local newspapers inviting community participation in all Oversight Committee meetings.

There were no written comments received from the members of the community.

2.3. Comments and Review by the Oversight Committee

2.3.1 Financial Matters – Annual Financial Statements - Section 121 (3) MFMA

It be NOTED that:

- The annual financial statements included in Chapter 4 of the Annual Report are the Statements that were submitted to the Auditor-General.
- The Auditor General expressed an unqualified audit opinion in respect of Ugu District Municipality.
- The audit report is included in the Annual Report as tabled.
- Management corrective action plans to the audit findings raised by the Auditor-General have been discussed through the Audit Committee and tabled at Council and will be attached as an annexure to Chapter 4 of the printed annual report.
- The Municipality has three major employee retirement funds comprising of both the defined benefits and defined contribution funds.

2.3.2 Human Resources and Other Organisational Management

That it be noted that in addition to possessing a tertiary qualification, the Municipal Finance Management Act prescribes that the Accounting Officer, the Chief Financial Officer, Senior Management, other financial officials and Supply Chain Management officials of the municipality must meet minimum financial management competency levels and competency levels for supply chain management. National Treasury issued Regulations on Minimum Competency Levels on the 15th June 2007; the regulations prescribe the minimum competency levels for the aforementioned categories of officials. As prescribed and required by the regulations, a progress report on the attainment of the minimum competency levels is included in the annual report under the skills development section of the annual report.

3. Strategic Implications

The adoption of the Oversight Report on the annual report is in accordance with the KPAs - Good Governance and Public Participation and Basic Service Delivery.

4. Legal/ Statutory Implications

- Municipal Finance Management Act, 2003 (Act 56 of 2003) (Chapter 12).
- Municipal Systems Act, 2000 (Act 32 of 2000) (Chapter 6), as read with the Municipal Systems Amendment Act, 2003 (Act 44 of 2003).
- Municipal Structures Act, 1998 (Act 117 of 1998).

5. Staff/ Personnel Implications

None.

6. Financial Implications

The Annual Report and the oversight process are provided for in the 2009/2010 budget.

7. Communication Implications/ Public Relations

- A public notice inviting representations from the community was placed in the local media.
- Meetings of the Oversight Committee were advertised in the local press and all meetings were open to the members of the public.

8. Other Parties Consulted

- The Auditor-General.
- Audit Committee

9. Recommendations

That Council resolves as follows:

- a) That the Council having fully considered the Annual Report of the municipality and representations thereon, adopts the oversight report; and
- b) That Council approves the Annual Report without reservations.



J P JANSE VAN VUUREN
CHAIRPERSON

Annexure A

Minutes of the Oversight Committee Meeting held in the Water Services Boardroom, 96 Marine Drive, Oslo Beach, on Tuesday, 09 February 2010, at 09h00.

Present:

Cllr J van Vuuren : Chairperson
Cllr SM Zuma : Deputy Chairperson
Cllr E Moosa Bux
Cllr A D Ngubo
Cllr D Snashall
Mr T Krummeck : Public Representative
Ms N Boyce : Public Representative

In Attendance:

Mr L Mahlaka : Municipal Manager
Mr MB Mnyandu : Deputy Municipal Manager
Dr M J Ngesi : Senior Manager: Corporate Strategy and Shared Services
Mr S J van Rooyen : Acting General Manager: Treasury
Mr A Ramnath : Chairperson: Audit Committee
Ms N Dlamini : Performance Management Officer
Ms Z P Mavundla : Committee Clerk: Secretariat Unit

1. Notice of Meeting

The notice of meeting was taken as read.

At this stage of the proceedings, the Chairperson requested Cllr E Moosa Bux to open the meeting in prayer.

2. Applications for Leave of Absence

It was noted that Cllrs NH Gumede, SO Njongo, and BT Lubanyana had requested leave of absence from this meeting.

Following which,

It was

RESOLVED:

That Cllrs NH Gumede, B T Lubanyana and SO Njongo be granted leave of absence from this meeting.

3. Confirmation of Agenda

It was

RESOLVED:

That the agenda convening the meeting be CONFIRMED.

4. Report to the Oversight Committee

It was

RESOLVED:

That the report regarding the Oversight Committee be NOTED.

5. Terms of Reference

It was

RESOLVED:

That the Terms of Reference regarding the Annual Report be NOTED.

6. Mfma Circular No.32

It was

RESOLVED:

That the MFMA Circular No.32 be NOTED.

7. Annual Report 2008/09

Taking members through the summary of the Annual Report, the Senior Manager: Corporate Strategy and Shared Services reported that Chapter One comprised of the introduction and overview.

He reported that same comprised of the geographical location of the Municipality and population dynamics and Mayor's Foreword, which outlined progress made as well as challenges still ahead for the Municipality. He apprised members that the Municipal Manager's statement highlighted the achievements against the objectives stated in the IDP, SDBIP and SDIP as well as challenges that the Municipality still needed to address in the new financial year, and that the statement by the Audit Committee Chairperson had outlined meetings and reports made by the Audit Committee.

Taking members through to Chapter 2, he mentioned that this chapter had outlined the performance highlights of all departments as well as challenges for the year under review. He said that same also put forward all corrective actions that had been identified in order to address such challenges and highlighted all Performance Recognition Awards achieved despite the challenges experienced.

With regard to Chapter 3, he said that same reported on the programmes designed by the Municipality in order to improve employment equity and skills development. He mentioned that same also highlighted Human Resources Management Policies and Practices that had been carried out in order to build staff capacity.

In respect of Chapter 4, he said that this chapter highlighted the financial status of the Municipality in the year under review. He mentioned that same contained all financial statements

and the report indicating the unqualified Audit by the Auditor General.

Taking members through Chapter 5, he mentioned that same had reported on the progress on service delivery and development for the year under review and that the format used for reporting was in line with the National Treasury guidelines.

He informed members that performance progress was reported according to the five National KPAs.

Taking members through the availability of the Annual Report, he said that the notice for the circulation of the Annual Report appeared in the South Coast Fever on 28th January 2010. He informed members that the Annual Report was made available at the libraries, the Local Municipalities and the Ugu District Municipal Offices.

He reported that the Annual Report was already with the printers and that the cover page had been included in files for discussion. He said that all pictures taken by the photographer had already been provided to the printers.

Members made the following amendments to the annual report:

- Page 37 - On the Executive Summary, under Chapter One, remove last but not least
- Page 44 - To submit a revised Audit Committee Report
- Page 46 - To use the most recent statistics
- Page 46 - To remove all comas from numbers
- Page 47 - To distinguish between a programme and a program
- Page 50 - To rehash the last sentence on Item 2.5
- Page 53 - To insert graphics on Portfolio Committees

The Chairperson: Audit Committee enquired as to why there were no 100% sittings with regard to the Portfolio Committees.

Responding, the Municipal Manager explained that there was a resolution taken by Council towards the elections, indicating that Portfolio Committees should be stopped until the elections were over.

Members suggested that there should be a column explaining why meetings did not take place.

- Page 53 - To remove the word "councillors" in the last sentence under statistical report on attendance
- Page 56 - To write the word AC pipes in full
- Page 57 - To insert a comment in terms of how they would reduce overtime costs, under key challenges
- Page 62 - To add more highlights under PMU
- Page 65 - To correct the word Ugu in the whole document

- Page 65 - To add in between the words problems and obtaining, under challenges what does this mean?
- Page 66 - CC should be in capitals in the whole document
- Page 68 - To reword the second paragraph, under overview
- Page 72 - To include highlights and challenges on the Ugu Fresh Produce Market
- Page 73 - To remove apostrophes from all LMs and KPAs
- Page 75 - To include highlights under Youth Development
To also include challenges of meetings not taking place
- Page 77 - To change the word identifying to verifying
- Page 81 - Section 3.2.1 should be in italics
- Page 91 - To change the word deceased to dead in the last paragraph
- Page 94 - To correct the word Gold Trophy
- Page 98 - To relook at the word mitigation in the last paragraph
- Page 101 - To check the discrepancy in the number of staff.
- Page 115 - To delete the repetition of 2008/09
- Page 118 - To mention highlights and not to mention names
- Page 121 - First paragraph, under Tuberculosis, to rephrase or remove the second line

Cllr E Moosa Bux requested if it was possible to include the Auditor General's comments.

Responding, the Chairperson: Audit Committee said that the report had excluded the corrective actions.

- Page 140 - To include corrective actions in chapter 4
- Page 272 - To include photographs on the relevant departments
- Page 273 - To insert two main pictures on Water and Disaster

Following discussions,
It was

RESOLVED:

- a) That the overview on the 2008/2009 Annual Report be NOTED.
- b) That there be an inclusion of Chapter 6 on the Council Oversight.

8. SDBIP 2008/09

It was

RESOLVED:

That the SDBIP 2008/2009 be NOTED.

9. Proposed Cover (s) for 2008/09 Annual Report

The Performance Management Officer took members through the pictures.

Members said that there should be more pictures on Youth and that same should be something that defined Ugu, and requested few samples to be submitted to the next meeting.

It was

RESOLVED:

That few samples on the cover page be submitted to the next meeting.

10. Date of Next Meeting

Cllr Snashall informed members that the Council meeting for Hibiscus Coast Municipality was scheduled for 23rd of February 2010. He requested that members should reschedule the Over-

sight meeting, which was scheduled for the same day.

After much discussion,

It was

RESOLVED:

That the next meeting of the Oversight Committee be scheduled for Wednesday, 24 February 2010 at 09h00.

11. Closure

Members complimented staff members for the job well done with regard to the Annual Report. There being no further items for discussion, the Chairperson declared the meeting closed at 12h00.



CHAIRPERSON

DATE: 09/02/2010

Annexure B

Minutes of the Oversight Committee Meeting held in the Main Boardroom, Aqua House, 28 Connor Street, Port Shepstone, on Thursday, 11 March 2010, at 09h00.

Present:

Cllr J van Vuuren : Chairperson
Cllr S M Zuma : Deputy Chairperson
Cllr E Moosa Bux
Cllr D Snashall
Cllr B T Lubanyana
Mr T Krummeck : Public Representative
Ms N Boyce : Public Representative

In Attendance:

Mr L Mahlaka : Municipal Manager
Dr M J Ngesi : Senior Manager: Corporate Strategy and Shared Services
Mr S J van Rooyen : Acting General Manager: Treasury
Mr A Ramnath : Chairperson: Audit Committee
Ms N Dlamini : Performance Management Officer
Ms Z P Mavundla : Committee coordinator: Secretariat Unit

1. Notice of Meeting

The notice of meeting was taken as read.

At this stage of the proceedings, the Chairperson requested Cllr S M Zuma to open the meeting in prayer.

2. Applications for Leave of Absence

It was noted that Cllrs NH Gumede and AD Ngubo had requested leave of absence from this meeting.

Following which,

It was

RESOLVED:

That Cllrs NH Gumede and A D Ngubo be granted leave of absence from this meeting.

3. Confirmation of Agenda

It was

RESOLVED:

That the agenda convening the meeting be CONFIRMED, subject to the inclusion of the following items under matters for discussion.

4. Confirmation of Minutes

4.1 Meeting held on 09 February 2010

It was

RESOLVED:

That the minutes of the Oversight Meeting held on 09 February 2010, as circulated, be and are hereby CONFIRMED.

5. Presentation: Progress on Annual Report

The Senior Manager: Corporate Strategy and Shared Services took members through this item. He mentioned that the purpose of the presentation was to give progress in terms of the Annual Report.

With respect to advertisements, he mentioned that the annual report was placed at all libraries, Local Municipalities and Ugu offices for public comments and that same were also posted in the Ugu website. He apprised members that the closing date for comments was the 2nd March 2010; however, all points visited to check for public comments but nothing was received.

Taking members through to progress with printing, he mentioned that the edited report from the service provider was part of the agenda. He informed members that all concerns raised at the first meeting were given to the service provider to effect changes.

He further mentioned that title pages had not been done yet, and that the service provider was awaiting confirmation of the annual report cover.

Taking members through the way forward, he said that they needed to finalise the annual report cover, and that they would meet with the service provider to effect more changes. He also apprised members that they would finally compile the oversight report for adoption.

Members made the following amendments to the cover page:

- To change one picture to one of disaster pictures.
- The vip toilets should be visible.
- The book title should be blue.

The Chairperson expressed his disappointment with respect to public comments. He informed members that they had positive

input on 2007/08 annual report.

Commenting, the Chairperson: Internal Audit said that the public comments should also be forwarded to High Schools and Libraries.

RESOLVED:

- a) That the progress report on the Annual Report be NOTED.
- b) That the public comments on the Annual Report should be forwarded to High Schools and Libraries.

6. Annual Report 2008/09

Members made the following amendments to the annual report:

- Page 7 - To replace the picture
- Page 12 - On the executive summary, to mention that one chapter had been added
- Page 13 - On the legal framework, to have one of Ugu's promotional materials
- Page 16 - The Chairperson: Internal Audit will forward amendments
- Page 18 - To put a more accounting based pictures
- Page 20 - To replace tables with graphs
- Page 27 - To put the title pages
- Page 56 - To insert pictures
- Page 59 - To remove the General Manager: Corporate Services and to add the picture of the then Acting General Manager: IED.
To remove arrows.
- Page 63 - To enlarge the staffing information to full page
- Page 67 - under occupational category, to remove those that had none
- Page 78 - To sign the financial statements
- Page 79 - To remove the word proportional, under members of council
To put Councillors in their correct places
- Page 83 - To tick boxes and be aligned
- Page 89 - To replace dashes with zeros on the financial statements
- Page 120 - To change cases on top 20 suppliers

Page 128 - To correct caption and to remove pictures of the same projects so that they were more impactful.

Page 148 - To decrease font on "Notes to Financial Statements" on the entire document.

Members suggested that the Chairperson, the Chairperson: Internal Audit and the Senior Manager: Corporate Strategy and Shared Services be tasked to liaise with a view to finalizing the report.

Following discussions,

It was

RESOLVED:

- a) That the 2008/2009 Annual Report be NOTED.
- b) That the Chairperson, the Chairperson Internal Audit and the Senior Manager: Corporate Strategy and Shared Services be tasked to liaise with a view to finalizing the report.

7. Date of Next Meeting

It was

RESOLVED:

That the next meeting of the Oversight Committee was scheduled for Friday, 19 March 2010 at 09h00.

8. Closure

There being no further items for discussion, the Chairperson declared the meeting closed at 11h00.



CHAIRPERSON

DATE: 11/03/2010

Annexure C

Minutes of the Oversight Committee Meeting held in the Main Boardroom, Aqua House, 28 Connor Street, Port Shepstone, on Friday, 19 March 2010, at 09h10.

Present:

Cllr J van Vuuren	: Chairperson
Cllr S M Zuma	: Deputy Chairperson
Cllr E Moosa Bux	
Cllr D Snashall	
Cllr B T Lubanyana	
Cllr N H Gumede	
Mr T Krummeck	: Public Representative
Ms N Boyce	: Public Representative

In Attendance:

Mr L Mahlaka	: Municipal Manager
Dr M J Ngesi	: Senior Manager: Corporate Strategy and Shared Services
Mr A Ramnath	: Chairperson: Audit Committee
Ms N Dlamini	: Performance Management Officer
Ms N Surajbally	: Committee Co-ordinator: Secretariat Unit

• Opening Prayer

Prior to welcoming members to the meeting, the Chairperson requested Cllr Snashall to open the meeting in prayer.

1. Notice of Meeting

The notice of meeting was taken as read.

2. Applications for Leave of Absence

None

3. Confirmation of Agenda

It was unanimously

RESOLVED:

That the agenda convening the meeting be and is hereby CONFIRMED.

4. Confirmation of Minutes

4.1 Meeting held on 11 March 2010

The Chairperson advised members that throughout the minutes, he was referred to as the Chairperson: Internal Audit; instead same should be amended to read as Chairperson: Audit Committee.

Thereafter, Cllr Bux moved for the confirmation of the minutes and was duly seconded by Mr Krummeck.

Following which,

It was

RESOLVED:

That the minutes of the Oversight Committee Meeting held on 11 March 2010, as circulated, be and are hereby CONFIRMED, subject to the correction as cited above.

5. Matters for Discussion

5.1 Oversight Report in respect of the 2008/2009 Annual Report for Ugu District Municipality

Prior to the Senior Manager: Corporate Strategy and Shared Services taking members through the oversight report, he enlightened members of the 2008/09 Annual Report progress thus far as well as the way forward via a powerpoint presentation.

Thereafter, he advised members that the rationale of the report was to propose that the Municipal Council adopts the oversight report in respect of the 2008/09 Annual Report.

He reminded members that at the Council meetings held on 22 January 2008 and 28 February 2010 respectively, an Oversight Committee was established, which comprised of 8 non executive councillors and 2 community representatives. He emphasised that the establishment of this Committee was done in line with the MFMA Circular No. 32, issued by National Treasury on 15 March 2006, and Sections 33 and 79 of the Municipal Structures Act, 1998.

He mentioned that the Oversight Committee meetings were held to consider the Annual Report on the dates highlighted below:

- 09 February 2010
- 11 March 2010
- 19 March 2010

He pointed out that all the minutes for the abovementioned meetings would be attached to the Annual Report as Annexures A, B and C.

With regard to the consultation process, he reminded members that following the tabling of the 2008/2009 Annual

Report at a Council meeting held on 21 January 2010, public notice on the availability of the 2008/2009 Annual Report was placed in the local media.

He advised members that copies of the report were placed for review at the following libraries i.e. Scottburgh, Port Shepstone, Margate, Uvongo, Umuziwabantu, Ezinqoleni as well as all Local Municipal offices and the Ugu District Municipality.

He mentioned that this was done with a view to inviting members of the community to submit comments on the said report.

Furthermore, he advised members that the report was also available on the municipal website for comments as well. He indicated that the Oversight Committee meetings were also advertised in the local newspapers inviting community participation in all Oversight Committee meetings; however there were no written comments received from the members of the community.

He highlighted the Financial Matters: Annual Financial Statements: Section 121 (3) MFMA as well as the Human Resources and the Other Organisational Management.

Thereafter, he highlighted the recommendations.

Commenting, the Chairperson advised members that at the meeting held on 11th March 2010, a lot of amendments were proposed.

He expressed his concern that there was no proof if these proposed amendments were effected.

The Chairperson: Audit Committee advised members that in the past, proof was given to the Committee that the proposed amendments were effected.

Thereafter, members unanimously delegated the Chairperson: Audit Committee, the Municipal Manager together with the Senior Manager: Corporate Strategy and Shared Services to ensure that these amendments were effected to the document or report.

The Senior Manager: Corporate Strategy and Shared Services advised that the amendment to remove the word "proportional", under members of council was done; however he experienced a challenge with regard to the amendment that indicated "To put Councillors in their correct places".

He informed members that he had liaised with the

Department of Treasury; whereby he was advised that one could not alter the report as per the Auditor General.

Concurring, the Chairperson: Audit Committee explained to members that only the word "proportional" would be removed; therefore, there would be no interference with the report itself.

The Chairperson sought clarity as to when would this document come back from the printers.

In response, the Senior Manager: Corporate Strategy and Shared Services advised members that the final draft would be received before the 25th March 2010, which would then be discussed at Council.

Sharing his point of view, the Chairperson: Audit Committee explained to members that this would merely be a final draft and not the actual glossy annual report. He advised members that once the report was approved by Council, then only would same be printed in glossy paper.

After much discussion regarding the final draft being printed in colour or black and white, it was proposed that same be printed in black and white and that a colour one would be projected at Council, which would be more cost effective in view of the belt tightening exercise and the 30 point plan that the Municipality was currently practicing.

Relating to the report, the Chairperson sought clarity whether the attendance of this meeting would be included.

In response, the Senior Manager: Corporate Strategy and Shared Services assured members that the attendance register of this meeting would be included.

Cllr Zuma expressed his discontent with reference to no written comments being received from the public. He felt that the community was not aroused in order to comment.

He pointed out that in future, the Municipality needed to look at this and that officials should check if the advertisements or the poster had sent out a clear message. He further stressed that the public needed to be educated in this regard.

Commenting, the Chairperson advised members that he was equally disappointed as well; however, in his view, the officials performed their duties very well in this regard.

He advised members that from next year onwards, the Municipality would go an extra mile to involve even the ratepayers association and the ward committees.

In addition, Cllr Moosa Bux suggested that the Imbizo and the budget road shows should be included as well with regard to public participation.

Sharing his sentiments, Mr Krummeck informed members that the officials had performed their duties very well in this regard, and that one should remember that the Annual Report was quite technical. He concurred that the rate payers association and the ward committees should be included.

The Chairperson: Audit Committee advised members that financially related matters relating to the pension funds should not be reflected if same had already been included in the Annual Financial Statements, which was already part of the report.

In response, the Chairperson advised members that this financially related issue was in respect of a human resource issue, which affected all employees; therefore it would be proper to reflect same in this document.

Furthermore, he explained to members that a portion of this fund was subsidized by the Municipality, which in fact was the ratepayers' money; therefore the public needed to be made aware.

Commenting, Cllr Bux stressed a concern that the Committee could not comment on something that they were uncertain about due to the fact that there was no evidence or even a report reflecting the funds that was tabled to this Committee.

Also commenting, Mr Krummeck informed members that this information focused more on a personnel point of view rather than a public point of view; therefore this information was really not necessary.

In response, the Chairperson agreed that this information should then be removed.

The Chairperson: Audit Committee assured members that the funds were addressed thoroughly in the Financial Statements.

Commenting, the Municipal Manager proposed that the first sentence in bullet 5 should remain and that the rest should be removed.

The Chairperson: Audit Committee advised members that on page 8 of the agenda, No.8 regarding Other Parties Consulted, the Audit Committee should be included as well.

Following discussion and deliberations,

It was unanimously

RESOLVED TO RECOMMEND TO COUNCIL:

- a) That the Oversight Report in respect of the 2008/2009 Annual Report for Ugu District Municipality be and is hereby NOTED.
- b) That the Oversight Report be APPROVED after Council having fully considered the Annual Report of the Ugu District Municipality and the representations thereon.
- c) That the Annual Report be APPROVED without reservations.

6. Date of Next Meeting

It was noted that this was the last meeting for the financial year under discussion.

7. Closure

In his closing statement, the Chairperson expressed his gratitude to all members for their participation and contributions. He stressed that the Committee had performed an excellent task, which was beyond doubt improving all the time. He was also grateful to the Chairperson: Audit Committee and the members of the public for their participation and input. He emphasised that this was a document that the Committee was proud of.

Furthermore, he thanked the Municipal Manager as well.

There being no further items for discussion, the Chairperson declared the meeting closed at 10h05.



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CHAIRPERSON

DATE: 19/03/2010

Annexure D

Extract from the Draft Minutes of the 46th Meeting of the Ugu District Municipal Council held in the Council Chambers, Hibiscus Coast Municipality, Connor Street, Port Shepstone, on Thursday, 25 March 2010, at 11h00.

7.2 Oversight Report in respect of the 2008/2009 Annual Report for Ugu District Municipality

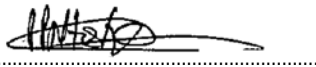
The Chairperson of the Oversight Committee took members through this item.

It was unanimously

RESOLVED:

- (a) That the Oversight Report in respect of the 2008/2009 Annual Report for Ugu District Municipality be and is hereby NOTED.
- (b) That the Annual Report be APPROVED without reservations.

CERTIFIED A TRUE COPY OF THE ORIGINAL



MS P P NTEBE

GENERAL MANAGER: CORPORATE SERVICES

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Notes

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