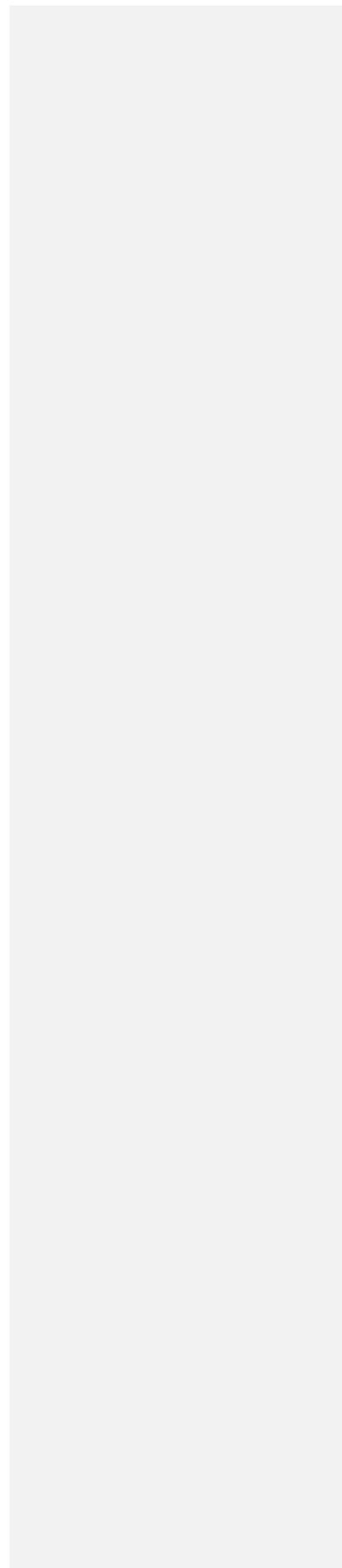




UMZIMKHULU MUNICIPALITY

DRAFT ANNUAL REPORT

2010/2011





ANNUAL REPORT 2010/2011



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ABBREVIATIONS

Abbreviation	Description
ABET	Adult Basic Education Training
BBBEE	Broad Based Black Economic Empowerment
CBD	Central Business District
CPF	Community Policing Forum
DORA	Division of Revenue Act
EC	Eastern Cape
EXCO	Executive Committee
GDP	Gross Domestic Product
IDP	Integrated Development Plan
KPA	Key Performance Areas
KZN	KwaZulu-Natal
LED	Local Economic Development
LG	Local Government
MFMA	Municipal Finance Management Act, Act No. 56 of 2003
NGO	Non-Governmental Organisation
SALGA	South African Local Government Association
SAPS	South African Police Service
SDBIP	Service Delivery Budget Implementation Plan
WSP	Workplace Skills Plan



FOREWORD BY HIS WORSHIP THE MAYOR

As the Mayor of Umzimkhulu Municipality, I am delighted to have the privilege to present the annual report for the 2010/2011 financial year to the Council of Umzimkhulu, the people of Umzimkhulu and the public at large.

The year 2010/2011 has been a year marked with many challenges, but also with many good achievements. I am pleased to mention the fact that due to normality in the institution and responsibility displayed by our officials and Councillors, as well as the spirit of collectiveness, and accountability and responsiveness in executing their duties, a lot has been achieved.

In the mid-year review, Umzimkhulu Municipality was mentioned as one of the municipalities which faced numerous challenges when members of the public raised issues with the State President around service delivery and development, more especially in the CBD area of Umzimkhulu. There is a lot of improvement in terms of addressing those issues raised.

We are aware of the challenges around rural electrification, but the issue of electricity power capacity is about to be history as the Corinth sub-station is in good progress. The vast areas of Umzimkhulu will be getting electricity very soon.

We thank the community of Umzimkhulu for the high number of voters who voted during the Local Government election held in May 2011. You are undoubtedly showing the appreciation you have for the democracy our nation is enjoying. We are about to get the outcomes of the census that we had in October 2011, I hope you have cooperatively participated in this programme as it has a great impact to the municipal situational analysis.

Let us all jointly celebrate with the ANC for its hundred year anniversary, despite the atrocities it has faced in the past. This has meant a lot not only to the ANC alone but to all South Africans and the world at large.

Once again, I am so pleased to report that Umzimkhulu Municipality has obtained an unqualified Audit Report for the year 2010/2011, with some matters of emphasis. The challenge lies with management and Councillors as a collective to work towards addressing those matters of emphasis and I believe that will be a stepping stone towards a clean audit by 2014.



Some of the emphasis of matters are:

- Supply Chain Management strengthening; and
- Performance Management.

We are also paying serious attention to the issue of revenue enhancement, where we have to improve our strategies and implement them vigorously. This will attempt to address the challenge of grant dependency by the Municipality.

One is quite worried by the poor progress by some sector departments in responding to the challenges from **Sukuma sakhe** profiling, especially with Human Settlements Department. Most sector departments do not show up to War rooms for **Sukuma sakhe**, but we are addressing that with officials concerned. HIV/AIDS Ward Committees and Local HIV/AIDS Council are showing remarkable improvement, and this should bear good results in terms of armouring our people against this pandemic.

The year 2011 has been a good year for matric results in Umzimkhulu. We extend a word of gratitude to the 2011 matriculants, educators, principals and departmental officials. Keep up the good work.

I am appealing to all the people of Umzimkhulu to work hand in hand towards turning the situation around in terms of fighting against poverty, creating job opportunities and LED and by vigorously using the arable land available. Let us stand up and work together with the Department of Agriculture and Rural Development and all other stakeholders. Working together we can do more. Umzimkhulu has vast arable land that can be used to produce food and also improve the local economy.

In conclusion, on behalf of the Executive Committee of Umzimkhulu Municipality, I once again commit myself to serving the community of Umzimkhulu with humility and respect in advancing the agenda of our Government led by the ANC and improve the lives of the people.

I thank you

CLLR M.B.MPABANGA
MAYOR
UMZIMKHULU MUNICIPALITY



HANDOVER STATEMENT BY THE MUNICIPAL MANAGER

I, Lulamile Houghton Mapholoba, in my capacity as Accounting Officer and Municipal Manager of Umzimkhulu Local Municipality hereby handover the Annual Report for 2010/11 in terms of Section 127 of Local Government: Municipal Finance Management Act, Act No.56 of 2003.

The 2010/11 financial year has had its fair share of challenges considering that it was the last year of the previous term. Political parties were busy preparing for elections. This resulted in deviations from the normal financial year where things were done according to municipal adopted calendar. We, therefore, had to revise our calendar and do things earlier than expected.

The following achievements were recorded in the financial year under review;

- The reviewed IDP for 2011/12 was adopted by Council as expected by the law.
- The budget for 2011/12 was adopted on time.
- The Oversight Report for the 2009/10 financial year was adopted by Council without reservations.
- The performance assessments were done as expected
- The annual Workplace Skills Development Plan was submitted on the 30th June 2011
- The Service Delivery and Budget Implementation Plan (SDBIP) was submitted on time to the newly elected Mayor.

The transition from one Council to the other was very smooth and all the new Councillors were sworn-in on the 3rd of June 2011. The Officer-Bearers were elected unanimously by all political parties represented in Council.

The report also contains the outcome of the audit conducted by the Auditor-General in terms of Public Audit Act, Act No. 25 of 2004.

We also lost Mrs Thandiswa Mfazwe, Senior Manager: Strategic Planning, LED and Housing, Mr ME Ndobe: Senior Manager: Corporate Services and Ms Nwabisa Tyekela, Manager; Monitoring and Evaluation. These Managers made a tremendous contribution to the Municipality in terms of planning, and mobilising financial resources for service delivery. The Municipality wishes them well in their new endeavours. Their departure has left a big void in the management of Umzimkhulu Municipality.



This report gives an account of what took place in the municipality in the past financial year. We are calling upon the stakeholders to interact with the report and attend public hearings to give inputs.

On behalf of the Municipal Administration, we submit this report for your discussion and debate.



Mr LPH MAPHOLOBA
MUNICIPAL MANAGER
UMZIMKHULU MUNICIPALITY



Figure 2: Umzimkhulu Municipality within the Sisonke District

The municipal area which is predominantly rural is characterised by dispersed rural settlements with minimum economic activity in the hinterland, except for trading stores and subsistence agriculture. The majority of the population in Umzimkhulu are women. Hence, there is a need to implement youth development programmes and, for the most part, target women in stimulating nodal economic growth. Xhosa is the predominant language in the Umzimkhulu area.

High rainfall, good climate and rich soil give the area a high propensity for agricultural development. Farming operations are at a subsistence level, with the potential for commercial development. Forestry makes up most of the income generation in Umzimkhulu. However, most of these forests are privately owned. Singisi Forests is the biggest stakeholder in Umzimkhulu.

Forestry is the main income generator but is privately owned. The development of tourism around current initiatives, like birding, rail and cycle tourism should focus on the tourism offers such as accommodation, catering and recreational activities.



1.1.2 Socio-Economic Profile

1.1.2.1 Population Statistics

The entire municipal area falls within the former Transkei homeland area, with a settlement pattern that reflects a predominantly rural character. The population of Umzimkhulu Local Municipality is estimated at 179 654 people and 39 352 households as the Department of Co-operative Governance and Traditional Affairs. According to the official statistics provided by Statistics South Africa, the Community Survey 2007 indicates total population in Umzimkhulu to be 243 242 people and 43 545 households. This shows an increase from the Census Survey 2001, which stipulated the population to be 174 338 people and 36 246 households.

The majority of the population in the Umzimkhulu Municipality live in traditional villages or on rural farms, whilst the remaining percentage is urban based. KwaZulu-Natal has an estimated population growth rate of 0.7%. Thus the projection population for Umzimkhulu Municipality for the next three years is estimated and depicted as follows:

Year	Number
2010/2011	248,387
2011/2012	251,026
2012/2013	251,877
2013/2014	253,640

Table 1: Population Projection

Source: Municipality

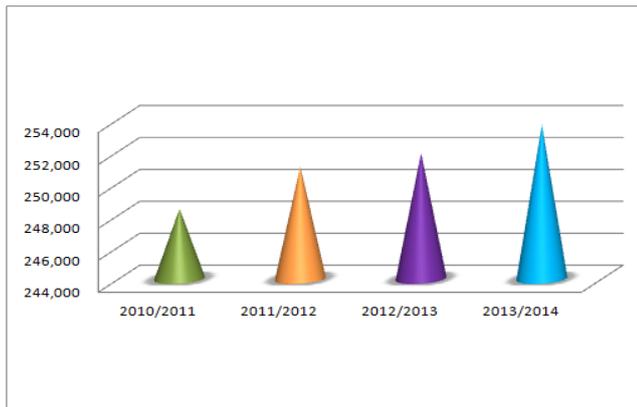


Figure 3: Population Projection



According to the figure above, the increase in population and household figures poses major development challenges to the Municipality which has limited resources, abject poverty and service delivery and acute historical development backlogs.

In order to understand the economic reality of the community, the analysis of statistics relating to levels of education, employment/unemployment and income levels re-affirms the need for skills development, Adult Basic Education and Training, as well as Further Education and Training, poverty alleviation programmes and local economic development initiatives.

The following is an analysis of the current situation in the Municipality:

a. Racial distribution

The Umzimkhulu Municipality is predominantly an African dominant municipal area. Over 95 percent of the population is African, followed by a small percentage of Coloured, Indian and White respectively.

The table and graph below reflect the dominance of Black African individuals in the Municipality.

Race	% of Population
White	0.10%
Indian	0.30%
Coloured	0.60%
African	99%
Total	100%

Table 2: Racial Distribution of the Population

Source: Municipality



b. Gender Distribution

As previously indicated, a majority of the population is women. Below is a table and graphical representation of the gender distribution of the population.

Gender	% of Population
Males	44%
Females	56%
Total	100%

Table 3: Gender Distribution of the Population

Source: Municipality

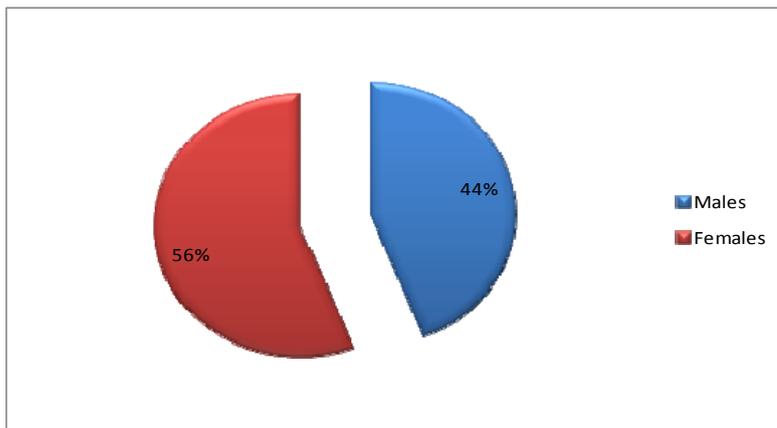


Figure 4: Gender Distribution of the Population

According to the information above, the need to implement youth development programmes and, for the most part, target women in stimulating nodal economic growth has become profoundly more important. This would result in enhanced economic growth, and greater investment, thereby creating job opportunities, empowering women as well as creating other socio-economic opportunities.

c. Age Distribution

The Umzimkhulu population is relatively young, with 75 percent of the population below the age of 34 and still within the formal description of youth. This relatively young population signifies high potential for growth, which exacerbates the supply and demand scenario for more housing, education and health services in the future. This segment of potentially economically active persons creates a growing labour pool which is an essential element for economic growth.



In the following table and graph, the age distribution of the population is analysed.

Age Group	% of Population
0-4	13%
5-14	32%
15-34	30%
35-64	19%
65+	6%
Total	100%

Table 4: Age Distribution of the Population

Source: Municipality

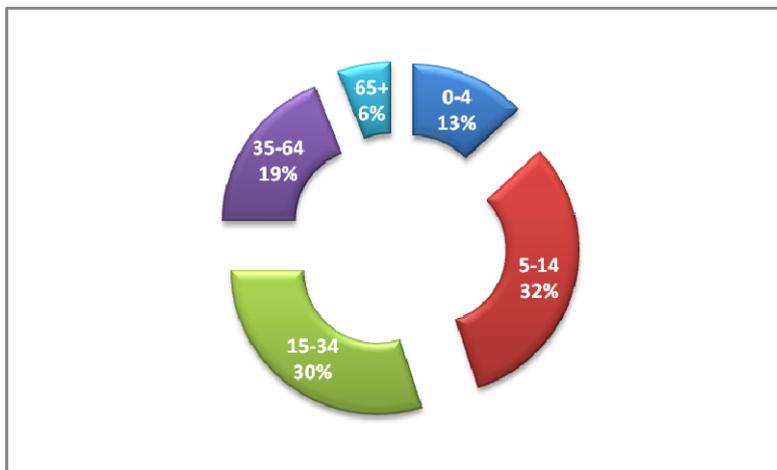


Figure 5: Age Distribution of the Population

d. Educational Statistics

Education levels have a major influence on the quality of life of individuals. The lack of skills of individuals to perform certain basic functions due to illiteracy, amongst other reasons, is a key element that defines human poverty. The table and graph below indicates the education statistics within the Umzimkhulu Municipality.



Level of Education	% of Population
Higher Education	4%
Matriculation	7%
Some Secondary	27%
Complete Secondary	8%
Some Primary	32%
None	22%
Total	100%

Table 5: Education Statistics

Source: Municipality

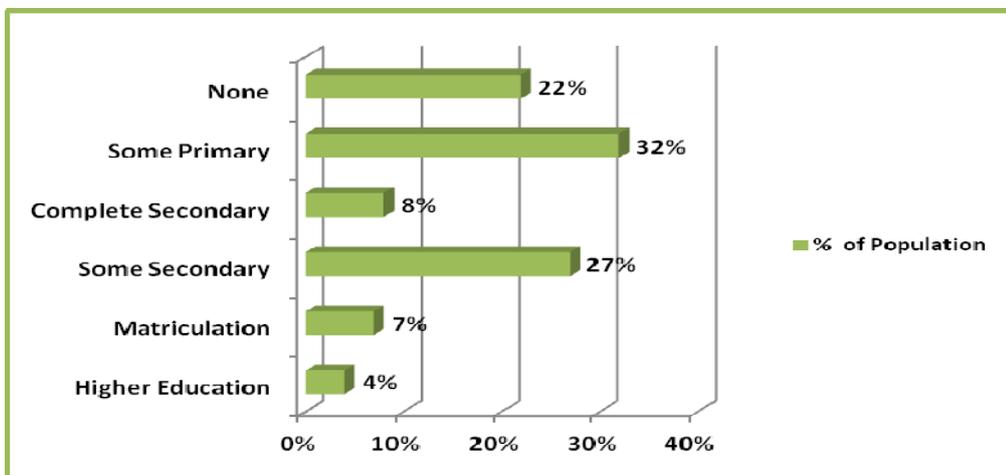


Figure 6: Education Statistics

As per the statistics shown above, 22 percent of the population in Umzimkhulu Municipality have had no education at all, while only a mere 4 percent have attained some sort of higher education. This has a significant impact on the employability of individuals, the type of job opportunities that can be sought and the vocational distribution of the economically active population.



e. Employment Status

The table and graph below show the status of employability in the Municipality.

Status	% of Population
Employed	10%
Unemployed	90%
- Scholar or student	
- Home-maker or housewife	
- Pensioner or retired person/too old to work	
- Unable to work due to illness or disability	
- Seasonal worker not working presently	
- Does not choose to work	
- Could not find work	
Total	100%

Table 6: Employment Status

Source: Municipality

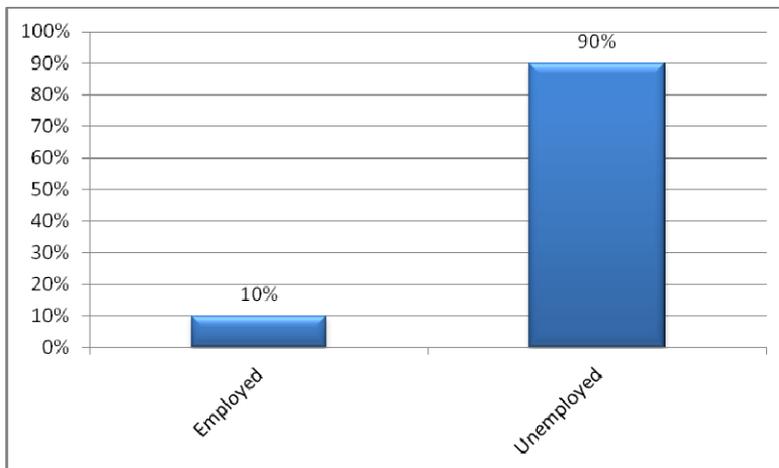


Figure 7: Employment Status



As previously indicated, the level of education will contribute, amongst other reasons, towards an individual's employability. Further analysis of the employability status in Umzimkhulu indicates that individuals who attain low educational levels are compelled to possess low paying jobs and vice versa.

f. Individual Monthly Income

Due largely in part to the high levels of poverty that exist in the Municipality, mainly stemming from the low education and employability, 52 % of individuals within Umzimkhulu Municipality earn no income. In the table and graphical representation below, the individual income levels for the Municipality is indicated.

Individual Monthly Income Levels	
Level of Income	% of Population
No income	52%
R1 - R400	17%
R401 - R800	11%
R801 - R1 600	7%
R1 601 - R3 200	6%
R3 201 - R6 400	4%
R6 401 - R12 800	2%
R12 801 - R25 600	1%
R25 601 +	0%
Total	100%

Table 7: Individual Income Levels

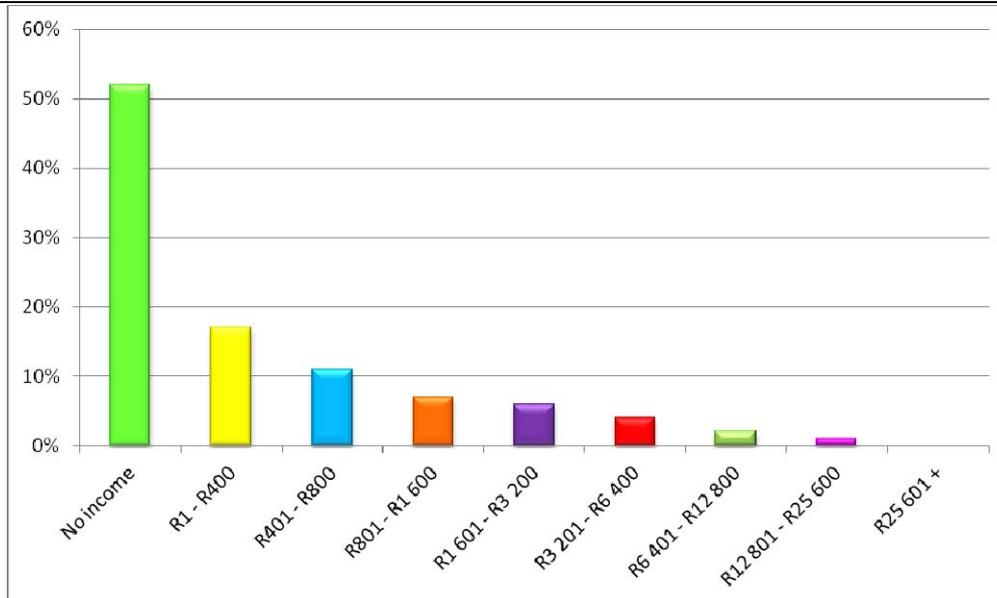


Figure 8: Individual Income Levels

Analysing the above information, it is evident that individuals with low educational levels cannot effectively compete for higher paying employment.

g. HIV/AIDS Prevalence

KwaZulu-Natal has the highest rate of HIV/AIDS in the country. Ensuring a safe environment remains one of the Municipality's key challenges as it is critical for social and economic development. St Margaret's Hospital in Umzimkhulu specialises in the provision of services for HIV/AIDS patients, which range from VCT, provision of ARV's, etc.



1.2 Executive Summary

The **Vision** of the Municipality is:-

“Delivery of Quality Services in Umzimkhulu”
“Ukunikezelwa kosizo lwezentuthuko olufanele eMzimkhulu”

The **Mission** for the organisation was determined as follows:

“We will develop institutional capacity and use all available resources to ensure quality services and accountability through public participation”



The Umzimkhulu Municipality is guided by the Batho Pele Principles and the following core values:

- Transparency (openness with due regard to confidentiality).
- Commitment to excellence (desire to serve the community).
- Accountability (to report back to the community on our mandate and define actions).
- Cultural diversity (respecting different cultural values in Umzimkhulu).
- Integrity (dedicated to the adherence to a strict moral and ethical code of conduct in the execution of our duties and responsibilities).

The Legislative Mandates exercised by the Umzimkhulu Municipality in terms of the Local Government Legislative Framework are reflected in the following table:



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Governing Legislation	Generic Compliance
The Constitution of the Republic of South Africa, 1996 (Act No 108 of 1996)	Promotion of Access to Information Act, Act No. 2 of 2000
Municipal Finance Management Act No. 56 of 2003 and Related Treasury Regulations	Labour Relations Act, Act No. 66 of 1995
Municipal Structures Act, Act No. 117 of 1998	Basic Conditions of Employment Act, Act No. 75 of 1997
Municipal Systems Act, Act No. 32 of 2004	Skills Development Act, Act No. 78 of 1998
Municipal Property Rates Act, Act No. 6 of 2004	Employment Equity Act, Act No. 55 of 1998
Intergovernmental Framework Relations Act, Act No. 13 of 2005	Preferential Procurement Policy Framework Act, Act No. 5 of 2000
Division of Revenue Act, Act No. 5 of 2005	Broad Based Black Economic Empowerment Act, Act No. 53 of 2002
Promotion of Administrative Justice Act, Act No. 3 of 2000	State Information Technology Agency Act, Act No. 38 of 2002
Remuneration of Public Office Bearers Act, Act No. 20 of 1998	Occupational, Health, and Safety Act, Act No. 85 of 1993, as amended
Disaster Management Act, Act No. 56 of 2000	
Town Planning Ordinance Act, Act No. 6 of 1998	
Local Authorities Ordinance Act, Act No. 25 of 1974	
Development Facilitation Act, Act No.67 of 1995	

Table 8: Legislative Mandates



The following Local Government Powers and Functions which Umzimkhulu Municipality is authorized to implement is separated into core and non-core functions and presented in the tables below:

Schedule 4 Part B	Schedule 5 Part B
Building Regulations	Cemeteries
Electricity and gas reticulation	Cleansing
Fire Fighting Services	Municipal roads
Municipal Planning	Refuse removal, refuse dumps and solid waste disposal
Storm water management systems in built-up areas.	Street lighting
Water and sanitation services limited to potable water supply systems and domestic waste-water and sewerage disposal systems.	Traffic and parking

Table 9: Powers and Functions (core)

Schedule 4 Part B	Schedule 5 Part B
Air pollution	Amusement facilities
Child care facilities	Billboards and the display of advertisements in public places
Municipal airports	Funeral parlours and crematoria
Municipal health services	Control of public nuisances
Municipal public transport	Control of undertakings that sell liquor to the public
Municipal public works only in respect of the need of the Municipalities in the discharge of their responsibilities to administer functions specifically assigned to them	Facilities for the accommodation, care and burial of animals
Trading regulations	Licensing of dogs
Local tourism	Licensing and control of undertakings that sell food to the public
	Local amenities
	Local sport facilities
	Markets
	Municipal abattoirs
	Municipal parks and recreation
	Noise pollution
	Pounds
	Public places
Street trading	

Table 10: Powers and Function (non-core)



1.2.1 Municipal Strategic Priorities

The following are the key strategic issues within Umzimkhulu Municipality:

- To develop systems to facilitate co-operative governance and inter-governmental relations especially with the district, other spheres of government and service providers to maximise the development impact within Umzimkhulu Municipality.
- To build capacity and skills of the community, Councillors and staff of Umzimkhulu Municipality, to deepen democratic participation in decision making and all development processes and to facilitate horizontal and vertical communication with all stakeholders.
- To reduce the backlog in services such as waste removal and physical infrastructure such as roads as well as social infrastructure such as clinics, sports and recreation facilities, libraries and arts and culture.
- To manage municipal financial resources in a way that will ensure financial viability and sustainability, and the alignment of the budget with the needs and priorities of the stakeholders.
- To mainstream and integrate issues of poverty, unemployment, environment and HIV/AIDS within the main development agenda of the Municipality and to address them holistically.
- To develop an organisational architecture, business processes and policies, which will enable the Municipality to fulfil its constitutional and legislative mandates and achieve its vision and mission.
- To facilitate growth and development of the local economy in a way that generates opportunities for sustainable job creation, poverty reduction and improves BBBEE.
- To address issues of youth, women, disabled and vulnerable sectors of society on an integrated basis.
- To ensure that the number of households eligible for free basic services is increased.
- To manage and promote informed integrated planning, development, housing and local economic development that accelerates service delivery and ensures sustainable communities.

1.2.2 Development Strategies

The table below analyses the development strategies of the Municipality.



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KPA's (Strategic Priority Issues)	ISSUES FOR CONSIDERATION	STRATEGIC OBJECTIVES	DEVELOPMENT STRATEGIES
1. Municipal Transformation and Institutional Development	1) Acknowledgement of transitional status of the Municipality's institutional arrangement.	<p>a. To address issues of the youth, women, disabled and vulnerable sectors of society on an integrated basis.</p> <p>b. To develop systems to facilitate co-operative governance and inter-governmental relations especially with the District, other spheres of government and service providers to maximize the development impact within Umzimkhulu Municipality.</p>	✓ Improving educational attainment levels of the area and skills development of all people, especially the youth, women and other vulnerable groups.
2. Local Economic Development	<p>1) Poverty, unemployment, HIV/AIDS and other diseases, are regarded as the main socio-economic challenges that the Municipality needs to address in the short, medium and long term.</p> <p>2) Economic growth of the municipal area is also very critical in the creation of sustainable jobs and the building of Public-Private Partnerships.</p> <p>3) Speed up land reform and agricultural development.</p>	<p>a. To facilitate growth and development of the local economy in a way that generates opportunities for sustainable job creation, poverty reduction, rates base increase, and improves broad-based black economic empowerment and the development of small and medium enterprises in various economic sectors, with particular emphasis on agriculture and tourism.</p> <p>b. To mainstream and integrate issues of poverty, unemployment, environment and HIV/AIDS within the main development agenda of the Municipality and to address them holistically.</p>	✓ Growing the local economy to create sustainable job opportunities, reduce poverty and increase the revenue base of the Municipality.



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KPA's (Strategic Priority Issues)	ISSUES FOR CONSIDERATION	STRATEGIC OBJECTIVES	DEVELOPMENT STRATEGIES
3. Basic Service Delivery and Infrastructure Investment	<p>1) The challenge is to improve the rate at which service delivery is taking place and ensure that all people have access to basic services and integrated human settlement in line with the new national housing policy.</p> <p>2) Provision of social facilities and services such as health and welfare, and the dire need to maintain existing physical and social infrastructure.</p>	<p>a. To ensure that in line with national goals, all households have universal access to clean and portable water and decent sanitation by 2009.</p> <p>b. To ensure that in line with national goals, all households have universal access to electricity by 2012.</p> <p>c. To ensure that the number of households eligible for Free Basic Services is increased.</p> <p>d. To reduce the backlog in services such as waste removal and physical infrastructure such as roads as well social infrastructure such as clinics, sports and recreation facilities, libraries and arts and culture.</p> <p>e. To eliminate all slums by 2010 in line with provincial goals and ensure decent rural housing delivery within the framework of sustainable and integrated human settlements.</p>	<p>✓ Addressing service delivery backlogs, meeting basic needs of the people, and free basic services.</p>
4. Financial Viability and Financial Management	<p>1) Ensure that Umzimkhulu Municipality is financially viable and sustainable and align its budget with Integrated Development Plan Priorities.</p>	<p>a. To manage municipal financial resources in a way that will ensure financial viability and sustainability of the Municipality, and the alignment of the budget with the needs and priorities of stakeholders.</p>	<p>✓ Ensure that financial management systems are structured to increase municipal revenue.</p> <p>✓ Ensure alignment of municipal development priorities with budgetary allocations.</p>



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KPA's (Strategic Priority Issues)	ISSUES FOR CONSIDERATION	STRATEGIC OBJECTIVES	DEVELOPMENT STRATEGIES
5. Good Governance and Community Participation	1) The strengthening of community participation in the development process, co-operative governance and communication is also vital in ensuring that the developmental needs and priorities of the people are addressed properly. 2) Improving the skills and capacity of all officials, Councillors and all people of Umzimkhulu Municipality need to occupy a central stage and integrated in all activities of the Municipality.	a. To develop an organisational architecture, business processes and policies, which will enable the Municipality to fulfil it's constitutional mandate and achieve its vision and mission b. To build the capacity and skills of the community, Councillors, and staff of Umzimkhulu Municipality, to deepen democratic participation in decision making and all development processes, and to facilitate horizontal and vertical communication with all stakeholders.	✓ Forging strategic partnerships with the District Municipality and other stakeholders to realize the vision of the Municipality
6. Performance Management Systems	1) Development of stringent culture of high administrative standards and accountability.	a. Effective institutional management implementation.	✓ Improve service delivery through proper and effective administrative structures.
7. Spatial Development Framework	1) Effective management of development pockets and growth areas.	a. To facilitate coherent development of all growth areas. b. To maximize the economic potential of Umzimkhulu Municipality Town and Corridor as a transitional cross-border Municipality.	✓ Ensure harnessing of socio-economic opportunities provided by regional development. ✓ Optimal utilization of advantages provided by the R56 secondary provincial corridor.

Table 11: Development Strategies



CHAPTER 2: PERFORMANCE HIGHLIGHTS



Service Delivery is ensured by the following Key Performance Areas (KPA's):

- Basic Service Delivery and Infrastructural Development
- Municipal Transformation and Institutional Development
- Local Economic Development
- Good Governance and Public Participation
- Financial Viability and Financial Management

This chapter gives account for the performance highlights and challenges of the Municipality with special focus on basic service delivery to address the current needs as well as backlogs.

2.1 Basic Service Delivery and Infrastructural Development

The South African Constitution states that Municipalities have the responsibility to make sure that all citizens are provided with services to satisfy their basic needs. The Municipality through provision of basic service delivery and infrastructural development aims to improve maintenance and provision of new infrastructural services within the Municipality. The Municipality has made great strides in improving the backlogs, despite many challenges faced, especially limited resources, the inability to attract skilled staff and lack of waste disposal equipment. The low revenue collection was due to delays experienced in serving summons to debtors. However, planned improvements are underway.



The following is an analysis of the current basic service delivery realities.

a. Water

Water in Umzimkhulu is mainly drawn from natural sources like streams, rivers, and fountains. Water in many areas is not purified and this makes these areas exposed or prone to cholera and other diseases. Boreholes are also available but not always functional. Of the funding that has been received by the Municipality, part of it is for the planned water projects that were previously halted due to lack of funding. There are projects that have been identified to cater for the provision of water and sanitation to the community.

The Municipality is still in the process of providing the following services:

- Provision of clean water to all communities.
- Establishment of water purification works in all schemes.
- Temporal provision of water through spring protection system
- Provision of basic sanitation services.
- Conducting health and hygiene education.
- Developing a maintenance programme for water and sanitation services.

The Water Service Delivery Plan has been prepared by Sisonke District Municipality and awaiting the approval of EXCO.

b. Sanitation

Due to the nature of Umzimkhulu being mostly rural, the type of sanitation that is provided is mainly the basic level of using VIP toilets. During 2010/2011 financial year, a total number of **20850** households were earmarked for provision of VIP toilets, and the projects are still under construction. More projects for sewer upgrades in town are also in progress. R1 700 000 worth of Business Plans for the provision of bulk water and sanitation services to Housing Projects such as Riverside Housing Project phase 2 (serving **500** households) and Ibisi Housing Project (serving **990** households), are also in progress.



c. Electricity

Many villages in Umzimkhulu have limited or no access to electricity. As a result other alternative forms of energy are being used (i.e. candles, paraffin and other forms of energy). The Sisonke District Municipality Electricity Service Delivery Plan was developed and its draft was completed in September 2007 and was accordingly presented to the Infrastructure Standing Committee of Umzimkhulu Local Municipality.

The Draft Plan further indicates the prioritized electrification projects for Umzimkhulu Municipality which can be generally interpreted to indicate the electrification backlog within the Municipality. It must be highlighted that the Plan also provides an indication of the Eskom Electrical Network Upgrade Projects beginning from 2007/08 to 2010/11 financial years. Through the Schedule 6 funding, the Municipality was able to implement projects during the year. Further projects have been identified for the coming financial years, with a significant increase in allocated budget.

Eskom highlighted the following as the municipal electricity challenges:

- Meeting 2012 Government Expectation.
- Mobilising Resources.
- Integrating IDP with Eskom Plans.
- Lack of Sector Planning from Local Government.
- Government Special Programmes.
- Feedback to Local Municipality's DORA Section 23.
- Provision of Bulk electricity – completion of Corinth and Kinterton substations

d. Refuse Removal

The Umzimkhulu Local Municipality is responsible for the collection of refuse around the CBD and surrounding townships, since it is another source of revenue for the Municipality, During the Waste Management Forum meeting held on the date of 24 March 2010 at Sisonke District Municipality, Umzimkhulu local Municipality was elected to participate on the provincial competition for the Cleanest Town Competition.



The ceremony was successfully held on 11th of March 2010 with ward Councillors from Umzimkhulu and Sisonke District Municipalities and as well as their communities. 100 000 plastic bags have been purchased for the financial year, which were distributed in all municipal areas for refuse collection. Bins have also been installed in the town and surrounding areas. The installation of waste skips has proved to be efficient and popular in collecting bulk waste.

These waste skips have been strategically placed in the CBD and closer to businesses, which will contribute towards improved revenue.

e. Roads

The roads projects prioritised for 2008/2009 and 2009/2010 financial year totalling to 97.2km have been completed. All the rural access roads that were planned for implementation for this financial year were completed and one tarred road in Nhlambamasoka with a total of 3km was completed.

Angus farm sport field and Rietvlei phase 1 were completed. The following roads were prioritised for implementations during 2010/2011 and 4 of them are 100% complete:

- Lukanyeni
- Maduna
- Nkampimi
- Deepdale
- Slovas

The Municipality has achieved maintenance of roads which benefited communities within Wards 2, 3, 4, 6, 7, 8, 10 and 18, which includes, but not limited to, the following last trench of roads implemented during the last quarter of 2010/2011 financial Year:

- Palanyoni – 4.5 km
- Ngqumarheni – 2.7 km
- St Gregory – 1.5 km
- Zamazele Primary – 9 km
- Gudlintaba – 3.5 km
- Vulindlela Access Road – 2.5 km



The challenges were experienced during the prioritization process of projects that should make up the maintenance plan, during this process it was identified that the Council does not have a clear understanding of the nature of the maintenance plan hence they would incorporate new projects within the plan. Another challenge was due to the employment of emerging contractors which led to delays due to lack of local resources such as plant and equipment.

The Municipality is currently preparing a policy for maintenance of Public Facilities to engage surrounding communities as part of promoting ownership and public participation. It was an honour for the Municipality to receive an amount of **R500 000.00** from the Department of Public Works as an incentive Grant due to reports submitted on job opportunities created from our MIG projects.

**2.1.1 Service Delivery Backlogs**

The table below indicates the basic services backlogs for the Umzimkhulu Municipality from 2008/09 to 2010/11.

	30 June 2010		30 June 2011	
	Target	Actual Achievement	Target	Actual Achievement
ELECTRICITY CONNECTIONS				
Past Performance				
2009/ 2010 connections	2437	2437	-	-
2010/ 2011 connections	-	-	600	678
For the year ending June 2011				
Backlogs to be eliminated (No. Households not receiving minimum standard of service).	-	-	600	678
Backlogs to be eliminated (percentage-HH identified as backlogs / total HH)	-	-	100%	113%
Spending on new infrastructure to eliminate backlogs (Rand)	-	-	R7.4m	R6.9m
Spending on renewal of existing infrastructure to eliminate backlogs.	-	-	-	-
Total spending to eliminate backlogs.	-	-	R7.4m	R6.9m
Spending on maintenance to ensure no new backlogs created.	-	-	-	-
STREETLIGHTING				
Past Performance				
2009/2010 – street lights installed	107	107	-	-
2010/2011 – street lights installed	-	-	100	100
For the year ending June 2010				
Backlogs to be eliminated (No.'s not providing minimum standard of service)	350	0	350	0
Backlogs to be eliminated (Percentage - identified as backlogs / total No's)	100%	0	100%	0
Spending on new infrastructure to eliminate backlogs.	-	-	-	-
Spending on renewal of existing infrastructure to eliminate backlogs.	-	-	-	-
Total spending to eliminate backlogs.	-	-	-	-
Spending on maintenance to ensure no new backlogs created.	-	-	-	-
ROADS INFRASTRUCTURE				
Past Performance				
2009/2010	35	61.2	-	-
2010/2011– 35 km	-	-	35	36
For the year ending June 2011				
Backlogs to be eliminated (No. KM's not providing minimum standard of service)	40	6.2	80	42.6



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	30 June 2010		30 June 2011	
	Target	Actual Achievement	Target	Actual Achievement
Backlogs to be eliminated (Percentage - KM's identified as backlogs / total KM's)	100%	15%	100%	53%
Spending on new infrastructure to eliminate backlogs	R22.3m	R22.3m	R26m	R26m
Spending on renewal of existing infrastructure to eliminate backlogs	N/A	N/A	N/A	N/A
Total spending to eliminate backlogs	R22.3m	R22.3m	R26m	R26m
Spending on maintenance to ensure no new backlogs created	R1m	R600,000	R1.5m	R90,000
COMMUNITY HALLS				
Past Performance				
2009 / 2010	1	0	-	
2010 / 2011	-	-	2	1
For the year ending June 2011				
Backlogs to be eliminated (No. halls not providing minimum standard of service)	8	5	8	6
Backlogs to be eliminated (Percentage - Halls identified as backlogs / total Halls)	100%	63%	100%	75%
Spending on new infrastructure to eliminate backlogs	R2m	0	R4.4m	R2.2m
Spending on renewal of existing infrastructure to eliminate backlogs	-	-	-	-
Total spending to eliminate backlogs	R2m	0	R4.4m	R2.2m
Spending on maintenance to ensure no new backlogs created	-	-	R500	R500
HOUSING				
Number of new houses built in the Municipality during the financial year	3235	0	3235	0
REVENUE - FINANCE				
Collection levels for revenue due:				
- Electricity				- N/A
- Refuse				- 56%
- Rates				- 41%
REFUSE REMOVAL BACKLOGS				
Backlogs to be eliminated (no. of households not receiving minimum standard of service)	1937	1400	1769	1400
Backlogs to be eliminated (percentage-HH identified as backlogs / total HH) HH 40% for the Total	100%	72%	100%	79%
Spending on new infrastructure to eliminate backlogs	R1.5m	R1.5m	R800,000	R500,000

Table 12: Service Delivery Backlogs



2.1.2 Building Controls

The following table illustrates plans submitted and approved for 2010/2011 compared to 2009/2010.

Description	Plans Submitted	Plans Approved
	2010/2011	2010/2011
No. of Plans	34	19
Estimated Value of Construction	R21,373,460	R20,638,460
Plan Fees	R55,226	R44,690
Total Area	2811.3m ²	2352.1m ²

Table 13: Building Controls

2.1.3 Building and Zoning Plans

The Municipality has not been able to process any development applications during this financial year as a result of an existing scheme which was very outdated, and only contained a few subdivisions that existed years back. This scheme was developed in the Eastern Cape in terms of their planning legislation and was later promulgated in terms of the KZN legislation, however its implementation has been constrained by limits in terms of subdivision versus what currently exists on the ground. The Municipality is currently finalizing approval of a Scheme in terms of KwaZulu Planning and Development Act which will be used as a tool for approving development applications.

2.1.4 Infrastructure and Engineering Development

The Umzimkhulu Municipality's Infrastructure and Engineering Department has proved to be the best performing Department within the Municipality for the past years. This is evident from the fact that the Department won the Best Performing Department Award for 2008/2009. Further to that the Municipality's Municipal Infrastructure Grant (MIG) has doubled during the past years due to the best spending trends that the Municipality has demonstrated.

The best performance culture is as a result of commitment by the staff, competent people appointed within the department, teamwork and the strong political support and leadership that exist in the department.



Through discussions with key supporting sectors and /departments such as Eskom, Department of Transport, CoGTA, etc, it became evident that there was a crucial need for an infrastructure development planning summit, which was successfully held on 5th May 2011. This summit enabled the bulk authorities such as Sisonke district Municipality, department of transport, potential funders etc, to understand the planned infrastructure developments within the Municipality.

Since the past two years, the Municipality has seen drastic change in terms of infrastructure development. This was visible through the increase in Municipal Infrastructure Grant (MIG) from an amount of R22 million in 2008/2009 to R32 million in 2010/2011. Based on the improved MIG Grant funding, this enabled the Municipality to achieve the construction of gravel access roads totalling 124 km and a total of 3 public facilities.

All 2008/2009 and 2009/2010 projects have been successfully completed and 80% of the 2010/2011 projects have also been completed.

- The main challenges highlighted by most business owners are as follows:
- Roaming mentally disturbed persons turn-over the bins;
- Collection of refuse during public holidays and week-ends;
- Continuous dumping on undeveloped sites even when there are "no dumping" signs;
- Collection of refuse to some townships such as Ibisi; and
- Access roads to dumping site and Cutter Msomi are in a bad state.

The table below indicates the projects that were rolled out and completed in 2009/2010 and 2010/2011 financial years.

Project Name	Ward
New Projects	
Maduna Access Roads	7
Nkampini Access Road	10
Lukhanyeni Access Road	5
Deepdale Access Road	14
Madekeni Sportfield	17
Slovas Access Road	11
Rietvlei Sportsfield – Phase two	12
Ngwaqa Community Hall	2
Mzwandile Mhlawuli Community Hall	16
Maintenance Programme	
Luphongolo/ Mzinhlanga Access Road & Causeway	2
Dressini Access Road	8
Nsingizi Access Road	8
Bomvini Access Road	3
Diphini Access Road	6



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Project Name	Ward
Mvolozana Access Road	18
Nyanisweni Access Road	2
Ibisi Stormwater upgrade	11
Loudes Community Hall	6
Clydesdale Community Hall	17
Gugwini Community Hall	14
Kroemhook Community Hall	15

Table 14: Projects

2.1.5 Integrated Human Settlements

Umzimkhulu Municipality adopted a Municipal Housing Sector Plan as a tool to ensure proper planning for provision of Sustainable Human Settlements. Due to socio-economic aspects that prevail in the area of Umzimkhulu the main aim of the plan is to ensure that people are provided with all services cutting across infrastructural, social and economic services in the areas where they have settled. The implementation of the plan has been hindered by acute backlogs in provision of services and lack of budgets to implement various programmes. The department of Human Settlements has now appointed Implementing Agents for construction of houses in the six projects initiated in the Eastern Cape and the District Municipality has committed to provision of bulks in areas of Ibisi and Clydesdale. The Municipality will continue to strive for the implementation of the plan to ensure that its objectives are fulfilled.

2.1.6 Affordable/Middle Income Projects

The Municipality has not implemented middle and affordable housing projects but a layout to accommodate this form of housing has been implemented and is awaiting approval in terms of the KwaZulu Natal Planning and Development Act. The existing middle income housing is privately developed and the Municipality only collects rates from landowners.



The following table below indicates the New Housing projects for 2010/2011.

NEW HOUSING PROJECTS FOR 2010/2011	
LOW COST	
✓	Clydesdale
✓	Ibisi
✓	Riverside Phase 1
✓	Riverside Phase 2
✓	Ext 5 & 6
✓	Umzimkhulu Villages
RURAL HOUSING PROJECTS	
✓	Mvubukazi
✓	Mabandla
✓	Khiliva
✓	Mfulamhle
✓	Roodevaal
SLUMS CLEARANCE PROJECTS	
✓	Extension 9 & 10
✓	Scoon Plaas

Table 15: New Housing Projects

2.2 *Municipal Transformation and Institutional Development*

Municipal Transformation and Institutional Development reflect a Municipality's ability to implement effective and efficient support services to its core service delivery departments. The Umzimkhulu Municipality has strived towards meeting the needs of the people through service delivery initiatives even though there is a challenge with the staff compliment.

The Umzimkhulu Municipality has effectively achieved the following performance highlights:

- Reviewed all HR policies;
- Developed HR handbook manual;
- Appointed Fleet Management Officer to monitor Municipal fleet;
- Implemented learnerships to unemployed youth, New Venture Creation 20 learners, Social Facilitation 20 learners;
- Received Mandatory Grants from LGSETA of R456 000.00;
- Implemented career pathing initiatives; and
- Reviewed organisational structure.



The Municipality is experiencing the following challenges:

- No dedicated office space for EAP Programme.
- No filling of vacant posts.

The Umzimkhulu Municipality's municipal performance in this key performance area was measured against the following:

2.2.1 Policy Development

Since 2006/2007 financial year Umzimkhulu Municipality has been introducing policies and procedures as well as systems in the Municipality to ensure that we are efficient in the work that we do. In the 2010/2011 financial year Umzimkhulu Municipality has been able to review policies:

- Recruitment and Selection of New Employees.
- Leave Administration.
- Occupational Health and Safety.
- Wellness Policy.
- HIV and AIDS Policy.

2.2.2 Implementation of Performance Management System

A Performance Committee for the assessment of Managers was established. The assessment is done quarterly. Umzimkhulu Municipality has a framework that was adopted by Council and reviewed timeously. Every year all Senior Managers enter into a performance agreement with the Municipal Manager in line with the Municipal Systems Act.

2.2.3 Organisational Review

On an annual basis Umzimkhulu Municipality is required to review the organisational structure. This is normally done together with the IDP and budget so that there is alignment. During 2010/2011 Umzimkhulu Municipality has done this successfully and it was then adopted by Council accordingly.



2.3 Local Economic Development

The objective of the programme is to establish economic growth and development in all economic sectors with a particular focus on agriculture, tourism, and trade and industry, whilst contributing to poverty alleviation in the area.

Local Economic Development will be discussed below:

2.3.1 Forestry

There are community projects evolving which are driven mostly by the private sector with support from IDC and other relevant stakeholders. The Municipality only provides support to these communities in terms of services even though there are challenges. There is also a need to support emerging forestry farmers within the Municipality and this remains a challenge.

2.3.2 Community, Social and Other Personal Services

This is the second largest employment sector. It includes public administration, education, health, and social work and other community, social and personal service activities and recreational, cultural and sporting activities.

2.3.3 Trade and Tourism

A feasibility study has been conducted for the development of a Small Traders Facility and a business plan has been developed to solicit funding for implementation. The Municipality has further submitted an application to DEDT for authority to issue business licenses.

2.3.4 Finance and Business Services

There have been a number of commercial developments approved in town which are currently operational.

2.3.5 Youth Development

This includes the development of skills and knowledge for the youth to improve employment opportunities. This is achieved through internships and other community development programmes.



2.3.6 Environment

There has not been much achievement in this area; however, the Municipality is in process of securing funding for conducting Strategic Environmental Assessment for its area.

The following are the projects that have been implemented by the Department: Strategic Housing and LED during the 2010/2011 financial year.

Project Name	Ward
Sheering Shed	6
Piggery	1
5 Dams (for stock)	13 & 14
Insikeni May Lodge renovations ward 1	1
Feasibility study for SMME and Informal trading in Umzimkhulu	
Business plan for SMME and Informal trading in Umzimkhulu	

Table 16: LED Projects

2.4 Good Governance

This key performance area encapsulates the Municipality's commitment to the provision of the highest quality of service to its constituencies and to ensure that all strategies and objectives are adhered to, resulting in a productive and sustainable Municipality.

All Municipalities are obligated to encourage the involvement of communities and community organisations in the affairs of Local Government according to the Constitution, Section 151 (1) (e). This is further emphasised by Section 16(1) of the Municipal Systems Act 32 of 2000, which requires the Municipality to develop a culture of municipal governance that complements formal representative government with a system of participatory governance.

Umzimkhulu Municipality has continued with strengthening the public participation unit in the year under review. The Public Participation Practitioner did a wonderful job in making the unit well recognised in the Municipality and beyond. During 2010/2011 one public meeting was held monthly in each of the 18 Wards. In November 2010, a budget and IDP outreach programme was conducted in each of the 18 Wards. Following the new demarcation within the Municipality, two additional Wards were formed which resulted in a total of 20 Wards.



Subsequent to the inauguration of the new Council, the Public Participation Unit embarked on a programme to elect new Ward Committees. Currently, all our Ward Committees are fully functional and they have been inducted and trained on the first module as prescribed by CoGTA. These new Ward Committees have submitted their schedule of meetings to the Municipality and have begun their Ward meetings. The Council adopted the Policy on Ward Committee election and operation. According to CoGTA, Umzimkhulu Municipality managed to be the second Municipality to complete the Ward Committee election.

The Unit organised a media Intervention workshop for all ward committee members. The Unit also dealt with the review of the communication strategy under the assistance of the Department of Provincial and Local Government and GCIS. We also managed the production of the Umzimkhulu Newsletter. The newsletter was produced quarterly and proved to be very popular with the reading public in the Municipality. The Municipality improved on communication with the public.

Council held all statutory meetings as expected throughout the financial year and special meetings convened when needed. All Standing Committees held their monthly meetings as expected. On average each Standing Committee held 10 meetings. The observation made was that the Municipality needed to ensure that Councilors keep time scheduled for meetings. It is also critical that all Committees should submit reports to Council or Executive Committee. Ad Hoc Committees were appointed to deal with specific issues facing Council.

The Executive Committee also was very consistent in meeting its calendar of meetings as scheduled. Special meetings were called when necessary and regular reports were submitted quarterly as expected by the legislation.

Other Council Committees like Rules Committee, Oversight Committee, and Audit Committees functioned throughout the year. The Office of the Speaker was instrumental in ensuring that Council structures functioned properly as expected.

Due to the lack of funding Council could not conduct the community survey as expected by the Municipal Systems Act.



The following table indicates the number of ordinary and special meeting and the average attendance per meeting.

Type of Meeting	2009/2010	Average % Attendance	2010/2011	Average % Attendance
Ordinary Council	3	83%	4	31%
Special Council	6	72%	8	76%
Executive Committee	12	70%	19	89%
Planning and Local Economic Development Portfolio Committee	10	63%	11	35%
Community and Social Services Standing Committee	9	68%	11	38%
Infrastructure Standing Committee	9	89%	11	44%
Budget and Local Treasury Standing Committee	6	76%	11	51%
Administration and Human Resources Standing Committee	7	73%	11	44%
Special Programmes Unit Standing Committee	8	75%	5	35%
Oversight Committee	1	85%	1	80%
Performance Audit & Audit Committee	6	66%	7	50%

Table 17: Attendance at Committee Meetings

2.5 Financial Viability and Financial Management

Financial viability reflects the ability of a Municipality to generate sufficient own revenue to meet its operating expenditure, and reduce the dependency on grant funding. The Municipality's performance highlights and challenges are indicated below:

Performance Highlights

- Improved customer satisfaction.
- Continuous reporting to internal structures and stakeholders.
- Improved transparency in supply chain or demand management processes.
- Improvement in ensuring preparation and implementation of budgeting and reporting requirements of officials.
- Developed skills in budget and treasury office.
- Achieved an unqualified audit opinion with other matters.
- Grants fully spent on respective projects.



Challenges

- Reduction in revenue collection as the credit control is not fully implemented.
- Limited number of Service Providers for specialized consulting work.
- Internal departments adhering to procurement plan effectively, thereby acquisitions not aligned to SDBIP.
- Departments not taking full ownership of budget, which results in application number of virements.
- Study budget constraints limit repairs and maintenance and how much roads can be transferred to DOT.

Community and Social Services

The community and social services department is dealing with community projects/ programmes that assist community members in all wards of the Umzimkhulu jurisdiction. The funding of these projects is allocated from the equitable share. This includes the following list of projects.

Account Description	Budget 2010/2011
Public Education Campaigns	R100,000
Christmas Party	R50,000
Fire Fighting Awareness Campaign	R152,366
Disaster Management Awareness Campaign	R44,360
Matric Intervention	R50,000
Pray Day	R200,000
Arts and Culture Programmes	R170,000
HIV/AIDS Programmes	R77,500
Total Budget	R 844 266

Table 18: Community Projects

**Library Services****Membership Statistics**

The following are the statistics for the membership during 2010/2011 financial year.

Month	Total
July	39
August	34
September	29
October	47
November	42
December	15
January	60
February	155
March	78
April	48
May	36
June	38
Total	621

Table 19: Library Membership Statistics

Circulation of Library Material

The following are the statistics for the circulation of library material. The statistics include the circulation of books and audio visuals.

Month	Print material	
	Books	Audio Visuals
July	14520	1498
August	18168	1944
September	11292	922
October	11100	942
November	14332	1143
December	7230	1018
January	22542	1821
February	29396	2311
March	33731	2835
April	26859	2514
May	32173	3204
June	36064	3322
Total	257407	23474

Table 20: Circulation of Library Material Statistics



Photocopies, number of books used for reference purposes, and number of users used library for study purposes

The function was shut down during the financial year due to the breakdown of the Photocopying machine.

Traffic & Protection Services

The following table reflects statistics for the traffic and protection services.

Month	Warrants Of Arrest	Drunken Driving	Section 56 Notices
July	122	0	152
August	76	0	99
September	48	0	90
October	36	0	54
November	105	0	120
December	84	0	94
January	38	0	41
February	36	0	112
March	0	0	24
April	71	0	136
May	68	0	99
June	0	0	80
Total	684	0	1101

Table 21: Traffic and Protection Services Statistic

Crime Prevention

The following successes were achieved by the Crime Prevention Unit.

Details	%
Burglary Residential	35%
Theft General	23%
Assault Common	18%
Stock Theft	64%
Malicious Damage To Property	37%
Murder	50%
Attempted Murder	100%
Robbery Aggravating	100%
Rape	-10%
Burglary Business	Stable
Shoplifting	-67%
Theft of Motor Vehicle	Stable



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Details	%
Theft out of/from Motor Vehicle	Stable
Arson	-100%
Robbery Common	-57%
Fraud	-38%
Assault GBH	-22%

Table 22: Arrests & Recoveries Statistics



CHAPTER 3: REPORT OF THE AUDIT COMMITTEE

The Audit Committee is pleased to present their report for the financial year ended 30 June 2011.

The Audit Committee consists of four independent members. The majority of persons serving on the Audit Committee are financially literate and their diverse skills and experience in the public sector assist in the effective monitoring of risk, internal controls and governance processes.

The function of the Audit Committee is primarily to assist the Council in discharging its responsibilities relative to the Municipal Finance Management Act (MFMA), in accordance with the requirements of the MFMA and the Treasury Regulations. The Council of uMzikhulu Municipality has approved the Audit Committee's written terms of reference under which it operates.

The Audit Committee confirms that, in all material respects it has complied with its responsibilities stipulated in section 166 of the MFMA and Treasury Regulations 27.1.1 to 27.1.9. The Committee also confirms that in all material respect it has performed its duties and discharged all its responsibilities in compliance with the Audit Committee Charter.

Audit Committee members and attendance

During the financial year ending 30 June 2011, the Audit Committee consisted of four (4) members and held meetings as indicated below:

Names	Role	Meetings Held	Meetings Attended	Date Appointed/ Resigned
Mr V Dlamini	Chairperson	6	1	27 March 2008 (Note 1)
Mr H Mpungose	Committee member/ Chairperson	6	6	27 March 2008 (Note 2)
Mrs K Mvulane	Committee member	6	4	27 March 2008
Mr B Mzolo	Committee member	6	5	27 March 2008 (Note 3)
Adv. S Kuboni	Committee member	6	2	27 March 2008 (Note 4)



Note 1

Mr V Dlamini resigned as chairperson and member of the Audit Committee on the 30 September 2010.

Note 2

Mr H Mpungose was appointed chairperson of the Audit Committee on the 01 October 2010.

Note 3

Mr B Mzolo resigned as a member of the Audit Committee on the 31 May 2011.

Note 4

Adv S Kuboni's term of office expired on the 28 February 2011.

Effectiveness of Internal Control

With the exception of matters reported by the internal auditors and the Auditor-General we confirm that during the year under review the internal controls were appropriate and effective. The management team has developed plans to address the deficiencies identified during the year under review and the Committee will monitor the implementation of the Action Plan. These will be submitted and discussed with the Auditor-General.

Risk Management

Management has formulated and adopted a risk management strategy and then developed risk mitigation plans to monitor the implementation of these plans. The operational risk management unit was functional during the period under review.

Governance

With the exception of matters identified and reported by the Auditor-General, management and Council have put in place mechanisms to ensure that governance practices are adequate and effective. The Municipality has complied with the requirements of the MFMA wherein quarterly reports were presented to the Provincial Treasury as required by legislation. Furthermore, in all material respects, guidelines recommended by the Department of Cooperative Governance and Traditional Affairs in respect of the change over from the old Council to the new Council were complied with.



We hereby confirm that the governance processes employed by the Municipality were in all material respect adequate.

Evaluation of Financial Statements

The Audit Committee evaluated and reviewed the Annual Financial Statements of the Municipality for the year ended 30 June 2011 and concluded that they comply, in all material respects, with the statements of Generally Recognized Accounting Practice (GRAP). The review covered the following:

- Underlying accounting policies and changes thereto;
- Major adjustments and management judgements;
- Significant adjustments emanating from the year under review;
- Compliance with Generally Recognized Accounting Practice (GRAP);
- The appropriateness of the going concern assumption;
- Consideration of the reports of the Auditor-General on the financial statements of the Municipality; and
- Management action plans to address matters reported by the Auditor-General.

The Audit Committee confirms that the adoption of the going concern assumption in preparation of the Annual Financial Statements of the Municipality is appropriate.

Hopewell Mpungose B.Comm, Hons BCompt, CA(SA),RA
Chairperson
Umzimkhulu Municipality Audit Committee



CHAPTER 4: HUMAN RESOURCE AND ORGANISATIONAL MANAGEMENT

The Umzimkhulu Municipality is a category B Municipality, as determined by the Demarcation Board in terms of Section 9 of the Municipal Structures Act, Act No. 117 of 1998. The Municipality functions under the Collective Executive System combined with a ward participatory system. The Mayor is elected by Council in terms of Section 48 of the Municipal Structures Act, Act No. 117 of 1998, and functions as the executive leadership of the Municipality. The Council of Umzimkhulu Municipality comprises of members from all political parties who play a vital role in the development of policy and monitoring of service delivery to the citizens of Umzimkhulu.

Umzimkhulu Municipality comprises of 5 departments that report directly to the Municipal Manager, the Administrative Head. They are as follows:

- Budget and Treasury;
- Corporate Services;
- Social and Community Services;
- Strategic Planning, LED and Housing; and
- Infrastructure.



4.1 Organisational Structure

The organisational of the structure Municipality was reviewed by the EXCO on the 19th of July 2010 leading to a leaner and more cost effective structure. Job descriptions were compiled and submitted to the Principal Job Evaluation Committee for evaluation purposes and this project is almost completed.

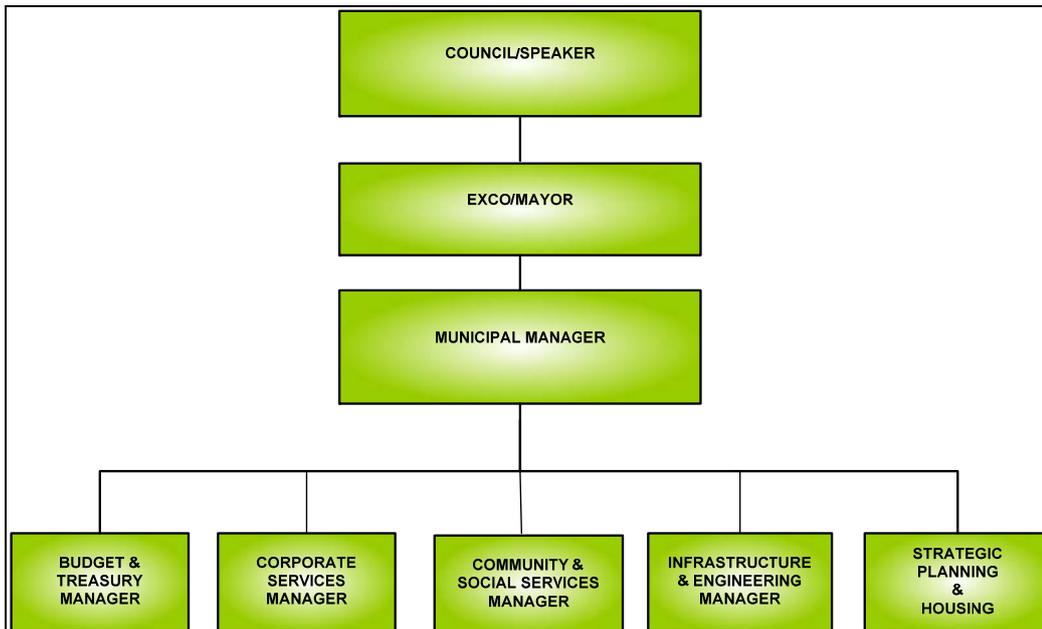


Figure 9: Organisational Structure

4.2 Employment Equity & Skills Development

In terms of section 13(1) of the Employment Equity Act 55 of 1998, the Municipality is required to achieve employment equity by ensuring that affirmative action is implemented targeting mainly the designated groups. Umzimkhulu Municipality has continuously endeavoured to reach adequate representation of all designated groups at all job levels and categories.

During 2008/2009 financial year the Employment Equity Forum was established resulting in the development of an Employment Equity Plan. The Employment Equity Plan 2008- 2011 was presented and approved by Council.



The Plan aims to achieve the following:

- To ensure that candidates with potential from designated groups be identified and taken up into accelerated development plans.
- To ensure priority is given to the development of internal staff, to maximize internal recruitment and promotions.
- Allocating targets to the recruitment and promotion of designated groups.
- To eliminate subjective criteria that has no bearing on inherent job requirements.
- Employing culture-fair assessment tools for competence and potential assessments.
- To identify all barriers, this hinders the advancement of the designated groups.

In order to achieve equal opportunity in the workplace, the Umzimkhulu Municipality has ensured that all promotions are aligned to the Employment Equity Act sec 15 (2) (c), 2(b) and 3(b) according to the targets and timeframes set by the Equity Forum.

The following table gives a clear indication relating to the demographics for 2010/2011.

Workplace Population	Male				Female				Total Employees
	A	C	I	W	A	C	I	W	
Number of Employees	56	0	1	0	66	0	0	0	123
Percentage	45	0	0.8	0	54	0	0	0	100%

Table 23: Workplace Demographics

The profile of the Municipality by Occupational Category for the financial year 2010/2011 is tabled below.

Occupational Category	Designated							Total
	Male			Female				
	B	C	I	B	C	I	W	
Legislators, senior officials and managers	26	0	1	27	0	0	0	54
Professionals	15	0	0	8	0	0	0	23
Clerks	11	0	0	31	0	0	0	42
Elementary occupations	20	0	0	21	0	0	0	41
Total Permanent	46	0	0	60	0	0	0	106
Non permanent	0	0	0	0	0	0	0	0
TOTAL	118	0	1	147	0	0	0	266

Table 24: Employment Statistics by Occupational Category



4.2.1 Training and Development

The following are the details of officials trained during 2010/2011.

Training Course	No. of Officials Attended
Integrated Development planning	36
Land & Property Dev Management	1
Masters in Public Management	1
Certificate in Human Resources Management	2
Certificate in Project Management	1
Certificate in Office Management	13
Certificate in Advanced Project Management	1
Certificate in Maintenance Management	1
Certificate in Computer studies	8
Certificate in A+	1
Traffic Management	3
Diploma in Accounting	4
CPMD	2
First Aid certificate	11
Fire Training	14
CPMD	3
Local Management Development Programme	3
Total	105

Table 25: Training Courses and Attendance

4.3 Human Resource Governance

Umzimkhulu Municipality had a workshop to review all the Human Resource and Administration Policies in 2010. The Executive Committee, the Standing Committee, all HOD's and the Union were part of the workshop. These policies and relevant changes that affected the policies were tabled before the Standing Committee and Exco, and finally tabled before Council for adoption on the 10 June 2010.

The policies are listed as follows:

- Recruitment and selection
- Appointment of new staff
- Relocation policy
- Probation policy
- Acting in higher positions policy
- Hours of work policy



- Termination of service policy
- Leave policy
- Leave encashment policy
- Wellness policy
- HIV/AIDS work place policy
- Occupational health and safety policy
- Sexual harassment policy
- Mentoring and coaching policy
- Multi-skilling policy
- Staff retention policy
- Bursary policy
- Training and development policy
- Policy on dress code and protective clothing
- Policy on experiential training and in-service training (new)
- HR strategy (new)

4.4 Performance Management and Reporting

In order to instil high performance, the Municipality introduced a comprehensive performance management system in accordance with Chapter 6 of the Local Government Municipal Systems Act of 2000 and the Planning and Performance Management Regulations (2001).

The Performance Management Department has three sections - individual performance management, organisational performance management and research, reporting and monitoring. Organisational and individual performance management was implemented using the balanced scorecard methodology.



4.5 Staff Information

4.5.1 Remuneration of Councillors

The table below shows the remuneration of Councillors in the Municipality.

COUNCILORS	AMOUNT R
Mayor	538,227
Speaker	413,098
Deputy Mayor	430,581
Chief Whip	387,280
Exco Members	1,460,646
Councillors	5,164,581
TOTAL	8,746,847

Table 26: Councillor Remuneration

4.5.2 Remuneration to Senior Officials

The following table shows the remuneration paid to senior management in the Municipality.

Senior Management	Amount R
Municipal Manager	886,886
Chief Financial Officer	655,205
Head of Department: Community & Social Services	642,940
Head of Department: Infrastructure	655,205
Head of Department: Corporate Services	644,968
Head of Department: Strategic Planning & Housing	723,809
Total	4,209,013

Table 27: Senior Official's Remuneration



CHAPTER 5: FINANCIAL INFORMATION

5.1 *Report of the Auditor-General*

REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE UMZIMKHULU MUNICIPALITY REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Umzimkhulu Municipality, which comprise the statement of financial position as at 30 June 2011, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, as set out on pages 60 to 105.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA), the Division of Revenue Act of South Africa, 2010 (Act No. 1 of 2010) (DORA), and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's Responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on the financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and *General Notice No. 1111 of 2010* issued in *Government Gazette No. 33872 of 15 December 2010*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.



5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipality's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

7. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Umzimkhulu Municipality as at 30 June 2011 and its financial performance and its cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of the MFMA and DORA.

Emphasis of matter

8. I draw attention to the matter below. My opinion is not modified in respect of this matter:

Restatement of corresponding figures

9. As disclosed in note 25 to the financial statements, the corresponding figures for the year ended 30 June 2010 have been restated as a result of errors discovered during 2010-11 in the financial statements of the Umzimkhulu Municipality at, and for the year ended, 30 June 2011.

Additional matters

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



Material inconsistencies in other information included in the annual report

11. I have not obtained the other information included in the annual report for my review and have not been able to identify any material inconsistencies with the financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12. In accordance with the PAA and in terms of *General Notice No. 1111 of 2010* issued in *Government Gazette No.33872 of 15 December 2010*. I include below my findings on the annual performance report as set out on pages **111 to 121** and material non-compliance with laws and regulations applicable to the municipality.

Predetermined objectives

Usefulness of information

13. The following criterion is relevant to the findings below:
- Consistency: The reported objectives, indicators and targets are consistent between the planning and reporting documents

14. The following audit findings relate to the above criterion:

Changes, including reasons for and approval thereof, to planned targets are not disclosed in the report on predetermined objectives

15. Changes to the targets of the approved integrated development plan for the year under review, were not disclosed and explained as required in terms of the relevant National Treasury preparation guide.

Reported targets are not consistent when compared with the planned targets

16. Reported performance against predetermined targets is not consistent with the approved integrated development plan.



Reliability of information

17. The following criterion is relevant to the finding below:

- Accuracy: Amounts, numbers, and other data relating to reported actual performance have been recorded and reported appropriately

18. The following audit finding relate to the above criterion:

Reported performance against targets is not accurate when compared to source information

19. For the selected objectives, 80% of the reported targets were not accurate based on the source information or evidence provided.

Compliance with laws and regulations

Annual financial statements

20. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 (1)(a) of the MFMA. Material misstatements of capital assets, liabilities, expenditure and disclosure items identified by the auditors were subsequently corrected resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

21. The accounting officer did not take reasonable steps to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA.

Procurement and contract management

22. Goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as per the requirements of the Municipal SCM Regulations 19(a) and 36(1).

23. Awards were made to suppliers who did not submit a declaration on their employment by the state or their relationship to a person employed by the state, as per the requirements of the Municipal SCM Regulation 13(c).



24. Goods and services with a transaction value of between R10 000 and R200 000 were procured without obtaining written price quotations from at least three different prospective providers, as per the requirements of the Municipal SCM Regulations 17(a) & (c).

INTERNAL CONTROL

25. In accordance with the PAA and in terms of *General Notice No. 1111 of 2010*, issued in *Government Gazette No.33872 of 15 December 2010*, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies regarding the findings on the annual performance report and the findings on compliance with laws and regulations.

Leadership

26. The accounting officer did not exercise oversight responsibility over procurement of goods and services to ensure that they complied with the requirements of the Municipal SCM Regulations.
27. The municipal council did not exercise oversight over the preparation of the annual performance report to ensure that it contains the necessary disclosure and explanations required by the National Treasury preparation guide.

Financial and performance management

28. The chief financial officer did not implement effective controls to ensure that the financial statements submitted for audit were free of material misstatements.
29. The IDP and Planning Manager has not performed a proper review of the annual performance report to ensure that approved indicators and targets are consistently and completely recorded.



Governance

30. The internal audit unit and the performance audit committee did not perform a detailed review of the reported performance against predetermined targets to ensure that it is consistent with the approved integrated development plan.

Auditor-General

Pietermaritzburg

30 November 2011



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence



5.2 Annual Financial Statements

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011

	Note(s)	2011	2010
Assets			
Current Assets			
Trade and other receivables from exchange transaction	8	131,100	905,658
VAT receivable	9	1,859,306	3,983,904
Consumer debtors	10	7,032,546	6,921,314
Investments	7	32,969,804	27,995,437
Cash and cash equivalents	11	-	556,090
		41,992,756	40,362,403
Non-Current Assets			
Investment property	3	4,496,822	4,526,989
Property, plant and equipment	4	203,021,261	210,941,826
Intangible assets	5	195,108	325,057
Assets in construction	6	56,662,006	38,181,135
		264,375,197	253,975,007
Total Assets		306,367,953	294,337,410
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	14	3,546,096	3,580,401
Unspent conditional grants and receipts	12	6,519,986	443,224
Bank overdraft	11	483,132	-
		10,549,214	4,023,625
Non-Current Liabilities			
Provisions	13	1,155,214	1,105,097
Total Liabilities		11,704,428	5,128,722
Net Assets		294,663,525	289,208,688
Net Assets			
Reserves			
Revaluation reserve		107,340,500	132,296,709
Housing funds		28,032,032	26,923,707
Accumulated surplus		159,290,993	129,988,272
Total Net Assets		294,663,525	289,208,688

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011**

	Note(s)	2011	2010
Revenue			
Property rates		7,438,448	9,411,609
Service charges		651,550	1,119,420
Rental of facilities and equipment		492,190	384,540
Interest received (trading)		425,436	566,031
Government grants & subsidies	15	99,377,334	102,062,089
Motor vehicle licences		488,270	314,731
Miscellaneous other revenue		560,478	517,499
Recoveries		2,640	-
Other income		-	94,605
Sundry income		-	1,000
Interest received – investment		795,161	1,275,430
Total Revenue		110,231,507	115,746,954
Expenditure			
Personnel	18	(22,377,976)	(19,313,843)
Remuneration of councillors	19	(8,394,413)	(7,545,288)
Administration		-	(68,362)
Depreciation and amortisation	20	(26,096,539)	(25,352,260)
Finance costs	21	(50,116)	(83,228)
Repairs and maintenance		(4,612,635)	(1,610,262)
General Expenses	16	(39,845,677)	(32,343,283)
Total Expenditure		(101,377,356)	(86,316,526)
Gain on disposal of assets and liabilities		-	40,557
Surplus for the year		8,854,151	29,470,985



STATEMENT OF CHANGE IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2011

	Capitalisation reserve	Revaluation reserve	Housing Funds	Total reserves	Accumulated surplus	Total net assets
Balance at 01 July 2009	-	-	25,921,071	25,921,071	98,139,274	124,060,345
Changes in net assets						
Revaluation of Property, plant and equipment	-	154,647,280	-	154,647,280	-	154,647,280
Other asset adjustments		-	-	-	(9,891,925)	(9,891,925)
Net income (losses) recognised directly in net assets	-	154,647,280	-	154,647,280	(9,891,925)	144,755,355
Surplus for the year	-	-	-	-	29,470,985	29,470,985
Total recognised income and expenses for the year	-	154,647,280	-	154,647,280	19,579,060	174,226,340
Expenditure recorded in incorrect period	-	-	-	-	(4,336,034)	(4,336,034)
Credit notes processed relating to prior period balances	-	-	-	-	(837,689)	(837,689)
Write off of accounts with no movement	-	-	-	-	(460,933)	(460,933)
Accrual adjustments	-	-	-	-	5,488	5,488
Amortisation on prior year intangible asset	-	-	-	-	(52,933)	(52,933)
Offsetting depreciation	-	(22,350,571)	-	(22,350,571)	22,350,571	-
Interest earned on investments	-	-	1,267,484	1,267,484	-	1,267,484
Expenditure of housing funds	-	-	(264,848)	(264,848)	-	(264,848)
Total changes	-	132,296,709	1,002,636	133,299,345	36,247,530	169,546,875



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STATEMENT OF CHANGE IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2011

	Share capital / contributed capital	Revaluation reserve	Housing Funds	Total reserves	Accumulated surplus	Total equity
Adjustments						
Sports facility grant fund spent	-					
Asset adjustments	-				414,258	414,258
		-	-	-	(4,812,791)	(4,812,791)
Balance at 01 July 2010 as restated	-	132,296,709	26,923,707	159,220,416	129,988,272	289,208,688
Changes in net assets						
Surplus for the year	-	-	-	-	8,854,151	8,854,151
Interest earned on investments	-	-	1,108,325	1,108,325	-	1,108,325
Movable asset adjustments	-	-	-	-	(1,053,025)	(1,053,025)
WCA expenditure paid in current year relating to prior periods	-	-	-	-	(1,171,776)	(1,171,776)
Offsetting of depreciation	-	(24,956,210)	-	(24,956,210)	24,956,210	-
Council approval to write off debtors take-on balances	-	-	-	-	(2,194,956)	(2,194,956)
Portion of accrued bonus raised not paid out	-	-	-	-	16,740	16,740
Creditors adjustments	-	-	-	-	(234,494)	(234,494)
Clearing bank reconciliation variances	-	-	-	-	(234,142)	(234,142)
Councillors cellphone balances no longer owing	-	-	-	-	(96,654)	(96,654)
Accrual adjustments	-	-	-	-	133,640	133,640
Write off of accounts with no movement	-	-	-	-	328,697	328,697
Additional depreciation on Esikheweni river crossing	-	-	-	-	(1,670)	(1,670)
Total changes	-	(24,956,210)	1,108,325	(23,847,885)	29,302,721	5,454,836
Balance at 30 June 2011	-	107,340,499	28,032,032	135,372,531	159,290,993	294,663,524

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011**

	Note(s)	2011	2010
Cash flows from operating activities			
Receipts			
Sale of goods and services Interest		108,824,904	97,768,383
income		795,161	2,542,914
		109,620,065	100,311,297
Payments			
Suppliers		(68,083,380)	(92,115,865)
Finance costs		(50,116)	(83,228)
		(68,133,496)	(92,199,093)
Net cash flows from operating activities	22	41,486,569	8,112,204
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(19,066,760)	(31,747,831)
Sale of property, plant and equipment	4	-	75,001
Purchase of other intangible assets	5	(3,793)	(54,116)
Purchase of assets in construction		(18,480,871)	-
PPE adjustments - Prior year		-	7,373,346
Purchase of investments		(4,974,367)	-
Movements in investments		-	13,944,281
Net cash flows from investing activities		(42,525,791)	(10,409,319)
Cash flows from financing activities			
Finance lease payments		-	(126,951)
Net increase/(decrease) in cash and cash equivalents		(1,039,222)	(2,424,066)
Cash and cash equivalents at the beginning of the year		556,090	2,980,156
Cash and cash equivalents at the end of the year	11	(483,132)	556,090



5.3 Accounting Policies

5.3.1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

These accounting policies are consistent with the previous period.

5.3.1.1 Investment Property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the municipality, and the cost of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.



Cost Model

Investment property is carried at cost less any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	Useful life
Property - buildings	30 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

5.3.1.2 Property, Plant and Equipment

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

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. 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.



5.3.1.2 Property, Plant and Equipment (continued)

Where an item of property, plant and 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, it's deemed cost is the carrying amount of the asset(s) given up.

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

Costs include costs incurred initially to acquire or construct an item of property, plant and 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 and 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 and 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 and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment - Other fixed assets is carried at cost less accumulated depreciation and any impairment losses.



5.3.1.2 Property, Plant and Equipment (continued)

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment - Infrastructure, Community and Land and buildings is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

Item	Average useful life
<i>Infrastructure</i>	
→ Roads and paving	30 years
→ Pedestrian Malls	30 years
→ Electricity	0-30 years
<i>Community</i>	
→ Buildings	30 years
→ Recreational facilities	20-30 years
→ Security	5 years
Other property, plant and equipment	
→ Buildings	30 years
→ Specialist vehicles	10 years
→ Other vehicles	5 years
→ Office equipment	3-7 years
→ Furniture and fittings 7-10 years	



5.3.1.2 Property, Plant and Equipment (continued)

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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.

Items of property, plant and equipment 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 derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

5.3.1.3 Heritage Assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.



5.3.1.3 Heritage Assets (continued)

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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

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.

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.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that a municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.



5.3.1.3 Heritage Assets (continued)

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial Measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent Measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

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

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



5.3.1.4 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.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

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.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these property, plant and equipment. 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 every period-end.



5.3.1.4 Intangible Assets (continued)

Reassessing the useful life of an intangible asset with a definite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognized as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	3 - 5 years

Intangible assets are derecognised:

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

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.

5.3.1.5 Financial Instruments

Trade and Other Receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.



5.3.1.5 Financial Instruments (continued)

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in the statement of financial performance within operating expenses. When a trade receivable is uncollected, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the statement of financial performance.

Trade and Other Payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank Overdraft and Borrowings

Borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Other financial liabilities are measured initially at fair value and subsequently at amortised cost, using the effective interest rate method.

Financial Assets at Fair Value through Profit or Loss

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

Investments are measured initially and subsequently at fair value, gains and losses arising from changes in fair value are included in surplus or deficit for the period.



5.3.1.6 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.

Finance Leases - Lessor

The municipality recognises finance lease receivables on the statement of financial position.

Finance income is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance Leases – 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 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 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 on the remaining balance of the liability.

Operating Leases - Lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in the statement of financial performance.



5.3.1.6 Leases (continued)

Operating Leases – Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

5.3.1.7 Impairment of 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.

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.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

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.



5.3.1.7 Impairment of Cash-Generating Assets (continued)

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

Useful life is either:

- a) the period of time over which an asset is expected to be used by the municipality; or
- b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

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

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

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable 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 was tested for impairment before the end of the current reporting period.

Recognition and Measurement (Individual Asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.



5.3.1.7 Impairment of Cash-Generating Assets (continued)

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of Impairment Loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.



5.3.1.7 Impairment of Cash-Generating Assets (continued)

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

5.3.1.8 Employee Benefits

Short-Term Employee Benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

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

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.



5.3.1.8 Employee Benefits (continued)

Retirement Benefits

Whilst employees and councillors are employed by the municipality, the municipality contributes to their medical aid and pension funds. On termination, resignation or retirement of employees and councillors the municipality no longer contributes to the medical aid and pension funds on their behalf and thus there are no post employment benefits.

5.3.1.9 Provisions and Contingencies

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.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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.



5.3.1.9 Provisions and Contingencies (continued)

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - ✓ the activity/operating unit or part of a activity/operating unit concerned;
 - ✓ the principal locations affected;
 - ✓ the location, function, and approximate number of employees who will be compensated for services being terminated;
 - ✓ the expenditures that will be undertaken; and
 - ✓ when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding agreement.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 24.



5.3.1.10 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, other than increases relating to contributions from owners.

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 volume rebates.

Sale of Goods

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

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



5.3.1.10 Revenue from Exchange Transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable. Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

Interest, Royalties and Dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.



5.3.1.10 Revenue from Exchange Transactions (continued)

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

5.3.1.11 Revenue from Non-Exchange Transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including Collection Charges and Penalties Interest

Revenue from rates, including collection charges and penalty interest, is recognised 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
- there has been compliance with the relevant legal requirements.



5.3.1.11 Revenue from Non-Exchange Transactions (continued)

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

5.3.1.12 Borrowing Costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

5.3.1.13 Comparative Figures

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

5.3.1.14 Unauthorised, Irregular, Fruitless and Wasteful Expenditure

All expenditure relating to unauthorised, irregular or 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.

Unauthorized Expenditure

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



5.3.1.14 Unauthorised, Irregular, Fruitless and Wasteful Expenditure (continued)

Irregular Expenditure

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

Fruitless and Wasteful Expenditure

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

5.3.1.15 Use of Estimates

The preparation of annual financial statements in conformity with Generally Recognised Accounting Practice requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

5.3.1.16 Presentation of Currency

These annual financial statements are presented in South African Rand.

5.3.1.17 Offsetting

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



5.3.1.18 Housing Development Fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

5.3.1.19 Internal Reserves

Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/deficit to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/deficit. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/deficit.

The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/deficit.

This policy is applicable for the period ending 30 June 2008. This policy is not applicable in the current year in terms of new GRAP standards



5.3.1.19 Internal Reserves (continued)

Revaluation Reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

5.3.1.20 Investments

Financial instruments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short term deposits invested in registered banks, are stated at cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognized as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance. .

5.3.1.21 Conditional Grants and Receipts

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.

5.3.1.22 Segmental Information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.



5.3.1.22 Segmental Information (continued)

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

5.3.1.23 Budget Information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (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.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the annual financial statements.

5.3.1.24 Going Concern Assumption

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

5.3.1.25 Contributions

Contributions reflected in the statement of financial performance consist of contributions to the leave reserve fund, working capital reserve (provision for bad debts).

Leave provision is calculated on the number of compoundable leave days outstanding as at the Statement of financial position date, using the daily employment cost rate.

**5.4. Notes to the Annual Financial Statements**

	2011	2010
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2. Changes in accounting policy**Property, plant and equipment**

During the year, the municipality changed its accounting policy with respect to the treatment of Infrastructure assets, Community assets and Land and Buildings from the Cost model to the Revaluation model in order to conform with GRAP 17. This resulted in these assets classes being valued at depreciated replacement cost which required an adjustment to the prior year asset balances for comparative purposes.

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2010 is as follows:

Statement of financial position**Property, plant and equipment**

Previously stated	-	88,537,041
Adjustment	-	122,404,785
	-	210,941,826

Statement of Financial Performance**Depreciation**

Previously stated	-	7,814,479
Adjustment	-	17,537,781
	-	25,352,260

3. Investment property

	2011			2010		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	4,919,152	(422,330)	4,496,822	4,919,152	(392,163)	4,526,989



ANNUAL REPORT 2010/2011

2011 2010

3. Investment property (continued)

Reconciliation of investment property – 2011

	Opening balance	Impairments	Total
Investment property	4,526,989	(30,167)	4,496,822

Reconciliation of investment property – 2010

	Opening balance	Impairments	Total
Investment property	4,557,155	(30,166)	4,526,989

Rental revenue earned	486,067	384,539
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Details of property

Erven 231 and 232 (Hotel and House)
Commencement: 1 December 1995
Duration : 16 Years
Termination date: 31 May 2012
Payments : Monthly in advance.

Erven 229 , 735 and 736
(Land - Shopping Complex)
Commencement: 19th June 1996
Duration : 50 Years
Termination date: 18th June 2046
Payments : Year one 8 % of net rentals
 : Year two 9% of net rentals
 : Remainder 10% of net rentals

Which together with the 2% payable to the Trust will not be less than R14,800.00 per year.



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	2011			2010		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
4. Property, plant and equipment						
Land and buildings	55,463,205	(3,538,305)	51,924,900	55,058,231	(1,713,450)	53,344,781
Infrastructure	184,072,289	(44,578,556)	139,493,733	167,009,275	(21,626,906)	145,382,369
Community	7,123,954	(793,975)	6,329,979	5,859,059	(396,987)	5,462,072
Other fixed assets	5,421,152	(3,096,327)	2,324,825	9,672,030	(5,867,249)	3,804,781
Heritage	2,947,824	-	2,947,824	2,947,823	-	2,947,823
Total	255,028,424	(52,007,163)	203,021,261	240,546,418	(29,604,592)	210,941,826

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Other changes, movements	Depreciation	Total
Land and buildings	53,344,781	404,974	-	(1,824,855)	51,924,900
Infrastructure	145,382,369	17,063,015	(1,670)	(22,949,981)	139,493,733
Community	5,462,072	1,264,894	-	(396,987)	6,329,979
Other fixed assets	3,804,781	333,877	(1,053,024)	(760,809)	2,324,825
Heritage	2,947,824	-	-	-	2,947,824
	210,941,827	19,066,760	(1,054,594)	(25,932,632)	203,021,261

Reconciliation of property, plant and equipment - 2010

	Opening Balance	Additions	Disposals	Revaluations	Depreciation	Total
Land and buildings	14,212,877	3,513,437	-	37,331,917	(1,713,450)	53,344,781
Infrastructure	26,387,177	27,567,037	-	113,055,061	(21,626,906)	145,382,369
Community	4,203,973	-	-	1,655,086	(396,987)	5,462,072
Other fixed assets	4,468,708	667,357	(34,444)	-	(1,296,840)	3,804,781
Heritage	342,605	-	-	2,605,218	-	2,947,823
	49,615,340	31,747,831	(34,444)	154,647,282	(25,034,183)	210,941,826

Revaluations

The effective date of the revaluations was 30 June 2009. Revaluations were performed by independent valuer, the Aurecon Group and they are not connected to the municipality.



4. Property, plant and equipment (continued)

The Infrastructure assets, Community assets and Land and Buildings have been valued at depreciated replacement cost (DRC).

The current replacement cost which is used to calculate the DRC has two inputs: the size of the asset and the unit cost of the asset, which is associated to the asset type. Unit cost models developed by the valuer were used to determine the unit cost for each asset type using statistical analysis. These are used to determine the values of the assessed assets. This method of valuation by unit costs is consistent with the approach advocated by the South African Local Asset Management Guidelines.

The municipal buildings were evaluated using a 19 point per floor visual condition assessment methodology and current and depreciated replacement values determined using predetermined models incorporating deterioration models.

Assumption 1: The construction year is estimated using sources in the following order of precedence: available technical records, interviewing of operations staff, comparison with adjacent infrastructure. When the date of acquisition is not known and the construction year is estimated, the acquisition date is assumed to be on the 1st day of January in the year of construction.

Assumption 2: The consumption of benefits of infrastructure assets are predominantly uniform over the life of the asset. The depreciation is therefore assumed to be straight line for all infrastructure assets except buildings (which uses a parabolic curve).

Assumption 3: The residual value of all civil infrastructure assets is negligible as there is no open market for the materials used in civil infrastructure and the realisable value is very small. The scrap value of mechanical and electrical plant is also negligible.

Additions reflected in the 2009/2010 financial statements amounted to R 46 274 438. However additions for the 2009/2010 were actually R 31 747 831 as reflected in the reconciliation note for 2010. The difference of R 14 526 607 is as a result of assets that should have been capitalised in the 2008/2009 financial year which has now been rectified.

Other changes, movements for an amount of R 1 053 024 reflected in the reconciliation note for 2011 is a result of the municipality's review of the asset register in order to comply with GRAP 17. This amount is made up as follows: Expensed assets (ie falls below the capitalisation threshold) to the value of R 451 675, Previously written off assets to the value of R 166 579, Assets written off in the current year to the value of R 397 019 and donated assets that were taken back by COGTA to the value of R 37 750.



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	2011			2010		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Computer software, other	1,010,531	(815,423)	195,108	1,006,738	(681,681)	325,057

Reconciliation of intangible assets - 2011

	Opening balance	Additions	Amortisation	Total
Computer software, other	325,057	3,793	(133,742)	195,108

Reconciliation of intangible assets - 2010

	Opening balance	Additions	Amortisation	Total
Computer software, other	611,786	54,116	(340,845)	325,057

6. Assets in construction

WIP-NHLAMBAMASOKA CLUSTER	6,275,798	4,231,945
WIP-SKONPLAAS ACCESS ROAD	14,710,394	12,628,408
WIP-BONDERAND ACC RD	-	3,002,584
W-I-P KWA NJUNGA ACC RD	1,582,766	1,250,804
W-I-P MNCWEBA ACC RD	-	1,916,021
W-I-P MPINDWENI SIKHULU ACC RD	-	2,772,034
W-I-P NEW MOUNTAIN ACC RD	1,509,303	141,390
W-I-P NEW VILLAGE ACC RD(NDAWA	-	294,750
W-I-P NGUNJIN TO DRIFONT AC RD	3,713,222	3,498,340
W-I-P NKOFENI ACC RD	2,298,625	1,654,689
W-I-P GCWENTSA ACC RD	-	2,129,286
W-I-P ANGUS FARM SPORTFIELD	4,877,305	2,072,275
WIP STREET LIGHTENING	-	1,264,895
WIP DEEPPDALE ACC RD	3,157,089	970,640
W-I-P-SIBOMVINI ACC RD	377,601	-
WIP SLOVAS ACC RD	246,342	-
WIP NKAMPINI ACC RD	709,933	-
WIP MADUNA ACC RD	608,227	-
WIP LUKHANYENI ACC RD	1,860,859	-
WIP RIETVLEI SPORTFIELD PH 2	601,875	-
WIP MADAKENI SPORTFIELD	91,037	-
WIP NGWANQA COMM HALL	419,978	-
WIP NEIGHBOURHOOD GRANT	8,943,709	-
WIP-ELECTRICITY	4,677,946	-
WIP - Municipal house no 433	-	353,074
	56,662,009	38,181,135



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	2011	2010
7. Investments		
FNB S/CALL-32 DAY-62132172355	5,813,074	205,003
FNB CLYESDALE-62044980466	11,921,443	12,463,171
FNB C/CHAMBER-62123938154	-	30,780
FNB EXT5&6-62023990907	1,537,168	1,538,840
FNB IBISI-62044979732	1,005,086	1,047,525
FNB MSIG-62127055045	46,710	7,397
FNB MAP/GRANT-62123938089	-	3,347
FNB MIG-62123938055	450,992	460,337
FNB P/CONSOLIDATE-62129237758	-	1,707
FNB REITVL/CLY-62123938104	681,589	706,789
FNB R/SIDE-PH1-62023990593	808,922	838,478
FNB R/SIDE-PH2-62062571239	4,110,473	4,289,210
FNB RURAL/DISASTER-62048701222	5,763,394	6,039,693
FNB SPORT/FACIL-62125140129	80,120	140,243
URBAN RENEWAL SPECIAL PROJECT	369,959	3,416
URBAN RENEWAL FLATS INVESTMENT	380,874	77,760
INVESTMENT DROU REL62195997899	-	141,740
	32,969,804	27,995,436

8. Trade and other receivables from exchange transactions

Other receivables	490,815	588,349
Funds recoverable	123,872	85,581
Credit accounts	-	694,405
Provision for bad debts	(490,815)	(490,815)
Lease debtor	-	3,834
Staff debtor recoveries	7,228	24,304
	131,100	905,658

9. VAT receivable

VAT	1,859,306	3,983,904
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10. Consumer debtors

Gross balances		
Rates and refuse	18,691,079	15,262,798
Less: Provision for bad debts		
Rates and refuse	(11,658,533)	(8,341,484)
Net balance		
Rates and refuse	7,032,546	6,921,314



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	2011	2010
10. Consumer debtors (continued)		
Rates and refuse		
Current (0 -30 days)	671,375	1,099,972
31 - 60 days	658,556	1,131,176
61 - 90 days	617,256	1,091,618
91 - 120 days	601,279	1,112,621
121 - 365 days	16,142,613	10,827,411
	18,691,079	15,262,798

Reconciliation of provision for impairment of consumer debtors

Opening balance	(8,341,483)	(6,837,131)
Provision for impairment	(3,317,049)	(2,199,275)
Amounts written off as uncollectible	-	694,923
	(11,658,532)	(8,341,483)

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	-	556,090
Bank overdraft	(483,132)	-
	(483,132)	556,090

Current assets	-	556,090
Current liabilities	(483,132)	-
	(483,132)	556,090

The municipality's primary bank account is a public sector cheque account with First National Bank. The account is held at the Ixopo branch and the account number is 5255 573 0913.

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

FMG Fund	-	25,991
Pound Grant	1,000,000	-
Sports Facility Grant Fund	-	140,243
MIG Fund	3,027,259	-
MSIG Fund	59	-
DTLGA Council Chamber Grant	-	30,241
Project Consolidate	-	12,192
Neighbourhood Grant	1,402,614	-
Electrification Grant / Urban renewal special projects	1,090,054	-
Drought Relief	-	234,557
	6,519,986	443,224

These amounts are invested in a ring-fenced investment until utilised.



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	2011	2010
13. Provisions		
Reconciliation of provisions - 2011		
	Opening Balance	Interest
Landfill site provision	1,105,097	50,117
		Total
		1,155,214
Reconciliation of provisions - 2010		
	Opening Balance	Interest
Landfill site provision	1,033,767	71,330
		Total
		1,105,097
The landfill site provision relates to the costs of rehabilitating the landfill site when it reaches the end of its useful life in 2013 and has been discounted to reflect its present value.		
14. Trade and other payables from exchange transactions		
Payments received in advanced	144,845	30,566
UIF accrued expense	409,424	337,551
Accrued leave pay	1,493,127	1,645,916
Accrued bonus	-	116,424
Accrued expenses	1,578,728	1,141,275
Deposits received	(80,028)	308,669
	3,546,096	3,580,401
15. Government grants and subsidies		
Equitable share	59,410,625	56,712,812
Government grant - operating revenue	2,518,595	5,168,685
Government grant - capital revenue	37,448,114	40,180,592
	99,377,334	102,062,089
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members		
FMG fund		
Balance unspent at beginning of year	25,991	-
Current year receipts	1,200,000	750,000
Conditions met - transferred to revenue	(1,225,991)	(724,009)
	-	25,991
Sport Facility Grant Fund (Capital)		
Balance unspent at beginning of year	140,243	236,642
Current year receipts	-	1,288,500
Conditions met - transferred to revenue	(140,243)	(970,641)
Conditions met - transferred to accumulated surplus	-	(414,258)
	-	140,243



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	2011	2010
15. Government grants and subsidies (continued)		
MIG Fund (Capital)		
Balance unspent at beginning of year	-	2,234,561
Current year receipts	26,795,000	21,157,000
Conditions met - transferred to revenue	(23,767,741)	(23,391,561)
	3,027,259	-
MSIG Fund		
Balance unspent at beginning of year	-	138,309
Current year receipts	800,000	800,000
Conditions met - transferred to revenue	(799,941)	(938,309)
	59	-
DTLGA Council Chamber Grant		
Balance unspent at beginning of year	30,241	30,241
Conditions met - transferred to revenue	(30,241)	-
	-	30,241
MAP Grant		
Balance unspent at beginning of year	-	3,295,799
Conditions met - transferred to revenue	-	(3,295,799)
	-	-
Project Consolidate		
Balance unspent at beginning of year	12,192	102,134
Conditions met - transferred to revenue	(12,192)	(89,942)
	-	12,192
Neighbourhood Grant		
Current year receipts	10,000,000	-
Conditions met - transferred to revenue	(8,597,386)	-
	1,402,614	-
Electrification Grant / Urban Renewal - Special Projects (Capital)		
Balance unspent at beginning of year	-	6,286,045
Current year receipts	5,768,000	3,132,500
Conditions met - transferred to revenue	(4,677,946)	(9,418,545)
	1,090,054	-
Urban Renewal - Flats (Capital)		
Balance unspent at beginning of year	-	2,126,995
Funds received	-	3,132,500
Conditions met - transferred to revenue	-	(5,259,495)
	-	-
Drought Relief (Capital)		
Balance unspent at the beginning of the year	234,556	1,374,907
Conditions met transferred to revenue	(234,556)	(1,140,351)
	-	234,556



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	2011	2010
15. Government grants and subsidies (continued)		
Pound Grant		
Current year receipts	1,000,000	-
16. General expenses		
Administration cost	1,650,000	-
Advertising	367,025	368,510
Bank charges	44,288	48,384
Cleaning	488,198	578,529
Consulting and professional fees	7,335,903	6,929,621
Contributions	3,544,859	3,121,179
Delivery expenses	-	3,000
Entertainment	1,769,797	1,285,156
Fire brigade	1,336,544	-
Fuel and oil	345,083	222,896
General expenses	9,804,171	9,091,051
Grant expenditure	1,346,124	1,211,418
Hired facilities	1,077,582	552,414
IT expenses	1,829,723	894,566
Insurance	257,749	306,856
Lease rentals on operating lease	1,113,990	1,006,050
Levies	277,901	266,241
Motor vehicle expenses	321,747	244,011
Office equipment	160,032	173,188
Printing and stationery	1,175,106	580,752
Promotions and sponsorships	170,168	319,846
Security (Guarding of municipal property)	2,373,270	2,242,141
Staff welfare	363,594	-
Subscriptions and membership fees	214,169	276,756
Telephone and fax	1,209,451	1,581,965
Training	620,242	537,959
Transport and freight	596,504	345,315
Uniforms	16,449	155,479
Workmens compensation	36,008	-
	39,845,677	32,343,283

Included in contributions is a contribution to the bad debts provision and the leave provision.

17. Operating surplus

Operating lease charges

Motor vehicles		
• Contractual amounts	806,926	756,325
Equipment		
• Contractual amounts	307,064	249,725
	1,113,990	1,006,050
Gain on sale of property, plant and equipment	-	40,557
Amortisation on intangible assets	133,742	287,911
Depreciation on property, plant and equipment	25,932,631	25,034,183
Depreciation on investment property	30,166	30,166
Employee costs	30,772,389	26,859,131



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	2011	2010
18. Employee related costs		
Basic	17,357,616	15,648,249
Bonus	714,606	86,889
Medical aid - company contributions	681,498	570,673
UIF	158,169	120,222
Other short term costs	4,854	3,988
Pension fund - company contributions	1,650,427	1,346,462
Travel and telephone allowances	1,065,773	853,433
Overtime payments	8,984	-
Acting allowances	57,844	74,200
Housing benefits and allowances	678,205	609,727
	22,377,976	19,313,843
Remuneration of Municipal Manager		
Annual Remuneration	513,377	477,427
Travel Allowance	213,907	198,928
Performance Bonuses	-	73,426
Contributions to UIF, Medical and Pension Funds	102,675	92,698
Housing Allowance	25,669	23,871
Cellphone	18,000	18,000
Backpay	13,258	20,145
	886,886	904,495
Remuneration of Chief Finance Officer		
Annual Remuneration	380,035	353,422
Travel Allowance	158,348	147,259
Performance Bonuses	-	54,355
Contributions to UIF, Medical and Pension Funds	63,339	58,811
Housing Allowance	31,669	29,359
Cellphone	12,000	12,000
Backpay	9,814	14,913
	655,205	670,119
Remuneration of Corporate Services Manager		
Annual Remuneration	309,694	346,682
Travel Allowance	129,039	144,451
Performance Bonuses	-	53,319
Contributions to UIF, Medical and Pension Funds	51,616	57,780
Housing Allowance	25,808	28,890
Cellphone	10,000	12,000
Backpay	9,627	12,628
Leave payout	109,184	-
	644,968	655,750
Remuneration of Social Services Manager		
Annual Remuneration	372,788	346,682
Travel Allowance	155,328	144,451
Performance Bonuses	-	53,318
Contributions to UIF, Medical and Pension Funds	55,918	52,002
Housing Allowance	37,279	34,668
Cellphone	12,000	12,000
Backpay	9,627	14,628
	642,940	657,749



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	2011	2010
18. Employee related costs (continued)		
Remuneration of Planning and Development Manager		
Annual Remuneration	363,078	346,682
Travel Allowance	151,282	144,451
Performance Bonuses	-	47,395
Contributions to UIF, Medical and Pension Funds	60,513	57,780
Housing Allowance	30,256	28,890
Cellphone Allowance	12,000	12,000
Backpay	9,627	14,628
Leave payout	97,053	-
	723,809	651,826
Remuneration of Technical Services Manager		
Annual Remuneration	380,035	269,540
Travel Allowance	158,348	112,308
Contributions to UIF, Medical and Pension Funds	63,339	44,900
Cellphone Allowance	12,000	7,000
Backpay	9,814	-
Housing	31,669	22,438
	655,205	456,186
19. Remuneration of councillors		
Mayor	538,227	489,021
Deputy Mayor	430,581	391,217
Executive Committee	1,460,646	1,353,766
Speaker	413,098	391,217
Councillors	5,092,708	4,215,750
Councillor UIF	71,873	337,551
Chief Whip	387,280	366,766
	8,394,413	7,545,288
20. Depreciation and amortisation		
Property, plant and equipment	25,932,631	25,034,183
Investment property	30,166	30,166
Intangible assets	133,742	287,911
	26,096,539	25,352,260
21. Finance costs		
Current borrowings	50,116	83,228



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	2011	2010
22. Cash generated from operations		
Surplus	8,854,151	29,470,985
Adjustments for:		
Depreciation and amortisation	26,096,539	25,352,260
Loss on sale of assets and liabilities	-	(40,557)
Depreciation on deferred charges	50,117	71,330
Adjustments to Accumulated surplus	(3,452,942)	(4,714,757)
Other movements in assets	-	(14,704,717)
Movement in Housing funds	1,108,325	-
Changes in working capital:		
Trade and other receivables from exchange transactions	774,556	321,263
Consumer debtors	(111,232)	(5,231,017)
Trade and other payables from exchange transactions	(34,305)	(5,257,104)
Vat	2,124,598	(2,231,151)
Unspent conditional grants and receipts	6,076,762	(14,924,331)
	41,486,569	8,112,204

23. Commitments

Authorised capital expenditure

Commitments in respect of capital expenditure - approved and contracted for:

• Infrastructure	18,874,368	48,766,000
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Not yet contracted for and authorised

• Infrastructure	35,813,632	-
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24. Contingencies

Estimated financial exposure related to litigation and claims amounts to the value of R 820 000.

25. Prior period errors

During the year ended 30 June 2010 interest earned on housing funds invested was treated as own interest revenue instead of being allocated to the housing fund account.

Assets that were completed and should have been capitalised in 2008/2009 were only capitalised in 2009/2010.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Restatement of housing fund balance	-	(1,267,484)
Reducing property, plant and equipment 2009/2010 additions	-	(14,526,607)

Statement of Financial Performance

Reallocation of interest earned to housing funds	-	1,267,484
Reducing depreciation on asset additions	-	(816,863)



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	2011	2010
26. Unauthorised, irregular, fruitless and wasteful expenditure		
Irregular expenditure		
Advances to employees	-	253,267
Service provider - Supply chain procedures	-	2,831,112
Transacting with company in which municipal employee has an interest	-	1,400
Transactions with suppliers in the service of the state	982,642	-
Quotations not obtained for procurement of goods and services	368,960	-
Tender process not followed for the extension of services rendered	806,739	936,519
	2,158,341	4,022,298

During the current financial year declarations of interest were not completed for procurement between R 30 000 and R 200 000. This resulted in the municipality transacting with suppliers in the service of the state to the value of R982 642.

During the current financial year three quotations for the procurement of goods were not obtained to the value of R368 960.

Extensions to contracts (awarded through a competitive bidding process) were greater than R 200 000 which should have been procured through a competitive bidding process. This amounted to a value of R 806 739 in the current year and R936 519 in the previous year.

During the previous year under review the municipality contravened Section 164 paragraph (1) (c) of the MFMA by paying advances to councillors and officials of the municipality. These amounts were recoverable and were condoned by council. All amounts have been paid back as at the 30 June 2010 except for an amount of R12 000. These advances were paid in good faith and did not affect the operations of the municipality.

During the previous financial year expenditure of R2 831 112 is made up as follows R2 356 712 is relating to supply chain procedures which were not complied with, during the evaluation adjudication process, this was due to the fact that the service provider that was awarded the highest points had already been awarded another project within the municipality and thus it was just a fair distribution of resources and R474 400 is relating to the extension of work which was reported to the finance committee but not reported to council.

During the previous financial year the municipality transacted with a company of which an employee of the municipality had an interest in, to the value of R1 400.

Fruitless and Wasteful expenditure

Eskom - interest on late payments	-	549
Theft of funds not recoverable	-	562,800
Workmen's Compensation - interest and penalties on late payments	408,496	-
	408,496	563,349

During the current financial year the municipality incurred interest and penalties on late payments and late submissions to the Department of Labour for workmen's compensation for the period November 2006 to March 2011.

During the previous financial year the municipality instituted legal action against a municipal employee for the theft of funds approximating R 562 800. The case has now been resolved and this amount will no longer be recoverable by the municipality.



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	2011	2010
27. Reconciliation between budget and statement of financial performance		
Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:		
Net surplus per the statement of financial performance	8,854,151	29,470,985
Adjusted for:		
Increase in depreciation on revalued assets	25,551,396	23,295,116
Reduction of general expenses	(8,031,803)	(15,684,643)
Decrease in government grant funding	12,918,693	3,497,794
Overestimation of other income	11,506,882	11,006,896
Increase in property rates	(1,438,448)	(6,411,609)
Reduction of repairs and maintenance	(1,819,769)	(2,118,137)
Other variances	(275,102)	(1,989,625)
Net surplus per approved budget	47,266,000	41,066,777

28. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	192,231	271,483
Amount paid - current year	-	(271,483)
	192,231	-

Audit fees

Current year amount	1,385,044	1,050,088
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PAYE and UIF

Opening balance	(10,568)	(10,568)
Current year amount	4,795,388	3,721,957
Amount paid - current year	(4,795,388)	(3,721,957)
Amount cleared	10,568	-
	-	(10,568)

Pension and Medical Aid Deductions

Current year amount	5,611,375	2,928,985
Amount paid - current year	(5,611,375)	(2,928,985)
	-	-

VAT

VAT receivable	1,859,306	3,983,904
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Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2011:-

30 June 2011	Outstanding less than 90 days	Outstanding more than 90 days	Total
JS Mzizi	777	54	831
F Nene	493	5,524	6,017
	1,270	5,578	6,848



29. 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 them to the next meeting of the council and includes a note to the annual financial statements.

An amount totalling R 149 845 was procured during the year ender review and the processes followed in procuring those goods deviated from paragraph 36 as stated above. The reasons for these deviations were documented and reported to the council who considered them and subsequently approved the deviation from the normal supply chain management regulations.

An amount totalling R 691 159 was procured during the previous financial year under review and the process followed in procuring those goods deviated from Paragraph 36 as stated above. The reasons for these deviations were documented and reported to the council who considered them and subsequently approved the deviation from the normal supply chain management regulations.



5.5 Comments on the Annual Financial Statement

The annual financial statements have been prepared on the accrual basis of accounting and are in accordance with historical cost unless otherwise specified.

The Annual Financial Statements have been prepared in accordance with South African Statements of General Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with section 122(3) of the Municipal Finance Management (Act, No56 of 2003) Accounting policies for material transactions, events or conditions not covered by the above GRAP standards have been developed in accordance with paragraphs 7,11 and 12 of GRAP 3. These accounting policies and applicable disclosures have been based on the Statements of General Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.



5.6 Assessment by Accounting Officer on Arrears

Total debtors stands at R18 546 34.25 (2010:2 R 148 16453.52 restated). Although it appears that debt has remained static over the period, it must be mentioned that debt to the value of approximately R2,045,107.17 for correction in sites that were charged for services although they were vacant and also the other amount of R2,353,273.61, it was taken from the balance that were debited in these account as the information was later retrieved from the financial system that was previously used before 2010/11 financial year and then credit note were passed on to write off those debit note.

Total consumer debtors increased from R14 816453.52 (2010) to R18 546,234.25 during the year. The increase in the level of debt did not negatively impact upon service delivery as the council had sufficient cash reserves in order to meet all its financial obligations.



5.7 Management Responses to the Auditor-General's Report

The matters in the ensuing paragraphs are matters that arose from the audit and are relevant to the responsibilities of the Accounting Officer.

Predetermined objectives

Usefulness of information

Changes, including reasons for and approval thereof, to planned targets are not disclosed in the report on predetermined objectives

Management Response

The IDP and SDBIP will be reconciled in terms of strategic objectives, Key performance indicators and projects to ensure that the allocation is per development priorities. This activity will be performed during 2011/12 financial year as well for consistency.

Reported targets are not consistent when compared with the planned targets

Management Response

The 2011/12 Operational plans will be reconciled to ensure that the two key strategic planning and implementation documents talk to each and will be reviewed for adherence to the SMART principle Any necessary amendments will be approved by the Mayor.

Reliability of information

Reported performance against targets is not accurate when compared to source information

Management Response

The targets and /or key performance indicators not in the competency of Umzimkhulu municipality will be removed from the 2011/12 SDBIP/Operational plan, however, these targets and KPIs will be included in the SDBIP/Operational plan for the 2012/13 financial year but the role of the municipality will be clearly defined to pave way for evaluation of the municipality's performance in relation to these targets/KPIs.



Compliance with laws and regulations

Annual financial statements

Management Response

The Municipality has undergone an extensive process of GRAP conversion and thus, going forward, intends to ensure that the municipality's financial management system is continually updated for new developments in respect abreast and informed of Standards of GRAP and also that all affected Officials will continually receive the necessary training to keep them abreast and informed of new developments in respect of Standards of GRAP.

Procurement and contract management

Management Response

Municipality intends to implement controls aimed at preventing non-compliance with applicable legislative by developing checklist to ensure compliance with basic requirements; that will be supported by providing the necessary training of the SCM unit, Bid Committees and the relevant departments.

Internal Control

Leadership

Management Response

Oversight responsibility by committees and council will be performed timeously and reports will be prepared and adopted on a monthly basis and quarterly. Reporting by management on all stakeholders either internal or external will be performed in compliance with applicable laws and regulations. Key personnel in all departments are available with the exception of Corporate Services Manager and Municipal Manager that had been vacated and will be filled very soon.

Through continuous trainings that are taking place within the municipality the personnel will be familiarized about the current accounting standards and practices. In addition the Senior

Managers will continuously be trained on supply chain management processes in order to adhere to relevant applicable laws. Controls on policies and procedure manuals will be implemented.



Action plans on management report on issues raised by auditor general have been developed and will be attended in order to address the deficiencies in internal controls. The action plans will be monitored by Internal Auditor and Audit Committee.

Financial and performance management

Management Response

→ Systems

Procedure manuals and checklists will be monitored to ensure reliability of information that will be captured in our systems. Currently we are using Munsoft System as our financial system used to store data in order to produce trial balance at the end of each reporting period. We are also using Caseware to produce a set of financial statements. Personnel are trained on these systems in order to produce the required output. We believe that the continuous trainings in the systems will reap great achievements as accurate data will result on achievement of our objective of clean Audit.

→ Financial supporting information

Information will be accurately stored in order to be accessible and available at the required reporting periods. The archive system will be improved during financial year. Reconciliations, procedure manuals and checklists will be prepared as measures of internal controls for efficiency in order to produce reliable information. Budget will be prepared and aligned to IDP and variance analysis will also be prepared as a control to monitor budgets of all departments.

Governance

Management Response

We believe that our Audit Committee will fulfil its mandate of playing the oversight role on Corporate Governance. The members of the Audit Committee are adequately qualified, are independent and will meet at least 4 times in the current financial year. The Audit Committee will consistently demand effectiveness and accountability on the part of Management. Our Internal Audit and Risk Management Service for the year under review will add value to our good corporate governance objective as they will consistently provide us with useful and relevant advice as we sought to excel in our operations. The Portfolio Committees and Executive Committee meetings will hold monthly and council meetings on a quarterly basis.



CHAPTER 6: FUNCTIONAL AREA SERVICE DELIVERY REPORT

6.1 Umzimkhulu Municipality Annual Performance Report

IDP Indicating No.	National KPA	Strategic Objective	Measurable Objective/Output	Performance Measure/Indicator	Custodian	2009/2011		2010/2011 Annual Performance Report										Planned measures for Improvement	
						Target	Actual	Quarter 1		Quarter 2		Quarter 3		Quarter 4		Annual			
								Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual		
3.4.3	Basic Service Delivery And Infrastructure	To provide access to water, sanitation, electricity, solid waste, roads	Households with access to basic water	Number of Households	Infrastructure Engineering	DM	DM	DM	DM	DM	DM	DM	DM	DM	DM	DM	DM	DM	
3.4.3			New water connections	Number of new connections	Infrastructure Engineering	DM	DM	DM	DM	DM	DM	DM	DM	DM	DM	DM	DM	DM	DM
3.4.3			Reporting to Council	Number	Infrastructure Engineering	4	4	1	1	1	1	1	1	1	1	4	4	Achieved	
3.4.3			Households with access to basic sanitation	Number of Households	Infrastructure Engineering	DM	DM	DM	DM	DM	DM	DM	DM	DM	DM	DM	DM	DM	DM
3.4.3			New sanitation connections	Number of new connections	Infrastructure Engineering	DM	DM	DM	DM	DM	DM	DM	DM	DM	DM	DM	DM	DM	DM
3.4.3			Reporting to Council	Number	Infrastructure Engineering	4	4	1	1	1	1	1	1	1	1	4	4	Achieved	
3.4.3			Households with access to electricity	Number of Households	Infrastructure Engineering	Eskom	Eskom	Eskom	Eskom	Eskom	Eskom	Eskom	Eskom	602	678	DoE	678	Eskom	
3.4.3			New electrical connections	Number of new connections	Infrastructure Engineering	Eskom	Eskom	Eskom	Eskom	Eskom	Eskom	1000	678	Eskom	678	Eskom	678	Eskom	
3.4.3			Reporting to Council	Number	Infrastructure Engineering	4	4	1	1	1	1	1	1	1	1	4	4	Achieved	
3.4.3			Households with access to waste disposal services	Number of Households	Infrastructure Engineering	1400	1400	1400	1400	1400	0	1400	1769	1400	1804	1400	1804	Achieved	

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IDP Indicat or No.	National KPA	Strategic Objective	Measurable Objective/Output	Performance Measure/Indicator	Custodian	2009/2011		2010/2011 Annual Performance Report										Planned measures for Improvement
						Target	Actual	Quarter 1		Quarter 2		Quarter 3		Quarter 4		Annual		
								Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
3.4.3			Delivery of a quality waste removal service	% Achieved	Infrastructure Engineering	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	Achieved
3.4.3			Households with access to free basic water	Number of Households	Infrastructure Engineering	DM	DM	DM	DM	DM	DM	DM	DM	DM	DM	DM	DM	DM
3.4.3			Households with access to free basic sanitation	Number of Households	Infrastructure Engineering	DM	DM	DM	DM	DM	DM	DM	DM	DM	DM	DM	DM	DM
3.4.3			Households with access to free electricity	Number of Households	Infrastructure Engineering	DM/Eskom	DM/Eskom	DM/Eskom	DM/Eskom	DM/Eskom	DM/Eskom	DM/Eskom	DM/Eskom	DM/Eskom	DM/Eskom	DM/Eskom	1455	DM/Eskom
3.4.3			Indigent Policy	Yes/No	Infrastructure Engineering	Yes	YES	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Yes	YES	ACHIEVED	
3.4.3			Kilometres of tarred roads established	Number of km	Infrastructure Engineering	3	2,88	0	0	0	0	2	2	3	2	3	2	End of the financial year
3.4.3			Kilometres of gravel roads established	Number of km	Infrastructure Engineering	30	61	N/A	N/A	N/A	N/A	24.3	8.6	30	38.6	30	38.6	Achieved
3.4.3			Kilometres of roads maintained	Number of km	Infrastructure Engineering	40	6,4	10	0	10	10.1	10	9.6	10	19.2	40	38.9	Not fully achieved.
3.4.3		To construct new community and public facilities and maintaining existing structures	New facilities provided	Number of facilities	Infrastructure Engineering	2	4	N/A	N/A	N/A	N/A	1	1	2	2	3	3	Achieved
3.4.3			Upgraded facilities provided	Number of facilities	Infrastructure Engineering	8	5	2	0	2	6	2	6	2	6	8	6	Not fully Achieved.
3.4.3			Maintenance of verges and public open spaces	Area Maintained	Infrastructure Engineering	200000sq	200000sq	200000sq	200000sq	200000sq	200000sq	200000sq	200000sq	200000sq	200000sq	200000sq	200000sq	Achieved
3.4.3			Clean Up Campaign	% Achieved	Infrastructure Engineering	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	ACHIEVED
3.4.3				Manage the	% achieved	Infrastructure	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

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IDP Indicat or No.	National KPA	Strategic Objective	Measurable Objective/Output	Performance Measure/Indicator	Custodian	2009/2011		2010/2011 Annual Performance Report										Planned measures for Improvement	
						Target	Actual	Quarter 1		Quarter 2		Quarter 3		Quarter 4		Annual			
								Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual		
			pauper burial programme		re Engineering														
3.4.3		To reduce the number of individuals living in informal settlements	New houses constructed	Number of houses	Infrastructure Engineering	0	0	0	0	0	0	0	0	0	0	0	0	0	Not achieved
3.4.3		Urban Greening and environmental programmes	Upgrading of UMzimkhulu Park	% Achieved	Infrastructure Engineering	100%	0%	100%	10%	100%	100%	100%	100%	100%	100%	100%	100%	100%	Achieved
3.4.3			Maintenance of Parks and gardens	% Achieved	Infrastructure Engineering	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	Achieved
3.4.1	Institutional Development & Transformation	To provide effective and efficient human resources management services	Approved organogram	Date	Municipal Manager	30-Jun	N/A	N/A	N/A	N/A	N/A	N/A	N/A	30-Jun	-	30-Jun	30 JUNE	Not achieved	
3.4.1			Levels of black staff employed in management	Number of black staff	Municipal Manager	0	0	0	0	0	0	0	0	0	0	0	0	0	Not Applicable
3.4.1			Women employed by the Municipality	Number of women	Municipal Manager	0	0	0	0	0	0	0	0	0	0	0	0	0	Not Applicable
3.4.1			Youth employed by the Municipality	Number of youth	Municipal Manager	0	0	0	0	0	0	0	0	0	0	0	0	0	Not Applicable
3.4.1			Disabled staff employed by the Municipality	Number of staff	Municipal Manager	2.00	0	0.00	0.00	0	0	0	0	0	1	1	2.00	1	Not fully Achieved
3.4.1			Annual Approved Workplace Skills Plan	Date	Municipal Manager	30-Jun	30-Jun	N/A	N/A	N/A	N/A	N/A	N/A	N/A	30-Jun	-	30-Jun	-	Not achieved
3.4.1			Budget Spent on Workplace Skills Plan	Percentage Spent	Municipal Manager	1%	1.18	0.25%	0.25%	0.25%	0	0.25%	0.25%	0.25%	0.25%	100%	0.75	Not fully Achieved	
3.4.1			Ensure internal decision making processes are efficient and effective	Average time between a decision taken and implementation	Municipal Manager	30 days	0	31 days	31 days	32 days	3	3 days	33 days	0	34 days	34 DAYS	30 days	34 days	Achieved
							Municipal Manager	100%	80%	100%	100%	100%	100%	0	100%	100%	100%	100%	
3.4.1			To ensure effective administrative support services	Efficient document management system for Corporate	% achieved	Municipal Manager	100%	98%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

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IDP Indicat or No.	National KPA	Strategic Objective	Measurable Objective/Output	Performance Measure/Indicator	Custodian	2009/2011		2010/2011 Annual Performance Report										Planned measures for Improvement
						Target	Actual	Quarter 1		Quarter 2		Quarter 3		Quarter 4		Annual		
								Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
			Services															
3.4.1			Proper utilisation and maintenance of municipal buildings	Number of buildings maintained	Municipal Manager	20	5	5	0	5	6	5	-	5	5	5	5	Achieved
3.4.1			Efficient Monitoring and Evaluation Unit	% Achieved	Municipal Manager	100%	90%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	Achieved
3.4.1			Proper utilisation and maintenance of municipal assets and equipment	% achieved	Municipal Manager	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	Achieved
3.4.1			Effective fleet management	% achieved	Municipal Manager	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	Achieved
3.4.1		To contribute meaningfully to the wellness of employees	EAP Programmes	Impact report	Municipal Manager	12	12	3	3	3	0	3	-	3	0	12	3	Not Achieved
3.4.1		To provide effective secretariat support services	Secretarial services to Council, Committees and Manco	Number of meetings	Municipal Manager	108	116	27	27	27	27	27	27	27	108	108	Achieved	
				Turnaround time	Municipal Manager	7 days	7 days	7 days	7 days	7 days	7 days	7 days	7 days	7 days	7 DAYS	7 days	7 days	Achieved
3.4.1		To conform to the Batho Pele principles	Surveys conducted	Number of surveys	Municipal Manager	2	0	N/A	N/A	N/A	N/A	N/A	N/A	2	0	2	0	Not achieved
3.4.1		To ensure integrated development and environmental planning	IDP Review	Date of approval	Municipal Manager	31-May	31-May	N/A	N/A	N/A	N/A	N/A	N/A	31-May	09 MAY	31-May	31-May	Achieved
3.4.1		To ensure integrated development and environmental planning	Spatial Development Framework	Date of approval	Municipal Manager	31-May	31-May	N/A	N/A	N/A	N/A	100%	100%	31-May	-	31-May	N/A	Not applicable, as the SDF is reviewed and approved on the first quarter of each financial year, the current SDF was

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IDP Indicat or No.	National KPA	Strategic Objective	Measurable Objective/Output	Performance Measure/Indicator	Custodian	2009/2011		2010/2011 Annual Performance Report								Planned measures for Improvement			
						Target	Actual	Quarter 1		Quarter 2		Quarter 3		Quarter 4			Annual		
								Target	Actual	Target	Actual	Target	Actual	Target	Actual		Target	Actual	
																		approved in September 2010.	
3.4.1			Disaster Management Plan	Yes/No	Municipal Manager	Yes	-	N/A	N/A	N/A	N/A	N/A	N/A	Yes	YES	Yes	Yes	Achieved	
3.4.1			Effectively manage disaster incidences	% achieved	Municipal Manager	100%	0	100%	100%	100%	100%	N/A	N/A	100%	100%	100%	100%	Achieved	
3.4.1			Approved Mid-Term Expenditure Framework	Yes/No	Municipal Manager	Yes	-	N/A	N/A	Yes	-	60 days	-	N/A	N/A	Yes	-	N/A	
3.4.1			Environmental Management Plan	Date	Municipal Manager	31-May	-	N/A	N/A	N/A	N/A	N/A	N/A	31-May	-	31-May	-	Not Achieved	
3.4.1			Effective building control	Turnaround time	Municipal Manager	60 days	30 Days	60 days	60 days	60 days	60 days	60 days	-	60 days	60 DAYS	60 days	60 days	Achieved	
3.4.1				% Compliance	Municipal Manager	60%	90%	60%	60%	60%	0	60%	-	60%	60%	60%	60%	Achieved	
3.4.1			Establishment of the Development Planning Shared Services	Appointment of staff	Municipal Manager	31-Dec	N/A	N/A	N/A	31-Dec	0	N/A	N/A	N/A	1	31-Dec	0	Not Achieved, as the DPSS Shared service was only appointed in June 2011.	
3.4.1			Land Use Management Systems	Date approved	Municipal Manager	31-Mar	Not achieved	N/A	N/A	N/A	N/A	N/A	31-Mar	-	N/A	N/A	31-Mar	-	Not Achieved
3.4.1		To implement an effective organisational and individual performance management system	Performance Management Systems	Yes/No	Municipal Manager	Yes	-	N/A	N/A	N/A	N/A	N/A	N/A	Yes	YES	Yes	Yes	Achieved	
3.4.1			S57 Performance Agreements	Number of agreements	Municipal Manager	6	6	6	6	N/A	N/A	6	6	6	6	6	6	Achieved	
3.4.1			Adopted Annual Report	Date	Municipal Manager	25-Jan	25-Jan	N/A	N/A	N/A	N/A	25-Jan	25-Jan	N/A	N/A	25-Jan	25-Jan	Achieved	
3.4.1			Annual Performance Report	Date	Municipal Manager	31-Aug	31-Aug	31-Aug	31-Aug	N/A	N/A	N/A	N/A	N/A	N/A	31-Aug	31-Aug	31-Aug	
3.4.1		To develop and implement the municipal turnaround strategy	Implementation of the National Municipal Turnaround Strategy	Date prepared	Municipal Manager	01-Jul	April 10	01-Jul	01-Jul	N/A	N/A	N/A	N/A	N/A	N/A	01-Jul	01-Jul	Achieved	
3.4.1				Date achieved	Municipal Manager	Yes	Yes	N/A	N/A	31-Dec	31-Dec	N/A	N/A	N/A	n/a	31-Dec	31-Dec	Achieved	
3.4.1		To provide	Communication	Yes/No	Municipal	1	0	N/A	N/A	N/A	N/A	N/A	n/a	Yes	No	Yes	No	Not achieved	

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IDP Indicat or No.	National KPA	Strategic Objective	Measurable Objective/Output	Performance Measure/Indicator	Custodian	2009/2011		2010/2011 Annual Performance Report										Planned measures for Improvement			
						Target	Actual	Quarter 1		Quarter 2		Quarter 3		Quarter 4		Annual					
								Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual				
3.4.1		effective information communication technology solutions	Strategy		Manager																
			Results of surveys	Municipal Manager	4	2	N/A	n/a	N/A	N/A	N/A	n/a	1	0	1	0			Not achieved		
3.4.1			Municipal Newsletter	Quarterly	Municipal Manager	100%	40%	1	1	1	0	1	-	1	0	4	1			Not achieved	
3.4.1			Implement a marketing strategy	% achieved	Municipal Manager	100%	90%	100%	0%	100%	0	100%	100%	100%	0	100%	0			Not achieved	
3.4.1			Municipal Website	% Maintained	Municipal Manager	Yes	Yes	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%			Achieved
3.4.1			IT Strategy (MSP)	Yes/No	Municipal Manager	30%	30%	N/A	N/A	N/A	N/A	N/A	N/A	Yes	NO	Yes	No			Not Achieved	
3.4.2	Local Economic Development	To stimulate economic growth	Targeted spend achieved	% achieved against BBBEE targets	Municipal Manager	80	0	5%	5%	10%	10%	10%	10%	5%	5%	30%	30%			Achieved	
3.4.2			Jobs created through the Municipality's LED initiatives	Number of jobs	Municipal Manager	120	1017	25	0	25	33	25	25	25	27	100	85			Not fully Achieved	
3.4.2			Jobs created through the Municipality's Capital Projects	Number of jobs	Municipal Manager	100%	60%	35	35	35	0	35	67	35	40	100	142			Achieved	
3.4.2			Facilitation of poverty initiatives	% Implementation of the Poverty Plan	Municipal Manager	100%	100%	100%	100%	100%	100%	100%	-	100%	100%	100%	100%			Achieved	
						Number of workshops	Municipal Manager	4	1	N/A	N/A	N/A	N/A	N/A	N/A	1	1	1	1		
		To enhance tourism development	Tourism Strategy	Yes/No	Municipal Manager	Yes	-	N/A	YES	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A			N/A
3.4.2		To facilitate and co-ordinate agricultural development	Implementation of the Agricultural Development Strategy.	% achieved against milestones	Municipal Manager	0	0	10%	10%	10%	10%	10%	10%	10%	10%	40%	40%			Achieved	
3.4.2		To provide support to local business and emerging black entrepreneurs	Capacity building initiatives	Number of initiatives	Municipal Manager	0	0	2	2	3	2	3	-	3	3	10	8			Not fully Achieved	
3.4.5		Good Governance	To implement public participation	Community mobilization	Number of Road shows/Imbizo's (IDP & Budget) at Ward level	Municipal Manager	36	36	N/A	N/A	18	18	N/A	N/A	18	18	36	36			Achieved

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IDP Indic or No.	National KPA	Strategic Objective	Measurable Objective/Output	Performance Measure/Indicator	Custodian	2009/2011		2010/2011 Annual Performance Report										Planned measures for Improvement
						Target	Actual	Quarter 1		Quarter 2		Quarter 3		Quarter 4		Annual		
								Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
3.4.5		programmes	Develop and Implement a Calendar of Events	Date Developed	Municipal Manager	01-Jul	01-Jul			N/A		N/A	N/A	N/A	1	01-Jul		Not Achieved
3.4.5			% Achieved	Municipal Manager	100%	100%	N/A	N/A	N/A	N/A	100%	100%	100%					Achieved
3.4.5			Community Outreach Programmes	Number of awareness campaigns	Municipal Manager	36	36	3		3		3	-	3	4	12		Not Achieved
3.4.5			Ward Committee Systems	Number of meetings per Ward	Municipal Manager	216	216	54	54	54		54	-	54	-	216		Achieved
3.4.5			Turnaround time to issues raised	Municipal Manager	7 days	7 days	7 days	7	7 days	7 days	7 days	7 days	7 day	7 days	7 days	7 days		Achieved
3.4.5		To ensure alignment between national, provincial, local government and public entities	IDP Representative Forum	Number of meetings	Planning, Housing, Tourism & LED	2	2	1	1	N/A	N/A	N/A	N/A	N/A	1	1		Achieved
3.4.5			District Cluster Forum	Number of meetings	Municipal Manager	6	12	1	6	2	0	1	0	2	0	12	6	Not Achieved
3.4.5			Mayoral Stakeholders Forum	Number of meetings	Municipal Manager	4	4	3	3	3	2	3	0	3	1	12	6	Not fully Achieved
3.4.5			Develop new policies, procedures and bylaws where necessary	Percentage of compliance	Planning, Housing, Tourism & LED	100%	100%	100%	100%	100%	10%	100%	100%	100%	100%	100%	100%	
3.4.5		Review existing policies, procedures and bylaws	Percentage of compliance	Municipal Manager	100%	90%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%		Achieved
3.4.5		To ensure functional internal audit activity and audit committee	Effective implementation of all legal prescripts, policies, procedures and bylaws		Municipal Manager	100%	0	100%	70%	100%	100%	100%	100%	100%	100%	100%		Achieved
3.4.5			Internal audit activity	Internal audit reports	Municipal Manager	100%	100%	1	1	1	0	1	0	1	0	4	1	Not Achieved
3.4.5			Risk Management	Implementation of annual plan	Municipal Manager	31-Jan	-	100%	0100%	100%	100%	100%	100%	100%	100%	100%	100%	
3.4.5		To ensure functional internal audit activity and audit committee	Risk assessments	No. of assessments	Municipal Manager	4	4	N/A	N/A	N/A	N/A	31 Jan	31 May	N/A	N/A	31 Jan	31 May	Achieved,
3.4.5			Risk management strategy	Quarterly reports	Municipal Manager	4	4	1	1	1	1	1	1	1	1	4	4	Achieved
3.4.5		Audit Committee	Yes/No - Quarterly Meetings	Municipal Manager	4	4	1	1	1	1	1	1	1	0	4	3		Not fully Achieved

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IDP Indicating No.	National KPA	Strategic Objective	Measurable Objective/Output	Performance Measure/Indicator	Custodian	2009/2011		2010/2011 Annual Performance Report										Planned measures for Improvement		
						Target	Actual	Quarter 1		Quarter 2		Quarter 3		Quarter 4		Annual				
								Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual			
				Report to Council	Municipal Manager	4	0	1	1	1	0	1	1	1	0	4	2	Not fully Achieved		
3.4.5			Performance Audit Committee	Yes/No - Quarterly Meetings	Municipal Manager	4	0	1	1	1	1	1	1	0	4	3	Not fully Achieved			
3.4.5		To implement an effective anti-corruption strategy	Anti Corruption Strategy/Fraud Prevention Plan	Yes/No	Municipal Manager	YES	NO	N/A	N/A	N/A	N/A	N/A	N/A	YES	NO	Yes	NO	Achieved		
			% awareness within the Municipality	Municipal Manager		100%	0	100%	0	100%	0	N/A	N/A	100%	0	100%	0	Not Achieved		
3.4.4	Financial Viability & Management	To ensure that all revenue of the Municipality is accounted for	Cash collected from customers	Number of days outstanding	Budget and Treasury	60 days	60 days	60 days	60 days	60 days	60 DAYS	60 days	60 days	60 days	60 days	60 days	60 days	Achieved		
3.4.4			Amount invoiced/billed to customers	% of services rendered that are billed	Budget and Treasury	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	Achieved	
			Debt coverage ratio	Ratio	Budget and Treasury	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Not applicable	
3.4.4			Outstanding service debtors to revenue	%	Budget and Treasury	57%	70%	57%	60%	57%	60%	57%	57%	57%	57%	57%	57%	57%	Not applicable	
			Cost coverage ratio	Ratio	Budget and Treasury	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Achieved	
3.4.4			To increase revenue collection	% Increase	Budget and Treasury	50%	20%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	Achieved	
3.4.4			Maintenance of valuation roll	Number of objections/appeals	Budget and Treasury	80	80	80	80	N/A	N/A	N/A	N/A	N/A	N/A	80	80	Achieved		
					% Compliance	Budget and Treasury	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	Achieved	
3.4.4			To ensure compliance with all financial management requirements	Total revenue received from grants and subsidies	As per DORA	Budget and Treasury	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	110827000	110827000	110827000	110827000	Achieved
3.4.4				Total of grants and subsidies spent	Percentage spent	Budget and Treasury	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	Achieved	
3.4.4	Audit opinion	Opinion		Budget and Treasury	Unqualified	Unqualified	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Unqualified	Unqualified	Unqualified	Unqualified	Achieved		
3.4.4	To ensure reliable and accurate data	Improved Customer Satisfaction	Reduction in queries	Budget and Treasury	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	Achieved			
3.4.4	To ensure preparation and implementation	Percentage operating budget of total budget	%	Budget and Treasury	64%	66%	64%	64%	64%	64%	64%	64%	64%	64%	64%	64%	Achieved			

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						Target	Actual	Quarter 1		Quarter 2		Quarter 3		Quarter 4		Annual		
								Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
3.4.4		on of budgeting and reporting requirements	Percentage salaries and wages budget (including benefits) of total budget	%	Budget and Treasury	24%	36%	24%	24%	24%	24%5	24%	24%	24%	24%	24%	24%	Achieved
3.4.4			Percentage own revenue contribution to total budget	%	Budget and Treasury	16%	23%	16%	16%	16%	16%	16%	16%	16%	16%	16%	16%	Achieved
3.4.4			Compliance with MFMA requirements	% compliance	Budget and Treasury	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	Achieved
3.4.4		To ensure that all expenditure is managed in terms of all financial legislation	Fixed Asset Register reconciled with General Ledger	% reconciled	Budget and Treasury	100%	100%	100%	100%	100%	100%	100%	100%	98%	100%	100%	Achieved	
3.4.4			Compliance with GRAP	% compliance	Budget and Treasury	100%	98%	100%	98%	100%	98%	100%	98%	100%	98%	100%	100%	Not fully Achieved
3.4.4			Payment of creditors	Turnaround time	Budget and Treasury	15 days	15 day	15 days	15 days	15 days	15 DAYS	15 days	15 days	15 days	15 DAYS	15 days	15 days	Achieved
3.4.4			Actual vs. Budget	% variance	Budget and Treasury	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	Achieved
3.4.4		To ensure compliance with all supply chain management regulations, policies, PPPFA, BBBEE requirements	Procurement Planning	Date	Budget and Treasury	Jun	Jun	N/A	N/A	N/A	N/A	N/A	N/A	Jun	JUN	Jun	Jun	N/A
3.4.4			SCM performance reporting	Date	Budget and Treasury	Monthly	Monthly	Monthly	Monthly	Monthly	MONTHLY	Monthly	Monthly	Monthly	MONTHLY	Monthly	Monthly	Achieved
3.4.4			Functional Bid Committees	Turnaround time	Budget and Treasury	90 days	90 days	90 days	90 days	90 days	90 DAYS	90 days	90 days	90 days	90 DAYS	90 days	90 days	Achieved
3.4.4			Functional Disposal Committees	% Compliance	Budget and Treasury	100%	0%	100%	0%	100%	0%	100%	0%	100%	100%	100%	100%	Achieved
3.4.4			Compliance with SCM Regulations	% compliance	Budget and Treasury	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	Achieved
				Reviewed SOP	Budget and Treasury	Jun	Jun	N/A	N/A	N/A	N/A	N/A	N/A	Jun	-	Jun	-	Not Achieved
				Turnaround time for quotations	Budget and Treasury	14 days	14 days	14 days	14 days	14 days	14 days	14 days	14 days	14 days	14 days	14 days	14 days	Achieved
3.4.4			Debt recovery	% of debt recovered	Budget and Treasury	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	Achieved
3.4.8	Community & Social Services	To manage health issues	HIV/AIDS Strategy	Number of individuals infected and affected	Community and Social Services	-	-	-	-	39367	-	-	-	100%	0	100%	0	Not Achieved
3.4.8			HIV/Aids programmes	Number of programmes	Community and Social Services	17	6	4	2	5	2	4	4	4	4	17	12	Not fully Achieved
3.4.8		To contribute towards a	Community Safety Forum	No of meetings	Community and Social	8	4	1	1	1	1	1	1	1	0	4	3	Not fully Achieved

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						Target	Actual	Quarter 1		Quarter 2		Quarter 3		Quarter 4			Annual	
								Target	Actual	Target	Actual	Target	Actual	Target	Actual		Target	Actual
		safe and secure environment			Services													
			Crime Prevention Strategy	% reduction in specified crime categories	Community and Social Services	100%	0	100%	0	100%	0	100%	0	100%	0	100%	0	Not Achieved
			Safety Campaigns	No of Campaigns initiated	Community and Social Services	8	4	1	2	1	1	3	3	3	0	8	6	Not fully Achieved
3.4.8		To ensure all communities have access to basic community facilities and social services	Provision of Mobile/Satellite Libraries	Number	Community and Social Services	4	2	1	3	1	1	1	1	1	0	4	5	Achieved
3.4.8			Promotion of the library Services	Number of initiatives	Community and Social Services	14	4	5	4	5	0	4	2	4	0	14	6	Not fully Achieved
3.4.8			Sport facilities	Number	Community and Social Services	3	2	N/A	N/A	N/A	N/A	N/A	N/A	3	0	3	0	Not Achieved
3.4.8		To ensure safe and healthy environment in all communities	Maintenance and enforcement of bylaws	Response time to complaints	Community and Social Services	7 days	7 days	7 days	7 days	7 days	7 days	7 days	7 days	7 days	7 days	7 days	7 days	Achieved
3.4.8			Compliance with legal prescripts	% compliance	Community and Social Services	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	Achieved
3.4.8			Public awareness programmes	Number of initiatives	Community and Social Services	8		2		2	2	2	2	2	0	8		Achieved
3.4.8		To provide integrated public transport facilities	Provision and maintenance of public transport ranks	% Maintenance	Infrastructure and Engineering	100%	0	100%	0	100%	100%	100%	0	100%	0	100%	0	Not Achieved
3.4.8		To improve road safety and traffic management	Law enforcement	Value of fines issued	Community and Social Services	100 000	0	25 000	25 000	25 000	25000	25 000	61970.00	25000	25000	100000	100000	Achieved
3.4.8				% Compliance with DOT requirements	Community and Social Services	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	Achieved
3.4.8			Promotion of Road Safety	% achieved	Community and Social Services	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	Achieved
3.4.8			Participate in the Policing Forums	Number attended	Community and Social Services	4	4	1	1	1	1	1	1	1	1	4	4	Achieved
3.4.8			Manage Traffic Information and Stats	% Achieved	Community and Social Services	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	Achieved
3.4.8		To manage learner	Learner testing	Time lapse between booking	Community and Social	30 days	7 days	30 days	7 Days	30 days	30	30 days	30 days	30 days	30 days	30days	30days	ACHIEVED

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						Target	Actual	Quarter 1		Quarter 2		Quarter 3		Quarter 4		Annual		
								Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
3.4.8		licences and motor licensing	Implementation of Licensing Dept Business plan	% Implemented	Services	50%	100%	N/A	N/A	N/A	N/A	N/A	N/A	50%	0	50%	0	Not Achieved
3.4.8		To facilitate the development of sports	Maintenance of sports Field	Number	Community and Social Services	16	0	4	0	4	0	4	0	4	0	16	0	Not Achieved
3.4.8			Promotion of Sport Events	Number of Events	Community and Social Services	4	4	1	1	2	2	1	1	0	0	4	4	Achieved
3.4.8		To promote arts and culture	Promotion of indigenous languages	% Achieved	Community and Social Services	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	Achieved
3.4.8			Promotion of Cultural Initiatives	% Achieved	Community and Social Services	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	Achieved
3.4.8		To facilitate the alignment and integration of special programmes	Women employed	Number	Corporate Services	80	111	20	0	20	0	20	0	20	0	80	0	Not Achieved
3.4.8			Youth employed	Number	Corporate Services	40	702	10	0	10	0	10	0	10	0	40	0	Not Achieved
3.4.8			Disabled Employed	Number	Corporate Services	4	4	1	0	1	0	1	0	1	0	4	0	Not Achieved
3.4.8			Other Groups	Number	Corporate Services	120		30	0	30	0	30	0	30	0	120	0	Not Achieved
3.4.8			Training/Capacity Building initiatives	Number	Corporate Services	12	12	2	0	1	0	8	0	2	0	12	0	Not Achieved

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