

CHAPTER 1: MAYOR'S FORWARD AND EXECUTIVE SUMMARY

1.1 Mayor's Foreword

Ugu District Municipality is guided by legislation and conforms to the provisions enshrined in the Municipal Finance Management Act on how to spend the public funds. The current Annual Financial Statement is compiled at the right juncture where Ugu District Municipal Council has been in its office for a year since its inauguration in June 2011.

The achieved service delivery milestones during this period, is attributed to a coherent collective political and administrative leadership. In addition to our collective efforts, in his 2012 State of the Nation Address (SONA), President Zuma highlighted the following challenges: unemployment, poverty and economic inequality. These are challenges that still persist despite the progress made in 2011. Ugu District Municipal Council leadership is proud to have responded to infrastructural challenges that were experienced by the communities within its area of jurisdiction.

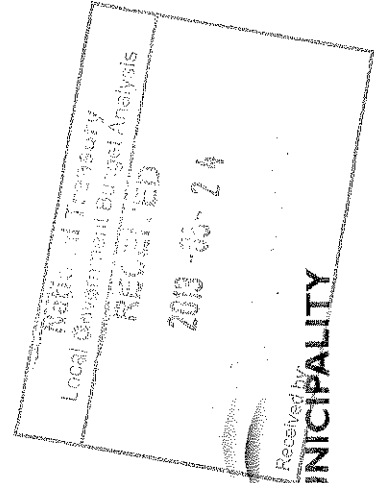
Taking stock on our annual performance progress since the evolution of local government, we have continued to deliver services in an effective, efficient and sustainable manner. Our general public and rural communities, in particular, have benefited through the provision of portable water and sanitation infrastructure. This contribution is towards the alleviation of poverty through maximising our efforts of a developmental state, which is delivering services to its people in an accountable and sustainable manner.

Ugu District Municipal Council has rolled out massive infrastructural projects across its family of municipalities during the current term of office. These projects include: Thoyana Water Scheme in Vulamehlo, upgrading of bulk water in Kwanyuswa and extending reticulation, Nomakhanza Water scheme in Umzombe, Umzimkhulu Off Storage Dam, Waterborne project for Park Ryne in Umdoni and Umuzwabantu Phase 1 and 2. Moreover, we are busy planning phase three (3) of this massive project.

Regarding the provision of Ventilated Improved Pit latrines (VIP's), a total of sixteen thousand (16000) units are targeted, covering the whole area of the district. In that regard, we are attempting to clear the backlogs in Ezizoleni and Umdoni Municipalities, hence we are at 60 % towards clearing rural sanitation backlog. We envisage meeting a target of 100 % before the end of December 2012. We have also continued to collect accolades of the national award for a Blue Drop status in our three (3) water treatment plants. These awards confirmed our commitment to the provision of excellent service to our communities through the provision of quality, clean and safe water.

Strategic Alignment To PGDS

In 2011-2012 a draft Growth and Development Strategy (GDS) was compiled. The process of developing the GDS involved the provincial government departments, organized business and the local municipalities. An in-depth situational analysis of the district was completed and broad stakeholder consultative workshops were held



UGU DISTRICT MUNICIPALITY

Annual Report 2011-2012



in each local municipality as well as at a district level. This consultative process resulted in a new vision, priorities and strategic objectives and strategies for the district. The GDS identified four critical drivers that will require focus in the short to medium-term. There has also been feedback to the municipality's executive management team and EXCO of the district municipality. Currently the GDS document is undergoing an intensive alignment process with relevant strategic frameworks at national and provincial government and local municipal levels. An extensive buy-in from the private sector was made through a series of sector workshops which were held in June to interrogate the emerging vision, objectives and strategies and to reflect the private sector's investment plans. The major challenge that was experienced was failure to host GDS Summit in 2012, due to financial constraints. However preparations are underway to host this summit in 2013 because a grant has been obtained for this purpose.

Corrective Actions Taken To Ensure That Strategic Objectives As Stipulated In

IDP Were Achieved

The strategic objectives were derived from the vision and mission. The objectives were aligned according departmental functions which enabled the development of strategies and priorities. These priorities are numbered to ensure that there is alignment of the IDP and SDBIP. Therefore the achievement or non achievement of the strategic objectives is monitored and measured and through an organisational scorecard.

Methods Implemented To Improve Public Participation And Accountability

There are mechanisms that were used to ensure effective public participation in the District. Structures were put in place such as Integrated Development Plan Forum, Portfolio Committees, and Council among others. There was absolute cooperation from all the stakeholders that made public participation transparent and democratic. MEDIA played a very pivotal role in communicating the Municipalities' intentions to the public and informing the community of the progress of the IDP Reviews. It was also ensured that communication was also in the IsiZulu language to facilitate the understanding of the messages.

The role played by Ward Committees may not be overemphasised as they provided open dialogue between the municipality and the community. The municipality provided regular support to the committee and attended meetings per invite.

The Planners' Forum provided relevant technical, sector and financial information regarding their municipality as they facilitated vertical and horizontal alignment between District Municipalities and (DMS) and Local Municipalities (LMS), and alignment with sector departments and public utilities. They have also provided developmental planning input. However, there were still capacity challenges in some LMs which affected the process.

Road shows and izimbizo were held in 3 venues (on average) per municipality for all 6 six local municipalities during the months of March to May 2011-2012 to consider draft IDP and budget including the announcement of municipal programme of action.

Statement Of Corrective Actions Whereby Service Delivery Can Be Improved

The Municipality concentrated on its key core functions which is water and sanitation. The community were involved in the development of the score cards in order to hold the municipality accountable and warn the municipality where service delivery is lacking.

It is worth noting that these achievements were accomplished despite the cash flow challenges that the organisation has endured. The Auditor - General's scrutiny of the organisations book for 2011/2012 financial year did not find extreme financial mismanagement oddities. The Auditor-General, however, identified a number of issues for urgent consideration by the Municipality.

In conclusion, the 2011/12 financial year would not have been successful without adherence to stringent and tight financial management control measures that have been put in place by the political and administrative leadership.

Lastly I would like to convey my sincere words of gratitude to all our community development partners, our staff, the captains of business industry and the public at large, for the role that they have played towards the realisation of the organisational aims and objectives.

We are proud to serve and we will continue to strive for a prosperous future of our district citizens.

1.2 Municipal Managers Statement

The Municipal Structures Act of 1998 (as amended) makes provision for the division of powers and functions between the district and local municipalities. It assigns the district wide functions to the district municipalities and most day to day service delivery functions to the local municipalities. The provincial MEC's adjust these powers and functions according to the capacity of the municipalities to deliver services. Ugu's main function is Water and Sanitation as well as the maintenance of water infrastructure. Whilst the Local Municipality is responsible for Planning, it is also reliant on the District for advice and support.

In 2007/2008 the District Legotla resolved that a solution for powers and functions relative to fire fighting had to be found by Municipal managers of the Family members consequently the Municipal Managers' Forum established a team representing all Family members to find a model for implementing fire fighting. The task team acknowledged the following that in terms of Section 84 of the Local Government Municipal Structures Act, Act 117 of 1998, Fire Fighting Services is seen as a "District Function."

In relation to the district municipality, fire fighting means:

- Planning, coordinating and regulation of fire services;
- Specialized fire fighting services such as mountain, veld and chemical fire services;
- Coordination of the standardization of infrastructure, vehicles equipment and procedures; training of fire officers.

In relation to local municipality it means:

Any function not included in the definition applicable to a district municipality, including fighting and extinguishing of all fire; the rescue and protection of any

person, animal or property in emergency situations not covered by other legislation or powers and functions.

Section 84 of the Municipal Structures Act, Act 117 of 1998, as amended, states that the District Municipality has functions and powers in terms of the Fire Fighting Services serving the area of the District Municipality as a whole. However, the MEC can adjust the division of functions and powers between the District and Local Municipalities by allocating functions and powers vested in the district municipality to the Local Municipality if the District lacked the capacity to carry out its functions. The MEC had granted Umuzwabantu this power and function to deal with fire fighting. It was also acknowledged that Ugu DM had appointed AFRICON Consulting to conduct fire study in order to evaluate the present fire services and had strongly recommended that the District capacitate local municipalities within its area to establish a Fire and Emergency Services. Africon had recommended in the Fire Study that:

- Ugu District Municipality in its policy on Fire and Emergency Services consider capacitating a number of Local Municipalities within its area to such a level that they are able to provide a Fire and Emergency Service to their areas of jurisdiction or to the district;
- Consideration should be given to capacitating the two existing fire services, namely Umdoni and Hibiscus Coast, to provide a fire service on behalf of the district by dividing the area into two regions and having each fire service attending calls in their designated region;
- The district resolve to approach the Hibiscus and Umdoni Fire and Emergency Service to provide a service to the district based on a Northern and Southern Regional Basis;
- The district resolve to capacitate the Hibiscus Coast and Umdoni Fire and Emergency Services to provide a complete fire service to the district;
- Hibiscus Coast and Umdoni Councils review the feasibility of providing a Fire and Emergency Service on behalf of the district (my consolidation).

The last two recommendations were consistent with the Governance Indaba resolution of the 09th November 2006. The process aforementioned resulted in the establishment of Fire fighting shared services with two centers in Umdoni and Hibiscus Coast Municipalities. However the latter has never operated due to some challenges in one of the Municipal partner.

1.3 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 Mayor's foreword, the Municipal manager's statement, the executive summary and the municipal overview that talks to location of the Municipality as well as the population dynamics of the District.

Chapter 2: This chapter reports and highlights some of the key governance issues such as structures of governance, political and administrative, intergovernmental relations and corporate governance.

Chapter 3: This chapter reports on the service delivery performance. It focuses on the municipal performance derived from IDP objectives and presents data on community needs. There are highlights of what has been achieved, the challenges and corrective actions.

Chapter 4: the chapter highlights the organisational development performance, identified skills gaps and plans for development. It also highlights human resources, workplace skills plan, total employment and the management and the development of the municipal workforce.

Chapter 5: Financial management practices essential to the municipality are reported in this chapter. It includes statement of financial performance, spending against capital budget, cash flow management and investment and other financial matters.

Chapter 6: Auditor General Findings are the major thrust in this chapter. Emphasis is placed on the issues raised during the previous financial year pertaining to non-compliance with legislative requirements and the remedial action taken to address non-compliance.

Chapter 7: The chapter covers the oversight process of the Municipal Public Accounting Committee, with minutes, resolutions and final annual oversight report taken for approval by Council.

1.4 Overview of the Municipality

Table 2: Community Household Survey Data, Statistics SA (2007) and Integrated LED Strategy (2006)

MUNICIPALITY	AREA SIZE KM ²	POPULATION	POPULATION DENSITY (PERSONS PER KM ²)
Valamethlo	973	74,017	86.7
Umdoni	238	74,437	287.5
Umzumbhe	1,259	196,202	155.8
Umuzwabantu	1,088	104,527	86.1
Ezingolweni	649	56,369	85.0
Hibiscus	837	222,281	265.6
Ugu District	5,044	709,918	141.8

Table 3: Demographic Information

MUNICIPALITY	GENDER %		POPULATION GROUP %			
	MALE	FEMALE	BLACK	COLORED	INDIAN/ASIAN	WHITE
Vulamehlo	45.4	54.6	99.7	0.1	0.0	0.2
Umtoloni	49.1	50.9	81.5	1.2	10.6	6.7
Umkhumbi	44.8	55.2	99.8	0.2	0.0	0.0
Umkhumbi	44.8	55.2	96.3	1.7	1.7	0.4
Ezinqolweni	44.6	55.4	98.2	0.3	0.4	1.0
Hlabiscus	46.5	54.5	83.3	0.5	6.8	9.5
Ugu District	45.8	54.2	92.0	0.6	3.5	3.8

1.4.1 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.

1.4.2 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 kilometers, 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 Hlabiscus Coast, Ezinqolweni, Umkhumbi, Umkhumbi, Umkhumbi and Umtoloni. 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.

1.4.3 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).

1.4.4 What is the Municipality's Vision and Mission?

During the preparation of the five-year Integrated Development Plan (IDP) in 2011/2012 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 place where everyone benefit equally from the socio-economic opportunities and services.

Mission

To create an enabling environment for social and economic development resulting in the provision of quality drinking water and access to descent sanitation by ensuring community participation and coordinate public and private players.

C. IDP Alignment and Strategic Sessions:

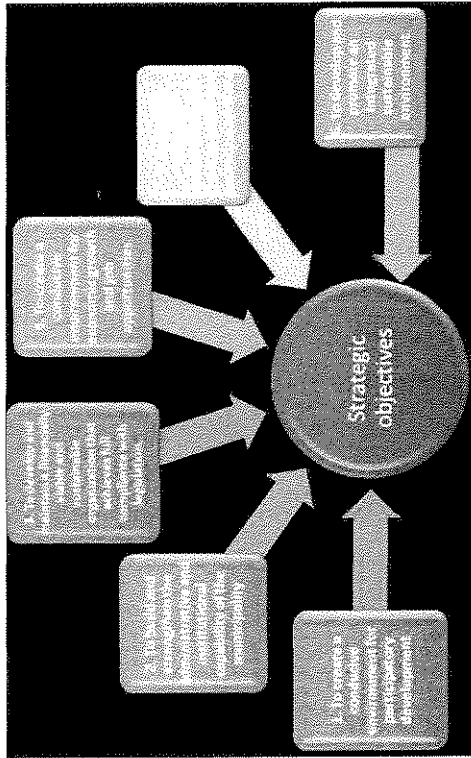
Development Priorities

The following development priorities were identified through Ugu's Strategic Planning session which was held in March 2012

N	PRIORITIES	PRIORITY SCORE
1	Infrastructure investment	59
2	Economic and sectoral development	25
3	Financial viability	13
4	Education and skills development	11
5	Institutional integration and coordination	5
6	Centralised planning	2
7	Reduce HIV and AIDS	1
8	Clean environment	1
9	Peace and stability	1

Strategic Priorities,

From the Vision and Mission the following organisational Strategic Objectives were derived from the departments in line with the KPA, while the priorities were derived from the strategic planning sessions, SCOPA, MTSF, Municipal operation and other legislative mandates. Below are tables that represent the Strategic Objectives and Priorities.



1.4.7 Municipal Council Committees

The following structures work under the Council to perform different functions to ensure the success of service delivery

1.4.7.1 Executive Committee Structure

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 reserved 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.

1.4.7.2 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 programmes;
- 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.

1.4.7.3 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.

1.4.7.4 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.

1.4.7.5 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, occupational 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.

1.4.7.6 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 ambit 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 of the strategy implementation

Table 4: 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	10	04	40%
Water & Sanitation Committee	10	06	60%
Finance, Budget Control and Monitoring Committee	10	05	50%
Corporate Services, Human Resources, Health & Safety Committee	10	05	50%
Youth Committee	05	03	60%

CHAPTER 2: GOVERNANCE

2.1 Introduction to Co-operative Governance and Intergovernmental relation

The Intergovernmental Relations Act sets out the principles and objects of the IGR. The main objectives are: Coherent government, Effective service delivery, monitoring implementation of policies and legislations and Realization of national priorities. These objectives will be achieved through the intergovernmental system. The following is the structures through which the objectives will be realized;

National Intergovernmental Structures

President's coordinating Council, the council looks at the national interests. It comprises of President, Deputy President, Minister in Presidency, Cabinet members, Premiers of the provinces and SALGA representative. The structure is functional.

Provincial Intergovernmental Structures

The Premier's Intergovernmental forum is chaired by the premier. It comprises of the following members; Premier, Members of Executive council, Mayors of the districts and Metropolitan and SALGA representative. The forum looks at the matters of interest in the province, the structure is functional.

District Intergovernmental Structure

The district forum is chaired by the Mayor of the district; it is composed of the Mayor of the district, local municipalities' Mayors. The role of the forum is to discuss the matters of interest within the district, coherent planning and development, alignment of strategic plans and priorities and/ or objectives. The success has been made in the establishment of the main forum, for example; Mayors' forum and Municipal Managers' forum. The sub-technical structures of the Municipal Managers' forum were also established in 2009.

The sub structures of the technical support forum (MM's forum) are as follows.

- Communications and Administration
- Community Development and Social Services
- Finance forum
- Development Planning
- Infrastructure and Public Facilities
- And Economic Planning and Development

The challenge is that these sub- forums are not functional; however COGTA has provided funds and appointed the Service provider to re-establish these sub- forums. The Service Provider is on the field.

2.1.2 Political And Administrative Governance

Ugu District Municipal Council was inaugurated on August 2011; there are 35 Councilors who are directly elected to serve in Ugu District Municipality. The Executive Committee is comprised of eight (8) members and there are six (6) ANC, 1 IFP and 1 NFP. The administrative wing is composed of five (5) Top

Management members. The Executive Committee members also serve as Chairpersons of various portfolio committees.

2.1.3 Public Accountability And Participation

Ugu District Municipal Council is the supreme body that is accountable to the public; the Mayor usually conducts community Izimbizo and IDP Road Shows, which are platforms that are used to identify the community needs. Ward Committees forms an integral part of linking and giving community feedback on pertinent service delivery matters. Ugu has recently seconded a person who will handle Public Participation Programmes, referred to as the Public Participation Practitioner.

Communication, Participation and Forums

There is an existing draft community strategy which is currently being reviewed and the same is aligned with the new vision and mission of Ugu District Municipality, there are various internal and external forums that are targeted by the communication strategy. Those forums include the IDP Rep Forum, Municipal Quarterly Review Sessions, Izimbizo, Budget Road show, in addition there are focus groups established to address the matters relating to the needs of youth, children, women and people living with disability.

2.1.4 Risk Management

Risk management derives its mandate from Section 62 (1) (c) (i) of the Municipal Finance Management Act 56 of 2003 (MFMA), which prescribes that the accounting officer must ensure that the institution has and maintains effective, efficient and transparent systems of financial, risk management and internal control and Section 3.2.1 of the Treasury Regulations, which further prescribes that "the accounting officer must ensure that a risk assessment is conducted regularly to identify emerging risks of the institution".

Highlights

- Risk management charter and strategy were developed and implemented.
- Every year a risk register is developed, implemented and monitored through the risk management committee which sits once a quarter.

Challenges

Lack of understanding by top management that risk is every employee's responsibility and that risks are inherent in every organisational objective.

2.1.5 Fraud And Anti-Corruption Strategy

Highlights

The municipality is in the process of developing a risk management strategy that shall incorporate a fraud prevention strategy in line with section 3.2.1. of the

Treasury Regulations, which requires that: "A risk management strategy must include a fraud prevention plan."

Overview Of Supply Chain Management

Highlights

The Municipality's supply chain management functions have been centralised in the Supply Chain Management Unit within the Treasury Department. All bid committees are in place and effective and they sit every week.

The Supply Chain Management policy is in place and shall be reviewed for the 2012/2013 financial year.

There is a great need for improvement in the following areas:

- transparency and effectiveness of the SCM processes.
- demand management, contract management and disposal management functions of the unit.
- Skills development for the current staff complement in the Unit.

Challenges

- Insufficient capacity
- Need of training in SCM for many new managers

2.1.7 By-Laws

Highlights

The municipality has by-laws for Water Services Authority to give effect to water services tariff policy and compliance with section 21 of the Water Services Act as promulgated. The by-laws give guidelines on the standard of service; conditions under which water services are provided.

The municipality is also in the process of developing by-laws to regulate Public Health and air quality.

Challenges

The municipality does not have the capacity to ensure that infringement of by-laws is accounted for, by those responsible.

Highlights

The municipal website is functional and updated on a daily and weekly basis depending on information to be uploaded.

Challenges

Limited capacity within the area of website updates responsibility.

2.1.9 Public Satisfaction On Municipal Services

The Batho Pele Principle; Consultation stipulates that customers should be consulted about the level and quality of services they receive and wherever possible should be given a choice about the services that are offered.

Highlights

- Two Customer Satisfaction Surveys were conducted in 2011/2012; the Internal and external survey.

✦ Internal Survey

- The Internal Customer Satisfaction Survey focused mainly on the municipal employees. The survey was aimed at ascertaining the level of satisfaction, experiences and expectations and also at soliciting suggestions from employees to ensure development and practical implementation of "New Belief Set" on recognition and rewarding of excellent work.

- The results of this survey showed that the majority of the employees were not satisfied with the municipality and also that they did not feel being part of the organisation.

✦ External Survey

- External Customer Satisfaction Survey was mainly focused on community members. The qualitative research method was used to conduct this survey. The survey was on community satisfaction with the municipality's delivery of, particularly the core functional services, water and sanitation.

- The results of this survey showed that the majority of customers were not satisfied with the level of the municipal services, especially water services, attributed to abrupt and unexplained water cuts and duration of the cuts.

- The result also showed that the majority of community members felt that the culture of efficient and effective service delivery was deteriorating.

2.1.10 Special Programmes

2.1.10.1 HIV and AIDS

Highlights

Ugu District has a functional AIDS Councils at all levels, i.e. district; local and ward. UDAC is also operational. The district HIV and AIDS function has full support of the political administrators of all levels.

A district HIV and AIDS strategy 2007-2011 (UDSP) was developed and adopted in 2007. An overview of the whole programme and the strategy has been undertaken in 2011, to identify key challenges and set priorities for the UDSP 2012 to 2016, which will be launched on World AIDS Day 2012. HIV and AIDS operational interventions have been integrated into Operation Sukuma Sakhe (OSSP) programmes. HIV and AIDS has been adopted as a permanent item in the agendas as well as in the IDPs of all municipalities within the district.

Challenges

- Consistently recorded increase in HIV prevalence since 1990, 37.3 in 2007, 41.1% (DOH 2012)
- Epidemic at the top end level
- Young women facing worst dual epidemics of HIV & TB
- Highest risk group adults in informal and rural areas
- Increase in learner pregnancy - over 1000 cases reported on annual basis
- High prevalence major tourist route
- Low uptake of prevention strategies including Male Medical Circumcision (MMC)

2.1.10.2 Senior Citizens And Farm Worker

Highlights

A Senior citizens and Farm Workers district forum has been established and is led by dedicated political champions.

Interventions to address social ills experienced by the vulnerable groups in the sectors are aligned and attended to, through Operation Sukuma Sakhe Programme, which allows municipalities and sector departments to establish an integrated approach towards them.

Challenges

- Delays in submission of reports to relevant structures.
- Limited human resource capacity.

2.1.10.3 Youth Development

Anti-Drug And Substance Abuse

My Life, My Future Campaign:

This campaign was coordinated by the Youth Development & Special Programmes Office in partnership with SAPS and other stakeholders. Schools were visited, and 5200 learners were reached throughout the campaign. Learners were addressed on Drugs and Substance abuse and teenage pregnancy as well as the importance of Education and contributing towards the fight against crime. Schools targeted for this programme were schools that had been identified by the Department of Education as the most affected schools within the District in terms of Drugs and Substance Abuse, Teenage Pregnancy and Crime.

Prevention of Juvenile Delinquency:

This programme focuses more on Crime Prevention, Rehabilitation, Drugs and Substance Abuse.

Highlights

The programme was implemented at Umzinto Correctional Facility and was aimed at contributing in rehabilitation of young offenders towards being citizens of South Africa.

Challenges

Lack of funds to establish the programme as a standard programme for all correctional services facilities within the district.

Boys to Men Summit:

The Boys to Men Summit was coordinated in partnership with the South African Police Services (Narcotics Department), Department of Community Liaison and Safety, Independent Electoral Directorate, Department of Health, Department of Education, Department of Arts and Culture, as well as other stakeholders. The summit was attended by 1000 boys from all six local municipalities' schools.

Youth economic participation:

Working with the Ugu District Youth Council and the Ugu District Local Economic Development section, the Youth Development and Special Programmes Offices facilitated the following youth economic participation programmes:

- Youth in business
- Youth participation in Ugu Jazz Festival 2012
- Ugu District Youth Human Rights and Cultural Show
- Youth in Human Settlement Summit
- Ugu District Youth Convention

Ugu District Career Exhibition & Bursary Programme:

Take a Girl Child to Work:

This is an ongoing programme aimed at giving young women support and ensuring that they are linked to other government departments for bursary opportunities.

Highlights

A total of 30 young women from five local municipalities within the District participated in this programme during the 2011/2012 financial year.

Career Exhibition & Science Expo:

Highlight

Ugu District Youth Development and Special Programmes Office in partnership with the Department of Education and the Department of Environmental Affairs coordinated an Annual Career exhibition as well as the Annual Science Expo successfully. Both the programmes involved schools from across the District.

Institutionalization And Mainstreaming:

Ugu District Youth Development and Special Programmes Office, in partnership with the Department of Social Development, Independent Electoral Commission and other stakeholders, coordinated a Youth Convention & Youth Day Commemoration successfully. The purpose of these events was to ensure mainstreaming of youth development through the Ugu District Youth Policy.

- Youth Parliament:

Ugu District Youth Development & Special Programmes Office in partnership with the Ugu District Youth Council hosted a one (1) day Youth Parliament held during the youth month. The primary objective of the youth Parliament was to create a platform where young people from Ugu District Municipal Area make inputs into the programmes implemented through the Youth Office and championed by the Youth Council.

- **Local Youth Councils Launch & Induction:**

Ugu District Youth Programmes & Special Programmes Office in partnership with the Ugu District Youth Council successfully coordinated the launches of the Local Youth Councils across the District. These launches were later followed by an induction programme targeting all the Local Youth Councils. The aim for same was to ensure that there was proper institutionalization and mainstreaming of the Youth Development within the Local Government e.g. Municipalities across the District and that the members of the Youth Councils were clear about their roles within the Local Government Sector.

Moral Regeneration & Empowerment & Awareness Programmes

- **Women Empowerment**

The Ugu Youth Development & Special Programmes office in partnership with the Department of Community Safety and Liaison, Dramaid and Department of Health conducted a Women's Dialogue on Gender Based Violence. The women empowerment dialogue/workshops were held in all Six Municipalities and received applause from all women who attended same.

- **Men's Forum Launch**

The Youth Development & Special Programmes office coordinated a launch of a Men's Forum in three Local Municipalities within the District namely (Vulamehlo, Umzumbe and Ezingolani).

The aim behind such a programme was to establish men's forum in all local municipalities and to strengthen 365 days of no violence against women and children.

- **Men's Summit**

Ugu District Municipality's Youth Development & Special Programmes Office in partnership with other stakeholders conducted an Ugu District Men's Dialogue. The Dialogue took place at Umzumbe (Esibanini) and 1200 men participated in the programme. The programme was aimed at creating a platform for men to discuss matters of concern and inspire, motivate each other to support 365 days on no violence against women and children abuse.

- **Widows, Farm Workers, and Disability Summit**

The summit was conducted by the Ugu District Youth Development & Special Programmes office in partnership with the Office of the President. This was an interactive session between the President and vulnerable groups where 1200 women participated.

The programme was designed to provide a platform for women mentioned above to discuss issues affecting them directly and indirectly.

- **Self Defence Classes:**

Ugu District Youth & Special Programmes office in partnership with other stakeholders organised self defence classes. About 150 women participated in the programme held at Marburg Secondary school on the 29th of November 2011.

The aim of this programme was to equip women with skills to defend themselves against any form of violence which might be directed to same. Furthermore same was to ensure that women were able to defend and protect themselves against any form of abuse.

- **Women's Day Celebration:**

Ugu District Youth Development & Special Programmes Office in partnership with other stakeholders convened a Women's day celebration where 500 women participated.

The aim of the programme was to celebrate womanhood and provide platform where women could share ideas and interact with each other on gender based violence and domestic violence.

- **Take a Girl Child To Work:**

Ugu District Youth & Special Programmes Office convened this programme where 30 young women from five local municipalities within the District attended. The programme was also supported by the office of the Premier KZN and other stakeholders.

The programme is an ongoing programme aimed at giving young women support and ensures that they are linked to other government departments for bursary opportunities in or to empower same educationally and career wise.

- **My Life, My Future Campaign:**

The campaign was coordinated by the Ugu District Youth Development & Special programmes office in partnership with SAPS and other stakeholders. Schools were visited, 5200 learners were reached, and they were work-shopped on Drugs and Substance abuse and teenage pregnancy amongst other related matters.

- **Christmas For Children:**

The Ugu District Youth Development & Special Programmes Office hosted the Christmas parties for children in Hospitals (Port Shepstone, Murchison, Harding and

G.J Crooks Hospital) and residential homes were also included as part of the empowerment and social responsibility programmes by the above mentioned office working in partnership with other stakeholders.

The programme was designed to provide support and create a loving and fun environment for children in hospitals and for those living in orphanages.

- **Boys to Men Summit:**

The Boys to Men Summit was coordinated by the Ugu District Youth Development & Special Programmes Office in partnership with the Department of Community Safety & Liaison, South African Police Services, Department of Health, Department of Arts and Culture, and other stakeholders. 1000 boys from six local municipalities schools participated in the programme.

- **Sanitary Dignity Campaign:**

The Sanitary Dignity campaign coordinated by the Ugu District Youth Development & Special Programmes Office involved 800 Young Women across the district. The aim of the programme was to develop self esteem amongst young women who are from poverty stricken areas whereby their socio economic challenges affect their health, education, development and self esteem.

- **Winter Warmth Project:**

The Ugu District Youth Development & Special Programmes Office in partnership with Alidade distributed 500 blankets to needy facilities from the following Municipalities: - Ezingolweni Municipality Hall, Hibiscus Coast Municipality (Louisiana). This was part of the social responsibility the Municipality has amongst its inhabitants.

- **Youth Human Rights and Cultural Show:**

The Ugu District Youth Development & Special Programmes Office in partnership with the Ugu District Youth Council hosted the Youth Human Rights and Cultural Show which was held at the Ugu Sports and Leisure in the Month of April 2012. This particular event created a platform for meaningful contribution towards the attainment of Unity in Diversity. Different cultural groups from different ethnic groups and race participated in this event which sought to empower the Youth about their Human Rights and to ensure that the Youth do not lose their cultural values, which have an impact in their social behaviour.

- **Disability Awareness Programme:**

The Disability Awareness program was facilitated by the Ugu District Youth Development & Special programmes and other stakeholders. The programme was held at St Martin's and Scholar Amoris, where 315 learners participated in the programme. The aim of the Disability awareness day was to provide awareness on pregnancy, drug and gender based violence.

- **Sports, Recreation And Entertainment:**

- **SALGA Games**

Ugu District Youth Development & Special Programmes facilitated and coordinated the municipality's participation in the SALGA GAMES where a number of sporting Codes were covered which included amongst others Ladies Soccer, Men's Soccer, Rugby, Golf, Athletics, Cricket, etc. The games are part of the Provincial Programme of promoting Sports and Recreation across the KZN Province where unearthing of talent and career development within Sports remains the key objective. The games participants were scouted across the District through a process that included Local to District Selections where District Squads were selected to represent the District in the Provincial SALGA Games.

- **Park Rehabilitation Project:**

This project was coordinated by the Ugu District Youth & Special Programmes Office in partnership with the National office of Women, Children and people with Disabilities. The programme took place at TB Molefe Stadium, 1000 children attended and the Minister of Women, Children and people with Disabilities, addressed them. The success of the programme was evident with the Office of the Minister donating children's playing equipment.

- **Launch of District Sports Council:**

The Ugu District Youth Development & Special Programmes Office coordinated the launch of the District Sports Council for the better coordination of Sporting Activities within the District.

- **Disability Sports Day:**

The Youth Development & Special programmes office in partnership with other stakeholders successfully coordinated the Disability Sports day. The event was held at Sports and leisure on the 27th of October 2011 and 1500 disabled people participated in the event. The aim of the Sports day was to create a networking platform and to promote a healthy living life style for Disabled people within the District.

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

This chapter focuses on service delivery on a service by service basis. It considers municipal performance derived. It considers performance derived IDP objectives and indicators and presents data on community needs and resource deployment.

3.2 Culture Of Service Delivery

The culture of service delivery is driven through Batho Pele programme as the how of service delivery Batho Pele, a seSotho word meaning "people first", is a notion which was adopted in 1994 and became a policy in 1997.

Highlights

Ugu District Municipality first implemented Batho Pele in 2007. Since then a lot has been achieved through Service Delivery Improvement Plans, Flagship projects and Batho Pele principles. In 2008/2009 Ugu District Municipality achieved a Golden Award in the Premiers Service Excellence Award.

As part of acceleration of service delivery, Ugu District Municipality developed a Service Delivery Implementation Plan during the 2011/2012 financial year. In addition, Departmental Awards are conducted annually before the end of the year. A winning demand receives a certificate of recognition for service excellence.

The Municipality ensures that service standards are developed and published as a Service Charter to enable the community to hold employees accountable for the service they render. The Service Charter was introduced on 05 December 2008, and is reviewed after every two years in compliance with the Performance Management System Policy of the Municipality.

Ugu Service Standards conform to the following measurable criteria:

- ✓ Quantity
- ✓ Quality
- ✓ Time/Timeliness
- ✓ Value for Money
- ✓ Access
- ✓ Equity

Batho Pele Flagship Projects are used to promote and educate citizens about their rights. There is a need to think of such events and utilize them. Since 2008/2009 the following flagship projects, also known as service delivery watch, were implemented and are continuously conducted:

- ✓ Municipal Service week
- ✓ Know your Service Rights and Masakhane Campaign, and
- ✓ Batho Pele Learning Network
- ✓ Unannounced site visits or mystery customer, and

- ✓ Change Management
- ✓ Project Khaedu.
- ✓ Project Khaedu is dependent on the Province's choice of senior managers to attend the programme, hence it has never been implemented since the implementation of Batho Pele Programme in the Municipality.

3.3 Environmental Services

Highlights

Strategic Environmental Management tools

The Constitution of the Republic of SA, all relevant environmental legislation as well as Municipal Systems Act calls for the local government to promote a healthy and safe environment as well as development that is integrated, sustainable environmentally and socio-economically, which will serve the present and future generations.

In order to achieve this goal, Strategic/Integrated Environmental Management is very essential as it provides tools for decision-making for spatial and economic development for the municipality, customers and potential investors. Decision-making based on the environmental outlook and carrying capacity of the environmental assets, taking into account socio-economic and biophysical opportunities and constraints can reduce negative impacts.

The tools that are currently under development include Environmental Management Framework, Air Quality Management Plan and Environmental Management Plan while Integrated Waste Management, Spatial Development Framework, Strategic Environmental Assessments of Umuziwabantu and Umdoni Municipalities have been completed.

Environmental Education, Awareness and Training

In the era of climate change, communities need to be educated and knowledgeable of their ecosystems goods and services that sustain them in partnership with sector departments, local municipalities and public entities. Ugu District Municipality, through Ugu Environmental Education and Awareness Forum, ensures that education reaches all sectors of the community, either through environmental calendar days, planned events for focus groups or any other manner that has been specified by the recipient community.

Environmental Education covers the following aspects:

- **Adopt a Wetland**

This is an ongoing school competition initiated with the deep rural schools of Umzumbe municipality, now spread throughout the district, targeting all school levels

including children with special needs. The top 8 schools that won the Adopt a Wetland competition during 2011/2012 financial year were given prizes that included trophies. There are about 22 schools participating in the programme, which translates to 22 wetlands being adopted and taken care of. As a result, there is now an improved awareness of the importance of wetlands as well as conservation and wise use of wetlands is achieved through integrated water resource and coastal zone management. The Adopt-a-Wetland project is being envisaged, whereby the communities will benefit through jobs and other means, should funding become available.

- **Eco-Schools Programme**

Eco-Schools is an international programme for environmental education and management, with the aim of raising students' awareness of sustainable development issues through classroom study as well as school and community action. The programme encourages children and youths to take an active role in running their school for the benefit of the environment, and participating in the discussion and decision-making process, thereby making Eco-Schools a useful tool for citizenship education. The programme is being championed by the Wildlife and Environmental Society of South Africa (WESSA) through the Department of Agriculture, Environmental Affairs and Rural Development (DAEAR), Ugu Municipality and National DEA (Department of Environmental Affairs) based in the district. These organisations have worked together since 2008 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. This is a yearly program. More school are being recruited every year. There are 25 schools in the program this year, with 5 schools in the district recognised with international recognition status. This number excludes other schools that working independent of government support.

- **International Environmental calendar:**

The environmental calendar days are duly observed and celebrated across all 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. This is a great opportunity to enhance education on environmental issues amongst all sectors of the community.

- **Green/Eco-Offices:**

The municipality has begun a journey of inward looking, whereby environmental education and environmental activities are being institutionalised into the municipal system, functions and activities. This is to ensure that the administrative and political leadership are fully aware and on the same par as the public. Auxiliary and Environmental Services have initiated and extended a paper recycling exercise to cardboard and cans for all the Ugu offices in order to reduce the waste that goes into disposal and get Ugu to make some little income out of the paper while at the same

ensuring reduction of recyclable waste material that goes to the landfill. Cleaning staff are also being training in this regard every year or anytime a new service provider comes on board new contract with the municipality.

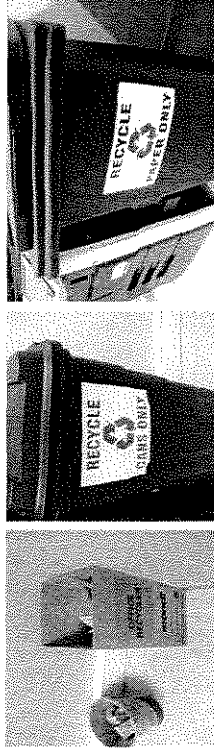


Fig 3 : Separation at source in individual offices and printing/photocopying points

Waste recycling

Ugu District is compiling a database for waste recyclers working within the district. The intention is to formalise a waste recycling structure, promote a working relationship between individual/small recyclers to work formally with recycling agents such as Mondri, Glass recycles etc. Ugu will facilitate a key control from Retail, wholesalers, Consumer and Business services and well as provide a platform to discuss waste recycling related matters.

Institutional environment

The draft Environmental Policy seeks to guide the institutional behaviour and culture towards good and acceptable environmental practices. This is very important for an organisation that procures goods and services, responsible for infrastructure projects, generates waste in one form or other, delivers services to customers, contracts services from service providers etc.

Integrated Coastal Zone Management

Ugu Coastal Management Committee:

This committee exists as per the Integrated Coastal Management Act and seeks to coordinate all matters relating to coastal management as well as programmes and projects thereof. It enjoys a lot of support from the political and administrative leadership of all municipalities involved, sector departments, the Coastal and Biodiversity Management Unit of DAEARD, and different sectors of the community, namely, private persons, volunteer consultancies, local conservancies, ratepayers associations, etc.

Projects that are under the coordination of UCMC include:

- **Ugu Working for the Coast Project:**

This project is funded by the national Department of Environmental Affairs to the total value of R11, 5 million over a 2 year period. 110 temporary work opportunities have been created across Hibiscus, Umzumbe and Umdoni local municipalities under the EPWP programme. 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.

- **KZN Subsidence Fisheries Data Catch Monitors Project**
Starting from Kosi Bay to Port Edward, the project is funded at R5m by the Department of Agriculture, Forestry and Fisheries and implemented through EzeMvelo KZN Wildlife. Ugu District Municipality benefits 10% from the project as it is shared across coastal districts of KZN.

Air Quality Management

Monitoring and passive sampling

A short term Air Quality Baseline Assessment Study was undertaken within the Umuzwabantu Local Municipality. The main objective of the air monitoring project was based on minimizing air quality complaints from residents in the Harding area. Harding is a small town with few industries. These industries include sawmills, timber treatment plants, and other small businesses. The short term survey also served to determine compliance with the South African ambient air quality standards.

The findings of this short term study indicated that all monitored pollutants were within South African Ambient Air Quality Standards apart from CO (Carbon Monoxide). A formal conclusion on ambient CO levels could not be made since only snapshot measurements had been taken and provided a more short term view of the CO levels for informatory purposes only.

Continuous monitoring of criteria pollutants and pollutant of concern through pollution monitoring station by the Department of Environmental Affairs ... Air Quality and Climate – is ongoing.

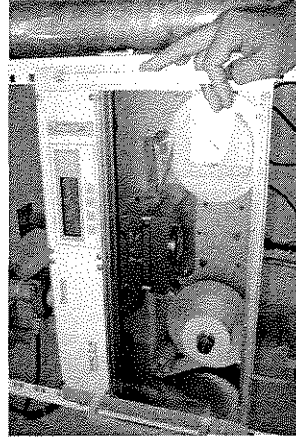


Figure XX: PM₁₀ monitor

Atmospheric Emissions Licensing (AEL)

This is a Section 36 function as per Air Quality Act to be performed by district and metropolitan municipalities. Activities that are eligible for licensing are listed under Section 21 notice of the Act. To this effect a database of all premises that are eligible for licensing is up to date. AEL applications are being received and considered and AELs issued in 2011 are only provisional but conditions are enforceable.



Figure XX: industries/premises eligible for licensing

3.4 Disaster Management

3.4.1 Overview

The Disaster Management within the district is coordinated in partnership with the six local municipalities, namely: Umdoni, Ezinqolenti, Umzumbe, Vulamehlo, Hibiscus Coast and Umuzwabantu.

The area covered by the district municipality is 5046 km² and includes a coastline of some 112 kilometres with 42 estuaries. The topography of the district is severe, characterised by extensive river gorges and hilly areas. These characteristics make the development of infrastructure difficult and costly as well as making rescue operations difficult in the event of an emergency. The district has embarked on Ward based reaction.

The Coordination and promotion of an integrated and multi-disciplinary approach to disaster management in the municipal area. Facilitate disaster management planning activities and the implementation of disaster risk reduction and preparedness programmes with special emphasis on prevention and mitigation.

3.4.2 Status of the Disaster Management Centre

The District established a disaster management centre in its administration 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 Local Municipalities.

The District with the help of the grant funding from Department of Cooperative Governance and Traditional Affairs is in the process of constructing a new building for the centre. The satellite centre is functioning very well at Umzinto which is being shared by Umdoni, Umzumbi and Vulamehlo, and it has also been utilised as a training centre for the fire fighters and volunteers.

3.4.3 Status of IGR Structures

Operational Functions

The Disaster Management is placed under the portfolio committee on Planning and Economic Development which is where the committee takes decisions and makes recommendations to the Council. The chairperson for the said committee is the Councillor responsible for Disaster Management, who also participates in the District Disaster Management Advisory Forum (DDMAF).

District Disaster Management Advisory Forum (DDMAF)

The district disaster management advisory forum is fully operational and was formed in terms of the Disaster Management Act No. 57 of 2002, Section 51 coupled to 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 district offices within the area, senior representatives of national departments within the area and all role-players i.e. NGOs in the district.

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.

Status of Disaster Management Capacity

In terms of personnel, structures are as follows:

- Acting Manager Disaster Management
- One x Disaster Management
- Two x Disaster Management (Vacant Posts)
- One x Administrative Assistant
- One x General
- Utility Vehicle Driver (Vacant Post)
- Proposed 4 x Field Co-ordinators

Status of Disaster Management Plans

Through support from the Department of Cooperative Governance and Traditional Affairs grant funding was made available for the Risk Reduction Planning Project. To date the Disaster Risk Management Sector Plan is complete. The plan is incorporated in the SDBIP of the Disaster Management Centre and aligned in the Integrated Development Plan of the district. The local municipality disaster management plans have been completed in all six LM's.

Readiness to deal with a 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 disasters/incidents as per financial year concerned. Although the funds we have right is not enough to deal with disasters but the district has put their efforts to prioritise disaster management in their financial planning and budgeting.

Status of Disaster Risk Assessments Undertaken

Ward Based Risks Assessments and prioritisation has been done in the District and the same been incorporated to the IDP.

In order to address the IDP objective on mitigation against disasters, Ugu District Municipality adopted a strategy on municipal ward based risk assessment which resulted into prioritisation and implementation of the project on hazard identification and risk prioritisation. The Ugu family of Municipalities working with communities of Ugu have identified below listed risks and prioritised them accordingly. Emanating from these risks, projects towards mitigating the same are being identified and integrated into the IDP.

The Disaster Management Ward Based Risk Assessment and the Risks prioritized per ward within 6 LM's in Ugu District.

Risk Profile per Local Municipality

Ugu	Ezingoleni	Umdoni	Hibiscus Coast	Umuziwabantu	Umzumbi	Vulamehlo
Fire	Drought	Fire	Fire	Fire	Fire	Fire
Drought	Land degradation	Floods	Floods	Drought	Drought	Drought
Water Pollution	Floods	Drought	Floods	Floods	Floods	Floods
Human diseases	Cholera	Hail Storms	TB/HIV	TB	TB	Cholera
Floods	Water	Rabies	Air pollution	Deforestation	Deforestation	TB

Challenges

- limitations on capacity in Local Municipalities to assist shared services personnel;
- limitations on funding in many low capacities municipalities to pay their contributions to shared services' centres.

The Cooperative Governance and Traditional affairs is now in the process of ensuring the sustainability of the Development Planning and shared Services.

3.6 INTERNAL AUDIT

The responsibilities include the provision of internal audit services to the Municipality as well as the coordination of the implementation of the internal audit plans through a shared services arrangement with some local municipalities and the municipal entity within the district.

Actual Performance

The approved annual internal audit plan was effectively completed by the financial year end. Internal Audit provided independent assurance and consultancy services in terms of its approved Charter. Twelve (12) reports covering the major business areas of Revenue Management, Financial Reporting and SCM Discipline, Performance Management System reviews, Call Centre Management, Human Resources and a Budgeting Compliance review were completed and reported to Management and the Audit Committee. Follow Up reviews and reports on Information Technology general controls, Cash Flow Management and Asset Management were also completed and reported to Management and the Audit Committee.

Challenges

The internal audit section was severely incapacitated during the financial year with limited resources and was unable to render an effective shared services function to some local municipalities. Due to the financial constraints, intervention was sought from Provincial Treasury and the Department of Co-operative Governance and Traditional Affairs to assist with the implementation of the annual plan for the district municipality via the secondment of professional internal auditors.

Human resource services

HIGHLIGHTS	CHALLENGES	CORRECTIVE MEASURES
HR has taken Plumbers through and RPL process and about 80% obtained Trade Tests.	Financial constraints	More financial boost required
HR responded to Dwarf requirements by training more process controllers.	None	None
Employees joining medical aid has increased from 50% - 75%.	None	None

3.7 ICT Services

The ICT (Information & Communication Technology) services are managed in-house with specialist skill administrators and technicians employed by the municipality.

The system consists of equipment, systems, software, and services that are used commonly across the organisation, and also serve as the foundation upon which we host transmission media, including telephone lines, network cables, radios, antennas, as well as the routers, repeaters, and servers and other devices that control communication and transmission.

There are subdivisions of ICT that have several components in which the municipality is involved.

- Software Development
- Software Maintenance (corrective, preventive, adaptive, block changes)
- Purchased Applications (e.g. ERP system)
- IT Infrastructure hardware (e.g. servers, switches, PC's and Laptops)
- IT Services (e.g. software setup, help desk, computer administration, virtualisation)
- IT Governance (e.g. IT general controls, IT Steering Committee meetings, IT Risk Management and IT project Plan)
- Communication

With the use of technological enhancements, infrastructure changes, use of internal networks supplier discounts and strict monitoring of costs, communication costs have been reduced each year and by 21% in the 2011/12 financial year. A three year comparison is indicated.

Financial Year	Landline	Saving	% landline saving	Cellular	Saving	% cellular saving	Total Annual Saving
2009	2 297			1 641			
2010	562.64			222.00			
2010	2 077	219	9.56%	1 635	5 590.63	0.34 %	225
2011	871.51	691.13		631.37			281.76
2011	1 598	479	23.06 %	1 460	175	10.74 %	654
2012	813.87	057.64		031.41	599.96		657.60

All these systems, processes and projects assist the municipality to achieve high levels of Service Delivery and continually save costs.

3.8 Property Services

In June 2010 Ugu District Municipality embarked upon a property audit process. A service provider was appointed and the deliverables of the project were:

1. Provide a full property register containing specified information
2. Identify properties requiring transfer of ownership into the name of the Municipality
3. Identify properties which do not have the title deed or permission to occupy in the Registry

The project officially started in August 2010, working with Ugu foremen, artisans, electricians and other key personnel and conducted intensive field audits. The process of the field work took longer than anticipated and a final version of the property audit, October 2011

Challenges

Due to there not being a specific Property or Estates Management Section Unit within Ugu, it has been practice over a number of years for various components of property management to be handled in various sections and departments with no harmony or links between them. There are no procedures set up for the central database of all property or what and how information should be kept.

Highlights

With a property database, the Municipality now has a basis for the immovable assets register with relevance and has current property information. The Municipality also now has a plan towards which to work, targeting redundant property, property which require conveyancing finalisations and a starting point which will form a policy and a working document for all property related transactions.

Results of the audit

Property not specified below, including but not limited to offices and vacant land	113 properties
Water Reservoirs	222 properties
Water Pump Stations	80 properties
Water Treatment Works	15 properties
Waste Water Works	21 properties
Waste Water Pump	71 properties
TOTAL	522
	PROPERTIES

A property task team meets regularly and this task team's mandate is to facilitate property management processes.

3.9 Water And Sanitation Services.

The current water backlog is 54.4%, this is much higher than the figure used in the previous annual report. The reason being, that the National Design Standards of a standpipe within 200m of every house hold was ignored in the past, 54.4% of people stay more than 200m away from a stand pipe.

The sanitation backlog is approximately 20%. This figure is estimation because accurate figures are not available.

The gaps in level of services include rural/urban National design standards. This affects the rural area more and more because the level of service required in the rural area increases annually and the actual level of service cannot keep up with the demand. This trend will continue until service levels are equalised.

Aged water and sanitation infrastructure, lack of capacity of key treatment plants continues to be a challenge and results in many interruptions and service delivery challenges.

Key programmes around this still present challenges for the urban coastal strip

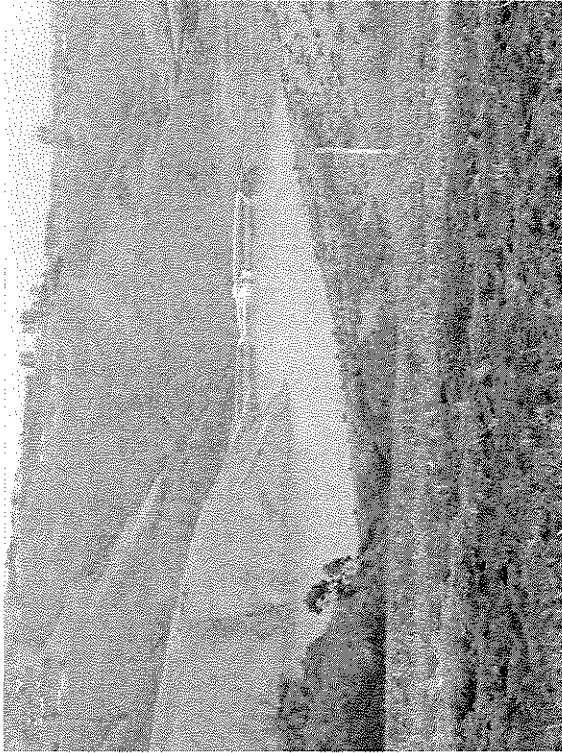
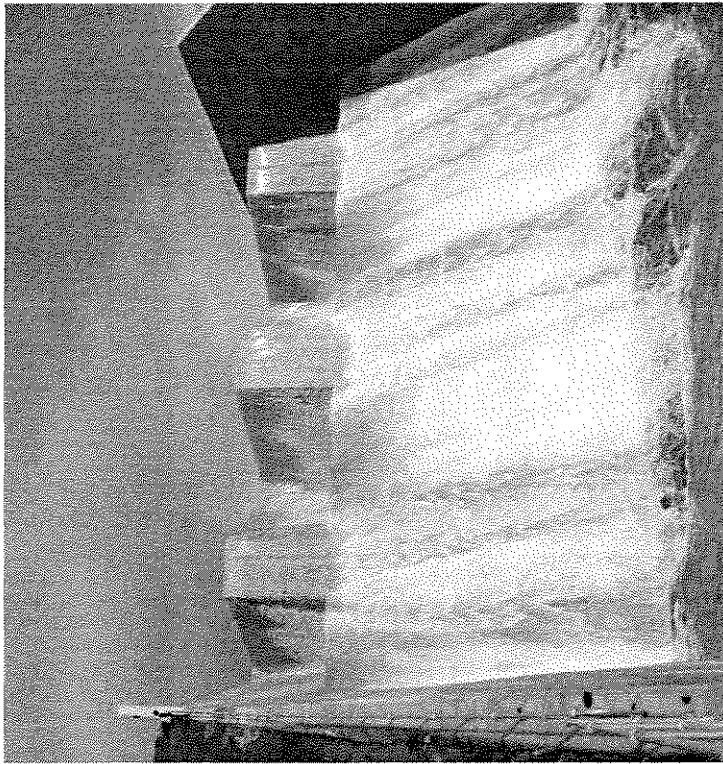
- Refurbishment of sanitation infrastructure
- Waterborne sanitation - only 30% reticulated
- Augmentation of water bulk supply schemes
- Development of water resources (Dams)
- Sustainable sanitation for low cost housing projects

The major infrastructure for water includes

- Dams 10
- Pipelines 4 000 km (estimate)

The water infrastructure was originally developed to serve the settlement knitted together along the coast. The recent development growth requires strengthening of the system to replace the old pipe systems and increase the capacity of water treatment plants to meet demands.

The aging infrastructure and rising demands have resulted in Ugu District Municipality embarking on the Non- Revenue Water Management Programme to reduce water losses and new water projects to meet the demand. The Umzimkhulu augmentation and South Coast bulk pipeline has reduced the pressure on the Coastal system but many challenges still exist.



Bulk raw water supply poses a serious threat for future development and increased demand in the rural areas. Alternative raw sources such desalination is being investigated in an effort to meet the future demand.

Blue Drop status for 3 of the WTW has been achieved but retaining these Blue Drops and increasing the number will be a challenge since the Blue Drop system moves the goal post annually and compliance becomes more and more difficult, especially for rural supplies such as bore holes and Springs.

Certain staff challenges remain as specialised skills are scarce and several key vacancies exist. Strategies to address these challenges in the long term must be developed.

The existing sewerage reticulation, pump stations and treatment works infrastructure was assessed to be in need of refurbishment. DWA has made grant funding available to refurbish several plants.

Many spillages in areas such as Pennington and Park Rynie is a concern and many system cannot cope while others requires expertise to operate the WWTW effectively.

Much has however been done to reduce the sanitation backlog to below 20%. Areas such as Umhloni Municipality and Umzumbe Municipality are now fully serviced with VIP's.

The Ugu District covers settlement areas ranging from high density urban areas located on the coast to dispersed rural settlements. From a basic analysis it is evident that for assessment and planning purposes it is necessary that settlements be classified.

The District SDF distinguishes between three types of residential areas and starts to guide the basic interventions to be considered in the different areas. The three types of residential areas distinguished between are listed and described as follows in the SDF:

Formal Residential: The formal residential areas include mostly the existing urban areas and some of the non-urban areas that have levels of cadastral certainty - these areas will be subject to relatively little planning intervention, which will comprise essentially of maintenance of infrastructure and services;

Informal Residential Dense: Most of the dense "informal" residential areas, within and outside of Traditional Areas (Ingonyama Trust Board) boundaries adjacent or close to existing formal urban areas or proposed priority nodes. These will be focus areas for short and medium term investment and will be subject to various levels of improvement, as appropriate to their context, and will include cadastral formalisation, in situ upgrading to an appropriate level of urban infrastructure and densification; and

Rural Clusters: These clusters represent all settlement not included in the above two categories and most of these have relatively low density - scattered settlements. These will not be subject to any planning intervention, and will remain as they are for the short - to medium term

An overview of the existing infrastructure clearly indicated that the formal urban coastal areas have well developed bulk infrastructure and networks and historically was the main focus for infrastructure development in the District. The coastal areas have the highest concentration of the population and are also the main economic centres for the District. Infrastructure development in the rural areas was historically done in a haphazard manner and this resulted in a number of stand-alone rural water schemes that many times are supplied from unsustainable water sources.

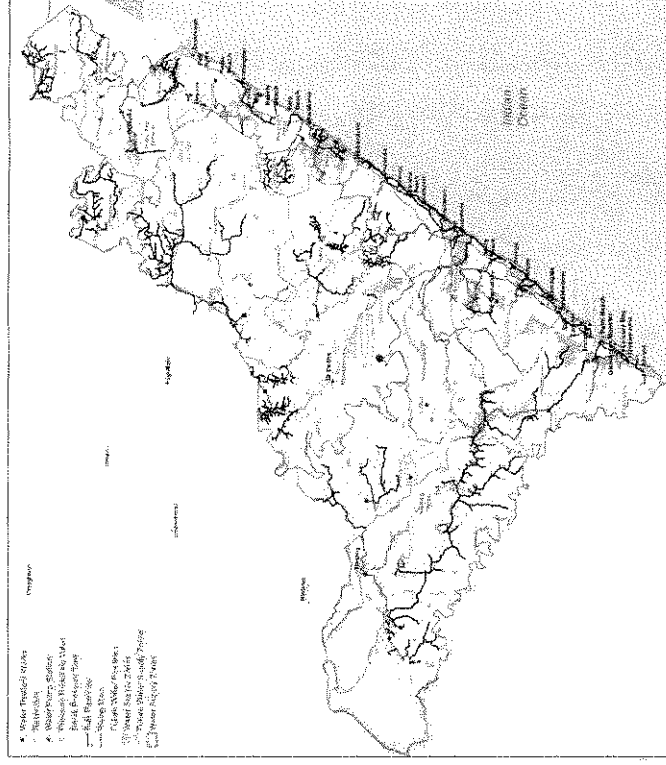


Figure Error! No text of specified style in document.- 1: Water infrastructure in Ugu District

Water supply zones

The existing infrastructure and future master planning identified a number of bulk supply sources (water treatment works or external bulk supply sources) that form the basis of the current and future water supply systems in the District. Each one of the bulk supply sources supplies a specific zone that could be ring fenced and used as the basis for further analysis. These supply zones were not always clearly definable, especially in the urban areas where a number of interconnections exist to allow certain areas to be supplied from more than one bulk supply source. Nonetheless an attempt was made to ring fence back-to-back supply zones that cover the entire District. The supply zones also formed the building blocks for the development of the water demand model and the water demands were ring fenced within the supply zones and linked back to the respective bulk supply sources. The water demands

could then be compared with the ability of the bulk infrastructure and water sources to meet the current and future water demands.

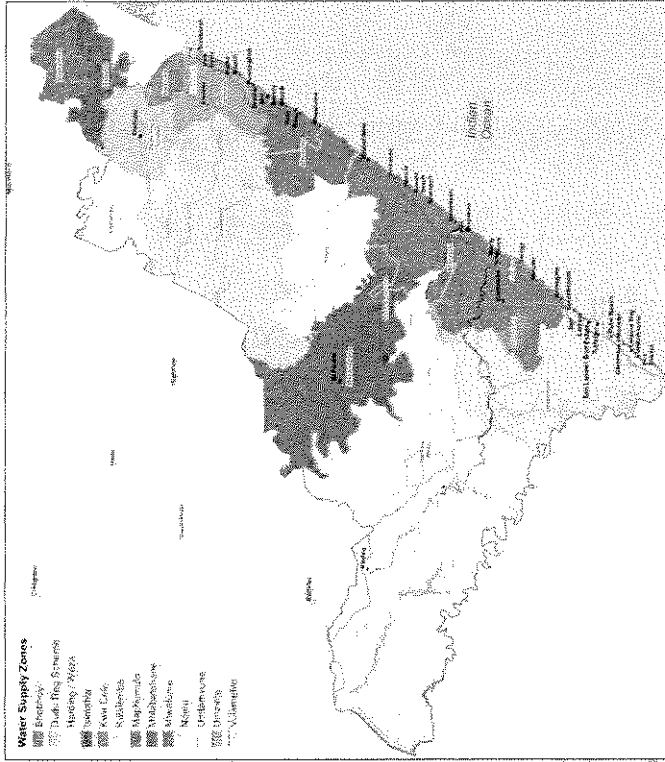


Figure Error! No text of specified style in document -2: **Water supply zones in Ugu District**

MAPHUMULO SUPPLY ZONE

The Maphumulo supply zone includes settlements of the Maphumulo and Thoyane tribal Authorities. North of the Ilovo River. Water is supplied into the zone by the eThekweni Metro.

ISIMAHLIA SUPPLY ZONE

The Isimahlia supply zone includes settlements of the Isimahlia and Thoyane tribal Authorities, south of the Ilovo River. Water is supplied into the area from the Urgenti Water South Coast Pipeline (SCP) at the Imtume node.

DUDUDU SUPPLY ZONE

The Dududu supply zone includes all the areas currently served by the Dududu/Hull Valley scheme, the high lying areas West of Dududu and the areas of Khakhama

and Mysieland. Water is supplied into the area from the Crowder pump station, which is fed from the eThekweni supply system.

KWALEMBE SUPPLY ZONE

The Kwalembe supply zone includes settlements of the Kwalembe tribal Authority, Western parts of the Qiko tribal authority and parts of the Izimpethu, Zendlouvo and Emandleni tribal authorities that are north of the Mpambanyoni River. Water is supplied into the zone from the Kwalembe waterworks.

VULAMEHLO SUPPLY ZONE

The Vulamehlo supply zone is supplied by the Vulamehlo waterworks and currently supplies the Kenterton, KwaNyuswa, Emandleni and Izimpethu, Zendlouvo (south of the Mpambanyoni River) areas of the Vulamehlo tribal Authority, as well as communities in the adjacent Sisonke District Municipality. The scheme will be extended to also supply Braemar and Amahlatini to the East, as well as Nyavini and further areas within Vulamehlo (Emandleni, Izimpethu Zendlouvo) to the South.

NDELU SUPPLY ZONE

The Ndelu supply zone is supplied by the Ndelu waterworks from the Umzimbe River. The supply zone will also be extended in future to include the areas of Ndelu, Qwabe N, Kwahlongwa and parts of Mabahleni and Mathulini of the Umzimbe tribal Authority area.

MTWALUME SUPPLY ZONE

The Mtwalume supply zone is supplied by the Mtwalume waterworks and includes the rural areas of Mathulini and Qolo-Qolo, as well as the urban coastal areas of Mtwalume, Ifafa Beach and Bazely Beach.

UMZINTO SUPPLY ZONE

The Umzinto supply zone is supplied from the Umzinto waterworks Metro with the Hazelwood and Umzinto reservoirs in Ugu. The supply zone includes the urban coastal areas from Scottburgh to Pennington/ Sezela Mill, as well as the Matangeni rural area.

KWACELE SUPPLY ZONE

The Kwacele supply zone includes the areas of Kwacele and Amahlongwa. The supply zone is supplied from the emergency pipeline that feeds into the area from the Craigieburn reservoirs and that is boosted by the Willowglen pump station, but is also fed from the Hazelwood and Nkonka reservoirs that in turn is supplied from the Umzinto waterworks.

MHLABATSHANE SUPPLY ZONE

The Mhlabatshane supply zone is situated in the Umzimbe Municipality and currently comprises of a number of stand-alone rural schemes (Phungashe, Ndwebu and Assissi schemes), which will in future be incorporated into a single regional water supply scheme. The supply zone covers the area between the Umzimkulu and Mzimbe rivers, from Phungashe in the north-west to Frankland in the south-east.

BHOBHOYI SUPPLY ZONE

The Bhubhoiyi supply zone was identified as an area covering the formal urban coastal strip from Hibberdene in the north to Ramsgate in the south (also including major centres like Port Shepstone), Fairview, the KwaMadlala rural area, the town of Gamalakhe and the Nosita rural area. The area is supplied from the Bhubhoiyi waterworks and with the Umtamvuna waterworks that can supplement the system from the south.



Off-channel storage dam.

UMTAMVUNA SUPPLY ZONE

The Umtamvuna supply zone includes the formal urban coastal strip from Southbroom in the north to Port Edward in the south, but also includes the rural areas of KwaNzimakwe, KwaXolo and Izingolweni. The area is supplied from the Umtamvuna waterworks.

HARDING/WEZA SUPPLY ZONE

The Harding/Weza supply zone includes the town of Harding as well as the rural areas of Kwajali, KwaMachi, Mthimude, Kwatodo, KwaMbotho and KwaNyuswa. There are four existing schemes within the supply area, namely the Weza, Harding, Kwatodo and Kuze water supply systems. The future planning is to incorporate the schemes into a single Harding/Weza regional supply system.

Access To Water Services

Table Error! No text of specified style in document.-1: Access to water services per settlement category (population)

Settlement Category	Serviced RDP	Serviced Below RDP	Not Serviced	Total No Off People
	<200m	200m - 800m		
Formal Urban	172,114	-	-	172,114
Informal Upgrade	-	2,219	1,257	3,476
Linked Rural Upgrade	68,691	73,590	44,810	187,091
Good Access Upgrade	34,940	45,553	73,391	153,884
Limited Access Upgrade	26,993	24,512	31,256	82,761
Scattered	20,482	26,692	62,695	109,870
Total	323,222	172,566	213,410	709,197
Percentage	45.58%	24.33%	30.09%	100.00%

In terms of the National Government's definition of backlogs households must have access to a formal water supply within 200m walking distance. This implies that only 45.58% of households in the Ugu district have been served with a RDP level of service.

Table Error! No text of specified style in document.-2: Access to water services per Local Municipality (population)

Settlement Category	Serviced RDP	Serviced <RDP	Not Serviced	Total No Off People
	<200m	200m - 800m		
Ezingolweni Municipality	13,006	14,215	16,672	43,893
Hibiscus Municipality	154,399	42,951	52,578	249,928

Umdoni Municipality	54,578	19,643	9,559	83,780
UMuziwabantu Municipality	38,960	33,105	29,110	101,175
Umzumbe Municipality	41,514	38,917	73,959	154,389
Vulamehlo Municipality	20,764	23,740	31,527	76,032
Total	323,222	172,570	213,406	709,197
Percentage	45.58%	24.33%	30.09%	100.00%

Water Delivery Standards

The demographics of the Ugu district vary from dense formal urban settlements to scattered rural settlements and must to be dealt with differently when planning for the provision of water services. Different levels of service are appropriate for each settlement category and the "CSIR Guidelines for Human Settlement Planning and Design" was used as a guideline to determine the water delivery standards per settlement category as indicated in **Error! Reference source not found**.below:

Table Error! No text of specified style in document.-3: Water delivery standards per settlement category

Settlement Category	Average daily per capita consumption	Description of level of service
Formal Urban	200l/c/d	Medium/high income, with waterborne sanitation
Informal Upgrade	120l/c/d	Moderate income, with waterborne sanitation
Linked Rural Upgrade	60l/c/d	Yard connections, dry pit latrines/septic tanks
Good Access Rural Upgrade	60l/c/d	Yard connections, dry pit latrines/septic tanks
Limited Access Rural Upgrade	60l/c/d	Community standpipes, dry pit latrines/septic tanks

New Scattered	60l/c/d	Community standpipes, dry pit latrines/septic tanks
Scattered	60l/c/d	Community standpipes, dry pit latrines/septic tanks

The water delivery standards were used to develop a water demand model for the district and to calculate current and future water demands per supply zone.

Current and Future Water Demands

Table Error! No text of specified style in document.-4: Current and future water demands vs current bulk infrastructure capacities

Water Supply Zone	Current water demands (2011)	Future water demands (backlogs eradicated)	Future water demands (including SDF developments)	Current infrastructure capacities	Bulk source of supply
	Ml/d	Ml/d	Ml/d	Ml/d	
Maphumulo	2.2	1.5	1.5	1.0	Umgeni Water
Isimahla	2.3	1.3	2.4	2.0	Umgeni Water
Dududu	2.5	1.8	3.8	0.4	Ethekwini Metro
Kwalembe	2.5	2.2	2.2	1.0	Kwalembe WTW
Vulamehlo	11.5	10.0	12.1	1.8	Vulamehlo/Hlokozi WTW
Ndelu	2.6	2.8	2.8	0.6	Ndelu WTW
uMtwalume	8.0	10.5	12.9	8.0	Mtwaluma WTW
Umzimto	17.5	20.4	39.6	13.0	Umzimto WTW

Kwa Cele	2.5	3.3	4.4	1.0	Ethekwini Metro
Mhlabatshane	4.3	8.3	12.6	2.0	Phungashe WTW
Bhobhoyi	58.6	80.4	109.8	54.0	Bhobhoyi WTW
Umtamvuna	18.8	26.4	30.0	20.0	Umtamvuna WTW
Harding/Weza	8.0	15.3	19.4	6.0	Harding & Weza WTW's
Totals (Mil/d)	143.5	184.2	253.5	110.8	

The above table clearly shows where current infrastructure capacity problems are experienced, and, where the infrastructure will be inadequate to meet the future water requirements.

It should be noted in particular that the demands generated by the proposed SDF drivers will have a significant impact on the capacity demands of the existing infrastructure and that significant capital investment will therefore be required to fully implement these drivers.

Water Resources

SURFACE WATER RESOURCES

The availability of water resources is one of the key factors that will govern future development in the district. The purpose of this section is to gain a better understanding of the current status of the water resources and the potential problems in meeting the current and future water demands.

A number of studies were consulted of which "The Eastern Region Internal Perspectives: Mvoti to Mzimkulu Water Management Area (WMA) Study" was the most significant. The study was completed and officially adopted by DWA in June 2004 and forms the basis for future water resources studies in the district.

The findings of the study can be summarised in terms of the catchments of the main rivers in Ugu as follows:

The uMlazi and Lovu catchments have surplus water available, even taking the ecological reserve into account.
The uMkomazi catchment is stressed mainly due to large users abstracting water (SAPPI-SAICCOR industries) and the lack of storage in the river system.

The South Coast catchment (Mzumbe, Mtwalume and Mpambanyoni Rivers) is experiencing a small deficit (mostly during holiday peak season) that can be overcome with the provision of off-channel storage.

The uMtamvuna catchment is largely undeveloped and with no major water users. The catchment has surplus water available and there is bulk infrastructure in place to supplement water supply to the South Coast areas.

The uMzimkulu catchment is a largely undeveloped catchment with high natural runoff and the potential therefore exists to develop the resource further. The catchment cannot supply the water demands during the dry periods and also meet the requirements of the Reserve. This is mainly due to the large number of people being dependant on run-of-river abstractions for their basic needs and the high requirements for the ecological component of the Reserve.

Groundwater

Groundwater is a largely undeveloped water resource and is available over the entire Water Management Area (WMA). It remains a valuable source of water supply especially in the rural areas. Where groundwater is developed to supply water to communities at a large scale. At present the usage of groundwater in the Mvoti to Mzimkulu WMA comprises only a small fraction (1%) of the fully sustainable annual recharge source of this area.

Capital Requirements

BACKLOG ERADICATION

The Ugu District Municipality, as a delegated Water Services Authority (WSA), is in the process of progressively rolling out water services to all consumers in the district, as per the National Government's mandate of servicing all households with at least an RDP level of service.

The estimated cost and timeframes to eradicate the backlogs, based on the available funding, has been calculated and is indicated in the table below. The following benchmark costs were used in the calculation:

R 35 000 to R 55 000 to service urban households
R55 000 to R 85 000 to service rural households that are situated between 200m and 800m from a formal water supply
R105 000 to service rural households that are situated further than 800m from a formal water supply

Table Error! No text of specified style in document...5: Backlog eradication plan

Backlog Eradication Plan (Excl VAT)

Estimated cost to eradicate backlogs	R 3 455 400 000
Assumed MIG Allocation future	R 290 000 000
% of MIG Allocation towards water	70%
Allocation towards water	R 203 000 000
Estimated years to eradicate backlogs	17.0

Water Augmentation Options

LOCAL WATER RESOURCES

The water resources in the northern parts of Ugu are stressed during periods of low flow with the result that substantial drought curtailments had to be implemented in the recent past. Umgeni Water in its role as a Bulk Regional Water Services Provider has implemented the South Coast Augmentation Pipeline (SCA) to augment the water supply of the South Coast System from the uMgeni River System.

WATER CONSERVATION DEMAND MANAGEMENT

Water Conservation and Water Demand Management (WC/WDM) interventions have been a priority for the past few years and a wide range of measures are being implemented continuously to reduce losses and improve the efficient use of water. The Water leakage management study completed recently indicate that NRW to be 28 % of water produced

RAINWATER HARVESTING

Rainwater harvesting (rainwater collection in tanks) is another method of extending the available water resources. Although it does not have a major impact on the reduction of municipal water demand, when analysed with conventional methods of yield determination, water harvesting has considerable benefits. It allows users to limit their dependence on formal water supply, it can assist with subsistence food gardening and in times of severe water restrictions it will provide important relief for basic needs and above all it will stimulate a culture of efficient water use. A pilot project has been implemented consisting of 400 units.

DESALINATION OF SEA WATER

A study to investigate the feasibility of the desalination of sea water as an option to provide additional domestic water is being undertaken. Preliminary indications suggest that desalination of sea water is still more expensive than other alternative options, although it is recognised that at some point in the not too distant future desalination of sea water may become economical.

The capital and operational costs of desalination are dependent on the size of the plant and the type of technology that is used.

The equipment is subjected to high maintenance costs due to the high pressures and the corrosion challenges at the coast.

Urban Sanitation

A comprehensive Sanitation Services Master Plan (SSMP) was prepared for Ugu by Misses Stewart Scott dated November 2005.

The urban areas within Ugu are located predominantly within a narrow coastal strip comprising even occupied by a combination of permanent residents and local tourists who descend on the area during holiday periods.



The SSMP suggests that the water demand (and hence waste water flows) in the peak December/January period is typically 33% higher than the annual average values.

The urban sanitation comprises a combination of waterborne sewerage linked to waste water treatment works (WWTW) as well as a system of septic tanks and conservancy tanks in the less densely populated areas.

Most of the treatment facilities are owned and managed by Ugu although there are also a number of privately owned and managed, small sewage treatment plants – mostly "package" plants.

With the exception of Gamalakhe (80%), the sewerage coverage of formal, urban areas which have a municipal water connection is between 20% and 60% and averages about 40%.

Being a coastal strip, the topography generally falls towards the coast and is segmented by many watercourses (streams/rivers) resulting in numerous hills and valleys as well as very flat areas along the coast. As a result there are numerous pump stations in the reticulated areas whilst the WWTWs are generally located inland of the coastal strip such that many of the pump stations deal with pumping heads which exceed those readily achievable with open impeller pumps operating at low speeds.

A total estimated capital investment (2012) of the order of R 2.23 billion is required of which R 2 billion is to reticulate the urban strip and R 230 m is needed for rural VIP's.

The refurbishment/upgrading of certain existing assets and the proper management of sludge disposal were identified as immediate priorities and some of this work has already been accomplished by Ugu.

Backlogs

The sample survey suggests that the rural sanitation backlog is of the order of 20 %. The backlog is further compounded by the fact that there is virtually no spatial data with which to plan and manage the de-sludging/re-location of pits which are almost or already full such that the health and hygiene effectiveness of the programme going forward must be brought into question.

3.10 Functional Areas

3.10.1 Water & Sanitation

The Water Services Department consists of the following sections:

ADMINISTRATION SECTION – This section is responsible for the administrative, staff, and cost control matters for the department.

WATER SERVICES AUTHORITY (WSA) – Managed by a Senior Manager who ensures 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 as well as Geographic Information system for the whole of Ugu including all six LM's.

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.

WATER SERVICES OPERATIONS

1. Water Services Operations Section is managed by the Senior Manager Operations and has three divisions:

Area North incorporating Umdoni Vulamehlo, and a portion 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

1. 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 is responsible for the maintenance of pump stations, workshops and equipment at all treatment works.

3. Water Conservation and Demand Management division is responsible for leakage management, water loss project and installation and maintenance of new meters and associated equipment.

CONTROL CENTRE

The control centre deals with all public enquiries and complaints. It is headed by a Manager and is staffed on a 24 hour 7 day basis.

Table : Number and cost to employer of all personnel associated with water

DETAIL	Budgeted Posts 2012	
ENGINEERS, TECHNOLOGISTS, TECHNICIANS, TECHNICAL ASSISTANTS AND ACCOUNTS SUPERVISORS	47	R 17 236 695
ARTISANS	23	R 15 183 483
OFFICE (CLERICAL/ADMINISTRATION)	98	R 22 063 096
SEMI SKILLED	67	R 10 029 587
GENERAL WORKERS	184	R 21 207 657
TOTAL	254	R 26 481 627
	673	R 112 202 143

Table : Total Operating Costs of water services

DETAIL	2012
SALARY RELATED EXPENSES	R112 202 143
REPAIRS AND MAINTENANCE	R 14 006 601
BULK PURCHASES	R 34 327 836
CONTRACTED SERVICES	R 6 752 917
GENERAL EXPENSES	R 50 396 062
TOTAL	R217 685 559

THE KEY ISSUES IN 2011/2012 WERE:

- Improve storage and Pumping capacity for the Bhooboyi system with benefits of reduced energy costs
- Reduction in water losses from 32.8%.... to 28.7%
- Receiving of 2 silver awards for the consistency in drinking water quality in terms of the blue drop requirements
- Completion of the Mlashane Dam in Umzumbe district
- Commissioning of the Umtamvuna Pump station and increased water supply to Ezingqeni rural communities

WATER DISTRIBUTION STATISTICS:	TOTAL (KL)	COST (R)
Total Volume produced by the municipal plants in kilolitres and Rand	8 797 638	35 919 000
Total value of water billed to consumers	25 609 000	215 883 870
Total Volume and Cost of Bulk water sales in kilolitres and Rand		34 327 836
Total volume and receipts for bulk water sales in kilolitres and rand		
Sisonke Municipality	486 498	2 079 775

Waste Water Management:

The Key Issues For 2011/2012 Are:

- Backlog eradication of basic sanitation requirements in Umdoni and Ezingqeni local Municipalities
- Extension of Shelly Beach Waste Water Treatment Works.
- Phase 1 of waater borne schemes to Park Rynie, Harding and Uvongo

Sanitation Division

STAFF	Budgetted Posts 2012	Cost
Supervisors and Foreman	4	R 1510 391
Artisans	16	R 2 741 073
Semi Skilled	60	R 6 925 978
General workers	157	R 15444 234
TOTAL	237	R26 621 676

Sanitation Services

Consumers connected to sewage systems	1 942
Consumers connected to conservancy and septic tanks	39 380

Table : Total Operating Costs of Sanitation services

DETAIL	2012
SALARY RELATED EXPENSES	R26 621 676
REPAIRS AND MAINTENANCE	R2 126 084
CONTRACTED SERVICES	R3 344 992
GENERAL EXPENSES	R8 189 494
TOTAL	R40 282 246

3.11 LOCAL ECONOMIC DEVELOPMENT

Introduction.

Any municipality within South Africa carries the LED mandate within the relevant statutory framework. Accordingly we as the institution place a high premium on this legal imperative and therefore fully embrace the attendant expectation placed upon us to foster an environment conducive to economic growth and prosperity for broad citizenry living and eking out of life within the borders of our jurisdiction.

In an internal environment characterized by a complete depletion of internal funds it has not been easy to discharge this mandate. We simply had to rely on our ability to leverage partnerships, something we profess to be experts in, to make things. It is therefore very pleasing indeed to report on the following highlights achieved under the LED mandate, which highlights happened under very trying circumstances.

Ugu Fresh Produce Market given a new lease of life.

Relentless efforts of the LED Department to turnaround the fortunes of the Ugu Fresh Produce (UFPM) Market ably supported by the Auxiliary Services Section were justly rewarded. Accordingly the Ugu Fresh Produce Market has truly shed its white elephant tag and in transforming itself into a revenue generator and therefore a substantial contributor to municipal coffers, it has become a proud home of among others Isuzu Bates Delta, Green Leaf Marketing & Distribution (Pty) LTD and Mood Electrical (Pty) LTD in a lease arrangement that span 3 years.

Despite the obvious significance of this in terms of institutional long-term sustainability, one of the immediate effects of the changes is that the UFPM will become a hive of economic activity which will result in the asset being optimally/productively used for the general benefit of the community.

Apart from that with Green Leaf Marketing & Distribution (Pty) LTD Ugu has identified a Strategic Partner who will not only ensure that the Banana Ripening & Cold Storage Facility is operated on a cost recovery basis but this company backed by the Spar Group has committed itself to a long-term emerging farmer development & mentorship in areas of vegetable production. This is based on a tried and tested model of farmer development which entails among others, access to markets through off-take growing contracts, logistical support systems, packaging and distribution including transfer of intricate business managerial acumen skills to the trainee farmers. Horse Shoe Farm, located at Ezingoleni has been identified for mass vegetable production according to market demand and using the Spar Group as a marketing and distribution channel under the model including establishing an agricultural training school.

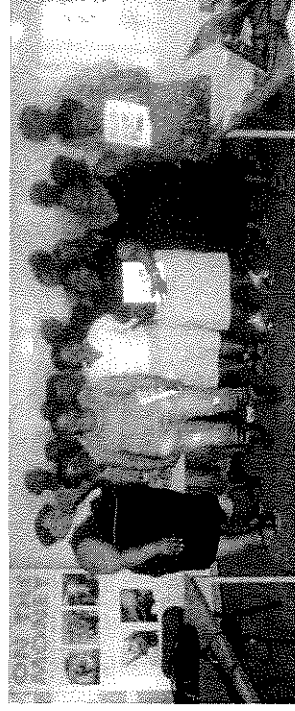
The importance of this cannot be over emphasized given that this partnership not only retains the original vision of the UFPM as a springboard for Emerging Farmer Development it fits in perfectly with the notion of agriculture being one of the pillars of economic growth for the region of Ugu.

Ugu partnership with NEDBANK under the Vuka Mentorship program, quintessential public private partnerships geared for SMME Support.

For the Ugu LED department the quest to develop entrepreneurship within its jurisdiction knows no bounds. Even in the face of severe cashflow challenges experienced by the parent institution the team of LED officials remained steadfast undeterred and in the pursuit of success left no stones unturned to achieve this KPA. For the team it was a case of, "if it doesn't happen through internal funding resources, there is always another way it can happen".

Indeed, this materialized through the Unit's ability to leverage partnerships and true to form Ugu partnered with institutions such as NEDBANK and the Old Mutual in Vuka Mentorship Program and the, "On the Money Training" programs which target SMMEs within the region. These programs are both intended to grow and up-skill the sector in various ways. In the Vuka Mentorship program 35 entrepreneurs were originally selected to undergo comprehensive mentorship which entails business concept development, business environment analysis, target market selection, detailed financial projections and overall business plan development. This program is concluded with trainees presenting their business plans to the panel made up of NEDBANK finance employees with the best business plan standing a chance of obtaining finance from the bank. To date 20 participants have completed their business plans and a further 8 will complete their business plans during the week ending the 12th October 2012. Thereafter business plans presentation sessions will be held followed by a graduation ceremony.

- Picture below shows participants of the "On the Money" program



Picture below shows participants during the selection process taking place at the launch of the Yuka Mentorship Program. An unprecedented 370 aspirant entrepreneur responded to the initial participation



Kwanyuswa Black Emerging Farmers under Ezingoleni LM venture into the uncharted field of essential tee tree oils farming...

This project comprising of a group of emerging farmers, the first ever to venture into essential tee tree mass scale plantation and essential oils production in partnership with the established commercial farming community of the Oribi Flats hold great economic prospects for the project beneficiaries and communities in the vicinity of the project who stands to benefit greatly through employment opportunities that stand to emanate from the project as it evolves.

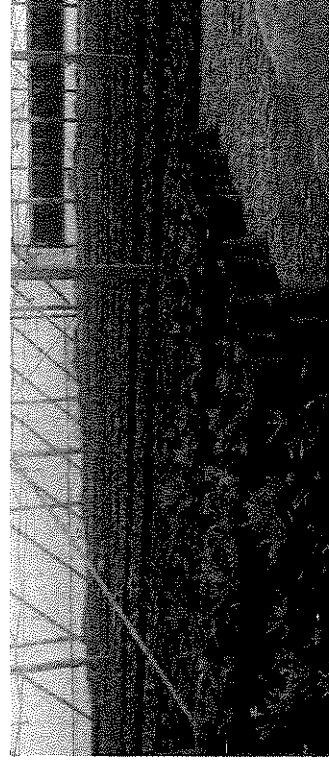
This project is furthermore likely to open export opportunities given that various products produced out of tee tree equally appeal to the export market as well as the domestic market. Overall this bodes well for the local economy as it will result in the injection and circulation of money/inflows within apart from the obvious benefits related to employment creation. On the partnership front the saying, "success breeds

more success", couldn't be more evident. For an example this project seems to be a magnetic for partnerships which include none other than the Agricultural Development Agency (ADA), the local farming Community, the Skills Enterprise Development Agency (SEDA), the Department of Cooperative Governance & Traditional Affairs (COGTA), the local black Emerging Farming Sector, Ezingoleni Local Municipality and Ugu District Municipality through its LED Unit.

To date the project has seen 20 hectares of land being cultivated with tee tree plantation, a nursery being established with a capacity to produce 300,000 seedlings and a distillery plant with a capacity to produce 1500 liters of essential oils per annum at full scale. This has translated into an investment of R10 Million in the area and a total number of 35 permanent jobs and 85 Temporary jobs.

This is just the beginning as there are still further phases of the project to develop which may mean the doubling of the investment and the attendant economic spin-offs.

Picture below shows Ezingoleni Tee Tree Distillery Plant.



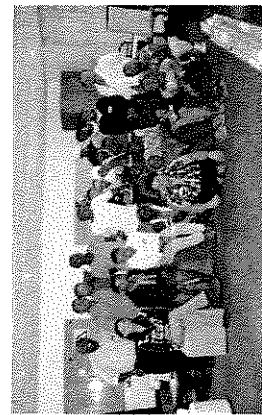
Picture above shows the Ezingoleni Tee Tree Nursery.



Above picture shows a part of the 20 hectares Tee Tree plantation.

Yet another collaboration with a select group of strategic partners

In a jurisdiction characterized by an average unemployment rate of 50% which is well above the national average the LED Unit is conscious not to rest on its laurels and the struggle continues to facilitate alternative sources of employment for the populace. For this reason Ugu has during the period under review intensified its efforts to identify partners and jointly implement projects that seek to achieve this objective. Among these partnerships are, the Ugu Khuphuka Furniture Manufacturing Support Program which is a partnership between Ugu, SEDA, DEDT, TIKZN and DTI and the Ugu District Fashion Industry Support Program where Ugu partners with SEDA, DEDT and the KZN Fashion Council.



Above picture shows participants of Ugu Khuphuka Furniture Manufacturing Support Program



Above picture shows participants in the launch of the District Fashion Industry Support Program

UGU DISTRICT MUNICIPALITY'S 2011/2012 ANNUAL PERFORMANCE REPORT

DEPARTMENT: OFFICE OF THE MUNICIPAL MANAGER		2010/2011		2011/2012		CORRECTIVE MEASURES TO IMPROVE PERFORMANCE	MEANS OF VERIFICATION	
KPA	OBJECTIVES	KEY PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT	SDRP TARGET	ACTUAL ACHIEVEMENT			PROGRESS MADE
Good Governance and Community Participation	To promote a culture of participatory democracy and integration	Date IDP Process plan adopted % of assessed capacity rating by COGTA Number of IDP public participation meetings	31/08/2010 84% rating 24	2012/2011 13 on 31/08/11 80% credibility rating 24	31/08/2011 Achieved 88% 20	Achieved Achieved Not achieved	Nil Nil Alignment of the Local Municipalities' dates with the district municipality's dates	Council resolution Council resolution Attendance registers

DEPARTMENT: OFFICE OF THE MUNICIPAL MANAGER											
KPA	OBJECTIVES	KEY PERFORMANCE INDICATOR	2010/2011		2011/2012		PROGRESS MADE	CHALLENGES	CORRECTIVE MEASURES TO IMPROVE PERFORMANCE	MEANS OF VERIFICATION	
			SDBP TARGET	ACTUAL ACHIEVEMENT	SDBP TARGET	ACTUAL ACHIEVEMENT					
		Number of planners appointed as per DPSS business plan	6	4	6	5	Not achieved	Umboni has delayed employment inception of DPSS	The matter has been reported to COGTA for intervention	Appointment letters	
		Percentage functionality of DPSS	80%	80%	100%	90%	Not achieved	Umboni has delayed the employment of a development planner since inception of DPSS	The matter has been reported to COGTA for intervention	DPSS report	
		Number of GISS planners appointed as per business plan	2	2	3	3	Achieved	Nil	Nil	Appointment letters	

DEPARTMENT: OFFICE OF THE MUNICIPAL MANAGER											
KPA	OBJECTIVES	KEY PERFORMANCE INDICATOR	2010/2011		2011/2012		PROGRESS MADE	CHALLENGES	CORRECTIVE MEASURES TO IMPROVE PERFORMANCE	MEANS OF VERIFICATION	
			SDBP TARGET	ACTUAL ACHIEVEMENT	SDBP TARGET	ACTUAL ACHIEVEMENT					
		Date Fire Fighting Shared services SLA Signed by Cluster B	n/a	n/a	30/06/2012	Nil	Not achieved	Lack of buy-in by Cluster B LM's	HCW chief Fire Officer has been tasked to reconvene a meeting with all cluster B representatives	Signed SLA	
		Number of monthly Performance reviews conducted	4	4	4	4	Achieved	Nil	Nil	Attendance registers	
		Date Annual Report adopted	30 March 2011 for the 09/10 Annual Report	30/03/2011	30/03/2012	22/03/2012	Achieved	Nil	Nil	Council resolution	
		Number of mid-year reviews conducted	1	1	1	1	Achieved	Nil	Nil	Attendance register	

DEPARTMENT: OFFICE OF THE MUNICIPAL MANAGER											
KPA	OBJECTIVES	2010/2011			2011/2012			CHALLENGES	CORRECTIVE MEASURES TO IMPROVE PERFORMANCE	MEANS OF VERIFICATION	
		KEY PERFORMANCE INDICATOR	SDBIP TARGET	ACTUAL ACHIEVEMENT	KEY PERFORMANCE INDICATOR	SDBIP TARGET	ACTUAL ACHIEVEMENT				
		Number of customer satisfaction surveys conducted	1	1	2	2	Achieved	Nil	Top management resolution adopting customer satisfaction surveys		
		Number of departmental assessments done	1	1	2	2	Achieved	Nil	Assessment certificate		
		Number of municipal buildings displayed Batho Pele service principles charter in both English & isiZulu	7	7	7	7	Achieved	Nil	Acknowledgement by all departments		
		Number of municipal services	10	5	10	10	Achieved	Nil	Service week report		

DEPARTMENT: OFFICE OF THE MUNICIPAL MANAGER											
KPA	OBJECTIVES	2010/2011			2011/2012			CHALLENGES	CORRECTIVE MEASURES TO IMPROVE PERFORMANCE	MEANS OF VERIFICATION	
		KEY PERFORMANCE INDICATOR	SDBIP TARGET	ACTUAL ACHIEVEMENT	KEY PERFORMANCE INDICATOR	SDBIP TARGET	ACTUAL ACHIEVEMENT				
		week reports submitted by departments	30/06/2011	n/a	30/06/2011	n/a	n/a	Nil	Resolution adopting the 151 registers Council resolution		
		Date risk register updated	30/06/2011	n/a	30/06/2011	n/a	n/a	Nil	Nil		
		Date LRM, SDE and LUAF adopted	n/a	n/a	30 June 2012	30 June 2012	Achieved	Nil	Nil		
		Number of marketing and promotions initiatives implemented	6	6	12	6	Not achieved	Financial constraints	Review of this target to accommodate limited funds in the next financial year		
		Number of proactive media articles on service delivery	n/a	n/a	n/a	9	Not achieved	Non submission of information by departments	Small conduct weekly meetings to get information		

DEPARTMENT: OFFICE OF THE MUNICIPAL MANAGER											
KPA	OBJECTIVES	KEY PERFORMANCE INDICATOR	2010/2011			2011/2012			CHALLENGES	CORRECTIVE MEASURES TO IMPROVE PERFORMANCE	MEANS OF VERIFICATION
			ACTUAL ACHIEVEMENT	SDBIP TARGET	ACTUAL ACHIEVEMENT	SDBIP TARGET	ACTUAL ACHIEVEMENT	SDBIP TARGET			
		Date of adoption of the prudent burial assistance policy	n/a	30/06/2012	Not adopted	Not achieved	Lack of capacity	To be considered in the next financial year 2012/2013	Council resolution		
		Date of adoption of the education support policy	n/a	30/06/2012	Not adopted	Not achieved	Lack of capacity	To be considered in the next financial year 2012/2013	Council resolution		
		Date of adoption of the community initiative support policy	n/a	30/06/2012	Not adopted	Not achieved	Lack of capacity	To be considered in the next financial year 2012/2013	Council resolution		
		Date of adoption of internal and external communication strategy	Not achieved	30/06/2011	Not adopted	Achieved	Lack of capacity	To be considered in the next financial year 2012/2013	Council resolution		

DEPARTMENT: OFFICE OF THE MUNICIPAL MANAGER											
KPA	OBJECTIVES	KEY PERFORMANCE INDICATOR	2010/2011			2011/2012			CHALLENGES	CORRECTIVE MEASURES TO IMPROVE PERFORMANCE	MEANS OF VERIFICATION
			ACTUAL ACHIEVEMENT	SDBIP TARGET	ACTUAL ACHIEVEMENT	SDBIP TARGET	ACTUAL ACHIEVEMENT	SDBIP TARGET			
		Number of youth development initiative implemented	4	4	4	5	5	Achieved	Nil	Caseout reports	
		Number of career exhibition roadshows conducted	6	6	6	6	6	Achieved	Nil	Attendance registers	
		Number of Ugu District Youth Council strategic planning workshops conducted	1	1	1	1	1	Achieved	Nil	Attendance register	
		Number of youth summits held	1	1	1	1	1	Achieved	Nil	Attendance registers	

DEPARTMENT: OFFICE OF THE MUNICIPAL MANAGER											
KPA	OBJECTIVES	KEY PERFORMANCE INDICATOR	2010/2011		2011/2012		PROGRESS MADE	CHALLENGES	CORRECTIVE MEASURES TO IMPROVE PERFORMANCE	MEANS OF VERIFICATION	
			SDBP TARGET	ACTUAL ACHIEVEMENT	SDBP TARGET	ACTUAL ACHIEVEMENT					
		Number of youth trained in furniture manufacture	n/a	n/a	30	15	Not achieved	The first phase of the programme protracted	To be considered in the next financial	Attendance registers	
		Number of KwaZulu Natal training sessions held	3	3	3	3	Achieved	Nil	Nil	Classroom report	
		Number of HIV and AIDS initiatives implemented	3	3	3	3	Achieved	Nil	Nil	Reports and minutes	
		Number of senior citizens implemented	5	5	5	5	Achieved	Nil	Nil	Reports and minutes	
		Number of farm worker programmes	3	3	2	2	Achieved	Nil	Nil	Reports and minutes	

DEPARTMENT: OFFICE OF THE MUNICIPAL MANAGER											
KPA	OBJECTIVES	KEY PERFORMANCE INDICATOR	2010/2011		2011/2012		PROGRESS MADE	CHALLENGES	CORRECTIVE MEASURES TO IMPROVE PERFORMANCE	MEANS OF VERIFICATION	
			SDBP TARGET	ACTUAL ACHIEVEMENT	SDBP TARGET	ACTUAL ACHIEVEMENT					
		Number of rights of a child initiatives implemented	3	3	5	8	Achieved	Nil	Nil	Attendance registers and reports	
		Number of people living with disability programmes implemented	2	2	4	5	Achieved	Nil	Nil	Attendance registers and reports	
		Number of gender programmes initiated	4	4	3	10	Achieved	Nil	Nil	Attendance registers and reports	
		Number of audit committee assessments conducted by council	1	1	1	1	Achieved	Nil	Nil	E-co resolution (05/10/2011)	
		Date Internal Audit Committee	30/09/2010	30/09/2010	30/09/2011	28/09/2011	Achieved	Nil	Nil	Audit Committee resolution	

DEPARTMENT: OFFICE OF THE MUNICIPAL MANAGER											
KPA	OBJECTIVES	KEY PERFORMANCE INDICATOR	2010/2011		2011/2012		CHALLENGES	PROGRESS MADE	CORRECTIVE MEASURES TO IMPROVE PERFORMANCE	MEANS OF VERIFICATION	
			SDBIP TARGET	ACTUAL ACHIEVEMENT	SDBIP TARGET	ACTUAL ACHIEVEMENT					
		Annual plan audited	10	10	12	12	Achieved	Nil	Members of the audit committee		
		Number of reports submitted to the audit committee	4	4	4	7	Achieved	Nil	Attendance registers		
		Number of audit committee meetings held									

DEPARTMENT: WATER SERVICES											
KPA	OBJECTIVES	KEY PERFORMANCE INDICATOR	2010/2011		2011/2012		CHALLENGES	PROGRESS MADE	CORRECTIVE MEASURES TO IMPROVE PERFORMANCE	MEANS OF VERIFICATION	
			SDBIP TARGET	ACTUAL ACHIEVEMENT	SDBIP TARGET	ACTUAL ACHIEVEMENT					
Basic Service delivery and Infrastructure	To provide sustainable water and sanitation infrastructure	Percentage variance in annual fleet management operational budget with water service level delivery targets	n/a	n/a	13.7%	14%	Achieved	Nil	Fleet management report		
		Percentage variance with water service level delivery targets	70%	70%	90%	80%	Not achieved	Increased size of operational area versus the number of settled personnel	Critical posts identified and prioritised for 2012/13 financial year with FRP.	Water services report	
		Percentage	90%	90%	95%	81%	Not	Adopting	To be	Water	

DEPARTMENT: WATER SERVICES										
KPA	OBJECTIVES	KEY PERFORMANCE INDICATOR	2010/2011		2011/2012		PROGRESS MADE	CHALLENGES	CORRECTIVE MEASURES TO IMPROVE PERFORMANCE	MEANS OF VERIFICATION
			SDSIP TARGET	ACTUAL ACHIEVEMENT	SDSIP TARGET	ACTUAL ACHIEVEMENT				
		compliance with sanitation service level delivery targets					achieved	replace municipal	2012/2013/14 FY	services report
		Percentage reduction in water loss	30%	32.8%	28%	28.7%	Achieved	Nil	Nil	Water services report, Water balance
		Number of completed and configured water zones	n/a	n/a	30	30	Achieved	Nil	Nil	Design report
		Percentage water quality compliance with SANS241	90%	90%	99%	98%	achieved	Nil	Nil	Water quality report, Blue drop chemical

DEPARTMENT: WATER SERVICES										
KPA	OBJECTIVES	KEY PERFORMANCE INDICATOR	2010/2011		2011/2012		PROGRESS MADE	CHALLENGES	CORRECTIVE MEASURES TO IMPROVE PERFORMANCE	MEANS OF VERIFICATION
			SDSIP TARGET	ACTUAL ACHIEVEMENT	SDSIP TARGET	ACTUAL ACHIEVEMENT				
		Percentage water blue drop rating enhanced	80%	87%	95%	92.5%	Not achieved	Capacity of bulk infrastructure	Secured grant funding for upgrades	scores, Capacity of bulk infrastructure
		Percentage compliance with waste water disposal programme as per SANS241	75%	80%	90%	82%	Not achieved	Lack of capacity of skilled personnel	Grant funding approved for 2012/13 FY	Compliance report
		Percentage obtained for SANS241	70%	51%	70%	60%	Not achieved	Agging infrastructure re-limited	Application of measures to mitigate	Compliance report

DEPARTMENT: WATER SERVICES												
KPA	OBJECTIVES	KEY PERFORMANCE INDICATOR	2010/2011			2011/2012			PROGRESS MADE	CHALLENGES	CORRECTIVE MEASURES TO IMPROVE PERFORMANCE	MEANS OF VERIFICATION
			SDBIP TARGET	ACTUAL ACHIEVEMENT	ACTUAL ACHIEVEMENT	SDBIP TARGET	ACTUAL ACHIEVEMENT					
		safe waste water disposal in compliance with the green drop requirements	100%	100%					capital funding for refurbishment etc.	breakdowns		
		Percentage water and sanitation development plan updated	100%	100%	100%	100%	100%	Achieved	Nil	Nil	Council resolution accepting the revised WSDP	
		Percentage compliance with water regulations and legislations	100%	100%	100%	100%	100%	Achieved	Nil	Nil	Incident register	
		Number of quarterly GIS data sets	n/a	n/a	4	1		Not achieved	Lack of GIS equipment in some	Development of shared services unit	Data sets release	

DEPARTMENT: WATER SERVICES												
KPA	OBJECTIVES	KEY PERFORMANCE INDICATOR	2010/2011			2011/2012			PROGRESS MADE	CHALLENGES	CORRECTIVE MEASURES TO IMPROVE PERFORMANCE	MEANS OF VERIFICATION
			SDBIP TARGET	ACTUAL ACHIEVEMENT	ACTUAL ACHIEVEMENT	SDBIP TARGET	ACTUAL ACHIEVEMENT					
		released to all users							LMS	with LMS	report	
		Number of households benefited from basic sanitation services	5000	5000	13 391	5000		Achieved	Nil	Nil	Letters signed by councillors and beneficiaries	
		Percentage variance on expenditure of MIG funding	< 5%	10%	0%	5%		Achieved	However there were some delays in implementation	Training of staff in Expenditure for 2012/13 Development of intervention plan of non functional systems	Certificate of expenditure and revenue signed and submitted to provincial MIG	
		Percentage completion of water	n/a	n/a	51%	100%		Not achieved	Lack of capacity in SCM and Design	Support from Cogta was sought as per FRP-2	Completion certificates	

DEPARTMENT: WATER SERVICES										
KPA	OBJECTIVES	KEY PERFORMANCE INDICATOR	2010/2011		2011/2012		PROGRESS MADE	CHALLENGES	CORRECTIVE MEASURES TO IMPROVE PERFORMANCE	MEANS OF VERIFICATION
			SBIRP TARGET	ACTUAL ACHIEVEMENT	SBIRP TARGET	ACTUAL ACHIEVEMENT				
		massification programme						office units	MISA engineers working with SCM unit.	Attendance registers and community feedback
		Number of community outreach programmes conducted	5	6	12	9	Not achieved	Lack of adequate capacity	Alignment of programmes with other organs of state.	Attendance registers and community feedback

DEPARTMENT: INFRASTRUCTURE AND ECONOMIC DEVELOPMENT (IED)										
KPA	OBJECTIVE	KEY PERFORMANCE INDICATORS	2010/2011		2011/2012		PROGRESS MADE	CHALLENGES	CORRECTIVE MEASURES	MEANS OF VERIFICATION
			SBIRP TARGETS	ACTUAL ACHIEVEMENTS	SBIRP TARGETS	ACTUAL ACHIEVEMENTS				
Spatial Development and Environmental Management	To promote a healthy hygienic safe environment which supports sustainable utilisation of natural resources and creates an environmentally sound and equitable society	Number of environmental education, awareness and training conducted	5	5	10	10	Achieved	Nil	Nil	Attendance registers
		Number of schools environmental education conducted		35	30	30	Achieved	Nil	Nil	Enrolment forms
		Number of green office buildings implemented		4	3	3	Achieved	Nil	Nil	Attendance registers
		Data Unziphkhulu SEA approval		n/a	30/06/2012	30/06/2012	Achieved	Nil	Nil	Council resolution adopting the SAE
		Data Unzobosi Strategic Environmental		n/a	30/06/2012	30/06/2012	Not achieved	The Strategic Environment Risk Assessment	The Strategic Environment Risk Assessment	Limdoni Council resolution addressing assessment. IED-SEA

DEPARTMENT: INFRASTRUCTURE AND ECONOMIC DEVELOPMENT (IED)											
MPA	OBJECTIVES	KEY PERFORMANCE INDICATORS	2010/2011		2011/2012		PROGRESS MADE	CHALLENGES	Corrective Measures	MEANS OF VERIFICATION	
			SOBIP TARGETS	ACTUAL ACHIEVEMENTS	SOBIP TARGETS	ACTUAL ACHIEVEMENTS					
		Assessment adopted						had not been workshoped with Exco	shall be adopted in the 1 st quarter of the financial year		
		Date air quality management plan adopted	n/a	n/a	30/05/2012	Not adopted	Delays in procurement processes	The development of the air quality management plan was referred to the next financial year	Council resolution adopting the plan		
		Date Ugu Environment Management Framework is adopted	n/a	n/a	30/06/2012	Not adopted	Delays due to disagreements between Ugu and DAEA on terms of reference awaiting approval	The consultant has been appointed to implement the project	Closure report		
		Date	n/a	n/a	30/06/2012	Not adopted			The waste management	Closure report	

DEPARTMENT: INFRASTRUCTURE AND ECONOMIC DEVELOPMENT (IED)											
MPA	OBJECTIVES	KEY PERFORMANCE INDICATORS	2010/2011		2011/2012		PROGRESS MADE	CHALLENGES	Corrective Measures	MEANS OF VERIFICATION	
			SOBIP TARGETS	ACTUAL ACHIEVEMENTS	SOBIP TARGETS	ACTUAL ACHIEVEMENTS					
		Integrated waste management plan adopted						plan adopted submitted to Ugu exco for adoption by 30/09/2012			
		Date estuarine cleaning project completed	n/a	n/a	30/06/2012	Not completed	Delays in procurement processes	The responsible department would submit the matter to the management resolution	Closure report		
		Date greening project in low income human settlements completed	n/a	n/a	30/06/2012	Not completed	Delays in procurement processes	The responsible department would submit the matter to top management resolution	Closure report		

KPA	OBJECTIVE	KEY PERFORMANCE INDICATORS	DEPARTMENT, INFRASTRUCTURE AND ECONOMIC DEVELOPMENT (IED)				PROGRESS MADE	CHALLENGES	CORRECTIVE MEASURES	MEANS OF VERIFICATION
			2010/2011	2011/2012	2010/2011	2011/2012				
			TDBP TARGETS	SDBP TARGETS	ACTUAL ACHIEVEMENTS	ACTUAL ACHIEVEMENTS				
		Number of schools involved in waste management programme	10	10	10	Achieved	Nil	Nil	Letters from schools	
		Number of local municipalities with recycling database established	1	5	1	Not achieved	Communications programme not reach all local municipalities communities	This programme is planned to be rolled out over the next financial year	Databases of recyclers	
		Number of Upu implemented projects in compliance with environment legislation	16	16	14	Not achieved	Mangrove plantation and Livongo waste water treatment works are	The municipality would appoint a consultant to ensure compliance with environment legislation	Environmental impact reports	

KPA	OBJECTIVE	KEY PERFORMANCE INDICATORS	DEPARTMENT, INFRASTRUCTURE AND ECONOMIC DEVELOPMENT (IED)				PROGRESS MADE	CHALLENGES	CORRECTIVE MEASURES	MEANS OF VERIFICATION
			2010/2011	2011/2012	2010/2011	2011/2012				
			TDBP TARGETS	SDBP TARGETS	ACTUAL ACHIEVEMENTS	ACTUAL ACHIEVEMENTS				
		Number of municipalities with recycling database established	1	5	1	Not achieved	Communications programme not reach all local municipalities communities	This programme is planned to be rolled out over the next financial year	Databases of recyclers	
		Number of Upu implemented projects in compliance with environment legislation	16	16	14	Not achieved	Mangrove plantation and Livongo waste water treatment works are	The municipality would appoint a consultant to ensure compliance with environment legislation	Environmental impact reports	
		Number of schools involved in waste management programme	10	10	10	Achieved	Nil	Nil	Letters from schools	
		Number of local municipalities with recycling database established	1	5	1	Not achieved	Communications programme not reach all local municipalities communities	This programme is planned to be rolled out over the next financial year	Databases of recyclers	
		Number of Upu implemented projects in compliance with environment legislation	16	16	14	Not achieved	Mangrove plantation and Livongo waste water treatment works are	The municipality would appoint a consultant to ensure compliance with environment legislation	Environmental impact reports	
		Number of schools involved in waste management programme	10	10	10	Achieved	Nil	Nil	Letters from schools	
		Number of local municipalities with recycling database established	1	5	1	Not achieved	Communications programme not reach all local municipalities communities	This programme is planned to be rolled out over the next financial year	Databases of recyclers	
		Number of Upu implemented projects in compliance with environment legislation	16	16	14	Not achieved	Mangrove plantation and Livongo waste water treatment works are	The municipality would appoint a consultant to ensure compliance with environment legislation	Environmental impact reports	

KPA	DEPARTMENT OBJECTIVES	2010/2011				2011/2012				CHALLENGES	CORRECTIVE MEASURES	MEANS OF VERIFICATION
		KEY PERFORMANCE INDICATORS	SDBIP TARGETS	ACTUAL ACHIEVEMENTS	TARGETS	KEY PERFORMANCE INDICATORS	SDBIP TARGETS	ACTUAL ACHIEVEMENTS	TARGETS			
		Percentage of food tests conducted as per national provincial departments instructions	100%	100%	100%				with new equipment	the services	Reports from department of health	
		Number of water quality samples tested	200	400	200				Nil	Nil	Water test result report	
		Number of quality monitoring initiatives implemented	3	3	4				Lacked funding for development	The municipality would allocate funds for the development of by-laws in need	Monthly reports	
									Not achieved			

KPA	DEPARTMENT OBJECTIVES	2010/2011				2011/2012				CHALLENGES	CORRECTIVE MEASURES	MEANS OF VERIFICATION
		KEY PERFORMANCE INDICATORS	SDBIP TARGETS	ACTUAL ACHIEVEMENTS	TARGETS	KEY PERFORMANCE INDICATORS	SDBIP TARGETS	ACTUAL ACHIEVEMENTS	TARGETS			
		Number of food handling workshops conducted	3	4	4				Nil	Nil	Attendance registers	
		Number of public environment education activities conducted	n/a	n/a	5				Nil	Nil	Attendance registers	
Local Economic Development	To promote and facilitate economic transformation, sustainable growth	Number of co-operatives trained	50	50	20				Budget adjusted downward	Shall explore ways of leveraging externally championed training and resources	Attendance registers	

KPA	OBJECTIVES	DEPARTMENT: INFRASTRUCTURE AND ECONOMIC DEVELOPMENT (IED)				CHALLENGES	CORRECTIVE MEASURES	MEANS OF VERIFICATION
		2010/2011	2011/2012	PROGRESS MADE	2011/2012			
PERFORMANCE INDICATORS	SDBIP TARGETS	ACTUAL ACHIEVEMENTS	SDBIP TARGETS	ACTUAL ACHIEVEMENTS	PROGRESS MADE	CHALLENGES	CORRECTIVE MEASURES	MEANS OF VERIFICATION
Implemented	n/a	n/a	3	3	achieved	Partners		reports
Number of irrigation schemes reviewed by DEARD	n/a	n/a	3	3	achieved	Nil	Nil	Progress report
Number of companies that are oil free produced	n/a	n/a	500	360	Not achieved	Inadequate throughput from farmers	The municipality shall back the free plantations of 30 hectares by engaging farmers	Record of production
Number of jobs created through LED	200	64	50	10	Not achieved	Some LED projects were not requested	The municipality would lobby for more funding for	Employment records

KPA	OBJECTIVES	DEPARTMENT: INFRASTRUCTURE AND ECONOMIC DEVELOPMENT (IED)				CHALLENGES	CORRECTIVE MEASURES	MEANS OF VERIFICATION
		2010/2011	2011/2012	PROGRESS MADE	2011/2012			
PERFORMANCE INDICATORS	SDBIP TARGETS	ACTUAL ACHIEVEMENTS	SDBIP TARGETS	ACTUAL ACHIEVEMENTS	PROGRESS MADE	CHALLENGES	CORRECTIVE MEASURES	MEANS OF VERIFICATION
projects	2500	3349	400	325	Not achieved	due to financial constraints	LED projects from department and private sector	Data Reports/ Records
Number of jobs created through EPWP	n/a	n/a	80%	0%	Not achieved	Feedback on reported information and info capturing systems	Improve reporting process and data capturing systems	Data Reports/ Records
Percentage occupancy of the sugar beet produce market	n/a	n/a	80%	0%	Not achieved	Lack of capacity within supply chain.	Establishing of the tender process for the next financial year	Signed lease agreement

DEPARTMENT: INFRASTRUCTURE AND ECONOMIC DEVELOPMENT (IED)										
KPA	OBJECTIVES	KEY PERFORMANCE INDICATORS	2010/2011		2011/2012		PROGRESS MADE	CHALLENGES	CORRECTIVE MEASURES	MEANS OF VERIFICATION
			SDRP TARGETS	ACTUAL ACHIEVEMENTS	SDRP TARGETS	ACTUAL ACHIEVEMENTS				
		Number of sporting events held at Liga sports and leisure per month	n/a	n/a	24	25	Achieved	Nil	Nil	Record of bookings
		Number of social events held at Liga sports and leisure per month	n/a	n/a	24	47	Achieved	Nil	Nil	Record of bookings
		Percentage increase in the Liga Sports and leisure income	n/a	n/a	150%	62.5% decrease	Not achieved	The Booking system has challenges	The municipality still ensure efficient booking system challenges	Income schedule

DEPARTMENT: TREASURY										
KPA	OBJECTIVES	KEY PERFORMANCE INDICATORS	2010/2011		2011/2012		PROGRESS MADE	CHALLENGES	CORRECTIVE MEASURES	MEANS OF VERIFICATION
			SDRP TARGETS	ACTUAL ACHIEVEMENTS	SDRP TARGETS	ACTUAL ACHIEVEMENTS				
	Financial management and viability	Date Annual financial statements submitted to AG	31/08/2011	31/08/2011	31/08/2012	31/08/2012	Achieved	Nil	Nil	Audit report
		Delocal Annual budgets adopted by Council	31/05/2011	31/05/2011	31/05/2012	31/05/2012	Achieved	Nil	Nil	Council resolution adopting the budget
		Number of budget rollshows conducted	24	24	24	19	Not achieved	Alignment and to ordinance between the district and local municipalities	The municipality would ensure alignment with local municipalities through ICPE structures	Attendance registers
	Financial management and viability	Number of section 52(9) quarterly reports submitted to Council	4	4	4	4	Achieved	Nil	Nil	Council resolutions and receipt from provincial

DEPARTMENT: TREASURY									
KPA	OBJECTIVES	2010/2011 SDBIP TARGETS	2011/2012 SDBIP TARGETS	ACTUAL ACHIEVEMENT	PROGRESS S MADE	CHALLENGES	CORRECTIVE MEASURES	MEANS OF VERIFICATION	
	provincial and national treasury							and national treasury	
	Number of Section 71 and 72 monthly report tables to council	12	12	12	Achieved	Nil	Nil	Council resolution and letters to provincial and national treasury	
	Percentage of municipal tenders awarded to previously disadvantaged groups	23%	65%	23%	Achieved	Nil	Nil	Tender award register	
Financial management and viability	To uphold treasury norms and standards	100%	100%	100%	Achieved	Nil	Nil	Insurance contract	
	Number of reports in compliance with section 62(1)(c) of the MFMA, submitted to	n/a	12	12	Achieved	Nil	Nil	Council resolutions and reports	

DEPARTMENT: TREASURY									
KPA	OBJECTIVES	2010/2011 SDBIP TARGETS	2011/2012 SDBIP TARGETS	ACTUAL ACHIEVEMENT	PROGRESS S MADE	CHALLENGES	CORRECTIVE MEASURES	MEANS OF VERIFICATION	
	Number of monthly assets and inventory count and reconciliation done in compliance with section 63(1)(2) of the MFMA and GRAP	12	12	12	Achieved	nil	nil	Assets register	

KPA	DEPARTMENT: TREASURY	OBJECTIVES	KEY PERFORMANCE INDICATORS	2010/2011		2011/2012		PROGRESS MADE	CHALLENGES	CORRECTIVE MEASURES	MEANS OF VERIFICATION
				SDBP TARGETS	ACTUAL ACHIEVEMENT	SDBP TARGETS	ACTUAL ACHIEVEMENT				
Financial management and viability		To uphold treasury norms and standards	Date submission of banking details to provincial and national treasury in compliance with sections 9 & 24 of the MFMA	30/06/2011	30/06/2012	30/06/2012	Achieved	Nil	Nil	Nil	Proof of submission
			Percentage increase in revenue	n/a	10%	10%	Achieved	Illegal water connection	Illegal connections list submitted	Monthly reports	
			Percentage implementation of the RMS billing system phase 2	10%	100%	98%	Not achieved	Management dashboard was tested very late	Reschedule the final testing and management dashboard	Monthly sign-offs	

KPA	DEPARTMENT: TREASURY	OBJECTIVES	KEY PERFORMANCE INDICATORS	2010/2011		2011/2012		PROGRESS MADE	CHALLENGES	CORRECTIVE MEASURES	MEANS OF VERIFICATION
				SDBP TARGETS	ACTUAL ACHIEVEMENT	SDBP TARGETS	ACTUAL ACHIEVEMENT				
Financial management and viability		To uphold treasury norms and standards	Date submission of banking details to provincial and national treasury in compliance with sections 9 & 24 of the MFMA	30/06/2011	30/06/2012	30/06/2012	Achieved	Nil	Nil	Nil	Proof of submission
			Percentage increase in	n/a	10%	10%	Achieved	Illegal water connection	Illegal connections list submitted	Monthly reports	

KPA	OBJECTIVES	DEPARTMENT: TREASURY				DEPARTMENT: CORPORATE SERVICES					
		KEY PERFORMANCE INDICATORS	2010/2011 SDBIP TARGETS	ACTUAL ACHIEVEMENT	2011/2012 SDBIP TARGETS	ACTUAL ACHIEVEMENT	2011/2012 SDBIP TARGET	ACTUAL ACHIEVEMENT	PROGRESS MADE	CHALLENGES	CORRECTIVE MEASURES
		Percentage implementation of the RMS billing system phase 2 revenue	10%	10%	100%	98%	Not achieved	Management dashboard was tested very late	Reschedule the final sign-off appointment	Modules Sign-offs	
Financial manageability and viability	To uphold treasury norms and standards	Percentage implementation of the Axalta ERP system	55%	55%	100%	90%	Not achieved	Fixed asset module compliances, EFT module analysis and inadequate staff members at PMU	AX project implementation is rescheduled for August 2012	Progress report	
		RMS ERP, Billing and other IT systems policies developed and advised	n/a	n/a	30/6/2012	30/7/2011	Achieved	Nil	Nil	Exco resolution regarding the policies	

KPA	OBJECTIVES	DEPARTMENT: CORPORATE SERVICES				DEPARTMENT: CORPORATE SERVICES				
		KEY PERFORMANCE INDICATOR	2010/2011 SDBIP TARGET	ACTUAL ACHIEVEMENT	2011/2012 SDBIP TARGET	ACTUAL ACHIEVEMENT	PROGRESS MADE	CHALLENGES	CORRECTIVE MEASURES TO IMPROVE PERFORMANCE	MEANS OF VERIFICATION
Municipal Transformation and Institutional Development	To ensure institutional capacity	Percentage of vacant posts as reflected in the municipal program filled	30%	10%	10%	2%	Not achieved	The municipality applied a moratorium on staff employment	Lifting of the moratorium	Appoint letters and Council resolution on the employment moratorium
		Percentage update on the overtime file	n/a	n/a	100% monthly	100% monthly	Achieved	Nil	Nil	Record of overtime payment
		Number of Employee Assistance Programmes implemented	5	5	5	5	Achieved	nil	Nil	Attendance registers
		Percentage reduction in	n/a	n/a	30%	8%	Not achieved	Incidents are not reported	COVID training and awareness	Injury on duty schedule

DEPARTMENT: CORPORATE SERVICES											
KPA	OBJECTIVES	KEY PERFORMANCE INDICATOR	2010/2011		2011/2012		PROGRESS MADE	CHALLENGES	CORRECTIVE MEASURES TO IMPROVE PERFORMANCE	MEANS OF VERIFICATION	
			SDBP TARGET	ACTUAL ACHIEVEMENT	SDBP TARGET	ACTUAL ACHIEVEMENT					
		non-compliance with Occupational Health and Safety Act					timeously in terms of OSH Act	campaign	report		
		Number of Occupational Health and Safety initiatives implemented	8	8	7	2	Not achieved	Delays in procurement processes	Annual report and closeout reports		
		Percentage of fire equipment serviced	100%	100%	100%	100%	Achieved	Nil	Closeout report		
		Number of SHE trainings	1	1	2	0	Not achieved	The training required a specialised	Attendance registers		

DEPARTMENT: CORPORATE SERVICES											
KPA	OBJECTIVES	KEY PERFORMANCE INDICATOR	2010/2011		2011/2012		PROGRESS MADE	CHALLENGES	CORRECTIVE MEASURES TO IMPROVE PERFORMANCE	MEANS OF VERIFICATION	
			SDBP TARGET	ACTUAL ACHIEVEMENT	SDBP TARGET	ACTUAL ACHIEVEMENT					
		conducted for staff members					skill, which the municipality did not have.				
		Date raise survey done at St Helens & Umaventa Pump Stations	n/a	n/a	30/06/2012	Not done	Not achieved	The training required a specialised skill, which the municipality did not have.	The training shall be considered in the next financial year through outsourcing	Survey report	
		Date supervisors and plumbers trained on road works safety	n/a	n/a	31/12/2011	Not done	Not achieved	The training was under-budgeted for.	The training shall be considered in the next financial year	Attendance registers	
		Date completion of	n/a	n/a	30/06/2012	Not done	Not achieved	Lack of capacity	The municipality	Risk assessment	

DEPARTMENT: CORPORATE SERVICES											
KPA	OBJECTIVES	KEY PERFORMANCE INDICATOR	2010/2011		2011/2012		PROGRESS MADE	CHALLENGES	CORRECTIVE MEASURES TO IMPROVE PERFORMANCE	MEANS OF VERIFICATION	
			SBIP TARGET	ACTUAL ACHIEVEMENT	SBIP TARGET	ACTUAL ACHIEVEMENT					
		risk assessment			012		within the municipality	shall consider the risk assessment in the next financial year	report		
		Date workplace skills plan and annual training report developed	30/06/2011	30/06/2011	30/06/2012		NI	NI	Council resolution adopting the WSP and annual training report		
		Percentage implementation of the WSP	100%	100%	40%		NI	NI	Annual training report		
		Number of bursaries	18	18	18		NI	NI	Bursary award report and		

DEPARTMENT: CORPORATE SERVICES											
KPA	OBJECTIVES	KEY PERFORMANCE INDICATOR	2010/2011		2011/2012		PROGRESS MADE	CHALLENGES	CORRECTIVE MEASURES TO IMPROVE PERFORMANCE	MEANS OF VERIFICATION	
			SBIP TARGET	ACTUAL ACHIEVEMENT	SBIP TARGET	ACTUAL ACHIEVEMENT					
		awarded	4	3	4	0	Not achieved	Insufficient buy-in and commitment to the projects from local municipalities	The projects will be implemented in the next financial year	proof of payment registers	
		Number of labour relations projects implemented	n/a	n/a	30/06/2012	None	Not achieved	Done partially	A pilot project has been implemented	Attendance registers	
		Date workshop on contractual rights and obligations conducted	100%	50%	100%	58%	Not achieved	Some Portfolio Committee meetings did not sit.	The has been referred to the Speaker's office	Attendance Register and monthly reports.	

DEPARTMENT: CORPORATE SERVICES											
KPA	OBJECTIVES	KEY PERFORMANCE INDICATOR	2010/2011		2011/2012		PROGRESS MADE	CHALLENGES	CORRECTIVE MEASURES TO IMPROVE PERFORMANCE	MEANS OF VERIFICATION	
			SDBIP TARGET	ACTUAL ACHIEVEMENT	SDBIP TARGET	ACTUAL ACHIEVEMENT					
		Councillors									
		Percentage achievement of the effective accurate recording keeping of minutes of all Municipal Meetings.	100%	75%	100%	70%	Not achieved	Delays in the signing of minutes	The secretariat office shall ensure that minutes are signed by the relevant chairperson immediately after confirmation	Signed Minutes Books	
		Date workshop of managers and supervisors on the new conditions of	n/a	n/a	30/7/2011	Not done	Not achieved	Lack of capacity within the municipality	The municipality shall seek intervention from Cogta	Attendance registers	

DEPARTMENT: CORPORATE SERVICES											
KPA	OBJECTIVES	KEY PERFORMANCE INDICATOR	2010/2011		2011/2012		PROGRESS MADE	CHALLENGES	CORRECTIVE MEASURES TO IMPROVE PERFORMANCE	MEANS OF VERIFICATION	
			SDBIP TARGET	ACTUAL ACHIEVEMENT	SDBIP TARGET	ACTUAL ACHIEVEMENT					
		employment conducted									
		Date DRP and BCP plans approved and copies retained offsite	n/a	n/a	30/06/2012	Not done	Not achieved	The BCP plan was done quarter way due to financial constraints	The municipality shall consider completion of these plans in the next financial year	Council resolution adopting the DRP and BCP	
		Date IT risk and control framework and backup standards developed	n/a	n/a	30/06/2012	Not done	Not achieved		The municipality shall seek assistance from national treasury	Council resolution	
		Date municipal	n/a	n/a	30/06/2012	30/06/2012	Achieved	Nil	Nil	Council resolution adopting	

DEPARTMENT: CORPORATE SERVICES										
KPA	OBJECTIVES	KEY PERFORMANCE INDICATOR	2010/2011		2011/2012		PROGRESS MADE	CHALLENGES	CORRECTIVE MEASURES TO IMPROVE PERFORMANCE	MEANS OF VERIFICATION
			SDBIP TARGET	ACTUAL ACHIEVEMENT	SDBIP TARGET	ACTUAL ACHIEVEMENT				
		building access control plan developed in terms of section 63(1)a of the MFMA								the plan
		Amount reduction in internal telecommunication costs	n/a	n/a	R2m	R2m	Achieved	Nil	Nil	Invoice paper trail
		Number of report on updated property register submitted to	n/a	n/a	4	3	Not achieved	Nil	Nil	Council resolution noting the reports

DEPARTMENT: CORPORATE SERVICES										
KPA	OBJECTIVES	KEY PERFORMANCE INDICATOR	2010/2011		2011/2012		PROGRESS MADE	CHALLENGES	CORRECTIVE MEASURES TO IMPROVE PERFORMANCE	MEANS OF VERIFICATION
			SDBIP TARGET	ACTUAL ACHIEVEMENT	SDBIP TARGET	ACTUAL ACHIEVEMENT				
		Exco								
		Number of disaster management plans developed	3	3	3	8	Achieved	Nil	Nil	Council resolutions
		Number of disaster management trained volunteers	400	571	400	0	Not achieved	Financial Recovery Plan	Staff request local municipalities to provide budget for volunteer training	Attendance registers
		Number of disaster management awareness campaigns conducted	6	6	6	6	Achieved	Nil	Nil	Attendance registers

DEPARTMENT: UGU TOURISM ENTITY											
KPA	OBJECTIVES	KEY PERFORMANCE INDICATOR	2010/2011		2011/2012		PROGRESS MADE	CHALLENGES	CORRECTIVE MEASURES	MEANS OF VERIFICATION	
			SDBIP TARGET	ACTUAL ACHIEVEMENT	SDBIP TARGET	ACTUAL ACHIEVEMENT					
LOCAL ECONOMIC DEVELOPMENT AND TOURISM	Generic Marketing	Number of destination marketing events implemented	10	10	9	9	Achieved	Nil	Nil	Close out reports	
		Number of Provincial Tourism initiatives implemented	4	4	4	4	Achieved	Nil	Nil	Close out reports	
		Number of Trade and Consumer	6	6	6	6	Achieved	Nil	Nil	Close out reports	

DEPARTMENT: UGU TOURISM ENTITY											
KPA	OBJECTIVES	KEY PERFORMANCE INDICATOR	2010/2011		2011/2012		PROGRESS MADE	CHALLENGES	CORRECTIVE MEASURES	MEANS OF VERIFICATION	
			SDBIP TARGET	ACTUAL ACHIEVEMENT	SDBIP TARGET	ACTUAL ACHIEVEMENT					
	Regular liaison with tourism stakeholders	Number of tourism area committees established	4	4	6	12	Achieved	Nil	Nil	Newsletters (also weekly newspaper column and radio survey south)	
		Number of business development workshops conducted for area communities	5	9	10	10	Achieved	Nil	Nil	Close out reports	
		Number of business development workshops conducted for area communities	4	3	4	2	Not Achieved	The rest of the workshop have been deferred to the next financial year	The rest of the workshop would be done in the next financial year, 2012/2013	Attendance Registers	
		Number of activities developed and maintained to reduce	4	4	4	4	Achieved	Nil	Nil	Close out reports	

DEPARTMENT: UGU TOURISM ENTITY											
KPA	OBJECTIVES	KEY PERFORMANCE INDICATOR	2010/2011		2011/2012		PROGRESS MADE	CHALLENGES	CORRECTIVE MEASURES	MEANS OF VERIFICATION	
			SDBP TARGET	ACTUAL ACHIEVEMENT	SDBP TARGET	ACTUAL ACHIEVEMENT					
		Seasonality	4	4	4	4	Achieved	Nil	Nil	Close out reports	
	To promote tourism destinations within Ugu	Number of activities to entertain tourists developed and implemented	10	10	10	10	Achieved	Nil	Nil	Close out reports	
		Number of advertising campaigns implemented	4	4	4	4	Achieved	Nil	Nil	Close out reports	
		Number of destination strategies implemented to build, maintain and enhance the tourism brand.	100% for niche promotional and generic material	100%	100% for Ungabie Wozieto rntfi	100%	Achieved	Nil	Nil	None required	

DEPARTMENT: UGU TOURISM ENTITY											
KPA	OBJECTIVES	KEY PERFORMANCE INDICATOR	2010/2011		2011/2012		PROGRESS MADE	CHALLENGES	CORRECTIVE MEASURES	MEANS OF VERIFICATION	
			SDBP TARGET	ACTUAL ACHIEVEMENT	SDBP TARGET	ACTUAL ACHIEVEMENT					
		developed to promote the diverse spectrum of tourism products within the District.	products	100%	100%	100%	Achieved	Nil	Nil	Approval report	
		Percentage development and maintenance of the annual route guide	100%	100%	100%	100%	Achieved	Nil	Nil	Approval report	
		Number of SMEs promoted through the route guide.	20	20	16	16	Achieved	Nil	Nil	SME promotion report	
		Percentage generic	100%	100%	100%	100%	Achieved	Generic guide	Attainment of	Route guide and	

DEPARTMENT: UGU TOURISM ENTITY											
KPA	OBJECTIVES	KEY PERFORMANCE INDICATOR	2010/2011		2011/2012		PROGRESS MADE	CHALLENGES	CORRECTIVE MEASURES	MEANS OF VERIFICATION	
			SDBP TARGET	ACTUAL ACHIEVEMENT	SDBP TARGET	ACTUAL ACHIEVEMENT					
		Specialised guide and professional product produced					development that no longer endorsed by the Province.	alternative sponsor	materials		
		Frequency of updating tourism entity website to inform potential visitors of attractions and sites	weekly	weekly	weekly	weekly	Achieved	Nil	Closeout report		
		Percentage development and maintenance of members platform to market their products	100%	100%	100%	100%	Achieved	Nil	Printout of the membership platform		
		Number of seasonal events	4	4	4	4	Achieved	Nil	Close out reports		

DEPARTMENT: UGU TOURISM ENTITY											
KPA	OBJECTIVES	KEY PERFORMANCE INDICATOR	2010/2011		2011/2012		PROGRESS MADE	CHALLENGES	CORRECTIVE MEASURES	MEANS OF VERIFICATION	
			SDBP TARGET	ACTUAL ACHIEVEMENT	SDBP TARGET	ACTUAL ACHIEVEMENT					
		Number of programmes hosted	2	1	2	2	Achieved	Nil	Nil	Close out reports	
		Number of national and international accredited events hosted									
		Frequency of advancement of tourism brands within the district	Regularly	Regularly	Regularly	Regularly	Achieved	Nil	Nil	Close out reports	
		Number of events in celebration of the centenary and beyond organised	1 for Margate	1 for Margate	1 for Scottsbu	1	Achieved	Nil	Nil	Close out reports	
		Number of tourism projects implemented per local	6	6	3	3	Achieved	Nil	Nil	List of projects identified	

DEPARTMENT: UGU TOURISM ENTITY											
KPA	OBJECTIVES	KEY PERFORMANCE INDICATOR	2010/2011		2011/2012		PROGRESS MADE	CHALLENGES	CORRECTIVE MEASURES	MEANS OF VERIFICATION	
			SDBIP TARGET	ACTUAL ACHIEVEMENT	SDBIP TARGET	ACTUAL ACHIEVEMENT					
		municipality	n/a	n/a	6	2	Not achieved	Funding sourced for 2 projects at KwaXobo Cave and Route and Mtshezi Heritage Projects	Nil	Funding for the 4 projects should be considered in the next financial year.	Closeout report
		Number of projects funded through external sources	n/a	n/a	80	80	Achieved	Nil	Nil		Placement report
		Number of students as well as unemployed graduates in the hospitality industry	n/a	n/a	12	12	Achieved	Nil	Nil		Close out Reports
		Number of schools participate in the district tourism	12	12	12	12	Achieved	Nil	Nil		Close out Reports

DEPARTMENT: UGU TOURISM ENTITY											
KPA	OBJECTIVES	KEY PERFORMANCE INDICATOR	2010/2011		2011/2012		PROGRESS MADE	CHALLENGES	CORRECTIVE MEASURES	MEANS OF VERIFICATION	
			SDBIP TARGET	ACTUAL ACHIEVEMENT	SDBIP TARGET	ACTUAL ACHIEVEMENT					
		Number of schools participate in the National Travel Tourism Career Expo	6	6	6	6	Achieved	Nil	Nil	Travel and Tourism career expo report	
		Number of events to attract tourists to the hinterland organised	4	4	4	4	Achieved	Nil	Nil	4 Siphohu Arts and Heritage Festival in Umzumbe, Mafidens Ceremony in Enqondeni and Umuzwaba mtu Agricultural Show in Umuzwaba	
		Number of events to attract tourists to the hinterland organised	4	4	4	4	Achieved	Nil	Nil	4 Siphohu Arts and Heritage Festival in Umzumbe, Mafidens Ceremony in Enqondeni and Umuzwaba mtu Agricultural Show in Umuzwaba	

CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE

4.1 Organisational Development Performance

ORGANISATIONAL DEVELOPMENT PERFORMANCE – REPORT AS AT JUNE 2012

COMPONENT A	
Employee Totals	892
Staff Turnover	77
Vacancies	153
Turn-over rate based on the total number of employees occupied posts at the beginning of the year	0.08% as at June 2012 i.e. 77/892
Comment overall on the vacancies and turnover	Even though the Municipality is losing employees at the alarming rate due to different reasons, but the Municipality has not been able to fill even half of those vacancies due to financial constraints.
COMPONENT D	
Number of employees whose salaries were increased due to their position being upgraded	None.
Employees whose salary levels exceed the grade determination by job evaluation	The Municipality is not yet using the Task Salary Grading of positions thus this is not applicable to us
Employees not appointed to established posts	Not applicable
Comment on upgraded posts and those that are at variance with normal	Not applicable

KPA	OBJECTIVES	KEY PERFORMANCE INDICATOR	2010/2011		2011/2012		CORRECTIVE MEASURES	MEANS OF VERIFICATION
			SBIP TARGET	ACTUAL ACHIEVEMENT	SBIP TARGET	ACTUAL ACHIEVEMENT		
		Date Ugu Summer Music Festival organised to promote local talent	16/12/2010 010	16/12/2010 n/a)	16/12/2011 11	16/12/2011 n/a)	Nil	Close out Reports
		Number of SMME capacity building and transformation of tourism industry workshops conducted	4	4	4	4	Nil	Close out Reports and attendance registers

practice	THE DECLARATION OF INTEREST FOR THE YEAR 2011 /2012		
	THE TOTAL NUMBER OF EMPLOYEES	DECLARED	NOT DECLARED
Disclosure of financial interest	OTHER EMPLOYEES 901	861	34
	SECTION 56 7	7	0
	MANAGERS 27	27	0

4.2 Introduction To Workforce Capacity Development

Workforce development is an ongoing process to improve the level and application of skills, so as to achieve greater success for individuals and employers. It is a combination of managing, skilling and retaining the workforce.

As we all know, service delivery (whether in local government or in the corporate world) is provided through people directly and indirectly. The success, customer satisfaction, efficiency and effectiveness of any company or organisation depends primarily on the skills, abilities/competencies, knowledge, motivation and attitude of its employees.

An organisation/municipality/company must have the right people, with the right skills, in the right jobs at the right time. Unless an organisation can attract, retain, develop, manage and motivate skilled people, it will find difficulty in keeping pace with the increasing demands for high performance, improvement, efficiency and effectiveness. The people who deliver the services must be capacitated through education, training and development in order to improve performance and productivity.

Individuals, teams, organisations must be clear of the key service priorities and key performance areas. It is therefore critical that an organisation has a focussed and structured approach to its workforce development and ask these fundamental questions:

- Where is the organisation trying to get to and what workforce does it need.
- Where is the organisation now. What is the current workforce position.
- How is the organisation going to get there and what needs to be done to achieve the necessary and desired level of performance/service delivery.

This will then determine what jobs/responsibilities are required and what skills, knowledge, competencies and behaviour are needed and whether the people/staff (existing/new recruits) have the appropriate skills and attributes.

In essence, Workforce Planning is critical. This planning entails:

- Identifying the current and future skills and numbers of employees needed to deliver new and improved services
- Analysing the characteristics of the current workforce in relation to these needs
- Comparing the present workforce and the desired future workforce to highlight shortages, surpluses and competency gaps
- Looking at the organisations diversity profile at all levels against that of the future population/workforce.

The workforce plan will then set out how the organisation will recruit, support, develop and retain the employees it requires for the future to meet the changing needs and priorities.

Skills Development & Training:

Skills Development can be defined as a human resources system in which there is an integrated approach to education, development and training which meets the economic and social needs of the organisation, sector and the country and the developmental needs of the individual. It is governed by several pieces of legislation viz:

- Skills Development Act/1998: ensures that training and development are implemented in all organisations.
- Skills Development Levies Act/1999: provides a regulatory framework to address the current low level of investment in training by companies
- South African Qualifications /1995: enhances the quality of education and training and improves the overall skills of all South Africans.
- Employment Equity Act/1998: promotes equal opportunity and fair treatment in the workplace and implements affirmative action measures to redress the disadvantages of the past.

Training and development is to develop a flexible and COMPETENT workforce and it encompasses three activities:

- **Education:**
 - Directed at activities providing knowledge, moral values and understanding required in the normal course of life
 - Enhances one's ability to understand and interpret knowledge
- **Training:**
 - A planned process to modify attitude, knowledge and skills through learning experience in order to achieve effective performance
 - Develop the abilities of the individual and satisfy the current and future needs of the organisation
- **Development:**
 - A process by which individuals obtain the relevant experience and appropriate skills and attitudes to become and remain effective in an organisation and to keep abreast of new challenges in order to survive the highly competitive and developing market.

Government has developed the National Skills Development Strategy 111 (NSDS 111) which seeks to increase access to high quality and relevant education, training and skills development opportunities, including workplace learning and experience, to enable effective participation in the economy and society by all South Africans and reduce inequalities.

Skills Development Within Ugu District Municipality

The municipality has established a Training Unit within the Human Resources Section. The Unit comprises two (2) officials who are responsible for:

- co-ordination of all training and development initiatives for the municipality
- analysis of training needs in relation to the IDP
- development of the Workplace Skills Plan (WSP) and the Annual Training Report (ATR) and the submission of same to the Local Government SETA (LGSETA) by 30 June each year.

The Human Resources Development Committee comprises Councilors and Unions whose primary responsibility is to oversee training and development within the organisation and to ensure that any challenges related to skills development are addressed appropriately.

The municipality is required to set aside an annual budget of 1% of the remuneration package for the purposes of education, training and development. Bursaries for officials are also sourced from the Training Fund.

Highlights 2011/2012:

- Water & Wastewater Treatment Learnership NQF 3: 20 Process Controllers successfully completed programme
- Coaches/Mentors: two (2) officials successfully completed Mentorship Programme
- Assessors: two officials successfully completed Assessor Course and are now registered Assessors with the ETDP SETA
- Artisans (Section 28): 6 Plumbers passed Trade Test
1 Artisan Assistant passed Electrical Trade Test
- ODETDP Learnership: 3 officials successfully completed the Occupationally Directed Training and Development Programme
- MFMP Learnership: 22 officials participated in the Municipal Finance Management Programme

Expenditure:

The training of 10 Process Controllers and the ODETDP Learnership were funded by the LGSETA. The municipality was responsible for the training costs of the other learning programmes.

Challenges:

The cashflow challenges of the organisation have had negative impact on training and development as the Training Fund is only 0.42% of the salary package instead of 1%.

This has led to the Training Unit focussing primarily on the critical and scarce skills and compliance training viz. Artisans and Municipal Finance Management Programme. The Workplace Skills Plan has not been implemented as planned.

The criteria for bursaries have been very strict/rigid and this has impacted negatively on the career development of employees.

Corrective Measures:

The municipality has introduced a Finance Recovery Plan.

Minimum Competency Levels:

In terms of Section 83 (1) of the Municipal Finance Management Act 56/2003, the accounting officer, the chief financial officer, senior managers and other financial officials of a municipality must meet the prescribed financial management

competency levels that are key to the successful implementation of the Act. The National Treasury has prescribed the financial management competencies which are to be acquired by 31 December 2012.

Since the promulgation of the Minimum Competency Regulations in 2007, the municipality has made great strides/progress in the acquisition of the said competencies through institutions registered with National Treasury to offer the Municipal Finance Management Programme. To date 43 officials currently employed by the municipality have attended the programme through the Wits Business School and the University of Pretoria.

The municipality has subsequently applied for Consideration for Special Merit Cases to national Treasury to accommodate the other financial officials who have not been trained and would be affected by the deadline for the Minimum Competency Levels.

CHAPTER 5: FINANCIAL PERFORMANCE

- 2011/2012 Annual Financial Statements are attached as Annexure A

CHAPTER 6: AUDITOR-GENERAL'S FINDING'S

- Awaiting Auditor General's report

ANNUAL FINANCIAL STATEMENTS 30 JUNE 2012

UGU DISTRICT MUNICIPALITY ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2012 INDEX

NO	CONTENTS	PAGE
1	General Information and Approval of Annual Financial Statements	2
2	Members of Council	5
3	Foreword	7
4	Audit Report	9
5	Report of the Chief Financial Officer	10
6	Statement of Financial Position	20
7	Statement of Financial Performance	21
8	Statement of Changes in Net Assets	22
9	Cash Flow Statement	23
10	Budget Statement	24
11	Accounting Policies	31
12	Notes to the Annual Financial Statements	70
	Appendices:	
13	A Schedule of External Loans	138
14	B Analysis of Property, Plant and Equipment	140
15	C Segmental Analysis of Property, Plant and Equipment	143
16	D Segmental Statement of Financial Performance	144
17	E (1) Actual versus Budget (Revenue and Expenditure)	145
18	E (2) Actual versus Budget (Acquisition of Property, Plant and Equipment)	147
19	F Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act	148

UGU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
 for the year ended 30 June 2012

GENERAL INFORMATION

MAYOR Councillor N H Gumede

DEPUTY MAYOR Councillor M A Chiliza

SPEAKER Councillor S B Cele

MEMBERS OF THE EXECUTIVE COMMITTEE

Mayor
 Speaker (Ex officio)
 Councillors: S Mahomed
 J S Mbutuma
 N F Shusha

GRADING OF THE LOCAL AUTHORITY
 Grade 5

AUDITORS
 Auditor-General

PRIMARY BANKER
 Absa Bank Ltd

REGISTERED OFFICE
 Aqua House
 28 Connor Street
 Port Shepstone
 4240

Telephone: (039) 588-5700
 Facsimile: (039) 682-4820
 E-Mail: info@ugu.org.za
 Website: www.ugu.gov.za

MUNICIPAL MANAGER
 L Mahlaka

CHIEF FINANCIAL OFFICER
 Vacant

UGU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
 for the year ended 30 June 2012

GENERAL INFORMATION (continued)

OTHER MANAGERS:

Deputy Municipal Manager Vacant

General Manager: Operations Vacant

General Manager: Infrastructure & Economic Development Z Mbonane

Senior Manager: Strategy & Shared Services M J Ngesi Dr

Senior Manager: Mayoralty & Communications S Z Khuzwayo

Manager: Internal Audit A Gonzalves

Manager: Development Planning N P Sibisi

Manager: Legal Services P Sughudav

Manager: HIV & Special Projects M B Mnguni

Manager: Youth Development Frozen

Manager: Sport Development Vacant

Manager: Special Programmes H D Ngcobo

Manager: Grants & Expenditure T N Vezi

Manager: Equity & Accounts S J van Rooyen

Manager: Budget Office SP Mbili

Manager: Supply Chain Management J L Langa

General Manager: Corporate Services P P Ntebe

Manager: Secretariat, ICT & Auxiliary Services F W M Mbili

Manager: Human Resources V O Mazibuko

Manager: Local Economic Development & Tourism S V Hlongwane

Manager: Project Management Unit Projects C M Mqoboli

Manager: Project Management Unit Finance C T Wilcocks

Manager: Market Frozen

Manager: Disaster Management Vacant

Manager: Environmental Services N A Nkqeto

UGU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

GENERAL INFORMATION (continued)

OTHER MANAGERS (continued):

General Manager: Water Services M N Pawandwa
Senior Manager: Water Services Authority J van der Walt Dr
Senior Manager: Water Services Operations S P Watson
Area Manager: North L T Mwelase
Manager: Water Services Income N Mvumbi
Manager: Control Centre L H Cele
Manager: Mechanical & Electrical Vacant
Manager: Administration – Water Services D I Machintosh
Manager: Water Conservation & Demand Management P S Jokweni
Manager: Project Management Unit Projects C M Mqoboli
Manager: Fleet P B Mzele
Manager: Speaker's Office L F Mzotho
Manager: Customer Relations Z J Ntlangula

APPROVAL OF FINANCIAL STATEMENTS:

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 10 to 148, 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 2012.

L. MAHLAKA
MUNICIPAL MANAGER
31 August 2012

S. P. MBILI
ACTING CHIEF FINANCIAL OFFICER
31 August 2012

COUNTER SIGNED

UGU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

MEMBERS OF COUNCIL

COUNCILLORS	PROPORTIONAL COUNCILLORS
N F Shusha	ANC
T M Cele	ANC
N Y Dlamini	ANC
M B Gavu	ANC
S T Gumede	ANC
J P Janse van Vuuren	ANC
S A Khawula	ANC
N A Madiala	ANC
K B M Mbele	ANC
N P Mpanza	ANC
L N Myende	ANC
Y Nair	ANC
D H Njoko	ANC
M P L Zungu	ANC
G D Henderson	DA
J M Diele	IFP
B E Machi	IFP
M P Mfeshane	IFP
Y L Duma	NFP
Z A Mhlongo	NFP
F B Shezi	NFP
S B Cele	ANC
N H Gumede	ANC
M A Chiliza	ANC
S M Mahomed	ANC
I M Mavundla	ANC
E M Bux	ANC
M G Sonwabo	ANC
T N Dzingwa	ANC
M A Manyoni	ANC
N N Boyce	ANC
D Snashall	DA
S G Nyawuza Dr	IFP
J S Mbutuma	NFP
S M Zuma	NFP

UGU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

MEMBERS OF COUNCIL (continued)

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
31 August 2012

UGU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

FOREWORD

Ugu District Municipality is guided by legislation and conforms to the provisions enshrined in the Municipal Finance Management Act on how to spend the public funds. The current Annual Financial Statements are compiled at the right juncture where Ugu District Municipal Council has been in its office for a year since its inauguration in June 2011.

The achieved service delivery milestones during this period, is attributed to a coherent collective political and administrative leadership. In addition to our collective efforts, in his 2012 State of the Nation Address (SONA), President Zuma highlighted the following challenges: unemployment, poverty and economic inequality. These are challenges that still persist despite the progress made in 2011. Ugu District Municipal Council leadership is proud to have responded to infrastructural challenges that were experienced by the communities within its area of jurisdiction.

Taking stock on our annual performance progress since the evolution of local government, we have continued to deliver services in an effective, efficient and sustainable manner. Our general public and rural communities, in particular, have benefited through the provision of portable water and sanitation infrastructure. This contribution is towards the alleviation of poverty through maximising our efforts of a developmental state, which is delivering services to its people in an accountable and sustainable manner.

Ugu District Municipal Council has rolled out massive infrastructural projects across its family of municipalities during the current term of office. These projects include: Thovana Water Scheme in Vulamehlo, upgrading of bulk water in Kwanyuswa and extending reticulation, Nomakhazana Water scheme in Umzumbi, Umzimkhulu Off Storage Dam, Waterborne project for Park Ryne in Umdoni and Umuziwabantu Phase 1 and 2. Moreover, we are busy planning phase three (3) of this massive project.

Regarding the provision of Ventilated Improved Pit Latrines (VIPs), a total of sixteen thousand (16 000) units are targeted, covering the whole area of the district. In that regard, we are attempting to clear the backlogs in Eziqieni and Umdoni Municipalities, hence we are at 60% towards clearing rural sanitation backlog. We envisage meeting a target of 100% before the end of December 2012. We have also continued to collect accolades of the national award for a Blue Drop Status in our three (3) water treatment plants. These awards confirmed our commitment to the provision of excellent service to our communities through the provision of quality, clean and safe water.

It is worth noting that these achievements were accomplished despite the cash flow challenges that the organisation has endured. The Auditor-General's scrutiny of the organisations' books for 2011/012 financial year did not find extreme financial mismanagement oddities. The Auditor-General, however, identified a number of issues for urgent consideration by the Municipality.

In conclusion, the 2011/12 financial year would not have been successful without adherence to stringent and tight financial management control measures that have been put in place by the political and administrative leadership.

UGU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
 for the year ended 30 June 2012

FOREWORD (Continued)

Lastly, I would like to convey my sincere words of gratitude to all our community development partners, our staff, the captains of business industry and the public at large, for the role that they have played towards the realisation of the organisational aims and objectives.

We are proud to serve and we will continue to strive for a prosperous future of our district citizens.

COUNCILLOR N.H. GUMEDE
MAYOR
 31 August 2012

UGU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
 for the year ended 30 June 30/12

AUDIT REPORT

The 2011/12 Audit Report was not available when the Annual Financial Statements were approved and will be attached hereto as Annexure "A" when received after the completion of the statutory audit.

UGU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
 for the year ended 30 June 2012

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 2012 and the results of its operations and cash flows for the year then ended.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2011/12 financial period is set out in Directive 4 and Directive 5 issued by the ASB on 11 March 2009.

The Statement of Financial Position at 30 June 2012 indicates an increase in Net Assets, and an increase in both Non-current Liabilities and Current Liabilities.

The increase in Net Assets is ascribed primarily to the increase in Accumulated Surplus as a result of the surplus generated on the operating account. The decrease in Non-current Liabilities is primarily as a result of the repayment of External Loans. There is a slight decrease in Current 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.

2.1 Financial Statement Ratios:

INDICATOR	2012	2011
Surplus / (Deficit) before Appropriations	165 525 985	101 158 380
Surplus / (Deficit) at the end of the Year	1 544 761 494	1 379 235 509
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	29.33%	29.52%
Remuneration of Councillors	0.91%	0.63%
Collection Costs	(0.00)%	0.00%
Depreciation and Amortisation	7.31%	6.57%
Impairment Losses	6.03%	3.72%
Repairs and Maintenance	2.28%	2.92%
Interest Paid	2.80%	2.50%
Bulk Purchases	4.45%	4.25%
Contracted Services	2.50%	2.25%
Grants and Subsidies Paid	21.67%	19.47%
General Expenses	23.15%	27.67%
Current Ratio:		
Trade Creditors Days	132	127
Debtors from Exchange Transactions Days	53	61

2.2 Performance Indicators:

INDICATOR	2012	2011
Borrowing Management:		
Capital Charges to Operating Expenditure	4.39%	7.56%
Capital Charges to Own Revenue	8.23%	14.86%
Borrowed Funding to Own Capital Expenditure	0.00%	8.79%
Borrowing to Total Capital Assets	10.16%	11.86%
Safety of Capital:		
Gearing	12.82%	15.61%
Liquidity:		
Current Ratio	0.44	0.40
Liquidity Ratio	0.17	0.13
Capital Expenditure Management:		
Capital Expenditure on Infrastructure to Total Capital Expenditure	95.37%	86.81%
Capital Funding from Borrowings to Capital Grants, Subsidies & Donations	0.00%	52.64%
Revenue Management:		
Current Debtors Collection Rate	78.75%	84.81%
Outstanding Debtors to Revenue	10.51%	7.94%
Creditors Management:		
Creditors to Cash and Investments	305.61%	361.33%
Financial Viability:		
Debt Coverage	23.09	9.12
Outstanding Service Debtors to Revenue	21.63%	18.57%
Cost Coverage	0.07	0.06

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 2012 are as follows:

DETAILS	Actual 2011/12 R	Actual 2010/11 R	Percentage Variance %	Budgeted 2011/12 R	Variance actual/ budgeted %
Revenue:					
Opening surplus / (deficit)	665 637 635	247 083 049	189.40	-	100.00
Operating revenue for the year	936 395 486	850 642 115	10.08	762 666 855	22.78
Appropriations for the year	(186 778 557)	(93 849 074)	99.02	-	100.00
	1 415 254 563	1 003 876 091	40.98	762 666 855	85.57
Expenditure:					
Operating expenditure for the year	770 869 500	749 483 735	2.85	762 658 524	1.08
Sundry transfers	-	(411 245 279)	(100.00)	-	-
Closing surplus / (deficit)	644 385 053	665 537 635	(3.19)	8 330	7 735 243.60
	1 415 254 563	1 003 876 091	40.98	762 666 855	85.57

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 2011/12 R	Actual 2010/11 R	Percentage Variance %	Budgeted 2011/12 R	Variance actual/ budgeted %
Revenue	191 873 814	218 541 748	(12.20)	244 924 318	(21.66)
Expenditure	177 612 681	197 541 054	(10.09)	218 197 063	(18.60)
Surplus / (Deficit)	14 261 134	21 000 694	(32.06)	26 727 256	(46.64)
Surplus / (Deficit) as % of total income	7.43%	9.61%		10.91%	

Variance from 2010/11 actual:

The 12.20% decrease on last year's actual revenue is primarily as a result of the decrease in the Investment Income and a reduction on Internal Recoveries. The 10.09% decrease on last year's actual expenditure is primarily as a result of the moratorium that resulted in reduction in Employee Related Costs; other cost cutting initiatives and a reduction in Internal Charges.

Variance from 2011/12 budget:

The 21.66% decrease on the reporting year's budget is primarily as a result of internal recoveries being lower than anticipated due to curtailment of expenditure and Rental of Facilities were lower than budgeted for. The 18.60% decrease on the reporting year's budget is primarily as a result of curtailment of expenditure due to cash flow constraints.

3.2 Economic Services:

These services entail essentially the construction, operation and maintenance of sanitation schemes within the area of jurisdiction of the municipality.

DETAILS	Actual 2011/12 R	Actual 2010/11 R	Percentage Variance %	Budgeted 2011/12 R	Variance actual/budgeted %
Revenue	95 025 050	98 460 982	(3.49)	95 424 426	(0.42)
Expenditure	72 377 823	71 951 812	0.58	78 929 943	(8.30)
Surplus / (Deficit)	22 647 227	26 498 171	(14.54)	16 494 485	37.30
Surplus / (Deficit) as % of total income	23.83%	26.91%		17.29%	

Variance from 2010/11 actual:

The 3.49% decrease on last year's actual revenue is primarily as a result of the decrease in the Public Contributions utilised to fund capital expenditure. The 0.58% increase on last year's actual expenditure is as a result of increased Employee Related Cost.

Variance from 2011/12 budget:

The 0.42% decrease on the reporting year's budget is primarily as a result of an under collection on Service Charges. The 8.30% decrease on the reporting year's budget is primarily as a result of curtailment of expenditure due to cash flow constraints.

3.3 Trading Services:

These services entail the construction, operation and maintenance of all water schemes located within the area of jurisdiction of the municipality.

Water is bought in bulk from Limpopo Water Board and eThekweni Municipality and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R34 327 836 (2011: R31 639 355). Tariffs levied for water are subject to administered adjustments.

DETAILS	Actual 2011/12 R	Actual 2010/11 R	Percentage Variance %	Budgeted 2011/12 R	Variance actual/budgeted %
Revenue	649 496 621	533 639 385	21.71	422 318 106	53.79
Expenditure	520 878 097	479 890 869	8.52	465 531 519	11.89
Surplus / (Deficit)	128 617 524	53 658 516	139.70	(43 213 410)	(397.63)
Surplus / (Deficit) as % of total income	19.80%	10.08%		(10.23)%	

Variance from 2010/11 actual:

The 21.71% increase on last year's actual revenue is primarily as a result of Conditional Grants being released in revenue and increase in Service Charges. The 8.52% increase on last year's actual expenditure is primarily as a result of increases in Employee Related Cost, Repairs & Maintenance and Contracted Services.

Variance from 2011/12 budget:

The 53.79% increase on the reporting year's budget is primarily as a result of grants spent on capital programmes not included in the revenue budget. The 11.89% increase on the reporting year's budget is primarily as a result of depreciation and impairment charges under budgeted for.

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Assets during the year amounted to R190 532 382 (2011: R209 024 687). Full details of Assets are disclosed in Notes 9, 10, WA and Appendices B, C and E (2) to the Annual Financial Statements.

The capital expenditure of R190 532 382 was financed as follows:

DETAILS	Actual 2011/12 R	Actual 2010/11 R	Percentage Variance %	Budgeted 2011/12 R	Variance actual/budgeted %
Capital Replacement Reserve	7 380 704	32 058 631	(76.98)	4 583 122	61.04
External Loans	-	61 190 921	(100.00)	35 443 400	(100.00)
Grants and Subsidies	183 151 688	104 524 915	75.22	295 065 695	(37.93)
Public Contributions	-	11 280 219	(100.00)	-	-
	190 532 382	209 024 687	(8.85)	335 092 217	(43.14)

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2012	2011
Capital Replacement Reserve	3.87%	15.34%
External Loans	-	29.27%
Grants and Subsidies	96.13%	50.01%
Public Contributions	-	5.38%
	100.00%	100.00%

Capital Assets are 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	2012	2011
Variance per Category:		
Budgeted surplus before appropriations	8 330	
Revenue variances	173 728 631	82 318 505
Expenditure variances:		
Employee Related Costs	17 580 425	(164 895)
Remuneration of Councillors	(43 957)	7 516
Collection Costs	20 412	14 588
Depreciation and Amortisation	(6 584 062)	(3 254 269)
Impairment Losses	(37 204 598)	(20 520 418)
Repairs and Maintenance	7 852 097	13 614 492
Interest Paid	186 087	(5 580 956)
Bulk Purchases	2 278 476	2 188 285
Contracted Services	2 063 370	4 484 237
Grants and Subsidies Paid	(53 275 010)	(16 557 812)
General Expenses	58 925 783	44 609 108
Loss on disposal of Property, Plant and Equipment	-	-
Actual surplus before appropriations	165 525 985	101 158 380

DETAILS	2012	2011
Variance per Service Segment:		
Budgeted surplus before appropriations	8 330	
Expenditure and Council	(6 828 957)	(8 972 074)
Finance and Administration	(22 845 190)	14 444 364
Public Safety	4 269 779	379 480
Sport and Recreation	262 594	-
Environmental Protection	1 479 382	560 095
Waste Management	6 152 742	24 698 575
Water	171 830 935	52 776 763
Other	10 196 369	7 251 178
Actual surplus before appropriations	165 525 985	101 158 380

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

5.2 Capital Budget:

DETAILS	Actual 2011/12		Actual 2010/11		Variance actual 2011/12 / 2010/11		Budgeted 2011/12		Variance actual/ budgeted	
	R		R		R		R		R	
Executive and Council	637 852		322 706		314 945		3 418 227		(2 780 575)	
Finance and Administration	5 471 954		584 478		4 887 485		1 164 895		4 307 089	
Planning and Development	147 708 347		356 212		147 352 134		-		147 708 347	
Community and Social Services	-		2 572 567		(2 572 567)		-		-	
Public Safety	-		611 286		(611 286)		-		(16 659 000)	
Sport and Recreation	76 793		2 206 605		(2 129 813)		16 659 000		78 793	
Environmental Protection	-		3 649		(3 649)		-		-	
Waste Management	3 980 224		17 843 873		(13 863 649)		59 552 000		(55 571 776)	
Roads and Transport	-		55 960 691		(55 960 691)		-		-	
Water	32 657 412		87 273 295		(54 615 883)		254 307 095		(221 649 693)	
Electricity	-		35 190 328		(35 190 328)		-		-	
Other	-		2 855 458		(2 855 458)		-		-	
	190 532 392		205 801 148		(15 268 756)		335 092 217		(144 559 825)	

Details of the results per segmental classification of capital expenditure are included in Appendix "C", together with a cryptic explanation of significant variances of more than 10% from budget, are included in Appendix "E (2)".

6. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2012 amounted to R1 544 761 484 (30 June 2011: R1 379 235 509) and is made up as follows:

Capital Replacement Reserve	144 924
Capitalisation Reserve	35 143 482
Donations and Public Contributions Reserve	21 326 447
Government Grants Reserve	843 759 577
Accumulated Surplus	1 544 761 484

The Capital Replacement Reserve replaces the previous statutory funds, like the Capital Development Fund, and is a cash-backed 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 is utilised to offset the cost of depreciation of assets funded from Internal Advances (not applicable anymore) over the lifespan of such assets.

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

The Government Grants Reserves are utilised to offset the cost of depreciation of assets funded from Government Grants over the lifespan of such assets. Amounts equal to the cost of assets acquired from Government Grants 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 Note 22 for more detail.

7. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2012 was R198 080 426 (30 June 2011: R215 249 080).

Loans to the amount of R0 (2010/11: R8 159 317) was taken up during the financial year to enable the municipality to finance part of its capital requirements for the year.

Refer to Note 19 and Appendix "A" for more detail.

8. RETIREMENT BENEFIT LIABILITIES

The outstanding amount of Retirement Benefit Liabilities as at 30 June 2012 was R18 959 976 (30 June 2011: R22 123 367).

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 20 for more detail.

9. NON-CURRENT PROVISIONS

Non-current Provisions amounted R9 055 346 as at 30 June 2012 (30 June 2011: R7 892 532) and is made up as follows:

Provision for Long-term Service	9 055 346
	<u>9 055 346</u>

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

Refer to Note 21 for more detail.

10. CURRENT LIABILITIES

Current Liabilities amounted R320 053 288 as at 30 June 2012 (30 June 2011: R320 373 629) and is made up as follows:

Consumer Deposits	18 750 162
Provisions	2 165 513
Payables	168 993 130
Unspent Conditional Grants and Receipts	117 660 014
Bank Overdraft	7 183
Current Portion of Long-term Liabilities	14 417 285
	<u>320 053 288</u>

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). Given the cash flow constraints, every endeavour will be made to meet its obligations.

Refer to the indicated Notes for more detail.

11. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R1 936 395 264 as at 30 June 2012 (30 June 2011: R1 801 766 306).

Refer to Note 9 and Appendices "B, C and E (2)" for more detail.

12. INTANGIBLE ASSETS

The net value of Intangible Assets were R12 914 196 as at 30 June 2012 (30 June 2011: R13 683 891).

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

Refer to Note 10 and Appendix "B" for more detail.

13. NON-CURRENT INVESTMENTS

Non-current Investments to the value of R100 as at 30 June 2012 (30 June 2011: R100) are made up as follows:

Investment in Municipal Entities	100
	<u>100</u>
Less: Short-term portion included in Current Assets	
	<u>100</u>

Refer to Note 12 for more detail.

14. LONG-TERM RECEIVABLES

Long-term Receivables of R9 562 as at 30 June 2012 (30 June 2011: R26 248) are made up as follows:

Reconciliation Loans	11 897
Sundry Loans	11 093
	<u>22 990</u>
Less: Short-term portion included in Current Assets	13 427
	<u>9 562</u>

Refer to Note 13 for more detail.

15. CURRENT ASSETS

Current Assets amounted R141 591 405 as at 30 June 2012 (30 June 2011: R129 387 573) and is made up as follows:

Inventories	6 859 936
Receivables from Exchange Transactions	43 381 923
Receivables from Non-exchange Transactions	24 684 684
VAT Receivable	9 908 578
Cash and Cash Equivalents	54 642 857
Current Portion of Long-term Receivables	13 427
	<u>141 591 405</u>

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.

16. 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 17 and 23, and Appendix "F" for more detail.

17. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 56.

18. EXPRESSION OF APPRECIATION

Whilst this has been a very testing year, I am grateful to the Mayor, Deputy Mayor, Speaker, members of the Executive Committee, Councilors, 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

31 August 2012

**UGU DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012**

	Note	2012 R	2011 R
ASSETS			
Current Assets		141 591 405	129 387 573
Inventories	2	8 959 936	7 217 725
Non-current Assets Held-for-Sale	3	0	1 054 544
Receivables from Exchange Transactions	4	43 381 923	39 837 104
Receivables from Non-exchange Transactions	5	24 684 684	8 124 555
VAT Receivable	6	9 908 578	31 430 291
Cash and Cash Equivalents	7	54 642 857	41 709 927
Current Portion of Long-term Receivables	13	13 427	13 427
Non-Current Assets		1 949 319 124	1 815 486 544
Property, Plant and Equipment	9	1 936 395 264	1 801 766 306
Intangible Assets	10	12 914 198	13 693 891
Non-current Investments	12	100	100
Long-term Receivables	13	9 562	26 248
Total Assets		2 090 910 530	1 944 874 117
LIABILITIES			
Current Liabilities		320 053 288	320 373 629
Consumer Deposits	14	18 790 162	18 266 771
Provisions	15	2 165 513	2 911 578
Payables	16	166 993 130	150 709 826
Unspent Conditional Grants and Receipts	17	117 680 014	135 622 619
Operating Lease Liabilities	18	-	-
Bank Overdraft	7	7 183	-
Current Portion of Long-term Liabilities	19	14 417 285	12 662 836
Non-Current Liabilities		226 095 747	245 264 979
Long-term Liabilities	19	198 080 426	215 249 080
Retirement Benefit Liabilities	20	18 959 976	22 123 367
Non-current Provisions	21	9 055 346	7 892 532
Total Liabilities		546 149 035	565 638 608
Total Assets and Liabilities		1 544 761 494	1 379 235 509
NET ASSETS		1 544 761 494	1 379 235 509
Accumulated Surplus	22	1 544 761 494	1 379 235 509
Total Net Assets		1 544 761 494	1 379 235 509

UGU DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 R	2011 R
REVENUE			
Revenue from Non-exchange Transactions			
Government Grants and Subsidiaries Received	23	525 244 320	450 363 859
Public Contributions and Donations	24	250 000	19 186 143
Revenue from Exchange Transactions			
Service Charges	25	297 466 286	240 280 488
Rental of Facilities and Equipment	26	580 219	955 738
Interest Earned - External Investments	27	2 183 303	6 161 362
Interest Earned - Outstanding Debtors	27	16 758 750	17 071 412
Other Revenue	28	93 850 348	115 798 262
Gains on Disposal of Property, Plant and Equipment		62 259	824 851
Total Revenue		936 395 486	850 642 115
EXPENDITURE			
Employee Related Costs	29	226 101 360	221 280 163
Remuneration of Councilors	30	7 046 209	6 191 830
Collection Costs		(20 412)	20 412
Depreciation and Amortisation	31	56 373 246	49 236 092
Impairment Losses	32	46 484 175	27 900 418
Repairs and Maintenance		17 574 573	21 873 851
Finance Costs	33	18 222 670	20 977 578
Bulk Purchases	34	34 327 836	31 839 355
Contracted Services	35	19 266 484	16 883 563
Grants and Subsidiaries Paid	36	167 060 083	145 916 321
General Expenses	37	178 433 268	207 364 151
Loss on Disposal of Property, Plant and Equipment			
Total Expenditure		770 869 500	749 483 735
SURPLUS / (DEFICIT) FOR THE YEAR		165 525 985	101 158 380

Refer to Appendix E(1) for explanation of budget variances

UGU DISTRICT MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012

Description	Revaluation Reserve R	Total for Accumulated Surplus/(Deficit) Account R	Total R
2011			
Balance at 30 June 2010	-	866 831 850	866 831 850
Change in Accounting Policy (Note 39)	-	-	-
Correction of Error (Note 40)	-	411 245 279	411 245 279
Restated Balance	-	1 278 077 129	1 278 077 129
Surplus / (Deficit) for the year	-	101 158 380	101 158 380
Contributions to Funds and Reserves	-	-	-
Interest allocated to Funds and Reserves	-	-	-
Donated / Contributed PPE	-	-	-
Grants utilised to obtain PPE	-	-	-
Funds and Reserves utilised to finance PPE	-	-	-
Asset disposals	-	-	-
Offsetting of Depreciation	-	-	-
Balance at 30 June 2011	-	1 379 235 509	1 379 235 509
2012			
Change in Accounting Policy (Note 39)	-	-	-
Correction of Error (Note 40)	-	-	-
Restated Balance	-	1 379 235 509	1 379 235 509
Surplus / (Deficit) for the year	-	165 525 985	165 525 985
Contributions to Funds and Reserves	-	-	-
Interest allocated to Funds and Reserves	-	-	-
Donated / Contributed PPE	-	-	-
Grants utilised to obtain PPE	-	-	-
Funds and Reserves utilised to finance PPE	-	-	-
Asset disposals	-	-	-
Offsetting of Depreciation	-	-	-
Balance at 30 June 2012	-	1 544 761 494	1 544 761 494

Details on the movement of the Funds and Reserves are set out in Note 22.

UGU DISTRICT MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012	2011
		R	R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Grants	23	547 962 357	493 489 757
Public Contributions and Donations	24	(4 525 433)	26 018 621
Service Charges	25	247 437 293	218 509 272
Interest Received	27	2 183 303	6 161 362
Other Receipts		80 327 951	17 779 306
Payments			
Employee Related Costs	29	(228 848 002)	(218 028 429)
Remuneration of Councilors	30	(7 046 209)	(6 191 830)
Interest Paid	33	(18 222 670)	(20 977 578)
Suppliers Paid		(54 885 888)	(42 839 839)
Other Payments		(345 699 483)	(346 275 653)
NET CASH FLOWS FROM OPERATING ACTIVITIES		218 663 519	127 644 888
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	9	(187 443 724)	(209 024 687)
Purchase of Intangible Assets	10	(3 088 666)	(3 167 704)
Proceeds on Disposal of Property, Plant and Equipment		372 139	969 795
Decrease / (increase) in Long-term Receivables	13	16 685	2 541
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		(190 143 667)	(211 220 055)
CASH FLOWS FROM FINANCING ACTIVITIES			
New Loans raised	19	-	8 199 317
Loans repaid	19	(15 614 206)	(35 646 440)
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		(15 614 206)	(27 447 124)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	7	12 925 746	(111 022 291)
Cash and Cash Equivalents at the beginning of the year		41 709 927	152 732 218
Cash and Cash Equivalents at the end of the year		54 635 674	41 709 927

UGU DISTRICT MUNICIPALITY
BUDGET STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

Description	30 June 2012		Virement
	Original Total Budget	Budget Adjustments	
	R	R	R
FINANCIAL POSITION			
Current Assets			
Inventory	7 826 487	-	-
Receivables from Exchange Transactions	53 248 755	(10 000 000)	-
Receivables from Non-exchange Transactions	24 154 410	(15 500 000)	-
VAT Receivable	-	-	-
Bank, Cash and Cash Equivalents	13 311 003	9 000 000	-
Current Portion of Long-term Receivables	7 482	-	-
Non-Current Assets			
Property, Plant and Equipment	1 334 122 843	(35 535 758)	-
Intangible Assets	14 265 000	-	-
Non-current Investments	-	-	-
Long-term Receivables	23 756	-	-
Total Assets	1 446 869 736	(52 035 758)	
Current Liabilities			
Consumer Deposits	18 206 034	775 771	-
Provisions	1 938 268	2 025 578	-
Payables	132 384 750	(15 000 000)	-
Unspent Conditional Grants and Receipts	115 720 930	(10 000 000)	-
Bank Overdraft	-	-	-
Current Portion of Long-term Liabilities	9 398 550	-	-
Non-Current Liabilities			
Long-term Liabilities	235 433 050	-	-
Retirement Benefit Liabilities	27 086 577	-	-
Non-current Provisions	5 401 200	-	-
Total Liabilities	545 569 358	(22 198 651)	
Total Assets and Liabilities	901 390 377	(29 837 107)	
Net Assets (Equity)	901 390 377	(29 837 107)	
Accumulated Surplus / (Deficit)			
Total Net Assets	901 390 377	(29 837 107)	

T MUNICIPALITY
THE YEAR ENDED 30 JUNE 2012

	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R
-	7 826 487	8 959 936	-	1 133 449	114.48	114.48
-	43 248 755	43 381 923	-	133 168	100.31	81.47
-	8 654 410	24 684 684	-	16 030 274	285.23	102.20
-	-	9 908 578	-	9 908 578	0.00	0.00
-	22 311 003	54 642 857	-	32 331 854	244.91	410.51
-	7 482	13 427	-	5 946	179.47	179.47
-	1 298 567 085	1 936 395 264	-	637 808 179	149.12	145.14
-	14 265 000	12 914 198	-	(1 350 802)	90.53	90.53
-	-	100	-	100	0.00	0.00
-	23 756	9 562	-	(14 193)	40.25	40.25
-	1 394 923 978	2 090 910 530	-	695 986 552	149.89	144.50
-	18 981 805	18 790 162	-	(191 643)	98.99	103.21
-	3 963 846	2 165 513	-	(1 798 332)	54.63	111.72
-	117 384 750	166 993 130	-	49 608 380	142.26	126.14
-	105 720 930	117 680 014	-	11 959 084	111.31	101.69
-	-	7 183	-	7 183	0.00	0.00
-	9 398 550	14 417 285	-	5 018 735	153.40	153.40
-	235 433 050	198 080 426	-	(37 352 624)	84.13	84.13
-	27 086 577	18 959 976	-	(8 126 601)	70.00	70.00
-	5 401 200	9 055 346	-	3 654 146	167.65	167.65
-	523 370 707	546 149 035	-	22 778 328	104.35	100.11
-	871 553 270	1 544 761 494	-	673 208 224	177.24	171.38
-	871 553 270	1 544 761 494	-	673 208 224	177.24	171.38
-	871 553 270	1 544 761 494	-	673 208 224	177.24	171.38

FINANCIAL PERFORMANCE			
Revenue from Non-exchange Transactions			
Government Grants and Subsidies Received	284 789 165		25 190 832
Public Contributions and Donations	-		-
Revenue from Exchange Transactions			
Service Charges	391 113 539		(78 532 601)
Rental of Facilities and Equipment	1 223 602		(131 497)
Interest Earned - External Investments	10 993 000		(8 963 000)
Interest Earned - Outstanding Debtors	1 244 040		-
Other Income	157 313 880		(21 544 105)
Gains on Disposal of Property, Plant and Equipment	-		-
Total Revenue	846 667 225		(84 000 371)
Expenditure			
Employee Related Costs	269 299 701		(25 617 915)
Remuneration of Councillors	7 002 252		-
Collection Costs	-		-
Depreciation and Amortisation	49 779 184		-
Impairment Losses	9 279 577		-
Repairs and Maintenance	41 598 539		(16 171 870)
Finance Costs	14 488 909		3 939 848
Bulk Purchases	39 000 000		(2 393 889)
Contracted Services	25 741 312		(4 411 458)
Grants and Subsidies Paid	106 422 000		7 363 082
General Expenses	270 062 148		(32 703 096)
Loss on Disposal of Property, Plant and Equipment	-		-
Total Expenditure	832 653 621		(69 995 097)
Surplus/(Deficit)	14 013 604		(14 005 274)
Transfers Recognised - Capital	-		-
Surplus/(Deficit) after Capital Transfers and	14 013 604		(14 005 274)
Surplus/(Deficit) for the Year	14 013 604		(14 005 274)
CAPITAL EXPENDITURE PER FUNCTION			
Executive and Council	486 853		2 931 374
Finance and Administration	1 566 968		(402 073)
Planning and Development	259 965		(259 965)
Community and Social Services	9 266 339		(9 266 339)
Public Safety	1 119 600		15 530 400
Sport and Recreation	27 158 357		(27 158 357)
Environmental Protection	3 000		(3 000)
Waste Management	15 317 236		44 234 764
Roads and Transport	86 223 155		(86 223 155)
Water	83 133 207		171 173 888
Electricity	24 031 761		(24 031 761)
Other	900		(900)
Total Sources of Capital Funds	248 567 341		86 524 876

309 979 997	335 011 911	25 031 913	108.08	117.64
-	250 000	0.00	0.00	0.00
312 580 938	297 466 286	(15 114 652)	95.16	76.06
1 092 105	580 219	(511 886)	53.13	47.42
2 000 000	2 183 303	183 303	109.17	19.88
1 244 040	16 758 750	15 514 710	1 347.12	1 347.12
135 769 775	93 850 348	(41 919 427)	69.12	59.66
-	62 259	62 259	0.00	0.00
762 666 855	746 163 077	(16 503 778)	97.84	88.13
243 681 766	226 101 360	(17 580 425)	92.79	83.96
7 002 252	7 046 209	43 957	100.63	100.63
-	(20 412)	(20 412)	0.00	0.00
49 779 184	56 373 246	6 594 062	113.25	113.25
9 279 577	46 484 175	37 204 598	500.93	500.93
25 426 670	17 574 573	(7 852 097)	69.12	42.25
18 408 757	18 222 670	(186 087)	98.99	125.94
36 606 311	34 327 836	(2 278 476)	93.78	88.02
21 329 854	19 266 484	(2 063 370)	90.33	74.85
113 785 082	167 060 093	53 275 010	146.82	156.98
237 359 052	176 433 268	(58 925 783)	75.17	66.07
-	-	-	0.00	0.00
762 658 524	770 659 500	8 210 976	101.08	92.58
8 330	(24 706 424)	(24 714 754)	0.00	0.00
-	190 232 409	190 232 409	0.00	0.00
8 330	165 525 985	165 517 655	1 987 011.25	1 181.18
8 330	165 525 985	165 517 655	1 987 011.25	1 181.18
3 418 227	637 652	(2 780 575)	18.65	130.97
1 164 895	5 471 964	4 307 069	469.74	349.21
-	147 708 347	147 708 347	0.00	56 818.55
16 650 000	-	(16 650 000)	0.00	0.00
-	76 793	76 793	0.00	0.28
59 552 000	3 980 224	(55 571 776)	6.68	25.99
254 307 095	32 657 412	(221 649 683)	12.84	39.28
-	-	-	0.00	0.00
-	-	-	0.00	0.00
335 092 217	190 532 392	(144 559 825)	56.86	76.65

CASH FLOW				
Cash Flows from/(used in) Operating Activities				
Grants			464 394 777	45 879 223
Public Contributions and Donations			-	-
Service Charges			367 500 105	(77 337 334)
Interest Received			17 858 861	(15 858 861)
Other Receipts			867 510	(152 130)
Employee Related Costs			-	-
Remuneration of Councillors			(13 889 016)	(4 519 757)
Interest Paid			(359 955 225)	(41 769 000)
Suppliers Paid			-	(115 585 082)
Other Payments			-	-
Cash Flows from/(used in) Investing Activities			(331 497 600)	96 933 600
Purchase of Property, Plant and Equipment			-	-
Purchase of Intangible Assets			-	-
Proceeds on Disposal of Property, Plant and Equipment			(63 000 000)	63 000 000
Decrease / (Increase) in Non-current Investments			5 040	-
Decrease / (Increase) in Long-term Receivables			-	-
Cash Flows from/(used in) Financing Activities			13 292 475	(13 292 475)
New Loans raised			(1 287 697)	(15 269 075)
Loans repaid			-	-
Cash and Cash Equivalents at End of the Year			94 289 230	(77 970 891)

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclose

Proper procedures to budget for Financial Position have not been developed and implemented. Furthermore,

Financial Performance: Explanation of Variances between Approved Budget and Actual

For reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disc

Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual

For reasons for Variances greater than 10% between Approved Budget and Actual Amount, please refer to Annexure

Cash Flow: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclose

Proper procedures to budget for Cash Flow have not been developed and implemented. Furthermore, the sys

Item	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R
8 281 997	7 217 725	-	(1 064 272)	87.15	91.51	
-	1 054 544	0.00	1 054 544	0.00	0.00	
61 910 000	39 837 104	64.35	(22 072 896)	64.35	70.87	
99 105 196	8 124 555	8.20	(90 980 641)	8.20	8.20	
-	31 430 291	0.00	31 430 291	0.00	0.00	
137 033 136	41 709 927	30.44	(95 323 208)	30.44	31.48	
7 917	13 427	169.60	5 510	169.60	178.08	
892 128 146	1 801 766 306	201.96	909 638 160	201.96	215.56	
7 975 511	13 693 891	171.70	5 718 380	171.70	180.28	
13 776 686	100	0.00	(13 776 586)	0.00	0.00	
82 625	26 248	31.77	(56 377)	31.77	33.36	
1 220 301 213	1 944 874 117	159.38	724 572 905	159.38	166.63	
19 265 644	18 266 771	94.82	(998 873)	94.82	99.56	
2 051 077	2 911 578	141.96	860 501	141.96	149.05	
111 794 550	150 709 826	134.81	38 915 276	134.81	141.55	
100 686 600	135 622 619	134.70	34 936 019	134.70	141.43	
8 950 723	12 862 836	143.71	3 912 112	143.71	158.08	
109 470 000	215 249 080	196.63	105 779 080	196.63	168.75	
25 796 740	22 123 367	85.76	(3 673 373)	85.76	93.02	
5 144 000	7 892 532	153.43	2 748 532	153.43	153.72	
383 159 334	565 638 608	147.62	182 479 274	147.62	146.06	
837 141 879	1 379 235 509	164.76	542 093 631	164.76	180.12	
837 141 879	1 379 235 509	164.76	542 093 631	164.76	180.12	
837 141 879	1 379 235 509	164.76	542 093 631	164.76	180.12	

FINANCIAL PERFORMANCE				
Revenue from Non-exchange Transactions				
Government Grants and Subsidies Received				
Public Contributions and Donations		257 525 398		3 667 680
Revenue from Exchange Transactions				
Service Charges	348 386 248			
Rental of Facilities and Equipment	993 972			
Interest Earned - External Investments	7 983 000			
Interest Earned - Outstanding Debtors	1 199 899			
Other Revenue	162 619 032			(14 051 618)
Gains on Disposal of Property, Plant and Equipment				
Total Revenue	778 707 548		(10 383 938)	
Expenditure				
Employee Related Costs	220 473 077			642 191
Remuneration of Councillors	7 665 424			(1 466 078)
Collection Costs	35 000			
Depreciation and Amortisation	48 799 109			(2 827 286)
Impairment Losses	7 380 000			
Repairs and Maintenance	35 488 343			
Finance Costs	19 503 072			(4 106 450)
Bulk Purchases	29 037 640			5 000 000
Contracted Services	21 367 800			
Grants and Subsidies Paid	118 679 132			10 679 377
General Expenses	270 278 951			(18 305 692)
Loss on Disposal of Property, Plant and Equipment				
Total Expenditure	778 707 548		(10 383 938)	
Surplus/(Deficit)	0		(0)	
Transfers Recognised - Capital				
Contributions Recognised - Capital and Contributed Assets				
Surplus/(Deficit) after Capital Transfers and	0		(0)	
Surplus/(Deficit) for the Year	0		(0)	
CAPITAL EXPENDITURE PER FUNCTION				
Executive and Council	2 000 000			
Finance and Administration	950 000			
Planning and Development				
Public Safety	3 000 000			
Sport and Recreation	23 631 863			
Waste Management	59 788 700			
Water	216 432 118			
Other				
Total Sources of Capital Funds	305 802 681			

-	261 193 078	347 488 967	-	86 295 888	133.04	134.93
-	-	-	-	-	0.00	0.00
-	348 386 248	240 280 488	-	(108 105 760)	68.97	68.97
-	993 972	655 738	-	(38 234)	96.15	96.15
-	7 983 000	6 161 362	-	(1 821 638)	77.18	77.18
-	1 199 899	17 071 412	-	15 871 513	1 422.74	1 422.74
-	148 567 414	115 798 262	-	(32 769 152)	77.94	77.94
-	-	824 851	-	824 851	0.00	0.00
-	768 323 610	728 581 080	-	(39 742 531)	94.83	93.56
-	221 115 268	221 280 163	164 895	164 895	100.07	100.37
-	6 199 346	6 191 830	-	(7 516)	99.88	80.78
-	35 000	20 412	-	(14 588)	58.32	58.32
-	45 971 823	49 236 092	3 264 269	3 264 269	107.10	100.90
-	7 380 000	27 900 418	20 520 418	20 520 418	378.05	378.05
-	35 488 343	21 873 851	-	(13 614 492)	61.64	61.64
-	15 366 622	20 977 578	5 580 956	5 580 956	136.25	107.56
-	34 037 640	31 839 355	(2 198 285)	(2 198 285)	93.54	109.65
-	21 367 800	16 883 563	(4 484 237)	(4 484 237)	79.01	79.01
-	129 358 509	145 916 321	16 557 812	16 557 812	112.80	122.95
-	251 973 259	207 364 151	-	(44 609 108)	82.30	76.72
-	-	-	-	-	0.00	0.00
-	768 323 610	749 483 735	46 088 350	(18 839 876)	97.55	96.25
-	-	(20 902 655)	(46 088 350)	(20 902 655)	0.00	0.00
-	-	102 874 892	102 874 892	102 874 892	0.00	0.00
-	-	19 186 143	19 186 143	19 186 143	0.00	0.00
-	-	101 158 380	75 972 685	101 158 380	0.00	#####
-	-	101 158 380	75 972 685	101 158 380	-	#####
-	2 000 000	75 334	-	(1 924 666)	3.77	3.77
-	950 000	4 250 412	3 300 412	3 300 412	447.41	447.41
-	-	18 251	18 251	18 251	0.00	0.00
-	3 000 000	18 251	(2 981 749)	(2 981 749)	0.61	0.61
-	23 631 863	6 874 501	(16 757 362)	(16 757 362)	29.09	29.09
-	59 788 700	41 214 472	(18 574 228)	(18 574 228)	68.93	68.93
-	216 432 118	156 186 696	(60 245 422)	(60 245 422)	72.16	72.16
-	-	386 770	386 770	386 770	0.00	0.00
-	305 802 681	209 024 687	3 705 433	(96 777 994)	68.35	68.35

CASH FLOW			
Cash Flows from/(used in) Operating Activities			
Grants	491 423 044	-	-
Public Contributions and Donations	-	-	-
Service Charges	388 889 000	-	-
Interest Received	18 898 266	-	-
Other Receipts	916 000	-	-
Employee Related Costs	-	-	-
Remuneration of Councilors	(18 896 621)	-	-
Interest Paid	(489 735 000)	-	-
Suppliers Paid	-	-	-
Other Payments	-	-	-
Cash Flows from/(used in) Investing Activities			
Purchase of Property, Plant and Equipment	(380 667 850)	-	-
Purchase of Intangible Assets	-	-	-
Proceeds on Disposal of Property, Plant and Equipment	-	-	-
Decrease / (Increase) in Non-current Investments	-	(59 999 620)	-
Decrease / (Increase) in Long-term Receivables	4 000	-	-
Cash Flows from/(used in) Financing Activities			
New Loans raised	18 085 000	-	-
Loans repaid	(1 362 642)	-	-
Cash and Cash Equivalents at End of the Year	27 555 197	(59 999 620)	

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disc

Proper procedures to budget for Financial Position have not been developed and implemented. Furthermor

Financial Performance: Explanation of Variances between Approved Budget and Actual

For reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items d

Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual

For reasons for Variances greater than 10% between Approved Budget and Actual Amount, please refer to Annex

Cash Flow: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disc

RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:

Description	2011/12	2010/11
	R	R
Net surplus/(deficit) per the statement of financial performance	165 525 985	101 158 380
Revenue from Non-exchange Transactions		
Government Grants and Subsidies Received	(215 284 322)	(189 170 780)
Public Contributions and Donations	(250 000)	(19 186 143)
Revenue from Exchange Transactions		
Service Charges	15 114 652	108 105 760
Rental of Facilities and Equipment	511 886	38 234
Interest Earned - External Investments	(183 303)	1 821 638
Interest Earned - Outstanding Debtors	(15 514 710)	(15 871 513)
Other Revenue	41 919 427	32 769 152
Gains on Disposal of Property, Plant and Equipment	(62 259)	(824 851)
Expenditure		
Employee Related Costs	(17 580 425)	164 895
Remuneration of Councillors	43 957	(7 516)
Collection Costs	(20 412)	(14 586)
Depreciation and Amortisation	6 584 062	3 264 269
Impairment Losses	37 204 588	20 520 418
Repairs and Maintenance	(7 862 097)	(13 614 492)
Finance Costs	(186 087)	5 580 956
Bulk Purchases	(2 278 476)	(2 198 285)
Contracted Services	(2 063 370)	(4 484 237)
Grants and Subsidies Paid	53 275 010	16 557 812
Research and Development Costs	-	-
General Expenses	(58 925 783)	(44 609 106)
Loss on Disposal of Property, Plant and Equipment	-	-
Net surplus/deficit per approved budget	8 330	0

-	491 423 044	493 489 757	2 066 713	2 066 713	100 42	100 42
-	-	26 018 521	26 018 521	26 018 521	0 00	0 00
-	388 889 000	218 509 272	(170 379 728)	(170 379 728)	56 19	56 19
-	18 898 266	6 161 362	(12 736 904)	(12 736 904)	32 60	32 60
-	918 000	17 779 306	16 861 306	16 861 306	1 936 74	1 936 74
-	-	(218 028 429)	(218 028 429)	(218 028 429)	0 00	0 00
-	-	(6 191 830)	(6 191 830)	(6 191 830)	0 00	0 00
-	(18 896 621)	(20 977 578)	(2 080 957)	(2 080 957)	0 00	0 00
-	(489 735 000)	(42 839 839)	446 895 161	446 895 161	0 00	0 00
-	-	(346 275 653)	(346 275 653)	(346 275 653)	0 00	0 00
-	(380 667 850)	(209 024 687)	171 643 163	171 643 163	0 00	0 00
-	-	(3 167 704)	(3 167 704)	(3 167 704)	0 00	0 00
-	-	969 795	969 795	969 795	0 00	0 00
-	(59 999 620)	59 999 620	59 999 620	59 999 620	0 00	0 00
-	4 000	2 541	(1 459)	(1 459)	63 52	63 52
-	18 085 000	8 169 317	(9 885 683)	(9 885 683)	45 34	45 34
-	(1 362 642)	(35 646 440)	(34 283 798)	(34 283 798)	0 00	0 00
-	(32 444 423)	(111 022 291)	724 454 279	724 454 279	0 00	0 00

disclosed in the Statement of Financial Position are explained below:

more, the system utilised does not carry budget for Financial Position and no budgetary control can be performed.

as disclosed in the Statement of Financial Performance, please refer to Annexure "E" (1)".

Annexure "E" (2)".

disclosed in the Cash Flow Statement are explained below:

UGU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

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.

These Annual Financial Statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Principles (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No 56 of 2003).

1.1 Changes in Accounting Policy and Comparability

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

For the years ended 30 June 2011 and 30 June 2012 the municipality has adopted the accounting framework as set out in paragraph 1 above. The details of any resulting changes in Accounting Policy and comparative restatements are set out in the relevant Notes 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 municipality's financial position, financial performance or cash flow.

1.2 Critical Judgements, Estimations and Assumptions

In the application of the municipality's Accounting Policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

UGU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

1. BASIS OF PRESENTATION (continued)

1.2 Critical Judgements, Estimations and Assumptions (continued)

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 9.2 on *Revenue from Exchange Transactions* and Accounting Policy 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. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. 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. Accounting Policy 6.1 on *Financial Assets Classification* and Accounting Policy 6.2 on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of Financial Assets and Liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of Financial Instruments as set out in IAS 32 (*Financial Instruments – Presentation*) and IAS 39 (*Financial Instruments – Recognition and Measurement*).

1.2.3 Impairment of Financial Assets

Accounting Policy 6.4 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*) and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

UGU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

1. BASIS OF PRESENTATION (continued)

1.2 Critical Judgements, Estimations and Assumptions (continued)

1.2.3 Impairment of Financial Assets (continued)

☒ Impairment of Trade Receivables:

The calculation in respect of the impairment of Debtors is based on an assessment of the extent to which Debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This is performed per service-identifiable categories across all classes of debtors.

The total increase in estimation of the impairment of Receivables from Exchange Transactions amounted to R46 484 175, whilst no increase was recorded for Receivables from Non-exchange Transactions.

1.2.4 Useful lives of Property, Plant and Equipment, Investment Property and Intangible Assets

As described in Accounting Policies 3.3 and 4.2, the municipality depreciates / amortises its Property, Plant and Equipment, Intangible Assets and Investment Property 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 of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

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

Accounting Policy 5 on Impairment of Assets describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of PPE, impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

UGU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

1. BASIS OF PRESENTATION (continued)

1.2 Critical Judgements, Estimations and Assumptions (continued)

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

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21 (*Impairment of Cash Generating Assets*) and GRAP 26 (*Impairment of Non-cash Generating Assets*). In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the NRV for Inventories involves significant judgment by management.

During the year no impairments were made to Property, Plant and Equipment, Intangible Assets or Inventory.

1.2.6 Water Inventory

The estimation of the Water Inventory in reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir. Refer to Accounting Policy, paragraph 7.2.2.

1.2.7 Defined Benefit Plan Liabilities

As described in Accounting Policy 11.2, *Employee Benefits – Post-employment Benefits*, 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 to the Annual Financial Statements.

1.2.8 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring Provisions and when measuring Contingent Liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

1.2.9 Budget Information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in Notes to the Annual Financial Statements.

**UGU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)**

1. BASIS OF PRESENTATION (continued)

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 standard has been issued but is not yet effective and has been early adopted by the municipality:

- GRAP 104 Financial Instruments - issued October 2009

GRAP 104 will be effective for the period starting after 1 April 2012. The municipality elected to adopt the standard during the 2010/11 financial year.

The following GRAP Standards have been issued but are not yet effective and have not been early adopted by the municipality:

- GRAP 18 Segment Reporting - issued March 2005
- GRAP 20 Related Party Disclosures - revised
- GRAP 21 Impairment of Non-cash-generating Assets - issued March 2009
- 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 25 Employee Benefits - issued December 2009
- GRAP 26 Impairment of Cash-generating Assets - issued March 2009
- GRAP 103 Heritage Assets - issued July 2008
- GRAP 105 Transfers between Entities under common control - issued November 2010
- GRAP 106 Transfers between Entities not under common control - issued November 2010
- GRAP 107 Mergers - issued November 2010

**UGU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)**

1. BASIS OF PRESENTATION (continued)

1.6 Standards, Amendments to Standards and Interpretations issued but not yet Effective (continued)

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance, who announced that the application of GRAP 21, GRAP 23, GRAP 24, GRAP 26 and GRAP 103 will be effective for the period starting after 1 April 2012. All other standards as listed above will only be effective when a date is announced by the Minister of Finance. This date is not currently available.

The ASB Directive 5, paragraph 29, sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy as set out in the standard of GRAP 3 on *Accounting Policies, Changes in Accounting Estimates and Errors*.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued but is not yet in effect, the municipality may select to apply the principles established in that standard in developing an appropriate Accounting Policy dealing with a particular section or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The Municipality applied the principles established in the following Standards of GRAP that have been issued but not yet effective, in developing appropriate Accounting Policies dealing with the following transactions, but have not early adopted these Standards:

- Impairment of Non-cash-generating Assets (GRAP 21 - issued March 2009)
- Revenue from Non-Exchange Transactions (GRAP 23 - issued February 2008)
- Impairment of Cash-generating Assets (GRAP 26 - issued March 2009)
- Financial Instruments (GRAP 104 - issued October 2009)

Management has considered all of the above-mentioned 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.

UGU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

2. ACCUMULATED SURPLUS

Included in the Accumulated Surplus of the municipality are the following Reserves that are maintained in terms of specific requirements:

2.1 Capital Replacement Reserve (CRR)

In order to finance the provision of Infrastructure and other items of Property, Plant and Equipment from internal sources, amounts are transferred from the Accumulated Surplus/(Deficit) to the CRR in terms of delegated powers.

The following provisions are set for the creation and utilisation of the CRR:

The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the Investment Policy of the municipality.

The CRR may only be utilised for the purpose of purchasing items of Property, Plant and Equipment and may not be used for the maintenance of these items.

Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR and the Accumulated Surplus/(Deficit) is credited by a corresponding amount.

If a profit is made on the sale of assets other than land, the profit on these assets is reflected in the Statement of Financial Performance and is then transferred via the Statement of Changes in Net Assets, to the CRR, provided that it is cash backed. Profit on the sale of land is not transferred to the CRR as it is regarded as revenue.

2.2 Capitalisation Reserve

On the implementation of GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of Property, Plant and Equipment were transferred to a Capitalisation Reserve rather than the Accumulated Surplus/(Deficit) in terms of a directive (Circular No 18) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of Property, Plant and Equipment are offset by transfers from this Reserve to the Accumulated Surplus/(Deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of Property, Plant and Equipment financed from the former legislated funds. When items of Property, Plant and Equipment are depreciated, a transfer is made from the Capitalisation Reserve to the Accumulated Surplus/(Deficit).

When an item of Property, Plant and Equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the Accumulated Surplus/(Deficit).

UGU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

2. ACCUMULATED SURPLUS (continued)

2.3 Donations and Public Contributions Reserve

When items of Property, Plant and Equipment are financed from public contributions and donations, a transfer is made from the Accumulated Surplus/(Deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (Circular No 18) issued by National Treasury. When such items of Property, Plant and Equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the Accumulated Surplus/(Deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of Property, Plant and Equipment financed from donations and public contributions.

When an item of Property, Plant and Equipment financed from donations and public contributions is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the Accumulated Surplus/(Deficit).

2.4 Government Grants Reserve

When items of Property Plant and Equipment are financed from government grants, a transfer is made from the Accumulated Surplus/(Deficit) to the Government Grants Reserve equal to the government grants recorded as revenue in the Statement of Financial Performance in accordance with a directive (Circular No 18) issued by National Treasury. When such items of Property, Plant and Equipment are depreciated, a transfer is made from the Government Grants Reserve to the Accumulated Surplus/(Deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of Property, Plant and Equipment financed from government grants.

When an item of Property, Plant and Equipment financed from government grants is disposed, the balance in the Government Grants Reserve relating to such item is transferred to the Accumulated Surplus/(Deficit).

UGU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

3. PROPERTY, PLANT AND EQUIPMENT

3.1 *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 during 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 grants or donations, 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. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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 non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is 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.

UGU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3.2 *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 municipality 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 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.

3.3 *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. Each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

**UGU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)**

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3.3 Depreciation (continued)

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
Buildings		Other	
Improvements	5 - 30	Computer Equipment	3 - 10
Infrastructure		Furniture and Fittings	3 - 15
Security Measures	7 - 25	Motor Vehicles	4 - 15
Sewerage	7 - 60	Office Equipment	3 - 15
Water	5 - 100	Plant and Equipment	2 - 15
Community		Specialist Vehicles	10 - 15
Sports Facilities	5 - 30	Other Assets	5 - 30
Other Facilities	5 - 30		

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

3.4 Land

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

3.5 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.

3.6 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.

3.7 Incomplete Construction Work

Incomplete Construction Work is stated at historical cost. Depreciation only commences when the asset is available for use.

3.8 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 classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the proceeds from disposals and are included in the Statement of Financial Performance as a gain or loss on disposal of Property, Plant and Equipment.

4. INTANGIBLE ASSETS

4.1 Initial Recognition

Identifiable non-monetary assets without physical substance 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.

**UGU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)**

4. INTANGIBLE ASSETS (continued)

4.1 Initial Recognition (continued)

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 GRAP 21 / GRAP 26.

Intangible Assets are initially recognised at cost. The cost of an Intangible Asset is the purchase price and other costs attributable to bringing the Intangible Asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an Intangible Asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible Assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

The cost of an Intangible Asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

4.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, Intangible Assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an Intangible Asset at a later date.

In terms of GRAP 102, Intangible Assets are distinguished between internally generated Intangible Assets and other Intangible Assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a *Straight-line Basis* over the Intangible Assets' useful lives. The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists. Where Intangible Assets are deemed to have indefinite useful lives, such Intangible Assets are not amortised. However, such Intangible Assets are subject to an annual impairment test.

**UGU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)**

4. INTANGIBLE ASSETS (continued)

4.2 Subsequent Measurement, Amortisation and Impairment (continued)

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

Asset Class	Years	Asset Class	Years
Computer Software	2 - 5	Rights and Servitudes	Indefinite

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. The impairment loss is the difference between the carrying amount and the recoverable service amount.

The estimated useful life, residual values 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.

4.3 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 proceeds of disposal and the carrying value, and is recognised in the Statement of Financial Performance.

UGU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

5. IMPAIRMENT OF ASSETS

The municipality classifies all assets held with the primary objective of generating a commercial return as *Cash Generating Assets*. All other assets are classified as *Non-cash Generating Assets*.

5.1 *Impairment of Cash Generating Assets*

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If 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. The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

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.

UGU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

5. IMPAIRMENT OF ASSETS (continued)

5.2 *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 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.

The recoverable service amount of a non-cash generating asset is the higher of its fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

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.

**UGU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)**

6. FINANCIAL INSTRUMENTS

The municipality has various types of Financial Instruments and these can be broadly categorised as either *Financial Assets* or *Financial Liabilities* or *Residual Interests* in accordance with the substance of the contractual agreement.

Initial Recognition

Financial Assets and Financial Liabilities are recognised on the municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

The municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair Value Methods and Assumptions

The fair values of Financial Instruments are determined as follows:

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

The Effective Interest Rate Method

The **Effective Interest Rate Method** is a method of calculating the amortised cost of a Financial Asset or a Financial Liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the Financial Instrument or, when appropriate, a shorter period to the net carrying amount of the Financial Asset or Financial Liability.

Amortised Cost

Amortised Cost is the amount at which the Financial Asset or Financial Liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation, using the *Effective Interest Rate Method* of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

**UGU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)**

6. FINANCIAL INSTRUMENTS (continued)

6.1 Financial Assets – Classification

A Financial Asset is any asset that is a cash or contractual right to receive cash.

In accordance with GRAP 104 the *Financial Assets* of the municipality are classified as follows into the three categories allowed by this standard:

Financial Assets at Amortised Cost 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. Financial Assets at Amortised Cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. After initial recognition, Financial Assets are measured at amortised cost, using the *Effective Interest Rate Method* less a provision for impairment.

Financial Assets at Fair Value are financial assets that meet either of the following conditions:

- (i) Derivatives;
- (ii) Combined instruments that are designated at fair value;
- (iii) Instruments held for trading;
- (iv) Non-derivative Financial Instruments with fixed or determinable payments that are designated at fair value at initial recognition; or
- (v) Financial Instruments that do not meet the definition of Financial Instruments at Amortised Cost or Financial Instruments at Cost.

Financial Assets at Cost are investments in residual interest that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

The municipality has the following types of Financial Assets as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Unlisted Investments (Stock)	Financial Assets at Amortised Cost
Long-term Receivables	Financial Assets at Amortised Cost
Receivables from Exchange Transactions	Financial Assets at Amortised Cost
Receivables from Non-exchange Transactions	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Call Deposits	Financial Assets at Fair Value
Bank, Cash and Cash Equivalents	Financial Assets at Fair Value

UGU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

6. FINANCIAL INSTRUMENTS (continued)

6.1 *Financial Assets – Classification (continued)*

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 and deposits held on call with banks, net of bank overdrafts. The municipality categorises Cash and Cash Equivalents as Financial Assets at Fair Value.

6.2 *Financial Liabilities – Classification*

A Financial Liability is a contractual obligation to deliver cash or another Financial Asset to another entity.

There are three main categories of *Financial Liabilities*, the classification determining how they are measured. Financial Liabilities may be measured at:

- (i) Financial Liabilities measured at Fair Value;
- (ii) Financial Liabilities measured at Amortised Cost; or
- (iii) Financial Liabilities measured at Cost.

The municipality has the following types of Financial Liabilities as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Liability	Classification in terms of GRAP 104
Long-term Liabilities, including Finance Leases	Financial Liabilities at Amortised Cost
Creditors	Financial Liabilities at Amortised Cost
Current portion of Long-term Liabilities	Financial Liabilities at Amortised Cost
Bank Overdraft	Financial Liabilities at Fair Value

Financial Liabilities that are measured at Fair Value 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 or are part of a portfolio of Financial Instruments where there is recent actual evidence of short-term profiteering or are derivatives).

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

UGU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

6. FINANCIAL INSTRUMENTS (continued)

6.3 *Initial and Subsequent Measurement*

6.3.1 *Financial Assets:*

Financial Assets measured at Amortised Cost

Financial Assets at Amortised Cost 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 interest recognised on an *Effective Yield Basis*.

Trade and Other Receivables (excluding Value Added Taxation, Prepayments and Operating Lease receivables), Loans to Municipal Entities and Loans that have fixed and determinable payments that are not quoted in an active market are classified as *Financial Assets at Amortised Cost*.

Financial Assets measured at Fair Value

Financial Assets at Fair Value are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the Statement of Financial Performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the Statement of Financial Performance.

6.3.2 *Financial Liabilities:*

Financial Liabilities measured at Fair Value

Financial Liabilities at Fair Value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities held at Amortised Cost

Any other Financial Liabilities are classified as *Other Financial Liabilities* (All Payables, Loans and Borrowings are classified as *Other Liabilities*) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the *Effective Interest Rate Method*. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank Borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the *Accrual Basis* and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

UGU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

6. FINANCIAL INSTRUMENTS (continued)

6.4 Impairment of Financial Assets

Financial Assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. 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 GRAP 104.

6.4.1 Financial Assets at Amortised Cost

Accounts Receivables encompass Long-term Debtors, Receivables from Exchange Transactions (Consumer Debtors) and Receivables from Non-exchange Transactions (Other Debtors).

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 Accounts 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 provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the Financial Asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

UGU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

6. FINANCIAL INSTRUMENTS (continued)

6.4 Impairment of Financial Assets (continued)

6.4.2 Financial Assets at Cost

If there is objective evidence that an impairment loss has been incurred on an investment in a Residual Interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the Financial Asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

6.5 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.

6.6 Derecognition of Financial Liabilities

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

The municipality recognises the difference between the carrying amount of the Financial Liability (or part of a Financial Liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

UGU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

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

7.2.1 Consumable Stores, Raw Materials, Work-in-Progress and Finished Goods:

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that the municipality expects to realise from the sale on inventory in the ordinary course of business). 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.

7.2.2 Water Inventory:

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc). However, water in dams, that are filled by natural resources and that has not yet been treated, that is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position, date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the *FIFO Method*, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

UGU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

7. INVENTORIES (continued)

7.2.3 Other Arrangements:

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 measurement of such inventory at the lower of cost and net realisable value 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.

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.

The gain or loss on the eventual sale of non-current assets held-for-sale is included in the Statement of Financial Performance as gain or loss on sale of assets. The gain or loss on the eventual sale of non-current assets held-for-sale is calculated on the difference between the net disposal proceeds and the carrying amount of the individual asset or the disposal group.

UGU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

9. REVENUE RECOGNITION

9.1 General

Revenue is derived from a variety of sources which include rates levied, grants from other spheres of government and revenue from trading activities and other services provided.

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 or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below, except when specifically stated otherwise. 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. Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

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.

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.

UGU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

9. REVENUE RECOGNITION (continued)

9.2 Revenue from Exchange Transactions

9.2.1 Service Charges

Service Charges are levied in terms of approved tariffs.

Service Charges from 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 sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property and water consumption, using the tariffs approved by Council, and are levied monthly.

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 Unspent Conditional Grants is allocated directly to the Creditor. Unspent Conditional Grants, if the grant conditions indicate that interest is payable to the funder.

UGU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

9. REVENUE RECOGNITION (continued)

9.2 Revenue from Exchange Transactions (continued)

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.

9.2.4 Tariff of 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 Sale of Goods

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

- 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; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

9.3 Revenue from Non-exchange Transactions

An inflow of resources from a *Non-exchange Transaction*, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a *Non-exchange Transaction* that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

UGU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

9. REVENUE RECOGNITION (continued)

9.3 Revenue from Non-exchange Transactions (continued)

9.3.1 Public Contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

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.

Assets acquired from non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

9.3.2 Government Grants and Receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

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.

UGU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

9. REVENUE RECOGNITION (continued)

9.3 Revenue from Non-exchange Transactions (continued)

9.3.2 Government Grants and Receipts (continued)

Revenue 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.

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. 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.

The best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

UGU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

10. PROVISIONS (continued)

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. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

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.

11. EMPLOYEE BENEFITS

11.1 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 an accrual.

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 creditor 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.

UGU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

11. EMPLOYEE BENEFITS (continued)

11.2 Post-employment Benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

11.2.1 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.

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. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

11.2.2 Defined Benefit Plans

A **defined benefit plan** is a post-employment benefit plan other than a defined contribution plan.

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. Not all Medical Aid Funds, with which the Municipality is associated, provide for continued membership.

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.

UGU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

11. EMPLOYEE BENEFITS (continued)

11.2 Post-employment Benefits (continued)

11.2.2 Defined Benefit Plans (continued)

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.

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* is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance.

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. 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 *Projected Unit Credit Method* basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

Defined Benefit Pension Plans:

The municipality has an obligation to provide Post-retirement Pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

UGU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

11. EMPLOYEE BENEFITS (continued)

11.2 *Post-employment Benefits (continued)*

11.2.2 **Defined Benefit Plans (continued)**

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the *Projected Unit Credit Method*. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

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.

UGU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

12. LEASES

12.1 *Classification*

Leases are classified as **Finance Leases** where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as **Operating Leases**.

12.2 *The Municipality as Lessee*

12.2.1 **Finance Leases**

Where the municipality enters into a finance lease, Property, Plant and Equipment or Intangible Assets subject to finance lease agreements 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, 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.

12.2.2 **Operating Leases**

The municipality recognises operating lease rentals as an expense in the Statement of Financial Performance on a *Straight-line Basis* over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a *Straight-line Basis*, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

UGU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

13. 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 retrospectively as an expense in the Statement of Financial Performance for the financial year ending 30 June 2011 in accordance with the requirements of GRAP 5 and ASB Directive 3.

To the extent that the municipality borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the municipality shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

The municipality ceases the capitalisation of borrowing costs when substantially all the activities necessary to prepare the qualifying assets for its intended use have been completed.

Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the municipality shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

14. 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.

UGU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

15. VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the *Payments Basis* in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

16. 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). All expenditure relating to Unauthorised Expenditure is accounted for as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue 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.

17. 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 in the period it occurred and where recovered, it is subsequently accounted for as revenue 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.

18. 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. All expenditure relating to Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue 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.

UGU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

19. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in Accounting Policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impractical 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 practical. Details of Changes in Accounting Policies are disclosed in the Notes to the Annual Financial Statements where applicable.

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 impractical 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 practical. Details of Correction of Errors are disclosed in the Notes to the Annual Financial Statements where applicable.

20. 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.

21. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent Liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent Assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

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

UGU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

22. COMMITMENTS

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.

Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure Notes to the Annual Financial Statements.

Other commitments for contracts that are non-cancellable or only cancellable at significant cost, should relate to something other than the business of the municipality.

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. 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 Notes to the Annual Financial Statements.

UGU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

25. COMPARATIVE INFORMATION

25.1 Current year comparatives:

In accordance with GRAP 1 Budgeted Amounts have been provided and forms part of the Annual Financial Statements.

25.2 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.

25.3 Budget Information:

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the Accounting Policies adopted by the Council for the preparation of these Annual Financial Statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over- or under spending on line items. The annual budget figures included in the Annual Financial Statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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1. GENERAL INFORMATION

Ugu District Municipality is a local government institution in Port Shepstone, Kwa-Zulu 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 Municipal Finance Management Act (MFMA).

2. INVENTORIES

Consumable Stores - at cost	2 058 458	943 069
Maintenance Materials - at cost	5 696 626	5 084 742
Water - at cost	1 163 387	1 148 698
Goods Held for Resale	41 455	41 235
Total Inventories	8 959 936	7 217 725

Inventories are held for own use with the result that no write downs of inventory to Net Realisable Value are required.

The cost of water production for the year amounted to R5,19 per kilolitre (2011: R5,05 per kilolitre)

The cost of inventories recognised as an expense during the period was R6 761 167 (2011: R6 576 332).

Inventories of R64 349 (2011: R765 258) are expected to be utilised only after more than twelve months.

No Inventories have been pledged as collateral for Liabilities of the municipality.

3. NON-CURRENT ASSETS HELD-FOR-SALE

Property held-for-sale - at cost

	0	1 054 544
Total Non-current Assets Held-for-Sale	0	1 054 544

Liabilities associated with Non-current Assets Held-for-Sale

	0	0
Net Non-current Assets Held-for-Sale	0	1 054 544

3.1 Property Held-for-Sale

The municipality disposed of some of its Property, Plant and Equipment through public auction during the year. The disposal of the property resulted in an impairment loss was recognised on reclassification of the property as held-for-sale, net at 30 June 2012.

4. RECEIVABLES FROM EXCHANGE TRANSACTIONS

As at 30 June 2012

Service Debtors:			
Sewerage	121 209 675	86 346 842	34 860 833
Water	29 225 154	21 333 969	7 901 185
Water Rates	91 894 521	65 024 873	26 869 648
Other Trade	31 101 175	27 081 077	4 020 098
	8 198 052	3 698 070	4 500 992
Total Receivables from Exchange Transactions	160 506 913	117 127 989	43 381 923

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2011		2012		2011		2012	
	R	R	R	R	R	R	R	
As at 30 June 2011								
Service Debtors:								
Sewerage	83 377 785	58 164 082	24 623 683					
Water	26 681 891	12 108 666	14 561 663					
Water Rates	56 895 874	46 344 784	30 341 630					
Other Trade	9 901 334	3 698 070	6 203 284					
Total Receivables from Exchange Transactions	110 450 919	70 643 815	39 637 104					

Receivables from Exchange Transactions are billed monthly, latest end of month. The Credit Control Policy states that the average credit period for Trade Receivables is 30 days. Except for Water Rates, no interest and collection fees are charged on Trade Receivables. Such interest is charged at a fixed rate of 15.0% (fifteen percent) per annum on the outstanding balance. A once-off collection fee of 10.0% (ten percent) is raised after 31 January annually. The municipality enforces its approved Credit Control Policy to ensure the recovery of Trade Receivables.

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 Trade Receivables.

At 30 June 2012, the municipality is owed R15 784 635 (30 June 2011: R9 048 648) by National and Provincial Government.

The municipality did not pledge any of its Trade Receivables as security for borrowing purposes.

4.1 Ageing of Receivables from Exchange Transactions

	2011				2012			
	Current 0 - 30 Days	31 - 60 Days	Past Due 61 - 90 Days	Total	Current 0 - 30 Days	31 - 60 Days	Past Due 61 - 90 Days	Total
Sewerage:								
Gross Balances	8 654 773	2 485 737	2 436 535	29 225 154	6 854 773	2 485 737	17 446 108	29 225 154
Less: Provision for Impairment	2 543 162	959 323	1 348 127	21 323 969	2 543 162	959 323	16 433 357	21 323 969
Net Balances	4 311 611	1 486 414	1 088 408	7 901 185	4 311 611	1 012 751	1 012 751	7 901 185
Water:								
Gross Balances	23 503 242	8 261 846	6 785 716	91 884 521	23 503 242	8 261 846	53 451 717	91 884 521
Less: Provision for Impairment	9 543 025	4 416 815	4 663 596	85 024 873	9 543 025	4 416 815	46 401 467	85 024 873
Net Balances	13 860 217	3 845 032	2 122 140	26 959 648	13 860 217	3 845 032	7 050 250	26 959 648
Water Rates:								
Gross Balances	1 442 938	158 856	201 056	31 101 175	1 442 938	158 856	29 298 325	31 101 175
Less: Provision for Impairment	234 421	125 462	173 157	27 081 077	234 421	125 462	26 548 047	27 081 077
Net Balances	1 208 517	33 404	27 899	4 020 098	1 208 517	33 404	2 750 278	4 020 098
Other Trade:								
Gross Balances				8 189 062				8 189 062
Less: Provision for Impairment				3 698 070				3 698 070
Net Balances				4 500 992				4 500 992

As at 30 June Receivables of R23 889 678 were past due but not impaired. The age analysis of these Receivables are as follows:

	2011		2012	
	Current 0 - 30 Days	Past Due 61 - 90 Days	Current 0 - 30 Days	Past Due 61 - 90 Days
All Receivables:				
Gross Balances	10 906 439	9 405 307	108 385 213	138 706 859
Less: Provision for Impairment	5 541 590	6 184 851	59 080 941	104 807 381
Net Balances	5 364 850	3 220 456	15 314 272	23 899 578

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2011		2012		Total
	Current 0 - 30 days	31 - 60 Days	Past Due 61 - 90 Days	+ 90 Days	
As at 30 June 2011					
Sewerage:					
Gross Balances	13 083 800	1 877 218	1 332 721	10 398 053	26 691 891
Less: Provision for Impairment	1 440 915	1 474 595	783 581	8 410 806	12 109 896
Net Balances	11 642 885	402 623	549 140	1 987 248	14 581 995
Water:					
Gross Balances	9 076 887	3 811 202	3 020 640	40 777 144	56 685 874
Less: Provision for Impairment	8 515 394	2 206 424	2 371 506	33 250 859	46 344 184
Net Balances	561 493	1 604 778	649 134	7 526 285	10 341 690
Water Rates:					
Gross Balances	8 610 157	-	100 000	8 491 663	17 201 820
Less: Provision for Impairment	13 439	-	53 802	8 424 423	8 491 663
Net Balances	8 596 719	-	46 198	67 240	8 710 157
Other Trade:					
Gross Balances	-	-	-	9 901 334	9 901 334
Less: Provision for Impairment	-	-	-	3 698 070	3 698 070
Net Balances	-	-	-	6 203 264	6 203 264

As at 30 June Receivables of R19 035 808 were past due but not impaired. The age analysis of these Receivables are as follows:

	2011		2012		Total
	Current 0 - 30 Days	31 - 60 Days	Past Due 61 - 90 Days	+ 90 Days	
All Receivables:					
Gross Balances	5 698 420	4 453 362	69 568 194	79 709 975	79 709 975
Less: Provision for Impairment	3 681 020	3 208 889	53 784 159	60 674 067	60 674 067
Net Balances	2 007 400	1 244 472	15 784 035	19 035 908	19 035 908

4.2 Summary of Receivables from Exchange Transactions by Customer Classification

	Domestic		Industrial/Commercial		National and Provincial Government		Other	
	R	R	R	R	R	R	R	
As at 30 June 2012								
Current:								
0 - 30 days	19 442 753	8 970 480			3 419 721			
Past Due:								
31 - 60 Days	6 533 845	2 887 918			1 484 579			
61 - 90 Days	6 455 576	1 973 577			976 152			
+ 90 Days	81 751 704	15 276 252			3 168 195			
Sub-total	114 183 880	29 108 224			9 046 646			
Less: Provision for Impairment	94 027 137	19 402 789			3 688 070			
Total Receivables by Customer Classification	20 128 843	9 705 437			9 046 646		4 500 992	

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

5. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2012 R	2011 R
As at 30 June 2012		
Payments made in Advance	317 930	317 930
Government Subsidy Claims	1 640 646	27 446
Insurance Claims	1 613 200	287 588
Municipal Exhibits	297 588	74 950
Sundry Deposits	74 950	-
Sundry Debtors	1 017 415	1 017 415
	24 911 933	22 949 354
	1 962 583	-
Total Receivables from Non-exchange Transactions	3 575 733	24 684 684

	2012 R	2011 R
As at 30 June 2011		
Payments made in Advance	1 483 307	1 483 307
Government Subsidy Claims	5 243 855	3 630 655
Insurance Claims	1 613 200	901 215
Municipal Entities	901 215	50 979
Sundry Deposits	50 979	-
Sundry Debtors	1 017 415	1 017 415
	3 003 568	1 040 985
	1 962 583	-
Total Receivables from Non-exchange Transactions	3 575 733	6 124 555

Included in Receivables from Non-exchange Transactions is an amount of R16.9 million (2011: R3.1 million) in respect of the consumption of metered services not billed as at 30 June.

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.

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.

Included in Sundry Deposits is an amount of R539 737 (2011: R539 737) in respect of cash deposits made to Eskom for the supply of electricity.

Sundry Debtors are in respect of debts outstanding at year-end on normal business transactions entered into by the municipality.

The municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the municipality's financial liabilities.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

As at 30 June 2011

Current:	2012 R	2011 R
0 - 30 days	19 136 176	9 445 763
31 - 60 Days	3 609 963	1 740 487
61 - 90 Days	2 843 646	324 765
+ 90 Days	45 756 919	11 459 278
Subtotal	71 346 705	23 630 479
Less: Provision for Impairment	60 367 952	6 577 793
Total Receivables by Customer Classification	10 978 753	17 052 686

	2012 R	2011 R
Domestic	19 136 176	9 445 763
Industrial/Commercial	3 609 963	1 740 487
National and Provincial Government	2 843 646	324 765
Other	45 756 919	11 459 278
	71 346 705	23 630 479
	60 367 952	6 577 793
	10 978 753	17 052 686

4.3 Reconciliation of the Provision for Impairment

Balance at beginning of year	70 643 815	43 433 956
Impairment losses recognised	46 484 175	27 209 859
Impairment Losses reversed	-	-
Amounts written off as uncollectable	-	-
Amounts recovered	-	-
Balance at end of year	117 127 990	70 643 815

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 49.9). 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 credit status of consumers. Provision for impairment of Consumer Debtors has been more aggressive in the year under review, and has been made in accordance with IAS 39, paragraph 64. In management's professional judgement, no further credit provision is required in excess of the Provision for Impairment.

Consumer Debtors comprise of 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 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.

4.4 Ageing of Impaired Receivables from Exchange Transactions

Current:	2012 R	2011 R
0 - 30 Days	12 320 008	9 969 747
31 - 60 Days	5 541 500	3 681 020
61 - 90 Days	6 184 851	3 208 889
+ 90 Days	83 080 941	53 784 159
Total	117 127 989	70 643 815

4.5 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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5.1 *Ageing of Receivables from Non-exchange Transactions*
As at 30 June 2012

	0 - 30 Days	31 - 60 Days	Past Due 61 - 90 Days	+ 90 Days	Total
Payments made in Advance:					
Gross Balances	317 930	-	-	-	317 930
Less: Provision for Impairment	-	-	-	-	-
Net Balances	317 930				317 930
Government Subsidy Claims:					
Gross Balances	-	1 640 646	-	-	1 640 646
Less: Provision for Impairment	-	1 613 200	-	-	1 613 200
Net Balances		27 446			27 446
Insurance Claims:					
Gross Balances	-	-	287 588	-	287 588
Less: Provision for Impairment	-	-	287 588	-	287 588
Net Balances					
Municipal Entitles:					
Gross Balances	-	-	-	74 950	74 950
Less: Provision for Impairment	-	-	-	74 950	74 950
Net Balances					
Sundry Deposits:					
Gross Balances	-	-	-	1 017 415	1 017 415
Less: Provision for Impairment	-	-	-	1 017 415	1 017 415
Net Balances					
Sundry Debtors:					
Gross Balances	-	24 911 938	-	-	24 911 938
Less: Provision for Impairment	-	1 962 583	-	-	1 962 583
Net Balances		22 949 354			22 949 354

As at 30 June Receivables of R24 366 754 were past due but not impaired. The age analysis of these Receivables are as follows:

	31 - 60 Days	Past Due 61 - 90 Days	+ 90 Days	Total
All Receivables:				
Gross Balances	27 942 537	-	-	27 942 537
Less: Provision for Impairment	3 575 783	-	-	3 575 783
Net Balances	24 366 754			24 366 754

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

As at 30 June 2011

	0 - 30 Days	31 - 60 Days	Past Due 61 - 90 Days	+ 90 Days	Total
Payments made in Advance:					
Gross Balances	1 483 307	-	-	-	1 483 307
Less: Provision for Impairment	-	-	-	-	-
Net Balances	1 483 307				1 483 307
Government Subsidy Claims:					
Gross Balances	-	-	5 243 855	-	5 243 855
Less: Provision for Impairment	-	-	1 613 200	-	1 613 200
Net Balances			3 630 655		3 630 655
Insurance Claims:					
Gross Balances	-	-	901 215	-	901 215
Less: Provision for Impairment	-	-	901 215	-	901 215
Net Balances					
Municipal Entitles:					
Gross Balances	-	-	-	50 979	50 979
Less: Provision for Impairment	-	-	-	50 979	50 979
Net Balances					
Sundry Deposits:					
Gross Balances	-	-	-	1 017 415	1 017 415
Less: Provision for Impairment	-	-	-	1 017 415	1 017 415
Net Balances					
Sundry Debtors:					
Gross Balances	-	3 003 568	-	-	3 003 568
Less: Provision for Impairment	-	1 962 583	-	-	1 962 583
Net Balances		1 040 985			1 040 985

As at 30 June Receivables of R6 641 249 were past due but not impaired. The age analysis of these Receivables are as follows:

	31 - 60 Days	Past Due 61 - 90 Days	+ 90 Days	Total
All Receivables:				
Gross Balances	10 217 032	-	-	10 217 032
Less: Provision for Impairment	3 575 783	-	-	3 575 783
Net Balances	6 641 249			6 641 249

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

5.2 Reconciliation of Provision for Impairment

	2012	2011
	R	R
Balance at beginning of year	3 575 783	2 885 225
Impairment Losses recognised	-	1 962 583
Impairment Losses reversed	-	(1 272 025)
Amounts written off as uncollectable	-	-
Amounts recovered	-	-
Balance at end of year	3 575 783	3 575 783

The Provision for Impairment on Receivables exists predominantly due to the possibility that these debts may 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.

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

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, management believe that there is no further credit provision required in excess of the Provision for Impairment.

The following Loans and Receivables are included in the total amount of the Provision for Impairment:

Government Subsidy Claims	1 613 200	1 613 200
Sundry Debtors	1 962 583	1 962 583
Total Provision for Impairment on Receivables from Non-exchange Transactions	3 575 783	3 575 783

6. VAT RECEIVABLE

Vat Receivable	9 908 578	31 430 281
----------------	-----------	------------

VAT is payable on the payments basis. Once payment is received from debtors VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over, immediately, 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.

7. CASH AND CASH EQUIVALENTS

Current Investments	3 119 372	16 741 235
Bank Accounts	61 518 575	24 963 783
Bank Overdraft	(7 183)	-
Cash and Cash Equivalents	4 910	4 910
Total Cash and Cash Equivalents	54 633 674	41 709 927

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

7.1 Current Investment Deposits

	2012	2011
	R	R
Call Deposits	3 119 372	16 741 235
Total Current Investment Deposits	3 119 372	16 741 235

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 3,90% to 4,40% (2010/11: 5,25% to 6,25%) per annum.

Short-term Investment Deposits are attributable to Funds as follows:

Unspent Conditional Grants	3 119 372	16 741 235
Total Deposits attributable to Commitments of the Municipality	3 119 372	16 741 235

7.2 Bank Accounts

Cash in Bank	51 518 575	24 963 783
Bank Overdraft	(7 183)	-
Total Bank Accounts	51 511 392	24 963 783

The Municipality has the following bank accounts:

Alisa Bank Ltd - Port Shepstone		
Account Number 406 668 6529 (Primary Bank Account)	25 167	12 033 008
Cash book balance at beginning of year	417 019	25 167
Cash book balance at end of year	84 862	30 042 339
Bank statement balance at beginning of year	417 019	84 862
Bank statement balance at end of year		

Account Number 406 668 6472 (General Bank Account)

Cash book balance at beginning of year	2 367 405	4 984 163
Cash book balance at end of year	6 164 145	2 367 405
Bank statement balance at beginning of year	2 364 705	4 984 155
Bank statement balance at end of year	8 395 102	2 364 705

Account Number 406 668 6294 (Collection Account)

Cash book balance at beginning of year	804 620	735 260
Cash book balance at end of year	774 823	804 620
Bank statement balance at beginning of year	815 424	49 775
Bank statement balance at end of year	798 759	815 424

Account Number 406 671 0647 (Consumer Deposits Bank Account)

Cash book balance at beginning of year	652 933	(4 465)
Cash book balance at end of year	2 224 971	659 923
Bank statement balance at beginning of year	1 229 042	546 714
Bank statement balance at end of year	2 502 930	1 228 042

Account Number 406 660 3763 (Salaries Account)

Cash book balance at beginning of year	111 894	366
Cash book balance at end of year	(7 183)	111 894
Bank statement balance at beginning of year	205 500	52 518
Bank statement balance at end of year	39 891	205 500

UGU DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	R	R
Account Number 406 757 0977 (Saniam Group Life Account):		
Cash book balance at beginning of year	4 601 481	3 849 306
Cash book balance at end of year	4 439 838	4 601 481
Account Number 406 668 6367 (MIS Project Account):		
Cash book balance at beginning of year	5 785 688	9 032 140
Cash book balance at end of year	13 430 402	5 785 688
Account Number 407 187 0797 (Disaster Account):		
Cash book balance at beginning of year	207 171	209 722
Cash book balance at end of year	204 082	207 171
Account Number 407 196 0239 (Marker Account):		
Cash book balance at beginning of year	533 418	13 274
Cash book balance at end of year	304 145	533 418
Account Number 407 626 7341 (EFF Bank Account):		
Cash book balance at beginning of year	553 418	461 736
Cash book balance at end of year	304 145	553 418
Account Number 407 755 1917 (Conditional Grants Account):		
Cash book balance at beginning of year	3 559	72 000 000
Cash book balance at end of year	2 991	3 559
Bank Accounts are attributable to Funds as follows:		
Unspent Conditional Grants	114 580 642	118 661 384
Capital Replacement Reserve	144 924	275 628
Consumer Deposits	18 780 182	18 286 771
Creditors	166 993 130	150 709 826
Available for / (Utilised by) Operational Purposes	(246 977 487)	(263 169 626)
Total Bank and Cash attributable to Commitments of the Municipality	51 511 392	24 963 783

Interest on overdrawn current accounts are charged at the banker's prime rate. Interest is earned at different rates per annum on favourable balances.

UGU DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	R	R
7.3 Cash and Cash Equivalents		
Cash Floats and Advances	4 910	4 910
Total Cash on hand in Cash Floats, Advances and Equivalents	4 910	4 910
The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.		
No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.		
8. CURRENT PORTION OF LONG-TERM RECEIVABLES		
Relocation Loans	9 827	9 827
Sundry Loans	3 600	3 600
Total Current Portion of Long-term Receivables	13 427	13 427

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

10. PROPERTY, PLANT AND EQUIPMENT

30 June 2012

Description	Land and Buildings		Infra-structure		Community		Other		Total
	R	R	R	R	R	R	R	R	
Carrying values at 01 July 2011	488 419 288	1 126 883 829	141 466 912	45 006 277	1 801 766 306				
Cost	499 279 348	2 001 993 148	146 265 659	115 536 578	2 762 624 732				
Completed Assets	488 658 045	1 653 516 503	140 608 114	112 534 611	2 296 317 272				
Under Construction	9 621 303	418 476 645	6 157 544	3 051 967	467 307 460				
Revaluation	(0)	(0)	(0)	(6 767 631)	(6 767 631)				
Accumulated Impairment Losses	(9 860 060)	(875 109 319)	(5 308 747)	(63 812 670)	(954 089 796)				
Accumulated Depreciation	(9 860 060)	(875 109 319)	(5 308 747)	(63 812 670)	(954 089 796)				
Revaluation									
Acquisitions	1 616 888	53 479 402	76 793	3 262 312	58 465 373				
Borrowing Costs Capitalised									
Capital under Construction - Additions	120 192	128 234 362		633 197	128 989 351				
Cost	120 192	128 234 362		633 197	128 989 351				
Borrowing Costs Capitalised									
Increases in Revaluation									
Reversals of Impairment Losses	(3 855 725)	(33 196 689)	(6 303 400)	(9 148 082)	(52 504 896)				
Depreciation	(3 855 725)	(33 196 689)	(6 303 400)	(9 148 082)	(52 504 896)				
Based on Cost									
Based on Revaluation									
Carrying value of Disposals	(127 797)			(182 083)	(309 880)				
Cost	(127 797)			(182 083)	(309 880)				
Revaluation				(1 563 760)	(1 711 595)				
Accumulated Impairment Losses				66 101	66 101				
Accumulated Depreciation				1 335 605	1 335 605				
Based on Cost									
Based on Revaluation									
Carrying value of Transfers to Hold-for-Sale									
Cost									
Revaluation									
Accumulated Impairment Losses									
Accumulated Depreciation									
Based on Cost									
Based on Revaluation									
Decreases in Revaluation									
Impairment Losses									
Capital under Construction - Completed		(72 389 184)			(72 389 184)				
Other Movements		72 389 184			72 389 184				
Cost		72 389 184			72 389 184				
Revaluation									
Accumulated Impairment Losses									
Accumulated Depreciation									
Based on Cost									
Based on Revaluation									
Carrying values at 30 June 2012	488 419 288	1 275 409 924	135 210 305	39 501 210	1 835 595 254				
Cost	499 279 348	2 163 706 512	146 522 452	117 318 995	2 963 359 863				
Completed Assets	490 147 174	1 679 385 088	140 884 907	114 233 133	2 424 659 243				
Under Construction	9 741 485	594 321 824	6 157 544	3 665 784	623 906 627				
Revaluation	(0)	(0)		(6 701 530)	(6 701 530)				
Accumulated Impairment Losses	(13 715 785)	(908 305 989)	(11 612 147)	(71 526 157)	(1 005 269 078)				
Accumulated Depreciation	(13 715 785)	(908 305 989)	(11 612 147)	(71 526 157)	(1 005 269 078)				
Revaluation									

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

10. PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2011

Description	Land and Buildings		Infra-structure		Community		Other		Total
	R	R	R	R	R	R	R	R	
Carrying values at 01 July 2010	474 019 740	982 301 679	138 008 278	53 242 571	1 647 572 888				
Cost	492 053 514	1 836 533 417	139 504 387	115 440 752	2 555 542 110				
Completed Assets	489 069 919	1 489 988 366	21 061 707	112 088 825	2 061 489 813				
Under Construction	22 052 695	366 545 051	118 442 680	3 051 967	504 042 307				
Revaluation	(0)	(338 113)	(0)	(6 767 631)	(7 105 744)				
Accumulated Impairment Losses	(6 043 874)	(847 863 624)	(1 498 109)	(55 430 500)	(910 864 197)				
Accumulated Depreciation	(6 043 874)	(847 863 624)	(1 498 109)	(55 430 500)	(910 864 197)				
Revaluation									
Acquisitions	18 215 734	4 487 182	3 821 904	2 084 444	26 619 264				
Borrowing Costs Capitalised									
Capital under Construction - Additions		176 966 055	3 438 387		180 405 432				
Cost		176 966 055	3 438 387		180 405 432				
Borrowing Costs Capitalised									
Increases in Revaluation									
Reversals of Impairment Losses	(3 816 195)	(28 850 253)	(3 812 639)	(10 117 271)	(47 696 388)				
Depreciation	(3 816 195)	(28 850 253)	(3 812 639)	(10 117 271)	(47 696 388)				
Based on Cost									
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 Hold-for-Sale									
Cost		5 016		(58 529)	(53 595)				
Revaluation		(2 977 694)		(1 034 064)	(4 011 758)				
Accumulated Impairment Losses									
Accumulated Depreciation	(0)	338 113		875 541	3 620 139				
Based on Cost									
Based on Revaluation									
Decreases in Revaluation									
Impairment Losses									
Capital under Construction - Completed		(89 634 461)			(89 634 461)				
Other Movements		82 008 648			82 008 648				
Cost		82 008 648			82 008 648				
Revaluation									
Accumulated Impairment Losses									
Accumulated Depreciation									
Based on Cost									
Based on Revaluation									
Carrying values at 30 June 2011	488 419 288	1 126 883 829	141 466 912	45 006 277	1 801 766 306				
Cost	499 279 348	2 001 993 148	146 265 659	115 536 578	2 762 624 732				
Completed Assets	488 658 045	1 653 516 503	140 608 114	112 534 611	2 296 317 272				
Under Construction	9 621 303	418 476 645	6 157 544	3 051 967	467 307 460				
Revaluation	(0)	(0)	(0)	(6 767 631)	(6 767 631)				
Accumulated Impairment Losses	(9 860 060)	(875 109 319)	(5 308 747)	(63 812 670)	(954 089 796)				
Accumulated Depreciation	(9 860 060)	(875 109 319)	(5 308 747)	(63 812 670)	(954 089 796)				
Revaluation									
Acquisitions	1 616 888	53 479 402	76 793	3 262 312	58 465 373				
Borrowing Costs Capitalised									
Capital under Construction - Additions		128 234 362		633 197	128 989 351				
Cost		128 234 362		633 197	128 989 351				
Borrowing Costs Capitalised									
Increases in Revaluation									
Reversals of Impairment Losses	(3 855 725)	(33 196 689)	(6 303 400)	(9 148 082)	(52 504 896)				
Depreciation	(3 855 725)	(33 196 689)	(6 303 400)	(9 148 082)	(52 504 896)				
Based on Cost									
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 Hold-for-Sale									
Cost									
Revaluation									
Accumulated Impairment Losses									
Accumulated Depreciation									
Based on Cost									
Based on Revaluation									
Carrying values at 30 June 2011	488 419 288	1 126 883 829	141 466 912	45 006 277	1 801 766 306				
Cost	499 279 348	2 001 993 148	146 265 659	115 536 578	2 762 624 732				
Completed Assets	488 658 045	1 653 516 503	140 608 114	112 534 611	2 296 317 272				
Under Construction	9 621 303	418 476 645	6 157 544	3 051 967	467 307 460				
Revaluation	(0)	(0)	(0)	(6 767 631)	(6 767 631)				
Accumulated Impairment Losses	(9 860 060)	(875 109 319)	(5 308 747)	(63 812 670)	(954 089 796)				
Accumulated Depreciation	(9 860 060)	(875 109 319)	(5 308 747)	(63 812 670)	(954 089 796)				
Revaluation									
Acquisitions	1 616 888	53 479 402	76 793	3 262 312	58 465 373				
Borrowing Costs Capitalised									
Capital under Construction - Additions		128 234 362		633 197	128 989 351				
Cost		128 234 362		633 197	128 989 351				
Borrowing Costs Capitalised									
Increases in Revaluation									
Reversals of Impairment Losses	(3 855 725)	(33 196 689)	(6 303 400)	(

UGU DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

10 PROPERTY, PLANT AND EQUIPMENT (Continued)

Property, Plant and Equipment has been restated to correctly record and disclose Land owned by the municipality, previously not recognised. Refer to Note 40.2 on "Correction of Error" for details of the restatement.

Furthermore, Property, Plant and Equipment has been restated to correctly record and disclose Land not owned by the municipality, previously recognised. Refer to Note 40.2 on "Correction of Error" for details of the restatement.

Furthermore, Property, Plant and Equipment has been restated to correctly record and disclose Vehicles owned by the municipality, previously not recognised. Refer to Note 40.2 on "Correction of Error" for details of the restatement.

Included in Other Movements of Property, Plant and Equipment are Work-in-Progress of R72 388 184 (2011: R217 140 360) completed and transferred to Cost.

Refer to Appendices "B, C and E (2)" for more detail on Property, Plant and Equipment, including those in the course of construction.

UGU DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

PROPERTY, PLANT AND EQUIPMENT (Continued)

2012 R 2011 R

9.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use

These are 379 items of Property, Plant and Equipment that are fully depreciated at year-end and still in use by the municipality.

At Original Cost:		
Land and Buildings	3 219 398	1 607 173
Infrastructure	5 530 208	25 624 428
Other	28 207 871	-
	36 957 289	27 231 602

Gross Carrying Amount of PPE fully depreciated and still in use

9.2 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal

Other	0	1 054 544
	0	1 054 544

Carrying Amount of PPE retired from active use and held for disposal

9.3 Assets pledged as security

The municipality did not pledge any of its assets as security.

The municipality's obligations under Finance Leases (see Note 19) are secured by the lessors' title to the leased assets. No other assets of the municipality have been pledged as security.

9.4 Impairment of Property, Plant and Equipment

No impairment losses have been recognised on Property, Plant and Equipment of the municipality at the reporting date.

9.5 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed

A change in the estimated useful life of various assets of the municipality has resulted in the following decreases in depreciation for the mentioned departments for the financial year:

Executive and Council	13 020	76 837
Finance and Administration	18 153	2 155 709
Planning and Development	152 540	22 836
Health	424	-
Public Safety	-	2 433
Environmental Protection	-	2 140
Waste Management	-	368 463
Water	265 473	1 311 144
Other	34 083	-
	513 693	3 928 662

Total Change in Estimate for Useful Life of Property, Plant and Equipment

9.6 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.

9.7 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

175 160

Carrying value of lost assets

(3 344)

Surplus / (Deficit) on Compensation received for Lost PPE

171 816

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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INTANGIBLE ASSETS

At Cost less Accumulated Amortisation and Accumulated Impairment Losses

The movement in Intangible Assets is reconciled as follows:

	Computer Software	Services	Total
Carrying values at 01 July 2011	11 160 649	2 532 242	13 692 891
Cost	23 933 195	2 532 242	26 465 437
Accumulated Amortisation	(12 772 546)	-	(12 772 546)
Acquisitions	3 061 838	26 830	3 088 668
Purchased	3 061 838	26 830	3 088 668
Internally Developed	-	-	-
Amortisation	(3 868 360)	-	(3 868 360)
Purchased	(3 868 360)	-	(3 868 360)
Transfers:	-	-	-
At Cost	-	-	-
At Accumulated Amortisation	-	-	-
Carrying values at 30 June 2012	10 354 27	2 560 072	12 914 198
Cost	26 995 033	2 560 072	29 555 105
Accumulated Amortisation	(16 640 806)	-	(16 640 806)

	Computer Software	Services	Total
Carrying values at 01 July 2010	9 777 918	2 377 972	12 155 890
Cost	20 953 669	2 377 972	23 331 641
Accumulated Amortisation	(11 175 751)	-	(11 175 751)
Acquisitions	3 012 65	152 269	3 164 924
Purchased	3 012 65	152 269	3 164 924
Amortisation	(1 629 704)	-	(1 629 704)
Purchased	(1 629 704)	-	(1 629 704)
Internally Developed	-	-	-
Transfers:	-	-	-
At Cost	(32 339)	-	(32 339)
At Accumulated Amortisation	32 339	-	32 339
Carrying values at 30 June 2011	11 160 649	2 532 242	13 692 891
Cost	23 933 195	2 532 242	26 465 437
Accumulated Amortisation	(12 772 546)	-	(12 772 546)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 31)

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:

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

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
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2011
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10.1 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. The municipality cannot demonstrate how its website will generate probable future economic benefits.

10.2 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 Services: Sewerage Distribution	1 486 723	1 486 723
Carrying Value of Services: Water Retribution	1 073 348	1 046 516
Total	2 560 072	2 532 242

Total Carrying Amount of Intangible Assets with Indefinite Useful Lives

Services are regarded as having Indefinite Useful Lives as they are registered permanently, the agreements not having a maturing date.

The useful lives of the Intangible Assets remain unchanged from the previous year.

Amortisation is charged on a straight-line basis over the Intangible Assets' useful lives.

10.3 Impairment of Intangible Assets

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

11 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

12 NON-CURRENT INVESTMENTS

Unlisted

Investment in Municipal Entities - at cost

	100	100
	100	100

Total Investments

All Investments
Less: Short-term Portion transferred to Current Investments

	100	100
	-	-

Total Non-current Investments

	100	100
	-	-

Council's valuation of Unlisted Investments

Investment in Municipal Entities

	100	100
	100	100

Unlisted Investments comprise the following:

(i) Investments in Municipal Entities as described below.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	R	R
12.1 Investment in Municipal Entities		
The municipality exercises control in the following company, located and commencing its operations on 1 July 2009 in the Ugu District Municipal area, where the value of the investment is considered to be R100, being the issued share capital:		
<i>Ugu South Coast Tourism (Pty) Ltd:</i>	100	100
Issued Share Capital (R)	100.00%	100.00%
Percentage controlled by Council (%)	1 129 381	1 256 523
Current Liabilities	510 257	654 997
Non-Current Assets	6 783 082	5 428 879
Current Assets	12 666 892	12 326 106
Total Revenue	11 308 719	12 029 555
Total Expenditure	9 450 000	9 000 000
Grant allocated to Municipal Entity (R)	100	100
Management's valuation of the investment in the Municipal Entity (R)		

All thirteen members serving on the board of directors of the Municipal Entity are nominated by the municipality's Executive Committee (13/13 = 100.00%).

The municipality's maximum liability towards the Municipal Entity is R(100).

13 LONG-TERM RECEIVABLES

	Gross Balances	Provision for Impairment	Net Balances
	R	R	R
As at 30 June 2012			
Relocation Loans	11 897		11 897
Sundry Loans	11 093		11 093
	22 990		22 990
Less: Current Portion transferred to Current Receivables:-			
Relocation Loans	13 427		13 427
Sundry Loans	9 827		9 827
	3 600		3 600
Total Long-term Receivables			9 563

As at 30 June 2011

	Gross Balances	Provision for Impairment	Net Balances
	R	R	R
Relocation Loans	24 982		24 982
Sundry Loans	14 653		14 653
	39 635		39 635
Less: Current Portion transferred to Current Receivables:-			
Relocation Loans	13 427		13 427
Sundry Loans	9 827		9 827
	3 600		3 600
Total Long-term Receivables			26 248

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	R	R

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.

The municipality does not hold deposits or any other security for its Long-term Receivables.

No Long-term Receivables have been pledged as security for the municipality's financial liabilities.

Long-term Receivables are neither past due nor impaired as management have no concerns over the credit quality of these assets.

	2012	2011
	R	R

13.1 Ageing of Long-term Receivables

	2012	2011
	R	R
<i>Past Due</i>		
+ 120 Days	22 990	39 675
Total	22 990	39 675

As at 30 June Long-term Receivables of R22 990 (2011: R39 675) were past due but not impaired. No terms for payment have been renegotiated. The age analysis of these Long-term Receivables is as follows:

	2012	2011
	R	R
+ 120 Days	22 990	39 675
Total	22 990	39 675

14 CONSUMER DEPOSITS

Water	18 790 162	18 266 771
Total Consumer Deposits	18 790 162	18 266 771
Guarantees held in lieu of Water Deposits	553 560	553 580

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.

No interest is paid on Consumer Deposits held.

15 PROVISIONS

Performance Bonus	683 576	683 576
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 18)	771 816	754 968
Current Portion of Non-Current Provisions (See Note 19):		
Long-term Service	710 121	1 473 934
	1 165 513	2 912 478
Total Provisions	2 165 513	2 912 478

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.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012 R
2011 R

17 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

	2012 R	2011 R
17.1 Conditional Grants from Government	66 661 995	69 390 032
National Government Grants	28 846 749	31 426 249
Provincial Government Grants	35 273 806	55 877 910
Other Spheres of Government	2 541 838	2 075 873
17.2 Other Conditional Receipts	51 018 020	46 242 587
Developers Contributions	45 543 967	42 773 163
Public Contributions	5 474 052	3 469 424
Total Conditional Grants and Receipts	117 680 014	135 632 619

Unspent Conditional Grants and Receipts have been restated to correctly classify amounts for conditions not met for Grants Received. Refer to Note 40.3 on Correction of Error for details of the restatement.

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 23 for the reconciliation of Grants from Government and Note 24 for the reconciliation of Other Conditional Receipts. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "P" for more detail on Conditional Grants.

18 OPERATING LEASE LIABILITIES

Operating Leases are recognised on the straightline basis as per the requirement of GRAP 13. No liability existed at 30 June as none of the contracts has any escalation clauses.

Balance at beginning of year	3 954
Operating Lease expenses recorded	1 167 139
Operating Lease payments effected	(1 167 139)
Total Operating Lease Liabilities	(1 157 705)

18.1 Leasing Arrangements

The Municipality as Lessee:
Operating Leases relate to Property, Plant and Equipment with lease terms not longer than 5 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.

18.2 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:

Other Equipment:	435 646	892 469
Within one year	435 646	574 374
In the second to third years, inclusive	-	319 095
Over three years	-	-
Total Operating Lease Arrangements	435 646	892 469

The following payments have been recognised as an expense in the Statement of Financial Performance:

Minimum lease payments	1 167 139	1 153 751
Total Operating Lease Expenses	1 167 139	1 153 751

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012 R
2011 R

16 PAVABLES

	2012 R	2011 R
16.1 Trade Creditors	16 864 037	15 864 037
Trade Creditors	16 864 037	15 864 037
Projects	2 865 853	3 865 853
Retentions	52 743 423	33 754 524
Staff Bonuses	1 375 275	1 375 275
Staff Leave Accrued	11 031 317	8 468 402
Other Creditors	3 237 877	7 843 198
	73 254 463	39 464 412
Total Payables	166 893 130	160 709 826

No interest is charged for trade creditors' receivables. Retentions liability arises from the receipt of the invoice in accordance with the credit period in the contract. Retentions liability arises from the receipt of the invoice in accordance with the credit period in the contract.

Staff Leave accrues to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the liability relating to the staff leave accrued at the reporting date.

The average credit period on purchases is 132 (2011: 127) days, as opposed to 30 days from the receipt of the invoice as determined by the payables.

The municipality did not have any trade creditors' receivables at the reporting date.

The average credit period on purchases is 132 (2011: 127) days, as opposed to 30 days from the receipt of the invoice as determined by the payables.

No interest is charged for trade creditors' receivables. Retentions liability arises from the receipt of the invoice in accordance with the credit period in the contract. Retentions liability arises from the receipt of the invoice in accordance with the credit period in the contract.

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The municipality did not have any trade creditors' receivables at the reporting date.

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No interest is charged for trade creditors' receivables. Retentions liability arises from the receipt of the invoice in accordance with the credit period in the contract. Retentions liability arises from the receipt of the invoice in accordance with the credit period in the contract.

Staff Leave accrues to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the liability relating to the staff leave accrued at the reporting date.

The average credit period on purchases is 132 (2011: 127) days, as opposed to 30 days from the receipt of the invoice as determined by the payables.

The municipality did not have any trade creditors' receivables at the reporting date.

The average credit period on purchases is 132 (2011: 127) days, as opposed to 30 days from the receipt of the invoice as determined by the payables.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012 R 2011 R

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 lessor.
- (ii) The hirer shall not sell, sublet, lease, 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 lessor upon termination of the agreement.
- (iv) The municipality is obliged to enter into a maintenance agreement with the lessor for the equipment rented.

19 LONG-TERM LIABILITIES

Annuity Loans	211 977 763	225 191 257
Finance Lease Liabilities	519 948	2 920 659
Sub-total	212 497 710	228 111 916
Less: Current Portion transferred to Current Liabilities:-		
Annuity Loans	14 417 285	12 862 836
Finance Lease Liabilities	13 962 222	10 462 124
	455 063	2 400 712
Total Long-term Liabilities (Neither past due, nor impaired)	198 080 426	215 249 080

19.1 Summary of Arrangements

Annuity Loans are repaid over periods varying from 1 to 17 (2011: 1 to 19) years and at interest rates varying from 2,65% to 11,06% (2011: 2,65% to 11,06%) per annum. Annuity Loans are not secured.

Finance Lease Liabilities relate to Vehicles with lease term periods of 2 (2011: 2) years. The effective interest rate on Finance Leases is 11,41% (2011: 11,41%). Capitalised Lease Liabilities are secured over the items of vehicles leased.

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

19.2 Obligations under Finance Lease Liabilities

The Municipality as Lessee:

Finance Leases relate to Property, Plant and Equipment with lease terms not more than 3 years (2011: 3 years). The effective interest rate on Finance Leases is 11,41% (2011: 11,41%).

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 lessor's title to the leased assets.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012 R 2011 R

The obligations under Finance Leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2012 R	2011 R	2012 R	2011 R
Amounts payable under finance leases:				
Within one year	471 739	2 509 032	471 739	2 509 032
In the second to third years, inclusive	64 664	536 624	64 664	536 624
	536 624	3 135 655	536 624	3 135 655
Less: Future Finance Obligations	16 676	214 986	16 676	214 986
Present Value of Minimum Lease Obligations	519 948	2 920 659	519 948	2 920 659
Less: Amounts due for settlement within 12 months (Current Portion)			(455 063)	(2 400 712)
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)			64 884	519 948

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
 - Installments are payable monthly in arrears R 519 948 R 2 920 659
 - Average period outstanding 3 months 11 months
 - Average effective interest rate, based on prime 11,41% 11,41%
 - Average monthly installment R 9 957 R 7 958

19.3 Breach of Loan Agreement

The municipality did not default on any payment of its Long-term Liabilities. No terms for payment have been renegotiated by the municipality.

20 RETIREMENT BENEFIT LIABILITIES

20.1 Post-retirement Health Care Benefits Liability

Balance at beginning of Year	22 123 367	21 507 738
Contributions to Provision	(2 391 575)	1 339 696
Balance at end of Year	19 731 792	22 847 435
Transfer to Current Provisions	(771 816)	(754 068)
Total Post-retirement Health Care Benefits Liability	18 959 976	22 123 367

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.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2012 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.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

The members of the Post-employment Health Care Benefit Plan are made up as follows:

	2012	2011
	R	R
In-service Members (Employees)	467	427
Continuation Members (Retirees, widowers and orphans)	44	44
Total Members	511	471

The unfunded liability in respect of past service has been estimated as follows:

In-service Members	7 662 856	10 485 579
Continuation Members	12 068 938	12 381 856
Total Liability	19 731 792	22 877 435

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Hoimed
- KeyHealth
- LA Health
- Samwumbe

The Current-service Cost for the year ending 30 June 2012 is estimated to be R1 277 147, whereas the cost for the ensuing year is estimated to be R846 086 (30 June 2011: R1 264 965 and R1 277 147 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	7.69%	8.69%
Health Care Cost Inflation Rate	6.72%	7.27%
Net Effective Discount Rate	91.06%	1.27%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	22 877 435	20 622 628
Current service costs	1 277 147	1 264 965
Interest cost	1 943 555	1 855 981
Benefits paid	(754 058)	(632 004)
Actuarial losses / (gains)	(5 612 277)	(234 135)
Present Value of Fund Obligation at the end of the Year	19 731 792	22 877 435

Actuarial losses / (gains) unrecognised

Total Recognised Benefit Liability	19 731 792	22 877 435
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The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	19 731 792	22 877 435
Unfunded Actuarial Liability	19 731 792	22 877 435
Unrecognised Actuarial Gains / (Losses)		
Total Benefit Liability	19 731 792	22 877 435

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	1 277 147	1 264 965
Interest cost	1 943 555	1 855 981
Actuarial losses / (gains)	(5 612 277)	(1 781 249)
Total Post-employment Benefit included in Employee Related Costs (Note 29)	(2 391 575)	1 339 696

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

The history of experienced adjustments is as follows:

	2012	2011	2010	2009	2006
	R	R	R	R	R
Present Value of Defined Benefit Obligation	19 731 792	22 877 435	20 622 628	20 526 171	17 761 372
Deficit	19 731 792	22 877 435	20 622 628	20 526 171	17 761 372

Experienced adjustments on Plan Liabilities (6 769 737) 1 949 185 (214 812) 855 881 (1 367 240)

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 2009 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				621 500	620 000
Effect on the defined benefit obligation				2 627 886	3 769 143
Decrease:					
Effect on the aggregate of the current service cost and the interest cost				(450 400)	(488 900)
Effect on the defined benefit obligation				(2 188 337)	(3 030 418)

The municipality expects to make a contribution of R2,329 million (2011: R3,221 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.

21 NON-CURRENT PROVISIONS

Provision for Long Service Awards	9 055 346	7 892 532
Total Non-current Provisions	9 055 346	7 892 532

The movement in Non-current Provisions are reconciled as follows:

Long-term Service		
Balance at beginning of year	7 892 532	5 979 226
Contributions to provision	1 872 835	3 387 240
Transfer to current provisions	9 785 467	9 395 466
Balance at end of year	(710 121)	(1 473 934)
21.1 Long Service Awards	9 055 346	7 892 532

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service and every 5 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.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2012 by Mr C. Wiers, Fellow of the Actuarial Society of Southern 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.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

At year-end, 881 (2011: 952) employees were eligible for Long-service Awards.
The Current service Cost for the year ending 30 June 2012 is estimated to be R1 498 752, whereas the cost for the ensuing year is estimated to be R1 357 090 (30 June 2011: R1 255 246 and R1 489 752 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	6.66%	7.89%
Cost Inflation Rate	5.96%	6.29%
Net Effective Discount Rate	0.66%	1.51%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	9 366 466	6 870 116
Current service costs	1 498 752	1 255 246
Interest cost	682 282	581 565
Benefits paid	(1 473 934)	(690 890)
Actuarial losses / (gains)	(308 099)	1 550 429
Present Value of Fund Obligation at the end of the Year	9 765 467	9 366 466

Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	9 765 467	9 366 466

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	9 765 467	9 366 466
Unfunded Accrued Liability	-	-
Actuarial gains / (losses) not recognised	-	-
Total Benefit Liability	9 765 467	9 366 466

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	1 498 752	1 255 246
Interest cost	682 282	581 565
Actuarial losses / (gains)	(308 099)	1 550 429
Total Post-retirement Benefit included in Employee Related Costs (Note 29)	1 872 935	3 387 240

The history of experienced adjustments is as follows:

	2012	2011	2010	2009	2008
	R	R	R	R	R
Present Value of Defined Benefit Obligation	9 765 467	9 366 466	6 870 116	5 336 719	3 606 304
Deficit	9 765 467	9 366 466	6 870 116	5 336 719	3 606 304

Experienced adjustments on Plan Liabilities (991 516) 870 061 755 438 492 099 663 002
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 2008 reporting period.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:
Increase:
Effect on the aggregate of the current service cost and the interest cost 164 201 113 719
Effect on the defined benefit obligation 793 533 867 644
Decrease:
Effect on the aggregate of the current service cost and the interest cost (136 415) (101 102)
Effect on the defined benefit obligation (708 407) (614 794)
The municipality expects to make a contribution of R1 994 190 (2011: R2 181 034) to the defined benefit plans during the next financial year.

22 ACCUMULATED SURPLUS

The Accumulated Surplus consists of the following Internal Funds, and Reserves:

Capital Replacement Reserve (CFRR)	1 441 924	275 628
Capitalisation Reserve	35 143 482	36 821 596
Donations and Public Contributions Reserve	21 634 354	21 634 354
Government Grants Reserve	843 759 577	852 866 306
Accumulated Surplus / (Deficit) due to the results of Operations	644 385 063	865 637 635
Total Accumulated Surplus	1 544 761 494	1 379 235 909

Accumulated Surplus has been restated for various reasons indicated in Note 40 on "Correction of Error".

The Capital Replacement Reserve is a reserve to finance future capital expenditure and is invested in Financial Instrument Investments

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.

23 GOVERNMENT GRANTS AND SUBSIDIES

Provincial Equitable Share	192 859 000	167 069 000
Levies Replacement	42 329 000	39 831 516
Other Grants Received	1 680 033	4 460 257
Operational Grants	236 868 033	204 240 773
Conditional Grants	288 276 287	246 123 965
National: FMG Grant	1 870 188	1 111 817
National: DEAT Grant	5 673	777 370
National: MIG Grant	239 130 815	207 379 056
National: DWAF Grant	13 891 585	2 169 915
National: Local Government Grants	393 790	2 465 663
Provincial: Dept of Cooperative Governance and Traditional Affairs Grant	30 178 955	28 148 819
Provincial: Dept of Sport & Recreation Grant	941 193	1 688 437
Provincial: Dept of Transport Grant	1 100 913	263 576
Other Spheres of Government Grants: DBSA	963 193	2 059 625
Total Government Grants and Subsidies	525 244 320	450 363 659

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	R	R
Operational Grants:		
23.1 National: Equitable Share		
Balance unspent at beginning of year	-	161 009 000
Current year receipts	192 659 000	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(192 659 000)	(161 009 000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 17)	-	-

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.

Conditional Grants:

23.2 National: Finance Management Grant (FMG)		
Balance unspent at beginning of year	985 880	1 097 707
Current year receipts	1 250 000	1 000 000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(1 970 188)	(1 111 817)
Conditions still to be met - transferred to Liabilities (see Note 17)	265 722	985 880

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.

23.3 National: Economic Affairs and Tourism Grant (DEAT)

Balance unspent at beginning of year	2 701 709	651 600
Current year receipts	(5 256)	2 827 280
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(5 673)	(390 400)
Conditions met - transferred to Revenue: Capital Expenses	-	(386 770)
Conditions still to be met - transferred to Liabilities (see Note 17)	2 696 780	2 701 709

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.

23.4 National: Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	11 374 293	82 200 825
Current year receipts	239 046 000	135 257 000
Interest allocated	2 656 150	1 294 533
Conditions met - transferred to Revenue: Operating Expenses	(84 085 854)	(114 029 434)
Conditions met - transferred to Revenue: Capital Expenses	(155 044 951)	(83 348 632)
Conditions still to be met - transferred to Liabilities (see Note 17)	13 946 638	11 374 293

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.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	R	R
23.5 National: Dept of Water Affairs and Forestry Grant (DWAFF)		
Balance unspent at beginning of year	16 384 356	4 520 271
Current year receipts	9 585 628	14 014 000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(4 300 000)	(2 039 761)
Conditions met - transferred to Revenue: Capital Expenses	(9 281 855)	(130 154)
Conditions still to be met - transferred to Liabilities (see Note 17)	11 338 399	16 384 356

DWAFF 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.

23.6 National: Local Government Grants

Balance unspent at beginning of year	1 000 000	1 471 916
Current year receipts	-	1 023 747
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(383 790)	(2 485 683)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 17)	606 210	-

Various grants are paid by National 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.

23.7 Provincial: Dept of Cooperative Governance and Traditional Affairs Grant

Balance unspent at beginning of year	54 750 717	37 946 961
Current year receipts	9 929 760	44 859 574
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(4 283 093)	(19 991 731)
Conditions met - transferred to Revenue: Capital Expenses	(25 895 863)	(8 157 087)
Conditions still to be met - transferred to Liabilities (see Note 17)	34 501 522	54 750 717

Grants received from CoGTA 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.

23.8 Provincial: Dept of Sport and Recreation Grant

Balance unspent at beginning of year	1 127 193	2 825 629
Current year receipts	-	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(841 193)	(846 187)
Conditions met - transferred to Revenue: Capital Expenses	-	(652 249)
Conditions still to be met - transferred to Liabilities (see Note 17)	185 999	1 127 193

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.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

23.9 Provincial: Dept of Transport Grant

Balance unspent at beginning of year	0	283 576
Current year receipts	1 687 060	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(1 100 913)	(283 576)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 17)	588 087	0
	<u>588 087</u>	<u>0</u>

This funding was furnished by the ICZN 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.

23.10 Other Spheres of Government Grants: DBSA

Balance unspent at beginning of year	1 938 429	1 368 002
Current year receipts	1 428 958	2 630 653
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(963 193)	(2 059 625)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 17)	2 404 194	1 938 429
	<u>2 404 194</u>	<u>1 938 429</u>

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.

23.11 Other Government: Industrial Development Corporation

Balance unspent at beginning of year	137 444	137 444
Current year receipts	-	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 17)	137 444	137 444
	<u>137 444</u>	<u>137 444</u>

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.

23.12 Changes in levels of Government Grants

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2011), government grant funding is expected to increase over the forthcoming three financial years.

24. PUBLIC CONTRIBUTIONS AND DONATIONS

Conditional Contributions	-	19 392 059
Other Donations	250 000	(205 916)
Donations included in Government Grants and Subsidies	-	-
Total Public Contributions and Donations	250 000	19 186 143

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

24.1 Reconciliation of Conditional Public Contributions and Donations

24.1.1 Developers' Contributions

Balance unspent at beginning of year	42 773 163	52 948 239
Current year receipts	2 770 804	9 011 067
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	(19 166 143)
Conditions still to be met - transferred to Liabilities (see Note 17)	45 543 967	42 773 163
	<u>45 543 967</u>	<u>42 773 163</u>

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.

24.1.2 Public Contributions

Balance unspent at beginning of year	3 469 424	126 725
Current year receipts	2 004 628	3 548 615
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	(205 916)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 17)	5 474 052	3 469 424
	<u>5 474 052</u>	<u>3 469 424</u>

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.

25. SERVICE CHARGES

Sale of Water	210 494 499	166 240 781
Sewerage and Sanitation Charges	86 971 787	72 039 707
Total Service Charges	297 466 286	240 280 488

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.

26. RENTAL OF FACILITIES AND EQUIPMENT

Rental Revenue from Amenities	226 935	271 659
Rental Revenue from Buildings	28 557	330 691
Rental Revenue from Other Facilities	326 727	353 388
Total Rental of Facilities and Equipment	582 219	955 738

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

UGU DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	R	R
27 INTEREST EARNED		
External Investments:		
Bank Account	2 092 826	3 297 946
Short-term Investments	60 477	402 301
Long-term Investments		2 461 115
	<u>2 153 303</u>	<u>6 161 362</u>
Outstanding Debtors:		
Outstanding Billing Debtors	2 070 730	1 606 472
Fair Value adjustment of Service Charges	14 696 020	15 464 940
	<u>16 766 750</u>	<u>17 071 412</u>
	<u>18 942 053</u>	<u>23 232 774</u>
Total Interest Earned		
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Available-for-Sale Financial Assets	2 183 303	3 700 247
Hold-to-Maturity Investments	-	2 461 115
Loans and Receivables	16 756 750	17 071 412
	<u>18 942 053</u>	<u>23 232 774</u>

28 OTHER REVENUE

Administration Fees	47 886	58 504
Agents' Commission	276 163	184 586
Building Plan Fees	70 742	40 563
Connection Fees	2 070 906	3 627 444
Reconnection Fees	116 686	127 684
Restriction Fees	549 907	926 624
Septic Tank Clearance Fees	-	80 833
Tender Deposits	296 597	181 344
Water Rates Certificates	216 570	436 660
Other Revenue	530 682	3 638 765
Internal Recoveries	89 671 200	106 484 245
	<u>83 850 348</u>	<u>115 798 262</u>

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 23 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 journalised from other trading and economic services.

29 EMPLOYEE RELATED COSTS

Employee Related Costs - Salaries and Wages	146 000 077	144 564 478
Employee Related Costs - Contributions to UIF, Pension and Medical Aids	33 133 660	31 249 589
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	22 800 319	20 350 395
Housing Benefits and Allowances	966 233	1 025 319
Overtime Payments	22 194 655	19 363 455
Defined Benefit Plan Expense	1 932 574	4 726 938
Current Service Cost	1 301 965	2 520 211
Interest Cost	2 625 837	2 437 546
Net Actuarial (gains)/losses recognised	(5 920 376)	(230 820)
	<u>226 104 360</u>	<u>221 280 183</u>

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 13.

UGU DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	R	R
Remuneration of Section 57 Employees:		
Remuneration of the Municipal Manager		
Annual Remuneration	634 477	612 745
Leave Encashed	462 856	426 654
Car, Entertainment, Housing, Subsistence and Other Allowances	11 337	11 337
Contributions to UIF, Medical and Pension Funds	1 097 231	1 060 736
Total	<u>2 205 901</u>	<u>2 112 472</u>
Remuneration of the Deputy Municipal Manager		
Annual Remuneration	348 817	680 635
Leave Encashed	242 051	-
Car, Entertainment, Housing, Subsistence and Other Allowances	133 939	257 323
Contributions to UIF, Medical and Pension Funds	7 541	9 865
Total	<u>732 348</u>	<u>957 823</u>
The post became vacant in December 2011. The position has not been filled yet at 30 June 2012.		
Remuneration of the Chief Financial Officer		
Annual Remuneration	400 885	397 753
Leave Encashed	235 626	-
Car, Entertainment, Housing, Subsistence and Other Allowances	358 127	373 139
Contributions to UIF, Medical and Pension Funds	64 411	112 091
Total	<u>1 059 049</u>	<u>883 983</u>
The General Manager: Financial Services resigned on 31 March 2012. The Manager: Budget Office assumed the acting position from April 2012 to June 2012.		
Remuneration of the General Manager: Corporate Services		
Annual Remuneration	659 483	636 894
Leave Encashed	-	-
Car, Entertainment, Housing, Subsistence and Other Allowances	241 341	219 741
Contributions to UIF, Medical and Pension Funds	10 055	9 606
Total	<u>910 879</u>	<u>866 241</u>
Remuneration of the General Manager: Infrastructure and Economic Development		
Annual Remuneration	859 483	636 894
Leave Encashed	-	-
Car, Entertainment, Housing, Subsistence and Other Allowances	259 625	226 314
Contributions to UIF, Medical and Pension Funds	10 201	6 649
Total	<u>1 129 309</u>	<u>870 857</u>
Remuneration of the General Manager: Water Services		
Annual Remuneration	661 563	636 895
Leave Encashed	-	-
Car, Entertainment, Housing, Subsistence and Other Allowances	265 035	212 298
Contributions to UIF, Medical and Pension Funds	8 558	8 057
Total	<u>935 156</u>	<u>857 250</u>
Remuneration of the General Manager: Operations		
Annual Remuneration	255 163	554 796
Leave Encashed	129 227	-
Car, Entertainment, Housing, Subsistence and Other Allowances	152 610	294 397
Contributions to UIF, Medical and Pension Funds	9 515	9 565
Total	<u>546 515</u>	<u>858 758</u>
The post became vacant in December 2011. The position has not been filled yet at 30 June 2012.		
Remuneration of the Senior Manager: Strategy and Shared Services		
Annual Remuneration	504 598	465 782
Leave Encashed	192 482	32 121
Car, Entertainment, Housing, Subsistence and Other Allowances	6 025	161 927
Contributions to UIF, Medical and Pension Funds	695 115	7 872
Total	<u>1 398 220</u>	<u>667 602</u>

UGU DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	R	R
35 CONTRACTED SERVICES		
Agency Services	1	114 855
Cleaning Services	2 052 957	1 248 798
Internal Audit Services		223 478
Professional Services:		
- Chemistry	1 668 170	480 306
- Dam Safety	2 366 909	2 247 725
- Engineering Services	1 378 507	3 073 576
- Other Professional Services	239 360	59 640
Security Services:		
- Alarm Monitoring	153 364	30 058
- Cash Banking	8 813 685	138 100
- General Security	236 104	8 945 771
Sewerage Purification Services	217 327	103 721
Other Contracted Services	2 354 418	103 721
Total Contracted Services	19 266 484	16 883 853

Contracted Services have been restated to correctly classify expenditure incurred during the previous financial year, previously not accrued for. Refer to Note 40.4 on "Correction of Error" for details of the restatement.

36 GRANTS AND SUBSIDIES PAID

Conditional Grants Paid	666 676	6 457 024
Community Projects	92 079 314	69 749 544
Low Income Subsidy	48 514 473	46 652 553
Other Grants and Subsidies Paid	25 499 630	23 057 201
Total Grants and Subsidies	167 990 093	145 916 321

Grants and Subsidies Paid have been restated to correctly classify expenditure incurred for Grants and Subsidies Paid, previously not accrued for. Refer to Note 40.4 on "Correction of Error" for details of the restatement.

Conditional Grants paid is in respect of projects undertaken by municipalities within the municipality's area of jurisdiction and funded by Ugu District Municipality.

Community Projects consist primarily of Ventilated Pit Latrines (VPLs) 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.

The Low Income Subsidy is in respect of providing basic service levels to indigent households. Refer to Note 23.1.

In respect of Other Grants and Subsidies Paid, the Mayor makes grants available on application after consultation with the Municipal Manager / Executive Committee on the merits of such an application.

UGU DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	R	R
37 GENERAL EXPENSES		
Included in General Expenses are the following:		
2010 FIFA Soccer World Cup Contingency		113 296
Accommodation, Seminars and Travelling	765 487	1 782 325
Advertising	161 325	484 140
Audit Fees	2 303 318	2 169 322
Bank Charges	523 593	541 655
Catering Expenses	410	30
Cellphones, Internet and Telephones	3 386 817	3 840 774
Cleaning Materials and Chemicals	246 537	363 311
Commission Paid	998 965	978 836
Consultant IT Support	444 316	2 600 640
Consumables	54 741	-
Electricity	33 566 807	27 738 785
Entertainment	4 695	10 088
Events and Programmes	1 481 739	3 794 842
Fuel and Oil	8 704 296	9 185 595
Gardening Services	1 126 892	3 869 272
Insurance General	3 674 952	1 448 827
Kwazulu Natal Games	1 456 987	1 327 670
Knowledge Subscriptions	1 426 781	1 297 658
Legal Expenses	1 548 311	3 840 441
Licences	2 308 109	2 862 450
Loose/Small Tools	207 186	1 182 272
Marketing Expenses	1 232 327	1 533 286
Materials	5 423 120	7 249 115
Postage	1 511 171	1 802 788
Printing and Stationery	410 868	656 595
Property Transfers		639 412
Public Participation		723 474
Refreshments	8 763	664 129
Rentals - Property, Plant and Equipment	554 633	3 944 743
Sports and Leisure Centre	4 575 869	2 790 537
Staff Training	144 665	1 389 954
Subscriptions	429 616	43 568
Subsistence	30 750	6 817
Training Cost		80 809
Transport Costs	9 357	4 693 465
Uniforms and Protective Clothing	5 806 853	635 630
Vehicle Tracking	815 739	684 073
Workmen's Compensation Insurance	601 776	1 219 859
Other General Expenses		2 719 205
Internal Charges	2 785 427	106 484 245
Total General Expenses	178 433 268	207 364 151

General Expenses have been restated to correctly classify expenditure incurred during the previous financial year, previously not accrued for. Refer to Note 40.4 on "Correction of Error" for details of the restatement.

The amounts disclosed above for Soccer World Cup Contingency are in respect of costs incurred to host Team Algeria at the Ugu Sports and Leisure Centre, being the base camp for training.

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 journalised to other trading and economic services for support services rendered.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	R	R
37.1 Material Losses	18 149 010	17 524 858
Distribution Losses:		
Water Losses	18 149 010	17 524 858

The amounts disclosed above for Water Losses are in respect of production costs incurred in the extraction, purification, storage and distribution of water by the municipality and not directly attributable to a specific service or class of expense (See Note 59.9).

No extra-ordinary expenses were incurred.

38 DISCONTINUED OPERATIONS

38.1 Ugu Fresh Produce Market Services discontinued

The operations of the Ugu Fresh Produce Market were discontinued during the year. Staff, equipment, vehicles and immovable property remain with the municipality for strategic purposes and service delivery. However, the banana ripening plant is being continued. Part of the buildings are now being utilised for own operations, whilst tenders have been invited to let the remaining property.

38.2 Analysis of Surplus / (Deficit) for the year from Discontinued Operations

The results of the Discontinued Operations included in the Statement of Financial Performance are set out below. The comparative Surplus/(Deficit) and Cash Flow from Discontinued Operations have been represented to include those operations classified as discontinued in the current period.

REVENUE	29 830	
Rental of Facilities and Equipment	304 720	505 546
Other Income	304 720	535 376
Total Income	3 277 227	4 084 124
LESS: EXPENDITURE	1 622 408	2 942 163
Employee Related Costs	68 636	68 636
Repairs and Maintenance	92 893	52 631
Interest Paid	805 245	1 001 614
Contracted Services	111 377	111 377
Grants and Subsidies Paid	755 576	607 702
General Expenses		
Net Surplus/(Deficit) from Discontinued Operations	(2 972 507)	(3 948 749)
Cash Flows from Discontinued Operations	(2 972 507)	(3 948 749)
Net Cash Flows from Operating Activities	(2 972 507)	(3 948 749)

39 CHANGE IN ACCOUNTING POLICY

The municipality adopted the Accounting Standards for the first time during the financial year 2011/12 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	R	R
40 CORRECTION OF ERROR		

Corrections were made during the previous financial years. Details of the corrections are described below:

40.1 Reclassification of Accumulated Surplus

The prior year figures of Accumulated Surplus has been restated to correctly disclose the monies held by the municipality in terms of the disclosure notes indicated below.

The effect of the changes are as follows:

	2012	2011
	R	R
Balances published as at 30 June 2010		
Correction of Error:-		
Reclassify Property, Plant & Equipment - Note 40.2	408 245 279	
Reclassify Unspent Grants - Note 40.3	3 000 000	
Restated Balances as at 30 June 2010	1 278 077 129	866 831 850
Transactions incurred for the Year 2010/11	101 158 380	
Restated Balances as at 30 June 2011	1 379 235 509	

40.2 Reclassification of Impairment Losses, Property, Plant & Equipment, Creditors and Accumulated Surplus:

The opening balances of Property, Plant & Equipment and Accumulated Surplus have been restated to correctly record and classify Land owned by the municipality as at 30 June 2010, not previously recognised.

Furthermore, the opening balances of Property, Plant & Equipment and Accumulated Surplus have been restated to correctly record and classify Land not owned by the municipality as at 30 June 2010, and previously recognised as owned property.

Furthermore, the opening balances of Property, Plant & Equipment and Accumulated Surplus have been restated to correctly record and classify Vehicles owned by the municipality as at 30 June 2010, not previously recognised.

The prior year amounts of Property, Plant & Equipment and Expenditure for Depreciation have been restated to correctly the expense incurred for depreciation on vehicles not previously recognised.

The effect of the Correction of Error is as follows:

	2012	2011
	R	R
Balances previously published per AFS as at 30 June 2010		
Reclassify PPE to reflect Land not previously recognised	1 239 326 989	
Reclassify PPE to reflect Land previously erroneously recognised	407 943 547	
Reclassify PPE to reflect Vehicles not previously recognised	(367 428)	
Balances now published per AFS as at 30 June 2010	1 647 572 256	866 831 850
Expenditure as per AFS previously published for 2010/11		
Transactions incurred for the Year 2010/11	154 276 378	
Reclassification of Depreciation Charges on Vehicles	(82 341)	
Balances now published per AFS as at 30 June 2011	1 801 766 306	82 341

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012 R 2011 R

40.3 Reclassification of Payables, Unspent Conditional Grants and Accumulated Surplus:

The opening balances of Unspent Conditional Grants and Accumulated Surplus have been restated to correctly record the liabilities of the municipality towards Conditional Grants received and not spent, adjusting for a receipt duplicated in 2009/10.

The prior year amounts of Payables and Expenditure have been restated to correctly record the liabilities of the municipality towards Creditors not accrued for in the 2010/11 financial year.

The effect of the Correction of Error is as follows:

	2012 R	2011 R
Balances previously published per AFS as at 30 June 2010		
Reclassify Unspent Grants to reverse duplicated Receipt	122 552 896	188 580 895
		(3 000 000)
Balances now published per AFS as at 30 June 2010	122 552 896	185 580 895
Transactions incurred for the Year 2010/11	20 553 314	(48 958 276)
Reclassify Payables to accrue for expenditure	1 403 616	-
Balances now published per AFS as at 30 June 2011	150 709 826	135 622 619

40.4 Reclassification of Expenditure

The prior year amounts of Expenditure and Payables have been restated to correctly record the expenditure of the municipality not accrued for in the 2010/11 financial year.

The effect of the Correction of Error is as follows:

	2012 R	2011 R
Amount per AFS previously published for 2010/11		
Reclassify Expenditure to accrue for creditors	20 412	21 833 724
		40 127
Restated Amount currently disclosed for 2010/11	20 412	21 873 851

41 CHANGE IN ACCOUNTING ESTIMATES

41.1 Depreciation Expenditure:

The residual values, estimated useful lives and depreciation method were reviewed at 30 June 2010.

Adjustments to the residual values and useful lives affect the amount of depreciation for the current year and is expected to affect future periods as well. The adjustments are as follows:

	2012 R	2011 R
Amount per AFS previously published for		
Reclassify Expenditure to accrue for creditors	16 501 666	206 604 206
	381 897	759 945
Restated Amount currently disclosed for	16 883 563	207 364 151

Increase / (Decrease) in Depreciation due to adjustments to Useful Lives of PPE

Increase / (Decrease) in Depreciation of PPE

Depreciation as previously stated

Adjustment due to Change in Accounting Estimate

Depreciation as per Note 31

	(513 694)	(3 928 662)
	(513 694)	(3 928 662)
	56 886 939	53 164 754
	(513 694)	(3 928 662)
	56 373 246	49 236 092

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012 R 2011 R

42 CASH GENERATED BY OPERATIONS

Surplus / (Deficit) for the Year

Adjustment for:

- Depreciation and Amortisation
- Losses / (Gains) on Disposal of Property, Plant and Equipment
- Property, Plant and Equipment transferred to Assets Held-for-Sale
- Other Movement on Property, Plant and Equipment
- Contribution to Retirement Benefit Liabilities
- Expenditure incurred from Retirement Benefit Liabilities
- Contribution to Provisions - Current
- Contribution to Provisions - Non-current
- Expenditure incurred from Provisions - Current
- Contribution to Impairment Provision
- Bad Debts Written-off

Operating Surplus before working capital changes

- Decrease/(Increase) in Inventories
- Decrease/(Increase) in Non-Current Assets Held-for-Sale
- Decrease/(Increase) in Receivables from Exchange Transactions
- Decrease/(Increase) in Receivables from Non-exchange Transactions
- Decrease/(Increase) in VAT Receivable
- Decrease/(Increase) in Current Portion of Long-term Receivables
- Increase/(Decrease) in Consumer Deposits
- Increase/(Decrease) in Payables
- Increase/(Decrease) in Conditional Grants and Receipts
- Increase/(Decrease) in Operating Lease Liabilities

Cash generated by / (utilised in) Operations

	265 574 504	187 801 050
	(1 742 211)	329 263
	1 054 544	(93 504)
	(50 028 993)	(21 771 216)
	(16 560 129)	(4 938 192)
	21 521 713	(11 565 213)
	-	(2 289)
	523 391	501 230
	16 263 304	27 756 930
	(17 942 604)	(48 958 276)
	215 583 316	127 644 866

43 NON-CASH INVESTING AND FINANCING TRANSACTIONS

The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2011/12 financial year.

44 FINANCING FACILITIES

Unsecured Credit Card Facility, reviewed annually and payable monthly.

- Amount used

- Amount unused

	80 000
	80 000

Unsecured Fleet Card Facility, reviewed annually and payable monthly.

- Amount used

- Amount unused

	1 281 030	1 135 794
	298 670	364 206
	1 500 000	1 500 000

Unsecured Vehicle and Asset Finance Facility, reviewed annually.

- Amount used

- Amount unused

	2 500 000	159 842
	-	2 840 158
	2 500 000	3 000 000

Unsecured DBSA Loan Facility with maturity date to be determined upon final disbursement.

- Amount used

- Amount unused

	-	62 000 000
	-	-
	-	62 000 000

UGU DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	R	R
Secured Bank Loan Facilities with various maturity dates through to 2011 and which may be extended by mutual agreement:		
- Amount used	4 438 381	4 438 381
- Amount unused	-	-
Sub-total	4 438 381	4 438 381

Secured Bank Loan Facilities with various maturity dates through to 2011 and which may be extended by mutual agreement:

- Amount used
- Amount unused

45 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long term Liabilities (See Note 18)	212 487 710	228 111 916
Used to finance Property, Plant and Equipment - at cost	(212 484 719)	(228 108 357)
Sub-total	2 991	3 559
Cash set aside for the Repayment of Long-term Liabilities (See Notes 7 and 12)	-	-
Cash invested for Repayment of Long-term Liabilities	2 991	3 559

Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash is available to ensure that Long-term Liabilities can be repaid on the scheduled redemption dates.

46 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

46.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:		
Opening balance	56 909 700	10 708 144
Unauthorised Expenditure current year	55 347 578	45 201 556
Approved by Council or condoned	(56 827 359)	-
To be recovered - contingent asset (see Note 51)	-	-
Transfer to receivables for recovery (see Note 5)	-	-
Unauthorised Expenditure awaiting authorisation	55 429 919	56 909 700

Incident	Disciplinary Steps / Criminal Proceedings
Budgeted amounts exceeded:	
- Employee Related Costs - (2011: R164 895)	To be condoned by Executive Committee
- Depreciation and Amortisation - (2011: R3 181 928)	
- Impairment Losses - (2011: R20 520 418)	
- Finance Costs - (2011: R5 580 960)	
- Grants and Subsidies Paid - (2011: R16 865 577)	
- Water - R65 347 578 (2011: R0)	
General Expenses include an amount of R0 (2011: R113 200) paid in respect of leasing the Algeirien Football Association	To be condoned by Executive Committee
- Total Expenditure - R6 210 526 (2011: R0)	

46.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:		
Opening balance	147 065	8 708
Fruitless and Wasteful Expenditure current year	412 477	138 237
Condoned or written off by Council	(31 216)	-
To be recovered - contingent asset (see Note 51)	-	-
Transfer to receivables for recovery (see Note 5)	-	-
Fruitless and Wasteful Expenditure awaiting condonement	528 326	147 005

Incident	Disciplinary Steps / Criminal Proceedings
Interest on late payments - R412 477 (2011: R39 297)	To be condoned by Executive Committee, condoning the Fruitless and Wasteful Expenditure:

UGU DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	R	R
Reconciliation of Irregular Expenditure		
Opening balance	21 474 801	24 030 357
Irregular Expenditure current year	13 215 089	21 474 801
Condoned or written off by Council	(22 284 809)	(24 030 357)
To be recovered - contingent asset (see Note 51)	-	-
Transfer to receivables for recovery (see Note 5)	-	-
Irregular Expenditure awaiting condonement	12 405 099	21 474 801

46.3 Irregular Expenditure

Reconciliation of Irregular Expenditure

Opening balance

Irregular Expenditure current year

Condoned or written off by Council

To be recovered - contingent asset (see Note 51)

Transfer to receivables for recovery (see Note 5)

Irregular Expenditure awaiting condonement

Incident	Disciplinary Steps / Criminal Proceedings
Expenditure of R2 950 177 (2011: R4 014 570) contrary to the provisions of paragraph 44 of the Municipal Supply Chain Management Regulations as described in Note 58.8	To be condoned by the Executive Committee, condoning the Irregular Expenditure:
Irregular expenditure also includes R11 155 922 (2011: R17 460 230) million for expenditure incurred contrary to Supply Chain Management processes as described in Note 58.7	A report will be submitted by the Executive Committee, condoning the Irregular Expenditure:

47 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

47.1 Contributions to organised local government - SALGA

Opening Balance	-	6 520
Council Subscriptions	1 428 782	1 287 858
Amount Paid - current year	(1 428 782)	(1 287 858)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	-	6 520

47.2 Audit Fees

Opening Balance	56 840	8 520
Current year Audit Fee	2 240 132	(2 170 062)
Amount Paid - current year	(1 870 989)	(1 870 989)
Amount Paid - previous years	(86 840)	(8 520)
Balance Unpaid (included in Creditors)	259 143	66 840

The balance unpaid represents the audit fee for pre-audit of and planning the audit for the 2011/12 financial year and is payable by 31 July 2012.

47.3 VAT

The net of VAT input payables and VAT output receivables are shown in Note 6. All VAT returns have been submitted by the due date throughout the year.

47.4 PAYE, Skills Development Levy and UIF

Opening Balance	2 594 851	34 350 686
Current year Payroll Deductions	56 358 428	44 544 336
Amount Paid - current year	(52 770 571)	(31 768 835)
Amount Paid - previous years	(2 581 851)	-
Balance Unpaid (included in Creditors)	2 585 847	2 581 851

The balance represents PAYE, UIF, and SDL deducted from employees and councillors in the June 2012 payroll and are payable by 07 July 2012.

47.5 Pension and Medical Aid Deductions

Opening Balance	3 433 284	39 840 974
Current year Payroll Deductions and Council Contributions	44 544 336	(36 407 890)
Amount Paid - current year	(42 211 324)	-
Amount Paid - previous years	(3 433 284)	-
Balance Unpaid (included in Creditors)	2 333 012	3 433 284

The balance represents Pension and Medical Aid contributions deducted from employees and councillors in the June 2012 payroll, as well as the municipality's contributions to these funds and are payable by 07 July 2012.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	R	R
47.6 Councilor's arrear Consumer Accounts		
The following Councilors had arrear accounts outstanding for more than 90 days as at:		
30 June 2012	196	119
Gumede ST		77
Total	196	119
Total Councilor Arrear Consumer Accounts	196	119
30 June 2011		
Khaxola SA	5 944	3 916
Madala WA	360	504
Maryoni MA	547	553
Milongo ZA	1 664	97
Miyende L	1 854	1 789
Njaka HD	2 105	782
Total	11 095	7 360

During the year the following Councilors had arrear accounts outstanding for more than 90 days:

	2012	2011
	R	R
30 June 2012		
Gumede ST		77
Highest amount outstanding	77	> 90 Days
Ageing		
30 June 2011		
Khaxola SA	3 815	> 90 Days
Madala WA	304	> 90 Days
Maryoni MA	553	> 90 Days
Milongo ZA	97	> 90 Days
Miyende L	1 798	> 90 Days
Njaka HD	782	> 90 Days

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 38(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
Municipal Manager's Office - Legal Services	July 2011	Dechra Nkomo	Urgency of the matter	26 032,00 Including VAT
Emergency services of a private firm of attorneys to render the municipality in application to court made by Mchiza Working West.				
Municipal Manager's Office - Youth Development	July 2011	Ludgy's Sports	Urgency of the matter and capacity relating to One Search offices	5 520,00 Including VAT
Procurement of refreshments				
Corporate Services - IT Section	July 2011	Sales Technologies	Matter needs for services and capacity relating to One Search offices	6 038,00 Including VAT
Procurement of 200 GB Hard Drive				
Corporate Services - IT Section	July 2011	USS Insular	Urgency for RAS system to go live	4 002,00 Including VAT
Procurement of Mikrow Server, 500 GB Storage & 6000 Hard Disk				
Water Services - Purification	July 2011	Laboratory Consumables & Chemicals	Urgency - Laboratory consumables	7 248,00 Including VAT
Procurement of critical consumables required for water sample analysis by Laboratory Services				

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Department	Date	Successful Tenderer	Reason	Amount
Municipal Manager's Office - Communications	August 2011	ME Electrical	Additional work	16 999,00 Including VAT
Supply of electricity on the grounds for the PFA during the Soccer World Cup				
Municipal Manager's Office - Communications	August 2011	Chesswood Events Management	Contract with logo	3 879,00 Including VAT
Management fee for the company that organized the 5th Annual Ugu Jazz Festival				
Municipal Manager's Office - Environmental Services	August 2011	RVS Engineers	Continuation of original contract	30 092,00 Including VAT
Procurement of MWP at Council Meeting - Top Managements Profile and Municipal Manager's Profile				
Municipal Manager's Office - Legal Section	August 2011	Paul Prinsloo Attorney's	Strong labour relations expertise	11 880,00 Including VAT
Mr N Moolloy's contract of employment with the municipality was not renewed				
Municipal Manager's Office - Youth Development	August 2011	Southern Natal Cricket Union	Reasonable and fair prices	8 000,00 Including VAT
Training for Awevelagh Games				
Municipal Manager's Office - Youth Development	August 2011	Ludgy's Sports	Shortlist for the equipment to be used	10 560,00 Including VAT
Procuring of soccer balls: first trial kit and Adidas soccer kit				
Municipal Manager's Office - Youth Development	August 2011	Ludgy's Sports	Top Management resolved not to provide the paraphernalia	5 486,00 Including VAT
Training facility and catering for Ugu Jubilee team for KwaZulu Natal 2010				
Corporate Services - Auxiliary Services	August 2011	RNF Contractors	Extension of contract	8 882,00 Including VAT
Procurement of Industrial Services				
Corporate Services - IT Section	August 2011	USS Insular	Urgency - network upgrade	4 002,00 Including VAT
Completion of laptop task list and call centre training				
Water Services - Operations	August 2011	One Up Pump	Urgency	48 816,00 Including VAT
Stop and repair				
Water Services - Operations	August 2011	Drain Experts	Urgency - raw sewage overflowing into water	16 555,00 Including VAT
Hiring of vacant tanker service at Pongampon Pumpstation				
Water Services - Operations	August 2011	Haystacks Drain	Emergency	51 172,00 Including VAT
Emergency repairs to the broken line which took a period of 4 days from Sunday, the 26th of June 2011				
Water Services - Operations	August 2011	One Up Pump	Urgency	55 716,00 Including VAT
Stop and repair				
Municipal Manager's Office - Communications	September 2011	Move On Up	Urgency	16 009,00 Including VAT
Procurement of sound at KwaZulu Sports Grounds				
Municipal Manager's Office - Legal Section	September 2011	Shapiro & Wolfe Attorneys	Urgency - legitimate matter	35 842,00 Including VAT
Municipality was cited in action brought against it by Captain Prinsloo				
Municipal Manager's Office - Legal Section	September 2011	Haywood Cook	Urgency - matters in the line of contract for Supply Chain	153 368,00 Including VAT
Hypothec transfer was deemed to be to the municipality and not further contained				

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012 R 2011 R

Lost Units	Tariff	Value
30 June 2012	10 310 489	18 148 010
Unaccounted Water Losses	1 7602	
30 June 2011	11 612 000	17 524 858
Unaccounted Water Losses	1 5092	

Water Losses occur due to *inter alia*, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are reappreciated as soon as they are reported.

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 in its part of the implementation plan.

	2012 R	2011 R
Volumes in Milyear:		
System Input Volume	25 919	35 430
Billed Authorized Consumption	25 609	23 818
Unbilled Authorized Consumption	2 394	984
Apparent Losses	3 254	3 254
Real Losses	7 208	7 374
Estimated Non-revenue Water (NRW)	10 310	11 612
Estimated Percentage Non-revenue Water (NRW)	28.70%	32.77%

48. COMMITMENTS FOR EXPENDITURE

48.1 Capital Commitments

Commitments in respect of Capital Expenditure:

Approved and Contracted for:

Infrastructure	117 372 419	108 143 960
Community	114 482 544	105 364 318
Other	2 889 075	67 447
		2 712 195

- Approved but Not Yet Contracted for:-

Infrastructure	78 140 003	62 377 533
Community	74 532 152	32 528 748
Other	3 607 851	29 848 784
		124 754 065

Total Capital Commitments

	195 512 422	170 521 492
--	-------------	-------------

This expenditure will be financed from:

Government Grants	157 535 664	105 142 378
Own Resources	37 976 758	65 379 114
	195 512 422	170 521 492

48.2 Lease Commitments

Finance Lease Liabilities and Non-cancellable Operating Lease Commitments are disclosed in Notes 18 and 19.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012 R 2011 R

49 FINANCIAL INSTRUMENTS

49.1 Classification

FINANCIAL ASSETS:
In accordance with GAMP 104.13 the Financial Assets of the municipality are classified as follows:

Financial Assets	Classification	2012 R	2011 R
Long-term Receivables			
Relocation Loans	Amortised cost	2 089	15 155
Sundry Loans	Amortised cost	7 483	11 093
Receivables from Exchange Transactions			
Sewerage	Amortised cost	7 901 185	14 581 993
Water	Amortised cost	26 959 648	10 341 690
Water Rate	Amortised cost	4 020 088	8 710 157
Other Trade	Amortised cost	4 500 982	6 403 264
Receivables from Non-exchange Transactions			
Payments made in Advance	Amortised cost	317 930	1 483 307
Government Subsidy Claims	Amortised cost	27 446	3 630 655
Insurance Claims	Amortised cost	297 588	901 215
Municipal Entities	Amortised cost	74 950	50 979
Sundry Deposits	Amortised cost	1 011 415	1 017 415
Sundry Debtors	Amortised cost	22 946 354	1 040 985
Cash and Cash Equivalents			
Call Deposits	Fair value	3 116 372	16 747 235
Bank Balances	Fair value	51 518 575	24 963 783
Cash Flats and Advances	Fair value	4 910	4 910
Current Portion of Long-term Receivables			
Relocation Loans	Amortised cost	9 827	9 827
Sundry Loans	Amortised cost	3 600	3 600

SUMMARY OF FINANCIAL ASSETS

Financial Assets at Amortised Cost:

Long-term Receivables	2 089	15 155
Relocation Loans	7 483	11 093
Receivables from Exchange Transactions	7 901 185	14 581 993
Water	26 959 648	10 341 690
Water Rate	4 020 088	8 710 157
Receivables from Exchange Transactions	4 500 982	6 403 264
Receivables from Non-exchange Transactions	317 930	1 483 307
Payments made in Advance	27 446	3 630 655
Government Subsidy Claims	297 588	901 215
Insurance Claims	74 950	50 979
Municipal Entities	1 011 415	1 017 415
Sundry Deposits	22 946 354	1 040 985
Receivables from Non-exchange Transactions	9 827	9 827
Current Portion of Long-term Receivables	3 600	3 600
Sundry Loans	88 083 587	48 007 324

Financial Assets at Fair Value:

Cash and Cash Equivalents	3 116 372	16 747 235
Bank Balances	51 518 575	24 963 783
Cash and Cash Equivalents	4 910	4 910
Cash Flats and Advances	54 662 857	41 708 927
	122 212 464	89 711 262

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

FINANCIAL LIABILITIES:
In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:

	2012	2011
	R	R
Financial Liabilities		
Long-term Liabilities		
Annuity Loans	198 015 541	214 729 133
Finance Lease Liabilities	64 894	519 948
Payables		
Trade Creditors	16 894 927	61 952 793
Payments received in Advance	2 495 833	2 953 255
Projects	52 743 423	33 794 957
Retentions	1 375 275	1 375 275
Staff Bonuses	11 831 317	8 426 016
Staff Leave Accrued	8 297 873	7 843 118
Other Creditors	73 254 483	34 464 412
Bank Overdraft	7 183	
Current Portion of Long-term Liabilities		
Annuity Loans	13 952 222	10 462 124
Finance Lease Liabilities	435 063	2 400 712

SUMMARY OF FINANCIAL LIABILITIES

Financial Liabilities at Amortised Cost:	198 015 541	214 729 133
Long-term Liabilities	198 015 541	214 729 133
Long-term Liabilities	64 894	519 948
Payables	16 894 927	61 952 793
Payables	52 743 423	33 794 957
Payables	1 375 275	1 375 275
Payables	11 831 317	8 426 016
Payables	8 297 873	7 843 118
Payables	73 254 483	34 464 412
Current Portion of Long-term Liabilities	13 952 222	10 462 124
Current Portion of Long-term Liabilities	435 063	2 400 712
Financial Liabilities at Fair Value:	376 995 038	375 968 487
Payables	2 495 833	2 853 255
Bank Overdraft	7 183	
Total Financial Liabilities	2 502 016	2 853 255
49.2 Fair Value	379 496 024	378 821 742

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash and Short-term Investments
The carrying amount approximates the Fair Value because of the short maturity of those instruments.

Long-term Investments
The Fair Value of some investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Loan Receivables/Payables
Interest-bearing borrowings and receivables are generally at interest rates in line with those currently available in the market on a floating rate basis. The carrying amount of these Financial Assets and Liabilities is the carrying value. Fixed interest rate instruments are fair valued based on the present value of future principal and interest cash flows. Discounted at the market rate of interest at the reporting date.

Trade and Other Receivables/Payables
The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows. The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment (risk) of the municipality's debtors.

Other Financial Assets and Liabilities
The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities
The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2012, as a result of the short term maturity of these assets and liabilities.

No Financial Instruments of the municipality have been reclassified during the year.

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by IFRS 7. The different levels are based on the option to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

- Level 1:
Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.
- Level 2:
Fair Values are calculated using valuation techniques based on observable inputs, other directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3:
Fair Values are based on valuation techniques using significant unobservable inputs. The category includes all instruments whose valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

	Level 1	Level 2	Level 3	Total
	R	R	R	R
30 June 2012				
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Cash Deposits	-	3 119 372	-	3 119 372
Bank Balances and Cash	-	51 523 485	-	51 523 485
Total Financial Assets	-	54 642 857	-	54 642 857
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
Payments Received in Advance	-	2 495 833	-	2 495 833
Bank Overdraft	-	7 183	-	7 183
Total Financial Liabilities	-	2 503 016	-	2 503 016
Total Financial Instruments	-	52 139 841	-	52 139 841

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2011
R

2012
R

2011
R

2011
R

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.

Further quantitative disclosures are included throughout these Annual Financial Statements.

48.5 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statement, to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk, and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Liquidity Risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

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 time and in accordance with the terms and conditions of the liabilities established at comparable rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Notes 48.8 and 48.9 to the Annual Financial Statements.

48.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 48.8 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risk or the manner in which it manages and measures the risk.

48.6.1 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.

48.6.2 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 rate changes.

Financial Assets and Liabilities that are sensitive to interest rate risk are cash and cash equivalents, investments, and loan payables. The municipality is not exposed to interest rate risk on these financial instruments as the rates applicable are fixed interest rates.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2011
R

2012
R

2011
R

2011
R

	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Call Deposits	-	16 741 235	-	16 741 235
Bank Balances and Cash	-	24 968 692	-	24 968 692
Total Financial Assets		41 709 927		41 709 927
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
Payments Received in Advance	-	2 853 255	-	2 853 255
Bank Overdraft	-	2 853 255	-	2 853 255
Total Financial Liabilities		38 856 672		38 856 672

48.3 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 2010.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 3, 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%, decreasing to 80%. This 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:

	2012 R	2011 R
Debt	212 497 710	228 111 916
Cash and Cash Equivalents	(51 523 485)	(24 968 692)
Net Debt	160 974 225	203 143 224
Equity	1 544 761 484	1 379 235 505
Net debt to equity ratio	10.42%	14.73%

Debt is defined as Long- and Short-term Liabilities, as detailed in Note 19.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

48.4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

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 ASB 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.

UGU DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012 R

2011 R

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 of a large number of ratepayers, dispersed across different industries and geographical areas. 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 sensitivity analysis below was determined based on the exposure to interest rates at the reporting date. For variable rate long-term instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Notes 49.6 and 49.9 below.

Cash and Cash Equivalents

Interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's Surplus for the year ended 30 June 2012 would have decreased / increased by R481 715 (30 June 2011: decreased / increased by R855 544). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

48.7 Credit Risk Management

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 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.

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.

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its short-term investments' financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions short term credit rating of BBB and long-term credit rating of AA- and higher at an international accredited rating agency. The municipality's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst different types of approved investments and institutions, in accordance with its investment policy. Consequently, the municipality is not exposed to any significant credit risk.

Trade and Other Receivables

Trade and Other receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and sanitation services rendered to them.

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.

UGU DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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2011 R

Consumer Debtors comprise of 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.

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.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property.
- A new owner is advised, prior to the issue of a rates clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount.
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA.
- The requirement of a deposit for new service connections, serving as guarantee.
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer.

Long-term Receivables and Other Debtors are individually evaluated annually at Statement of Financial Position 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 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.

The table below shows the balance of the 5 major counterparties at the balance sheet date. Management is of the opinion that, although these parties are the 5 counterparties with highest outstanding balances, no significant credit risk exposure exists, based on the payment history of the parties.

Counterparty and Location	30 June 2012		30 June 2011	
	Credit Limit R	Carrying Amount R	Credit Limit R	Carrying Amount R
P. Karungu	-	1 858 479	-	-
Sisonke District Municipality	-	1 262 852	-	426 960
T. Lukuma	-	1 154 320	-	-
Ugu Fresh Produce Market	-	980 548	-	-
Esayidi FET College	-	743 221	-	-
Hyprop Investments	-	-	-	615 961
San Lamer Estate Management	-	-	-	472 342
South African Police Services (Ug)	-	-	-	413 025
Umdoni Municipality (Fire Hydrants)	-	-	-	384 428

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	R	R
Fixed Deposit Investments	100	100
Long-term Receivables	22 990	38 675
Consumer Debtors	160 909 913	110 480 919
Other Debtors	28 200 467	11 700 338
Bank, Cash and Cash Equivalents	54 636 674	41 709 927
Maximum Credit and Interest Risk Exposure	243 429 144	163 930 960

The major concentrations of credit risk that arise from the municipality's receivables in relation to customer classification are as follows:

	%	%
Consumer Debtors:		
- Household	60.47%	58.30%
- Industrial / Commercial	15.42%	19.34%
- National and Provincial Government	4.75%	4.50%
- Other Classes	4.34%	8.10%
Other Debtors:		
- Other not Classified	14.97%	8.58%
Total Credit Risk	100.00%	100.00%

	2012	2011
	R	R
Bank and Cash Balances		
ABSA Bank Ltd	54 614 406	35 990 137
First National Bank of SA Ltd	16 358	6 754 880
Cash Equivalents	4 910	4 910
Total Bank and Cash Balances	54 636 674	41 709 927

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:

	2012	2011
	R	R
Long-term Receivables		
Group 1	22 990	38 675
Group 2	-	-
Group 3	-	-
Total Long-term Receivables	22 990	38 675

	2012	2011
	R	R
Receivables from Exchange Transactions		
Counterparties without external credit rating:		
Group 1	19 482 345	20 801 197
Group 2	-	-
Group 3	-	-
Total Receivables from Exchange Transactions	19 482 345	20 801 197

	2012	2011
	R	R
Receivables from Non-exchange Transactions		
Group 1	317 930	1 483 207
Group 2	-	-
Group 3	-	-
Total Receivables from Non-exchange Transactions	317 930	1 483 207

Credit quality Groupings:
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 reclassified in the last year.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

49 FINANCIAL INSTRUMENTS (Continued)

49.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 44 risk.

Liquidity and Interest Risk Tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operations.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities on the earliest date on which the municipality can be required to pay. The table includes both interest and principal.

	Description	Note ref in AFS	Average effective Interest Rate %	Tot R
30 June 2012				
	Non-interest Bearing			166
	Variable Interest Rate Instruments			
	Fixed Interest Rate Instruments			290
				457
30 June 2011				
	Non-interest Bearing			150
	Variable Interest Rate Instruments			
	Fixed Interest Rate Instruments			320
				471

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

The following table details the municipality's expected maturity for its non-derivative financial assets. The including interest that will be earned on those assets except where the municipality anticipates that the c:

Description	Note ref in AFS #	Average effective Interest Rate %
30 June 2012		
Non-interest Bearing		0.00%
Variable Interest Rate Instruments		4.53%
Fixed Interest Rate Instruments		0.00%
30 June 2011		
Non-interest Bearing		0.00%
Variable Interest Rate Instruments		4.33%
Fixed Interest Rate Instruments		0.00%

The municipality has access to financing facilities, the total unused amount which is R208 970 (2011: flows and proceeds of maturing financial assets. The municipality expects to maintain current debt to e bank loan facilities.

te liquidity risk management framework for the management of the municipality's short, medium and long-term adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and 44 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity

perational expenses through the use of cash flow forecasts.

al liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based d principal cash flows.

Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
R	R	R	R	R	R
166 993 130	166 993 130	-	-	-	-
7 183	7 183	-	-	-	-
190 456 273	13 341 575	14 022 221	27 855 736	86 821 869	148 414 872
157 456 587	180 341 889	14 022 221	27 855 736	86 821 869	148 414 872
150 709 826	150 709 826	-	-	-	-
120 820 055	13 341 575	14 116 575	28 138 796	88 884 789	176 338 319
171 529 881	164 051 401	14 116 575	28 138 796	88 884 789	176 338 319

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

i. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets the cash flow will occur in a different period.

Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
R	R	R	R	R	R
68 094 507	68 094 507	-	-	-	-
54 637 947	54 637 947	-	-	-	-
0	0	-	-	-	-
122 732 454	122 732 454	-	-	-	-
48 006 244	48 006 244	-	-	-	-
41 705 017	41 705 017	-	-	-	-
0	0	-	-	-	-
89 711 262	89 711 262	-	-	-	-

1. R444 206), at the reporting date. The municipality expects to meet its other obligations from operating cash to equity ratio. This will be achieved through increased service tariff charges and the increased use of unsecured

49.9 Effective Interest Rates and Repricing Analysis

In accordance with IAS 32.67(a) and (b) the following tables indicate the average effective interest rates periods in which they mature or, if earlier, reprice:

30 June 2012

Description	Note ref in AFS	Average effective Interest Rate	To
	#	%	F
FIXED RATE INSTRUMENTS			
Unsecured Bank Facilities	18		€
ABSA		11.51%	€
DBSA		10.00%	€
DBSA		2.65%	€
DBSA		5.00%	€
DBSA		5.00%	€
DBSA		5.00%	€
DBSA (Ex Hibiscus Coast)		Various	€
DBSA (Ex Umdomi)		Various	€
DBSA (Ex Umuziwabantu)		Various	€
Total Fixed Rate Instruments			€
VARIABLE RATE INSTRUMENTS			
Call Deposits	7	11.93%	
Bank Balances and Cash	7	11.93%	
Total Variable Rate Instruments			

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

30 June 2011

tes of Income-earning Financial Assets and Interest-bearing Financial Liabilities at the reporting date and the

Total	6 Months or less		6 - 12 Months		1 - 2 Years		2 - 5 Years		More than 5 Years	
	R	R	R	R	R	R	R	R	R	R
(211 977 763)	-	-	-	(350 803)	(16 676 442)	(194 950 517)	(90 253 477)	-	-	-
(30 253 477)	-	-	-	(350 803)	(2 969 533)	(20 566 435)	(23 596 682)	(60 533 930)	(12 688 271)	(658 112)
(350 803)	-	-	-	-	-	-	-	-	-	(360 527)
(2 969 533)	-	-	-	-	-	-	-	-	-	-
(20 566 435)	-	-	-	-	-	-	-	-	-	-
(23 596 682)	-	-	-	-	-	-	-	-	-	-
(60 533 930)	-	-	-	-	-	-	-	-	-	-
(12 688 271)	-	-	-	-	-	-	-	-	-	-
(658 112)	-	-	-	-	-	-	-	-	-	-
(360 527)	-	-	-	-	-	-	-	-	-	-
(211 977 763)	-	-	-	(350 803)	(16 676 442)	(194 950 517)	-	-	-	-
3 119 372	3 119 372	-	-	-	-	-	-	-	-	-
51 518 575	51 518 575	-	-	-	-	-	-	-	-	-
54 637 947	54 637 947	-	-	-	-	-	-	-	-	-

49.10 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality dc

Description	Note ref in AFS #	Average effective Interest Rate %	1
FIXED RATE INSTRUMENTS			
Unsecured Bank Facilities	17		
ABSA		11.51%	
DBSA		10.00%	
DBSA		2.65%	
DBSA		5.00%	
DBSA		5.00%	
DBSA		5.00%	
DBSA (Ex Hibiscus Coast)		Various	
DBSA (Ex Umdoni)		Various	
DBSA (Ex Umuzwabantu)		Various	
Total Fixed Rate Instruments			
VARIABLE RATE INSTRUMENTS			
Call Investment Deposits	7		
Bank Balances and Cash	7		
Total Variable Rate Instruments			

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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50 MULTIPLE EMPLOYER RETIREMENT BENEFIT INFORMATION

The 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 of the Retirement, Superannuation and Provident Funds.

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, the details of 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 rationally 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 R20 372 472 (2011: R19 100 659) 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 Discounted Cash Flow method of valuation have been included as well.

DEFINED BENEFIT SCHEMES

The scheme is subject to a tri-annual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2011 by Arthur Eis & Associates.

The interim actuarial valuation performed as at 31 March 2011 revealed that the fund had a shortfall of R282,3 (31 March 2010: Shortfall of R242,2) million, with a funding level of 84,1% (31 March 2010: 88,2%). The contribution rate, including the surcharges below, paid by the members (8,65%) and municipalities (29,00%) was expected to eradicate the shortfall in the fund by 31 March 2015. However, the basic contribution payable is 4,72% less than the required contribution rate.

The actuarial shortfall is taken into account by determining surcharges, to be met by increased contributions. These surcharges amount to 17% of pensionable emoluments, of which 1,65% is payable by members and 15,35% is payable by the local authority.

This surcharge is payable until 31 March 2015. It is necessary that the basic employer contribution be increased by 4,72% to 18,37% and the surcharge be increased to 17,5% and extended by a further 3 years to 31 March 2018. This position will be monitored on an annual basis. Subsequently, notice has been served that the surcharge will be increased to 34,22% with effect from 1 August 2012 for an indefinite period of time.

The fund has effectively been closed to new members, and it is therefore assumed for the valuation, that no new members will join the fund. However, at present, members of the three Natal Joint Funds are permitted to transfer between the funds and this flow of members may affect the rate of contribution required to be paid to the Fund. It is intended that the Fund merge with the Superannuation Fund in the near future.

Total	6 Months or less		6 - 12 Months		1 - 2 Years		2 - 5 Years		More than 5 Years	
	R	R	R	R	R	R	R	R	R	
(225 191 257)	-	-	-	(669 009)	(18 652 423)	(205 869 824)	(96 775 583)	-	-	
(96 775 583)	-	-	-	(669 009)	-	-	-	-	-	
(659 009)	-	-	-	(669 009)	(3 664 038)	(22 115 943)	(25 000 000)	(61 978 298)	-	
(3 664 038)	-	-	-	-	-	-	-	-	-	
(22 115 943)	-	-	-	-	-	-	-	-	-	
(25 000 000)	-	-	-	-	-	-	-	-	-	
(61 978 298)	-	-	-	-	-	-	-	-	-	
(13 664 619)	-	-	-	-	(13 664 619)	(840 870)	(482 896)	-	-	
(840 870)	-	-	-	-	-	-	-	-	-	
(482 896)	-	-	-	-	-	-	-	-	-	
(225 191 257)	-	-	-	(669 009)	(18 652 423)	(205 869 824)	-	-	-	
16 741 235	16 741 235	-	-	-	-	-	-	-	-	
24 963 783	24 963 783	-	-	-	-	-	-	-	-	
41 705 017	41 705 017	-	-	-	-	-	-	-	-	

y does not trade these investments.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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Superannuation Fund:
The scheme is subject to a tri-annual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2011 by Arthur Els & Associates.

The interim actuarial valuation performed as at 31 March 2011 revealed that the fund had a shortfall of R5495.5 (31 March 2010: shortfall of R213.3) million, with a funding level of 90.9% (31 March 2010: 95.9%). The contribution rate paid by the members (6.25%) and municipalities (18.00%) is 2.63% (31 March 2010: 1.69%) less than the required contribution rate for future service and will be reviewed at the next interim valuation. The deficit in respect of active members is being met by a surcharge of 7.0% of pensionable salaries. It was expected that the deficit will be fully funded by 2016.

This surcharge is payable until 31 March 2015. It is necessary that the basic employer contribution be increased by 4.72% to 18.37% and the surcharge be increased to 17.5% and extended by a further 3 years to 31 March 2018. This position will be monitored on an annual basis. Subsequently, notice has been served that the surcharge will be increased to 31.13% with effect from 1 August 2012 for an indefinite period of time.

It is intended that the Fund merge with the Retirement Fund in the near future.

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 2011.

The statutory valuation performed as at 30 June 2011 revealed that the market value of the fund was R1 446.8 (30 June 2010: R1 446.8) million. The contribution rate paid by the members (13.75%) and Council (15.00%) is sufficient to fund the benefits accruing from the fund in the future.

As reported by the Actuaries, the Fund was in a sound financial condition as at 30 June 2011.

Provident Fund:

The scheme is subject to a tri-annual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2011 by Arthur Els & Associates.

The interim actuarial valuation performed as at 31 March 2011 revealed that the market value of the fund was R1 056.2 (31 March 2010: R836.4) million. The contribution rate payable (either 5.00%, 7.00% 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 2011.

None of the above mentioned plans are State Plans.

51 RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arms' length, unless stated otherwise:

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
Chizwa M A	Councillor	Owner of Taxi Operator Licence; Spouse the owner of Prizali Construction
Dzingwa T N	Councillor	Director of Gyle Trades with 50% interest
Mohamed S M	Councillor	Shareholding in Oasis Crescent Equity; 25% Beneficiary of Dr. A. Mubwand Family Trust
Moose Bux E	Councillor	Treasurer of EB Family Trust; Spouse the owner of MB Electrical & Lighting
Muchshane M P	Councillor	Nogadu Trading CC
Nkayi Y	Councillor	20% Shareholding in NTS Investment
Nyanywa S G	Councillor	40% interest in Shepamoy Supply Store; Partnership in Zamakholi B Enterprise
Shubhe N F	Councillor	BAWA KZN Greenville Investment owned by family
Zama S M	Councillor	Director of Changing Tables 1148; 20% interest in Thingz Caterers; 2% interest in A-P; trading as Mjuzi Construction; interest in The Business Zones; 100% Beneficiary of Ssource Trust

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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Name of Related Person	Designation	Description of Related Party Relationship
Mkhonane Z	General Manager	Southern Africa Institute for Urban Management; DUTYSEDA Innovation Incubator; Invo Tech
Miyandhi M B	General Manager	40% Membership in Ezamagadzeza Trading
Mnyayisa O T	General Manager	Director of Hibiscus Development Agency; Board Member of Vuzimotho Investment
Pawandlwa M N	General Manager	Spouse the owner of Valotech 46 CC

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 2012

Councillors Municipal Manager and Section 57 Personnel	Sewerage Charges R	Water Charges R	Sundry Charges R	Outstanding Balances R
	52 412	115 039	-	33 536
	17 171	17 171	-	1 430
Total Services	52 412	132 210		34 966

For the Year ended 30 June 2011

Councillors Municipal Manager and Section 57 Personnel	Sewerage Charges R	Water Charges R	Sundry Charges R	Outstanding Balances R
	50 443	82 583	-	15 879
	3 691	21 951	-	1 716
Total Services	54 134	104 534		17 595

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 13 to the Annual Financial Statements.

51.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 29 and 30 respectively, to the Annual Financial Statements.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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51.5 Purchases from Related Parties

The municipality procured goods and / or services from the following companies, which are considered to be Related Parties:

Company Name	Related Person	Company Capacity	Municipal Capacity	Purchases for the Year	Purchases for the Year
Sitengwe and Vezzi Funeral Services	TE Vezzi		Councillor	22 054	2 300
MB Electrical & Lighting	Chr Moosa Bux		Councillor	57 863	169 862
Paul Preston Attorney's	P Preston		Audit Committee	20 760	111 969
Shelly Tswel CC	CV Elliot		Audit Committee	21 888	283 548
Dan's Cleaning Services	T Maphahle		Employee	86 528	41 520
ROF Contractions	M Gonderaban		Employee	2 800	774 569
Vorolothu Function and Catering	Z Mhalele		Employee	2 852 000	40 538
Vorolothu Building CC	TB Mhlongo		Employee	2 800	157 700
Nrokwane Trading Enterprise	PP Chali		Employee	484 677	33 550
Total Purchases				16 845 671	1 615 556

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.

52 CONTINGENT LIABILITIES

52.1 Guarantees:

(i) Hibiscus Coast Municipality:
The municipality issued a bank guarantee in favour of Hibiscus Coast Municipality in lieu of a deposit on the electricity accounts of the municipality.

(ii) Eskom:
The municipality issued a bank guarantee in favour of Eskom to cover deposits on the electricity accounts of the municipality.

52.2 Powers and Functions:

(i) Environmental Health:
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 that the district has 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.

(ii) Water and Sanitation:
With the takeover of Water and Sanitation Schemes from the local municipalities in 2004, certain assets were funded through internal funding which these local municipalities are claiming from the district. Currently management is of the opinion that there are no legal grounds to entertain the possible claims.

52.3 Court Proceedings:

(i) Dispute on Expenditure Claimed:
Council is involved in a dispute with Sublime Marketing (the applicant), where the applicant is claiming an amount of R227 142, with interest estimated at R192 432, in respect of functions performed on behalf of Enjolinlet Municipality / Horsehoe Farm. The municipality is currently defending the estimated claim and is awaiting the enrolment of the matter for trial. The outcome of the legal processes is unknown at this stage. The Municipality denies any agreement with Sublime, and therefore will not be settling on this matter. We await court action from Sublime.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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(i) Alleged Fraud:
Council has been involved in a court case with ABCON / PHICOM Projects into alleged fraud and / or embezzlement in terms of the Supply Chain Management Policy. Although judgement has been passed, an appeal has been lodged against the judgement. The Municipality has been advised that the appeal is still under review. The Municipality has instructed attorneys to take the matter on review. The costs of the matter, if reviewed, are unknown at this stage.

(ii) Cession Agreement
JZJ Engineering is claiming from the municipality as per a prescribed claim against a cession agreement entered into. The possible liability amounts to R152 500, plus costs. The outcome of the matter is still unknown. The municipality has advised and advised to join in the matter.

(iii) Alleged Breach of Contract:
The municipality has been involved in a court case with Thumpanet events Management, where it is claiming from the municipality as per a prescribed claim against a cession agreement entered into. The possible liability amounts to R875 258 plus 30% of envisaged gate takings for two events and 25% of sale of floor space for two events (excluding VAT).

(iv) Alleged Damages caused to Fambard:
The municipality has been issued with a Court Order instructing it to immediately cease the nuisance caused by the use of its property at the site through the discharge of oil and solvent effluents into a watercourse. The municipality has been advised that the nuisance is still ongoing and is still ongoing. It is further claiming for damages caused through the nuisance of the land, which is currently being investigated by the landowner. The municipality is currently negotiating with the landowner for the transfer of the damaged land to the municipality. The municipality is currently negotiating with him with respect to the potential claims. The costs involved towards the settlement of this matter are unknown at this stage.

(v) Labour Dispute:
The municipality dismissed an employee, N. Moodley, who took the matter to arbitration and was successful. The municipality has referred the matter to the Labour Court, and awaits a set down date. The outcome of the matter is still unknown.

(vi) Cession Agreement:
Premier Attraction is claiming from the municipality for allegedly not honouring a cession agreement in their favour. The outcome of the matter is still unknown.

(vii) Dispute on Expenditure Paid to Monitor of Joan Ventura:
The municipality is involved in a matter with Cahiba Properties where applicant is claiming that the municipality wrongly paid one member of a joint venture which had been awarded a contract by the municipality. The municipality is defending the matter and awaits a trial date. The claim against the municipality is an amount of R2 693 222 plus 15.5% interest on R26 572 873 from February 2009 until payment and 15.5% interest on R2 624 244 from October 2008 until payment.

(viii) Dispute on Expenditure Claimed:
The municipality is expectant of litigation from Sivobhola JV where they claim for non-payment of invoices in respect of work done on Sports Complex. The matter will be handled through arbitration hearing in September 2012.

(ix) Dispute on Expenditure Claimed:
The municipality is involved in litigation with Matanza Welding, who is claiming for non payment by municipality. A counter claim was made for non-performance. The matter is currently at negotiation stage, with arbitration pending if negotiations fail.

(x) Dispute on Damages Claimed:
The municipality is involved in litigation with JP Group emanating from a motor vehicle accident between a municipal vehicle and a JPS vehicle. The municipality has entered an appearance to defend, but legal costs are yet unknown.

52.4 Insurance Claims:

(i) Alleged Damages Incurred:
Claims lodged against the municipality for alleged damages caused by accidents of which the municipality should take ownership, have been referred to the municipality's insurers.

592 181

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UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
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2 011
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53 CONTINGENT ASSETS

The municipality was not engaged in any transactions or events during this year under review involving Contingent Assets.

54 IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any in-kind Donations and Assistance during the year under review.

55 PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the financial year 2010/11.

56 EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2012.

57 COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note 39) and Prior Period Errors (Note 40).

58 GOING CONCERN ASSESSMENT

Unspent Conditional Grants were not cash backed by an amount of R63 037 157 at 30 June 2012 (30 June 2011: R83 912 691).
The Current Liabilities exceeded the Current Assets at year end, indicating that the municipality has had challenges operating as a going concern; management has adopted a plan of action, setting out clear targets to ensure that the municipality continues to operate as a going concern for the foreseeable future.

APPENDIX A
UGU DISTRICT MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012

Details	Original Loan Amount R	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2011 R	Received during the Period R	Received/ Repaid during Period R	Balance at 30 June 2012 R
ANNUITY LOANS								
ABSA	102 000 000	11.51%	4076287341	309670270	96 715 593	-	6 522 112	80 253 471
DBSA	3 194 261	10.00%	8249102	310320013	659 099	-	310 206	349 893
DBSA	5 000 000	2.85%	100932001	309670215	3 664 038	-	694 506	2 869 533
DBSA	25 000 000	5.00%	101380001	310370222	22 115 813	-	1 549 509	20 566 415
DBSA	25 000 000	5.00%	101380002	309670223	25 900 000	-	1 403 318	23 596 682
DBSA	62 000 000	5.00%	102756001	309670239	61 978 298	-	1 444 368	60 533 930
DBSA (Ex Hibiscus Grant)	18 573 441	Various	Various	Various	13 664 619	-	976 248	12 688 371
DBSA (Ex Hibiscus)	2 306 000	Various	Various	Various	840 670	-	182 759	658 172
DBSA (Ex Umhlabantani)	1 850 000	Various	Various	Various	482 886	-	122 383	360 527
Total Annuity Loans	245 117 262				228 191 257		13 213 884	211 877 763
CAPITAL LEASE LIABILITIES								
Ex-Hibiscus Grant		Fluctuate		3005	64 885	-	-	64 885
Netbank		11.41%	7867236 (P9)	Various	2 655 774	-	2 400 712	455 063
Total Capital Lease Liabilities	26 100 000				2 920 659		2 400 712	519 948
TOTAL EXTERNAL LOANS	266 517 262				231 111 916		15 614 296	212 497 710

APPENDIX B
UGU DISTRICT MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2012

Description	Cost / Revaluation					Closing Balance R
	Opening Balance R	Additions R	Under Construction R	Transfers R	Disposals R	
Land and Buildings						
<i>Land:</i>						
Land: Developed	399 746 179	1 588 065	-	-	-	401 3 3-
Land: Undeveloped	24 675 246	-	-	-	(127 797)	24 5 4-
<i>Buildings:</i>						
Office Buildings	63 322 851	28 801	9 697 635	-	-	73 04 9
Workshops and Depots	8 873	-	-	-	-	8
Other Buildings	879 557	-	43 860	-	-	9 2-
Fittings and Fixtures	25 339	-	-	-	-	2
	488 658 045	1 616 866	9 741 495	-	(127 797)	499 88 1
Infrastructure						
<i>Security Measures:</i>						
Fencing / Perimeter Protection	2 280 453	-	-	76 930	-	2 35-
Security Systems	106 078	-	-	-	-	1 0-
<i>Sewerage:</i>						
Raising Mains	1 653 800	-	-	-	-	1 65-
Reticalulation	89 067 289	1 030 928	89 067 289	2 707 232	-	92 80 1
Pumping Stations	65 538 584	-	15 487 859	-	-	81 02 1
Treatment Works	158 866 923	2 949 296	36 528 430	13 829 619	-	212 17 1
<i>Water:</i>						
Dams and Weirs	297 808 003	-	-	-	-	297 80 1
Reservoirs and Tanks	757 209 059	3 197 736	15 861 220	290 574	-	776 55 1
Pipework	57 844 317	-	19 016 646	-	-	19 01 1
Pumping Stations	61 697 144	40 053 690	986 741	48 089 866	-	146 97 1
Treatment Works	139 844 195	5 032 596	11 292 298	7 336 146	-	72 98 1
Reticalulation	5 710 032	701 021	209 803 337	-	-	362 01 1
Meters	-	-	451 523	-	-	6 4 1
Bulk Meters	289 181	514 135	-	58 878	-	4 51
Standpipes	799 887	-	105 575 946	-	-	105 57 1
Supply & Reticalulation	312 830	-	-	-	-	7 9-
Tanks	2 750 224	-	-	-	-	3 12
Telemetry Systems	801 781	-	250 534	-	-	2 75 C
Valves	-	-	-	-	-	2 5-
Electrical Equipment	-	-	-	-	-	8 0-
Mechanical Equipment	-	-	-	-	-	-
	1 553 516 503	53 479 402	504 321 824	72 389 184	-	2 183 70 6

APPENDIX A
UGU DISTRICT MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012

ANNUITY LOANS

ABSA (Infrastructure):

Structured unsecured 10 year loan. Original loan capital of R102 000 000 is repayable quarterly in fixed instalments of capital and interest, the first payment commencing in September 2010.

DBSA (Umtata Water Scheme):

Structured unsecured 20 year loan. Original loan capital of R3 184 261 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 - Sandstone 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 3rd half-year after the half-year during which the first disbursement was advanced to the borrower.

DBSA (Phase 2 - Sandstone 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 5th half-year after the half-year during which the first disbursement was advanced to the borrower.

DBSA (Phase 1 - Umtata 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 24th month after the month during which the first disbursement was advanced to the borrower.

DBSA (E-X Hibiscus, Umtata and Umtatahantu):

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 for motor vehicles, forso payments over a period of 3 years at both fixed and variable interest rates.

APPENDIX B
UGU DISTRICT MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2012

Description	Cost / Revaluation				Closing Balance
	Opening Balance	Additions	Under Construction	Transfers	
Community Assets					
<i>Sports Facilities:</i>					
Indoor Sports Facilities	24 176 585	-	-	-	-
Sports Complexes	71 547 597	76 793	3 439 367	-	-
Soccer Fields	8 407 333	-	-	-	-
Floodlighting	7 356 133	-	-	-	-
<i>Other Facilities:</i>					
Markets	29 120 466	-	2 718 177	-	-
	140 608 114	76 793	6 157 544	-	-
Other Assets					
<i>Computer Equipment:</i>					
Computer Hardware	21 822 369	732 253	1 407 615	-	(703 113)
<i>Furniture and Fittings:</i>					
Cabinets and Cupboards	426 458	-	-	-	(164 772)
Chairs	46 841	-	-	-	(7 900)
Desks and Tables	772 368	-	-	-	(214 116)
Other Furniture and Fittings	4 171 197	-	-	-	(196 617)
<i>Motor Vehicles:</i>					
Bakkies (LDVs)	4 256 319	1 833 368	-	-	-
Motor Cars	4 612 412	546 727	-	-	-
Tractors	1 615 797	-	-	-	-
Trailers and Accessories	341 666	-	-	-	-
Trucks	46 447 947	-	-	-	-
<i>Office Equipment:</i>					
Air Conditioners	2 420 497	118 259	-	-	(21 054)
Audiovisual Equipment	129 963	-	-	-	-
Kitchen Appliances	7 321	-	-	-	-
Office Equipment / Machines	361 910	-	-	-	(1 580)
Photographic Equipment	90 827	10 525	-	-	-
Other Office Equipment	35 287	-	-	-	-

Accounting Reference	Accumulated Depreciation / Impairment				Carrying Value		Budget Additions 2012
	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Value	
	R	R	R	R	R	R	R
34 3 287	9 819 152	3 821 781	-	-	13 640 932	59 408 355	-
5 47 450	-	-	-	-	-	401 334 244	-
						24 547 450	
9 23 416	35 786	29 835	-	-	65 621	857 796	16 500 000
25 339	1 954	3 897	-	-	5 851	19 487	-
38 8 609	9 860 060	3 855 725	-	-	13 715 785	486 172 825	16 500 000
35 7 384	144 506	108 480	-	-	252 987	2 104 397	-
1 06 078	62 727	6 257	-	-	68 984	37 093	-
65 3 800	29 023	33 159	-	-	62 182	1 591 618	-
80 5 449	-	19 697	-	-	19 697	92 785 763	-
32 6 454	41 362 037	1 279 284	-	-	42 641 322	38 385 132	59 002 000
17 4 268	107 732 101	4 145 859	-	-	111 877 961	100 296 307	-
30 8 003	193 751 962	1 252 923	-	-	195 004 885	102 803 118	-
55 8 589	419 241 032	15 967 122	-	-	435 208 154	341 350 435	-
31 6 646	-	-	-	-	-	19 016 646	-
37 4 614	25 742 103	3 068 219	-	-	28 810 323	118 164 291	-
98 3 442	34 604 425	1 573 388	-	-	36 177 814	36 805 628	-
31 6 273	52 053 739	5 144 918	-	-	57 198 657	304 817 616	229 413 695
4 11 053	262 714	314 340	-	-	577 053	5 634 000	21 000 000
4 5 152	-	-	-	-	-	451 523	-
8 72 134	11 114	73 935	-	-	85 050	787 084	-
57 5 946	-	-	-	-	-	105 575 946	-
7 99 887	28 781	55 079	-	-	83 860	716 027	-
3 12 830	7 091	21 839	-	-	28 930	283 901	-
75 0 224	65 518	111 863	-	-	177 381	2 572 843	-
2 50 534	-	-	-	-	-	250 534	-
8 01 781	10 444	20 306	-	-	30 750	771 032	-
70 6 912	875 109 319	33 196 669	-	-	908 305 988	1 275 400 924	309 415 695

APPENDIX B
UGU DISTRICT MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2012

Description	Opening Balance	Cost / Revaluation			Disposals	Closing Balance
		Additions	Under Construction	Transfers		
<i>Plant and Equipment:</i>						
Compaction Equipment	73 990	-	-	-	-	73 990
Compressors, Generators & Allied Eq	449 056	-	-	-	-	449 056
Fire Arms	53 070	-	-	-	-	53 070
Gardening Equipment	317 841	41 180	-	-	-	358 021
Laboratory Equipment	1 192 730	-	-	-	-	1 192 730
Pumps / Plumbing / Purification / Sanitation Equipment	563 000	-	-	-	-	563 000
Radio Equipment	8 077	-	-	-	-	8 077
Security Equipment / Systems / Materials	1 463 700	-	-	-	-	1 463 700
Telecommunication Equipment	2 134 310	-	-	-	-	2 134 310
Other Plant and Equipment	17 940 299	-	2 278 149	-	(274 637)	19 943 811
<i>Specialised Vehicles:</i>						
Graders	651 270	-	-	-	-	651 270
Watercraft	28 250	-	-	-	-	28 250
Total PPE	2 295 317 272	58 455 373	523 906 627	72 389 184	(1 583 790)	2 948 236 506

UGU DISTRICT MUNICIPALITY
ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2012

Description	Opening Balance	Cost / Revaluation			Disposals	Closing Balance
		Additions	Under Construction	Transfers		
<i>Intangible Assets</i>						
Capitalised Development Costs						
Computer Software	23 933 195	3 061 838	-	-	-	26 995 033
Copyrights, Patents and Trademarks						
Documents and Charts	2 533 242	26 830	-	-	-	2 560 072
Rights and Servitudes						
Total Intangible Assets	26 466 437	3 088 668	-	-	-	29 555 105
Total Asset Register	2 321 783 709	61 544 041	523 906 627	72 389 184	(1 711 586)	2 977 791 495

Opening Balance	Accumulated Depreciation / Impairment				Closing Balance	Carrying Value	Budget Additions 2012
	Opening Balance	Additions	Transfers	Disposals			
1 76 585	652 437	1 238 113	-	-	1 890 550	22 286 036	
0 63 757	1 704 823	3 243 554	-	-	4 948 378	70 115 380	
4 07 333	244 768	465 637	-	-	710 405	7 696 928	
3 56 133	198 515	376 717	-	-	575 232	6 780 902	
8 38 643	2 508 204	979 379	-	-	3 487 583	28 351 061	
8 42 452	5 308 747	6 303 400	-	-	11 612 147	135 230 305	
2 59 124	14 740 251	2 226 310	-	(809 439)	16 157 122	7 102 002	494 895
2 61 686	229 257	45 066	-	(136 601)	137 722	123 964	
38 940	18 896	5 090	-	(5 449)	18 536	20 404	
5 58 253	263 203	64 488	-	(68 313)	239 378	318 875	
9 74 579	501 256	286 926	-	(71 461)	716 721	3 257 858	
0 89 688	998 925	487 769	-	-	1 486 694	4 602 994	2 843 400
1 59 139	2 938 908	390 924	-	-	3 329 832	1 829 307	946 727
6 15 797	361 058	86 412	-	-	447 470	1 168 327	
3 41 666	53 099	28 910	-	-	82 008	259 658	150 000
4 47 947	31 036 994	4 197 507	-	-	35 234 501	11 213 446	1 200 000
5 17 702	452 621	133 296	-	(21 295)	564 621	1 953 080	170 000
1 29 963	55 780	6 335	-	-	62 115	67 848	
7 321	7 321	-	-	-	7 321	-	
3 60 330	194 698	29 122	-	(1 449)	222 371	137 959	
1 01 352	13 051	4 568	-	-	17 619	83 734	
35 287	12 217	4 549	-	-	16 767	18 520	

APPENDIX C
UGU DISTRICT MUNICIPALITY
SEGMENTAL ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2012

Description	Cost / Revaluation				
	Opening Balance	Additions	Under Construction	Transfers	Disposals
	R	R	R	R	R
Executive and Council	32 292 139	637 652	2 052 521	-	(188 105)
Finance and Administration	99 901 292	5 461 195	26 042 558	-	(1 072 476)
Planning and Development	1 025 839	-	232 425 830	-	(55 468)
Health	-	-	-	-	-
Community and Social Services	-	-	-	-	-
Housing	153 898	-	-	-	-
Public Safety	114 285 931	-	-	-	-
Sport and Recreation	445 254	76 793	3 439 367	-	-
Environmental Protection	157 230 912	3 980 224	85 792 422	16 613 781	(5 200)
Waste Management	1 886 934 261	51 388 177	171 435 751	55 775 403	(356 165)
Roads and Transport	29 514 185	-	2 718 177	-	(14 418)
Water	-	-	-	-	-
Electricity	-	-	-	-	-
Other	-	-	-	-	-
Total	2 321 783 709	61 544 041	523 906 627	72 389 184	(1 711 586)

APPENDIX D
UGU DISTRICT MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR
THE YEAR ENDED 30 JUNE 2012

Description	2011 Actual Income	2011 Actual Expenditure	2011 Surplus/ (Deficit)
	R	R	R
Executive and Council	42 350 006	51 322 082	(8 972 076)
Finance and Administration	139 983 575	110 362 445	29 621 130
Public Safety	836 709	457 228	379 480
Sport and Recreation	-	-	-
Environmental Protection	2 479 595	5 819 708	(3 340 114)
Waste Management	98 460 982	71 961 812	26 499 171
Water	533 639 385	479 980 869	53 658 516
Other	32 891 863	29 579 590	3 312 274
Total	850 642 115	749 483 735	101 158 380

Opening Balance	Accumulated Depreciation / Impairment				Carrying Value	Budget Additions 2012
	Additions	Transfers	Disposals	Closing Balance		
R	R	R	R	R	R	R
73 990	2 888	-	-	33 633	40 357	-
4 49 056	11 430	-	-	380 758	68 298	-
53 070	7 602	-	-	30 347	22 724	-
3 59 021	4 527	-	-	312 458	46 563	-
1 192 730	66 871	-	-	699 705	493 024	-
6 62 838	69 542	-	-	161 665	501 173	-
8 077	-	-	-	8 077	(0)	-
1 463 700	263 554	-	-	707 178	756 522	-
1 34 310	282 578	-	-	1 034 195	1 100 115	-
19 43 811	430 306	-	(267 699)	15 638 527	4 305 283	-
6 51 270	12 524	-	-	552 095	99 175	-
28 250	-	-	-	28 250	-	-
9 18 896	9 149 092	-	(1 401 706)	76 327 687	39 591 210	5 805 022
960 858 427	52 504 885	-	(1 401 706)	1 011 961 606	1 936 395 254	331 720 717

Opening Balance	Accumulated Depreciation / Impairment				Carrying Value	Budget Additions 2012
	Additions	Transfers	Disposals	Closing Balance		
R	R	R	R	R	R	R
12 772 546	3 868 360	-	-	16 640 906	10 354 127	2 871 500
-	-	-	-	-	2 560 072	500 000
15 55 105	3 868 360	-	-	16 640 906	12 914 198	3 371 500
973 630 973	56 375 246	-	(1 401 706)	1 028 602 512	1 949 309 462	335 082 217

APPENDIX E(1)
UGU DISTRICT MUNICIPALITY
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)
FOR THE YEAR ENDED 30 JUNE 2012

Description	2011/12 Actual		2011/12 Budget		2011/12 Variance	
	R	R	R	R	R	R
REVENUE						
Government Grants and Subsidies	525 244 320	309 979 997			215 264	25C
Public Contributions and Donations	250 000	-			(250 000)	(15 114)
Service Charges	297 466 286	312 580 938			(15 114)	
Rental of Facilities and Equipment	580 219	1 092 105			(511)	
Interest Earned - External investments	2 183 303	2 000 000			183	
Interest Earned - Outstanding debtors	16 758 750	1 244 040			15 514	
Other Revenue	93 850 348	135 769 775			(41 915)	
Gains on Disposal of Property, Plant and Equipment	62 259	-			62	
Total Revenue	936 395 486	762 666 855			173 728	
EXPENDITURE						
Employee Related Costs	226 101 360	243 681 786			(17 580)	
Remuneration of Councillors	7 046 209	7 002 252			43	
Collection Costs	(20 412)	-			(20)	
Depreciation	56 373 246	49 779 184			6 594	
Impairment Losses	46 484 175	9 279 577			37 204	
Repairs and Maintenance	17 574 573	25 426 670			(7 852)	
Interest Paid	18 222 670	18 408 757			(186)	
Bulk Purchases	34 327 836	36 606 311			(2 278)	
Contracted Services	19 266 484	21 329 854			(2 063)	
Grants and Subsidies Paid	167 060 093	113 785 082			53 275	
General Expenses	178 433 268	237 359 052			(58 925)	
Loss on disposal of Property, Plant and Equipment	-	-			-	
Total Expenditure	770 869 500	762 658 524			8 210	
NET SURPLUS / (DEFICIT) FOR THE YEAR	165 525 985	8 330			165 517	

	Accumulated Depreciation / Impairment						Carrying Value
	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R
5) 34 794 207	3 987 859	1 734 535	(46 807)	-	5 675 587	29 118 620	
5) 130 332 568	33 506 165	8 405 492	(910 753)	-	41 000 904	88 331 664	
3) 233 396 201	447 094	104 758	(55 054)	-	496 798	232 899 403	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	153 898	119 670	-	-	128 804	25 094	
-	117 802 091	2 901 230	5 510 573	-	8 411 803	109 390 288	
3) 440 054	241 004	16 805	(4 355)	-	253 454	186 600	
5) 263 597 584	105 142 813	4 908 451	(23 320)	-	110 027 943	153 569 641	
-	-	-	-	-	-	-	
5) 2 165 177 427	824 502 017	34 671 435	(351 050)	-	858 822 402	1 306 355 025	
-	-	-	-	-	-	-	
3) 32 217 944	2 783 122	1 012 062	(10 367)	-	3 784 816	28 433 128	
5) 2 977 911 974	973 630 973	56 373 246	(1 401 706)	-	1 028 602 512	1 949 309 462	

	2012 Actual Income		2012 Actual Expenditure		2012 Surplus/ (Deficit)	
	R	R	R	R	R	R
	37 613 481	43 442 439	(5 828 958)			
	127 142 087	107 889 444	19 252 643			
	5 854 682	1 584 903	4 269 779			
	225 935	3 593 944	(3 368 009)			
	2 381 673	5 605 249	(3 223 576)			
	95 025 050	72 377 823	22 647 227			
	649 496 621	520 879 097	128 617 524			
	18 655 956	15 496 602	3 159 354			
	936 395 486	770 869 500	165 525 985			

APPENDIX E(1)
UGU DISTRICT MUNICIPALITY
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)
FOR THE YEAR ENDED 30 JUNE 2011

Description	2010/11 Actual	2010/11 Budget	2010/11 Variance
	R	R	R
REVENUE			
Service Charges	240 280 488	348 386 248	(108 105)
Rental of Facilities and Equipment	955 738	993 972	(38)
Interest Earned - External investments	6 161 362	7 983 000	(1 821)
Interest Earned - Outstanding debtors	17 071 412	1 199 899	15 871
Government Grants and Subsidies	450 363 859	261 193 078	189 170
Other Revenue	115 798 262	148 567 414	(32 766)
Public Contributions and Donations	19 186 143	-	19 186
Gains on Disposal of Property, Plant and Equipment	824 851	-	824
Total Revenue	850 642 115	768 323 610	82 318
EXPENDITURE			
Employee Related Costs	221 280 163	221 115 268	164
Remuneration of Councilors	6 191 830	6 199 346	(7)
Collection Costs	20 412	35 000	(14)
Depreciation	49 236 092	45 971 823	3 264
Impairment Losses	27 900 418	7 380 000	20 520
Repairs and Maintenance	21 873 851	35 488 343	(13 614)
Interest Paid	20 977 578	15 396 622	5 580
Bulk Purchases	31 839 355	34 037 640	(2 198)
Contracted Services	16 883 563	21 367 800	(4 484)
Grants and Subsidies Paid	145 916 321	129 358 509	16 557
General Expenses	207 364 151	251 973 259	(44 605)
Loss on disposal of Property, Plant and Equipment	-	-	-
Total Expenditure	749 483 735	768 323 610	(18 839)
NET SURPLUS / (DEFICIT) FOR THE YEAR	101 158 380	-	101 158

1/12	2011/12 Variance %	Explanation of Significant Variances greater than 10% versus Budget
R		
264 322	69.44	Unbudgeted grants received for Water Infrastructure
250 000	100.00	Capital commitments met from public contributions realised in income
114 652)	(4.84)	
511 886)	(46.87)	The usage of facilities was less than budgeted for
183 303	9.17	
514 710	1 247.12	Result of the discounting of service charges in terms of IAS 39
919 427)	(30.88)	Internal Recoveries lower due to curtailment of expenditure
62 259	100.00	Not material
728 631	22.78	
580 425)	(7.21)	
43 957	0.63	
(20 412)	100.00	Not material
594 062	13.25	Due to earlier completion of projects depreciation charges were higher than budgeted
204 598	400.93	Revised calculation method in terms of IAS 39 resulted in increased impairment
852 097)	(30.88)	Refurbishment of infrastructure resulted in savings on repairs and maintenance
186 087)	(1.01)	
278 476)	(6.22)	
063 370)	(9.67)	
275 010	46.82	Expenditure on VIP toilets was fast tracked to obtain 100% expense of MIG Grant
925 783)	(24.83)	Internal Charges lower due to curtailment of expenditure
-	0.00	
210 976	1.08	
517 655	#####	

APPENDI
UGU DISTRICT M
ACTUAL VERSUS BUDGET (ACQUISITION OF CAPITAL)

Description	2011/12	2011/12	2011/12	2011/12
	Actual	Under Construction	Total Additions	Budget
	R	R	R	R
Executive and Council	637 652	-	637 652	3 418 227
Finance and Administration	5 461 195	10 769	5 471 964	1 164 895
Planning and Development	-	147 708 347	147 708 347	-
Public Safety	-	-	-	16 650 000
Sport and Recreation	76 793	-	76 793	-
Waste Management	3 980 224	-	3 980 224	59 552 000
Water	51 388 177	(18 730 765)	32 657 412	254 307 095
Other	-	-	-	-
Total	61 544 041	128 988 351	190 532 392	335 092 217

Description	2010/11	2010/11	2010/11	2010/11
	Actual	Under Construction	Total Additions	Budget
	R	R	R	R
Executive and Council	75 334	-	75 334	2 000 000
Finance and Administration	4 250 412	-	4 250 412	950 000
Planning and Development	18 251	-	18 251	-
Public Safety	18 251	-	18 251	3 000 000
Sport and Recreation	3 435 134	3 439 367	6 874 501	23 631 863
Waste Management	18 789 200	22 425 271	41 214 472	59 788 700
Water	1 645 911	154 540 784	156 186 696	216 432 118
Other	386 770	-	386 770	-
Total	28 619 264	180 405 423	209 024 687	305 802 681

2010/11	Explanation of Significant Variances greater than 10% versus Budget
Variance	
%	
105 760	Actual billing less than budgeted for
(38 234)	(3.85)
821 638	Own cash utilised for capital expenses to be funded from external loans
1 322 74	Result of the discounting of service charges in terms of IAS 39
72.43	Unbudgeted grants received for Water Infrastructure
(22.06)	Internal Recoveries lower due to curtailment of expenditure
186 143	Capital commitments met from public contributions realised in income
100.00	Proceeds from insurance on lost assets not budgeted for
324 851	100.00
318 505	10.71
164 895	0.07
(7 516)	(0.12)
(14 588)	(41.68)
264 269	7.10
520 418	278.05
614 492	(38.36)
580 956	36.25
198 285	(6.46)
484 237	(20.99)
557 812	12.80
609 108	(17.70)
-	0.00
339 876	(2.45)
158 380	100.00

ENDIX F
UGU MUNICIPALITY
IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Quarterly Expenditure				Grants and Subsidies Delayed / Withheld					Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below	Reason for Non-compliance
Sept	Dec	March	June	Sept	Dec	March	June				
448 864	463 737	885 121	177 446	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
50 443 485	51 370 735	52 748 185	80 425 595	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
615 775	0	0	325 418	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
0	0	5 673	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
0	1 38 788	289 995	671 095	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
963 278	395 896	22 606 630	4 575 109	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
37 867 037	33 177 485	44 652 130	123 827 929	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
0	5 170 055	594 011	7 845 636	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
790 450	1 333 273	291 878	185 635	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
0	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
123 889	62 050 980	122 072 625	218 033 863	0	0	0	0	0	0	0	

*) "Grant Framework" in the latest Division of Revenue Act?

UGU DISTRICT MUNICIPALITY

REPAIRED BY:

Ugu District Municipality
 PO Box 33
 Port Shepstone
 4240

Tel. 039 - 688 5700