

**ANNUAL REPORT  
2011/12**

**SERIOUS ABOUT  
SERVICE DELIVERY**

**UTHUNGULU**





# uThungulu District Municipality: Taking our heritage into the future



Official opening of the Kwabulawayo Cultural Centre in uMlalazi by His Majesty, Zulu King Goodwill Zwelithini kaBhekuzulu; MEC for Cooperative Governance and Traditional Affairs, Nomusa Dube and uThungulu District Mayor, Cllr Thembeka Mchunu

LITHUNGULU



uThungulu District Municipality  
uThungulu District  
uMasipala Wesifunda Wase



Celebrating diversity  
and embracing change  
with an unswerving commitment  
to service delivery

At uThungulu  
we believe in always  
putting our people first!

United we can make a difference.

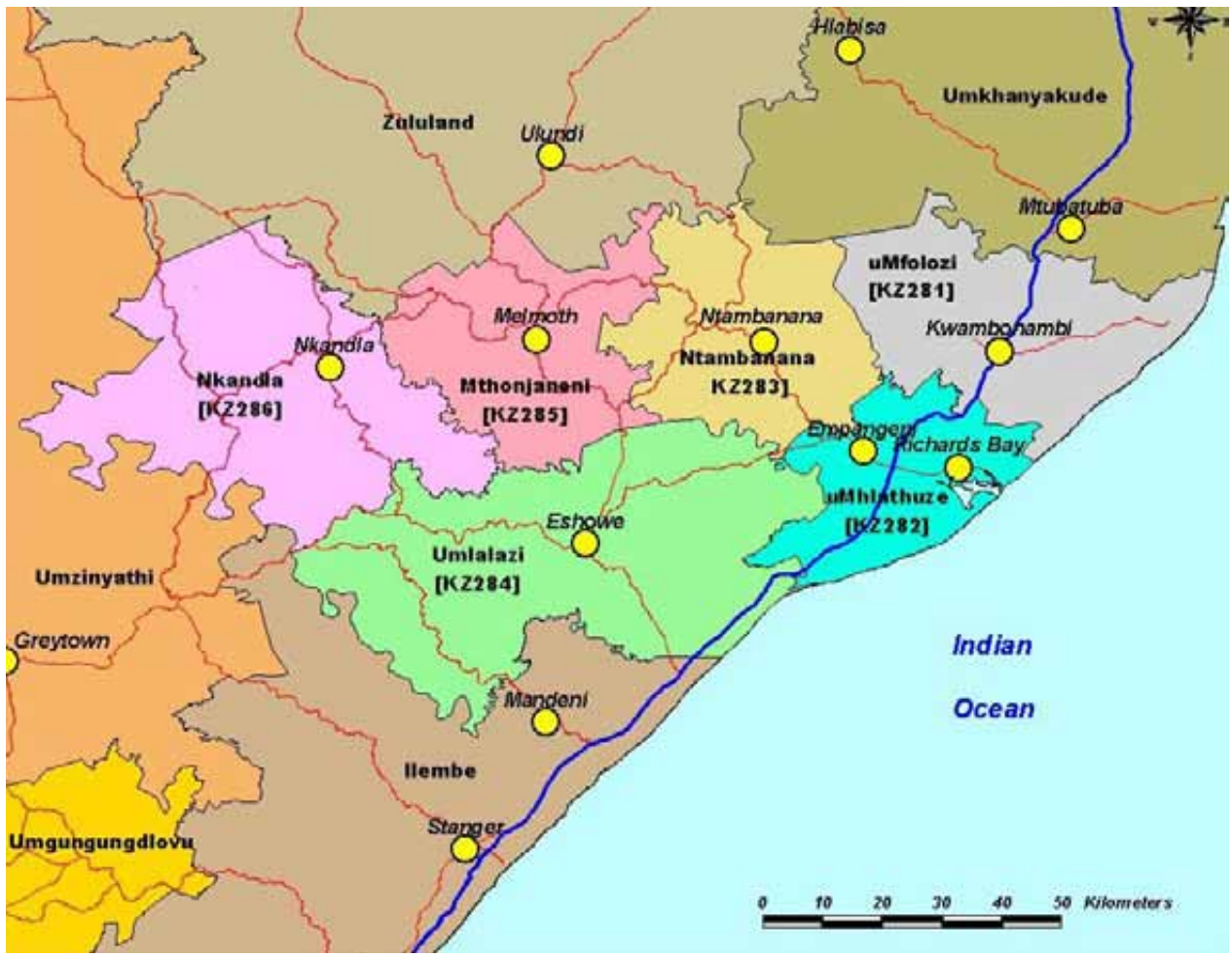


**UTHUNGULU**

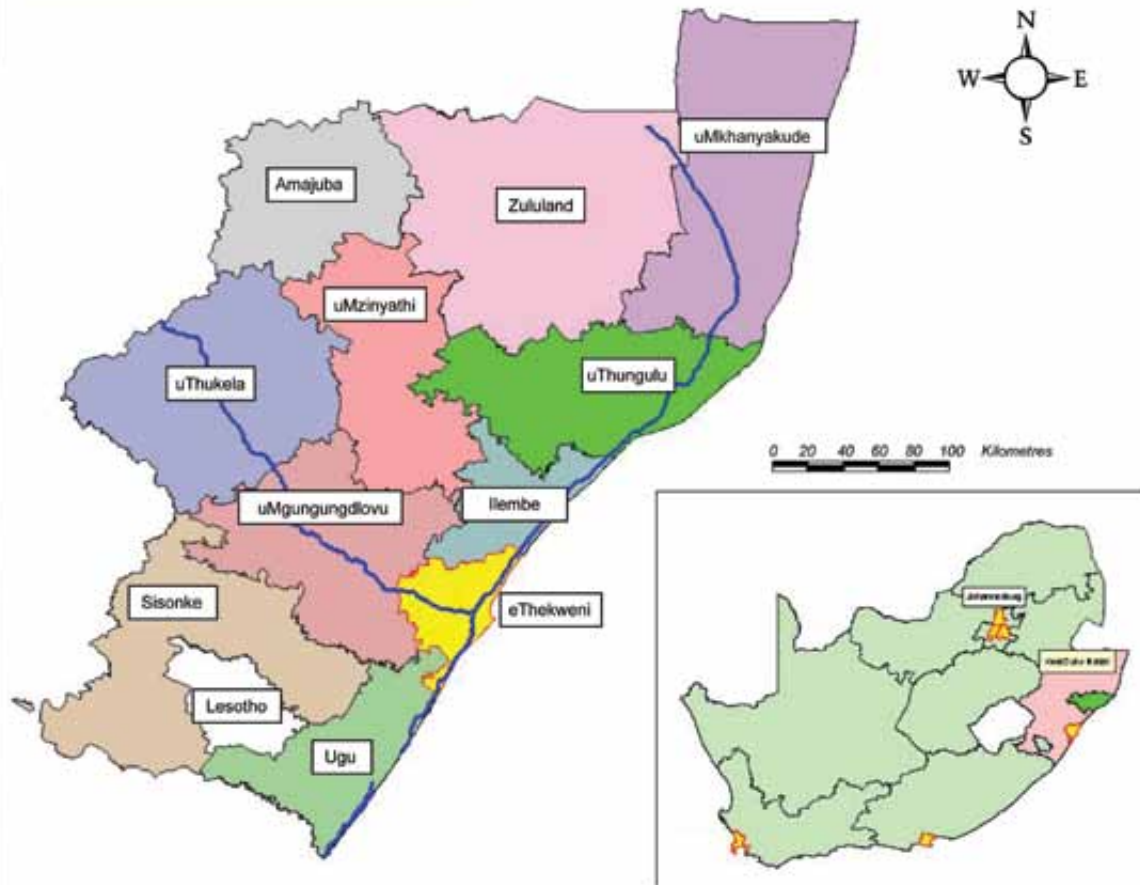




The uThungulu District and its six constituent municipalities



The uThungulu District is situated on the East coast of the province of KwaZulu-Natal



# UTHUNGULU DISTRICT MUNICIPALITY

## ANNUAL REPORT

### 2011-2012

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This Annual Report was produced by the Public Relations Section of the uThungulu District Municipality.

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For more information on uThungulu, please visit our website: [www.uthungulu.org.za](http://www.uthungulu.org.za)

## Chapter 1: Mayor's Foreword and Executive Summary



**Her Worship the Mayor**  
Cllr TVB Mchunu

### FOREWORD BY THE MAYOR

It is with pride and a sense of accomplishment that I present our Annual Report relating to financial and management performance for the 2011-2012 financial year.

The uThungulu District Municipality is one of the best-performing municipalities in KwaZulu-Natal with a consistent record of financial prudence and sterling performance management that has been steadfastly maintained through integrity, sound management principles, accountability and transparency.

A Strategic Planning workshop between the Executive Committee and Management was held in November 2011, where the services as performed by each of the service units within the District Municipality were presented. Various structures were reviewed and proposed whilst challenges and visions for the future were tabled.

A new Vision and Mission was crafted, in line with the refined Integrated Development Plan objectives of the new Council.

**Vision:** An economically viable district with effective infrastructure that supports job creation through economic growth, rural development and promotion of our heritage

**Mission Statement:** To create a prosperous District through:

- *Rural development, agrarian reform and food security;*
- *Creating economic growth and decent job opportunities;*
- *Fighting crime and corruption;*
- *Promoting quality education for all;*
- *Improving quality of health;*
- *Community participation, nation building and good governance.*

A District Lekgotla was hosted to align the IDP's of the six local municipalities with that of the District, and to gain input from the provincial government on their development plans for the district in the forthcoming year. This interactive and informative session paved the way for the formation of a coordinated and well-informed IDP created for the district with the combined efforts of all its stakeholders.

This was further reinforced by the IDP Roadshows held in our local municipalities, where communities were engaged on their needs, to help prioritise our projects for the incoming financial year.

A successful Growth and Development Summit was thereafter hosted in March 2012 to formulate the economic priorities of the district, in line with the provincial Growth and Development Strategy. Breakaway sessions were held with key stakeholders in various portfolios, to ensure that each department in the organization was aligned to the vision of the district.

Making the delivery of water and sanitation services our priority, we have nevertheless embarked on a number of social development projects in an attempt to holistically enhance the quality of life of our people.

Our legacy project, the District Fresh Produce Market, is a Mayoral initiative that will cumulatively address the triple threats of poverty, food security and unemployment in our district. We are at an advanced stage of establishing the Pre-Market that will be the forerunner to the construction of our very own multi-million Rand market facility.

Farmers who were trained in this financial year are already supplying local retailers with their produce and we anticipate that the Pre-Market will be a sound vehicle for economic development and agricultural growth in our rural areas.

The Biogas fuel project that is to be piloted in three of our local municipalities is also expected to reap rewards in terms of economic and environmental benefits. We undertook a study tour to Limpopo in this financial year, where valuable knowledge was gained

from experts who have successfully implemented the project in other areas.

Our social development programmes were boosted by the launch of Operation Sukhuma Sakhe, a War on Poverty programme initiated by the Office of the Premier. Several War Rooms have been established in our local municipalities and they are assisting communities with a host of needs, from grant applications to HIV testing and drug counseling. Ward councillors are active in ensuring that those identified as needing services are directed to the correct departments so that the assistance needed could be fast-tracked.

Despite demanding economic challenges we have for the 12th consecutive year achieved an unqualified audit and I am extremely pleased that our prudent financial management has remained consistent. The considerable effort by the Management component and Political Leadership to curb debt and promote a culture of payment amongst our communities has contributed to our continued high achievements.

One of the biggest challenges facing this municipality in its attempt to deliver sustainable services is the persistent drought that severely impedes our efforts to establish permanent water supplies to our rural areas, especially areas such as Ntambanana due to persistent year-round droughts. The depletion of our natural water resources adversely affects the water tanker reduction plan, as it increases the demands for water delivery by tankers.

Through the much-appreciated intervention of the Office of the Premier and Treasury, we have been allocated R75-million to deviate from our Water Services Development Plan and direct a bulk pipeline to Ntambanana via the regional bulk scheme, the Greater Mthonjaneni Water Project. The funding has allowed us to cut off five years from the expected delivery of water to this needy municipality.

The simple fact is that our limited budget cannot meet the service delivery needs of the district without provincial and national grants. The small revenue base cannot pay for the majority of rural residents who cannot

afford to pay for services but equally cannot be denied access to services.

The principles in compiling the Budget were based on prudence and affordability of the District, taking cognizance of the economic challenges facing our citizens, Municipality and Country as a whole.

Of prime concern is the outstanding debt and growing tendency of communities who are unable to fulfill their financial obligations and this has a severe effect on service delivery.

We are still plagued by high rates of unemployment and this is always a pressing issue. Infrastructure precedes development and through our capital infrastructure plans we hope to create more work opportunities through the promotion of local economic development projects. We have to be strengthening our constitutional democracy by giving our people the means to provide for themselves.

uThungulu will continue to perform its duties in an exemplary manner and to create and build a sphere of Government that will be respected by its citizens for its integrity, self discipline and outstanding customer service.

With the evolution of Intergovernmental relations came the promise of cooperative, compatible and 'seamless' governance, through which the constitutional ideals of cooperation in good faith and mutual trust between

the spheres of government could be realized. This is resulting in the spheres coordinating their actions and legislation, and assisting, supporting, informing and consulting one another.

Improving the lives of former disadvantaged communities, especially those in the rural areas is our mandate and I convey my sincere gratitude to the private sector for their generosity and partnership in achieving many of our goals.

We are blessed with a high caliber of staff, comprising well qualified officials in all our Departments, which is one of the reasons for our consistently high quality of services in our Finance, Corporate Services, Planning and Technical Departments.

I also wish to thank our Municipal Manager under whose leadership the administration continues to outperform other municipal entities across the Country.

In conclusion may I thank our Deputy Mayor, Speaker, Councillors and officials from all departments who through their hard work and dedication, are continually striving to make uThungulu a municipality that can stand head and shoulders above the rest. Their commitment and support is acknowledged with sincere appreciation.

**CLLR TVB MCHUNU**  
**MAYOR: UTHUNGULU DISTRICT MUNICIPALITY**





**Municipal Manager**  
MH Nkosi

## OVERVIEW BY THE MUNICIPAL MANAGER

The uThungulu District Municipality is a category C municipality and is located in the north-eastern region of the KwaZulu-Natal province on the eastern seaboard of South Africa. It covers an area of 8000 square kilometers, from the agricultural town of Gingindlovu in the south, to the Umfolozi River in the north and inland to the mountainous beauty of rural Nkandla.

uThungulu has a proud decade-long record of good governance and prudent financial management, and the past financial year we have worked exceptionally hard to bring us closer to achieving a clean audit. Since its establishment, the district has consistently achieved unqualified Audit Reports from the Auditor General's office.

Of paramount importance is our quest to eradicate the backlogs to basic service delivery, and we are committed to quality, efficiency and sound controls in the fulfilment of our mandate to the communities in our district.

We have once more achieved notable success in various fields of service delivery, with the highlights being:

- Obtaining second place at the SALGA National Games held at eThekweni Metro in December 2011
- Our Planning Department received a Certificate of Recognition from CoGTA at the IDP Best Practice Conference in Pietermaritzburg. The district has consistently remained as a top IDP Achiever in the province for five financial years.

The council's highest priorities are aimed at eradicating rural backlogs for water supply and sanitation services, as measured against Rural Development Plan (RDP) standards. This has informed our budget for the incoming financial year and we have once again focused the largest portion of the budget on reaching our service delivery targets.

A fully-functional Budget Steering Committee is chaired by the Mayor and has been regularly convening since January 2010.

In line with Circular 54 our 2011/2012 budget was aimed at addressing the National priorities for Local Government, especially Outcome 9 and 12:

- Improve the quality of basic education
- Improve health and life expectancy
- All people in South Africa protected and feel safe
- Decent employment through inclusive economic growth
- A skilled and capable workforce to support inclusive growth
- An efficient, competitive and responsive economic infrastructure network
- Vibrant, equitable and sustainable rural communities and food security
- Sustainable human settlements and improved quality of household life
- A responsive and, accountable, effective and efficient local government system
- Protection and enhancement of environmental assets and natural resources
- A better South Africa, a better and safer Africa and world
- A development-orientated public service and inclusive citizenship

The total population of the uThungulu District Municipality was 958,958 in 2008. Since 1996, the population of the uThungulu District grew at an average annual growth rate of 1.5 % per annum compared to the 1.1% population growth rate at the provincial and national level, thereby increasing uThungulu population share in KwaZulu-Natal from 9% in 1996 to 9.5% in 2008.

Our relationship with the six local municipalities in the district has always been strong and with the ongoing Shared Services concept for Fire Fighting and Planning, we have been able to add capacity to our struggling local municipalities. We hope to expand on this concept this year with the integration of our IDP's and a concerted effort to align the service delivery mechanisms of the local municipalities with that of the district.

## ASSESSMENT OF DEBT AND REVENUE

The targets as set for revenue collection have been determined with due consideration to past revenue collection trends and the poverty levels of our consumers both in urban areas and rural areas. The average uncollectible debts of 10% are testimony to the efforts of the leadership, ward councillors and administration. In instances where debt recovery cannot be accomplished through internal mechanisms, external assistance is sought eg. legal action, however such actions are subject to a cost vs benefit analysis and in many instances legal actions prove to be a further unrecoverable cost for Council.

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
<b>Target Collected</b>	65%	68%	70%	75%
<b>Actual Collection</b>	104%	87%	90%	103%

A contentious issue attracting considerable publicity in the past year was the amount of debts owed to South African Municipalities. Collection of municipal debts has always been a challenging task with consideration to the fact that 80% of our residents are rural and poverty stricken. Adding further challenges is the slow recovery from the worldwide recession that has rendered many of our residents in a less favourable financial position. In the year under review Council approved that all arrear debts owed by registered indigents as at February 2012 be written off. The value of debts written off amounted to R 3 844 283 inclusive of Vat, per Council resolution UDMC: 478. This resolution has lessened the burden of poor residents and ceased all further debt recovery costs from these consumers who were unable to pay for services.

As a result of the economic pressures affecting consumers we have seen an increase in domestic debt. However we are pleased with the progress made in terms of our Intergovernmental Relations, which is evident in the significant decrease in government debt.

The table below reflects an assessment of the budgeted revenue classified per source to the actual achievement for the same period. Positive achievements were noted with regards to service charges and interest income which accounted for an additional R 14.3M more than budget.

UTHUNGULU DISTRICT MUNICIPALITY: ACTUAL VERSES BUDGET (REVENUE & EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2012					
	2012 Actual Rand ('000)	2012 Budget Rand ('000)	2012 Variance Rand ('000)	2012 Variance %	Explanation of Significant Variance greater than 10% versus Budget
Service Charges	48 017	36 321	11 696	32%	Increase consumptions and new schemes metered.
Interest Earned - External Investments	26 998	24 366	2 632	11%	Managed investment portfolio aggressively to generate interest.
Interest Earned - Outstanding Debtors	40	227	(187)	-82%	Increased number of registered indigents wherein no interest is allocated.
Government Grants and Subsidies	533 234	562 000	(28 766)	-5%	
Other Income	8 737	194 203	(185 466)	-96%	The budget includes non-cash items.
Public contributions	-	2 000	(2 000)	-100%	The contribution for reticulation from the funder has not yet been received as dependant on the installation of bulk infrastructure currently in progress.
	<b>617 026</b>	<b>819 117</b>	<b>(202 091)</b>	<b>-25%</b>	

The table below reflects an assessment of the budgeted revenue classified per vote to the actual achievement for the same period.

	2012 Actual Rand ('000)	2012 Budget Rand ('000)	2012 Variance Rand ('000)	2012 Variance %	Explanation of Significant Variance greater than 10% versus Budget
Executive and Council	-		0		
Finance and Admin	420 639	564 540	(143901)	-25%	The budget includes non-cash items.
Planning and Develop	-	-	0	0%	
Community and Social	217	219	(2)	-1%	
Public Safety	-	-	0	0%	
Environmental Protection	14 389	15 829	(1440)	-9%	
Waste Management	8 445	17 119	(8674)	-51%	
Waste Water	3 740	63 155	(59415)	-94%	An amount of R10m included in the budget was a Provision for rehabilitation of the Solid Waste site.
Water	169 596	158 255	11341	7%	This is due to delays on some sanitation projects and therefore revenue was not recognised in the 11/12 financial year.
	<b>617 026</b>	<b>819 117</b>	<b>(202091)</b>	<b>-25%</b>	

A detailed report is available in the Report of the Chief Financial Officer inside this Annual Report.

## INTERNAL MANAGEMENT

In the past financial year we had vacancies in the positions of Municipal Manager and Executive Director: Corporate Services, due to resignations. The process of recruitment for these positions as well as the required approvals from the MEC for Cooperative Governance was received by the end of the financial year. The vacant positions have been filled as of the start of the 2012/2013 financial year.

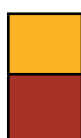


## Powers and Functions

In terms of Circular 8/2009: 2008/09 Capacity Assessments and Recommendations: Adjustment of Powers and Functions between District and Local Municipalities in terms of Section 85 of the Local Government: Municipal Structures Act 1998, the uThungulu District Municipality has the following powers and functions to fulfill:

			281	282	283	284	285	286
1	S 84(1)(a)	Integrated development planning for the District Municipality including Development Plan for the local municipalities within the area of the District Municipality						
2	S 84(1)(b)	Pottable water supply that effects a significant proportion of the municipalities in the district						
3	S 84(1)(c)	Bulk supply of electricity						
4	S 84(1)(d)	Domestic waste-water and sewage disposal ssystem						
5	S 84(1)(e)	Solid waste disposal sites serving the area of the District Municipality as a whole						
6	S 84(1)(f)	Municipal roads which form an integrated part of a road transport system for the area of the District Municipality as a whole						
7	S 84(1)(g)	Regulation of passenger transport services						
8	S 84(1)(h)	Municipal airport serving the area of the District Municipality as a whole						
9	S 84(1)(i)	Municipal health serving the area of the District Municipality as a whole						
10	S 84(1)(j)	Fire fighting services for the District Municipality as a whole						
11	S 84(1)(k)	Fresh produce markets and (abattoirs) serving the are of the District Municipality as a whole						
12	S 84(1)(l)	Cemeteries and crematoria						
13	S 84(1)(m)	Promotion of local tourism for the District Municipality						
14	S 84(1)(n)	Municipal public works relating to any of the above function or/and other functions assigned to the District Municipality						
	S 84(1)(o)	The receipt, allocation and if applicable, distribution of grants made to the District Municipality						
16	S 84(1)(p)	The imposition and collection of taxes, levies and duties as related to the above functions or maybe assigned to the District Municipality in terms of national						
18	Sched 4 B	Building regulations						
22	Sched 4 B	Local tourism						
40	Sched 5 B	Licencing and control of undertakings that sell food to the public						
50	Sched 5 B	Refuse removal, refuse dumps, solid waste disposal and cleansing services						

281 - Mfolozi, 282 - uMhlathuze, 283 - Ntambanana, 284 - uMlalazi, 285 - Mthonjaneni and 286 - Nkandla



Allocated functions to the district

Functions omitted from existing enactment in terms of Extraordinary Provincial Gazette of KZN Vol3 No 299 dated 30 June 2009

## PROFILE OF THE UTHUNGULU DISTRICT MUNICIPALITY

This paradoxical district comprises the best and worst of the two economies of this country. We are home to several of the largest industrial giants in the world, the retail sector in our urban areas is burgeoning with economic activity, the agricultural and tourism potential is boundless and there are ever-increasing opportunities for local economic development.

On the other hand, crippling droughts and deep rural communities living in abject poverty are also strong characteristics of the uThungulu district, with a backlog of water and sanitation service delivery topping our list of priorities.

The following local municipalities are found within the servicing area of the uThungulu District Municipality (DC28):

- Mfolozi Municipality (KZ 281)
- uMhlathuze Municipality (KZ 282)
- Ntambanana Municipality (KZ 283)
- uMlalazi Municipality (KZ 284)
- Mthonjaneni Municipality (KZ 285)
- Nkandla Municipality (KZ 286)

The uThungulu District Municipality allocates the majority of its annual income to capital infrastructure projects relating to water and sanitation provision in our rural municipalities, where the vast majority of residents live in rural homesteads and unemployment is at over 50%.

Its challenge is to provide basic services such as water and sanitation to these people while stimulating local economic development, job creation and the growth of the small and medium business sector. The need to address poverty is one of the most critical issues. The municipality enjoys good relations with the business sector and non-governmental organizations.

uThungulu's unique qualities set it apart from many other regions in South Africa. It boasts the largest deepwater port on the African continent, which imports the most bulk cargo of all African ports. It has double the capacity of the Port of Durban to its south and han-

dles in excess of 75 million tons of cargo annually. The development of the harbour facilities at Richards Bay has promoted the development of the manufacturing sector, such that it is the largest economic contributor to gross geographic product in uThungulu (51,4%).

uThungulu offers highly favourable agricultural conditions as it has extremely fertile soils, good precipitation and enjoys an excellent, frost-free climate all year round. A wide variety of bio-climatic conditions are on offer across the district, from the mountainous area of Nkandla down to the coastline. The agricultural sector is a dual economy, consisting of commercial agriculture on one hand and traditional agriculture on the other.

The commercial agricultural economy is based on the sugar and forestry industries. Subsistence agriculture is practiced on most of the tribal lands in the district and has enormous potential for growth.

Confidence in uThungulu is increasing rapidly as investment flows into the region. Local economic development through sustainable means is a priority of the uThungulu District Municipality, which is focused on achieving this through community participation and empowerment. Various comparative advantages such as affordable labour, service costs and industrial land availability position uThungulu as a competitive investment destination.

**MH NKOSI**  
**MUNICIPAL MANAGER**  
**UTHUNGULU DISTRICT MUNICIPALITY**





# THE VISION, MISSION AND CORE VALUES OF THE uTHUNGULU DISTRICT MUNICIPALITY

## VISION

An economically viable district with effective infrastructure that supports job creation through economic growth, rural development and promotion of our heritage

## MISSION

To create a prosperous district through:

- Rural development, agrarian reform and food security,
- Creating economic growth and decent job opportunities,
- Fighting crime and corruption,
- Promoting quality education for all,
- Improving the quality of health,
- Community participation, nation building and good governance.

## CORE VALUES

- Integrity
- Transparency
- Commitment
- Co-operation
- Innovation
- Accountability



## Chapter 2: Governance



**Chairperson of Executive Committee;  
Chair of Finance Portfolio Committee**  
Mayor TVB Mchunu



**Chairperson of Corporate Services Portfolio Committee**  
Deputy Mayor  
TC Mashaba



**Chair of Rules Committee**  
Speaker ME Mzimela



**Chief Whip**  
Cllr SG Ngema

### INTRODUCTION TO GOVERNANCE

#### Alignment with National Key Performance Areas

Nationally the Implementation Plan of Action for the 5 year Local Government Strategic Agenda, as adopted by Cabinet in January 2006, is used as the basis for determining a number of key performance areas for all municipalities. These set out the mandate to be achieved by all municipalities and as such represent an important guiding principle for municipal organizational design.

The national key performance areas are the following:

#### 1. Basic Service Delivery

Aspects such as basic water, sanitation, electricity, refuse and roads. Includes social infrastructure, e.g. housing, health, education, welfare and cemeteries. It also relates to the following:

- Sound and updated statistical based service delivery plan
- MDG's/Targets for municipal services (e.g. water, sanitation, electricity, refuse removal, transportation)
- FBS and Indigent Register
- O&M
- Capacity to implement Integrated Capital Infrastructure Plan

#### 2. Local Economic Development

Economic Development and Poverty Alleviation Strategies and awareness programmes. In addition to social infrastructure, social programmes also form part of this KPA, e.g. HIV/AIDS, ABET etc., comprise economic generation objectives and projects. Elements of poverty alleviation could also be grouped under this area. It also relates to the following:

- Competitive and comparative advantages
- ASGISA and second economy investment
- Skills development
- LED institutional capacity
- Social partners

### 3. Governance and Public Participation

Measures how the local government sphere aligns and integrates with the Provincial and National spheres of government on cross cutting issues. Programmes to demonstrate how the community participates/is consulted/is empowered in government programmes; particularly the establishment and functionality of ward committees and community development workers. It also deals with the involvement of Traditional Councils in municipal affairs. It also relates to the following:

- Functional ward committees and other committees
- Linkages with other governance structures
- Sector engagements
- Community informed IDP
- Annual Performance Report submitted

### 4. Municipal Transformation and Organisational Development

How the institution is (administratively and politically) capacitated to exercise its duties (human resource development and management). How is the organization structured to meet the needs of the IDP? Is the organization accountable to the public via the necessary performance management systems? The internal policies and processes to adhere to aspects like gender equity, disability and general management of the municipality. It also relates to the following:

- Performing of powers and functions
- Organogram and vacancy rates (Section 57 level only)
- Capacity assessment to implement IDP
- Various policies
- Organisational PMS

### 5. Municipal Financial Viability and Management

Comprise the policies and processes relating to revenue generation, debt and credit management as well as assets, liability control and auditing. Aspects such as submission of the financial statements to the Auditor General (AG) as well as the findings of the AG on the municipal affairs. As part of this KPA, the municipality should comply with the budgetary provisions and aspects as outlined in the MFMA. It also relates to the following:

- Service Delivery Budget Implementation Plan
- Revenue management and billing system
- Expenditure Reports
- Debt Recovery Plan
- Budget and IDP link

Provincially a 6th Key Performance Area has been added, as all of the above KPAs have a spatial implication:

### 6. Spatial Planning and Spatial Development Frameworks

This KPA relates to the following:

- Analysis shared by National, Provincial and DM/LM policies
- Alignment with NDSP and PGDS profile
- Spatial analysis translated into SDF
- SDF includes LUMS guidelines
- Credible statistics

### ORGANISATIONAL GOVERNANCE:

#### Service Delivery Budget Implementation Plan (SDBIP)

uThungulu carries out extensive consultation with the community and other stakeholders as part of the IDP and budgeting process to ensure awareness of, and to encourage input into the Budget and the IDP.

Each department has prepared its own operational plan to give effect to both the organizational goals and to meet departmental service delivery and performance targets. These feed into this overall plan, providing the key performance areas against which each senior manager will be held accountable.

The SDBIP is a requirement under the MFMA. The National Treasury has issued a circular identifying the key components as:

- Monthly projections of revenue to be collected for each source;
- Monthly projections of expenditure (operating and capital) and revenue of each vote;
- Quarterly projections of service delivery targets and performance indicators for each vote;
- Ward information for expenditure and service delivery; and



- Detailed capital works plan broken down by ward over three years.

## STRATEGY - LONG-TERM OBJECTIVES

The council has set itself some stretching targets within the framework of the five-year IDP and beyond. These are summarized in the table below:

STRATEGY	OBJECTIVE	OUTPUT/INDICATORS
<b>Economically Sound District</b>	This strategy aims to establish economic growth and development in all economic sectors with a particular focus on agriculture, tourism and trade and industry (SMME), whilst contributing to poverty alleviation in the district. The district will aim to identify and develop LED opportunities based on the functions of the municipality.	The long-term objective is to reduce poverty levels in the district by half by the year 2014. This will be achieved with a reduction in the unemployment level from the current 45% to 22% by the year 2014 i.e. a growth of 4.5% p.a. to 2009 up to 6% thereafter. This would require substantial capital investment in SMME's leading to an increase in income levels of the poorest 25 000 households to above the R1 600 per month per household level.
<b>Effective Infrastructure</b>	This strategy focuses on the improved maintenance of existing infrastructure and the provision of new infrastructural services to ensure the spatial integration of the district and its transportation systems. The strategy thereafter aims to improved service delivery and ensure a basic standard of living for all.	A first priority is to provide water to a survival standard of to at least 90% of the population of the district at a volume of 5 litre per person per day within a 1km walking distance and, a second objective is to provide at least 35% of the population with 25 litre water per person per day within a 200 m walking distance (RDP standard). Sanitation targets are to provide basic health hygiene education to at least 90% of the population and to provide at least 25% of the population with VIP latrine services.
<b>People Empowerment</b>	The focus of this strategy is on social development and community empowerment dealing with issues such as environmental health, disaster management and the co-ordination of provision of community facilities. The strategy aims at community upliftment in terms of inclusion of marginalized groups, safety & security, education training & capacity building and addressing the impact of HIV/Aids – thereby ensuring a strong, participatory and inclusive community.	The long-term objective is to substantially improve the social well-being of the people of the district. This will be achieved through the improved satisfaction levels of the communities with the delivery of social municipal services such a fire fighting services, community services and environmental health services.

STRATEGY	OBJECTIVE	OUTPUT/INDICATORS
<b>Integrated Environment</b>	The strategy focuses on the co-ordination of the spatial and service delivery component to improve the management of district level responsibilities. The strengthening of the development nodes of the municipalities, while ensuring the equitable development of the rural areas through all service delivery. Co-ordination of land reform and housing in line with service delivery is of prime importance. Environmental management and spatial co-ordination and integration of development are further components of the strategy to ensure integration and optimum organizational capacities.	The long-term goal is to achieve an equitable distribution of urban and rural development projects and therefore an equal improvement in access to community and municipal services. The development of projects will have taken place on a sustainable basis and will have a minimum impact on the natural and build-up environment of the district. Projects would have taken place in an integrated and co-ordinated way through integrated planning and alignment, improving both the livelihoods of the rural and urban areas.
<b>Leadership Excellence</b>	This strategy ensures commitment by the district to provide the highest quality of service to its constituents through accountable leadership and support services, resulting in a productive and sustainable district. This strategy aims at establishing open and transparent platforms for communication and consultation with all role players.	The district will be able to demonstrate improved governance levels through the establishment of a prudential financial service delivery strategy and a performance management system. A network of municipal service delivery would be established throughout the district by the end of the planning period.

The council's highest priorities are aimed at eradicating rural backlogs for water supply and sanitation services, as measured against Rural Development Plan (RDP) standards. Within the context of the 2008/09 to 2010/11 budget and IDP, the following targets have been set for the uThungulu District:

- Water – from 82% in 2001/02 to 31% in 2010/2011
- Sanitation – from 80% in 2001/02 to 44% in 2010/2011

## BACKLOG ERADICATION

The following table provides a detailed summary of progress made in respect of the eradication of backlogs in water provision in the uThungulu District with the exception of uMhlathuze that is its own water services provider.

**Table 1: Water Backlogs below RDP standards in uThungulu**

NAME OF MUNICIPALITY	TOTAL No. RURAL HH	PERCENT OF HOUSEHOLDS BELOW RDP STANDARDS - WATER						
		ACTUAL				PREDICTED		
		2006/7	2007/8	2008/9	2009/10	2010/2011	2011/12	2012/13
		% backlog water	% backlog water	% backlog water	% backlog water	% backlog water	% backlog water	% backlog water
Mfolozi KZ281	21,961	43	40	31	23	17	10	6
Ntambanana KZ283	19,630	45	43	43	43	41	38	36
Umlalazi KZ284	54,028	53	53	54	53	52	51	52
MthonjaneniKZ285	12,137	53	38	17	12	13	14	14
Nkandla KZ286	37,596	40	39	38	36	35	35	31
<b>uThungulu DC28</b>	<b>145,352</b>	<b>47</b>	<b>45</b>	<b>42</b>	<b>39</b>	<b>38</b>	<b>36</b>	<b>34</b>

The following table provides a detailed summary of progress made in respect of the eradication of backlogs in sanitation provision.

**Table 2: Sanitation Backlogs below RDP standards in uThungulu**

NAME OF MUNICIPALITY	TOTAL No. RURAL HH	PERCENT OF HOUSEHOLDS BELOW RDP STANDARDS - WATER						
		ACTUAL				PREDICTED		
		2006/7	2007/8	2008/9	2009/10	2010/2011	2011/12	2012/13
		% backlog water	% backlog water	% backlog water	% backlog water	% backlog water	% backlog water	% backlog water
Mfolozi KZ281	21,961	55	54	50	47	46	42	39
Ntambanana KZ283	19,630	78	74	70	66	59	54	52
Umlalazi KZ284	54,028	87	87	86	85	83	82	80
MthonjaneniKZ285	12,137	71	66	63	61	56	53	54
Nkandla KZ286	37,596	74	72	73	72	70	68	68
<b>uThungulu DC28</b>	<b>145,352</b>	<b>76</b>	<b>75</b>	<b>73</b>	<b>71</b>	<b>69</b>	<b>66</b>	<b>65</b>

## INTERGOVERNMENTAL RELATIONS

uThungulu District Municipality institutionalised its existing IGR structures in the past financial year, in compliance with the intergovernmental Relations Framework Act, 2005.

### The following structures were formalised:

#### **District Intergovernmental Forum (DIF) or District Mayor's Co-ordinating Forum**

The DIF exists to facilitate IGR between the District Municipality and the Local Municipality in the district.

According to the adopted Terms of Reference, the uThungulu DIF consists of the Mayor of the uThungulu District Municipality; and the Mayors of Local Municipalities in the district and any other member invited by the District Mayor.

The DIF shall have the following standing items on the Agenda:

1. Matters referred to and arising from the PIF
2. Matters referred to and arising from Provincial IGR forums
3. Matters regarding traditional leadership
4. Matters arising from the Inter-municipal forums
5. Matters submitted by local municipalities
6. Matters from the Technical committee
7. IGR progress report from the Technical committee
8. Report to the MEC for Local Government on the Districts progress on the 5 year Local Government Strategic agenda
9. Monitoring and Evaluation
10. General

#### **Technical Support Forum (TSF) or Techcom**

The role of the technical support structure is to provide technical support to the DIF and to prepare for decision-making in the political structure.

The purpose of the uThungulu TSF is to discuss management and implementation matters of a district wide nature and also to monitor the sub committees of the TSF.

The composition of the forum is made up of all the Municipal Managers from the Local Municipalities and the Municipal Manager of the uThungulu District Municipality who is also the chairperson of the forum.

The agenda for the TSF shall have the following standing items:

1. Matters for the DIF
2. Matters from the Technical Sub committees
3. District wide Monitoring and Evaluation issues
4. Technical issues from the Provincial intergovernmental forums
5. Legal Issues
6. DIF (Mayor's Forum) Agenda
7. IGR status report and the IGR Budget
8. Compliance Issues
9. Shared Services Issues
10. Monitoring and Evaluation
11. General

Only issues which cannot be resolved at this forum shall be escalated to DIF.

The following sub-committees have been established in terms of the IGR Act:

- a. Infrastructure forum
- b. Planning and Development forum
- c. District Communications forum
- d. District Area Financial (CFO) Forum
- e. Speakers Forum

The Corporate Services Forum is being established in the 2012/2013 financial year.





Chairperson of Council, Chair of Rules Committee  
Speaker EM Mzimela

## POLITICAL GOVERNANCE

### Office of the Speaker

The Office of the Speaker is amongst other things, charged with the responsibility of contributing towards ensuring that community members are able to enjoy their rights as espoused in the Constitution through affording them the opportunity to fully participate in the delivery of services.

The Office of the Speaker manages this process through the councillors who have all been empowered, through training and experience, to execute their responsibilities maximally. Each councillor is an effective agent of change that rallies the community around the projects being undertaken.

### Public Participation

The Speaker is responsible for public participation, whereby the Council works to empower local communities to have control over their own lives and livelihoods. Public participation is designed to promote the values of good governance and human rights. Public participation acknowledges a fundamental right of all people to participate in the governance system.

The Municipal Systems Act 2000 defines “the legal nature of a municipality as including the local community within the municipal area, working in partnerships with the municipality’s political and administrative structures....to provide for community participation”. Section 16(1) requires the municipality to develop ‘a culture of municipal governance that complements formal representative government with a system of participatory governance’.

According to the Systems Act:

Section 4 (c) (e) The council has the duty to...

- (c) encourage the involvement of the local community
- (e) consult the community about the level, quality, range and impact of municipal services provided by the municipality, either directly or through another service provider

- 5 (a) Members of the community have the right...
- (b) to contribute to the decision-making processes of the municipality and submit written or oral recommendations, representations and complaints to the municipal council...
  - (c) To be informed of decisions of the municipal council.
  - (d) To regular disclosure of the affairs of the municipality, including its finances

Section 16 (1):

- (a) Encourage and create conditions for the community to participate in the affairs of the municipality, including in the IDP, performance management system, monitoring and review of performance...preparation of the budget, strategic decisions re municipal services
- (b) Contribute to building the capacity of the local community to participate in the affairs of the municipality and councillors and staff to foster community participation...

Section 42: A municipality, through appropriate mechanisms, processes and procedures ...must involve the local community in the development, implementation and review of the municipality's performance management system, and in particular, allow the community to participate in the setting of appropriate key performance indicators and performance targets of the municipality

Among the functions that the district fulfils are:

- District-wide integrated development planning;
- Infrastructural development and bulk service delivery;
- Capacity-building of local municipalities;
- Administrative assistance to local municipalities, where capacity is not yet established.

## COUNCIL COMPOSITION

### ExCo Members:

1. Cllr. TVB Mchunu – District Mayor
2. Cllr. TC Mashaba – District Deputy Mayor
3. Cllr. IT Gcabashe
4. Cllr. NR Cele
5. Cllr. BV Mthethwa
6. Cllr. M Simelane
7. Cllr. SS Zungu

### Council members:

1. Cllr. EM Mzimela - Speaker
2. SG Ngema – Chief Whip
3. IJ Naidoo
4. LW Fourie
5. CPG Cele
6. JD Vilakazi
7. MM Ngobese
8. NC Mthlana
9. N Naidoo
10. JM Mathaba
11. BL Mkhwanazi
12. X Bhengu
13. ZD Mfusi
14. S Mgenge
15. EF Mbatha
16. MS Mngayi
17. NB Mzimela
18. FG Bosman
19. MT Makatini
20. N Mlaba
21. HF Mthiyane
22. NT Thusi
23. T Zulu
24. KD Sibiya
25. M Lourens
26. EN Malinga-Mtshali
27. MET Magwaza
28. M Dludla
29. BL Thusi
30. MS Ndlangamandla
31. BZ Mncadi-Mpanza
32. TA Ntuli
33. NPM Magubane
34. SA Mpanza

## EXECUTIVE COMMITTEE MEMBERS



Mayor Cllr TVB Mchunu



Deputy Mayor Cllr TC Mashaba



EXCO Member - Cllr NR Cele



EXCO Member - Cllr IT Gcabashe



EXCO Member - Cllr M Simelane



EXCO Member - Ald BV Mthethwa



EXCO Member - Cllr IR Barnes  
(portion of 2011)



EXCO Member - Cllr SS Zungu  
(replaced Cllr IR Barnes)

The Officials and Councillors were remunerated as follows:

	Group		Municipality	
	2012	2011	2012	2011
	R	R	R	R
<b>Remuneration of Municipal Manager</b>				
Annual Remuneration	366 069	863 736	366 069	863 736
Car Allowance	84 197	343 415	84 197	343 415
Performance Bonuses	-	142 582	-	142 582
Contributions to UIF,SDL and other	16 495	11 625	16 495	11 625
Dispute settlement	1 210 867	-	1 210 867	-
	<b>1 677 628</b>	<b>1 361 358</b>	<b>1 677 628</b>	<b>1 361 358</b>
<b>Remuneration of Deputy Municipal Manager</b>				
Annual Remuneration	827 077	803 594	827 077	803 594
Car Allowance	352 503	352 280	352 503	352 280
Performance Bonuses	146 939	135 453	146 939	135 453
Contributions to UIF,SDL and other	14 164	12 599	14 164	12 599
Acting allowance	19 276	-	19 276	-
	<b>1 359 959</b>	<b>1 303 926</b>	<b>1 359 959</b>	<b>1 303 926</b>
<b>Remuneration of Executive Director Technical Services</b>				
Annual Remuneration	683 880	783 090	683 880	783 090
Car Allowance	166 099	157 056	166 099	157 056
Performance Bonuses	-	125 316	-	125 316
Contributions to UIF,SDL,pension & medical aid	201 759	10 158	201 759	10 158
Annual Bonus	33 231	-	33 231	-
	<b>1 084 969</b>	<b>1 075 620</b>	<b>1 084 969</b>	<b>1 075 620</b>
<b>Remuneration of Executive Director Corporate Services</b>				
Annual Remuneration	347 877	792 387	347 877	792 387
Car Allowance	54 911	219 645	54 911	219 645
Performance Bonuses	-	128 324	-	128 324
Contributions to UIF,SDL and other	17 839	10 831	17 839	10 831
Dispute settlement	1 362 226	-	1 362 226	-
	<b>1 782 853</b>	<b>1 151 187</b>	<b>1 782 853</b>	<b>1 151 187</b>
<b>Remuneration of Chief Financial Officer</b>				
Annual Remuneration	727 064	1 007 297	727 064	1 007 297
Car Allowance	219 645	130 731	219 645	130 731
Performance Bonuses	33 062	128 324	33 062	128 324
Contributions to UIF,SDL and other	11 682	12 939	11 682	12 939
Acting allowance	115 272	-	115 272	-
	<b>1 106 725</b>	<b>1 279 291</b>	<b>1 106 725</b>	<b>1 279 291</b>
<b>22. Remuneration of councillors</b>				
Mayor	690 437	425 708	690 437	425 708
Deputy Mayor	555 958	439 219	555 958	439 219
Speaker	559 271	439 219	559 271	439 219
Chief Whip	276 049	-	276 049	-
Executive Committee	1 928 176	2 030 537	1 928 176	2 030 537
Councillors	3 220 164	1 737 760	3 220 164	1 737 760
Councillors' pension contribution	639 666	419 407	639 666	419 407
	<b>7 869 721</b>	<b>5 491 850</b>	<b>7 869 721</b>	<b>5 491 850</b>

#### In-kind benefits

The Mayor, Deputy Mayor, Speaker, Chief Whip and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council which is included with other expenditure in the Statement of Financial Performance. The Mayor has the use of a Council owned vehicle together with a driver for official duties and security.



## COUNCIL AND ITS MEETINGS

In accordance with Municipal Notice No 143 dated 13 July 2000 (as corrected by Municipal notice no 175 dated 22 August 2000) the Council of uThungulu District Municipality consists of 41 Councillors. The Executive Committee was made up of 7 Councillors.

During the 2011/12 financial year a total of 72 meetings of Council and its Committees were held. This total is made up of meetings as follows:

- Plenary Sessions of Council 13
- Executive Committee meetings 24
- Technical Portfolio meetings 5
- Planning portfolio meetings 3
- Corporate Portfolio meetings 3
- Community Portfolio meetings 6
- Financial Portfolio meetings 7
- Audit Portfolio meetings 6
- Rules Portfolio meetings 5



## ADMINISTRATIVE GOVERNANCE

### Administrative Services

The Administrative Services Section is part of the Corporate Services Department. This Section specializes in Records and Registry Management, Fleet Management, Secretariat Services, Councillor Support and Auxilliary Services, which includes general office services and building maintenance.

### Records and Registry Management Section:

This Section is responsible for the process of ensuring the proper creation, maintenance, use and disposal of records to achieve efficient, transparent and accountable governance. This Section's actions are bound by the Statutory and Regulatory Framework in which sound records management practice is found i.e. The National Archives and Records Service of South Africa Act (Act No 43 of 1996 as amended) and The Promotion of Access to Information Act (Act No. of 2000). The Records Management Policy has been approved by Council to ensure that this Council promotes transparency, accountability and effective governance by empowering and educating the officials to understand and exercise their rights. Council makes use of Hummingbird for its Electronic Record Management and

makes use of Metro File for off site record keeping. An Access to Information Manual is updated and submitted to relevant Government Departments annually as per the legislative requirement.

The Section has successfully worked hand in hand with Provincial Archives to effect disposals and disposal authorities as prescribed by the Records Management Act and this is fully functional and implemented through Metro File.

### Secretariat Services

With a staff complement of two Committee Officers, the Admin Section is responsible for managing the provision of secretariat services to the Section 79 and Section 80 Committees within the municipality. It arranges all meetings including all the necessary logistical requirements, drafting of agendas and minutes of meetings. The quality control of all documents, agendas and minutes that are distributed to the Committee members are part of the responsibilities of the Section Head. It also keeps track of the decisions taken by the Committees. It is again tasked to ensure that all meetings take place according to the Standing Rules of Order, pre approved schedule and according to the Terms of Reference of the respective Committees.



### Fleet

Guided by the Pool Motor Vehicle Policy and Procedures, the Fleet Officer controls utilisation of a pool of 54 vehicles and gives guidance to officials and Councillors on vehicle utilisation. The Officer controls the day-to-day management of the municipal fleet. The pool vehicles may only be used by licensed employees who are not on the subsidised scheme, to perform their duties. Through monthly reporting to Management and quarterly to the Performance Panel on the mileage, fuel and oil consumption, Council prevents unnecessary costs and misuse of vehicles from occurring. The Policy on Upper Limits of Remuneration for Councillors, touching specifically on travel allowances and out of pocket expenses, is reviewed regularly

and is currently being implemented in terms of the latest gazette issued. This policy also regulates the use of pool vehicles by councillors to ensure that it is in line with the revised government notice of the time.

The current tenders running until June 2013 were awarded to Avis, Eqstra and Fleet Africa for the lease of vehicles and for the supply and fitment of tyres to Zibandlela Business Solutions.

### **Auxilliary Services Section**

The Auxilliary Services Officer is responsible for building maintenance and general office services, which include the communication services (PABX), photocopy and messenger service and the cleaning service. The cleaning service has for the first time been brought in-house. This was the highlight of the year for the department, which saw 18 job opportunities being created and 18 cleaners, who were on three-year-fixed term contracts, were absorbed as full time employees of uThungulu. Auxilliary Services is also assigned with the responsibility of implementing and managing physical security within Council. This covers physical security measures for the safeguarding of the premises, people, equipment and assets. Surveillance cameras have been commissioned to enforce and improve the security measures within the premises.

### **Councillor Support**

To ensure that every Councillor participates meaningfully in meetings of Council, Councillors are provided with continuous support from the Administrative Section. The Municipality through the Admin Section ensures that its Standing Rules of Order are in line with the Legislation and drafted in such a way that all Councillors can understand them to exercise their democratic right to participate in Council and Committee meetings. As applicable to all by-laws, Council's Standing Rules of Order has been revised, approved by Council and sent to all relevant Government Departments for publication.

Councillor support is also provided in terms of liaising with the Municipal Pension Fund for Councillors' Pension Funds and Medical Aid Schemes and co-ordinating with uThungulu's Finance Section for any other finance related matters pertaining to councillors.







## DEVELOPMENT AND ENVIRONMENTAL PLANNING

### Integrated Development Planning

The co-ordination of service delivery and investment in the district is vital to ensure sustainable service delivery. This can only be attained by achieving the sensitive balance between strengthening (maintaining) the rural economy, implementation of the land reform programmes as well as housing delivery. Also, all of the above has to take due cognizance of the environment.

The focus is on the co-ordination of the spatial and service delivery component to improve the management of district level responsibilities and the strengthening of the development nodes of the municipalities, while ensuring the equitable development of the rural areas through service delivery. Implementation of the Development Planning Shared Services can be seen as a milestone in improving development planning capacity in the district.

Co-ordination of land reform and housing in line with service delivery is of prime importance. Environmental management and spatial co-ordination and integration of development are further components of the strategy to ensure integration and optimum organisational capacities.

The objectives of the District Municipality are:

1. To ensure the successful annual review of the

District Municipality and the Local Municipalities' IDP's;

2. To coordinate and align all IDP's and other role-player involvement.

Annually, the uThungulu district prepares/reviews its IDP.

Apart from dealing with critical issues pertaining to project identification, budgeting, land reform and housing, the IDP also contains an SDF (Spatial Development Framework) and other important issues as detailed in the remainder of this section:

- From a land reform and housing perspective, the district is responsible for planning, coordination and alignment. The district's responsibility for the provision of bulk infrastructure to housing projects specifically is very important.
- Land-Use planning aims to co-ordinate and manage all the land uses and their relationship to each other in order to protect natural resources and to create safe and liveable environments. In respect of land-use planning, the District Municipality is responsible for the provision of the Land-Use Management Framework, whilst the Local Municipalities are responsible for the preparation of detailed Land Use Management Systems (LUMS).
- The bi-annual quality of life survey of the UDM provides the mechanism to monitor progress on key development projects and programmes as identi-



fied in the IDP. The recent survey indicated an increase in the number of stand pipes in uThungulu as well as an overall reduction in the dependency on natural water sources. This fact is confirmed by the WSDP that indicates that backlogs in water provision to an RDP standard have been reduced to 58.4% (as opposed to the 2001/2002 backlog percentage of 82%).

- Bi-annual Quality of Life Survey (Performance Evaluation): The objective of this project is to ensure that IDP Programmes and projects have an impact on the living conditions of the people of the district.
- Land Reform: Co-ordination and alignment of an effective process to guide Land Reform. The alignment of programmes and projects is a key objective.
- Housing: Liaison, co-ordination and alignment of an effective process to guide the development of housing projects and the preparation of a District Housing Plan.

#### **Preparation of the IDP (2012/13 – 2016/17)**

- The new Integrated Development Plan (IDP) (for financial years 2012/13 to 2016/17 has been prepared as required by the Municipal Systems Act (Act 32 of 2000) Chapter 5, Section 25.
- The final draft IDP was advertised for comment for a period of 21 days for all interested and affected parties, after which it was submitted to Council for approval on 4 May 2011.
- The Final Draft IDP was adopted by Council in accordance with Resolution UDMC 479 on 20 June 2012.
- The uThungulu SDF has been refined in order to improve its credibility, to comply with the Local Government: Municipal Planning and Performance Management Regulations (2001), ensure alignment with the SDF's of the Local Municipalities and include the latest spatial trends.

#### **SDF Refinement (2011/2012)**

The recent reviews of the SDF's by some of the Local Municipalities indicated that a need exists to refine the uThungulu District Municipality's SDF for alignment purposes and include new spatial trends.

The funding amounting to R 150 000 on the uThungulu 2011/12 budget was utilized to improve the following components of the 2009 uThungulu SDF:

- Alignment with Local Municipal and surrounding District Municipal SDF's.
- An Assessment of the issues to be addressed in the SDF review.
- Incorporation of a Capital Investment Framework.
- A review of the Land Use Management Framework component of the SDF; and
- A review of the Implementation Plan of the SDF.

#### **Roadshows**

Eleven (11) IDP/Budget roadshows were held between October 2011 to May 2012, involving a cross-functional team of our political leadership and officials from the various departments dealing with service delivery.

The purpose of the roadshows was to communicate uThungulu's multi-year budget and Integrated Development Plan to the communities it serves, with the





objective of achieving community participation in the budget and IDP. The roadshows also served to create an awareness of the functions and powers of the district municipality and helped engender a culture of payment for services.

A cross-section of roleplayers, including ward committee members, councillors, community liaison officers and municipal officials attended each roadshow, with pre-publicity being done by means of broadcast messages on community station Radio Icora, advertisements in the mainstream press and mobilization by ward Councillors. The roadshows received a tremendously positive response from communities throughout the district.

## CORPORATE GOVERNANCE

### Enterprise Risk Management, inclusive of Anti-Fraud and Corruption Prevention.

The Office of the Auditor - General laid down the requirement that a municipality's Enterprise Risk Management Plan, incorporating the Fraud Prevention Strategy, should be reviewed annually. During the 2010/11 financial year, the municipality duly undertook a review of its Enterprise Risk Management Strategy and Policy, inclusive of updating its Fraud Risk As-

essment. It further undertook a control mapping exercise of all the prevalent risks facing uThungulu and in the spirit of "Good Governance" measures the municipality's performance against the King III's Code of Good Governance practices. The municipality also contracted with Messrs Whistle Blowers to independently manage a Fraud and Corruption Detection and Reporting Hotline with a unique toll-free number dedicated to uThungulu.

The Review of the Fraud Prevention Strategy Report, the Risk Management Control Mapping Report and the Fraud Risk Management Control Mapping Report served before the Audit Committee, EXCO, Council and MPAC. In addition, an Enterprise Risk Management Steering Committee and Anti-Fraud and Corruption Prevention Steering Committee met quarterly to track and manage Enterprise Risks, IT Risks as well as Fraud Risks.

Funding has once again been provided in the budget for the 2012/13 financial year to conduct the Enterprise Risk, Fraud Risk as well as IT Risk Control Mapping Exercises for the new financial year to inform the Annual Internal Audit Plan and the work of the Steering Committees.

## SECTION: SUPPLY CHAIN MANAGEMENT

The fifth update of the Supply Chain Management Policy was approved by Council (UDMC 158) on 17 November 2011 and has since been implemented. It is in accordance with the Supply Chain Management Regulations pertaining to the Municipal Finance Management act.

Over the past years the processes of procuring goods and services for operational and capital requirements has evolved into a scientific architecture governed by legislation, ensuring that all municipal procurement is

carried out in a manner which is fair, transparent, cost effective, competitive, and considers the organisation's financial and social responsibilities.

The journey to achieving the goals of National Treasury and compliance with National and Provincial Government legislation could be considered to be highly regulated, however we have been successful in the formation of a supply chain management policy and the implementation thereof. This financial year also saw the promulgation of the Preferential Procurement Regulations, 2011.

The tables below depict the volume of supply chain management transactions processed during the financial year. The graphs show the trends during the Financial Year.

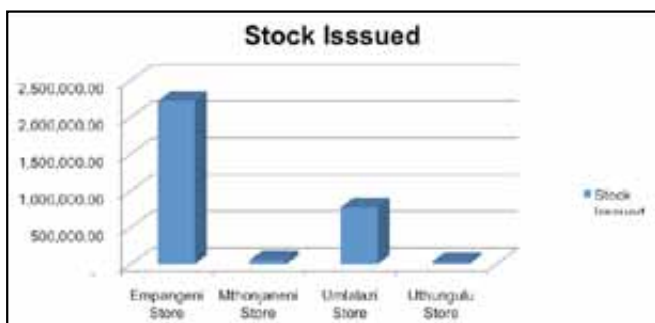
#### Direct Purchased Orders Processed:

ORDER COUNT	TOTAL VALUE	PREVIOUS VALUE	DIFFERENCE
2434	R129 563 332.56	R24 863 969.63	10 4699 362.93



#### Stock Purchase Orders Processed:

ORDER COUNT	TOTAL VALUE	PREVIOUS VALUE	DIFFERENCE
142	R3 361 849.13	R3 155 691.03	R 206 158.10



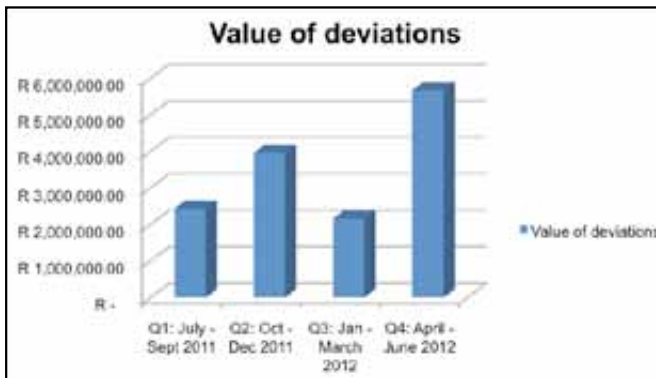
#### Total Purchase Orders Processed:

ORDER COUNT	TOTAL VALUE	PREVIOUS VALUE	DIFFERENCE
2576	R132 925 181.69	R 28 019 660.66	R 104 905 521.69

#### DEVIATIONS

In terms of section 36 of the SCM regulations, the municipality is allowed to deviate from normal process of Supply Chain. During the financial year there were 382 deviations processed to the value of R14,216,975.81. The trend

analysis for deviations during the year was as follows:



### SCM Database

In ensuring that we have an adequate pool of suppliers to approach, and so as to ensure that we are able to attain the best available pricing and quality, we have created a database of service providers. This database permits potential suppliers to register with Council so they thereafter may be eligible for future transactions with us.



The database also serves to attract small and emerging enterprises. The fully operational database now affords the opportunity to seek quotations from registered suppliers through the mechanism of advanced information technology and systems which has eliminated the human factor in most instances, thus mitigating risks associated with prejudicial procurement practices.

### Stores

The District has four fully functional stores strategically located so as to be able to provide stock material without logistical delays. Periodic stock counts have reaffirmed the commitment by the staff manning these stores in that our losses for the past years have been negligible.

The following is a summary of stock holding and movements at all four stores under the control of the uThungulu District Municipality during the 2011/2012 financial year.

STORE	OPENING BALANCE	CLOSING BALANCE	MOVEMENT
Empangeni Store	R1 382 758.09	R1 120 925.02	R 261 833.07
Mthonjaneni Store	R 96 250.12	R 105 668.05	-R 9 417.93
Umlalazi Store	R5 241 007.85	R 4 552 263.13	R 688 744.72
Uthungulu Store	R 97 959.93	R 79 756.47	R 18 203.46



### Stock Received:

STORE	2011/2012	2010/2011	DIFFERENCE
Empangeni Store	R2 229 800.30	R2 196 457.53	R 33 342.00
Mthonjaneni Store	R 57 430.77	R 42 313.75	R 15 117.02
Umlalazi Store	R 779 946.63	R 499 135.75	R 280 810.88
Uthungulu Store	R 37 495.06	R 61 455.00	R 23 959.94

### Tenders

#### Bid Adjudication

The Supply Chain Management (SCM) Policy, processes and practices at the uThungulu District Municipality are strictly run in accordance with the legislative provisions of the Municipal Finance Management Act, Act No 53 of 2003.

In order to ensure that all tenders are awarded in a free, fair and transparent manner, three committees are operational at uThungulu District Municipality, namely the Bid Specifications Committee (BSC), the Bid Evaluation Committee (BEC) and the Bid Adjudication Committee (BAC).

The Bid Adjudication Committee (BAC) was chaired by the Deputy Municipal Manager and adjudicated all tenders up to a value of R10 million. Tenders in excess of R10 million are also considered by the BAC, with a recommendation to the Municipal Manager, who ultimately makes the appointment.

The BAC held ordinary meetings on a two-weekly basis during the 2011/12 financial year, with an allowance for additional special meetings when required during alternate weeks, to consider tenders and matters forthcoming from the BEC. All tenders were successfully dealt with and all appointments made within the timeframes specified. In compliance with the reporting provisions, the BAC submitted regular reports to uThungulu EXCO and Council, as well as National Treasury on tenders adjudicated.

As stipulated in the SCM policy any procurement in excess of R 200 000.00 (incl Vat) must be done through a competitive bidding process. In the year under review we have successfully awarded 54 tenders. The tender process is a collective effort by not only the dedicated specialists of the SCM unit but also by the committed officials of this Council who represent the BSC, BEC and the BAC. The bid committee hold meetings weekly.

The number of meetings held during the year were as follows:

- BSC meetings - 18
- BEC meetings - 48
- BAC meetings - 23

The number of tenders that were awarded during the financial year was 36, of which 11 were rates based tender and 25 were rand value tenders. The total value of tenders awarded was R213,977,777.84.

The graphic trend analysis of awarded tenders during the year was as follows:



Following is a list of the top ten tenders awarded:

DATE OF APPROVAL	TENDER NO	DESCRIPTION	TENDERER	AMOUNT (INCL. VAT)
29-03-2012	UDM/MIG/23/2011	Upgrading of Bulk Water Supply and Reticulation to Kwahlokoheko SSA1 Phase 1A: Construction of 5.8km of ND900 Pipeline	Esor Franki Pipeline Pty LTD	<b>R50 686 005.72</b>
19-01-2012	UDM/MIG/16/2011	Tender for Greater Mthonjaneni Sub Supply Area 5: Construction of Bulk Water Pipeline and Concrete Reservoirs from Maqweha to Maphukanqola Area	Sanyati Civil Engineering & Construction (Pty) Ltd	<b>R29 970 000.00</b>
08-09-2011	UDM/MIG/01/2011	Tender for Mhlana Somopho Water Supply Scheme Phase 3C, Portion 1-Construction of Bulk Water Pipeline, Reservoir and Pumpstation to Mbonambi Reservoirs	Messrs Leomat Construction (Pty) Ltd	<b>R26 335 34.18</b>
31-05-2012	UDM/MIG/25/2011	Tender for the Construction of Bulk Water Pipelines, Reservoirs and Pump Stations for Mbonambi Water Projects Phase 2	ICON Construction	<b>R24 202 200.00</b>
19-01-2012	UDM/MIG/15/2011	Tender for Greater Mthonjaneni Sub Supply Area 4: Construction of Bulk Water Pipeline and Concrete Reservoirs from Nomponjwana to Maqweha Area	Shula Construction CC	<b>R22 993 775.01</b>
25-11-2011	UDM/MIG 20/2011	Tender for Kwahlokoheko SSA 5: Phase 1 - Bulk: Section 01: Reservoir and Pump Station (Civil and Building Works)	Sinethemba Construction	<b>R12 985 718.75</b>
19-01-2012	UDM/MIG/22/2011	Tender for the Middledrift Water Treatment Works: Mechanical and Electrical Installation	Klomac Engineering CC	<b>R 9 657 458.84</b>
29-09-2011	UDM/MIG/18/2011	Tender for the Completion of Greater Mthonjaneni Water Supply Phase 2A & 2B: Construction of Bulk Water Pipelines from Zimela to Ndundulu	Sanyati Civil Engineering & Construction (Pty) Ltd	<b>R 6 600 000.20</b>
15.03.2012	UDM/MIG/17/2011	Tender for the Mpongose Bulk Water Supply Project: Upgrade of Bulk Pipeline (350mm DIA) from Reservoir K4 to K5.	Dixie Bay Trading 2 CC T/A Bethlice Projects & Development Facilitation	<b>R 6 086 058.72</b>
23-02-2012	UDM/MIG/21/2011	Tender for the Construction of the KwaHlokoheko SSA5: Phase 1- Bulk: Section 02: Reservoirs and Rising	Vula Indlela Construction CC	<b>R6 000 058. 82</b>

## **SECTION: Legal Services Unit**

The role of the Legal Services Unit is to manage the provision of a comprehensive, efficient and effective legal service to the municipality, to safeguard the municipality's interests in all legally related matters and to ensure that all the municipality's operations are conducted within the parameters of applicable legislation. Legal Services provides various legal opinions to the municipality, ensuring that informed decisions are taken to safeguard the municipality against legal actions. The section is involved in the drafting and vetting of various agreements which the municipality concludes from time to time to enhance the protection of the interests of the municipality.

We have a standard service level agreement in place which also ensures that the municipality's legal interests are protected in its contractual engagements with various service providers.

The Legal Services Unit conducts ongoing research to

advise the municipality on the latest developments in the legal space. In this regard Legal Services presented to the management team and the Executive Committee the implications of amendments effected in the Municipal Systems Act of 2000 ( Act No. 32 of 2000) in terms of the Amendment Act No. 7 of 2011 which became law on 5 July 2011.

This resulted in the development of a policy which deals solely with the recruitment of a municipal manager and managers directly accountable to the Municipal Manager.

The Legal Services Unit plays a vital role in the drafting and the ongoing review of by-laws and attends to legal formalities in respect of the promulgation of same.

A call for tenders for the appointment of a panel of attorneys to provide legal services to the organization was advertised. The process of evaluation and adjudication is currently underway and will be finalized shortly.



## Chapter 3: *Service Delivery Performance*



**Municipal Manager**  
MH Nkosi

### OFFICE OF THE MUNICIPAL MANAGER

#### Departmental Vision, Mission and Core Values

##### Vision

“A municipal manager’s office that promotes an economically sound district with effective infrastructure and a district that empowers people, protects the environment and demonstrates leadership excellence.”

##### Mission

To develop and maintain effective and efficient managerial processes and practices to ensure the creation of a prosperous district by:

- Managing the provision of a high standard of essential basic services;
- Ensuring management practices that support sustainable local economic development;
- Promoting the encouragement of community participation in service delivery projects.

##### CORE VALUES

- To promote the value of integrity among officials;
- To promote transparency in the way that the municipality conducts its business;
- To foster a culture of commitment in respect of service delivery within the municipality’s servicing area;
- To ensure a spirit of cooperation within the municipality, among municipalities within the district, with other districts as well as with provincial and national spheres;
- To promote a culture of innovation in the carrying out of functions and delivery of services to the communities within the servicing area of the district.

The office of the Municipal Manager consists of the following offices:

- Municipal Manager
- Deputy Municipal Manager
- Public Relations Manager
- Planning and Development Services
- Legal Services



## Municipal Manager

He is the Accountable Officer, in terms of prevailing local government legislation and responsible as Chief Executive Officer for the effective and efficient operations of the uThungulu District Municipality as an institution.

It is the responsibility of the Municipal Manager as “Accountable Officer” to:

- Promote sound financial management throughout the municipality;
- Be responsible for all income and expenditure, all assets and the discharge of all liabilities;
- Ensure compliance with the Municipal Finance Management Act (MFMA) No. 56 of 2003;
- Prevent fruitless and wasteful expenditure;
- Disclose all information on debts
- Ensure the development and implementation of the Integrated Development Plan (IDP), which consists of five development strategies upon which the annual budget is based.
- Ensure the further development and implementation of a Performance Management System to measure service delivery in terms of performance indicators of each Key Performance Area (KPA) under the following programmes:

**Economically Sound District** - Local Economic Development, Local Tourism Development, Agricultural Development and Business and SMME Development.

**Effective Infrastructure** – Internal Fixed Assets and Buildings, Potable water, waste water and sanitation, Water Service Authority and Planning, Energy, Regional Solid Waste, Regional Cemeteries and Crematoria, Municipal Roads and Public Transport Services, Municipal Airports, Municipal Public Works and Telecommunication and Technology.

**People Empowerment** – Internal Fixed Assets and Buildings, Municipal health, Education, Training and Capacity Building, Safety and Security, Community Services, Facilities and Actions, Disaster Management, Fire Fighting, Poverty Allevia-

tion, Marginalized Groups and HIV/Aids.

**Integrated Environment** – Internal Fixed Assets and Buildings, Integrated Development Planning, Land Reform, Housing, Environmental Management and Planning Shared Services.



**Leadership Excellence** – Internal Fixed Assets and Buildings, Financial Control, Management Services, Administrative Services, Public Relations and Communications, Special Projects and Performance Management Programme.

The Municipal Manager is also responsible for the following strategic portfolios:

- Co-ordination of Operational Activities within uThungulu District Municipality;
- Compliance with the provisions of the Municipal Finance Management Act (MFMA);
- The promotion of Intergovernmental Relations.

**SECTION: Public Relations**

The Public Relations Section concentrated the majority of its focus on the promotion of community activities during the past financial year, facilitating a large number of community events, handovers to needy households in rural areas and organizing of roadshows.

The Public Relations Manager is responsible for the following:

- To promote community participation in local government;
- To promote synergies with the private and public sector to market the district;
- To improve the municipality's public image by

communicating in a transparent, effective and proactive manner;

- Batho Pele
- Intergovernmental Relations
- District Communications Forum

The section also organized two rounds of roadshows to the six local municipalities to communicate the district's IDP and 2011/2012 budget process respectively, as well as various events to commemorate landmark projects.

One such event was the official opening of the KwaBulawayo Cultural Centre at Bhekeshowe in uMlalazi Municipality in December 2011. The event was graced by his Majesty, King Goodwill Zwelithini kaBhekuzulu.

Through the District Communications Forum, the district is able to liaise with and capacitate the communications and public relations staff of the local municipalities and provincial government departments. The DCF was formed as part of a national communications strategy to ensure co-ordination of an integrated and coherent system of government communication from the national to the provincial sphere.

It ensures that communication messages and information reach all government spheres as well as create an effective interface of communicators from all spheres.

The municipal communications programme is therefore being co-ordinated and synergised with provincial and national programmes.

**Communication Tools:**

A number of different communication tools were used to promote the uThungulu District Municipality in the public arena as part of the 2011/2012 communications strategy.

**Media liaison**

An enormous amount of free media publicity was generated



through the publication of press releases to help promote an understanding of uThungulu's core business amongst its stakeholders. A variety of different publications and newspapers carried articles on Council initiatives and events throughout the year. They included local, provincial and national print media, radio and television broadcasts.



#### **Radio slots**

The municipality also paid for bi-monthly, five-minute slots on Radio Ukhozi to talk about matters relating to the Integrated Development Plan and events of interest to our communities. Snap surveys at the roadshows showed that the majority of people in the deep rural areas had heard about them on Radio Ukhozi. Radio is by far the most effective means of communicating with these remote areas as the residents do not have access to newspapers.

#### **Service Commitment Charter**

A Service Commitment Charter is published annually in English and Zulu, and distributed at all our roadshows. Copies are also made available at all uThungulu offices. The Charter contains general information about the municipality and commits us to a certain level of service. It also details the Key Performance Areas as contained in our departmental Integrated Action Plans. In addition to this we also include critical information on Batho Pele, our water services, access to water, billing services, our Indigent Policy, Disaster Management and other community services. The booklet is a vital tool that the community can keep with them containing toll free contact numbers for water queries and disaster reporting.

#### **Izindaba Ezimtoti**

Our monthly external newsletter Izindaba Ezimtoti has proven to be an invaluable communication tool, containing interesting articles and dynamic photographs in English and Zulu, depicting events, activities and information relating to the district.

A total of 15 000 copies of the Ezimtoti are printed each month and distributed to businesses in Empangeni, Richards Bay, Kwambonambi, Mtunzini, Eshowe and Melmoth, as well as the nine libraries in the district and to the offices of the six local municipalities. The three-year tender for the design, printing and distribution of the newsletters was awarded to Indumandumani Trading for the period ending 30 June 2014.

#### **Ezisematheni**

A monthly staff newsletter, the Ezisematheni is distributed internally to all employees of the municipality, carrying staff news and policies. The newsletter is both informative and fun, using an informal approach that aims to provide light reading for the staff.

#### **uThungulu website**

The uThungulu website was revamped to bring it more in line with the style of provincial government departments, to allow for easier navigation and to enhance the content.





**Deputy Municipal Manager**  
Danie Lubbe

## OFFICE OF THE DEPUTY MUNICIPAL MANAGER

### Overview

For the 2011/12 financial year, the office of the Deputy Municipal Manager took responsibility for the following Strategic Key Performance Areas (KPA's):

- Heading the Department of Planning and Development;
- Strategic and Integrated Development Planning;
- Local Economic Development (LED);
- Organisational Performance Measurement System (OPMS) and individual Performance Measurement System (IPMS) for Section 56 Managers;
- Bid Adjudication;
- Shared Services for Development Planning;
- Enterprise Risk Management (ERM) inclusive of Anti-Fraud and Corruption Prevention.

### Strategic and Integrated Development Planning (IDP)

The 2010/111 financial year saw the compilation process of a new 5-year IDP for the period 1 July 2012 to 30 June 2017.

The compilation process took into consideration the Vision, Mission and the 11 Key Strategies which in essence are the 11 building blocks of the IDP. These 11 Key Strategies also strongly resemble the Key Performance Areas of National Government as well as the Key Performance Areas of the KwaZulu-Natal Provincial Government

The 11 Key Strategies in terms of the 5 year IDP are:

1. Municipal Transformation and Organisational Development.
2. Municipal Financial Viability and Management.
3. Good Governance and Public Participation.
4. Infrastructure Development and Service Delivery.
5. Basic Services Provision.
6. Local Economic Development.
7. Sustainable Human Settlement & Land Management.
8. Human Resource Development.
9. Rural Development & food security.
10. Community Development & Social Services.



## 11. Environmental & Resource Management.

The compilation process required the consideration of all programmes and participating projects in the five-year IDP through community and stakeholder participation. One-on-one alignment meetings were held with national and provincial government departments, parastatals and service utilities. Stakeholder and alignment meetings were also held with all local municipalities within the uThungulu family of municipalities as well as neighbouring district municipalities on cross-boundary issues. A very successful Annual Growth and Development Summit, a Local Economic Development Summit and an Agricultural Summit were also held as part of the IDP Review Programme.

The municipality once again embarked on an aggressive IDP Roadshow campaign throughout the district where twice during the financial year, communities in the six participating municipalities were visited, the first round scheduled prior to the compilation of the new 5-year IDP in order to receive input into the process and the second round after compilation of the IDP Review and aligned Budget, to inform communities on the outcome.

All legislative requirements and timeframes in respect of the IDP Process and Framework plan, IDP Roadmap and the finalisation, adoption and submission of the new 5-year IDP was successfully complied with, and the final IDP Review was submitted to the KZN COGTA well before the deadline of 10 June 2011.

For the sixth year in succession uThungulu was ranked among the top municipalities in KZN in receiving a credibility rating in respect of its IDP as a result of the annual IDP assessments carried out by an assessment panel consisting of representatives from National, Provincial and Local Government. The MEC of KZN COGTA awarded the district a Certificate of Recognition for consistently remaining for five years among the top IDP achievers within the KZN Province.

### **Local Economic Development (LED)**

The primary aim with uThungulu Local Economic Development initiatives is to create an environment which is conducive to economic development. uThun-

gulu's entire budget is therefore aimed at stimulating the economy, but over and above that, the strategy "Economically Sound District" focuses specific interventions towards developing and stimulating the local economy in the Tourism, Agriculture and Business & Industry Sectors.

We know from our LED Strategy Plan, that five of our six local municipalities have Agriculture as the dominant sector followed by Tourism. Only the City of uMhlatuze, the economic hub of the district, has Business and Industry as the primary sector, also followed by Tourism. A Local Economic Development Indaba was scheduled early in the year.

A very successful Annual Growth and Development Summit was held for the sixth year in succession with participation from National, Provincial, District and local stakeholders representing the Public and Private Sectors. Responsible roleplayers reported progress on critical issues contained in action plans from the previous financial year summit. The Economic Survey results and findings as conducted by the Economic Research Unit of the University of KwaZulu-Natal, were again released at the summit and interrogated by participants.

The 2011/12 financial year saw the implementation phase of a number of LED Sector plans reviewed in the previous financial year, namely the Tourism Master Plan, the Public Transport Plan, the SMME Support Strategy as well as the Tourism Institutional Framework.

The review of the Agricultural Sector Plan was finalized and an extensive list of strategies, programmes and projects for implementation was compiled and submitted to Council for approval. This was followed by an Agricultural Indaba over two days from which, it must be said, the biggest flagship project for uThungulu in agriculture emerged, namely the Fresh Produce Market, with its main aim to empower emerging farmers to transform their farms to business entities to provide fresh produce to a Fresh Produce Market to be established within uThungulu.

uThungulu Tourism once again exhibited at the In-

ternational Tourism Shows in South Africa of which a highlight on the calendar was the International In-daba in Durban, and substantial funding was invested in Tourism Marketing and Publicity Material to market the unique tourism attractions within our district. The following Tourism Sectors received extensive attention: Cruise Ship Tourism; R66 Route Development (Birding Route); Township Tourism, Contemporary and Authentic African Cultural Tourism, Great Forests of Zululand Experience, Adventure Tourism and Promotion of Tourism Events.

A Mobile Welcoming Unit for Passenger Liners docking at the Port of Richards Bay was maintained, as the Port of Richards Bay is continually seeing more and more passenger liners arriving on our district's doorstep. uThungulu also maintained the Boardwalk Inkwazi Information Hub which also functions as a Tourism Education Info Hub. An E-Marketing Electronic Newsletter was also distributed to roleplayers and stakeholders within the Tourism Sector. The District Tourism Forum met quarterly to exchange and update roleplayers in the industry on matters of mutual interest.

The municipality successfully participated in the Provincial Corridor Development Fund to the value of R12,250 million towards co-funding of projects within the district over a multi year period. These unique projects are all aimed at fostering the development of the Ethekwini- Kwa-Dukuza -uMhlathuze Development Corridor. The following projects were successfully progressed with in terms of the second year of funding:

- Kwabulawayo Tourism Development Establishment;
- R66 Heritage Route Establishment;
- uThungulu Film Office Establishment;
- uThungulu Fresh Produce Market establishment.

### **Shared Services for Development Planning**

The Deputy Municipal Manager strategically manages and facilitates the development, implementation and maintaining of Development Planning Shared Services within the district family of municipalities. The Shared Services concept relates to those functions being shared by municipalities on a cost beneficial basis and provides for a number of scenarios in terms of the sharing of services i.e. between districts, between

districts and its local municipalities, which can be all or some, dependant on the function and need of municipalities, or between two or more local municipalities. This function of sharing specifically relates to the sharing of the development planning function in order to assist municipalities to optimally perform within the framework of the Planning Development Act (PDA).

uThungulu District and the local municipalities of Mfolozi, Ntambanana, Mthonjaneni, and Nkandla participate in the shared services model. The municipalities of uMhlathuze and uMlalazi chose not to participate. The Shared Services Model sees the sharing of planning capacity and resources within the district.

The following District-Wide Planning Shared Services as per year 3 of a 5 year agreement, were rendered during the 2010/11 financial year within the uThungulu District:

1. Strategic Municipal Planning (IDP)
2. Municipal Performance Management;
3. Municipal Spatial Planning which includes:
  - Statutory Applications;
  - Spatial Development;
  - Land Use management.
4. Development Administration which includes:
  - Land Development approvals in terms of the DFA;
  - Land Development approvals in terms of the ordinance (subdivisions and removal of restrictions), which ordinance is replaced by the new Planning Development Act.
5. Spatially Referenced Info (GIS Base)

Even though the position of the Chief Planner Shared Services was vacant for the year under review, the UThungulu District-wide Planning Shared Services centre was operational, with the Chief Planner for the uThungulu District overseeing the development planning function between the district and its local municipalities. Planning Development Act and Environmental Management training initiatives were also undertaken for all municipalities within our district.

### **DEPARTMENT: Planning and Development**

The Planning and Development Section falls directly under the control of the Deputy Municipal Manager

and has the following focus areas in line with the functions of the District Municipality, and relates to the Strategies of Creating an Economically Sound District as well as an Integrated Environment:

**Economically Sound District - Summary of functions**

- Local Economic Development
  - Planning, coordination and development of district strategic opportunities in line with LED Strategy
- Local Tourism Development
  - Local Tourism for the district
- Agricultural Development
  - Planning, coordination and development of district strategic opportunities in line with LED Strategy
- Business & Industrial Development
  - Planning, coordination and development of district strategic opportunities in line with LED Strategy

**Integrated Environment - Summary of functions**

- Integrated Development Planning
  - Coordination and alignment of IDP's in line with legislation, and operation of Development Planning Shared Services.
- Land Reform Planning, Co-ordination & Alignment
- Housing Planning, Co-ordination & alignment
- Environmental Planning, coordination and development of district initiatives, including coastal management



**Overall Strategic Objectives:**

The overall strategic objectives of the section are to:

- Facilitate and manage the development and ongoing enhancement of strategy, policies and processes pertaining to Local Economic Development,
- Local Tourism Development, Agricultural Development, Business and Industrial Development within the context of the IDP;
- Facilitate and manage the development and ongoing enhancement of strategy, policies and processes pertaining to Spatial and Development
- Planning, Development Planning Shared Services, Environmental Management and Integrated Transport Planning within the context of the IDP.

The functions of the Section relate to the following areas, and will be elaborated on per area:

- Economic Development and Tourism; and
- Development Planning and Environment Planning

**ECONOMIC DEVELOPMENT AND TOURISM**

**Local Economic Development (LED)**

The aim is to establish economic growth and develop-



ment in all economic sectors with a particular focus on agriculture, tourism and trade and industry (SMME), whilst contributing to poverty alleviation in the district. The district will aim to identify and develop LED opportunities based on the functions of the municipality. Local Economic Development is informed by the Integrated Development Plan. IDP and LED fall strategically within the Deputy Municipal Manager's Office.

Everything that a municipality does and is involved in can be seen as LED, where a municipality should fulfill its Constitutional mandate by creating an enabling environment which is conducive towards local economic development, as healthy and sustainable economic development relates strongly with the development of much-needed infrastructure and effective payment for Municipal Services.

uThungulu has its own dedicated budget towards LED programmes and projects in terms of its IDP under the heading "Economically Sound District", whereby the district endeavours to support and supplement LED initiatives within the participating local municipalities.

### **Local Economic Development**

The three main pillars of the economy in the uThungulu region are: Agriculture, Tourism, Business and Industry. Five of the six Local Municipalities in uT-

hungulu District Municipality have agriculture as the predominant sector, followed by Tourism. It is only in the uMhlathuze Local Municipality (Richards Bay/Empangeni) where business and industry is predominant, followed by Tourism. In accordance with this, the necessary attention is given to each sector within the district's IDP within each of the six Local Municipalities.

The following initiatives have been implemented as part of this programme:

- Review of LED Framework - a tender has been advertised for a Review of the Framework, entitled: Towards a Green Economy
- The municipality's investment profile has been advertised in the KZN Business Directory
- Implementation of SMME Sector Development Plan: The objective of this project is to provide support to the development of SMME's and the informal sector with specific reference to training and coordination of efforts by support providers.

The SMME Support Programme comprised of the following:

- Database & profiling
- SMME Support Services Brochure
- SMME Fair and Exhibition



## **Agriculture:**

### **Review of Agricultural Development Plan**

The uThungulu District Municipality adopted the review of the 2003 Agricultural Development Plan, being a sector plan of the uThungulu IDP. The 2011 review of the 2003 uThungulu Agricultural Development resulted in the following deliverables:

- Status Quo Analysis.
- Vision.
- Objectives and Strategies.
- Programmes with associated Projects.

Business Plans for the following top 5 prioritized projects for implementation has been prepared:

1. Institutional Framework for the District;
2. Turnaround for Land Reform;
3. Ingonyama Trust: Developing Productive Land;
4. Climate Smart, Environmentally Sustainable Agriculture;
5. Logistics: Inputs, Processing and Marketing.

### **uThungulu Fresh Produce Market**

uThungulu District Municipality held its Agricultural Summit on 14 and 15 October 2011, to launch the concept of an uThungulu Fresh Produce Market with various resolutions taken at the summit.

At a meeting held by the Executive Committee on 08 November 2011, it was resolved in accordance with Resolution UDME: 166A that:

- “1. The Committee commended the respective officials, who compiled the resolutions taken at the summit,
2. The Acting Municipal Manager to appoint and delegate a Senior Official to implement the resolutions as taken at the Agricultural Summit.”

The uThungulu Fresh Produce Market will consist of 2 components, being;

1. The Fresh Produce Market Facility; and
2. Market Gardens supplying fresh produce to the market.

### **Agriculture Facilitation and Support**

Various agricultural initiatives had been supported and facilitated, such as support to the Nkandla Essential

Oils and outgrowers project and the Groundnut Project in uMlalazi Local Municipality.

## **Tourism**

Tourism is one of the main contributors to Local Economic Development in the country as well as the district. It has a major enabling effect in terms of employment generation and attraction of funding to the area. As a function of the district municipality, a number of projects and initiatives are being implemented as part of tourism development:

### **Management of the uThungulu Tourism Development Office**

This includes an awareness programme, marketing shows, marketing tools, media marketing, tourism product development, rural tourism development, Heritage, Cruise tourism and the Zulu Coast Film office

### **Review of the uThungulu District Municipality Tourism Master Plan**

The goal of the project was to revisit the existing Tourism Development Plan, measuring successes and





failures and formulating a revised Focused Tourism Master Plan for the uThungulu District that will realign Tourism Development and marketing with the latest tourism trends and developments as well as future predictions. The Master Plan has been duly completed and adopted.

The Tourism Master Plan Review for uThungulu District Municipality is an outcome of extensive research undertaken in the context of current relevant tourism policy and legislation on the current state of tourism in the district as well as a critical assessment of the tourism strategies highlighted in the 2003 Tourism Master Plan. The 2003 Tourism Master Plan had become outdated and certain strategies identified in the earlier master plan are no longer applicable to the post 2010 period. In order to guide tourism development in uThungulu District for the next five to ten years, leading up to and beyond the 2010 Soccer World Cup, a new vision for developing tourism in the district is articulated in the updated master plan.

### Marketing Shows

Tourism KZN, on an annual basis attends various tourism consumer shows which is paid for by Tourism KZN. The district municipalities are invited to attend

the shows at their own cost. Each district is given a branded area on the stand.

The uThungulu District Municipality participated at the following shows:

- DSTV Getaway Show
- Soweto Festival
- Beeld Holiday Show
- Tourism INDABA Durban

The Tourism INDABA is South Africa's flagship travel trade show, with over 13,000 visitors from across the world who attended from 12 – 15 May 2012 at the Albert Luthuli ICC in Durban. The Tourism Section secured 27 square meters of space at the exhibition. The stand was managed by the tourism officials.

All local municipalities within the district were invited and tourism officials and interns from uMhlathuze, uMlalazi, Nkandla, Mthonjaneni and Ntambanana Municipalities attended. Members from the Zululand Birding Route and Route 66 were also in attendance.

### E-Newsletter

A newsletter is a custom publication that allows any business to stay in touch with its target audience, and it is for this reason that a newsletter can benefit a com-

pany by distinguishing it. Thousands of companies and businesses worldwide benefit from the use of a newsletter as part of their marketing and communications strategies, as a focused newsletter has been proven to be a valuable tool. The arrival of the internet and email has made the sending of traditional print newsletters a thing of the past.

The Tourism Section has an ongoing electronic newsletter which is produced every 6 weeks.

Currently there are over 500 stakeholders on the mailing list; the newsletter is also distributed internally to staff.

The newsletter is being utilized to:

- Create awareness of projects of the tourism section within UDM,
- Inform stakeholders and the public of the projects, programmes, latest tourism trends and developments.
- The newsletter will also develop as a communication medium between public and private stakeholders and finally act as a measurement unit to

measure tourism interest in uThungulu District as a whole.

- This modern medium of advertising and communicating with stakeholders has put the uThungulu Tourism Division on the map with regards to media advertising and the leader in the province to take up such an initiative.

### **Media Marketing**

By advertising in magazines, you can reach your target audience, educate them about your products or services, and move them closer to making a purchase.

Another frequently overlooked upside of magazine advertising is that unlike other advertising mediums, magazines make it easy for you to target specific market demographics. Most magazines have a very specific readership based on factors such as interests, age, and gender. By leveraging readership demographics, you instantly ensure that your message is being seen by the right people - the ones most likely to buy your product.

Adverts were placed in the Woza Zululand, and a monthly supplement in the Baywatch - "Tourism on







your Doorstep”.

Coverage of the area was included in the Zululand Fever and KZN Routes.

### **Adventure Tourism**

In recent years, adventure tourism has been one of the fastest-growing tourism markets worldwide. South Africa has become recognized as an adventure tourism destination. During 2009, South Africa was ranked fourth in a list of top ten destinations in the world by iExplore.com, best Adventure Travel website by Forbes.

The uThungulu/Zululand region is an experience and product rich destination and perfectly positioned to attract the adventure hungry tourist.

A booklet highlighting the activities available in the region was produced with this in mind.

### **District Tourism Forum**

The establishment of this body is as per the Regulations from the Local Government: Municipal Structures Act 1998 whereby District Municipalities in terms of Powers and Functions are responsible for the promotion of Local Tourism for the area of the District Municipality.

The Kwazulu-Natal Tourism Act requires that District

Municipalities to establish Tourism Forums within their areas of jurisdiction to align with provincial structures and improve lines of communication in the tourism sector.

The aim of the Forum is to act as a co-ordinating, participating platform which ensures coordinated tourism development and marketing strategies in the uThungulu District Municipal servicing area.

The objective is to create and organize a District Tourism Forum with common objectives, roles and responsibilities that will ensure that standards and principles are followed and implemented throughout

the Tourism sector.

### **Development of the R66 Heritage Route**

The uThungulu District Municipality Tourism Development Plan identified the development of the R66 as one of the priority projects for the District. The Route is located along the R66 from the junction of the N2 and R102 at Gingindlovu to eMakhosini.

This project received funding from the Corridor Development Programme.

Progress on the projects has been made on stakeholder interaction, research and investigations. Three trips with various key role-players such as Amafa, TKZN, Zululand District Municipality and others, has been made.

Projects completed:

- The R66 participation at 2012 Indaba
- Printing of R66 Map and folder
- Upgrading of Fort Nongqayi (repainting, interpretive signage and floodlights);
- Upgrade of road to Maqhamusela heritage site;
- 12 students completed their Tour Guide training successfully;
- Road signage
- Establishment of Route 66 Association.



Projects under way:

- Upgrading of day visitor facilities at Lake Phobane

### **Passenger Liners (Cruise Tourism) - Mobile Info Unit**

The number of Passenger liners to the port of Richards Bay has increased from previous years. A mobile unit, as an information office on wheels which can entertain any enquiries, has been procured. The unit will be used when passenger liners dock in Richards Bay harbour and any other outdoor tourism activities.



### **Film Office**

The Northern Zululand Film Office serves as a one stop office to Film Producers to assist with services i.e. scouting, licensing and the like.

A Memorandum of Agreement has been signed by three districts, namely uThungulu District Municipality, Enterprise Ilembe and uMhlosinga Development agency. The three district municipalities will be driving the film office.

This project is part of the Corridor Development Programme and funding to an amount of R1000 000 has been approved for the development of the Film Office for the 2011/12 financial year.

The main activities of the established Film Office are:

- To develop databases;
- Develop photographic Route;
- Supply on site support to production crews;
- Assist with environmental impact assessments;
- Assist with issuing of permits and obtaining permissions for filming;
- Attracting of productions to the area;
- Market the Film office at exhibitions.

### **Tourism Intern and Community Tourism Information Desk:**

The municipality is accommodating one intern to en-

hance the current capacity for a one year period, funded by Department of Economic Development and Tourism.

Londiwe Madela has started in 2011 at uThungulu District Municipality and has since been assisting at the Community Tourism Information Desk and other duties such as projects and SMME development.

### **Zululand Birding Route**

In February 2010, The Northern Zululand Birding Route was reconstituted as a self standing association to co-ordinate and manage the ongoing development of birding tourism projects in KwaZulu Natal. The Zululand Birding Route Mission is to promote and develop birding based tourism in KwaZulu-Natal for the benefit of avitourists, communities and birds.

ZBR has been successful in re-establishing itself and extending the route towards Ballito (Ilembe District Municipality) and North towards the Mozambique border (uMkhanyakude District Municipality)

In order for the ZBR to work towards a level of relative self sustainability by 2014 it is imperative that the route ensures higher returns on input costs, greater levels of private sector support and self generated income activities. The following are proposed as key actions to work towards:

- Integrating with other routes and harness spin off benefits



- Increase private sector support
- Increased ownership and buy in from community bird guides
- Partnerships with tour operators

The uThungulu District Municipality has approved an amount of R80 000 towards the Zululand Birding Route for the 2011/12 financial year.

### Urban Cultural Tourism

The Tourism Section, in collaboration with the City of uMhlatuze; and the Esikhaleni SeNkosi Tourism Association are engaged in discussions for the future development of a Township Tourism Route Development in Esikhaleni.

The development of a Township Tourism Route will bring a new product to the District and the area, introducing cultural tourism in a new form. This is also in close proximity to the Port of Richards Bay and accessible for passenger liners docking in the harbour for one day.

Currently concept documentation has been put together and the marketing of the concept needs partnerships with tour operators, advertizing, brochure material and signage.

Uthungulu District Municipality has approved an amount of R40 000 from the 2011/12 financial year for the development and marketing of the township tourism route. Marketing material was also developed to assist the route with marketing.

### Forests of Zululand

The “Great Forests of Zululand” is an important tourism product of the uThungulu District and has been identified as a tourism nodal point that needs to be further developed.

Further development of the Ongoye forest is planned in terms of the provision of facilities, signage and marketing.

The planned developments for Ongoye involve the following:

- Signage
- Hiking trail
- Toilet facilities
- Braai facilities
- Marketing of the forests
- Assistance to mountain biking project at Ongoye

### Dolosfees

The Dolosfees took place 4 - 7 August 2011 at Naval Island in Richards Bay. The dates coincide with the long weekend and have great tourism potential for the region.

An amount of R50 000 was made available towards this event.

### **KwaBulawayo Tourism Development**

The development aims to create a tourism attraction based on historical significance and is situated in rural Bhekeshowe. The Tribal Authority consists of seven sub-wards in a 15km area. The actual site of the King Shaka KwaBulawayo Military Capital is the focus of the attraction, surrounded by a wealth of historical and cultural tourism sites. Phase 1 of the project is complete and will be operated as a day facility.

KwaBulawayo is a treasure trove of archaeological, historical, heritage, cultural and eco-tourism.

uThungulu District Municipality, in partnership with the Department of Cooperative Governance and Traditional Affairs, have spent over R8-million transforming the military capital into a tourism attraction of note.

The Kwabulawayo Tourism Development is an initiative of the Kwabulawayo community with an objective of creating employment opportunities for members of the community.

### **Corridor Development Projects**

The following projects, as discussed under the Tourism heading, had been funded by CoGTA as part of the Ethekewini-uMhlathuze Corridor Development Fund:

- Craft Development fund was re-allocated

- to uThungulu Fresh Produce Market
- R66 Culture and Heritage Route
- Film Office
- Kwabulawayo Tourism Facility

A further two projects as listed below, had been funded, finalized, approved and close-out reports submitted to CoGTA.

- Mbonambi Development Framework
- Review of the District Transport Plan have been
- Savings amounting to R 101 000 from the Review of the District Transport Plan have been allocated to the establishment of Bus Shelters in Mthonjaneni Local Municipality.

### **Development Planning (Shared Services)**

The shared services concept was conceived due to a number of reasons, notably the fact that many smaller rural municipalities have limited planning capacity and high staff turnovers. Thus, the resulting limitations are proposed to be addressed through the establishment of shared services for the development planning function between district municipalities and their constituent local municipalities.







With effect from 1 February 2009, a Chief Planner (Shared Services) was employed to provide assistance to the Ntambanana, Mbonambi, Nkandla and Mthonjaneni Local Municipalities of the District.

Upon resignation of the Chief Planner for uThungulu, the incumbent for the Chief Planner (Shared Services) position has been absorbed to the vacant Chief Planner position, thereby leaving the Chief Planner (Shared Services) position vacant. A suitably qualified consultant has been appointed to take up the Chief Planner (Shared Services) duties to ensure continuity in terms of the service to the participating municipalities in line with the Planning & Development Act requirements until the recruitment process for the vacant position has been concluded.

The aim is thus to optimize limited resources and

thereby enhance the quality of planning and development services provided.

For uThungulu, the scope of municipal development planning functions included in the DPSS is as follow:

- Spatial Planning
- Strategic Planning
- Development Administration
- Performance Management
- Information Management and Systems Development
- Additional Functions for co-ordination include:
  - Building Inspections and Control
  - Housing
  - Environment
  - Land Reform

### Environmental Planning

#### Increased Environmental Capacity:

An Environmental Officer was seconded by The Department of Environmental Affairs (DEA–National) as per a Memorandum of Agreement to assist uThungulu District Municipality with environmental management matters, and has been assigned to work with the district and the local municipalities under its jurisdiction.

The Key performance areas for the Environmental Management Officer are as follows:

- a) Support Environment Planning and Management in District and Local Municipalities.
- b) Facilitate and coordinate environmental capacity building initiatives
- c) Support the provincial and municipal planning process and forums / structures.
- d) Support the review of the Local Government Support Programme.
- e) Support the implementation of the Social Responsibility Program in the municipalities.

State of the Environment Report (SoER) as 1st Phase of a Strategic Environmental Assessment (SEA):

A Strategic Environmental Assessment (SEA) needs to be prepared as part of the SDF to improve its credibility and to comply with the Local Government: Municipal



Planning and Performance Management Regulations (2001). It will ensure that the Spatial Planning within the uThungulu District follows a sustainable development pathway.

As a 1st phase of a Strategic Environmental Assessment (SEA), the uThungulu District Municipality prepared a State of the Environment Report (SoER). The State of the Environment Report covers environmental aspects of the District such as:

- Spatial Context;
- The Atmosphere;
- Land;
- Fresh Water Resources;
- Biodiversity;
- Marine and Coastal Resources.

#### **Coastal Management Programme (and Implementation):**

To ensure that the coastal areas are managed and protected.

This process includes the ongoing functioning of the

District Coastal Working Groups as well as the Coastal Awareness and Education Campaign.

- Coastal Working Group: uThungulu's Coastal Working Group continued to oversee the implementation of the Coastal Management Plan that covers all three coastal local municipalities' coastal development areas.
- A Coastal Livelihood Project (Working for the Coast) has been launched, which is essentially a poverty relief programme focusing on projects such as beach cleaning, alien invader plant eradication and upgrading of some coastal facilities.
- Coastal management has been identified as a key issue that has culminated in the allocation of funds to formulate a Coastal Management Plan for the district as part of the Environmental Management Programme.
- Formulation of the Coastal Management Plan will be guided by recommendations and principles based on research and analysis of the Department of Environmental Affairs and Tourism.





- Hiking / Horse trails
- General landscaping

**Climate Change requirements**

Climate change mitigation and adaptation measures were included into the Coastal Management Programme and Agricultural Development Plan during their review processes. In terms of requirements for climate change, mitigation and adaptation measures need to be included with other relevant Sector Plans of the IDP when they are reviewed.

**Status of Sector Plans for the Section**

The following Plans or Policies have been completed:

**Economically Sound District**

- LED Framework Plan – review to be initiated
- Agricultural Development Plan Review - completed,
- SMME and Sector Development Plan - completed
- Local Tourism Development Plan - completed

**Integrated Environment**

- IDP Review - completed
- Coastal Management Programme Review - initiated
- EIA Policy and Procedures - completed

**uThungulu Coastal Management Programme Review**  
 The uThungulu District Municipality reviewed the 2004 uThungulu Coastal Management Programme during the 2011/12 financial year in line with the Integrated Coastal Management Act (Act No. 24 of 2008).

**Working for the Coast** covers the following projects:

- Beach and estuary
- Road and beach access clearing
- Removal of foreign matter and alien plants
- Rehabilitation of the dunes through stabilization
- Visitor facilities upgrade and maintenance to be completed







### Planning & Development Highlights

Some of the key milestones achieved regarding the economic development of the district are outlined here-under:

- Functional implementation of the Development Planning Shared Services, to assist municipalities with Strategic Planning, Development Administration, Performance Management and Environmental Management;
- Prepared EIA Policy and Procedures and supplied EIA training for each of the local municipalities;
- uThungulu Tourism Institutional Framework Study completed.
- Cruise Passenger Liner welcoming - purchased a mobile unit for the use of an information unit and completed printing of a cruise liner brochure
- Review of the uThungulu District Municipality Tourism Development Plan completed.
- Marketing Shows and Advertising
- Growth & Development Summit and Tourism Forum successfully hosted;
- Completed a Development Framework for a decentralized industrial area in Mbonambi municipality to accommodate industrial investment;
- Completed Integrated Transport Plan review
- Working for the Coast project implemented for the coastal area, and overseen by District Coastal Working Group.
- Film Office established to market the uThungulu region as a preferred destination for film makers, as well as to provide day-to-day operational assistance to them.
- Tourism accommodation and activity brochure for the UDM servicing area widely distributed.
- Essential Oils outgrowers initiative at Nkandla supported;
- Tourism arts and crafts, where local crafters from our district, exhibit their products and enter the commercial market, as well as uThungulu's successful participation in all Tourism Exhibitions and Trade Shows.
- Initiated a project to establish a Craft Hub in the Small Craft Harbour area of uMhlathuze.
- Passenger liner welcoming facilities and service in partnerships with the Ports Authority.
- Close liaison with Tourism Information Hub at the Inkwazi Boardwalk.



Executive Director Technical Services  
Charles M'Maretel

## DEPARTMENT OF TECHNICAL SERVICES

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#### **LIST OF ABBREVIATIONS AND ACRONYMS USED IN THE TEXT OR TABLES**

COGTA	=	Department of Cooperative Governance and Traditional Authority
DWA	=	Department of water affairs
DRDLR	=	Department of Rural Development and Land Reform
EPWP	=	Expanded Public Work Programme
EXCO	=	Executive Committee
kl	=	Kilolitre
KZNDOT	=	KwaZulu Natal Department of Transport
LM	=	Local Municipality
WSDP	=	Water Services Development Plans
MI	=	Mega litre
MII	=	Municipal Infrastructure Implementation
MIG	=	Municipal Infrastructure Grant
MIOM	=	Municipal Infrastructure Operation and Maintenance
NEMA	=	National Environmental Management Act
NDOT	=	National Department of Transport
OHS	=	Occupational Health and Safety Act
PMU	=	Project Management Unit
RAMS	=	Road Asset Management Systems
RDP	=	Reconstruction and Development Plan
SANS	=	South African National Standards
SSA	=	Service Support Agent
SSAs	=	Sub-supply areas
UDM	=	uThungulu District Municipality
URLS	=	uThungulu Regional Landfill Site
VIP	=	Ventilated Improved Pit
WSA	=	Water Services Authority
WSSA	=	Water and Sanitation South Africa



## 1. WATER AND SANITATION SERVICES

### 1.1 Introduction To Water And Sanitation Provision

In 2003, following an intensive capacity assessment study according to Section 78 of the Municipal Systems Act (Act 32 of 2000,) uThungulu District Municipality (UDM) was awarded the status of a Water Services Authority (WSA) and also Water Services Provider (WSP) to 5 of the 6 Local Municipalities (LMs) in the District. The five LMs include Mfolozi, Ntambanana, uMlalazi, Mthonjaneni and Nkandla. As a WSA, UDM has to render water and sanitation services to the five mentioned LMs. Based on the recommendations of the aforementioned study, all five LMs recommended that UDM also perform the WSP function in their areas. The recommendation by the five LMs was influenced by a number of shortcomings on their part relating to financial and human capital among others.

UDM as the WSA within the 5 LMs adopted the Service Support Agent (SSA) model as the vehicle for effective service delivery to perform the operation and maintenance function. This was based on the recommendation of the Section 78 Capacity Assessment study that was undertaken to ensure that UDM achieves its mandate as a WSA in terms of legislation. In pursuance of the above recommendations, in 2008 UDM through a formal competitive open tender process, appointed Water Sanitation South Africa (Pty) Ltd (WSSA) as the SSA for a period of three years expiring in June 2011. This was based on condition that UDM should build internal capacity where possible and establish local co-operatives from the current WSSA local staff to do maintenance work post June 2011.

The operation and maintenance function of the rural water services infrastructure is still performed by WSSA whose contract expired in June 2011 but was extended for another 6 months to enable UDM to put in place other



water services provider arrangements. However due to unforeseen circumstances, after the expiry of the 6 months, the contract had to be extended on a month to month until a new service provider is appointed.

For UDM to execute its mandate as WSA and WSP effectively and efficiently, it needs to build capacity. Therefore the overall goal for WSA (having the water and sanitation powers and functions) capacity building is that the municipality is able to effectively and efficiently fulfill its WSA role and responsibilities as outlined in the Water Services Act (Act No. 108 of 1997.) The Technical Services Department performs three major functions which include: planning for water services, implementing the planned infrastructure and operating and maintaining the completed and existing infrastructure.

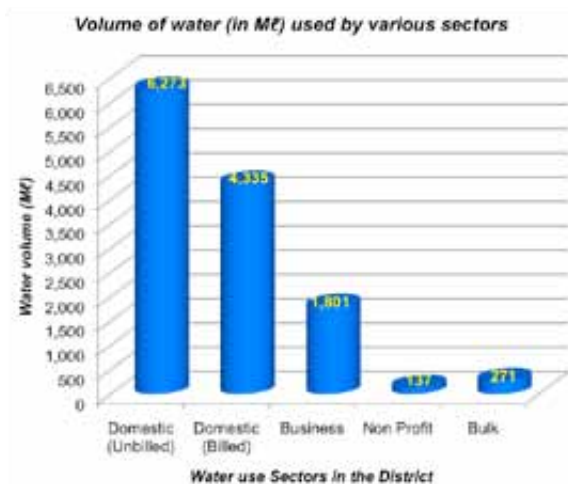
## 1.2 Total Use Of Water And Sanitation Services

### 1.2.1 Total Use Of Water Services

As can be seen from Table 1.2.1, in rural areas, water is mainly used for domestic purposes although rural residents sometimes use it for gardening and stock watering purposes. In towns, the scenario changes for we have different users which mainly include domestic, businesses, non-profit making organisations and bulk users who are mainly industries, as can be seen from Tables

**Table 1.2.1:** Water use by various sectors in towns and rural areas

SECTOR	DOMESTIC (UNBILLED)	DOMESTIC (BILLED)	BUSINESS	NON PROFIT	BULK	TOTAL (MI)
Water volume (MI)	6 273.2	4 334.8	1 801.1	136.9	271.5	6 544.2



**Figure 1.2.1:** Graphical representation of water use by sectors in UDM

### 1.2.2 Total Use Of Sanitation Services

The District has a sanitation programme for rural areas and for urban areas. In the rural areas, VIPs are implemented while in the towns, a mixture of waterborne and septic tank sewage systems is practiced. The percentage of households with access to sanitation in the District stands at 45% meaning that our backlog is 55%.

## 1.3 Water Services Delivery Level

Water projects designed based on the master plan of 2005 provided rural communities with the RDP basic

level of service of 25 litres water per capita day. However, during the review of the WSDP, Council approved an increase in the standards to allow for 60 litres per capita in the pipelines to ensure that growth and future demands are met without having to incur great costs to upgrade pipelines at a later stage.

uThungulu District Municipality has a number of water schemes that get their water from a vast range of water sources such as streams, boreholes, dams, rivers etc and some of these have limited or no treatment processes at all. This will then impact on the overall water quality of the municipality. At this point in time, UDM has a total of about 254 localised or stand alone water schemes. The demand on human capital posed by the O&M needs of the 254 localised schemes on current resources is enormous. The Support Service Agent (SSA) performing our WSP function employs 513 staff to manage the 254 schemes. Presently, this need cannot be met by the available capacity and organisational structure. This is because these schemes are manned by three or four people as pump operators and network operators respectively. It is envisaged that all 254 localised schemes will be connected to the bulk cross-boundary water schemes that will provide sustainable purified water to all communities.

### 1.3.1 Schemes With No Treatment Facilities

The DWA has adopted the Blue Drop (BDS) and the Green Drop Systems (GDS) to assess the performance of WSAs in terms of their operations. UDM has not been doing well in terms of drinking water quality. This is because UDM has about 250 stand alone rural schemes that do not meet the regulatory requirements. The schemes with drinking water quality problems within UDM that have no treatment process and constantly fail on turbidity are listed in Table 1.3.1. The only way to do away with these schemes is to fast-track bulk infrastructure development.

**Table 1.3.1:** Water schemes within UDM with no treatment processes

NAME OF SCHEME	AREA	SOURCE	FINAL NTU APRIL 2012	FINAL NTU MAY 2012	FINAL NTU JUNE 2012
Bongela Water	uMlalazi	Spring	7.2r	6.31r	Pending
Esibhudeneni Clinic	Nkandla	Borehole	11r	8.69r	Pending
Hlwe-hlwe 1&2	Nkandla	River	87.2r	47.9r	Pending
Madala Water	uMlalazi	Borehole	4.49r	14.2r	Pending
Malunga Clinic	Nkandla	Spring	2.13r	1.69r	Pending
Mandaba 1Water	Nkandla	River	8.58r	4.2r	Pending
Mbizwe Water	Nkandla	Spring	14.6r	12.3r	Pending
Mphundumane Water	Nkandla	River	54.9r	10r	Pending
Tshotswana Water	Nkandla	Spring	1.55r	1.55r	Pending
uMkhalazi Water	Nkandla	River	24.9r	11.7r	Pending
Mdlelanga Water	Nkandla	Nkandla bulk, Spring & River	11.9r	19.4r	Pending
Mpaphala Water	uMlalazi	Borehole	1.85r	1.64r	Pending
Eyetheni Water	uMlalazi	Borehole	7.19r	78.9r	Pending
Kwa Sabe 2	uMlalazi	Borehole	24.3r	8.65r	Pending
Dolwane	Nkandla	Spring/Dolwane plant	19.6r	4.72r	Pending

- Red (r):- these are schemes that pose a serious health risk to communities consuming this water. High doses of disinfection are being added to try and reduce the presence of illness causing bacteria (E-coli), however the same disinfectant is also a health risk over a period of time if consumed in high

doses which could lead to terminal illness such as cancer.

- Green (g):- these are schemes that comply under Class I of SANS 241 regulation. This type of water produced by these schemes is ideal for human consumption and poses no health risks. This is the type of quality water that the municipality should strive to achieve and supply to its communities.

### 1.3.2 Water Treatment Works (WTWS)

The more schemes/ water treatment plants a municipality has the more complex it becomes to comply with water quality regulations. Annexure 1 shows various WTWS within UDM and their associated problems.

### 1.3.3 Sanitation Services Delivery Level

The District provides basic sanitation services to the rural residents in the form of ventilated improved pit latrines (VIP) while those who live in towns are either connected to the sewage system or they use septic tanks which are emptied when full. In some towns like Melmoth in Mthonjaneni LM, a semi-waterborne sewage system is used and 4 or so houses are connected with a sewage system that disposes waste into septic tanks. In total, 51 720 households have access to sanitation

The District would like to install fully waterborne sewage systems in all the towns in its jurisdiction area. Due to population increase without upgrading our wastewater treatment works (WWTWs), there is great pressure and the plants are not complying fully with the regulatory requirements.

## 1.4 Access To Water And Sanitation Services

### 1.4.1 Water Services Backlogs

In 2001 when UDM was created, the water and sanitation backlogs stood at 81% and 89% respectively. At the end of the 2011/2012, UDM has estimated backlogs of basic water and sanitation services of 47,319 (41%) and 63,326 (55%) households respectively. It is estimated that it will require about R3.81 billion to eradicate this backlog as shown in Tables 1.4.1 and 1.4.2. These tables provide a summary of progress made in eradicating water services backlogs in uThungulu District with the exception of uMhlathuze Local Municipality which is a Water Services Authority itself. The statistics used are rather old and needs to be updated. The same information is represented graphically from Figures 1.4.1 to 1.4.4.

**Table 1.4.1: Water backlogs and the estimated eradication cost**

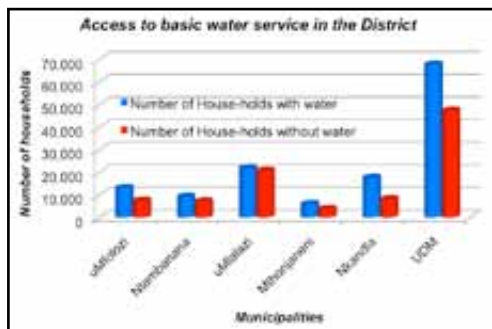
LOCAL MUNICIPALITY	2009/2010 ESTIMATED NUMBER OF HOUSEHOLDS	HOUSEHOLDS WITH WATER	HOUSEHOLDS WITHOUT WATER	2011/2012 PERCENTAGE BACKLOG (%)	ESTIMATED COST PER CAPITA INCLUDING VAT (RAND)	ESTIMATED CAPITAL COST INCLUDING VAT (RANDS)
Mbonambi	20 615	13 087	7 528	37	2 703	288 737 860
Ntambanana	16 339	9 197	7 142	44	5 039	479 832 490
uMlalazi	42 623	21 885	20 738	49	4 734	1 210 649 490
Mthonjaneni	9 712	5 932	3 780	39	4 640	198 570 869
Nkandla	25 757	17 626	8 131	32	7 600	1 157 414 886
<b>TOTAL</b>	<b>115 046</b>	<b>67 727</b>	<b>47 319</b>	<b>41</b>	<b>5 042</b>	<b>3 335 205 595</b>

*Note: Number of households and backlogs based on 2001 Stats and 2009 WSDP Review*

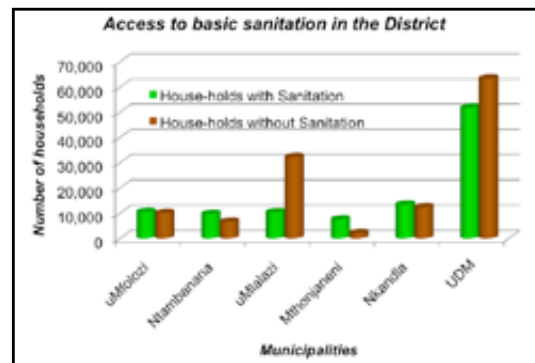
**Table 1.4.2: Basic sanitation backlogs and estimated eradication cost**

LOCAL MUNICIPALITY	2009/2010 ESTIMATED NUMBER OF HOUSEHOLDS	HOUSEHOLDS WITH SANITATION	HOUSEHOLDS WITHOUT SANITATION	2011/2012 PERCENTAGE BACKLOG (%)	ESTIMATED COST PER HOUSEHOLD INCLUDING VAT (RAND)	ESTIMATED CAPITAL COST FOR VIP SANITATION INCLUDING VAT (RANDS)
Mfolozi	20 615	10 572	10 043	49	7 502	75 342 586
Ntambanana	16 339	9 687	6 652	41	7 502	49 903 304
uMlalazi	42 623	10 416	32 207	76	7 502	241 616 914
Mthonjaneni	9 712	7 601	2 111	22	7 502	15 836 722
Nkandla	25 757	13 444	12 313	48	7 502	92 372 126
<b>TOTAL</b>	<b>115 046</b>	<b>51 720</b>	<b>63 326</b>	<b>55</b>	<b>7 502</b>	<b>475 071 652</b>

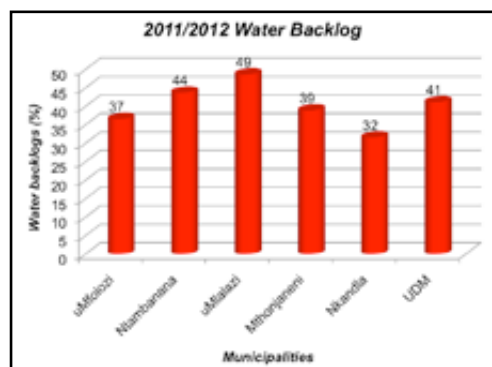
*Note: Number of households and backlogs based on 2001 Stats and 2009 WSDP Review*



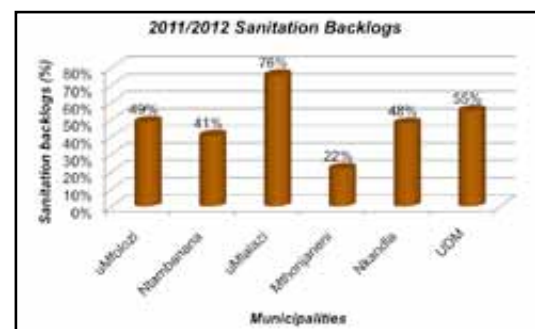
**Figure 1.4.1:** Households with and without basic water service per municipality



**Figure 1.4.3:** Households with and without basic sanitation per municipality



**Figure 1.4.2:** Graphical representation of water backlogs per municipality



**Figure 1.4.4:** Graphical representation of sanitation backlogs per municipality



Our WSDP shows different water schemes that should be implemented. These schemes are: Mbonambi, Upper Nseleni/Mhlana, Greater Mthonjaneni, KwaHlokoHloko, Eshowe, Middledrift and Nkandla-Vutshini. These schemes are based on various supply areas which are further subdivided into several sub-supply areas (SSAs) for implementation purposes.

Some sub-supply areas (SSAs) have been completed and are currently operational while others are still under construction. There are several sub-supply areas for which no Consulting Engineers have been appointed to undertake feasibility studies and designs for implementation due to budgetary constraints. These SSA therefore have not received a sustainable water supply since 1994. There are several rudimentary schemes that used to be operated by water committees and others still fetch water from rivers. Most of these rudimentary schemes have dried up in some areas and others have failed completely due to an increase in population and the demand totally outstripped the supply. As such UDM spends over R30M per year to supply water to some of these areas with water tankers which is not sustainable. Areas that may be deemed not to have received water since 1994 are presented in Table 1.4.3. During IDP road-shows, there is a huge outcry from these communities wondering when they will receive the water services.

#### **1.4.2 Water Supply Schemes**

The greatest water supply scheme in the District is the Greater Mthonjaneni Water Project. It services parts of uMfolozi, Mthonjaneni and Ntambanana LMs. The source of water for this project is Lake Phobane and when fully operational the project will have a capacity of about 20 Ml/day. The commissioning of this project has been beset with security problems due to communities around the water treatment works (WTWs) demanding jobs and threatening UDM employees.

Some of the 254 existing water supply schemes are partially operational and some are no longer operating, especially those which are using boreholes as sources. The reason for this is that the diminishing groundwater is affecting yields and in some cases the quality of water. It is now very risky to continue operating some of these projects as water quality cannot be guaranteed.

The areas which do not have any infrastructure (pipeline) are treated as grey areas and those areas are serviced by water tankers on a weekly basis. Some of the bulk water supply, like that of Mhlana-Somopho is no longer reaching the furthest areas (Sangoyana, Myovu & Makhanda); these areas had to be supplied by water tanker because the rivers are dry and the alternative of drilling boreholes has failed because of a shortage of groundwater. The overall water supply by tankers within uThungulu is discussed further in this report. The summary of schemes whose demand exceeds supply is shown on Annexure 3 while Annexure 4 gives the list of schemes whose sources have dried up. To overcome these challenges, UDM needs to fast-track the eradication of water services backlogs.

The schemes highlighted in red indicate that quick intervention is required to avert service delivery protests.

#### **1.4.3 Supply Of Water By Water Tankers**

Water tanker operation is an expensive mode of water supply to the communities and has an average expenditure of R2.5million a month. Before the current drought situation arose, UDM realised that it was spending a lot of money on carting water to various unserved areas of the District. A tanker reduction strategy was formulated and approved by Council. The main objective of the strategy is to identify sources of water that can be used to serve the communities that are not served while awaiting the bulk infrastructure to bring water to their areas. Several boreholes were drilled. Springs

were also identified in Ntambanana under the Tanker Reduction Strategy. This enabled the District to reduce the number of tankers carting water to these areas. However, with the drought biting hard, the District has been under tremendous pressure in the last two years to increase the number of tankers and storage facilities (reservoirs or jojos) to the affected communities where schemes have dried up. As can be seen from Table 1.4.6, although Ntambanana (KZ283) is one of the smallest in the District, it has the highest number of jojo tanks due to the drought and the dried up water sources.

**Table 1.4.6: Reservoirs and jojo tanks supplied with water using water tankers**

MUNICIPALITY	NUMBER OF WARDS	No. OF JOJO TANKS	OTHER STORAGE
uMfolozi	15	91	None
Ntambanana	8	169	1 Steel tanks
uMlalazi	26	150	2 concrete & 3 steel tanks
Mthonjaneni	6	26	1 concrete reservoirs
Nkandla	14	35	7 concrete reservoirs
<b>TOTAL</b>	<b>69</b>	<b>471</b>	<b>14</b>

As can be seen from Table 1.4.6, there are 471 (static tanks) jojo tanks situated at strategic points to service affected communities. These tanks service a total of 96 600 people per day. In addition to the above, another 14 reservoirs from schemes with dry sources are now being filled by the water tankers. These schemes are scattered throughout the five municipalities.

In the financial year 2011/12, there were 25 water tankers sourced from private service providers through a formal bidding process, who are servicing these affected areas. On average, water tankers delivered 881 loads travelling a total distance of 61 312 km per fortnight. Table 1.4.7 indicates the fortnightly and annual averages of loads delivered and distance travelled by the water tankers.

**Table 1.4.7: Water tanker delivery loads and distance travelled fortnightly**

PERFORMANCE MEASURE	QUARTERS				AVERAGE/ FORTNIGHT	TOTAL ANNUALLY
	1	2	3	4		
Number of loads per fortnight	710	865	857	1 092	881	22 906
Distance travelled by tankers (km)	50 032	60 790	60 025	74 400	61 312	1 594 106

Before the tanker reduction strategy was conceived, we used to cover over 80 000 kilometres every second week and we now averaging about 61 000 but we are currently getting back to the old average due to the increase in adhoc requests as can be seen in the fourth quarter.

The historic cost of the tanker service dates as far back as 2005 when the first symptoms of drought were detected and the provincial and national government at that stage provided some funding to assist affected municipalities. The annual cost of the tanker operation can therefore be summarized as shown in Table 1.4.8.

**Table 1.4.8: Summary of the annual cost of the tanker operation (2006-2012)**

YEAR	2006/7	2007/8	2008/9	2009/10	2010/11	2011/12
<b>GRANT</b>	R7 M	0	0	0	0	0
<b>OWN FUNDING</b>	R12 M	R19 M	R32 M	R28	R32 M	R30 M
<b>TOTAL</b>	R19 M	R19 M	R32 M	R28	R32 M	R30 M

There are many requests received from Ward Councillors, and community members for additional storages. Most of the requests that are received from Councillors are for additional loads to the areas that are serviced by water tankers, as the current loads do not satisfy everyone due to population growth. Presented in Table 1.4.9 is the summary of the requests received in the financial year.

**Table 1.4.9: Summary of requested storages**

MUNICIPALITY	NUMBER OF JOJO TANKS REQUESTED
Mfolozi – 281	16
Ntambanana – 283	30
Umlalazi – 284	26 + 17 Temporary
Mthonjaneni – 285	5
Nkandla - 286	26
<b>TOTAL</b>	<b>120</b>

To service all of the above storages at least twice a week, an additional 4 water tankers would be required. This results in a rough estimate of R 358 000 per month and (R 4 296 000 per annum), depending on the distance where these tanks are finally placed.

#### 1.4.4 WATER SERVICES BACKLOGS ERADICATED IN THIS FINANCIAL YEAR

##### Water meters installed

The total number of new individual water meters installed during the financial year is as follows:

**Table 1.4.10: New meter connections in this financial year**

QUARTER	1	2	3	4	TOTAL
Meters installed	1 238	439	238	158	<b>2 073</b>

The Greater Mthonjaneni and Upper Nseleni projects are mainly responsible for the contribution to the above totals.

##### VIP latrines installed

The numbers of VIP latrines installed in the financial year were as a result of funding from MIG, the Department of Human Settlements and the Department of Rural Development and Land Reform. Table 1.4.11 indicates the units that were installed from all these initiatives.

**Table 1.4.11: New VIPs installed in this financial year**

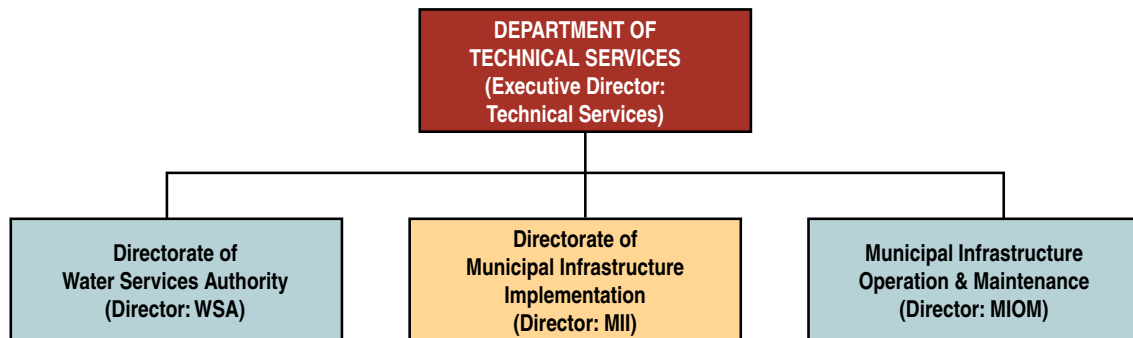
QUARTER	1	2	3	4	TOTAL
VIP LATRINES installed	677	996	1 626	3 185	<b>6 484</b>

#### 1.4 Water Services Policy Objective

The ability to address the huge backlogs in services can only be advanced in a strong and rapidly growing economy. The vision of the District is to be an economically viable district with effective infrastructure that supports job creation through economic growth, rural development and promotion of our heritage. Water services infrastructure is therefore included in the effective infrastructure that supports job creation. UDM strives to create a prosperous District by improving the quality of health of its residents. This is only possible if communities are supplied with sustainable and sufficient good quality water.

## 1.6 Human Capital in the Water Services

The Technical Service Department comprises three directorates namely: Water Services Authority (WSA); Municipal Infrastructure Implementation (MII); Municipal Infrastructure Operations and Maintenance (MIOM). These directorates are headed by Directors. The high level structure of the Department is graphically illustrated in Figure 1.6.1.



**Figure 1.6.1:** High level structure of the Department of Technical Services

### 2.1.1 The Water Services Authority Directorate

The Directorate: WSA has 11 staff members: Director WSA; Manager: Planning & Design; 2 Design Technicians, GIS Officer, Project Administrator, Senior Community Development Officer and three Community Development Officers. Figure 1.6.2 shows the organogram of the Directorate which consists of two subsections: the Design Office and Community Development.

The Design Office has expanded the role of the Municipality in research and development services, including investigations and the design of small schemes and extensions of existing ones. This section has designed several projects as shown in Tables 2.1.1 to 2.1.6.

The Community Development Section is responsible for ensuring that community participation takes place throughout the water and sanitation projects' cycle. This includes the establishment of Project Steering Committees and the training and educating of communities on water and sanitation social issues such as water conservation, health and hygiene (e.g. hand wash programme).

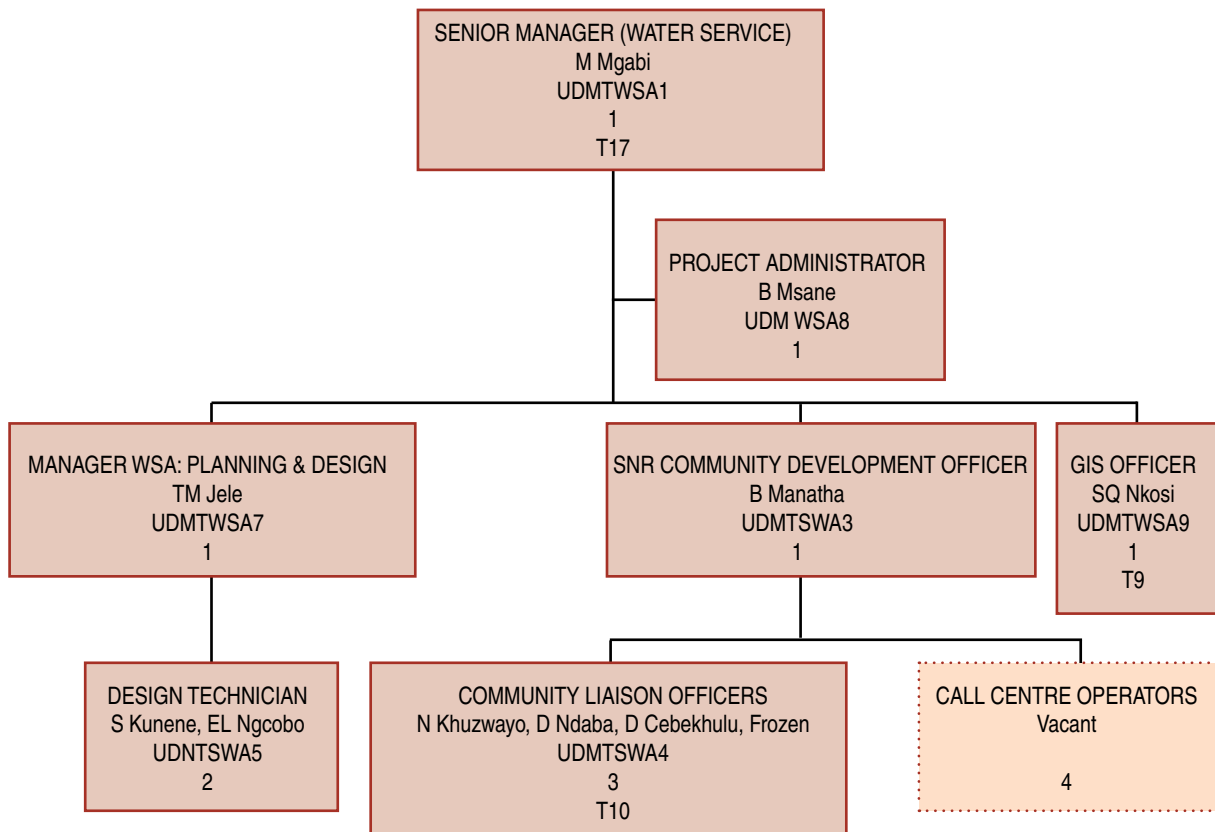
### 2.1.2 Municipal Infrastructure Implementation

MII has 32 staff members (Director, PMU Manager, PMU Controller, PMU Data Capturer, 3 Training Technicians and 4 technicians, Municipal Facilities Manager, 1 Principal Clerk, 1 Cemetery Supervisor as well as 19 general workers). The unit is responsible for implementing projects. The unit's organogram is presented in Figure 1.6.3

### 2.1.3 Operations And Maintenance

The Directorate of Operations and Maintenance has 133 internal staff members while the support service agent (WSSA) employs well over 510 employees. The structure of this Directorate is graphically illustrated in Figure 1.6.4





**Figure 1.6.2:** The structure: Directorate of Water Services Authority.

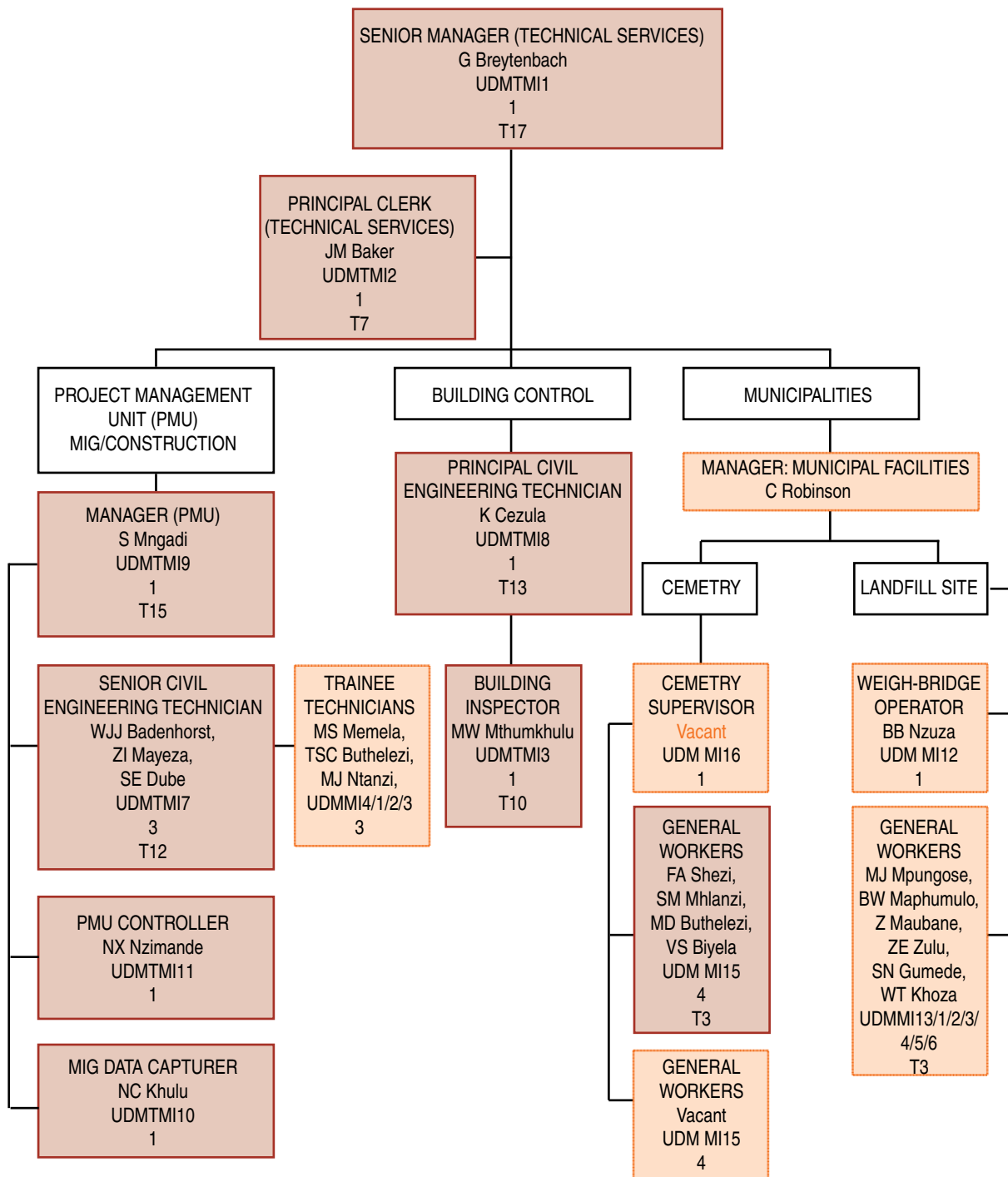
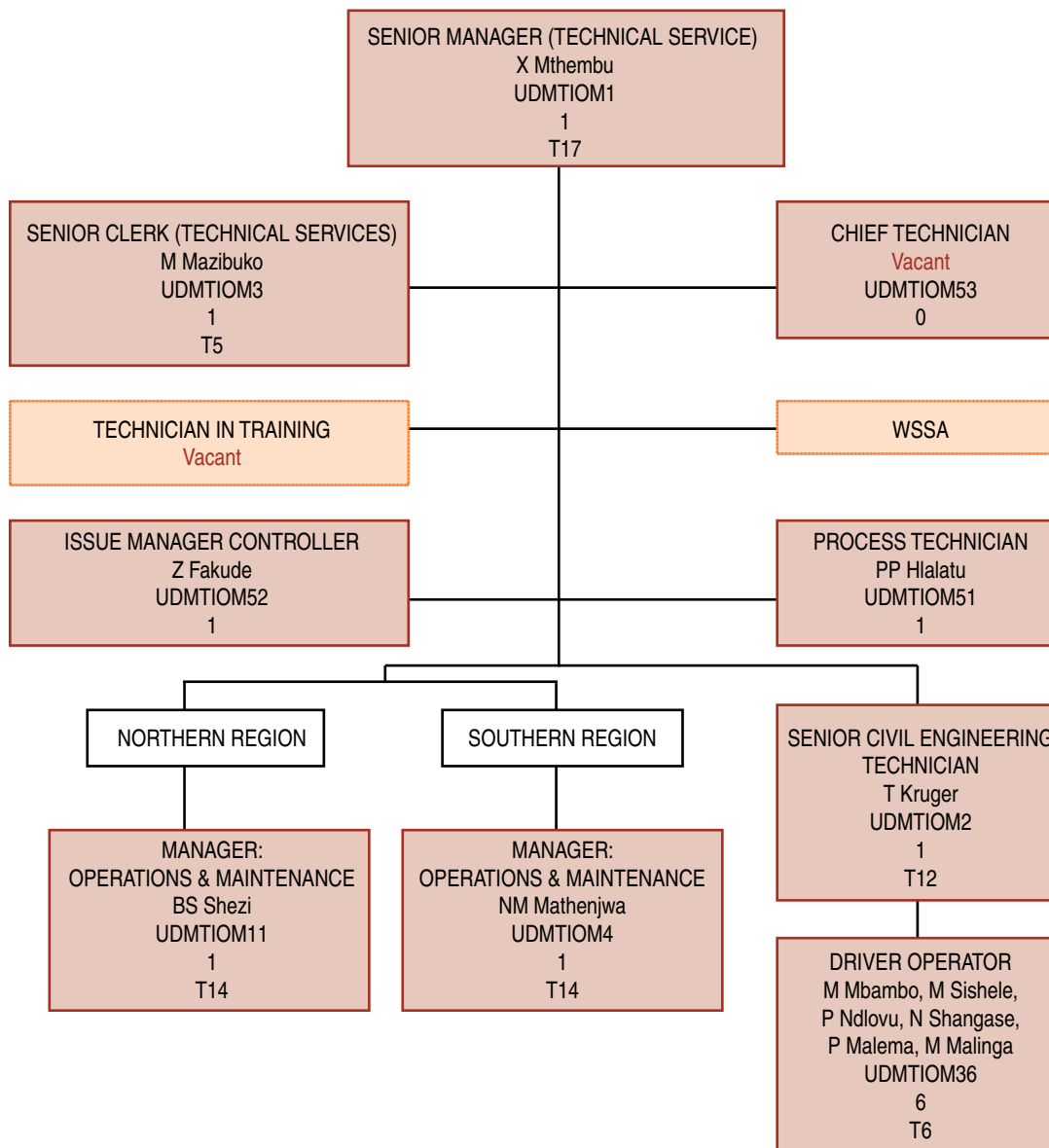


Figure 1.6.3: The structure: Directorate of Municipal Infrastructure Implementation



**Figure 1.6.4:** The structure: Directorate of Operations & Maintenance

## 1.9 Water Services Capital Expenditure (Capex)

### 1.9.1 Water And Sanitation Projects

Although we spent 101% of our MIG funding, the financial year 2011/12 was a challenging one for the Technical Services Department due to a number of reasons. Firstly there was a change of Council as well as the headship of the Department. The Department had to realign itself with the mandate of the new Council. Secondly, there were two changes in our procurement process prompted by change in regulations as well as implementing a legal requirement that UDM had not fully been complying with. The changes though necessary had a negative impact on our procurement planning, which in turn impacted on our ability



to spend. The above factors seriously affected MIG expenditure but due to the dedication of the team as well as the good oversight role of the Office Bearers, the Municipality was able to spend 101% of its MIG allocation. The challenges the Department had to grapple with in order to achieve this feat are discussed below.

Infrastructure development is the institutional capacity to address the backlogs. Funding for capital projects must be matched by capacity to oversee the infrastructure development function. At the current level of funding at uThungulu, it will take about 20 years to eradicate backlogs in water services. However, this is being reviewed with suggestions of applying for MIG front loading. The Department is currently exploring the above possibility.

In the second quarter, Technical Department identified expenditure on CAPEX and especially the Municipal Infrastructure Grant (MIG) as a major challenge and a lot of effort was channelled in this direction to remedy the situation. The Executive Director started having weekly meetings with the Directors of the three units in view of monitoring CAPEX expenditure. In the third quarter, the Honourable Mayor called for a meeting of all stakeholders in order to address the poor expenditure. Reasons that led to the situation and solutions were also suggested. During the budgeting process, the issue of poor MIG expenditure came up again

and a special meeting between the Technical Services Portfolio Committee (TSPC) and EXCO was called to address the challenges in the Technical Department. MPAC also indicated that it would be monitoring it closely as the consequences of non-expenditure on capital infrastructure were severe. The Technical Department knew very well that MIG funding would be reduced if it did not spend all the allocation for the financial year. This would have severely impacted on service delivery and communities would have been rightly aggrieved.

It was with this background in mind that the Technical team strategized on how to turn around the situation. This meant examining in detail the actions of various stakeholders, analysing the value chain and critically assessing the procurement process with the objective of finding bottlenecks and solutions. The management of the execution of each project was also looked at so as to come up with corrective measures where necessary. A turnaround strategy was developed. The underlying factors that contributed to this undesirable and untenable situation were both external to the organisation as well as related to internal processes and stakeholders. The major factors that led to this state of affairs are listed below:

1. **Introduction of a 14-day objection period** in the procurement process that had not been taken into consideration



during the planning of procurement of services by the Department. Although this was a requirement for some time, UDM was not observing it but at the beginning of the financial year a decision was taken to implement this requirement.

2. **Lengthy procurement process:** A close look at this process showed that on average, it took about 4 to 5 months and in some cases 6 months for bids to be awarded. If all systems were working efficiently one should expect at least 5 months for big and complicated contracts and about 4 months for the rest.
3. **Inadequate planning by officials:** Due to the lengthy procurement process, forward planning by officials taking into consideration all possible scenarios is necessary but it had not occurred with all the projects.
4. **Delays related to capacity in the procurement and administrative processes.** There had been a critical shortage of capacity in these two units making it impossible to have items for the Bid Committees to be ready for consideration in time and especially during the December/January period when most officials were on leave.
5. **Delays due to the amended SCM regulations in December 2011.** Treasury amended SCM regulations in Dec 2011 and in January of 2012, UDM had to comply with the changes. As a result, this delayed the awarding of a number of tenders.
6. **Delays in submission of**

**items to the Bid Evaluation Committee after external and internal assessments of bids.** Sometimes project managers did not write up and submit items as soon as assessments were finalised, thus delaying the consideration and awarding of bids.

7. **Delays in awarding the sanitation LED tender due to a long-standing dispute with the Traditional Authority where our Precast Yard is situated.** The tender for the manufacture of the upper structures for our sanitation projects was delayed because the Tribal Chief where the Precast Yard is located wanted a company of his choice to be appointed. However, this would have made UDM not to comply with the SCM regulation. Due to this dispute, the sanitation projects all over the district were delayed.
8. **Late allocation of infrastructure funds by other organs of state** (namely the Departments of Water affairs as well as Rural Development and Land Reform) making it difficult to plan adequately. UDM appreciates these two departments who gave us over R70 million but we were informed well after the financial year had



- began and this forced us to start planning our cashflow all over again.
9. **Late information and transfer of MIG roll-over funds.** The District was only informed in February 2012 of the roll-over of funds
  10. **Savings on projects seen as non-expenditure** (see Tables 1.9.1 & 1.9.2.) During the design stage of infrastructural projects, cost estimates are made. Once the projects are put out on tender, there are in most cases substantial savings (refer to Table 3.) During the execution of projects, sometimes further savings are realised as shown on Table 4. If one did not do proper planning, it is impossible to utilize these savings because one cannot know in advance whether there will be savings or not until the relevant processes (bid adjudication and execution) of projects are completed. These savings reflect as non-expenditure if the financial year comes to an end without utilising them.
  11. **Lack of adequate capacity for internally supervised projects** in the Municipal Infrastructure Implementation and especially in the Project Management Unit (PMU.) One of the disruptive elements of getting notices of grants on short notice and that the grants must be spent quickly is that capacity is not always available to allocate to the new projects that need to be implemented urgently before the end of the financial year.

Table 1.9.3 shows all the CAPEX grants given to the District while Tables 1.9.1 & 1.9.2 show the savings realised as the contracts were being awarded and implemented.

Presented in Table 1.9.4 are the water projects that were under implementation in the 2011/12 financial year while Table 1.9.5 indicates sanitation projects

**Table 1.9.4: Water projects under construction**

PROJECT	WARD	PROJECT VALUE	% COMPLETED
Middledrift Water Supply Phase 2	Ward 14 (KZ 286) & Ward 1 (KZ 284)	31,419,222.40	70
Mbonambi Water Supply Phase 1	KZ281 - 5 and 6	16,104,012.00	100
Mbonambi Water Supply Phase 2	Wards 2 & 3 (KZ 281)	156,725,350.00	13
Mhlana Somopho Phase 3C	Wards 7,8 & 11 (KZ 281)	116,618,865.96	21
Middledrift Water Treatment Works	Ward 14 (KZ 286)	56,739,555.60	95
Kwahlokhloko SSA 5	Wards 22 & 23 (KZ 284)	157,844,574.30	11
Upper Nseleni Phase 2	KZ281- Ward 7 KZ 283 - Ward 8	32,453,666.00	95
Greater Mthonjaneni Phase 1 & 2	Regional Project	264,748,052.00	95
Middledrift WTW Package Plant	Ward 14 (KZ 286)	4,300,000.00	100
Kwahlokhloko SSA 1	Wards 9 & 10 (KZ 284)	263,150,511.00	6
Greater Mthonjaneni SSA 4	Wards 3 & 4 (KZ 283)	47,687,840.00	21
Greater Mthonjaneni SSA 5	Wards 2,3 & 5 (KZ 283)	90,739,717.00	16
Mpungose Phase 1D Reticulation	Wards 11,19,20 & 21 (KZ 284)	70,219,891.17	13
Thunzini Water Supply System	Ward 7 (KZ 285)	1,122,898.56	98
Bedlana Water Supply System	Ward 5 (KZ 285)	1,226,035.80	100
Yanguye	Ward 4 (KZ 285) Ward 1,2&3 (KZ 283)	11,559,504	59
Mfongosi Pumpstation and Rising Main	Ward 9 (KZ 286)	2,450,647	35
Mandaba Water Supply System	Ward 7 (KZ 286)	4,851,438	99
Nkulisabantwana Water Scheme	Ward 3&4 (KZ 284)	5,454,900	97

**Table 1.9.5: Sanitation projects under construction**

PROJECT	WARD	PROJECT VALUE	% COMPLETED
Mbonambi Sanitation Phase 3	Wards 7 & 8 (KZ281)	R17,243,848.00	5
Ntambanana Sanitation Phase 3	Wards 1 & 2 (KZ 283)	R13,500,000.00	42
Nkandla Phase 3 VIP Sanitation	Wards 13 & 14 (KZ 286)	R21,318,327.15	77
uMlalazi Sanitation Phase 3	Wards 2 & 3 (KZ 284)	R21,762,755.37	53
Mthonjaneni Sanitation Phase 3	Wards 2, 3, 5 & 6 (KZ 285)	R15,602,121.38	49
Ntambanana Sanitation Phase 4	Ward 3 (KZ 283)	R13,500,000.00	68
uMlalazi Sanitation Phase 4	Ward 1,18 & 19 (KZ 284)	R17,598,915	34
uMlalazi Sanitation Phase 5	Ward 5 (KZ 284)	R8,866,013	33
Nkandla Sanitation Phase 4	Ward 7 & 9 (KZ 286)	R8,605,821	58

**Table 1.9.1: Sources of external CAPEX funds for the 2011/12 financial year as of 31 March 2012**

SOURCE OF FUNDING	ALLOCATION	EXPENDITURE	% SPENT	BALANCE
DWA	53,200,000	47,719,779	90	5,480,221
MIG	160,933,000	79,862,885	50	81,070,115
2010/11 MIG ROLLOVER	27,592,864	-	-	27,592,864
<b>TOTALS</b>	<b>241,725,864</b>	<b>127,582,664</b>	<b>53</b>	<b>114,143,200</b>

**Table 1.9.2: Savings realised on MIG projects during the procurement stage (July 2011 to March 2012)**

S/N	PROJECT NUMBER	PROJECT NAME	ESTIMATED TENDER AMOUNT (RANDS)	AWARDED AMOUNT (RANDS)	SAVINGS/ SHORTFALL (RANDS)
1	UDM/MIG/18/2011	Greater Mthonjaneni 2A & 2B Bulk	6,178,437.48	6,600,000.20	- 421,562.72
2	UDM/MIG/19/2011	Greater Mthonjaneni phase 1-11	3,570,548.40	3,090,485.81	480,062.59
3	UDM/MIG/08/2011	Greater Mthonjaneni phase 2C5	2,885,792.58	1,640,615.00	1,245,177.58
4	UDM/MIG/09/2011	Greater Mthonjaneni phase 2D1	3,097,286.52	1,393,727.00	1,703,559.52
5	UDM/MIG/10/2011	Greater Mthonjaneni phase 2D2	3,867,937.92	1,945,399.00	1,922,538.92
6	UDM/MIG/11/2011	Greater Mthonjaneni phase 2D3	4,686,039.54	1,952,422.48	2,733,617.06
7	UDM/MIG/12/2011	Greater Mthonjaneni phase 2D4	4,041,043.50	1,876,552.00	2,164,491.50
8	UDM/MIG/15/2011	Greater Mthonjaneni SSA 4 Bulk	22,847,886.84	22,993,775.01	- 145,888.17
9	UDM/MIG/16/2011	Greater Mthonjaneni SSA 5 Bulk	34,609,087.86	29,970,000.00	4,639,087.86
10	UDM/MIG/23/2011	Kwahlokhloko SSA 1 Bulk	61,752,994.70	53,803,567.77	7,949,426.93
11	UDM/MIG/21/2011	Kwahlokhloko SSA 5 Pipeline	8,706,938.96	5,673,371.88	3,033,567.08
12	UDM/MIG/20/2011	Kwahlokhloko SSA 5 Reservoirs	8,868,416.54	12,985,718.75	- 4,117,302.21
13	UDM/MIG/01/2011	Mhlana Somopho 3C Portion 1	26,327,758.22	26,335,734.18	- 7,975.96
14	UDM/MIG/22/2011	Middledrift WTW: Mech & Elec	9,152,014.89	9,657,458.84	- 505,443.95
15	UDM/MIG/17/2011	Mpungose 1D Bulk pipeline	6,830,402.32	6,086,058.72	744,343.60
<b>TOTAL SAVINGS OR SHORTFALL</b>			<b>207 422 586.27</b>	<b>186 004 886.64</b>	<b>21,417,699.63</b>

**Table 1.9.3: Further savings or over-expenditure on bulk water & water supply contracts after completion of projects**

CONTRACT NUMBER	CONTRACT NAME	TENDER AMOUNT INCLUDING CONTINGENCIES & VAT (RANDS)	FINAL CONTRACT VALUE INCLUDING VAT (RANDS)	FINAL SAVINGS OR OVER-EXPENDITURE ON COMPLETION OF PROJECT (RANDS)
UDM/MIG/13/2010	Phase 2C & 2D	10,799,113.18	12,223,820.46	-1,424,707.28
UDM/MIG/02/2011	Phase 2C1	2,409,594.40	1,822,293.93	587,300.47
UDM/MIG/03/2011	Phase 2C2	2,000,245.10	1,369,912.28	630,332.82
UDM/MIG/04/2011	Phase 2C3	2,574,097.37	1,596,769.68	977,327.69
UDM/MIG/05/2011	Phase 2C4	2,264,157.31	1,328,157.69	935,999.62
UDM/MIG/08/2011	Phase 2C5	1,640,615.00	1,223,141.06	417,473.94
UDM/MIG/09/2011	Phase 2D1	1,393,727.00	1,029,186.59	364,540.41
UDM/MIG/10/2011	Phase 2D2	1,945,399.00	1,382,716.44	562,682.56
UDM/MIG/11/2011	Phase 2D3	1,952,422.48	1,952,422.48	-
UDM/MIG/12/2011	Phase 2D4	1,876,552.00	1,876,552.00	-
Total including VAT (Rands)		28,855,922.84	25,804,972.61	3,050,950.23
Total excluding VAT (Rands)				<b>2,676,272.13</b>

### 1.9.2 Jobs Created In Execution Of Capex And Opex Projects

uThungulu District Municipality started participating in the EPWP Phase 2 in April 2009. The EPWP Incentive grant is an incentive to eligible public bodies to meet their EPWP targets, maximize employment creation and assist to offset costs that may be incurred in making public body projects and programmes more Labour Intensive.

The EPWP Incentive Grant target for the 2011/12 financial year was 4,684 work opportunities and the allocation was R7,301,000. The jobs created are shown on Table 1.9.6

**Table 1.9.6: Jobs created under the expanded public works programme**

JOB CREATION PROGRAMME		ACHIEVED OUTPUT FOR EACH QUARTER				TOTAL NUMBER
		1st	2nd	3rd	4th	
CAPEX (MIG)	Jobs (Full-Time Equivalent – FTE) created from MIG projects	570	187	145	278	1180
CAPEX (UDM)	Jobs created from Tanker Reduction Strategy projects	0	175			175
Jobs created from OPEX projects (water services provider function)		501	501			1002
<b>TOTAL NUMBER</b>		<b>1071</b>	<b>863</b>			
<b>PERCENTAGE OF TARGET (%)</b>		<b>66.9</b>	<b>53.9</b>			

These opportunities are based on Capital projects implemented by the Technical Department as well as the jobs created through the WSSA contract for Operations and Maintenance of water schemes.



## 1.10 General Comments And Challenges With Water Services

### 1.10.1 Vandalism

The whole district has been plagued by vandalism which has left a number of communities without water. Numerous attempts have been made to address this issue including arranging community meetings, addressing communities through the media using the Mayoral radio slots and the municipality's own monthly newsletter, but this has had a minimal impact. Presented in Figure 4.4 is an example of theft of cables in some schemes while Figure 4.5 shows vandalism in Ntambanana.



**Figure 1.10.1:** Vandalism of DB box at Mkhize Dam in Ntambanana



**Figure 1.10.2:** How access was gained and a lock hacked off the steel door at Mkhize Dam

### 1.10.2 Droughts

Drought has been ravaging the District for the last 3 years or so. The effect of the drought have been quite severe as many water sources especially boreholes and dams have dried up. Figure 1.10c shows damage caused by

the floods that showered the district in late December 2010.



**Figure 1.10.3:** The Impact of the drought on storage of water in dams: Crocodile Dam

### 1.10.3 Illegal Connections/ Abuse Of Water

Another challenge that the municipality is facing is that of the increasing number of illegal connections and water wastage by communities which impacts on the supply to the rest of the scheme or network. Figures below: 1.10.4 shows an illegal connection from a gentleman who complained bitterly during the recent IDP roadshows that he doesn't have water and when we visited the area for a further inspections on his allegations we found a water hose leaking badly without any care from the household. 1.10.5 Shows an illegal connection under construction that was discovered by our staff members in Phathane in uMfolozi.



**Figure 1.10.4:** Water wastage at Mtimofu in uMlalazi Municipality, communal standpipe serving one household, illegally



**Figure 1.10.5:** An illegal connection under construction discovered by our staff members in Phathane in uMfolozi



Figure 1.10.7: Destination of the illegal connection in 1.10.6



**Figure 1.10.6:** Ready for an illegal connection at one of our bulk lines

## 2. Waste Management Services

### 2.1 Introduction To Provision Of Waste Management Services

The District Integrated Waste Management Plan was compiled in 2005 and reviewed in 2009. A Consultant was appointed in March 2012 to prepare a Master Plan for the uThungulu Regional Landfill Site (URLS) and to rehabilitate Load Cell 1. The consultant will conclude his work before the end of September 2012 after which contracts will be put in place to address the abovementioned issues.

### 2.2 Total Use Of Waste Management Services

The waste data is recorded on a monthly basis to the Waste Information System as required by the Department of Environmental Affairs for the activities of URLS. The quantity of waste stream received, of which approximately 80% is domestic waste are presented in Table 2.2.1:

Table 2.2.1: Amount of waste received in 2011/12 financial year

QUARTER	1	2	3	4	TOTAL (TONS)
TONNAGE	26 322	29 267	32 148	35 422	123 159

### 2.3 Waste Management Service Delivery Level

#### 2.3.1 Umhlathuze Municipality:

- Produces domestic, business, industrial, garden waste, street sweepings, medical waste and hazardous waste.
- Currently 63% of households within the municipality are covered by waste collection systems whilst 37% is not covered (mainly rural households)

- It uses kerb site collection, skips and a combination thereof to collect domestic, business, industrial waste and street sweepings. The waste collected is disposed of at uThungulu Regional Landfill Site.
- Specialised containers for medical waste are used but the municipality does not collect medical waste; there are private contractors who collect waste and dispose of it in Durban.
- Hazardous waste is collected by private waste collection companies and disposed of in Durban.
- The municipality had targeted that it would place community skips in rural areas, reduce waste by 6% per year for the next 8 years, reduce disposal of waste by 3% per year and run clean-up campaigns. That still needs to be measured.
- uMhlathuze Municipality has an IWMP available.

### **2.3.2 Umlalazi Municipality:**

- There are only three towns within the municipality where waste is generated and are covered by waste collection and removal services namely; Eshowe, Mtunzini and Gingindlovu.
- There are two landfill sites within the municipality: one in Eshowe and one at Mtunzini.
- Currently 100% of urban households are covered by a waste collection system whilst 0% of rural households are covered.
- At Eshowe landfill site domestic, business, building, garden, industrial waste and street sweepings are generated and disposed of at the Eshowe Landfill Site except medical waste. Medical waste is collected by private contractors and disposed of in Durban. There is also saw dust generated but it is not collected by the municipality. However the waste generators dispose of it at Eshowe

Landfill Site.

- At Mtunzini domestic, business, building, garden, industrial waste, street sweepings and medical waste (doctors' rooms) are generated within the town. Building and garden waste are disposed of at Mtunzini Landfill Site. Medical waste is collected by private contractors and disposed of in Durban and the other waste types are disposed of at uThungulu Regional Landfill Site in Empangeni.
- A combination of skips and kerb site collection is used to collect waste within the municipal area.
- Private recycling plants are also in operation in both Eshowe and Mtunzini towns.

### **2.3.3 Mthonjaneni Municipality:**

- There are three areas within the municipality where waste is generated and are covered by waste collection and removal systems namely, Melmoth town, Thubalethu and KwaMagwaza Hospital.
- There is one landfill site: Melmoth Landfill Site.
- Domestic, business, garden, building waste, street sweepings and medical waste are generated within the municipal area.
- Cages, bins and kerb site collection is the method of waste collection within the municipal area. Building waste is collected on request; medical waste is collected by private contractors and the rest of the waste is collected by the municipality and disposed of at Melmoth Landfill Site.

### **2.3.4 Nkandla Municipality:**

- Currently 100% of urban households within Nkandla Town are covered by a waste collection system, whilst 0% of rural households are covered.
- Domestic, business, garden, building waste, street sweepings and medical waste are generated within the municipal

- area.
- Medical waste is collected and disposed of by private contractors in Durban while building waste is collected and disposed of at Nkandla Landfill Site by waste generators.
- Nkandla Municipality has an IWMP available.

### 2.3.5 Umfolozi Municipality

- Kwambonambi town is the only area covered by a waste collection and removal system.
- Domestic, business, industrial and garden waste, street sweepings, medical waste and hazardous waste is generated within the municipal area.
- Waste generated within Kwambonambi town, with the exception of garden waste, is disposed of at uThungulu Regional Landfill site via Kwambonambi Transfer Station.
- A recycling facility has been built at the transfer station
- There is an unregistered Mbonambi Landfill Site where informal collection of paper and glass is taking place.
- Mbonambi Municipality has an IWMP available.

### 2.3.6 Ntambanana Municipality:

- Ntambanana does not have any formal town nor formal townships established, which has resulted in it not having a rates base or income stream to contribute towards a waste collection and removal service.
- Possible waste generators within the municipality are:
  - Three Clinics
  - Two Game Reserves
  - Commercial Cane Farmers
  - Schools and
  - Denser rural settlements
- Medical waste generated in the clinics is collected by private contractors and disposed off in Durban.

- Ntambanana Municipality has an IWMP available.

## 2.4 Access To Waste Management

The District has a regional landfill site at Empangeni and a number of transfer facilities at Melmoth, Bucanana and Mbonambi.

### 2.4.1 Uthungulu Regional Landfill Site (URLS)

URLS has been servicing most of the uThungulu area of jurisdiction including the Mtubatuba Town under uMkhanyakude District Municipality since 2003. The site accommodates seven waste cells and has a design lifespan of at least 35 years. uThungulu District Municipality (the permit holder) has been granted authority to develop and operate the site according to the requirements of the Permit Conditions issued in terms of Section 20(1) of the Environmental Conservation Act 73, 1989. The site has a problem with regards to storm water and leachate control which needs to be addressed urgently. As per the permit conditions:

- A monitoring committee was formed in June 2008 and meets on a quarterly basis to monitor the operations of the site.
- An Annual External Audit was performed during May 2012 and the issues raised are currently being addressed.
- Bi-Annual water quality samples are done on 15 July and 15 January every year.

The following urban areas make use of the facility at present:

- uMhlathuze City
- Bucanana in Ntambanana
- Mbonambi in uMfolozi
- Mthunzini and Gingindlovu towns in uMlalazi LM
- Mtubatuba

### 2.4.2 Solid Waste Transfer Stations

Transfer Station is a facility that receives solid waste from collection vehicles and reloads that waste into larger vehicles for transfer to a disposal or processing facility. The Waste Management Licence for decommissioning



of the Melmoth Landfill Site together with the construction and operation of a Waste Transfer Facility was granted by the Department of Agriculture, Environmental Affairs and Rural Development. The construction of the Melmoth Solid Waste Transfer Station has been completed and hence it will soon be commissioned by Mthonjaneni Municipality for operations. However the condition of the uncompleted access road poses a problem for operations. Mthonjaneni has to consider the transportation of municipal waste to the nearest landfill site and the rehabilitation the existing landfill site.

## 2.5 Waste Management Services Policy Objective

A Regional landfill site at Empangeni was established in 2004. Waste transfer stations at Mtunzini, Ntambanana and Kwambonambi towns were constructed to transport waste to the regional site. Completed transfer stations are at Melmoth and Eshowe. The review of the Integrated Waste Management Plan has been completed during the 2009/2010 financial year

and is available on uThungulu's website.

## 2.6 Human Capital In Waste Management Services

**Table 2.6.1: UDM Personnel involved with waste management at URLs**

PERSONNEL	NUMBER
Facility Manager (temporary)	1
Weighbridge Operator (temporary)	1
Weighbridge Operator (fixed term contract)	1
General Worker (fixed term contract)	5
General Worker (temporary)	4
Cleaner (fixed term contract)	1
<b>Total Landfill Staff</b>	<b>13</b>

## 2.9 Waste Management Services Capital Expenditure

Presented in Table 2.9.1 are the CAPEX projects on waste management that were or are being implemented.



**Table 2.9.1: Waste management capital projects**

PROJECT	WARD	PROJECT VALUE	% COMPLETE
Transfer Station at the Melmoth Landfill Site	Ward 1 (KZ 285)	R2 846 000.00	100
Upgrade of Access Road at Melmoth Landfill	Ward 1 (KZ 285)	R1,003,870.89	55
Bin Services for uThungulu Regional Landfill Site	(KZ 282)	R482,030.00	55
Provision of Plant Hire Services for uThungulu Regional Landfill Site	(KZ 282)	R3,628,751.50	55

### 3. Roads And Transport Services

The responsibility of roads (excluding municipal roads) within the district remains the responsibility of the Department of Transport and SANRAL. The planning responsibility is with the district. Rural Access roads have the most impact for future development of the district. The uThungulu District completed its Integrated Transport Plan during April 2005 and the review of the Public Transport Plan component thereof has recently been drafted. Broadly, the scope of work is as follows:

- Review and Collection of Additional CPTR Data
- Review and Update Public Transport Status Quo
- Review and Update Public Transport Vision, Goals and Objectives
- Review and Update Initial Public Transport Proposals
- Review and Update Rationalisation Strategy
- Review and Update Operations Strategy
- Review and Update Prioritised Public Transport Proposals and
- Implementing programme
- Review and Update Financial Implications

To this end, the uThungulu District is engaging closely with the National and Provincial Departments of Transport in respect of the following:

- To ensure that there is a clear understanding of the financial and operational implications of the reviewed PTP on the district.
- The preparation of a Roads Asset Management System (RAMS) that will include classification of roads
- The proposed preparation of an Integrated Rapid Public Transport Plan.

The District has a coordinating role when it comes to roads and transportation services. The National

Department of Transport (NDOT) has commenced with a programme of classifying and mapping all rural roads by providing a grant to District Municipalities to carry out the programme. The Rural Transport Services and Infrastructure Grant from the National Department of Transport was gazetted with its conditions of grant in the Government Gazette on 10 May 2011. The amount allocated for the 2011/12 financial year, was R1.688 million, which was received by uThungulu District Municipality on 31 October 2011. The allocation will continue for financial year of 2012/13 and 2013/14. The objective of the grant is to ensure efficient and effective investment in rural roads by means of development of Road Asset Management Systems (RAMS) through:-

- Collection of road inventory data including conditions assessment and traffic data; and
- Setting up pavement and bridge management systems compatible with national standards.

In pursuance of the objectives of the grant, Madan Singh & Associates were appointed under a performance based contract with an option to renew annually in order to assist uThungulu District Municipality with the overall Road Asset Management System. 12 interns were appointed for training and it is envisaged that they will be absorbed by the Local Municipalities once the mapping is completed.

### 4. Housing Services

Whereas this is a responsibility of the LMs, the District has a coordination and oversight role over this function. Besides the oversight and coordination roles, UDM assisted Mthonjaneni and Nkandla LMs with building inspectorate services. However Mthonjaneni has appointed their own building inspector and will no longer make use of this service. Nkandla Municipality residents experience

problems with title deeds and permission to occupy certificates for their houses. uThungulu's support included the following:

- Evaluation and approval of building plans in the towns
  - The total plans approved by the Building inspectorate in 2011/12 are:
    - Mthonjaneni (KZ285) - 4 and
    - Nkandla (KZ286) - 7
- Inspection of new construction and enforcement of building regulations
- Inspection of town buildings and identification of encroachments
- Reporting encroachments to the relevant municipality and making recommendations with regards to dealing with such offenders
- Review of municipal building regulations and comments on the municipal bylaws.
- The District has only one Technician who doubles as a building inspector and Technician overseeing the implementation of water and sanitation projects.

## 6. Cemetery Services

### 5.1 Introduction To Provision Of Cemetery Services

The regional cemetery in Empangeni was developed by Uthungulu in 2004 when the first phase was completed where after uMhlatuze City managed the operations. uThungulu took over the cemetery operations since July 2010.

### 5.2 Total Use Of Cemetery Services

The Burial statistics is summarized in Table 5.1

Table 5.1: Cemetery services in the 2011/12 financial year

QUARTER	1	2	3	4	TOTALS
New Graves	108	108	107	111	434
Tombstones	51	36	20	32	139
Reserves	1	1	0	1	3

### 5.3 Cemetery Service Delivery Level

The District is responsible for the Regional Cemetery

but UDM is also assisting uMlalazi Municipality in establishing a cemetery at Mandawe.

The terms of reference for the appointment of a service provider to conduct a feasibility study were developed.

UDM does assist with pauper burials as well as burials of indigent residents

## 2.5 Cemetery Services Capital Expenditure (Capex)

ZAI Consulting Engineers was appointed On 30 May 2008 by the uThungulu District Municipality to design and implement Phase 2 of the Empangeni Regional Cemetery. The scoping report was finalized in October 2008 and the construction of the 2nd Phase was planned to start in February 2010 with the 2009/2010 financial year budget. However, due to financial constraints, the implementation of this phase was split into sub stages namely;

- Phase 2A, for the clearing and fencing of the site,
- Phase 2B, for the conversion of conservancy system into municipal sewer system,
- Phase 2C, for the construction of infrastructure such as roads, stormwater drainage, water main, parking, etc,
- Phase 2D, to complete infrastructure, fencing and clearing

Phase 2A, tender UDM/27/2009 for the clearing and fencing was awarded to Umkhumbi Plant Hire cc for R 1, 256,860.00 excl. VAT and the construction was completed in May 2011. Phase 2B, contract number UDM/10/2011 for the conversion of the conservancy tank system into municipal sewage system was awarded on the 26th August 2011 to Umuzi Civils t/a SAL Kuhlase Civils for an amount of R 826,498.80 excl. VAT. The contract was completed in March 2012. In September 2011 an estimate for implementation of phase 2C and 2D was submitted with the scope of works separated to meet the budget constraints (without an allowance for escalation and excluding VAT);

- Phase 2C, construction of the Infrastructure was R 6,790,402.16,

- Phase 2D, to complete infrastructure, clearing and fencing was R 2,832,471.09.

**2.6 Human Capital In Cemetery Services**

The human capital for this function is shown on Table 5.2

**Table 5.2: Waste management capital projects**

PERSONNEL	NUMBER
Supervisor	1
General Worker (permanent)	3
Cleaner (fixed term contract)	1
General Worker (temporary)	5
<b>Total Cemetery Staff</b>	<b>10</b>

**6. Electricity services**

The uThungulu District Municipality reviewed its Energy Master Plan during 2009/ 2010. Of the estimated 141 532 Households in uThungulu, 75 514 were connected by 2009 leaving a backlog of 66 018 connections (47%). Not many opportunities were identified for renewable and alternate energy sources. Feasibility studies and pilot project initiatives were identified for Micro Hydro, Wind and Bio-Gas generation and Solar Water Heating.

Notwithstanding the above, UDM intends to commence with a pilot study on biogas production using animal waste in the 2012/13 financial year. Three pilot sites were selected with a site in Mthonjaneni, uMlalazi and Nkandla LMs. A budget of R100 000 was set aside for the first pilot site in Mthonjaneni.

Eskom supplies electricity in bulk to Richards Bay, Melmoth, Eshowe and Empangeni who in turn distribute to their consumers. The Local Municipality of Nkandla was assisted by the UDM with the provision of basic electricity until July 2010, but now is responsible for service provision in the town. The supply to rural areas is slow due to high costs associated with scattered settlements and no anchor clients. Eskom’s supplies grid electrification while the Department of Mineral and Energy Affairs is responsible for non-grid electrification. A combined strategy/partnership between uThungulu and Eskom is urgently required to form an integrated and sustainable electrical service delivery within the district. In conjunction with the Department of Minerals & Energy and Eskom a plan should be devised to implement the uThungulu Energy Master Plan as compiled.





## Chapter 4: *Organisational Development Performance*

### **Organisational Performance Measurement System (OPMS) and Individual Performance Measurement System (IPMS) for Section 56 Managers.**

The 2011 /12 financial year saw the fifth year of uThungulu District Municipality measuring the performance of the Deputy Municipal Manager and the three heads of Department in terms of the Municipal Performance Regulations for Municipal Managers and Managers directly reporting to Municipal Managers dated 1 August 2006. In terms of the provisions of the regulations each Section 56 Manager entered into a Performance Agreement within the specified timeframe for the 2011/12 financial year, being 31 July 2011.

The performance regulations necessitate a municipality to assess performance of its Section 56 Managers once every quarter (quarters 1 and 3 informal and quarters 2 and 4 formal) in respect of a financial year under review. In the case of uThungulu all four quarterly performance assessments were treated as formal and carried out by Performance Assessment Panels, constituted in accordance to the said regulations. The performance assessment results for all four quarterly performance assessments were audited by the municipality's internal auditors, Messrs Pricewaterhouse Coopers and results submitted to the Uthungulu Performance Audit Committee.

For the 2012/13 financial year preparations are once again in place to conduct performance assessments, once per quarter, during the year and Section 56 Performance Agreements have duly been entered into in accordance to legislative provisions by 31 July 2011 for existing Section 56 Managers. For newly appointed Section 56 Managers who take up office, the Regulations provide for a period of 60 days within which agreements should be entered into.

In respect of Organisational Performance Measurement, the municipality compiled an Organisational Performance Scorecard for the 2011/12 financial year in accordance to the National Key Performance Areas and corresponding Key Performance Indicators, as

prescribed by COGTA. This “scorecard” gives an indication on the performance of Uthungulu as a local government institution and is included below as part of the Annual Performance Report, COGTA further also required that quarterly datasheets on Key Data had to be utilized to compile the State of Local Government Report.

## PRELIMINARY ANNUAL PERFORMANCE REPORT

### 1. Legislative requirements

Outlined in Section 40 of the Municipal Systems Act of 2000 (MSA), Municipalities must establish mechanisms to monitor and review its Performance Management System (PMS) so as to measure, monitor, review, evaluate and improve performance at organisational, departmental and employee levels. Section 34 of the MSA furthermore points out that the Integrated Development Plan (IDP) has to be reviewed on an annual basis, and that during the IDP review process the Key Performance Areas, Key Performance Indicators and Performance Targets be reviewed and this review will form the basis for the review of the Organisational Performance Management and Performance Contracts of Section 57 Managers.

The Municipal Planning and Performance Management Regulations (2001) stipulates that a “municipality’s performance management system entails a framework that describes and represents how the municipality’s cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role-players” (Chapter 3, Section 7, Municipal Planning and Performance Management Regulations, 2001).

Section 46 of the Municipal Systems Act (Act 32 of 2000), stipulates the following:-

“Annual performance reports

46. (1) A municipality must prepare for each financial year a performance report reflecting -
  - (a) the performance of the municipality and of each external service provider during that financial year;
  - (b) a comparison of the performances referred to in paragraph (a) with targets set for and performances in the previous financial year; and
  - (c) measures taken to improve performance.
- (2) An annual performance report must form part of the municipality’s annual report in terms of Chapter 12 of the Municipal Finance Management Act.”

### 2. Introduction

The first performance management framework was adopted by the uThungulu District Municipality during 2004. The framework was reviewed and amended during 2006/2007 financial year to align with the best practice guidelines suggested by the then Department of Provincial and Local Government and Traditional Affairs of Kwazulu Natal.

The Performance Management unit, residing in the Office of the Deputy Municipal Manager, was capacitated during the 2008/2009 financial year with the appointment of an external service provider to deliver assistance with the institutionalization of the Performance Management System. During the 2011/2012 financial year a Performance Management Framework and Policy was developed and adopted by the Performance Audit Committee for the 2011/2012 financial year.

### 3. Organisational Performance Management Process

Key performance indicators have been refined in support of the municipality’s development priorities and objectives as set out in the revised IDP framework and will remain for the duration of the IDP period for consistency in measuring and

reporting on long term strategies and projects. Measurable performance targets with regard to each of these development priorities and objectives were established. A process to ensure regular reporting is in place and is fed back to the Council via the Performance Audit Committee.

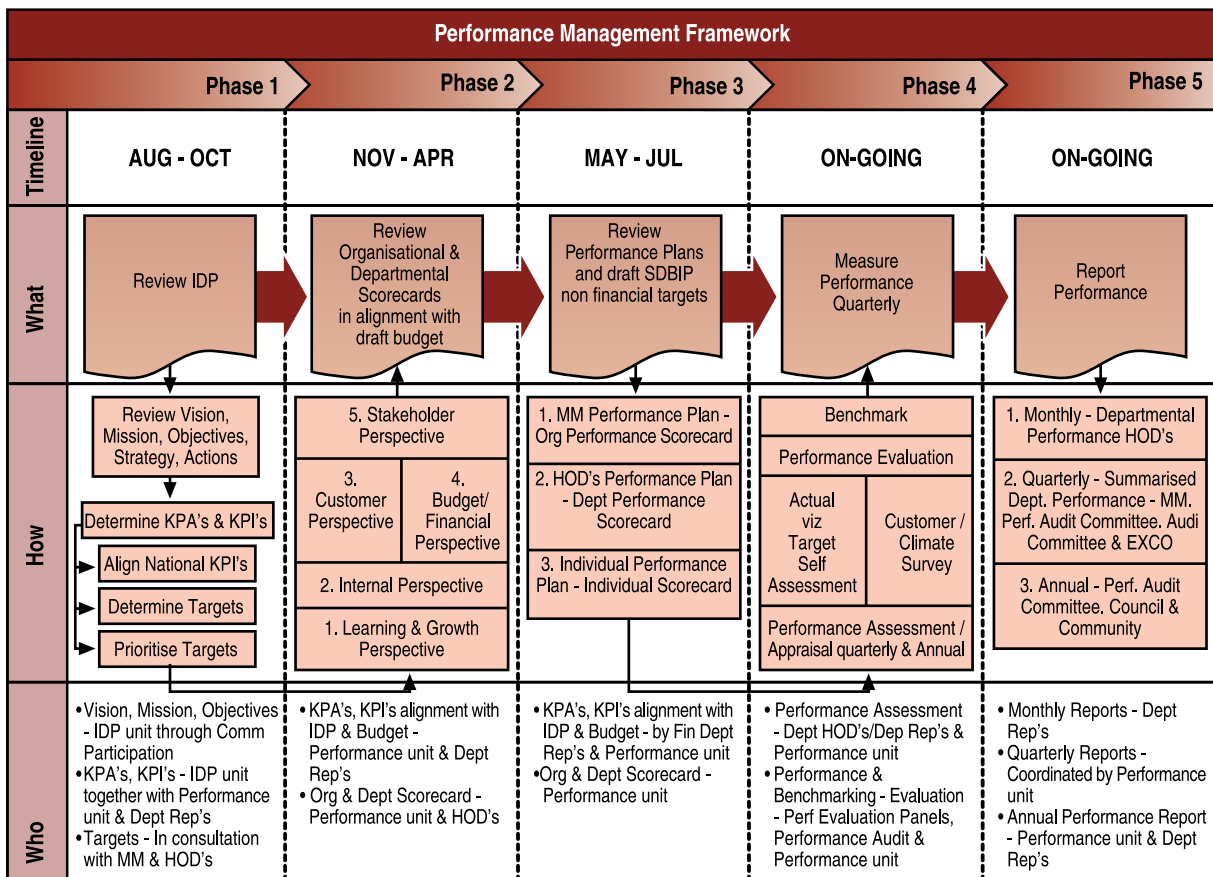
Individual performance agreements and performance plans were prepared in line with provisions prescribed in the Performance Regulations (Notice 805, published on 1 August 2006 in the official gazette) and signed by the Deputy Municipal Manager and Heads of Department. The positions of Municipal Manager and Executive Director: Corporate Services were vacant during the financial year. These agreements are fully implemented and aligned with the Service Delivery

and Budget Implementation Plan as required in terms of the Municipal Finance Management Act.

Performance Evaluation Panels have also been established for the assessment of performance of the Municipal Manager as well as Managers directly accountable to the Municipal Manager. These panels meet on a quarterly basis to evaluate individual performance.

The following diagram illustrates a summary of the newly developed performance management framework for the uThungulu District Municipality for performance measurement and reporting, adhering to the guidelines suggested by KwaZulu-Natal Province, Department for Cooperative Governance and Traditional Affairs:

**uThungulu Performance Management Framework diagram**



#### 4. Performance Audit Committee

The Performance Audit Committee for the 2011/2012 financial year was re-affirmed and the members were as follows:

- Dr V J Mthembu – Chairperson
- Mr Z Mzimela
- Cllr SW Mgenge
- Mr Z Nkopane - (Co-opted): Chairperson Audit Committee

The Performance Audit Committee did meet bi-annually as required by legislation on 19 December 2011 and 25 June 2012. The minutes of meetings are available in the Portfolio of Evidence of the Deputy Municipal Manager.

#### 5. Auditing of Performance Information

The Municipal Systems Act, 2000, Section 45 requires that the results of performance measurements in terms of section 41 (1)(c), must be audited as part of the internal auditing process and annually by the Auditor-General. All auditing must comply with section 14 of the Municipal Planning and Performance Management Regulations, 2001 (Regulation 796).

PriceWaterhouseCoopers was appointed by uThungulu District Municipality to perform the Internal Audit function within the municipality. As part of their scope, auditing of the Performance Management System and Audit of Performance Information was performed and reports are received for each quarter in terms of the following:

##### Quarter 1:

Review the functionality of the Performance Management System and management's compliance thereto.

##### Quarter 2:

Review scorecards on a test basis to supporting evidence on a sample basis;  
Record the system/systems (electronic and/or manual) that are used to generate the performance information and perform walkthrough testing to validate (AOPI); and  
Perform detailed testing on selected performance information (AOPI).

##### Quarter 3:

Ensure compliance with the requirements of the PMS regulations for quarter 3.

##### Quarter 4:

Review scorecards on a test basis to supporting evidence on a sample basis;  
Perform detailed testing on selected performance information (AOPI); and  
Ensure the accuracy and validity of the information included in the annual report based on the evidence inspected, on a sample basis.

#### 6. Customer Satisfaction

The last Customer Satisfaction Survey was conducted during the 2008/2009 financial year and the results were communicated to Council via the Performance Audit Committee. The next Customer Satisfaction Survey will be conducted during the 2012/2013 financial year.

#### 7. Annual Organisational Performance Information

The Annual Performance Report for the 2011/2012 financial year has been completed and reflected in the Organisational Performance Scorecard in a table format (as prescribed by KZN CoGTA). The Organisational Performance Scorecard table will be presented to the Auditor General for auditing together with the Annual Financial Statements by 31 August 2012. This report will be tabled to Council on 13 September 2012.

This Annual Performance Report (Tables) should be read in conjunction with the Annual Report, including the Annual Financial Statements as well as Auditor General Report on the Annual Financial Statements and Performance Information for 2011/2012.

The following table reflects the organisational performance targets and achievements as reflected in the Integrated Development Plan, in relation to the achievements of the previous financial years as well as reflecting corrective measures to be taken in the 2012/2013 financial year in cases of under achievement:



uThungulu District Municipality Organisational Performance Management Scorecard 2011/2012										
IDP Indicator No.	National KPA	uThungulu Development Strategies	Strategic Objective	Performance Indicator	Unit of Measure	Baseline 2010/2011		IDP 2011/2012		Planned measures for improvement
						Target	Actual	Annual Target	2011/2012 Performance Report	
1.1.1	LOCAL ECONOMIC DEVELOPMENT	uThungulu Development Strategies	Local Economic Development	LED Framework Plan	Date of review	30-Jun-11	In progress	30-Jun-12	30-Jun-12	Target achieved
1.1.2				LED Capacity, Institutional and Operational Support	Percentage of budgeted amount spent on LED Development Fund	100%	36%	100%	100%	Target achieved
1.1.2					Percentage of budgeted amount spent on LED Operational Support Programme	100%	40%	100%	100%	Target achieved
1.1	LOCAL ECONOMIC DEVELOPMENT	ECONOMICALLY SOUND DISTRICT	Local Economic Development Prioritised Groups	Jobs created through the municipality's LED initiatives	Number of jobs	60	95	193	158	Under-achievement occurred due to the cancellation of a planned project as a result of factors outside the scope and control of the organization. The 2012/2013 targets will ensure to only provide for confirmed project job creation, and exclude projects in the planning phase to ensure that under-achievement does not occur due to external stakeholder that defaulted.
1.1				Jobs created through the municipality's Capital Projects	Number of jobs	4000	1248	1000	3184	These jobs are full-time equivalent (FTE) under the EPWP plus Tanker Reduction Programme as well as Water Services Provider Programme
1.2.2				Implement LED Framework: Tourism	Percentage of budgeted amount spent on tourism projects	100%	49%	100%	21%	Late approval of item delayed implementation
1.2.4	LOCAL ECONOMIC DEVELOPMENT	ECONOMICALLY SOUND DISTRICT	Local Tourism Development	uThungulu Tourism Development Office	Percentage of budgeted amount spent on tourism initiatives	100%	56%	100%	55%	Late approval of item delayed implementation
1.3.1				Agricultural Development Plan	Date of review	30-Jun-11	11-Apr-11	30-Jun-12	19-Oct-11	Target achieved
1.3.2				Implement Agricultural Projects	Number of projects			2	9	Total budget of R200 000 allocated to one project, i.e. Agriculture Summit 14 & 15 Oct 2011
1.4.2	LOCAL ECONOMIC DEVELOPMENT	ECONOMICALLY SOUND DISTRICT	Business and Industrial Development	Implementation of SMME Plan	Percentage of budgeted amount spent on SMME Support Programme	100%	50%	100%	90%	A saving of 10% occurred on these budgeted programmes during the 2011/2012 financial year.

uThungulu District Municipality Organisational Performance Management Scorecard 2011/2012

IDP Indicator No.	National KPA	uThungulu Development Strategies	Strategic Objective	Performance Indicator	Unit of Measure	Baseline 2010/2011		IDP 2011/2012		Responsible Department	Planned measures for improvement	
						Target	Actual	Annual Target	2011/2012 Performance Report			
2.1.1	BASIC SERVICE DELIVERY AND INFRASTRUCTURE	uThungulu Development Strategies	Access to water (Potable Water and Waste Water)	Households with access to basic water	Number of households	80 000	81 278	69 227	83 298	Technical Services	The indicator reflects the number of households within the District and therefore should include both urban and rural households as was indicated in the baseline actuals for 2010/2011. During the review, it must be noted that the target set for the 2011/2012 financial year is only indicative of rural households, while the actuals achieved includes urban households.	
2.1.1				New water connections	Number of new connections	3 000	3 097	1 500	2 020	Technical Services	The reported actual connections for 2011/2012 is inclusive of a total of 1066 connections that have been completed in terms of reticulation specifications and are awaiting the delivery of bulk water services. In these instances, households were supplied with tankers.	
2.1.4				Drought relief	Percentage of budgeted amount spent on water tanker requests	100%	86%	100%	94%	Technical Services	The function was not allocated sufficient funds but was corrected during the adjustments budget.	
2.1.4					Percentage of budgeted amount spent on boreholes	100%	25%	100%	62%	Technical Services	Contracts for several service providers (SPs) expired without MfOM realising it. However the SPs were still assigned tasks. Now a Council resolution condoning the use of SPs whose contracts expired is required before paying outstanding invoices. The unit is in the process of starting SCM procedures again.	
2.1.5					Upgrading of water services network	Percentage of budgeted amount spent	100%	29%	100%	7%	Technical Services	The amount of money budgeted for each scheme is so little that it cannot do anything meaningful economically. Therefore the Department waits for the capital to accumulate in order to make it worthwhile going out to tender
2.1.2				EFFECTIVE INFRASTRUCTURE	uThungulu Development Strategies	Access to Sanitation	Households with access to basic sanitation	Number of households	83 940	83 586	53 720	89 503
2.1.2	New sanitation connections	Number of new connections	8 000				2 549	2 000	5 917	Technical Services	Target Achieved	
2.1.3	Improvement of Water and Sanitation Schemes	Percentage of budgeted amount spent						100%	44%	Technical Services	This KPA involves repairs and maintenance of water and sanitation schemes. The budget spent is therefore within acceptable range as it is difficult to estimate accurately how many repairs will be done or what they would cost	
2.1.6	Customer Call and Care Centre	Percentage of calls responded to	100%				100%	100%	100%	Technical Services	Target achieved	

uThungulu District Municipality Organisational Performance Management Scorecard 2011/2012											
IDP Indicator No.	National KPA	uThungulu Development Strategies	Strategic Objective	Performance Indicator	Unit of Measure	Baseline 2010/2011		IDP 2011/2012		Responsible Department	Planned measures for improvement
						Target	Actual	Annual Target	2011/2012 Performance Report		
2.2.1	BASIC SERVICE DELIVERY AND INFRASTRUCTURE	Water Services Authority and Planning	Water Services Authority and Planning	Annual Update of WSDP	Date of review	30-Jun-11	In progress	30-Jun-12	In progress	Technical Services	Not achieved due to budgetary constraints - tendered amount more than available budget
2.2.3				Prepare Water Services Provider Plan	Date of draft complete	30-Jun-11	In progress	30-Jun-12	In progress	Technical Services	Not achieved due to budgetary constraints - tendered amount more than available budget
2.2.4				Establish Design Office and Feasibility Studies	Percentage of schemes to pass test i.t.o. DWAF to improve Blue/Green Drop Compliance	100%	68% and 71%	100%	81%	Technical Services	Blue Drop of 72% was achieved but to meet regulatory requirement, 95% is required. This can only be achieved by investing substantially on bulk water supply, improving water and wastewater treatment works. Currently their design capacities have been exceeded. We need to operationalise the water use efficiency unit as well as the asset management unit. This unit of measure is determined the outcome of the established Design and Feasibility Study Office.
2.5.2	BASIC SERVICE DELIVERY AND INFRASTRUCTURE	Regional Cemeteries and Crematoria	Regional Cemeteries and Crematoria	Implementation of Cemeteries/ Crematoria Sector Plan	Percentage completion of Phase II of Regional Cemetery	50%	100%	50%	100%	Technical Services	The design office was established in 2007 but capacity is still lacking. Human and Financial capital required in order to improve its performance
3.1.1				Establishment of Environmental Health Section	Number of inspections per district EHP	280	399	280	996	Corporate Services	Target achieved
3.1.3				Implementation of Environmental Health Programmes	Number of consolidated reports	4	4	4	4	Corporate Services	Target achieved
3.3.1	SOCIAL DEVELOPMENT SERVICES	Education, Training and Capacity Building	Education, Training and Capacity Building	Crime Prevention Programmes	Percentage of budgeted amount spent			100%	93%	Corporate Services	A saving of 7% occurred on these budgeted programmes during the 2011/2012 financial year.
3.4.3				Sport and Recreation Programme	Date of District Elimination Games	30-Sep-10	18-Sep-10	15-Dec-11	08-Oct-11	Corporate Services	Target achieved
3.5.1				Disaster Management Plan (Review)	Date of review	30-Jun-11	In progress	30-Jun-12	25-Jun-12	Corporate Services	Target achieved
3.5.2	SOCIAL DEVELOPMENT SERVICES	Disaster Management	Disaster Management	District Advisory Forum	Number of meetings	4	3	4	2	Corporate Services	Under-achievement is outside the scope and control of the organization as all District Advisory Forum meetings are scheduled by KZN CoGTA. Management will attempt in 2012/2013 to motivate CoGTA to regularly schedule meetings.
3.5.4				Disaster Management Call Centre	Percentage of calls responded to	95%	100%	95%	95%	Corporate Services	Target achieved
3.7.1				HIV/AIDS	HIV/AIDS Strategy	Yes/No	Yes	Yes	Yes	Corporate Services	Target achieved
3.7.1	SOCIAL DEVELOPMENT SERVICES	Disaster Management	Disaster Management	HIV/AIDS Programme	Number of HIV/AIDS interventions	3	2	3	6	Corporate Services	Target achieved

uThungulu District Municipality Organisational Performance Management Scorecard 2011/2012											
IDP Indicator No.	National KPA	uThungulu Development Strategies	Strategic Objective	Performance Indicator	Unit of Measure	Baseline 2010/2011		IDP 2011/2012		Responsible Department	Planned measures for improvement
						Target	Actual	Annual Target	2011/2012 Performance Report		
4.2.1	SPATIAL PLANNING AND SPATIAL DEVELOPMENT FRAMEWORKS	INTEGRATED ENVIRONMENT	Land Reform	KZ Co-ordination and Alignment	Date of District Land Summit	30-Jun-11	19-Nov-10	30-Jun-12	14-Oct-11	Deputy Municipal Manager	Target achieved
4.3.1			Housing	KZ Co-ordination and Alignment	Date of IDP Alignment meeting	30-Jun-11	19, 28 Nov 10	30-Jun-12	24-Aug-11	Deputy Municipal Manager	Dept of Human Settlements & Housing Workshop on Housing Sector Plans was on 24 August 2011 and MEC's visit followed on the following day.
4.4.2			Environmental Management	Implementation of Integrated Environment Programme	Date of completion of draft of EIA Policies and Procedure Manual	30-Jun-11	30-Nov-10	30-Jun-12	30-Jun-12	Deputy Municipal Manager	Target achieved
4.4.4			Coastal Management Programme (review)	Coastal Management Programme (review)	Date of review	30-Jun-11	In progress	30-Jun-12	30-Jun-12	Deputy Municipal Manager	Target achieved
5.1.3	FINANCIAL VIABILITY AND FINANCIAL MANAGEMENT	LEADERSHIP EXCELLENCE	Revenue Enhancement	Cash collected from customers	R value of revenue collected	R33 449 955,00	R41 599 137,63	R32 873 000,00	R40 968 644,61	Financial Services	Target achieved
5.1.3				Amount invoiced/billed to customers	R value of invoices raised	R33 449 955,00	R41 192 934,00	R32 873 000,00	R44 395 000,71	Financial Services	Target achieved
5.1.3				Revenue Enhancement Plan (MSIG) Cost recovery strategy	Date of approval			31-Aug-11	27-Jul-11	Financial Services	Target achieved
5.1.4	FINANCIAL VIABILITY AND FINANCIAL MANAGEMENT	LEADERSHIP EXCELLENCE	Financial Management	Total revenue received from grants and subsidies	R value	R426 373 000,00	R397 522 496,00	R568 777 864,00	R511 237 598,00	Financial Services	Shortfall in receipts of R23M DWA, 2M RBM, 4M EPWP and additional funds of R4.7M Drought Relief. Procurement Plans detailing cashflows have been drawn for 2012/2013 as to effectively monitor project progress and ensure full utilisation.
5.1.4				Debt service payments	Percentage of total debts	20%	12%	20%	12,45%	Financial Services	Targets subjected to further review as loan repayments are fixed in terms of the loans agreements and budgeted for accordingly.
5.1				Debt coverage ratio	(Total operating revenue received - operating grants) / Debt service payments	2,28	6,95	6,51	5,91	Financial Services	The early settlement of 1 of 3 loans valued at R21M in October 2012 will reduce future loan repayments and ensure achievement of targets.
5.1	FINANCIAL VIABILITY AND FINANCIAL MANAGEMENT	LEADERSHIP EXCELLENCE	Financial Management	Outstanding service debtors to revenue	Outstanding service debtors / revenue actually received for services	1,17	0,72	0,31	0,10	Financial Services	Target achieved
5.1				Cost coverage ratio	(Available cash at particular time + Investments) / Monthly fixed operating expenditure	1,17	1,08	3,00	9,74	Financial Services	Target achieved



uThungulu District Municipality Organisational Performance Management Scorecard 2011/2012												
IDP Indicator No.	National KPA	uThungulu Development Strategies	Strategic Objective	Performance Indicator	Unit of Measure	Baseline 2010/2011		IDP 2011/2012		Responsible Department	Planned measures for improvement	
						Target	Actual	Annual Target	2011/2012 Performance Report			
5.1.1	FINANCIAL VIABILITY AND FINANCIAL MANAGEMENT	uThungulu Development Strategies	Budgeting and reporting	Completion of Financial Statements	Date submitted to Auditor General	31-Aug-10	31-Aug-10	31-Aug-11	31-Aug-11	Financial Services	Target achieved	
5.1.2				Budget Cycle	Date of approval of final 2012/2013 Budget	31-May-11	04-May-11	31-May-12	29-May-12	Financial Services	Target achieved	
5.1.7				Implementation of MFMA	Percentage compliance with MFMA requirements	100%	100%	100%	95%	Financial Services	Continued monitoring will resolve pending matters resulting in full compliance	
5.1.8				Credit Rating Report to Council	Date approved			30-Jun-12	20-Jun-12	Financial Services	Target achieved	
5.1.4				Expenditure control	Total operating expenditure	R value	R371 520 700,00	R337 103 465,00	R409 021 293,00	All		1. Under spending in salaries and wages budget due to recruitment process being held in abeyance resulted in underspending. Subsequent resumption of the recruitment process will ensure targeted spending. 2. General savings across departments. 3. The viement of funds from operational budget to Capital budget reduced forecasted operational expenditure and increased Capital Expenditure. The more intense monitoring of Capital expenditure and Grant related projects would reduce futureirements of this nature.
5.1.4					Total operating budget	R value	R371 520 700,00	R437 204 802,00	R409 021 293,00	All		
5.1.4					Total Salaries and Wages budget (including benefits)	R value	R103 121 401,00	R92 114 646,00	R123 298 000,00	R95 954 706,00	Financial Services	
5.1.3; 5.1.4						Total of grants and subsidies spent	Percentage spent	100%	81%	100%	104,3%	All
5.1.4			Submit Annual SCM report to Council	Date submitted	31-Aug-10	31-Aug-10	31-Aug-11	31-Aug-11	Financial Services	Target achieved		
4.1.1	GOOD GOVERNANCE AND COMMUNITY PARTICIPATION	STRATEGY FIVE: LEADERSHIP EXCELLENCE	Integrated Development Planning	IDP Review	Date of review	31-May-11	31-May-11	31-May-12	31-May-12	Deputy Municipal Manager	Target achieved	
4.1.1				Review of Spatial Development Framework	Date of review	31-May-11	In progress	31-May-12	31-May-12	Deputy Municipal Manager	Target achieved	
4.1.4				Planning Implementation (Development Planning: Shared Services)	Percentage of business plan year 3 implemented	100%	100%	100%	15%	Deputy Municipal Manager	Vacancies to be filled by 30 September 2012	
4.1.1				Public Participation	Number of IDP Roadshows	4	4	4	11	Office of the Municipal Manager	Target achieved	

uThungulu District Municipality Organisational Performance Management Scorecard 2011/2012										
IDP Indicator No.	National KPA	uThungulu Development Strategies	Strategic Objective	Performance Indicator	Unit of Measure	Baseline 2010/2011		IDP 2011/2012		Planned measures for improvement
						Target	Actual	Annual Target	2011/2012 Performance Report	
5.2.1	MUNICIPAL INFRASTRUCTURE AND INSTITUTIONAL DEVELOPMENT		Management Services	Levels of black staff employed in management	Number of black staff	6	8	255	248	Under-achievement occurred as a result of resignations, demise and absences. The target and actual are reflective of the levels of black staff within the organisation in accordance with the approved EEP and not only that of the three highest levels of management. The indicator and target has been amended in in the 2012/2013 Performance Scorecard
5.2.1				Women employed by the municipality	Number of women	104	111	105	99	Target achieved
5.2.1				Youth employed by the municipality	Number of youth	110	119	102	102	Target achieved
5.2.1				Disabled employed by the municipality	Number of staff	2	2	2	2	Target achieved
5.2.1				Annual Approved Workplace Skills Plan	Date of approval	30-Jun-11	26-Jun-11	30-Jun-12	29-Jun-12	Target achieved
5.2.1	Budget Spent on Workplace Skills Plan	Date submitted to LGSETA Percentage Spent of Salaries Budget on WSP	30-Jun-11 1%	30-Jun-11 1%	30-Jun-12 1%	29-Jun-12 0.85%	Target achieved			
5.3.1	Information Technology		Master Systems Plan (ICT Strategy)	Yes/No	Yes/No	Yes	Yes	Yes	Yes	Target achieved
5.3.1				General and Corporate Administration Services	Number of portfolio committee, Exco and Council meetings	39	54	39	66	Target achieved
5.6.2	Performance Management Programme (Organisational Performance)		Draft OPMS Scorecard submitted to Council	Date approved	Date approved	31-May-11	04-May-11	31-May-12	29-Jun-12	Target achieved
5.6.2				Draft Annual Report and Annual Performance Report	Date approved	30-Aug-10	30-Aug-10	30-Aug-11	31-Aug-11	Target achieved

uThungulu District Municipality Organisational Performance Management Scorecard 2011/2012											
IDP Indicator No.	National KPA	uThungulu Development Strategies	Strategic Objective	Performance Indicator	Unit of Measure	Baseline 2010/2011		IDP 2011/2012		Responsible Department	Planned measures for improvement
						Target	Actual	Annual Target	2011/2012 Performance Report		
5.6.1			Performance Management Programme (Individual Performance)	S57 Performance Agreements	Number of agreements	5	5	5	3	Deputy Municipal Manager	Two vacancies existed for the financial year. MM to be appointed as of 1 July 2012 and EDCS as of 1 August 2012.
5.6.1				2011/2012 Performance Packs	Date signed	31-Jul-10	30-Jul-10	31-Jul-11	30-Jul-11	Deputy Municipal Manager	Target achieved
5.6.1				2010/2011 Performance Assessment Reporting to Performance Audit Committee	Date approved			30-Sep-11	19-Dec-11	Deputy Municipal Manager	Executive Director: Corporate Services and Municipal Manager positions vacant. Recruitment process to be completed during Quarter 3.
5.6.1				2011/2012 Mid-year Performance Evaluation Report to Performance Audit Committee	Date approved			28-Feb-12	25-Jun-12	Deputy Municipal Manager	Target achieved
5.7			Institutional Development	Implement Municipal Turnaround Strategy	Date of review			30-Jun-12	29-Jun-12	Office of the Municipal Manager	Target achieved
5.7.2				King III Risk Management Strategy	Yes/No	Yes	Yes	Yes	Yes	Deputy Municipal Manager	Target achieved
5.7.4				Finance Audit Committee	Number of meetings	4	4	4	6	Financial Services	Target achieved
5.7.4				Performance Audit Committee	Number of meetings	2	2	2	2	Deputy Municipal Manager	Target achieved
5.7.4				Response to internal audit queries	Number of days to respond	within 30 days	within 30 days	within 30 days	Within 7 days	All	Target achieved
5.7.4				Internal Audit Reports	Number of internal audit reports	4	4	4	4	Office of the Municipal Manager	Target achieved
5.7.5				Anti Corruption Strategy/ Fraud Prevention Strategy	Yes/No	Yes	Yes	Yes	Yes	All	Target achieved

KEY:

Priority

Vuna

Additional /Departmental



Executive Director: Corporate Services  
Ndumiso Xulu

## DEPARTMENT OF CORPORATE SERVICES

### SECTION: Management Services

#### LIST OF POLICIES

- Management Motor Vehicle Policy
- Non Management Motor Vehicle Policy
- Leave Policy ( Annual, Family Responsibility, Sick, Maternity, Long Service)
- Subsistence & Travel allowance Policy
- Overtime Policy
- Substance Abuse Policy
- Relocation Policy
- Retirement Annuity Policy
- Telephone Policy
- Cell phone Policy
- Acting Allowance Policy
- Housing Subsidy Scheme Policy
- Housing Rental Policy
- Termination Policy
- Exit Interview Policy
- Pool Vehicle Policy
- Email & Internet Policy
- Code of Conduct & Declaration of Interest Policies
- Grievance & Disciplinary Policy
- Occupational Health & Safety Policy
- Sexual Harassment Policy
- EAP Policy
- Smoking Policy
- Training & Development Policy
- Succession & Retention Policy
- Internship Policy
- Employment Equity Policy
- Recruitment & Selection Policy
- HIV/AIDS Policy

#### POLICIES FOR OCCUPATIONAL HEALTH AND SAFETY

1. Occupational Health & Safety Policy
2. HIV/AIDS Policy
3. Substance Abuse Policy
4. EAP Policy

#### INJURIES

Injuries reported to the Compensation Commissioner.....	11
Minor injuries .....	2
Injuries involving Contractors .....	0



### COMMENT ON INJURIES

There is a decrease in injuries on duty compared to last year where 15 injuries were reported to the Compensation Commissioner.

In this financial year 1 employee has been medically boarded due to the nature of the injury sustained which resulted in the paralysis of upper limbs.

### ANNUAL SICK LEAVE REPORT

There are one hundred and eighty (180) employees who took leave from 30 June 2010 to 1st July 2011.

### ADJUSTED SALARIES

There are one hundred and three (103) employees whose salaries were adjusted in October 2010 through job evaluation.

### EXCEEDED THE GRADE

There are one hundred and ninety eight (198) employees whose salaries are exceeding the grade determination by Job evaluation.

### DECLARATION OF FINANCIAL INTEREST

- uThungulu District Municipality requests all employees to declare their financial interest on an annual basis on the 1st of April of each year.
- The documents are filed to keep the record.

### SKILLS DEVELOPMENT

The budget for training was approved by Council on the 04 May 2012.

During the period 01 July 2011 to 30 June 2012 financial year, skills development was afforded to the following occupational categories:

OCCUPATIONAL INJURIES	NUMBER OF EMPLOYEES TRAINED
Councillors	21
Directors and Corporate Managers	9
Professionals	16
Technicians & Trade Workers	39
Community and Personal Service Workers	2
Clerical and Administrative Workers	29
Machine Operators and Drivers	23
Labourers	23
<b>TOTAL</b>	<b>166</b>

The approved budget for 2011/2012 was R 954 047.00 for Councillors, Officials and Subsistence and Travelling. During the 2011/2012 financial year an additional amount of R 432 617.00 was added on the training vote, totaling

R1 386 664.00. The amount spent in 2011/2012 financial year on actual training is R 1 181 164.83 with a balance of R190 955.70

The 2011/2012 Annual Training Report and the 2012/2013 Workplace Skills Plan was approved by the Training Committee at its meeting held on 28 June 2012 and was successfully submitted to LGSETA by the deadline of 30 June 2012. Levy grants totaling an amount of R432 617 were received from LGSETA for the period 2011/2012.

QUALIFICATION PROFILE 2010/11									
OCCUPATIONAL CATEGORIES	BELOW NQF 1	NQF 1	NQF 2	NQF 3	NQF 4	NQF 5	NQF 6	NQF 7	NQF 8
Councillors			2	3	9	10	9	6	
Directors & Corporate Managers						2	5	5	1
Professionals				1	4	2	16	2	
Technician & Trade Workers	5		2	3	13	7	17	1	
Community & Personal Service					1	2	2		
Clerical & Administrative			1	3	39	17	14		
Machine Operators & Drivers	26	7			14				
Labourers	38	6			24				

Total number of employees with an NQF Level 1 and below	53
Employees with and NQF Level 1 and below as a % of total employees	17.21%
Total number of employees with an NQF Level 2, 3 and 4	76
Employees with and NQF Level 2,3 and 4 as a % of total employees	24.68%
Total number of employees with an NQF Level 5 and above	93
Employees with and NQF Level 5 and above as a % of total employees	30.19%

## BURSARIES

The budget for bursaries for 2011/2012 financial year was approved by Council on 04 May 2011. The following were bursary holders during 2011/2012:

BURSARY TYPE	NUMBER AWARDED	BUDGET FOR 2011/2012	AMOUNT SPENT IN 2011/2012
Officials	7 existing bursary holders	R 150 282.00	R30 819.85
Dependants	2 existing bursary holders	R188 181.00	R69 111.84
External Bursaries	1 bursary	R53 000.00	R8 926.82

During the 2011/2012 financial year no new bursaries were awarded. In 2011/2012, 6 Officials, 1 Dependant completed their studies.

## BY GENDER

BURSARY TYPE	NUMBER AWARDED	GENDER
Officials	6	Female
	1	Male
Dependants	2	Females
External Bursaries	1	Male

## BY RACE GROUP

BURSARY TYPE	NUMBER AWARDED	RACE
Officials	2	Indian
	4	African
	1	White
Dependants	1	Indian
	1	African
External	1	African

### OFFICIAL BURSARIES

The municipality is paying 100% towards the Officials tuition fees, textbooks and notes and Officials are studying part-time.

### DEPENDANTS BURSARIES

The Municipality is paying 70% towards their tuition fees, accommodation, textbooks and notes.

### EXTERNAL BURSARIES

### NATIONAL DIPLOMA IN CIVIL ENGINEERING

The Municipality has awarded 1 student with 100% external bursaries towards their tuition fees, accommodation, textbooks and meals. The student is studying towards his National Diploma in Civil Engineering and is currently on his in-service training with the Municipality during the academic year.

### LEARNERSHIP/ PROGRAMMES

#### CERTIFICATE:

#### LOCAL GOVERNMENT ACCOUNTING NQF3

The Department of Local Government and Traditional Affairs in partnership with the Local Government Sector of Education and Training Authority (LGSETA) and the Association of Accounting Technicians (South Africa, AAT (SA) has delivered a brand new qualification called Local Government Accounting Certificate Programme. The qualification is a financial qualification at NQF3 that is recognized by both LGSETA and FASSET (the Seta for Finance, Accounting, Management Consulting and Other Financial Services) and leads

towards professional body membership of AAT (SA). The qualification is also internationally recognized and forms the first step in a pathway leading towards a financial management qualification.

uThungulu District Municipality had 4 Officials who were participating in this programme which commenced in November 2011 and ends in September 2012. The Learnership was funded by Local Government Sector of Education & Training Authority (LGSETA).

### OCCUPATIONAL DIRECTED EDUCATION & TRAINING LEARNERSHIP NQF5

LGSETA in partnership with Durban University of Technology has delivered the Occupational Directed Education & Training Learnership at NQF5 for all municipal Skills Development Facilitators. uThungulu District Municipality has 1 Official participating in this learnership which commenced in October 2010 and ended in August 2011. The Learnership is funded by Local Government SETA. The Official who has participated in this programme has been deemed competent and will be graduating in September 2012

### NATIONAL CERTIFICATE: WATER & WASTEWATER TREATMENT PROCESS OPERATIONS NQF3

The Department of Water Affairs in partnership with LGSETA and The Water Academy has delivered a National Certificate in Water & Wastewater Treatment Process Operations at NQF3 in order to assist employers to comply with the Regulations under the Water Services Act (Act No. 108 of 1997) aimed at ensuring that no unqualified person will be allowed to operate water supply system or waterworks.

uThungulu District Municipality had 8 Officials participating in this learnership and ended up with 7 Officials as one passed away during the course of the programme. The programme commenced in June 2011 and ended in May 2012. In June 2012 results were received and all Officials were deemed competent. uThungulu District Municipality is still waiting for the date of graduation from LGSETA and the Water Academy. The Learnership is funded by Local Government SETA & Department of Water Affairs.

### EXECUTIVE LEADERSHIP MUNICIPAL DEVELOPMENT PROGRAMME

uThungulu District Municipality has 7 Councillors participating in this programme and it is pitched at NQF6. The programme is funded by the Municipality and commenced in April 2012, ending in October 2012.

### THUTHUKA MUNICIPALITIES PROJECT

National Skills Fund (NSF) of the Department of Higher Education and Training has funded South African Institute of Chartered Accountants (SAICA) to implement the Thuthuka Municipalities Project (TMP).

15 Unemployed learners have been appointed and uThungulu District Municipality will host 5 of the learners in order for them to gain experience in the Finance Department of the municipality. Out of 5 unemployed learners in our municipality 2 have terminated their contracts and have found other job opportunities in other companies, of the remaining 3, 1 is in Expenditure Section, 1 in Budget Section and 1 in Revenue Section. The other 10 have been allocated to uMhlathuze, Ntambanana and uMlalazi Municipalities. During 2011/2012 Uthungulu District Municipality has also taken 2 unemployed learners that were placed at Ntambanana Municipality to work in our Expenditure Section in or-

der for them to gain more experience.

On the 01 August 2011 they will be joined by 15 employed finance officials from our municipality and locals. uThungulu District Municipality had 4 employed finance officials. The programme was a 10 months skills programme in Municipal Financial Management with 10 units' standards. The programme was completed in May 2012. Learners are currently being assessed on their Portfolios of Evidence.

### MUNICIPAL REGULATIONS ON MINIMUM COMPETENCY LEVELS

Wits Business School has been facilitating the Certificate Programme in Management Development for Municipal Finance. The training material has been validated by National Treasury. The training is part of support provided by the National Treasury towards capacity building in line with accredited training offered on the basis of NQF registered unit standards and competency prescriptions of the National Treasury. uThungulu District Municipality has 6 Officials who have already undergone this programme and completed it. 1 Official is currently completing his 4 last modules with Wits Business School.

### Summary Of Outstanding Positions As At 30 June 2012

ANNUAL REPORT: - 2011/2012		
1	Employee Totals, Turnover & Vacancies	Employee Totals as at 30 June 2012: <b>268</b>
		Turnover Positions: 44
		Non-Turnover Positions: 57
		Total Vacancies: 101
		Total approved posts on salary budget: 369
2	Vacancy rate based on the total approved posts	27.37% = (101 vacancies / 369 posts *100)
3	Number as well as % of critical posts filled	81% critical posts filled 29 posts filled (7 posts vacant )
4	Turn-over rate based on the total number of employees occupied posts at the beginning of the year	Employee Totals as at 31.12.2011: 275
		Turnover Positions:34
		Non-Turnover Positions: 57
		Total Vacancies: 91
		Total approved posts on salary budget: 369
	Turnover rate: 12.36%	
5	Overall on the vacancies and turnover.	Appointments were on hold effective 01 August 2011 pending finalization of the migration from TASK Positions to Patterson and absorption of temporary employees. Recruitment commence 01 July 2012.



## MANPOWER TURNOVER REPORT

**Turnover Positions 2011/2012 - 21** (positions which are vacant due to resignations, retirements, disciplinary actions and death)

**Non-Turnover Positions 2011/2012 - 45** (new budgeted positions.)

## GRIEVANCE / DISCIPLINARY REPORT:

Below is a table reflecting the number of suspensions from 01 July 2011- 30 June 2012.

### Suspension Statistics

RACE/GROUP	DEPARTMENT	NATURE	DATE OF HEARING	SUSPENSION	OUTCOME/ SANCTION
Indian Female	Admin	Unauthorized entries into Council's Electronic Leave System (Payday)	04 November 2011	Yes (19 August 2011)	Dismissed
White Male	Technical	Staff Abuse	07 September 2011	Yes (10 August 2011)	Dismissed
African Male	Finance	Financial irregularity		Yes (06 Feb 2011)	Pending
African Female	Finance	Misappropriation of funds	06 June 2012	06 Feb 2012	Awaiting Sanction and Finding
African Male	Technical	Failure to execute duties; Dereliction of duties; Refusal to take instruction; Desertion.	24 May 2012	17 April 2012	Final Written Warning

### Disciplinary Statistics

RACE/GROUP	DEPARTMENT	NATURE	DATE OF HEARING	SUSPENSION	OUTCOME/ SANCTION
African Male	Technical	Abusive Language	Never sat	N/A	Withdrawn
African Female	Finance	Gross negligence; desertion; dishonesty	19 August 2011	N / A	Dismissed
White Male	Technical	Staff Abuse/ ill treatment	07 September 2011	Yes	Dismissed
African Male	Technical	Dishonesty/ Corruption	26 September 2011	No	Not Guilty
Indian Female	Admin	Unauthorized entries into Council's Electronic Leave System (Payday)	04 November 2011	Yes	Dismissed
African Male	Technical	Misappropriation of funds	06 June 2012	06 February 2012	Awaiting Sanction and Finding
African Male	Technical	Failure to execute duties; Dereliction of duty; Refusal to follow instruction; Desertion.	24 May 2012	17 April 2012	Final Written Warning

**Grievance Statistics**

RACE/GROUP	DEPARTMENT	NATURE	DATE OF HEARING	SUSPENSION	OUTCOME/SANCTION
African	Technical	Relationship with Supervisor	26 June 2011	Manager	Resolved
Indian Female	Planning	Telephone Policy	13 February 2012	MM	Resolved
African Male	Finance	Lateral Transfer	20 February 2012	N/A	Resolved

**Outstanding Disputes**

RACE/GROUP	DEPARTMENT	NATURE	DATE OF HEARING	STAGE	CASE NO.
White Male	Technical	Unfair treatment by the medical doctor	31 August 2011	Arbitration	KPD111107
Indian Female	Admin Services	Fraud/ Unauthorized access and payment of Leave days.	04 November 2011	Arbitration	KPD011204
SAMWU	N/A	Payment of overtime to employees above legislated threshold	N/A	Conciliation	Awaiting Notice of Set down.
SAMWU obo S Zulu	Finance	Interpretation / application of Collective Agreement	06 February 2012	Conciliation	061204
SALGBC	N/A	Non – Compliance with Clause 11 of the Salary and Wage Collective Agreement of 21 November 201	07 August 2012	Arbitration	C/HQ/ 10/217

**Outstanding Cases (Grievances)**

RACE/GROUP	DEPARTMENT	NATURE	DATE OF HEARING	LEVEL	OUTCOME/SANCTION
African Male	Technical	Unfair treatment by Medical Doctor	09 May 2012	HOD	Outcome communicated to Grievant
Indian Female	Finance	Non appointment to position	23 April 2012	MM	Not Resolved
Indian Female	Finance	Competency-based Assessment	14 May 2012	MM	Not Resolved
Female	Finance	Unfair Labour Practice	05 May 2012	MM	Not Resolved

**SECTION: INFORMATION TECHNOLOGY**

The Information Technology sub-section (IT) is responsible for the installation and maintenance of computerised hardware and software and as such, must act as an enabler for all the other departments within the uThungulu District Municipality to reach their objectives that are aligned with the approved IDP.

As the Municipality services an area of about 9,000 km<sup>2</sup>, IT strives to build an infrastructure for each of the departments operating at various locations within its jurisdiction. Since many of the areas are very rural and do not have the benefits of modern technology infrastructure it is challenging to provide services at high bandwidth. Currently IT uses the services provided by Telkom but is exploring other alternatives to improve service delivery.

There are currently fourteen remote sites throughout the district that are connected to our head office in Richards Bay.

Much of the ageing computer servers have been replaced during the past year and IT has been successful in the implementation of technologies such as virtualisation. This enables the implementation of several servers on one physical host.

In addition the operating systems have been updated to more resilient and reliable systems improving up-time. The resultant savings are significant enabling IT to divert these savings to other projects that it was not able to embrace before.

There are approximately 175 PC's (workstations), each installed with a variety of software ranging from financial applications to office automation. Several PC's run GIS and CAD applications in the technical department in order to plan and design water services provision for the district.

Are part of the coming year's upgrade programme, IT is planning replace the remaining legacy hardware with as much virtualisation as possible. Coupled with this are plans to replace aging software application systems.

These include the old Document Management Systems and other collaborative software. These new applications will springboard the municipality into a much more software friendly environment which will enable a much higher level of collaboration amongst municipal officials whether they are in and out of the office. Since the software is web-enabled, communication and sharing of information is possible from any location, provided that an Internet service is available.

## **SECTION: COMMUNITY DEVELOPMENT AND SOCIAL SERVICES**

The Community Services Directorate is responsible for the programmes that ensure the social development and wellbeing of the community. The IDP Strategy that is pursued and fulfilled through this directorate is that of People Empowerment. Various programmes and

projects are executed through this directorate in pursuit of the development objectives of the Municipality.

The key Municipal programmes that are undertaken under this directorate are the following:

### **1. ENVIRONMENTAL HEALTH**

Environmental health duties are carried out on an on-going basis and, for the year under review, they included: formal and informal food premises inspections, health surveillance of premises, awareness on health and hygiene, vector control inspections, and water quality monitoring.

#### **Routine Environmental health duties**

##### **Food premises inspections**

These inspections are part of the Food Control component, and are conducted in both formal and informal food premises. Their purpose is to ensure that all foods during handling, storage, processing, preparation and display for sale, are safe, wholesome and fit for human consumption. This entails, among others, the regular assessment of the structural, hygienic and sanitary conditions of food premises; equipment, appliances and other facilities used in the storage, processing and display of foodstuffs and, where applicable, the preparation of meals. It also entails the assessment of the health status and personal hygiene of the food handlers who are in direct contact with the foodstuffs.

- **Formal food premises inspections**

Structural, hygienic and sanitary conditions were satisfactory in most of the premises, as was the quality of the foodstuffs and other consumer products in stock; foodstuffs on shelves and in cold storage normally complied with sell-by dates; where it did not, it was removed in accordance with relevant legislation.

- **Informal food premises inspections**

These have their unique set of problems. What most of them have in common is that

very few operate from a structure which was designed for the purpose. Structural problems range from rusted internal parts of corrugated iron roofs, walls with fading paint, rough floor surfaces that facilitate the accumulation of dust to, sometimes, inadequate lighting and ventilation due to insufficient windows and light fittings.

There was nothing out of the ordinary as far as hygienic conditions were concerned.

#### Health surveillance of premises

- Health surveillance of premises is defined as the identification, monitoring and evaluation of health risks, nuisances and hazards and instituting remedial and preventive measures. It involves, among others:
- Identification, monitoring and control of overcrowding where applicable;
- Monitoring indoor air quality, ventilation, lighting and dampness and instituting remedial measures;
- Monitoring and control of sanitary and ablution facilities, etc.

Out of all the premises inspected, most were found to be in a satisfactory condition in terms of hygiene and sanitation. There are however some schools whose sanitary and ablution facilities were a complete health hazard. Lack of maintenance and the attitude of users make these a health risk.

#### Health care risk waste inspections

The above inspections were conducted on all health care risk waste-generating premises in and around the central business districts of the towns. All premises were in compliance in as far as segregation at source and storage in appropriate containers is concerned.

This then raised the question of how, in the case of Nkandla Hospital, medical waste was finding its way to the landfill site when inspections reveal that all protocol was being followed in the

management of this category of waste in the institution. The fault could possibly lie with the employees who are responsible for transferring the containers from the point of generation (various departments) to the refuse storage areas (for medical and general waste).

#### Vector control inspections

The above category of inspections are conducted on various categories of premises (residential, commercial/business, etc.) to ensure that these have pest control programmes in place to prevent the occurrence and spread of communicable diseases carried by vectors such as rodents, insects and other pests. Vectors are organisms which carry disease-causing micro-organisms (germs) on their bodies and which cause various communicable diseases, i.e. diseases which can be easily transferred from animals to humans, or from human to human.

These inspections were conducted on food premises and their purpose was to establish whether the premises had pest control programmes in place. Most premises were found to be compliant. Those that were found to have expired pest control certificates were warned and encouraged to comply.

#### Health education/promotion/awareness

##### Health and hygiene awareness

The above was conducted at certain schools. The purpose of the programme was to raise awareness among the staff and learners about the role of health and hygiene in breaking the chain of disease. Topics included the importance of personal hygiene, Environmental hygiene and, more specifically, the importance of the hygienic use and sanitary maintenance of sanitary facilities.

## 2. AIR QUALITY MANAGEMENT

This is a new function that has been allocated to the District Municipalities in terms of the Air Quality Act of 2004 (Act 39 of 2004). In compliance with the Act, the District Municipality has appointed an Air Quality Officer as prescribed in Section 14(3).

During the year under review, the Framework for Atmospheric Emission Licence processing was approved by the Council. The uThungulu District Municipality received a number of Atmospheric Emission Licence applications from industries that operate listed activities as set out in Section 21 of National Air Quality Management Act, (Act No. 39 of 2004).

The processing of applications is continuing. The applications that were processed and finalized during the period under review are as follows:

Richards Bay Coal Terminal	Mineral Processing, Storage and Handling	Received, Reviewed, site visit conducted	Licence issued on the 10/11/2011	Complete
Tata Steel KZN	Metallurgical Industry and Mineral Processing, Storage and Handling	Received, Reviewed, site visit conducted	Licence issued on the 17/01/2012	Complete
Transnet Port Terminals	Mineral Processing, Storage and Handling	Received, Reviewed, site visit conducted	Licence issued on the 22/03/2012	Complete
Grindrod Terminals	Mineral Processing, Storage and Handling	Received, Reviewed, site visit conducted	Licence issued on the 19/03/2012	Complete

Among the most important projects lying ahead under this programme are:

The development and implementation of an Air Quality Management Plan and the establishment of Air Quality Monitoring Network.

### 3. DISASTER MANAGEMENT

The municipality has an operational Disaster Management Centre as prescribed in the Disaster Management Act and in the National Disaster Management Framework.

The Disaster Centre's main task is risk management which entails identification of risks and strategies to mitigate the risks. The four key elements of the function are: prevention, preparation, response and recovery.

During the year under review, the Municipality appointed a Service Provider to do a review of the Municipality's Disaster Plan. The final draft was submitted to the Municipality in May 2012.

#### Fire Fighting

The most common form of disasters affecting the district were as a result of runaway fires. Most runaway fires occur during the dry season. They generally occur during the months of July, August, and September. During the month of July 2011, 152 fire incidents were reported and responded to by the various Fire Units within the District.

The Disaster Management staff therefore had to constantly engage communities, educating them on the dangers of runaway fires and the importance of fire-breaks and how to form them. During the months of July, August, and September the Disaster Management Centre conducted fire and disaster awareness campaigns in Mthonjaneni and Ntambanana Municipalities.

### 4. PROGRAMMES FOR THE MARGINALIZED GROUPS

Included here are all the programmes targeted at and benefitting women, youth, disabled people, senior citizens, orphaned and vulnerable children.

#### 4.1 Gender Equality Programme

During the year in question, the Municipality continued to be involved in advancing gender equality programmes. The month of August, being Women's Month, saw many activities towards empowering women. The Women's Day was celebrated at the uMhlathuze Municipality Auditorium where women of the district converged to receive words of encouragement from other women who have



broken through the glass ceiling in the various aspects of life.

Also as part of the gender equality programme, the uThungulu District Municipality in partnership with the Department of Sport and Recreation, hosted the 16 Days of Activism Campaign and Gender Based Violence Dialogue on the 8th of December 2011 in the Council Chamber at the uThungulu District Municipality. On this day presentations were made by delegates from various organizations. Among the organizations that presented papers were SAPS, Dept. of Social Development, Dept. of Community Safety and Liaison, Widowed Women of South Africa, Lifeline, Disabled People South Africa, and Dept. of Sport and Recreation.

The theme for 2011 was "From Peace in the Home, To Peace in the World: Let's Challenge Militarism and End Violence Against Women".

#### 4.2 Children's Rights Programme

Malnutrition, rape, domestic violence, and child-headed families are some of the challenges the municipality seeks to overcome when promoting the wellbeing of children.

The District Child Abuse Awareness Day was held on 07 June 2012 at the uThungulu District Municipality Council Chambers. The Child Abuse Awareness Day was held as part of the activities of the Child Protection Week.

The National theme for 2012 Child Protection Week was "Working Together to Protect Children". The Child Abuse Awareness Day was a successful information-sharing session. The active involvement of stakeholders present in this event was highly appreciated.

As part of the efforts to advance the rights of the children, the Municipality has a project to provide school uniforms to needy children. More than ninety children benefited from this

project during the 2011/2012 financial year.

#### 4.3 Senior Citizen's Programme

The municipality attaches much importance to the contribution that is made by the elderly in the upkeep of families. In this regard, the municipality seeks to maintain a well functioning Senior Citizens Forum.

##### Senior Citizens Parliament

During the 2011/2012 financial year, the Municipality participated in all the provincially initiated programmes to benefit the Senior Citizens. One such programme was the Provincial Senior Citizens Parliament that was hosted by uThungulu at uMlalazi from 28 to 30 September 2011. The Senior Citizens Parliament culminated with the commemoration of the International Day for Senior Citizens that was held on 1 October 2011. Various issues affecting Senior Citizens were discussed at these sittings and resolutions taken on what needed to be done to benefit the elderly. All District Municipalities were well represented.

The theme of the debate was "*Human Rights do not stop at 60*".

##### Golden Games

The uThungulu District Municipality also participated in the Golden Games that were held at the uMsunduze Municipality in the uMgungundlovu District. uThungulu District Municipality did well in the games, achieving 2nd position overall.

##### Senior Citizens Christmas Party

In honouring the Senior Citizens of uThungulu District Municipality, the Honourable Mayor, Cllr TVB Mchunu hosted the Senior Citizens Christmas Party on the 16th of December 2011. Amongst the Senior Citizens who attended the function were two special Senior Citizens who shared with those present, their secret for enjoying a long life. They were Gogo Msithezi (111-years old) and Gogo Mthiyane (100-years old). They

pointed out that they have lived this long because they respected their parents and people in general. Gogo Msithezi who is 111 years, also mentioned that the type of food they were eating is unlike what we eat these days.

#### **Health Awareness Day**

The Senior Citizens Health Awareness Day was held on 12 April 2012 in the Municipality's Council Chamber. The main purpose of the Health Awareness day was to educate, impart information, and make Senior Citizens knowledgeable about chronic diseases, HIV/AIDS, Alzheimers/Dementia, Cataracts, and the benefits of exercising.

#### **4.4 Mandela Day and Freedom Day**

On both of these days of national importance, the Municipality reached out to the vulnerable groups of people within the municipality and offered various forms of assistance. Food parcels were distributed to the needy.

#### **4.5 Programmes for People with disabilities**

Various projects, as identified thorough the Disability Forum, were undertaken to benefit disabled people. Workshops to create awareness and develop sensitivity regarding disability issues were held.

#### **Disability Parliament**

The Disability Parliament organized by the KZN Legislature was held at uPhongolo Municipality under the Zululand District Municipality. The sitting culminated with the commemoration of the International Day for People with Disabilities held on the 3rd of December 2010. uThungulu District Municipality provided transport for its delegates. Accommodation was provided by the KZN Legislature.

The theme of the debate during the Disability Parliament was: *"Together for a better South Africa for all: People with Disabilities*

*as equal participants in development"*

#### **Disability Summit**

During the month of May 2012, the Municipality held a two-day Summit for Disabled People. The major achievement of the Summit was the crafting and finalization of a five year disability plan for the District.

#### **5. YOUTH DEVELOPMENT PROGRAMMES**

The Youth Summit was held from 28 – 29 June 2012. At this summit, the Youth crafted a programme for the year ahead. An interim Youth Leadership was elected and charged with a responsibility to draft the Terms of Reference and Constitution of the uThungulu Youth structure.

#### **6. SPORT AND RECREATION PROGRAMME**

The District Elimination Games and the SALGA KZN Games remain the major sporting events of the municipality.

The games play a crucial role in the development of the youth within the district and province. Over the years, through these games, young talent has been unearthed and nurtured whilst giving exposure to athletes as they represent their Municipalities in different sporting codes.

The District Elimination Games were held on 8 October 2011 where teams to represent uThungulu at the SALGA KZN Games were selected.

uThungulu District Municipality proceeded to participate at the SALGA KZN Games that were hosted by the eThekweni Metro and performed well.

Out of the 10 districts and one metro which competed in the Games, uThungulu achieved 2nd position. The district received medals in the following codes:

CODE	MEDAL
Boxing	Gold
Rugby - Females	Silver
Netball - Females	Silver

CODE	MEDAL
Netball - Men	Silver
Swimming	Bronze
Karate	Bronze
Indigenous Games	Bronze

Overall Winners:

1st Position - Ethekewini Metro

2nd Position - uThungulu District Municipality

3rd Position - uMgungundlovu District Municipality

## 7. HIV AND AIDS PROGRAMME

The leading structure in the fight against HIV/AIDS in the Municipality is the District Aids Council (DAC). The DAC is chaired by the Mayor and holds its meetings quarterly.



## World Aids Day

Amongst the projects coordinated through the DAC during the year under review was the World Aids Day which was held on 01 December 2011 at Nkandla Municipality. Observation of this day provided an opportunity for government, non-government organizations, churches, community organizations and individuals to demonstrate the importance of the fight against HIV and AIDS.

The 2011 World Aids Day Campaign sought to achieve the following objectives:

- Act as a launch pad for the National Strategic Plan on HIV and AIDS and TB (2012 – 2016);
- Demonstrate policy in action through showcasing Government's commitment in tackling poverty, health and social needs, etc ;
- Intensify and sustain the provision of HIV Counseling and Testing (HCT) and health screening services for TB and other non-communicable diseases;
- Promote greater public awareness and participation in accessing essential services provided by Government Departments and civil society sectors;
- Provide a platform for Government Departments and civil society sectors to render essential services to communities; and
- Encourage Greater Involvement of People Living with HIV and AIDs (PLWHA) in addressing issues of stigma and discrimination.

The Global theme for World AIDS Day 2011 was: *"Getting to Zero"*.

***Zero New HIV Infections, Zero Discrimination and Zero AIDS-Related Deaths.***

## Male Medical Circumcision

Another anti-AIDS initiative supported by the Municipality was the male medical circumcision campaign that was held on 07 and 08 January 2012 at Esikhawini FET College and at Catherine Booth Hospital in uMlalazi. In this campaign, the Municipality was partnering with the Department of Health. A total of 138 men were circumcised during this initiative.

### **Food Parcels**

Whilst involved in the campaigns to contain the spread of HIV/AIDS, the Municipality continued with its interventions to assist vulnerable families, specifically the Child-headed households. Food parcels were distributed to vulnerable households as a short term solution towards warding off starvation.



### **8. OPERATION SUKUMA SAKHE**

During the year under review, the Operation Sukuma Sakhe Programme was introduced in the Municipality. The Programme is coordinated from the KZN Premier's Office. It is a derivation and improvement on what is known as the Flagship Programme. Operation Sukuma Sakhe seeks to fight poverty, fight disease (in particular HIV, AIDS and TB) and institute food security in the communities. It is a programme geared at rebuilding the lives of communities afflicted by various social ills. It seeks to empower communities, and instill behavioural change amongst the citizens of the province.

One of the key initiatives under Operation Sukuma Sakhe is the establishment of War Rooms in the wards of the Local Municipalities. During the year under review, uThungulu District Municipality took great strides towards the establishment of the War Rooms; more than 70% of the municipal wards managed to establish War Rooms.

The process is continuing and we anticipate an improvement in the operations of War Rooms in discussing and coming up with solutions on issues affecting the community within the ward.

### **9. SAFETY AND SECURITY**

One of the responsibilities of uThungulu District Municipality is to contribute towards the reduction of crime within its area of jurisdiction. This has much to do with the developmental role of Local Government as prescribed in the constitution.

During the year under review, a Crime Awareness Campaign was conducted in the Dondolo area of Matshana, ward 24 of uMhlathuze Municipality. The decision to conduct a Crime Awareness Campaign in the Dondolo area was arrived at after consultation with the Cluster Office of the SAPS at Empangeni. The Cluster Office identified the Matshana area as one of the top three crime hot-spots in the uThungulu area. More than 500 people attended the event. The crime awareness campaign at Dondolo was indeed a success.



## Chapter 5: *Financial Performance*



Chief Financial Officer  
Cheryl Reddy

The Finance Department is headed by the Chief Financial Officer.

The overall objectives of the Financial Services department are:

- The Management of Municipal Revenues
- Preparation of Annual Financial Statements
- The Management of Supply Chain Management
- The Management of Municipal Expenditure
- The Management of Municipal Assets
- The Management of Financial Municipal Reporting
- The Management of Municipal Budgets

Below are the summaries for each section highlighting the pertinent components of the sections as well as their achievements:

### **SECTION: REVENUE**

With an active debtor database of 28 523 debtors (25 508- 2011) the Revenue Section is tasked with ensuring that all consumed services are billed for and payment therefor is received.

To serve our customers more efficiently fully operational satellite offices are situated at Nkandla, Melmoth, Eshowe, Gingindlovu, Mtunzini and Mfolozi. Their purpose is to provide convenient access to the residents of the entire District who wish to pay an account or make enquiries about municipal services.

In addition to the fixed offices we also service our rural communities by having a dedicated official who travels to each community identifying their needs and addressing any issues they may have.

Regular meetings are held with the Amakoshi, Induna's, Ward Councillors and other community elected members of leadership, wherein matters pertaining to future developments, issues with water supply and quality and financial matters are discussed. Matters that arise at these meetings are addressed in conjunction with our technical department.



Working together with the Technical Department and Community Development Officers the Revenue Section plays a crucial role in ensuring that not only do we meet our strategic objectives of providing potable water and safe sanitation to all but we also maintain long term financial sustainability.

The worldwide economic recession has unfortunately not spared our consumers; many of them became victims of poverty and unemployment. This has harshly affected our revenue collections for services as many of our residents are unable to meet their financial obligations.

Taking cognisance of the plight of the poor we have made concerted efforts in promoting our indigent policy which is aimed at providing free and subsidized services to our poor residents. The increase in the number of indigent debtors over the past financial year from 400 to 1400 (250 % increase) is testimony to our drive in reaching out to our consumers, especially those in need. This feat has been accomplished with only one dedicated indigent officer who in addition to promoting the policy with the aim of attracting future indigents, has to also monitor current indigents ensuring compliance with the conditions of the policy.

Furthermore the reliance and support given to administration by the ward councillors in this process has indeed contributed to this success.

We have conceptualized an innovative process where our head office staff move out of the conventional office environment and taken to set up temporary offices within the various suburbs that we service.

These sessions, which are held over weekends, have proved to be a tremendous success as not only were we able to address client queries, register indigents and facilitate arrear payments, but we have also displayed to our clients that we are indeed committed to customer service excellence.

Prior to the commencement of the financial year we had agreed to host 12 revenue workshops for the year, and thanks to our loyal and dedicated staff we achieved 25 workshops.

Furthermore, with the assistance of ward Councillors our staff have visited frail customers at their homes and assisted with the application of indigent processes.

The table below reflects the workshops held in the past financial year:

#### Workshops held 2011/2012

No.	AREA/DEBTOR	DATE
1	Thubalethu	08 September 2011
2	Slovo	20 September 2011
3	Nzalabantu	11th, 18th & 25th September 2011
4	Kwambonambi	29 September 2011
5	Eshowe Government visits	30 September 2011
6	Kingdizulu	15 November 2011
7	Melmoth Town	7 December 2011
8	Nzalabantu	11 December 2011
9	Mzingazi	11 December 2011
10	Thubalethu	3 / 7 February 2012
11	Fort Louis	27 February 2012
12	Kwamagwaza	10 March 2012
13	Melmoth Town	10 March 2012
14	Nkandla	17 March 2012
15	Eshowe Town	11 March 2012
16	Kingdizulu	17 March 2012
17	Slovo	19 May 2012
18	Kwambonambi	19 May 2012
19	KDZ	26 May 2012
20	Nzalabantu	26 May 2012
21	Sabokwe	26 May 2012
22	Eshowe – Mpushi	02 June 2012
23	Eshowe Sunnydale	02 June 2012
24	Khondweni Area	09 June 2012
25	Mtunzini	23 June 2012

In addition to the billing and collections for water and sanitation services the department is also responsible for the billing and credit control component for the regional solid waste site and regional cemetery.

#### Tariffs

Taking cognisance of the high poverty levels of the

District, recovery of full costs for services through appropriate tariff structures becomes a challenge, as our services would become unaffordable. We therefore rely on government grants to subsidise our service costs, however we have acknowledged that we cannot become complacent and rely purely on government grants.

In this regard the setting of tariffs has become a very analytical process whereby we have to find equilibrium between cost recovery and the financial needs of our residents. Attention must be drawn to the fact that tariffs at present are not fully cost reflective across all services and this situation is not sustainable.

Mechanisms must be implemented in the short term to reduce expenditure and increase tariff above inflationary targets. However understanding that either solution has severe consequences, Council is placed with the challenge of ensuring its own financial viability without jeopardizing the livelihoods of our consumers. In light of the above water tariffs increased over the past three financial years as indicated below and with specific reference to the 2012 inflationary tariff increase guided by National treasury.

**Tariff Increases for water last three (3) years**

	2012	2011	2010
Water	5.40%	10%	10%



**Future Revenue Generation Initiatives**

In an effort to reduce costs of service delivery and improve collections, we have explored the use of prepaid metering systems. Working together with our Technical Department we have researched an array of innovative technologies available and are currently in the process of applying the competitive bidding process so as to invite prospective suppliers of the said prepaid meters / water management devices.

These systems allow consumers to enjoy the full benefit of the free monthly water allocations and have the freedom to purchase additional units of water as and when required by the household.

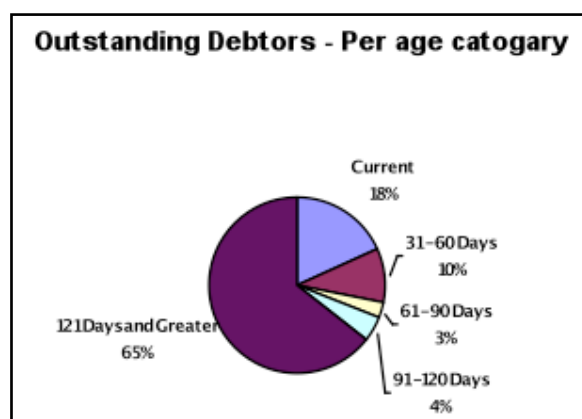
Having recognized that a considerable portion of the arrears owed by our poor are as a result of leaking infrastructure, Council approved, per resolution UDMC: 478, the establishment of a leak management team, which will aid Indigent Consumers with leaks within their properties. This action will prevent high invoices caused by leaks and at the same time will conserve our precious but limited resource – water.

Having researched the benefits of incentives offered to consumers at other institutions, we have recognized the need to formulate our own incentives to reward consumers for full and early payments. It is envisaged that a process in this regard will be adopted in the new financial year. Council has an adopted incentive policy aimed at assisting consumers with arrear debts. Although the benefits are lucrative and the policy is promoted through our revenue workshops, the willingness of consumers to participate is not forthcoming.

The tables and graphs below depict the financial position of the revenue section as compared to the previous year.

## Outstanding Debtors

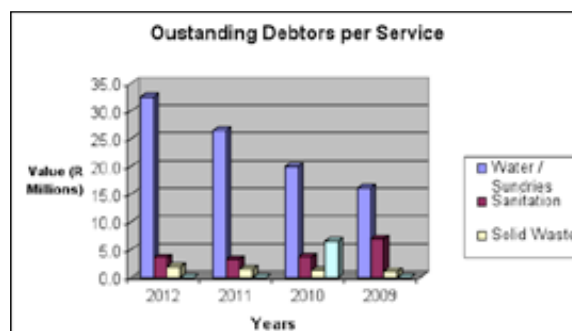
	2012		2011	
	R 000'	%	R 000'	%
Current	6.8	18.0	6.5	20.8
31 - 60 Days	3.9	10.0	2.9	9.3
61 - 90 Days	1.0	3.0	1.8	5.7
91 -120 Days	1.7	4.0	1.5	4.8
121 Days and Greater	24.6	65.0	18.6	59.4
	38.1	100	31.3	100



## Age Analysis per Service

DEBTORS	2012	2011	2010	2009
Water / Sundries	32.6	26.6	20	16
Sanitation	3.6	3.2	3.7	7
Solid Waste	2.0	1.5	1.3	1
Sundry	0.0	0	6.6	0
	38.1	31.3	31.6	24.0

The most significant increase in debts emanates from water services. The increase in the number of debtors over the past year by 3015 comprises debtors primarily from rural water schemes. Collections from this category of debtors are problematic and pose costly logistical issues. We have utilized the services of community members for the reading of water meters and statement deliveries and although this approach has reduced some of the credit control costs we still need to explore further avenues to reduce costs further and improve collections. In this regard the prepaid water meter / water management devices are currently being investigated.



## Actual collections against pre-determined targeted collections

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Target Collection	65%	68%	70%	75%
Actual Collection	104%	87%	90%	103%

The targets as set for collection have been determined with due consideration to past revenue collection trends and the poverty levels of our consumers both in urban areas and rural areas. The average uncollectible debts of 10% are testimony to the efforts of the leadership, ward councillors and administration. In instances where debt recovery cannot be accomplished through internal mechanisms, external assistance is sought eg. Legal action, however such actions are subject to a cost vs benefit analysis and in many instances legal actions prove to be a further unrecoverable cost for Council.

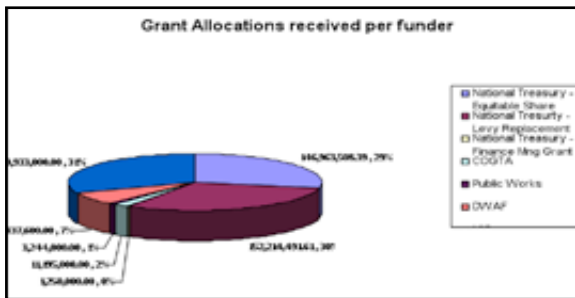
The total revenue as reflected in the 2011/2012 Statement of Financial performance is R 617 025 832 (2010/2011 R465 022 940); this comprises National and Provincial grants, trading and non trading revenue.

## Grants and Subsidies

Grant allocations to the value of R 511 237 600 were received from various funders during the 2011/2012 financial year. The allocations comprised R 212 059 602 conditional grants and R 299 177 998 unconditional grants. Of the total allocations received to date an amount of R 533 234 090 was spent during the year. Included in the annual allocation is an amount of R 152 214 491, being a levy replacement grant. This grant is an interim measure to maintain the financial viability of District Municipalities until the national fiscus has de-

terminated an alternate mechanism to generate internal revenue.

The graph below depicts the different funding received during the year from various governmental stakeholders:



**Debtors**

A contentious issue attracting considerable publicity in the past year was the amount of debts owed to South African Municipalities.

Collection of municipal debts has always been a challenging task with consideration to the fact that 80% of our residents are rural and poverty stricken. Adding further challenges is the slow recovery from the worldwide recession that has rendered many of our residents in a less favorable financial position.

In the year under review Council approved that all arrear debts owed by registered indigents as at February 2012 be written off. The value of debts written off amounted to R 3 844 283 inclusive of vat per Council resolution UDMC: 478 This resolution has lessened the burdens of poor residents and ceased all further debts recovery costs from these consumers who were unable to pay for services.

Council also approved the installation of prepaid water meters for all debtors who benefited from the write off, thus assisting them from incurring further debts, however giving them the control to manage their municipal obligations and water usage. The table below depicts the value and number of debts written off per area:

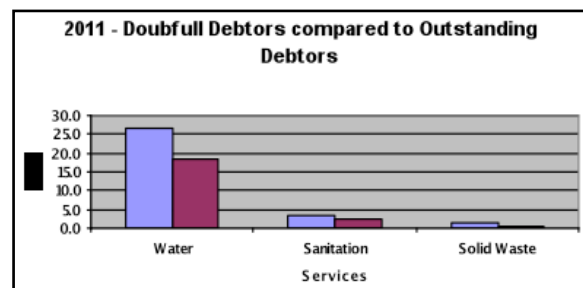
**Debts written off 2011/2012**

AREA	DEBTS OF REGISTERED INDIGENTS	NUMER OF ACCOUNTS
Gingindlovu	167 347.34	88
Eshowe	200 199.98	157
Kingdizulu	468,661.00	185
Melmoth	40,082.87	11
Thubalethu	1 507 769.68	446
Kwamagwaza	4 475.03	5
Nkandla	1 390 032.98	390
Slovo	10 007.00	15
Sabokwe	55 349.64	105
Mahlayizeni	358.20	1
<b>Total</b>	<b>3 844 283.72</b>	<b>1402</b>

The total provision for doubtful debts amounted to 66% of consumer debtors in 2012. (67 % 2011).

**Doubtful Debts as compared to total debtors per service**

	2012		2011	
	Debtors	Doubtful	Debtors	Doubtful
Water	32.6	21.6	26.6	18.4
Sanitation	3.6	2.7	3.2	2.2
Solid Waste	2.0	1.0	1.5	0.6
	<b>38.1</b>	<b>25.3</b>	<b>31.3</b>	<b>21.1</b>

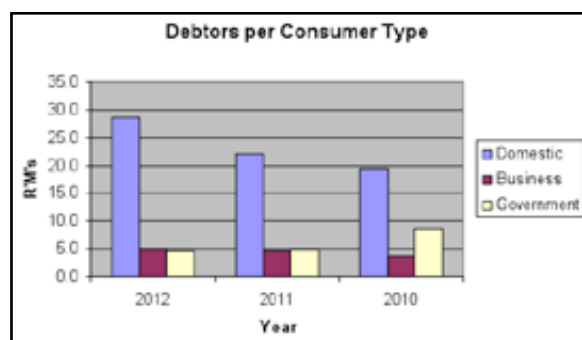


It is noted that in 2012 outstanding government debt constituted 11.8% of the total outstanding debtors (15.3% -2011). Assistance from the office of the Mayor, the MEC Provincial Treasury and National Treasury has been forthcoming in this regard, and it is envisaged that with their interventions we would be able to curb arrear government debts from increasing.

### Debtors per Consumer Type

	2012		2011	
<b>Domestic</b>	28.7	22.1	19.5	18.4
<b>Business</b>	5.0	4.5	3.7	2.2
<b>Government</b>	4.5	4.8	8.5	0.6
	<b>38.1</b>	<b>31.3</b>	<b>31.6</b>	<b>21.1</b>

The significant increase in the domestic sector is due to the additional rural consumers where debt collections are problematic and costly for Council.



### INVESTMENTS, CASH FLOWS AND BORROWINGS

The approved investment policy regulates all investments placed during the financial year. The policy is aimed at gaining optimum return on investments without incurring undue risks. The effectiveness of the investment policy is dependant on the accuracy of the municipality's cash management, which must identify surplus amounts to be invested and when those funds will be needed by the municipality's operations. All investments are made with institutions which comply with the Banks acts, 1990 (ACT No.94 of 1990).

The value of invested funds at any point is purely as a result of a cashflow analysis whereby the expenditure and receipts of funds are analysed so as to utilize funds in generating interest income. It must be noted that the value of investments does unfortunately not constitute as surplus funds as at all times the cash holdings are in lieu of certain reserves.

The approved borrowing policy regulates all loans taken up by the municipality. In the past financial year no new loans were entered into. As at 30 June 2012,

Council's total loan obligation was R113 911 221. Loan repayment to the value of R7 089 991 were made during the year.

The table below reflects all investments held as at the 30th of June 2012

### Schedule of Investments

FINANCIAL INSTITUTION	MATURITY DATE	INVESTMENT AMOUNT
Nedbank	Call	20 000 000.00
Nedbank	06 August 2012	10 000 000.00
Standard Bank	09 July 2012	25 000 000.00
Standard Bank	17 July 2012	15 000 000.00
Standard Bank	21 August 2012	10 000 000.00
Standard Bank	30 August 2012	20 000 000.00
Standard Bank	10 September 2012	15 000 000.00
Investec	02 July 2012	10 000 000.00
Investec	06 July 2012	15 000 000.00
First National Bank	06 July 2012	20 000 000.00
First National Bank	27 July 2012	40 000 000.00
First National Bank	01 August 2012	10 000 000.00
First National Bank	08 August 2012	25 000 000.00
First National Bank	04 September 2012	15 000 000.00
First National Bank	13 July 2012	10 000 000.00
First National Bank	28 September 2012	20 000 000.00
	<b>Total</b>	<b>280 000 000.00</b>

### SECTION: MANAGEMENT ACCOUNTS

Compliance with all legislation applicable to local government and the compilation of fully GRAP-compliant financial statements has been a challenging task which has been overcome through the collective efforts of every department within the finance section.

All inputs are co-ordinated by the Management accounts section and such information ultimately forms the core of the Annual Financial Statements. Having achieved a record of 11 consecutive unqualified audits our primary focus is now on a clean audit, not just for 2014 but for 2014 and beyond.

The capacitating of staff, resulting in minimal external



inputs has minimized costs for the preparation of financial statements and furthermore given us the competitive edge by being a leading municipality in terms of compliance to regulatory and accounting standards.

We have since 2007 voluntarily subjected our financial records to an independent financial rating and as at our rating dated April 2012, the key findings of the rating expressed by Global Credit Rating Co. can be summarized as follows:

SECURITY CLASS	10/11 RATING	MEANING	07/08 RATING	08/09 RATING	09/10 RATING
Short Term	A1 -	Highest certainty of timely payment. Liquidity factors are strong and supported by good fundamental protection factors. Risk factors are very small.	A1 -	A1 -	A1-
Long Term	A -	High credit quality. Protection factors are good. However, risk factors are more variable and greater in A- periods of economic stress.	A-	A-	A-

- Short Term Debt Rating Scale – rates an organisation’s general unsecured credit worthiness over the short term (i.e. over a 12 month period). Such a rating provides an indication of the probability of default on any unsecured short term obligations, including commercial paper, bank borrowings.
- Long Term Debt Rating Scale – rates the probability of default on specific long term debt instruments over the life of the issue. It is possible that different issues by a single issuer could be accorded different ratings, depending on the underlying characteristics of each issue (e.g. is it a senior or subordinated debt instrument, is it secured or unsecured and, if secured, what is the nature of security).
- A Rating Outlook indicates the potential direction of a rated entity’s rating over the medium term, typically one to two years. It reflects financial or other trends that have not yet reached the level that would trigger a rating action, but which may do so if such trends continue.
- The outlook may be defined as being “Positive” (the rating symbol may be raised), “Negative” (the rating symbol may be lowered) or “Evolving” (the rating symbol may be raised or lowered). The latter is utilised where the fundamental trend has strong, conflicting elements of both positive and

negative. An outlook may be defined as “Stable” if there is nothing to suggest that the rating will change. An outlook is not necessarily a precursor of a rating change or future Rating Watch action.

The municipality has maintained its short and long term ratings; furthermore the municipality has received a positive rating outlook, which provides assurance to all our stakeholders that business transaction with this Municipality poses minimal risks.

**Key financial Ratios**

The following table depicts some of the key ratios which give a snap shot of the performance of the district municipality over the years.

RATIO	2011	2010	2009
Current ratio	1:6	1:8	1:7
Days cash on hand	327	239	366
Collection period days	113	161	90
Employee costs	22%	20%	26%
Borrowings increase/ decrease	30.3 mill	45 mill	1.5 mill
Debt coverage*			
Cost coverage*			

## SECTION: EXPENDITURE

The Expenditure Section is structured into several sub-sections so as to ensure that adequate focus is placed on every aspect i.e. stringently monitoring of payments so as to comply with the requirements of the MFMA, safekeeping and recording of Municipal's assets as well as the accurate and timeous payments of staff salaries.

The core vision of the expenditure section is (with very limited resources) to endeavor to settle payments timeously and ensure that payments are valid, accurate and in accordance with the statutory bodies such as SARS, National Treasury etc. The section also commits itself to pay the SMME's within the week of receipt of invoices, to assist the small businesses who are cash-strapped.

The challenges faced by the department is that of suppliers' inability to send statements on a monthly basis in order to enable the department to fully achieve the vision of timeous payments of creditors, however there are mechanisms that are being used to encourage this best business practice.

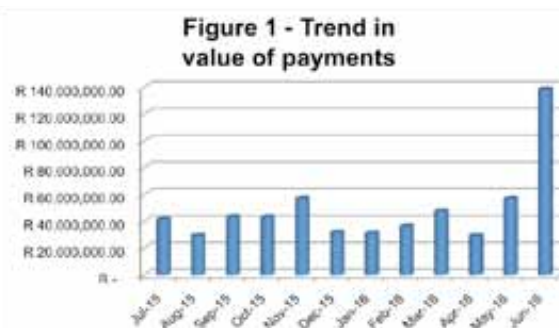
**Table 1** provides a concise overview of actual expenditure incurred during the year under review.

**Table 1:**

TOTAL EXPENDITURE FOR THE YEAR		
	PERIOD	VALUE OF PAYMENTS
<b>2011</b>	July	R 41,347,849.33
	Aug	R 29,454,268.88
	Sept	R 43,152,643.17
	Oct	R 43,031,061.81
	Nov	R 56,845,470.25
	Dec	R 31,624,925.48
<b>2012</b>	Jan	R 30,895,648.66
	Feb	R 36,097,006.89
	March	R 47,424,044.76
	April	R 29,315,113.76
	May	R 56,737,210.93
	June	R 138,281,379.77



**Figure 1** illustrates the monthly trend of actual expenditure incurred during the year under review.



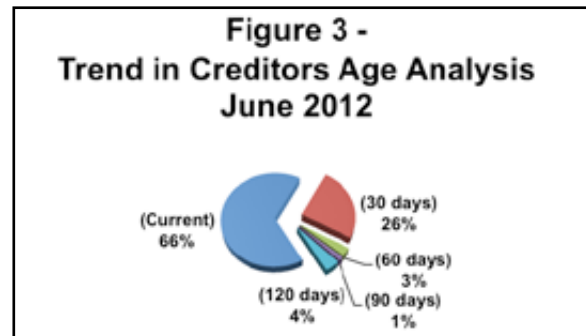
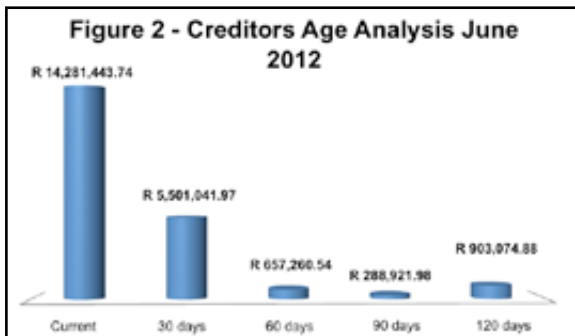
A monthly age analysis is performed by the department as a monitoring tool for timely payment of creditors as well as the accrual of outstanding payments.

**Table 2** (overleaf) depicts the outstanding invoices per statements received.

Table 2

Table 2 – Creditors Age Analysis						
PERIOD AS AT	0-30 DAYS	30 DAYS	60 DAYS	90 DAYS	120 DAYS	TOTAL
June 2012	R14 281 443.74	R5,501,041.97	R657,260.54	R288,921.98	R903,074.88	R21,631 743.11

Figure 2 and 3 illustrates the creditors' age analysis as at June 2012.



**ASSETS**

The utilization and management of property, plant and equipment (PPE) is the prime mechanism by which a municipality can fulfill its constitutional mandate for delivery of sustainable services and providing the basic needs to the community.

The municipality has a legislative and moral obligation to safeguard the monetary value and future service provision invested in (PPE), hence the Asset Care Centre (ACC) was established under the stewardship of the Chief Financial Officer and Asset Managers to ensure effective utilization, safeguarding, accurate recording and movement of assets.

Assets are maintained and recorded in the fixed asset register, which is in the format that complies with current standards of accounting practice and in accordance with the applicable GRAP as well as National treasury.

The asset care centre undertakes a comprehensive verification of all assets bi- annually and the results are reported to the CFO. Disposals as well as capitalization are done in accordance with the municipality's policy which is in accordance with the National Treasury MFMA's guidelines.

Table 1 illustrates the monthly capital expenditure incurred during the year under review.

Table 1:

TOTAL EXPENDITURE FOR THE YEAR		
PERIOD	VALUE OF PAYMENTS	
2011	July	R 0.00
	Aug	R 13 242 117.45
	Sept	R 14 783 152.67
	Oct	R 17 620 154.03
	Nov	R 14 331 975.27
	Dec	R 12 425 742.13
2012	Jan	R 6 332 126.58
	Feb	R 10 007 059.13
	March	R 17 162 943.44
	April	R 13 472 201.16
	May	R 21 741 716.99
	June	R 60 967 608.39
		<b>R 202 086 797.24</b>

Figure 1 illustrates the trend in Assets Additions for 2011/12 financial period.

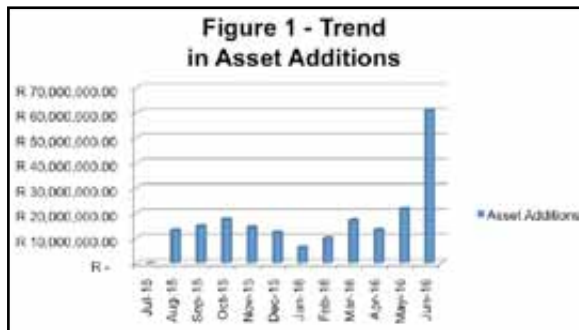
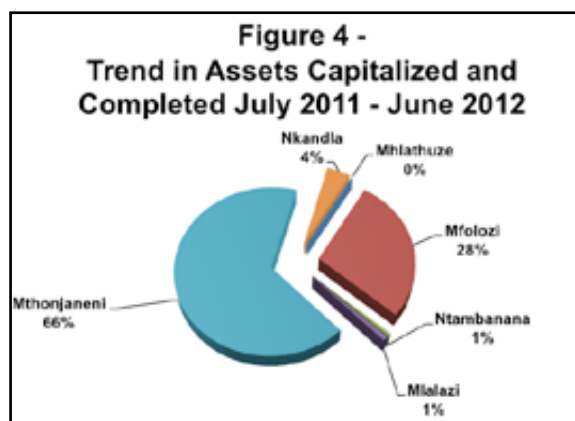
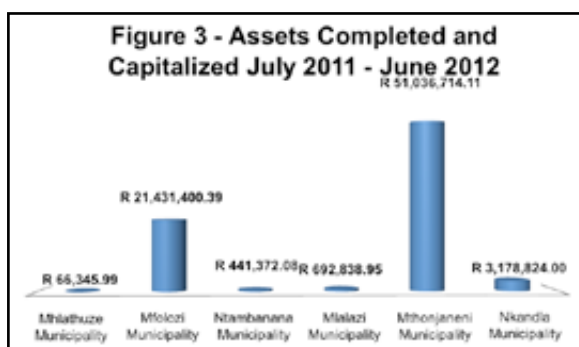


Table 2 provides a schedule of assets completed and capitalized during the year under review of each Local Municipality under uThungulu area of jurisdiction.

TABLE 2 - ASSETS COMPLETED AND CAPITALIZED		
LIST	DESCRIPTION OF MUNICIPALITY	VALUE
1	Mhlathuze Local Municipality	R 66,345.99
2	Mfolozi Local Municipality	R 21,431,400.39
3	Ntambanana Local Municipality	R 441,372.08
4	Mlalazi Local Municipality	R 692,838.95
5	Mthonjaneni Local Municipality	R 51,036,714.11
6	Nkandla Local Municipality	R 3,178,824.00
<b>TOTAL</b>		<b>R 76,847,495.52</b>

Figure 3 and 4 illustrates the Assets completed and capitalized for 2011/12.



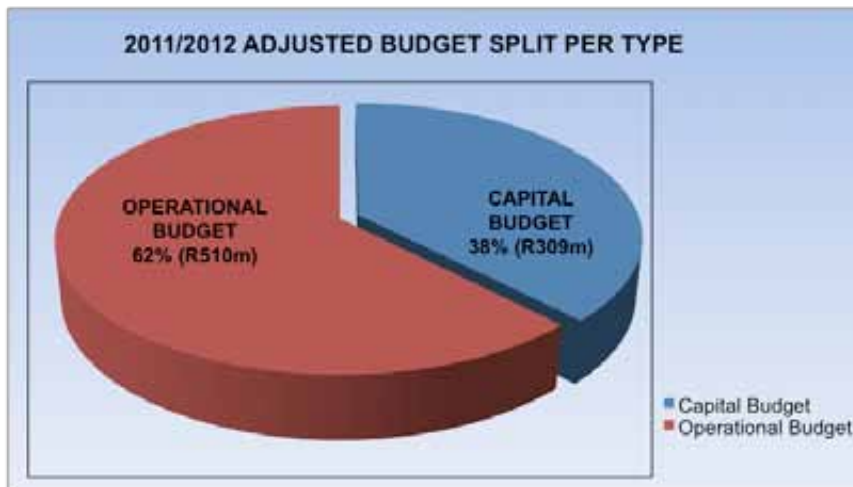
### SECTION: BUDGET, INSURANCE & REPORTING

As required by legislation, the Mayor has to table in Council the Schedule of key deadlines at least ten months before the start of the financial year. This document sets out the deadlines to be met by the Municipality's administration as well as Council in the process of compiling the Medium Term Budget for the ensuing year. uThungulu District Municipality's 2011/2012 Medium Term Revenue and expenditure Framework (MTREF) was tabled before Council on 28 March 2011. Subsequent to this the municipality engaged in an in depth budget participation process with Budget/IDP roadshows being held in various locations within the 6 local municipalities in the uThungulu District. It was noted that the communities were gradually becoming more involved in the budget participatory process. These roadshows help improve and the communities' understanding of the municipal Budget process. The roadshows are held biannually during October/November and again in April/May after the approval of the draft budget.

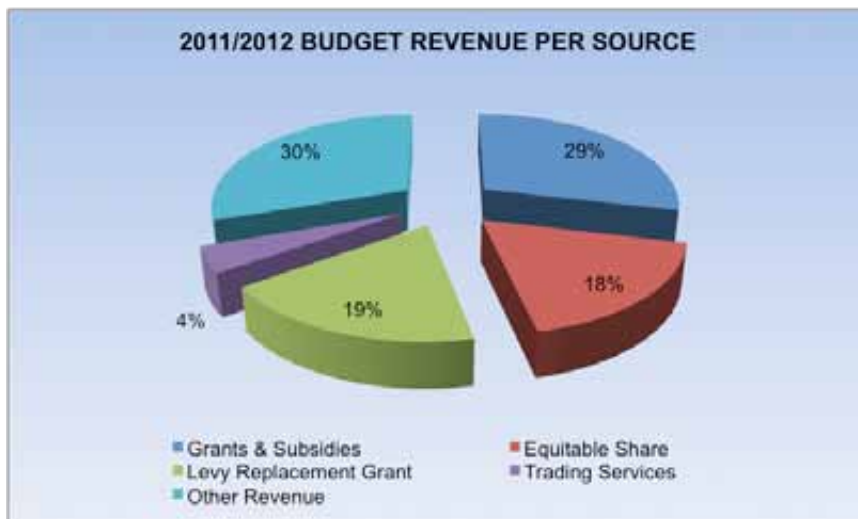
Emanating from the community participation processes the views of the community were then taken into account and were incorporated into the Final 2011/2012 Medium Term Revenue and Expenditure Framework (MTREF) which was approved by Council on the 4th May 2011. Below is a summary of the last approved adjustments budget which served before Council on the 28th March 2012.

2011/2012 Adjustment Budget Summary					
	Approved Budget	Adjusted Approved Budget Jan-12	Roll over 2010/2011	Proposed Virements	Adjusted Budget
<b>Revenue by Source</b>					
- Grants & subsidies	235 229	235 229	-		235 229
- Equitable Share	146 964	146 964	-		146 964
- Levy Replacement Grant	152 214	152 214	-		152 214
<b>Total Government Grant &amp; Subsidies</b>	<b>534 407</b>	<b>534 407</b>	<b>-</b>		<b>534 407</b>
Public Contributions			-		-
- Mfodzi Meter Instalation	2 000	2 000	-		2 000
<b>Total Public Contributions</b>	<b>2 000</b>	<b>2 000</b>	<b>-</b>		<b>2 000</b>
- Other Income	33 591	32 556	-		32 556
<b>Total Other Income</b>	<b>33 591</b>	<b>32 556</b>	<b>-</b>		<b>32 556</b>
Trading Services	32 873	36 321	-		36 321
Depreciation funding - Reserve	32 000	39 086	-		39 086
Provision for Rehabilitation - Solid Wase	10 000	10 000	-		10 000
Borrowings	19 392	19 392	-		19 392
Prior Year Grant Funding	48 099	48 099	-		48 099
Project Rollovers - Internally Funded Capital	24 651	24 651	-		24 651
Project Rollovers - MIG Funded Projects (10/11)	-	-	27 593	-	27 593
Surplus Brought Forward (2010/2011)	19 761	45 013	-		45 013
<b>Total Revenue</b>	<b>756 774</b>	<b>791 525</b>	<b>27 593</b>		<b>819 118</b>
Expenditure					-
Non-trading services	107 907	114 166	-		114 166
Trading Services	238 590	250 448	-		250 448
Operational IDP	114 587	123 479	9 515	12 078	145 072
Capital IDP & Internal Fixed Assets	295 691	303 432	18 078	(12 078)	309 432
<b>Total Expenditure</b>	<b>756 774</b>	<b>791 525</b>	<b>27 593</b>	<b>-</b>	<b>819 118</b>





The figure left depicts the split between the adjusted Operational and Capital Budget for the 2011/12 financial year.



The figure above depicts the split between the various revenue sources for the 2011/12 financial year.



The above figure depicts the split between the various expenditure types for the 2011/12 financial year.

The budget Section is also responsible for the monthly, quarterly and annual budget reporting in terms of the Municipal Budget and Reporting Regulations (MBRR). The municipality prides itself in that the requirements of the MBRR, per Gazette 32141 of 17 April 2009 were satisfied and to be noted that the municipality is involved in a continuous knowledge enhancement initiatives together with partners like the Provincial and National Treasuries in ensuring that the requirements of the MFMA are met.

Lastly, this section is responsible for the handling of the Council's Insurance portfolio to ensure that the Council's assets are safeguarded against risks such as damage, theft and any other occurrences that may disturb the functioning of the Council business which may in turn affect service delivery negatively. The Council also insures projects which are currently in progress in order to mitigate any risks during the construction process. Over the last three years the Council's insurance claims have seen a downward trend as measures are being put in place to ensure risk is at a minimum, the claims have decreased from an annual figure of R1.08m in 2010/11 to R0.725m in 2011/12, which is a decrease of 33%.

### **EXPRESSION OF APPRECIATION**

I wish to convey my sincere appreciation to our Honourable Mayor, Deputy Mayor, Speaker, Exco members, members of the Financial Services Portfolio Committee, Audit Committee members, MPAC members, Council and the management team for their support and cooperation during the year.

A special word of thanks goes to Finance Senior Managers and all financial staff as well as the National Treasury Advisor, for their support, contribution and dedication as well as the Internal audit team and the Auditor General's audit team for their cooperation and understanding.

Finally, a further word of appreciation to all staff of uThungulu for the months of hard work, sacrifices and concerted efforts during the year to enable the municipality to finalise the Annual Financial Statements.

# UTHUNGULU



uThungulu District Municipality  
uThungulu Distrik Munisipaliteit  
uMasipala Wesifunda Waso Thungulu

Consolidated Annual Financial Statements  
for the year ended 30 June 2012

**UTHUNGULU DISTRICT MUNICIPALITY**  
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

**GENERAL INFORMATION**

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<b>Nature of business and principal activities</b>	Municipality
<b>Chief Financial Officer (CFO)</b>	MC Reddy
<b>Accounting Officer</b>	MH Nkosi
<b>Registered Office</b>	Uthungulu House Krugerrand, CBD RICHARDS BAY
<b>Business address</b>	Uthungulu House Krugerrand, CBD RICHARDS BAY
<b>Postal address</b>	Private Bag X1025 RICHARDS BAY
<b>Bankers</b>	Nedbank Limited
<b>Auditors</b>	Auditor General of South Africa

## UTHUNGULU DISTRICT MUNICIPALITY

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### INDEX

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The reports and statements set out below comprise the consolidated annual financial statements presented to the council:

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#### **Abbreviations**

SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
IFRS	International Financial Reporting Standards



## UTHUNGULU DISTRICT MUNICIPALITY

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

### REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE COUNCIL ON UTHUNGULU DISTRICT MUNICIPALITY

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#### REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

##### Introduction

1. I have audited the consolidated and separate financial statements of the uThungulu District Municipality set out on pages 128 to 176, which comprise the consolidated and separate statement of financial position as at 30 June 2012, the consolidated and separate statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

##### Accounting officer's responsibility for the consolidated financial statements

2. The accounting officer is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2011 (Act No. 6 of 2011) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of the consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

##### Auditor General's responsibility

3. My responsibility is to express an opinion on the consolidated and separate financial statements based on my audit. I conduct my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and international standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether these consolidated and separate financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipality's preparation and fair presentation of the consolidated and separate financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and separate financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

##### Opinion

6. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of uThungulu District Municipality as at 30 June 2012, and its financial performance and cash flows for the year then ended in accordance with the SA Standards of GRAP and the requirements of the MFMA and DoRA.

##### Emphasis of matter

7. I draw attention to the matter below. My opinion is not modified in respect of this matter.

##### Restatement of corresponding figures

8. As disclosed in note 37 to the consolidated financial statements, the corresponding figures for 30 June 2011 have been restated as a result of changes in accounting policies that have been effected by management and applied retrospectively in accordance with the requirements of SA Standard of GRAP, GRAP 3, Accounting Policies, Changes in Accounting Estimates and Errors.

##### Additional matter

9. I draw attention to the matter below. My opinion is not modified in respect of this matter.

##### Unaudited supplementary schedules

10. The supplementary information set out on pages 177 to 187 does not form part of these financial statements and was presented as additional information. I have not audited the schedule and accordingly I do not express an opinion.

##### Report on Other Legal and Regulatory Requirements

11. In accordance with the PAA and the General Notice issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

##### Predetermined objectives

12. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages 85 to 91 of the annual report.

## UTHUNGULU DISTRICT MUNICIPALITY

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

### REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE COUNCIL ON UTHUNGULU DISTRICT MUNICIPALITY

13. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned development objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury Framework for managing programme performance information. The reliability of the information in respect of the selected development objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).
14. There were no material findings on the annual performance report concerning the usefulness and reliability of the information.

#### Additional matters

15. I draw attention to the following matters. These matters do not have an impact on the predetermined objectives audit findings reported above.

#### Achievement of planned targets

16. Of the total number of 79 planned targets for the reported development objectives, only 62 were achieved during the year under review. This represents 22% of the total planned targets that were not achieved during the year under review.

#### Material adjustments to the report on predetermined objectives

17. Material audit adjustments in the annual performance report were identified during the audit, 37% of which, relating to the performance indicator households with basic sanitation, were corrected by management.

#### Compliance with laws and regulations

18. I performed procedures to obtain evidence that the municipality has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the General Notice issued in terms of the PAA are as follows:

#### Strategic planning and performance management

19. The amending of the organisational performance management system scorecard, which forms part of the integrated development plan, was approved by Executive Committee on 20 June 2012, which was 10 days before the financial year-end. These amendments did not form part of both an annual review and mid-year review process as prescribed by section 34 and 41 of the Local Government Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

#### Internal Control

20. I considered internal control relevant to my audit of the consolidated and separate financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are compliance with laws and regulations.

#### Leadership

21. The accounting officer did not exercise adequate oversight responsibility over the reporting of predetermined objectives to ensure that they complied with the requirements of the MSA.

#### Financial and performance management

22. The senior management of the municipality did not perform a detailed review of the annual performance report to ensure that all reported information is accurate, reliable, complete and is adequately supported by evidence.
23. The accounting officer did not review and monitor compliance as required by Section 34 and 41 of the MSA for the reporting on predetermined objectives.

*Pietermaritzburg*

Pietermaritzburg

30 November 2012



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

**UTHUNGULU DISTRICT MUNICIPALITY**  
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

**STATEMENT OF MUNICIPAL MANAGER'S RESPONSIBILITY**

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I am responsible for the preparation of these consolidated annual financial statements, which are set out on pages 122 to 181, 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.

I certify that the salaries, allowances and benefits of Councillors as discussed in note 22 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government determination in accordance with this Act.



-----  
MH Nkosi  
Accounting Officer

Richards Bay  
28 September 2012

**UTHUNGULU DISTRICT MUNICIPALITY**  
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

**STATEMENT OF FINANCIAL POSITION**

	Note	Group		Municipality	
		2012 R	2011 R Restated	2012 R	2011 R Restated
<b>Assets</b>					
<b>Current Assets</b>					
Inventories	2	6 122 117	7 068 924	6 122 117	7 068 924
Accounts receivable from exchange transactions	3	22 969 861	15 504 216	22 969 861	15 504 216
Accounts receivable from non exchange transactions	4	25 055 524	14 561 548	25 055 524	14 561 548
Current portion of long-term receivables	5	34 821	32 745	34 821	32 745
Cash and cash equivalents	6	367 556 324	366 974 767	366 716 903	365 358 441
		<b>421 738 647</b>	<b>404 142 200</b>	<b>420 899 226</b>	<b>402 525 874</b>
<b>Non-Current Assets</b>					
Property, plant and equipment	7	885 116 378	885 116 378	1 050 408 116	885 116 378
Intangible assets	8	1 975 850	1 975 850	1 476 684	1 975 850
Investments in municipal entities	9			25 206 796	25 719 814
Long-term receivables	5	542 439	542 439	495 901	542 439
Investment	10	-	-	21 000 000	-
		<b>887 634 667</b>	<b>887 634 667</b>	<b>1 098 587 497</b>	<b>913 354 481</b>
<b>Total Assets</b>		<b>1 291 776 867</b>	<b>1 291 776 867</b>	<b>1 519 486 723</b>	<b>1 315 880 355</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Current portion of long-term liabilities	11	3 735 178	2 547 652	9 327 015	7 451 178
Payables from exchange transactions	12	125 481 694	116 350 042	125 481 694	116 350 042
Consumer deposits	13	8 229 262	7 244 363	8 229 262	7 244 363
Defined benefit obligations	14	757 672	674 258	757 672	674 258
Unspent conditional grants and receipts	15	74 248 965	91 246 495	74 248 965	91 246 495
Current provisions	16	751 981	768 503	751 981	768 503
		<b>213 204 752</b>	<b>218 831 313</b>	<b>218 796 589</b>	<b>223 734 839</b>
<b>Non-Current Liabilities</b>					
Long-term liabilities	11	85 611 710	89 346 888	104 584 204	108 739 410
Defined benefit obligations	14	13 423 263	12 750 483	13 423 263	12 750 483
Provisions	16	69 415 033	65 117 292	69 415 033	65 117 292
		<b>168 450 006</b>	<b>167 214 663</b>	<b>187 422 500</b>	<b>186 607 185</b>
		<b>381 654 758</b>	<b>386 045 976</b>	<b>406 219 089</b>	<b>410 342 024</b>
Total Assets		1 495 119 348	1 291 776 867	1 519 486 723	1 315 880 355
Total Liabilities		(381 654 758)	(386 045 976)	(406 219 089)	(410 342 024)
<b>Net Assets</b>		<b>1 113 464 590</b>	<b>905 730 891</b>	<b>1 113 267 634</b>	<b>905 538 331</b>
Accumulated Surplus		1 113 267 634	905 538 331	1 113 267 634	905 538 331
Outside Partner's Interest		196 955	192 560		
		<b>1 113 464 590</b>	<b>905 730 891</b>	<b>1 113 267 634</b>	<b>905 538 331</b>

**UTHUNGULU DISTRICT MUNICIPALITY**  
 CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

**STATEMENT OF FINANCIAL PERFORMANCE**

	Note	Group		Municipality	
		2012 R	2011 R Restated	2012 R	2011 R Restated
<b>Revenue</b>					
Service charges	17	48 017 382	41 192 934	48 017 382	41 192 934
Government grants & subsidies	18	533 234 090	386 087 990	533 234 090	386 087 990
Rental income		33 942	38 189	33 942	38 189
Other income	19	2 745 730	7 091 872	8 702 739	12 896 963
Interest received	20	27 087 751	24 296 816	27 037 679	24 205 487
Gains on disposal of assets		-	601 377	-	601 377
<b>Total Revenue</b>		<b>611 118 895</b>	<b>459 309 178</b>	<b>617 025 832</b>	<b>465 022 940</b>
<b>Expenditure</b>					
Employee related costs	21	88 084 985	86 622 796	88 084 985	86 622 796
Remuneration of councillors	22	7 869 721	5 491 850	7 869 721	5 491 850
Debt impairment	3	8 023 573	6 436 353	8 023 573	6 436 353
Depreciation, amortisation & impairment	23	36 542 829	40 060 828	36 542 829	40 060 828
Repairs and maintenance		34 926 111	34 702 638	34 926 111	34 702 638
Finance costs	24	5 962 760	6 956 310	11 900 614	12 698 920
Bulk purchases	25	29 204 363	24 470 386	29 204 363	24 470 386
Contracted services		63 004 898	60 161 496	63 004 898	60 161 496
Grants and subsidies paid	26	9 244 434	6 031 173	9 244 434	6 031 173
Loss on disposal of assets		419 223	-	419 223	-
General expenses	27	119 800 542	94 698 656	119 800 542	94 698 631
<b>Total expenditure</b>		<b>(403 083 439)</b>	<b>(365 632 486)</b>	<b>(409 021 293)</b>	<b>(371 375 071)</b>
<b>Surplus for the year</b>		<b>208 035 456</b>	<b>93 676 692</b>	<b>208 004 539</b>	<b>93 647 869</b>
Outside Partner's Interest		(30 917)	(28 823)	-	-
<b>Surplus for the year attributable to the municipality</b>		<b>208 004 539</b>	<b>93 647 869</b>	<b>208 004 539</b>	<b>93 647 869</b>



**UTHUNGULU DISTRICT MUNICIPALITY**  
 CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

**STATEMENT OF CHANGE IN NET ASSETS**

	Note	Accumulated Surplus R	Outside Partners Interest R	Total R
<b>Group</b>				
<b>Balance at 01 July 2010</b>		<b>803 235 002</b>	<b>186 864</b>	<b>803 421 866</b>
<i>Changes in net assets</i>				
Prior Year Adjustments	37	9 904 467	-	9 904 467
<i>- depreciation pertaining to fully depreciated assets</i>				
Fair Valuation of assets	37	228 680	-	228 680
Net income/(losses) recognised directly in net assets		10 133 147	-	10 133 147
Surplus for the year - restated		93 647 869	28 823	93 676 692
Total recognised income and expenses for the year		103 781 016	28 823	103 809 839
Distribution by municipal entity			(23 127)	(23 127)
Prior Year Adjustments - stale cheques		(1 064 297)		(1 064 297)
Changes in accounting estimates	37	(413 390)	-	(413 390)
Total changes		102 303 329	5 696	102 309 025
<b>Balance at 01 July 2011 - restated</b>		<b>905 538 331</b>	<b>192 560</b>	<b>905 730 891</b>
<i>Changes in net assets</i>				
Surplus for the year		208 004 539	30 917	208 035 456
Distribution by municipal entity			(26 521)	(26 521)
Changes in accounting estimates		(275 236)	-	(275 236)
Total changes		207 729 303	4 396	207 733 699
<b>Balance as at 30 June 2012</b>		<b>1 113 267 634</b>	<b>196 955</b>	<b>1 113 464 590</b>
<b>Municipality</b>				
<b>Balance at 01 July 2010</b>		<b>803 235 002</b>	<b>-</b>	<b>803 235 002</b>
<i>Changes in net assets</i>				
Prior Year Adjustments	37	9 904 467	-	9 904 467
<i>- depreciation pertaining to fully depreciated assets</i>				
Fair Valuation of assets	37	228 680	-	228 680
Net income/(losses) recognised directly in net assets		10 133 147	-	10 133 147
Surplus for the year - restated		93 647 869	-	93 647 869
Total recognised income and expenses for the year		103 781 016	-	103 781 016
Prior Year Adjustments - stale cheques		(1 064 297)	-	(1 064 297)
Changes in accounting estimates	37	(413 390)	-	(413 390)
Total changes		102 303 329	-	102 303 329
<b>Balance at 01 July 2011 - restated</b>		<b>905 538 331</b>	<b>-</b>	<b>905 538 331</b>
<i>Changes in net assets</i>				
Surplus for the year		208 004 539	-	208 004 539
Changes in accounting estimates		(275 236)	-	(275 236)
Total changes		207 729 303	-	207 729 303
<b>Balance as at 30 June 2012</b>		<b>1 113 267 634</b>	<b>-</b>	<b>1 113 267 634</b>

**UTHUNGULU DISTRICT MUNICIPALITY**  
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

**CASH FLOW STATEMENT**

Figures in Rand	Note	Group		Municipality	
		2012 R	2011 R Restated	2012 R	2011 R Restated
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Receipts from consumers		34 373 825	51 649 102	40 330 834	57 404 294
Grants		511 237 598	397 522 496	511 237 598	397 522 496
Interest income		<u>27 087 751</u>	<u>24 246 918</u>	<u>27 037 679</u>	<u>24 205 487</u>
		<u>572 699 174</u>	<u>473 418 516</u>	<u>578 606 111</u>	<u>479 132 277</u>
<b>Payments</b>					
Employee costs		(95 954 706)	(92 114 646)	(95 954 706)	(92 114 646)
Suppliers		(257 890 382)	(180 038 653)	(257 863 861)	(180 015 497)
Finance costs		(5 962 760)	(6 956 310)	(11 900 614)	(12 698 920)
		<u>(359 807 848)</u>	<u>(279 109 609)</u>	<u>(365 719 181)</u>	<u>(284 829 063)</u>
<b>Net cash flows from operating activities</b>	28	<b><u>212 891 326</u></b>	<b><u>194 308 907</u></b>	<b><u>212 886 930</u></b>	<b><u>194 303 214</u></b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment		(188 821 467)	(108 903 556)	(188 821 467)	(108 903 556)
Proceeds from sale of property, plant and equipment		174 600	1 319 195	174 600	1 319 195
Purchase of other intangible assets		(159 712)	(203 524)	(159 712)	(203 524)
Movement in investments				513 018	(878 754)
(Increase)/Decrease in non-current investments		(21 000 000)	18 804 415	(21 000 000)	18 804 415
Decrease in non-current receivables		<u>44 462</u>	<u>317 322</u>	<u>44 462</u>	<u>317 322</u>
<b>Net cash from investing activities</b>		<b><u>(209 762 117)</u></b>	<b><u>(88 666 148)</u></b>	<b><u>(209 249 099)</u></b>	<b><u>(89 544 902)</u></b>
<b>Cash flows from financing activities</b>					
<b>Net movement in other financial liabilities</b>					
Repayment of long-term liabilities		(2 547 652)	(2 281 557)	(2 279 369)	(1 481 062)
<b>Net cash from financing activities</b>		<b><u>(2 547 652)</u></b>	<b><u>(2 281 557)</u></b>	<b><u>(2 279 369)</u></b>	<b><u>(1 481 062)</u></b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>581 557</b>	<b>103 361 202</b>	<b>1 358 462</b>	<b>103 277 250</b>
Cash and cash equivalents at the beginning of the year		<u>366 974 767</u>	<u>263 613 565</u>	<u>365 358 441</u>	<u>262 081 191</u>
<b>Cash and cash equivalents at the end of the year</b>	6	<b><u>367 556 324</u></b>	<b><u>366 974 767</u></b>	<b><u>366 716 903</u></b>	<b><u>365 358 441</u></b>

## **ACCOUNTING POLICIES**

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### **1. Presentation of Consolidated Annual Financial Statements**

The consolidated annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These consolidated annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

The consolidated annual financial statements have also been prepared on the assumption that the municipality will continue to operate as a going concern in the foreseeable future.

A summary of the significant accounting policies, which have been consistently applied, to all the years presented are disclosed below.

#### **1.1 Significant judgements and sources of estimation uncertainty**

In preparing the consolidated annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the consolidated annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the consolidated annual financial statements. Significant judgements include:

##### **1.1.1 Provisions**

Management determined an estimate for provisions raised based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Non - Current and Current Provisions.

##### **1.1.2 Standards, amendments to standards and interpretations issued but not yet effective**

The following GRAP standards have been issued but are not yet effective.

GRAP 18 - Segmental reporting

Compliance with this standard would have had an effect on the presentation only. Financial information would have been reported by segments. The disclosure of this information will assist users of the financial statements to better understand the municipality's historical performance and to identify the resources allocated to support the major activities of the entity.

GRAP 20 - Related party disclosures

The standard of GRAP on related parties will replace the IPSAS 20 standard on related party disclosure. No significant impact on the financial statements of the Municipality is expected.

GRAP 25 - Employee benefits

This standard prescribes similar requirements to those in terms of IAS 19: Employee Benefits. Since IAS 19 has been applied in developing the current accounting policy, no significant impact on the financial statements of the Municipality is expected.

GRAP 105 - Transfer of functions between entities under common control

This standard provides the accounting treatment for transfers of functions between entities under common control. However the impact on the Municipality's financial statements is not expected to be significant due to the fact that the Municipality rarely enters into such transactions. The standard is only expected to have an impact on the Municipality in respect of any future transfers of functions.

GRAP 106 - Transfer of functions between entities not under common control

This standard deals with other transfers of functions (i.e. between entities not under common control) and requires the entity to measure transferred assets and liabilities at fair value. It is unlikely that the Municipality will enter into any such transactions in the near future.

## **ACCOUNTING POLICIES**

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### **1.1 Significant judgements and sources of estimation uncertainty (continued)**

#### GRAP 107 - Mergers

This standard deals with requirements for accounting for a merger between two or more entities, and is unlikely to have an impact on the financial statements of the Municipality in the foreseeable future.

The following GRAP standards have been issued and are effective for the period commencing on or after 1 April 2012 and will be applied in the 2012/2013 financial year:

#### GRAP 21 - Impairment of Non-cash generating assets

The standard determines the requirements and provides additional guidance on how to impair non-cash generating assets, being assets that are not held to generate any sort of commercial benefit. In particular, it provides guidance on how to determine an asset's recoverable service amount in the absence of any future cash flows.

#### GRAP 23 - Revenue from Non-exchange transactions

This standard determines the requirements and provides additional guidance on how to account for revenue from non-exchange transactions. In particular, it requires the entity to recognise revenue from grants received, to the extent that there are no further conditions attached to the grant that give rise to an obligation to repay. Most of the grants received by the Municipality are conditional grants and revenue is currently only recognised when the conditions associated with the respective grants are met and therefore it is not expected to have a significant impact on the financial statements when it becomes effective.

#### GRAP 24 - Presentation of Budget information in the financial statements

This standard determines the specific requirements and provides additional guidance on how to present a comparison between budgeted and actual amounts in the financial statements, as required by GRAP 1. This is expected to add significantly to the level of disclosures currently being provided in note 36.

#### GRAP 26 - Impairment of Cash generating assets

This standard determines the requirements and provides additional guidance on how to impair cash generating assets, being assets that are expected to generate a commercial benefit. The standard requires a similar treatment to that currently required by IAS 36 and as a result, the impact of this standard becoming effective is expected to be limited.

#### GRAP 104 - Financial Instruments

This standard will introduce some relatively significant changes when compared to IAS 39, especially in the way financial assets are classified and treated. Notwithstanding the aforementioned classification changes, the financial impact of this standard being applied is expected to be limited.

### **1.1.3 Useful lives of property, plant and equipment**

As described in accounting policies 1.6 & 1.7 the municipality depreciates/amortises its property, plant and equipment and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets become available for use. The useful lives and residual values of the assets are based on industry knowledge and reviewed annually.

### **1.1.4 Defined benefit plan liabilities**

As described in accounting policy 1.4, 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 note 14 to the financial statements.

## **ACCOUNTING POLICIES**

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### **1.1 Significant judgements and sources of estimation uncertainty (continued)**

#### **1.1.5 Revenue recognition**

Accounting Policy 1.11 on Revenue from Exchange Transactions and Accounting Policy 1.12 on Revenue from Non - Exchange Transactions describes the conditions under which revenue is recorded by the management of the municipality.

In making their judgement, 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 are concerned. In particular, when goods are sold, whether the municipality had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

#### **1.1.6 Financial assets and liabilities**

The classification of financial assets and liabilities, into categories, is based on management's educated judgement.

#### **1.1.7 Changes in accounting policies**

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

### **1.2 Consolidation**

#### **Basis of consolidation**

The consolidated annual financial statements incorporate the financial statements of the Municipality and Municipal Entities controlled by the Municipality.

On acquisition, the assets and liabilities of a Municipal Entity are measured at their fair values at the date of acquisition. The interests of outside shareholders are stated at the minorities proportion of the fair values of the assets and liabilities recognised.

The results of Municipal Entities acquired or disposed during the year are included in the consolidated Statement of Financial Performance from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the annual financial statements of Municipal Entities to bring the accounting policies used into line with those used by the Municipality and other Municipal Entities included in the Group.

All significant transactions and balances between members of the Group are eliminated on consolidation.

### **1.3 Financial instruments**

#### **1.3.1 Financial assets classification**

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

- Investments in Fixed Deposits (Banking Institutions etc.)
- Long Term Receivables
- Accounts receivable from exchange transactions
- Accounts receivable from non exchange transactions
- Short Term Investment Deposits
- Cash and Cash Equivalent

In accordance with IAS 39.09 the financial assets of the municipality are classified as follows:



## **ACCOUNTING POLICIES**

### **1.3 Financial instruments (continued)**

<b>Type of Financial Asset</b>	<b>Classification in terms of IAS 39.09</b>
Short Term Investment Deposit- Call	Held to Maturity Investments
Cash and Cash Equivalents	Loans and Receivables
Finance Lease Receivables	Loans and Receivables
Long Term Receivables	Loans and Receivables
Accounts receivable from exchange transactions	Loans and Receivables
Accounts receivable from non exchange transactions	Loans and Receivables
Investments in Fixed Deposits	Held to Maturity Investments

#### Loans and Receivables

Loans and Receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non- current assets. Loans and receivables are recognised initially at cost which represents fair value. After initial recognition financial assets are measured at amortised cost, using the effective interest rate method less a provision for impairment (Refer to note 3).

#### Held To Maturity Investments

Held to maturity investments are financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold the investment to maturity.

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits).Cash equivalents are short term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of 4 months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: Loans and Receivables.

### **1.3.2 Financial liabilities classification**

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

- Long term liabilities
- Payables from exchange transactions
- Bank Overdraft
- Short Term Loans
- Current Portion of Long Term Liabilities
- Consumer Deposits

There is one main category of financial liabilities determined by their classification. Financial Liabilities may be measured at:

- (i) Fair Value through profit or Loss; or
- (ii) Amortised Cost using the effective interest method.

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

In accordance with IAS 39.09 the financial liabilities of the municipality are all classified as "other financial liabilities".

### **1.3.3 Initial and subsequent measurement**

#### Financial Assets

Held to Maturity investments, loans and receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial assets. Subsequently, these

## **ACCOUNTING POLICIES**

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### **1.3 Financial instruments (continued)**

assets are measured at amortised cost using the effective interest method less any impairment, with interest income recognised on an effective yield basis.

#### Financial Liabilities

Financial Liabilities are initially and subsequently measured at fair value. Other financial liabilities are measured at amortised cost using the effective interest rate method.

#### Impairment of Financial Assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets are impaired. Financial assets are impaired where there is objective evidence of impairment, (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39.

Initially accounts receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debts based on past default experience of all outstanding amounts at year-end. Bad debts are written off in the year in which they are identified as irrecoverable.

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

#### Derecognition of Financial Assets

The municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expire 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.

#### Derecognition of Financial Liabilities

The municipality derecognises financial liabilities only when, the municipality's obligations are discharged, cancelled or they expire.

### **1.3.4 Investment in municipal entities**

In the municipality's annual financial statements, investments in municipal entities are carried at fair value less any accumulated impairment at the reporting date.

## **1.4 Employee benefits**

### **1.4.1 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, included under current liabilities.

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

## **ACCOUNTING POLICIES**

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### **1.4 Employee benefits (continued)**

leave days at year end and is shown as a creditor in the Statement of Financial Position.

#### **1.4.2 Defined contribution plans**

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

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those funds. 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.

#### **1.4.3 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.

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.

#### **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 5, 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance.

#### **Defined benefit plans**

The municipality contributes to various defined benefit plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 14 of the Annual Financial Statements for details). The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the discounted cash method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

### **1.5 Provisions**

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- 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 amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

## **ACCOUNTING POLICIES**

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### **1.5 Provisions (continued)**

A provision is used only for expenditures for which the provision was originally recognised.

Provision for the rehabilitation of the refuse landfill site is determined at best estimate by consulting engineers.

### **1.6 Property, plant, equipment**

Property, plant, 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 financial period.

#### Initial Recognition

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

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

Property, plant, equipment is initially recognised at cost on its acquisition date or in the case of assets acquired at nil or nominal consideration the deemed cost, being the fair value of the asset at acquisition date.

The cost of an item of property, plant, 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.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant, equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

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

Costs include costs incurred initially to acquire or construct an item of property, plant, equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant, equipment , the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant, equipment , where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant, equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by the municipality.

Major spare parts and standby equipment which are expected to be used for more than one period are included in property, plant, equipment . In addition, spare parts and standby equipment which can only be used in connection with an item of property, plant, equipment are accounted for as property, plant, equipment.

#### Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic fair value of the subsequent expenditure can be reliably measured.

Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity for future

## **ACCOUNTING POLICIES**

### **1.6 Property, plant, equipment (continued)**

economic benefits associated with the asset.

Where the municipality replaces part of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequent measurement of all property, plant and equipment are measured at cost, less accumulated depreciation and any accumulated impairment losses. The municipality does not recognise in the carrying amount of an item of property, plant and equipment the cost of day to day servicing of the item.

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.

#### Depreciation

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 shall be depreciated separately.

The depreciation charge for each period shall be recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Land, with the exception of landfill sites and cemetery, is not depreciated as it is regarded as having an infinite life. If the cost of the land includes the cost of site dismantlement, removal and restoration, the portion of the land asset is depreciated over the period of benefits or service potential, obtained by incurring those costs. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost to their residual values over the estimated useful lives of the asset. The depreciation method used reflects the pattern in which the assets future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The useful lives of items of property, plant, equipment have been assessed as follows:

<b>Item</b>	<b>Expected useful life</b>
<b>Land &amp; Building</b>	
• Permanent	30 years
• Other Buildings	30 years
<b>Plant and Equipment</b>	
• Weed Eater	2 years
• Lawn Mower	2 years
• Other	5 years
• Skid Mounted Fire Response	15 years
<b>Furniture</b>	10 years
<b>Computer Equipment</b>	5 years
<b>Infrastructure Electricity</b>	
• Electrical Kiosk	15 years
• Electrical Meters	15 years
• Street Lights	15 years
• Electrical Lines and Cables	40 years
• Electrical Switchgear	40 years
• Power Transformers	40 years
<b>Infrastructure - Plant &amp; Equipment</b>	
• Heavy Duty Infrastructure Pumps	15 years
• Unspecified Infrastructure Assets	15 years
• Standby Generators Sets - Water & Sewerage Camps	15 years
<b>Infrastructure Sewerage Services</b>	
• Sewerage Containment	50 years
• Sewerage Network	50 years
• Sewerage Purification	50 years



## **ACCOUNTING POLICIES**

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### **1.6 Property, plant, equipment (continued)**

#### **Infrastructure Solid Waste Cell Services**

- Solid Waste Cell - Landfill 7 years
- Cemetery 15 years

#### **Infrastructure Water Services**

- Small Schemes 20 years
- Water Abstraction 20 years
- Water Network 20 years
- Water Purification 20 years
- Water Storage 50 years

#### **Motor Vehicles**

- Bakkie, LDV, Sedan & Tanker 7 years
- Truck 7 years
- Trailer & Caravan 5 years
- Forklift 5 years
- Tractors 15 years

#### **Equipment**

- Office Equipment 5 years

#### Infrastructure assets

Infrastructure assets are any assets that are part of a network of similar assets and are shown at cost less accumulated depreciation and accumulated impairment.

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 is included in surplus or deficit when the item is derecognised.

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

### **1.7 Intangible assets**

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

#### Initial Recognition

An intangible asset is recognised 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.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

## **ACCOUNTING POLICIES**

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### **1.7 Intangible assets (continued)**

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- It will generate probable future economic benefits or service potential;
- there are available technical, financial and other resources to complete the development and to use or sell the asset;
- the expenditure attributable to the asset during its development can be measured reliably.

#### Subsequent Measurement, Amortisation and Impairment

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

<b>Item</b>	<b>Useful life</b>
Computer software, other	3 years

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

#### 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 from the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of financial Performance.

### **1.8 Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

#### **1.8.1 Finance leases -The municipality as a lessee**

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the future minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the future minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of the remaining balance of the liability.

## **ACCOUNTING POLICIES**

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### **1.8.2 Operating leases - The municipality as a lessee**

Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Financial Performance over the period of the lease.

### **1.9 Inventories**

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### **1.10 Tax**

Normal Tax Expense:

No provision has been made for taxation as the municipality is exempt from taxation in terms of section 10(1)(A) of the Income Tax Act.

Value Added Tax (VAT):

The municipality accounts for VAT on the accrual basis, based on the approval received from the Commissioner for South African Revenue Services to an application by the Municipality, permission has been given to remit or claim for value - added tax on the payments basis for debtors and creditors.

### **1.11 Revenue from exchange transactions**

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

### **Measurement**

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and rebates.

## **ACCOUNTING POLICIES**

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### **1.11 Revenue from exchange transactions (continued)**

#### **Rendering of services**

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Service charges relating to water are based on consumption. Meters are read on a monthly basis and when the meter is not read provisional estimates are made and based on those readings the revenue is invoiced monthly and recognised. 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.

Service charges relating to refuse are recognised on a monthly basis in arrears and on an accrual basis by applying the approved tariff to each consumer that makes use of the landfill site.

Service charges from sanitation are raised on a monthly basis in accordance with the approved tariffs.

Interest and rentals are recognised on a time proportion basis.

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 are brought into use.

Where public contributions have been received but the municipality has not met the conditions, a liability is recognised.

### **1.12 Revenue from non-exchange transactions**

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### **Measurement**

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### **Government grants**

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any conditions associated with the grant.

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

## **ACCOUNTING POLICIES**

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### **1.12 Revenue from non-exchange transactions**

#### 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.

### **1.13 Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.6 and in certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use is complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

### **1.14 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 unauthorised expenditure is recognised 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.

### **1.15 Fruitless and wasteful expenditure**

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.



## **ACCOUNTING POLICIES**

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### **1.15 Fruitless and wasteful expenditure (continued)**

All fruitless and wasteful expenditure is recognised 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.

### **1.16 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), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.17 Comparative figures**

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### **1.18 Events after report date**

Events after the reporting date that are classified as adjusting events are accounted for in the annual financial statements. The events after the reporting date that are classified as non-adjusting events have been disclosed in the notes to the annual financial statements.

### **1.19 Contingent assets and contingent liabilities**

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

### **1.20 Commitments**

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

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure note 29, for approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date.

### **1.21 Related parties**

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

### **1.22 Currency of presentation**

These consolidated annual financial statements are presented in South African Rands.

**UTHUNGULU DISTRICT MUNICIPALITY**  
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	Group		Municipality	
	2012 R	2011 R	2012 R	2011 R
<b>2. Inventories</b>				
Consumables and maintenance materials	5 861 438	6 817 976	5 861 438	6 817 976
Water	260 679	250 948	260 679	250 948
	<u>6 122 117</u>	<u>7 068 924</u>	<u>6 122 117</u>	<u>7 068 924</u>
<b>3. Accounts receivable from exchange transactions</b>				
<b>VAT receivable</b>	<b>10 111 601</b>	<b>5 275 361</b>	<b>10 111 601</b>	<b>5 275 361</b>
<b>Consumer debtors</b>				
<b>Gross balance</b>				
Water	32 556 067	26 609 883	32 556 067	26 609 883
Sanitation	3 568 413	3 223 297	3 568 413	3 223 297
Solid waste	2 010 600	1 503 517	2 010 600	1 503 517
	<b>38 135 080</b>	<b>31 336 697</b>	<b>38 135 080</b>	<b>31 336 697</b>
<b>Less: Provision for debt impairment</b>				
Water	(21 595 886)	(18 352 305)	(21 595 886)	(18 352 305)
Sanitation	(2 674 973)	(2 185 916)	(2 674 973)	(2 185 916)
Solid waste	(1 005 961)	(569 621)	(1 005 961)	(569 621)
	<b>(25 276 820)</b>	<b>(21 107 842)</b>	<b>(25 276 820)</b>	<b>(21 107 842)</b>
Net balance				
Water	10 960 181	8 257 578	10 960 181	8 257 578
Sanitation	893 440	1 037 381	893 440	1 037 381
Solid waste	1 004 639	933 896	1 004 639	933 896
	<b>12 858 260</b>	<b>10 228 855</b>	<b>12 858 260</b>	<b>10 228 855</b>
<b>Summary of debtors by service type</b>				
<b>Water</b>				
Current (0 - 30 days)	5 592 734	5 813 248	5 592 734	5 813 248
31 - 60 days	3 304 459	2 582 025	3 304 459	2 582 025
61 - 90 days	788 897	1 551 187	788 897	1 551 187
91 - 120 days	1 405 836	1 270 673	1 405 836	1 270 673
> 120 days	21 464 140	15 392 750	21 464 140	15 392 750
Less: Impairment	(21 595 885)	(18 352 305)	(21 595 885)	(18 352 305)
	<b>10 960 181</b>	<b>8 257 578</b>	<b>10 960 181</b>	<b>8 257 578</b>
<b>Sanitation</b>				
Current (0 - 30 days)	318 586	(26 072)	318 586	(26 072)
31 - 60 days	200 751	213 878	200 751	213 878
61 - 90 days	139 190	136 574	139 190	136 574
91 - 120 days	145 716	169 765	145 716	169 765
> 120 days	2 764 170	2 729 153	2 764 170	2 729 153
Less: Impairment	(2 674 973)	(2 185 917)	(2 674 973)	(2 185 917)
	<b>893 440</b>	<b>1 037 381</b>	<b>893 440</b>	<b>1 037 381</b>
<b>Solid waste</b>				
Current (0 - 30 days)	935 732	734 296	935 732	734 296
31 - 60 days	429 504	141 424	429 504	141 424
61 - 90 days	117 059	86 218	117 059	86 218
91 - 120 days	154 140	71 848	154 140	71 848
> 120 days	374 165	469 730	374 165	469 730
Less: Impairment	(1 005 961)	(569 620)	(1 005 961)	(569 620)
	<b>1 004 639</b>	<b>933 896</b>	<b>1 004 639</b>	<b>933 896</b>

**UTHUNGULU DISTRICT MUNICIPALITY**  
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	Group		Municipality	
	2012 R	2011 R	2012 R	2011 R
<b>3. Accounts receivable from exchange transactions (continued)</b>				
<b>Summary of debtors by customer classification</b>				
<b>Domestic Consumers</b>				
Current (0 - 30 days)	3 515 744	4 005 710	3 515 744	4 005 710
31 - 60 days	1 936 377	1 511 225	1 936 377	1 511 225
61 - 90 days	718 936	927 413	718 936	927 413
91 - 120 days	1 130 351	764 454	1 130 351	764 454
> 120 days	<u>21 381 944</u>	<u>14 885 853</u>	<u>21 381 944</u>	<u>14 885 853</u>
	28 683 352	22 094 655	28 683 352	22 094 655
Less: Provision for debt impairment	<u>(23 974 016)</u>	<u>(19 833 086)</u>	<u>(23 974 016)</u>	<u>(19 833 086)</u>
	<b><u>4 709 336</u></b>	<b><u>2 261 569</u></b>	<b><u>4 709 336</u></b>	<b><u>2 261 569</u></b>
<b>Industrial/Commercial</b>				
Current (0 - 30 days)	1 680 617	1 385 154	1 680 617	1 385 154
31 - 60 days	984 159	717 405	984 159	717 405
61 - 90 days	231 881	166 003	231 881	166 003
91 - 120 days	308 707	153 193	308 707	153 193
> 120 days	<u>1 747 954</u>	<u>2 064 892</u>	<u>1 747 954</u>	<u>2 064 892</u>
	4 953 318	4 486 654	4 953 318	4 486 654
Less: Provision for debt impairment	<u>(1 302 804)</u>	<u>(1 274 752)</u>	<u>(1 302 804)</u>	<u>(1 274 752)</u>
	<b><u>3 650 514</u></b>	<b><u>3 211 902</u></b>	<b><u>3 650 514</u></b>	<b><u>3 211 902</u></b>
<b>National and Provincial government</b>				
Current (0 - 30 days)	1 650 691	1 130 608	1 650 691	1 130 608
31 - 60 days	1 014 179	708 697	1 014 179	708 697
61 - 90 days	94 330	682 395	94 330	682 395
91 - 120 days	266 635	592 806	266 635	592 806
> 120 days	<u>1 472 576</u>	<u>1 640 881</u>	<u>1 472 576</u>	<u>1 640 881</u>
	<b><u>4 498 411</u></b>	<b><u>4 755 387</u></b>	<b><u>4 498 411</u></b>	<b><u>4 755 387</u></b>
<b>Total</b>				
Current (0 - 30 days)	6 847 051	6 521 473	6 847 051	6 521 473
31 - 60 days	3 934 715	2 937 321	3 934 715	2 937 321
61 - 90 days	1 045 147	1 775 811	1 045 147	1 775 811
91 - 120 days	1 705 692	1 510 454	1 705 692	1 510 454
> 120 days	<u>24 602 475</u>	<u>18 591 634</u>	<u>24 602 475</u>	<u>18 591 634</u>
	38 135 080	31 336 693	38 135 080	31 336 693
Less: Provision for debt impairment	<u>(25 276 820)</u>	<u>(21 107 838)</u>	<u>(25 276 820)</u>	<u>(21 107 838)</u>
	<b><u>12 858 260</u></b>	<b><u>10 228 855</u></b>	<b><u>12 858 260</u></b>	<b><u>10 228 855</u></b>
<b>Reconciliation of debt impairment provision</b>				
Balance at beginning of the year	(21 107 842)	(17 104 095)	(21 107 842)	(17 104 095)
Contributions to provisions	(8 023 573)	(6 436 353)	(8 023 573)	(6 436 353)
Debt impairment written off against provision	<u>3 854 595</u>	<u>2 432 606</u>	<u>3 854 595</u>	<u>2 432 606</u>
	<b><u>(25 276 820)</u></b>	<b><u>(21 107 842)</u></b>	<b><u>(25 276 820)</u></b>	<b><u>(21 107 842)</u></b>

In the determination of the amounts deemed to be doubtful at financial year end, an analysis of each debtor is undertaken.

The debtors are classified into one of three categories.

- Category A Regular payers, government accounts, consumers with amounts owing not older than 60 days.
- Category B Irregular payers
- Category C Indigent customers, customers with debts older than 60 days with no payments made within the last 6 months and inactive accounts.

The value of the provision is determined for the detailed categories as follows:

- Category A 0% of consumer's total debt
- Category B 50% of consumer's debt less or equal to 180 days
- 100% of consumer's debt > than 180 days
- Category C 100% of consumer's total debt

22 969 861	15 504 216	22 969 861	15 504 216
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**UTHUNGULU DISTRICT MUNICIPALITY**  
 CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	Group		Municipality	
	2012	2011	2012	2011
	R	R	R	R
<b>4. Accounts receivable from non exchange transactions</b>				
Sundry debtors	13 483 190	8 233 954	13 483 190	8 233 954
Deposits	3 396 102	3 029 710	3 396 102	3 029 710
Umhlatuze municipality - soccer stadium	8 176 232	3 297 884	8 176 232	3 297 884
	<b>25 055 524</b>	<b>14 561 548</b>	<b>25 055 524</b>	<b>14 561 548</b>
<b>5. Long-term receivables</b>				
Staff recoverable bursaries	20 314	30 253	20 314	30 253
Staff home loans	475 587	512 186	475 587	512 186
<b>Non - current assets</b>	<b>495 901</b>	<b>542 439</b>	<b>495 901</b>	<b>542 439</b>
Non - current assets	495 901	542 439	495 901	542 439
Current portion of long-term receivables	34 821	32 745	34 821	32 745
	<b>530 722</b>	<b>575 184</b>	<b>530 722</b>	<b>575 184</b>

**Staff home loans**

Housing loans were granted to qualifying staff prior to 1 July 2004. These loans attract interest per the fringe benefit interest rate as determined by the South African Revenue Services annually. These loans will be repayable in accordance with the home loan agreements.

**6. Cash and cash equivalents**

*Cash and cash equivalents consist of:*

Cash on hand	3 800	3 200	3 800	3 200
Bank balances	87 552 524	46 971 567	86 713 103	45 355 241
Call investments deposits	280 000 000	320 000 000	280 000 000	320 000 000
	<b>367 556 324</b>	<b>366 974 767</b>	<b>366 716 903</b>	<b>365 358 441</b>

Call Investment deposits portfolio is detailed below:

Financial Institution	Maturity Date	Investment
NEDBANK	CALL	20 000 000
NEDBANK	06/08/2012	10 000 000
STANDARD	09/07/2012	25 000 000
STANDARD	17/07/2012	15 000 000
STANDARD	21/08/2012	10 000 000
STANDARD	30/08/2012	20 000 000
STANDARD	10/09/2012	15 000 000
FIRST NATIONAL BANK	06/07/2012	20 000 000
FIRST NATIONAL BANK	13/07/2012	10 000 000
FIRST NATIONAL BANK	27/07/2012	40 000 000
FIRST NATIONAL BANK	01/08/2012	10 000 000
FIRST NATIONAL BANK	08/08/2012	25 000 000
FIRST NATIONAL BANK	04/09/2012	15 000 000
FIRST NATIONAL BANK	28/09/2012	20 000 000
INVESTEC	02/07/2012	10 000 000
INVESTEC	06/07/2012	15 000 000
		<u>280 000 000</u>

An average interest rate of 5.646% (2011 - 5.645%) was received on investments placed for the financial year.

**UTHUNGULU DISTRICT MUNICIPALITY**  
 CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	Group		Municipality	
	2012	2011	2012	2011
	R	R	R	R

**The municipality and its entities have the following bank accounts:-**

***uThungulu District Municipality***

Primary Account

- Bank	Nedbank - Richards Bay
- Account Number	145 408 8885
- Opening balance	R 54 994 081.93
- Closing balance	R 112 039 895.09

*Other Accounts*

- Bank	Nedbank - Richards Bay
- Account Number	145 408 8893
- Opening balance	R 1 545 345.96
- Closing balance	R 1 911 924.45

- Bank	Nedbank - Richards Bay
- Account Number	145 408 9016
- Opening balance	R 0.00
- Closing balance	R 0.00

- Bank	Nedbank - Richards Bay
- Account Number	145 408 8907
- Opening balance	R 95 905.47
- Closing balance	R 103 302.44

- Bank	Nedbank - Richards Bay
- Account Number	145 409 4141
- Opening balance	R 331 354.90
- Closing balance	R 343 938.81

***uThungulu Financing Partnership***

- Bank	Nedbank - Johannesburg
- Account Number	1979373671
- Opening balance	R 351 645.00
- Closing balance	R 309 259.00

***uThungulu House Development Trust***

- Bank	Nedbank - Johannesburg
- Account Number	1979373663
- Opening balance	R1 233 444.00
- Closing balance	R 530 162.00

**Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:**

**Consolidated cash book and bank balances as at 30 June 2012**

Cash book balance at the beginning of year	46 971 567	23 610 368	45 355 241	22 077 997
Cash book balance at the end of year	87 552 524	46 971 567	86 713 103	45 355 241
Bank statement at the beginning of year	58 551 777	33 748 622	56 966 688	33 748 622
Bank statement at the end of year	115 238 482	58 551 777	114 399 061	56 966 688



**UTHUNGULU DISTRICT MUNICIPALITY**  
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

7. Property, plant and equipment	2012				2011				
	Cost	Accumulated depreciation and impairment	Carrying value	Cost	Accumulated depreciation and impairment	Carrying Value	Cost	Accumulated depreciation and impairment	Carrying Value
Buildings	53 149 498	(7 541 323)	45 608 175	52 173 616	(5 824 493)	46 349 123			
Land	12 474 983	-	12 474 983	12 474 983	-	12 474 983			
Infrastructure - Under construction	422 574 208	-	422 574 208	302 466 888	-	302 466 888			
Infrastructure	713 086 975	(166 364 975)	546 722 000	636 018 292	(136 244 807)	499 773 485			
Other assets - assets under construction	6 161 963	-	6 161 963	5 002 007	-	5 002 007			
Other assets	30 063 347	(13 196 560)	16 866 787	28 706 445	(9 656 553)	19 049 892			
<b>Total</b>	<b>1 237 510 974</b>	<b>(187 102 858)</b>	<b>1 050 408 116</b>	<b>1 036 842 231</b>	<b>(151 725 853)</b>	<b>885 116 378</b>			
	2012				2011				
<b>Municipality</b>	<b>Cost</b>	<b>Accumulated depreciation and impairment</b>	<b>Carrying value</b>	<b>Cost</b>	<b>Accumulated depreciation and impairment</b>	<b>Carrying Value</b>			
Buildings	53 149 498	(7 541 323)	45 608 175	52 173 616	(5 824 493)	46 349 123			
Land	12 474 983	-	12 474 983	12 474 983	-	12 474 983			
Infrastructure - Under construction	422 574 208	-	422 574 208	302 466 888	-	302 466 888			
Infrastructure	713 086 975	(166 364 975)	546 722 000	636 018 292	(136 244 807)	499 773 485			
Other assets - assets under construction	6 161 963	-	6 161 963	5 002 007	-	5 002 007			
Other assets	30 063 347	(13 196 560)	16 866 787	28 706 445	(9 656 553)	19 049 892			
<b>Total</b>	<b>1 237 510 974</b>	<b>(187 102 858)</b>	<b>1 050 408 116</b>	<b>1 036 842 231</b>	<b>(151 725 853)</b>	<b>885 116 378</b>			
	<b>Reconciliation of property, plant and equipment - 2012</b>								
<b>Group</b>	<b>Opening Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Depreciation</b>	<b>Impairment loss</b>	<b>Impairment reversal</b>	<b>Total</b>	
Buildings	46 349 123	975 882	-	-	(1 716 830)	-	-	45 608 175	
Land	12 474 983	-	-	-	-	-	-	12 474 983	
Infrastructure - Under construction	302 466 888	196 954 815	-	(76 847 495)	-	-	-	422 574 208	
Infrastructure	499 773 485	221 189	-	76 847 495	(30 683 861)	-	563 692	546 722 000	
Other assets - assets under construction	5 002 007	1 159 956	-	-	-	-	-	6 161 963	
Other assets	19 049 892	2 457 671	(593 823)	-	(3 889 776)	(157 177)	-	16 866 787	
<b>Total</b>	<b>885 116 378</b>	<b>201 769 513</b>	<b>(593 823)</b>	<b>-</b>	<b>(36 290 467)</b>	<b>(157 177)</b>	<b>563 692</b>	<b>1 050 408 116</b>	

Buildings with an original cost value of R9 550 000 are subject to a finance lease as disclosed in note 11.

## UTHUNGULU DISTRICT MUNICIPALITY

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

#### 7. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - 2012

Municipality	Opening Balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Impairment reversal	Total
Buildings	46 349 123	975 882	-	-	(1 716 830)	-	-	45 608 175
Land	12 474 983	-	-	-	-	-	-	12 474 983
Infrastructure - Under construction	302 466 888	196 954 815	-	(76 847 495)	-	-	-	422 574 208
Infrastructure	499 773 485	221 189	-	76 847 495	(30 683 861)	-	563 692	546 722 000
Other assets - assets under construction	5 002 007	1 159 956	-	-	-	-	-	6 161 963
Other assets	19 049 892	2 457 671	(593 823)	-	(3 889 776)	(157 177)	-	16 866 787
<b>Total</b>	<b>885 116 378</b>	<b>201 769 513</b>	<b>(593 823)</b>	<b>-</b>	<b>(36 290 467)</b>	<b>(157 177)</b>	<b>563 692</b>	<b>1 050 408 116</b>

Buildings with an original cost value of R9 550 000 are subject to a finance lease as disclosed in note 11.

##### Reconciliation of property, plant and equipment - 2011 restated

Group	Opening Balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Impairment reversal	Total
Buildings	48 315 516	-	-	-	(1 966 393)	-	-	46 349 123
Land	12 474 983	-	-	-	-	-	-	12 474 983
Infrastructure - Under construction	222 460 729	110 576 379	-	(30 570 220)	-	-	-	302 466 888
Infrastructure	502 003 586	-	-	30 570 220	(31 261 530)	(1 538 791)	-	499 773 485
Other assets - assets under construction	743 220	4 258 787	-	-	-	-	-	5 002 007
Other assets	22 507 683	1 940 435	(717 818)	-	(4 680 408)	-	-	19 049 892
<b>Total</b>	<b>808 505 717</b>	<b>116 775 601</b>	<b>(717 818)</b>	<b>-</b>	<b>(37 908 331)</b>	<b>(1 538 791)</b>	<b>-</b>	<b>885 116 378</b>

## UTHUNGULU DISTRICT MUNICIPALITY

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

#### 7. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - 2011 restated

Municipality	Opening Balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Impairment reversal	Total
Buildings	48 315 516	-	-	-	(1 966 393)	-	-	46 349 123
Land	12 474 983	-	-	-	-	-	-	12 474 983
Infrastructure - Under construction	222 460 729	110 576 379	-	(30 570 220)	-	-	-	302 466 888
Infrastructure	502 003 586	-	-	30 570 220	(31 261 530)	(1 538 791)	-	499 773 485
Other assets - assets under construction	743 220	4 258 787	-	-	-	-	-	5 002 007
Other assets	22 507 683	1 940 435	(717 818)	-	(4 680 408)	-	-	19 049 892
<b>Total</b>	<b>808 505 717</b>	<b>116 775 601</b>	<b>(717 818)</b>	<b>-</b>	<b>(37 908 331)</b>	<b>(1 538 791)</b>	<b>-</b>	<b>885 116 378</b>

A register containing the information required by section 63 of the Municipal Finance Management Act 56 (2003) is available for inspection at the registered office of the municipality and further details are disclosed in Appendix B.

#### 8. Intangible Assets

Group	2012		2011	
	Cost	Accumulated depreciation and impairment	Carrying value	Cost
Computer software and other	2 749 263	(1 272 579)	1 476 684	2 589 552
<b>Total</b>	<b>2 749 263</b>	<b>(1 272 579)</b>	<b>1 476 684</b>	<b>(613 702)</b>
			<b>2 589 552</b>	<b>(613 702)</b>
				<b>1 975 850</b>
				<b>1 975 850</b>

Municipality	2012		2011	
	Cost	Accumulated depreciation and impairment	Carrying value	Cost
Computer software and other	2 749 263	(1 272 579)	1 476 684	2 589 552
<b>Total</b>	<b>2 749 263</b>	<b>(1 272 579)</b>	<b>1 476 684</b>	<b>(613 702)</b>
			<b>2 589 552</b>	<b>(613 702)</b>
				<b>1 975 850</b>
				<b>1 975 850</b>

## UTHUNGULU DISTRICT MUNICIPALITY

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

**7. Reconciliation of Intangible Assets - 2012**

<b>Group</b>	<b>Opening Balance</b>	<b>Additions</b>	<b>Amortisation</b>	<b>Total</b>
Computer software and other	1 975 850	159 712	(658 878)	1 476 684
<b>Total</b>	<b>1 975 850</b>	<b>159 712</b>	<b>(658 878)</b>	<b>1 476 684</b>

**Reconciliation of Intangible Assets - 2012**

<b>Municipality</b>	<b>Opening Balance</b>	<b>Additions</b>	<b>Amortisation</b>	<b>Total</b>
Computer software and other	1 975 850	159 712	(658 878)	1 476 684
<b>Total</b>	<b>1 975 850</b>	<b>159 712</b>	<b>(658 878)</b>	<b>1 476 684</b>

**Reconciliation of Intangible Assets - 2011 restated**

<b>Group</b>	<b>Opening Balance</b>	<b>Additions</b>	<b>Amortisation</b>	<b>Total</b>
Computer software and other	2 386 029	203 624	(613 703)	1 975 850
<b>Total</b>	<b>2 386 029</b>	<b>203 624</b>	<b>(613 703)</b>	<b>1 975 850</b>

**Reconciliation of Intangible Assets - 2011 restated**

<b>Municipality</b>	<b>Opening Balance</b>	<b>Additions</b>	<b>Amortisation</b>	<b>Total</b>
Computer software and other	2 386 029	203 624	(613 703)	1 975 850
<b>Total</b>	<b>2 386 029</b>	<b>203 624</b>	<b>(613 703)</b>	<b>1 975 850</b>

**UTHUNGULU DISTRICT MUNICIPALITY**  
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	Group		Municipality	
	2012 R	2011 R	2012 R	2011 R
<b>9. Investments in municipal entities</b>				
<b>% Holding</b>				
uThungulu Financing Partnership			99	99
uThungulu House Development Trust			100	100
<b>Carrying amount</b>				
uThungulu Financing Partnership			19 498 698	19 063 401
uThungulu House Development Trust			5 708 098	6 656 413
	<u>-</u>	<u>-</u>	<b>25 206 796</b>	<b>25 719 814</b>

The carrying amounts of municipal entities are shown net of impairment losses.

**10. Investment**

**Held to maturity**

<b>ABSA</b>	<u>21 000 000</u>	<u>-</u>	<u>21 000 000</u>	<u>-</u>
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The INCA Zero Coupon of R7 963 350 was purchased by council in 2002/2003 to be utilized as a guarantee on the R 21 million INCA loan. Interest of R 2 195 585 in 2010/2011, at 11.35% was earned on the investment. The investment matured on the 30th of June 2011. As the investment was taken to settle the loan as detailed in note 11, the funds received have been re-invested in 2011/2012 for the purpose as stated. The R21 million was re-invested on the 15th of July 2011 with ABSA at an interest rate of 8.70%. The maturity date is 30th December 2015.

**Non-current assets**

Held to maturity	<u>21 000 000</u>	<u>-</u>	<u>21 000 000</u>	<u>-</u>
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Held to maturity investments impairment provision

The municipality has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

**11. Long-term liabilities**

**Held at amortised cost**

ABSA Bank 12.6%	42 032 370	43 471 380	42 032 370	43 471 380
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The loan was raised to finance the development of uThungulu House building and greater Mthonjaneni Bulk Water Scheme. The loan is repayable after a 15 year period. Interest at 12.6% is payable 6 monthly in arrears on the last day of the month.

INCA 13.95%	21 000 000	21 000 000	21 000 000	21 000 000
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The loan was raised to finance the purchase and development of the regional solid waste site. The loan is repayable after a 15 year period. Interest at 13.95% is paid 6 monthly in arrears on the last day of the month. The final payment of R21 million is due December 2015. The investment matured on the 30th of June 2011 and has been re-invested in the 11/12 financial year in order to repay this loan.

INCA 11.95%	26 314 518	27 423 160	26 314 518	27 423 160
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The loan was raised to finance extensions to uThungulu House and the development of the solid waste site cell 2. The loan is repayable after a 15 year period. Interest at 11.95% is payable 6 monthly in arrears on the last day of the month.



**UTHUNGULU DISTRICT MUNICIPALITY**  
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	Group		Municipality	
	2012 R	2011 R	2012 R	2011 R
<b>Long term liabilities (continued)</b>				
<i>Obligation under Finance Headlease</i>			24 564 331	24 296 048
<p>The finance headlease payments represent payments by the municipality for a headlease property in which the municipality has a controlling interest at the end of the lease through uThungulu Financing Partnership and consist of a lease over Portion 2 of ERF 10033 Richards Bay, 2 Haiti, Central Business District, known as uThungulu House. The original lease period expires on 31 October 2017, ownership of the property will vest with uThungulu on the termination of the lease. The yield to maturity on the lease is 23.18% and is paid 6 monthly in advance on the last day of the month. Refer to note 7.</p>				
	<u>89 346 888</u>	<u>91 894 540</u>	<u>113 911 219</u>	<u>116 190 588</u>
<p>Details of the repayment term of the obligations and the related interest rates are set out in Appendix A.</p>				
<b>Non-current liabilities</b>				
At amortised cost	85 611 710	89 346 888	104 584 204	108 739 410
<b>Current liabilities</b>				
At amortised cost	3 735 178	2 547 652	9 327 015	7 451 178
	<u>89 346 888</u>	<u>91 894 540</u>	<u>113 911 219</u>	<u>116 190 588</u>
<b>Obligations under finance lease</b>				
- within one year			6 432 326	5 642 391
- in the second to the fifth year inclusive			36 086 017	31 654 401
- later than five years			5 787 334	16 651 276
			48 305 677	53 948 068
Less future finance charges			(23 741 345)	(29 652 020)
			24 564 332	24 296 048
Present value of minimum lease payments				
- within one year			5 591 838	4 903 526
- in the second to the fifth year inclusive			15 478 302	15 193 295
- later than five years			3 494 192	4 199 227
			<u>24 564 332</u>	<u>24 296 048</u>
<b>12. Payables from exchange transactions</b>				
Trade payables	101 651 286	94 317 299	101 651 286	94 317 299
Amounts received in advance	2 555 164	1 598 200	2 555 164	1 598 200
Other payables - retentions	15 888 281	14 688 482	15 888 281	14 688 482
Accrued leave pay	5 375 012	5 621 328	5 375 012	5 621 328
Other accrued expenses	4 569	86 931	4 569	86 931
Other payables	7 382	37 802	7 382	37 802
	<u>125 481 694</u>	<u>116 350 042</u>	<u>125 481 694</u>	<u>116 350 042</u>
<p>The comparative figure for trade payables from exchange transactions has been re-stated - refer to note 37</p>				
<b>13. Consumer deposits</b>				
Water	8 229 262	7 244 363	8 229 262	7 244 363
<p>In terms of Council's by-laws no interest is raised or paid on consumer deposits.</p>				

**UTHUNGULU DISTRICT MUNICIPALITY**  
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	Group		Municipality	
	2012 R	2011 R	2012 R	2011 R
<b>14. Defined benefit obligations</b>				
Post-Employment Health Care Benefit Liability	10 584 545	9 863 739	10 584 545	9 863 739
Long Service Awards	3 596 390	3 561 002	3 596 390	3 561 002
Total amount of liability for the post retirement benefit provisions	<b>14 180 935</b>	<b>13 424 741</b>	<b>14 180 935</b>	<b>13 424 741</b>
	<b>(757 672)</b>	<b>(674 258)</b>	<b>(757 672)</b>	<b>(674 258)</b>
Less: Current portion of post-employment health care benefit liability	(62 340)	(55 656)	(62 340)	(55 656)
Less: Current portion of long service awards	(695 332)	(618 602)	(695 332)	(618 602)
<b>Net provision for post retirement benefit liability</b>	<b>13 423 263</b>	<b>12 750 483</b>	<b>13 423 263</b>	<b>12 750 483</b>

**14.1 Post-employment Health Care Benefit Liability**

Post-Employment Health Care Benefit Liability	10 584 545	9 863 739	10 584 545	9 863 739
<b>Total: Post Retirement Medical Aid Benefit Liability</b>	<b>10 584 545</b>	<b>9 863 739</b>	<b>10 584 545</b>	<b>9 863 739</b>
Less: Transfer to current provisions	(62 340)	(55 656)	(62 340)	(55 656)
<b>Net Post-Employment Health Care Benefit Liability</b>	<b>10 522 205</b>	<b>9 808 083</b>	<b>10 522 205</b>	<b>9 808 083</b>

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

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2012 by ARCH Actuarial Consulting, a member 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. No other post retirement benefits are provided by the municipality.

The Post Employment Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service members (Employees)	149	153	149	153
In-service non-members	40	40	40	40
Continuation members (Retirees, widowers and orphans)	2	2	2	2
	<b>191</b>	<b>195</b>	<b>191</b>	<b>195</b>

The liability in respect of past services has been estimated to be as follows:

In-service members	9 594 496	8 959 630	9 594 496	8 959 630
Continuation members	990 049	904 109	990 049	904 109
	<b>10 584 545</b>	<b>9 863 739</b>	<b>10 584 545</b>	<b>9 863 739</b>

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Bonitas
- Key Health
- LA Health
- Hosmed
- Samwumed

The future service cost for the ensuing year is established to be R 1 063 967, whereas the interest-cost for the next year is estimated to be R 887 391 (2011: R 1 111 284 and R 870 570 respectively).

**The principal assumptions used for the purposes of the actuarial valuations were as follows:**

**Rate of interest**

Discount rate	8,41%	8,85%	8,41%	8,85%
Health care cost inflation rate	7,08%	7,38%	7,08%	7,38%
Net effective discount rate	1,24%	1,37%	1,24%	1,37%
Benchmark inflation (=75% of salary inflation)	4,75%	-	4,75%	-
Expected retirement age - females	58	58	58	58
Expected retirement age - males	63	63	63	63

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	Group		Municipality	
	2012 R	2011 R	2012 R	2011 R
<b>14. Defined benefit obligations (continued)</b>				
<b>The amount recognised in the Statement of Financial Position are as follows:</b>				
Present value of fund obligations	10 584 545	9 863 739	10 584 545	9 863 739
	<u>10 584 545</u>	<u>9 863 739</u>	<u>10 584 545</u>	<u>9 863 739</u>
Present value of unfunded obligations	10 584 545	9 863 739	10 584 545	9 863 739
Benefit Liability	<u>10 584 545</u>	<u>9 863 739</u>	<u>10 584 545</u>	<u>9 863 739</u>
<b>The amount recognised in the Statement of Financial Performance are as follow:</b>				
Current service cost	1 111 284	812 181	1 111 284	812 181
Interest cost	870 570	677 055	870 570	677 055
	<u>(1 205 392)</u>	<u>1 023 508</u>	<u>(1 205 392)</u>	<u>1 023 508</u>
Total included in employee related cost	<b><u>776 462</u></b>	<b><u>2 512 744</u></b>	<b><u>776 462</u></b>	<b><u>2 512 744</u></b>
The movement in the defined benefit obligation over the year is as follows:				
Balance at the beginning of the year	9 863 739	7 399 379	9 863 739	7 399 379
- Current service cost	1 111 284	812 181	1 111 284	812 181
- Interest cost	870 570	677 055	870 570	677 055
- Benefits paid	(55 656)	(48 384)	(55 656)	(48 384)
- Actuarial (gain)/losses on the obligation	<u>(1 205 392)</u>	<u>1 023 508</u>	<u>(1 205 392)</u>	<u>1 023 508</u>
Balance at the end of the year	<u>10 584 545</u>	<u>9 863 739</u>	<u>10 584 545</u>	<u>9 863 739</u>
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:				
<b>Increase</b>				
Effect on the aggregate current service and interest cost	439 000	242 300	439 000	242 300
Effect on the defined benefit obligation	1 552 000	2 076 000	1 552 000	2 076 000
<b>Decrease</b>				
Effect on the aggregate current service and interest cost	(344 500)	(215 400)	(344 500)	(215 400)
Effect on the defined benefit obligation	(1 352 000)	(1 646 000)	(1 352 000)	(1 646 000)
Defined benefit obligation	10 584 545	9 863 739	10 584 545	9 863 739

The municipality expects to make a contribution of R 62 340, (2012: R 55 656) to the defined benefit plans during the next financial year.

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	Group		Municipality	
	2012	2011	2012	2011
	R	R	R	R

**14. Defined benefit obligations (continued)**

**14.2 Long Service Awards**

Provision for Long Service Awards	3 596 390	3 561 001	3 596 390	3 561 001
Total provision for Long Service Awards	<b>3 596 390</b>	<b>3 561 001</b>	<b>3 596 390</b>	<b>3 561 001</b>
Less: Transfer to current provisions	(695 332)	(618 602)	(695 332)	(618 602)
Net Long Service Awards Liability	<b>2 901 058</b>	<b>2 942 399</b>	<b>2 901 058</b>	<b>2 942 399</b>

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality (which includes their uninterrupted service with the former local authorities amalgamated in December 2000). The said award comprises a certain number of vacation leave days which, in accordance with the option exercised by the beneficiary employee, can be converted into a cash amount based on his/her basic salary applicable at the time the award becomes due or, alternatively, credited to his/her vacation leave accrual. The provision represents an estimation of the awards to which employees in the service of the Municipality at 30 June 2012 may become entitled to in future, based on an actuarial valuation performed at that date.

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2012 by ARCH Actuarial Consulting, a member 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. No other long service benefits are provided by the municipality.

The future service cost for the ensuing year is established to be R 772 680, whereas the interest-cost for the next year is estimated to be R 202 053 (2011: R 859 937 and R 246 604 respectively).

**The principal assumptions used for the purposes of the actuarial valuations were as follows:**

**Rates of Interest**

Discount rate	6,21%	7,57%	6,21%	7,57%
Net effective discount rate	0,23%	1,28%	0,23%	1,28%
Expected rate of salary increase	5,97%	6,21%	5,97%	6,21%
Expected retirement age - females	58	58	58	58
Expected retirement age - males	63	63	63	63

**The amount recognised in the Statement of Financial Position are as follows:**

Present value of fund obligations	3 596 390	3 561 001	3 596 390	3 561 001
	<b>3 596 390</b>	<b>3 561 001</b>	<b>3 596 390</b>	<b>3 561 001</b>
Present value of unfunded obligations	3 596 390	3 561 001	3 596 390	3 561 001
<b>Benefit Liability</b>	<b>3 596 390</b>	<b>3 561 001</b>	<b>3 596 390</b>	<b>3 561 001</b>

**The amount recognised in the Statement of Financial Performance are as follow:**

Current service cost	859 937	490 530	859 937	490 530
Interest cost	246 604	194 019	246 604	194 019
Actuarial (gain)/losses	(452 550)	811 319	(452 550)	811 319
<b>Total included in employee related cost</b>	<b>653 991</b>	<b>1 495 868</b>	<b>653 991</b>	<b>1 495 868</b>

The movement in the defined benefit obligation over the year as follows:

Balance at the beginning of the year	3 561 001	2 195 634	3 561 001	2 195 634
- Current service cost	859 937	490 530	859 937	490 530
- Interest cost	246 604	194 019	246 604	194 019
- Benefits paid	(618 602)	(130 501)	(618 602)	(130 501)
- Actuarial (gain)/losses	(452 550)	811 319	(452 550)	811 319
<b>Balance at the end of the year</b>	<b>3 596 390</b>	<b>3 561 001</b>	<b>3 596 390</b>	<b>3 561 001</b>

Defined benefit obligation	3 596 390	3 561 001	3 596 390	3 561 001
Experience adjustment on plan liabilities	(684 082)	561 882	(684 082)	561 882

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	2012	2011	2012	2011
	R	R	R	R

**14. Defined benefit obligations (continued)**

**Other assumptions**

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 service cost and interest cost	47 613	36 184	47 613	36 184
Effect on the defined benefit obligation	195 000	179 000	195 000	179 000

**Decrease**

Effect on the aggregate of the service cost and interest cost	(42 948)	(32 816)	(42 948)	(32 816)
Effect on the defined benefit obligation	(175 000)	(163 000)	(175 000)	(163 000)

Defined benefit obligation	3 596 390	3 561 001	3 596 390	3 561 001
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The municipality expects to make a contribution of R 695 332 (2012: R 618 602) to the denifed benefit plan during the next financial year.

**Provincially-administered defined benefit obligations**

	Last Actuarial Valuation	Total Assets R'000	Total Liabilities R'000	Net Gain or (Loss)
Government Employees Pension Fund	March 2010	801 004 000	801 004 000	-
KwaZulu-Natal Joint Municipal Provident Fund	March 2010	836 448	753 288	83 160
Natal Joint Municipal Pension Fund (Superannuation)	March 2011	5 501 500	6 051 000	(549 500)
Natal Joint Municipal Pension Fund (Retirement)	March 2011	2 018 800	2 401 100	(382 300)
Zululand Joint Provident Fund (uThungulu District Municipality Provident Fund)	February 2009	12 541 836	12 541 836	-

An amount of R 8 018 765 (2011: R 6 209 920) was contributed by Council towards employee retirement funding. These contributions have been expensed. The Zululand Joint Provident Fund has received a notice of exemption for further valuations per notice number 12/8/37666.

**15. Unspent conditional grants and receipts**

**Unspent conditional grants and receipts comprises of:**

**Conditional Grants from spheres of Government and other**

Municipal Infrastructure Grant	47 749 291	72 554 169	47 749 291	72 554 169
Department of Co-operative Governance and Traditional Affairs(Previously DTLGA)	10 980 879	12 881 771	10 980 879	12 881 771
Department of Water Affairs	1 826 455	942 042	1 826 455	942 042
Department of Co-operative Governance and Traditional Affairs	7 861 281	861 867	7 861 281	861 867
Department of Public Works	3 025 661	1 727 394	3 025 661	1 727 394
National Treasury	500 942	280 219	500 942	280 219
Foskor	186	186	186	186
Provincial Treasury	280 196	1 220 833	280 196	1 220 833
Department of Sport and Recreation	3 813	3 813	3 813	3 813
Department of Agriculture	177 708	177 708	177 708	177 708
Department of Economic Affairs and Tourism	11 842	43 857	11 842	43 857
Department of Transport	1 591 846	313 770	1 591 846	313 770
Other	238 865	238 866	238 865	238 866

<b>74 248 965</b>	<b>91 246 495</b>	<b>74 248 965</b>	<b>91 246 495</b>
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**UTHUNGULU DISTRICT MUNICIPALITY**  
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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

**16. Provisions**

**Group**

**Reconciliation of provision - 2012**

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Reclamation of refuse landfill site	65 117 292	4 297 741	-	-	69 415 033
Performance bonus	768 503	751 980	(180 000)	(588 502)	751 981
<b>Total</b>	<b>65 885 795</b>	<b>5 049 721</b>	<b>(180 000)</b>	<b>(588 502)</b>	<b>70 167 014</b>

**Reconciliation of provision - 2011**

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Reclamation of refuse landfill site	60 914 211	4 203 081	-	-	65 117 292
Performance bonus	710 363	58 140	-	-	768 503
<b>Total</b>	<b>61 624 574</b>	<b>4 261 221</b>	<b>-</b>	<b>-</b>	<b>65 885 795</b>

**Municipality**

**Reconciliation of provision - 2012**

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Reclamation of refuse landfill site	65 117 292	4 297 741	-	-	69 415 033
Performance bonus	768 503	751 980	(180 000)	(588 502)	751 981
<b>Total</b>	<b>65 885 795</b>	<b>5 049 721</b>	<b>(180 000)</b>	<b>(588 502)</b>	<b>70 167 014</b>

**Reconciliation of provision - 2011**

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Reclamation of refuse landfill site	60 914 211	4 203 081	-	-	65 117 292
Performance bonus	710 363	58 140	-	-	768 503
<b>Total</b>	<b>61 624 574</b>	<b>4 261 221</b>	<b>-</b>	<b>-</b>	<b>65 885 795</b>

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	Group		Municipality	
	2012 R	2011 R	2012 R	2011 R
<b>16. Non-current and current provisions (continued)</b>				
Non-current liabilities	69 415 033	65 117 292	69 415 033	65 117 292
Current liabilities	<u>751 981</u>	<u>768 503</u>	<u>751 981</u>	<u>768 503</u>
	<b><u>70 167 014</u></b>	<b><u>65 885 795</u></b>	<b><u>70 167 014</u></b>	<b><u>65 885 795</u></b>

Performance bonuses are paid after the financial year end in arrears as the assessment of eligible employees had not taken place at reporting date. During the period reported the assessment of the previous Municipal Manager and Executive Director Corporate Services had been concluded, however the bonuses have not yet been effected.

In terms of licensing of the landfill refuse site, council will incur rehabilitation costs of R 69.4 million to restore the old Empangeni and Cell 1 refuse sites at the end of their useful life, planning estimated to commence in 2013. Provision has been made at best estimate determined by the resident professional engineer at a cost for the current solid waste(Cell 1 & Cell 2) and the old Empangeni Site.

**17. Service charges**

Sale of water	35 615 614	30 124 717	35 615 614	30 124 717
Solid waste revenue	8 444 902	7 239 081	8 444 902	7 239 081
Sanitation revenue	3 740 115	3 513 026	3 740 115	3 513 026
Cemetery revenue	<u>216 751</u>	<u>316 110</u>	<u>216 751</u>	<u>316 110</u>
	<b><u>48 017 382</u></b>	<b><u>41 192 934</u></b>	<b><u>48 017 382</u></b>	<b><u>41 192 934</u></b>

**18. Government grants & subsidies**

Levy replacement grant	152 214 492	139 638 170	152 214 492	139 638 170
Municipal Infrastructure Grant	192 077 315	96 875 753	192 077 315	96 875 753
Equitable share	<u>146 963 509</u>	<u>120 340 137</u>	<u>146 963 509</u>	<u>120 340 137</u>
Department of Co-operative Governance and Traditional Affairs (Previously DTLGA)	1 900 892	4 383 184	1 900 892	4 383 184
Department of Water Affairs	34 553 187	18 568 056	34 553 187	18 568 056
Department of Co-operative Governance and Traditional Affairs	1 967 109	3 982 596	1 967 109	3 982 596
Department of Public Works	1 145 732	769 178	1 145 732	769 178
National Treasury	1 029 277	854 367	1 029 277	854 367
Foskor	-	16 929	-	16 929
Provincial Treasury	<u>940 638</u>	<u>391 477</u>	<u>940 638</u>	<u>391 477</u>
Department of Agriculture	-	12 000	-	12 000
Department of Economic Affairs & Tourism	32 015	256 143	32 015	256 143
Department of Transport	<u>409 924</u>	<u>-</u>	<u>409 924</u>	<u>-</u>
	<b><u>533 234 090</u></b>	<b><u>386 087 990</u></b>	<b><u>533 234 090</u></b>	<b><u>386 087 990</u></b>

**Summary of grants per funder**

**Levy Replacement Grant**

Regional council levies have been discontinued as from 30 June 2006, and the national fiscus has allocated a levy replacement grant to the district municipalities. The levy replacement grant is an interim measure to ensure the financial stability of the district municipalities while national government is currently defining the overall fiscus streams to local government

**Municipal Infrastructure Grant**

Balance unspent at beginning of year	72 554 169	57 219 922	72 554 169	57 219 922
Current-year receipts	160 933 000	112 210 000	160 933 000	112 210 000
Conditions met - transferred to revenue	<u>(185 737 878)</u>	<u>(96 875 753)</u>	<u>(185 737 878)</u>	<u>(96 875 753)</u>
	<b><u>47 749 291</u></b>	<b><u>72 554 169</u></b>	<b><u>47 749 291</u></b>	<b><u>72 554 169</u></b>

Conditions still to be met - remain liabilities (see note 15)

This grant is used to construct water and sewerage infrastructure as part of the upgrading of informal settlement areas. No funds have been withheld.

**Equitable share**

In terms of the Constitution, this grant is unconditional and is used to subsidise the provision of basic services to the community. These subsidies includes 6 kilolitre free basic water to the entire district with the exception of KZ 282.

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	2012	2011	2012	2011
	R	R	R	R

**18. Government grants & subsidies (continued)**

**Department of Co-operative Governance and Traditional Affairs (Previously DTLGA)**

Balance unspent at beginning of year	12 881 771	16 491 403	12 881 771	16 491 403
Current-year receipts	-	329 000	-	329 000
Conditions met - transferred to revenue	<u>(1 900 892)</u>	<u>(3 938 632)</u>	<u>(1 900 892)</u>	<u>(3 938 632)</u>
	<b><u>10 980 879</u></b>	<b><u>12 881 771</u></b>	<b><u>10 980 879</u></b>	<b><u>12 881 771</u></b>

Conditions still to be met - remain liabilities (see note 15)

These grants are used:

- to build capacity within the district in order to perform functions as per legislature;
- for disaster programmes, fire fighting equipment, water service delivery planning, shared services unit and infrastructure.

**Department of Water Affairs**

Balance unspent at beginning of year	942 042	1 114 478	942 042	1 114 478
Current-year receipts	35 437 600	18 395 620	35 437 600	18 395 620
Conditions met - transferred to revenue	<u>(34 553 187)</u>	<u>(18 568 056)</u>	<u>(34 553 187)</u>	<u>(18 568 056)</u>
	<b><u>1 826 455</u></b>	<b><u>942 042</u></b>	<b><u>1 826 455</u></b>	<b><u>942 042</u></b>

Conditions still to be met - remain liabilities (see note 15)

These grants are used for:

- water infrastructure and sanitation projects;
- drought relief and disaster relief programmes

**Department of Co-operative Governance and Traditional Affairs**

Balance unspent at beginning of year	861 867	225 986	861 867	225 986
Current-year receipts	8 966 523	3 278 000	8 966 523	3 278 000
Conditions met - transferred to revenue	<u>(1 967 109)</u>	<u>(2 642 119)</u>	<u>(1 967 109)</u>	<u>(2 642 119)</u>
	<b><u>7 861 281</u></b>	<b><u>861 867</u></b>	<b><u>7 861 281</u></b>	<b><u>861 867</u></b>

Conditions still to be met - remain liabilities (see note 15)

The Department of Co-operative Governance and Traditional Affairs grants are used to build capacity within the district in order to perform functions as per legislature.

**Department of Public Works**

Balance unspent at beginning of year	1 595 272	616 950	1 595 272	616 950
Current-year receipts	2 444 000	1 747 500	2 444 000	1 747 500
Conditions met - transferred to revenue	(1 145 732)	(769 178)	(1 145 732)	(769 178)
Other - CPWP	<u>132 121</u>	<u>-</u>	<u>132 121</u>	<u>-</u>
	<b><u>3 025 661</u></b>	<b><u>1 595 272</u></b>	<b><u>3 025 661</u></b>	<b><u>1 595 272</u></b>

Conditions still to be met - remain liabilities (see note 15)

This grant is used to construct water and sewerage infrastructure as part of the upgrading of informal settlement areas. No funds have been withheld.

**National Treasury**

Balance unspent at beginning of year	280 219	134 586	280 219	134 586
Current-year receipts	1 250 000	1 000 000	1 250 000	1 000 000
Conditions met - transferred to revenue	<u>(1 029 277)</u>	<u>(854 367)</u>	<u>(1 029 277)</u>	<u>(854 367)</u>
	<b><u>500 942</u></b>	<b><u>280 219</u></b>	<b><u>500 942</u></b>	<b><u>280 219</u></b>

Conditions still to be met - remain liabilities (see note 15)

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	2012 R	2011 R	2012 R	2011 R

**18. Government grants & subsidies (continued)**

National treasury other grants are used for:  
 - to promote and support reforms to municipal financial management and the implementation of the Municipal Finance Management Act (Act no. 56 of 2003).

**FOSKOR**

Balance unspent at beginning of year	186	17 115	186	17 115
Conditions met - transferred to revenue	-	(16 929)	-	(16 929)
	<u>186</u>	<u>186</u>	<u>186</u>	<u>186</u>

Conditions still to be met - remain liabilities (see note 15)

The grant received from Foskor is to partner with the district municipality in the fight against HIV and Aids.

**Provincial Treasury**

Balance unspent at beginning of year	1 220 833	1 028 241	1 220 833	1 028 241
Current-year receipts	-	584 069	-	584 069
Conditions met - transferred to revenue	(940 637)	(391 477)	(940 637)	(391 477)
	<u>280 196</u>	<u>1 220 833</u>	<u>280 196</u>	<u>1 220 833</u>

Conditions still to be met - remain liabilities (see note 15)

The grant received from Provincial Treasury is used for the upliftment of the districts communities through various programmes.

**Department of Sport & Recreation**

Balance unspent at beginning of year	<u>3 813</u>	<u>3 813</u>	<u>3 813</u>	<u>3 813</u>
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Conditions still to be met - remain liabilities (see note 15)

The grant received from the Department of Sport and Recreation is used to construct sporting infrastructure in the district. This grant also included funding for the 2010 sports stadium that has been constructed by the municipality. The grant is spent in accordance with the approved business plan. No funds have been withheld.

**Department of Transport**

Balance unspent at beginning of year	313 770	313 770	313 770	313 770
Current-year receipts	1 688 000	-	1 688 000	-
Conditions met - transferred to revenue	(409 924)	-	(409 924)	-
	<u>1 591 846</u>	<u>313 770</u>	<u>1 591 846</u>	<u>313 770</u>

Conditions still to be met - remain liabilities (see note 15)

The Department of Transport grant is used for the development of the public transport plan.

**Department of Economic Affairs and Tourism**

Balance unspent at beginning of year	43 857	300 000	43 857	300 000
Conditions met - transferred to revenue	(32 015)	(256 143)	(32 015)	(256 143)
	<u>11 842</u>	<u>43 857</u>	<u>11 842</u>	<u>43 857</u>

Conditions still to be met - remain liabilities (see note 15)

The grant received from the Department of Economic Affairs and Tourism is for the development and promotion of the districts local economy and tourism.

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	Group		Municipality	
	2012 R	2011 R	2012 R	2011 R
<b>18. Government grants &amp; subsidies (continued)</b>				
Department of Agriculture				
Balance unspent at beginning of year	177 708	189 708	177 708	189 708
Conditions met - transferred to revenue	-	(12 000)	-	(12 000)
	<b>177 708</b>	<b>177 708</b>	<b>177 708</b>	<b>177 708</b>
Conditions still to be met - remain liabilities (see note 15)				
The grant received from the Department of Agriculture is for the development of a district agricultural plan.				
<b>19. Other Income</b>				
Sundry Income	1 696 247	6 365 883	1 696 247	6 365 883
Income from the uThungulu House Development Trust			2 896 275	2 951 534
Income from the uThungulu Financing Partnership			3 060 734	2 853 557
Tender deposits	265 966	320 617	265 966	320 617
SETA refund	454 212	190 021	454 212	190 021
Insurance claim proceeds	228 408	123 617	228 408	123 617
Lease income	99 885	90 805	99 885	90 805
Other income	1 012	929	1 012	929
	<b>2 745 730</b>	<b>7 091 872</b>	<b>8 702 739</b>	<b>12 896 963</b>
<b>20. Interest Received</b>				
<b>Interest revenue</b>				
Outstanding debtors	39 573	55 700	39 573	55 700
External investments	27 048 178	24 241 116	26 998 106	24 149 787
	<b>27 087 751</b>	<b>24 296 816</b>	<b>27 037 679</b>	<b>24 205 487</b>
<b>21. Employee related costs</b>				
Employee related costs - Salaries and wages	55 131 305	53 701 327	55 131 305	53 701 327
Employee related costs - Contributions for UIF, pensions & medical aid	11 672 551	11 190 484	11 672 551	11 190 484
Travel and other allowances	6 235 526	6 806 906	6 235 526	6 806 906
Overtime and relief payments	11 602 892	8 145 272	11 602 892	8 145 272
Housing benefits and allowances	2 686 516	2 949 080	2 686 516	2 949 080
Post Retirement Obligation: Post-employment health care benefit	268 256	2 464 360	268 256	2 464 360
Post Retirement Obligation: Long Service Awards	487 939	1 365 367	487 939	1 365 367
	<b>88 084 985</b>	<b>86 622 796</b>	<b>88 084 985</b>	<b>86 622 796</b>
Included in employee related costs above are the following salaries, allowances and benefits:				
<b>Remuneration of Municipal Manager</b>				
Annual Remuneration	366 069	863 736	366 069	863 736
Car Allowance	84 197	343 415	84 197	343 415
Performance Bonuses	-	142 582	-	142 582
Contributions to UIF,SDL and other	16 495	11 625	16 495	11 625
Dispute settlement	1 210 867	-	1 210 867	-
	<b>1 677 628</b>	<b>1 361 358</b>	<b>1 677 628</b>	<b>1 361 358</b>
<b>Remuneration of Deputy Municipal Manager</b>				
Annual Remuneration	827 077	803 594	827 077	803 594
Car Allowance	352 503	352 280	352 503	352 280
Performance Bonuses	146 939	135 453	146 939	135 453
Contributions to UIF,SDL and other	14 164	12 599	14 164	12 599
Acting allowance	19 276	-	19 276	-
	<b>1 359 959</b>	<b>1 303 926</b>	<b>1 359 959</b>	<b>1 303 926</b>



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	Group		Municipality	
	2012 R	2011 R	2012 R	2011 R
<b>21. Employee related costs (continued)</b>				
<b>Remuneration of Executive Director Technical Services</b>				
Annual Remuneration	683 880	783 090	683 880	783 090
Car Allowance	166 099	157 056	166 099	157 056
Performance Bonuses	-	125 316	-	125 316
Contributions to UIF,SDL,pension & medical aid	201 759	10 158	201 759	10 158
Annual Bonus	33 231	-	33 231	-
	<b>1 084 969</b>	<b>1 075 620</b>	<b>1 084 969</b>	<b>1 075 620</b>
<b>Remuneration of Executive Director Corporate Services</b>				
Annual Remuneration	347 877	792 387	347 877	792 387
Car Allowance	54 911	219 645	54 911	219 645
Performance Bonuses	-	128 324	-	128 324
Contributions to UIF,SDL and other	17 839	10 831	17 839	10 831
Dispute settlement	1 362 226	-	1 362 226	-
	<b>1 782 853</b>	<b>1 151 187</b>	<b>1 782 853</b>	<b>1 151 187</b>
<b>Remuneration of Chief Financial Officer</b>				
Annual Remuneration	727 064	1 007 297	727 064	1 007 297
Car Allowance	219 645	130 731	219 645	130 731
Performance Bonuses	33 062	128 324	33 062	128 324
Contributions to UIF,SDL and other	11 682	12 939	11 682	12 939
Acting allowance	115 272	-	115 272	-
	<b>1 106 725</b>	<b>1 279 291</b>	<b>1 106 725</b>	<b>1 279 291</b>
<b>22. Remuneration of councillors</b>				
Mayor	690 437	425 708	690 437	425 708
Deputy Mayor	555 958	439 219	555 958	439 219
Speaker	559 271	439 219	559 271	439 219
Chief Whip	276 049	-	276 049	-
Executive Committee	1 928 176	2 030 537	1 928 176	2 030 537
Councillors	3 220 164	1 737 760	3 220 164	1 737 760
Councillors' pension contribution	639 666	419 407	639 666	419 407
	<b>7 869 721</b>	<b>5 491 850</b>	<b>7 869 721</b>	<b>5 491 850</b>
<b>In-kind benefits</b>				
The Mayor, Deputy Mayor, Speaker, Chief Whip and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council which is included with other expenditure in the Statement of Financial Performance. The Mayor has the use of a Council owned vehicle together with a driver for official duties and security.				
<b>23. Depreciation, amortisation &amp; impairment</b>				
Property, plant and equipment and amortisation	<b>36 542 829</b>	<b>40 060 828</b>	<b>36 542 829</b>	<b>40 060 828</b>
The comparative figures have been restated - refer to note 37.				
<b>24. Finance costs</b>				
Interest paid - long term liabilities	<b>5 962 760</b>	<b>6 956 310</b>	<b>11 900 614</b>	<b>12 698 920</b>
<b>25. Bulk purchases</b>				
Electricity for operations	13 193 969	11 176 533	13 193 969	11 176 533
Water	16 010 394	13 293 853	16 010 394	13 293 853
	<b>29 204 363</b>	<b>24 470 386</b>	<b>29 204 363</b>	<b>24 470 386</b>

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	Group		Municipality	
	2012 R	2011 R	2012 R	2011 R
<b>26. Grants and subsidies paid</b>				
KZ 282 Umhlatuze Municipality	3 257 027	1 266 558	3 257 027	1 266 558
KZ 283 Ntambanana Municipality	5 452 000	3 912 999	5 452 000	3 912 999
KZ 284 Umlalazi Municipality	<u>535 407</u>	<u>851 616</u>	<u>535 407</u>	<u>851 616</u>
	<b><u>9 244 434</u></b>	<b><u>6 031 173</u></b>	<b><u>9 244 434</u></b>	<b><u>6 031 173</u></b>
<b>27. General expenses</b>				
Advertisements	297 127	803 842	297 127	803 842
Chemicals	2 286 384	1 918 442	2 286 384	1 918 442
External audit fees	2 246 605	2 024 359	2 246 605	2 024 359
Fuel and oil	2 790 077	2 415 905	2 790 077	2 415 905
IDP operational externally funded projects	45 781 146	20 107 166	45 781 146	20 107 166
IDP operational internal funded projects	44 890 691	49 246 657	44 890 691	49 246 657
Insurance	1 673 072	1 307 993	1 673 072	1 307 993
Landfill site reclamation	4 297 741	4 203 081	4 297 741	4 203 081
Other expenses	9 317 346	6 040 154	9 317 346	6 040 129
Publicity	752 808	873 246	752 808	873 246
Rent - Plant and vehicles	3 218 566	3 606 332	3 218 566	3 606 332
Subsistence & travelling	895 744	833 226	895 744	833 226
Telephone	<u>1 353 235</u>	<u>1 318 253</u>	<u>1 353 235</u>	<u>1 318 253</u>
	<b><u>119 800 542</u></b>	<b><u>94 698 656</u></b>	<b><u>119 800 542</u></b>	<b><u>94 698 631</u></b>
<b>28. Cash generated from operations</b>				
Surplus before outside partners interest adjustment	208 035 456	93 676 692	208 004 539	93 647 869
<b>Adjustments for:</b>				
Depreciation and amortisation	36 542 829	40 060 828	36 542 829	40 060 828
(Surplus)/Loss on sale of property, plant and equipment	419 223	(601 377)	419 223	(601 377)
Debt impairment	8 023 573	6 436 353	8 023 573	6 436 353
Movement in retirement benefits assets and liabilities	756 194	3 829 727	756 194	3 829 727
Movement in provisions	4 281 219	4 261 221	4 281 219	4 261 221
Change in accounting estimates	(275 239)	(413 393)	(275 239)	(413 390)
Distribution by partnership	(26 521)	(23 127)		
<b>Changes in working capital:</b>				
Inventories	946 807	1 334 136	946 807	1 334 136
Other debtors	(10 493 976)	(1 342 040)	(10 493 976)	(1 342 040)
Consumer debtors	(10 652 978)	(2 125 444)	(10 652 978)	(2 125 444)
Payables from exchange transactions	9 131 657	44 856 029	9 131 657	44 856 029
VAT	(4 836 240)	(925 657)	(4 836 240)	(925 657)
Unspent conditional grants and receipts	(16 997 530)	13 219 536	(16 997 530)	13 219 536
Consumer deposits	984 899	1 001 761	984 899	1 001 761
Stale cheque's	-	(1 064 297)	-	(1 064 297)
Other non-cash items: Accruals	<u>(12 948 047)</u>	<u>(7 872 041)</u>	<u>(12 948 047)</u>	<u>(7 872 041)</u>
	<b><u>212 891 326</u></b>	<b><u>194 308 907</u></b>	<b><u>212 886 930</u></b>	<b><u>194 303 214</u></b>
<b>29. Commitments</b>				
<b>Authorised capital expenditure</b>				
<b>Approved and contracted for</b>				
- Infrastructure	<b><u>176 330 686</u></b>	<b><u>133 241 563</u></b>	<b><u>176 330 686</u></b>	<b><u>133 241 563</u></b>
<b>This expenditure will be financed from:</b>				
- Government grants	174 570 924	127 104 914	174 570 924	127 104 914
- Own Resources	1 759 762	6 136 649	1 759 762	6 136 649
	<b><u>176 330 686</u></b>	<b><u>133 241 563</u></b>	<b><u>176 330 686</u></b>	<b><u>133 241 563</u></b>

The outstanding commitments relate to capital projects and other assets that have been committed by order, by the Bid Adjudication Committee and Executive Committee prior to 30 June 2012. The majority of the capital projects include water infrastructure.

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	2012	2011	2012	2011
	R	R	R	R

**30. Operating leases - as lessee (expense)**

**Minimum lease payments due**

- within one year	2 879 744	2 871 985	2 879 744	2 871 985
- in second to fifth year inclusive	<u>485 596</u>	<u>3 357 740</u>	<u>485 596</u>	<u>3 357 740</u>
	<b><u>3 365 340</u></b>	<b><u>6 229 725</u></b>	<b><u>3 365 340</u></b>	<b><u>6 229 725</u></b>

Operating lease payments represent payments for the leasing of vehicles by the group and municipality. Lease contracts are entered into for a three year period and the lease payments are fixed for the lease period with no escalation. New lease agreements were entered into by the group and municipality in the 2010/2011 financial year and an amount of R2 973 415 has been recognised in the Statement of Financial Performance.

**31. Deviation from supply chain management regulations**

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports the said deviations to the next meeting of Council and includes a note to the consolidated annual financial statements. All deviations are reported to Council on a quarterly basis with a detailed schedule and reasons thereto.

The deviations greater than R200 000 are listed individually below for the period ending 30 June 2012.

Project Description

Catering for athletes attending camp for Salga Games	215 848	215 848
Hire of marquees, accessories, decor and furniture for the Kwabulwayo event	374 758	374 758
Hire of additional plant for landfill site operations	1 161 179	1 161 179
Professional engineering services at Eshowe water works	2 901 524	2 901 524
Asset management support	<u>1 147 136</u>	<u>1 147 136</u>
	5 800 445	5 800 445
Various deviations less than R200 000	<u>8 341 801</u>	<u>8 341 801</u>
	<b><u>14 142 246</u></b>	<b><u>14 142 246</u></b>

**32. Awards to close family members of persons in the services of the state**

The Municipal Finance Management Act (Act no. 56 of 2003); Municipal Supply Chain Management Regulations paragraph 45 states that the particulars of any award more than R 2 000 made to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve(12) months must be disclosed as a note in the financial statements.

The details are listed below for the period ending 30 June 2012:

Name of person	T. Jordan
Capacity	Deputy Manager: Development Administration (uMhlathuze Municipality)
Service Provider	Audio computer world
Number transactions	44
Total amount	R789 903
Name of person	N.Naidoo
Capacity	Councillor
Number transactions	1
Total amount	R180 000

The latter transaction pertains to a disposal of an asset approved by Council and which was thereafter dealt with via a public auction.

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	Group		Municipality	
	2012 R	2011 R	2012 R	2011 R
<b>33. Additional disclosure in terms of the Municipal Finance Management Act</b>				
<b>Contributions to organised local government</b>				
Opening balance	(674 157)	-	(674 157)	-
Current year membership fee	674 157	612 870	674 157	612 870
Amount paid - current year	-	(1 287 027)	-	(1 287 027)
	-	(674 157)	-	(674 157)
<b>Audit fees</b>				
Current year fee	2 246 605	2 024 359	2 246 605	2 024 359
Amount paid - current year	(291 362)	(179 140)	(291 362)	(179 140)
Amount paid - previous year	(1 955 243)	(1 845 219)	(1 955 243)	(1 845 219)
	-	-	-	-
<b>PAYE and UIF</b>				
Current year subscription / fee	14 242 854	12 654 622	14 242 854	12 654 622
Amount paid - current year	(14 242 854)	(12 654 622)	(14 242 854)	(12 654 622)
	-	-	-	-
Pension and Medical Aid Deductions				
Current year subscription / fee	10 452 681	9 850 535	10 452 681	9 850 535
Amount paid - current year	(10 452 681)	(9 850 535)	(10 452 681)	(9 850 535)
	-	-	-	-
<b>VAT</b>				
VAT receivable	10 111 601	5 275 361	10 111 601	5 275 361

All VAT returns have been submitted by the due date throughout the year.

**34. Contingencies**

**Future legal fees**

1. Ex-employee 1 - legal action pending	600 000	600 000	600 000	600 000
2. Contractor 1 - legal matter pending	140 000	140 000	140 000	140 000
3. Consulting Engineers 2 - legal matter pending	140 000	140 000	140 000	140 000
4. Contractor 2 - legal matter pending	100 000	100 000	100 000	100 000
5. Service provider - legal action pending	40 000	40 000	40 000	40 000
6. Ex-employee 2 - legal action pending	-	140 000	-	140 000
7. Employee 3 - a case of theft of money	42 561	42 561	42 561	42 561
8. Labour Court Judgement - Task pay scales	2 500 000	-	2 500 000	-
9. Employee 4 - a case of alleged theft of money	8 170	-	8 170	-
	<b>3 570 731</b>	<b>1 202 561</b>	<b>3 570 731</b>	<b>1 202 561</b>

- The municipality has taken legal action against an ex-employee that made an illegal investment. The matter is being dealt with by the high court. The appointed legal team has commenced with pre-trial preparations with the appointed advocate. New trial dates are pending.
- This is a contractor's liability claim by the municipality against a contractor for non performance and is a high court claim. The legal team appointed on the matter are awaiting trial dates to be set down on the roll.
- This matter refers to a dispute with a consulting engineering firm and relates to the consultant increasing the scope of work of a project without obtaining prior approval from the municipality. The matter is a high court claim.
- The municipality has legal action against a contractor for non performance and relates to the claim referred to in point 3 above. The matter is with the high court.
- This is a high court claim that has been lodged against a service provider.
- This matter has been finalised in October 2010 and the claim has been settled.
- This matter refers to a case of theft of money by an employee. A criminal case has being opened at the SAPS and attempts are being made to recover the monies, furthermore disciplinary action was taken and the said employee was subsequently found guilty and dismissed.
- The matter refers to a judgement handed down by the Labour Court of South Africa (Case no. J1255/2010) wherein the municipalities have been ordered to effect a 8.48% salary adjustment in the Job evaluation wage curve. The matter has been taken on appeal by SALGA and is considered sub-judicæ.
- This matter refers to a case of theft of money by an employee. A criminal case has been opened at SAPS and the employee has been dismissed through the disciplinary processes.

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	Group		Municipality	
	2012 R	2011 R	2012 R	2011 R
<b>35. Related parties</b>				
Relationships				
Municipal entities				
			The uThungulu Financing Partnership	
			uThungulu House Development Trust	
Related Party Balances				
Investment in municipal entities				
The uThungulu Financing Partnership			19 498 698	19 063 401
uThungulu House Development Trust			5 708 098	6 656 413
Income received from related parties				
The uThungulu Financing Partnership			3 060 734	2 853 557
uThungulu House Development Trust			2 896 275	2 951 534
Balances outstanding from related parties				
The uThungulu Financing Partnership			24 564 331	24 296 048
% interest in municipal entities				
The uThungulu Financing Partnership			99	99
uThungulu House Development Trust			100	100
Related parties transactions				
Sub-lease payments				
The uThungulu Financing Partnership			5 642 391	4 949 464

The uThungulu Financing Partnership is a partnership between uThungulu District Municipality, NIB9810 trust and Nedcor. uThungulu District Municipality as at 30 April 2008 holds 99% and Nedcor and NIB9810 holds the balance of 1%. The uThungulu Financing Partnership was formed to facilitate the purchase of uThungulu House in order to provide offices for uThungulu District Municipality. In order to finance the purchase of uThungulu House, the partnership entered into a loan agreement with Nedcor. In terms of the sub-lease agreement, uThungulu District Municipality is obliged to make bi-annual sub payments to the partnership to reimburse uThungulu Financing Partnership for loan repayments made to Nedcor. The loan is payable over 20 year period (starting in 1998 and ending in 2017).

uThungulu House Development trust leases immovable property to the uThungulu Financing Partnership, in terms of a financing lease. The original lease period expires on the 31 October 2017.

Both of the above mentioned entities are incorporated in South Africa.

**Key Management Compensation**

Key management includes Section 56 managers, Section 57 managers and councillors. The compensation paid or payable to key management for employee services and councillors' allowances is shown in notes 21 and 22.



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**Group**  
**2012**

**36. Actual operating, capital and cash flow expenditure versus budgeted operating, capital, cash flow and expenditure**

<b>R thousands '000</b>	1	2	3	4	5	6	7	8	9
	Original Budget	Budget Adjustment	Virements	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
<b>Financial Performance</b>									
Property Rates	-	-	-	-	-	-	-	-	-
Service Charges	32 873	3 345	-	36 218	48 017	-	(11 799)	133	146
Investment Revenue	25 595	(1 002)	-	24 593	27 088	-	(2 495)	110	106
Transfers recognized - operational	349 907	40 396	-	390 303	349 642	-	40 661	90	100
Other own Revenue	70 378	69 382	-	139 760	2 780	-	136 981	2	4
	<b>478 754</b>	<b>112 121</b>	<b>-</b>	<b>590 874</b>	<b>427 526</b>	<b>-</b>	<b>163 348</b>	<b>72</b>	<b>89</b>
<b>Total Revenue (excl cap transfers and contributions)</b>									
Employee costs	113 772	1 636	4 652	120 060	88 085	-	(31 975)	73	77
Remuneration of Councilors	7 473	417	280	8 170	7 870	-	(300)	96	105
Debt Impairment	-	-	9 348	9 348	8 024	-	(1 324)	86	100
Depreciation & Asset Impairment	32 318	7 086	(2 455)	36 949	36 543	-	(406)	99	113
Finance Charges	14 180	-	(138)	14 042	5 963	-	(8 080)	42	42
Materials and bulk purchases	21 316	1 500	8 017	30 833	29 204	-	(1 629)	95	137
Transfers and grants	1 670	-	8 340	10 010	9 244	-	(766)	92	554
Other Expenditure	251 083	57 235	(28 045)	280 274	218 151	-	(62 123)	78	87
	<b>441 811</b>	<b>67 875</b>	<b>-</b>	<b>509 686</b>	<b>403 084</b>	<b>-</b>	<b>(106 602)</b>	<b>79</b>	<b>91</b>
<b>Total Expenditure</b>									
<b>Surplus / (Deficit)</b>	<b>36 942</b>	<b>44 246</b>	<b>-</b>	<b>81 188</b>	<b>24 443</b>	<b>-</b>	<b>56 746</b>		
Transfers recognized - capital	159 812	68 430	-	228 242	183 592	-	(44 650)	80	115
Contributions recognised - capital and contributed assets	-	-	-	-	-	-	-	-	-

Transfers recognized - capital  
 Contributions recognised - capital and contributed assets

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<b>Surplus / (Deficit) after capital transfers and contributions</b>	196 755	112 676	-	309 431	208 035	-	(101 396)	67	106
Share of surplus / (deficit) of outside partner	-	-	-	-	(31)	-	-	-	-
<b>Surplus / (Deficit) for the year</b>	<b>196 755</b>	<b>112 676</b>	<b>-</b>	<b>309 431</b>	<b>208 004</b>	<b>-</b>	<b>(101 396)</b>	<b>67</b>	<b>106</b>
<b>Capital expenditure &amp; fund sources</b>									
<b>Capital Expenditure</b>									
Transfers recognized - capital	159 812	66 430	-	225 022	183 592	-	(41 430)	-	-
Public contributions & donations	-	2 000	-	2 000	-	-	(2 000)	-	-
Borrowing	-	19 392	-	19 392	-	-	(19 392)	-	-
Internally generated funds	36 942	26 075	-	63 018	-	-	(63 018)	-	-
<b>Total sources of capital funds</b>	<b>196 755</b>	<b>113 898</b>	<b>-</b>	<b>309 432</b>	<b>183 592</b>	<b>-</b>	<b>(125 840)</b>	<b>59</b>	<b>93</b>
<b>Cash Flows</b>									
Net cash from (used) operating	239 599	106 676	-	346 275	212 891	-	(133 384)	61	89
Net cash from (used) investing	(198 413)	(106 676)	-	(305 089)	(209 762)	-	95 327	69	106
Net cash from (used) financing	(6 807)	-	-	(6 807)	(2 548)	-	4 259	37	37
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>34 379</b>	<b>-</b>	<b>-</b>	<b>34 379</b>	<b>582</b>	<b>-</b>	<b>(33 797)</b>	<b>2</b>	<b>2</b>
Cash and cash equivalents at the beginning of the year	295 970	-	-	295 970	366 975	-	71 005	124	124
Cash and cash equivalents at the end of the year	330 349	-	-	330 349	367 556	-	37 207	111	111

Refer to Annexure E 1



**UTHUNGULU DISTRICT MUNICIPALITY**  
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

<b>Surplus / (Deficit) after capital transfers and contributions</b>	196 755	112 676	-	309 431	208 035	-	(101 396)	67	106
<b>Surplus / (Deficit) for the year</b>	<b>196 755</b>	<b>112 676</b>	<b>-</b>	<b>309 431</b>	<b>208 004</b>	<b>-</b>	<b>(101 396)</b>	<b>67</b>	<b>106</b>
<b>Capital expenditure &amp; fund sources</b>									
<b>Capital Expenditure</b>									
Transfers recognized - capital	159 812	66 430	-	225 022	183 592	-	(41 430)		
Public contributions & donations	-	2 000	-	2 000	-	-	(2 000)		
Borrowing	-	19 392	-	19 392	-	-	(19 392)		
Internally generated funds	36 942	26 075	-	63 018	-	-	(63 018)		
<b>Total sources of capital funds</b>	<b>196 755</b>	<b>113 898</b>	<b>-</b>	<b>309 432</b>	<b>183 592</b>	<b>-</b>	<b>(125 840)</b>	<b>59</b>	<b>93</b>
<b>Cash Flows</b>									
Net cash from (used) operating	239 599	106 676	-	346 275	212 887	-	(133 388)	61	89
Net cash from (used) investing	(198 413)	(106 676)	-	(305 089)	(209 249)	-	95 840	69	105
Net cash from (used) financing	(6 807)	-	-	(6 807)	(2 279)	-	4 528	33	33
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>34 379</b>	<b>-</b>	<b>-</b>	<b>34 379</b>	<b>1 359</b>	<b>-</b>	<b>(33 020)</b>	<b>4</b>	<b>4</b>
Cash and cash equivalents at the beginning of the year	295 970	-	-	295 970	365 358	-	69 388	123	123
<b>Cash and cash equivalents at the end of the year</b>	<b>330 349</b>	<b>-</b>	<b>-</b>	<b>330 349</b>	<b>366 717</b>	<b>-</b>	<b>36 368</b>	<b>111</b>	<b>111</b>

Refer to Annexure E 1

**UTHUNGULU DISTRICT MUNICIPALITY**  
 CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	Group		Municipality	
	2012	2011	2012	2011
	R	R	R	R

**37. Prior year adjustments**

The consolidated annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice and the aggregate affect of the prior year adjustments in the consolidated annual financial statements for the year ended 30 June 2012 is as follows -

Property, Plant and Equipment and Stale Cheque reversals:

**Accumulated Surplus as at the 1st of July 2010 as previously reported -** 803 235 002 803 235 002

**Adjustment:**

Prior year adjustment - Assets				
Depreciation written back on fully depreciated assets still in use		9 904 467		9 904 467
Fair valuation of assets		228 680		228 680
		813 368 149		813 368 149
Reversal of stale cheque's - trade payables		(1 064 297)		(1 064 297)
Re-stated 2010/2011 surplus		93 647 869		93 647 869
Previously reported changes in accounting policy		(413 390)		(413 390)
		<b>905 538 331</b>		<b>905 538 331</b>

Movement in Property, Plant and Equipment

Previously reported carrying value		877 933 451		877 933 451
Adjustment - Depreciation written back & Depreciation for 10/11		9 158 778		9 158 778
Re-stated carrying value		<b>887 092 229</b>		<b>887 092 229</b>

**Movement in Depreciation**

Previously reported		39 086 453		39 086 453
Adjustment		974 375		974 375
Re-stated		<b>40 060 828</b>		<b>40 060 828</b>

**Movement in Net Surplus**

Previously reported as at 30 June 2011		94 622 244		94 622 244
Adjustments to depreciation		(974 375)		(974 375)
Re-stated surplus		<b>93 647 869</b>		<b>93 647 869</b>

**38. Unauthorised, Fruitless , Wasteful and Irregular expenditure**

Unauthorised expenditure - Waste management budget excess primarily as a result of provision for landfill rehabilitation	-	1 770 000	-	1 770 000
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The unauthorised expenditure of R1 770 000 for 2010/2011 was approved by Council on the 20th of December 2011 per UDMC:268 and to the best of our knowledge no known incidences of these expenditures was incurred during the year under review.

**39. Risk management**

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipalities ability to continue as a going concern in order to provide returns and benefits for all stakeholders, while delivering sustainable services and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the long-term liabilities as disclosed in note 11, cash and cash equivalents disclosed in note 6, and equity as disclosed in the statement of financial position.



**UTHUNGULU DISTRICT MUNICIPALITY**  
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	Group		Municipality	
	2012 R	2011 R	2012 R	2011 R

**37. Prior year adjustments (continued)**

**Gearing ratios**

The gearing ratio as at 2012 and 2011 restated respectively were as follow;

Total borrowings				
Long-term liabilities - refer to note 11	89 346 888	91 894 540	113 911 219	116 190 588
Less: Cash and cash equivalents - refer to note 6	<u>367 556 324</u>	<u>366 974 767</u>	<u>366 716 903</u>	<u>365 358 441</u>
Net debt	(278 209 436)	(275 080 227)	(252 805 684)	(249 167 853)
Total equity	<u>1 113 464 590</u>	<u>905 730 891</u>	<u>1 113 267 634</u>	<u>905 538 331</u>
<b>Total capital</b>	<b><u>835 255 154</u></b>	<b><u>630 650 664</u></b>	<b><u>860 461 950</u></b>	<b><u>656 370 478</u></b>
	10,70%	14,57%	13,24%	17,70%

**Financial risk management**

Financial Risk Management Objectives

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities and are not exposed to the degree of financial risk faced by business entities.

The municipality's financial services function monitors and manages the financial risks relating to the operations of the municipality. These risks include credit risk and liquidity risk.

**Liquidity risk**

Liquidity risk refers to the ability of an entity to meet its obligations associated with financial liabilities. The municipality's liquidity risk pertains to whether funds are available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit obligations.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored. The liquidity ratio is outlined below:

Current Assets	421 738 647	404 142 200	420 899 226	402 525 874
Current Liabilities	213 204 752	218 831 313	218 796 589	223 734 839
Liquidity ratio	1.98 : 1	1.85 : 1	1.92 : 1	1.80 : 1

**Interest rate risk**

The municipality limits its exposure to interest rate fluctuations by only dealing with well-established financial institutions and opting for fixed interest rates rather than variable rates.

**Credit risk**

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Debtors comprise of mainly water and sanitation users, dispersed across different industries and geographical areas. Ongoing evaluations are performed on the financial condition of these debtors and have been presented in these financial statements 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 Councils Credit Control and Debt Collection Policy.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument				
Investments	280 000 000 -	320 000 000 -	280 000 000 -	320 000 000
Cash and cash equivalents	87 556 324 -	46 974 767 -	86 716 903 -	45 358 441
Accounts receivable from exchange and non exchange transactions	48 025 385 -	30 065 764 -	48 025 385 -	30 065 764

**UTHUNGULU DISTRICT MUNICIPALITY**  
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

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Group		Municipality	
2012	2011	2012	2011
R	R	R	R

**40. Going concern**

We draw attention to the fact that at 30 June 2012, the group and municipality had accumulated surplus of R 1 113 464 590 and R 1 113 267 634 respectively and that the group and municipality's total assets exceed its total liabilities by R 1 113 464 590 and R 1 113 267 634.

The consolidated annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business, dependant on the receiving of equitable share allocations.

**41. Events after reporting date**

At the date of submission of the consolidated annual financial statements management is not aware of any adjusting events after year end.

**APPENDIX A  
GROUP  
UTHUNGULU DISTRICT MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012**

	<b>Redeemable Date</b>	<b>Balance at 30 June 2011 Rand</b>	<b>Received during the period Rand</b>	<b>Redeemed written off during the period Rand</b>	<b>Balance at 30 June 2012 Rand</b>
<b>LONG-TERM LOANS</b>					
INCA @ 13.95%	12/31/2014	21 000 000	-	-	21 000 000
		21 000 000	-	-	21 000 000
<b>ANNUITY LOAN</b>					
INCA @ 11.95%	06/30/2023	27 423 161		1 108 642	26 314 519
ABSA @ 12.6%	06/30/2024	43 471 381		1 439 010	42 032 371
		70 894 542	-	2 547 652	68 346 890
<b>TOTAL EXTERNAL LOANS</b>					
LONG-TERM LOANS		21 000 000		-	21 000 000
ANNUITY LOAN		70 894 542		2 547 652	68 346 890
		<b>91 894 542</b>	<b>-</b>	<b>2 547 652</b>	<b>89 346 890</b>

**APPENDIX A  
MUNICIPALITY  
UTHUNGULU DISTRICT MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012**

	<b>Redeemable Date</b>	<b>Balance at 30 June 2011 Rand</b>	<b>Received during the period Rand</b>	<b>Redeemed written off during the period Rand</b>	<b>Balance at 30 June 2012 Rand</b>
<b>LONG-TERM LOANS</b>					
INCA @ 13.95%	12/31/2014	21 000 000	-	-	21 000 000
		21 000 000	-	-	21 000 000
<b>ANNUITY LOAN</b>					
INCA @ 11.95%	06/30/2023	27 423 161		1 108 642	26 314 519
ABSA @ 12.6%	06/30/2024	43 471 381		1 439 010	42 032 371
		70 894 542	-	2 547 652	68 346 890
<b>LEASE LIABILITY</b>					
Leased Property @ 23.8%	03/31/2017	24 296 048	268 283		24 296 048
		24 296 048	268 283		24 296 048
<b>TOTAL EXTERNAL LOANS</b>					
LONG-TERM LOANS		21 000 000		-	21 000 000
ANNUITY LOAN		70 894 542		2 547 652	68 346 890
LEASE LIABILITY		24 296 048	268 283		24 296 048
		116 190 590	268 283	2 547 652	113 642 938

**APPENDIX B**  
**GROUP AND MUNICIPALITY**  
**UTHUNGULU DISTRICT MUNICIPALITY: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2012**

	Cost/Revaluation						Accumulated Depreciation & Impairment					
	Opening Balance	Transfer - Capital projects released	Additions	Disposal	Closing Balance	Opening Balance	Current	Disposals	Net Impairment adjustments	Closing Balance	Carrying Value	
<b>Land</b>												
Developed Land	12 474 982,86	0,00	0,00	0,00	12 474 982,86	0,00	0,00	0,00	0,00	0,00	12 474 982,86	
	<b>12 474 982,86</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>	<b>12 474 982,86</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>	<b>12 474 982,86</b>	
<b>Buildings</b>												
Buildings	52 173 615,66	0,00	975 882,14	0,00	53 149 497,80	(5 824 493,01)	(1 716 830,05)	0,00	0,00	(7 541 323,06)	45 608 174,74	
	<b>52 173 615,66</b>	<b>0,00</b>	<b>975 882,14</b>	<b>0,00</b>	<b>53 149 497,80</b>	<b>(5 824 493,01)</b>	<b>(1 716 830,05)</b>	<b>0,00</b>	<b>0,00</b>	<b>(7 541 323,06)</b>	<b>45 608 174,74</b>	

**APPENDIX C**  
**GROUP AND MUNICIPALITY**  
**UTHUNGULU DISTRICT MUNICIPALITY : SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2012**

	Cost/Revaluation					Accumulated Depreciation & Impairment					
	Opening Balance	Transfer - Capital projects released	Additions	Disposal	Closing Balance	Opening Balance	Current	Disposals	Net Impairment adjustments	Closing Balance	Carrying Value
<b>Executive &amp; Council</b>	11 598 556	0	963 137	(427 208)	12 134 486	(1 164 541)	(767 176)	88 357	(130)	(1 843 490)	10 290 996
Finance & Admin	111 275 325	0	3 272 413	(250 322)	114 297 416	(11 135 660)	(4 696 991)	157 523	(109 800)	(15 784 927)	98 512 489
Planning & Development	<b>11 094 555</b>	<b>0</b>	<b>33 251</b>	<b>(18 355)</b>	<b>11 109 451</b>	<b>(879 197)</b>	<b>(499 365)</b>	<b>11 929</b>	<b>(20 514)</b>	<b>(1 387 147)</b>	<b>9 722 304</b>
<b>Community &amp; Social Services</b>	4 405 802	0	1 980	(95 183)	4 312 599	(620 148)	(209 820)	54 385	(2 163)	(777 747)	3 534 852
Public Safety	5 619 115	0	0	(219 049)	5 400 066	(1 796 743)	(715 383)	126 571	(7 731)	(2 393 285)	3 006 780
Waste Management	<b>74 203 960</b>	<b>76 847 496</b>	<b>15 838</b>	<b>0</b>	<b>151 067 294</b>	<b>(21 466 790)</b>	<b>(7 475 726)</b>	<b>0</b>	<b>0</b>	<b>(28 942 516)</b>	<b>122 124 778</b>
Water	<b>814 336 382</b>	<b>(76 781 150)</b>	<b>197 388 926</b>	<b>(89 066)</b>	<b>934 855 091</b>	<b>(114 019 148)</b>	<b>(21 824 815)</b>	<b>67 090</b>	<b>546 853</b>	<b>(135 230 020)</b>	<b>799 625 071</b>
Waste Water	<b>4 308 536</b>	<b>(66 346)</b>	<b>93 966</b>	<b>(1 585)</b>	<b>4 334 571</b>	<b>(643 626)</b>	<b>(101 189)</b>	<b>1 090</b>	<b>0</b>	<b>(743 725)</b>	<b>3 590 846</b>
	<b>1 036 842 230</b>	<b>(0)</b>	<b>201 769 512</b>	<b>(1 100 768)</b>	<b>1 237 510 974</b>	<b>(151 725 852)</b>	<b>(36 290 466)</b>	<b>506 945</b>	<b>406 515</b>	<b>(187 102 858)</b>	<b>1 050 408 116</b>
<b>INTANGIBLE ASSETS</b>											
<b>Finance &amp; Admin</b>	2 583 242	0	159 711	0	2 742 953	(612 125)	(657 301)	0	0	(1 269 426)	1 473 527
<b>Planning &amp; Development</b>	6 310	0	0	0	6 310	(1 577)	(1 577)	0	0	(3 155)	3 156
	<b>2 589 552</b>	<b>0</b>	<b>159 711</b>		<b>2 749 263</b>	<b>(613 702)</b>	<b>(658 878)</b>	<b>0</b>	<b>0</b>	<b>(1 272 580)</b>	<b>1 476 682</b>



**APPENDIX D  
GROUP**

<b>UTHUNGULU DISTRICT MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012</b>						
<b>MUNICIPALITY</b>						
	<b>2011</b>	<b>2011</b>	<b>2011</b>	<b>2012</b>	<b>2012</b>	<b>2012</b>
	<b>Actual Income Year to date Rand</b>	<b>Actual Expenditure Year to date Rand</b>	<b>Surplus / (Deficit) Rand</b>	<b>Actual Income Year to date Rand</b>	<b>Actual Expenditure Year to date Rand</b>	<b>Surplus / (Deficit) Rand</b>
	-	26 696 156	(26 696 156)		35 234 978	(35 234 978)
Executive & Council						
Finance & Admin	295 461 361	35 214 517	260 246 844	414 732 232	39 022 155	375 710 077
Planning & Development	-	8 664 553	(8 664 553)	-	8 880 561	(8 880 561)
Community & Social Services	316 109	9 309 019	(8 992 910)	216 751	8 936 831	(8 720 080)
Public Safety	-	5 526 239	(5 526 239)	-	6 798 803	(6 798 803)
Environmental Protection	13 779 693	4 450 543	9 329 150	14 388 953	5 680 168	8 708 785
Waste Management	7 239 081	18 615 268	(11 376 187)	8 444 903	29 731 245	(21 286 342)
Waste Water	3 513 026	15 181 323	(11 668 297)	3 740 114	42 810 530	(39 070 416)
Water	138 999 908	241 974 843	(102 974 960)	169 595 942	225 988 168	(56 392 226)
	<b>459 309 178</b>	<b>365 632 461</b>	<b>93 676 692</b>	<b>611 118 895</b>	<b>403 083 440</b>	<b>208 035 456</b>

## APPENDIX D

## UTHUNGULU DISTRICT MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

## MUNICIPALITY

	2011 Actual Income Year to date Rand	2011 Actual Expenditure Year to date Rand	2011 Surplus / (Deficit) Rand	2012 Actual Income Year to date Rand	2012 Actual Expenditure Year to date Rand	2012 Surplus / (Deficit) Rand
	-	26 696 156	(26 696 156)		35 234 978	(35 234 978)
	301 175 123	40 957 127	260 217 996	420 639 169	44 960 009	375 679 160
	-	8 664 553	(8 664 553)	-	8 880 561	(8 880 561)
	316 109	9 309 019	(8 992 910)	216 751	8 936 831	(8 720 080)
	-	5 526 239	(5 526 239)	-	6 798 803	(6 798 803)
	13 779 693	4 450 543	9 329 150	14 388 953	5 680 168	8 708 785
	7 239 081	18 615 268	(11 376 187)	8 444 903	29 731 245	(21 286 342)
	3 513 026	15 181 323	(11 668 297)	3 740 114	42 810 530	(39 070 416)
	1 38 999 908	241 974 843	(102 974 935)	1 69 595 942	225 988 168	(56 392 226)
	<b>465 022 940</b>	<b>371 375 071</b>	<b>93 647 869</b>	<b>617 025 832</b>	<b>409 021 294</b>	<b>208 004 539</b>

**APPENDIX E(1)  
GROUP**

<b>UTHUNGULU DISTRICT MUNICIPALITY: ACTUAL VERSUS BUDGET (REVENUE &amp; EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2012</b>					
	<b>2012 Actual Rand ('000)</b>	<b>2012 Budget Rand ('000)</b>	<b>2012 Variance Rand ('000)</b>	<b>2012 Variance %</b>	<b>Explanation of Significant Variance greater than 10% versus Budget</b>
<b>Revenue</b>					
<b>Service Charges</b>	48 017	36 321	11 696	32%	Increase consumptions and new schemes metered.
<b>Interest Earned - External Investments</b>	26 998	24 366	2 632	11%	Managed investment portfolio aggressively to generate interest.
<b>Interest Earned - Outstanding Debtors</b>	40	227	(187)	-82%	Increased number of registered indigents wherein no interest is allocated.
<b>Government Grants and Subsidies</b>	533 234	562 000	(28 766)	-5%	
<b>Other Income</b>	2 830	194 203	(191 373)	-99%	The budget includes non-cash items.
<b>Public contributions</b>	-	2 000	(2 000)	-100%	The contribution for reticulation from the funder has not yet been received as dependant on the installation of bulk infrastructure currently in progress.
	<b>611 119</b>	<b>819 117</b>	<b>(205 998)</b>	<b>-25%</b>	
<b>Expenses</b>					
<b>Executive &amp; Council</b>	35 235	40 207	4 972	12%	General savings and vacant positions.
<b>Finance &amp; Admin</b>	39 022	56 916	17 894	31%	General savings and vacant positions.
<b>Planning &amp; Development</b>	8 881	23 534	14 653	62%	Savings due to vacant positions and multi-year projects
<b>Community &amp; Social Services</b>	8 937	10 351	1 414	14%	General savings and vacant positions.
<b>Public Safety</b>	6 799	7 551	752	10%	General savings and vacant positions.
<b>Environmental Protection</b>	5 680	14 354	8 674	60%	Devolution of environmental health services not yet finalised
<b>Waste Management</b>	29 731	31 526	1 795	6%	
<b>Waste Water</b>	42 811	43 988	1 177	3%	
<b>Water</b>	225 988	267 678	41 690	16%	General savings and vacant positions
	<b>403 084</b>	<b>496 105</b>	<b>93 021</b>	<b>19%</b>	

**APPENDIX E(1)  
MUNICIPALITY**

<b>UTHUNGULU DISTRICT MUNICIPALITY: ACTUAL VERSUS BUDGET (REVENUE &amp; EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2012</b>					
	<b>2012 Actual Rand ('000)</b>	<b>2012 Budget Rand ('000)</b>	<b>2012 Variance Rand ('000)</b>	<b>2012 Variance %</b>	<b>Explanation of Significant Variance greater than 10% versus Budget</b>
<b>Revenue</b>					
<b>Service Charges</b>	48 017	36 321	11 696	32%	Increase consumptions and new schemes metered.
<b>Interest Earned - External Investments</b>	26 998	24 366	2 632	11%	Managed investment portfolio aggressively to generate interest.
<b>Interest Earned - Outstanding Debtors</b>	40	227	(187)	-82%	Increased number of registered indigents wherein no interest is allocated.
<b>Government Grants and Subsidies</b>	533 234	562 000	(28 766)	-5%	
<b>Other Income</b>	8 737	194 203	(185 466)	-96%	The budget includes non-cash items.
<b>Public contributions</b>	-	2 000	(2 000)	-100%	The contribution for reticulation from the funder has not yet been received as dependant on the installation of bulk infrastructure currently in progress.
	<b>617 026</b>	<b>819 117</b>	<b>(200 091)</b>	<b>-24%</b>	
<b>Expenses</b>					
<b>Executive &amp; Council</b>	35 235	40 207	4 972		12% General savings and vacant positions.
<b>Finance &amp; Admin</b>	44 960	56 916	11 956		21% General savings and vacant positions.
<b>Planning &amp; Development</b>	8 881	23 534	14 653		62% Savings due to vacant positions and multi-year projects
<b>Community &amp; Social Services</b>	8 937	10 351	1 414		14% General savings and vacant positions.
<b>Public Safety</b>	6 799	7 551	752		10% General savings and vacant positions.
<b>Environmental Protection</b>	5 680	14 354	8 674		60% Devolution of environmental health services not yet finalised
<b>Waste Management</b>	29 731	31 526	1 795		6%
<b>Waste Water</b>	42 811	43 988	1 177		3%
<b>Water</b>	225 988	267 678	41 690		16% General savings and vacant positions
	<b>409 022</b>	<b>496 105</b>	<b>87 083</b>	<b>18%</b>	

**APPENDIX E(2)  
GROUP AND MUNICIPALITY**

<b>UTHUNGULU DISTRICT MUNICIPALITY: ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2012</b>							
	<b>Rand</b>	<b>Under Construction Rand</b>	<b>Total Additions Rand</b>	<b>Budget Rand</b>	<b>Variance Rand</b>	<b>%</b>	<b>Explanation of Significant Variances greater then 20% versus Budget</b>
<b>Property, Plant &amp; Equipment</b>							
<b>Executive &amp; Council</b>	963 137	-	963 137	1 060 000	96 863	9%	
<b>Finance &amp; Admin</b>	2 112 458	-	2 112 458	4 400 154	2 287 696	52%	Recruitment in progress
<b>Planning &amp; Development</b>	33 251	-	33 251	50 000	16 749	33%	Recruitment in progress
<b>Community &amp; Social Services</b>	1 980	1 159 955	1 161 935	2 057 654	895 719	44%	work in progress
<b>Public Safety</b>	-	-	-	250 000	250 000	100%	In progress
<b>Waste Management</b>	80 713	-	80 713	10 745 585	10 664 872	99%	work in progress
<b>Water</b>	463 201	196 860 850	197 324 051	279 108 376	81 784 325	29%	work in progress
<b>Waste Water</b>	-	<b>93 966</b>	<b>93 966</b>	<b>10 325 862</b>	<b>10 231 896</b>	<b>99%</b>	<b>work in progress</b>
<b>Environmental health</b>	-	-	-	<b>1 433 963</b>	<b>1 433 963</b>	<b>100%</b>	<b>Devolution of EHS not yet finalized</b>
	<b>3 654 741</b>	<b>198 114 771</b>	<b>201 769 512</b>	<b>309 431 594</b>	<b>106 228 120</b>	<b>34%</b>	

**APPENDIX F  
GROUP AND MUNICIPALITY**

**UTHUNGULU DISTRICT MUNICIPALITY : DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 2003**

Name of Grants & Vote	Name of organ of state or municipal entity	Date							
		Sept '11	Dec '11	March '12	June '12	Sep '11	Dec '10	Mar '12	June '12
MISG (Asset Care, Clean Audit, Ward Programme, Batho Pele)	COGTA	790 000		3 939 000		2 072 144	86 959	270 048	219 714 (681 756)
Masification Program Grant	COGTA				800 000				
Shared Services - Fire Fighting	COGTA								
Municipal Governance	COGTA			4 778 000					
Water Reduction Strategy	COGTA								
Batho Pele Principles	COGTA								
Asset Care Centre	COGTA								
<b>Subtotal COGTA</b>		<b>790 000</b>	<b>-</b>	<b>8 717 000</b>	<b>800 000</b>	<b>2 072 144</b>	<b>86 959</b>	<b>270 048</b>	<b>(462 042)</b>
Review of Waste management plan	DEAT						11 538		20 477
<b>Sub Total DEAT</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11 538</b>	<b>-</b>	<b>20 477</b>
Rural Transport Services & Infrastructure	DOT		1 688 000						409 924
<b>Subtotal DOT</b>		<b>-</b>	<b>1 688 000,00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>409 924</b>
Disaster Management (Centre)	DTLGA								89 841
Disaster Management Grant	DTLGA						(49 500)		-
Development Planning Shared Services	DTLGA					99 000			
MIP Grant	DTLGA								
Corridor Development	DTLGA					215 214	262 791	370 676	160 453
Consolidate prior Grants (Planning 07/08)	DTLGA					63 031	2 000	27 850	81 455
Technical Support Infra Backlog MIIPS	DTLGA								
Construction of Transfer Stations (Mthoni)	DTLGA						113 849		
Planning - Uthungulu Regional Council	DTLGA							(165 300)	104 766
Regional Bulk Water Scheme	DTLGA								
Planning Shared Services (I &E)	DTLGA					1 326	(341)	(348)	2 300
Internal Fixed Assets	DTLGA								29 761
Municipal development Info Services (GIS)	DTLGA								(33 720)
Implementation of Fresh Produce	DTLGA								525 788
Integrated Waste Grant	DTLGA								
<b>Subtotal DTLGA</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>378 571</b>	<b>328 799</b>	<b>232 878</b>	<b>960 643</b>



**APPENDIX F  
GROUP AND MUNICIPALITY**

**UTHUNGULU DISTRICT MUNICIPALITY : DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 2003 (continued)**

Name of Grants & Vote	Name of organ of state or municipal entity	Date																
		Sept '11	Dec '11	March '12	June '12	Sep '11	Dec '10	Mar '12	June '12									
Issue Manager	DWAF																	
Greater Mthonjaneni Reticulation	DWAF	7 154 700	18 692 000	9 590 900						10 514	(10 514)	9 087 737	3 089 819					
Community Awareness	DWAF									3 973 071	18 311 425							
Sanitation DWAF	DWAF	7 154 700	18 692 000	9 590 900	-					-	18 300 911	9 087 737	91 134					
Subtotal DWAF	DWAF	56 930 000	43 047 000	60 956 000	-					23 787 093	23 422 763	29 285 285	3 180 953					
MIG	MIG												115 582 175					
<b>Sub total MIG</b>		<b>56 930 000</b>	<b>43 047 000</b>	<b>60 956 000</b>	<b>-</b>					<b>23 787 093</b>	<b>23 422 763</b>	<b>29 285 285</b>	<b>115 582 175</b>					
Local Government Finance Grant	National Treasury	1 250 000								349 600	156 596	194 622	328 459					
Finance Interns - Op Projects (Budget Cycle)	National Treasury									-		-						
Equitable Share	National Treasury	55 239 362	44 191 667	33 143 528						55 239 362	44 191 667	33 143 528	-					
Levy Replacement	National Treasury	63 422 246	50 739 000	38 053 246						63 422 246	50 739 000	38 053 246	-					
Environmental Health (EGS)	National Treasury	5 995 392	4 796 333	3 597 226						5 995 392	4 796 333	3 597 226	-					
<b>Subtotal National Treasury</b>		<b>125 907 000</b>	<b>99 727 000</b>	<b>74 794 000</b>	<b>-</b>					<b>125 006 600</b>	<b>99 883 596</b>	<b>74 988 622</b>	<b>328 459</b>					
KZN Treasury-Gaming Levies	Provincial Treasury									11 131	89 333							
Asset Data Collection	Provincial Treasury										229 631	242 370						
Community Upliftments	Provincial Treasury									17 000	162 016	28 388	160 770					
<b>Subtotal Provincial Treasury</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>					<b>28 131</b>	<b>480 980</b>	<b>270 758</b>	<b>160 770</b>					
EPWP Incentive Grant	Public Works	1 761 200	1 687 000	(1 004 200)						22 211	20 452	66 273	1 036 796					
<b>Sub total Public Works</b>		<b>1 761 200</b>	<b>1 687 000</b>	<b>(1 004 200)</b>	<b>-</b>					<b>22 211</b>	<b>20 452</b>	<b>66 273</b>	<b>1 036 796</b>					
Water Meter Installation (RBM)	RBM									140 377	(140 377)							
<b>Sub total RBM</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>					<b>140 377</b>	<b>(140 377)</b>	<b>-</b>	<b>-</b>					
		192 542 900	164 841 000	153 053 700	800 000					155 418 712	142 395 621	114 201 601	121 218 156					

## REPORT OF THE AUDIT COMMITTEE FOR THE YEAR ENDED 30 JUNE 2012

### PURPOSE

The audit committee serves as an independent body which advises the municipal council, the political office bearers, accounting officer and the management staff of the municipality on matters relating to;

- Internal financial control and internal audits
- Risk management
- Accounting policies
- Adequacy, reliability and accuracy of financial reporting and information
- Effective governance
- Compliance with the Municipal Finance Management Act No 56 of 2003, the annual Division of Revenue Act and any other applicable legislation
- Any issues referred to it by the municipality

In addition, the committee must review the annual financial statements to provide council of the municipality with an authoritative and credible view of the financial position of the municipality, its efficiency and effectiveness and its overall level of compliance with applicable municipal legislation.

We present our report for the year ended 30 June 2012.

### AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The audit committee has adopted appropriate formal terms of reference as its audit committee charter and consisted of three independent, suitably experienced and external members as outlined below;

Member's Name	Qualifications	Designation	Meeting Attendance					
			25/08/2011	27/09/2011	14/12/2011	23/01/2012	29/03/2012	31/05/2012
M. Nkopane	MBL, BCOM, MAP	Chairperson	√	√	√	√	√	√
I. Simjee	CA(SA)	Member	√	√	√	√	√	√
H. Oosthuizen	CA (SA)	Member	√	Apology received	Resigned			

The MPAC Chairperson, Municipal Manager, Deputy Municipal Manager, Chief Financial Officer and Executive Directors: Corporate Services, Technical Services, all directors who served in an acting capacity and representatives from both external and internal auditors attend the committee meetings.

The vacant committee post has been advertised and is in the process of being filled.

### AUDIT COMMITTEE RESPONSIBILITIES

The committee has complied with its responsibilities arising from section 166(2) b of the Municipal Finance Management Act No 56 of 2003.

The committee also has complied, as far as possible; with its responsibilities set out in its Council approved terms of reference and has discharged its responsibilities contained therein.

### EFFICIENCY AND EFFECTIVENESS OF INTERNAL CONTROLS

The municipalities system of internal controls is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are effectively managed. In line with the Municipal Finance Managements Act and the King 11 and 111 Reports on Corporate Governance requirements, Internal Audit and the Auditor Generals report provide the Audit Committee and management with assurance that the internal controls of the Municipality are appropriate and effective. This is achieved by means of a risk review process, testing of

controls, as well as identification of corrective actions and suggested enhancements to controls and processes. From the various reports of the Internal Auditors, the audit report of the annual financial statements, and the management letter of the Auditor General, it is noted that no significant material or non compliance with prescribed policies and procedures have been reported. Accordingly, the audit committee can report that the system of internal controls for the period under review appears efficient and effective.

## **REVIEW OF ANNUAL FINANCIAL STATEMENTS**

The Audit Committee has noted the unqualified opinion expressed by the Auditor-General in his report on the Annual Financial Statements and commends management with regard to the preparation and presentation of these financial statements for the year under review

The audit committee has also;

- Reviewed and discussed the audited Annual Financial Statements, to be included in the annual report, with the Auditor General, management and the accounting officer;
- Reviewed the Auditor Generals management letter and management responses thereto;
- Reviewed changes in accounting policies and practices;
- Reviewed significant adjustments resulting from the audit and
- Concluded that the going concern premise is appropriate in preparing the Annual Financial Statements.

## **RISK ASSESSMENT AND MANAGEMENT**

The Committee has been encouraged by efforts and commitment of management in putting in place effective strategies which are based on annual risk assessment reviews. This management responsibility will continue to be monitored on an ongoing basis by the Committee.

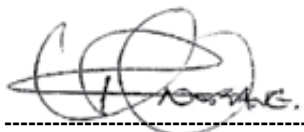
### **Performance Management**

The Committee has taken note of the findings of the Auditor-General on performance information during the year under review. The issue of compliance with all regulatory requirements on performance information and management actions in addressing these matters will be monitored closely by the Committee. The committee shall further commit to guiding the management in developing effective structures and mechanisms to mitigate a future reoccurrence of the issues as noted by the office of the Auditor General.

## **CONCLUSION**

The audit committee concurred with and accepted the Auditor General's conclusions on the Annual Financial Statements for the year ended 30 June 2012 and recommends that the audited Annual Financial Statements be adopted by the Council of this Municipality.

I would like to take this opportunity to thank the previous Chair of the Committee, Mr H. Oosthuizen for his dedication in fulfilling his responsibilities as well as the current member for his support. Furthermore, I would like to thank Council for their support through the year.



M. Nkopane  
Chairperson

November 2012

# OVERSIGHT REPORT 2011/2012

## 1. INTRODUCTION

- 1.1 Section 129(1) of the Municipal Finance Management Act, Act 56 of 2003 requires the Council of a municipality to consider the Annual Report by not later than two months after the annual report was tabled in Council.
- 1.2 Council is further required to adopt an Oversight Report containing Council's comment on the Annual Report.
- 1.3 The Consolidated Annual Financial Statements for 2011/2012 were submitted to the Auditor-General on 28 September 2012 for auditing in compliance with Section 126 (1) (a) of the MFMA and served at the Audit Committee and the Municipal Public Accounts Committee (MPAC) on 25 September 2012.
- 1.4 The Consolidated Annual Financial Statements for 2011/2012 also served at Exco and Council on 26 September 2012 and 10 October 2012 (UDMC:662) respectively.
- 1.5 The unqualified Audit Report for the 2011/2012 financial year was officially received on the 03 December 2012, reporting that the District Municipality had received an unqualified Audit Report and the opinion is as follows :

*"In my opinion, the financial statements present fairly, in all material respects, the financial position of the uThungulu District Municipality as at 30 June 2012, and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of the MFMA and DORA."*

- 1.6 Council deliberated on the Annual Report and the audited Consolidated Annual Financial Statements on 06 December 2012 and made recommendations and comments which have been effected in the tabled final draft annual report.

## 2. MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC)

The following members serve on the MPAC (Municipal Public Accounts Committee) and have been tasked to finalise the Oversight Report and present it to Council.



Cllr N Naidoo (Chair)



Cllr M Mnqayi



Cllr N Mthlane



Cllr D Mfusi



Cllr IJ Naidoo



Cllr TA Ntuli



Cllr N Mlaba



Cllr LW Fourie

## 3. 2011/2012 ANNUAL REPORT

- 3.1 The community was advised through the print media on 14 December 2012 that uThungulu District

Municipality's Annual Report, inclusive of its Consolidated Annual Financial Statements for the year ended 30 June 2012, was open for inspection during normal office hours for a period of 14 days from publication.

- 3.2 The 2011/2012 Annual Report was approved by Council on 06 December 2012.
- 3.3. The MPAC noted that the draft unqualified Audit Report for the financial year ending 30 June 2012 was tabled at a joint meeting between the Office of Auditor General, the Speaker, Members of the Executive Committee, MPAC Chairperson, and members from management, held on the 12th November 2012, where the draft management letter was presented and discussed.
- 3.4. Subsequent to this meeting, a meeting was held with the Honourable Mayor, Auditor-General and management to further discuss the draft report.
- 3.5. On the 03 December 2012, the Office of the Auditor General at a hand over ceremony in Pietermaritzburg presented the 2011/12 Unqualified Audit Report.
- 3.6 The following matters on performance management were highlighted in the audit report as additional matters. These matters did not have an impact on the predetermined objectives and audit findings reported on as outlined in point 15 of the audit report as follows:
  - 3.6.1 Of the total number of 79 planned targets for the reported development objectives, only 62 were achieved during the year under review. This represents 22% of total planned targets that were not achieved during the year under review.
  - 3.6.2 Management undertook that quarterly reports on organizational performance will be submitted to the Management Committee, Executive Committee and Council to ensure that under-achievement is detected and resolved timeously to ensure that 80% or more of planned targets are achieved as per the requirement of the AG.
- 3.7 The full year performance measurement for 2011/12 of the Deputy Municipal Manager, Chief Financial Officer and Executive Director: Technical Services took place on 22 November 2012. No performance measurement took place for the Municipal Manager and the Executive Director: Corporate Services as the new incumbents only took up office on 1 July 2012 and 1 August 2012, respectively. The final performance results for the 3 Section 56 Managers were as follows:

1.1.	Deputy Municipal Manager	164/167
1.2.	Chief Financial Officer	167/167
1.3.	Executive Director: Technical Services	153/167

#### **4. RECOMMENDATIONS OF THE MPAC**

- 4.1. The Unqualified Audit Report for uThungulu District Municipality for the 2011/12 annual financial statements received from the Office of the Auditor General, be noted.
- 4.2. Management needs to develop an Action Plan to address the 22% that was not achieved arising from planned targets.
- 4.3. All actions going forward must be aimed at the achievement of a Clean Audit and clean administration.
- 4.4. The Final Draft of uThungulu Annual Report for the 2011/12 financial year be recommended to Council for approval.
- 4.5. The 2011/12 Performance Bonuses for Section 56/57 Managers, for the financial year ending 30 June 2012, be paid in accordance to the Internal Audit Review carried out by Messrs. PWC in respect of the Performance Bonus calculations, to the Deputy Municipal Manager, Mr. DP Lubbe, Chief Financial Officer, Mrs. MC Reddy and the Executive Director: Technical Services, Mr C.K M'marete, subject to the Internal Audit Review Report from Messrs PWC, in respect of the verification of the Performance Bonus calculations, being submitted to the office of the Municipal Manager.

#### **5. CONCLUSION**

The uThungulu Council approved the 2011/2012 Annual Report without reservation, inclusive of recommendations as above.

## ANNEXURES

ANNEX 1: Water treatment works within UDM with their associated problems

NAME OF PLANT	PROCESS AVAILABLE	PROBLEM AREAS	POSSIBLE SOLUTION	PROGRESS TO-DATE
Mthunzini WTW	<ul style="list-style-type: none"> <li>Chemical mixing</li> <li>1 Clarifier</li> <li>3 Pressure filters</li> <li>Disinfection</li> </ul>	<ul style="list-style-type: none"> <li>No reliable raw water source</li> </ul>	<ul style="list-style-type: none"> <li>Plant now operates as a standby, getting bulk treated water from uMhlatuze municipality.</li> </ul>	<ul style="list-style-type: none"> <li>Permanent solution needs to be found</li> </ul>
Gingindlovu WTW	<ul style="list-style-type: none"> <li>Raw water storage</li> <li>2 Clarifiers</li> <li>3 Slow sand filters</li> <li>2 Rapid sand filters</li> <li>Disinfection area</li> </ul>	<ul style="list-style-type: none"> <li>Demand exceeds supply</li> <li>Shares water with iLembe DM</li> <li>No dedicated shift workers</li> </ul>	<ul style="list-style-type: none"> <li>Change abstraction point and explore other sources of water</li> <li>Introduce 8hr shift system</li> </ul>	<ul style="list-style-type: none"> <li>Explore other sources of water</li> <li>Two temp process controllers have been appointed</li> </ul>
Melmoth WTW	<ul style="list-style-type: none"> <li>Package plant</li> <li>2 Clarifiers</li> <li>4 Rapid sand filters</li> <li>Disinfection Area</li> </ul>	<ul style="list-style-type: none"> <li>AC pipe network bursts frequently</li> <li>No dedicated process controllers</li> </ul>	<ul style="list-style-type: none"> <li>AC pipe network needs replacement</li> <li>Appoint process controllers and introduce shift system</li> </ul>	<ul style="list-style-type: none"> <li>UDM took a loan of R2.5M to replace some of the bad sections</li> <li>One general worker is in the process of being converted to process controller and has successfully completed training with Water Academy NQF 3</li> </ul>
Nkandla Bulk	<ul style="list-style-type: none"> <li>Aeration</li> <li>Coagulation/ Sedimentation</li> <li>Filtration</li> <li>Disinfection</li> </ul>	<ul style="list-style-type: none"> <li>The plant is operating at its design capacity and this is compromising the quality of water produced</li> </ul>	<ul style="list-style-type: none"> <li>Plant needs to be upgraded to meet the demand of the communities</li> <li>Repair damaged weir</li> </ul>	<ul style="list-style-type: none"> <li>Options to be assessed during the review of the WSDP</li> </ul>
Hloko-hloko	<ul style="list-style-type: none"> <li>Flocculation</li> <li>Filtration</li> <li>Disinfection</li> </ul>	<ul style="list-style-type: none"> <li>The plant is operating at its capacity and this will compromise the quality of water produced as time progresses</li> </ul>	<ul style="list-style-type: none"> <li>Plant needs to be upgraded</li> </ul>	<ul style="list-style-type: none"> <li>Awaiting the commissioning of Greater Mthonjaneni WTW</li> </ul>
Obanjeni	<ul style="list-style-type: none"> <li>Intaka package plant</li> <li>Clarifiers</li> <li>Pressure filters</li> </ul>	<ul style="list-style-type: none"> <li>Carry over on one clarifier</li> </ul>	<ul style="list-style-type: none"> <li>Flow is reduced to assist in settling</li> </ul>	<ul style="list-style-type: none"> <li>Clarified water is under control and within specification</li> </ul>
Ofasimba	<ul style="list-style-type: none"> <li>Clarifiers</li> <li>Filters</li> <li>Disinfection</li> </ul>	<ul style="list-style-type: none"> <li>Backwash system is using clarify water instead of purified water.</li> </ul>	<ul style="list-style-type: none"> <li>Install pipeline for a clean water for backwash system.</li> </ul>	<ul style="list-style-type: none"> <li>Done</li> </ul>



NAME OF PLANT	PROCESS AVAILABLE	PROBLEM AREAS	POSSIBLE SOLUTION	PROGRESS TO-DATE
Eshowe WTW	<ul style="list-style-type: none"> <li>Raw water storage</li> <li>Chemical mixing</li> <li>4 Clarifiers</li> <li>5 Rapid sand filters</li> <li>6 Slow sand filters</li> <li>Chlorine room</li> </ul>	<ul style="list-style-type: none"> <li>Slow sand filters need refurbishment to improve water quality.</li> <li>Final water storage needs to be cleaned</li> </ul>	<ul style="list-style-type: none"> <li>Source a specialist to assist with the refurbishment of the slow sand filters as the design is complicated.</li> <li>Valve needs to be installed to break the link between two reservoirs to avoid draining both at the same time</li> </ul>	<ul style="list-style-type: none"> <li>A specialist is being sourced to address this matter</li> <li>Not yet done, to be sorted out with the operation of the GMWWTW</li> </ul>
Dolwane	<ul style="list-style-type: none"> <li>Sedimentation tank,</li> <li>Storage tank</li> </ul>	<ul style="list-style-type: none"> <li>No flocculation channel</li> <li>No filtration</li> </ul>	<ul style="list-style-type: none"> <li>Install proper flocculation and filtration unit.</li> </ul>	<ul style="list-style-type: none"> <li>Not done. The design of the upgrade is being sourced.</li> </ul>
Ophindweni	<ul style="list-style-type: none"> <li>Coagulation/ Sedimentation</li> <li>Filtration</li> <li>Disinfection</li> </ul>	<ul style="list-style-type: none"> <li>Filter sand replacement will be required.</li> <li>Upgrade of weir required</li> </ul>	<ul style="list-style-type: none"> <li>Need to replace filter sand</li> <li>The weir blocked in every rainy season.</li> </ul>	<ul style="list-style-type: none"> <li>Not yet done, not yet critical</li> <li>Not yet done due to funding</li> </ul>
Catherine Booth WTW	<ul style="list-style-type: none"> <li>Coagulation/ Sedimentation</li> <li>Filtration</li> <li>Disinfection</li> </ul>	<ul style="list-style-type: none"> <li>Filter sand need to be replaced</li> </ul>	<ul style="list-style-type: none"> <li>Replace filter sand</li> </ul>	<ul style="list-style-type: none"> <li>Work in progress</li> </ul>
Kwabadala	<ul style="list-style-type: none"> <li>Coagulation/ Sedimentation,</li> <li>Filtration</li> </ul>	<ul style="list-style-type: none"> <li>Filter sand replacement</li> </ul>	<ul style="list-style-type: none"> <li>Replace filter sand</li> </ul>	<ul style="list-style-type: none"> <li>Scheduled to be ordered. Not yet critical.</li> </ul>

**ANNEX 2: UDM Sub-supply areas with and without approved business plans and the estimated cost**

MUNICIPALITY	SUB-SUPPLY AREA	WARDS	ESTIMATED COST (RANDS)	CONSULTANT APPOINTMENT	BP APPROVAL	MIG APPROVAL	DETAIL DESIGN	CONSTRUCTION
Mfolozi	Mbonambi SSA1	Portion of Ward 2, 3 & 5	156 725 350	Done	Done	Done	0.5 Done	In Progress
Mfolozi	Mbonambi SSA2	Portion of Ward 2, 3 & 1	96 600 000	N/A	N/A	N/A	N/A	N/A
Mfolozi	Mbonambi SSA3	Portion of Ward 1 & 2	28 600 000	N/A	N/A	N/A	N/A	N/A
Mfolozi	Upper Nseleni SSA 10	9, 10 & 12	6 500 000	N/A	N/A	N/A	N/A	N/A
Mfolozi	Upper Nseleni SSA 11	Portion of Ward 7, 8 & 9	4 000 000	N/A	N/A	N/A	N/A	N/A
Mfolozi	Upper Nseleni SSA 12	Portion of Ward 8, 9, 10 & 13	5 800 000	N/A	N/A	N/A	N/A	N/A
Mfolozi	Upper Nseleni SSA 13	Portion of Ward 8, 10 & 11	9 600 000	N/A	N/A	N/A	N/A	N/A
Mfolozi	Upper Nseleni SSA 14	Portion of Ward 10 & 4	30 200 000	N/A	N/A	N/A	N/A	N/A
Mfolozi	Upper Nseleni SSA 15	Portion of Ward 10 & 13	16 600 000	N/A	N/A	N/A	N/A	N/A
Mfolozi	Upper Nseleni SSA 16	2	35 500 000	N/A	N/A	N/A	N/A	N/A
Mfolozi	Upper Nseleni SSA 17	Portion of Ward 7, 8 & 11	116 618 865	Done	Done	Done	0.25 Done	In Progress
<b>Total estimated cost for uMfolozi</b>			<b>506 744 215</b>	<b>Estimated cost for SSAs without approved BP</b>				<b>233 400 000</b>
Ntambanana	Upper Nseleni SSA 1	Portion of Ward 7	32 000 000	N/A	N/A	N/A	N/A	N/A
Ntambanana	Upper Nseleni SSA 2	Portion of Ward 7 & 8	18 400 000	N/A	N/A	N/A	N/A	N/A
Ntambanana	Upper Nseleni SSA 3	Portion of Ward 8	7 300 000	N/A	N/A	N/A	N/A	N/A
Ntambanana	Upper Nseleni SSA 4	Portion of Ward 7	3 900 000	N/A	N/A	N/A	N/A	N/A
Ntambanana	Upper Nseleni SSA 5	Portion of Ward 7	67 200 000	N/A	N/A	N/A	N/A	N/A
Ntambanana	Greater Mthonjaneni SSA 4	Portion of Ward 3 & 4	47 687 840	Done	Done	Done	Done	In Progress
Ntambanana	Greater Mthonjaneni SSA 5	Portion of Ward 2 & 3	90 738 716	Done	Done	Done	Done	In Progress
Ntambanana	Greater Mthonjaneni SSA 6	Portion of Ward 2, 3, 4 & 5	33 800 000	N/A	N/A	N/A	N/A	N/A
Ntambanana	Greater Mthonjaneni SSA 7	Portion of Ward 1 & 2	21 900 000	N/A	N/A	N/A	N/A	N/A
Ntambanana	Greater Mthonjaneni SSA 8	Portion of Ward 3 & 2	49 800 000	N/A	N/A	N/A	N/A	N/A
Ntambanana	Greater Mthonjaneni SSA 9	Portion of Ward 1 & 3	64 500 000	N/A	N/A	N/A	N/A	N/A
<b>Total estimated cost for Ntambanana</b>			<b>437 226 556</b>	<b>Estimated cost for SSAs without approved BP</b>				<b>298 800 000</b>

MUNICIPALITY	SUB-SUPPLY AREA	WARDS	ESTIMATED COST (RANDS)	CONSULTANT APPOINTMENT	BP APPROVAL	MIG APPROVAL	DETAIL DESIGN	CONSTRUCTION
Mthonjaneni	Greater Mthonjaneni SSA 1	Portion of Ward 3, 5 & 6	185 830 561	Done	Done	Done	Done	In Progress
Mthonjaneni	Greater Mthonjaneni SSA 2	Portion of Ward 2 & 3	196 898 425	Done	Done	N/A	N/A	N/A
Mthonjaneni	Greater Mthonjaneni SSA 3	Portion of Ward 1, 2 & 4	525 200 000	N/A	N/A	N/A	N/A	N/A
Mthonjaneni	Greater Mthonjaneni SSA 8	Portion of Ward 2 & 3	57 900 000	N/A	N/A	N/A	N/A	N/A
Mthonjaneni	Greater Mthonjaneni SSA 9	Portion of Ward 1 & 3	75 000 000	N/A	N/A	N/A	N/A	N/A
<b>Total estimated cost for Mthonjaneni</b>			<b>1 040 828 986</b>	<b>Estimated cost for SSAs without approved BP</b>				<b>854 998 425</b>
Umlalazi	Eshowe SSA 1	11, 12 & 13	152 282 498	Done	Done	Done	Done	In Progress
Umlalazi	Eshowe SSA 2	13 & 14	25 400 000	N/A	N/A	N/A	N/A	N/A
Umlalazi	Eshowe SSA 3	16 & 17	46 000 000	N/A	N/A	N/A	N/A	N/A
Umlalazi	Eshowe SSA 4	19 & 20	27 500 000	N/A	N/A	N/A	N/A	N/A
Umlalazi	Eshowe SSA 5	15	15 700 000	N/A	N/A	N/A	N/A	N/A
Umlalazi	Eshowe SSA 6	15 & 18	19 500 000	N/A	N/A	N/A	N/A	N/A
Umlalazi	Eshowe SSA 7	18	35 900 000	N/A	N/A	N/A	N/A	N/A
Umlalazi	KwaHlokoHloko SSA 1	2, 9, 10, 25 & 26	263 150 511	Done	Done	Done	Done	In Progress
Umlalazi	KwaHlokoHloko SSA 2	25	80 564 317	Done	Done	Done	Done	In Progress
Umlalazi	KwaHlokoHloko SSA 3	24 & 26		Done	Done	Done	Done	In Progress
Umlalazi	KwaHlokoHloko SSA 4	2, 23 & 24	33 800 000	N/A	N/A	N/A	N/A	N/A
Umlalazi	KwaHlokoHloko SSA 5	22 & 23	157 844 574	Done	Done	Done	Done	In Progress
Umlalazi	KwaHlokoHloko SSA 6	14 & 22	26 400 000	N/A	N/A	N/A	N/A	N/A
Umlalazi	KwaHlokoHloko SSA 7	7, 14, 20, 21 & 22	78 300 000	N/A	N/A	N/A	N/A	N/A
Umlalazi	Middle-drift SSA 1	1 & 2	77 800 000	N/A	N/A	N/A	N/A	N/A
Umlalazi	Middle-drift SSA 4	2, 3 & 4	38 800 000	N/A	N/A	N/A	N/A	N/A
Umlalazi	Middle-drift SSA 5	1, 3, 4 & 5	141 800 000	N/A	N/A	N/A	N/A	N/A
Umlalazi	Middle-drift SSA 6	3 & 6	192 100 000	N/A	N/A	N/A	N/A	N/A
Umlalazi	Middle-drift SSA 7	1 & 4	60 900 000	N/A	N/A	N/A	N/A	N/A
Umlalazi	Middle-drift SSA 8	1	71 300 000	N/A	N/A	N/A	N/A	N/A
<b>Total estimated cost for uMlalazi</b>			<b>1 545 041 900</b>					
<b>Total estimated cost for uMlalazi for SSAs without approved BP</b>			<b>891 200 000</b>					

MUNICIPALITY	SUB-SUPPLY AREA	WARDS	ESTIMATED COST (RANDS)	CONSULTANT APPOINTMENT	BP APPROVAL	MIG APPROVAL	DETAIL DESIGN	CONSTRUCTION
Nkandla	Middle-drift SSA 2	13 & 14	96 800 000	N/A	N/A	N/A	N/A	N/A
Nkandla	Middle-drift SSA 3	2	24 900 000	N/A	N/A	N/A	N/A	N/A
Nkandla	Nkandla Vutshini SSA 1	2, 3 & 8	417 000 000	N/A	N/A	N/A	N/A	N/A
Nkandla	Nkandla Vutshini SSA 2	2, 3 & 10	143 100 000	N/A	N/A	N/A	N/A	N/A
Nkandla	Nkandla Vutshini SSA 3	8, 9, 10 & 12	134 300 000	N/A	N/A	N/A	N/A	N/A
Nkandla	Nkandla Vutshini SSA 4	9 & 12	66 700 000	N/A	N/A	N/A	N/A	N/A
Nkandla	Nkandla Vutshini SSA 5	7, 12 & 13	189 341 223	Done	Done	Done	Done	In Progress
<b>Total estimated cost for Nkandla</b>			<b>1 072 141 223</b>					
<b>Total estimated cost for Nkandla for SSAs without approved BP</b>			<b>882 800 000</b>					
<b>Grand total required</b>			<b>4 601 982 880</b>					
<b>Grand total required for SSAs without business plans</b>			<b>3 161 198 425</b>					

**ANNEX 3: Summary of the main schemes whose demand exceeds supply**

S/N	Name of Scheme	Challenges	Measures taken to address challenges	Impact on the ground	Suggested solution
1.	<b>Nkandla Bulk Water Scheme</b>	<ul style="list-style-type: none"> <li>Demand exceeds supply by far</li> <li>The water abstraction weir damaged by floods and UDM has no funds to repair it.</li> <li>Communities paid for water connections but due to the damaged weir and the increase in demand, many areas do not get water even though there is infrastructure on the ground</li> </ul>	<ul style="list-style-type: none"> <li>UDM drilled boreholes within the footprint of this project at Matshensikazi, Sdumuke, Notshiza, Dlabe and Ngwegweni that are in order to try and augment the supply as well as ensure that we the entire Nkandla Bulk project footprint</li> </ul>	<ul style="list-style-type: none"> <li>If the current situation persists, there could be service delivery protests</li> <li>After a single power outage, it takes several days to once again fill the whole network with water.</li> <li>Growth in Nkandla town is restricted</li> </ul>	<ul style="list-style-type: none"> <li>Repair the abstraction weir and also look for an alternative source of water as the current one will not cope with the demand</li> </ul>
2.	<b>Makhasaneni Water Scheme in Mthonjaneni</b>	<ul style="list-style-type: none"> <li>The borehole in this scheme is getting dry and producing less and less water due to it being overstretched</li> </ul>	<ul style="list-style-type: none"> <li>Another borehole has been drilled and we are currently designing the pipe to connect the two</li> </ul>	<ul style="list-style-type: none"> <li>Very unhappy residents</li> </ul>	<ul style="list-style-type: none"> <li>Fast-track eradication of backlogs by implementing bulk supply</li> </ul>
3.	<b>Gingindlovu Water Scheme in uMlalazi</b>	<ul style="list-style-type: none"> <li>Water demand by far exceeds supply</li> <li>The scheme services parts of iLembe District</li> </ul>	<ul style="list-style-type: none"> <li>UDM sent out letters to residents warning them of an imminent water rationing/ restrictions</li> </ul>	<ul style="list-style-type: none"> <li>iLembe District is very unhappy due to little water they receive</li> <li>Low cost housing projects in Gingindlovu Town have been put on hold</li> </ul>	<ul style="list-style-type: none"> <li>On a short to medium term, relocate the water intake to a more sustainable</li> <li>Long term solution is to find another source of water for this area</li> </ul>
4.	<b>Eshowe Town Water Supply in uMlalazi</b>	<ul style="list-style-type: none"> <li>Asbestos Cement (AC) pipes are more than 60 years old and they keep bursting several times a day</li> <li>Water interruptions in this town are so high that communities have reached boiling points</li> <li>Businesses are threatening toyi-toyi or pulling out of the town</li> <li>The whole town requires a redesigning of the supply system to include zones, pressure regulating valves etc</li> <li>Water quality has deteriorated due to frequent pipe bursts</li> <li>There is a high water usage in KDS</li> </ul>	<ul style="list-style-type: none"> <li>AC pipes along Mangosuthu Street replaced last financial year with UDM own funding</li> <li>UDM has taken a loan of R10M to replace two pipelines along two other streets and build a dedicated line to KDS</li> <li>UDM has had meetings with the Zululand Chamber of Commerce and Industry (ZCCI) and the Local Municipality</li> </ul>	<ul style="list-style-type: none"> <li>Very unhappy residents and businesses</li> <li>ZCCI is threatening to mobilise members to toyi-toyi against UDM</li> <li>A community member has written to the Minister of Water Affairs</li> <li>Several housing projects have been put on hold</li> <li>This is a time bomb that is waiting to explode any time</li> </ul>	<ul style="list-style-type: none"> <li>Urgent funding is required to avert a looming crisis. It is estimated that around R50M is required for this.</li> <li>Over R200M required to properly connect Eshowe with the Greater Mthonjaneni WTW and decommission the Eshowe WTW to ensure good quality water of sufficient quantities</li> </ul>
5.	<b>Obanjeni Water Scheme in uMlalazi</b>	<ul style="list-style-type: none"> <li>Water demand by far exceeds supply</li> </ul>	<ul style="list-style-type: none"> <li>An operational plan has been formulated to ensure a stable supply of water for now.</li> </ul>	<ul style="list-style-type: none"> <li>Very unhappy residents but after the intervention, the situation has calmed down</li> </ul>	<ul style="list-style-type: none"> <li>Fast-track eradication of backlogs by implementing bulk supply</li> </ul>

S/N	Name of Scheme	Challenges	Measures taken to address challenges	Impact on the ground	Suggested solution
6.	Vuma/Shange Water Supply in uMlalazi LM	<ul style="list-style-type: none"> <li>Demand exceeds supply</li> <li>Very serious illegal water connections</li> </ul>	<ul style="list-style-type: none"> <li>We are alternating water supply in this scheme to various supply zones in order to ensure that we cover the entire project footprint</li> </ul>	<ul style="list-style-type: none"> <li>Different areas get water once or twice a week</li> </ul>	<ul style="list-style-type: none"> <li>Fast-track eradication of backlogs by implementing bulk supply and decommission small stand alone schemes</li> </ul>
7.	Bangindoda Maphophoma in uMlalazi LM	<ul style="list-style-type: none"> <li>High water turbidity</li> </ul>	<ul style="list-style-type: none"> <li>Besides disinfection, there is very little more UDM can do due to the prevailing conditions on the ground</li> </ul>	<ul style="list-style-type: none"> <li>Poor water quality consumed by community members</li> </ul>	<ul style="list-style-type: none"> <li>Fast-track eradication of backlogs by implementing bulk supply and decommission small stand alone schemes</li> </ul>
8.	Ekuphumuleni Water Supply in uMlalazi LM	<ul style="list-style-type: none"> <li>The scheme was designed to operate at the RDP standard i.e. 25 l/c/p/d without any growth factor</li> <li>The community has grown over the years, their standard of living improved and their water demand has grown</li> <li>UDM potable water is "harvested" into underground rainwater harvesting tanks built by the Dept of Agriculture</li> <li>furthest areas such as Ngqamzane are not getting water at all</li> </ul>	<ul style="list-style-type: none"> <li>We are currently working at allocating water to respective supply areas of this scheme in order to ensure that all intended recipients of this scheme get water such as Ngqamzane area</li> </ul>	<ul style="list-style-type: none"> <li>The community has written a memorandum/ petition to the District indicating their unhappiness and desiring a quick solution to the problem</li> </ul>	<ul style="list-style-type: none"> <li>Educate the community on WC/WDM</li> <li>Fast-track eradication of backlogs by implementing bulk supply and decommission small stand alone schemes</li> </ul>
9.	Mpungose Bulk in uMlalazi LM	<ul style="list-style-type: none"> <li>Demand exceeds supply</li> <li>Very serious illegal water connections</li> <li>Furthest areas such as Ndlangubo are not getting water due to this high water usage/demand by communities before them</li> <li>Areas such as Nyonibizumuntu, Mabhokweni 1 and Mabhokweni 2 are also not getting water</li> <li>Frequent Eskom outages affect the operation of this scheme</li> </ul>	<ul style="list-style-type: none"> <li>We alternate the supply to most areas not getting water and that has left the community of Mabhokweni in particular very unhappy</li> <li>We are trying to revive old boreholes that used to supply these communities before they were connected to Eshowe Town supply</li> </ul>	<ul style="list-style-type: none"> <li>Very unhappy communities</li> </ul>	<ul style="list-style-type: none"> <li>Stabilize the water supply to Eshowe town and increase the capacity of the Kwahlukhohloko line</li> <li>Fast-track allocation of funds for the construction of all the related infrastructure with regard to Eshowe and Kwahlukhohloko</li> </ul>



S/N	Name of Scheme	Challenges	Measures taken to address challenges	Impact on the ground	Suggested solution
10.	<b>Kwambonambi Town Water Supply in uMfolozi LM</b>	<ul style="list-style-type: none"> <li>UDM buying water from uMhlatuze LM to supply Kwambonambi</li> <li>A new golf estate is up and running and the construction of the N2 development having started we are having an increased demand that we will not be able to supply in the next few months as we are battling to supply the current demand</li> <li>AC pipes need to be replaced</li> </ul>	<ul style="list-style-type: none"> <li>UDM has written to all residents of Kwambonambi requesting them to use water sparingly</li> <li>UDM has requested the bulk water users like Mondi, Sappi etc to cut down on their water intake</li> <li>UDM has requested uMhlatuze LM to increase their supply to this system but there is a limitation on capacity from the uMhlatuze side</li> </ul>	<ul style="list-style-type: none"> <li>Very unhappy communities who have threatened to go to the press if the situation does not improve quickly</li> </ul>	<ul style="list-style-type: none"> <li>Investigate another source of water to service this area</li> <li>Explore the use of water from Lake Nhlabane in uMfolozi to service Kwambo and Sokhulu areas of uMfolozi</li> <li>R1.3M for a feasibility study is required</li> </ul>
11.	<b>Shwashweni Water Supply in uMfolozi LM</b>	<ul style="list-style-type: none"> <li>Demand exceeds supply</li> </ul>	<ul style="list-style-type: none"> <li>alternate supply to various zones</li> </ul>	<ul style="list-style-type: none"> <li>So far communities are not complaining</li> </ul>	<ul style="list-style-type: none"> <li>Fast-track eradication of backlogs by implementing bulk supply</li> </ul>
12.	<b>Upper Nseleni Supply Line servicing uMfolozi and Ntambanana LMs</b>	<ul style="list-style-type: none"> <li>We have been having frequent pipe bursts on the line supplying the Nomavovo reservoir which led to further areas such as Cinci and Nhlabosini to be left without water a number of times</li> </ul>	<ul style="list-style-type: none"> <li>We are currently in the process of replacing this line with a line of a bigger pipe class than the current one</li> </ul>	<ul style="list-style-type: none"> <li>So far communities are not complaining</li> </ul>	<ul style="list-style-type: none"> <li>Explore the use of water from Lake Nhlabane in uMfolozi to service Kwambo and channel the current water to Kwambo to other parts of uMfolozi and Ntambanana</li> </ul>
13.	<b>Nhlabosini Water Supply in uMfolozi LM</b>	<ul style="list-style-type: none"> <li>Demand exceeds supply</li> <li>It used to take 48 hours to fill up the network after any outage but with the increased number of illegal connections, it now takes about 72 hours to fill this network which is an indication of the impact of these illegal connections and high demand.</li> </ul>	<ul style="list-style-type: none"> <li>Monitoring the illegal connections but capacity is problem</li> </ul>	<ul style="list-style-type: none"> <li>It takes a long time to fill the network with water after an outage</li> </ul>	<ul style="list-style-type: none"> <li>Mainstream WC/WDM when capacity has been built</li> </ul>
14.	<b>Crocodile Dam Water Scheme in Ntambanana LM</b>	<ul style="list-style-type: none"> <li>Due to current drought, the level of water crocodile dam has been dropping</li> <li>The backup boreholes are not running due to electric cables that have been stolen 3 times now regardless of how much we try and protect them</li> </ul>	<ul style="list-style-type: none"> <li>Supply water to the town of Bucanana with tankers</li> </ul>	<ul style="list-style-type: none"> <li>The town does not get water every day</li> </ul>	<ul style="list-style-type: none"> <li>Fast-track bulk water supply to Ntambanana</li> </ul>

S/N	Name of Scheme	Challenges	Measures taken to address challenges	Impact on the ground	Suggested solution
15.	<b>Nomponjwana Scheme Ntambanana LM</b>	<ul style="list-style-type: none"> <li>• Demand has exceeded supply</li> <li>• Not all the project footprint is receiving water</li> <li>• There water abuse in the scheme</li> </ul>	<ul style="list-style-type: none"> <li>• Water is now being alternated to try and cover the project footprint but still areas like Isthinta are not getting water</li> </ul>	<ul style="list-style-type: none"> <li>• Very unhappy communities</li> </ul>	<ul style="list-style-type: none"> <li>• We are awaiting the connection of Greater Mthonjaneni water system so that we can try and supply all areas and all the time</li> </ul>
16.	<b>Mambuka Scheme Ntambanana LM</b>	<ul style="list-style-type: none"> <li>• Water from the Upper Nseleni water scheme coming into Mambuka reservoir is not enough to cover the whole project footprint</li> <li>• there is a great deal of water abuse in this area which leads to other areas not getting water</li> <li>• We have a problem with water getting to Hlaza reservoir and as a result, areas like Mvazane, Maxwell reservoir and Emaringini had no water in most cases</li> <li>• community members are fiddling with an isolating valve causing problems at Maringini</li> </ul>	<ul style="list-style-type: none"> <li>• We have revived the Mkhize dam supply</li> <li>• We have built a lockable manhole to protect the isolating valve</li> </ul>	<ul style="list-style-type: none"> <li>• Very unhappy communities</li> </ul>	<ul style="list-style-type: none"> <li>• Explore the use of water from Lake Nhlabane in uMfolozi to service Kwambo and channel the current water to Kwambo to other parts of uMfolozi and Ntambanana</li> </ul>



# UTHUNGULU



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