

# SERIOUS ABOUT SERVICE DELIVERY

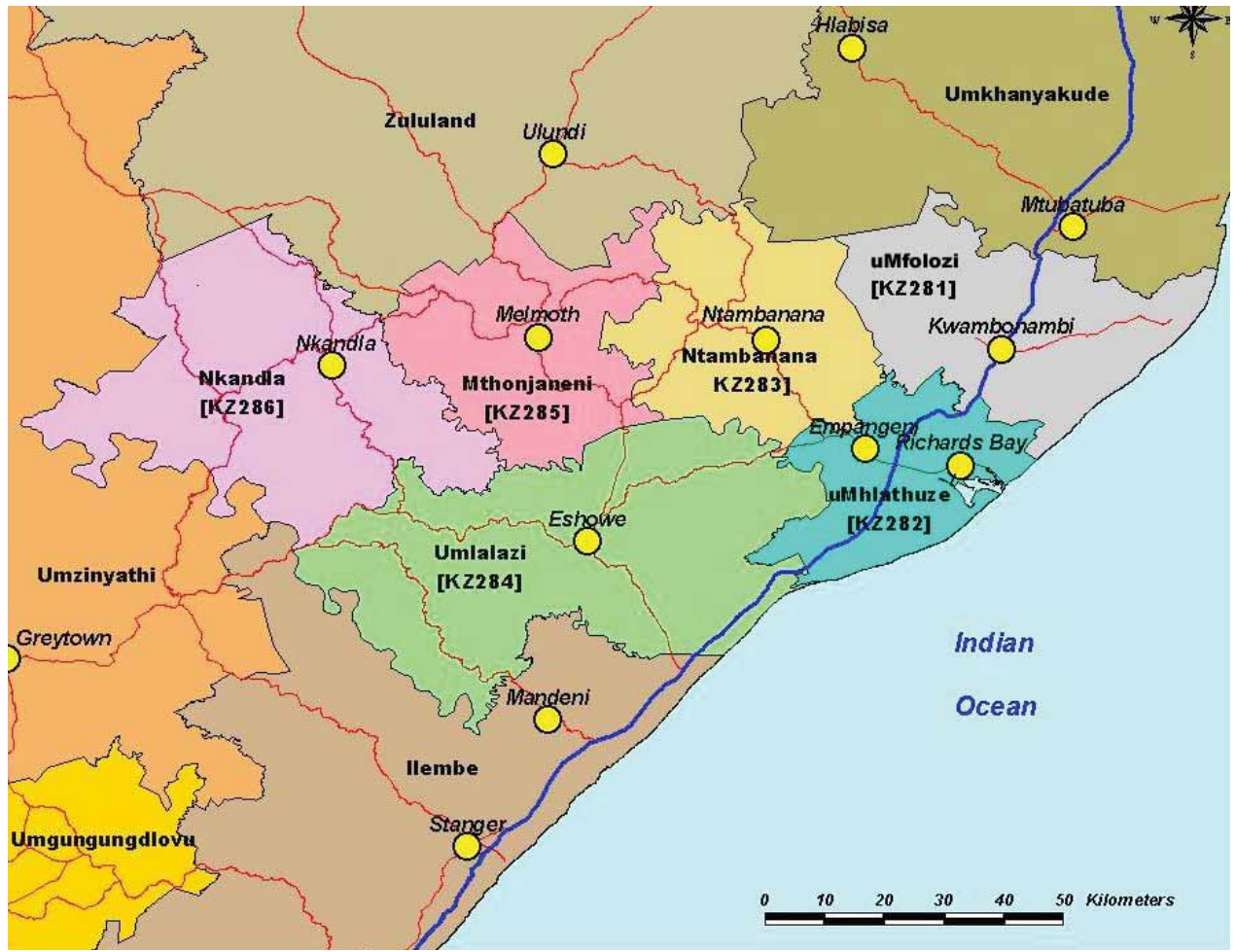


**UTHUNGULU**

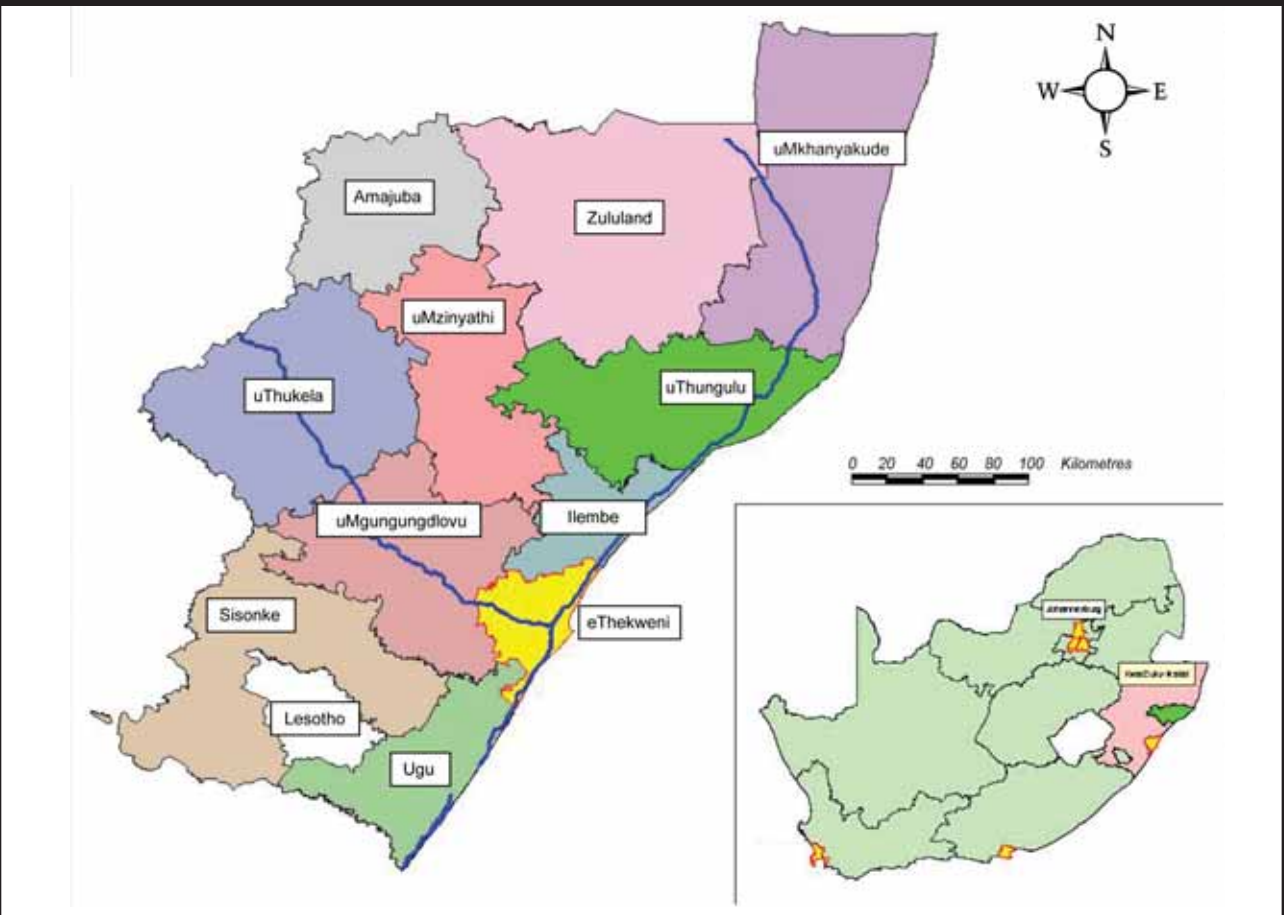


**ANNUAL REPORT  
2012/13**

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 2012-2013

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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



**First Lady of KZN**  
**Her Worship the Mayor**  
 Cllr TVB Mchunu

### 1.1 FIRST LADY OF KZN, DISTRICT MAYOR TVB MCHUNU

It is with great pleasure that I present the 2012/2013 Annual Report for the uThungulu District Municipality, after having achieved a Clean Audit from the Auditor-General of South Africa.

The past year has been a roller-coaster of great successes and long hours of hard work to get to attain our long-awaited goal, and we can say with satisfaction that we have complied with all municipal legislation and regulations.

uThungulu is riding a wave of success after being crowned the Best District in KZN in the KZN Municipal Excellence Awards shortly after the end of the financial year, as well as receiving the award for Best IDP in KZN as well.

All of these achievements came after months of sacrifice, and a commitment from both the Council and Management, to continuously monitor and evaluate progress on the issue raised in the previous financial year's Audit report.

Aside from ensuring 100% expenditure on the annual Municipal Infrastructure Grant (MIG) funding, we have completed several bulk infrastructure projects, and exceeded our targets on many other projects.

The completion of two major bulk water projects, the Greater Mthonjaneni Regional Scheme and the Middledrift Water Treatment Works at Nkandla, were a source of great pride for us, as we have concluded that the most efficient method of eradicating our backlogs is to construct bulk schemes.

This Annual Report presents the financial and management performance of the uThungulu District for the 2012-2013 financial year and is a testimony of the many projects and programmes that have characterized our activities during the year that has passed.

We have achieved phenomenal success in the eradication of our backlogs in the past 10 years. In 2001 we had water backlogs of 81%. At the end of the last financial year, 2011/2012, our backlogs had been reduced to 41%.

In terms of sanitation I am thrilled to announce that we are close to achieving 100% sanitation provision in Mthonjaneni. The Mthonjaneni VIP Sanitation Project: Phase 3 was done at a cost of R15,602 million, to benefit Wards 2 & 3 and Infills at Wards 4,5 & 6. This translates to 2302 Households.

Other sanitation projects that are nearing completion are:

- Nkandla VIP Sanitation Project: Phase 3, at a cost of R16,057 million. This project is almost ready for launch and benefits Wards 6, 13 & 14, which translates to 4379 Households.
- Umlalazi VIP Sanitation Project: Phase 4 was done at a cost of R15,780 million and affects Wards 1, 18 & 19, for a total of 1963 Households.
- Umlalazi VIP Sanitation Project: Phase 3 cost us R21,763 million and affects Wards 2 & 3, which is 3263 Households.

Other Economic Projects:

The district is busy with a number of local economic development projects which will be completed in this financial year.

The first is the Kwabulawayo Cultural Centre:

While we have already done much work at Kwabulawayo, the continuation of Phase 1 is in progress. The new gate is projected to be opened at a ceremony presided over by His Majesty the King in the new financial year.

Another project of pride is the Fresh Produce Market. The official opening of the Pre-Market will take place as soon as we complete the procurement process for the building. COGTA has allocated grant funding of R18 million towards the establishment of the market.

Farms supported by the district are:

- Thulasizwe Garden In Nkandla Local Municipality Kz286 (Ward 11)
- Vukasiphile Garden In Mthonjaneni Local Municipality Kz285 (Ward 5) – 1 Ha.
- Sizimele Sizanani Disability Garden In Umhlatuze Local Municipality - 1.9 Ha.
- Amandla Ezulu Agricultural Co-operative Garden In Ntambanana Local Municipality (Ward 5) – 24 Ha.
- Mbizane Garden In Mfolozi Local Municipality – 19 Ha.

Another project we are busy with is the Biogas Project.

We developed a proposal for funding following the visit by an uThungulu delegation to Giyani to see Biogas development in Limpopo. Using the proposal, we approached COGTA who has committed grant funding for the project. A Memorandum of Agreement has been signed between KZN Cogta and the District municipality, the allocation for 2013/14 being R4.7m.

The project has been launched at uMlalazi and Mthonjaneni Municipalities already and it looks promising from the start. This project has immense potential to be a success story for the district, as it offers communities a win-win situation:

- Cheap alternative to high electricity tariffs
- Potential for income generation and job creation
- Creating a green economy that benefits the environment

I wish to extend my deep appreciation to the Municipal Manager, the Deputy Municipal Managers of the various departments and the entire staff complement, for their dedication, hard work and loyalty to the organization.

This Clean Audit is a culmination of our joint efforts and careful planning, and it would not be possible without the contribution of each and every one of you.

I wish to also convey my sincere gratitude to the national and provincial government for their support and encouragement in all our projects, and for your warm reception each time we came to you for assistance.

In conclusion I express my appreciation to our Deputy Mayor, Speaker and Councillors for their leadership, guidance and oversight over the activities of this district.

CLLR TVB MCHUNU  
FIRST LADY OF KZN  
MAYOR: UTHUNGULU DISTRICT MUNICIPALITY



**Municipal Manager**  
MH Nkosi

## 1.2 OVERVIEW BY THE MUNICIPAL MANAGER

uThungulu has made exceptional strides in the provision of basic services to the almost one million citizens of the district.

In 2007 uThungulu realized that small water schemes were not going to help us eradicate the huge backlogs we were facing in terms of water provision to our communities.

We took a strategic decision to commission a regional bulk scheme, the Greater Mthonjaneni water scheme, a strategy that would ensure reticulation to many areas from one central point.

The district has worked hard to meet deadlines and ensure quality work was done to lay the pipelines that are now reticulating water to three local municipalities, which previously had very little chance of receiving water within the next decade.

We have faced several challenges, including vandalism, but they did not deter us from our objective of ensuring a stable water supply for our people.

The completion of the project will ensure the delivery of sustainable basic water services, the enhancement of economic development towards achieving the national services target by 2014, the objectives of water for growth and development, employment and redistribution.

Going forward uThungulu is committed to ensuring universal water provision for all the people of the district.

We rely on grant funding from national and provincial government to fulfil our infrastructure plans.

An amount of R3.1m for the Water Services Operating Subsidy has been allocated to the municipality and this will be used to boost the operations and maintenance budget for the water schemes that were transferred from the local municipalities when uThungulu became the Water Services Provider for the district.

It is not wise to build new schemes while not setting aside funds to maintain and repair old schemes which become prone to breakdowns and pipe bursts.

We need to ensure that the schemes we build are regularly serviced and maintained so that they are 100% operational.

For this reason we have been imploring national and provincial government to allocate funding for operations and maintenance and we are grateful to have received it.

The Municipal Infrastructure Grant, which was a major contributor to the Greater Mthonjaneni bulk scheme, is R185m for this year. The MIG allocation for 2012/2013 financial year was R195 223 000 and we are pleased that we achieved 100% expenditure by the end of the financial year.

Since its establishment, the district has consistently achieved unqualified Audit Reports from the Auditor General's office, however in the 2011/2012 financial year we achieved a significant accolade when uThungulu District Municipality was listed among the first time recipients of clean audits for both its entities in the Auditor-General's 2011/2012 Audit Report.

While the municipality itself maintained its unqualified audit status, the two municipal entities, i.e. uThungulu Financing Partnership and the uThungulu House Development Trust, both received clean audits, and were two of only eight entities in the country to achieve this honour.

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:

- uThungulu was the first Runner-Up in a tie with eThekweni Metro in the category for Best Performing Metro/District at the KZN Municipal Excellence Awards hosted by The Department of Cooperative Governance and Traditional Affairs (COGTA) in September 2012.
- The uThungulu District Municipality was placed 3rd in the KZN SALGA Games held in December 2012 in Ladysmith. uThungulu won 2 gold medals for Boxing and Volleyball Males respectively. We also won 4 silver medals.
- 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 district is further characterized by low levels of urbanization; approximately 80% of the people live in the rural areas. Also, more than 50% of the population is younger than 19 years. The female population is significantly higher than the male population – a phenomenon that can be attributed to migration patterns associated with the province in general.

The district is further characterized by large infrastructure backlogs, particularly in respect of water and sanitation, mainly in the rural areas. The implementation of the 2009

uThungulu WSDP (Water Services Development Plan) has reduced the rural backlogs for water supply to RDP standard from 82% in 2001/02 to 38% in 2010/11.

The backlogs in rural sanitation to RDP standards have been reduced from 80% to 69% over the same period.

Municipality	Spatial Size	Demographic Size
Mfolozi (KZ 281)	1208 km <sup>2</sup>	122 889
uMhlathuze(KZ 282)	795 km <sup>2</sup>	334 459
Ntambanana (KZ)	1083 km <sup>2</sup>	74 336
uMlalazi (KZ 284)	2214 km <sup>2</sup>	213 601
Mthonjaneni(KZ 285)	1086 km <sup>2</sup>	47 818
Nkandla (KZ 286)	1827 km <sup>2</sup>	114 416
uThungulu (DC 28)	8213 km <sup>2</sup>	907 519

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. In terms of Management stability, we are pleased that all top management vacancies were filled by the start of the 2012/2013 financial year.

## RESPONSE PLAN TO AUDIT OF 2011/2012

### Corrective action to address issues raised in audit:

The office of the Auditor-General has expressed the following opinion, *"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 the SA standards of GRAP and the requirements of the MFMA and DORA."*

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 the audit report as follows:

#### Achievement of planned targets

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.

#### Management's Commitments

uThungulu District Municipality achieved 78% of its total planned targets. Management will strive during the 2012/2013 financial year to create an environment of continuous evaluation and reporting on planned targets as per the approved Integrated Development Plan. 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.

Material Adjustments to the report of predetermined objectives

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 and were corrected by management.

Management's Commitments

To ensure continuous enhancement and improvement, the Audit Charter of Messrs PriceWaterhouse Coopers for the 2012/2013 financial year has been amended to ensure a 100% audit on all predetermined objectives to ensure that the Annual Performance Report submitted to the Auditor General by 31 August 2013 reflects audited achievements to avoid a situation where a material adjustment would be deemed necessary.

Strategic planning and performance management

The amending of the OPMS scorecard, which forms part of the integrated development plan, was approved by EXCO on 20 June 2012 which was 10 days before the financial year-end. These amendments did not form part of both annual review and mid-year review processes as prescribed by section 34 of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

Management's Commitments

This matter is a reflection of the impact that non-compliance with submission deadlines has on the Performance Management System. A workshop was scheduled during the 2012/2013 financial year to present to the organization the importance of the Performance Management System. All efforts were made to comply with Section 34 of the Municipal Systems Act to ensure that all amendments to the OPMS Scorecard formed part of the processes involved with the approval of the Adjustments Budget for the 2012/2013 financial year.

**ASSESSMENT OF DEBT AND REVIEW**

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 8% - 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.

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Targeted Collection	80%	80%	80%	80%
Actual Collection	102%	95%	85%	82%

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 no motivations were made to Council with regards to the write off of debts. The annual collection rate of 92% bears testimony to our efforts in implementing our credit control policy. Of the total billed revenue in 2012/2013 9% remained uncollected with a rand value of R 4M, which has been accounted for as a provision for bad debts. In the collection of debts, we have not been legally challenged by any debtor nor subject to any negative publicity in the 2012/2013 financial year.

**DEBTORS PER CONSUMER TYPE**

	2013	2012	2011
Domestic	35.5	28.7	22.1
Business	6.1	5.0	4.5
Government	4.8	4.5	4.8
	46.4	38.1	31.3

The significant increase in the domestic sector is due to the additional rural consumers where conventional debt collections are not possible due to it being costly to Council.

The table that follows 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 other income which accounted for an additional R 7.7M more than budget.



**UTHUNGULU DISTRICT MUNICIPALITY:  
ACTUAL VERSES BUDGET (REVENUE & EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2013**

	2013 Actual Rand (‘000)	2013 Budgeted Rand (‘000)	2013 Variance Rand (‘000)	2013 Variance %	Explanation of significant variance greater than 10% versus Budget
Service charges	49 902	43 769	6 133	14%	Dominant factors include the higher than expected reliance on portable water usage by consumers, landfill site usage and above inflationary increases in property values.
Interest Earned - External Investments	27 147	26 884	263	1%	
Government Grants and Subsidies	570 231	584 476	(14 245)	-2%	
Other Income	9 579	7 958	1 621	20%	The variance is attributable to the unexpectedly higher Seta refund and inflationary increases on other income.
Rental Income	34	34	-	0%	
	656 893	663 121	(6 228)	-1%	

*A detailed report is available under the Dept of the Deputy Municipal Manager: Financial Services.*

**MH NKOSI  
MUNICIPAL MANAGER  
UTHUNGULU DISTRICT MUNICIPALITY**

### 1.3 PROFILE OF THE UTHUNGULU DISTRICT MUNICIPALITY

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.

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)

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 handles 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.

## 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 ssyem						
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 - uMhlatuze, 283 - Ntambanana, 284 - uMlalazi, 285 - Mithonjaneni 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

# 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**  
First Lady of KZN  
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

### 2.1. 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
- Vision 2030 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.

The information systems at a district level do not allow detailed operational expenditure to be broken down by ward. However, capital projects do identify individual wards wherever possible.

## STRATEGY - LONG-TERM OBJECTIVES

The council has set itself some stretching targets within the framework of the five-year IDP and beyond. The eleven strategies are listed below:

No	Strategy	Objective	Output/Indicators
1	Municipal Transformation and Organisational Development	To provide effective human resource development to staff and Councillors.	The District will ensure the enhancement of staff and Councillors through the completion of TASK Job Evaluations on all posts listed on Organogram by 30 June 2017.
			The District will also ensure the wellbeing of all staff through the implementation of an Employee Wellness programme.
			A safe and healthy working environment will be created for all staff through 100% compliance with the Occupational Health and Safety Act.
		To strengthen programmes on information and communication technology services.	The District will ensure effective and efficient records keeping through the analysis of the current document management systems and the upgrading of information technology and relevant technological infrastructure.
		To ensure the monitoring and evaluation of municipal performance.	Service delivery will be monitored and evaluated to ensure the effective delivery of services to the community through the implementation of a compliant Electronic Performance Management System by 2017.
		To ensure best practice principles are followed by the enhancement of institutional development.	The long term goal is to effectively implement risk management strategies, fraud and corruption prevention and municipal turnaround strategies needed for the District to function as an ethically sound entity by 2017. Business plans to address current outstanding matters have been formulated and will be addressed and recommendations implemented on a long term strategic basis.
		To ensure integrated development in order to achieve sustainable development.	It is a priority to achieve sustainable development through the continuous review of development objectives contained in the Integrated Development Plan through community participation.
2	Municipal Financial Viability and Management	To aim at achieving a clean audit in 2014.	It is a vital objective of the District that financial management be conducted with due diligence to ensure that 100% MFMA compliance is maintained at all times and municipal financial bylaws and policies be effectively implemented to ensure the receipt of a clean audit during the 2013/2014 financial year.
3	Good Governance and Public Participation	To promote community participation and communication.	It is a priority of the District to ensure sustainable intergovernmental relationships through the participation and coordination of regular District Imbizos, Technical District Committees, District Mayor's Forums and meetings of the District House of Traditional Leaders.
			The District will aim at achieving sustainable development through careful communication and participation with relevant stakeholders and the community through various public relations media.
4	Infrastructure Development and Service Delivery	To plan and institute the provision, upgrading and maintenance of solid waste services.	The objective is that the District will provide solid waste disposal services to the municipalities located within the municipal area to reduce pollution.
		To plan and institute the provision, upgrading and maintenance of regional cemeteries and crematoria.	The aim is to improve social and environmental wellbeing through the completion of Phase II of the Regional Cemetery and the establishment of Mandawe Cemetery by 30 June 2014.
5	Basic Services Provision	To ensure a basic standard of living for all through the provision of basic water delivery.	A first priority is to provide water to a survival standard 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 litres of water per person per day within a 200 m walking distance (RDP standard).

No	Strategy	Objective	Output/Indicators
		To ensure a basic standard of living for all through the provision of basic sanitation services.	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.
6	Local Economic Development	To develop and capacitate SMME's and local entrepreneurs.	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
		To promote the district as a tourism destination.	The District will develop a Tourism Development Plan by 30 June 2013 and initiate tourism projects and programmes in accordance with the business plan for implementation by 30 June 2017.
		To promote agricultural development within the community.	The District will develop an Agricultural Development Plan by 30 June 2013 and initiate tourism projects and programmes in accordance with the business plan for implementation by 30 June 2017.
7	Sustainable Human Settlements and Land Management	To ensure effective spatial planning and development to improve the management of district level responsibilities.	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.
8	Human Resource Development	To provide effective human resource development to the community.	The goal is to alleviate illiteracy and improve the unemployment of the community through the establishment of a District Education Programme and District Skills Development Programme by 30 June 2013.
9	Rural Development and Food Security	To provide rural development and alleviation of hunger within the community.	The District will commit itself to alleviating hunger and ensuring rural development through programmes aimed at establishing sustainable food sources for the community.
10	Community Development and Social Services	To improve environmental health within the district.	A priority of the District is to formulate an Air Quality Management Plan by 30 June 2013 and implement all recommendations passed within the plan by 30 June 2017.
		To promote healthy lifestyles for the community.	The District will aim at promoting healthy lifestyles within the community through the implementation of programmes and events aimed at physical activity such as sports. The District will facilitate and provide events for participation by all local municipalities within the family.
		To minimize the effect of natural and other disasters on the community.	The District will provide disaster management services to aid all municipalities within the family of municipalities and effectively respond to 100% of all disasters by providing support either financially or otherwise.
		To reduce incidence of HIV/AIDS infections.	The District has committed itself to reducing HIV/AIDS by implementing awareness programmes and providing support financially or otherwise to the affected community.
11	Environmental and Resource Management	To efficiently manage scarce resources within the district	The District will continue to protect and preserve precious resources within its municipal area through the Coastal Management Plan and Integrated Environmental Programme.

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. 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**

	2001/2002 Households	2001/2002 % Backlog	2008/2009 Households	Households with water	Households without water	2012/2013 % Backlog
Mbonambi (KZ281)	12664	97%	20 615	12 689	7 130	34%
Ntambanana (KZ283)	9528	81%	16 339	9 064	6 929	42%
uMlalazi (KZ284)	34484	82%	42 623	21 900	20 723	48%
Mthonjaneni (KZ285)	6056	78%	9 712	5 076	2 824	30%
Nkandla (KZ286)	21085	72%	25757	17736	8021	32%
<b>Total</b>	<b>83817</b>	<b>81%</b>	<b>115 046</b>	<b>67942</b>	<b>47104</b>	<b>41 %</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**

	2001/2002 Households	2001/2002 % Backlog	2008/2009 Households	Households with sanitation	Households without sanitation	2012/2013 % Backlog
Mbonambi (KZ281)	12664	99%	20 615	12 334	8 281	40%
Ntambanana (KZ283)	9528	76%	16 339	8 658	3 899	24%
uMlalazi (KZ284)	34484	85%	42 623	18 150	24 473	57%
Mthonjaneni (KZ285)	6056	95%	9 712	9 364	384	4%
Nkandla (KZ286)	21085	94%	25 757	18 175	7 582	29%
<b>Total</b>	<b>82817</b>	<b>89%</b>	<b>115 046</b>	<b>66 680</b>	<b>48 366</b>	<b>42 %</b>

In the short-term the council and its senior managers are committed to delivery on firm targets for 2012/13 and outline targets for 2013/14. Monitoring of delivery against targets will be reported to council on a quarterly basis.

## INTERGOVERNMENTAL RELATIONS

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

The following structures were formalised:

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

The DIF exists to facilitate IGR between the District Municipality and the Local Municipalities 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 District's progress on the 5 year Local Government Strategic agenda
9. Monitoring and Evaluation
10. General

### ii. 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.

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

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



**Chairperson of Council, Chair of Rules Committee  
Speaker ME 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

Section 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...

## 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

## 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.



**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 Mthalande
9. N Naidoo
10. JM Mathaba
11. BL Mkhwanazi
12. X Bhengu
13. ZD Mfusi
14. S Mgenge
15. EF Mbatha
16. MS Mnqayi
17. NB Mzimela – resigned;  
replaced by Cllr HA Mthembu  
during the financial year
18. FG Bosman
19. MT Makatini
20. N Mlaba
21. HF Mthiyane
22. NT Thusi
23. T Zulu
24. KD Sibiyi
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 IT Gcabashe



EXCO Member - Cllr NR Cele

EXCO Member - Cllr M Simelane  
(2012/13)EXCO Member - Cllr Ivan Naidoo  
(2013/14)

EXCO Member - Ald BV Mthethwa



EXCO Member - Cllr SS Zungu

The Officials and Councillors were remunerated as follows:

	Group		Municipality	
	2013 R	2012 R	2013 R	2012 R
<b>Remuneration of Municipal Manager</b>				
Annual Remuneration	981 689	216 613	981 689	216 613
Car Allowance	333 728	84 197	333 728	84 197
Performance Bonuses	154 673	-	154 673	-
Contributions to UIF,SDL and other	13 524	16 495	13 524	16 495
Dispute settlement	-	1 210 867	-	1 210 867
Leave pay	-	149 456	-	149 456
	<b>1 483 614</b>	<b>1 677 628</b>	<b>1 483 614</b>	<b>1 677 628</b>

The remuneration for the 2012/2013 financial year pertains to the Municipal Manager who was appointed in the year under review and the performance bonus amount reflected in 2012/2013 pertains to the previous Municipal Manager - refer to note 17.

#### Remuneration of Deputy Municipal Manager - Planning & Economic Development

Annual Remuneration	896 040	797 369	896 040	797 369
Car Allowance	364 075	352 503	364 075	352 503
Performance Bonuses	155 873	146 939	155 873	146 939
Contributions to UIF,SDL and other	15 239	14 164	15 239	14 164
Acting allowance	-	19 276	-	19 276
Leave pay	18 007	29 708	18 007	29 708
	<b>1 449 234</b>	<b>1 359 959</b>	<b>1 449 234</b>	<b>1 359 959</b>

#### Remuneration of Deputy Municipal Manager - Technical Services

Annual Remuneration	1 035 447	683 880	1 035 447	683 880
Car Allowance	220 876	166 099	220 876	166 099
Performance Bonuses	115 574	-	115 574	-
Contributions to UIF,SDL,pension & medical aid	12 859	201 759	12 859	201 759
Annual Bonus	37 272	33 231	37 272	33 231
Leave pay	27 345	-	27 345	-
	<b>1 449 373</b>	<b>1 084 969</b>	<b>1 449 373</b>	<b>1 084 969</b>

#### Remuneration of Deputy Municipal Manager - Corporate Services

Annual Remuneration	825 237	226 926	825 237	226 926
Car Allowance	244 740	54 911	244 740	54 911
Performance Bonuses	139 206	-	139 206	-
Contributions to UIF,SDL and other	11 834	17 839	11 834	17 839
Dispute settlement	-	1 362 226	-	1 362 226
Leave pay	-	120 951	-	120 951
	<b>1 221 017</b>	<b>1 782 853</b>	<b>1 221 017</b>	<b>1 782 853</b>

#### Remuneration of Deputy Municipal Manager - Financial Services

Annual Remuneration	881 216	727 064	881 216	727 064
Car Allowance	377 430	219 645	377 430	219 645
Performance Bonuses	140 287	33 062	140 287	33 062
Contributions to UIF,SDL and other	16 952	11 682	16 952	11 682
Acting allowance	-	115 272	-	115 272
Leave pay	97 087	-	97 087	-
Long service leave pay	145 630	-	145 630	-
	<b>1 658 602</b>	<b>1 106 725</b>	<b>1 658 602</b>	<b>1 106 725</b>

#### 23. Remuneration of councillors

Mayor	728 196	690 437	728 196	690 437
Deputy Mayor	586 532	555 958	586 532	555 958
Speaker	586 532	559 271	586 532	559 271
Chief Whip	367 600	276 049	367 600	276 049
Executive Committee	2 581 614	1 928 176	2 581 614	1 928 176
Councillors	2 930 547	3 220 164	2 930 547	3 220 164
Councillors' pension contribution	741 628	639 666	741 628	639 666
	<b>8 522 649</b>	<b>7 869 721</b>	<b>8 522 649</b>	<b>7 869 721</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 furthermore is provided for some Exco members based on security assessments.

## 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.

In the 2012/2013 financial year this council held meetings as follows:

- Council Meetings 13 meetings
- ExCo 20 meetings
- Corporate Portfolio 9 meetings
- Community Portfolio 8 Meetings
- Technical Portfolio 7 meetings
- Audit 7 meetings
- Performance Audit 2 meetings
- Planning Portfolio 5 meetings
- Finance Portfolio 12 meetings
- MPAC 6 meetings
- Rules 3 meetings
- Local Labour Forum 6 meetings



## ADMINISTRATIVE GOVERNANCE:

### ADMINISTRATIVE SERVICES

The Administrative Services Section is part of the Corporate Services Department.

Corporate governance embodies processes and systems by which organizations are directed, controlled and held accountable. In this connection, the Administrative Service Section provides wholesome strategic administrative and governance support to Council.

The Administration Section is organized into five operating units. They are:

- Committee Section & Secretariat;
- Records & Registry
- Fleet Management
- Auxillary Services
- Councilor Support

### 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 administration.

This Section is guided and bound by the Statutory and Regulatory Framework in which sound records management practices are embedded. These are 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 was approved by Council to ensure that this Council promotes transparency, accountability and effective governance. This is achieved 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 offsite record keeping. An Access to Information Manual is updated and submitted to relevant Government Departments annually as required by the legislation.

The Section works in collaboration with the 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 & Committee Section

The Committee Section provides operational, technical and logistic support to Council and is the cornerstone of the Council's corporate governance responsibility. The Committee Section is responsible for managing and the provision of secretariat service 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. 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 respective Committees.

The Section Head is responsible for quality control and accuracy of agendas, minutes, notices issued by Council, minutes and resolutions of Council. She is further responsible for monitoring and tracking the implementation of resolutions of Council.

### Fleet management

The Fleet Section provides day to day management and controls the utilization of the Council pool of vehicles. Council has a pool of 54 vehicles. The Pool Motor Vehicle Policy regulates the fleet management practices; through strict policy enforcement vehicle abuse is effectively eliminated.

The fleet control environment is sound, effective and competes positively with world class systems applied by many companies. Amongst other things Council utilizes a tracker system to monitor the use of the pool vehicle. The systems environment complements the compliance measures that are enforced by Council.

The control environment is enhanced by a strong governance framework applied in the fleet management; this includes standing institutional structures such as the Motor Vehicle Committee that sits on a quarterly basis to review mileage, and oil consumption





on pool vehicles.

The monitoring and reporting framework provides assurance of the effectiveness of the fleet management practice. Through the monthly reporting to Management and quarterly to the Performance Panel on the mileage, fuel and oil consumption, Council prevents unnecessary costs and abuse is prevented. 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 accordance with the latest gazette issued. This policy also regulates the use of pool vehicles by Councillors to ensure that it is in terms of the revised government notice of the time.

The current tenders running until 2016 were awarded to Absa, Standard bank, Amsaw and Westbank Fleet for the lease of vehicles and the tender for supply and fitment of tyres is with Zibandela Business Solutions until June 2014.

**Auxilliary Services Section**

The Auxilliary Services Officer is responsible for the building maintenance and General office services which include the communication services (PABX), photocopy and messenger service and the cleaning service. The cleaning service is now in-house with 18 cleaners who are 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, personnel, equipment and assets. The surveillance cameras were commissioned to enforce and improve the security measures within the premises.



**Councillor Support**

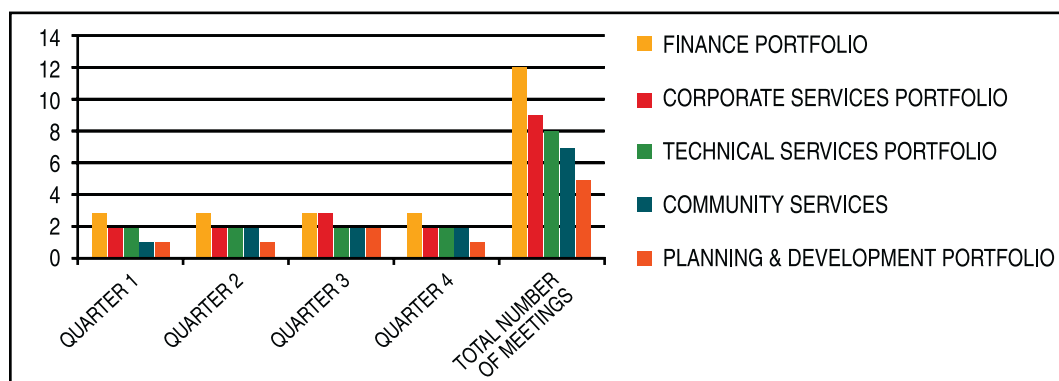
Councillor support is an integral and a pivotal function entrusted to Administration. In order to enhance its ability to render effective council support, the Department appointed the Manager in the Office of the Speaker and the Manager in the Office of the Mayor. The appointment of incumbents into these two positions has without any doubt brought great improvement to the support that is continuously given to Councillors.

Through the Admin Section, the Municipality 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 are revised, approved by Council and sent to all relevant Government Departments for publication.

Councillor welfare is fundamentally important; as such Administration performs such activities directed at managing and liaising with the Municipal Pension Fund for Councillors' Pension Funds and Medical Aid Schemes and co-ordinates with uThungulu's Finance Section for any other finance related matters pertaining to councillors.

In the 2012/2013 financial year this council held meetings as follows:

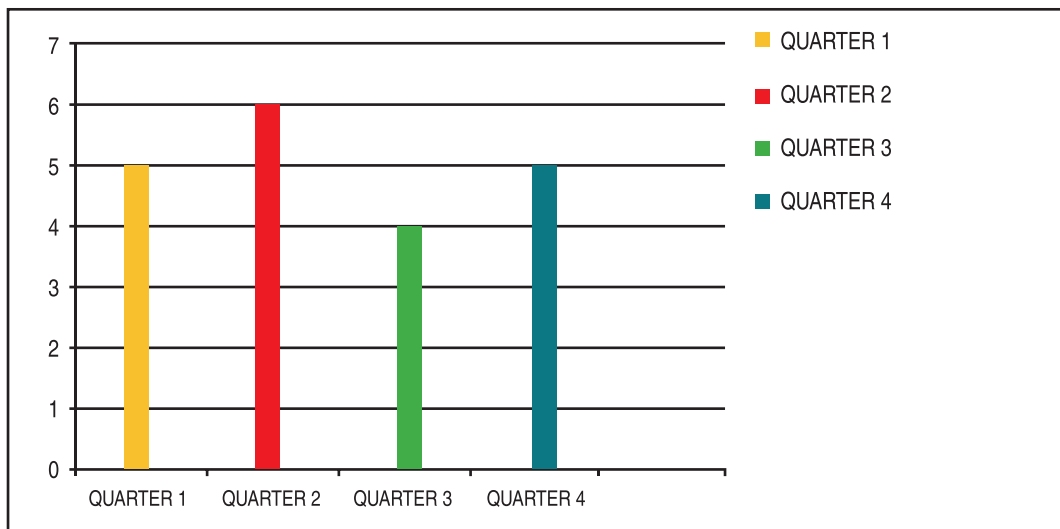
**Portfolio Committee Meetings**



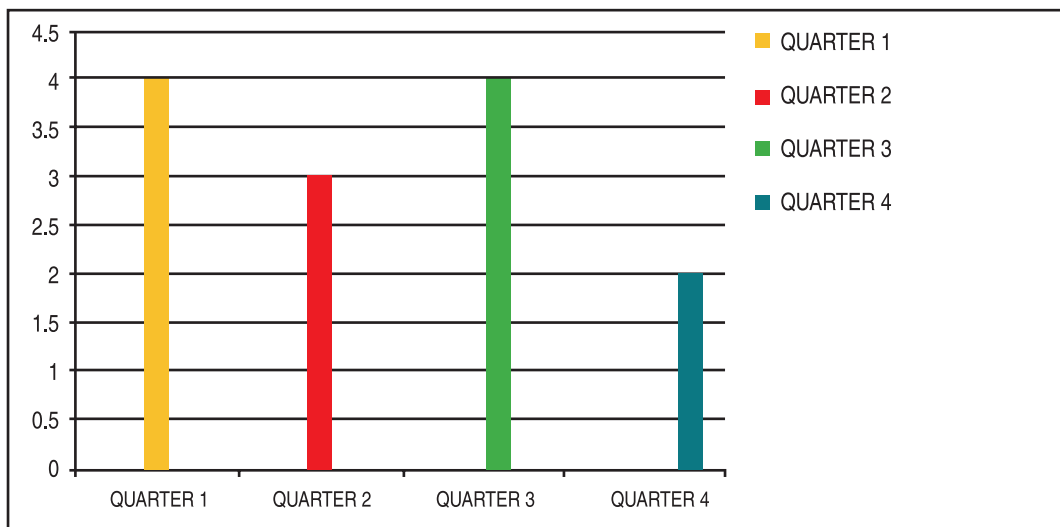
Other Committees

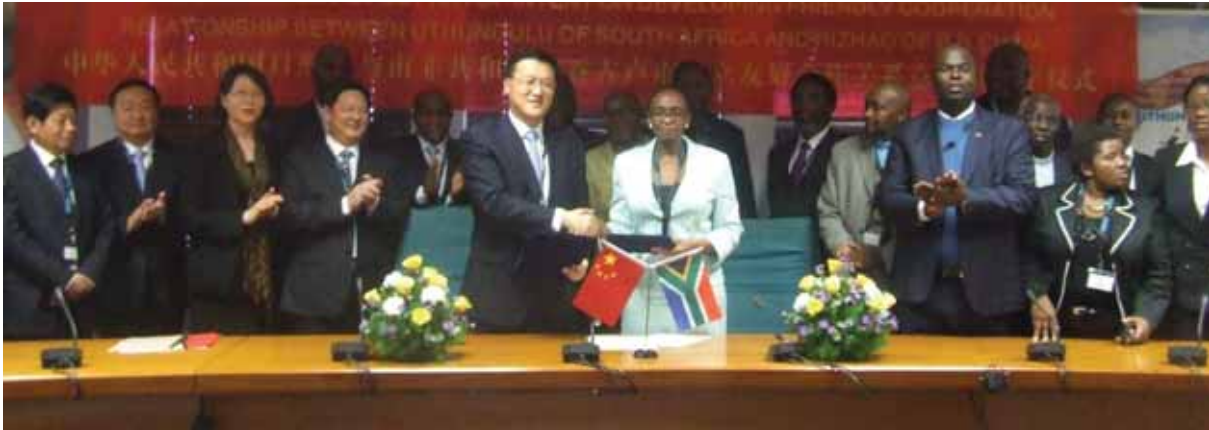


Executive Committee Meetings



Council Meetings





## 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).
- 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 1st Review 2013/14 of the uThungulu IDP 2012/13 – 2016/17

- The first of the review 2013/14 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 adopted by Council in accordance with Resolution UDMC 479 on 27 March 2013.
- The First Review of the Integrated Development Plan (IDP) was followed in accordance with the requirements of the Municipal Systems Act (Act 32 of 2000) with the Final Draft 1st Reviewed IDP being adopted by Council on 26 June 2013 UDMC: 1027

### SDF Refinement

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 refinement of the 2009 uThungulu SDF involved improvement of the following aspects:

- 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.

The Refined SDF was approved by Council on 6 December 2012 in accordance with Resolution UDMC: 694.

### IDP Public Participation Roadshows

uThungulu began a massive campaign to take its 2013/2014 budget and IDP on the road in a public participation process during 2012 and 2013.

At all the events the District Mayor Thembeke Mchunu presented the IDP and the draft budget for the incoming financial year including major capital projects being undertaken.

She also discussed the financial policies that affected communities, such as the Indigent Policy.

uThungulu Speaker, Cllr Musa Mzimela who was the Programme Director at the roadshows, facilitated the question and answer sessions where the communities had the opportunity to engage the Council on issues of concern.

A separate roadshow was held specifically for the Amakhosi to be informed about projects that are planned for their respective areas. The total number of roadshows was 7 for the first round in 2012 and a further 7 for the second round, which comprised the six local municipalities and the district amakhosi for each round.

## CORPORATE GOVERNANCE:

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

The uThungulu District Municipality, in dealing with the Stra-

tegic Key Performance Area of Enterprise Risk Management, schedules three separate risk assessments at the commencement of the financial year with management to inform the Annual Internal Audit Report. In doing so, risk assessments were carried out for Enterprise Risk Management, Anti-Fraud and Corruption Prevention and Information Technology on 30 July 2012.

The risk assessments carried out also form the basis of the work undertaken by the Enterprise Risk Management Steering Committee, the Anti-Fraud and Corruption Prevention Steering Committee and the Information Technology Steering Committee who met quarterly to track and manage the various risks in the workplace.

The municipality once again contracted with Messrs. Whistleblowers to independently manage a Fraud and Corruption Detection and Reporting Hotline with a unique toll-free number dedicated to uThungulu.

Funding has once again been provided in the budget for the 2013/14 financial year to conduct the Enterprise Risk, Fraud Risk and IT Risk Assessment for the new financial year as well as to undertake the annual review of the municipality's Enterprise Risk Management Strategy and Policy and the Anti-Fraud and Corruption Strategy Plan.

### SECTION: SUPPLY CHAIN MANAGEMENT

The sixth update of the Supply Chain Management Policy has been approved by Council (UDMC 930) on 20 March 2013 and has since been implemented as such and 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, equitable and considers the organization's financial and social responsibilities.

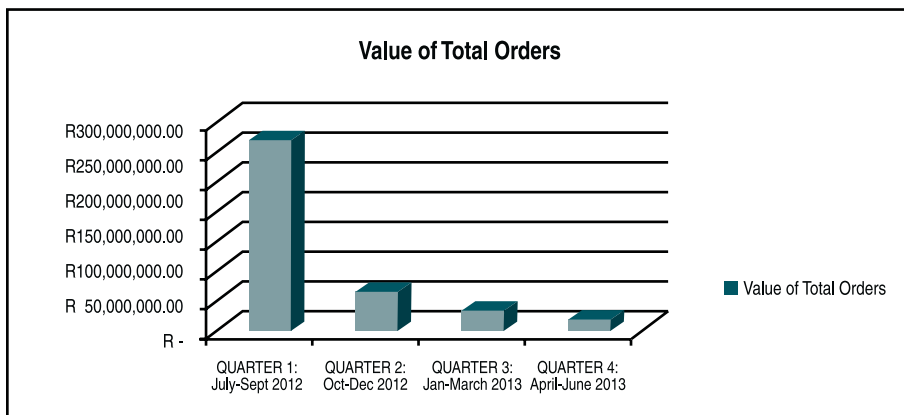
The journey to achieving the goals of National Treasury and compliance with National and Provincial Government legislation could be considered to be highly regulated, however we have been successful in the formation of a supply chain management policy and the implementation thereof.

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.



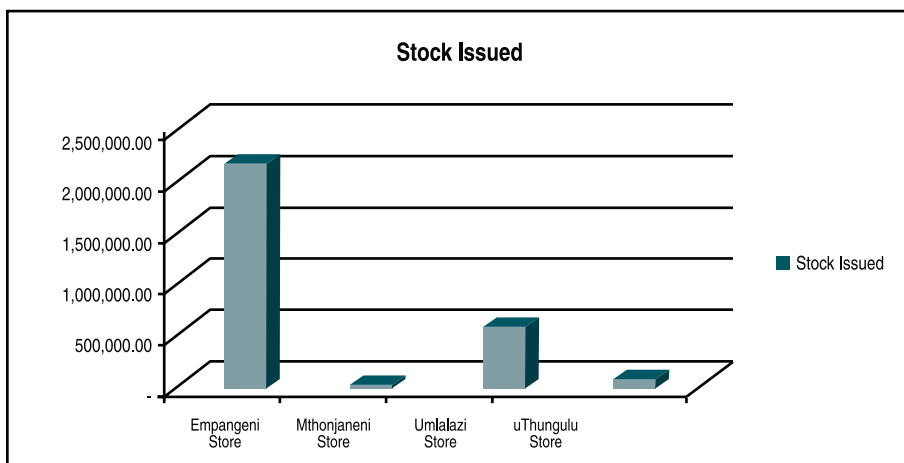
**DIRECT PURCHASED ORDERS PROCESSED:**

Order count	Total Value	Previous Value	Difference
2673	R373 829 943	R129 563 333	244 266 610



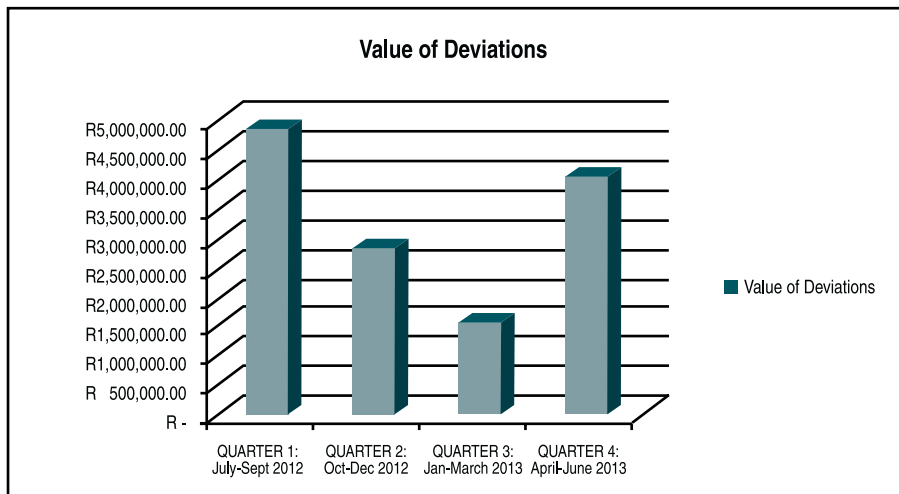
**STOCK PURCHASE ORDERS PROCESSED:**

Order count	Total Value	Previous Value	Difference
142	R4 471 113.17	R3 320 042.36	R1 151 070.81



**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 378 deviations processed to the value of R12 343 289. The trend analyses for deviations during the year was as follows:



The municipality in the 2012/13 financial year has been on a drive to minimize the deviations. The deviations for the month form part of the section 71 report which must be approved by Council.

Number and Value of Deviations (July 2012 – June 2013)			
Period		No of Deviations	Value of Definitions
2012:	July	70	R 1 390 024
	Aug	48	R 2 184 287
	Sept	24	R 292 115
<b>Total Quarter 1 (July – Sept)</b>		<b>142</b>	<b>R 3 866 426</b>
	Oct	25	R 716 370
	Nov	28	R 1 456 339
	Dec	21	R 699 256
	<b>Total Quarter 2 (Oct – Dec)</b>		<b>74</b>
2013:	Jan	11	R 395 085
	Feb	18	R 606 168
	March	20	R 563 017
<b>Total Quarter 3 (Jan – March)</b>		<b>49</b>	<b>R 1 564 271</b>
	April	27	R 1 014 066
	May	32	R 1 292 174
	June	54	R 1 734 388
	<b>Total Quarter 4 (April – June)</b>		<b>113</b>
<b>TOTAL DEVIATIONS FOR FIN YEAR 2012/13</b>		<b>378</b>	<b>R 12 343 289</b>

### SCM DATABASE

In ensuring that we have an adequate pool of suppliers to approach, 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 affords potential suppliers to register with Council so they thereafter may be eligible for future transactions with the municipality. 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. Even though the system is technologically advanced, there are still challenges. One of the dominant challenges, is that of suppliers who in their database registration pro-

cess declare to be vendors in various areas, however they do not quote when requested to. This situation has been addressed by compelling potential suppliers to only register for the activities being their core business.

## 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 at some stores negligible losses were noted, whilst some stores recorded no losses.

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 120 925.02	R2 283 115.44	(R 1 162 190.42)
Mthonjaneni Store	R 108 668.05	R 115 300.66	(R 6 632.61)
Umlalazi Store	R 4 552 089.44	R 4 525 861.90	(R 26 227.54)
Uthungulu Store	R 79 756.47	R 46 759.95	R 32 996.52

## Stock Received:

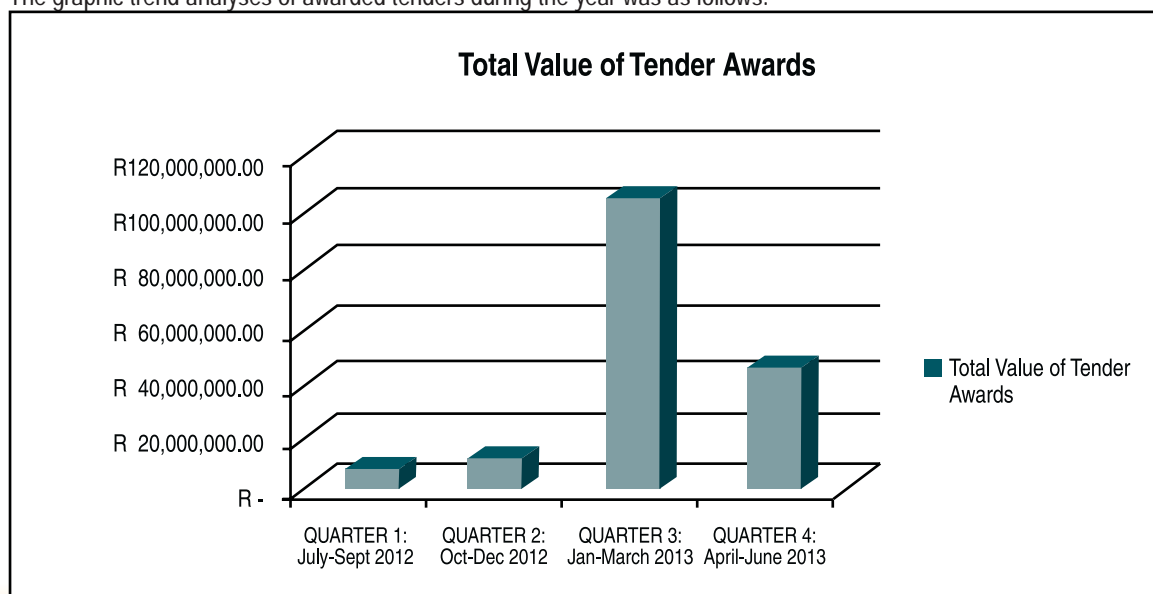
Store	2012/2013	2011/2012	Difference
Empangeni Store	R3 301 125.08	R2 229 800.30	R1 071 324.78
Mthonjaneni Store	R63 743.56	R65 920.35	(R 2176.79)
Umlalazi Store	R543 730.88	R779 946.63	(R 236 215.75)
Uthungulu Store	R23 592.50	R37 495.06	(R 13 902.56)

## TENDERS

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 35 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 number of the tenders that were awarded during the financial year was 35, of which 17 were rates based tenders and 18 were rand value tenders. The total value of tenders awarded was R171,366,666.49.

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



**Long Term Contracts – Finance Division**

Name of Contractor	Purpose of Contract	Tender Number	Commencement Date	End Date
G4S	Cash in Transit	UDM/12/2012	01 July 2012	30 June 2015
Micromega Trading	Water meter reading	UDM/13/2010	01 June 2011	30 June 2013
Nashua Trading	Printing of Statements	UDM/21/2011	01 June 2011	30 June 2013
Nedbank	Banking Services	UDM/40/2010	01 July 2012	30 June 2016
PWC	Internal Audit	UDMC:348/A	01 July 2012	30 June 2014
Indwe Risk	Insurance	UDM/04/2012	01 September 2012	30 June 2015

**Development and Implementation of SCM Policy**

The municipality operates under the guidance of the Council approved Supply Chain Management Policy. uThungulu District Municipality's Supply Chain Management Policy was initially adopted by Council on 14 December 2005. It has been reviewed annually as required by the MFMA. The changes and the enhancements to the municipality policy are influenced by the changes in the municipal operations. The municipality also keeps abreast with the best practice by incorporating into the Supply Chain Management Policy any relevant changes proposed by National Treasury through MFMA Circulars and Guidelines.

**Number of SCM Officials with required prescribed minimum competency levels**

The Senior Manager SCM and Manager SCM have attended courses to attain the minimum competency levels. The results are however still awaited.

**Number of SCM Officials still to reach required levels**

All officials in SCM are expected to have the prescribed minimum competency levels. The process will be done in phases (as budget permits) to ensure that everyone in SCM acquires the prescribed minimum competency levels.

**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 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. Legal Services 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. Legal Services was involved in negotiations with the liquidators of two service providers that went into liquidation towards the end of 2012. The said negotiations resulted in the conclusion of agreements between the Liquidators and the municipality. 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 legal intern was appointed and commenced his duties on 1 May 2013.



## CHAPTER 3: Service Delivery Performance



**Municipal Manager**  
MH Nkosi

### 3.1 DEPARTMENT 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 committing 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
- Public Relations
- 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 eleven development strategies.
- Co-ordination of Operational Activities within uThungulu District Municipality;
- The promotion of Intergovernmental Relations.

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);

### SECTION: PUBLIC RELATIONS

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 pro-active manner;



- Batho Pele
- Intergovernmental Relations & District Communicators Forum

The section is broadly responsible for the facilitation of public participation and community events for the municipality, as well as maintain open communication with both internal and external stakeholders.

In terms of public participation the section organized two rounds of roadshows to the six local municipalities to communicate the district's IDP and 2012/2013 budget process respectively, as well as various events to commemorate landmark projects.

One such event was the State of the District Address (SODA), which attracted over 2000 community members at the King Dinizulu Stadium in uMlalazi. The SODA 2013 was held so that the District Mayor could share with the public and other stakeholders the highlights of the 2012/2013 budget. The speech centred on the pivotal projects that will take the district forward on service delivery in the new financial year.

The Intergovernmental Relations structure for Communicators, the District Communications Forum, also held quarterly meetings during the past financial year. 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 2012/2013 communications strategy as approved by Council.

### Roadshows

Fourteen (14) IDP/Budget roadshows were held between October 2012 to May 2013, 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.



#### **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 district participated in live radio slots on SABC station Ukhozi FM, as well as community radio stations in the area of jurisdiction as follows: Icora FM, Zululand FM, Shine FM and Radio Kwezi.

#### **Service Commitment Charter**

A Service Commitment Charter is published 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 main 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 is updated regularly in line with Section 75 of the MFMA (2003) which requires financial and performance reporting information to be available to the public. Tender and quotation advertisements and awards are also published on the website. In addition to this, the activities of Council are publicized in terms of the district's communication strategy.

#### **Batho Pele**

The district conforms to the principles of Batho Pele and the Public Relations Officer serves as the Batho Pele Coordinator for the District, attending the quarterly meetings of the Provincial Batho Pele Forum.

#### **Intergovernmental Relations**

The Public Relations Section is also responsible for Intergovernmental Relations and in this regard reports to the Department of Cooperative Governance on IGR matters.



**Deputy Municipal Manager:**  
**Planning & Economic Development**  
 Danie Lubbe

## 3.2 DEPARTMENT OF THE DEPUTY MUNICIPAL MANAGER: PLANNING & ECONOMIC DEVELOPMENT

The Planning and Economic Development Department falls directly under the control of the Deputy Municipal Manager: Planning and Economic Development and has the following focus areas in line with the strategic functions of the District Municipality, and relates to the IDP Strategies of:

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. Local Economic Development;
6. Sustainable Human Settlement & Land Management;
7. Environmental & Resource Management.

### The Planning and Economic Department's Functions are:

1. Local Economic Development:
  - o Agriculture Development
  - o Tourism Development
  - o SMME Support
2. IDP Coordination;
3. Organisational Performance Measurement System (OPMS) and Individual Performance Measurement System (IPMS) for Section 56 Managers;
4. Enterprise Risk Management (ERM) inclusive of Anti-Fraud and Corruption Prevention;
5. Departmental Service Delivery and Budget Implementation;
6. Statutory Development & Spatial Planning;
7. Development Planning Shared Services;
8. Environmental Management.

### Overall Strategic Objectives:

The overall strategic objectives of the Planning and Economic Development Department are to:

- Promote Local Economic Development
- Promote the District as a preferred investment destination
- Promote Local Tourism Development and co-ordination
- Promote Agricultural development and implementation
- Promote SMME Business & Industrial Development
- Promote Development Planning support function for Local Municipalities
- Promote Integrated Development Planning
- Promote Environmental Management

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:

### Local Economic Development (LED)

The aim is 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. Local Economic Development is informed by the Integrated Development Plan. IDP and LED fall strategically within this 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 to 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 endeavors to support and supplement LED initiatives within the participating local municipalities.

### SMME Business & Industrial 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 uThungulu 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 – The Draft LED Framework towards a Green Economy has been completed and adopted by the Council in 2012. 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:

- SMME Information workshops held in the month of May 2013 in five Local Municipalities, namely Umhlathuze, Mfolozi, Umlalazi, Nkandla and Ntambana.
- SMME Fair and Exhibition held in June 2013 at Umhlathuze Sports Complex, Veld en Vlei, Richards Bay
- Establishment of the District Informal Economy Chamber committee comprised of two representatives (Chairpersons and Secretaries) from six Local Municipalities representing the Informal Traders. The first meeting was held on the 12th March 2013.



**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 have 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.

Following the adoption of the Reviewed uThungulu Agricultural Development Plan, an Agricultural Summit was held on 14 and 15 October 2011, to launch the concept of an uThungulu Fresh Produce Market with various resolutions taken at the summit.

**uThungulu Fresh Produce Market**

The uThungulu Fresh Produce Market will consist of the components, being:

1. The Fresh Produce Market Facility;
2. Farmer Support; and
3. The establishment of a municipal entity for the uThungulu Fresh Produce Market.

With the assistance of the Corridor Fund, farmer support has been provided to one garden within each of the 6 Local Municipalities in the form of fencing or infrastructure support. Temporary staff has also been appointed to assist with the implementation of the project, being:

1. Project Manager;
2. FPM Coordinator Business;
3. Project Administrator;
4. Co-ops Training Coordinator.

The uThungulu District Municipality procured the services of a Specialist Service Provider to assist with the establishment of the Municipal Entity as well as to determine the feasibility of the uThungulu Fresh Produce Market.

**Agriculture Facilitation and Support**

Various agricultural initiatives had been supported and facilitated, such as support to the Nkandla Essential Oils and out growers' project and the Groundnut Project in uMlalazi Local Municipality.

**TOURISM:****Development & Marketing**

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.

**Tourism Vision for uThungulu District (Part 1):**

To develop and market holistic tourism products that utilize the competitive advantages that uThungulu District enjoys in ecological/wildlife and cultural/heritage attractions in such a way as to appeal to a broad, and international in scope,

tourism market, creating new flows of tourists in the region and also capturing a substantial share of the existing tourism trade which currently passes through the district.

**Tourism Vision for uThungulu District (Part 2):**

To ensure that tourism contributes toward local economic development through the active involvement of communities in tourism projects and the strengthening of linkages with the SMME



Sector.

### Management of the uThungulu Tourism Development Office:

This includes marketing shows, marketing tools, media marketing, tourism product development, rural tourism development, heritage, cruise tourism and the Zulu Coast Film office.

### Tourism Brochure:

For most tourism businesses their brochure is their most important merchandising tool. Customers and the travel industry often decide to buy the product or service based on the standard of the brochure and the information it contains.

The Zululand Unwrapped is the third edition and includes information on attractions, accommodation, history and culture. The Zululand Unwrapped is the official tourism brochure for the uThungulu District Municipality.

### Childrens Tourism Map:

The National Tourism Department wants to increase South Africa's domestic tourism figures from the current estimated seven million to more than 17 million by 2020. This comes as government's new economic growth path identified tourism as being among the top sectors to help the state achieve its economic objectives for the country.

In light of this a Children's Map was produced for a second time. The map highlights all the attractions that are family friendly ensuring fun activities for children.

### 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.



- **Explore SA**

- Explore SA magazine showcases Southern African tourism products and services for both the domestic and international trade, offering clients direct exposure to up market business and leisure travelers as well as foreign investors moving around the country.
- The publication promotes South Africa as a unique and quality holiday and business destination with content around leisure and adventure travel, heritage and culture, health and wellness, sustainable tourism, business tourism and exclusives from elsewhere in Southern Africa.
- In the eight years of its existence the publication has grown in prominence, caliber and diversity to become one of the leading business and leisure travel publications in the world.
- The publication is also used as the official magazine distributed at the Annual Tourism Indaba and is used in all welcome packs as well as placed throughout the venue.
- Each issue of Explore SA is uploaded onto their website and therefore all advertising can also be viewed as a Page-flip PDF.
- 10 000 copies are printed every quarter and distributed internationally.

- **Country Life**

- Country Life offers a unique mix of travel, lifestyle, heritage, conservation, green living and food and wine, while the property and accommodation classified pages are used as referrals by people looking for unique getaways, weekend escapes or their own place in the country.

- Two double spread page adverts were placed in the Country Life. The adverts showcase the best that the Zululand Coast has to offer.

**Domestic Family Tourism**

Research conducted by South African Tourism has confirmed that domestic tourism is the ‘bread and butter’ of South Africa’s tourism industry. When South Africans travel within their own country, they tend to come mainly to KwaZulu-Natal (11, 9 million trips), followed by Gauteng and North West. The average South African family taking a holiday in South Africa tends to return to tried and tested destinations rather than trying something new. This is “Tourism on your Doorstep” and important in terms of marketing and promoting the region to the domestic market.

- Baywatch – “Tourism on your Doorstep”
  - The uThungulu District Municipality was in a partnership with the Zululand Observer for a local tourism feature “Tourism on your Doorstep”.
  - The monthly issue encouraged the local population to visit tourism attractions in their own areas. The tourism officials provided the Baywatch with editorial of the region including photos.
  - This initiative creates awareness of the uThungulu District’s product offerings and events in the region. The target market of this initiative is the domestic market segment.
  - This initiative is also in line with SA Tourism’s domestic tourism campaign; which encourages SA citizens to plan more holidays.
- WOZA Zululand
  - The Woza Zululand publication is a local brochure published by the Zululand Observer.

chore published by the Zululand Observer.

- The brochure highlights the tourism assets in the region and includes emergency information as well as the tourism info office number.
- It has been widely accepted and is distributed at peak holiday seasons at the toll plazas, attractions and establishments in the Zululand Region.
- uThungulu District Municipality sponsored four pages in the 2013/2014 publication and supplied editorial.

**Dolosfees**

The Dolosfees event, which took place 26 - 28 April 2013, and was sponsored by the Department of Arts & Culture and the Zululand Observer, has grown from strength to strength in the last five years and is one of the largest Afrikaans Cultural Events in the country.

The Dolosfees event empowers small businesses and local crafters and traders, provides a platform for promotion of the region and has become a key annual event in the district creating a boost for tourism.

The uThungulu District Municipality sponsored R30 000 for the exhibition of local crafters. The crafters database was provided to the Dolosfees organizers who contacted and arranged for the crafters to exhibit.

**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 of 2002 enjoins District Municipalities with a duty 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 coordinating, participating platform which ensures coordinated tourism development and marketing strategies in the uThungulu District Municipality.

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 in the district.

Three district forum meetings were held in the 2012/2013 financial year.

#### **Marketing Shows – Domestic Consumer Shows**

Exhibitions bring suppliers of goods and services together with buyers, usually in a particular sector. The main advantages of exhibitions include their potential for sales leads and contacts with influence, gathering competitive intelligence, and the opportunity for image building to the consumer (Lumsdon, 1997).

To improve competitiveness and desirability, many regions not only promote their regular attractions but also distinguish their destinations from others. Effective visitor demand crea-

tion results from linking the region with the motivations of potential visitors. If well executed, this attracts more visitors, improves economic growth and contributes to job creation.

A region, with its own identity, unique attributes and quite apart and independent from the countries in which they exist; often appeal to the potential visitor. For example, the Zululand Coast is unique with its Forests, Birding and Climate. Marketing the district brings in more feet and increases the length of stay!

Tourism KwaZulu-Natal (TKZN), as per agreement with the District Municipalities in KwaZulu-Natal, pays for a combined stand for KZN destinations,

in order for a cost effective solution of combined marketing to be implemented. Each District Municipality pays for S&T for a staff member to man the stand and market the district at the selected shows and exhibitions.

The Shows identified for 2012/2013 were:

- Getaway Show – Coca Cola Dome, Gauteng (31 August – 2 September 2012) Gauteng
  - The Getaway Show which is one of the largest consumer tourism and leisure shows in South Africa was once again a huge success. What makes this show so compelling is that it attracts a high-quality, targeted buying audience (largely Getaway magazine readers) who chose to attend the show because of their specific interest in tourism as well as related products and services on display there. The show is also supported by a R2.6 million marketing campaign, covering print, TV, radio, outdoor, press, web and public relations. The Gauteng Getaway Show took place at its traditional home, the Coca-Cola dome, in Northgate, Johannesburg between the 31st August-02nd September 2012 and with each passing year it gets bigger and better.
  - The show celebrated their 20th year of exhibiting and received the best attendance ever with great prizes being sponsored.
  - This year's show saw 260 exhibitors and welcomed 23 949 visitors during the three day event. There was also a 13% increase in visitor numbers from 2011. Minister of Tourism Marthinus van Schalkwyk attended the event on the

- Friday to launch tourism month and officially open the show.
- Soweto Wine Festival – Soweto, Gauteng (6 – 8 September 2012), Gauteng
  - The 2012 Soweto Wine Festival took place at the main hall of the University of Johannesburg Soweto Campus from the 6th - 8th September 2012. The event commenced in the evenings and from 10 am to 6pm Tourism KwaZulu-Natal exhibited at Maponya Mall in Soweto.
- Beeld Holiday Show (15 – 17 February 2013 ) Gal-lagher Estate, Midrand, Gauteng.
  - The Beeld Show supports the ultimate defini-tion of a leisure & lifestyle show that offers all the ingredients for those who plan a holiday, or for those who want to equip themselves for a preferred leisure activity. The exhibition was at-tended by over 25 000 visitors and included over 450 exhibitors.



- Getaway Show (15 – 17 March 2013) – Lourensford Estate, Somerset West, Cape Town
  - The show included over 250 interactive exhibits which included destinations, accommodation, outdoor gear, 4x4 products and accessories, motor homes, caravans and trailers, camping equipment and adventure operators.
  - There were also a number of adventure activi-ties alongside the show including photography workshops, hikes and mountain biking events.
  - The show attracted over 16000 outdoor enthusi-asts.

### TOURISM INDABA

The Annual Tourism Indaba was held from 11 – 14 May 2013 at the Albert Luthuli International Convention Center, Durban.

A modern, cutting-edge INDABA 2013, which significantly enhanced networking connections to stimulate tourism trad-ing between buyers and exhibitors, was the hallmark of the most advanced edition of Africa's top travel show to date. INDABA has a dedicated following of local and international media who provide extensive coverage of the exhibition for the local and international markets through radio, television, newspaper and dedicated travel publications.

This country's beauty (e.g. abundant wildlife, fascinating history, and culture are major tourist attractions) has grown globally to become iconic, 'must do' places and experiences. Tourist arrivals to South Africa last year grew by more than ten percent, making South Africa one of the most successful destinations in the world. During INDABA 2013, South Afri-ca's rich heritage and culture tourist offering, and the people and the stories behind these attractions, were brought into the mainstream of the country's tourism value proposition with the 'South Africa Heritage and Culture Pavilion' making its debut at the show this year.

INDABA 2013 was the event that unlocked the enormous potential of our richly diverse, fascinating and warm hos-pitable culture; our intriguing stories; our history; and that unique combination of people and place that makes South Africa such an extraordinary and unique destination, and one of the fastest growing and most popular holiday desti-nations in the world today.

Putting our best foot forward and marketing the district as a whole; the stand was managed by the uThungulu tourism officials as well as officials from uMhlatuze Municipality. Members from the uMlalazi Tourism Association, Zululand Birding Route and Route 66 were part of the team that showcased the Zululand Coast.

During the past four years the municipality has opted to

have its own stand at the Tourism Indaba due to the need to promote the region to the global trade market. A huge momentum has been built in the past four years, in terms of marketing, which includes negotiating free marketing for the region.

SA Tourism has put forward the culture and heritage of South Africa highlighting iconic attractions such as Robben Island, Table Mountain, the Apartheid Museum, Soweto's Vilakazi Street and the wide expanse of the Kruger National Park which were huge attractions on the 'must-do' list for the well over nine million international tourists who visited South Africa last year.

### **Craft Development**

The uThungulu District Municipality together with the Department of Economic Development and Tourism (DEDT) worked on a number of craft development projects in the region.

The One Village- One Product Craft Project was implemented where training courses were conducted for 25 crafters who specialise in clay and grass. Out of the 25 crafters two co-operatives were established and uThungulu produced marketing fliers for their business. The co-operatives are Vukuzenzele Co-operative and the Khonoletu Co-operative; from the Nkandla and Umlalazi regions.

uThungulu District Municipality together with the KwaZulu-Natal Department of Arts and Culture - Northern Region hosted a four day Arts and Craft - Fine Art Skills Development Workshop at Zikulise Arts Centre, Empangeni. The training capacitated artists with intermediate skills in Fine Arts as well as product development and developing to a level that they will be able to exhibit their artworks in different galleries in the country

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

The municipality accommodated one intern to enhance the current capacity for a one year period, funded by Department of Economic Development and Tourism.

Londiwe Madela worked from March 2012 to April 2013 at uThungulu District Municipality and has assisted the Community Tourism Information Desk and performed other duties such as projects and SMME development.

### **DEVELOPMENT OF THE R66 HERITAGE ROUTE**

#### **Route 66:**

The R66 route starts at Gingindlovu and proceeds up to Phongola in the North. The route was developed and marketed by the tourism section. The development includes the upgrade of all historical sites, training of guides and the marketing of the route.



The Route was launched in 2009 and has since developed into a well recognized Zulu Cultural and Heritage Route for the district.

The Zulu Culture and Heritage Route achieved its objective to create awareness and attract more tourists to visit tourism attractions that are away from the main tourism attractions. The route consists of 60 recorded tourism sites at the moment and is accessible for the tourist. Projects that are currently underway are:

#### **Kwabulawayo:**

A series of small traditional Zulu huts, and a function centre are part of the current structures that have been built adjacent to the original site of KwaBulawayo. The second phase of the development includes the construction of a restaurant that will encourage day trips to KwaBulawayo to experience traditional food and culture.

#### **Phobane Lake:**

Phobane Lake is in the Nkweleni Valley between Eshowe and Melmoth. It is the second largest dam in KwaZulu Natal and is a top fishing site offering good catches of Largemouth bass and barbell. It is also situated close to Shakaland which is a very popular tourist attraction. Phobane Lake consists of a few braai facilities and one ablution block which

needs upgrading. There are opportunities for camping facilities and other projects that will assist the community providing a source of income. The first phase of this project is to upgrade the existing facilities and fence the area for security purposes. The second phase will be to develop camping facilities and upgrade the road.

#### **Reed Dance:**

The annual event is taking place in September and we would like to work with the Royal House to develop the Reed Dance as the annual event for Route 66. People have to be encouraged to stay longer enjoying the historical significance of the area and the culture of the Zulu Nation. Packages needs to be compiled and marketed extensively.

The R66 is a cross border project and uThungulu is in partnership with the Zululand District Municipality on this project which has a huge amount of potential for development.

- 100 000 brochures have been distributed and the Route has been exhibiting at various travel and trade shows such as the Tourism Indaba at the ICC.
- 60 Tourism signs have been erected and another 25 is awaiting approval from the Department of Transport.
- The R66 brochure includes a map indicating where the sites are and gives background information on the sites with GPS coordinates. A tourism website has been developed for the route [www.zululandrout66.co.za](http://www.zululandrout66.co.za)
- Linkages with roads such as the P230 and Nkandla do have the potential to be developed further and reap the economic benefits coming from the route. These "loop"



roads will be developed as funding become available.

#### **Passenger Liners (Cruise Tourism)**

The increasing numbers of passenger liners to the Richards Bay harbour is welcomed by the tourism sector. Results from the current research done indicate that this market cannot be ignored.

Geographically the Richards Bay harbour has the potential to become the most popular cruise destination. The environment, heritage site, wetlands, culture and wildlife is a combination of products that are not on offer anywhere else.

Currently between 23 and 32 passenger liners dock in the Richards Bay harbour between September and February annually. In partnership with the City of uMhlatuze and the Port Authority the ships are being assisted by the tourism section marketing the tourism experiences available in the district.

A mobile information unit is manned by trained tourism staff when passenger liners are in the harbour.

#### **FORESTS OF ZULULAND**

The Forests of Zululand is a unique tourism concept created by the uThungulu District Municipality: Tourism; this is responsible tourism supporting sustainable rural development and the conservation of our Unique Forest Heritage.

Nowhere else in South Africa can one experience mist belts, wetlands and dune forests within the area.

Rich beyond one's imagination the forests teem with a treasure trove of over 600 bird species, some of which are extremely rare.

The Forests form part of an exciting eco-tourist route that is being developed along with other products such as the Zululand Birding Route.

#### **The Forests include:**

- uMlalazi Coastal Dune Forest
- The Ongoye Forest which has a large array of rare and endemic tree and plant species and is of great importance as a water catchment area;
- Dlinza Forest which is a 250ha forest within the urban development of Eshowe and is famed for the number of bird species found here;
- Entumeni Forest consists of a gorge covered by forest and has a particularly high and impressive canopy provided by trees;
- Nkandla and Qhudeneni Forests also boast an impressive variety of birds, plants and mammals.

Funding has been made available for the development of Birding Guides, Forest Camp upgrading in Ongoye and upgrading of disabled entry at Nseleni Nature reserve.

## FILM OFFICE

A film office has been established in 2005 to serve the Northern Region of KZN. This office serves as a facilitator to the film industry with regards to location scouting, permits, cast and services. A Prime objective of the ZCFO is to create an enabling platform for the economic development of a sustainable filming region. A new Film Office Manager was appointed in December 2012. The Zulu Coast Film Office is managed in partnership with the uMhlosinga Development Agency and Enterprise Ilembe. Enterprise Ilembe resigned from the partnership in November 2012.

The Key strategies of the programme:

- Promote and market ZCFO as a film production destination;
- Establish and maintain a film friendly environment;
- Implement and maintain a simplified municipal approval process for filming in the district;
- Facilitate national and provincial film support and development initiatives in the district;
- One documentary has been filmed at Sokulu. The community was involved and the story about Shaka's Banana Bearer's were captured during the filming. Homebrew films handed gumboots to the community as a token of appreciation.
- An International feature film was shot in the Zulu Coast Film Office area involving three District Municipalities. The film "Mary and Martha" involved Hillary Swank in the lead role;
- Sites that were utilized during the two week shoot were: Zulu Nyala; Mtunzini (jetty); Emoyeni (hospital); Amatikulu (Prawn Shack); Ekukhanyeni;

Although final figures on expenditure and temporary jobs could not be obtained it is estimated that approximately 30 temporary jobs were created.

The Zulu Coast Film Office Manager attended the following Film Festivals from January - June 2013:

- The Manager: Film Office attended the Jozi Film Festival in February 2013 to unofficially introduce the Film Office to the Johannesburg industry. The objective was to raise awareness of the existence of the Film Office and the objective was achieved
- The Cannes International Film Festival to officially launch the Film Office to the international film industry.
- The Film Office has been officially launched in the industry through the Durban International Film Festival.

### Corridor Development Projects

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

- R66 Culture and Heritage Route
- Film Office

- Kwabulawayo Tourism Facility
- uThungulu Fresh Produce Market.

Savings amounting to R101 000 from the Review of the District Transport Plan have been transferred to Mthonjaneni Local Municipality for the establishment of Bus Shelters.

## 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) has been employed to provide assistance to the Ntambanana, Mfolozii, Nkandla and Mthonjaneni Local Municipalities of the District.

The Chief Planner position for uThungulu District Municipality was recently filled and the incumbent for the Chief Planner (Shared Services) position commenced with his duties on 2 May 2013.

The GIS Officer was absorbed into the organizational structure of uThungulu District Municipality and following the recruitment process, the incumbent for the position commenced with her duties on 15 April 2013.

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 follows:

1. Spatial Planning;
2. Strategic Planning;
3. Development Administration;
4. Information Management and Systems Development.

Additional Functions for co-ordination that needs to be further explored include:

1. Building Inspections and Control;
2. Housing;
3. Environment;
4. 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.

An Environmental Intern has also been allocated to uThungulu District Municipality to provide additional capacity in executing the Environmental Planning functions of uThungulu District Municipality.

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

A Strategic Environmental Assessment (SEA) is required 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 the 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 Zone 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 pro-

gramme 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.

#### **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
- 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 (e.g. the Disaster Management Plan, Water Services Development Plan etc.).

#### **Status of Sector Plans for the Department**

The following Plans or Policies have been completed:

- LED Framework Plan
- SMME and Sector Development Plan
- Local Tourism Development Plan
- Coastal Management Programme Review.

The following Plans or Policies needs to be reviewed or prepared:

- Spatial Development Framework Review;
- Agricultural Development Plan Review;
- Strategic Environmental Assessment – prepare specialist study;
- LED Strategy Review.

## PLANNING & DEVELOPMENT HIGHLIGHTS

Some of the key milestones achieved regarding the economic development of the district are outlined hereunder:

- Functional implementation of the Development Planning Shared Services, to assist municipalities with Strategic Planning, Development Administration, Performance Management and Environmental Management;
- Adoption of the 1st Review of the uThungulu IDP;
- Receiving an award by the Honourable MEC for COGTA for the top IDP performing municipality for 6 consecutive years;
- Prepared EIA Policy and Procedures and supplied EIA training for each of the local municipalities;
- Process of establishing Fresh Produce Market within the uThungulu District;
- Cruise Passenger Liner welcoming - mobile unit for the use of an information unit and completed printing of a cruise liner brochure;
- Marketing Shows and Advertising;
- Tourism Forum successfully hosted;
- Working for the Coast project implemented for the coastal area, and overseen by District Coastal Working Group;
- Film Office to market the uThungulu region as a preferred destination for film makers, as well as to provide day-to-day operational assistance to them;
- Essential Oils out growers initiative at Nkandla supported;
- Initiated a project to establish a Craft Hub in the Small Craft Harbour area of uMhlatuze;
- Close liaison with Tourism Information Hub at the Inkwazi Boardwalk.





**Deputy Municipal Manager:  
Technical Services**  
Charles M'Maretel

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**List of abbreviations and acronyms used in the text or tables:**

COGTA	=	Department of Cooperative Governance and Traditional Affairs
DWA	=	Department of Water Affairs
DRDLR	=	Department of Rural Development and Land Reform
EPWP	=	Expanded Public Works 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
MWIG	=	Municipal Water 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 5 LMs include Mfolozi, Ntambanana, uMlalazi, Mthonjaneni and Nkandla. As a WSA, UDM has to render water and sanitation services to the 5 mentioned LMs. Based on the recommendations of the aforementioned study, all 5 LMs recommended that UDM also perform the WSP function in their areas. The recommendation by the 5 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 another 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.

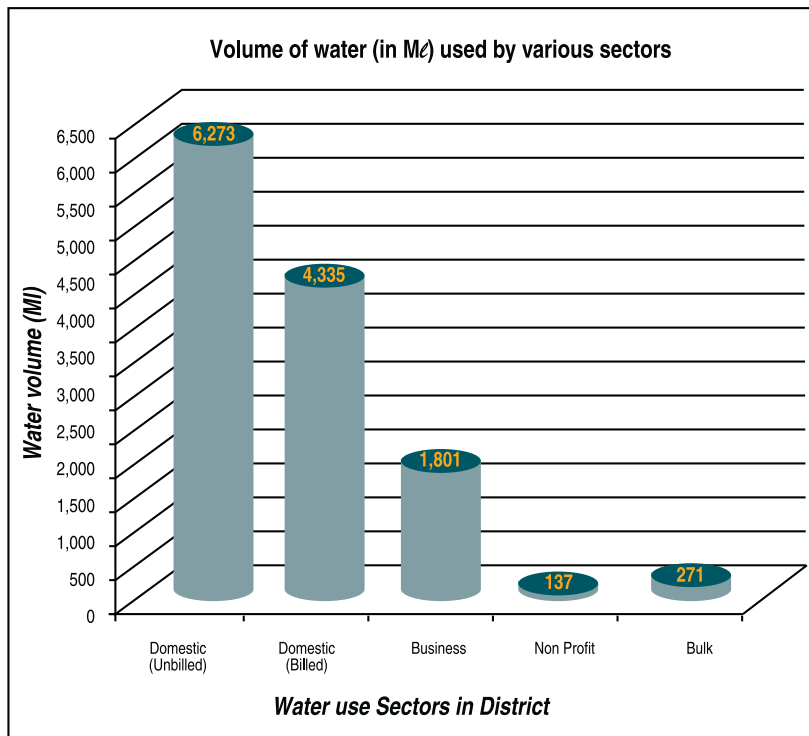
## 1.2 Total Use of Water and Sanitation Services

### 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.

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

Sector	Domestic (Unbilled)	Domestic (Billed)	Business	Non Profit	Bulk	Total (Ml)
Water volume (Ml)	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 '12	Final NTU May '12	Final NTU June '12
Bongela Water	uMlalazi	Spring	7.2	6.31	Pending
Esibhuden Clinic	Nkandla	Borehole	11	8.69	Pending
Hlwe-hlwe 1&2	Nkandla	River	87.2	47.9	Pending
Madala Water	uMlalazi	Borehole	4.49	14.2	Pending
Malunga Clinic	Nkandla	Spring	2.13	1.69	Pending
Mandaba 1Water	Nkandla	River	8.58	4.2	Pending
Mbizwe Water	Nkandla	Spring	14.6	12.3	Pending
Mphundumane Water	Nkandla	River	54.9	10	Pending
Tshotswana Water	Nkandla	Spring	1.55	1.55	Pending
uMkhalazi Water	Nkandla	River	24.9	11.7	Pending
Mdlelanga Water	Nkandla	Nkandla bulk, Spring & River	11.9	19.4	Pending
Mpaphala Water	uMlalazi	Borehole	1.85	1.64	Pending
Eyetheni Water	uMlalazi	Borehole	7.19	78.9	Pending
Kwa Sabe 2	uMlalazi	Borehole	24.3	8.65	Pending
Dolwane	Nkandla	Spring/Dolwane plant	19.6	4.72	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 illnesses like 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, where about 4 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 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 and sanitation backlogs at the end of 2011/12**

Municipality	Number of Households		% Backlogs - Stats SA (2011 Census)		UDM own Stats (2011/2)	
	Stats SA (2011)	UDM Stats	Water	Sanitation	Water	Sanitation
KZN281: Mfolozi	25,584	20 615	25	44	34%	49%
KZN283: Ntambanana	12,826	16 339	52	46	42%	29%
KZN284: uMlalazi	45,062	42 623	39	38	48%	71%
KZN285: Mthonjaneni	10,433	9 712	38	51	30%	13%
KZN286: Nkandla	22,463	25 757	39	43	32%	41%
<b>TOTAL</b>	<b>116,367</b>	<b>115 046</b>	<b>37</b>	<b>42</b>	<b>41%</b>	<b>49%</b>

*Note: UDM data on households and backlogs is based on 2001 Stats and 2009 WSDP Review*

**Table 1.4.2: Sanitation backlogs at the end of 2012/13**

Local Municipality	Number of Households (2011 census data)	Households with Sanitation	No. of Households without Sanitation	2011/ 2012 Percentage Backlog (%)
KZN281: Mfolozi	25,584	16,183	9,401	37
KZN283: Ntambanana	12,826	7,867	4,959	39
KZN284: uMlalazi	45,062	33,941	11,121	25
KZN285: Mthonjaneni	10,433	5,996	4,437	43
KZN286: Nkandla	22,463	15,537	6,925	31
<b>UDM</b>	<b>116,367</b>	<b>79,523</b>	<b>36,844</b>	<b>32</b>

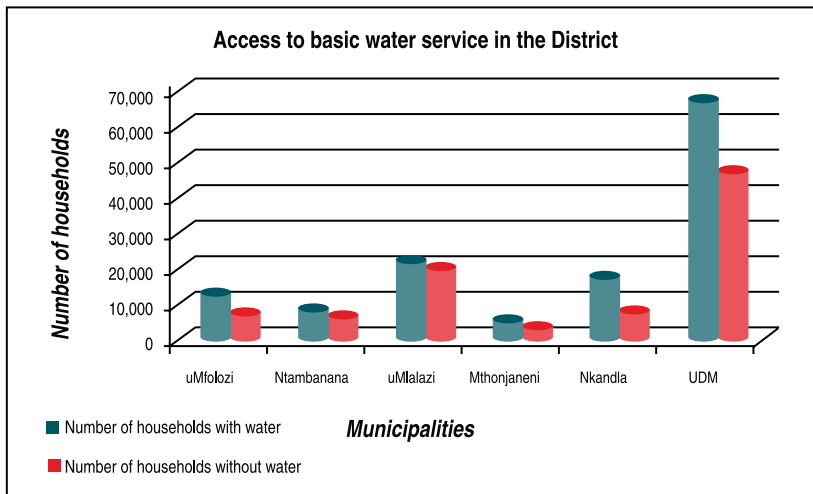


Figure 1.4.1: Households with and without basic water service per municipality

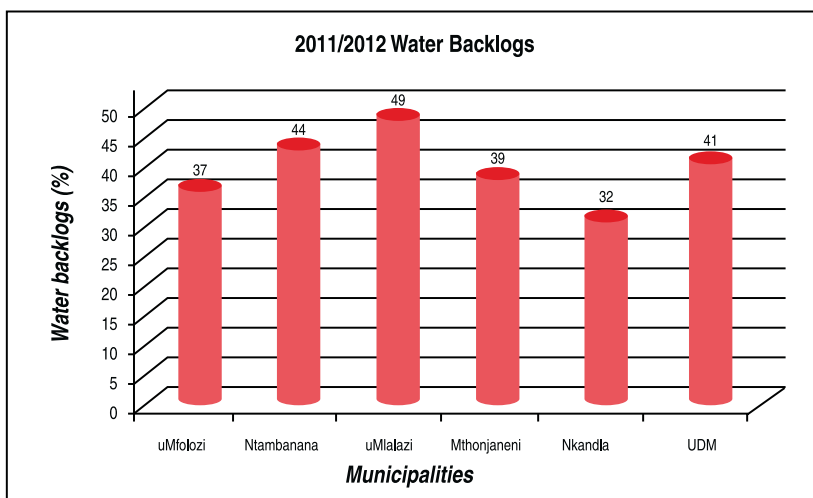


Figure 1.4.2: Graphical representation of water backlogs per municipality

As can be seen from above, there is not much change in these water backlog as only 158 new connections were done in this financial year. There were two contractor companies that were liquidated as well as two contracts terminated due to non performance and two tenders cancelled as the qualifying tenders far exceeded the budgeted amount. Therefore, funds meant for reticulation projects were moved to sanitation and hence the huge reduction in sanitation backlogs.

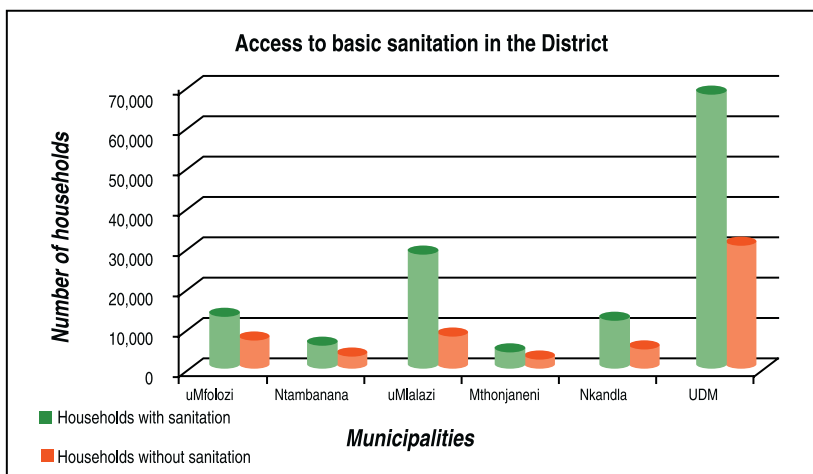


Figure 1.4.3: Households with and without basic sanitation per municipality in 2012/13



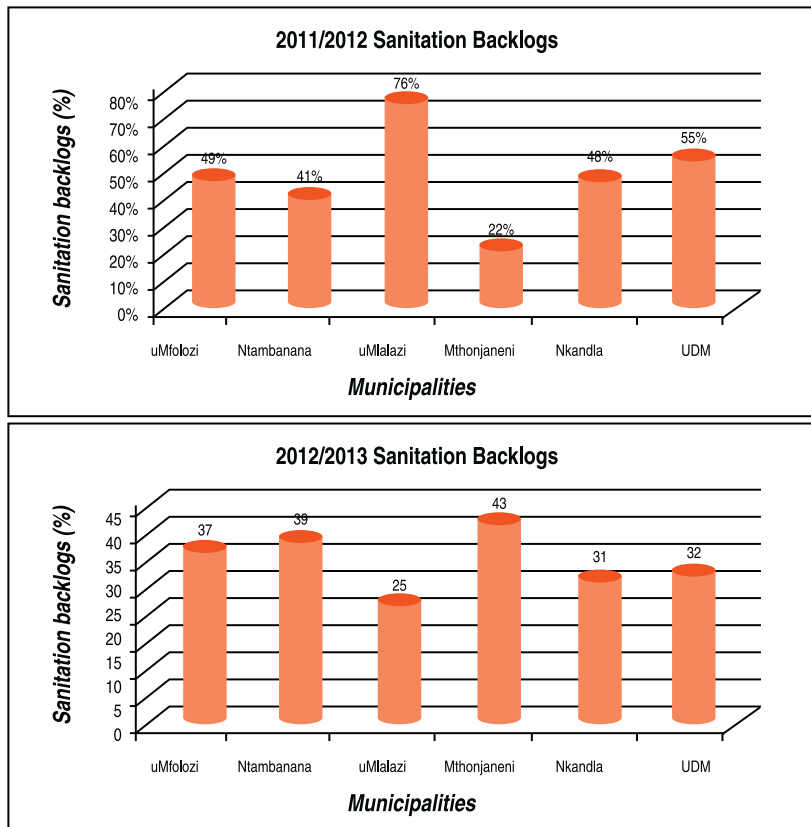


Figure 1.4.4: Graphical representation of sanitation backlogs per municipality

Our WSDP shows different water schemes that should be implemented. These schemes are: Mbonambi, Upper Nseleni/Mhlana, Greater Mthonjaneni, KwaHloko, Eshowe, Middeldrift 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 SSAs have therefore 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 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 MI/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 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 and 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 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.

#### 1.4.3 Supply of Water By Water Tankers

For the period of 01 July 2012 to 30 June 2013 about 1 872 936 kilometres (which is 6.6% less compared to last financial year) were covered by water tankers in supplying water to static storage tanks as well as to individuals who placed orders, to different Municipalities, and to other government functions within the District. The supply by 28 tankers totalled 19 861 loads (which is 19% less compared to last year), which translates to about 314 MI of water supplied. This is 26.3% less compared to last year's supply. The reduction may be attributed to two main factors: firstly due to the implementation of the tanker reduction strategy projects and secondly due to restraint in approving the water tanker supply ad-hoc requests from individuals.

As we continue to implement more of the tanker reduction intervention projects we will continue to decrease water tanker usage/kilometres travelled. Before we commenced with the implementation of the tanker reduction strategy we used to cover over 171 000 kilometres a month. By the end of the first quarter of the financial year, we were averaging over 230 000 km/month. By then we were getting back to the old averages due to the increase in ad-hoc or special requests. From September to December 2012, the cost of special requests was about R2.8M as shown on Table 1.4.3. Those who request this service and can afford to pay should be made to pay. A draft policy has been prepared on ad-hoc or special requests and will be workshopped and tabled to the Council Committees for recommendation and approval.

**Table 1.4.3:** Cost of ad-hoc/special requests for carting water with tankers for period between July and December 2012

Month	July	August	September	October	November	December	Total (Rands)
Cost	793 237	729 054	290 575	239 017	293 803	469 137	2 814 823

As can be seen from Table 1.4.4, although Ntambanana (KZ283) is one of the smallest areas in the District, it has the highest number of jojo tanks due to the drought and the dried up water sources.

**Table 1.4.4:** Reservoirs and jojo tanks supplied with water using water tankers

KZ	NO. OF JOJO TANKS	OTHER STORAGE
281 uMfolozi	77	None
283 Ntambanana	183	3 Steel tanks
284 uMlalazi	183 + (33 temporary)	2 concrete & 3 steel tanks
285 Mthonjaneni	23	1 concrete reservoirs
286 Nkandla	41	7 concrete reservoirs
<b>TOTAL</b>	<b>507 + (33Temp)</b>	<b>16</b>

From Table 1.4.4, there are 507 (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 2012/13, there were 28 water tankers (sourced from private service providers through the formal bidding process) that were servicing the affected areas. On average, water tankers delivered 19 881 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 per quarter**

Performance measure (indicator)	Values of various indicator per quarter				Annual Totals or average
	Q1	Q2	Q3	Q4	
Number of loads per month	6 306	2 826	4 792	5 937	19 861
Volume of water delivered (Ml)	105.68	47.36	71.9	89.06	314.0
Estimated number of households	22 974	10 296	15 978	19 361	17 158
Distance travelled by tankers in (km)	691 559	309 921	406 625	464 831	1872 936
Actual expenditure per quarter (R'000)	11 340	5 082	7 932	8 376	32 730

In the second quarter, the expenditure was fairly low due to heavy rains experienced during this time and most of our delivery points were inaccessible as a result of bad road conditions.

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	2012/13
GRANT	R7 M	0	0	0	0	0	0
OWN FUNDING	R12 M	R19 M	R32 M	R28	R32 M	R30 M	32.73
TOTAL	R19 M	R19 M	R32 M	R28	R32 M	R30 M	32.73

There are many requests received from Ward Councillors, and community members for additional storages. Most of the request 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 (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: Meter connections under various projects**

NEW OR OLD PROJECT	PROJECT NAME	2012/13 QUARTERS				METERS INSTALLED IN 2012/13	TOTAL METERS INSTALLED TO DATE	COMMENTS
		Q1	Q2	Q3	Q4			
NEW PROJECTS	Greater Mthonjaneni phase 1 & 2 Reticulation	0	0	0	0	0	25 50	No connections due to delays in commissioning of reticulation projects owing to unavailability of bulk water
	Upper Nseleni phase 2	0	0	0	0	0	65 2	80 units outstanding
	Upper Nseleni phase 3	0	0	0	0	0	90 4	Complete
	Vutshini Water phase 2	0	0	0	0	0	12 0	Complete
	Tanker Reduction Strategy projects	0	0	0	15 5	15 5	15 5	From 5 completed projects in 2012/13 financial year.
	<b>Sub-Total</b>				15 5	15 5	43 81	
Old unmetered Schemes	Nzalabantu Water Scheme	20 1	18 5	23 1	28 2	89 9	2936	Ongoing
	Dondotha	0	19	16	24	59	59	Ongoing
	<b>Sub-Total</b>	20 1	20 4	24 7	30 6	95 8	-	
<b>TOTAL</b>		20 1	20 4	24 7	46 1	68 39	73 76	

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 (DRDLR). Table 1.4.11 indicates the units that were installed from all these initiatives and is also a vast improvement on the previous financial year.

**Table 1.4.11: New VIPs installed in this financial year (2012/13)**

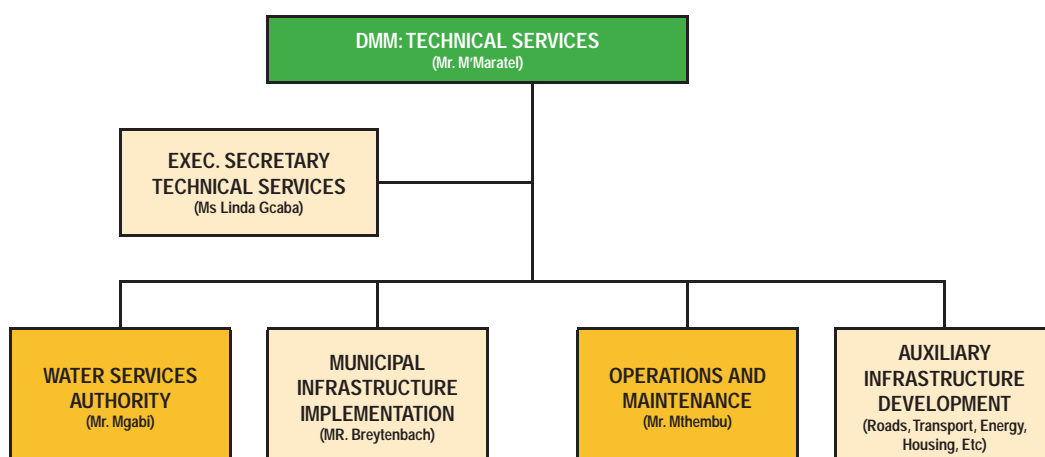
PROJECT NAME	THE NUMBER OF VIP (UNITS) CONSTRUCTED IN EACH LM
Mbonambi Phase 3	1,762
Ntambanana Phase 3	590
Ntambanana Phase 4 (Mvula Trust)	303
uMlalazi Phase 3	972
uMlalazi Phase 4 (Wards 1,18&19)	1,570
uMlalazi Phase 5 (Wards 9)	901
uMlalazi Phase 5 (Wards 4)	1,344
Mthonjaneni Phase 3	884
Nkandla Phase 3 (Wards 13, 14 & 6)	815
Nkandla Phase 5 (Wards 1,2 & 3)	1,500
<b>Nkandla Phase 4 (Ward 7 &amp; 9)</b>	<b>503</b>
uMlalazi Ward 5	1,003
<b>TOTAL</b>	<b>12,147</b>

### 1.5 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. The Directorate of Auxiliary Infrastructure Development has no capacity at present. Its functions are currently performed by staff from MII. These include Rural Transport, Housing Inspectorate, Renewable Energy, etc.



**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 15 staff members: Director WSA; Manager: Planning & Design; 2 Design Technicians, 2 Trainee Technician, 2 technicians in training, 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 investigates and designs small schemes and does extensions of existing ones. This section has designed several projects as shown in Table 1.9.4.2 and the Accelerated Comprehensive Infrastructure Program (ACIP) which is the rehabilitation of waste water treatment works that were transferred to the Municipality by DWAF. These projects were eKuphumuleni Hospital Ponds, KwaBadala Ponds, Catherine Booth Ponds and Mbongolwane Hospital ponds. The rehabilitation project budget was R 1 880 000.

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

### 2.1.2 Municipal Infrastructure Implementation

MII has 32 staff members (Senior Manager, 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.

The work of this directorate is split into a number of sections reflected in the directorate's organizational structure as follows:

1. Operation and maintenance of the water plants and waste water treatment plants within Mtunzini, Gingindlovu, Eshowe, Melmoth and Nkandla Towns and operations and maintenance of bulk and reticulation networks in the aforementioned town including Kwambonambi Town.
2. Water quality testing and compliance with legislative requirements of the Blue and Green Drop Systems
3. The operation and maintenance of all rural schemes including the water and sewage plants for the clinics and hospitals within uThungulu District
4. Repairs and maintenance of boreholes, hand pumps and spring protection
5. Management of the Service Support Agent (WSSA)
6. Support Water Services Authority Section (WSA) with water quality testing and compliance with legislative requirements.

The main functions of this directorate can be summarized as follows:

- Operation and maintenance of all water services infrastructure which includes the following:
  - Ensuring that all rural water schemes are operational
  - Water production is done in terms of the applicable specifications and national guidelines
  - Ensuring that all Town water networks are functional and without leaks and the turnaround time for repairs is kept to a minimum
  - Ensuring that the sewage systems and plants are operational and maintained in accordance with the DWA guidelines and prevailing legislation
  - Ensuring that water quality tests are done and checked against the SANS 241 specifications
  - Support WSA with effective implementation of the water loss management system.
- Effective implementation and management of the Emergency and Drought Relief Programmes of the municipality which includes the following:
  - Drilling, testing and equipping of new boreholes
  - Repairs and maintenance of hand pumps
  - Spring development and protection to provide safe and clean water (with support from WSA)
  - Provision of water through tankers to the drought stricken areas

- Ensuring that the sewage systems and plants are operational and maintained in accordance with the DWA guidelines and prevailing legislation
- Ensuring that water quality tests are done and checked against the SANS 241 specifications
- Effective implementation of the water loss management system
- Effective implementation and management of the Emergency and Drought Relief Programmes of the municipality which includes the following:
  - Drilling, testing and equipping of new boreholes
  - Repairs and maintenance of hand pumps
  - Spring development and protection to provide safe and clean water
  - Provision of water through tankers to the drought stricken areas

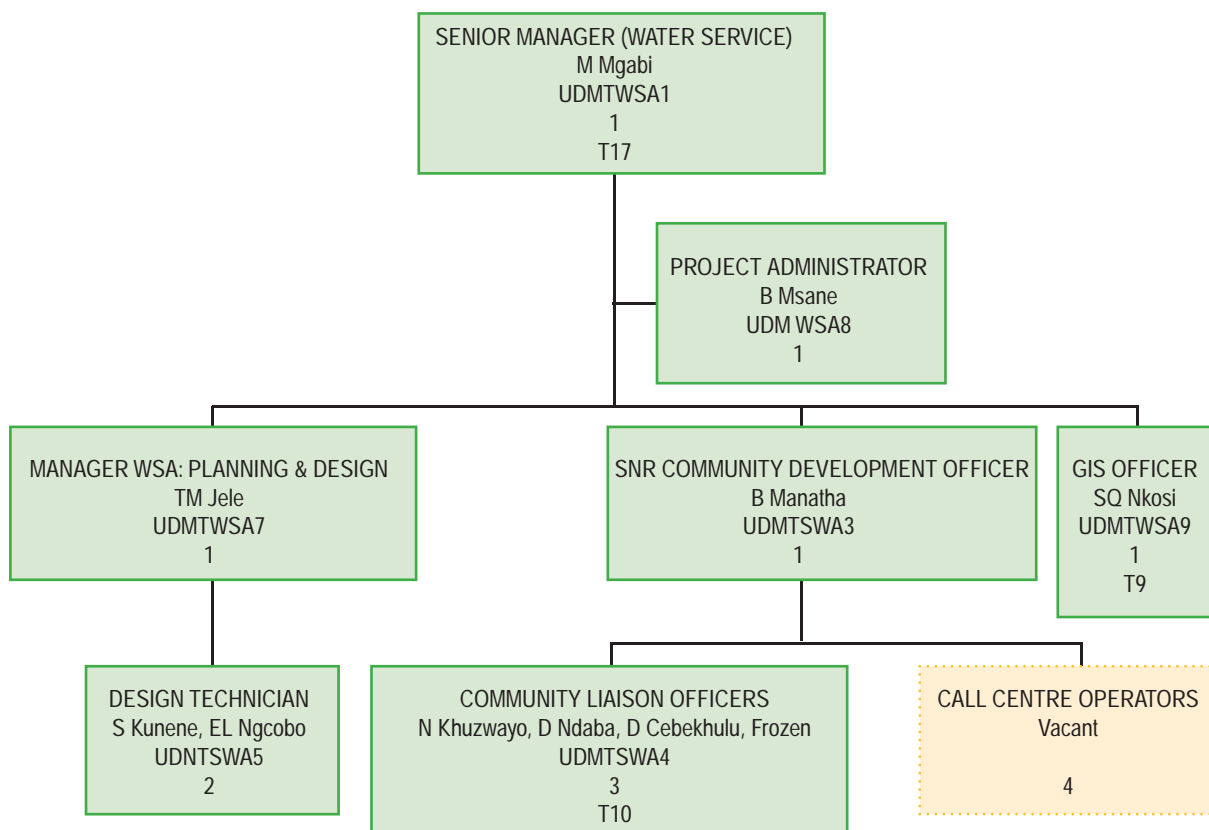


Figure 1.6.2: The structure: Directorate of Water Services Authority



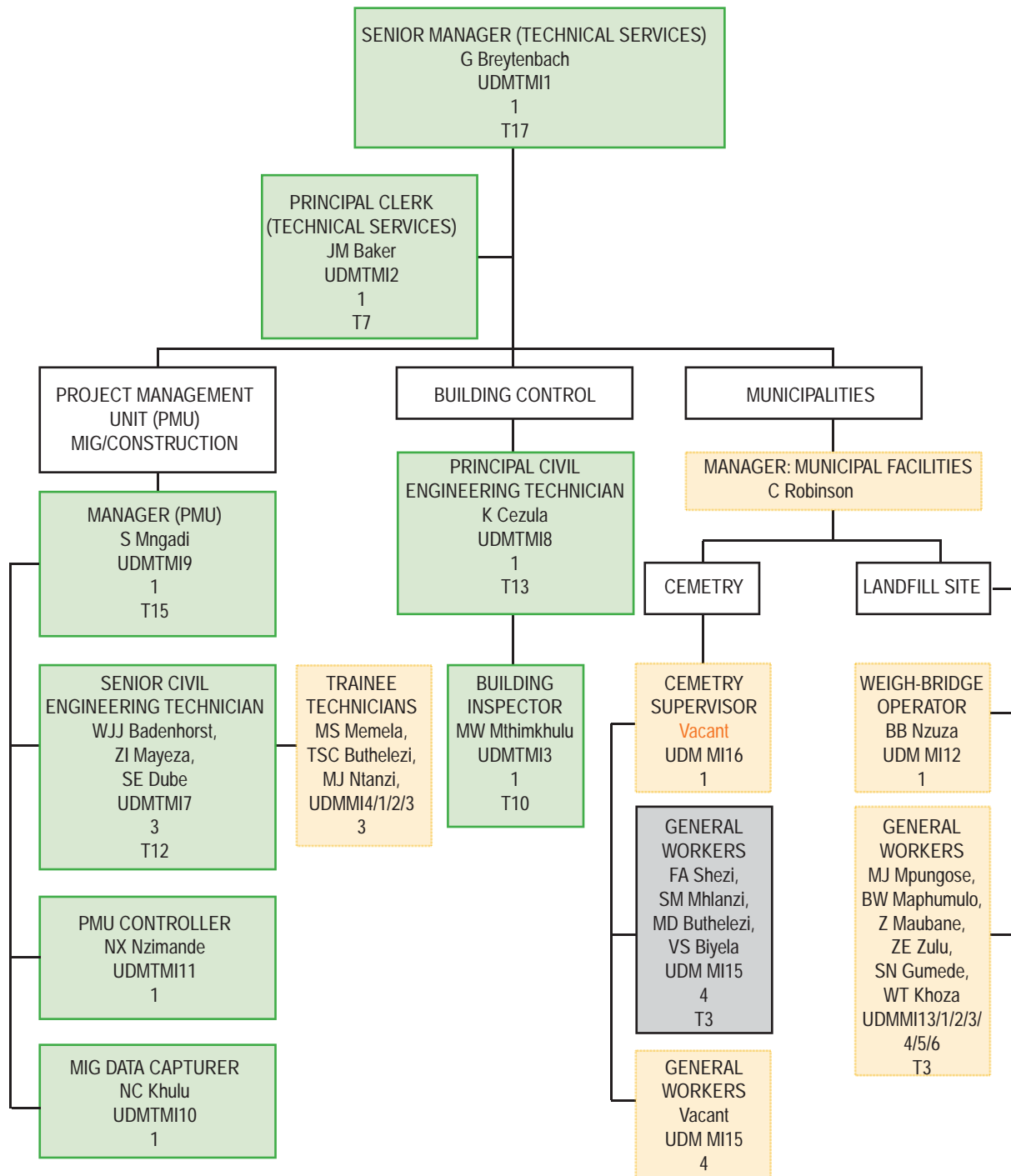


Figure 1.6.3: The structure: Directorate of Municipal Infrastructure Implementation



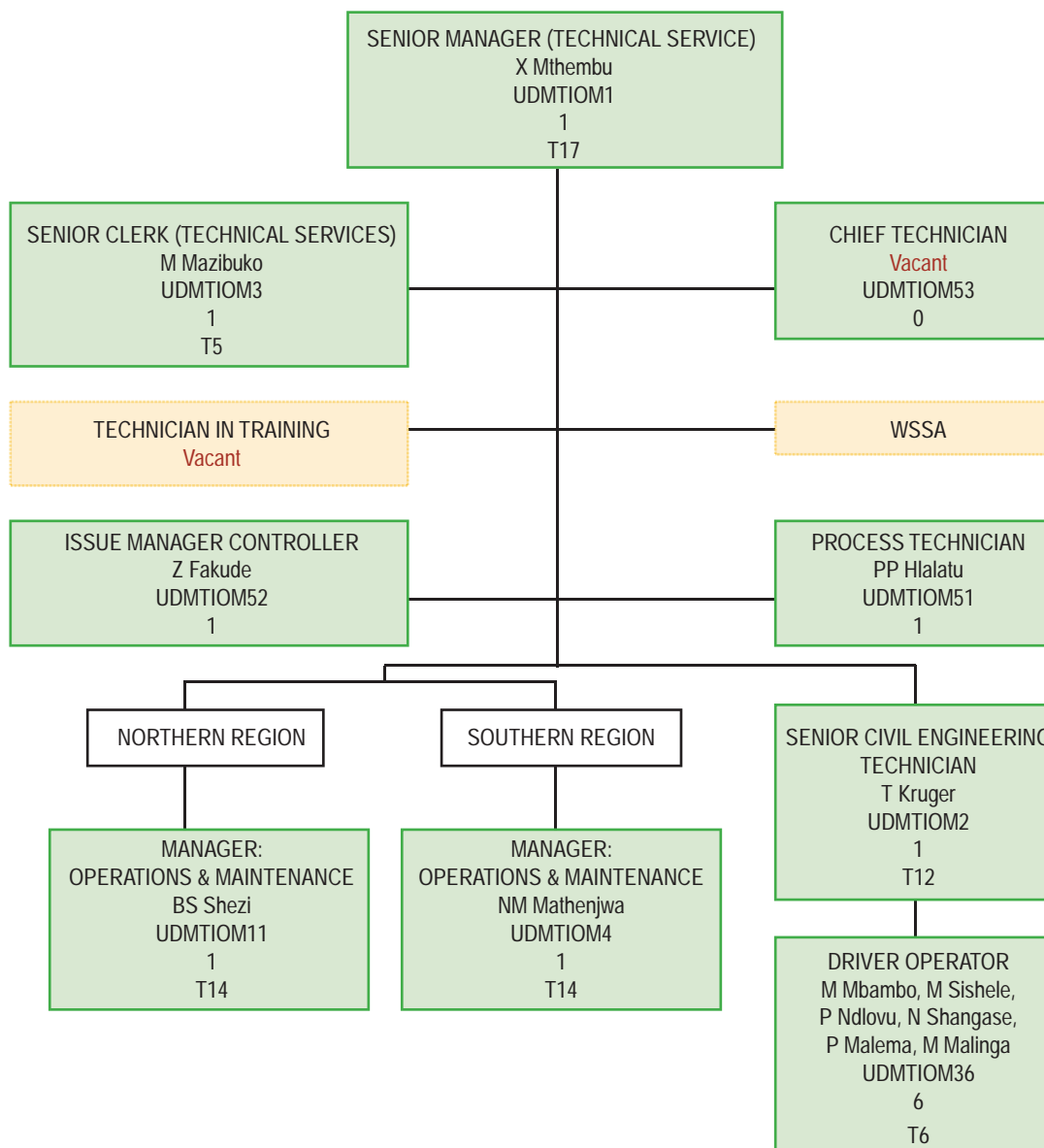


Figure 1.6.4: The structure: Directorate of Operations & Maintenance



## 1.8 Water Services Financial Performance

### 1.8.1 Water Supply Network Services

Our town water supply schemes are managed, operated and maintained by our own staff while those in the rural area are managed, operated and maintained by a Services Support Agent (SSA). Whereas all costs of the schemes under the SSA are accounted for, those managed internally are not linked to our Issue Manager which is a system that tracks repairs costs. As a result, it is a bit difficult to give a true reflection of the financial performance of the water services. However, in order to give an estimate of what it costs UDM to supply water to its communities, the report for quarter 4 is presented on Table 1.8.1 which indicates the summary of water production per Local Municipality per month and the number of schemes where bulk metering is taking place as well as the served number of households.

**Table 1.8.1: Water production per LM for quarter 4 of 2012/13**

Local Municipality	No. of Schemes Measured	Quarter 4 production (MI)			Total volume (MI)	Number of Households served
		April	May	June		
uMfolozi	28	151.64	170.41	149.95	472.00	12 689
Ntambanana	23	136.55	165.24	140.93	442.72	9 024
uMlalazi	60	178.04	190.85	178.27	547.16	21 885
Mthonjaneni	16	15.22	16.59	14.95	46.76	5 026
Nkandla	25	238.78	243.03	222.51	704.32	8 131
TOTAL	152	720.23	786.12	706.61	2212.96	56 755

The total water production costs per kiloliter of water for the 4th quarter is calculated as follows:

$$\frac{\text{Total staff costs (4th quarter)} + \text{SSA costs (4th quarter)}}{\text{Water produced on the 4th quarter}}$$

$$\frac{\text{R } 5\,376\,461 + \text{R } 35\,713\,053.19}{2\,212\,960.00 \text{ kl}}$$

$$= \text{R}18.57/\text{kl}$$

The above production cost is very high (3 to 4 times) compared with the best practice of about R3-6/kl. Three main problems can be attributed to this high cost of production. These include but are not limited to:

- A high number of schemes without bulk meters
- A high number of inefficient small schemes
- Lack of control of non-revenue water

The Municipality spent about R 159 978 392 in operations and maintenance of our water infrastructure. This excludes depreciation. Assuming that 2 212 960 kl was produced every quarter, the cost per kilolitre of water produced is R18.10/kl.

UDM has about 254 schemes but as can be seen from Table 2, only 152 schemes are metered. Therefore over 100 schemes are not metered hence the seemingly high production cost. Consequently there is an urgent need to install bulk meters in all the schemes. Besides that, UDM needs to accelerate bulk infrastructure in order to account for all water produced and do away with the inefficient small schemes so as to reduce the production costs. Non-revenue water needs to be monitored and controlled in order to bring down the cost of water production. The Water Use Efficiency unit has been created and the Department is in the process of filling the post of the head of this unit. The unit will be responsible for developing the water conservation and water demand management (WC/WDM) strategy and implementing it so as to control non-revenue water.

As we strive to install more bulk meters, more schemes will be added on the list of metered projects. This will certainly bring down the cost per kilolitre of producing water in uThungulu. If we have more details on the scheme

design productions, one could be making comparisons but as detailed above this is not possible.

### 1.8.2 Water Tanker Service

Despite the efforts to reduce the carting of water with tankers, UDM has a number of water tanker requests from different councillors/ communities and these requests are increasing by day. Any urgent requests, either once off or permanent are referred to the office of the Mayor for consideration. Table 1.8.2 shows the various indicator for the water tanker service.

**Table 1.8.2: Direct cost of water delivery by tankers in Quarter 4 of 2012/13**

PERFORMANCE INDICATOR	MONTHS OF QUARTER 3 OF 2012/13			TOTALS FOR VARIOUS INDICATORS
	January	February	March	
Number of Loads	1579	1575	1638	4792
Distance travelled by tankers (km)	133 904	133 705	139 016	406 625
Volume of water delivered (Mℓ)	23.7	23.6	24.6	71.9
Estimated number of households served	16 929	16 857	17 571	17 119
Cost of service (Rands)	2 448 114.79	2 461 533.45	2 538 936.29	7 448 584.53
PERFORMANCE INDICATOR	MONTHS OF QUARTER 4 OF 2012/13			TOTALS FOR VARIOUS INDICATORS
	April	May	June	
Number of Loads	1967	2035	1935	5937
Distance travelled by tankers (km)	153 204	157 611	154 046	464 831
Volume of water delivered (Mℓ)	29.51	30.53	29.02	89.06
Cost of service (Rands)	2 779 813.80	2 867 219.30	2 806 537.30	8 453 570.40

In the first half of the financial year, tankers were travelling about 160 000 km/month and UDM was spending an average of R3.75M per month on water supply by tankers. If this trend had continued, it would have cost a total of R45M at the end of the 2012/13 financial year. However what was budgeted for was R30M and actually only R20M had been allocated. Upon investigation, it was realised that there had been a sharp increase in ad hoc or individual requests and people were not paying for the service even when they could afford to. Due to the shortage of funds, approval for the ad hoc request was drastically reduced. In Quarter 3, we were averaging 135 542 km/month which was getting better as a result of the decrease in approval for ad-hoc requests. The target was to make sure that we do not exceed 140 000 km/month.

### 1.8.3 Sanitation Services

In rural areas, UDM provides VIP latrines free of charge to the households. However they contribute to the cost by digging their own pits while the Municipality pays for all other costs. As for towns, the municipality charges for disposal of wastewater into the sewage networks.

## 1.9 Water Services Capital Expenditure (Capex)

### 1.9.1 Water And Sanitation Projects

Although we spent 100% of our MIG funding, the financial year 2012/13 was a challenging one for the Technical Services Department due to a number of reasons. Firstly there was liquidation of contractors, poor performance of Contractors sometimes leading to termination of contracts delayed tender process as tenderers submit insufficient information: the procurement of contractors through tender processes, Objections to tender awards, delays due to strikes, and cancellation of tenders just to mention a few.

These challenges 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 100% of its MIG allocation. The challenges the Department had to grapple with in order to achieve this feat are briefly outlined below.

Besides internal problems there were some ex-

ternal challenges we have had to contend with during 2012/13. These included but were not limited to:

1. **Liquidation of contractors:** Due to the prevailing difficult economic situation globally, two large contractors employed by UDM (i.e. Sanyati and Cyclone) were placed on liquidation. The liquidation of these two major companies involved in the construction of our bulk water infrastructure projects had a huge negative impact on our capital expenditure.
2. **Poor performance of Contractors sometimes leading to termination of contracts:** Dixie Bay Construction (appointed for the construction of bulk pipeline in Mpungose 1D Water Project) and Mvusa Trading (appointed to supply building materials for VIPs) were such service providers that failed to perform leading to cancellation of contracts. Poor performance of some of the other service providers seriously affected expenditure since the beginning of the financial year. Some projects were more than one month behind schedule.
3. **Introduction of due diligence by National Treasury (NT):** Although in the long run this will help to curb the first two problems discussed above, the introduction of due diligence (by circular 62 of NT issued in August 2012) to contracts exceeding R10m delayed (by 3 months) the awarding of tenders (MIG/04, 05, 06, 07 & 22/2012 worth R 95 034 449.) This was about half of our MIG allocation.
4. **Delayed tender process as tenderers submit insufficient information:** Tenderers submitting insufficient information also played a major role towards under-expenditure in this financial year. In cases where tenderers met the non-negotiable requirements like tax clearance certificates, municipal bills, etc. but did not submit workman's compensation documents, letters of intent from banks etc, tenderers were given 10 working days to submit outstanding documents. This then worsened the already lengthy process of procurement of contractors through tender processes contributing to delays in expenditure.
5. **Objections to tender awards –** there were about two objections to the award of MIG tenders. Although these were resolved without litigation, the objections further lengthened the procurement process causing delays in expenditure.
6. **Cancellation of Tenders:** This was mainly due to qualifying tenderers exceeding the available budgeted cost of projects (as prescribed in the PPPFA regulations 2011). Two tenders were cancelled as the qualifying tenderers tendered prices far exceeded the available budget for the projects.
7. **Delays due to strikes:** The construction of the Kwahlokohe SSA 1 bulk pipeline by Esorfranki was delayed by the strikes in the transport and metal manufacturing industries and the delay in manufacturing of the pipes. When the deliveries of the pipes started in November 2012, there were further wage strikes on site by the local labourers that compounded the delay. The Mhlana Somopho Phase 3C portion 1 tender was also delayed by the local Labourers wage strike for three weeks in November 2012.
8. **Refusal of servitude by land owners:** The Mhlana Somopho Phase 3C portion 1 was further delayed by over a month due to the refusal by 5 land owners on Tribal Land for the pipeline to pass over their properties.



It was with this background in mind that the Technical team strategized on how to turnaround 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 intrinsic internal processes and stakeholders.

**Table 1.9.1: Sources of external CAPEX funds for the 2012/13 financial year as of 30 June 2013**

SOURCE OF FUNDING	ALLOCATION	EXPENDITURE	% SPENT	BALANCE
DWA	53,200,000	47,719,779	90	5,480,221
MIG	195,223,000	195,223,000	100	0
<b>TOTALS</b>	<b>248,423,000</b>	<b>242,942,779</b>		<b>5,480,221</b>

Presented in Table 1.9.4 are the water projects that were under implementation in the 2012/13 financial year while Table 1.9.5 indicates sanitation projects

**Table 1.9.4.1: Water projects under construction**

PROJECT	WARD	PROJECT VALUE	% COMPLETE
Middledrift Water Supply Phase 2	Ward 14 (KZ 286) & Ward 1 (KZ 284)	67,709,907	43
Mbonambi Water Supply Phase 1	KZ281 – Portions of 6,5 & 14	7,134,376	48
Mbonambi Water Supply Phase 2	Wards 2 & 3 (KZ 281)	156,725,350	24
Mhlana Somopho Phase 3C	Wards 7,8 & 11 (KZ 281)	116,618,865	38
Middledrift Water Treatment Works	Ward 14 (KZ 286)	64,700,000	99
Kwahlokhloko SSA 5	Wards 22 & 23 (KZ 284)	157,844,574	20
Greater Mthonjaneni Phase 1 & 2	Regional Project	249,367,603	99
Kwahlokhloko SSA 1	Wards 9 & 10 (KZ 284)	263,150,511	19
Greater Mthonjaneni SSA 4	Wards 4 (KZ 283)	47,687,840	56
Greater Mthonjaneni SSA 5	Wards 2,3 & 1 (KZ 283)	90,739,717	32
Mpungose Phase 1D Reticulation	Wards 24 & 25 (KZ 284)	70,219,891	18
Yanguye	Ward 4 (KZ 285) Ward 1,2&3 (KZ 283)	11,559,504	95
Mfongosi Pumpstation and Rising Main	Ward 9 (KZ 286)	2,450,647	99
Mandaba Water Supply System	Ward 7 (KZ 286)	4,851,438	100
Nkulisabantwana Water Scheme	Ward 3&4 (KZ 284)	5,454,900	100
Middledrift SSA 5	Wards 2 & 3 (KZ 284)	208,304,337	11
Nkandla Vutshini SSA 5	Wards 9,11 & 13 (KZ 286)	189,341,223	7

**Table 1.9.4.2: Water tanker reduction strategy projects under construction**

EXTENSIONS	WARD & LM (KZ)	ESTIMATED COST (RANDS)	HOUSEHOLD BENEFITTING	JOJO TANKS REMOVED	JOB OPPORTUNITIES CREATED
Khombe pipe re-routing	10 KZ285	80,000	30	None	15
Sidumuka B/hole development	3 KZ285	500,000	45	None	40
Dayingubo B/hole development	2 KZ285	500,000	50	None	30
Kwa Magwaza Othini ward 2	2 KZ283	100,000.00	15	None	12
Ncanyini extension	4 KZ283	192,399.97	15	2 x 5kl	25
<b>TOTAL</b>		<b>1,372,399.97</b>	<b>155</b>		<b>122</b>

**Table 1.9.5: Sanitation projects under construction**

PROJECT	WARD	PROJECT VALUE	% COMPLETE
Mbonambi Sanitation Phase 3	Wards 7 & 8 (KZ281)	R17,243,848.00	40
Ntambanana Sanitation Phase 3	Wards 1 & 2 (KZ 283)	R13,500,000.00	58
Nkandla Phase 3 VIP Sanitation	Wards 13 & 14 (KZ 286)	R21,318,327.15	99
uMlalazi Sanitation Phase 3	Wards 2 & 3 (KZ 284)	R21,762,755.37	97
Mthonjaneni Sanitation Phase 3	Wards 2, 3, 5 & 6 (KZ 285)	R15,602,121.38	90
Ntambanana Sanitation Phase 4	Ward 3 (KZ 283)	R8,296,037	100
uMlalazi Sanitation Phase 4	Ward 1,4,18 & 19 (KZ 284)	R31,719,652	99
uMlalazi Sanitation Phase 5	Ward 5 (KZ 284)	R8,866,013	100
Nkandla Sanitation Phase 4	Ward 7 & 9 (KZ 286)	R8,605,821	100
Nkandla Sanitation Phase 5	Wards 1,2 & 3 (KZ 286)	R27,500,000	63

The following challenges were experienced during the implementation of sanitation projects in 2012/13:

- Shortage of local Transporters to move the building materials from the camp sites to the individual households. This has affected progress mostly at Mfolozi Municipality in Ward 8, Ntambanana Municipality in Ward 1 and Mthonjaneni ward 2 & 3.
- Delays in the supply of materials from the appointed suppliers. After the appointment of Andimahle Trading (UDM/MIG/23/2012) we expected the situation to improve but it didn't. This supplier failed to meet delivery deadlines for the construction of VIP's at Nkandla Ward 2. BC Industrial also had challenges of delivering sand at Ntambanana Ward 1 & 2.
- Delays in payments of the local Builders & Transporters by UDM due to them supplying insufficient information.
- Lack of access roads for the delivery of materials to some households. This affected production mostly at Ntambanana phase 3 and Mthonjaneni Phase 3.

The appointment of Mvula Trust as an Implementing Agent in May 2012 has contributed towards the eradication of sanitation backlogs within UDM. Mvula Trust was allocated Ward 1, 18 & 19 of uMlalazi and Ward 3 of Ntambanana LM. During the 3rd and 4th quarter of 2012/13, Mvula Trust was also allocated ward 4 of uMlalazi LM and ward 1 & 3 of Nkandla LM. Makhetha Development Consultant's appointment was also extended to include ward 2 of Nkandla LM.

At Umlalazi Precast Yard, the manufacturing of the VIP top structures has been progressing well. There are 77 local employees and they are producing about 80 VIP units per day.

### 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 cost that may be incurred in making public body projects and programmes more Labour Intensive. These opportunities are based on Capital projects implemented by the Technical Department as well as the jobs created and maintained through the WSSA contract for Operations and Maintenance of water schemes. The jobs created and maintained are shown on Table 1.9.6

**Table 1.9.6: Number of jobs created under various programmes in each quarter**

JOB CREATION PROGRAMME		JOB OPPORTUNITIES IN EACH QUARTER UNDER VARIOUS PROGRAMMES				TOTAL NUMBER OF JOBS CREATED/ MAINTAINED
		Q1	Q2	Q3	Q4	
Capital projects funded by MIG & MWIG	New water and wastewater projects	350	102	200	188	840
	New rural sanitation projects	52	115	17	11	195
	Continuing water and wastewater projects	-	211	243	308	762
	Continuing rural sanitation projects	-	14	26	26	66
Capital projects: Tanker Reduction	New Projects	-	16	-	86	102
	Continuing projects	-	-	-	-	
Other capital projects (e.g. ACIP)	New projects	85	17	4	0	106
	Continuing projects	-	35	35	34	104
Water Services Provider (SSA)	New job opportunities	517	7	2	18	544
	Continuing jobs	-	503	510	512	1525
Other operational projects	New projects					
	Continuing projects					
Total job opportunities under all projects which are:	New capital	487	250	221	285	1243
	Continuing capital		260	304	368	932
	New operational	517	7	2	18	544
	Continuing operational		503	510	512	1525
<b>TOTAL NUMBER OF JOBS</b>		<b>1004</b>	<b>1020</b>	<b>1037</b>	<b>1183</b>	<b>4244</b>

The EPWP Incentive Grant target for the 2012/13 financial year was 642 Full Time Equivalent (FTE's) and the allocation was R2 651 000. The total amount of incentive grant received by uThungulu District Municipality for the current and previous years is R6,848,540. During the 2012/13 financial year, R1,670,142 of the EPWP Grant has been spent under the Water Meter Installation Programme and the Water Tanker Reduction Projects.

## 1.10 General Comments and Challenges with Water Services

### 1.10.1 Vandalism

The whole district continues to suffer from the plague of vandalism which has left a number of communities without water. Numerous attempts have been made to address this issue. These among others include: arranging community meetings; raising the issue during IDP roadshows; addressing communities through the media using the Mayoral radio slots and the municipality's own monthly newsletter but this has had minimal impact. Presented in Figures 1.10.1 to 1.10.5 are examples of theft and vandalism in Ntambanana, Nkandla and uMlalazi.



**Figure 1.10.1:** Gate stolen at Sangoyane in Ntambanana



**Figure 1.10.2:** Oqqabhiyeni generator stolen by cutting a burglar-proof door in Ntambanana



**Figure 1.10.3:** Cage cut to steal fuel in Machunwini in Nkandla



**Figure 1.10.4:** Electric cable theft at Mvutshini in uMlalazi



**Figure 1.10.5:** Taps stolen at Nkulisabantwana in uMlalazi with water usually left gushing out of standpipes for hours

**1.10.2 Water Abuse**

Water abuse is a common occurrence in UDM and only the degree differs from place to place. The water abuse also comes in different “shapes” and “sizes.” In some cases water taps from communal standpipes are left open to feed unlined pools of water for animals. Other times, purified water is used for commercial agriculture. An example is the water abuse by Nhlabosini Creche. Nhlabosini creche has connected a 40mm line on our 160mm main line to Phathane Reservoir and water is being used for gardening. This connection consist of 4x5KL jojo tanks with four water sprinklers on a 2 hectare garden (refer to Figure 1.10.6), causing a challenge to keep Phathane Reservoir levels constant at all times and to supply Cinci area.



**Figure 1.10.6:** A two hectare garden being sprinkler irrigated using portable water by Nhlabosini creche in uMfolozi Local Municipality



### 1.10.3 Droughts

Drought has been ravaging the District for the last 3 years or so. The effect of the drought has been quite severe as many water sources especially boreholes and dams have dried up. Figure 1.10.7 shows the floods that showered the district in late December 2012.



*Figure 1.10.4: The Impact of drought on storage of water in dams: Crocodile Dam*

### 1.10.4 Illegal Connections/ Abuse Of Water

Another serious challenge that the municipality is facing is that of the increasing number of illegal connections and water wastage by communities. These impact negatively on the supply to the rest of the scheme or network.

Figures 1.10.5 & 6 shows illegal connections in Ntambanana and uMfolozi.



*Figure 1.10.5 (above): An illegal connection that was left leaking at Phathane in uMfolozi Municipality*



*Figure 1.10.6 (right): An illegal connection at Emaringini in Ntambanana and water being wasted in the process*

## 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 and indicates 1.7% increase from the previous year:

*Table 2.2.1: Amounts of waste received in 2012/13 financial year*

Quarter	Q1	Q2	Q3	Q4	TOTAL (Tons)
Tonnage	30 940	34 335	29 124	30 873	125 272

### 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, except medical waste, are generated and disposed of. 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 wastes are generated and are covered by waste collection and removal systems namely, Melmoth town, Thubalethu and KwaMagwaza Hospital.
- There is one landfill site at Melmoth currently being decommissioned and a newly built transfer station.
- 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 off at the uThungulu Regional Landfill Site via the new transfer station.

#### 2.3.4 Nkandla Municipality

- Currently 100% of urban households within Nkandla Town are covered by 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.
- Nkandla Municipality is in the final stage of completing their newly constructed landfill site.

#### 2.3.5 Umfolozi Municipality

- Kwambonambi town is the only area covered by 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 Empanjeni and a number of transfer facilities at Melmoth, Bucanana and Mbonambi

#### 2.4.1 uThungulu Regional Landfill Site (UrIs)

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 June 2013 and the issues raised are currently being addressed.
- Bi-Annual water quality samples are done on 15 July and 15 January every year.
- The Landfill Waste Management Permit or Waste Management License was amended to incorporate recycling activities and was granted permission by the KwaZulu Natal Department of Agriculture and Environmental Affairs

as from June 2012.

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
- Melmoth town

## 2.5 Waste Management Services Policy Objective

A Regional landfill site at Empangeni was established in 2004. Waste transfer stations at Melmoth, Mtunzini, Ntambanana, Melmoth and Kwambonambi towns were constructed to transport waste to the regional site. 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 at with waste management at UURLS*

Personnel	Number
Facility Manager (fixed term contract)	1
Weighbridge Operator (permanent)	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>

## 2.8 Waste Management Services Capital Expenditure

The rehabilitation of Cell 1 of the Empangeni Regional Landfill Site was earmarked for the financial year. The envisaged works included the upgrade of storm water, berms and leachate control at the landfill site. A tender document UDM/04/2013 was compiled for the required works. The tender has served at the BEC and is at the award (or adjudication) stage. The estimated budget is R16.5m excluding vat.

## 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 the financial years 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 of 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.

#### 5. 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, whereafter 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	123	107	93	139	434
Tombstones	42	25	25	92	139
Reserves	0	1	1	0	2

##### 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 appointment of a service provider to conduct a feasibility study was finalised.

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

##### 5.4 Cemetery Services Capital Expenditure (Capex)

ZAI Consulting Engineers was appointed on 30th 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.

### 5.5 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)	4
Cleaner (fixed term contract)	1
General Worker (temporary)	4
<b>Total Cemetery Staff</b>	<b>10</b>

### 6. Electricity And Renewable Energy 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 commenced with a pilot study on bio gas production using animal waste. Six pilot sites were selected in Mthonjaneni, and uMlalazi LM's. A budget of R300 000 was approved by COGTA and the pilot project is 80% complete.

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 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.

## ANNEXURES

*Annexure 1: A summary of the main UDM water schemes that have dried up*

MUNICIPALITY	SCHEME NAME	REASON
KZ 286	<ol style="list-style-type: none"> <li>1. Thalaneni</li> <li>2. Thalangeni</li> <li>3. Ethaleni</li> <li>4. Jameson's Drift</li> <li>5. Manyane Clinic</li> <li>6. Mandaba 2</li> <li>7. Nhloshana</li> <li>8. Thalathula</li> <li>9. Mkhazazi</li> <li>10. Nhloshana</li> <li>11. Ngwegweni</li> <li>12. Hlwehlwe</li> </ol>	<p>Source dried up</p> <p>Source dried up</p> <p>Source dried up</p> <p>Source dried up</p> <p>Source dried up</p> <p>Source dried up</p> <p>Source dried up</p> <p>Water shortage</p> <p>Source dried up</p> <p>Partially dry</p> <p>Source dried up</p> <p>No treatment</p>
KZ 285	<ol style="list-style-type: none"> <li>1. Mfanefile</li> <li>2. Hlabathini</li> </ol>	<p>Source partially dry</p> <p>Source dried up</p>
KZ 284	<ol style="list-style-type: none"> <li>1. Isidibha</li> <li>2. Hlungwini</li> <li>3. Lubisana</li> <li>4. Oyaya</li> <li>5. Sabe</li> <li>6. Sqandaqanda</li> <li>7. Ogaye</li> <li>8. Nsingweni Clinic</li> <li>9. Felisilwane</li> <li>10. Zinqumele</li> <li>11. Thuthukani</li> <li>12. Ohhahheni</li> </ol>	<p>Source dried up</p> <p>Source dried up</p> <p>Source dried up</p> <p>Source dried up</p> <p>Source dried up</p> <p>Source dried up</p> <p>Partially dry</p> <p>Source dried up</p> <p>Source dried up</p> <p>Source dried up</p> <p>Source dried up</p> <p>Source dried up</p>
KZ 281	<ol style="list-style-type: none"> <li>1. Mtinya/Sabhuza</li> <li>2. Malaleni/Sokhulu</li> <li>3. Manzamnyama</li> <li>4. Bangicala</li> <li>5. Ndlabeyilandula</li> <li>6. Ekupheleni/Mhlana</li> <li>7. Nhlabosini</li> <li>8. Holinyoka</li> <li>9. Empumelelweni</li> <li>10. Hlanzeni/Thukweni</li> </ol>	<p>Source dried up</p> <p>Source dried up</p> <p>Source dried up</p> <p>Source dried up</p> <p>Source dried up</p> <p>Source dried up</p> <p>Source dried up</p> <p>Source dried up</p> <p>Source dried up</p> <p>Drastic change in raw water quality</p>
KZ 283	<ol style="list-style-type: none"> <li>1. Ogelweni/Mkhandlwini</li> <li>2. Emzini/Malongweni</li> <li>3. Obuka/KwaMawanda</li> <li>4. Crocodile Dam</li> <li>5. Ogqabhiyeni</li> </ol>	<p>Source dried up</p> <p>Source dried up</p> <p>Partially drying up</p> <p>Partially drying up</p> <p>Partially drying up</p>



## CHAPTER 4: Organisational Development Performance

### 4.1 ORGANISATIONAL PERFORMANCE MANAGEMENT SYSTEM (OPMS)

#### 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."

#### 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 Gov-



ernment and Traditional Affairs of Kwazulu Natal. The Performance Management unit, residing in the Office of the Deputy Municipal Manager: Planning and Development, 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 2012/2013 financial year a Performance Management Framework and Policy was developed and adopted by the Performance Audit Committee for the 2012/2013 financial year.

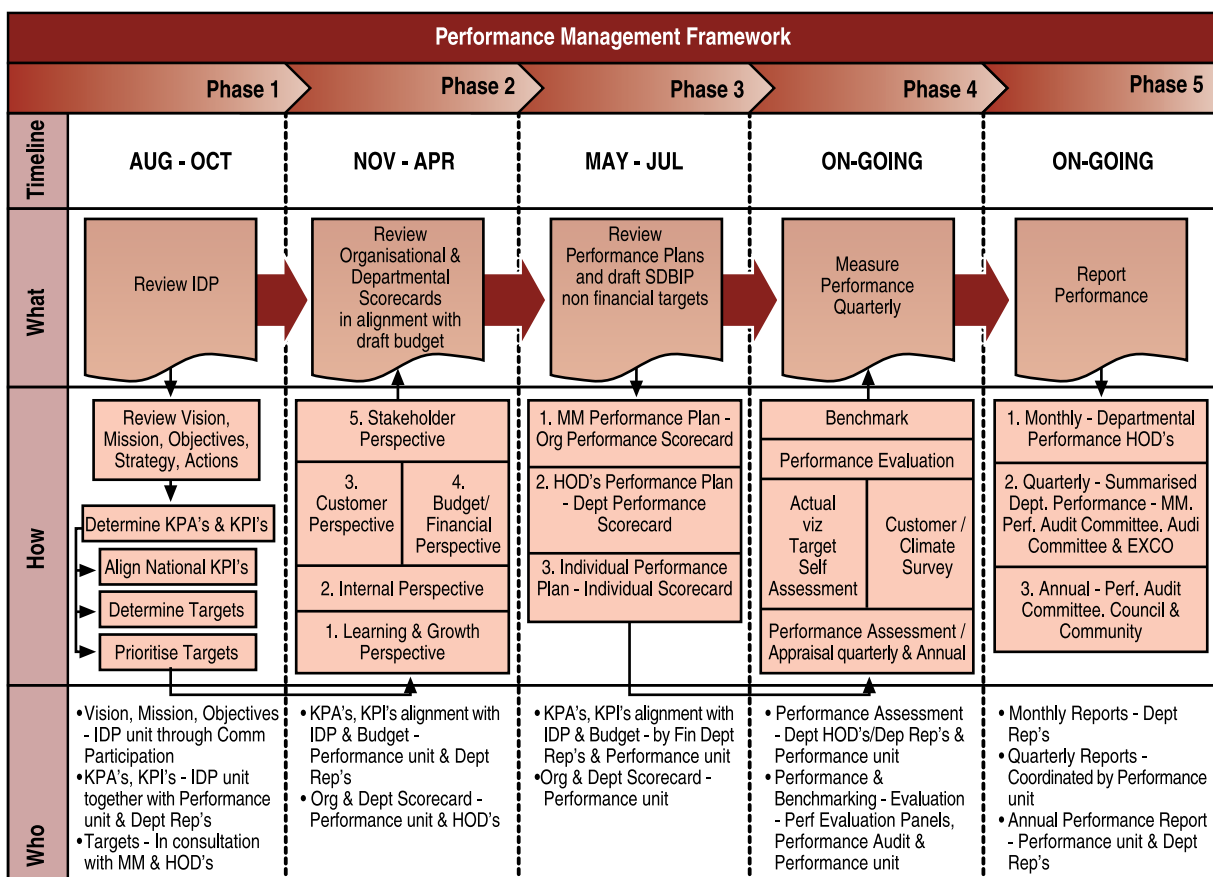
**Organisational Performance Management Process**

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 Municipal Manager and Deputy Municipal Managers. 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**

### Performance Audit Committee

The Performance Audit Committee for the 2012/2013 financial year was re-affirmed and the members were as follows:

- Dr V J Mthembu – Chairperson
  - Prof J L W de Clerq
  - Cllr S Mgenge
  - Mr Z Nkopane - (Co-opted): Chairperson Audit Committee
- The Performance Audit Committee did meet bi-annually as required by legislation on 5 December 2012 and 18 June 2013. The minutes of meetings are available in the Portfolio of Evidence of the Deputy Municipal Manager: Planning and Development.

### 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 has been 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 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.

### 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 2013/2014 financial year.

### Performance Of External Service Providers

The monitoring of the service provider performance is ensured through the signing of Service Level Agreements. It is currently being done on a user department level. The end user department provides reports on performance of service providers through Councils committee structures.

The following are the service providers engaged in each business unit during the 2012/13 financial year.

ASSESSMENT OF EXTERNAL SERVICE PROVIDERS				
External Service Provider	Service Provider in Terms of Signed SLA	Performance Target/ Time-Frames	Assessment of Service Provider's Performance	PoE and Corrective Measure in Case of Underperformance
Micromega Trading	Water meter reading	Measurements in terms of number of meters read correctly read	Statistical analysis indicate in excess of 90% of meters are correctly read on a monthly basis.	No corrective measures required performance is satisfactory. Instances on non performance are not directly attributable to the service provider
G4S	Cash in transit facility	The monitoring of this tender by the department includes ensuring that cash/cheques are collected per the prescribed days as outlined in the signed off tender.	All collections have been timeously and presented to Councils bankers and there have been no shortages noted.	No further actions required as performance is in terms of agreed specifications.
Nashua Trading	Printing of monthly debtor statements	The monitoring of this tender involves ensuring that statements are printed in accordance with the prescribed specifications of the user department and within the prescribed timeframes.	All printing requirements are monitored for accuracy, layout and turnaround time.	No further actions required as performance is in terms of agreed specifications.
Nedbank	Banking Facilities	The accuracy and timeous recording of transactions is monitored.	The services are rendered satisfactorily. Regular SLA meetings are held to address issues.	No further actions required as performance is in terms of agreed specifications.
PriceWaterhouse Coopers	Internal Audit	The contract entails performance of the internal audit function.	Upon completion of each audit the outcomes are verified against the original plan and the reports are submitted to HOD's for approval.	No further actions required as performance is in terms of agreed specifications
Indwe Risk Services (Pty Ltd)	Administration of Council's insurance portfolio	Timeous settlement of insurance claims	All claims have been addressed in terms of agreed specifications and timeframes	No further actions required as performance is in terms of agreed specifications
Eskom	Contract in place for all the connections for each supply point.	No target except continuous power supply	Average to good	No further actions required as performance is in terms of agreed specifications
Mhlathuze City	Supply of water for 3 Bulk schemes and water tanker hydrant. Contract in place for each of them	Target are being met except for the Upper Nseleni Bulk during peak season	Good to average	Meetings are ongoing to find a better solution. HoD heading these meetings
WSSA	Tender document spells out terms and condition of the contract.	Repairs – attended to Water quality - meets requirements Staff management- lacking	Repair – Good Water quality – Good to average Staff management - fair	New SLA drafted for the new contract to begin soon. Contracts meeting monthly to continuously evaluate the WSSA performance
Hidrotech Infra	Greater Mthonjaneni Ph 2C & D Water Project	12 months	The work was well done in accordance to specifications	No further actions required as performance is in terms of agreed specifications

ASSESSMENT OF EXTERNAL SERVICE PROVIDERS				
External Service Provider	Service Provider in Terms of Signed SLA	Performance Target/ Time-Frames	Assessment of Service Provider's Performance	PoE and Corrective Measure in Case of Underperformance
Cyclone Construction	Middledrift Bulk Water Purification Plant	18 months	Cyclone was liquidated Nov 2012, Liquidators completed the works. The work was well done in accordance to specifications	Delays occurred due to the liquidation of Cyclone and required amended service level agreement to be signed with liquidator.
Icon Construction	Mbonambi Bulk Water Phase 2 Bulk Water Project	12 months	Construction ongoing, work is good and according to specifications	No further actions required as performance is in terms of agreed specifications
Icon Construction	Nkandla Vutshini SSA 5 Bulk Water Project	12 months	Construction ongoing, work is good and according to specifications	No further actions required as performance is in terms of agreed specifications
Sinethemba Construction	Yanguye Water Project	16 months	Construction ongoing, work is good and according to specifications	No further actions required as performance is in terms of agreed specifications
Sinethemba Construction	KwaHloko SSA5 Bulk water Project	11 months	Construction ongoing, work is good and according to specifications	No further actions required as performance is in terms of agreed specifications
Leomat Construction	Mhlana Somopho Bulk Water Phase 3 C: Portion 1	12 months	Construction completed, work was satisfactory and according to specifications	No further actions required as performance is in terms of agreed specifications
Leomat Construction	Mhlana Somopho Bulk Water Phase 3 C: Portion 2	10 months	Construction ongoing, work is good and according to specifications	No further actions required as performance is in terms of agreed specifications
Esorfranki Pipelines	KwaHloko SSA1 Bulk Water Project	12 months	Construction behind programme	Meetings held and warning letter issued as per conditions of contract.
Afriscan Construction	Middledrift SSA 5-C Bulk Water Project	12 months	Construction ongoing, work is satisfactory and according to specifications	No further actions required as performance is in terms of agreed specifications
Afriscan Construction	Greater Mthonjaneni SSA 5 Water Project	15 months	Construction ongoing, work is good and according to specifications	No further actions required as performance is in terms of agreed specifications
Shula Construction	Greater Mthonjaneni SSA 4 Water Project	12 months	Construction ongoing, work is good and according to specifications	No further actions required as performance is in terms of agreed specifications

### Annual Organisational Performance Information

The Annual Performance Report for the 2012/2013 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 was presented to the Auditor General for auditing together with the Annual Financial Statements by 31 August 2013.

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 2012/2013.

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 2013/2014 financial year in cases of under achievement.

ORGANISATIONAL PERFORMANCE SCORECARD 2012/2013

KEY FOR THE MEASURABLE OBJECTIVES:  
 Priority (Including General KPI's) Municipal Excellence Awards Additional/Department

IDP Indicator No.	Outcome	National KPA	uThungulu Development Strategies	Strategic Objective	Performance Indicator	Unit of Measure	Baseline 2011/2012		IDP 2012/2013		Reporting Department	Financial Implication	Planned measures for improvement for 2013/2014
							Target	Actual	Annual Target	2012/2013 Performance Report			
1.1.1	IMPLEMENT A DIFFERENTIATED APPROACH TO MUNICIPAL FINANCING PLANNING AND SUPPORT	MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT	uThungulu Development Strategies	Human Resource Development	Staff from Equity Groups employed in three highest levels of management	Number of staff			10	32	Corporate Services	OPERATIONAL	Target achieved
					Women employed by the municipality	Number of women	105	99	102	116	Corporate Services	OPERATIONAL	Target achieved
					Youth employed by the municipality	Number of youth	102	102	120	140	Corporate Services	OPERATIONAL	Target Achieved
					Disabled staff employed by the municipality	Number of staff	2	2	3	3	Corporate Services	OPERATIONAL	Target Achieved
					Annual Approved Workplace Skills Plan	Date of Approval	30-Jun-12	29-Jun-12	31-May-13	27-Jun-13	Corporate Services	OPERATIONAL	Target Achieved
						Date submitted to LGSETA	30-Jun-12	29-Jun-12	30-Jun-13	27-Jun-13	Corporate Services	OPERATIONAL	Target achieved
					Budget Spent on Workplace Skills Plan	Actual amount spent			R1 556 000	R1 200 412	Corporate Services	OPERATIONAL	Target not achieved
						Percentage spent			100%	89%	Corporate Services	OPERATIONAL	Target not achieved
						TASK Job Evaluation	Date of establishment of KZN Region 4 Job Evaluation Unit		30-Jun-13	In progress	Planning and Economic Development Services		Awaiting SALGA National mandate to commence (External factor)
					1.1.2			Employee Assistance Programme	Date of approval of Employee Assistance Policy by Council			30-Jun-13	In progress
1.2.1			Master Systems Plan (ICT Strategy)	Date of Review			30-Jun-13	30-Jun-13	Corporate Services	OPERATIONAL	Target achieved		
1.2.4			Network Refresh	Percentage completion of phase 1 objectives			100%	80%	Corporate Services	R 250 000	Target not achieved		
1.4.1			S56 Performance Agreements	Number of agreements	5	3	5	5	Planning and Economic Development Services	R 140 000	Target achieved		
1.4.4			2011/2012 Performance Assessment Reporting to Performance Audit Committee	Date of Submission	30-Sep-11	19-Dec-11	30-Nov-12	05-Dec-12	Planning and Economic Development Services	OPERATIONAL	Target achieved		

uThungulu District Municipality - Draft Annual Report on Predetermined Objectives													
IDP Indicator No.	Outcome	National KPA	uThungulu Development Strategies	Strategic Objective	Performance Indicator	Unit of Measure	Baseline 2011/2012		IDP 2012/2013		Reporting Department	Financial Implication	Planned measures for improvement for 2013/2014
							Target	Actual	Annual Target	2012/2013 Performance Report			
1.5.1				Organisational Performance Management	OPMS Scoreboard	Date of Approval	31-May-12	29-Jun-12	28-Jun-13	28-Jun-13	Planning and Economic Development Services	R 250 000	Target achieved
1.5.2					Mid Year Performance Report	Date of Approval			31-Mar-13	27-Mar-13	Planning and Economic Development Services	R 150 000	Target achieved
1.5.3					Draft Annual Report and Annual Performance Report	Date of Approval	31-Aug-11	31-Aug-11	30-Aug-12	30-Aug-12	Planning and Economic Development Services	R 150 000	Target achieved
1.6.1				Institutional Development	Implement Municipal Turnaround Strategy	Percentage of recommendations passed implemented by 30 June 2013			50%	56%	Office of the Municipal Manager	OPERATIONAL	Target achieved
1.6.3					Enterprise Risk Management	Date of completion of Annual Risk Assessment	30-Jun-12	12-Aug-11	30-Jun-13	30-Jul-12	Planning and Economic Development Services	R 220 000	Target achieved
1.6.3						Date of completion of Annual Fraud Risk Assessment	30-Jun-12	12-Aug-11	30-Jun-13	30-Jul-12	Planning and Economic Development Services		Target achieved
1.6.4					Risk management Strategy	Number of Strategic Risk Management Committee Meetings	4	4	4	4	Planning and Economic Development Services	R110 000	Target achieved
1.6.5					Fraud and Corruption Prevention	Number of Fraud Prevention Committee Meetings	4	4	4	4	Planning and Economic Development Services	R 110 000	Target achieved
1.7.1				Integrated Development Planning	Annual IDP Review	date of approval of review by Council	31-May-12	31-May-12	28-Jun-13	28-Jun-13	Planning and Economic Development Services	R 100 000	Target achieved
1.7.2					IDP Review Roadshows	Number of IDP Roadshows	4	11	12	12	Office of the Municipal Manager	R 800 000	Target achieved

uTHUNGULU DISTRICT MUNICIPALITY – Draft Annual Report on Predetermined Objectives													
IDP Indicator No.	Outcome	National KPA	uThungulu Development Strategies	Strategic Objective	Performance Indicator	Unit of Measure	Baseline 2011/2012		IDP 2012/2013		Reporting Department	Financial Implication	Planned measures for improvement for 2013/2014
							Target	Actual	Annual Target	2012/2013 Performance Report			
				Financial management	<b>Debt coverage ratio</b>	(Total operating revenue received - operating grants) / Debt service payments	6,51	5,91	15,00	19,32	Financial Services		Target achieved
					<b>Outstanding service debtors to revenue</b>	Outstanding service debtors / revenue actually received for services	0,31	0,10	0,70	0,74	Financial Services		Target achieved
					<b>Cost coverage ratio</b>	(Available cash at particular time + Investments) / Monthly fixed operating expenditure	3,00	4,91	3,00	11,36	Financial Services		Target achieved
2.1.2					<b>Credit Rating</b>	Date of submission of assessment to Council	30-Jun-12	20-Jun-12	30-Jun-13	26-Jun-13	Financial Services	R 80 000	Target achieved
2.2.1				Budgeting and reporting	<b>Implementation of Financial Legislation (compliance)</b>	Percentage compliance with MFMA requirements	100%	100%	100%	100%	Financial Services	OPERATIONAL	Target achieved
2.2.6					<b>Budget Work Study</b>	Date of submission of report to Council			30-Jun-13	In Progress	Financial Services	OPERATIONAL	Budget Workstudy could not be finalised in 12/13 and is expected to be finalised in the first quarter of 13/14
2.3.1				Revenue Enhancement	<b>Revenue Collection</b>	R value of cash collected from customers	R32 873 000	R40 368 644	R39 391 946	R43 762 172	Financial Services	OPERATIONAL	Target achieved
2.3.1						R value of invoices raised	R32 873 000	R44 395 000	R39 391 946	R48 337 093	Financial Services		Target achieved
2.3.2					<b>Debt Service Payments</b>	Percentage of total debts	20%	12%	20%	20,6%	Financial Services	OPERATIONAL	Target achieved
2.3.3					<b>Revenue Enhancement Plan</b>	Number of revenue workshops held	12	12	12	20	Financial Services	OPERATIONAL	Target achieved
2.4.1				Expenditure Control	<b>Total Salaries and Wages Budget (including benefits)</b>	R value of total Salaries and Wages Budget (including benefits)	R123 298 000	R95 954 706	R124 301 000	R108 015 259	Financial Services	OPERATIONAL	Target not achieved due to vacancies
2.4.3; 2.4.4					<b>Fixed Asset Register (ACC)</b>	Percentage of planned actions on tender specification achieved by 30 Jun 2013			100%	100%	Financial Services	OPERATIONAL	Target achieved
2.4.5					<b>Expenditure Work Study</b>	Date of submission of report to Council			30-Jun-13	In progress	Financial Services	OPERATIONAL	Partially completed. The report from the Service Provider is complete and could not be finalised earlier as a result of the staffing in the department being in progress due to vacancies and the Senior Manager being appointed only at the end of the Financial year. Furthermore, the recommendations from the report have budgetary implications and a workshop with staff is required prior to Council resolving on the matter. Report back on the progress served at F-SPC and EXGO UDME 1138/2013 on the 4 and 30 July 2013 respectively

uThungulu District Municipality - Draft Annual Report on Predetermined Objectives													
IDP Indicator No.	Outcome	National KPA	Strategic Objective	Performance Indicator	Unit of Measure	Baseline 2011/2012		IDP 2012/2013		Reporting Department	Financial Implication	Planned measures for improvement for 2013/2014	
						Target	Actual	Annual Target	2012/2013 Performance Report				
2.5.4	IMPROVED MUNICIPAL FINANCIAL AND ADMINISTRATIVE CAPABILITY	FINANCIAL VIABILITY AND FINANCIAL MANAGEMENT	Expenditure Control	Total operating expenditure	R value	R509 685 000	R409 021 293	R535 116 000	R470 816 614	Financial Services	OPERATIONAL	Target achieved with savings on expenditure	
				Total operating budget	R value	R509 685 000	R409 021 293	R535 116 000	R470 816 614	Financial Services	OPERATIONAL	Target achieved with savings on expenditure	
				Percentage spent of OPEX on repairs and maintenance	Percentage spent			8,0%	9,00%	Financial Services	OPERATIONAL	Target achieved	
				Total of grants and subsidies spent	Percentage spent	100%	104%	100%	98%	Financial Services	OPERATIONAL	Target achieved	
3.1.1	GOOD GOVERNANCE AND PUBLIC PARTICIPATION	PUBLIC RELATIONS AND COMMUNICATION	Supply Chain management	Supply Chain Management Workstudy	Date of Submission of report to Council			30-Jun-13	In Progress	Financial Services	OPERATIONAL	Partially completed. The report from the Service Provider is complete and could not be finalised earlier as a result of the staffing in the department being in progress due to certain vacancies and the Senior Manager only being appointed at the end of the Financial year. Furthermore, the recommendations from the report have budgetary implications and a workshop with staff is required prior to Council resolving on the matter. Report back on the progress served at FSPC and EXCO UDME 1138/2013 on the 4 and 30 July 2013 respectively.	
				Events	Number of public relations events			4	4	12	Office of the Municipal Manager	R150 000	Target achieved
				uThungulu Website Development	Number of evidence reports on regular updates of website			4	4	4	Office of the Municipal Manager	R50 000	Target achieved
				Batho Pele Principles	Date of completion of Annual Batho Pele Booklet			31-Dec-12	28-Jun-13	28-Jun-13	Office of the Municipal Manager	R424 050	Order for the service Commitment Charter 2013 submitted to Bees Ink. Booklet being printed following Exco approval.
3.4.1	GOOD GOVERNANCE AND PUBLIC PARTICIPATION	Regional Solid Waste	Rehabilitation of Cell 1	Rehabilitation of Cell 1	Date of appointment of service provider			30-Jun-13	In progress	Technical Services	R7 600 000	Project delayed due to financial constraints	
					Regional Cemeteries and Crematoria	Date of appointment of service provider			30-Jun-13	In progress	Technical Services	R2 000 000	Project delayed due to financial constraints
					Mandawe Cemetry (uMlalazi)	Date of appointment of service provider			30-Jun-13	In progress	Technical Services	R600 000	Project delayed due to financial constraints
4.2.4	IMPROVED ACCESS TO BASIC SERVICES	INFRASTRUCTURE DEVELOPMENT AND SERVICE DELIVERY	Municipal Roads and Public Transport	Rural Roads Asset Management System (RRAMS)	Number of graduates appointed, maintained and trained by 30 June 2013			3	8	Technical Services	R1 776 000	Target achieved. 24 Candidates applies of which 12 were found appointable but only 8 were appointed to form 4 teams. However 5 of the 8 resigned during execution of the project. 2 were hired from the remainder of the 12. This severely hampered the progress in this project.	



uThungulu District Municipality - Draft Annual Report on Predetermined Objectives													
IDP Indicator No.	Outcome	National KPA	uThungulu Development Strategies	Strategic Objective	Performance Indicator	Unit of Measure	Baseline 2011/2012		IDP 2012/2013		Reporting Department	Financial Implication	Planned measures for improvement for 2013/2014
							Target	Actual	Annual Target	2012/2013 Performance Report			
5.1.1 - 5.1.28				Access to Water	Households with access to basic water	Number of households	69 227	83 298	74 055	73 210	Technical Services	R202 748 028	Target not achieved as a result of liquidation of two major contractors doing bulk water projects and cancellation of a re-licensing tender at award stage, over R10M was shifted from water to rural sanitation. However, UDM has made 210 new water connections but there is no water due to the delay in completion of bulk pipelines and hence the new connections are treated as work in progress (WIP). Another 1789 meters are currently being installed - 6 contractors are on site since January-March 2013. Note that the baseline was aligned with STATIS SA Data of 2011.
							1 500	2 020	1 000	155	Technical Services		
5.3.1 - 5.3.10				Access to Sanitation	Households with access to basic sanitation	Number of households	53 720	89 503	70 376	79 634	Technical Services	R33 777 972	Target achieved. Due to the shifting of R10M from the non-performing water projects to rural sanitation, the target on VIP was far exceeded. In the next financial year the budget will be adjusted in order to complete the water projects where the funds were taken from.
							2 000	5 917	3 000	12 258	Technical Services		
				Implementation of District Sanitation Projects	New sanitation connections	Number of new connections							Target not achieved. Once the bulk projects are completed, the 210 connections in WIP will be completed too. UDM is now conducting due diligence on Tenders that are more than R10M in order to minimise the risk of appointing contractors that cannot perform. As for the existing (old) schemes, UDM has metered 958 households in the 2012/13 financial year.
				Access to Sanitation	Households with access to basic sanitation	Number of households							Target achieved. The SMMEs are struggling to finish these projects and hence the delivery model will be changed in such a way that established construction companies will be required to capacitate the SMMEs who implement these projects.
				Implementation of District Sanitation Projects	New sanitation connections	Number of new connections							Target achieved
				Water Services Network Upgrade	Water Services Network Upgrade	Number of projects completed by 30 June 2013							Target achieved
				Water Services Network Upgrade	Water Services Network Upgrade	Number of projects initialised by 30 June 2013							Target achieved

UTHUNGULU DISTRICT MUNICIPALITY - Draft Annual Report on Predetermined Objectives													
IDP Indicator No.	Outcome	National KPA	uthungulu Development Strategies	Strategic Objective	Performance Indicator	Unit of Measure	Baseline 2011/2012		IDP 2012/2013		Reporting Department	Financial Implication	Planned measures for improvement for 2013/2014
							Target	Actual	Annual Target	2012/2013 Performance Report			
6.1.2				Local Economic Development	LED Framework (Review)	Date of review	30-Jun-12	30-Jun-12	30-Jun-13	Not achieved	Planning and Economic Development Services	R50 000	Target not achieved. Funding used for the SMME Fair 2013. Implementation of review of LED to be done during 2013/14 financial year.
4.7.2; 6.4					Jobs created through the municipality's LED initiatives	Number of jobs maintained	193	158	150	225	Planning and Economic Development Services		Target achieved. 225 Jobs were maintained for the financial year though the organisation was only able to collect 84 copies of ID's on existing projects. An unwillingness to provide ID copies was experienced from participants due to security risks. Greater effort shall be made in 2013/2014 to encourage current participants to submit ID copies. As a measure for improvement, it will be established as a pre-requisite for participation in new projects that ID copies be provided.
5.4.14					Jobs created through the Municipality's EPWP	Number of jobs maintained	1 000	3 184	150	1 787	Technical Services		Target achieved. A project administrator post has been created and an official appointed to help with reporting on EPWP.
6.5.3				Agricultural Development	Agricultural Development and Implementation (Fresh Produce Market)	Number of Community Gardens provided with fencing			6	6	Planning and Economic Development Services	R100 000	Target achieved
						Number of community gardens provided with infrastructure			6	1	Planning and Economic Development Services		
6.6.6; 6.6.10				Business and Industrial Development	SMME Development Training and SMME Mentorship Programme	Date of approval of Pre-Market Business Plan			31-Dec-12	Feb-13	Planning and Economic Development Services		Target achieved
						Number of SMME assisted by 30 Jun 2013			300	967	Planning and Economic Development Services	R400 000	Target achieved
6.6.10					SMME Support Programme	Date of completion of SMME Database			30-Jun-13	30-Jun-13	Planning and Economic Development Services	R150 000	Target achieved

UTHUNGULU DISTRICT MUNICIPALITY - Draft Annual Report on Predetermined Objectives													
IDP Indicator No.	Outcome	National KPA	Strategic Objectives	Performance Indicator	Unit of Measure	Baseline 2011/2012		IDP 2012/2013		Reporting Department	Financial Implication	Planned measures for improvement for 2013/2014	
						Target	Actual	Annual Target	2012/2013 Performance Report				
7.1.1	ACTIONS SUPPORTIVE OF HUMAN SETTLEMENT OUTCOMES	Spatial Planning and Spatial Development Frameworks	uthungulu Development Strategies	Spatial Planning and Development	Spatial Development Framework (Review)	Date of approval by Council			30-Jun-13	Not achieved	Planning and Economic Development Services	R50 000	SDF Assessment was received too late from KZNCOGTA. SDF Review need to be aligned with G&D Plan and IDZ 50 year Master Plan process in 2013/14 financial year.
									100%	Not achieved	Planning and Economic Development Services	R150 000	GIS Office position filled in May '13 - Training to be attended in 2013/14 financial year.
7.1.3				Land Reform	District Land Summit (Growth and Development Summit)	Date of facilitation of Growth and Development Summit			30-Jun-13	Not achieved	Planning and Economic Development Services	R150 000	Awaiting confirmation from MEC for available dates during 2013/14.
7.4.2				Education	Integrated District Education Programme	Date of approval of implementing plan			31-Dec-12	06-Nov-12	Community Services		Target achieved
						Number of youths assisted			12	7	Community Services	R50 000	Item served at Portfolio Committee on 6 November 2012 detailing the implementation of the plan with assistance to 7 youths.
				Skills Development	Integrated Skills Development Programme	Date of approval of implementation plan			31-Dec-12	In progress	Community Services		Target not achieved. Delays experienced in receiving documentation from uMfolozi FET on quotations.
						Number of youths assisted			10	0	Community Services	R150 000	
				Air Quality Management	Develop and Implement an Air Quality Management Plan	Date of appointment of service provider			30-Jun-13	30-May-13	Community Services	R850 000	Target achieved
				Safety and Security	Contribution towards Crime Prevention Programmes	Number of awareness campaigns			1	1	Community Services	R300 000	Target achieved
				Sports and Recreation Programme	District Elimination Games	Date of event hosted	15-Dec-11	08-Oct-11	31-Oct-12	29-Sep-12	Community Services		Target achieved
						Percentage of budgeted amount			100%	100%	Community Services	R500 000	Target achieved
				SALGA Games	Number of participating athletes				300	11-Dec-12	Community Services	R2 000 000	Target achieved
				Disaster Management	Disaster Risk Reduction Programme	Number of awareness campaigns			12	26	Community Services	R150 000	Target achieved
						Percentage of budgeted amount			100%	100%	Community Services	R150 000	Target achieved
				District HIV/AIDS Programme	Implementation of District HIV/AIDS Programme	Number of HIV/AIDS awareness interventions	3	6	3	5	Community Services	R1 000 000	Target achieved
						Number of war rooms established by 30 June 2013			6	8	Community Services	R500 000	Target achieved
				Culture, Arts and Heritage	Cultural Events (Zulu Dance)	Percentage of budgeted amount			100%	98,7%	Community Services	R370 000	Target achieved



**Deputy Municipal Manager:  
Corporate Services**  
Adv. Ndimiso Xulu

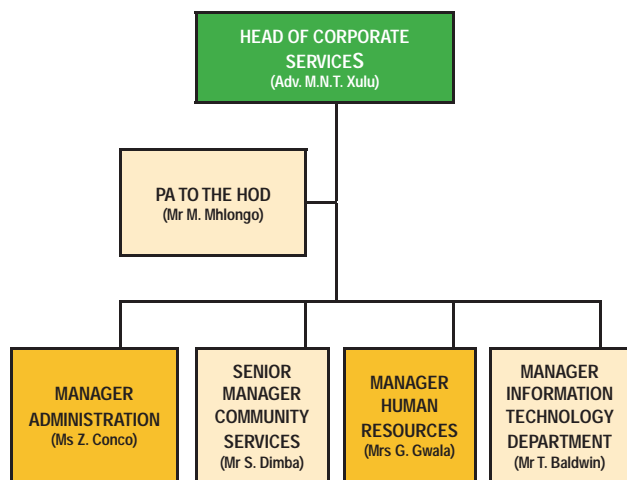
## 4.2 DEPARTMENT OF THE DEPUTY MUNICIPAL MANAGER: CORPORATE SERVICES

### FOREWORD BY HEAD OF CORPORATE SERVICES

The Corporate Services Department is a multidisciplinary strategic unit entrusted with the responsibility to provide value, adding strategic and operational support to all departments and business units in the municipality. It discharges its obligation through policy intervention, knowledge management systems and processes geared at optimizing organizational performance and delivering value for money to council and the community that the Council serves.

The 2012/13 financial year marked the beginning of a new trajectory in the Corporate Service Department, a trajectory designed to optimize the efficiency, compliance and good corporate governance of the entire Municipality. This was achieved through an effective people-placement philosophy which is embedded on the principle of hiring and placing the right people in the right positions at the right time and effective decentralization of management authority and function.

### Management Structure Of Corporate Services



### INFORMATION TECHNOLOGY MANAGEMENT

#### IT Governance

The Accounting Officer is ultimately responsible for the information technology governance framework. The responsibility for implementation and monitoring of the information technology framework is delegated to the Corporate Services Department which ensures adequate management of information technology governance framework.

#### Business Continuity Plan

A Business Continuity Plan (BCP) is an organizational plan devised to ensure continuity of essential business services in the event of a disaster. To ensure continuity, the organization

is tasked with the responsibility of building contingency plans, computerized and/or manual. This past financial year, the organization crafted and completed the contingency plans with respect to its Information Technology operations. These plans outline the manual interventions required to restore essential computerized systems that host Operating Systems such as Microsoft Windows, Linux and Unix etc. In addition, functions and processes are documented and must be retrieved and made operational in the event of loss. The Disaster Recovery Plan (DRP) is a sub-component of this plan. The nature of this system requires ongoing review and adaptation. It is envisaged that the next stage will be the crafting of contingency plans for the Financial Department.



#### **Disaster Recovery Plan**

The Disaster Recovery Plan (DRP) is a component and part of the BCP and is a further step over and above the physical recovery of a computer system and its Operating Systems. It is specifically designed to ensure the protection of the organization's data. During the past financial year, the Municipality acquired "Platespin" to help achieve its DRP objectives. Together with KVM (a virtualisation tool), Platespin has the ability to clone servers creating a virtual "duplicate" of a server that hosts an Operating System and application software and data. The cloned systems are able to take over very quickly, in the place of the original server that is destroyed or becomes dysfunctional in the event of a disaster. In addition, the Municipality has also acquired new backup software that have enhanced the existing data backup systems currently in place.

#### **Information Technology Master Plan**

The IT Department engaged consultants to assist in the development and completion of the IT Governance Framework, the Charter and five-year Strategic IT / Master Plan. The Master Plan takes its lead from the Integrated Development Plan. These plans have now made the Municipality compliant with the Auditor General's requirements. With the ever changing face of technology, these plans are reviewed and updated regularly.

#### **IT Steering Committee**

The IT Steering Committee is a mechanism that assists those responsible for IT, to ensure that ongoing IT operations and systems are aligned with the Strategic /

Master Plan. In addition, IT related risks, projects, audit issues and required system changes are managed. The IT Steering Committee is chaired by the Municipal Manager and assisted by the IT Manager and Deputy Municipal Managers from each of the Departments. The IT Steering Committee sits at least once a quarter.

#### **INFORMATION MANAGEMENT OPERATIONS**

The Information Technology Management Department is responsible for the installation and maintenance of computerized hardware and software and as such must act as an enabler for all the other departments within uThungulu District Municipality to reach their objectives that are aligned with the approved IDP.

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

IT has vigorously implemented new technologies such as virtualization. This enables the implementation of several virtual servers on one physical host. The resultant savings are significant enabling IT to divert these savings to other projects that it was not able to embrace before. While this project was launched during the 2011-12 financial year it was continued with and completed in the past 2012-13 financial year. As part of this effort the financial system was migrated from a physical to a virtual server resulting in the improvement

of security, speed, performance and the ability to recover from possible disasters very quickly. Virtualization is also an enabler for a Disaster Recovery Plan (DRP). Significant progress was made in respect of the overall IT DRP which will be completed in the new year.

In addition, new improved email and electronic document and record management systems have been deployed. These new systems enable officials to access email and documents from anywhere in the world where the Internet is available. This will also give councilors and officials the ability to access the same information from any type of device that can connect to the Internet such as Tablets and other smart devices improving the ability to collaborate more easily and effectively.

There are approximately 200 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 program, IT will be upgrading it's Wide Area Network infrastructure and Internet bandwidth to facilitate the need to communicate more effectively with the community and remote sites. IT will also be developing workflow systems in a variety of ways so that previously manual processes will be speeded up as electronic methods are introduced.

**HUMAN RESOURCES MANAGEMENT**

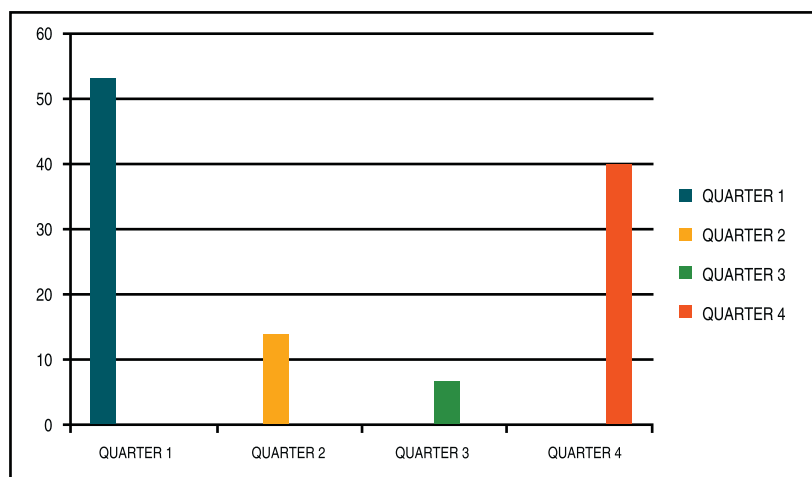
Human Resources is a value adding mainstream business partner within the organisation as well as in the development of human resources strategy which focuses on talent acquisition, development and retention.

**Recruitment, Selection And Placement**

The Municipality commenced the 2012/13 financial year with a high vacancy rate; amongst the positions that were vacant included the post of the Municipal Manager, Head of Corporate Services, Senior Managers in Finance and Planning & Development and a number of section managers such as the Human Resources Manager and Manager Administration.

The Municipality was able to fill all vacant positions in the top management level, senior management level and middle management level.

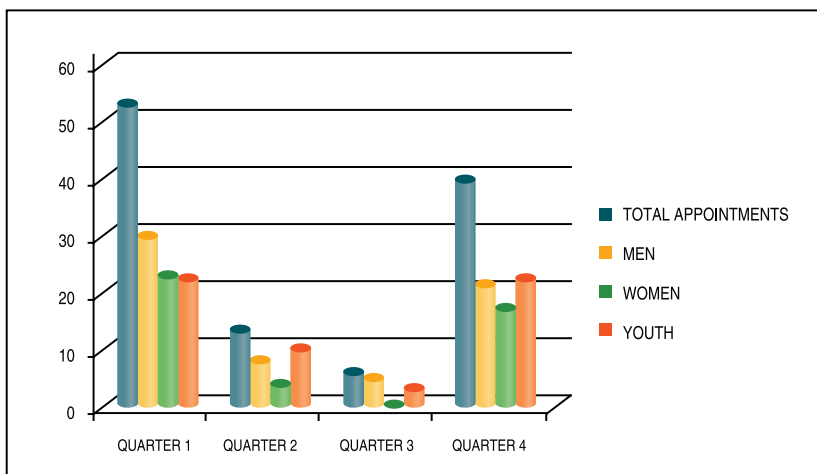
Recruitment processes were fine-tuned and administrative controls were introduced to eliminate errors and inaccuracies. The ethics of recruiting and the recruitment philosophy is embedded in the principle of hiring the most skilled and the best available in the skills markets.



**Employment Equity**

The municipality is on the last year of its three-year employment equity plan. For the current reporting period, the employment equity targets and numerical goals were submitted to the Department of Labour in January 2013.

The governance and oversight measures around employment equity are sound and effective. The governance structures that exercise oversight over the employment equity consist of the Employment Equity Committee, Local Labour Forum and the Corporate Service Portfolio Committee.

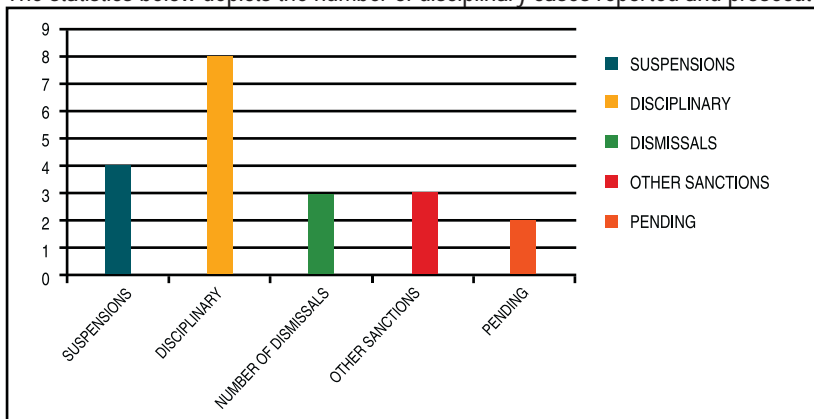


### Labour Relations

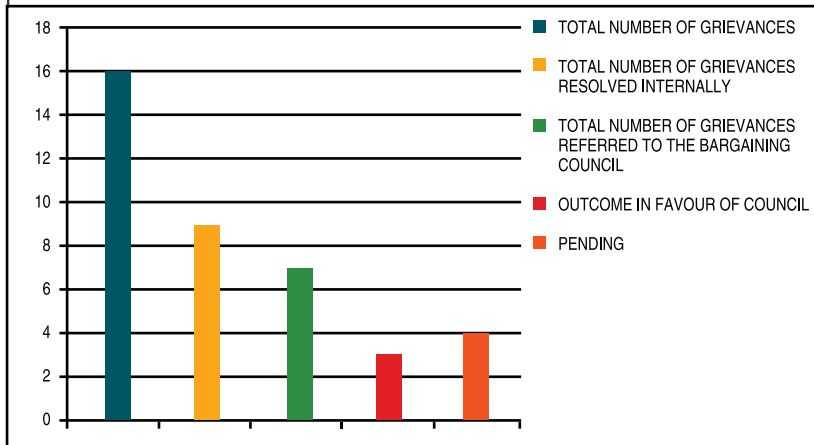
The effective management of labour relations is one fundamental success factor for any organisation. The ideal labour relations environment is not characterised by absence of dispute; instead it largely hinges on the effectiveness of the management of labour relations.

The statistics show that the labour relations temperature in the municipality is reasonably stable. The municipality turn-around times in the handling of disciplinary cases, is reasonable fair.

The statistics below depicts the number of disciplinary cases reported and prosecuted.



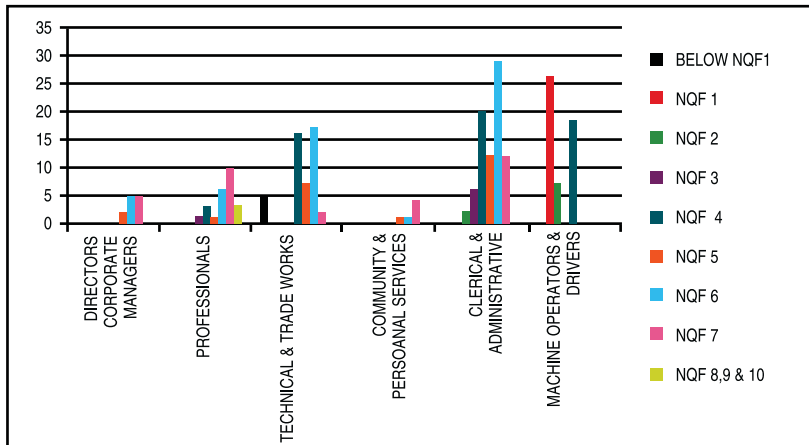
The other component of Labour Relations is dispute resolutions management. The constitution as supplemented by the Labour Relations Act remains the cornerstone of the labour relations management. The right to fair labour practice is paramount.



### Organisational Profile

Council for the 2012/13 financial year allocated and set aside R 1 345 557.00 for Councillors and Officials Training and Subsistence and Travelling. During the 2012/2013 financial year an additional amount of R 204 984.00 was added on the training vote, totaling R1 550 541.00. The amount spent in 2012/2013 financial year on actual training is R 1 055 910.33, the committed amount is R293 570 and the balance is R201 060.67.

The 2012/2013 Annual Training Report and the 2012/2013 Workplace Skills Plan was approved by the Training Committee at its meeting held on 28 June 2013 and was successfully submitted to LGSETA by the deadline of 30 June 2012. Levy grants totaling an amount of R165 772 were received from LGSETA for the period 2012/2013.



### Municipal Regulations On Minimum Competency Levels

DBSA is facilitating the Certificate Programme in Management Development for Municipal Finance. The training material has been validated by National Treasury. The training is part of the support provided by 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.

Table: EMPLOYEE NUMBERS

EMPLOYEES					
Description	Year -1	Year 0			
	Employees No.	Approved Posts No.	Employees No.	Vacancies No.	Vacancies %
Water (3.1)	139	164	136	28	16%
Waste Water (Sanitation)					
Electricity					
Waste Management (3.4)	5	9	9		
Housing					
Waste Water (Stormwater Drainage)					
Roads					
Transport					
Planning (3.10)	3	5	4	1	21%
Local Economic Development (3.11)	2	2	2		
Community & Social Services (3.12)	4	4	4		
Planning (Strategic & Regulatory)					
Cemeteries and Crematoriums (3.13)	9	9	9		
Special Programmes (3.14)	2	3	3		



EMPLOYEES					
Description	Year -1	Year 0			
	Employees No.	Approved Posts No.	Employees No.	Vacancies No.	Vacancies %
Environmental Protection (Pollution Control) (3.15)	1	1	1		
Health (3.19)	2	2	2		
Security and Safety					
Disaster Management (3.22)	5	5	4	1	11%
Sport and Recreation (3.23)	1	1	1		
Executive and Council (3.24)	5	5	5		
Financial Services (3.25)	43	74	57	17	22%
Human Resources (3.26)	9	12	11	1	3%
ICT Services (IT) (3.27)	4	6	6		
Legal, Risk Mngt & SCM (3.28)	14	14	14		
Corporate Policy Offices and Other	24	57	47	10	27%
<b>Totals</b>	<b>272</b>	<b>373</b>	<b>315</b>	<b>58</b>	<b>100%</b>

Headings follow the order of services as set out in chapter 3. Service totals should equate to those included in the Chapter 3 employee schedules. Employee and Approved Posts numbers are as at 30 June, as per the approved organogram.

**Table: VACANCY RATE**

VACANCY RATE: YEAR 0			
Designations	*Total Approved Posts No.	*Vacancies (Total time that vacancies exist using fulltime equivalents) No.	*Vacancies (as proportion of total posts in each category) %
Municipal Manager	1	0	0,00
CFO	1	0	0,00
Other S57 Managers (excluding Finance Posts)	3	0	0,00
Other S57 Managers (Finance posts)	0	0	n/a
Police officers	0	0	n/a
Fire fighters	0	0	n/a
Senior management: Levels 13-15 (excluding Finance Posts)	5	3	60,00
Senior management: Levels 13-15 (Finance posts)	3	1	33,33
Highly skilled supervision: levels 9-12 (excluding Finance posts)	18	3	16,67
Highly skilled supervision: levels 9-12 (Finance posts)	4	1	25,00
<b>Totals</b>	<b>35</b>	<b>8</b>	<b>22,86</b>

Note: \*For posts which are established and funded in the approved budget or adjustments budget (where changes in employee provision have been made). Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.

**Table: TURN-OVER RATE**

TURN-OVER RATE			
Details	Total Appointments as of beginning of Financial Year No.	Terminations during the Financial Year	Turn-over Rate*
Year -2	276	13	5%
Year -1	272	23	8%
Year 0	315	25	8%
Other S57 Managers (Finance posts)	0	0	n/a

\* Divide the number of employees who have left the organisation within a year, by total number of employees who occupied posts at the beginning of the year

**Table: HR POLICIES AND PLANS**

HR POLICIES AND PLANS				
	Name of Policy	Completed %	Reviewed %	Date adopted by council or comment on failure to adopt
1	Affirmative Action			As per Employment Equity Plan
2	Attraction and Retention	100%		12 March 2008
3	Code of Conduct for employees	100%		As per schedule 2 of Local Government
4	Delegations, Authorisation & Responsibility			No policy in place
5	Disciplinary Code and Procedures	100%		As per collective agreement
6	Essential Services	100%		No essential service agreement in place
7	Employee Assistance / Wellness	100%		As per national gazette
8	Employment Equity	100%	80%	12 March 2008. Reviewed 21 September 2011 - not approved by Council
9	Exit Management	100%		12 September 2007
10	Grievance Procedures	100%		As per collective agreement
11	HIV/Aids	100%		Date not available
12	Human Resource and Development			No policy in place
13	Information Technology	100%		13 September 2006
14	Job Evaluation			Implementation of JE will be dealt with in terms of a guideline document develop by SALGA and adopted by Municipalities.
15	Leave	100%	100%	06 December 2012
16	Occupational Health and Safety	100%		09 March 2011
17	Official Housing (RENTAL)	100%		21 August 2013
18	Official Journeys (S&T Policy)	100%		05 June 2012
19	Official transport to attend Funerals			No policy in place
20	Official Working Hours and Overtime	100%	100%	06 December 2012
21	Organisational Rights	100%		As per main collective agreement
22	Payroll Deductions			No policy in place
23	Performance Management and Development			No policy in place

HR POLICIES AND PLANS				
	Name of Policy	Completed %	Reviewed %	Date adopted by council or comment on failure to adopt
24	Recruitment, Selection and Appointments	100%	100%	14 December 2011
25	Remuneration Scales and Allowances			No policy in place
26	Resettlement			No policy in place
27	Sexual Harassment	100%		12 March 2008
28	Skills Development	100%		12 March 2008
29	Smoking	100%		12 March 2008
30	Special Skills (included in number 2)	100%		12 March 2008
31	Work Organisation			No policy in place
32	Uniforms and Protective Clothing			No policy in place
33	Other:			

Use name of local policies if different from above and at any other HR policies not listed.

**Table 4.3.5: Number and Cost of Injuries on Duty**

NUMBER AND COST OF INJURIES ON DUTY					
Type of Injury	Injury Leave Taken Days	Employees Using Injury Leave No.	Proportion Employees using Sick Leave %	Average Injury Leave per Employee Days	Total Estimated Cost R'000
Required basic medical attention only	13,5	4		4	60
Temporary total disablement	54	1			
Permanent disablement	16	1		3	
Fatal	0	0		0	
<b>Total</b>	<b>83,5</b>	<b>6</b>	<b>7%</b>	<b>17</b>	<b>60</b>

## COMMUNITY SERVICES DIRECTORATE

The Community Services Directorate is charged with the responsibility of executing the municipal programmes that are essential for the social development and well-being of communities. The services delivered through this Directorate are:

- Environmental Health Services
- Disaster Management and Fire-Fighting Services
- Air Quality Management
- Sport and Recreation
- Programmes for the marginalized:
  - Gender Equality
  - Disability Programme
  - Children's Rights
  - Programmes for the Elderly
  - Youth Development
  - HIV/AIDS Programme
  - Operation Sukuma Sakhe

## 1. ENVIRONMENTAL HEALTH SERVICES

The provision of Environmental Health Services is an ongoing activity that revolves around the theory and practice of assessing, correcting, controlling and preventing those factors in the environment that can potentially adversely affect the health of present and future generations.

The services rendered as part of Municipal Health Services, amongst others, include the following:

- Food safety and hygiene monitoring;
- Waste management and general hygiene monitoring;
- Health surveillance of premises;
- Vector control;
- Health education

### 1.1 Food safety and hygiene monitoring

Food premises inspections were conducted regularly to ensure that the public buys foodstuff that has not gone past its expiry date and is suitable for

human consumption.

Most of the outlets selling foodstuff were found to be complying with the health regulations. Wherever breaches were observed, they were immediately corrected. Foodstuff that was found to have expired or in damaged packaging material and no longer suitable for human consumption, was removed from the premises and taken to the landfill site for destruction.

### 1.2 Waste Management Inspections

This entailed the monitoring of waste management systems, which includes the mechanisms of disposing of refuse as well as medical and hazardous waste.

The purpose of these inspections is to ensure that the various categories of premises in the municipal area generate, store and dispose of waste in a manner that is responsible and consistent with the requirements of local waste management regulations. This is very important because if waste is not properly handled and disposed of, it could lead to outbreaks of various diseases in the community.

In this regard inspections were also regularly conducted to ensure that medical waste generated during the treatment of patients in various categories of health care facilities is stored and ultimately disposed of in such a way that it does not pose a health hazard to the community.

### 1.3 Health surveillance of premises

Various categories of premises were visited for health surveillance. The purpose of such inspections is to assess aspects such as overcrowding, ventilation, lighting, thermal quality, structural safety and other unsatisfactory health conditions that might exist in any permanent or temporary physical structure used for residential, business, or recreational purposes. This includes centers used for health care, detention, camping, etc. Corrective measures were instituted wherever unsatisfactory conditions were found.



### 1.4 Vector control

Vector control inspections were conducted at formal business premises to establish whether the premises had in place the measures to keep out pests which carry disease-causing organisms on their bodies. Corrective measures were instituted against businesses that were found not to be complying with the regulations.

### 1.5 Health education

Health education was conducted on an on-going basis for formal and informal business to help them conform to the health regulations of the municipality. In all the instances where a particular business was seen to be in contravention of the health regulations, the first step towards correcting the situation was to provide a health lecture to the owner or manager regarding the contravention.



## 2. DISASTER MANAGEMENT AND FIRE FIGHTING SERVICES

During the year under review, a number of disaster incidents were attended to by uThungulu Disaster Management Centre. The services of a company called Rural Metro continued to be used to manage and operate emergency services including Fire Fighting and the 24 hour Emergency Call Centre.

### 2.1 Disaster Incidents

A number of disaster incidents occurred in the district during the year under review. The biggest case was that which, separately, affected three different municipalities in the period from 11–15 August 2012. The municipalities that were affected were Ntambanana, Nkandla, and uMlalazi. In all three instances, it was a case of runaway fires which destroyed houses and thereby affecting families.



The first case was in the Nkwenkwe area under the Ntambanana Municipality. It was a case of runaway fires which destroyed houses and affected 16 families (87 individual people).

On the same day, 11 August 2012, runaway fires were also reported at the Nkandla Municipality. Sporadic run away fires continued to be reported in various parts of Nkandla Municipality until 14 August 2012. The affected areas of Nkandla included Mangidini, Mandaba, and Esibhudeni areas. Sixteen families (93 individual persons) were affected by the runaway fires.

In the uMlalazi Municipality runaway fires were also reported from 11 - 15 August 2012. In total, over the 5 day period, 52 families were affected (187 individual persons). The affected areas within uMlalazi were Masundwini, KwaKhoza, eZimpongo, Makhilimba, eManyameni, eZikoshi, Qwayinduku, Mankengane, Mhlathuzane, and eZingwenya.

Fortunately in all the cases listed above, there were no fatalities. Relief materials in the form of tents, blankets and mattresses were provided to the affected families. The relief materials of uThungulu were augmented by donations of blankets, food parcels, and items of clothing that came from organizations such as Red Cross, World Vision, Zululand Observer, the business community, church organizations and other groups of civil society. uThungulu coordinated the distribution of the materials.

Other than the disaster incidents mentioned above, there were a number of incidents affecting individual households during the course of the year. These include cases where individual households would have their houses gutted by fire due to accidents caused by candles left burning in the house or faulty electrical appliances. There were also cases of individual households being struck by lightning, therefore also leading to deaths through fire. In all such cases that were reported, the Municipality provided relief materials as deemed necessary by each situation.

## 3. AIR QUALITY MANAGEMENT

The Air Quality duties are carried out as prescribed in the National Air Quality Act of 2004 (Act 39 of 2004) ("AQA").

### 3.1 Licensing

The municipality is implementing the licensing function as prescribed in section 36 (1) of AQA. Numerous license applications as outlined in the table below were received during the reporting period. The high number is probably due to the deadline for submission that is prescribed in Section 61(2) (c); which was the 31 March 2013.

uTHUNGULU DISTRICT MUNICIPALITY ATMOSPHERE EMISSION LICENCE (AEL) STATUS				
COMPANY	NATURE APPLICATION	LISTED ACTIVITY	LOCAL MUNICIPALITY	COMMENTS
Engen Petroleum Richards Bay Depot	New Application:	2.2	uMhlathuze	Received, Site visit conducted, Under review
Richards Bay Minerals	Variation of APPA RC and addition of new activity	3.1, 3.4, 4.1, 4.2, 4.9, 4.10, and 5.1	uMfolozi	Received, Site visit conducted, Draft completed, awaiting additional information from the industry
Mondi Richards Bay	Variation of APPA RC and addition of new activity	1.1, 1.3, 2.2, 5.1, 7.2, 9.1, 9.2, and 9.4	uMhlathuze	Received, Site visit conducted, Under review
Mpact Felixton Mill	Conversion of APPA RC to AEL	Power Generation Process	uMhlathuze	Received, to be regulated under Section 23
FFS Refiners Richards Bay Tank Farm	New Application	2.2	uMhlathuze	Received
Tongaat Hulett Felixton Mill	Conversion of APPA RC to AEL	1.1, 1.3	uMhlathuze	Received
BHP: Hillside and Bayside	New Application	4.3	uMhlathuze	Received, requested additional information
Foskor	Variation of APPA RC and addition of new activity	7.2, 7.3	uMhlathuze	Drafting of the Atmospheric Emission Licence.
Foskor	New Application	5.1	uMhlathuze	Awaiting Record of Decision
Tongaat Hulett Ltd Amatikulu	New Application Renewable energy	1.3	uMlalazi	Received, requested additional information
Tongaat Hulett Ltd Amatikulu	Sugar Mill	1.3	uMlalazi	Received, Site visit conducted, Under review
Much Asphalt (Pty) Ltd	Conversion of APPA RC to AEL	5.8	uMhlathuze	Received
Jubane Petroleum	New	2.2	uMhlathuze	Received
Tronox KZN Sands	Conversion of APPA RC to AEL	Category 4 and 5	uMhlathuze	Received, Site visit conducted, Under review
Collateral Trading	Conversion of APPA RC to AEL	5.8	uMhlathuze	Received

### 3.2 Air Quality Management Plan

The Municipality has appointed a service provider to develop the District Air Quality Management Plan in compliance with section 15 (2) of AQA. The plan will be finalized by the end March 2014. The air quality management plan is to highlight the sources of pollution in the District and provide ways to monitor the impact into the environment.

## 4. SPORT AND RECREATION

The Sports event in which uThungulu participates every year is the SALGA KZN Games. In 2012 these games were held in the uThukela District Municipality from 7 - 10 December 2012. The Municipality fielded teams in 13 out of the 15 Sport codes of the competition. The codes in which uThungulu did not participate were Tennis and Table tennis.

As part of its preparations for the SALGA games, uThungulu District Municipality organized a 6 day camp for the athletes, which was held at the University of Zululand from 1 - 6 December 2012.

Even though the camp was only for six days it did however serve the purpose for which it had been organized. Codes did engage in practice sessions and the teams' morale was lifted. uThungulu Team departed for uThukela in the morning of Friday, 7 December 2012.

uThungulu District Municipality performed relatively well in the games. Out of the 10 districts and one metro that partici-

pated, uThungulu got position 3 overall.

The uThungulu sports codes that did relatively well are as follows:

CODE	POSITION
Boxing	Gold
Volleyball Males	Gold
Football Females	Silver
Netball Men	Silver
Netball Women	Silver
Rugby Females	Silver

The overall results were as follows:

- 1st Position - Ethekewini Metro
- 2nd Position - Amajuba District Municipality
- 3rd Position - uThungulu District Municipality

The SALGA KZN Games play an important role in the development of the youth within the districts and the province. Through these games young talent is unearthed, nurtured, and given exposure as young athletes get a chance to represent their municipalities in different sporting codes.

## 5. YOUTH DEVELOPMENT

The Youth Development programme suffered in that for the greater part of the year the Youth Structure was not in place. However, in May 2013, a Youth Summit was held where amongst other things the District Youth Council was established. A Youth Development Plan was also crafted at the Summit.

During the month of June 2013 various activities were conducted as part of the Youth Month celebrations. Some of the activities that uThungulu District Municipality supported are as follows:

### 5.1 Youth Parliament

uThungulu Youth Council was represented by two representatives at the Youth Parliament that was convened by the KZN Legislature. The Youth Parliament was held at uPhongolo under the Zululand District Municipality. uThungulu carried the cost of accommodation for the two Youth Council Members.

### 5.2 Provincial Youth Day Commemoration

The Premier's Office invited the Youth of uThungulu District Municipality to be part of a Youth Day commemoration held at Phelandaba Sport Field in

Madadeni Township. The Premier's Office allocated two buses to transport the youth and uThungulu had to procure an additional two. In total 4 buses were used to transport the Youth of uThungulu to the Youth Day Commemoration at Madadeni.

### 5.3 Umgubho Youth Festival

A proposal was received from Nasisipho Trading and Projects to stage what they called "Umgubho Youth Festival". The event was held at the uMhlathuze Sports Complex in the evening of 16 June 2013.

### 5.4. Trip to Grahamstown

A group of young people known as Ubuhle BoMzimkhulu, from Mfolozi Municipality, had to go on a trip to Grahamstown to participate at the National Arts Festival. uThungulu District Municipality assisted with transport to have Ubuhle BoMzimkhulu participate at the Grahamstown Arts Festival.

## 6. PROGRAMMES FOR THE MARGINALIZED AND OPERATION SUKUMA SAKHE

The programmes for the marginalized include various projects that fall under what is termed "Special Programmes". These include programmes targeting the Senior Citizens, the disabled, children, gender issues, HIV/AIDS, and all other programmes that seek to address various social ills. Amongst the activities that were conducted to benefit the marginalized groups during the year under review are as follows:

### 6.1 International Mandela Day - 18 July 2012

uThungulu Staff and Councillors organized themselves into several teams that separately went out to visit homes of senior citizens and assisted them with various domestic chores and gave them some gifts. The elderly at Nseleni, Mandlazini, Ntambanana were visited and presented with gifts. The Senior Citizens visited include Gogo Mthiyane who was ultimately handed a house in December.

### 6.2 Women's Day Events - August 2012

- A seminar was conducted during the month of August 2012 for Widowed women.
- A dialogue session was held between Mothers-in-law and daughters-in-law to bridge the generational gap and enhance social cohesion.
- A Seminar on Financial Management was conducted for women. This sought to address and contribute towards the economic empowerment of women.

### 6.3 Healing of wounds events

The First of these events was held at Ntambanana



Municipality on 7 October 2012. It centered around road accidents awareness. It was about remembering loved ones who died due to road accidents. It also involved, amongst other things, sharing information with victims of road accidents on how to lodge claims with the Road Accident Fund.

The second event was held at EmaNkwanyaneni in the uMlalazi Municipality. This one centred around the killings that had taken place at Ngudwini on 4 August 2012. A Peace Pledge was signed by Izinduna ZeziNsizwa to ensure future stability in the Ngudwini area.

#### 6.4 16 Days of Activism

The pre-launch event was on 23 November 2012, in the uThungulu Council Chamber, where candles were lit. This event involved uThungulu Staff and was also graced by the representatives of the Corporate Sector and Civil Organizations. The main launch was on 27 November 2012 at Bambisanani Hall in the Nkandla Municipality.

#### 6.5 World Aids Day

The World Aids Day was successfully commemorated on 1 December 2012. It was hosted at Mthonjaneni Municipality.

#### 6.6 Handing Over of Gogo Mthiyane's House

A fully furnished house was handed over to Gogo Mthiyane on 14 December 2012. The house was built at the initiative of the Honourable Mayor T.V.B. Mchunu with the assistance of the Honourable Pre-

mier, Dr Zweli Mkhize. The corporate sector also contributed towards building and furnishing the house.

#### 6.7 Civil Society Organizations Workshop

The Civil Society Workshop was held on 14 February 2013. This involved the capacitation of Civil Society Organizations, encouraging them to establish Civil Society Forums.

#### 6.8 Consultative Workshop for People Living With HIV & AIDS

A workshop to capacitate PLWHA on the establishment of PLWHA Forums was held on 15 February 2013.

#### 6.9 Sign Language Training

The Sign Language training was conducted from 12 - 15 February 2013 as an initiative to bridge the communication gap between those who can hear and talk and those who can not. The venue for the training was the Veld en Vlei Hall in Richards Bay.

#### 6.10 Senior Citizens Christmas Party

Two functions were held for the Senior Citizens to celebrate Christmas.

The first celebration was held at KwaSokhulu where the Senior Citizens received food hampers that were provided by the company Richards Bay Minerals (RBM). Other companies like Bell Equipment and Foskor made financial contributions to make this event a success. The Deputy Mayor addressed the Senior Citizens at this function.

The second function, which was the main function, was held at the uThungulu House in Richards Bay. At this function, Senior Citizens who had been transported from the various local municipalities were addressed by the Mayor and also given presents.

#### 6.11 Senior Citizens Health Awareness Day

The Senior Citizens Awareness Day was held on 12 February 2013 at the Mfolozi Local Municipality Council Chambers. This kind of event is held yearly to promote healthy living lifestyles for Senior Citizens.

#### 6.12 School Uniform Project

This was one of the big events for the Municipality in the 2012/13 financial year. More than a thousand needy pupils received school uniforms through this project. The uniforms were sourced mainly through funding raised by a company known as Mbawula Investments that had amongst other things organized New Year's Eve and New Year's Day Fund



Raising Events for the purchase of school uniforms. Donations were also received from the corporate sector, mainly Foskor and BHP Billiton. Each beneficiary child received a full set of school uniforms to the value of R500.

#### **6.13 Men's Sector Prayer Event**

A Prayer Event was held on 16 March 2013 at the uMhlathuze Sports Complex. The aim of the prayer day was to pray against all the social ills that are affecting the society at large.

#### **6.14 Human Rights Day**

The Human Rights Day Celebration was held on 21 March 2013 at Ward 2 of Ntambanana Municipality, at Mkhahlwini Primary School.

#### **6.15 The Wonder Pot Project**

This is another big project that targets unemployed people, mainly Women, Youth, and People with Disabilities. The project involves teaching people how to make the Wonder Bags. Start-up materials and sewing machines were distributed to the communities as part of the project. The project is about creating job opportunities, helping save electricity, prevention of unnecessary household fires, and promoting healthy lifestyles. The project has been rolled out to all 6 Local municipalities of the District and will be expanded in the new financial year to reach all the corners of the local municipalities making up uThungulu District.

#### **6.16 War Rooms**

Throughout the year under review, the establishment of War Rooms and ensuring their functionality was kept high on the agenda. Ninety eight out of 99 War rooms were established. The Municipality undertook to establish and equip a Model War Room at each of the 6 municipalities of uThungulu District. Desks and chairs obtained from the Premier's Office were distributed to the 6 War Rooms. Computers and printers were also procured and installed at the 6 model War Rooms.

### **7. ASSISTANCE TO INDIGENT HOUSEHOLDS**

On an ongoing basis, very poor households are identified and provided with food parcels and, the children thereof, with school uniforms. Many indigent households were also assisted to bury their loved ones under the Indigent Burial Programme of the Municipality.

## CHAPTER 5: Financial Performance



**Deputy Municipal Manager:  
Financial Services**  
Cheryl Reddy

### 5.1 DEPARTMENT OF THE DEPUTY MUNICIPAL MANAGER: FINANCIAL SERVICES

#### SECTION: REVENUE

With an active debtor database of 30 279 debtors (28 523 – 2012) the revenue department is tasked with ensuring that all consumed services are billed for and payment thereof 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 open an account, 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 Amakosi, Induna's, Ward Councillors and other community elected members of leadership, wherein matters pertaining to future developments, issues with water supply 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 department plays a crucial role in ensuring that we not only 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, as many of them became victims of poverty and unemployment. This fact has harshly affected our revenue collections for services as many of our residents are unable to meet their financial obligations.

A noticeable trend has emerged amongst many consumers, whereby they delay their monthly payments up until before the point of water restrictions and penalties. This cash flow mechanism by consumers has been a cause of concern over the past year, and has been partially addressed through more rapid forms of communication, such as SMS's.

Though some improvements have been noted, the exploration of more aggressive methods needs to be considered in the new year. In taking consideration of the plight of the poor residents within the District, Finance, has focused concerted efforts in promoting Council's indigent policy which is aimed

at providing free and subsidised services to our poor residents.

As at 30 June 2013 there were 1223 registered indigents who benefited from the lucrative benefits as afforded in terms of the approved Indigent policy. This feat has been accomplished with only one dedicated indigent officer who has to, in addition to promoting the policy with the aim of attracting future indigents, 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.

The District has in the past year been faced with the tremendous challenge of complying with National Treasury's directive concerning cost reflective tariffs whilst at the same time ensuring that we charge affordable tariffs.

Considering the vast jurisdiction of the District, the cost of providing water is very high and we could not pass on these costs to our already impoverished consumers. The roll-out of prepaid water meters in the forthcoming years will greatly assist in reducing the cost for water services.

We have conceptualized an innovative process where our head office staff are taken out of the conventional office environment and taken to temporary set up offices within the various suburbs that we service. These sessions 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 20 workshops. Furthermore with the assistance from ward Councillors our staff have visited frail customers at their homes and assisted with the application of indigency processes.

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

#### Workshops held 2012/2013

Number	Area/Debtor	Date
1	Canaan (Mbonambi)	01 September 2012
2	Mabhuyeni (Mbonmbi)	02 September 2012
3	Thubulethu	20 September 2012
4	Oswanini	08 September 2012
5	Department of Education	21 September 2012
6	Department of Public Works	26 October 2012
7	Kingdinizulu	20 November 2012
8	Nkandla	27 November 2012
9	Nzalabanthu	29 November 2012
10	Melmoth Businesses	05 December 2012

Number	Area/Debtor	Date
11	Gingindlovu Sports Club	29 January 2013
12	Department of Education	30 January 2013
13	Nzalabathu Ward 6	5 March 2013
14	Nzalabanthu Ward 14	8 March 2013
15	Mpushini Park	13 March 2013
16	Thubalethu	14 March 2013
17	Kingdinizulu	5 May 2013
18	Eshowe	30 May 2013
19	Gingindlovu Business	20 June 2013
20	Eshowe	30 June 2013

In addition to the billing and collections for water and sanitation services the department is also responsible for the billing and credit control component of 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 tariffs 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 2013 inflationary tariff increase guided by National Treasury.

Council has further recognised that it has to explore additional sources of income in order to remain economically viable and in this regard, special projects are currently in progress, such as the Fresh Produce Market and Biogas project. These will be sources of further revenue. The transfer of the air quality monitoring functions from the Umhlatuze Local Municipality, will also contribute to our future income streams, however as this function comes with considerable costs, we would once again be placed in a situation where these tariffs

may not be cost reflective.

### Tariff Increases for water last four (4) years

	2013	2012	2011	2010
Water	5.6%	5.40%	10%	10%

### Future Revenue Generation Initiatives

In an effort to reduce the 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 Technical is currently finalising a contract with a service provider for prepaid meters / water management devices.

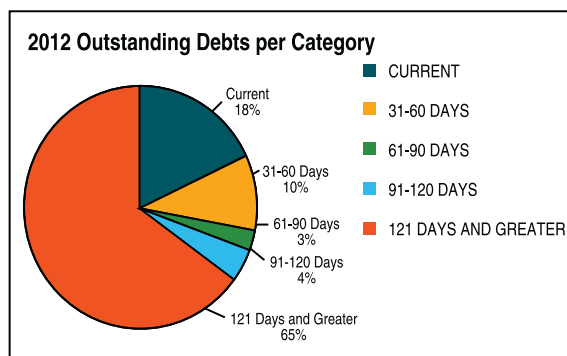
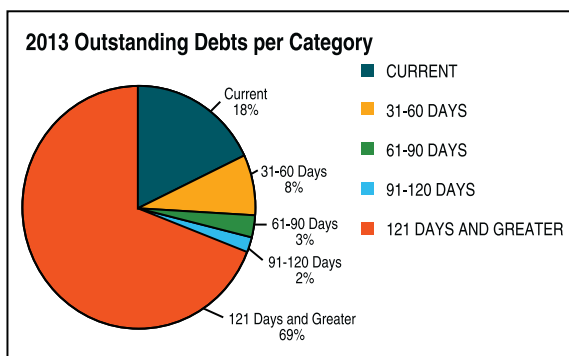
These systems allow consumers to enjoy the full benefit of the free monthly water allocations and have the freedom to purchase additional units of water as and when required by the household. A series of public awareness campaigns and educational programs will be facilitated in the months prior to the roll out of the prepaid meters. It should be noted that the new technology which is aimed at reducing long term costs does come at considerable prices. In this regard the roll out of the prepaid meters will be a long term project subject to budget availability. However in order to address growing arrears, the first phases of installation will be the suburbs wherein the most considerable arrears are prevalent.

### Revenue statistics

The tables and graphs below depict the statistical analysis of the consumer age analysis as at 30 June 2013 as compared to the previous year (2012).

### Outstanding Debtors

	2013		2012	
	R 000'	%	R 000'	%
Current	8.4	18.1	6.8	18.0
31 – 60 Days	3.8	8.1	3.9	10.0
61 – 90 Days	1.3	2.8	1.0	3.0
91 -120 Days	1.0	2.1	1.7	4.0
121 Days and Greater	31.9	68.9	24.6	65.0
	<b>46.4</b>	<b>100</b>	<b>38.1</b>	<b>100</b>



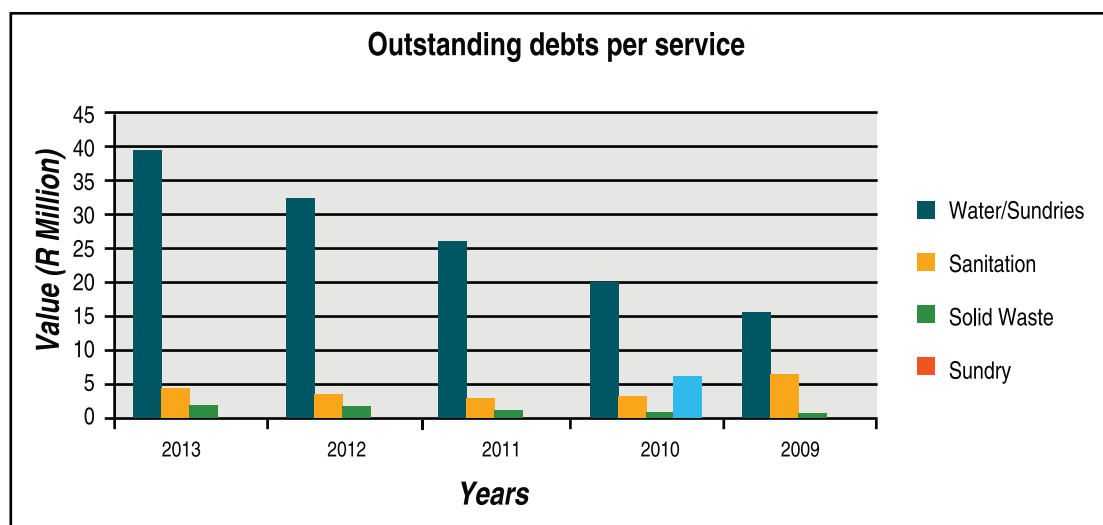
The above table and graphs indicate that the category of debts in excess of 121 days has increased by 4%. These debts emanate predominately from rural and semi rural areas, where debt collection poses challenges, Council has in this regard investigated Smart Meters /Prepaid Meters which would serve as a tool to circumvent the rising debt from the rural sector.

#### Age Analysis per Service as at 30 June

Debtors	2013	2012	2011	2010	2009
Water / Sundries	39.6	32.6	26.6	20	16
Sanitation	4.5	3.6	3.2	3.7	7
Solid Waste	2.3	2.0	1.5	1.3	1
Sundry	0	0.0	0	6.6	0
	<b>46.4</b>	<b>38.1</b>	<b>31.3</b>	<b>31.6</b>	<b>24.0</b>

The most significant increase in debts emanates from water services. The increase in the number of debtors over the past year by 1756 comprises debtors primarily from rural water schemes. Collections from this category of debtors are problematic and are costly due to logistical issues. Council has 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 further reduce costs and improve collections.

In this regard Council has approved the implementation of a program, whereby community members shall be enlisted to facilitate meter readings and water restrictions. The roll out of this program will commence after an initial 6 month pilot program, intended to highlight future challenges and risks.



**Actual collections against pre-determined targeted collections**

	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4
Targeted Collection	80%	80%	80%	80%
Actual Collection	102%	95%	85%	82%

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.

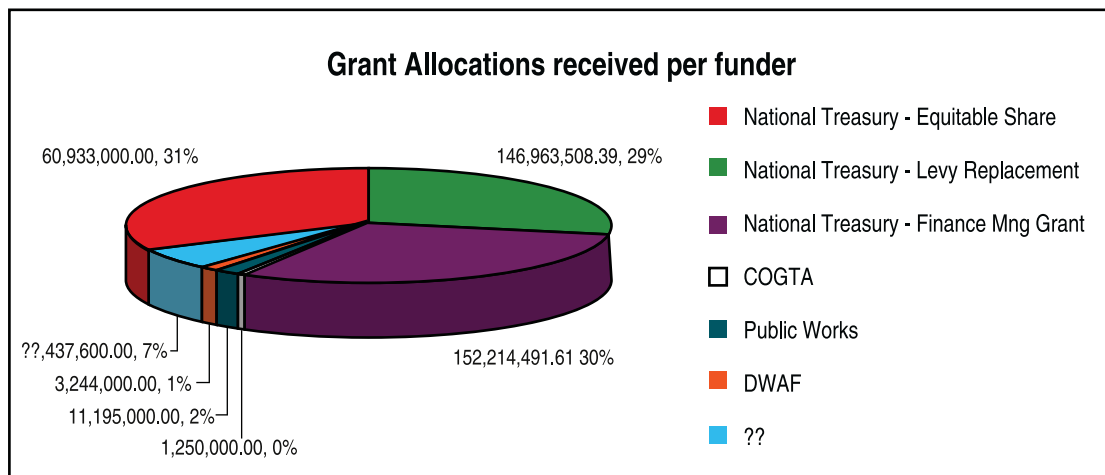
The municipality has in compliance with section 124 of the MFMA managed the debts owed by individual Councillors to the municipality and as at 30 June 2013 no councillors of this municipality had arrears for municipal services.

**Grants and Subsidies**

Grant allocations to the value of R 511 237 600 was 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 determined alternate mechanism to generate internal revenue.

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



Grant allocations to the value of R 582 042 063 were received from various funders during the 2012/2013 financial year. The allocations comprise conditional grants of R 253 280 063 and unconditional grants of R 328 762 000. Of the total allocations received to date an amount of R 570 231 388 was spent during the year. Included in the annual allocation is an amount of R 165 913 000, being a levy replacement grant. This grant is an interim measure to maintain the financial viability of district municipalities until the National fiscus has determined an alternate mechanism to generate internal revenue.

**Debtors**

A contentious issue attracting considerable publicity in the past year was the amount of debt owed to South African Municipalities. Collection of municipal debt has always been a challenging task with consideration to the fact that 80% of our

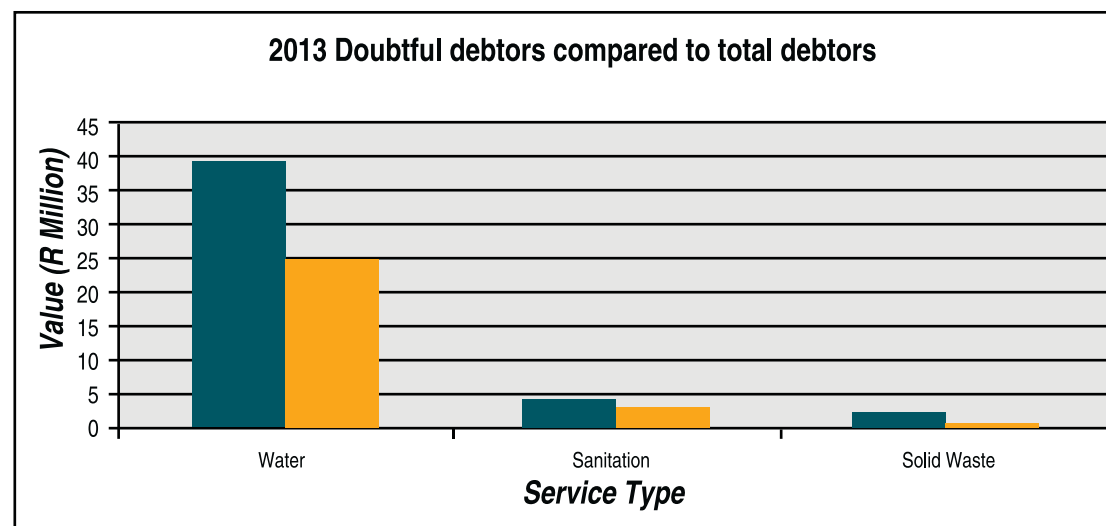
residents are rural and poverty stricken. Adding further challenges is the slow recovery from the worldwide recession that has rendered many of our residents in a less favorable financial position. In the year under review no motivations were made to Council with regards to the write-off of debt.

The annual collection rate of 92% bears testimony to our efforts in implementing our credit control policy. Of the total billed revenue in 2012/2013 9% remained uncollected with a rand value of R 4M, which has been accounted for as a provision for bad debts. In the collection of debts, we have not been legally challenged by any debtor nor subject to any negative publicity in the 2012/2013 financial year.

The total provision for doubtful debts amounted to 71 % of consumer debtors in 2013 (66 % 2012). This prudent provision is based on GRAP standards.

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

	2013		2012	
	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4
Water	39.6	25.7	32.6	21.6
Sanitation	4.5	3.3	3.6	2.7
Solid Waste	2.3	0.4	2.0	1.0
	46.4	29.4	38.1	25.2

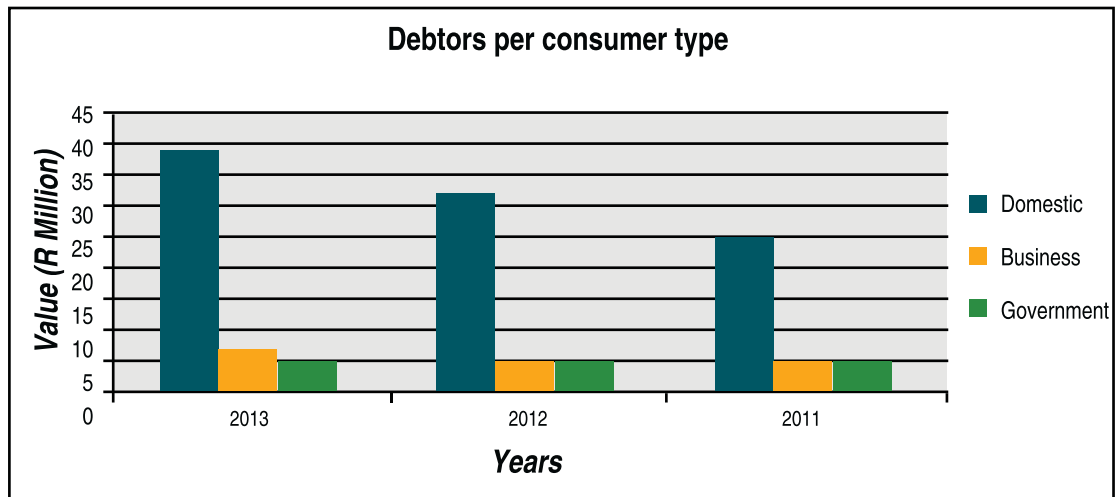


It is noted that in 2013 outstanding government debt constituted 8% of the total outstanding debtors (11.8% -2012). Assistance from the office of the Mayor, the MEC Provincial Treasury and National Treasury has been forthcoming in this regard, and it is envisaged that with their interventions we would be able to curb arrear government debts from increasing.

#### Debtors per Consumer Type

	2013	2012	2011
Domestic	35.5	28.7	22.1
Business	6.1	5.0	4.5
Government	4.8	4.5	4.8
	46.4	38.1	31.3

The significant increase in the domestic sector is due to the additional rural consumers where conventional debt collections are not possible due to it being costly to 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 cashflow requirements whereby the expenditure and receipts of funds are analysed so as to utilize unused funds in generating interest income. It must be noted that the value of investments does 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 2013, Council's total loan obligation was R113 911 221. Loan repayments 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 2013

### Schedule of Investments

FINANCIAL INSTITUTION	MATURITY DATE	INVESTMENT AMOUNT
ABSA	10/07/2013	R 20 000 000
ABSA	26/07/2013	R 20 000 000
ABSA	09/09/2013	R 30 000 000
NEDBANK	CALL	R 10 000 000
NEDBANK	04/07/2013	R 20 000 000
NEDBANK	11/07/2013	R 40 000 000
NEDBANK	23/07/2013	R 20 000 000
NEDBANK	12/08/2013	R 20 000 000
STANDARD BANK	02/08/2013	R 40 000 000
INVESTEC	24/07/2013	R 50 000 000
INVESTEC	08/08/2013	R 40 000 000
INVESTEC	12/08/2013	R 20 000 000
INVESTEC	22/08/2013	R 20 000 000
INVESTEC	11/09/2013	R 20 000 000
		<b>R 370 000 000</b>

### 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 dedication 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 clean audit, not just for 2014 but for 2014 and beyond. The capacitation 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. The key findings of the rating expressed by Global Credit Rating Co. can be summarized as follows:

SECURITY CLASS	MEANING	08/09 RATING	09/10 RATING	10/11 RATING	11/12 RATING
Short Term	Very high certainty of timely payment. Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.	A1 -	A1-	A1 -	A1
Long Term	High credit quality. Protection factors are good. However, risk factors are more variable and greater in A- periods of economic stress.	A-	A-	A -	A

- Short Term Debt Rating Scale – rates an organization'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 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 was awarded an (A1 short term credit rating) and an (A long term credit rating), which is an improvement from the previous years rating; furthermore the Municipality has received a stable rating outlook.

### **Key financial ratios**

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

RATIO	2013	2012	2011
Current ratio	2.4:1	2.4:1	1.8:1
Days cash on hand	354	327	354
Employee costs	21%	22%	23%
Borrowings Increase/ (Decrease)	(24.4)mil	(2.3) mil	(1.5) mil
Debt coverage	19.32	5.91	6.95
Cost coverage		10.73	11.80

**Repairs and Maintenance Budget**

	BUDGET	ACTUAL	BUDGET	ACTUAL
	2012/2013		2013/2014	
Vehicles, Buildings & Other	1 750 442	1 361 009	1 525 304	1 819 268
Water & Sanitation Infrastructure	43 903 696	42 624 466	38 815 413	42 425 338
<b>TOTAL</b>	<b>45 654 138</b>	<b>43 985 475</b>	<b>40 340 717</b>	<b>44 244 606</b>

**SECTION: EXPENDITURE**

The Expenditure Section is structured into several subsections 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 act, safekeeping and recording of Municipal's assets as well as the accurate and timeous payment of staff salaries.

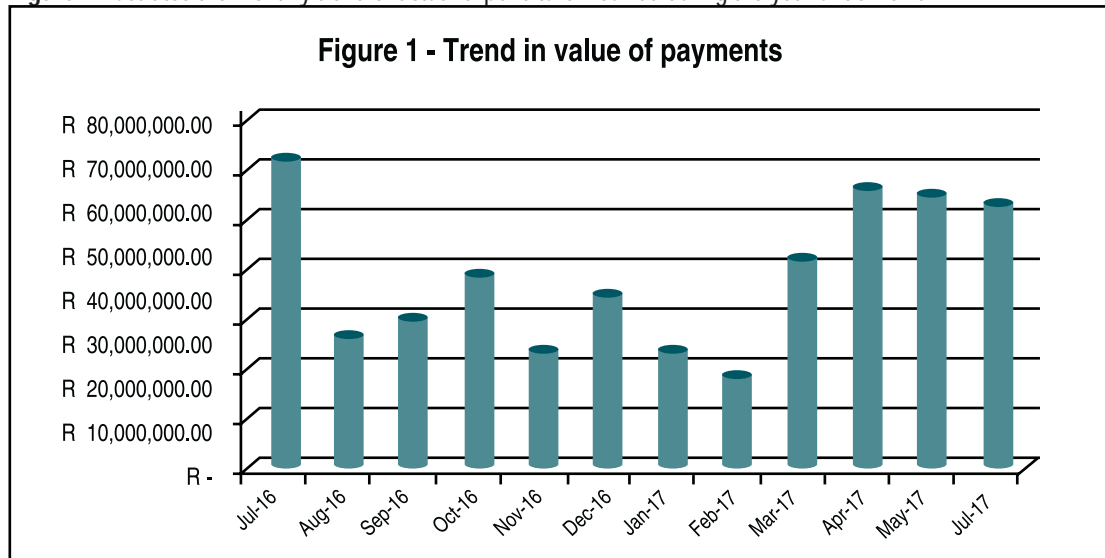
The core vision of the expenditure section is, with very limited resources, to settle payments timeously and ensure that payments are valid, accurate and are in accordance with the statutory bodies such as SARS, National Treasury etc.

The department also attempts to pay the SMME's within 2 weeks of receipt of invoices, to assist the small businesses to manage their cashflows. The challenges faced by the department is that of the 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 PAYMENTS FOR THE YEAR		
PERIOD		Value of Payments
2012	July	R 71,136,297.53
	Aug	R 30,889,629.14
	Sept	R 35,204,396.05
	Oct	R 44,749,497.84
	Nov	R 28,213,092.73
	Dec	R 40,402,394.53
2013	Jan	R 28,002,285.06
	Feb	R 22,584,306.78
	March	R 48,655,440.74
	April	R 64,726,488.38
	May	R 63,263,634.19
	June	R 61,035,828.95

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



### 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 management of the Chief Financial Officer and asset managers to ensure safeguarding, accurate recording and movement of assets. However the stewardship rests with the respective Deputy Municipal Managers.

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. 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 - CAPITAL EXPENDITURE FOR THE YEAR		
PERIOD		Value of Payments
2012	July	R 0.00
	Aug	R 0.00
	Sept	R 18 127 126.79
	Oct	R 7 311 458.54
	Nov	R 6 421 030.18
	Dec	R 14 817 366.48
2013	Jan	R -176 935.74
	Feb	R 6 558 968.41
	March	R 27 494 585.60
	April	R 20 329 807.81
	May	R 23 052 486.60
	June	R 49 517 210.67
<b>TOTAL</b>		<b>R 173 453 105.34</b>

Figure 1 illustrates the trend in Assets Additions for 2012/13 financial period.

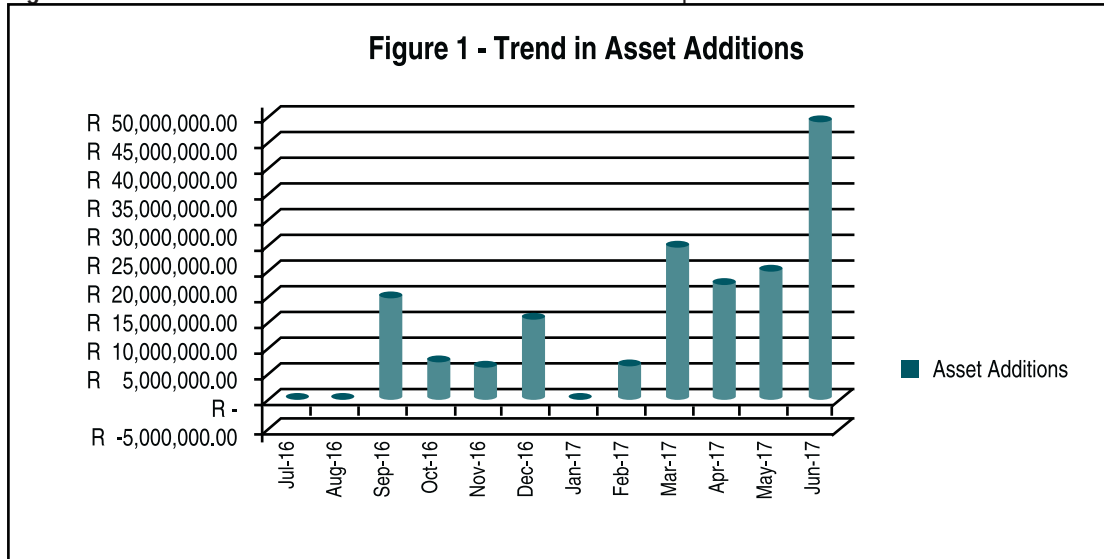
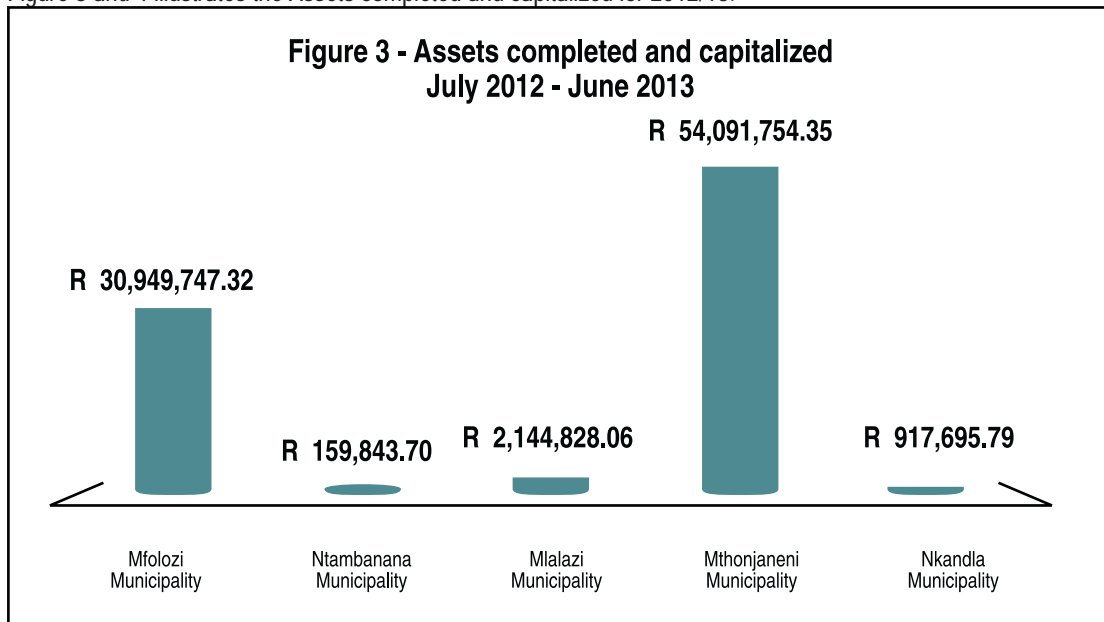


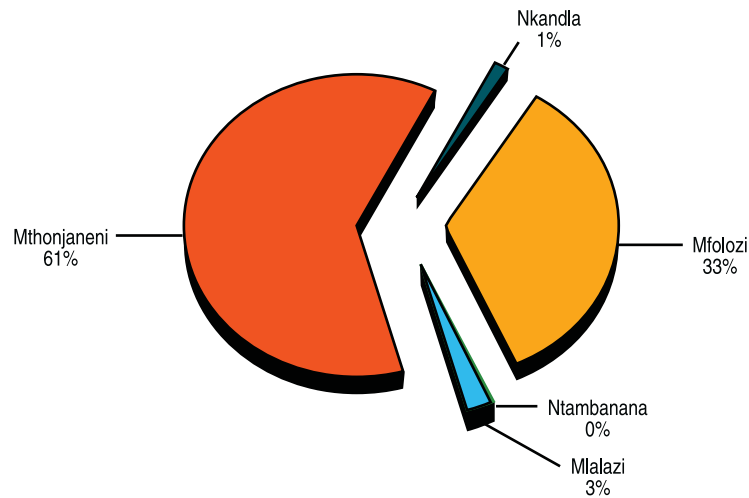
Table 2 provides a schedule of assets completed and capitalized during the year under review of each Local Municipality under uThungulu area of jurisdiction.

Table 2 - ASSETS COMPLETED AND CAPITALIZED		
LIST	DESCRIPTION OF MUNICIPALITY	VALUE
1	uMlalazi Local Municipality	R 2,144,828.06
2	Mfolozi Local Municipality	R 30,949,747.32
3	Ntambanana Local Municipality	R 159,843.70
4	Mthonjaneni Local Municipality	R 54,091,754.35
5	Nkandla Local Municipality	R 917,695.79
<b>TOTAL</b>		<b>R 88,263,869.22</b>

Figure 3 and 4 illustrates the Assets completed and capitalized for 2012/13.



**Figure 4 - Trend in Assets Capitalized and Completed  
July 2012 - June 2013**



### Payroll

The payroll section manages the salaries and wages to permanent and contract staff. In 2012/2013, the value of Salaries and Wages constituted 21% of the operational budget which is favorably below the National treasury guideline of 30%. Councillor salaries are determined in accordance with the regulations of COGTA, based on the grading structure.

### 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 (Schedule of key deadlines) sets out the targets to be met by the Municipality's administration as well as Council in the process of compiling the Medium Term Budget for the succeeding year. uThungulu District Municipality's 2012/2013 Medium Term Revenue and expenditure Framework (MTREF) was tabled before Council on 28 March 2012.

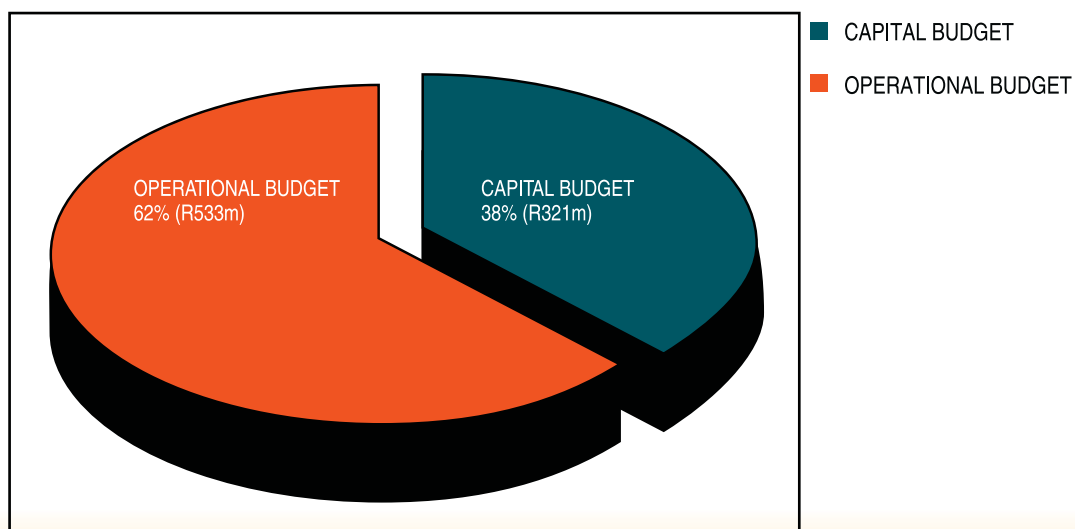
Subsequently the municipality engaged in an in depth budget participation process with the Budget and IDP road shows being held in various locations within the 6 local municipalities of uThungulu District. It was great to note that communities are gradually becoming more keenly involved in the budget participatory process. These roadshows help improve the communities' understanding of the municipal Budget process. The roadshows are held biannually during October & November before approval of draft budget as well as in April and May after the approval of the draft budget.

Arising from the community participatory processes the views of the community were then taken into account and were incorporated into the Final 2012/2013 Medium Term Revenue and Expenditure Framework (MTREF) which was approved by Council on the 30th May 2012. Below is a summary of the last approved adjustments budget which served before Council on the 29th May 2013. .

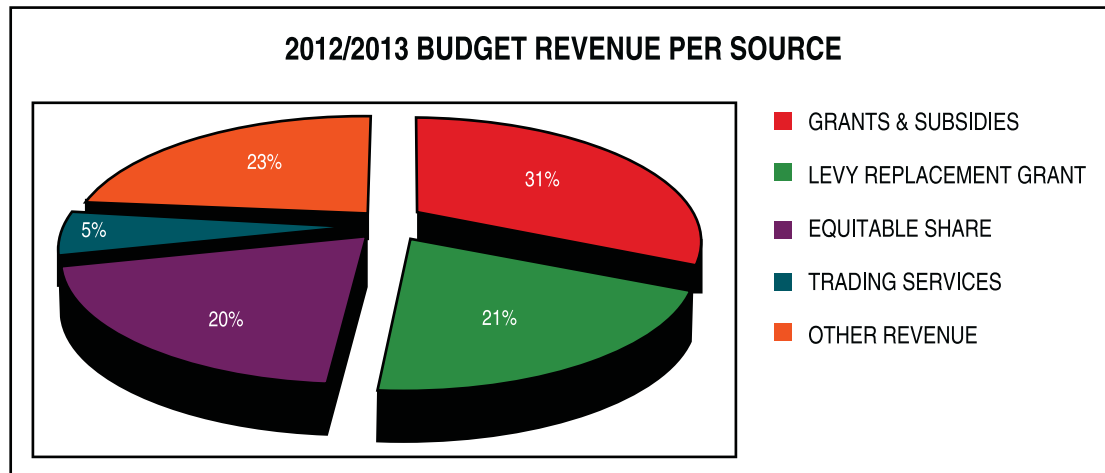
2012/2013 ADJUSTMENT BUDGET SUMMARY					
	APPROVED BUDGET	PRE ADJUSTMENT VIREMENTS	MAY 2013 ADJUSTMENT	CURRENT VIREMENTS	ADJUSTED BUDGET
Revenue by Source					
- Grants & subsidies	254 585 461		373 800		254 959 261
- Equitable share	162 849 000				162 849 000
- Levy replacement Grant	165 913 000				165 913 000
<b>Total Government Grant &amp; Subsidies</b>	<b>583 347 461</b>	<b>-</b>	<b>373 800</b>	<b>-</b>	<b>583 721 261</b>

2012/2013 ADJUSTMENT BUDGET SUMMARY					
	APPROVED BUDGET	PRE ADJUSTMENT VIREMENTS	MAY 2013 ADJUSTMENT	CURRENT VIREMENTS	ADJUSTED BUDGET
Public Contributions					
- Richards Bay Minerals	2 000 000				2 000 000
- Foskor	160 000				160 000
- Bell Equipment	20 000				20 000
- BHP Billiton	-		50 000		50 000
- Eyethu Engineering	-		9 750		9 750
<b>Total Public Contributions</b>	<b>2 180 000</b>	<b>-</b>	<b>59 750</b>	<b>-</b>	<b>2 239 750</b>
- Sundry Income	7 528 723		235 887		7 764 610
- Interest Income	27 111 441				27 111 441
<b>Total Other Income</b>	<b>34 640 164</b>	<b>-</b>	<b>235 887</b>	<b>-</b>	<b>34 876 051</b>
Trading Services	43 768 829				43 768 829
Provision for Rehabilitation - Solid Waste Site	7 600 000				7 600 000
Borrowings	16 641 229				16 641 229
Prior Year Grant Funding	37 971 860				37 971 860
Project Rollovers - Internally Funded Projects	48 056 265		773 105		48 829 370
Surplus Brought Forward (2011/2012)	35 944 203				35 944 203
<b>Total Revenue</b>	<b>810 150 011</b>	<b>-</b>	<b>1 442 542</b>	<b>-</b>	<b>811 592 553</b>
Expenditure					
Operational Budget	381 051 174	-200 000	-	1 209 884	382 061 054
Operational IDP	154 195 314	200 000	1 442 542	-5 294 884	150 542 972
Capital IDP & Internal Movable Assets	316 903 523	-	-	4 085 000	320 988 523
<b>Total Expenditure</b>	<b>852 150 011</b>	<b>-</b>	<b>1 442 542</b>	<b>-</b>	<b>853 592 553</b>

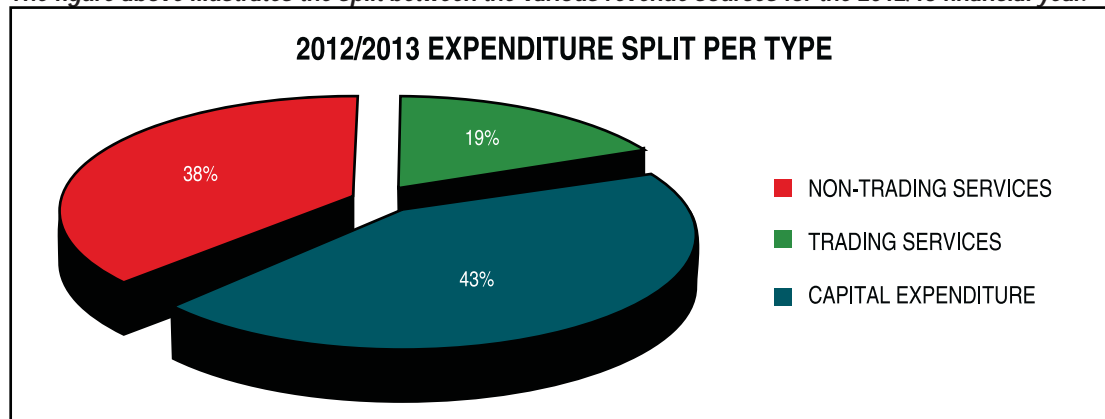
### 2012/2013 ADJUSTED BUDGET SPLIT PER TYPE



The figure above illustrates the split between the adjusted Operational and Capital Budget for the 2012/13 financial year.



The figure above illustrates the split between the various revenue sources for the 2012/13 financial year.



The above figure illustrates the split between the various expenditure types for the 2012/13 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. It should also be noted that the municipality is involved in continuous knowledge enhancement initiatives together with partners like the Provincial and National Treasuries in ensuring that the requirements of the MFMA are satisfied.

Pressures facing Municipalities budget

- Global economic meltdown
- Huge maintenance and service delivery backlogs
- Maintaining collection rates at targeted levels
- Unpredictable sporadic changes to cost of fuel
- Escalating cost of electricity
- High maintenance and refurbishment expenditure of ageing infrastructure

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 processes. 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 R0.725m in 2011/12 to R0.561m in 2012/13, which is a decline of 29%.

## 2012/2013 Audit

The Municipality received an unqualified audit in 2012/2013, an opinion which has been maintained in excess of a decade. This is a good indication of robust systems which do not falter during difficult times.

Action plans for findings raised by the Auditor General have been developed and its implementation is monitored on an ongoing basis. Efforts were also intensified to ensure proper management of the audit process, with frequent meetings with stakeholders to ensure agreement on timeframes that feed into the audit process, and workshopping the annual plan for the audit process.

The District Municipality has two entities, which were also subject to audit by the office of the Auditor General. For the 2011/2012 audit the Auditor General issued a "Clean Audit" for the entities.

**Table 5** provides a schedule of the top 5 assets completed and capitalized during the year under review.

Table 5 - Top 5 Assets Completed in 2012/2013		
LIST	DESCRIPTION OF ASSET	VALUE
1	Greater Mthonjaneni water project	R 52 901 566.27
2	Upper Nseleni water supply	R 15 590 370.42
3	Upper Nseleni water reticulation	R 11 984 736.38
4	Mhlana extension water reticulation	R 3 164 673.42
5	Ethafeni water supply system	R 1 487 391.21
<b>TOTAL</b>		<b>R 85 128 737.70</b>

## EXPRESSION OF APPRECIATION

I wish to convey my sincere appreciation to our Honorable Mayor, Deputy Mayor, Speaker, Exco members, members of the Financial services portfolio, 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 Generals 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.



## CHAPTER 6: Auditor Generals Findings

### REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND COUNCIL ON uTHUNGULU DISTRICT MUNICIPALITY

#### 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 125 to 177, which comprise, the statement of financial position as at 30 June 2013, the 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 and separate 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 Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2012 (Act No. 5 of 2012) (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 conducted 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 the 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 and its entities as at 30 June 2013, and their 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 matters

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

##### Restatement of corresponding figures

8. As disclosed in note 39 to the consolidated financial statements, the corresponding figures of uThungulu District Municipality for 2012 have been restated as a result of an error discovered during 2013 in the consolidated and separate financial statements of the uThungulu District Municipality at, and for the year ended, 2012.

**Material under spending of the capital budget**

9. The uThungulu District Municipality has materially under spent its final approval capital budget by R147,31 million which is 45.9% of its approved capital budget.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

10. 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**

11. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages xx to xx of the annual report.
12. 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 programmes is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

13. There were no material findings on the annual performance report concerning the usefulness and reliability of the information.

**Additional matter**

14. Although no material findings concerning the usefulness and reliability of the performance information were identified in the annual performance report, I draw attention to the following matter below.

**Achievement of planned targets**

15. Of the total number of 80 targets planned for the year, 25 of these targets were not achieved during the year under review. This represents 31% of the total planned targets that were not achieved during the year under review. This was due to the under spending in capital budget.

**Compliance with laws and regulations**

16. I did not identify any instances of 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.

**Internal Control**

17. I did not identify any deficiencies in internal control which I considered sufficiently significant for inclusion in this report.

*Auditor-General*  
Pietermaritzburg

30 November 2012



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

# UTHUNGULU



uThungulu District Municipality  
uThungulu Distrik Munisipaliteit  
uMasipala Wesifunda Waso Thungulu

Consolidated Annual Financial Statements  
for the year ended 30 June 2013

# uThungulu District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

## GENERAL INFORMATION

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<b>Nature of business and principal activities</b>	Municipality
<b>Deputy Municipal Manager Finance</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
<b>Legal advisor</b>	G Dlamini
<b>Municipal demarcation code</b>	DC 28

# uThungulu District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

## INDEX

The reports and statements set out below comprise the consolidated annual financial statements presented to the council:

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Statement of Financial Performance	5
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### Abbreviations

GRAP	Generally Recognised 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
IFRS	International Financial Reporting Standards

## uThungulu District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

### STATEMENT OF MUNICIPAL MANAGER'S RESPONSIBILITY

---

I am responsible for the preparation of these consolidated annual financial statements, which are set out on pages 4 to 66, 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.



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**MH Nkosi**  
Accounting Officer

Richards Bay

27 September 2013

**UTHUNGULU DISTRICT MUNICIPALITY**  
 CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013**

	Note	Group		Municipality	
		2013 R	2012 R Restated	2013 R	2012 R Restated
<b>Assets</b>					
<b>Current Assets</b>					
Inventories	3	7 269 171	6 122 117	7 269 171	6 122 117
Accounts receivable from exchange transactions	4	37 791 179	22 969 861	37 791 179	22 969 861
Accounts receivable from non exchange transactions	5	14 501 684	25 055 524	14 501 684	25 055 524
Current portion of long-term receivables	6	37 921	34 821	37 921	34 821
Cash and cash equivalents	7	446 699 420	367 556 324	445 848 491	366 716 903
		<b>506 299 375</b>	<b>421 738 647</b>	<b>505 448 446</b>	<b>420 899 226</b>
<b>Non-Current Assets</b>					
Property, plant and equipment	8	1 174 251 299	1 050 408 116	1 174 251 299	1 050 408 116
Intangible assets	9	1 077 033	1 476 684	1 077 033	1 476 684
Investments in municipal entities	10			24 672 820	25 206 796
Long-term receivables	6	440 148	495 901	440 148	495 901
Investments	11	-	21 000 000	-	21 000 000
		<b>1 175 768 480</b>	<b>1 073 380 701</b>	<b>1 200 441 300</b>	<b>1 098 587 497</b>
<b>Total Assets</b>		<b>1 682 067 855</b>	<b>1 495 119 348</b>	<b>1 705 889 746</b>	<b>1 519 486 723</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Current portion of long-term liabilities	12	4 220 424	3 735 177	10 595 110	9 327 015
Payables from exchange transactions	13	136 409 603	126 957 130	136 409 601	126 957 130
Consumer deposits	14	9 113 835	8 229 262	9 113 835	8 229 262
Defined benefit obligation	15	435 000	757 672	435 000	757 672
Unspent conditional grants and receipts	16	32 460 451	26 499 674	32 460 451	26 499 674
Provisions	17	16 490 794	751 981	16 490 794	751 981
		<b>199 130 107</b>	<b>166 930 896</b>	<b>205 504 791</b>	<b>172 522 734</b>
<b>Non-Current Liabilities</b>					
Long term liabilities	12	61 231 776	85 611 711	78 874 001	104 584 204
Defined benefit obligations	15	18 029 000	13 423 263	18 029 000	13 423 263
Provisions	17	57 605 107	69 415 033	57 605 107	69 415 033
		<b>136 865 883</b>	<b>168 450 007</b>	<b>154 508 108</b>	<b>187 422 500</b>
<b>Total Liabilities</b>		<b>335 995 990</b>	<b>335 380 903</b>	<b>360 012 899</b>	<b>359 945 234</b>
Total Assets		1 682 067 855	1 495 119 348	1 705 889 746	1 519 486 723
Total Liabilities		(335 995 990)	(335 380 903)	(360 012 899)	(359 945 234)
<b>Net Assets</b>		<b>1 346 071 865</b>	<b>1 159 738 445</b>	<b>1 345 876 847</b>	<b>1 159 541 489</b>
Accumulated Surplus		1 345 876 845	1 159 541 489	1 345 876 847	1 159 541 489
Outside Partner's Interest		195 020	196 956		
		<b>1 346 071 865</b>	<b>1 159 738 445</b>	<b>1 345 876 847</b>	<b>1 159 541 489</b>

**STATEMENT OF FINANCIAL PERFORMANCE**

	Note	Group		Municipality	
		2013 R	2012 R Restated	2013 R	2012 R Restated
<b>Revenue</b>					
Service charges	18	49 901 919	48 017 382	49 901 919	48 017 382
Interest received	19	27 167 976	27 087 751	27 147 411	27 037 679
Government grants & subsidies	20	570 231 388	553 925 519	570 231 388	553 925 519
Other income	21	3 488 593	2 745 730	9 578 554	8 702 739
Rental income		33 947	33 942	33 947	33 942
<b>Total Revenue</b>		<b>650 823 823</b>	<b>631 810 324</b>	<b>656 893 219</b>	<b>637 717 261</b>
<b>Expenditure</b>					
Employee related costs	22	99 492 610	88 084 985	99 492 610	88 084 985
Remuneration of councillors	23	8 522 649	7 869 721	8 522 649	7 869 721
Depreciation, amortisation & impairment	24	50 492 908	36 542 829	50 492 908	36 542 829
Finance costs	25	7 580 552	5 962 760	13 490 296	11 900 614
Debt impairment	4	4 189 974	8 023 573	4 189 974	8 023 573
Repairs and maintenance	26	43 985 475	34 926 111	43 985 475	34 926 111
Bulk purchases	27	29 466 494	29 204 363	29 466 494	29 204 363
Contracted services	28	65 270 434	63 004 898	65 270 434	63 004 898
Grants and subsidies paid	29	11 126 978	10 330 105	11 126 978	10 330 105
General expenses	30	144 587 185	120 190 307	144 778 796	120 190 307
<b>Total expenditure</b>		<b>(464 715 259)</b>	<b>(404 139 652)</b>	<b>(470 816 614)</b>	<b>(410 077 506)</b>
<b>Operating surplus</b>		<b>186 108 565</b>	<b>227 670 672</b>	<b>186 076 606</b>	<b>227 639 755</b>
Loss on disposal of PPE		(265 025)	(419 223)	(265 025)	(419 223)
Fair value adjustments in respect of PPE	8	523 775	-	523 775	-
Outside Partner's interest		(31 958)	(30 917)		
<b>Surplus for the year</b>		<b>186 335 356</b>	<b>227 220 532</b>	<b>186 335 356</b>	<b>227 220 532</b>



**STATEMENT OF CHANGES IN NET ASSETS**

	Note	Accumulated surplus R	Outside Partners Interest R	Total R
<b>Group</b>				
<b>Balance at 01 July 2011 previously reported</b>		<b>905 538 331</b>	<b>192 560</b>	<b>905 730 891</b>
Changes in net assets				
Changes in accounting estimates		(275 236)	-	(275 236)
MIG VAT transferred to own revenue - refer to note 20 & 39		27 057 862	-	27 057 862
Net income/(losses) recognised directly in net assets		26 782 626	-	26 782 626
Surplus for the year - restated		227 220 532	30 917	227 251 449
Total recognised income and expenses for the year		254 003 158	30 917	254 034 075
Distribution by partnership		-	(26 521)	(26 521)
Total changes		254 003 158	4 396	254 007 554
<b>Balance at 01 July 2012 - restated</b>		<b>1 159 541 489</b>	<b>196 956</b>	<b>1 159 738 445</b>
Changes in net assets				
Surplus for the year		186 335 356	31 958	186 367 314
Distribution by partnership		-	(33 894)	(33 894)
Total changes		186 335 356	(1 936)	186 333 420
<b>Balance as at 30 June 2013</b>		<b>1 345 876 845</b>	<b>195 020</b>	<b>1 346 071 865</b>
<b>Municipality</b>				
<b>Balance at 01 July 2011 previously reported</b>		<b>905 538 331</b>	<b>-</b>	<b>905 538 331</b>
Changes in net assets				
Changes in accounting estimates		(275 236)	-	(275 236)
MIG VAT transferred to own revenue - refer to note 20 & 39		27 057 862	-	27 057 862
Net income/(losses) recognised directly in net assets		26 782 626	-	26 782 626
Surplus for the year restated - refer to note 39		227 220 532	-	227 220 532
Total recognised income and expenses for the year		254 003 158	-	254 003 158
Total changes		254 003 158	-	254 003 158
<b>Balance at 01 July 2012 - restated</b>		<b>1 159 541 489</b>	<b>-</b>	<b>1 159 541 489</b>
Changes in net assets				
Surplus for the year		186 335 356	-	186 335 356
Total changes		186 335 356	-	186 335 356
<b>Balance as at 30 June 2013</b>		<b>1 345 876 845</b>	<b>-</b>	<b>1 345 876 845</b>

**CASH FLOW STATEMENT**

Figures in Rand	Note	Group 2013 R	2012 R Restated	Municipality 2013 R	2012 R Restated
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Receipts from consumers and other		49 745 038	34 373 825	55 834 999	40 330 834
Grants		582 042 063	511 237 598	582 042 063	511 237 598
Interest income		27 167 976	27 087 751	27 147 411	27 037 679
		<u>658 955 077</u>	<u>572 699 174</u>	<u>665 024 473</u>	<u>578 606 111</u>
<b>Payments</b>					
Employee costs		(108 015 259)	(95 954 706)	(108 015 259)	(95 954 706)
Suppliers		(293 957 470)	(257 890 382)	(294 115 186)	(257 863 861)
Finance costs		(7 580 552)	(5 962 760)	(13 490 296)	(11 900 614)
		<u>(409 553 281)</u>	<u>(359 807 848)</u>	<u>(415 620 741)</u>	<u>(365 719 181)</u>
<b>Net cash flows from operating activities</b>	31	<u><b>249 401 796</b></u>	<u><b>212 891 326</b></u>	<u><b>249 403 732</b></u>	<u><b>212 886 930</b></u>
<b>Cash flows from investing activities</b>					
Payment of property, plant and equipment		(167 323 863)	(188 821 467)	(167 323 863)	(188 821 467)
Proceeds from sale of property, plant and equipment		-	174 600	-	174 600
Purchase of other intangible assets	9	(92 800)	(159 712)	(92 800)	(159 712)
Movement in investments in municipal entities				533 976	513 018
Decrease / (Increase) in non-current investments		21 000 000	(21 000 000)	21 000 000	(21 000 000)
Decrease in non-current receivables		52 653	44 462	52 653	44 462
<b>Net cash flow from investing activities</b>		<u><b>(146 364 011)</b></u>	<u><b>(209 762 117)</b></u>	<u><b>(145 830 034)</b></u>	<u><b>(209 249 099)</b></u>
<b>Cash flows from financing activities</b>					
Repayment of long-term liabilities		(23 894 689)	(2 547 652)	(24 442 108)	(2 279 369)
<b>Net cash from financing activities</b>		<u><b>(23 894 689)</b></u>	<u><b>(2 547 652)</b></u>	<u><b>(24 442 108)</b></u>	<u><b>(2 279 369)</b></u>
<b>Net increase in cash and cash equivalents</b>		<b>79 143 096</b>	<b>581 557</b>	<b>79 131 589</b>	<b>1 358 462</b>
Cash and cash equivalents at the beginning of the year		367 556 324	366 974 767	366 716 902	365 358 441
<b>Cash and cash equivalents at the end of the year</b>	7	<u><b>446 699 420</b></u>	<u><b>367 556 324</b></u>	<u><b>445 848 491</b></u>	<u><b>366 716 903</b></u>

**STATEMENT OF COMPARISON OF MUNICIPAL BUDGET AND ACTUAL AMOUNTS**

Budget on Accrual Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Note reference
	R	R	R	R	R	
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Receipts from consumers and other debtors	50 843 000	-	<b>50 843 000</b>	55 834 999	<b>4 991 999</b>	40.18
Grants	575 363 000	7 053 000	<b>582 416 000</b>	582 042 063	<b>(373 937)</b>	40
Interest income	24 433 000	2 678 000	<b>27 111 000</b>	27 147 411	<b>36 411</b>	40
Prior year cash utilised to fund current expenditure	-	104 188 000	<b>104 188 000</b>	-	<b>(104 188 000)</b>	40.19
	<b>650 639 000</b>	<b>113 919 000</b>	<b>764 558 000</b>	<b>665 024 473</b>	<b>(99 533 527)</b>	
<b>Payments</b>						
Employee costs	(436 614 000)	(33 910 000)	<b>(470 524 000)</b>	(108 015 259)	<b>362 508 741</b>	40.20
Suppliers	-	-	-	(294 115 187)	<b>(294 115 187)</b>	40.20
Finance costs	(6 336 000)	(2 205 000)	<b>(8 541 000)</b>	(13 490 296)	<b>(4 949 296)</b>	40.21
	<b>(442 950 000)</b>	<b>(36 115 000)</b>	<b>(479 065 000)</b>	<b>(415 620 742)</b>	<b>63 444 258</b>	
<b>Net cash flows from operating activities</b>	<b>207 689 000</b>	<b>77 804 000</b>	<b>285 493 000</b>	<b>249 403 731</b>	<b>(36 089 269)</b>	
<b>Cash flows from investing activities</b>						
Payment of property, plant, equipment	(236 926 000)	(84 063 000)	<b>(320 989 000)</b>	(167 323 862)	<b>153 665 138</b>	40.22
Purchase of other intangible assets	-	-	-	(92 800)	<b>(92 800)</b>	40.22
Decrease in non current receivables	(60 000)	-	<b>(60 000)</b>	52 653	<b>112 653</b>	40
Decrease in non current investments	-	-	-	21 000 000	<b>21 000 000</b>	40.23
Movement in investments in municipal entities	-	-	-	533 976	<b>533 976</b>	40.24
<b>Net cash flows from investing activities</b>	<b>(236 986 000)</b>	<b>(84 063 000)</b>	<b>(321 049 000)</b>	<b>(145 830 033)</b>	<b>175 218 967</b>	
<b>Net movement in other financial liabilities</b>						
Repayment of long-term liabilities	(7 844 000)	-	<b>(7 844 000)</b>	(24 442 108)	<b>(16 598 108)</b>	40.25
Increase / (decrease) in consumer deposits	368 000	-	<b>368 000</b>	-	<b>(368 000)</b>	40
<b>Net cash flows from financing activities</b>	<b>(7 476 000)</b>	<b>-</b>	<b>(7 476 000)</b>	<b>(24 442 108)</b>	<b>(16 966 108)</b>	
<b>Net (decrease) / increase in cash and cash equivalents</b>						
Cash and cash equivalents at the beginning of the year	330 804 000	(6 259 000)	(43 032 000)	79 131 590	122 163 590	
<b>Cash and cash equivalents at the end of the year</b>	<b>294 031 000</b>	<b>(6 259 000)</b>	<b>287 772 000</b>	<b>445 848 493</b>	<b>158 076 493</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 the historical cost convention unless specified otherwise. The figures in the statements have been rounded to the nearest Rand.

A summary of the significant accounting policies, which have been consistently applied, to all the years presented are set out 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 17 - Non - Current and Current Provisions.

##### **1.1.2 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.

##### **1.1.3 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 16 to the financial statements.

##### **1.1.4 Revenue recognition**

Accounting policy 1.12 on Revenue from Exchange Transactions and accounting policy 1.13 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 GRAP 23 Revenue from Non Exchange Transactions and in particular, 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.

##### **1.1.5 Financial assets and liabilities**

The classification of financial assets and liabilities, into categories, is based on management's educated judgement.

## **ACCOUNTING POLICIES**

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### **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 interest 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 of 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. Consolidated annual financial statements are the consolidated annual financial statements of the municipality presented as those of a single entity.

## **ACCOUNTING POLICIES**

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### **1.3 New standards and interpretations**

Changes in accounting policies that are effected by management are 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.

**The following new 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 municipality.

**GRAP 20 - Related party disclosure**

This 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 function 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 or 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.

**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 1 April 2012 and have been applied in the 2012/2013 financial year.**

**GRAP 21 - Impairment of non-cash generating assets**

Non-cash generating assets are assets other than cash generating assets. When the carrying amount of a non-cash generating asset exceeds its recoverable service amount, it is impaired. The standard determines the requirements and provides guidance on how to impair non-cash generating assets. In particular, it provides guidance on how to determine an asset's recoverable service amount in the absence of any future cash flows.

## **ACCOUNTING POLICIES**

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### **1.3 New standards and interpretations (continued)**

#### GRAP 23 - Revenue from non-exchange transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. 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. There is no effect on the financial statements.

#### 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. This standard has resulted in the introduction of a new statement of comparison of budget and actual amounts.

#### GRAP 26 - Impairment of cash generating assets

Cash generating assets are those assets held by an entity with the primary objective of generating a commercial return. This standard determines the requirements and provides guidance on how to impair cash generating assets, being assets that are expected to generate a commercial benefit. The standard is not applicable to the municipality as the nature of services rendered by the municipality are not to generate a commercial return.

#### GRAP 103 - Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations. The impact of this standard has been assessed and the municipality has not applied the standard as it has no assets classified as heritage assets.

#### 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.

### **1.4 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

## ACCOUNTING POLICIES

### 1.4 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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.

A financial asset is:

- cash;
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unutilised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.



# uThungulu District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

## ACCOUNTING POLICIES

### 1.4 Financial instruments (continued)

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- combined instruments that are designated at fair value;

#### Classification

The municipality has the following types of financial assets (classes and category) as reflected on the Statement of Financial Position or in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Finance lease receivables	Financial asset measured at amortised cost
Long term receivables	Financial asset measured at amortised cost
Accounts receivable from exchange transactions	Financial asset measured at amortised cost
Accounts receivable from non exchange transactions	Financial asset measured at amortised cost
Short term investment deposits	Financial asset measured at amortised cost
Investment in fixed deposits	Financial asset measured at amortised cost
Investment in municipal entity	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the Statement of Financial Position or in the notes thereto:

Class	Category
Long term liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost
Short term loans	Financial liability measured at amortised cost
Current portion of long term liabilities	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

#### Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs are added to financial instruments carried at amortised cost or cost.

## **ACCOUNTING POLICIES**

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### **1.4 Financial instruments (continued)**

#### **Subsequent measurement of financial assets and financial liabilities**

The municipality measures all financial assets and financial liabilities after initial recognition using the following category:

- Financial instruments at amortised cost.

#### **Impairment and uncollectibility of financial assets**

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting the allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

#### **Investment in municipal entities**

In the municipality's annual financial statements, investment in municipal entity carried at amortised cost at reporting date.

### **1.5 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 leave days at year end and is included in payables from exchange transactions.

#### **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.

## **ACCOUNTING POLICIES**

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### **1.5 Employee benefits (continued)**

#### **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 rules of this obligation was applicable for the first six (6) months of the financial year and were amended to 10, 15, 20, 25, 30, 35, 40 and 45 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance.

##### **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 15 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.

### **1.6 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.

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.

# uThungulu District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

## ACCOUNTING POLICIES

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### 1.7 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 water and sanitation 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 for purposes of depreciation.

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 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.

# uThungulu District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

## ACCOUNTING POLICIES

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### 1.7 Property, plant, equipment (continued)

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 is depreciated separately.

The depreciation charge for each period is 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, that 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 asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

## ACCOUNTING POLICIES

### 1.7 Property, plant, equipment (continued)

The useful lives of items of property, plant, equipment have been assessed as follows:

<b>Item</b>	<b>Expected useful life</b>
Land	
• Permanent	30 years
Buildings	
• 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
<b>Infrastructure Solid Waste Cell Services</b>	
• Solid Waste Cell	7 years
• Cemetery	15 years
<b>Infrastructure Water Services</b>	
• 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

## **ACCOUNTING POLICIES**

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### **1.7 Property, plant, equipment (continued)**

#### 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.

### **1.8 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.

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; and
- there is an intention to complete and use or sell it; and
- there is an ability to use or sell it; and
- it will generate probable future economic benefits or service potential; and
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- 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.

## **ACCOUNTING POLICIES**

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### **1.8 Intangible assets (continued)**

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.

### **1.9 Impairment of non-cash-generating assets**

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the Statement of Financial Position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is the period of time over which an asset is expected to be used by the municipality.

#### **Identification**

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.



# uThungulu District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

## ACCOUNTING POLICIES

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### 1.9 Impairment of non-cash-generating assets (continued)

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

### 1.10 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.

#### 1.9.1 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.

#### 1.9.2 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.

### 1.11 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 or current replacement cost.

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.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises 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.

# uThungulu District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

## ACCOUNTING POLICIES

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### 1.11 Inventories (continued)

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.

### 1.12 Tax

#### Tax Expense:

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.

### 1.13 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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### **1.13 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; and
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- 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.

### **1.14 Revenue from non-exchange transactions**

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

## **ACCOUNTING POLICIES**

### **1.14 Revenue from non-exchange transactions (continued)**

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes. 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.

#### **Measurement**

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

### **1.15 Grants in aid**

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

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

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

### **1.16 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; and
- 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 or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on impairment of assets. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

## **ACCOUNTING POLICIES**

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### **1.16 Borrowing costs (continued)**

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 or sale are 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.

### **1.17 Budget information**

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisation's (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipalities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

According to Grap 24.05 the scope of the Standard only "applies to all Entities that present financial statements when approved budgets for the Entity, or components thereof, are made publicly available." Due to the fact that the two Municipal Entities are not, by any means, liable to budget for their financial activities, Grap 24 is therefore not applicable in this consolidated financial statements.

### **1.18 Unauthorised expenditure**

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (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.

### **1.19 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.

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.

### **1.20 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.

## **ACCOUNTING POLICIES**

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### **1.21 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.

### **1.22 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. The municipality applies IPSAS 20 for related parties in the absence of an effective GRAP standard.

### **1.23 Comparative figures**

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### **1.24 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.

### **1.25 Contingent assets and contingent liabilities**

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

### **1.26 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 2013

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	Group		Municipality	
	2013 R	2012 R	2013 R	2012 R
<b>3. Inventories</b>				
Consumables and maintenance materials	6 973 930	5 861 438	6 973 930	5 861 438
Water	295 241	260 679	295 241	260 679
	<u>7 269 171</u>	<u>6 122 117</u>	<u>7 269 171</u>	<u>6 122 117</u>
Inventories recognised as an expense during the year	2 814 282	4 063 182	2 814 282	4 063 182
<b>Inventory pledged as security</b>				
No inventory was pledged as security.				
<b>4. Accounts receivable from exchange transactions</b>				
<b>Consumer debtors - Gross balances</b>				
Water	39 659 143	32 556 067	39 659 143	32 556 067
Sanitation	4 539 919	3 568 413	4 539 919	3 568 413
Solid waste	2 290 398	2 010 600	2 290 398	2 010 600
	<u>46 489 460</u>	<u>38 135 080</u>	<u>46 489 460</u>	<u>38 135 080</u>
<b>Less: Allowance for impairment</b>				
Water	(25 743 019)	(21 595 886)	(25 743 019)	(21 595 886)
Sanitation	(3 291 324)	(2 674 973)	(3 291 324)	(2 674 973)
Solid waste	(403 467)	(1 005 961)	(403 467)	(1 005 961)
	<u>(29 437 810)</u>	<u>(25 276 820)</u>	<u>(29 437 810)</u>	<u>(25 276 820)</u>
<b>Net balance</b>				
Water	13 916 124	10 960 181	13 916 124	10 960 181
Sanitation	1 248 595	893 440	1 248 595	893 440
Solid waste	1 886 931	1 004 639	1 886 931	1 004 639
	<u>17 051 650</u>	<u>12 858 260</u>	<u>17 051 650</u>	<u>12 858 260</u>
<b>Summary of debtors by service type</b>				
<b>Water</b>				
Current (0 - 30 days)	6 598 266	5 592 734	6 598 266	5 592 734
31 - 60 days	2 943 760	3 304 459	2 943 760	3 304 459
61 - 90 days	1 210 218	788 897	1 210 218	788 897
91 - 120 days	951 878	1 405 836	951 878	1 405 836
> 121 days	27 955 021	21 464 140	27 955 021	21 464 140
Less: Allowance for impairment	(25 743 019)	(21 595 885)	(25 743 019)	(21 595 885)
	<u>13 916 124</u>	<u>10 960 181</u>	<u>13 916 124</u>	<u>10 960 181</u>
<b>Sanitation</b>				
Current (0 - 30 days)	425 332	318 586	425 332	318 586
31 - 60 days	265 915	200 751	265 915	200 751
61 - 90 days	154 537	139 190	154 537	139 190
91 - 120 days	144 800	145 716	144 800	145 716
> 121 days	3 549 337	2 764 170	3 549 337	2 764 170
Less: Allowance for impairment	(3 291 326)	(2 674 973)	(3 291 326)	(2 674 973)
	<u>1 248 595</u>	<u>893 440</u>	<u>1 248 595</u>	<u>893 440</u>
<b>Solid waste</b>				
Current (0 - 30 days)	1 417 629	935 732	1 417 629	935 732
31 - 60 days	557 798	429 504	557 798	429 504
61 - 90 days	9 658	117 059	9 658	117 059
91 - 120 days	57 757	154 140	57 757	154 140
> 120 days	247 556	374 165	247 556	374 165
Less: Allowance for impairment	(403 467)	(1 005 961)	(403 467)	(1 005 961)
	<u>1 886 931</u>	<u>1 004 639</u>	<u>1 886 931</u>	<u>1 004 639</u>

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	Group		Municipality	
	2013 R	2012 R	2013 R	2012 R
<b>4. Accounts receivable from exchange transactions (continued)</b>				
<b>Summary of debtors by customer classification</b>				
<b>Domestic Consumers</b>				
Current (0 - 30 days)	4 385 114	3 515 744	4 385 114	3 515 744
31 - 60 days	2 030 530	1 936 377	2 030 530	1 936 377
61 - 90 days	1 045 722	718 936	1 045 722	718 936
91 - 120 days	682 429	1 130 351	682 429	1 130 351
> 121 days	27 354 489	21 381 944	27 354 489	21 381 944
	<u>35 498 284</u>	<u>28 683 352</u>	<u>35 498 284</u>	<u>28 683 352</u>
Less: Allowance for impairment	(29 034 344)	(23 974 016)	(29 034 344)	(23 974 016)
	<u><b>6 463 940</b></u>	<u><b>4 709 336</b></u>	<u><b>6 463 940</b></u>	<u><b>4 709 336</b></u>
<b>Industrial/Commercial</b>				
Current (0 - 30 days)	2 183 773	1 680 617	2 183 773	1 680 617
31 - 60 days	1 211 699	984 159	1 211 699	984 159
61 - 90 days	90 560	231 881	90 560	231 881
91 - 120 days	157 309	308 707	157 309	308 707
> 121 days	2 542 758	1 747 954	2 542 758	1 747 954
	<u>6 186 099</u>	<u>4 953 318</u>	<u>6 186 099</u>	<u>4 953 318</u>
Less: Allowance for impairment	(403 467)	(1 302 804)	(403 467)	(1 302 804)
	<u><b>5 782 632</b></u>	<u><b>3 650 514</b></u>	<u><b>5 782 632</b></u>	<u><b>3 650 514</b></u>
<b>National and Provincial government</b>				
Current (0 - 30 days)	1 872 340	1 650 691	1 872 340	1 650 691
31 - 60 days	525 243	1 014 179	525 243	1 014 179
61 - 90 days	238 131	94 330	238 131	94 330
91 - 120 days	186 187	266 635	186 187	266 635
> 121 days	1 983 178	1 472 576	1 983 178	1 472 576
	<u>4 805 079</u>	<u>4 498 411</u>	<u>4 805 079</u>	<u>4 498 411</u>
<b>Total</b>				
Current (0 - 30 days)	8 441 226	6 847 051	8 441 226	6 847 051
31 - 60 days	3 767 472	3 934 715	3 767 472	3 934 715
61 - 90 days	1 374 413	1 045 147	1 374 413	1 045 147
91 - 120 days	1 025 924	1 705 692	1 025 924	1 705 692
> 121 days	31 880 425	24 602 475	31 880 425	24 602 475
	<u>46 489 460</u>	<u>38 135 080</u>	<u>46 489 460</u>	<u>38 135 080</u>
Less: Allowance for impairment	(29 437 810)	(25 276 820)	(29 437 810)	(25 276 820)
	<u><b>17 051 650</b></u>	<u><b>12 858 260</b></u>	<u><b>17 051 650</b></u>	<u><b>12 858 260</b></u>
<b>Reconciliation of allowance for impairment</b>				
Balance at beginning of the year	(25 276 820)	(21 107 842)	(25 276 820)	(21 107 842)
Contributions to allowance for impairment	<b>(4 189 974)</b>	<b>(8 023 573)</b>	<b>(4 189 974)</b>	<b>(8 023 573)</b>
Debt impairment written off against allowance	28 984	3 854 595	28 984	3 854 595
	<u><b>(29 437 810)</b></u>	<u><b>(25 276 820)</b></u>	<u><b>(29 437 810)</b></u>	<u><b>(25 276 820)</b></u>
In the determination of the amounts deemed to be impaired 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			
<b>Accounts receivable from exchange transactions</b>				
Consumer debtors	17 051 650	12 858 260	17 051 650	12 858 260
VAT receivable	20 739 529	10 111 601	20 739 529	10 111 601
	<u><b>37 791 179</b></u>	<u><b>22 969 861</b></u>	<u><b>37 791 179</b></u>	<u><b>22 969 861</b></u>



**UTHUNGULU DISTRICT MUNICIPALITY**  
 CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	Group		Municipality	
	2013 R	2012 R	2013 R	2012 R
<b>5. Accounts receivable from non exchange transactions</b>				
Deposits	3 490 212	3 396 102	3 490 212	3 396 102
Employee, councillor account transactions	836 514	1 165 440	836 514	1 165 440
Grant & other debtors	692 036	6 996 343	692 036	6 996 343
Investment interest accrual	3 954 455	4 617 712	3 954 455	4 617 712
Payments received in advance	659 108	703 695	659 108	703 695
uMhlathuze municipality - soccer stadium	4 869 359	8 176 232	4 869 359	8 176 232
	<b>14 501 684</b>	<b>25 055 524</b>	<b>14 501 684</b>	<b>25 055 524</b>
<b>6. Long term receivables</b>				
Staff recoverable bursaries	4 483	20 314	4 483	20 314
Staff home loans	435 665	475 587	435 665	475 587
<b>Non - current assets</b>	<b>440 148</b>	<b>495 901</b>	<b>440 148</b>	<b>495 901</b>
Non-current assets	<b>440 148</b>	<b>495 901</b>	<b>440 148</b>	<b>495 901</b>
Current portion of long-term receivables	<b>37 921</b>	<b>34 821</b>	<b>37 921</b>	<b>34 821</b>
	<b>478 069</b>	<b>530 722</b>	<b>478 069</b>	<b>530 722</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.

**7. Cash and cash equivalents**

Cash and cash equivalents consist of:

Cash on hand	3 800	3 800	3 800	3 800
Cash book balances	76 695 620	87 552 524	75 844 691	86 713 103
Call investments deposits	370 000 000	280 000 000	370 000 000	280 000 000
	<b>446 699 420</b>	<b>367 556 324</b>	<b>445 848 491</b>	<b>366 716 903</b>

Call Investment deposits portfolio is detailed below:

<u>Financial Institution</u>	<u>Maturity Date</u>	<u>Investment</u> R
ABSA	2013/07/10	20 000 000
ABSA	2013/07/26	20 000 000
ABSA	2013/09/09	30 000 000
NEDBANK	CALL	10 000 000
NEDBANK	2013/07/04	20 000 000
NEDBANK	2013/07/11	40 000 000
NEDBANK	2013/07/23	20 000 000
NEDBANK	2013/08/12	20 000 000
STANDARD	2013/08/02	40 000 000
INVESTEC	2013/07/24	50 000 000
INVESTEC	2013/08/08	40 000 000
INVESTEC	2013/08/12	20 000 000
INVESTEC	2013/08/22	20 000 000
INVESTEC	2013/09/11	20 000 000
		<b>370 000 000</b>

An average interest rate of 5.32 % (2012 - 5.646 %) was received on investments placed for the financial year.

**UTHUNGULU DISTRICT MUNICIPALITY**  
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

**7. Cash and cash equivalents (continued)**

The group had the following bank accounts:

<u>Account description</u>	<u>Bank statement balances</u>			<u>Cash book balances</u>		
	30 June 2013 R	30 June 2012 R	30 June 2011 R	30 June 2013 R	30 June 2012 R	30 June 2011 R
<u>Account Number</u>						
NEDBANK - Primary Account	111 534 826	112 039 895	54 994 082	111 525 267	111 891 301	54 844 503
NEDBANK	4 369 966	1 911 924	1 545 346	4 334 015	1 183 288	1 230 428
NEDBANK - Expense Account	-	-	-	(40 288 110)	(26 725 522)	(11 076 727)
NEDBANK	14 760	103 302	95 905	14 760	102 905	95 905
NEDBANK	258 759	343 939	331 355	258 759	261 131	261 131
NEDBANK - The uThungulu Financing Partnership	317 072	309 259	351 646	317 072	309 259	351 646
NEDBANK - uThungulu House Development Trust	533 857	530 162	1 233 444	533 857	530 162	1 233 444
<b>Total</b>	<b>117 029 240</b>	<b>115 238 481</b>	<b>58 551 778</b>	<b>76 695 620</b>	<b>87 552 524</b>	<b>46 940 330</b>

The municipality had the following bank accounts:

<u>Account description</u>	<u>Bank statement balances</u>			<u>Cash book balances</u>		
	30 June 2013 R	30 June 2012 R	30 June 2011 R	30 June 2013 R	30 June 2012 R	30 June 2011 R
<u>Account Number</u>						
NEDBANK - Primary Account	111 534 826	112 039 895	54 994 082	111 525 267	111 891 301	54 844 503
NEDBANK	4 369 966	1 911 924	1 545 346	4 334 015	1 183 288	1 230 428
NEDBANK - Expense Account	-	-	-	(40 288 110)	(26 725 522)	(11 076 727)
NEDBANK	14 760	103 302	95 905	14 760	102 905	95 905
NEDBANK	258 759	343 939	331 355	258 759	261 131	261 131
<b>Total</b>	<b>116 178 311</b>	<b>114 399 060</b>	<b>56 966 688</b>	<b>75 844 691</b>	<b>86 713 103</b>	<b>45 355 240</b>

Detailed bank reconciliation's in support of cash book balance is available for inspection at the registered office of the municipality.

**UTHUNGULU DISTRICT MUNICIPALITY**  
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

**8. Property, plant and equipment**

Group	2013			2012		
	Cost	Accumulated depreciation and impairment	Carrying value	Cost	Accumulated depreciation and impairment	Carrying value
Buildings	45 732 850	(1 727 555)	44 005 295	53 149 498	(7 541 323)	45 608 175
Land	12 474 983	-	12 474 983	12 474 983	-	12 474 983
Infrastructure under construction	505 647 853	-	505 647 853	426 385 397	-	426 385 397
Infrastructure	800 189 965	(209 742 269)	590 447 696	713 086 975	(166 364 975)	546 722 000
Other assets - assets under construction	5 411 503	-	5 411 503	2 350 774	-	2 350 774
Other assets	39 622 823	(23 358 854)	16 263 969	30 063 347	(13 196 560)	16 866 787
<b>Total</b>	<b>1 409 079 977</b>	<b>(234 828 678)</b>	<b>1 174 251 299</b>	<b>1 237 510 974</b>	<b>(187 102 858)</b>	<b>1 050 408 116</b>

Municipality	2013			2012		
	Cost	Accumulated depreciation and impairment	Carrying value	Cost	Accumulated depreciation and impairment	Carrying value
Buildings	45 732 850	(1 727 555)	44 005 295	53 149 498	(7 541 323)	45 608 175
Land	12 474 983	-	12 474 983	12 474 983	-	12 474 983
Infrastructure under construction	505 647 853	-	505 647 853	426 385 397	-	426 385 397
Infrastructure	800 189 965	(209 742 269)	590 447 696	713 086 975	(166 364 975)	546 722 000
Other assets - assets under construction	5 411 503	-	5 411 503	2 350 774	-	2 350 774
Other assets	39 622 823	(23 358 854)	16 263 969	30 063 347	(13 196 560)	16 866 787
<b>Total</b>	<b>1 409 079 977</b>	<b>(234 828 678)</b>	<b>1 174 251 299</b>	<b>1 237 510 974</b>	<b>(187 102 858)</b>	<b>1 050 408 116</b>

**Reconciliation of property, plant and equipment - 2013**

Group	Opening Balance	Additions	Disposals	Transfers	Newly identified assets at fair value	Depreciation	Impairment loss	Impairment reversal	Total
Buildings	45 608 175	124 675	-	-	-	(1 727 555)	-	-	44 005 295
Land	12 474 983	-	-	-	-	-	-	-	12 474 983
Infrastructure - Under construction	426 385 397	167 310 671	-	(88 048 215)	-	-	-	-	505 647 853
Infrastructure	546 722 000	-	(78 809)	88 263 869	-	(32 227 597)	(12 832 675)	600 908	590 447 696
Other assets - assets under construction	2 350 774	3 276 383	-	(215 654)	-	-	-	-	5 411 503
Other assets	16 866 787	2 873 163	(186 216)	-	523 775	(3 779 770)	(33 770)	-	16 263 969
<b>Total</b>	<b>1 050 408 116</b>	<b>173 584 892</b>	<b>(265 025)</b>	<b>-</b>	<b>523 775</b>	<b>(37 734 922)</b>	<b>(12 866 445)</b>	<b>600 908</b>	<b>1 174 251 299</b>

**UTHUNGULU DISTRICT MUNICIPALITY**

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

**8. Property, plant and equipment (continued)**

**Reconciliation of property, plant and equipment - 2013**

Municipality	Opening Balance	Additions	Disposals	Transfers	Newly identified assets at fair value	Depreciation	Impairment loss	Impairment reversal	Total
Buildings	45 608 175	124 675	-	-	-	(1 727 555)	-	-	44 005 295
Land	12 474 983	-	-	-	-	-	-	-	12 474 983
Infrastructure under construction	426 385 397	1 67 310 671	-	(88 048 215)	-	-	-	-	505 647 853
Infrastructure	546 722 000	-	(78 809)	88 263 869	-	(32 227 597)	(12 832 675)	600 908	590 447 696
Other assets - assets under construction	2 350 774	3 276 383	-	(215 654)	-	-	-	-	5 411 503
Other assets	16 866 787	2 873 163	(186 216)	-	523 775	(3 779 770)	(33 770)	-	16 263 969
<b>Total</b>	<b>1 050 408 116</b>	<b>173 584 892</b>	<b>(265 025)</b>	<b>-</b>	<b>523 775</b>	<b>(37 734 922)</b>	<b>(12 866 445)</b>	<b>600 908</b>	<b>1 174 251 299</b>

**Reconciliation of property, plant and equipment - 2012**

Group	Opening Balance	Additions	Disposals	Transfers	Reclassification	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)	3 811 189	-	-	-	426 385 397
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	-	-	(3 811 189)	-	-	-	2 350 774
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>-</b>	<b>(36 290 467)</b>	<b>(157 177)</b>	<b>563 692</b>	<b>1 050 408 116</b>

**Reconciliation of property, plant and equipment - 2012**

Municipality	Opening Balance	Additions	Disposals	Transfers	Reclassification	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)	3 811 189	-	-	-	426 385 397
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	-	-	(3 811 189)	-	-	-	2 350 774
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>-</b>	<b>(36 290 467)</b>	<b>(157 177)</b>	<b>563 692</b>	<b>1 050 408 116</b>

A register containing the information required by section 63 of the Municipal Finance Management Act (No. 56 of 2003) is available for inspection at the registered office of the municipality. No assets have been pledged as security nor have any restrictions been placed on any assets under the control of the municipality.

**UTHUNGULU DISTRICT MUNICIPALITY**  
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2013			2012		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
<b>9. Intangible Assets</b>						
<b>Group</b>						
Computer software and other	2 842 062	(1 765 029)	1 077 033	2 749 263	(1 272 579)	1 476 684
<b>Total</b>	<b>2 842 062</b>	<b>(1 765 029)</b>	<b>1 077 033</b>	<b>2 749 263</b>	<b>(1 272 579)</b>	<b>1 476 684</b>
<b>Municipality</b>						
Computer software and other	2 842 062	(1 765 029)	1 077 033	2 749 263	(1 272 579)	1 476 684
<b>Total</b>	<b>2 842 062</b>	<b>(1 765 029)</b>	<b>1 077 033</b>	<b>2 749 263</b>	<b>(1 272 579)</b>	<b>1 476 684</b>
<b>Reconciliation of intangible assets - 2013</b>						
<b>Group</b>						
Computer software and other	Opening Balance			92 800	(492 451)	1 077 033
	1 476 684					
<b>Reconciliation of intangible assets - 2013</b>						
<b>Municipality</b>						
Computer software and other	Opening Balance			92 800	(492 451)	1 077 033
	1 476 684					
<b>Reconciliation of intangible assets - 2012</b>						
<b>Group</b>						
Computer software and other	Opening Balance			159 712	(658 878)	1 476 684
	1 975 850					
<b>Reconciliation of intangible assets - 2012</b>						
<b>Municipality</b>						
Computer software and other	Opening Balance			159 712	(658 878)	1 476 684
	1 975 850					

A register containing the information required by section 63 of the Municipal Finance Management Act (No. 56 of 2003) is available for inspection at the registered office of the municipality.

No intangible assets have been pledged as security nor have any restrictions been placed on any assets under the control of the municipality.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	Group		Municipality	
	2013 R	2012 R	2013 R	2012 R
<b>10. Investment 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			19 307 087	19 498 698
uThungulu House Development Trust			5 365 733	5 708 098
			<b><u>24 672 820</u></b>	<b><u>25 206 796</u></b>

The carrying amounts of municipal entities are shown net of impairment losses.

**11. Investments**

**Non-current assets**

At amortised cost	-	<b>21 000 000</b>	-	<b>21 000 000</b>
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An investment was placed with ABSA on 15 July 2011 at an interest rate of 8.70%. The investment was recalled on 2 January 2013 to settle the Zero coupon held by INCA. Refer to note 12.

**12. Long-term liabilities**

**Held at amortised cost**

ABSA Bank 12.6%	40 391 568	42 032 370	40 391 568	42 032 370
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The loan was raised originally for the development of uThungulu House building and greater Mthonjaneni Bulk Water Scheme. Subsequently infrastructure for the landfill site and sewer treatment plants were constructed therefrom. The original loan is repayable after a 15 year period (remaining period 11 years). 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
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The loan was raised to finance the purchase and development of the Regional Solid Waste site. The loan was settled on 3 January 2013.

INCA 11.95%	25 060 631	26 314 518	25 060 631	26 314 518
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The loan was raised to finance extensions to uThungulu House and the development of the Regional Solid Waste site cell 2. The original loan is repayable after a 15 year period (remaining period 10 years). Interest at 11.95% is payable 6 monthly in arrears on the last day of the month.

Obligation under Finance Headlease			24 016 912	24 564 331
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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 23.81% and is paid 6 monthly in advance on the last day of the month.

	<b><u>65 452 199</u></b>	<b><u>89 346 888</u></b>	<b><u>89 469 111</u></b>	<b><u>113 911 219</u></b>
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Refer to Appendix A for more information.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	Group		Municipality	
	2013 R	2012 R	2013 R	2012 R
<b>Non-current liabilities</b>				
At amortised cost	61 231 776	85 611 711	78 874 001	104 584 204
<b>Current liabilities</b>				
At amortised cost	4 220 423	3 735 177	10 595 110	9 327 015
	<b>65 452 199</b>	<b>89 346 888</b>	<b>89 469 111</b>	<b>113 911 219</b>

**13. Payables from exchange transactions**

Trade payables	103 653 393	103 113 405	103 653 393	103 113 405
Amounts received in advance	2 635 016	2 555 164	2 635 016	2 555 164
Retention payables	24 247 760	15 888 281	24 247 760	15 888 281
Accrued leave pay	5 847 669	5 375 012	5 847 669	5 375 012
Employee payable transactions	25 763	25 268	25 763	25 268
	<b>136 409 603</b>	<b>126 957 130</b>	<b>136 409 601</b>	<b>126 957 130</b>

The comparative figure for payables from exchange transactions has been re-stated by an amount of R1 475 436. Refer to note 39

**14. Consumer deposits**

Water	<b>9 113 835</b>	<b>8 229 262</b>	<b>9 113 835</b>	<b>8 229 262</b>
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In terms of Council's by-laws no interest is raised or paid on consumer deposits.

**15. Defined benefit obligation**

Post-Employment Health Care Benefit Liability	15 666 000	10 584 545	15 666 000	10 584 545
Long Service Awards	2 798 000	3 596 390	2 798 000	3 596 390
<b>Total amount for post retirement benefit provisions</b>	<b>18 464 000</b>	<b>14 180 935</b>	<b>18 464 000</b>	<b>14 180 935</b>
	<b>(435 000)</b>	<b>(757 672)</b>	<b>(435 000)</b>	<b>(757 672)</b>
Less: Current portion of post-employment health care benefit liability	(90 000)	(62 340)	(90 000)	(62 340)
Less: Current portion of long service awards	(345 000)	(695 332)	(345 000)	(695 332)
<b>Net provision for post retirement benefit liability</b>	<b>18 029 000</b>	<b>13 423 263</b>	<b>18 029 000</b>	<b>13 423 263</b>

**15.1 Post-employment Health Care Benefit Liability**

Post-Employment Health Care Benefit Liability	15 666 000	10 584 545	15 666 000	10 584 545
<b>Total: Post Retirement Medical Aid Benefit Liability</b>	<b>15 666 000</b>	<b>10 584 545</b>	<b>15 666 000</b>	<b>10 584 545</b>
Less: Transfer to current provisions	(90 000)	(62 340)	(90 000)	(62 340)
<b>Net Post-Employment Health Care Benefit Liability</b>	<b>15 576 000</b>	<b>10 522 205</b>	<b>15 576 000</b>	<b>10 522 205</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 2013 by ZAQ Consultants and Actuaries, 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)	143	149	143	149
In-service non-members	-	40	-	40
Continuation members (Retirees, widowers and orphans)	2	2	2	2
	<b>145</b>	<b>191</b>	<b>145</b>	<b>191</b>

The liability in respect of past services has been estimated to be as follows:

In-service members	14 889 000	9 594 496	14 889 000	9 594 496
Continuation members	777 000	990 049	777 000	990 049
	<b>15 666 000</b>	<b>10 584 545</b>	<b>15 666 000</b>	<b>10 584 545</b>

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	Group		Municipality	
	2013 R	2012 R	2013 R	2012 R

**15. Defined benefit obligations (continued)**

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 1 564 000, whereas the interest-cost for the next year is estimated to be R 1 294 000 (2012: R 1 063 967 and R 887 391 respectively).

**The principal assumptions used for the purposes of the actuarial valuations were as follows:**

**Rate of interest**

Discount rate	7.89%	8.41%	7.89%	8.41%
Health care cost inflation rate	7.14%	7.08%	7.14%	7.08%
Net effective discount rate	0.70%	1.24%	0.70%	1.24%
Benchmark inflation (=75% of salary inflation)	6.14%	4.75%	6.14%	4.75%
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	15 666 000	10 584 545	15 666 000	10 584 545
	15 666 000	10 584 545	15 666 000	10 584 545
Present value of unfunded obligations	15 666 000	10 584 545	15 666 000	10 584 545
Benefit Liability	15 666 000	10 584 545	15 666 000	10 584 545

**The amount recognised in the Statement of Financial Performance are as follow:**

Current service cost	1 064 000	1 111 284	1 064 000	1 111 284
Interest cost	887 400	870 570	887 400	870 570
Actuarial (gain)/loss	3 185 055	(1 205 392)	3 185 055	(1 205 392)
Total included in employee related cost	<b>5 136 455</b>	<b>776 462</b>	<b>5 136 455</b>	<b>776 462</b>

The movement in the defined benefit obligation over the year is as follows:

Balance at the beginning of the year	10 584 545	9 863 739	10 584 545	9 863 739
- Current service cost	1 064 000	1 111 284	1 064 000	1 111 284
- Interest cost	887 400	870 570	887 400	870 570
- Benefits paid	(55 000)	(55 656)	(55 000)	(55 656)
- Actuarial (gain)/losses	3 185 055	(1 205 392)	3 185 055	(1 205 392)
Balance at the end of the year	15 666 000	10 584 545	15 666 000	10 584 545

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

**Increase**

Effect on the aggregate current service and interest cost	305 000	439 000	305 000	439 000
Effect on the defined benefit obligation	1 687 000	1 552 000	1 687 000	1 552 000

**Decrease**

Effect on the aggregate current service and interest cost	(374 000)	(344 500)	(374 000)	(344 500)
Effect on the defined benefit obligation	(2 006 000)	(1 352 000)	(2 006 000)	(1 352 000)

Defined benefit obligation	15 666 000	10 584 545	15 666 000	10 584 545
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The municipality expects to make a contribution of R 90 000, (2013: R 62 340) to the defined benefit plans during the next financial year.



**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	Group		Municipality	
	2013 R	2012 R	2013 R	2012 R
<b>15. Defined benefit obligations (continued)</b>				
<b>15.2 Long Service Awards</b>				
Provision for Long Service Awards	2 798 000	3 596 390	2 798 000	3 596 390
<b>Total provision for Long Service Awards</b>	<b>2 798 000</b>	<b>3 596 390</b>	<b>2 798 000</b>	<b>3 596 390</b>
Less: Transfer to current provisions	(345 000)	(695 332)	(345 000)	(695 332)
<b>Net Long Service Awards Liability</b>	<b>2 453 000</b>	<b>2 901 058</b>	<b>2 453 000</b>	<b>2 901 058</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 2013 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 2013 by ZAQ Consultants and Actuaries, 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 332 000, whereas the interest-cost for the next year is estimated to be R 206 000 (2012: R 772 680 and R 202 053 respectively).

**The principal assumptions used for the purposes of the actuarial valuations were as follows:**

**Rates of Interest**

Discount rate	7.40%	6.21%	7.40%	6.21%
Net effective discount rate	0.69%	0.23%	0.69%	0.23%
Expected rate of salary increase	6.66%	5.97%	6.66%	5.97%
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	2 798 000	3 596 390	2 798 000	3 596 390
	<b>2 798 000</b>	<b>3 596 390</b>	<b>2 798 000</b>	<b>3 596 390</b>
Present value of unfunded obligations	2 798 000	3 596 390	2 798 000	3 596 390
<b>Benefit Liability</b>	<b>2 798 000</b>	<b>3 596 390</b>	<b>2 798 000</b>	<b>3 596 390</b>

**The amount recognised in the Statement of Financial Performance are as follow:**

Current service cost	772 680	859 937	772 680	859 937
Interest cost	202 053	246 604	202 053	246 604
Actuarial (gain)/losses	(1 421 123)	(452 550)	(1 421 123)	(452 550)
<b>Total included in employee related cost</b>	<b>(446 390)</b>	<b>653 991</b>	<b>(446 390)</b>	<b>653 991</b>

The movement in the defined benefit obligation over the year is as follows:

Balance at the beginning of the year	3 596 390	3 561 001	3 596 390	3 561 001
- Current service cost	772 680	859 937	772 680	859 937
- Interest cost	202 053	246 604	202 053	246 604
- Benefits paid	(352 000)	(618 602)	(352 000)	(618 602)
- Actuarial (gain)/losses on the obligation	(1 421 123)	(452 550)	(1 421 123)	(452 550)
<b>Balance at the end of the year</b>	<b>2 798 000</b>	<b>3 596 390</b>	<b>2 798 000</b>	<b>3 596 390</b>
Defined benefit obligation	2 798 000	3 596 390	2 798 000	3 596 390
Experience adjustment on plan liabilities	-	(684 082)	-	(684 082)

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	Group		Municipality	
	2013 R	2012 R	2013 R	2012 R
<b>15. Defined benefit obligations (continued)</b>				
<b>Other assumptions</b>				
The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:				
<b>Increase</b>				
Effect on the aggregate of the service cost and interest cost	56 000	47 613	56 000	47 613
Effect on the defined benefit obligation	238 000	195 000	238 000	195 000
<b>Decrease</b>				
Effect on the aggregate of the service cost and interest cost	(50 000)	(42 948)	(50 000)	(42 948)
Effect on the defined benefit obligation	(212 000)	(175 000)	(212 000)	(175 000)
Defined benefit obligation	2 798 000	3 596 390	2 798 000	3 596 390

The municipality expects to make a contribution of R 345 000 (2013: R 695 332) to the defined benefit plan during the next financial year.

**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 2012	1 288 291	1 255 238	33 053
Natal Joint Municipal Pension Fund (Superannuation)	March 2012	6 538 900	6 808 900	(270 000)
Natal Joint Municipal Pension Fund (Retirement)	March 2012	2 415 500	2 667 000	(251 500)
Zululand Joint Provident Fund (uThungulu District Municipality Provident Fund)	February 2009	12 541 836	12 541 836	-

An amount of R 9 925 892 (2012: R 8 018 765) 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.

**16. Unspent conditional grants and receipts**

**Unspent conditional grants and receipts comprises of:**

**Conditional Grants from spheres of Government and other**

Department of Co-operative Governance and Traditional Affairs (Previously DTLGA)	9 080 327	10 980 879	9 080 327	10 980 879
Department of Water Affairs	917 526	1 826 455	917 526	1 826 455
Department of Co-operative Governance and Traditional Affairs	14 723 666	7 861 281	14 723 666	7 861 281
Department of Public Works	5 147 158	3 025 661	5 147 158	3 025 661
National Treasury	-	500 942	-	500 942
Public donors	180 186	186	180 186	186
Provincial Treasury	280 196	280 196	280 196	280 196
Department of Sport and Recreation	277 613	3 813	277 613	3 813
Department of Transport	1 427 737	1 591 846	1 427 737	1 591 846
Department of Economic Affairs and Tourism	11 842	11 842	11 842	11 842
Department of Agriculture	177 708	177 708	177 708	177 708
Other - EU	236 493	238 865	236 493	238 865
	<b>32 460 451</b>	<b>26 499 674</b>	<b>32 460 451</b>	<b>26 499 674</b>

The comparative figure for unspent conditional grants and receipts (municipal infrastructure grant) has been re-stated by an amount of R 47 749 291 being VAT transferred to own revenue per National Treasury circular 58. Refer to note 20 and 39.

**UTHUNGULU DISTRICT MUNICIPALITY**  
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

17. Provisions	Opening Balance	Additions	Utilised during the year	Transfer of current portion	Total
<b>Reconciliation of provision - 2013</b>					
Reclamation of refuse landfill site	69 415 033	4 095 485	(275 540)	(15 629 871)	57 605 107
Performance bonus	751 981	814 554	(705 612)	-	860 923
Current portion of reclamation of refuse landfill site	-	-	-	15 629 871	15 629 871
<b>Total</b>	<b>70 167 014</b>	<b>4 910 039</b>	<b>(981 152)</b>	<b>-</b>	<b>74 095 901</b>
<b>Reconciliation of provision - 2012</b>					
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>
<b>Municipality</b>					
<b>Reconciliation of provision - 2013</b>					
Reclamation of refuse landfill site	69 415 033	4 095 485	(275 540)	(15 629 871)	57 605 107
Performance bonus	751 981	814 554	(705 612)	-	860 923
Current portion of reclamation of refuse landfill site	-	-	-	15 629 871	15 629 871
<b>Total</b>	<b>70 167 014</b>	<b>4 910 039</b>	<b>(981 152)</b>	<b>-</b>	<b>74 095 901</b>
<b>Reconciliation of provision - 2012</b>					
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>

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	Group		Municipality	
	2013 R	2012 R	2013 R	2012 R
<b>17. Provisions (continued)</b>				
Non-current liabilities	57 605 107	69 415 033	57 605 107	69 415 033
Current liabilities	16 490 794	751 981	16 490 794	751 981
	<u>74 095 901</u>	<u>70 167 014</u>	<u>74 095 901</u>	<u>70 167 014</u>

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 2011/2012 financial year the assessment of the previous Municipal Manager and Executive Director Corporate Services had been concluded and provided for, however the bonuses amounting to R293 879 were paid in the 2012/2013 financial year.

In terms of licensing of the landfill refuse site, Council will incur rehabilitation costs of R 73.5 million to restore the old Empangeni and Cell 1 refuse sites at the end of their useful lives. Planning has commenced 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.

**18. Service charges**

Sale of water	33 304 979	35 615 614	33 304 979	35 615 614
Solid waste revenue	11 722 007	8 444 902	11 722 007	8 444 902
Sanitation revenue	4 604 903	3 740 115	4 604 903	3 740 115
Cemetery revenue	270 030	216 751	270 030	216 751
	<u>49 901 919</u>	<u>48 017 382</u>	<u>49 901 919</u>	<u>48 017 382</u>

**19. Interest received**

<b>Interest revenue</b>				
Outstanding debtors	34 243	39 573	34 243	39 573
External investments	27 133 733	27 048 178	27 113 168	26 998 106
	<u>27 167 976</u>	<u>27 087 751</u>	<u>27 147 411</u>	<u>27 037 679</u>

**20. Government grants and subsidies**

Levy Replacement Grant	165 913 000	152 214 492	165 913 000	152 214 492
Municipal Infrastructure Grant	189 155 078	212 768 744	189 155 078	212 768 744
Equitable share	162 849 000	146 963 509	162 849 000	146 963 509
Department of Co-operative Governance and Traditional Affairs (Previously DTLGA)	1 900 553	1 900 892	1 900 553	1 900 892
Department of Water Affairs	42 071 839	34 553 187	42 071 839	34 553 187
Department of Co-operative Governance and Traditional Affairs	3 037 614	1 967 109	3 037 614	1 967 109
Department of Public Works	1 833 503	1 145 732	1 833 503	1 145 732
National Treasury	1 470 942	1 029 277	1 470 942	1 029 277
Public donors	59 750	-	59 750	-
Provincial Treasury	-	940 638	-	940 638
Department of Transport	1 940 109	409 924	1 940 109	409 924
Department of Economic Affairs & Tourism	-	32 015	-	32 015
	<u>570 231 388</u>	<u>553 925 519</u>	<u>570 231 388</u>	<u>553 925 519</u>

**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	-	45 496 307	-	45 496 307
Current-year receipts	195 223 000	160 933 000	195 223 000	160 933 000
Conditions met - transferred to revenue	(173 002 414)	(185 737 878)	(173 002 414)	(185 737 878)
MIG debtor receipt	(6 339 439)	-	(6 339 439)	-
VAT transferred to own revenue	(15 881 147)	(20 691 429)	(15 881 147)	(20 691 429)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

This grant is used to construct water and sewerage infrastructure as part of the upgrading of informal settlement areas. In line with National Treasury's circular 58, VAT transferred to own revenue amounted to R 15 881 147 in the current year, R 20 691 429 for 2011/2012 and R 27 057 862 for the previous financial years.

No funds have been withheld.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	Group		Municipality	
	2013 R	2012 R	2013 R	2012 R
<b>20. Government grants and subsidies (continued)</b>				
<b>Equitable share</b>				
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.				
<b>Department of Co-operative Governance and Traditional Affairs (Previously DTLGA)</b>				
Balance unspent at beginning of year	10 980 879	12 881 771	10 980 879	12 881 771
Conditions met - transferred to revenue	<u>(1 900 552)</u>	<u>(1 900 892)</u>	<u>(1 900 552)</u>	<u>(1 900 892)</u>
	<b><u>9 080 327</u></b>	<b><u>10 980 879</u></b>	<b><u>9 080 327</u></b>	<b><u>10 980 879</u></b>
Conditions still to be met - remain liabilities (see note 16)				
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.				
<b>Department of Water Affairs</b>				
Balance unspent at beginning of year	1 826 455	942 042	1 826 455	942 042
Current-year receipts	40 944 885	35 437 600	40 944 885	35 437 600
Conditions met - transferred to revenue	<u>(41 853 814)</u>	<u>(34 553 187)</u>	<u>(41 853 814)</u>	<u>(34 553 187)</u>
	<b><u>917 526</u></b>	<b><u>1 826 455</u></b>	<b><u>917 526</u></b>	<b><u>1 826 455</u></b>
Conditions still to be met - remain liabilities (see note 16)				
These grants are used for:				
- water infrastructure and sanitation projects;				
- drought relief and disaster relief programmes				
<b>Department of Co-operative Governance and Traditional Affairs</b>				
Balance unspent at beginning of year	7 861 281	861 867	7 861 281	861 867
Current-year receipts	9 900 000	8 966 523	9 900 000	8 966 523
Conditions met - transferred to revenue	<u>(3 037 615)</u>	<u>(1 967 109)</u>	<u>(3 037 615)</u>	<u>(1 967 109)</u>
	<b><u>14 723 666</u></b>	<b><u>7 861 281</u></b>	<b><u>14 723 666</u></b>	<b><u>7 861 281</u></b>
Conditions still to be met - remain liabilities (see note 16)				
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.				
<b>Department of Public Works Grants</b>				
Balance unspent at beginning of year	3 025 661	1 595 272	3 025 661	1 595 272
Current-year receipts	3 955 000	2 444 000	3 955 000	2 444 000
Conditions met - transferred to revenue	<u>(1 833 503)</u>	<u>(1 145 732)</u>	<u>(1 833 503)</u>	<u>(1 145 732)</u>
Other - CPWP	-	132 121	-	132 121
	<b><u>5 147 158</u></b>	<b><u>3 025 661</u></b>	<b><u>5 147 158</u></b>	<b><u>3 025 661</u></b>
Conditions still to be met - remain liabilities (see note 16)				
This grant is used to construct water and sewerage infrastructure as part of the upgrading of informal settlement areas. No funds have been withheld.				
<b>National Treasury</b>				
Balance unspent at beginning of year	500 942	280 219	500 942	280 219
Current-year receipts	1 250 000	1 250 000	1 250 000	1 250 000
Conditions met - transferred to revenue	<u>(1 470 942)</u>	<u>(1 029 277)</u>	<u>(1 470 942)</u>	<u>(1 029 277)</u>
Transferred to EQS & LRG	<u>(280 000)</u>	-	<u>(280 000)</u>	-
	<b><u>-</u></b>	<b><u>500 942</u></b>	<b><u>-</u></b>	<b><u>500 942</u></b>
Conditions still to be met - remain liabilities (see note 16)				

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	Group		Municipality	
	2013 R	2012 R	2013 R	2012 R
<b>20. Government grants and subsidies (continued)</b>				
National treasury other grants are used for:				
- the promotion and support of reforms to municipal financial management; and				
- the implementation of the Municipal Finance Management Act (Act no. 56 of 2003).				
The allocation from funder was reduced by an amount of R280 000 through a set off against the levy replacement and Equitable share tranche in 2012/2013. This pertained to the unspent allocation from 2010/2011 financial year.				
<b>Public donors</b>				
Balance unspent at beginning of year	186	186	186	186
Current-year receipts	239 750	-	239 750	-
Conditions met - transferred to revenue	(59 750)	-	(59 750)	-
	<u>180 186</u>	<u>186</u>	<u>180 186</u>	<u>186</u>
Conditions still to be met - remain liabilities (see note 16)				
The grant received of R 160 000 from Foskor is to partner with the district municipality in the fight against HIV and Aids, the grant received of R 50 000 from BHP Billiton and R 20 000 from Bell equipment was for corporate social investment programmes, while the grant received of R 9 750 from Eyethu engineering was for assistance of bursary applications.				
<b>Provincial Treasury</b>				
Balance unspent at beginning of year	280 196	1 220 833	280 196	1 220 833
Conditions met - transferred to revenue	-	(940 637)	-	(940 637)
	<u>280 196</u>	<u>280 196</u>	<u>280 196</u>	<u>280 196</u>
Conditions still to be met - remain liabilities (see note 16)				
The grant received from Provincial Treasury is used for the upliftment of the district's communities through various programmes.				
<b>Department of Sport &amp; Recreation</b>				
Balance unspent at beginning of year	3 813	3 813	3 813	3 813
Current-year receipts	273 800	-	273 800	-
	<u>277 613</u>	<u>3 813</u>	<u>277 613</u>	<u>3 813</u>
Conditions still to be met - remain liabilities (see note 16)				
The grant received from the Department of Sport and Recreation is used to develop sporting codes within the district. The grant is spent in accordance with the approved business plan. No funds have been withheld.				
<b>Department of Transport</b>				
Balance unspent at beginning of year	1 591 846	313 770	1 591 846	313 770
Current-year receipts	1 776 000	1 688 000	1 776 000	1 688 000
Conditions met - transferred to revenue	(1 940 109)	(409 924)	(1 940 109)	(409 924)
	<u>1 427 737</u>	<u>1 591 846</u>	<u>1 427 737</u>	<u>1 591 846</u>
Conditions still to be met - remain liabilities (see note 16)				
The Department of Transport grant is used for the development of the public transport plan.				
<b>Department of Economic Affairs and Tourism</b>				
Balance unspent at beginning of year	11 842	43 857	11 842	43 857
Conditions met - transferred to revenue	-	(32 015)	-	(32 015)
	<u>11 842</u>	<u>11 842</u>	<u>11 842</u>	<u>11 842</u>
Conditions still to be met - remain liabilities (see note 16)				
The grant received from the Department of Economic Affairs and Tourism is for the development and promotion of the district's local economy and tourism.				
<b>Department of Agriculture</b>				
Balance unspent at beginning of year	<u>177 708</u>	<u>177 708</u>	<u>177 708</u>	<u>177 708</u>
Conditions still to be met - remain liabilities (see note 16)				
The grant received from the Department of Agriculture is for the development of a district agricultural projects.				

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	Group		Municipality	
	2013 R	2012 R	2013 R	2012 R
<b>21. Other income</b>				
Sundry income	1 674 892	1 697 259	1 674 892	1 697 259
Income from the uThungulu House Development Trust			2 734 504	2 896 275
Income from the uThungulu Financing Partnership			3 355 457	3 060 734
Tender deposits	231 486	265 966	231 486	265 966
SETA refund	1 167 616	454 212	1 167 616	454 212
Insurance claim proceeds	283 235	228 408	283 235	228 408
Lease income	131 364	99 885	131 364	99 885
	<b>3 488 593</b>	<b>2 745 730</b>	<b>9 578 554</b>	<b>8 702 739</b>

**22. Employee related costs**

Employee related costs - salaries and wages	64 026 865	55 131 305	64 026 865	55 131 305
Employee related costs - contributions for UIF, pensions & medical aid	14 323 090	11 672 551	14 323 090	11 672 551
Travel and other allowances	7 400 181	6 235 526	7 400 181	6 235 526
Overtime and relief payments	7 040 423	11 602 892	7 040 423	11 602 892
Housing benefits and allowances	2 418 986	2 686 516	2 418 986	2 686 516
Defined benefits obligations: post-employment health care benefit & long service awards	4 283 065	756 195	4 283 065	756 195
	<b>99 492 610</b>	<b>88 084 985</b>	<b>99 492 610</b>	<b>88 084 985</b>

Included in employee related costs above are the following salaries, allowances and benefits:

**Remuneration of Municipal Manager**

Annual Remuneration	981 689	216 613	981 689	216 613
Car Allowance	333 728	84 197	333 728	84 197
Performance Bonuses	154 673	-	154 673	-
Contributions to UIF,SDL and other	13 524	16 495	13 524	16 495
Dispute settlement	-	1 210 867	-	1 210 867
Leave pay	-	149 456	-	149 456
	<b>1 483 614</b>	<b>1 677 628</b>	<b>1 483 614</b>	<b>1 677 628</b>

The remuneration for the 2012/2013 financial year pertains to the Municipal Manager who was appointed in the year under review and the performance bonus amount reflected in 2012/2013 pertains to the previous Municipal Manager - refer to note 17.

**Remuneration of Deputy Municipal Manager - Planning & Economic Development**

Annual Remuneration	896 040	797 369	896 040	797 369
Car Allowance	364 075	352 503	364 075	352 503
Performance Bonuses	155 873	146 939	155 873	146 939
Contributions to UIF,SDL and other	15 239	14 164	15 239	14 164
Acting allowance	-	19 276	-	19 276
Leave pay	18 007	29 708	18 007	29 708
	<b>1 449 234</b>	<b>1 359 959</b>	<b>1 449 234</b>	<b>1 359 959</b>

**Remuneration of Deputy Municipal Manager - Technical Services**

Annual Remuneration	1 035 447	683 880	1 035 447	683 880
Car Allowance	220 876	166 099	220 876	166 099
Performance Bonuses	115 574	-	115 574	-
Contributions to UIF,SDL,pension & medical aid	12 859	201 759	12 859	201 759
Annual Bonus	37 272	33 231	37 272	33 231
Leave pay	27 345	-	27 345	-
	<b>1 449 373</b>	<b>1 084 969</b>	<b>1 449 373</b>	<b>1 084 969</b>

**Remuneration of Deputy Municipal Manager - Corporate Services**

Annual Remuneration	825 237	226 926	825 237	226 926
Car Allowance	244 740	54 911	244 740	54 911
Performance Bonuses	139 206	-	139 206	-
Contributions to UIF,SDL and other	11 834	17 839	11 834	17 839
Dispute settlement	-	1 362 226	-	1 362 226
Leave pay	-	120 951	-	120 951
	<b>1 221 017</b>	<b>1 782 853</b>	<b>1 221 017</b>	<b>1 782 853</b>

The remuneration for the 2012/2013 financial year pertains to the Deputy Municipal Manager Corporate Manager who was appointed in the year under review and the performance bonus amount reflected in 2012/2013 pertains to the previous Executive Director - Corporate Services - refer to note 17.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	Group		Municipality	
	2013 R	2012 R	2013 R	2012 R
<b>22. Employee related costs (continued)</b>				
<b>Remuneration of Deputy Municipal Manager - Financial Services</b>				
Annual Remuneration	881 216	727 064	881 216	727 064
Car Allowance	377 430	219 645	377 430	219 645
Performance Bonuses	140 287	33 062	140 287	33 062
Contributions to UIF,SDL and other	16 952	11 682	16 952	11 682
Acting allowance	-	115 272	-	115 272
Leave pay	97 087	-	97 087	-
Long service leave pay	145 630	-	145 630	-
	<b>1 658 602</b>	<b>1 106 725</b>	<b>1 658 602</b>	<b>1 106 725</b>
<b>23. Remuneration of councillors</b>				
Mayor	728 196	690 437	728 196	690 437
Deputy Mayor	586 532	555 958	586 532	555 958
Speaker	586 532	559 271	586 532	559 271
Chief Whip	367 600	276 049	367 600	276 049
Executive Committee	2 581 614	1 928 176	2 581 614	1 928 176
Councillors	2 930 547	3 220 164	2 930 547	3 220 164
Councillors' pension contribution	741 628	639 666	741 628	639 666
	<b>8 522 649</b>	<b>7 869 721</b>	<b>8 522 649</b>	<b>7 869 721</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 furthermore is provided for some Exco members based on security assessments.				
<b>24. Depreciation, amortisation &amp; impairment</b>				
Property, plant and equipment	50 000 458	35 883 951	50 000 458	35 883 951
Intangible assets	492 450	658 878	492 450	658 878
	<b>50 492 908</b>	<b>36 542 829</b>	<b>50 492 908</b>	<b>36 542 829</b>
<b>25. Finance costs</b>				
Interest paid - long term liabilities	<b>7 580 552</b>	<b>5 962 760</b>	<b>13 490 296</b>	<b>11 900 614</b>
<b>26. Repairs and maintenance</b>				
Vehicles, buildings and other	1 361 009	1 616 031	1 361 009	1 616 031
Water and sanitation infrastructure	42 624 466	33 310 080	42 624 466	33 310 080
	<b>43 985 475</b>	<b>34 926 111</b>	<b>43 985 475</b>	<b>34 926 111</b>
<b>27. Bulk purchases</b>				
Electricity for operations	17 415 113	13 193 969	17 415 113	13 193 969
Water	12 051 381	16 010 394	12 051 381	16 010 394
	<b>29 466 494</b>	<b>29 204 363</b>	<b>29 466 494</b>	<b>29 204 363</b>
<b>28. Contracted services</b>				
Service support agent, information technology services, environmental health and administration services	63 537 996	61 526 743	63 537 996	61 526 743
Internal audit	1 525 661	1 453 752	1 525 661	1 453 752
Specialist services	206 777	24 403	206 777	24 403
	<b>65 270 434</b>	<b>63 004 898</b>	<b>65 270 434</b>	<b>63 004 898</b>
<b>29. Grants and subsidies paid</b>				
KZ 282 uMhlathuze Municipality	4 603 259	4 342 698	4 603 259	4 342 698
KZ 283 Ntambanana Municipality	6 041 000	5 452 000	6 041 000	5 452 000
KZ 284 Umlalazi Municipality	482 719	535 407	482 719	535 407
	<b>11 126 978</b>	<b>10 330 105</b>	<b>11 126 978</b>	<b>10 330 105</b>

The comparative figure for grants and subsidies paid has been restated by an amount of R 1 085 671. Refer to note 39.



**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	Group		Municipality	
	2013 R	2012 R	2013 R	2012 R
<b>30. General expenses</b>				
Advertisements	666 394	297 127	666 394	297 127
Assessment rates & municipal charges	626 568	338 460	626 568	338 460
Audit committee fees	81 286	112 476	81 286	112 476
Bank charges	168 058	222 890	168 058	222 890
Bursaries	24 499	71 249	24 499	71 249
Chemicals & cleaning materials	2 802 197	2 374 185	2 802 197	2 374 185
Delegations	377 605	249 035	377 605	249 035
External audit fees	2 295 406	2 246 605	2 295 406	2 246 605
Fuel and oil	2 863 159	2 790 077	2 863 159	2 790 077
IDP operational externally funded projects	64 260 792	45 781 146	64 260 792	45 781 146
IDP operational internal funded projects	52 375 910	44 890 691	52 375 910	44 890 691
Indigent burials	98 069	104 640	98 069	104 640
Insurance	854 345	1 673 072	854 345	1 673 072
Landfill site reclamation	3 819 945	4 297 741	3 819 945	4 297 741
Legal fees	242 076	2 565 412	242 076	2 565 412
Levies & membership fees	1 018 989	723 075	1 018 989	723 075
Licenses	1 227 207	490 994	1 227 207	490 994
Partnership expense			191 611	-
Personal protective equipment	201 981	188 883	201 981	188 883
Printing & postage	1 101 421	1 212 067	1 101 421	1 212 067
Publicity	782 819	752 808	782 819	752 808
Refreshments	283 453	297 818	283 453	297 818
Rent - Plant and vehicles	3 103 783	3 218 566	3 103 783	3 218 566
Rent office	62 733	72 137	62 733	72 137
Skills development levy	822 339	700 841	822 339	700 841
Small tools	34 167	55 508	34 167	55 508
Staff medical examinations	189 012	165 189	189 012	165 189
Stores and material	57 002	43 041	57 002	43 041
Subsistence & travelling	1 062 242	895 744	1 062 242	895 744
Telephone	1 480 471	1 353 235	1 480 471	1 353 235
Training cost	1 076 517	1 179 101	1 076 517	1 179 101
Workmen's compensation	526 743	826 494	526 743	826 494
	<b>144 587 185</b>	<b>120 190 307</b>	<b>144 778 796</b>	<b>120 190 307</b>

The comparative figure for general expenses has been re-stated by an amount of R 389 765. Refer to note 39.

**31. Cash generated from operations**

Surplus before outside partners interest adjustment	186 367 314	227 251 449	186 335 356	227 220 532
<b>Adjustments for:</b>				
Depreciation and amortisation	50 492 908	36 542 829	50 492 908	36 542 829
(Surplus)/Loss on sale of property, plant and equipment	265 025	419 223	265 025	419 223
Fair value adjustment	(523 775)	-	(523 775)	-
Debt impairment	4 189 974	8 023 573	4 189 974	8 023 573
Movement in retirement benefits assets and liabilities	4 283 065	756 194	4 283 065	756 194
Movement in provisions	3 928 887	4 281 219	3 928 887	4 281 219
Other non-cash items	-	(275 239)	-	(275 239)
Distribution by partnership	(33 894)	(26 521)	-	-
<b>Changes in working capital:</b>				
Inventories	(1 147 054)	946 807	(1 147 054)	946 807
Accounts receivable from non exchange transactions	10 553 840	(10 493 976)	10 553 840	(10 493 976)
Accounts receivable from exchange transactions	(8 383 364)	(10 652 978)	(8 383 364)	(10 652 978)
Payables from exchange transactions	9 452 472	9 131 657	9 452 472	9 131 657
VAT	(10 627 928)	(4 836 240)	(10 627 928)	(4 836 240)
Unspent conditional grants and receipts	5 960 777	(16 997 530)	5 960 777	(16 997 530)
Consumer deposits	884 573	984 899	884 573	984 899
MIG VAT transferred to revenue	-	(20 691 429)	-	(20 691 429)
Accruals for environmental health and workmen's compensation	-	1 475 436	-	1 475 436
Other non-cash items: Accruals	(6 261 023)	(12 948 047)	(6 261 023)	(12 948 047)
	<b>249 401 797</b>	<b>212 891 326</b>	<b>249 403 732</b>	<b>212 886 930</b>

The comparative surplus and changes in working capital have been re-stated. Refer to note 39.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	Group		Municipality	
	2013 R	2012 R	2013 R	2012 R
<b>32. Commitments</b>				
<i>Authorised capital expenditure</i>				
<i>Approved and contracted for</i>				
- Infrastructure	<u>125 303 155</u>	<u>176 330 686</u>	<u>125 303 155</u>	<u>176 330 686</u>
<i>This expenditure will be financed from:</i>				
- Government grants	117 047 996	174 570 924	117 047 996	174 570 924
- Own Resources	8 255 159	1 759 762	8 255 159	1 759 762
	<u>125 303 155</u>	<u>176 330 686</u>	<u>125 303 155</u>	<u>176 330 686</u>

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 2013. The majority of the capital projects include water infrastructure.

**33. Operating leases - as lessee (expense)**

**Minimum lease payments due**

- within one year	863 403	2 879 744	863 403	2 879 744
- in second to fifth year inclusive	184 409	485 596	184 409	485 596
	<u>1 047 812</u>	<u>3 365 340</u>	<u>1 047 812</u>	<u>3 365 340</u>

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. Lease agreements were entered into by the group and municipality in the 2010/2011 financial year and a further new lease agreement was entered into in 2012/2013. An amount of R3 002 994 has been recognised in the Statement of Financial Performance.

**34. 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 R 200 000.00 are listed individually below for the year ending 30 June 2013.

Project Description

Catering for athletes attending camp for Salga Games	292 561	292 561
	223 668	223 668
Hire of marquees and accessories for the Woman's day event		
Woman's day celebrations - street parade	208 300	208 300
Provision of transport for athletes attending the Salga Games	253 500	253 500
Hire of marquees and accessories for SMME fair	231 500	231 500
	<u>1 209 529</u>	<u>1 209 529</u>
Various deviations less than R200 000	11 133 760	11 133 760
	<u>12 343 289</u>	<u>12 343 289</u>

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	Group		Municipality	
	2013 R	2012 R	2013 R	2012 R

**35. Awards to close family members of persons in the services of the state**

Paragraph 45 of the Municipal Finance Management Act, 2003(Act no. 56 of 2003); Municipal Supply Chain Management Regulations 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 year ending 30 June 2013:

Name of person	T. Jordan
Capacity	Deputy Manager: Development Administration (uMhlathuze Municipality)
Service Provider	Audio computer world
Number of transactions	26
Total amount	R587 579
Name of person	R.Pillay
Capacity	Educator - Department of Education
Service Provider	KDM Sports CC
Number of transactions	7
Total amount	R190 363
Name of person	P.V. Dube & E.N. Dube
Capacity	Educators - Department of Education
Service Provider	Ziphovovela Multiservices CC
Number of transactions	20
Total amount	R231 085
Name of person	T.B. Khoza
Capacity	Superintendent - uMhlathuze Municipality
Service Provider	Phenomenics holdings
Number of transactions	1
Total amount	R117 997
Name of person	N. Reddy
Capacity	Prosecutor - NPA Veralum Court
Service Provider	Fana Manufacturing CC
Number of transactions	2
Total amount	R165 300

**36. Additional disclosure in terms of the Municipal Finance Management Act**

**Contributions to organised local government**

Opening balance	-	(674 157)	-	(674 157)
Current year membership fee	969 928	674 157	969 928	674 157
Amount paid - current year	(969 928)	-	(969 928)	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**Audit fees**

Current year fee	2 295 406	2 246 605	2 295 406	2 246 605
Amount paid - current year	(185 793)	(291 362)	(185 793)	(291 362)
Amount paid - previous year	(2 109 613)	(1 955 243)	(2 109 613)	(1 955 243)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**PAYE and UIF**

Current year subscription / fee	15 850 813	14 242 854	15 850 813	14 242 854
Amount paid - current year	(15 850 813)	(14 242 854)	(15 850 813)	(14 242 854)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**Pension and Medical Aid Deductions**

Current year subscription / fee	14 556 216	10 452 681	14 556 216	10 452 681
Amount paid - current year	(14 556 216)	(10 452 681)	(14 556 216)	(10 452 681)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**VAT**

VAT receivable	<u>20 739 529</u>	<u>10 111 601</u>	<u>20 739 529</u>	<u>10 111 601</u>
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All VAT returns have been submitted by the due date throughout the year. The municipality has submitted a Voluntary Disclosure programme application to SARS amounting to R 3 723 130 and the process has not been finalised.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	Group		Municipality	
	2013 R	2012 R	2013 R	2012 R
<b>37. Contingencies</b>				
<i>Future legal fees and other</i>				
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. Employee 3 - a case of theft of money	27 429	42 561	27 429	42 561
7. Labour Court Judgement - Task pay scales	2 500 000	2 500 000	2 500 000	2 500 000
8. Employee 4 - a case of alleged theft of money	8 170	8 170	8 170	8 170
9. Employee 5 - legal matter pending	60 000	-	60 000	-
10. Employee 6 & 7 - legal matter pending	90 000	-	90 000	-
	<b>3 705 599</b>	<b>3 570 731</b>	<b>3 705 599</b>	<b>3 570 731</b>

1. 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.

2. 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.

3. 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 and the matter is ready for trial and on the trial waiting list.

4. 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.

5. This is a high court claim in which an order of re-payment was obtained against the service provider.

6. 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.

7. This matter refers to a judgement handed down by the Labour court of South Africa( Case no. J1255/2010) wherein 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-judicae.

8. 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's.

9. This matter refers to an application that has been brought by an employee against the municipality regarding employee matters. The matter has been opposed by the municipality and the relevant papers have been lodged with the court.

10. This matter refers to an application for a review of an arbitration award made in favour of the municipality. The municipality is in the process of opposing the application for review.

The latter contingent liabilities is generally costs associated with the litigation process and any resultant claims cannot be quantified.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	Group		Municipality	
	2013 R	2012 R	2013 R	2012 R
<b>38. Related parties</b>				
<b>Relationships</b>				
Municipal entities		The uThungulu Financing Partnership uThungulu House Development Trust		
<b>Related Party Balances</b>				
<b>Investment in municipal entities</b>				
The uThungulu Financing Partnership			19 307 088	19 498 698
uThungulu House Development Trust			5 365 733	5 708 098
<b>Income received from related parties</b>				
The uThungulu Financing Partnership			3 355 457	3 060 734
uThungulu House Development Trust			2 734 504	2 896 275
<b>Expenses paid to related parties</b>				
The uThungulu Financing Partnership			191 611	-
<b>Balances outstanding from related parties</b>				
The uThungulu Financing Partnership			24 016 912	24 564 331
<b>% interest in municipal entities</b>				
The uThungulu Financing Partnership			99	99
uThungulu House Development Trust			100	100
<b>Related parties transactions</b>				
<b>Sub-lease payments</b>				
The uThungulu Financing Partnership			5 884 907	5 642 391

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 councillor allowances is shown in notes 22 and 23.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	Group		Municipality	
	2013 R	2012 R	2013 R	2012 R
<b>39. Prior year adjustments</b>				
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 annual financial statements for the period ended 30 June 2013 is as follows:				
<b>1) MIG vat transferred to own revenue</b>				
<i>Effect on current liabilities - Unspent conditional grants &amp; receipts - Refer to note 16:</i>				
Movement in unspent conditional grants & receipts				
Previously reported balance		74 248 965		74 248 965
Adjustment MIG vat transferred to own revenue prior years		(27 057 862)		(27 057 862)
Adjustment MIG vat transferred to own revenue for 2011/2012		(20 691 429)		(20 691 429)
Re-stated		<u>26 499 674</u>		<u>26 499 674</u>
<i>Movement in MIG unspent conditional grants &amp; receipt - Refer to note 20:</i>				
Previously reported balance		47 749 291		47 749 291
Adjustment		(47 749 291)		(47 749 291)
Re-stated		<u>-</u>		<u>-</u>
<i>Effect on revenue</i>				
<i>Movement in government grants and subsidies - Refer to note 20</i>				
Previously reported balance		533 234 090		533 234 090
Adjustment for MIG vat transferred to revenue for 2011/2012		20 691 429		20 691 429
Re-stated		<u>553 925 519</u>		<u>553 925 519</u>
<b>2) Accrual - Environmental Health Services &amp; Workmen's compensation</b>				
<i>Effect on Current liabilities - Payables from exchange transactions - Refer to note 13</i>				
Movement in payables from exchange transactions				
Previously reported balance		125 481 694		125 481 694
Adjustment accrual environmental health services		1 085 671		1 085 671
Adjustment accrual workmen's compensation		389 765		389 765
Re-stated		<u>126 957 130</u>		<u>126 957 130</u>
<i>Effect on expenditure</i>				
<i>Movement in grants and subsidies paid - refer to note 29</i>				
Previously reported balance		9 244 434		9 244 434
Adjustment accrual for environmental health services		1 085 671		1 085 671
Re-stated		<u>10 330 105</u>		<u>10 330 105</u>
<i>Movement in general expenses - Refer to note 30</i>				
Previously reported balance		119 800 542		119 800 542
Adjustment accrual for workmen's compensation		389 765		389 765
Re-stated		<u>120 190 307</u>		<u>120 190 307</u>
<b>3) Adjustment to 2011/2012 surplus and accumulated surplus</b>				
<i>Movement in surplus for 2011/2012</i>				
Previously reported balance		208 004 539		208 004 539
Adjustment for MIG vat transferred to revenue		20 691 429		20 691 429
Adjustment accrual for environmental health services		(1 085 671)		(1 085 671)
Adjustment accrual for workmen's compensation		(389 765)		(389 765)
Re-stated		<u>227 220 532</u>		<u>227 220 532</u>
<i>Movement in accumulated surplus</i>				
<i>Adjustment</i>				
Accumulated Surplus as at the 1st of July 2011 as previously reported		905 538 331		905 538 331
Change in accounting estimates		(275 236)		(275 236)
Prior year adjustment - VAT transferred to own revenue in accordance with National Treasury budget directive		27 057 862		27 057 862
Surplus 2011/2012 restated		227 220 532		227 220 532
Re-stated		<u>1 159 541 489</u>		<u>1 159 541 489</u>

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

**40. Budget and Actual amount variances**

Variances greater than 10 % with a value not less than R500 000 as referenced on The Statement of Comparison of Budget and Actual amounts, as reflected on page 8 to page 10 are set out below:

**Statement of financial performance**

**40.1 Service charges:**

The three dominant factors which contributed to the increase in service charges is the higher than expected reliance on portable water usage by consumers, the above inflationary increases in property values wherein our sanitation tariffs are based and the increased usage

**40.2 Other income:**

The variance between the final budget and actual amounts are attributable to the unexpectedly higher Seta refund and the related inflationary increases on other income.

**40.3 Government grants and subsidies:**

The variance pertains to certain multi-year grant funded projects which were still in progress as at close of the financial year and expenditure relating to the said projects would be recognised on completion thereof.

**40.4 Employee related costs:**

The final budget is based on the approved organogram and related salary scales, however positions were vacant during the year under review with recruitment for certain senior management positions being finalised in the latter part of the year, thus contributing to a savings. Furthermore the budget includes allocations for the full package of benefits, which were not fully utilised by staff.

**40.5 Finance costs:**

The final budget amount of R 15 225 293 includes both capital redemption and interest costs, while the actual amount of R 13 490 296 is exclusive of capital redemption which is accounted for in long term liabilities per the Statement of Financial Position.

**40.6 Repairs and maintenance:**

The final budget is based on the premise that certain water schemes would have become operational during the financial year, however due to unforeseen circumstances in project implementation this could not be attained, resulting in the savings.

**40.7 Bulk purchases:**

The final budget is based on the premise that certain water schemes would become operational during the financial year, however due to unforeseen circumstances in project implementation this could not be attained, resulting in the savings, furthermore agreements with the Department of Water Affairs and uMhlathuze Water Board have not been finalised regarding water extraction levies.

**40.8 Contracted services:**

The major component of the final budget is for the support service agent fees for operations of water schemes. The budget is based on the premise that certain water schemes would become operational during the financial year, however due to unforeseen circumstances in project implementation this could not be attained as well as the impending new support service agent tender; resulting in the savings.

**40.9 General expenses:**

The variance is mainly attributable to certain multi-year projects that were in the planning stage, in progress and or held in abeyance pending regulatory outcomes and furthermore operational efficiencies on the various subvotes.

**Statement of financial position**

**40.10a Account receivable from non exchange transactions:**

The final budget of R 20 536 000 is inclusive of vat , while the actual amount of R 14 501 684 is exclusive of VAT. The VAT receivable as per the Statement of Financial Position amounts to R 20 739 529 (refer to note 4) and is included in accounts receivable from exchange transactions; therefore the comparison of final budget and actual's indicates a variance of R 14 705 213 (R 20 739 529 - R 6 034 316) which is mainly due to the input VAT on the capital projects spending.

**40.10b Accounts receivable from exchange transactions:**

The final budget of R 11 870 000 is exclusive of vat, while the actual amount of R 37 791 179 is inclusive of VAT. The VAT receivable as per the Statement of Financial Position amounts to R 20 739 529 (refer to note 4); therefore the comparison of final budget and actual's indicates a variance of R 5 181 650 ( R 25 921 179 - R 20 739 529) which is mainly due to revenue generated from service charges increasing , as a result of increased consumption's. Furthermore the current harsh economic climate is negatively impacting indigent and poor consumers which is contributing to outstanding debtors.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

40. Budget and Actual amount variances (continued)

40.11 Cash and cash equivalents:

The budgeted investment portfolio holding as at 30 June 2013 was anticipated to be R325 000 000, however due to cash flow requirements and surplus cash available from spending trends, the portfolio as at the 30 June 2013 increased to R 370 000 000. Therefore, the budget against actual variance amounting to R 99 743 491 is due to investment holdings increasing by R45 000 000 and cash book

40.12 Property, plant and equipment; and intangible assets:

The final budget of R 1 333 806 000 is inclusive of intangible assets, while the actual amount of R 1 174 251 299 is exclusive of intangible assets. The intangible assets as per the Statement of Financial Position amounts to R 1 077 033 (refer to note 9); therefore the comparison of budget and actual's indicates a variance of R 158 477 668 (R 159 554 701 - R 1 077 033). The variance is mainly attributable to budgeted certain multi-year capital projects not yet completed due to unforeseen circumstances.

40.13 Investments in municipal entities:

The final budget includes long term investments. A long term investment was placed with ABSA on 15 July 2011 with a maturity date of 30 December 2015. The investment was recalled on 2 January 2013 to settle the Zero coupon held by INCA.

The early settlement of the Inca zero coupon loan of R 21 000 000 was originally anticipated to be settled in the 2014/2015 financial year, however favourable market conditions on the zero coupon coupled with an attractive early settlement term, contributed to the decision to settle the loan in the current financial year.

40.14 Long term liabilities:

The variance of R 20 999 889 ( R23 382 999 - R 2 383 110) is directly attributable to the early settlement of the Inca zero coupon of R 21 000 000, as explained in 40.13 above.

40.15 Payables from exchange transactions:

The final budget of R 131 317 000 is inclusive of unspent conditional grants and receipts, while the actual amount of R 136 409 601 is exclusive of unspent conditional grants and receipts. The unspent conditional grants and receipts as per the Statement of Financial Position amounts to R 32 460 451 (refer to note 16); therefore the comparison of budget and actual's indicates a variance of R 37 553 052 ( R 32 460 451 + R 5 092 601). The variance is attributable to an increase in accounts payables from exchange transactions as a result of

40.16 Consumer deposits:

Deposits are based on the average consumption of consumers. The increased consumption trends has inadvertently contributed to the higher than anticipated deposit holding.

40.17 Provisions and Defined benefit obligations:

The final budget of R 103 810 000 (R 101 588 000 + R 2 222 000) is inclusive of defined benefit obligations, while the actual amount of R 74 095 901 (R 57 605 107 + R 16 490 794) is exclusive of defined benefit obligations. Defined benefit obligations as per the Statement of Financial Position amounts to R 18 464 000 (R 18 029 000 + R 435 000) (refer to note 15); therefore the comparison of budget and actual's indicates a variance of R 11 250 099 (R-43 982 893 + R 14 268 794 + R 18 464 000). The variance is attributable to assumed variables and demographic profiles of membership which actuarial valuations are based on and the inflationary related costs when determining

**Cash flow statement:**

40.18 Receipts from consumers and other debtors:

The variance is mainly attributable to the decrease in outstanding debts raised in the previous year.

40.19 Prior year cash utilised to fund current expenditure:

The variance is attributable to previous years surpluses which were invested and used to fund current year expenditure, which was not

40.20 Employee costs and suppliers:

The final budget of R 470 524 000 is inclusive of supplier costs, while the actual amount of R 108 015 259 is exclusive of supplier costs. The suppliers costs as per the Cash flow statement amounts to R 294 115 187; therefore the comparison of budget and actual's indicates a variance of R 68 393 554 (R 362 508 741 - R 294 115 187) . Refer to 40.4 to 40.9 above for further explanation to the variance.

40.21 Finance costs:

The variance is attributable to the early settlement of the Inca zero coupon of R 21 000 000.

40.22 Purchase of property, plant and equipment and intangibles:

The final budget for property, plant and equipment included the purchase of intangible assets. The variance is mainly due to unspent capital budgets. Refer to 40.12 above for further explanation to the variance.



**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

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**40. Budget and Actual amount variances (continued)**

40.23 Movement in non current investments:

The variance is attributable to the early settlement of the Inca zero coupon and the subsequent withdrawal of the related investment. Refer to 40.13 and 40.14 above for further explanation to the variance.

40.24 Movement in investment in municipal entities:

The movement in municipal entity investment is determined at year end and therefore could not be determined at budget stage.

40.25 Repayment of long term liabilities:

The variance is attributable to the early settlement of the Inca zero coupon of R 21 000 000. Refer to 40.14 above for further explanation to the variance.

**41. Unauthorised, Fruitless & Wasteful and Irregular expenditure**

To the best of our knowledge no known incidences of these expenditures was incurred during the year under review.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	Group		Municipality	
	2013 R	2012 R	2013 R	2012 R

**42. Risk management**

**Capital risk management**

The municipality's objectives when managing capital are to safeguard the municipality's 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 12, cash and cash equivalents disclosed in note 7, and equity as disclosed in the statement of financial position.

**Gearing ratios**

The gearing ratio as at 2013 and 2012 respectively were as follow;

**Total borrowings**

Long-term liabilities - refer to note 12	65 452 199	89 346 888	89 469 111	113 911 219
Less: Cash and cash equivalents - refer to note 7	446 699 420	367 556 324	445 848 491	366 716 903
Net debt	(381 247 221)	(278 209 436)	(356 379 380)	(252 805 684)
Total equity	1 346 071 865	1 159 738 445	1 345 876 847	1 159 541 489
<b>Total capital</b>	<b>964 824 644</b>	<b>881 529 009</b>	<b>989 497 467</b>	<b>906 735 805</b>
	6.78%	10.14%	9.04%	12.56%

The comparative figure for total equity has been re-stated by an amount of R 46 273 555.

**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 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	506 299 375	421 738 647	505 448 446	420 899 226
Current Liabilities	199 130 107	166 930 896	205 504 791	172 522 734
Liquidity ratio	2.54 : 1	2.53 : 1	2.46 : 1	2.44 : 1

The comparative figures for current liabilities has been re-stated by an amount of R 46 273 555. Refer to note 39

**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 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 Council's Credit Control and Debt Collection Policy.

Financial assets exposed to credit risk at year end were as follows:

**Financial instrument**

Investments	370 000 000	280 000 000	370 000 000	280 000 000
Cash and cash equivalents	76 699 420	87 556 324	75 848 491	86 716 903
Accounts receivable from exchange and non exchange transactions	52 292 863	48 025 385	52 292 863	48 025 385

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

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Group		Municipality	
2013	2012	2013	2012
R	R	R	R

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**43. Going concern**

We draw attention to the fact that at 30 June 2013, the group and municipality had accumulated surplus of R 1 346 071 865 and R 1 345 876 847 respectively and that the group and municipality's total assets exceed its total liabilities by R 1 346 071 865 and R 1 345 876 847. 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.

**44. Events after reporting date**

At the date of submission of the consolidated annual financial statements there were no known events.

APPENDIX A  
GROUP

UTHUNGULU DISTRICT MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013

Redeemable Date	Balance at 30 June 2012 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2013 Rand
<b>LONG-TERM LOANS</b>				
INCA @ 13.95%	21 000 000	-	21 000 000	-
	<b>21 000 000</b>			
<b>ANNUITY LOAN</b>				
INCA @ 11.95%	26 314 519		1 253 887	25 060 631
ABSA @ 12.6%	42 032 371		1 640 802	40 391 568
	<b>68 346 890</b>		<b>2 894 689</b>	<b>65 452 199</b>
<b>TOTAL EXTERNAL LOANS</b>				
LONG -TERM LOANS	21 000 000		21 000 000	-
ANNUITY LOAN	68 346 890		2 894 689	65 452 199
	<b>89 346 890</b>		<b>23 894 689</b>	<b>65 452 199</b>

**APPENDIX A  
MUNICIPALITY  
UTHUNGULU DISTRICT MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013**

	<b>Redeemable Date</b>	<b>Balance at 30 June 2012 Rand</b>	<b>Received during the period Rand</b>	<b>Redeemed written off during the period Rand</b>	<b>Balance at 30 June 2013 Rand</b>
<b>LONG-TERM LOANS</b>					
INCA @ 13.95%	12/31/2014	21 000 000	-	21 000 000	-
		<b>21 000 000</b>			
<b>ANNUITY LOAN</b>					
INCA @ 11.95%	06/30/2023	26 314 519		1 253 887	25 060 631
ABSA @ 12.6%	06/30/2024	42 032 371		1 640 802	40 391 568
		<b>68 346 890</b>		<b>2 894 689</b>	<b>65 452 199</b>
<b>LEASE LIABILITY</b>					
Leased Property @ 23.81%	03/31/2017	24 564 331		547 419	24 016 912
		<b>24 564 331</b>		<b>547 419</b>	<b>24 016 912</b>
<b>TOTAL EXTERNAL LOANS</b>					
LONG-TERM LOANS		21 000 000		21 000 000	-
ANNUITY LOAN		68 346 890		2 894 689	65 452 199
LEASE LIABILITY		24 564 331		547 419	24 016 912
		<b>113 911 221</b>		<b>24 442 108</b>	<b>89 469 111</b>

**APPENDIX B**  
**GROUP AND MUNICIPALITY**  
**UTHUNGULU DISTRICT MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2013**

	Cost/Revaluation					Accumulated Depreciation & Impairment					Carrying Value	
	Opening Balance	Transfer - Capital projects released	Additions	Disposal	Closing Balance	Opening Balance	Current	Disposals	Net Impairment adjustments	Closing Balance		
<b>Land</b>												
Developed Land	12 474 983	-	-	-	12 474 983	-	-	-	-	-	-	12 474 983
	<b>12 474 983</b>	-	-	-	<b>12 474 983</b>	-	-	-	-	-	-	<b>12 474 983</b>
<b>Buildings</b>												
Buildings	53 149 498	-	124 675	-	53 274 173	-7 541 323	-1 727 555	-	-	-9 268 878	-	44 005 295
	<b>53 149 498</b>	-	<b>124 675</b>	-	<b>53 274 173</b>	<b>-7 541 323</b>	<b>-1 727 555</b>	-	-	<b>-9 268 878</b>	-	<b>44 005 295</b>
<b>Infrastructure - In Construction</b>												
Water Mains and purification	426 385 399	-88 048 215	167 310 675	-	505 647 859	-	-	-	-	-	-	505 647 859
	<b>426 385 399</b>	<b>-88 048 215</b>	<b>167 310 675</b>	-	<b>505 647 859</b>	-	-	-	-	-	-	<b>505 647 859</b>
<b>Infrastructure</b>												
Infrastructure land servitudes	32 333 001	12 969 866	-	-	45 302 867	-6 973 697	-935 396	-	143 726	-7 765 368	-	37 537 500
Infrastructure plant & equipment	27 033 789	1 193 552	-	-	28 227 342	-11 880 796	-1 693 218	-	-205 849	-13 779 863	-	14 447 479
Infrastructure sewage services	32 827 071	67 244	-	-	32 894 315	-6 012 443	-632 062	-	-3 507 507	-10 152 011	-	22 742 303
Infrastructure solid waste services	60 495 831	-	-	-	60 495 831	-21 796 668	-5 945 652	-	-	-27 742 320	-	32 753 511
Infrastructure water services	560 397 282	74 033 207	-	-1 724 571	632 705 918	-119 701 373	-23 021 269	1 645 762	-8 662 137	-149 739 017	-	482 966 901
	<b>713 086 975</b>	<b>88 263 869</b>	-	<b>-1 724 571</b>	<b>799 626 274</b>	<b>-166 364 977</b>	<b>-32 227 596</b>	<b>1 645 762</b>	<b>-12 231 767</b>	<b>-209 178 579</b>	-	<b>590 447 695</b>
<b>Other assets in construction</b>												
Other assets in construction	2 350 772	-215 654	3 276 383	-	5 411 502	-	-	-	-	-	-	5 411 502
	<b>2 350 772</b>	<b>-215 654</b>	<b>3 276 383</b>	-	<b>5 411 502</b>	-	-	-	-	-	-	<b>5 411 502</b>
<b>Other assets</b>												
Computer Equipment	7 916 205	-	872 376	-356 354	8 432 227	-3 104 412	-1 208 352	233 830	-22 034	-4 100 968	-	4 331 259
Furniture	3 614 652	-	389 832	-4 692	3 999 792	-1 474 852	-352 748	3 591	-1 333	-1 825 342	-	2 174 450
Motor Vehicles	9 385 098	-	1 264 100	-	10 649 198	-4 974 791	-967 269	-	-	-5 942 060	-	4 707 137
Office Equipment	5 078 600	-	408 835	-413 129	5 074 306	-2 349 655	-746 373	369 300	-10 403	-2 737 131	-	2 337 175
Plant and Equipment	4 068 792	-	461 796	-40 919	4 489 669	-1 292 849	-505 028	22 155	-	-1 775 722	-	2 713 947
	<b>30 063 347</b>	-	<b>3 396 939</b>	<b>-815 093</b>	<b>32 645 192</b>	<b>-13 196 560</b>	<b>-3 779 770</b>	<b>628 877</b>	<b>-33 770</b>	<b>-16 381 223</b>	-	<b>16 263 969</b>
<b>Total carried forward</b>	1 237 510 974	-0	174 108 671	-2 539 664	1 409 079 982	-187 102 860	-37 734 922	2 274 639	-12 265 537	-234 828 680	-	1 174 251 302
<b>INTANGIBLE ASSETS</b>												
Intangible Assets	2 749 263	-	92 800	-	2 842 063	-1 272 580	-492 450	-	-	-1 765 030	-	1 077 032
	1 240 260 236	-0	174 201 471	-2 539 664	1 411 922 044	-188 375 440	-38 227 372	2 274 639	-12 265 537	-236 593 710	-	1 175 328 334
<b>TOTAL</b>												

APPENDIX C  
GROUP AND MUNICIPALITY  
UTHUNGULU DISTRICT MUNICIPALITY : SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2013

	Cost/Revaluation				Accumulated Depreciation				Carrying Value		
	Opening Balance	Transfer - Capital projects released	Additions	Disposal	Closing Balance	Opening Balance	Current	Disposals		Net Impairment adjustments	Closing Balance
Executive & Council	12 134 486	-	193 240	-17 308	12 310 417	-1 843 490	-791 735	10 815	-	-2 624 410	9 686 007
Finance & Admin	108 143 735	-	6 121 550	-621 883	113 643 401	-15 784 927	-4 721 665	496 885	-3 599 722	-23 609 430	90 033 971
Planning & Development	11 109 451	-	-	-3 745	11 105 706	-1 387 147	-480 648	3 148	-2 784	-1 867 431	9 238 275
Community & Social Services	6 655 091	-215 654	387 996	-7 318	6 820 115	-777 747	-198 200	3 510	-3 595	-976 033	5 844 083
Public Safety	5 400 066	-	16 405	-38 420	5 378 051	-2 393 285	-678 343	33 652	-	-3 037 976	2 340 074
Waste Management	151 119 683	-	-	-4 313	151 115 371	-28 942 518	-9 110 786	2 287	-181 138	-38 232 156	112 883 215
Water	886 885 204	126 242	159 844 257	-1 846 675	1 045 009 027	-135 230 020	-21 659 531	1 724 343	-8 478 298	-163 643 506	881 365 521
Waste Water	56 063 258	89 412	7 545 223	-	63 697 893	-743 725	-94 013	-	-	-837 738	62 860 156
	<b>1 237 510 974</b>	<b>-0</b>	<b>174 108 671</b>	<b>-</b>	<b>1 409 079 982</b>	<b>-187 102 860</b>	<b>-37 734 922</b>	<b>2 274 639</b>	<b>-12 265 537</b>	<b>-234 828 680</b>	<b>1 174 251 302</b>
<b>INTANGIBLE ASSETS</b>											
Finance & Admin	2 742 953	-	92 800	-	2 835 753	-1 269 426	-491 399	-	-	-1 760 824	1 074 928
Planning & Development	6 310	-	-	-	6 310	-3 155	-1 052	-	-	-4 206	2 104
	<b>2 749 263</b>	<b>-</b>	<b>92 800</b>	<b>-</b>	<b>2 842 063</b>	<b>-1 272 580</b>	<b>-492 450</b>	<b>-</b>	<b>-</b>	<b>-1 765 030</b>	<b>1 077 032</b>

APPENDIX D  
GROUP

UTHUNGULU DISTRICT MUNICIPALITY: SEGMENTAL STATEMENT OF  
FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

	Restated Actual Income Year to date Rand	2012 Actual Expenditure Year to date Rand	Restated 2012 Surplus / (Deficit) Rand
Executive & Council	-	35 242 013	(35 242 013)
Finance & Admin	435 423 661	39 154 383	396 269 278
Planning & Development	-	8 890 411	(8 890 411)
Community & Social Services	216 751	8 952 309	(8 735 558)
Public Safety	-	6 803 024	(6 803 024)
Environmental Protection	14 388 953	6 770 060	7 618 893
Waste Management	8 444 903	29 741 095	(21 296 192)
Waste Water	3 740 114	42 816 158	(39 076 044)
Water	169 595 942	226 220 338	(56 624 396)
	<b>631 810 324</b>	<b>404 589 792</b>	<b>227 220 532</b>

	2013 Income Year to date Rand	2013 Actual Expenditure Year to date Rand	2013 Surplus / (Deficit) Rand
Executive & Council		29 408 004	(29 408 004)
Budget and Treasury Office	379 824 770	28 202 543	351 622 227
Planning and Development		12 178 304	(12 178 304)
Community and Social Services	270 030	15 611 835	(15 341 806)
Public Safety		5 278 997	(5 278 997)
Environmental Protection	15 930 421	7 140 671	8 789 750
Waste Management	11 722 007	26 714 270	(14 992 263)
Waste Water	61 975 135	59 426 395	2 548 740
Water	181 625 235	245 277 970	(63 652 735)
Corporate Services		35 773 252	(35 773 252)
	<b>651 347 598</b>	<b>465 012 242</b>	<b>186 335 356</b>



**APPENDIX D**  
**MUNICIPALITY**  
**UTHUNGULU DISTRICT MUNICIPALITY: SEGMENTAL STATEMENT OF**  
**FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013**

	Restated Actual Income Year to date Rand	Restated 2012 Actual Expenditure Year to date Rand	Restated 2012 Surplus / (Deficit) Rand
Executive & Council	441 330 598	35 242 013	(35 242 013)
Finance & Admin	-	45 061 320	396 269 278
Planning & Development	216 751	8 890 411	(8 890 411)
Community & Social Services	-	8 952 309	(8 735 558)
Public Safety	14 388 953	6 803 024	(6 803 024)
Environmental Protection	8 444 903	6 770 060	7 618 893
Waste Management	3 740 114	29 741 095	(21 296 192)
Waste Water	169 595 942	42 816 159	(39 076 044)
Water		226 220 339	(56 624 396)
	<b>637 717 261</b>	<b>410 496 730</b>	<b>227 220 532</b>

	2013 Income Year to date Rand	2013 Actual Expenditure Year to date Rand	2013 Surplus / (Deficit) Rand
Executive & Council	385 894 166	29 408 004	(29 408 004)
Budget and Treasury Office	-	34 271 940	351 622 226
Planning and Development	270 030	12 178 304	(12 178 304)
Community and Social Services	-	15 611 835	(15 341 806)
Public Safety	15 930 421	5 278 997	(5 278 997)
Environmental Protection	11 722 007	7 140 671	8 789 750
Waste Management	61 975 135	26 714 270	(14 992 263)
Waste Water	181 625 235	59 426 395	2 548 740
Water		245 277 970	(63 652 735)
Corporate Services		35 773 252	(35 773 252)
	<b>657 416 994</b>	<b>471 081 639</b>	<b>186 335 355</b>

APPENDIX E  
GROUP AND MUNICIPALITY

UTHUNGULU DISTRICT MUNICIPALITY: ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED  
30 JUNE 2013

	Additions Rand	Under Construction Rand	Total Additions Rand	Budget Rand	Variance Rand	Variance %	Explanation of Significant Variances greater than 20% versus Budget
<b>Property, Plant &amp; Equipment</b>							
Executive & Council	183 293	-	183 293	282 500	99 207	35%	Work in Progress
Finance and Admin	2 813 541	2 919 547	5 733 088	12 096 544	6 363 456	53%	Work in Progress
Planning & Development	-	-	-	483 500	483 500	100%	Work in Progress
Community & Social Services	1 403	372 654	374 057	7 541 699	7 167 642	95%	Work in Progress
Public Safety	5 400	-	5 400	896 467	891 067	99%	Work in Progress
Environmental Protection	-	-	-	120 000	120 000	100%	Devolution of Environmental Health Services not yet finalized.
Waste Management	-	-	-	17 707 518	17 707 518	100%	Work in Progress
Water	71 184	159 765 452	159 836 636	253 473 956	93 637 320	37%	Work in Progress
Waste Water	-	7 545 223	7 545 223	8 586 337	1 041 114	12%	
	<b>3 074 821</b>	<b>170 602 876</b>	<b>173 677 697</b>	<b>301 188 521</b>	<b>127 510 824</b>	<b>42%</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	RECEIPTS						CONDITIONS MET					
		Sept '12	Dec '12	March '13	June '13	Sep '12	Dec '12	Mar '13	June '13				
MSIG (Asset Care, Clean Audit, Ward Programme, Batho Pele)	COGTA	1 000 000				14 400	257 028	148 813	474 878				
Masification Program Grant	COGTA		8 000 000				321 061	18 630	1 437 137				
Water Reduction Strategy	COGTA		400 000					131 327					
Growth and Development Summit	COGTA		300 000						183 701				
BIOGAS	COGTA					(22 400)			43 746				
Performance Management System	COGTA				200 000				29 293				
Water quality Evaluation (Blue/Green Drop)	COGTA												
Tanker Reduction Strategy	COGTA												
Councillor Training Programme	COGTA												
<b>Subtotal COGTA</b>		<b>1 000 000</b>	<b>8 700 000</b>		<b>200 000</b>	<b>(8 000)</b>	<b>578 089</b>	<b>298 771</b>	<b>2 168 755</b>				
Rural Transport Services & Infrastructure	DOT	<b>1 776 000,00</b>				<b>141 655</b>	<b>436 776</b>	<b>267 445</b>	<b>1 094 234</b>				
<b>Subtotal DOT</b>		<b>1 776 000,00</b>				<b>141 655</b>	<b>436 776</b>	<b>267 445</b>	<b>1 094 234</b>				
Disaster Management Grant	DTLGA								97 000				
Development Planning Shared Services	DTLGA								69 656				
Corridor Development	DTLGA						258 805		227 603				
Consolidate prior Grants (Planning 07/08)	DTLGA												
Planning - Uthungulu Regional Council	DTLGA												
Regional Bulk Water Scheme	DTLGA					529		8 819	44 468				
Planning Shared Services (I & E)	DTLGA						10 889		116 514				
Internal Fixed Assets	DTLGA												
Municipal development Info Services (GIS)	DTLGA						371 319		69 656				
Town Planning (Development Administration)	DTLGA						88 153						
Implementation of Fresh Produce	DTLGA						68 437		194 654				
<b>Subtotal DTLGA</b>						<b>529</b>	<b>797 602</b>	<b>282 872</b>	<b>819 551</b>				
Issue Manager	DWAF												
Greater Mthonjaneni Retiulation	DWAF	1 133 919	8 911 541	30 899 425		2 044 391	8 713 392	17 619 793	13 582 930				
ACIP Programme	DWAF								111 334				
<b>Subtotal DWAF</b>		<b>1 133 919</b>	<b>8 911 541</b>	<b>30 899 425</b>		<b>2 044 391</b>	<b>8 713 392</b>	<b>17 619 793</b>	<b>13 694 264</b>				
MIG	MIG	69 626 000	51 442 000	67 815 562	6 339 438	14 788 400	31 609 224	70 868 499	71 888 955				
<b>Sub total MIG</b>		<b>69 626 000</b>	<b>51 442 000</b>	<b>67 815 562</b>	<b>6 339 438</b>	<b>14 788 400</b>	<b>31 609 224</b>	<b>70 868 499</b>	<b>71 888 955</b>				
Local Government Finance Grant	National Treasury	1 250 000					303 126	40 696	454 367				
Finance Interns - Op Projects (Budget Cycle)	National Treasury					168 242	236 813	131 905	135 792				
Equitable Share	National Treasury	61 210 342	28 493 838	57 075 704		61 210 342	28 493 838	57 075 704	138 695				
Levy Replacement	National Treasury	69 130 333	32 180 648	64 460 714		69 130 333	32 180 648	64 460 714	141 305				
Environmental Health (EOS)	National Treasury	6 643 325	3 092 514	6 194 582		6 643 325	3 092 514	6 194 582					
<b>Subtotal National Treasury</b>		<b>138 234 000</b>	<b>63 767 000</b>	<b>127 731 000</b>		<b>137 152 242</b>	<b>64 306 940</b>	<b>127 903 601</b>	<b>870 159</b>				
EPWP Incentive Grant	Public Works	2 651 000		1 304 000		323 633	324 202	283 611	902 057				
<b>Sub total Public Works</b>		<b>2 651 000</b>		<b>1 304 000</b>		<b>323 633</b>	<b>324 202</b>	<b>283 611</b>	<b>902 057</b>				
HIV/AIDS AWARENESS/FOSKOR	FOSKOR		30 000,00	80 000,00									
<b>Sub Total FOSKOR</b>			<b>30 000,00</b>	<b>80 000,00</b>									
YOUTH PROGRAMME/EYETHU ENGINEERS	EYETHU			80 000									
<b>Sub Total EYETHU</b>				<b>80 000</b>									
Sports Development - DSR	DSR			9 750					9 750				
<b>Sub Total DSR</b>				<b>9 750</b>									
BHP Billiton/Uniforms	BHP BILLITON			273 800									
<b>Sub Total BHP BILLITON</b>				<b>273 800</b>									
BELL	BELL			50 000					50 000				
<b>Sub Total BELL</b>				<b>50 000</b>									
Other	Other			20 000									
<b>Sub Total Other</b>				<b>20 000</b>									
				2 372									
				-2 372									
<b>Sub Total Other</b>				<b>6 930 866</b>		<b>154 442 849</b>	<b>106 766 224</b>	<b>217 524 590</b>	<b>91 497 725</b>				
		<b>214 420 919</b>	<b>132 850 541</b>	<b>227 839 737</b>		<b>154 442 849</b>	<b>106 766 224</b>	<b>217 524 590</b>	<b>91 497 725</b>				

# REPORT OF THE AUDIT COMMITTEE FOR THE YEAR ENDED 30 JUNE 2013

## 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;
- External audit;
- IT governance;
- Ethics and compliance with laws and regulations, and
- 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 2013.

## AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The audit committee has appropriate formal terms of reference as its audit committee charter and consisted of three independent, suitably experienced and external members after the vacancy was filled, as outlined below;

MEMBERS NAME	QUALIFICATIONS	DESIGNATION	MEETING ATTENDANCE						
			31/07/2012	27/08/2012	25/09/2012	5/12/2012	22/01/2013	21/02/2013	30/05/2013
M. Nkopane	MBL, BCOM, MAP	Chairperson	√	√	√	Apology received for meeting, however written submission on the reports were tabled at the meeting	√	√	√
I. Simjee	CA(SA)	Member	√	√	√	√	√	√	
Prof LW de Clercq	BA (HONS) - MA - Doctor of Philosophy	Member – Appointed 1 May 2013							√

The MPAC Chairperson, Municipal Manager, Deputy Municipal Managers, all directors and representatives from the Office of the Auditor-General and internal auditors attended the committee meetings.

## 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

An internal audit plan was developed and approved by the Audit Committee for 2012/2013. The audit plan encompasses

the scope of work to be undertaken by the external service provider. The committee reports that Pricewaterhousecoopers fully executed its audit plan for the 2012/2013 year, furthermore from the various reports of the Internal Auditors and the unqualified audit reports issued by the Auditor General, it is noted with appreciation that no material findings were noted on the finances, organizations pre-determined objectives and 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.

The municipality's 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.

## **REVIEW OF ANNUAL FINANCIAL STATEMENTS**

The Audit Committee has noted the unqualified opinion expressed by the Auditor-General in his report on both the Annual Financial Statements and Consolidated 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 envisages a harmonized relationship between internal auditors and external auditors which will ensure that their work complements each other and there will be no duplications of efforts. The committee encourages interactions between auditors.

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, and
- Concluded that the going concern premise is appropriate in preparing the Annual Financial Statements.

## **RISK ASSESSMENT AND MANAGEMENT**

The Committee appreciates and is encouraged by efforts and commitment of management in putting in place effective strategies which are based on annual risk assessment reviews. Reports pertaining to the risk register and the risk management strategy were presented to the committee. This management responsibility and analysis of this function will continue to be monitored on an ongoing basis by the Committee.

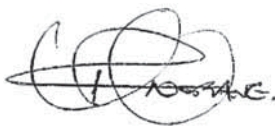
## **PERFORMANCE MANAGEMENT**

The committee acknowledges that the Municipality has a performance management system in place and processes are in place to report on the performance information. It is also noted with appreciation that the Municipality has included in its internal audit plan, quarterly audits of the performance objectives. 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 any potential weaknesses in the performance management process.

## **CONCLUSION**

The audit committee concurred with and accepted the Auditor General's conclusions on both the Annual Financial Statements and Consolidated Annual Financial Statements for the year ended 30 June 2013 and recommends that the audited Annual Financial Statements be adopted by the Council of this Municipality.

The Committee wishes to express its appreciation to the Uthungulu District Municipality, the Office of the Auditor General and all stakeholders involved, which has culminated in the District receiving a clean audit and the committee will endeavor to support and ensure that the status is maintained in future years.



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M. Nkopane  
Chairperson

November 2013

# OVERSIGHT REPORT 2012/13

## 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 2012/2013 were submitted to the Auditor-General on 30 September 2013 for auditing in compliance with Section 126 (1) (b) of the MFMA and served at the Audit Committee and the Municipal Public Accounts Committee (MPAC) on 26 September 2013.
- 1.4 The Consolidated Annual Financial Statements for 2012/2013 also served at Exco and Council on 25 and 27 September 2013 respectively (UDMC: 1263/2013).
- 1.5 The unqualified Audit Report for the 2012/2013 financial year was officially received on the 02 December 2013, reporting that the District Municipality had received an unqualified Audit Report and the opinion is as follows :  
*"In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the uThungulu District Municipality and its entities as at 30 June 2013, and their 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."*

## 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 Mthlana



Cllr D Mfusi



Cllr IJ Naidoo



Cllr TA Ntuli



Cllr N Mlaba



Cllr LW Fourie

## 3. 2012/2013 ANNUAL REPORT

- 3.1. The MPAC noted that the draft unqualified Audit Report for the financial year ending 30 June 2013 was tabled at a joint meeting between the Office of Auditor General, the Honourable Mayor, Members of the Executive Committee, and members from management, held on the 22 November 2013, where the draft management letter was presented and discussed.
- 3.2. On the 02 December 2013, the Office of the Auditor General at a hand over ceremony in Pietermaritzburg presented the 2012/13 Unqualified Audit Report, with no material findings (Clean Audit).

3.3. The following additional matters were included in the audit report however these did not have an impact on the report as follows:

**3.3.1 Restatement of corresponding figures (Point 8)**

As disclosed in note 39 to the financial statements, the corresponding figures for 30 June 2012 have been restated as a result of National Treasury guidelines and approval to utilize the Value-added tax portion of the Municipal Infrastructure Grant allocation and the processing of invoices raised late by the Workmens' Compensation Fund during 30 June 2013 in the financial statements of the uThungulu District Municipality at, and for the year ended, 30 June 2012.

**3.3.2. Material under spending of capital budget (Point 9)**

The municipality has materially under spent its final approved capital budget by R147,31 million which is 45,9% of its approved capital budget.

**Management's Commitment**

Management have implemented mechanisms to continuously monitor capital project implementation through quarterly reviews by the budget steercom, monitoring of procurement plans and furthermore such progress shall be subject to regular review by both management and leadership wherein it is envisaged that possible hindrances will be detected early and proactive remedies can be instituted: thereby ensuring that under-achievement is detected and resolved timeously to ensure that all of the planned capital projects are achieved.

**3.3.3. Achievement of planned targets (Point 15)**

Of the total number of 80 targets planned for the year, 25 of these targets were not achieved during the year under review. This represents 31% of total planned targets that were not achieved during the year under review. This was due to the under spending in capital budget.

**Management's commitment**

Management will strive during the 2013/2014 financial year to create an environment of continuous evaluation and reporting on planned targets as per the approved Integrated Development Plan. 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 all of the planned targets are achieved as per the requirement of the AG.

**3.4. Performance Evaluation Results of Section 54/56 Managers for the 2012/2013 Financial Year**

3.4.1 In terms of Section 57 (1) (b) of the Systems Act and the Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers 2006, the formal performance evaluation on the completed 2012/2013 financial year was performed on 23 October 2013 by the performance evaluation panel established in terms of the Regulations.

3.4.2. The results of the assessed performance plans for the 2012/2013 financial are as follows:

	FINAL SCORE
Deputy Municipal Manager: Technical Services	161%
Deputy Municipal Manager: Corporate Services	159%
Deputy Municipal Manager: Financial Services	165%
Deputy Municipal Manager: Planning and Economic Development	161%
Municipal Manager	160%

3.4.3. In terms of the Performance Agreements, a performance bonus will be paid to the employees in recognition of outstanding performance. In determining the performance bonus the relevant percentage is based on the overall rating, calculated by using the applicable assessment rating calculator and based on the all-inclusive annual remuneration package in terms of the Performance Agreement between the municipality and the Manager.

3.4.4. As per the standard practice in previous years, the calculations of the Performance Bonuses for 2012/2013 for Section 54/56 Managers were submitted to Messrs. PWC for verification.

#### 4. RECOMMENDATIONS OF THE MPAC

- 4.1. The Unqualified Audit Report (Clean Audit) for uThungulu District Municipality for the 2012/13 annual financial statements received from the Office of the Auditor General, be noted with appreciation.
- 4.2. It be noted that the Municipality achieved National Treasury's objective of a clean audit a year ahead of the set date.
- 4.3. Management's commitment to the issues raised in the Audit Report be tracked by Exco and MPAC through monthly reports to ensure compliance and minimise risk exposure to Council.
- 4.4. The Final Draft of uThungulu Annual Report for the 2012/13 financial year be recommended to Council for approval.
- 4.5. It be noted that the calculation of the Section 54/56 Managers' Performance Bonuses for 2012/2013 was verified by Messrs. PWC in accordance with the outcome of the 2012/2013 performance evaluations and such be paid accordingly to the final scores achieved.
- 4.6. Going forward, the Performance Evaluation Panel takes into consideration the findings of the Auditor-General's report.
- 4.7. The Chairperson of MPAC extended her appreciation to the Council Leadership, MPAC members, Municipal Manager, Deputy Municipal Managers, members of staff, Internal Audit and Audit Committee members and the Office of the Auditor-General for their joint cooperation and dedication to ensuring that the district achieved its first Clean Audit.
- 4.8. All measures be taken to ensure that this status is maintained for future financial years, including:
  - i. constant monitoring and evaluation of the implementation of the budget, including grant funding expenditure,
  - ii. the effective utilization of public funds to achieve maximum economic value and decent jobs,
  - iii. the enhancement of the quality of lives of the people of our district through ongoing stakeholder engagement,
  - iv. strive towards continuous improvement aligned to the objectives of the National Development Plan and a developmental state
  - v. champion the cause of an inclusive and integrated growth and development programme.
- 4.9. Management is encouraged to put emphasis on the expenditure of infrastructure budgets going forward.





# UTHUNGULU



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This annual report was produced by the  
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