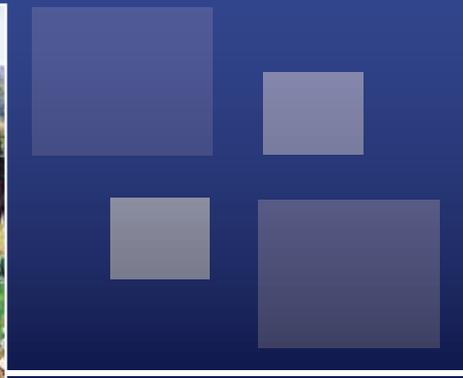
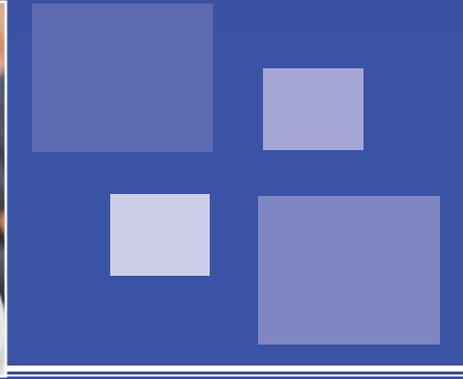
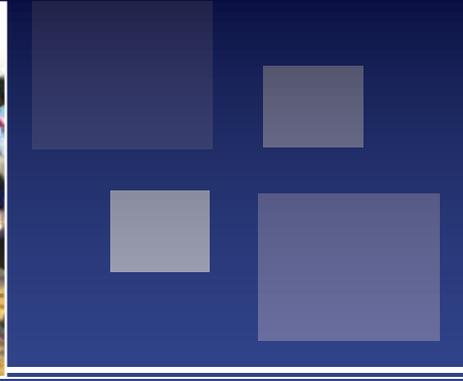


# Annual Report 2011/12

*"What a beautiful place"*





# *Annual Report 2011/2012*

*“What a beautiful place”*



## **RICHMOND MUNICIPALITY (KZ227)**

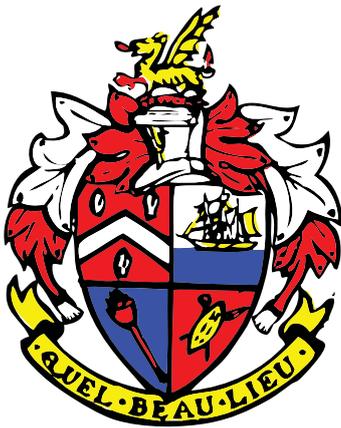
# **Annual Report for the year ended 30 June 2012**

The following document is presented in terms of the Municipal Finance Management Act, Act No.56 of 2003.

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## **RICHMOND LOCAL MUNICIPALITY**



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# Annual Report 2011/2012

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## SELECTED ACRONYMS

<b>LED</b>	Local Economic Development
<b>IDP</b>	Integrated Development Plan
<b>GDP</b>	Gross Domestic Product
<b>PGDS</b>	Provincial Growth and Development Strategy
<b>PGDP</b>	Provincial Growth and Development Plan
<b>UMDM</b>	Umgungundlovu District Municipality
<b>RM</b>	Richmond Municipality
<b>NSDP</b>	National Spatial Development Plan
<b>DFI</b>	Development Funding Institutions
<b>FDI</b>	Foreign Direct Investments
<b>ICT</b>	Information and Communication Technologies
<b>MDG</b>	Millennium Development Goals
<b>FET</b>	Further Education and Training
<b>IDC</b>	Industrial Development Corporation
<b>DFI</b>	Development Finance Institutions
<b>DBSA</b>	Development Bank Southern Africa
<b>SPF</b>	Strategic Projects Fund
<b>HACCP</b>	Hazard Analysis and Critical Control Point
<b>DE</b>	Department of Energy
<b>MoU</b>	Memorandum of Understand



# CHAPTER 1: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

## COMPONENT A: MAYOR'S FOREWORD

Vision of Richmond Municipality: (Access to quality social infrastructure development and sustainable economic opportunities)

Over the past years, the Municipality has worked hard to realise its border vision. In particular, the Municipality has worked swiftly in improving the level of service delivery throughout its Municipal areas, to grow the economy and create job opportunities.

The analysis of our economy undertaken in 201 indicates that there has been no significant change in the population and the economy has gradually decreasing due to the decrease in the agricultural contribution which is dominant sector within the area in Richmond. The decline in agriculture produce has been due to land reform programmes currently implemented by the national government. The owners have been sceptical to continue develop land that is under land process. What has also contributed in the decline is the economic downturn which has affected the Globe significantly.

Despite the above mentioned challenges, the Municipality has managed to improve on infrastructural development. Our success in this area is borne out by the compliment by all stakeholders to improve the lives of our people. While unemployment still poses a challenge, the Municipality has signed a protocol agreement with the Department of Public Works on expanded Public Works Programme (EPWP) which is expected to improve job opportunities. This has resulted in above 400 Temporary Job opportunities being created on infrastructure development and services.

We believe that in order to grow our economy the Municipality has to improve infrastructure development and provision of basic services. This will attract investors in this area. The Municipality has started to undertake infrastructure development by rehabilitating the CBD area by implementing a number of projects including the sidewalks and storm water drainage system, the establishment of the Retail Market Facility which will assist informal traders in sell their product in reputable place, the development of Road Traffic Lights for traffic control and the Rebranding Project. The Municipality has started with the project for establishment of Middle Income Housing, this will ensure that the people who commute to Richmond stay within the area and spend their income within the area. This will assist in improving the economy of town.

The annual review of our Integrated Development Plan (IDP) always been catering for low cost housing and development and this has been those causing those who don't qualify for this housing programme to go to areas where their needs are taken care of. Last but not least, our Municipality is faced with financial constraints. We are not able to fund capital projects from our internal revenue since it is chronically limited. We are unable to collect maximum amounts owed in the form of property rates. While majority our residents are poor and therefore, cannot afford to pay full rates and services, others simply refuse to pay.



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## Key Policy Developments

Economic development in Richmond is largely driven through the Local Economic Development Strategy (LEDS) developed in the past financial years which has been reviewed to take into account current conditions. The strategy's economic development thrusts centres around: attracting new investment in Richmond; diversification of the economy into a balanced assortment of economic sectors; resuscitating agricultural economy, industrial attraction, tourism development as a means of growing the local economy and creating jobs, and rural development. Nearly a third of Richmond's land is farmland which host very low percentage of the population. The strategy provides powerful pointers in terms of how to grow the economic base of rural areas and improve the livelihoods of its residents. The strategy focuses in the main SMMEs and agricultural projects- mostly vegetable farming through co-operatives. In order to ensure continuous implementation building capacity, the Municipality has established a Project Management Unit (RSDI) in partnership with the Department of Economic Development and Tourism. The unit help to drive economic development priorities of the Municipality as contained in the Local Economic Development Strategy.

## Key Service Delivery Improvements

At Richmond Municipality, we continue to strive for service delivery excellence as encapsulated in our strategic objectives. Over the past years, we have managed to facilitate the provision of acceptable levels of access to basic services such as Housing, Water and Electricity. Last year alone, we facilitated the provision of houses to more than 700 households in Phatheni area of Ward 6 providing decent shelter to more than 2400 people. Our water and sanitation provision status is at near 70%. This is one area where we are doing extremely well. We thank UMgungundlovu District Municipality for their continued effort in providing these services. We will continue to maintain this standard of service delivery at all times. We have extended refuse removal services to Byrne Village and Siyathuthuka Low Cost Housing. We also look after our indigent. All identified and registered indigents receive free basic refuse removal and electricity. Infrastructure development continues to receive exceptional attention. We are mindful of the fact that good infrastructure is the basis for economic growth. Special attention is paid to our roads and storm water infrastructure. In the past financial year we re-gravelled roads such as Mkhobeni Access Roads, Nompofana Access Roads, Hopewell Access Roads, Mancinza Access Roads, D-1 Clinic Road and a number of inroads in all our wards. We are also doing reasonably well in the area of growing the economy and thus creating job opportunities. We are particularly focusing on SMME development and preferential procurement. We are aware that SMMEs are central to growing the economy and boosting the campaign around job-creation. We have facilitated the establishment of more than 50 SMMEs in the last year. We are currently in the process of linking these SMMEs with funding institutions and through the Strategic Project Fund provided by the Department of Economic Development and Tourism through RSDI. We have successfully organised an economic summit where invited all the stakeholders to make inputs into the improvement of our local economy. We are still trying to facilitate the awarding of most outsourced service to SMMEs to help them get established. As a result SMMEs will contribute the efforts to eradicate unemployment by creating more job opportunities last year alone.



## Public Participation

Public Participation is an institutionalised function in our Municipality. Richmond is renowned by having pioneered what is now called ward based planning. Since the inception of community-based planning in 2000, public participation has become second nature of our Municipality. Our communities has learned to appreciate the elaborative process which ensures that all interested residents are afforded ample opportunities to make meaningful to policy development and planning for developments in the Municipal jurisdiction. The evolution of ward-based planning and the related establishment of ward committee have elevated community participation to higher level in terms of legal provision and institutionalisation of the process.

Richmond Local Municipality, through the Office of the speaker, liaise continuously with communities through ward committee members and other stakeholder's forums. In order to facilitate maximum participation by ward committee members, Municipality provides stipends of R500.00 for each member. Ward committees are functioning pretty well in all 7 wards. Reports are received monthly and follow-ups made where necessary. Local Economic Development forum with business community have also been established. Inputs are regularly solicited from these constituencies on a constant basis. Meetings are held as the need indicates. Otherwise, maximum participation takes place during annual IDP reviews and the tabling of annual budget. Agreement/Partnerships In order to attract investment and economic growth, Richmond has established partnership with a number of stakeholders. In this endeavour, Richmond Municipality has entered into an agreement with Ingonyama Trust Board which owns significant amount of land which is under-developed as well as the Department of Economic Development and Tourism in KZN as mentioned above.

## Conclusion

In line with our motto: "Richmond: What a beautiful place" We will continue to beautify our town and grow its economy. But most importantly, maintain the high level of service delivery currently. We are excited about the clean audit we achieved in the 2010/2011 and we will strive to maintain this achievement. We are confident that this status will enable us to speed up with the level of service delivery, especially around housing, roads and electricity while also creating job opportunities.



# Annual Report 2011/2012

## COMPONENT B: EXECUTIVE SUMMARY

### 1.1. MUNICIPAL MANAGER'S OVERVIEW

Richmond Municipality's delivery on the vision – Vision 2016: (Access to quality social infrastructure development and sustainable economic opportunities).

The year under review was a year where all municipalities within South Africa had a change of political leadership due to Local Government elections which were held on the 18th May 2011. At the beginning of the financial year 2011/2012, the current Council was only forty two (42) days in office. The IDP, Budget and the strategic plan for the Municipality had already been adopted by the previous Council before the inauguration of the new Council. However this had no much negative impact in that, the administration knew what needed to be done in order to improve service delivery and had already taken initiative to incorporate these in its plans for the year under review.

In ensuring that the Municipality delivers on the national priorities and in terms of its vision, municipal plans were linked to community needs and aligned to national priorities as spelt out for the entire country. Richmond municipality then strengthened coordination of plans by conducting extensive public participation during the IDP and Budget preparation processes. These documents were then aligned to the Service Delivery and Budget Implementation Plans (SDBIP) for the Municipality as well as the performance plans for the senior managers of the Municipality. In order to ensure performance improved in all levels of the municipality, management cascaded performance management down to the lower level staff of the Municipality and ensure that there were regular performance reviews undertaken. This resulted in improved efficiency and effectiveness of service delivery during the year under review.

The cost of providing basic services in particular water and electricity has increased significantly in the past financial years and the national government have been making calls to the consumers to use these services sparingly in order to keep costs at minimum level and to ensure that the country avoids water shortages and power outages experienced in 2009/2010 financial year and promote an environmentally friendly country. Neither of these services are supplied by Richmond Municipality however the Municipality does make provision for free basic services in respect of electricity. The municipality has an agreement with Eskom who distribute electricity within the municipal area to provide free basic electricity to indigent households. Costs incurred by Eskom in respect free basic electricity is borne by the municipality. Water and Sanitation is the function of uMgungundlovu District Municipality within Richmond's area of jurisdiction. They are responsible for providing free basic services in respect of water and sanitation.

It is concerning to note that employees of the municipality who are members of the general public outside the municipal environment where they are employed do very little if nothing at all in relation to ensuring that water and electricity are used sparingly. During winter season official leave their air-conditioners very high in order to find their offices warm the next day. This cause high consumption and thereby increasing the cost of electricity. Water taps and sometimes not closed properly leaving a lot of quantity of water wasted. Taps that are leaking are not repaired and toilets systems that are not functioning properly are also not repaired. This causes a lot of water to be wasted and increases water consumption costs. There is generally an "I don't care" syndrome amongst employees. This type of attitude needs to stop if the country has to ensure equality in terms of distribution of basic services and improve service delivery in respect of other services provided by Government. Some areas within municipal area experience water shortages within winter season, these areas are Simozomeni-Ward 6, Up Church Street-Ward 1 and Maswazini-Ward 7 and the uMgungundlovu District is currently working with uMngeni Water Board to increase the supply of water within Richmond.

The Municipality has improved drastically on governance related issues and this will improve service delivery. The Municipality adopted approved a travelling allowance policy and informal trading policy. The fleet management policy, risk management policy and employee assistance programme policy are available in drafts and will be approve in the 2012/2013 financial year.



The municipality was immune to the economic downturn that hit the globe severely since 2009. All there South Africa has improved from this negative situation, the effects are still being endured by public institutions. It has resulted in the Provincial Treasury introducing cost cutting measures and making thresholds in expenditure for accommodation for both Provincial Departments and Municipalities. Conferences and workshops are now being held in Provincial Departments' conference facilities e.g. the notorious Capital Towers for the Department of Health. While these facilities assist in terms of saving costs some are not adequately resourced e.g. the Natalia Auditorium.

The Municipality encourages the shared services model with the other local municipalities and the District. There is a shared services model in relation to IT services which Richmond Municipality is part of, current the governance cluster is currently investigating the shared services model in respect of credit control and debt collection as well as internal audit services. There is also a shared services model in respect of development planning services which is championed by the Department of Local Governance and Traditional Affairs within the province. The services model help to reduce costs in relation to services provision and also assist in sharing best practices. Easy to control and resources are used to full capacity there is very little idle time.

T 1.1.1

## 1.2. MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

### INTRODUCTION TO BACKGROUND DATA

Richmond Municipality (KZ227) is one of the category B municipalities and comprises of seven (7) wards. It is located on the southern part of the uMgungundlovu District Municipality (DC22) and is approximately 38 kilometres south of Pietermaritzburg which is the capital of the KwaZulu-Natal Province. It is bordered by Umsunduzi Municipality to the north, Ingwe Municipality to the west, Mkhambathini Municipality to the east and Ubuhlebezwe and Vulamehlo Municipalities to the south. It is approximately 1232 square kilometres in extent with an estimated population of 56 772 and 12679 households. It is the fourth smallest Municipality within the uMgungundlovu District Municipality family of Municipalities.

The majority of the population resides in areas which are predominantly rural and which are characterized by low levels of basic services and facilities and substantial unemployment. The village of Richmond – Ward 1 – is the only urban centre which is recognized as the main economic node due to the services provided and nature of activities which exist in association with the legal services, primary health care, pension pay point, education and welfare office and similar state services. Land uses within this area are typically urban mixed uses with high levels of limited infrastructural and services development and an adequate provision of social facilities and services to support the resident populations.

A large portion of the municipal area is used for agricultural activities, which is also the largest employer of the municipal population. In this way agriculture is the backbone of the Municipality's economy. This suggests that preservation of high quality agricultural land is very important and development should therefore be responsive to the need of preservation.



# Annual Report 2011/2012

## POPULATION DETAILS

According to the 2001 census, the total population of the Richmond Municipality was approximately 63222 people. This marks a proportionately marginal growth rate from 61673 people recorded in 1996, a growth of only 1549 people in a decade. However, the 2007 community survey has indicated that the population of Richmond was estimated at 56772. In 2010 the population is estimated at 61174. The population trends in Richmond are difficult to predict accurately, as show in the following table.

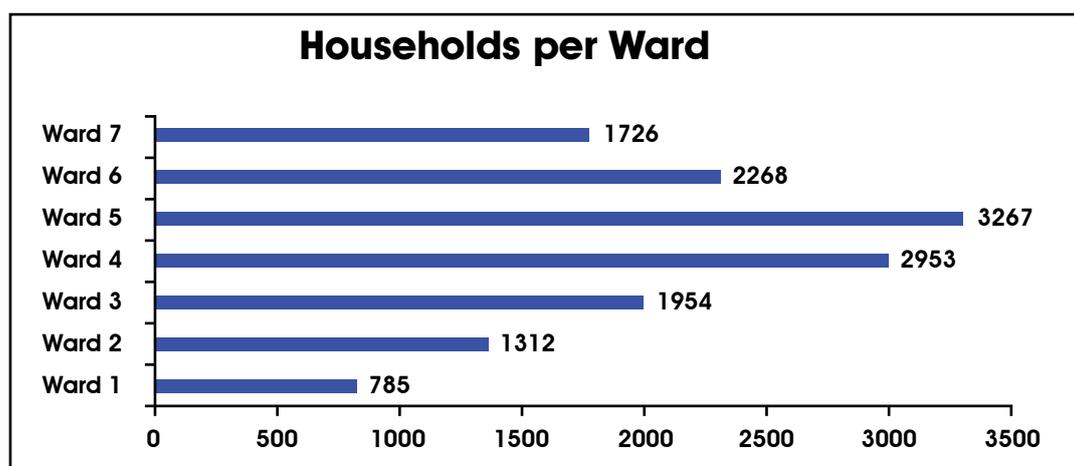
Richmond Municipality	Growth Trends				
	1995	2000	2005	2007	2010
Total Population	62 976	63 142	63 087	56 772	61 174

Source: Quantec Easy Data 2010

Estimations of the population per Ward are presented in the following table. The largest Wards are Wards 5 and 4 with 22.9% and 20.7% respectively.

Wards	2001		2012	
	Population	%age	Population	%age
Ward 1	3 461	5.5	3364	5.5
Ward 2	5 842	9.2	5 628	9.2
Ward 3	8 650	13.7	8 380	13.7
Ward 4	13 113	20.7	12 663	20.7
Ward 5	14 473	22.9	14 008	22.9
Ward 6	10 055	15.9	9 726	15.9
Ward 7	7 628	12.1	7 402	12.1
<b>Total Population</b>	<b>63 222</b>	<b>100</b>	<b>61 171</b>	<b>100</b>

Source: Quantec Easy Data 2010



Household populations in Richmond Municipality are dominated by blacks (90.8%), followed by whites (5.3 %) as presented in the following table.



Ethnic Group	Number of Households	Percentage
Black Households Totals	12 952	91%
Coloureds Households Total	293	2%
Asians Households Total	264	2%
White Households Total	756	5%
<b>Total Households</b>	<b>14 265</b>	<b>100%</b>

Source: Quantec Easy Data 2010

Household sizes in Richmond Municipality vary from 2 to 6 members, with Indian and black households leading with 6 and 4 members per household respectively as presented in the following table:

#### Household Size

Population Group	Households Size/Population Group
Black Households Size	4.4
Coloureds Households Size	3.1
Asians Households Size	6.2
White Households Size	2.1

Source: Quantec Easy Data 2010

Densities in Richmond Municipality indicate that there are many more black people per square kilometre compared to other population groups as presented in the following table. This indicates the need for programmes and strategies that enhance BEE to allow this sector of the population to grow and prosper.

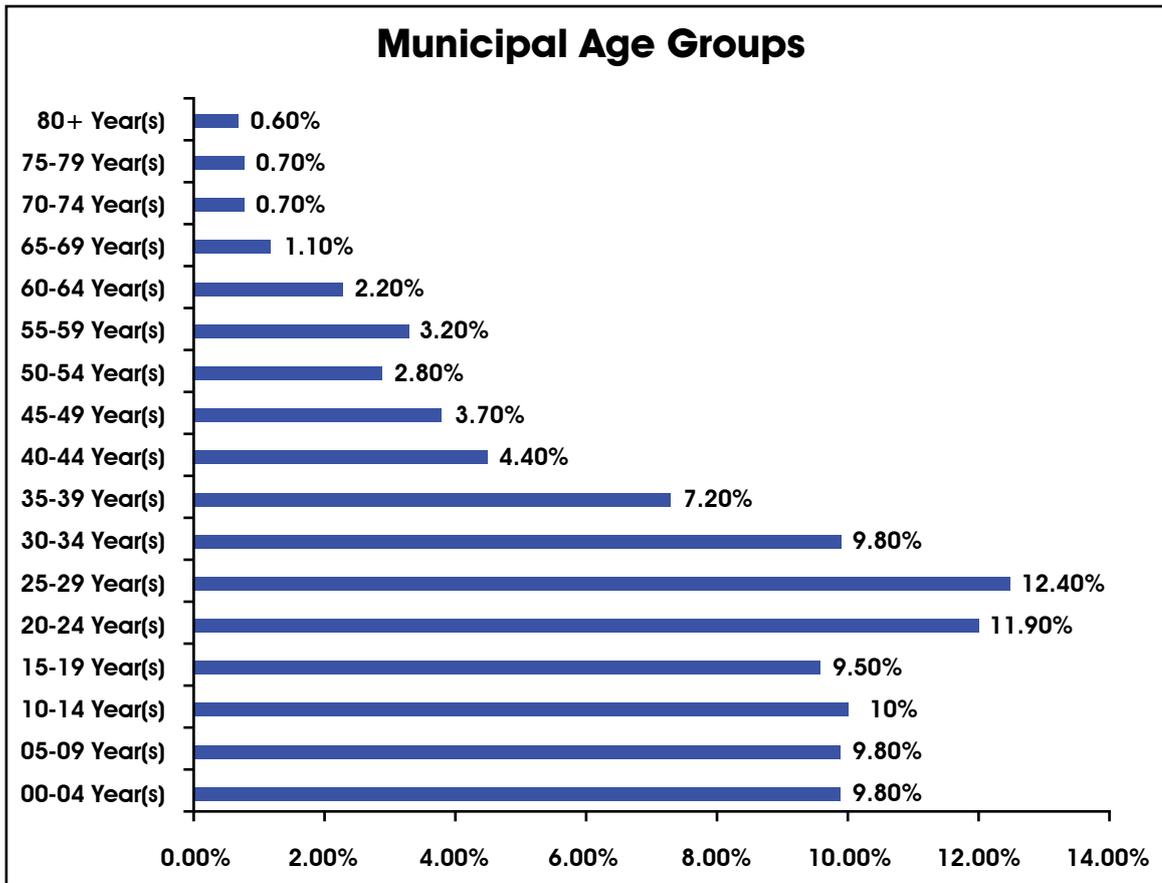
#### Number of people per square kilometers.

Population Group	No. Of People per Km2
Black Population Density (People per Km2)	46.3
Coloureds Population Density (People per Km2)	7
Asians Population Density (People per Km2)	1.3
White Population Density (People per Km2)	1.2

Source: Quantec Easy Data 2010

## AGE GROUPS

The age distribution in the figure below shows that the municipality has a predominantly young population with 73.2% of the people being under the age of 34 years. Because of this, the youth of Richmond constitute an important factor in long-range planning needs. There will be great pressure on educational and recreational resources in the Municipality in the near future. In the longer term there will also be a surge in the demand for job creation. All these point to the need for youth development programmes in stimulating Municipal economic growth.

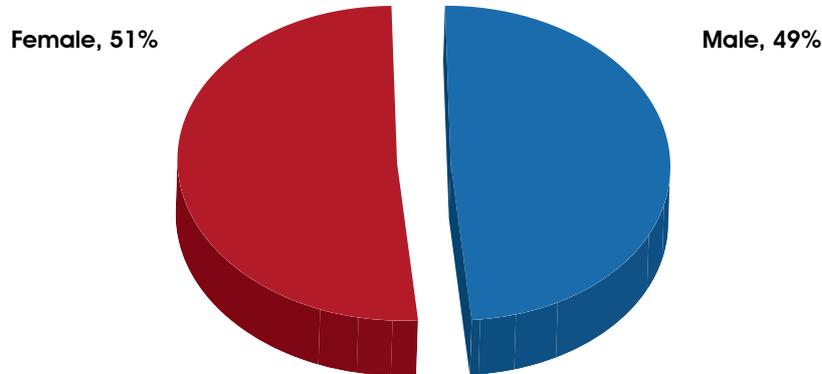


## GENDER

The population of the Richmond Municipality is slightly imbalanced in terms of gender. Females outnumber their male counterparts. As indicated in Figure 2.6 below, females account for 51% of the population while males amount to 49%. This signifies the need for women empowerment development programmes and strategies in the Municipality. However, the higher representation of women could be attributed to factors such as the impact of political violence, which engulfed this area in the mid to late 1990s, and a degree of male absenteeism that characterises most rural areas where the men work in cities while the women stay behind to look after the children and homesteads.



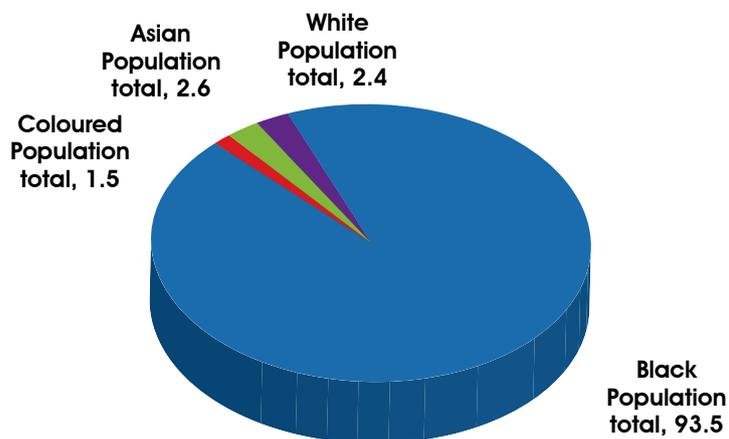
## Gender Groups



## ETHNIC GROUPS

The municipality is dominated by black people who account for more than 90% of the total population as shown in the graph below. This indicates the need for programmes and strategies that enhance the empowerment of blacks.

## Ethnic Groups

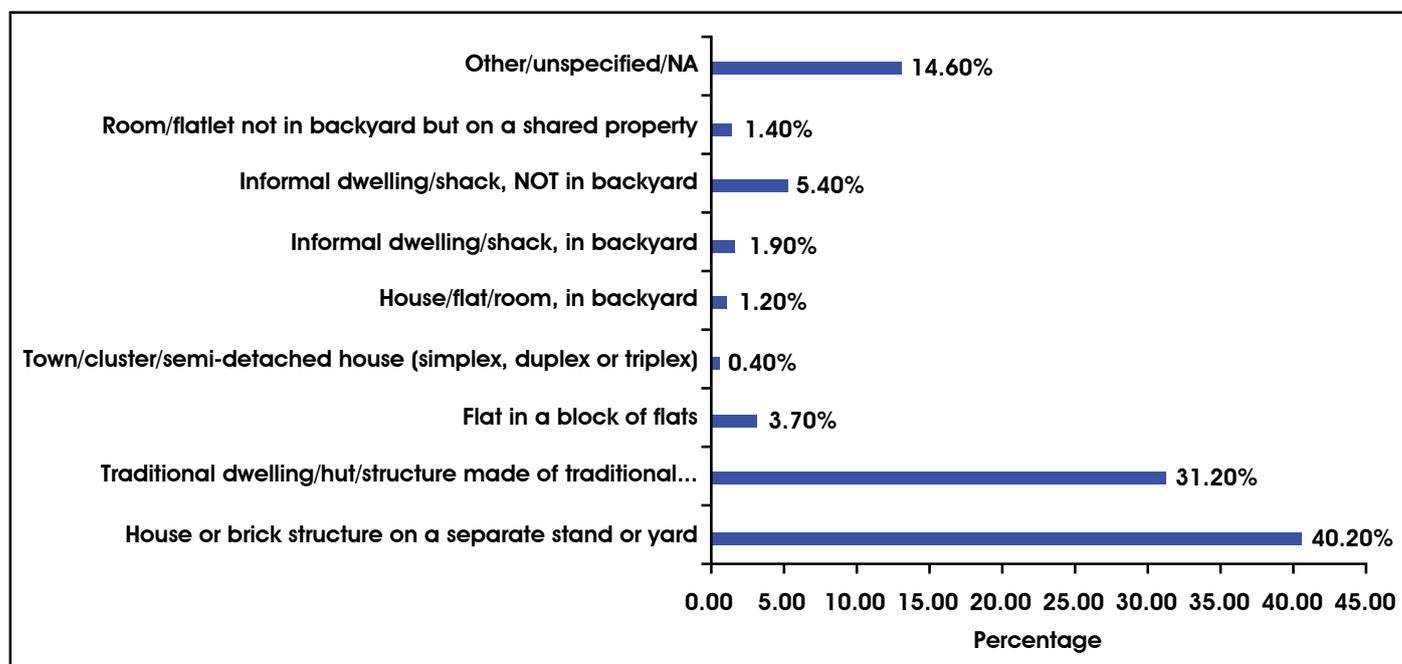




# Annual Report 2011/2012

## DWELLING TYPES IN RICHMOND (2010)

There are various types of dwellings in Richmond Municipality. The house or brick structure on a separate stand or yard and the traditional dwelling/hut/structure made of traditional materials dominate the municipality with 40.2% and 31.2% of each respectively as presented in the following figure.



## INCOME LEVELS

Income simply deals with total income that individuals and households receive. The way in which this income is received is not considered.

Average annual household income levels serve as an important tool when assessing a local area's level of socio-economic development. It reflects the living standards of a household and influences factors such as asset ownership. An integral part of the economic structure of an area is the spending power and multiplier effect of spending within the local economy. The following table provides an indication of the levels of income in Richmond.



### Level of Income per Person (per annum)

Income levels per person	Percentage of Sample
No Income	53.20%
R0 - R4 800	20.80%
R4 801 - R9 600	9.20%
R9 601 - R19 200	12.20%
R19 201 - R38 400	1.70%
R38 401 - R76 800	1.10%
R76 801 - R153 600	1.00%
R153 601 - R307 200	0.50%
R307 201 - R614 400	0.20%
R614 401 - R1 228 800	0.00%
R1 228 801 - R2 457 600	0.10%
R2 457 601 or more	0.00%
<b>Total</b>	<b>100.00%</b>

Source: Quantec Easy Data 2010

- The majority of the sampled population (46.8%) have no income. This provides an indication that the internal spending power of the population in Richmond Municipality is very limited, if not absent.
- The second largest proportion of the households (20.8%) earn between R400 and R4800 per annum, followed by 12.2% of households which earn between R9600 and R19200

### Income Levels per Gender

The following table shows that more than 50% of women in the Municipality have no income.

### Income Levels per Gender (per annum)

Income levels per Gender Group	Male %	Female %
No Income	52.14%	54.40%
R0 - R4 800	22.55%	19.20%
R4 801 - R9 600	8.39%	9.90%
R9 601 - R19 200	10.96%	13.40%
R19 201 - R38 400	2.10%	1.30%
R38 401 - R76 800	1.33%	0.80%
R76 801 - R153 600	1.43%	0.60%
R153 601 - R307 200	0.76%	0.20%
R307 201 - R614 400	0.23%	0.10%
R614 401 - R1 228 800	0.00%	0.00%
R1 228 801 - R2 457 600	0.11%	0.10%
R2 457 601 or more	0.00%	0.00%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

Source: Quantec Easy Data 2010



# Annual Report 2011/2012

## Income levels by population groups

The following table shows that blacks and coloured people have large numbers of people with no income. Income Levels by Population Groups (per annum)

Income levels per Gender Group	Black	Coloured	Indian	White
No Income	53.30%	50.50%	60.70%	49.20%
R0 - R4 800	21.70%	20.00%	0.00%	0.00%
R4 801 - R9 600	9.50%	4.20%	2.50%	3.80%
R9 601 - R19 200	12.20%	16.60%	7.00%	12.50%
R19 201 - R38 400	1.70%	0.00%	2.30%	0.00%
R38 401 - R76 800	0.70%	4.20%	12.60%	3.60%
R76 801 - R153 600	0.50%	4.50%	7.70%	19.60%
R153 601 - R307 200	0.20%	0.00%	4.50%	11.30%
R307 201 - R614 400	0.10%	0.00%	2.70%	0.00%
R614 401 - R1 228 800	0.00%	0.00%	0.00%	0.00%
R1 228 801 - R2 457 600	0.10%	0.00%	0.00%	0.00%
R2 457 601 or more	0.00%	0.00%	0.00%	0.00%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Source: Quantec Easy Data 2010

## Income level by households

The following table shows that the majority of households in the Richmond Municipality earn between R9601-R19200 per annum.

## Household Income (per annum)

Income levels per Gender Group	Percentage
No Income	10.10%
R0 - R4 800	5.20%
R4 801 - R9 600	11.30%
R9 601 - R19 200	23.80%
R19 201 - R38 400	19.50%
R38 401 - R76 800	10.30%
R76 801 - R153 600	4.20%
R153 601 - R307 200	2.70%
R307 201 - R614 400	1.10%
R614 401 - R1 228 800	0.00%
R1 228 801 - R2 457 600	0.40%
R2 457 601 or more	0.00%
<b>Total</b>	<b>100.00%</b>



## SOCIO ECONOMIC ANALYSIS: SERVICE DELIVERY

### ACCESS TO SERVICES

Richmond Municipality has been involved in the formulation of policies and the implementation of programmes designed to address serious service backlogs associated with the apartheid past. These include water and sanitation programmes, and the identification of land for the development of cemeteries and waste disposal sites. Each of these programmes is based on the national guidelines and principles, and seeks to contribute to meeting the national targets.

### ACCESS TO WATER

The Richmond Town is well serviced in terms of water and sanitation, but problems are experienced with regard to the reticulation system. These are largely due to old infrastructure and the limited capacity of sewerage plant.

In the semi-urban areas of Greater Ndaleni and Hopewell, households make use of communal water standpipes and self made VIP toilets. The following table indicates the access to water by population groups.

#### Access to Water by Population Groups

Access to water by Population Group	No of Households	Percentage %
Black	12 952	90.80%
Coloured	293	2.10%
Indian	264	1.90%
White	756	5.30%
<b>Total</b>	<b>14 265</b>	<b>100.00%</b>

Source: Quantec Easy Data 2010

The following table shows the types of water resources in the Richmond Municipality and the water access population groups.

#### Water Access by Population Groups

Access to water by Population Group	No of Households	Percentage %
Black	12 952	90.70%
Coloured	293	2.10%
Indian	264	1.90%
White	756	5.30%
<b>Total</b>	<b>14 265</b>	<b>100.00%</b>

Source: Quantec Easy Data 2010

The following table shows the types of water resources in the Richmond Municipality and the water access population groups.



# Annual Report 2011/2012

## Water Access by Population Groups

Discription	Black	Coloured	Indian	White
Piped water inside dwelling	12.10%	75.80%	83.40%	66.60%
Piped water inside yard	31.80%	12.40%	12.20%	10.50%
Piped water on community stand: Distance less than 200m from dwelling	26.00%	2.90%	0.40%	1.30%
Piped water on community stand: Distance greater than 200m from dwelling	10.00%	2.70%	1.30%	2.70%
Borehole/rain-water tank/well	1.20%	1.70%	1.20%	15.90%
Dam/river/stream/spring	16.30%	2.70%	1.10%	2.50%
Water-carrier/tank/Water vendor	1.10%	0.00%	0.00%	0.20%
Other/Unspecified/Dummy	1.50%	1.80%	0.40%	0.30%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Source: Quantec Easy Data 2010

The following problems are experienced in these areas:

- Uneven distribution of services;
- Inadequate reticulation;
- Water wastage; and
- Illegal connections.

The rural areas still experience high backlogs in terms of water and sanitation provision. Households still rely on boreholes and natural water sources such as rivers and springs for water supply. This means that they are exposed to a high risk of contracting waterborne diseases as these water sources are shared with livestock and the water is contaminated. Strategies need to be developed to expedite the provision of safe and clean water.

## ACCESS TO SANITATION

The current level of sanitation backlog indicates that approximately 6% of the residents do not have access to any sanitation facility. A large number of households still use pit latrines and clearly, this is the most common form of sanitation in Richmond. The following table shows the access to sanitation by population groups.

### Access to Sanitation by Population Groups

Access to Sanitation by Population Group	No of Households	Percentage %
Black	12 952	90.80%
Coloured	293	2.10%
Indian	264	1.90%
White	756	5.30%
<b>Total</b>	<b>14 265</b>	<b>100.00%</b>

Source: Quantec Easy Data 2010

The following table shows the types of sanitations accessed by people in the Richmond Municipality. Whites



and Indians dominate in the use of flush or chemical toilets compared to other population groups existing in the Municipality.

### Quality of Sanitation by Population Group

Types of Sanitation	Black	Coloured	Indian	White
Flush or chemical toilet	16.00%	89.00%	95.00%	96.40%
pit latrine	59.00%	11.00%	3.00%	2.10%
None of the above	24.00%	0.00%	2.00%	1.20%
Unspecified/Dummy	1.00%	0.00%	0.00%	0.30%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Source: Quantec Easy Data 2010

It should be noted that every household should have access to proper sanitation facilities and that the bucket system needs to be totally eradicated. Richmond Municipality is part of Project Consolidate, and if indeed the bucket system still exists, the State President has issued an order to have this system eradicated as soon as possible.

### SOURCES OF ENERGY

The semi-urban and rural areas are the most under serviced areas in terms of access to electricity. Households without access to electricity resort to other energy sources such as candles, paraffin, coal, etc which can prove to be dangerous if not properly monitored. The main problems with regard to electricity provision relate to inadequate bulk supply. In addition, access to areas is difficult due to the topography and insufficient funding for building adequate roads to these areas. The following table shows the types of energy sources accessed by people in the Richmond Municipality.

#### Access to Energy Sources

Energy Source	No of Households	Percentage %
solar/other/unspecified	68	0.50%
Electricity	9 707	68.00%
Gas	45	0.30%
Paraffin	255	1.80%
Candles	4 189	29.40%
<b>Total</b>	<b>14 265</b>	<b>100.00%</b>

Source: Quantec Easy Data 2010

The following table shows the levels of access to the different energy sources by population groups in the Richmond Municipality.



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## Energy Sources by Population Groups

Energy Source	Black	Coloured	Indian	White
solar/other/unspecified	0.30%	0.00%	0.00%	3.20%
Electricity	66.40%	70.80%	91.30%	87.00%
Gas	0.30%	1.40%	0.40%	0.20%
Paraffin	1.60%	14.00%	0.70%	1.20%
Candles	31.40%	13.80%	7.60%	8.40%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Source: Quantec Easy Data 2010

However, with regard to the electricity supply in Richmond Municipality, the following trends need to be highlighted:

Households and School Access to Electricity

Energy Source	No of Households	Percentage %
Households electrified	7 802	54.70%
Households not electrified	6 403	45.30%
Schools electrified	7	11.29%
Schools not electrified	55	88.71%
<b>Total</b>	<b>14 265</b>	<b>100.00%</b>

Source: Eskom, Distribution Division, Eastern Region, 2009

Further, the following projects have been identified for the electrification in Wards three and five:

- Eskom Projects for Electrification in Wards 3 and 5

Richmond Municipality				
LM Code	Project Name	P60K	Conns	Ward No.
KZN227	Nhlazuka Group	Y	693	5
KZN227	Emgxobeleni	N	327	3
KZN227	Mbila	N	1 372	5
KZN227	Emgxobeleni	Y	328	3
<b>Totals</b>			<b>2 720</b>	

Source: Eskom, Distribution Division, Eastern Region, 2009

## REFUSE REMOVAL

The Richmond Town area is the only place where solid waste removal services are available. The service is not available to households in the semi-urban and rural areas. Communities rely on traditional methods of disposing of their litter which include digging a pit for dumping purposes. Others dispose of waste in the open without any formal pattern. Disposal of waste in the open can have serious negative impacts on the environment and human health. An awareness programme is required to develop proper refuse removal mechanisms. This includes educating members of the public about environmental management and sus-



tainable means to deal with household waste. The following table shows the types of refuse removal used in the Richmond Municipality.

### Access to Various Types of Refuse Removal

Description of Refuse Removals	No of Households	Percentage %
Unspecified/other	259	1.80%
Removed by local authority at least once a week	1 582	11.10%
Removed by local authority less often	129	0.90%
Communal refuse dump	425	3.00%
Own refuse dump	11 051	77.50%
No rubbish disposal	817	5.70%
<b>Total</b>	<b>14 263</b>	<b>100.00%</b>

Source: Quantec Easy Data 2010

The following table presents the types of refuse removal by population groups in the Richmond Municipality.

### Access to Refuse Removal by Population Groups

Energy Source	Black	Coloured	Indian	White
Unspecified/other	1.90%	0.20%	0.10%	1.50%
Removed by local authority at least once a week	7.70%	72.80%	84.40%	20.10%
Removed by local authority less often	0.60%	0.00%	1.00%	7.20%
Communal refuse dump	2.70%	6.40%	6.60%	5.80%
Own refuse dump	81.10%	20.60%	7.40%	59.70%
No rubbish disposal	6.00%	0.00%	0.50%	5.70%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Source: Quantec Easy Data 2010

## PUBLIC ROADS

The main road linkages in the municipality are the R56 forming a north-south corridor and linking Pietermaritzburg, Richmond and Ixopo; and the R624 linking Richmond to the coast. There are a number of provincial roads which link the Richmond Town to other areas such as Thornville, Hopewell, etc. In addition, district and local roads provides the rural hinterland areas with access to the main roads.

Provincial roads within Richmond are in a fair to poor condition. The roads within the town of Richmond, although tarred, are in a poor condition. In addition, the following issues were also identified with respect to these roads: inadequate storm water drainage, lack of speed humps, lack of adequate electronic traffic calming measures, lack of properly aligned pedestrian walkways and 29 poorly designed parking bays. In the semi-urban areas only the main roads in the Greater Ndaleneni area, Hopewell, Thornville and Byrne Valley are tarred. The remainder of the roads, which are mainly gravel roads, are in poor condition.



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## Current State of Municipal Roads





## HEALTH FACILITIES

Health services in the municipality are provided by the Provincial Department of Health. The following health facilities are found in the municipal area:

- Richmond Chest Hospital;
- Provincial clinics in Richmond, Ndaleni and eMbuthisweni;
- Private clinic in Inkumane;
- Six mobile clinic ports

## Impact of HIV/AIDS

Between the years 2000 and 2010 many South Africans have died from HIV/AIDS related diseases. The number of deaths from HIV/AIDS is considerably higher than that from any other single cause of death and will probably double the number of deaths from all other causes combined. It has been found that the uMgun-gundlovu District Municipality accounts for 23% of the KwaZulu-Natal HIV/AIDS cases. Richmond Municipality has the highest number of HIV positive people in the District compared to other Municipalities. The following table shows that HIV/AIDS related deaths outnumber deaths from other diseases.

### Deaths from HIV/AIDS and Other Diseases

Description	Male		Female	
	Population	Percentage	Population	Percentage
Population	30 355	100%	30 818	100%
HIV Positive	4 883	16%	6 005	19.10%
Aids Deaths	370	1.20%	441	1.40%
Other Death	287	0.90%	212	0.60%

**Source: Quantec Easy Data 2010**

The Richmond Chest Hospital is a great hospital and receives a large number of people from all provinces. All HIV positive people treated at this hospital are counted under Richmond Municipality while some of them reside from other areas. Therefore, these figures will need to be taken with precautions.

The likely effect of HIV/AIDS on social systems:

- Poor households are more vulnerable and the epidemic is likely to deepen poverty and compromise upward mobility,
- There is increased demand for housing, education and other community facilities:
- A greater demand for health care facilities,
- A greater demand for financial support for orphans, child-headed households and households run by grandparents, and
- A negative population growth rate is affecting the sustainability of projects that are based on certain population projections.



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The likely effect of HIV/AIDS on the economic systems:

- There is a shift from savings to current expenditure, limiting fixed investment and economic growth,
- The possibility of „technological deepening“ of the economy as a result of higher absenteeism rates: Machinery will replace people in the labour market, with negative outcomes in the long term for job creation,
- Further erosion of household savings and skills shortage, and
- Increased spending on pharmaceuticals and funerals.

In light of the above, the agricultural sector will suffer most as it relies heavily on the availability of a physically active workforce.

## **Cholera and other related diseases.**

The occurrence of these diseases is a direct result of the absence of potable water as well as the lack of proper sanitation in the rural component of the Richmond Municipality. This results in the contamination of natural water resources. This may lead to outbreaks of disaster proportions and is specifically characteristics of the rural areas. These diseases are life threatening and require constant monitoring.

Finally, health facilities are not well distributed throughout Richmond Municipality and certain areas have medium to higher concentrations of people who are not serviced. Measures would therefore need to be put in place to ensure that these areas have access to health facilities.

## **EDUCATION FACILITIES**

There is a total of 62 schools<sup>1</sup> in the municipal area. These schools are well distributed in the municipal area and generally meet the recommended planning standard of 600 households for each primary school and 1200 households per secondary school.

The following table indicates the level of education in the adult population of the Richmond Municipality

### **Education Levels**

<b>Levels of Education</b>	<b>Percentage</b>
No Schooling	22%
Some Primary Education	32%
Complete Primary Education	8%
Some Secondary Education	27%
Grade 12	7%
Higher Education	4%
<b>Total</b>	<b>100.00%</b>

**Source: Community Survey 2007**

With regard to the level of education by gender groups, the following table shows that there is a balance between males and females in the Richmond Municipality as their levels of education are almost similar.



## Level of Education by Gender

Levels of Education	No of Households	Percentage %
No Schooling	29%	33%
Some Primary Education	22%	25%
Complete Primary Education	16%	15%
Some Secondary Education	13%	11%
Grade 12	11%	9%
Higher Education	9%	7%
<b>Total</b>	<b>100%</b>	<b>100%</b>

Source: Community Survey 2007

The following table shows that illiteracy is more common amongst Indians and coloured compared to other population groups.

## Level of education by population groups.

Energy Source	Black	Coloured	Indian	White
No Schooling	34%	30%	4%	5%
Some Primary Education	22%	21%	9%	8%
Complete Primary Education	17%	19%	33%	15%
Some Secondary Education	14%	13%	21%	22%
Grade 12	11%	10%	22%	31%
Higher Education	2%	7%	11%	19%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Community Survey 2007



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## SPORT FACILITIES

The geographic spread of sports facilities within the Richmond Municipality indicates that only certain areas have access to these facilities. Sports fields are found at Hopewell, Argosy Farm, Indaleni, KwaGengeshe, Richmond Village and Phatheni (informal). With the exception of the sports field at Indaleni the remaining sports fields are in a poor condition.





## MEANS OF COMMUNICATION

In Richmond Municipality, people utilise the following means of communication to access and spread information:

- Public Phones
- Private phones
- Cell phones
- Internet
- Letters
- SABC Radio and news media

In the Richmond Municipality, every household has access to at least one means of communication. The following table indicates the types of telephone used in the Richmond Municipality by various population groups.

### Types of telephones by population groups

Description	Black	Coloured	Indian	White
In this dwelling and/or cellular phone	44.3%	69.4%	73.6%	90.0%
At a public telephone nearby	18.8%	20.3%	7.0%	1.2%
At a neighbour nearby	9.8%	3.7%	2.6%	0.8%
At another location, not nearby	5.5%	1.7%	0.7%	0.6%
At another location nearby	3.5%	2.2%	1.6%	2.0%
NA (institution)/unspecified/none	18.1%	2.7%	14.5%	5.4%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Quantec Easy Data 2010

## 1.3. FINANCIAL HEALTH OVERVIEW

### FINANCIAL OVERVIEW

Financial state of the municipality can be measured through the Liquidity Ratios and Efficiency Ratios. The liquidity ratio measures the organization's ability to meet its short term debts and the efficiency ratio measures how efficiently certain resources have been utilized within the organization.

#### Liquidity Ratios:

- **Current ratio:** The ratio will indicate the municipality's ability to use its short term assets (cash-on-hand, inventory and trade receivables) to meet its short term obligations (Eskom and Other Suppliers). An organization will be said to be in a positive financial state if this ratio is greater than 1. For Richmond Municipality this ratio is currently sitting at **1.79 (2012) and 1.93 (2011)**, this means that the municipality will be in a position to cover its short term obligations more than once if it were to use its short term assets. So the municipality is financially sound.
- **The acid test ratio:** this is basically the current ratio excluding stock, as stock is hardest to convert into cash in the short term. This ratio measures the immediate debt paying ability of the organization. To be in a financially positive state, this ratio must also be greater than 1. For Richmond Municipality the ratio for the year under review is **1.78 (2012) and 1.92 (2011)** times. It means, when stock or inventory is eliminated from current assets, Richmond will still have no difficulty in paying its short term creditors.



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## Efficiency Ratios:

- Debtors Collection Period:** The debtors' collection period ratio measures the period it takes for debtors to pay their bills. The longer the period the greater is the problem financial status of the organization. It means you must have bridge finance to pay for this like electricity in particular for municipalities that sell electricity. For Richmond the debtor's collection period was 90 days. It means it takes 3 months for debtors to pay. The debtors' payment period is normally 30 days although Richmond's debtors' collection period is high at 90 days this will be covered by the cash coverage ratio which is high at more than 3 months.
- Debt recovery rate:** This ratio measures the percentage of bills recovered from debtors within each month. The Municipality had put its target at **75%** throughout the year and the rate is sitting at **49.7%** at the end of the financial year this is below compared to **55%** in **2011**. This is not a good performance compared to the target set. There are interventions from Provincial Treasury.
- Creditors Payment Period:** The creditor's payment period measure the time it takes for a municipality to pay its creditors. A high ratio indicates liquidity problems and an organization that is in high financial distress. The payment period recommended in terms of the MFMA is 30 days. Richmond's ration for the current financial year is **25.081** days which is good. This has improved compared to 2011 figure of **31.90** days.
- Cash Coverage Ratio:** Measures the number of times an organization can meet all its monthly operational expenditure before it can receive the next equitable share allocation or the number of months an organization can continue to operate without receiving equitable share grants. For Richmond Municipality this ratio is **6.044** times. It means Richmond can continue to operate for a period of 6 months before its cash reserves get depleted. Therefore this Municipality is not in financial distress, this was also evidenced through the creditors' payment period shown above.

## 1.3.1. ASSESSMENT BY THE ACCOUNTING OFFICER OF ANY ARREARS ON MUNICIPAL TAXES AND SERVICE CHARGES

The total outstanding debt in respect of property taxes (municipal rates) and services charges for the year under review amounted to R6, 275, 338. This figure is made up as follows:

### Outstanding Municipal Taxes and Services Charges - 2011/2012 Financial Year.

Detail	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151 - 180 Days	181 Days - 1 Year	Total -
By Income Source								
Rates (Property Rates)	-174 787	148 563	116 043	109 168	107 798	84 847	4 653 445	5 045 077
Sanitation Tariffs	-	-	-	-	-	-	-	-
Refuse Removal	17 390	13 891	11 843	8 938	8 132	6 861	43 819	110 874
Housing	-	-	-	-	-	-	-	-
RSC Levies	-	-	-	-	-	-	-	-
Other	47 504	78 562	52 835	31 295	28 023	27 622	853 546	1 119 387
<b>Total</b>	<b>-109 893</b>	<b>241 016</b>	<b>180 721</b>	<b>149 401</b>	<b>143 953</b>	<b>119 330</b>	<b>5 550 810</b>	<b>6 275 338</b>
By Customer Group								
Government	11 446	11 598	5 188	2 199	357	288	2 153 379	2 184 455



Detail	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151 - 180 Days	181 Days - 1 Year	Total -
Business	10 994	49 736	45 424	45 188	45 022	43 084	1 287 587	1 527 035
Households	-35 463	95 214	76 056	67 187	54 750	49 374	1 335 695	1 642 813
Other	-96 870	84 468	54 053	34 827	43 824	26 584	774 149	921 035
<b>Total</b>	<b>-109 893</b>	<b>241 016</b>	<b>180 721</b>	<b>149 401</b>	<b>143 953</b>	<b>119 330</b>	<b>5 550 810</b>	<b>6 275 338</b>

Property taxes constitute a significant portion of the outstanding debtors that is 80.39% and other debtors constitute on 19.61%. There is no much panic if the outstanding is constituted largely by property taxes because the Municipality has recourse should the amounts not be paid. The Municipality has made a provision for these outstanding debts in the annual financial statements. The balance of 19.61% is owed by the developers of the shopping complex and the Municipality has already commenced with the implementation credit control policy. According to the developers, the reason for a slow progress in to the payment of lease rentals to the Council property is due to low tenancy at the shopping complex as a result they have had to cut down rentals to retain their tenants hence the application for a similar concession by the Municipality. Concessions were granted for the 2010/2011 financial and further concessions have been applied for which were not accepted by the Municipality. The conditions to the concessions granted were that the developers will pay all outstanding amounts within a year. The amount outstanding is fully recoverable from the developers.

Looking at the schedule bellow debtors by source schedule is a schedule of debtor's by group. Government owes the Municipality about 34.80%. This money is owed by National Department of Public Works in respect of property rates for the Department of Correctional Services for the Sevontein Prison which is within the Richmond Municipality jurisdiction. The Provincial Treasury is assisting the municipality in recovering this debt from the Department of Public Work. The prospects for recovering this debt are high. The Municipality has also made a provision for doubtful debts in respect of this amount. Businesses and Households who are in arrears for a period more than 180 days have already been handed over for collection.

#### 1.4. ORGANIZATIONAL DEVELOPMENT OVERVIEW.

The Municipality had staff complement of 145 in its approved organogram for 2011/2012 financial year. There are five (5) senior managers employed in terms of the Section 57 of the Municipal Systems Act, Act No. 32 of 2000. As at the 30 June 2012, the position for the Chief Financial Officer had been vacant since December 2011 due to resignation of the Chief Financial Officer – Mr. Wayne Donelley who had served the Municipality for more than ten (10) years and the position of the Strategic Manager – Technical Services was vacant since 02 April 2012. The Strategic Manager – Technical Services was suspended for allegations of misconduct in relation to the implementation of Simozomeni Sportsfield, Phatheni Sportsfield and CDB Sidewalk and Stormwater Drainage projects. The disciplinary hearing will be held on the 25 and 26 June 2012. Ms. Halima Osman and Mr. James Sithole were appointed to act in the positions of Chief Financial Officer and Strategic Manager Technical Services respectively.



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## 1.4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Department	2010/2011 Financial Year		2011/2012 Financial Year		Percentage of Vacancies
	Number of Employees	Approved Posts	Number of Employees	Vacancies	
Municipal Manager's Office	02	02	03	01	1%
Budget and Treasury Office	14	14	14	05	3%
Corporate Services	16	16	18	04	2.7%
Community Services	35	35	40	04	2.7%
Technical Services	65	65	70	05	3%
<b>Totals</b>	<b>132</b>	<b>132</b>	<b>145</b>	<b>19</b>	<b>13%</b>

The total of 14 positions in the Budget and Treasury Office include five (5) interns funded by the Financial Management Grant (FMG). The Budget and Treasury Office has performing outstandingly despite the above mentioned challenge. The five (5) positions vacant include that of the Chief Financial Officer and other four permanent positions. Also included in these vacant positions are two new posts of the SCM Practitioner and Credit Control Clerk.

Five vacant positions in the Technical Services Department are for Supervisors which were never there initially and they have since been introduced and one post is new and it is for a driver for the newly acquired TLB. Turnover in the Budget and Treasury Office as well as in the Corporate Services Department is very high. This is due to Richmond Municipality's inability to compete for admin and finance skills with the rest of the Municipalities.

The Municipality of introduced organization performance management system (OPMS) to the entire staff within the municipality this was well accepted by the unions. It is expected that if OPMS is implemented properly it will help improve staff performance and also assist of personnel development.

## 1.5. AUDITOR-GENERAL'S REPORT.

Richmond Municipality obtained an Unqualified Audit Opinion with two emphasis of matters from the Auditor-General for the audit of accounts for 2011/2012. This is a regression compared to 2010/2011 financial year audit report which a financial unqualified audit opinion with no matters (Clean Audit).

The issues that led to this opinion are two only as mentioned above and they relate to (i) material impairments, here the auditors skeptical that an amount of R2, 156 million contained in the consumer debtors balance as at the 30 June 2012 might not be recovered. This is despite an explanation given that the debtors constitute largely an amount in respect of property rates which is owed by the Department of Public Works for the Seventeain Prison that is located within the municipal jurisdiction and that there were meetings between the Municipality and Department officials facilitated by the Provincial Treasury to recoup the outstanding monies. The second matter relate to restatement of corresponding figures as a result errors discovered in 2012. The restated figures are material and therefore cast doubt in the prior year figures.

Despite the above setback, the Auditor-General has accepted the performance report submitted with the Annual Financial Statements on the 31 August 2012. The Auditor-General raised a concern however that the 23% of the 88 targets set were not achieved.

Lastly the Auditor-General has raised concerns with compliance with the requirement of section 122(1) of the MFMA, this relate to the above mentioned matter of restated figures.

The above matters are detailed in Chapter 5 of the annual report.



## 1.6. STATUTORY ANNUAL REPORT PROCESSES.

Section 127 (2) of the Municipal Finance Management Act, Act No. 56 of 2003,, says the Mayor of the Municipality must within seven months after the end of financial year table in the Municipal Council the annual report of the Municipality and of any municipal entity under the municipality's sole or shared control.

The process for the 2011/2012 that will be followed in drafting, tabling and adopting the annual report for the year under review will be as follows:

No.	Activity	Timeframe
1	Consideration of 2013/2014 financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period.	27 July 2012
2	Implementation and monitoring of approved Budget and IDP FOR 2012/2013 commences (In-year financial reporting).	01 July 2012
3	Finalise 4th quarter Report for previous financial year	27 July 2012
4	Submit draft 2011/2012 Annual Report to Internal Auditors and Auditor-General	27 August 2012
5	Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant)	28 August 2012
6	Municipality submits draft Annual Report including annual financial statements and performance report to Auditor General.	31 August 2012
7	Auditor General assesses draft Annual Report including Annual Financial Statements and Performance data	September – October 2012
8	Municipalities receive and start to address the Auditor General's comments	November 2012
9	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report	25 January 2013
10	Audited Annual Report is made public and representation is invited	28 January 2013
11	Oversight Committee assesses Annual Report	February- March 2013
12	Council adopts Oversight report	28 March 2013
13	Oversight report is made public	04 April 2013
14	Oversight report is submitted to relevant provincial councils	02 April 2013
15	Commencement of draft Budget/ IDP finalization for 2014/2015 financial year. Annual Report and Oversight Reports to be used as input.	July 2013

### T1.7.1

Meetings for the assessment of the annual report by the Oversight Committee will be advertised in the print media are open for public. The final annual report will be published once the oversight report to the annual report has been adopted by Council.



## CHAPTER 2: GOVERNANCE STRUCTURE

### COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

#### 2.1. Political Governance

##### a) The Richmond Municipal Council

Municipalities in South Africa are governed by Municipal Councils. Richmond Municipal Council is therefore the governing body of the Richmond Local Municipality (RLM) and the custodian of its powers, duties and functions, both legislative and administrative. Essentially, the Council performs a legislative and executive role. The Constitution of the Republic of South Africa, 1996, Chapter 7, Section 160 (1) defines the role of the Council as being:

- a) (making) decisions concerning the exercise of all the powers and the performance of all the functions of the municipality
- b) (electing) its chairperson
- c) (electing) an executive committee and other committees, subject to national legislation
- d) (employing) personnel that are necessary for the effective performance of its functions

Richmond Municipal Council is constituted by 14 elected Councillors; 7 Councillors are ward representatives and 7 represent their political parties on a proportional basis. The parties in Council are illustrated in Table below.

Political Party	No. of Seats	No. of Wards	PR Seats
African National Congress	11	6	5
Independent	1	1	0
United Democratic Movement	1	0	1
Democratic Alliance	1	0	1
National Freedom Party	0	0	0
Inkatha Freedom Party	0	0	0
<b>Totals</b>	<b>14</b>	<b>7</b>	<b>7</b>

##### b) System of Governance

Richmond Municipality use a collective executive system. In this system, the municipal council elects an executive committee, and then delegates executive responsibilities to the executive committee. The executive committee take decisions on matters that fall within its delegated powers. The establishment of a separate executive structure enables a small group of councillors (those who sit on the executive committee) to deal with the day-to-day business of running the municipality. In a collective executive system, the municipal council must elect one member of the executive committee as the chairperson of that committee. The chairperson of the executive committee is the Mayor.



## **POLITICAL STRUCTURE**

### **MAYORAL COMMITTEE/ EXECUTIVE COMMITTEE (EXCO Committee)**

The Executive Committee of Richmond Municipality comprises three members as shown below:



**City Mayor**  
**His Worship Mayor**  
**Cllr A Ragaloo**



**Deputy Mayor**  
**PR Cllr P. Ngcobo**



**Chief Whip**  
**Cllr T.D Kunene**

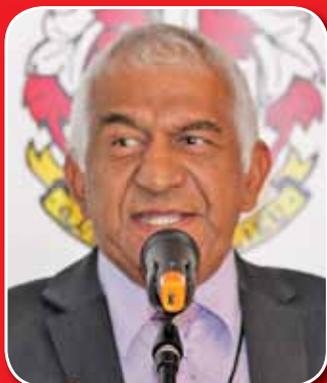
### **Chairperson/Speaker of Council**

Richmond Municipality has a Speaker of Council who is the Chairperson elected in terms of section 36 of the Municipal Structures Act, Act No. 117 of 1998 as envisaged in section 160 of the Constitution of the Republic of South Africa.



# Annual Report 2011/2012

## POLITICAL OFFICE BEARERS



*City Mayor  
His Worship Mayor  
Cllr A Ragaloo*



*Deputy Mayor  
PR Cllr P. Ngcobo*



*Speaker  
Cllr T Shabalala*



*Chief Whip  
Cllr P. Moonsamy*



## TOP ADMINISTRATIVE STRUCTURE



**Municipal Manager:  
Mr Sibusiso Sithole**



**Strategic Manager:  
Corporate services  
Mr Skhombiso  
Mthembu**



**Strategic Manager:  
Community Services  
Bigboy Mhlongo**



**Acting Strategic  
Manager:  
Technical Services  
Mr. Mbongiseni  
Sithole**



**Acting Strategic  
Manager:  
Financial Services  
Chief Financial Officer  
Ms. Halima Osman**

The above Strategic Managers for Community and Corporate services are on fixed term performance contracts reporting to the Municipal Manager in terms of the Municipal Systems Act Section 57. The Acting Strategic Managers are employed permanently in the respective department where they are acting. The acting status a temporary measure while the recruitment processes are currently underway.



# Annual Report 2011/2012

## COUNCILLORS

The Speaker who is the Chair of Council and is the legislative functionary who is in charge of all the 14 councillors. He monitors the work of councillors and Ward Committee members and ensures compliance with the Councillors' Code of Conduct.

Council, within the ambit of the law, formulates Municipal policy and procedures and takes resolutions that have to be implemented by ADMINISTRATION. This includes by-laws and other legislative prescripts.

As we are a Municipality with a collective executive system, we have an EXECUTIVE COMMITTEE. Its function is mainly, amongst others, financial matters.

The HEAD and Chair of EXCO is the Mayor, who is the Executive and Political Head of the Municipality. Exco is made up of the Mayor, the Deputy Mayor and one councillor. The Mayor is obliged to guide the drafting of the Annual Budget and has to present the Budget to Council for consideration.

## Richmond Municipality Councillors

Richmond municipality is made up of 14 Councillors.

- councillors 7 Ward  
ward 1 Cllr A. Ragavaloo  
ward 2 Cllr T Shabalala  
ward 3 Cllr K. E. Magubane  
ward 4 Cllr R. B. Shange  
ward 5 Cllr B. Ngcongco  
ward 6 Cllr J. Jili  
Ward 7 Cllr T. D. Kunene

- 7 P.R. councillors  
PR Cllr P. Ngcobo  
PR Cllr B. Ngubo  
PR Cllr M Maphumulo  
PR Cllr B Mngadi  
PR Cllr T. C. Madondo  
PR Cllr P. Moonsamy



**Speaker**  
**Cllr T Shabalala**

The speaker's role in a municipality is key to ensuring oversight, accountability, integrity, discipline of office, and the efficient running of council meetings. As such, impartiality in the exercise of his or her function is essential for the speaker. The speaker must distinguish between his or her activities as a politician and his or her functions as a speaker. It also means that the function of the speaker and the non-partisan exercise of that function must be respected by members, parties and interests represented in the council.

The key principles underlying the role of the Speaker are:

- (a) chair of council meetings;
- (b) implementation of the Code of Conduct; and
- (c) exercise of delegated functions including -
  - i. facilitating public participation in legislative matters;
  - ii. establishment and functioning of ward committees; and
  - iii. support to councillors.

The speaker is the guardian of the integrity of the council and the guardian of members' privileges and interests as council members. The privileges and interests of councillors include freedom of speech and immunity in the council as well as the use of council facilities, receipt of allowances, training and support, etc. Importantly, this role, combined with the speaker's role in terms of the Code of Conduct (Schedule 1 to the Systems Act), requires the speaker to guard against the abuse of councillors' privileges and interests.

### Portfolio Committees

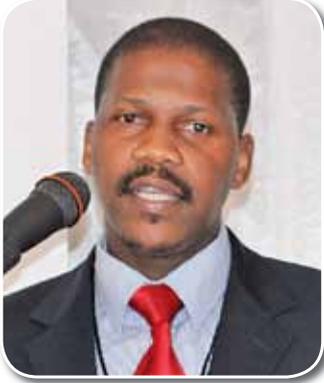
Richmond Municipality has four other committees which support the effective functioning of the Executive Committee. The table below show the four different committees and their chairpersons:

Name of the Portfolio Committee	Chairperson/Responsible Councillor
Planning, Infrastructure and Economic Development	Mayor – Cllr. A. Ragavaloo
Human Resources, and Information Technology.	Cllr. D. Kunene
Community Development and Social Services	Deputy Mayor - Cllr. P. Ngcobo
Municipal Public Accounts Committee – Standing Committee on Municipal Accounts	Cllr. J. Jili



## 2.2. Administrative Governance

### a) The Municipal Manager

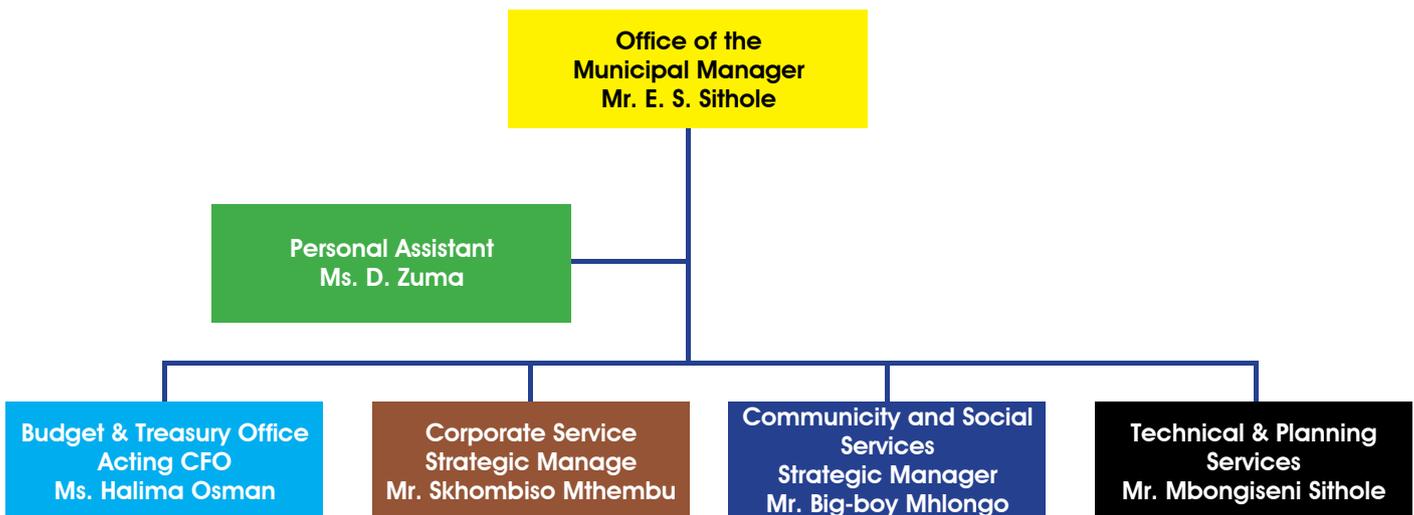


**Municipal Manager:**  
**Mr Sibusiso Sithole**

The administration is headed by the Municipal Manager as the Accounting Officer. The Municipal Manager is further responsible and accountable for the formation and development of an economical, effective, efficient and accountable administration as well as the management of the provision service in a sustainable and equitable manner within the municipality. The administration is made up of the following directorates headed by Executive Management Teams: Finance, Corporate Services, Community and Social Development and Technical and Planning Services.

The figure below provides an organogram of Richmond Municipality

### 2.2.1: Organisational Structure of Richmond Municipality





## COMPONENT B: INTERGOVERNMENTAL RELATIONS

### 2.3. Intergovernmental Relations

The Inter-governmental Relations Framework Act, (Act No 13 of 2005), requires all spheres of government to coordinate, communicate, align and integrate service delivery effectively, to ensure access to services. In this regard the Municipality complies with the provisions of the Act. Richmond Municipality furthermore participates in the uMgungundlovu Intergovernmental Forum. This forum provide a platform for engagement on matters affecting the family of municipalities within the District and to share best practises in pursuing the objects of local government. The Richmond Municipality also participates in the Provincial Housing Coordinating forum where parties look into the Human Settlement Grant funded projects, based on the allocation granted for the province. The Municipality also takes part in the CoGTA DTAC that drives the implementation of performance systems within Municipalities.

## COMPONENT C: PUBLIC PARTICIPATION AND ACCOUNTABILITY

### 2.4 IDP PARTICIPATION AND ALIGNMENT

IDP Participation and Alignment Criteria*	Yes/No
Does the municipality have impact, outcome, input, output indicators?	Yes
Does the IDP have priorities, objectives, KPIs, development strategies?	Yes
Does the IDP have multi-year targets?	Yes
Are the above aligned and can they calculate into a score?	Yes
Does the budget align directly to the KPIs in the strategic plan?	Yes
Do the IDP KPIs align to the Section 57 Managers	Yes
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	Yes
Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes	Yes
Were the indicators communicated to the public?	Yes
Were the four quarter aligned reports submitted within stipulated time frames?	Yes
* Section 26 Municipal Systems Act 2000	

## COMPONENT D: CORPORATE GOVERNANCE

### OVERVIEW OF CORPORATE GOVERNANCE

#### Introduction

Recently the terms “governance” and “good governance” are being increasingly used in development literature. Bad governance is being increasingly regarded as one of the root causes of all evil within our societies. Major donors and international financial institutions are increasingly basing their aid and loans on the condition that reforms that ensure “good governance” are undertaken. This article tries to explain, as simply as possible, what “governance” and “good governance” means and how Richmond Municipality has been trying to comply with the requirements of good governance.



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## Governance

The concept of “governance” is not new. It is as old as human civilization. Simply put “governance” means: the process of decision-making and the process by which decisions are implemented (or not implemented). Governance can be used in several contexts such as corporate governance, international governance, national governance and local governance. Since governance is the process of decision making and the process by which decisions are implemented, an analysis of governance focuses on the formal and informal actors involved in decision-making and implementing the decisions made and the formal and informal structures that have been set in place to arrive at and implement the decision. Government is one of the actors in governance. Other actors involved in governance vary depending on the level of government that is under discussion. In rural areas, for example, other actors may include influential land lords, associations of peasant farmers, cooperatives, NGOs, research institutes, religious leaders, finance institutions political parties, the military etc. The situation in urban areas is much more complex. At the national level, in addition to the above actors, media, lobbyists, international donors, multi-national corporations, etc. may play a role in decision making or in influencing the decision-making process. All actors other than government and the military are grouped together as part of the “civil society.” In some countries in addition to the civil society, organized crime syndicates also influence decision-making, particularly in urban areas and at the national level. Similarly formal government structures are one means by which decisions are arrived at and implemented. At the national level, informal decision-making structures, such as “kitchen cabinets” or informal advisors may exist. In urban areas, organized crime syndicates such as the “land Mafia” may influence decision-making. In some rural areas locally powerful families may make or influence decision-making. Such, informal decision-making is often the result of corrupt practices or leads to corrupt practices.

## Good Governance

Good governance has 8 major characteristics. It is participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and follows the rule of law. It assures that corruption is minimized, the views of minorities are taken into account and that the voices of the most vulnerable in society are heard in decision-making. It is also responsive to the present and future needs of society.

## Participation

The Municipal Systems Act, Act No. 32 of 2000 encourages the involvement of community participation in the affairs of the Municipality. Participation by both men and women is a key cornerstone of good governance. Participation could be either direct or through legitimate intermediate institutions or representatives. It is important to point out that representative democracy does not necessarily mean that the concerns of the most vulnerable in society would be taken into consideration in decision making. Participation needs to be informed and organized. This means freedom of association and expression on the one hand and an organized civil society on the other hand. In ensuring compliance with the requirements of legislation in relation to community participation, Richmond Municipality has established community structures that facilitate and coordinate community participation with its area of jurisdiction. These community structure are called Ward Committees and they are established in terms of the Municipal Structures Act, Act No. 117 of 1998. The Municipality has seven Wards and ten Ward Committee members in each Ward. The Ward Councillor is the Chairperson of the Ward Committee. Each Ward Committee member represent a particular sector within the committee e.g. Education, Public Safety, Infrastructure etc. The Ward Committees meet regularly throughout the year and any recommendations are submitted to the Municipality for further discussion by Council Committees until matters are addressed. The committees function effectively throughout the year under review. Public meeting were also held for the purposes of reporting on the implementation of the budget and IDP for 2011/2012 and to obtain community inputs for 2012/2013.

The Municipality has an adopted policy that regulates the functioning of Ward Communities. The Ward Committee members receive a stipend to cover out of pocket expenses like travelling to meeting venues.



## **Compliance with Rule of law.**

Good governance requires fair legal frameworks that are enforced impartially. It also requires full protection of human rights, particularly those of minorities. Impartial enforcement of laws requires an independent judiciary and an impartial and incorruptible police force.

In auditing the accounts of the Richmond Municipality the Auditor General also checks the level of compliance with all laws and regulation applicable to the Municipality. The Auditor General has reported there are no material incompliance with laws and regulations in their audit report for 2011/2012 financial year.

## **Transparency**

Transparency means that decisions taken and their enforcement are done in a manner that follows rules and regulations. It also means that information is freely available and directly accessible to those who will be affected by such decisions and their enforcement. It also means that enough information is provided and that it is provided in easily understandable forms and media.

Richmond Municipality has been very transparent in its dealings. There a Municipality news letter that is issued every quarter to lay bare all the affairs of the Municipality for the communities and other stakeholders consumption. Council meetings are also open for all the stakeholders to observe.

## **Responsiveness**

Good governance requires that institutions and processes try to serve all stakeholders within a reasonable timeframe. This has been reasonably complied with during the year under review.

Richmond Municipality has established a Help Desk Office where all complains are communicated, recorded and responded to. Complains not addressed are reported to the Municipal Manager for his intervention.

## **Consensus oriented**

There are several actors and as many view points in a given society. Good governance requires mediation of the different interests in society to reach a broad consensus in society on what is in the best interest of the whole community and how this can be achieved. It also requires a broad and long-term perspective on what is needed for sustainable human development and how to achieve the goals of such development. This can only result from an understanding of the historical, cultural and social contexts of a given society or community.

This is prevalent in Richmond Municipality, our Council has never had to vote on a particular matter, all matters are tabled discussed and all views considered before decisions are taken.

## **Equity and inclusiveness**

A society's well being depends on ensuring that all its members feel that they have a stake in it and do not feel excluded from the mainstream of society. This requires all groups, but particularly the most vulnerable have opportunities to improve or maintain their well being.

As explained in the paragraph on community participation all stakeholders are equally involved in the affairs of the Municipality.



# Annual Report 2011/2012

## **Effectiveness and efficiency**

Good governance means that processes and institutions produce results that meet the needs of society while making the best use of resources at their disposal. The concept of efficiency in the context of good governance also covers the sustainable use of natural resources and the protection of the environment.

The Municipality tries by all means to ensure that resources are utilized efficiently and that the means applied to address issues have an impact.

## **Accountability**

Accountability is a key requirement of good governance. Not only governmental institutions but also the private sector and civil society organizations must be accountable to the public and to their institutional stakeholders. Who is accountable to whom varies depending on whether decisions or actions taken are internal or external to an organization or institution. In general an organization or an institution is accountable to those who will be affected by its decisions or actions. Accountability cannot be enforced without transparency and the rule of law.

Richmond Municipality is accountable hence the regular meetings held with the communities and other stakeholders to report on progress in implementing the IDP and Budget and also the newsletter distributed to all stakeholders in a language that is understandable.

## **2.5 RISK MANAGEMENT**

### **RISK MANAGEMENT**

MFMA S62 (i) (c) requires a municipality to have and maintain an effective, efficient and transparent system of risk management.

The Municipality will in 2012/2013 consider recruiting an official who will be dedicated to deal with risk management issues of the Municipality. The Municipality has been assisted by the Provincial Treasury in completing and reviewing the risk register. The internal auditors have also played a significant role in this area in ensuring that the Municipality complies with the requirements of the Municipal Finance Management Act.

The Municipality currently has a draft policy on risk management and the policy will be work-shopped to all Councillors and staff of the Municipality.

The draft policy also recommends the establishment of the risk management committee and for this purpose the Municipality will utilize the services of the Municipal Public Accounts Committee as well as the audit committee of the Municipality.



## 2.6 ANTI-CORRUPTION AND FRAUD

### FRAUD PREVENTION AND ANTI-CORRUPTION STRATEGY

Richmond Municipality is committed to protecting its revenue, expenditure and property from any attempt, either by members of the public, contractors, subcontractors, agents, intermediaries or its own employees, to gain by deceit financial or other benefits. This policy is designed to protect public money and property, protect the integrity, security and reputation of our public institutions and maintain a high level of services to the community consistent with good governance.

There are three elements to the Municipality's policy:

- Reduction of losses through fraud by the rigorous implementation of fraud prevention procedures;
- A commitment to a policy of detection, investigation, recovery and prosecution of individual cases of fraud: and
- Respect for the civil rights of all citizens – including its employees

Richmond Municipality, its Departments and particularly its employees, act as stewards of the public purse. (Note: for the purpose of this policy, the word "Departments" will refer to South African Police Services (SAPS), National Director of Public Prosecutions (NDPP) and Internal Audit Unit (IAU)). The community has, rightly, an expectation that Municipal employees acknowledge and fulfill their responsibility to protect public money and property.

Fraud prevention is the protection of public property, revenue, expenditure and rights and privileges from fraudulent exploitation. The desired outcome of the Richmond Municipality's fraud prevention policy is elimination of cases of fraud on Municipal departments and Municipal entities.

Richmond Municipality has adopted an integrated comprehensive fraud prevention plan for all departments. The Municipality's fraud prevention plan provides for: -

1. Adherence to the Richmond Municipality's directions and fraud prevention;
2. The reporting to the SAPS of information on all instances of fraud against Richmond Municipality's programs;
3. The referral to the SAPS for investigation of all cases of fraud except those routine and minor matters either currently investigated by departments approved by the Richmond Municipal Manager and or Richmond Council;
4. The referral to National Director of Public Prosecution (Directorate of Special Operations) for investigations
5. The adherence by Richmond Municipal official to standards and guidelines set by the Minister for Finance for fraud prevention, investigation of fraud cases, collection and reporting of fraud related information, and the training of fraud investigators,

## 2.7 SUPPLY CHAIN MANAGEMENT

### OVERVIEW SUPPLY CHAIN MANAGEMENT

The Municipality has a Supply Chain Management Unit management by one official currently who is at the level of the Officer. The Municipality is in the process improving staff capacity in this unit due to the volume of work undertaken in this office. In the 2012/2013 financial year the Municipality will create a position of a Supply Chain Management Clerk to assist with administrative work required to be performed in this office.

The Municipality has a policy on supply chain management which has been implemented fully throughout the year. There were no incidents of abuse in the implementation of the SCM policy of the Municipality during the year under review.



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Tender appeals were dealt with in terms of the regulations and the SCM policy of the Municipality. Out of four tender appeals that occurred during the year the Municipality succeeded in three and was unsuccessful only in one. There were no financial implications with respect of the appeal where the Municipality except that the Municipality was requested to include the appellant in the panel of project consultants.

The Municipality has successfully implemented the SCM circulars issued by the National Treasury to guide municipalities in their implementation of the SCM regulations.

## 2.8 BY-LAWS

By-laws Introduced during 2011/2012 financial year.					
Newly Developed	Reviewed	Public Participation undertaken before by-law approved (Y/N)	Date of Public Participation	By-Law Gazetted (Yes/No)	Date of Publication
None	None	Not Applicable	Not Applicable	Not Applicable	Not Applicable
None	None	Not Applicable	Not Applicable	Not Applicable	Not Applicable
None	None	Not Applicable	Not Applicable	Not Applicable	Not Applicable

Richmond Municipality did not introduce any new by-law in the year under review. The Municipality did revise its property rates policy to cater for investors, where a rebate for investors was introduced in the policy. This has not yet been gazette by the Municipality. The Municipality is awaiting the opinion of the attorneys on whether to gazette this provision or not.

All the necessary process for the review of the policy were undertaken satisfactorily.

## 2.9 WEBSITES

Municipal Website: Content and Currency of Material		
Documents published on the Municipality's Website	(Yes / No)	Publishing Date
Current annual adjustments budgets and all budget related documents	Yes	February 2012
All current budget related policies	Yes	May 2011
The previous annual report 2010/2011	Yes	April 2012
The Annual report 2011/2012 to be published	Yes	April 2013
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act 2011/2012 and resulting scorecards.	Yes	July 2011
All service level agreements 2011/2012	Yes	July 2011
All long term borrowing contracts 2011/2012	N/A	N/A
All supply chain management contracts above a prescribed value for 2011/2012.	None	Not Applicable
An information statement containing a list of assets over a prescribed a prescribed value that have been disposed of in terms of section 14 (2) or (4) during 2011/2012.	None	Not Applicable
Contracts agreed in 2011/2012 to which subsection (1) of section 33 apply, subject to subsection (3) of that section.	None	Not Applicable



### Municipal Website: Content and Currency of Material

Documents published on the Municipality's Website	(Yes / No)	Publishing Date
Public-Private Partnership agreements referred to in section 120 made in 2011/2012.	None	Not Applicable
All quarterly reports tabled in Council in terms of section 52(d) Section 71 during 2011/2012.	Yes	Quarterly
Any other information required in terms of section 75 of the Municipal Finance Management Act.	None	Not Applicable

The Municipality does not have a computer accessed by the members of the public to access information placed on the website as required by section 75 of the Municipal Finance Management Act. The municipality currently has computers placed at the municipal library for access by community members this can be used for such purpose as envisaged in section 75 of the MFMA.





## 2.11 PUBLIC SATISFACTION ON MUNICIPAL SERVICES

### PUBLIC SATISFCATION LEVELS

Since 2011 the community has seen a lot of change when it comes to Municipal service delivery and izimbizo for the community. All of the development took place in Richmond was in line with what the community requested and approve. The communication department always make sure that the community is aware and do take participate in Richmond infrastructure. The IDP and budget was communicated accordingly to the community of Richmond. ref IDP and budget calendar

T2.11.1

Satisfaction Surveys Undertaken during 2011/12 and 2012/07				
Subject matter of survey	Survey method	Survey date	No of people included in survey	Survey results indicating satisfaction or better (%)*
<b>Overall satisfaction with:</b>				
(a) Municipality	written form	12-Jul-2012	20	Good 80%
(b) Municipal Service Delivery	written form	13-Jul-2012	20	satisfaction 64%
(c ) Mayor	written form	13-Jul-2012	20	satisfaction 51%
<b>Satisfaction with:</b>				
(a) Refuse Collection	written form	17-Jul-2012	20	bad 34%
(b) Road Maintenance	written form	17-Jul-2012	20	good 50%
(c ) Electricity Supply	written form	17-Jul-2012	20	better 82%
(d) Water Supply	written form	17-Jul-2012	20	bad 24%
(e) Sanitation	written form	17-Jul-2012	20	Bad 42%
(f) Information supplied by municipality to the public	written form	17-Jul-2012	20	better 94%
(g) Opportunities for consultation on municipal affairs	written form	17-Jul-2012	20	good 60%
* The percentage indicates the proportion of those surveyed that believed that relevant performance was at least satisfactory				T2.11.2



## Service Delivery Protests

Between January and February 2012, the Municipality had a service delivery protest. A group of people who call themselves concerned residents of Indaleni and surrounding areas lodged an application to stage a march/protest action which was scheduled for the 20 January 2012. Applications for marches, processions and or protest actions are dealt with in terms of legislation, Regulation of Gatherings Act, Act No. 205 of 1993. The Act spells out in detail the procedure that requires to be followed when people apply to have a gathering, March, procession and or any of the similar event. The application was declined a number of times due to non compliance with the Act.

On the 20 January 2012 people continued to have a march which was illegal in spite of the communication made regarding non approval of the permission. The illegal march is still under investigation by SAPS and wrong doers will be prosecuted.

On the 31 January 2012 the meeting was convened regarding the application for another march scheduled for the 03 February 2012 and after following the procedure required by the Act, the permission to march was granted. The marchers intended to submit a memorandum to the MEC for CoGTA through a representative from MEC's Office who was available to receive the memorandum on the said date.

CoGTA communicated the memorandum and requested the Municipality to respond on the matters raised. The memorandum was brought to the attention of Council, Municipal Public Accounts Committee and the Audit Committee who all supported that the allegations levelled be investigated. The matters raised in the memorandum were around fraud, corruption, nepotism and few service delivery matters. The conveners of the march/protest action were interviewed by the investigators and no evidence could be found for allegations put in the memorandum. The investigation has since been completed and all allegations have been found to be without substance and frivolous. The report will be forwarded to CoGTA accordingly.



# Annual Report 2011/2012

## CHAPTER 3 – SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART I)

### INTRODUCTION

The Municipality has concluded the 1st year of the term of office for the Council that was voted in May 2011. The year 2011/2012 was a transitional year for the newly elected Council in that the IDP and the Budget which provide a service delivery direction of the Municipality were approved by Council whose term of office expired in May 2011, nevertheless, credit should be given to the current Council who managed to ensure that the Municipality and the administration implemented the programmes of the Municipality smoothly without much interruptions. It should be noted that there were challenges but the Municipality managed to deal with them without negatively affecting service delivery.

Other challenges include the resignation of the Chief Financial Officer Mr. Wayne Donnelly who had more than 10 years of service with Richmond Municipality, the departure of Mr. Brendon Rajoo Manager Environmental Health Services as well as the premature departure of the Strategic Manager Technical Services Mr. Khethukuthula Gumede who was charged with misconduct prior to his resignation. It would have been in the best interest of Council to conclude his disciplinary processes prior to his departure. The departure of these officials required that the Municipality act quickly in terms of closing the gaps left open by their departure in order to ensure that service delivery was not affected.

### Key Service Achievements for 2011/2012.

Council's key objectives are to ensure organisational development, improving basic service delivery, social and economic growth, ensuring sustainable financial viability and promoting good governance and principles of democracy. The first quarter of the financial year has still been characterised by challenges of developing practical and progressive delivery of services to the community of our municipality especially the previously disadvantaged communities. One of the key challenges is this long walk to service delivery improvement resulting from scarce resources required to improve service delivery. This challenge has always been re-iterated from all spheres of government. The Municipality is clear on the issue of service delivery and the need to improve in order to realise its vision. A lot has been achieved by the Municipality as an institution but very little towards the improvement of the lives of the people to ensure a better life for all. National government has built frameworks and foundations for improved participatory democracy however some stakeholders still lack the necessary understanding and this has resulted in frustrations and therefore community protest actions or anarchy in some areas. The plans of the Municipality follow from a national plan of ensuring a better life for all and this is how we have planned and performed in the first quarter.



## Organisation Development and Institutional Transformation.

This involves ensuring that the organisation is ready in terms of capacity and able to cope with its responsibilities as outlined in the Integrated Development Plan. In order to prepare the organisation for the delivery challenge, the organisation must have the reasonable number of employees expected to deliver on the targets set and that such employees are well capacitated with skills to be able to deliver. To transform the institution into a developmental oriented institution, the municipality develops and IDP which stipulates the developmental needs of the community then reorganise its staff such that it is able to deliver on its targets by creating and filling positions with which it hopes to achieve its objective. In this financial year, the Municipality has started to implement the Work Place Skills plan to ensure that staff is well trained to perform their duties. The first quarter started with training of all supervisors and managers of the Municipality on staff supervision. This will ensure that staff at lower level improve its performance and work with efficiency in the use municipal resources. The Municipality also targeted to fill all 8 new vacant positions. All but 2 positions in the Traffic Department have been filled. The Municipality also targeted to continue to implement performance management system with the purpose of improving performance in the workplace. This has been going as planned with the exception of the Technical Services Department lagging behind due to limited capacity to champion Organisational Performance Management System within the department.

Measures to improve performance are required with regard to implementation of organisational performance management system in the technical services department. Currently, the municipality has engaged the in-service trainee in the field of Human Resources who is expected to augment capacity in this department and therefore improve performance in this area. Also some interventions are required in ensuring implementation of workplace skills plan. In 2011/2012 only 31% of the plan was implemented.

## Basic Service Delivery and Infrastructure Development.

Basic service delivery involves street cleaning, refuse removal, verges maintenance, road maintenance (rural and black-top roads). Provision of these services has been going as planned. The municipality will change the system of road maintenance from a month per ward system to a distance (4 kilometres) per ward system in the 2012/2013 financial year because of many challenges encountered with the current system. The period per ward system had some shortfalls in that it didn't take into account bad weather conditions and machine breakdowns. This resulted in incomplete work with wards. The distance per ward system will ensure that 4 kilometres per ward are maintained before proceed to the next ward. The Municipality is currently in Ward 2 and thereafter it will proceed to Ward 3 and follow the sequence until all wards have been maintained. The community through ward committee identify roads that required immediate attention and technical services measure the distance and once the community has agreed with the prioritization then maintenance begins. Refuse removal is carrying on in Siyathuthuka and Byrne Village. Other areas will be added depending on the resources available.

On infrastructure development, the municipality had targeted to complete nine projects in this financial year including work-in-progress from 2010/2011. The projects for the current financial year were, Mkhobeni Access Road Ward 7, Qolintaba Access Road Ward 6, Mancinza Access Road Ward 6, Ndaleni Sidewalk Ward 2 & 7, Harare Pedestrian Bridge Ward 1, Installation of Traffic Signals in Nelson and Shepstone Street Ward 1, Nompofana Sportsfield Ward 5, and Sanitation Project in Wards 3 & 4. All these projects with the exception of Ndaleni Sidewalk in Ndaleni were at the completion stage at the end of the financial year.



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The Municipality has also continued to complete work-in-progress in respect of 2010/2011. The projects involved are Retail Market Facility Ward 1, CBD Sidewalk Ward 1, and Simozomeni Sportsfield Ward 6. Retail Market facility was at its completion stage the Municipality has been in a process of installing prepaid electricity metres for the different stalls, CBD sidewalk and stormwater drainage project is currently under investigation by the law enforcement agencies. Ndaleni sidewalk project has had challenges which saw the project being stopped due to social facilitation that is alleged to have not been undertaken appropriately when the redemarcation of wards took place in 2011. This resulted in the project overlapping to Ward 7 and therefore community of ward 7 now feel left out. The Municipality has had meetings which seem to have resolved the problems relating to employment of casual labour which was the main problem stopping progress in the implementation of the project. All other projects in respect of 2011/2012 are practically complete.

## **Social and Economic Development.**

Social development includes traffic management, community services, libraries and housing infrastructure. Social services have been progress well however the municipality is still not doing well in respect of traffic fines collections. The Municipality is investigating the possibility of acquiring a system for management of traffic fines and this expected to improve traffic fines collection and this will ensure that the unit is self sustainable. Housing development is also an area which is moving slowly and this is due to the function being performed at Provincial level by the Department of Human Settlement. There are 4 projects currently in the pipeline with only 1 in the construction stage. These projects are Inhlazuka Housing Project Ward 5 Amandus Hill and St Bernard Housing Projects Ward 4 & 5, Siyathuthuka Phase 2 Ward 2 and 7 and Zwelethu Housing Project Ward 3. Inhlazuka is at the approval stage and if all goes as planned the project may commence construction latest February 2013. There are 1000 units to be developed. Amandus Hill and St. Bernard projects are still at the planning stage. Siyathuthuka Phase 2 is at the planning stage and this project has been delayed by the formalisation of wetland identified within the site area of the project which might cause problems for construction. The study is towards its completion stage and this might require re-identification other sites to avoid problems. Zwelethu Housing project has 120 units and construction is going as planned with more than 20 units having been completed. Problems that took place at the early stages of the project implementation in relation to temporary employment have been resolved.

Local economic development involves developing and approving LED strategy for implementation, facilitating training support for local SMME and sourcing strategic funds for business expansion and fostering business partnership. The strategy has since been adopted and the municipality has been compiling database of local SMME for the purposes of facilitating training support. Sourcing funds for business expansion is supported by the Department of Economic Development and Tourism with a budget of R15 million where the municipality through the Richmond Special Development Initiative - PMU being is expected to contract potential business partners to benefit from the Strategic Project Funds allocated by DEDT. Five potential business partners have made it to the due diligent stage of evaluation and applicants approved at this stage will be contracted to qualify for funding for which they applied. This is expected to improve job creation and ensure business expansion and capacitating of SMME. Other responsibilities involve creation of job opportunities through EPWP. This Municipality is progressing well in this area with more than 40 local people having been employed.

## **Financial viability and sustainability.**

Financial state of the municipality can be measured through the Liquidity Ratios and Efficiency Ratios. The liquidity ratio measures the organisations ability to meet its short term debts and the efficiency ratio measures how efficiently certain resources have been utilised within the organisation.

Performance against target in respect of this key responsibility area is detailed in Chapter 2 above.



## Good Governance and Community Participation.

Municipality is currently doing reasonably well in this area. This involves having regular meetings with the communities in all wards to report on progress in implementing IDP and the budget. The first quarter meetings have been successfully held in all wards with the exception of Ward 1 which is still to have its meeting. It also involves compiling a newsletter for the municipality to communicate the affairs of the municipality. This report will go into the first issue of the financial year which is well within the targeted time frame. Suggestion boxes are still being cleared on a regular basis to ensure continuous communications with all stakeholders.

Ward committee system, ward committee meetings are still being held to discuss the matters affecting communities and records of meetings are communicated to the Municipality on a regular basis. Municipality has since improved financial support given to ward committee members for the purposes of carrying out their responsibilities. The stipend has been improved from R150.00 per meeting to R500.00 per month. This has resulted in regular communications with the communities. Training has also been provided to Ward Committee members in order to improve their performance in discharging their responsibilities.

SCOMA/MPAC (Standing Committee on Municipal Accounts/Municipal Public Accounts Committees), this committee had meetings for the entire year. Other governance matters include the audit committee is also to schedule its first meeting for the financial year and also having regular audits of throughout the year to ensure that internal controls function as planned. The auditors are currently carrying out the audit in respect of performance information.

This is briefly the performance of the Municipality in respect of the 2011/2012. The municipality has got to make efforts to ensure that there is continued good relationship between the Councillors and Administration and this ensures smooth implementation of the IDP and therefore achievement of objectives of the Municipality and ensure service delivery. Where there are conflicting interests, parties must always strive for a harmonious solution.

The priorities of both council and administration must be on service delivery including allocation of resources. Priority in filling of positions must at all times be geared towards improving service delivery and then to support units.

Community await with keen interest the visible results of pushing back the frontiers of inefficient and ineffective delivery.

## COMPONENT A: BASIC SERVICES

### 3.1. WATER AND SANITATION PROVISION

This component includes: water; waste water (sanitation); electricity; waste management; and housing services; and a summary of free basic services.

Water and sanitation services are the responsibility of uMgungundlovu District Municipality in terms of powers and functions as outlined in the Local Government Municipal Structure Act, Act No 117 of 1998, Richmond Municipality plays a facilitation role in ensuring that community of Richmond receives these services.

Based on the uMgungundlovu District Municipality's plans for 2011/2012, the statistics have been as follows in respect of Water and Sanitation.



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Description	Target Date	Baseline Information for 2010/2011	Annual Target for 2011/2012	End of Period Performance	Measures taken to improve performance
Number of Households with access to clean water.	30-Jun-12	10500	12500	11670	The Councillors sitting at the uMgungundlovu District Municipality on behalf of Richmond Municipality have been urged to intervene on slow progress.
Number of Households with access to sanitation services.	30-Jun-12	2000	3500	3200	The Councillors sitting at the uMgungundlovu District Municipality on behalf of Richmond Municipality have been urged to intervene on slow progress.

Information relating to use of water by sector will be contained in the uMgungundlovu District Municipality's annual report for 2011/2012. Information relating to staff performing water and sanitation function will also be contained in the District Municipality's Annual Report for 2011/2012.

Other water and sanitation statistics are presented in Chapter 1 of this annual report above.

## 3.2 ELECTRICITY

Recent legislation includes the Electricity Amendment Act, Acts for 1989, 1994, 1995 and Electricity Regulation Act 2006.

The function for provision of electricity in Richmond Municipal area is the responsibility of Eskom. The Municipality plays a facilitation role. The Municipality received a INEP grant of R4 million from Department of Energy during the under review for the electrification of 500 houses in Ward 4 and 5 areas. These funds were not expended during the year under review due to challenges in the tender processes. In 2012/2013 financial year the Municipality will appoint a service provider to package the project.

Information relating service delivery levels, financial performance, employees responsible for service provision and any other capital expenditure information in respect of electricity is held by Eskom. Other statistical information relating to energy is presented below.

### 3.2.1 SOURCES OF ENERGY

The semi-urban and rural areas are the most under serviced areas in terms of access to electricity. Households without access to electricity resort to other energy sources such as candles, paraffin, coal, etc which can prove to be dangerous if not properly monitored. The main problems with regard to electricity provision relate to inadequate bulk supply. In addition, access to areas is difficult due to the topography and insufficient funding for building adequate roads to these areas. The following table shows the types of energy sources accessed by people in the Richmond Municipality.



## Access to Energy Sources

Energy Sources	No of Households	Percentage %
Solar/other/unspecified	68	0.50%
Electricity	9707	68.00%
Gas	45	0.30%
Paraffin	255	1.80%
Candles	4189	29.40%
Total	14265	100%

**Source:** Quantec Easy Data 2010

Further, the following projects have been identified for the electrification in Wards three and five:

### Eskom Projects for Electrification in Wards 3 and 5

Richmond Municipality				
LM CODE	Project Name	P60K	Conns	Ward No.
KZN227	Nhlazuka Group	Y	693	5
KZN227	Emgxobeleni	N	327	3
KZN227	Mbila	N	1372	5
KZN227	Emgxobeleni	Y	328	3
<b>Totals</b>			<b>2720</b>	

**Source:** Eskom, Distribution Division, Eastern Region, 2009

## 3.3 WASTE MANAGEMENT

The Richmond Town area is the only place where solid waste removal services are available. The service is not available to households in the semi-urban and rural areas. Communities rely on traditional methods of disposing of their litter which include digging a pit for dumping purposes. Others dispose of waste in the open without any formal pattern. Disposal of waste in the open can have serious negative impacts on the environment and human health. An awareness programme is required to develop proper refuse removal mechanisms. This includes educating members of the public about environmental management and sustainable means to deal with household waste. The following table shows the types of refuse removal used in the Richmond Municipality.



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## Access to Various Types of Refuse Removal

Description of Refuse Removals	No of Households	Percentage%
Unspecified / Other	259	1.80%
Removed by local authority at least once a week	1582	11.10%
Removed by local authority less often	129	0.90%
Communal refuse dump	425	3.00%
Own refuse dump	11051	77.50%
No rubbish disposal	817	5.70%
<b>Totals</b>	<b>14263</b>	<b>100%</b>

Source: Quantec Easy Data 2010

The following table presents the types of refuse removal by population groups in the Richmond Municipality. The Municipality acquired a new refuse truck which will improve service delivery if use utilised efficiently. Refuse Removal was extended to Byrne Village in Ward 1 and Siyathuthuka low cost house development in Ward 2. Further areas will be incorporated in the future financial years.

## 3.4 Local Economic Development

### SECTION 1 INTRODUCTION

#### 1.1. BACKGROUND AND PURPOSE

This research leading to the development of the local economic development strategy project has been commissioned by the Richmond Municipality and it is undertaken in alignment with the Integrated Development Plan and other documents of relevance to Richmond.

South Africa is faced with the challenge of improving the quality of life of the poor and marginalised in an ever globalising world. Local government has been given the responsibility to improve the overall economic and social conditions within their respective local areas in order to encourage economic and employment growth and development. Local municipalities are mandated to develop local economic development (LED) strategies and plans that will assist them to work with their economic partners to address the challenges facing their respective local economies in an effort to improve the economic future and the quality of life for all the residents in the area.

The Richmond Municipality acknowledges that it has both a legal obligation and political responsibility to ensure that it provides for the social and economic upliftment of the local communities. The two main purposes of the LED are therefore to decrease poverty and enhance the economic capacity of a local area so that the economic future and the quality of life for all are ultimately improved.

Richmond has the potential to develop economically. However, the capacity, institutions and budgets are not currently in place to implement sustainable local economic development strategies. Certain interventions have been identified which, upon successful implementation, could serve to boost the economic activities of the area.

From this perspective, strategies must be developed to:

- Promote local ownership, community involvement, and local leadership in joint decision making
- Involve local, national and international partnerships between communities, businesses and government to solve problems, create joint business ventures and enhance local areas



- Use local resources and skills and maximise opportunities for development
- Involve the integration of diverse economic initiatives in an all-inclusive approach to local development, and
- Design flexible approaches to respond to changing circumstance at local, national and international level

In consideration to the above, and in order to enable the Richmond Municipality to formulate an efficient and effective strategy to address the above issues, the purpose of the current study is, therefore:

to undertake a thorough analysis of the current local economy in order to ensure that the strategy, upon formulation, is developed within the local context and therefore becomes responsive to the needs of the community at large and serves to enhance the economic activity of the Richmond Municipality

## 1.2 METHODOLOGY

As part of methodology, the project engages with key local stakeholders from the private, non-governmental and public sectors in the collection and analysis of the information. The research consolidates and adds value to the existing strategies and programmes to facilitate and guide economic development and investment in the Richmond Municipality. The analysis is based on identified development needs, opportunities and comparative advantages that will unlock the latent economic development potential of the area.

The above goals are broken down into five steps as shown in Figure 1.1

**Step 1:** Orientation/Inception helps to finalise the project scope in the terms of the goal and objectives to be achieved and deliverables to be provided with the study.

**Step 2:** Secondary data review reviews the current information kept by the municipality and updates the socio economic statistical profile of the local economy for the entire Richmond Municipality

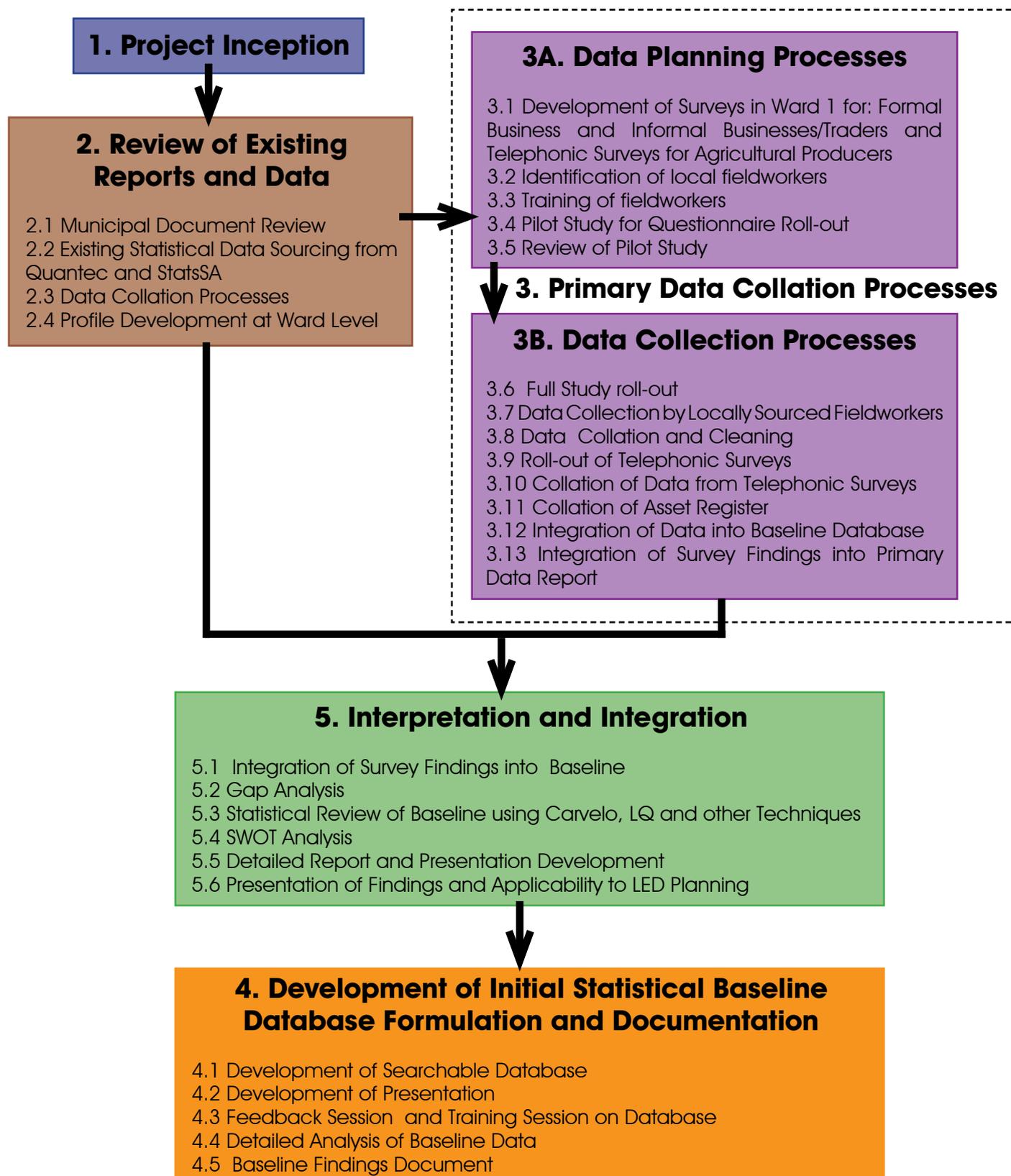
**Step 3:** Primary data collection processes are undertaken where specific sectors are surveyed and analysed. Manufacturing, agriculture, tourism, informal trade, taxi transport and “hidden” economic activity are the focus of quantification because these are real LED related economic issues for Richmond’s future growth.

**Step 4:** Initial statistical baseline database formulation and documentation are developed that examines not only statistical data, but also makes inference about the survey (primary data collected).

**Step 5:** The integration of all available information are done in a holistic sector combination that allows the gathering of relevant and up-to-date information and data of the Richmond and allow the formation of a SWOT analysis. In this process, information collected from previous steps are assessed in terms of the problems, opportunities and gaps that exist with respect to economy of Richmond.



Figure 1.1 Methodology





## 1.3 SOURCES OF INFORMATION

Information for the formulation of this Economic Analysis for Richmond was accessed from various sources, including a detailed desktop study, IDPs, the previous LED strategy, stakeholders' consultation and analysis. It should be noted that all sources of information are acknowledged and details are provided in the list of Key Documents.

### 1.3.1 Desktop Research

Desktop research was undertaken throughout the study to collect national, provincial as well as local information pertaining to economic development issues. The sources of information include:

- Legislation related to economic development and support,
- Publications and research documents concerning economic development,
- Annual reports and strategic documents of institutions involved in economic development and support,
- Internet correspondence with officials involved in economic development, and
- Internet websites.

### 1.3.2 Surveys

Six types of surveys were organised in the Richmond Municipal area. Sector-specific questionnaires were designed and field workers were sent to survey the area. It should be noted that there is presently very little information published about the Richmond Municipality. These survey techniques therefore constitute a major source of data gathering for this Richmond study. The types of surveys which were conducted include:

**Table 1.1 Surveys' descriptions**

Types of the Surveys	Descriptions
• Household survey	75 households were surveyed over a period of a week
• Informal Economy survey	155 informal traders were surveyed
• SMMEs and shoppers survey	71 shops were surveyed in and around Richmond town
• Tourism survey	13 tourism stakeholders were surveyed inclining visitors, hotel and B&B
• Manufacturing survey	11 manufacturing stakeholders/companies were surveyed
• Agricultural survey	18 agricultural stakeholders (farmers, companies, etc) were surveyed

Detailed surveys outcomes are presented throughout the report.

### 1.3.3 SITE VISIT

During the consultation process, a site visit was made to the Richmond Municipality in order to discuss the gaps and shortcomings in the available data with Municipal officials, to finalise the collection of all remaining information and to physically visit the study area.

### 1.3.4 INTERVIEW AND TELEPHONE SURVEY

Stakeholder identification and consultation was carried out throughout the Municipality and this continues to be an ongoing process. A number of the stakeholders have been identified; some of them have been interviewed and contacted either telephonically or during the formal/informal meetings as per the following table.



**Table 1.2 Interviews Conducted**

Contacted Persons	Organisation
Councillor A Ragavaloo	Speaker who is also the Ward 1 Councillor
Councillor P L Shange	Ward committee members (Ward 2)
Councillor D R Phoswa	Ward committee members (Ward 3)
Councillor S J Mchunu	Ward committee members (Ward 4)
Councillor M J Shelembe	Ward committee members (Ward 6)
Councillor Msomi	Ward committee members (Ward 7)
Mr. Bheki Mbambo	Water service at Ward level
Mr. Kenny Ventakazi	Energy service at Ward level
Mr Donald Perry	Chairperson of Tourism Association
Mr Majozi	Chairperson of Informal Traders
Mr J Kotze	NCT forestry cooperative limited
Mr Govender	NFP (Natal Forest Products),
Mr Steve	Sappi
Mr Bigboy Mhlongo	Strategic Manager: Community Services, Richmond Municipality

## 1.4 Report Outline

The data review report has five sections. These include the following:

1. The first (introductory) section deals with the administration part of the document,
2. The second section presents the data review analysis,
3. The third section presents the in-depth analysis of the economic sectors
4. The fourth section presents the SWOT analysis
5. The fifth section presents the general conclusion.



## SECTION 2 ECONOMIC INFORMATION REVIEW

### 2.1 SPATIAL ANALYSIS OF RICHMOND

#### 2.1.1 History of richmond

Richmond was named after the Earl of Richmond, father in law of Sir Peregrine Maitland, Governor of the Cape from 1844 to 1847. It was originally named "Beaulieu" (pronounced Bewley) but the colonial government agreed in 1850 to its name being changed to Richmond to avoid confusion with a local farm, which was also called Beaulieu.

The town of Richmond was founded in 1850 by Byrne Settlers who originated from Beaulieu, in Great Britain, the seat of the Duke of Buccleuch in Richmond. People could not pronounce the name correctly so they resorted to calling the town Richmond, as it is called today.

Richmond Municipality is one of the seven category B municipalities which make up uMgungundlovu District Municipality. It was established in terms of Section 155 (1) (b) of the Constitution of the Republic of South Africa following the 2000 local government elections.

It is located along the southern boundary of the district, approximately 38 kilometres south of Pietermaritzburg. It is approximately 1 232 square kilometres in extent. Richmond is the fourth smallest municipality in the uMgungundlovu District and is dominated by agricultural economic activities.

The Richmond Municipality has been classified as a place of great natural beauty with significant tourist attractions. It has aspirations to be seen as the preferred destination to live, work and visit.

#### 2.1.2 Geographic trends/ locality

The Richmond local municipality falls within the uMgungundlovu District Municipality which is located in the central portion of KwaZulu-Natal. The municipality's northern boundary runs along the Mlazi river/Msunduzi Municipality, western boundary along the Ingwe Municipality, eastern boundary along Mkhambathini Municipality and its southern boundary along the Ubuhlebezwe and Vulamehlo Municipalities.



Figure 2.1 Richmond in uMgungundlovu

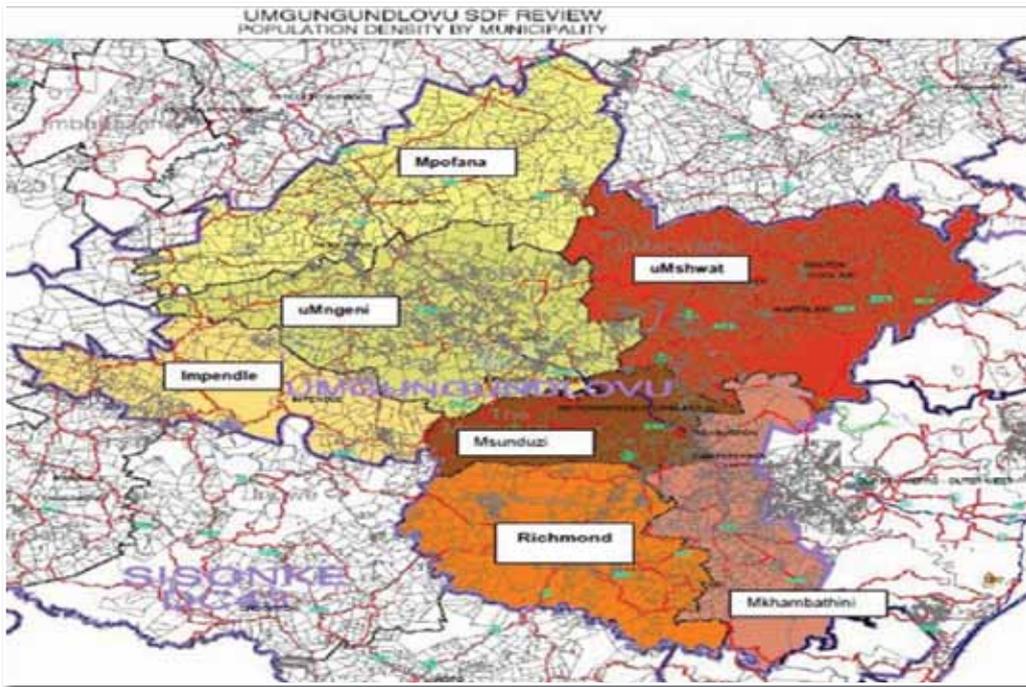
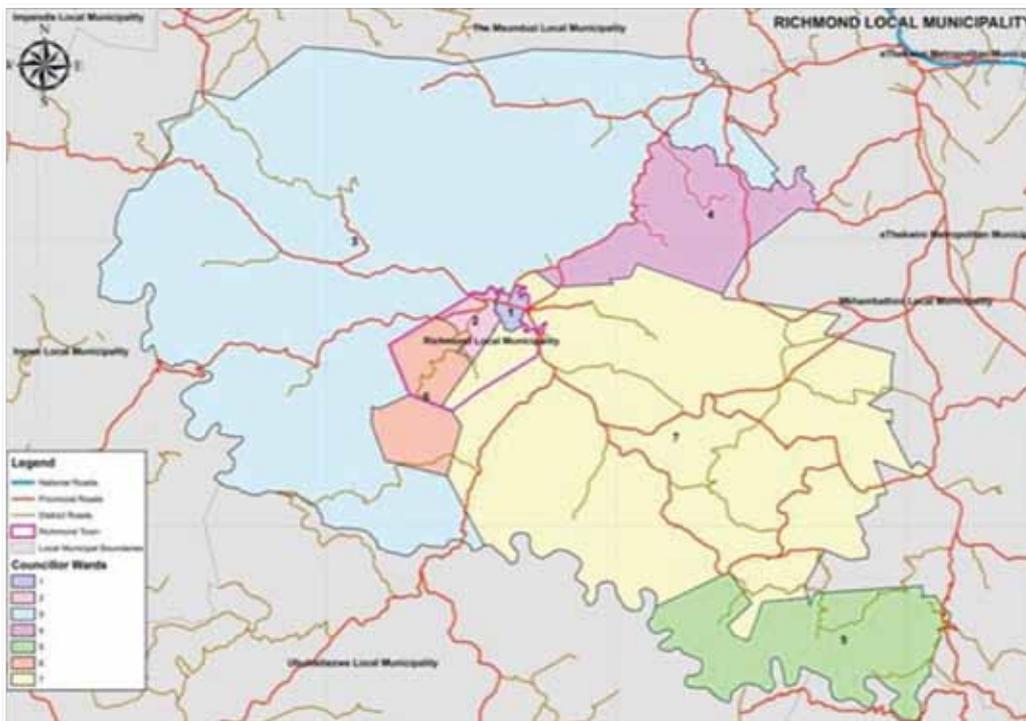


Figure 2.3 Richmond in uMgungundlovu



### 2.1.3 CLIMATIC CONDITIONS

The Richmond Municipality is located in a summer rainfall area and because of the altitude (up to 1000m +), the higher areas experience extreme climatic conditions, such as mist, snow and thunder storms. The mean annual precipitation for the majority of the area covered by the municipality is between 781 mm and 1017 mm.



The temperature range of the Richmond and Byrne Valley areas is viewed as average with a range of 14.2°C to 16.3°C. A higher temperature range is found in the Mkomazi River Valley with a range of between 17.9°C and 19.8°C. For the “Midlands” area as a whole the temperatures range from an average maximum of 27°C in January to a minimum of 3°C in July with humidity decreasing inland from the Coast.

### 2.1.4 TOPOGRAPHY AND HYDROLOGY

The altitude of the Richmond Municipality ranges from approximately 700 metres above sea level on the eastern boundary to a high as 1 400 metres above sea level at Msangazana on the western boundary. The majority of the landscape can be classified as broken topography and undulating hills.

Severe and broken topography is evident specifically along Mkomazi River Valley, in the areas surrounding Magoda and in the Byrne Valley area. The following map reflects the morphology of the Richmond Municipality

**Figure 2.3 Topography of Richmond**



## 2.2 DEMOGRAPHICS OF RICHMOND

### 2.2.1 population

According to the 2001 census, the total population of the Richmond Municipality was approximately 63222 people. This marks a proportionately marginal growth rate from 61673 people recorded in 1996, a growth of only 1549 people in a decade. However, the 2007 community survey has indicated that the population of Richmond was estimated at 56772. In 2010 the population is estimated at 61174. The population trends in Richmond are difficult to predict accurately, as show in the following table.



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**Table 2.1 Population Growth Trends**

Richmond Municipality	Growth Trends				
	1995	2000	2005	2007	2010
Total Population	62 976	63 142	63 087	56 772	61 174

Source: Quantec Easy Data 2010

Estimations of the population per Ward are presented in the following table. The largest Wards are Wards 5 and 4 with 22.9% and 20.7% respectively.

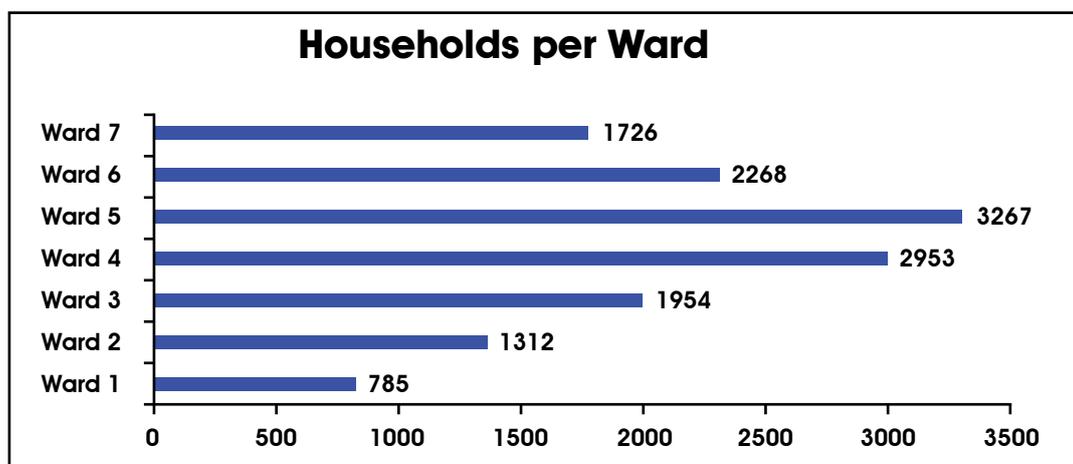
**Table 2.2 Wards Population**

Wards	2001		2012	
	Population	%age	Population	%age
Ward 1	3 461	5.5	3364	5.5
Ward 2	5 842	9.2	5 628	9.2
Ward 3	8 650	13.7	8 380	13.7
Ward 4	13 113	20.7	12 663	20.7
Ward 5	14 473	22.9	14 008	22.9
Ward 6	10 055	15.9	9 726	15.9
Ward 7	7 628	12.1	7 402	12.1
Total Population	63 222	100	61 171	100

Source: Quantec Easy Data 2010

In the Richmond Municipality, Wards four, five and six have large numbers of households as indicated in the following figure

**Figure 2.4 Households per Ward**



Source: Quantec Easy Data 2010

Household populations in Richmond Municipality are dominated by blacks (90.8%), followed by whites (5.3 %) as presented in the following table.



**Table 2.3 Household Number by Population Groups (2010)**

<b>Ethnic Group</b>	<b>Number of Households</b>	<b>Percentage</b>
Black Households Totals	12 952	90.8%
Coloureds Households Total	293	2.1%
Asians Households Total	264	1.9%
White Households Total	756	5.3%
<b>Total Households</b>	<b>14 265</b>	<b>100%</b>

**Source: Quantec Easy Data 2010**

Household sizes in Richmond Municipality vary from 2 to 6 members, with Indian and black households leading with 6 and 4 members per household respectively as presented in the following table

**Table 2.4 Household size**

<b>Population Group</b>	<b>Households Size/Population Group</b>
Black Households Size	4.4
Coloureds Households Size	3.1
Asians Households Size	6.1
White Households Size	2.0

**Source: Quantec Easy Data 2010**

Densities in Richmond Municipality indicate that there are many more black people per square kilometre compared to other population groups as presented in the following table. This indicates the need for programmes and strategies that enhance BEE to allow this sector of the population to grow and prosper.

**Table 2.5 Number of people per square kilometres**

<b>Population Group</b>	<b>No. Of People per Km2</b>
Black Population Density (People per Km2)	46.3
Coloureds Population Density (People per Km2)	0.7
Asians Population Density (People per Km2)	1.3
White Population Density (People per Km2)	1.2

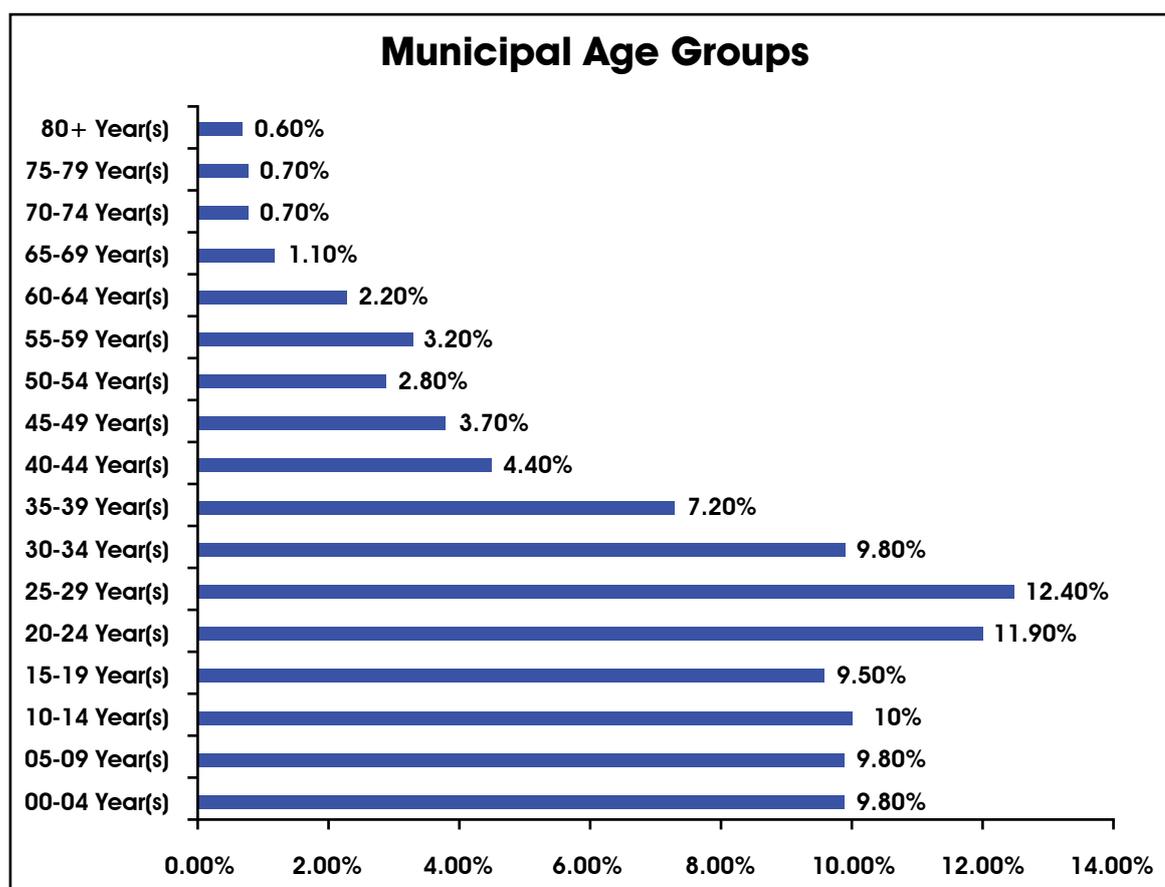
**Source: Quantec Easy Data 2010**



## 2.2.2 age groups

The age distribution in the figure below shows that the municipality has a predominantly young population with 73.2% of the people being under the age of 34 years. Because of this, the youth of Richmond constitute an important factor in long-range planning needs. There will be great pressure on educational and recreational resources in the Municipality in the near future. In the longer term there will also be a surge in the demand for job creation. All these point to the need for youth development programmes in stimulating Municipal economic growth.

figure 2.5 Age Distributions



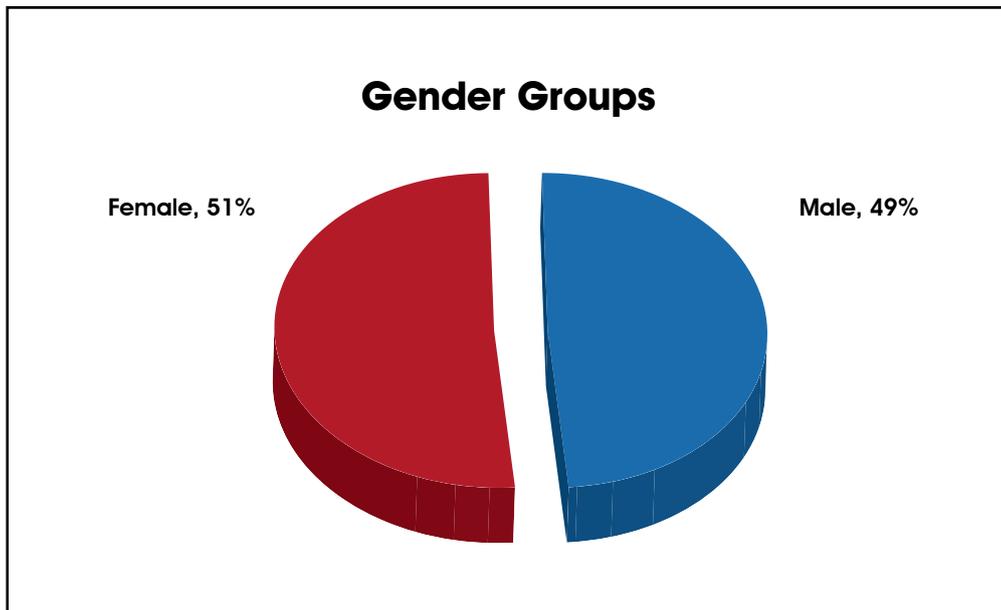
Source: Quantec Easy Data 2010

## 2.2.3 Gender

The population of the Richmond Municipality is slightly imbalanced in terms of gender. Females outnumber their male counterparts. As indicated in Figure 2.6 below, females account for 51% of the population while males amount to 49%. This signifies the need for women empowerment development programmes and strategies in the Municipality. However, the higher representation of women could be attributed to factors such as the impact of political violence, which engulfed this area in the mid to late 1990's, and a degree of male absenteeism that characterises most rural areas where the men work in cities while the women stay behind to look after the children and homesteads.



Figure 2.6 Gender groups

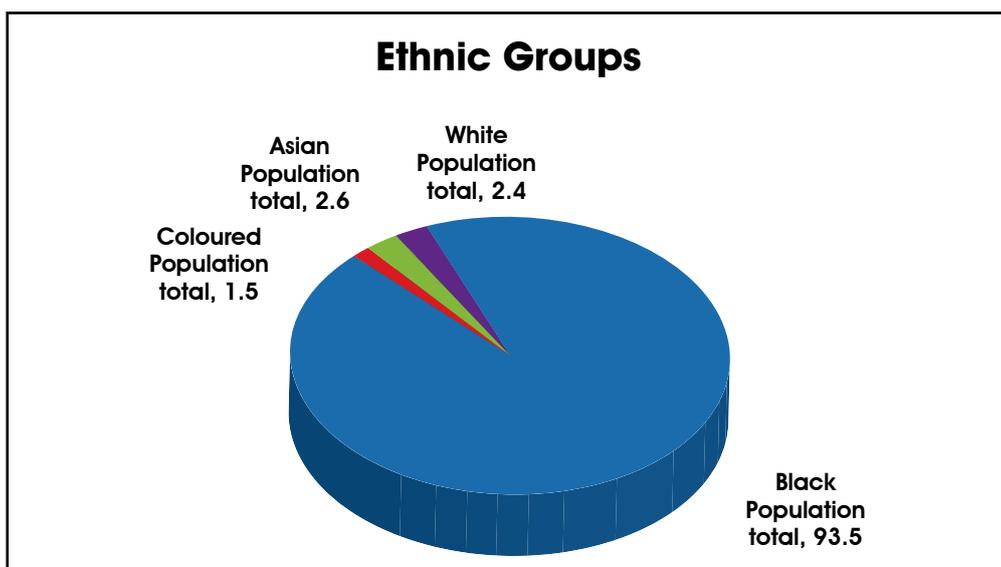


Source: Quantec Easy Data 2010

#### 2.2.4 Ethnic groups

The municipality is dominated by black people who account for more than 90% of the total population as shown in the Figure 2.7 below. This indicates the need for programmes and strategies that enhance the empowerment of blacks.

Figure 2.7 Ethnic Groups



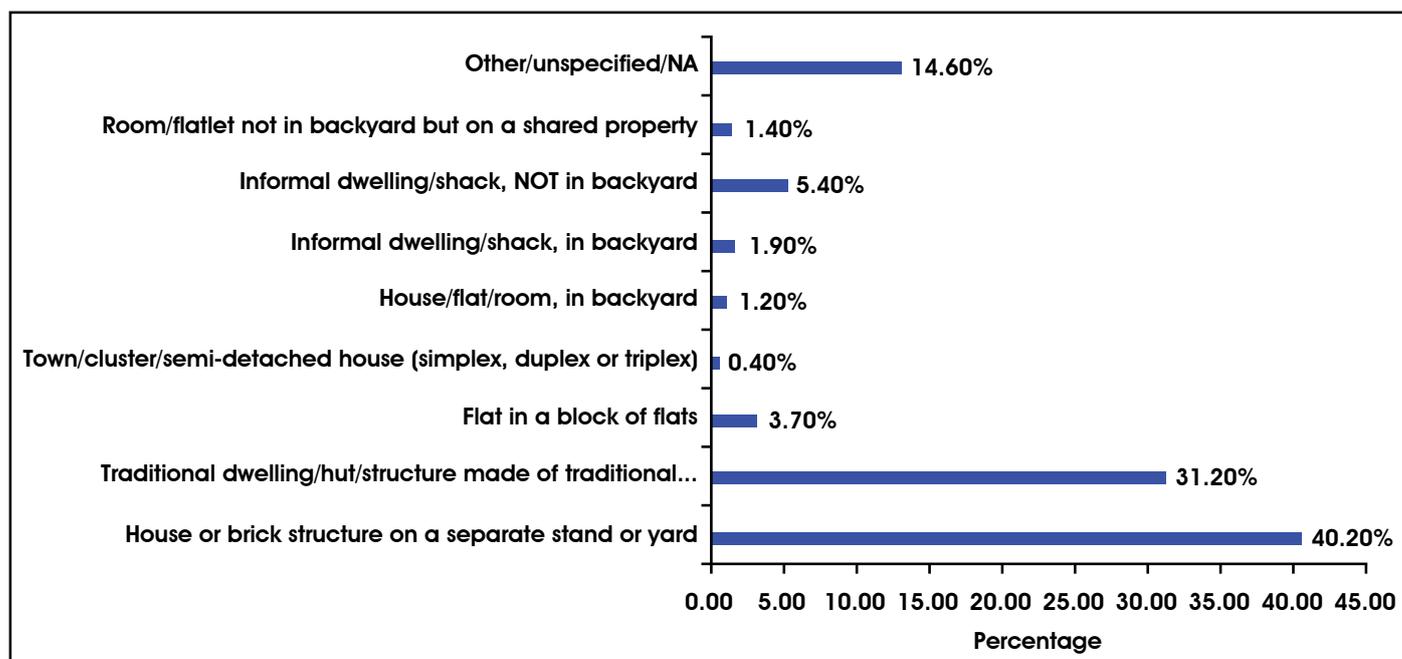
Source: Quantec Easy Data 2010



## 2.2.5 dwelling types in richmond (2010)

There are various types of dwellings in Richmond Municipality. The house or brick structure on a separate stand or yard and the traditional dwelling/hut/structure made of traditional materials dominate the municipality with 40.2% and 31.2% of each respectively as presented in the following figure.

Figure 2.8 Dwelling Types



Source: Quantec Easy Data 2010

## 2.2.6 income levels

Income simply deals with total income that individuals and households receive. The way in which this income is received is not considered.

Average annual household income levels serve as an important tool when assessing a local area's level of socio-economic development. It reflects the living standards of a household and influences factors such as asset ownership. An integral part of the economic structure of an area is the spending power and multiplier effect of spending within the local economy. The following table provides an indication of the levels of income in Richmond.



**Table 2.6 Level of Income per Person (per annum)**

Income levels per person	%
No Income	46.8
R1 - R4 800	20.8
R4 801 - R9 600	9.2
R9 601 - R19 200	12.2
R19 201 - R38 400	1.7
R38 401 - R76 800	1.1
R76 801 - R153 600	1.0
R153 601 - R307 200	0.5
R307 201 - R614 400	0.2
R614 401 - R1 228 800	0.0
R1 228 801 - R2 457 600	0.1
R2 457 601 or more	0.0
<b>Total</b>	<b>100</b>

**Source: Quantec Easy Data 2010**

- The majority of the sampled population (46.8%) have no income. This provides an indication that the internal spending power of the population in Richmond Municipality is very limited, if not absent.
- The second largest proportion of the households (20.8%) earn between R400 and R4800 per annum, followed by 12.2% of households which earn between R9600 and R19200

### Income Levels per Gender

The following table shows that more than 50% of women in the Municipality have no income.

**Table 2.7 Income Levels per Gender (per annum)**

Income levels per Gender Groups	Male	Female
No income	42.89%	50.6%
R1 - R4 800	22.55%	19.2%
R4 801 - R9 600	8.39%	9.9%
R9 601 - R19 200	10.96%	13.4%
R19 201 - R38 400	2.10%	1.3%
R38 401 - R76 800	1.33%	0.8%
R76 801 - R153 600	1.43%	0.6%
R153 601 - R307 200	0.76%	0.2%
R307 201 - R614 400	0.23%	0.1%
R614 401 - R1 228 800	0.00%	0.0%
R1 228 801 - R2 457 600	0.11%	0.1%
R2 457 601 or more		
<b>Total</b>	<b>100%</b>	<b>100%</b>

**Source: Quantec Easy Data 2010**



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## Income levels by population groups

The following table shows that blacks and coloured people have large numbers of people with no income.

**Table 2.8 Income Levels by Population Groups (per annum)**

Income levels per Gender Groups	Black	Coloured	Indian	White
No Income	47.0%	47.7%	46.4%	36.0%
R1 - R4 800	21.7%	20.0%	0.0%	0.0%
R4 801 - R9 600	9.5%	4.2%	2.5%	3.8%
R9 601 - R19 200	12.2%	16.6%	7.0%	12.5%
R19 201 - R38 400	1.7%	0.0%	2.3%	0.0%
R38 401 - R76 800	0.7%	4.2%	12.6%	3.6%
R76 801 - R153 600	0.5%	4.5%	7.7%	19.6%
R153 601 - R307 200	0.2%	0%	4.5%	11.3%
R307 201 - R614 400	0.1%	0%	2.7%	0.0%
R614 401 - R1 228 800	0.0%	0%	0%	0.0%
R1 228 801 - R2 457 600	0.1%	0%	0%	0.0%
R2 457 601 or more	0.0%	0%	0%	0.0%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Quantec Easy Data 2010

## Income level by households

The following table shows that the majority of households in the Richmond Municipality earn between R9601-R19200 per annum.

**Table 2.9 Household Income (per annum)**

Income levels per Gender Group	%
No Income	10.1
R1 - R4 800	5.3
R4 801 - R9 600	11.2
R9 601 - R19 200	23.8
R19 201 - R38 400	19.5
R38 401 - R76 800	10.5
R76 801 - R153 600	4.2
R153 601 - R307 200	2.7
R307 201 - R614 400	1.1
R614 401 - R1 228 800	0.0
R1 228 801 - R2 457 600	0.4
R2 457 601 or more	0.0
<b>Total</b>	<b>100</b>

Source: Quantec Easy Data 2010



## 2.3 SOCIO ECONOMIC ANALYSIS: ACCESS TO SERVICES

Richmond Municipality has been involved in the formulation of policies and the implementation of programmes designed to address serious service backlogs associated with the apartheid past. These include water and sanitation programmes, and the identification of land for the development of cemeteries and waste disposal sites. Each of these programmes is based on the national guidelines and principles, and seeks to contribute to meeting the national targets.

### 2.3.1 access to Water

The Richmond Town is well serviced in terms of water and sanitation, but problems are experienced with regard to the reticulation system. These are largely due to old infrastructure and the limited capacity of sewerage plant.

In the semi-urban areas of Greater Ndaleni and Hopewell, households make use of communal water stand-pipes and self made VIP toilets. The following table indicates the access to water by population groups.

**Table 2.10 Access to Water by Population Groups**

Access to water by Population Group	No of Households	%
Black	12 952	90.8
Coloured	293	2.1
Indian	264	1.9
White	756	5.3
<b>Total</b>	<b>14 265</b>	<b>100</b>

Source: Quantec Easy Data 2010

The following table shows the types of water resources in the Richmond Municipality and the water access population groups.

**Table 2.11 Water Access by Population Groups**

Discription	Black	Coloured	Indian	White
Piped water inside dwelling	12.1%	75.8%	83.4%	66.6%
Piped water inside yard	31.8%	12.4%	12.2%	10.5%
Piped water on community stand: Distance less than 200m from dwelling	26.0%	2.9%	0.4%	1.3%
Piped water on community stand: Distance greater than 200m from dwelling	10.0%	2.7%	1.3%	2.7%
Borehole/rain-water tank/well	1.2%	1.7%	1.2%	15.9%
Dam/river/stream/spring	16.3%	2.7%	1.1%	2.5%
Water-carrier/tank/Water vendor	1.1%	0.0%	0.0%	0.2%
Other/Unspecified/Dummy	1.5%	1.8%	0.4%	0.3%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Quantec Easy Data 2010



The following problems are experienced in these areas:

- Uneven distribution of services;
- Inadequate reticulation;
- Water wastage; and
- Illegal connections.

The rural areas still experience high backlogs in terms of water and sanitation provision. Households still rely on boreholes and natural water sources such as rivers and springs for water supply. This means that they are exposed to a high risk of contracting waterborne diseases as these water sources are shared with livestock and the water is contaminated. Strategies need to be developed to expedite the provision of safe and clean water.

### 2.3.2 access to Sanitation

The current level of sanitation backlog indicates that approximately 6% of the residents do not have access to any sanitation facility. A large number of households still use pit latrines and clearly, this is the most common form of sanitation in Richmond. The following table shows the access to sanitation by population groups.

**Table 2.12 Access to Sanitation by Population Groups**

Access to Sanitation by Population Group	No of Households	%
Black	12 952	90.8
Coloured	293	2.1
Indian	264	1.9
White	756	5.3
<b>Total</b>	<b>14 265</b>	<b>100</b>

Source: Quantec Easy Data 2010

The following table shows the types of sanitations accessed by people in the Richmond Municipality. Whites and Indians dominate in the use of flush or chemical toilets compared to other population groups existing in the Municipality.

**Table 2.13 Quality of Sanitation by Population Group**

Types of Sanitation	Black	Coloured	Indian	White
Flush or chemical toilet	16%	89%	95%	96.4%
pit latrine	59%	11%	3%	2.1%
None of the above	24%	0%	2%	1.2%
Unspecified/Dummy	1%	0%	0%	0.3%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Quantec Easy Data 2010

It should be noted that every household should have access to proper sanitation facilities and that the bucket system needs to be totally eradicated. Richmond Municipality is part of Project Consolidate, and if indeed the bucket system still exists, the State President has issued an order to have this system eradicated as soon as possible.



### 2.3.3 Sources of Energy

The semi-urban and rural areas are the most under serviced areas in terms of access to electricity. Households without access to electricity resort to other energy sources such as candles, paraffin, coal, etc which can prove to be dangerous if not properly monitored. The main problems with regard to electricity provision relate to inadequate bulk supply. In addition, access to areas is difficult due to the topography and insufficient funding for building adequate roads to these areas. The following table shows the types of energy sources accessed by people in the Richmond Municipality.

**Table 2.14 Access to Energy Sources**

Energy Source	No of Households	%
solar/other/unspecified	68	0.5
Electricity	9 707	68.0
Gas	45	0.3
Paraffin	255	1.8
Candles	4 189	29.4
<b>Total</b>	<b>14 265</b>	<b>100.0</b>

**Source: Quantec Easy Data 2010**

The following table shows the levels of access to the different energy sources by population groups in the Richmond Municipality.

**Table 2.15 Energy Sources by Population Groups**

Energy Source	Black	Coloured	Indian	White
solar/other/unspecified	0.3%	0.0%	0.0%	3.2%
Electricity	66.4%	70.8%	91.3%	87.0%
Gas	0.3%	1.4%	0.4%	0.2%
Paraffin	1.6%	14.1%	0.7%	1.2%
Candles	31.4%	13.8%	7.6%	8.4%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**Source: Quantec Easy Data 2010**

However, with regard to the electricity supply in Richmond Municipality, the following trends need to be highlighted:



**Table 2.16 Households and School Access to Electricity**

Energy Source	No of Households	%
Households electrified	7 802	54.7
Households not electrified	6 403	45.3
Schools electrified	7	11.29
Schools not electrified	55	88.71

**Source: Eskom, Distribution Division, Eastern Region, 2009**

Further, the following projects have been identified for the electrification in Wards three and five:

**Table 2.17 Eskom Projects for Electrification in Wards 3 and 5**

Richmond Municipality				
LM Code	Project Name	P60K	Conns	Ward No.
KZN227	Nhlazuka Group	Y	693	5
KZN227	Emgxobelweni	N	327	3
KZN227	Mbila	N	1 372	5
KZN227	Emgxobeleni	Y	328	3
<b>Totals</b>			<b>2 720</b>	

**Source: Eskom, Distribution Division, Eastern Region, 2009**

### 2.3.4 Refuse Removal

The Richmond Town area is the only place where solid waste removal services are available. The service is not available to households in the semi-urban and rural areas. Communities rely on traditional methods of disposing of their litter which include digging a pit for dumping purposes. Others dispose of waste in the open without any formal pattern. Disposal of waste in the open can have serious negative impacts on the environment and human health. An awareness programme is required to develop proper refuse removal mechanisms. This includes educating members of the public about environmental management and sustainable means to deal with household waste. The following table shows the types of refuse removal used in the Richmond Municipality.



**Table 2.18 Access to Various Types of Refuse Removal**

Description of Refuse Removals	No of Households	%
Unspecified/other	259	1.8
Removed by local authority at least once a week	1 582	11.1
Removed by local authority less often	129	0.9
Communal refuse dump	425	3.0
Own refuse dump	11 051	77.5
No rubbish disposal	817	5.7
<b>Total</b>	<b>14 265</b>	<b>100</b>

**Source: Quantec Easy Data 2010**

The following table presents the types of refuse removal by population groups in the Richmond Municipality.

**Table 2.19 Access to Refuse Removal by Population Groups**

Energy Source	Black	Coloured	Indian	White
Unspecified/other	1.9%	0.2%	0.1%	1.5%
Removed by local authority at least once a week	7.7%	72.8%	84.4%	20.1%
Removed by local authority less often	0.6%	0.0%	1.0%	7.2%
Communal refuse dump	2.7%	6.4%	6.6%	5.8%
Own refuse dump	81.2%	20.6%	7.4%	59.7%
No rubbish disposal	6.0%	0.0%	0.4%	5.7%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100.00%</b>

**Source: Quantec Easy Data 2010**

### 2.3.5 Public Roads

The main road linkages in the municipality are the R56 forming a north-south corridor and linking Pietermaritzburg, Richmond and Ixopo; and the R624 linking Richmond to the coast. There are a number of provincial roads which link the Richmond Town to other areas such as Thornville, Hopewell, etc. In addition, district and local roads provides the rural hinterland areas with access to the main roads.

Provincial roads within Richmond are in a fair to poor condition. The roads within the town of Richmond, although tarred, are in a poor condition. In addition, the following issues were also identified with respect to these roads: inadequate storm water drainage, lack of speed humps, lack of adequate electronic traffic calming measures, lack of properly aligned pedestrian walkways and poorly designed parking bays. In the semi-urban areas only the main roads in the Greater Ndaleneni area, Hopewell, Thornville and Byrne Valley are tarred. The remainder of the roads, which are mainly gravel roads, are in poor condition.



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Figure 2.9 Current State of Municipal Roads





### 2.3.6 Health Facilities

Health services in the municipality are provided by the Provincial Department of Health. The following health facilities are found in the municipal area:

- Richmond Chest Hospital
- Provincial clinics in Richmond, Ndaleni and eMbuthisweni
- Private clinic in Inkumane
- Six mobile clinic ports

### Impact of HIV/AIDS

Between the years 2000 and 2010 many South Africans have died from HIV/AIDS related diseases. The number of deaths from HIV/AIDS is considerably higher than that from any other single cause of death and will probably double the number of deaths from all other causes combined. It has been found that the uMgungundlovu District Municipality accounts for 23% of the KwaZulu-Natal HIV/AIDS cases. Richmond Municipality has the highest number of HIV positive people in the District compared to other Municipalities. The following table shows that HIV/AIDS related deaths outnumber deaths from other diseases.

**Table 2.20 Deaths from HIV/AIDS and Other Diseases**

Description	Male		Female	
	Population	%	Population	%
Population	30 355	100	30 818	100
HIV Positive	4 883*	16.0	6 005*	19.1
Aids Deaths	370	1.2	441	1.4
Other Death	287	0.9	212	0.6

**Source: Quantec Easy Data 2010**

\* The Richmond Chest Hospital is a great hospital and receives a large number of people from all provinces. All HIV positive people treated at this hospital are counted under Richmond Municipality while some of them reside from other areas. Therefore, these figures will need to be taken with precautions.

The likely effect of HIV/AIDS on **social systems**:

- Poor households are more vulnerable and the epidemic is likely to deepen poverty and compromise upward mobility,
- There is increased demand for housing, education and other community facilities:
- A greater demand for health care facilities,
- A greater demand for financial support for orphans, child-headed households and households run by grandparents, and
- A negative population growth rate is affecting the sustainability of projects that are based on certain population projections.



The likely effect of HIV/AIDS on the **economic systems**:

- There is a shift from savings to current expenditure, limiting fixed investment and economic growth,
- The possibility of 'technological deepening' of the economy as a result of higher absenteeism rates: Machinery will replace people in the labour market, with negative outcomes in the long term for job creation,
- Further erosion of household savings and skills shortage, and
- Increased spending on pharmaceuticals and funerals.
- In light of the above, the agricultural sector will suffer most as it relies heavily on the availability of a physically active workforce

### **Cholera and other related diseases**

The occurrence of these diseases is a direct result of the absence of potable water as well as the lack of proper sanitation in the rural component of the Richmond Municipality. This results in the contamination of natural water resources. This may lead to outbreaks of disaster proportions and is specifically characteristics of the rural areas. These diseases are life threatening and require constant monitoring.

Finally, health facilities are not well distributed throughout Richmond Municipality and certain areas have medium to higher concentrations of people who are not serviced. Measures would therefore need to be put in place to ensure that these areas have access to health facilities.

### **2.3.7 Education Facilities**

There is a total of 62 schools<sup>1</sup> in the municipal area. These schools are well distributed in the municipal area and generally meet the recommended planning standard of 600 households for each primary school and 1200 households per secondary school.

The following table indicates the level of education in the adult population of the Richmond Municipality

**Table 2.21 Education Levels**

<b>Levels of Education</b>	<b>%</b>
No Schooling	22
Some Primary Education	32
Complete Primary Education	8
Some Secondary Education	27
Grade 12	7
Higher Education	4
<b>Total</b>	<b>100</b>

**Source: Community Survey 2007**

With regard to the level of education by gender groups, the following table shows that there is a balance between males and females in the Richmond Municipality as their levels of education are almost similar.

<sup>1</sup> Department of Education 2011.



**Table 2.22 Level of Education by Gender**

Levels of Education	Male	Female
No Schooling	29%	33%
Some Primary Education	22%	25%
Complete Primary Education	16%	15%
Some Secondary Education	13%	11%
Grade 12	11%	9%
Higher Education	9%	7%
<b>Total</b>	<b>100%</b>	<b>100%</b>

**Source: Community Survey 2007**

The following table shows that illiteracy is more common amongst Indians and coloured compared to other population groups.

**Table 2.23 Level of education by population groups**

Energy Source	Black	Coloured	Indian	White
No Schooling	34.00%	30.00%	4.00%	5.00%
Some Primary Education	22.00%	21.00%	9.00%	8.00%
Complete Primary Education	17.00%	19.00%	33.00%	15.00%
Some Secondary Education	14.00%	13.00%	21.00%	22.00%
Grade 12	11.00%	10.00%	22.00%	31.00%
Higher Education	2.00%	7.00%	11.00%	19.00%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**Source: Community Survey 2007**

### 2.3.8 Sport Facilities

The geographic spread of sports facilities within the Richmond Municipality indicates that only certain areas have access to these facilities. Sports fields are found at Hopewell, Argosy Farm, Indaleni, KwaGengeshe, Richmond Village and Phatheni (informal). With the exception of the sports field at Indaleni the remaining sports fields are in a poor condition.



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Figure 2.10 Current State of Municipal Sport fields





### 2.3.9 means of communication

In Richmond Municipality, people utilise the following means of communication to access and spread information:

- Public Phones
- Private phones
- Cell phones
- Internet
- Letters
- SABC Radio and news media

In the Richmond Municipality, every household has access to at least one means of communication. The following table indicates the types of telephone used in the Richmond Municipality by various population groups.

**Table 2.24 Types of telephones by population groups**

Description	Black	Coloured	Indian	White
In this dwelling and/or cellular phone	44.3%	69.2%	73.6%	90.0%
At a public telephone nearby	18.8%	20.4%	7.0%	1.2%
At a neighbour nearby	9.8%	3.7%	2.6%	0.8%
At another location, not nearby	5.5%	1.7%	0.7%	0.6%
At another location nearby	3.5%	2.2%	1.6%	2.0%
NA (institution)/unspecified/none	18.1%	2.7%	14.5%	5.4%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Quantec Easy Data 2010

## 2.4 SECTORAL CONTRIBUTION TO GDP AND EMPLOYMENT

### 2.4.1 CONTRIBUTION TO MUNICIPAL EMPLOYMENT

In the Table below, formal employment of the population of Richmond is concentrated in the agricultural sector which provided 20% of the jobs in 2009. This shows that there is a lack of economic equilibrium within the municipality. This economic imbalance denies people access to job opportunities and rural migration is an immediate result. In order to survive, people may decide to move to other areas such as Pietermaritzburg and Durban in search of jobs and money.



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**Table 2.25: Richmond Formal Employment by Economic Sectors.**

Economic Sectors	2005		2009	
	No	%	No	%
Agriculture, forestry and fishing	6768.692	47.8	2256.853	20.0
Mining and quarrying	25.34617	0.2	103.9102	0.9
Manufacturing	1620.247	11.4	1737.487	15.4
Electricity, gas and water	26.59707	0.2	13.0778	0.1
Construction	316	2.2	379.4905	3.4
Wholesale and retail trade, catering and accommodation	1298	9.2	1205.645	10.7
Transport, storage and communication	221	1.6	160.2771	1.4
Finance, insurance, real estate and business services	1095	7.7	1783.882	15.8
Community, social and personal services	1748	12.4	2141.246	19.0
General government	1031	7.3	1486.581	13.2
Total	14151	100.0	11268.45	100.0

**Source: Quantec Easy Data 2010**

It should be noted that the number of people employed by the Richmond Local Municipality is slightly above half of the all working age people of the Municipality. This indicates the need to create new job opportunities in the Municipality for the working age unemployed people.

**Table 2.26: Employment Trends in Richmond**

Descriptions	%	
Population - Working age	61.4%	
Not economically active out of the total population	34.8%	
Employment out of the labour force	Employed formal	18.4%
	Employed informal	4.1%
	Unemployed	4.0%
	Unspecified	39.6%

**Source: Quantec Easy Data 2010**

The following table shows the quality of employment in the Richmond Municipality. It should be noted that the informal trading sector makes a significant contribution to the local economy with 18.2% of the total employment.



**Table 2.27 Quality of Employment**

Description	No of People Employed	%
Skilled formal employment	11 268	81.7
Highly skilled formal employment by skill	1 128	8.1
Just skilled formal employment	4 236	30.7
Formal employment: semi- and unskilled	5 903	42.8
Informal employment	2 511	18.2
Total formal and informal employment	13 779	100

Source: Quantec Easy Data 2010

#### 2.4.2 CONTRIBUTION TO MUNICIPAL GDP

The table shows that manufacturing, agriculture (forestry and fishing) and finance (insurance, real estate and business services) are the major sectors that contribute to the GDP of the municipality. However, wholesale trade and general government services contribute also significantly to the municipal GDP.

**Table 2.28: Richmond Sectoral Contribution to GDP 2005/2009 (RAND)**

Richmond Sectors	2005		2009	
	No	%	No	%
Agriculture, forestry and fishing	303	27.4	239	18.5
Mining and quarrying	15	1.4	35	2.7
Manufacturing	242	21.9	310	24.0
Electricity, gas and water	15	1.4	11	0.9
Construction	24	2.2	35	2.8
Wholesale and retail trade, catering and accommodation	12	11.0	128	9.9
Transport, storage and communication	83	7.6	70	5.4
Finance, insurance, real estate and business services	13	11.9	226	17.5
Community, social and personal services	59	5.3	83	6.5
General government	110	10.0	153	11.8
Total	1108	100.0	1294	100.0

Source: Quantec Easy Data 2010



## 2.5 The Environment

### 2.5.1 Physical Environment

The Municipality is located in a summer rainfall area at an altitude of up to 1400m. The mean annual precipitation is between 781 and 1017mm. The landscape consists of broken topography and undulating hills which is particularly evident along the Mkomazi River Valley and in the areas surrounding Magoda and the Byrne Valley area.

In terms of morphology, an escarpment area is located along a small section of the eastern boundary, highly dissected low undulating mountains in the south-eastern sector, undulating hills and lowlands in the eastern and north-western parts and low mountains in the central, western, northern and southern parts.

### 2.5.2 Catchment Areas

In terms of hydrology three catchments are located or partially located in the municipal area. These include:

- The Mkomazi Catchment which is located on the south-western boundary.
- The Lovu Catchment which passes by the Richmond Village in a west to east direction.
- The Mlazi Catchment which is located in the northern portion of the municipality.

### 2.5.3 Vegetation

The major vegetation types found in the municipality are presented below. The majority of these vegetation types are poorly conserved in KwaZulu-Natal and also in the Richmond Municipality and include the following:

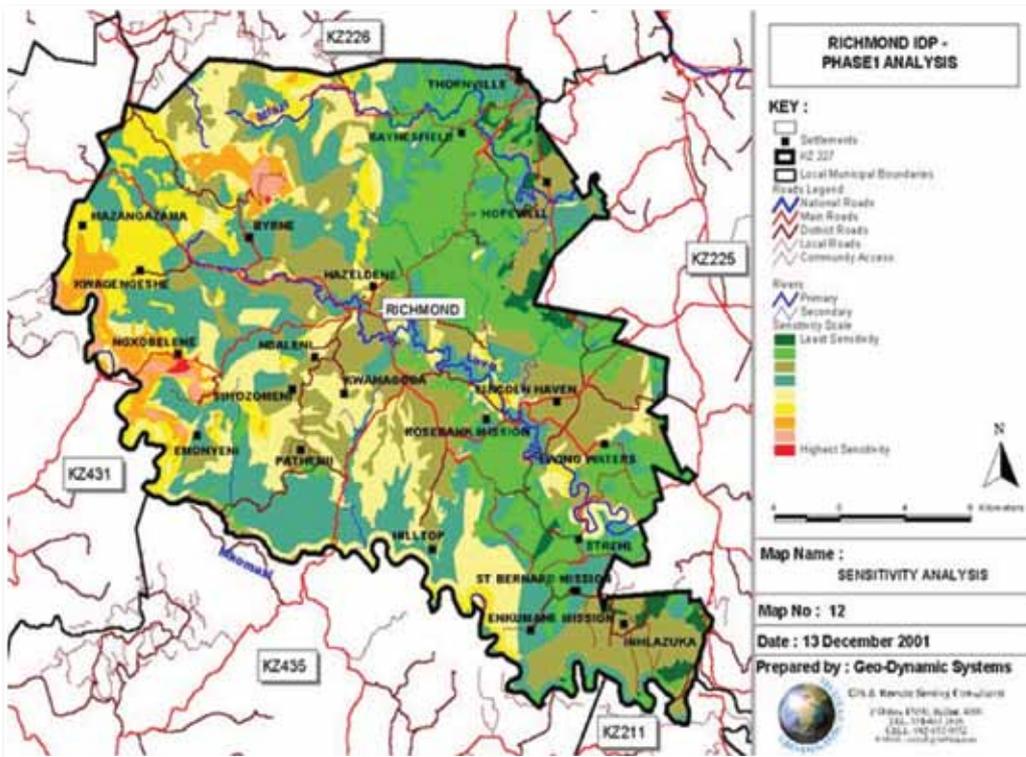
- Coast Hinterland Bushveld in the eastern sections of the Municipality,
- Short Mistbelt Grassland around Richmond Village and covering major portions of the Municipality,
- Moist Upland Grassland found to the north west of Richmond Village, and
- Some isolated areas of North Eastern Mountain Grassland and Valley thicket.

### 2.5.4 ENVIRONMENTAL MANAGEMENT AREAS

The following map reflects the environmental sensitivity of land within the Richmond Municipality. It indicates areas which should be high priorities in terms of environmental protection and conservation.



Figure 2.11 Environment of Richmond



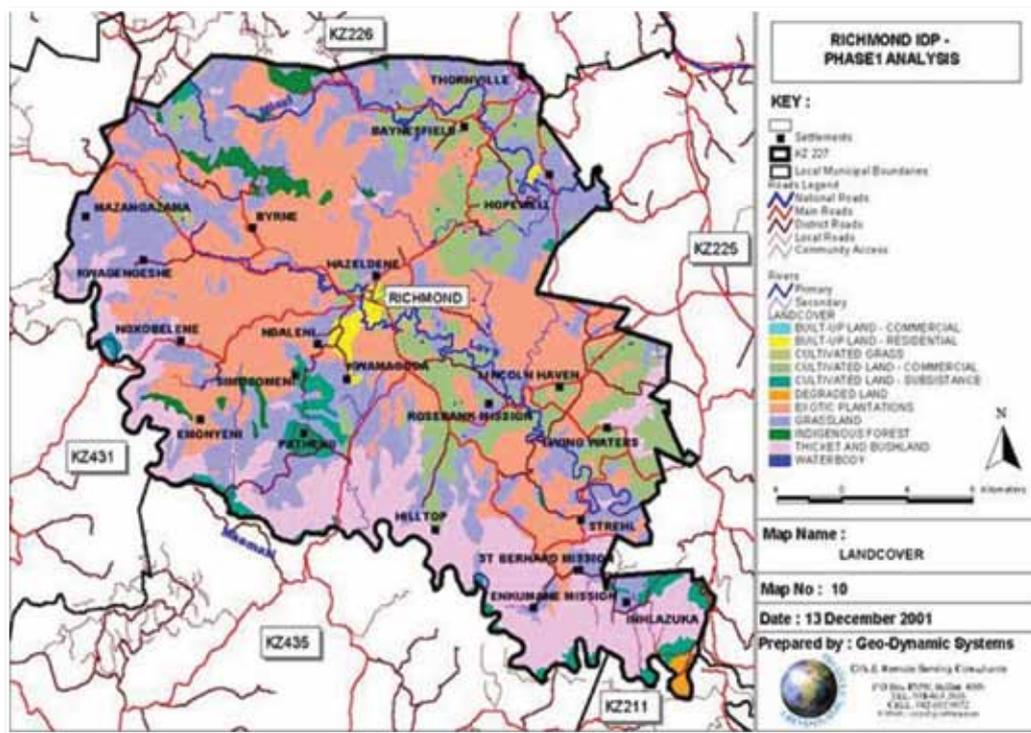
## 2.6 LAND USE IN THE RICHMOND MUNICIPALITY

The following map reflects land use in Richmond Municipality. A number of characteristics of the land use types in the area is evident and include:

- The majority of land in the municipal area is forest plantations which are located throughout the area,
- Commercial sugar cane farming is also a major land-use located primarily in the eastern half of the area,
- Areas covered by forestry and sugar cane farming are interspersed with substantial areas of unimproved grasslands,
- The only urban residential development of note occurs around Richmond Village and in the Hopewell area,
- On the south western boundary of the area, along the Mkomazi River Valley the landcover is described as thicket and bushland,
- Forest areas occur to the north of Byrne and in the vicinity of eMoyeni, and
- Smaller areas of farmland irrigated for commercial farming are dispersed throughout the area.



Figure 2.12 Land Use Patterns in Richmond



## 2.6.1 Land Redistribution

The Land Redistribution Programme is intended to remedy the previously skewed nature of land holding pattern in South Africa, and to provide the poor with land for residential and productive purposes in order to improve their livelihoods. Initially, this was achieved through the Settlement and Land Acquisition Grant, but the Department of Land Affairs (DLA) has also introduced the Land for Redistribution and Agricultural Development (LRAD) programme as a means to change the focus of the land redistribution programme and remedy some of the shortcomings of the initial approach.

Other policies which were previously developed with redistributive objectives include the Municipal Commonage Policy and the Farm Worker Housing Policy. The low-income housing and the discount benefit schemes of the Department of Housing can be viewed as major components of the land redistribution programme. This is despite the limited involvement of the Department of Land Affairs in such urban land redistribution activities. These forms of redistribution are also not taken into account when considering progress in the land redistribution process.

In terms of land redistribution the table below depicts the projects initiated:



**Table 2.29 Land Reform Projects**

Project Name	Property Description	Size Ha	No. of H/H	Program Type	Product Type
Beaulieu Estate/ Honeywood Farm	Ptn 376 (of 270) of Beaulieu Estate	6.7498	0	Redistribution	Crop & Livestock
KwaGengeshe	Ptn 1 & Rem of Farm Kangashes Valley	602.6709	90	Redistribution	Settlement
Harcourt/ Mzinolovu	Ptn 25 (of 18) of Weltevreden	66.9825	35	ESTA	Settlement & Grazing
Naawupoort	Ptn 1 of Naaupoort North	256.7950	23	ESTA	Settlement
Mawela/ Buckan	Rem of Ptn 3 of Farm Buckan	21.9379	1	Redistribution	Pip production & Vegetables
Synergold Investments	Rem of Farm Buckan	20.2667	4	Redistribution	AGRI
Tshala Sovuna Farming Enterprise cc	Pth 2 and 3 of Mybole	116.2628	3	Redistribution	Maize & Horticulture

**Source: Department of Land Affairs**

### 2.6.2 Land Tenure Reform

The conventional notion of ownership of land as inherited from the Roman Dutch law is undergoing change as a result of tenure reform introduced by the first democratic government. The right of access to land, its use and its occupation may now be shared between its legal owner and other persons who hold rights to the land which go beyond the rights conventionally held by third parties, such as by lease or by servitude. These rights encompass notions of co-ownership.

Legally enforced spatial segregation and the denial of ownership rights to land under apartheid, led to distorted land use patterns in South Africa. Citizens of the country, simply as a consequence of their racial origins, occupied land both in the urban and the rural context, in many cases for decades and for generations, but could never acquire legally enforceable rights to the land. In order to survive, people devised their own tenure rules, often based on traditional rules of land use and administration. These tenure rules ran in direct conflict with the official, legal tenure rules.

The land tenure reform programme seeks to readjust South African land holding patterns, to rectify the distortions brought about by these past practices, and to an extent, bring land use and occupation patterns into line with perceived reality. Gender discrimination, overcrowding, urban insecurity, distorted notions of traditional administration of land, and informal settlements are some of the key issues addressed by the land tenure reform.

In terms of labour tenants within the municipality, a total of 22 labour tenant initiatives exist. These include the following areas: Craighead, Delectable Dale, Dunbar Estate, Fielden, Furth, Gunzenhausen, Hopewell, Krays Fontein & Weltevreden, Kweletsheni, Little Harmony, Long, Lot 107, Lovo Dale, Mount Desire, Paarde Kraal, Resolis, Sterriemfontein, Strathfieldsaye, Strehla, Sunnybrae and Waterton.



## 2.6.3 Land Restitution

The dispossession of land in South Africa through racially discriminatory laws and policies and the inherent attempts at social engineering, was one of the hallmarks of apartheid. Over the years numerous people were dispossessed of their rights to land (both registered and unregistered) in the furtherance of these objectives.

Accordingly, in the context of the changing political environment in the early 1990's, the issue of the return of such land to its former occupiers or at least equitable redress for the dispossession was at the forefront of the reform debate. With the promulgation of the new constitutional order in 1993, and the subsequent enactment of the Restitution of Land Rights Act, No. 22 of 1994, an opportunity was created for communities or individuals to reclaim land rights lost as a result of the segregationist and apartheid policies.

In terms of land restitution a total of 66 claims were originally lodged with DLA. This was subsequently consolidated into 42 claims and 3 of the claims were non-compliant. To date, only 4 claims have been gazetted and 1 claim has been settled and finalised. The settled claim relates to the Emashosheni community where 2073ha was restored to 76 households for farming purposes.

## 2.6.4 Land Suitable for Housing Development

uMgungundlovu District Municipality recently commissioned a study on the availability of land suitable for housing development. The study indicated that, within Richmond Municipality, approximately 78,66 ha of land is required to deal with only the low income housing need. The following table presents information regarding the current and proposed housing projects within the municipal area.

**Table 2.30: List of Housing Projects**

Pr No.	Project Name	Project Status	No of beneficiaries
3230	Hopewell (Richmond)	Proposal	240
K19990060	Siyathuthuka- Phase 1 (Greensfield)	Implementation	750
	Argosy Farm Housing	Implemented	1600
	Siyathuthuka – Phase 2 (Ndaleni, Magoda and Smozomeni)	Proposal	1000
	Inhlazuka Phase 1		700
	Phatheni Housing (Packaging) – phase 1	Proposal: Conditional Approval Obtained	700
	Emoyeni Housing		200
	Inhlazuka – Phase 2 (In – situ upgrade)	Proposal	500
	Hopewell Housing		550
	KwaGengeshe Housing (In – Situ upgrade)		150

Source: Richmond Municipality IDP Review 2006/2007:



The municipal area contains areas with high biodiversity potential, high agricultural potential, areas of heritage significance, protected areas, slopes with a gradient of less than 1:20 and water resource areas. The majority of opportunity areas (i.e. major nodes) with existing bulk infrastructure and social facilities (i.e. Richmond, Indaleni, Smozomeni and Townlands) are 'red flagged' as not being suitable for housing development. These negative areas are considered to be of high agricultural potential and high bio-diversity value. The SDF considers these nodes unsuitable for agriculture and residential development and therefore the conclusion on whether these areas should or should not be used for housing development should be subject to ground testing.

Thornville and Hopewell are considered by the SDF to be highly suited for manufacturing development purposes. The majority of the window areas are situated within Lincoln Haven (tertiary node) and the areas that surround this node are earmarked by the SDF for sugar cane and agricultural development. The window areas to the west of the municipality are earmarked by the SDF for tourism and agriculture purposes.

From the above assessment, land within the municipality, which can be considered for the development of low-cost housing is scarce and this is due to the fact that opportunity areas (i.e. Nodes) are environmentally sensitive (i.e. High Agricultural Value). The most suitable land for low-cost housing development is mainly within the Thornville and Hopewell nodes.

## 2.7 NODES AND SETTLEMENTS

Richmond IDP identifies spatial targeting as one of the key development strategies. It advocates for increased public sector investment in areas where there is a higher concentration of people and those which have the potential for social and economic development.

For the purposes of spatial planning, these have been grouped as follows:

- Richmond town which is identified as a primary node and an administrative centre
- Thornville recognising its potential to develop into an agri-processing or light industrial centre
- Greater-Ndaleni located just outside of Richmond town
- Hopewell which is a fast growing settlement near Thornville
- Inhlazuka which is a web of expansive rural settlement located in the rural periphery.

### 2.7.1 Richmond Town

#### Location

Richmond is the largest town within the Richmond Municipality. It serves as an administrative and commercial centre for the entire municipal area. The town of Richmond is located more or less at the intersection of two main roads the R56 and R624. The R56 provides the municipal area with linkages to Pietermaritzburg, Ixopo, Umzimkhulu and Kokstad whilst the R624 provides linkages to Camperdown, Creighton and Bulwer. In addition, the R624 provides a link to a national road (N3) which is the main link between Johannesburg and Durban.

The Provincial Spatial Economic Development Strategy has identified key investment nodes and activity corridors within the province. The town of Richmond has been identified as a node with a rating of 4th most important.

In addition, an agricultural activity corridor has been identified which links Richmond to other important nodes such as the Kokstad/Ixopo/Pietermaritzburg corridor. The Richmond Village is the municipal centre and is located approximately 38km south west of Pietermaritzburg.



Figure 2.13 Town of Richmond



## Residential Use

The residential component of Richmond Town is located to east, west and south of the CBD. It comprises mainly free-standing units with a limited number of flats (located mainly in the CBD) and simplexes. The following are key spatial development trends in respect of residential use:

- Richmond has the potential to develop into an alternative residential area within the Greater Pietermaritzburg Functional Region
- Informal settlements are found along the northern boundary of the town near the railway (spoonnet properties)
- Lack of inner town housing
- Lack of new residential/housing products such as cluster housing
- Housing stock within Richmond comprises mainly old and run-down buildings.

## Commercial

There are limited commercial activities within the town of Richmond. The bulk of the economic activities are in the form of retail stores which cater for the needs of local residents and the surrounding rural areas.

It should be noted that Richmond needs commercial development, since this will enable the Municipality to play its role as a sub-regional commercial hub and respond effectively to the shopping needs of the local population. In the meantime, there is still a substantial degree of income leakage to Pietermaritzburg.



Figure 2.14 Town of Richmond



### Industrial

There are a few industrial sites (approximately 8 sites) located within the town centre area and to the north of the town centre. The industries consist of hardware, furniture, timber and animal feed operations. There are no indications that Richmond will, in the near future, become an industrial hub given its location in relation to the main trade routes and to established industrial centres such as Pietermaritzburg and Durban.



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## Public Facilities

Richmond is adequately provided with public facilities such as schools, health facilities and community halls. There is however a need for the sportsfield to be upgraded/refurbished.

## Government Offices

Richmond has grown mainly as an administrative centre, serving the need of surrounding communities. A number of government offices exist within the town which include the offices of the Richmond Local Municipality, Department of Social Welfare and Population Development, a clinic, a police station and a magistrates office to mention a few. This attest to the role of the town as a rural service centre (RSC) and a sub-regional administrative hub.

**Figure 2.15 Town of Richmond**



## Road Network

The urban component of Richmond is adequately served with roads. The road network occurs in a grid pattern and provides for easy movement and circulation. However, a large number of roads are in desperate need of upgrading and maintenance.



Figure 2.15 Road in Town of Richmond



*“What a beautiful place”*



## Environmental Concern Areas

Environmental concern areas for Richmond include:

- Sites with steep slopes located in the south-eastern part of the town
- Swamp areas
- Heritage sites

### 2.7.2 Thornville

Thornville was identified as a semi-urban area according to the IDP. It is located within an area dominated by commercial farms and is developed with limited commercial, industrial and social facilities

#### Location

Thornville is located along R56 almost midway between Pietermaritzburg and Richmond at the T-junction of R56 and Eston road. It is approximately 10km from the N3. As such, Thornville is seen as strategically located to benefit from developments along the N3 and in Pietermaritzburg.

#### Residential

Thornville has a small residential component comprising three main residential products, namely:

- Smallholdings or villa lots of approximately 5ha located mainly to the west of R56. There seems to be a high demand for such properties in the area
- Zwelethu which is a low cost housing project comprising of 120 units. The settlement is being developed for the benefit of the Baynesfield land restitution beneficiaries
- Small special residential development located within the core area of Thornville

In addition, there are a large number of informal dwellings scattered unevenly in space. A proposal to develop low cost housing in the area generated a lot of interest from people residing on the neighbouring commercial farms.

#### Commercial

There are approximately six commercial sites in Thornville. They serve the local communities concentrated in close proximity to the area. There is a need for the provision of land for small and medium-sized entrepreneurs in the area. This could take place by zoning certain portions of land for mixed-use activities, which will intensify development in the area and thereby unlocking its economic potential. Further commercial development in Thornville depends largely on the increase in threshold. Otherwise the area is too close to both Pietermaritzburg and Richmond to become a real commercial hub.

#### Industrial

Thornville has the potential to develop into an agri-processing area or a light industrial centre. This is particularly in view of its strategic location in relation to the national and provincial lines and centres of investment, as well as its emergence as an incipient node for the processing of local agricultural products such as wood, poultry, fruit juice, abattoir (beef), etc.

#### Public Facilities

Public facilities located in Thornville include a school, police station and a post office. These serve the small local community and the neighbouring areas. The need for additional public facilities would be dependent on an increase in population and development in the area.



## **Institution or Government Offices**

Thornville is not serviced by any government offices except the police station since it does not perform an administrative centre function.

## **Road Network**

Thornville is poorly planned. As such, it does not have a clearly defined road network, except within the core commercial area. Its structure is dictated by the provincial roads that run through the area.

### **2.7.3 Greater Ndaleni**

#### **Location**

The Greater Ndaleni area is located to the south-west of the municipal area. It is accessed from the road to Hella-Hella.

#### **Residential**

Greater Ndaleni is identified in the Richmond Municipality's IDP as a peri-urban to rural settlement. It is dominated by rural settlements with varying densities. Areas such as Ndaleni which are located fairly close to Richmond Town have higher densities compared to remote areas. It comprises the following areas:

- Ndaleni which includes the former Ndaleni Mission area
- Magoda which includes settlements located on privately owned land and townlands.
- Phatheni
- Simozomeni

#### **Commercial**

There are approximately 14 local convenience shops within the Greater Ndaleni area which provide for the basic needs of the surrounding population. The area has the potential to support a neighbourhood centre.

#### **Public Facilities**

In terms of public facilities the area has ten schools, two community halls and two sportsfields. Generally, it is well provided with public facilities, but the condition of some of these requires serious attention in terms of maintenance and upgrading.

#### **Industrial**

There are no industrial areas within the greater Ndaleni area. The area is unlikely to develop into an industrial area in the near future.

#### **Environmental Concern Areas**

Areas of environmental concern relate to the wetlands which are located in the southern and northern areas with a small portion in the central area. The importance of these areas should be recognised and the necessary protection/conservation measures should be implemented. A number of households are located within a 1:50 year floodline. The area also lacks proper sanitation and waste management facilities.



## Road Network

Greater Ndaleni has not benefited from formal planning and as such, it lacks a defined structure and built form. The area is poorly integrated with Richmond Town. With the exception of the main roads, all local access roads are gravel and require maintenance and upgrading. A bridge linking Ndaleni to Richmond Town will facilitate spatial integration and improve access.

### 2.7.4 Hopewell

#### Location

It is located towards the north-eastern boundary of the Richmond Municipality along the Mlazi River. It is accessed via P117.

#### Residential

The area contains sites for residential development especially with the low cost housing project by Greenfield-Argosy Farm.

#### Commercial

There are some scattered shops within the area. There is no clear commercial centre.

#### Public Facilities

In terms of public facilities, the area has two schools and a civic centre (community hall).

#### Industrial

There are no industrial areas within the Hopewell area.

#### Environmental Concern Areas

In terms of environmental concern areas there is a river on the western side. Precaution should be taken in terms of development on the floodplain.

### 2.7.5 Inhlazuka

#### Location

Inhlazuka is located towards the south-eastern boundary of the Richmond Municipal area along the Mkhomazi River. It is accessed mainly through D733, D1034 and D1036 which leads off P115. It comprises a number of expansive low density rural settlements.

#### Settlement Pattern

Settlement pattern in Inhlazuka takes the form of expansive low density rural settlements spread unevenly in space. Some of the settlements are located in almost inaccessible areas and are poorly provided with basic services and public facilities. In view of the housing and service backlogs, the area should be prioritised for spatial development initiatives.

#### Commercial

With the exception of the local convenience shops and spaza shops, the area is poorly developed in terms of commercial facilities. The nearest commercial centre is Richmond.

## Industrial

The area is not developed for any industrial use nor does it have potential for such developments. As such, it is not envisaged that Inhlazuka will be developed as an industrial area in the near future.

## Public Facilities

Inhlazuka is generally characterised by underdevelopment which includes service backlogs and poor access to public facilities such as schools, clinics, sportsfields, etc.

## 2.8 RICHMOND WARDS SNAPSHOT

The survey that was undertaken indicated that various wards in the Richmond Municipality have a number of concerns that need to be addressed as well as some opportunities that need to be worked on as presented in the following table. It is, however, worth noting that the opinions expressed in the table below were mainly sourced from ward councillors and committee members.

**Table 31 ward concerns and opportunities**

WARD No	KEY CONCERNS	KEY OPPORTUNITIES
Ward 1	<ul style="list-style-type: none"> <li>• Unemployment is high in this ward as many people move from the rural areas to the town of Richmond</li> <li>• Housing is a major issue in Richmond as many people move from the rural areas to the town of Richmond</li> <li>• Majority of people in this ward have access to electricity, piped water, waste removal, to telephone, and to access to roads but these services need to be improved</li> <li>• A number of schools exist in Richmond but need to be modernised and upgraded</li> </ul>	<ul style="list-style-type: none"> <li>• Ward one which is the Richmond town has an opportunity to become a modern city characterised by: <ul style="list-style-type: none"> <li>• Good provision of the basic services</li> <li>• New tertiary education</li> <li>• Bars and taverns monitored</li> <li>• There is opportunities to establish new industries such as wood factory and agro-processing for job creation</li> <li>• To rebuild and upgrade road infrastructures will provide job opportunities to the local people</li> <li>• Modern clinics and ambulance services</li> </ul> </li> </ul>
Ward 2	<ul style="list-style-type: none"> <li>• There is a need to upgrade cemeteries in the ward</li> <li>• Phase one of the RDP houses have been completed but there are backlogs with regard to phase two</li> <li>• Water and sanitation needs to be provided</li> <li>• A clinic needs to be constructed</li> <li>• Access roads need to be upgraded</li> <li>• Sport facilities and community hall need to be provided</li> <li>• Unemployment is high</li> </ul>	<ul style="list-style-type: none"> <li>• There is potential for tourism development in the ward, and</li> <li>• There is potential also in agriculture in the ward</li> </ul>



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WARD NO	KEY CONCERNS	KEY OPPORTUNITIES
Ward 3	<ul style="list-style-type: none"> <li>• Unemployment is high</li> <li>• Water and sanitation need to be provided</li> <li>• Electricity especially need to be provided</li> <li>• Roads need to be upgraded</li> <li>• Fixed clinics need to be provided</li> </ul>	<ul style="list-style-type: none"> <li>• The ward three is a rural area and it has the potential for new development, including housing construction and new town planning,</li> <li>• Mkomazi river runs through the area and constitutes a potential for tourism</li> <li>• Companies such as SAPPI, Mondi and NCT are located in ward three , showing the potential for job creation and employment,</li> <li>• The ward has 75 vacant hectares of land from the land claim that can be used for agriculture, forestry and other development</li> </ul>
Ward 4	<ul style="list-style-type: none"> <li>• There are backlogs with regard to the RDP houses</li> <li>• Electricity needs to be provided, especially for farms</li> <li>• Water and sanitation need to be provided</li> <li>• Clinic needs to be constructed</li> <li>• Access roads need to be upgraded</li> <li>• Sport facilities need to be provided</li> <li>• Unemployment is high especially with the relocation of "Bacon Factory" (that was slaughtering or sticking pigs) out of Richmond</li> <li>• There are no crèches in the area</li> </ul>	<ul style="list-style-type: none"> <li>• There is a dam in the ward and mountains, both of which have major potential for tourism</li> <li>• The ward has the potential for subsistent agriculture</li> <li>• Chickens, cattle and pig farming potential exists in the ward</li> <li>• The ward has potential in agri-processing especially for fruits</li> </ul>
Ward 5	<ul style="list-style-type: none"> <li>• Unemployment is high</li> <li>• Crime and domestic violence levels are high</li> <li>• Difficult access to business licence</li> <li>• Limited social services</li> <li>• Sport facilities need to be provided</li> <li>• There are backlogs with regard to the RDP houses</li> <li>• Access to water, electricity and refuse removal need to be improved</li> <li>• Equipped health facility needs to be provided</li> </ul>	<ul style="list-style-type: none"> <li>• There are tourism potentialities in ward five</li> <li>• There is potential also in agriculture</li> <li>• There are also opportunities in the construction industry especially with the construction of the RDP houses and health facility</li> </ul>
Ward 6	<ul style="list-style-type: none"> <li>• The RDP houses constitute a major backlog in the ward especially in Shahia and Smozomeni areas</li> <li>• Electricity is partially supplied in the ward with some houses without electricity</li> <li>• Water and sanitation are also partially supplied and need to be improved in the ward</li> <li>• Some roads are in poor condition and need maintenance</li> <li>• Unemployment is very high with majority of people living in poverty</li> </ul>	<ul style="list-style-type: none"> <li>• Agricultural sector has opportunities to be grasped on,</li> <li>• Cooperatives currently are dealing with planting and harvesting maize, poultry, cattle, and forest planting.</li> <li>• In manufacturing cooperatives deal with bakery through the baking of breads</li> <li>• There are also opportunities in construction ( the construction of the RDP houses will definitely provide jobs and alleviate poverty in the ward</li> </ul>



WARD NO	KEY CONCERNS	KEY OPPORTUNITIES
Ward 7	<ul style="list-style-type: none"> <li>• The cemetery is full and needs to be upgraded or a new cemetery is needed</li> <li>• There is a major backlog in the provision of RDP houses in the ward</li> <li>• Street lights do not exist in the ward, leading to a high crime rate</li> <li>• Water and sanitation need to be provided</li> <li>• Mobile clinic exists but the ward needs a constructed clinic</li> <li>• Roads are in bad condition</li> <li>• Pavements for the main roads need to be constructed</li> <li>• Sport facilities and community hall need to be provided</li> <li>• Unemployment is high</li> </ul>	<ul style="list-style-type: none"> <li>• There is potential for tourism development in the ward, and</li> <li>• There is potential also in agriculture in the ward</li> </ul>

## SYNOPSIS

Richmond Municipality consists of an urban development, the town of Richmond, farmland, commercially-grown forests and traditional authority areas. It is largely a rural area. Richmond town is almost like a modern town. As the population is dominated by the youth, the Municipality has identified this as an important indicator of long-range planning needs. Unemployment in Richmond is high and the degradation of the ecological environment due to firewood harvesting and grass-burning is an ongoing problem.

There is a marked disparity between the number and quality of services available to those living in the urban centre, and those offered to people in the rural areas, who are very poorly provided for. It is estimated that the number of households lacking potable water is relatively high. The majority of Richmond's inhabitants depend on natural water sources, with a consequent risk of various diseases related to seepage, pollution and waterborne diseases.

As far as power supplies are concerned, the majority of rural areas are not supplied with electricity, and depend on gas, paraffin and candles for heat and light. The R56 road is in good condition while other main roads need improvement and repair. Stormwater control is also an important matter, especially in the rural areas.



## Section 3 Richmond In Depth Sector Analysis

The purpose of this section of the report is to provide details of the main economic sectors operating within Richmond Municipality in order to understand their dynamics and needs and to plan for their improvement. The bulk of the information in this section came from the surveys organised in Richmond Municipality. These included household, informal economy, SMMEs and shoppers, tourism, manufacturing, and agricultural surveys.

It should be noted that during the overall process of conducting surveys in the Richmond Municipality, the following issues emerged from the respondents:

- The majority of people were not happy to participate in the survey. People pointed out that the Municipality has neglected them for years and now officials are organising surveys because it is election time and they are hoping to gain some votes from poor people.
- The Municipality's red-tape, limited skills of the employable population and the difficulties in accessing land in Richmond make it difficult for new manufacturing companies to invest in the Municipality. Further, because of skills shortages in the manufacturing sector, workers in this sector demand high wages while their performance is not up to the required standard
- The high costs of water, electricity and the Municipal rates make it difficult for small businesses to grow their enterprises.
- Informal traders pointed out that the limited number of trading kiosks and stalls for informal traders in the Municipal areas means that the Municipality does not care about this sector.
- The Municipality is characterised by nepotism and corruption when it comes to hiring officials and tender processes; this impacts on the growth of many businesses across all sectors.
- The current Mall is not busy and a couple of big retail shops are relocating to other Municipalities.

The main sectors operating in Richmond Municipality include:

- Agriculture;
- Tourism;
- Transport;
- Manufacturing;
- ICT;
- Small Medium and Micro enterprises, and
- Informal Sector

### 3.1 Agriculture and agricultural land potential

#### 3.1.1 Agriculture

Richmond Local Municipality is primarily an agricultural community with agriculture contributing with 20% to the local GDP and 18.5% to the total employment of the Municipality.

The primary agricultural operations undertaken in the municipal area relate to crop cultivation, poultry farming, citrus production, sugar cane farming and dairy and beef production. In addition to these, a few agri-processing plants also exist e.g. Enterprise Foods (Baynesfield). The Richmond Municipality has potential for agricultural initiatives or projects which could also be undertaken. These include micro-scale food processing initiatives, cooperative initiatives (piggeries, mushroom farming, maize and bean crop production), a chicken abattoir and a frozen vegetable plant.

The municipal area also consists of significant forestry plantations. The plantations are owned by private medium scale farmers, corporate organisations and others. This provides economic opportunities for value adding industries to emerge within Richmond for example timber construction, furniture manufacturing, charcoal and bio fuel production, etc.



Richmond Municipality is predominantly a monocultural area because of the extensive sugar cane and timber plantations located in its various areas. A considerable area, in excess of 50% of the total land area is devoted to monoculture. After monoculture, commercial farming is the biggest land-user in the Richmond Municipality. As is the case with monoculture, commercial farming has a substantial impact on the environment.

**Figure 3.1 Commercial Agriculture in Richmond**



Subsistence farming occurs in most of the peri-urban and rural/tribal settlements in the Richmond Municipality. Subsistence agriculture takes on a number of forms such as farming with cattle, other livestock, vegetables, grains, fruits etc.



**Figure 3.2 Subsistence Agriculture in Richmond**



### 3.1.2 agricultural Potential

The agricultural potential of an area is dependent on soils and climatic conditions. The central, northern and western areas are characterised by high potential land (accounts for approximately 60% of municipal area), areas in the northern, eastern and western have good potential agricultural land (approximately 21% of municipal area), 3% is considered to have moderate land potential, 5% has low land potential and 11% has restricted land potential. The schedule below gives an indication of the Bio Resource Units found in the municipal area:

**Table 3.1: Richmond Bio Resource Units (Restricted Potential)**

Restricted Potential		
BRU	Farming System	Agricultural Suitability
Valley Bushveld	Extensive	Suitable for game. Grazing capacity. Crops: carrot, peas, nuts, grass, sunflower, sorghum.
Valley Bushveld	Semi extensive	Grazing capacity 6.1 ha/AU. Crops: carrot, peas, nuts, grass, sunflower.
Moist Coast Hinterland Ngongoni Veld	Semi extensive	Grazing capacity. Crops: carrot, beans, maize, lucerne, sunflower.
Moist Coast Hinterland Ngongoni Veld	Semi extensive	Grazing capacity. Crops: carrot, beans, maize, oats, grass.
Dry Coast Hinterland Ngongoni Veld	Semi extensive	Grazing capacity. Crops: carrot, peas, beans, maize, nuts, grass.
Moist Midlands Mistbelt	Semi extensive	Grazing capacity. Crops: carrot, peas, beans, maize, nuts.
Valley Bushveld	Semi extensive	Suitable for game. Grazing capacity. Crops: maize, oats, beans, potatoes, tomatoes, grass.



**Table 3.2: Richmond Bio Resource Units (Low Potential)**

Low Potential		
BRU	Farming System	Agricultural Suitability
Valley Bushveld	Extensive	Suitable for game. Grazing capacity. Crops: cabbage, beans, maize, nuts, grass, potatoes.
Valley Bushveld	Extensive	Suitable for game. Grazing capacity. Crops: carrots, peas, maize, nuts.

**Table 3.3: Richmond Bio Resource Units (Moderate Potential)**

Moderate Potential		
BRU	Farming System	Agricultural Suitability
Moist Highland Sourveld	Semi Extensive	Suitable for game. Grazing Capacity. Crops: cabbage, soybean, oats, maize.
Valley Bushveld	Semi extensive	Suitable for game. Grazing Capacity 5.9ha/AU. Crops: Carrot, soybean, nuts, peas, maize, grass etc.
Coast Hinterland Thornveld	Semi extensive	Grazing Capacity. Crops: Carrot, soybean, nuts, peas, maize

**Table 3.4: Richmond Bio Resource Units (Good Potential)**

Good Potential		
BRU	Farming System	Agricultural Suitability
Moist Midlands Mistbelt	Semi intensive	Grazing capacity. Crops: carrots, maize, oats, potatoes, grass.
Moist Transitional Tall Grassveld	Semi-intensive	Grazing capacity Crops: cabbage, dry bean, potatoes, grass, tomatoes, wheat.
Moist Coast Hinterland Ngongoni Veld	Semi-intensive	Grazing capacity Crops: cabbage, carrots, beans, potatoes, grass, oats, maize.
Dry Coast Hinterland Ngongoni Veld	Semi-intensive	Grazing capacity. Crops: cabbage, carrots, peas, beans, nuts, potatoes, grass, tomatoes.
Moist Coast Hinterland Ngongoni Veld	Semi-intensive	Grazing capacity. Crops: cabbage, carrots, peas, beans, nuts, potatoes, grass, tomatoes.



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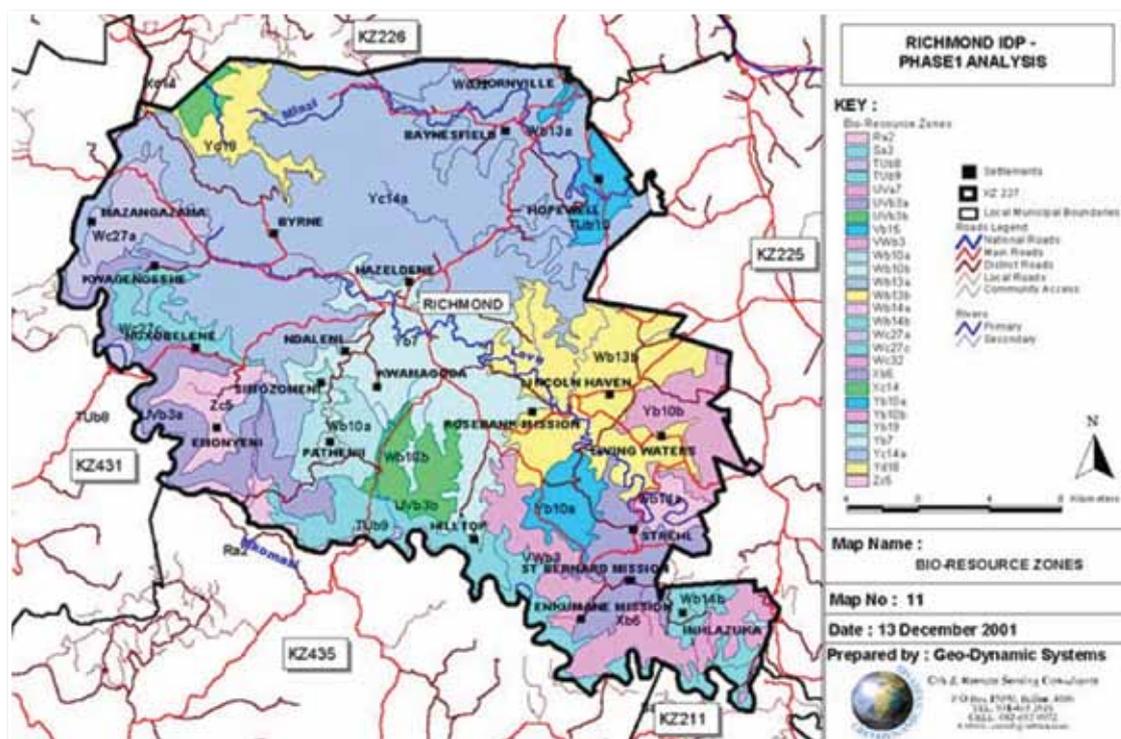
**Table 3.5: Richmond Bio Resource Units (High Potential)**

High Potential		
BRU	Farming System	Agricultural Suitability
Moist Midlands Mistbelt	Intensive	Grazing capacity. Crops: cabbage, carrots, grass soyabean.
Moist Midlands Mistbelt	Intensive	Grazing capacity. Crops: cabbage, carrots, grass, soyabean, potatoes.
Moist Coast Hinterland Ngongoni Veld	Intensive	Grazing capacity. Crops: cabbage, carrots, peas, beans, maize, sugar cane, sorghum.
Moist Coast Hinterland Ngongoni Veld	Intensive	Grazing capacity. Crops: canola, carrots, potatoes, oats, maize, sugar cane, sorghum, beans, grass, tomatoes.

Source: DAEA, March 2008

The Richmond Municipality is well endowed with high agricultural potential land, which should be preserved and protected from the encroachment of settlement development. The local economy is largely dependent on agricultural activities with commercial agriculture and forestry dominating the land use. However, access to land as a resource should be broadened using appropriate government programmes to include the previously disadvantaged groups. Agricultural land provides an opportunity for local economic development and job creation in Richmond. Its value should be enhanced and local communities assisted to make optimal use of this land.

**Figure 3.3 Agricultural Land in Richmond**





### 3.1.3 Survey outcomes

#### Key Agricultural Activities

Key agricultural activities undertaken in the Richmond Municipality are presented in the following table and include the following:

**Table 3.6 Agricultural Activities of Richmond**

NO	DESCRIPTION
1	Citrus production
2	Timber plantation
3	Seedling nursery
4	Vegetable production
5	Subsistent farming
6	Maize plantation

Source: Urban-Econ Surveys (2011)

**Figure 3.4 Agriculture in Richmond**



#### Key Reasons for Establishing Agricultural Business in Richmond

The majority of the agricultural stakeholders and respondents pointed out that the following reasons motivated them to establish their businesses or farms in the Richmond Municipality:

- Richmond Municipality is strategically located between Pietermaritzburg and Durban; therefore farmers take advantage of the two major areas.
- Richmond municipality has a good climate for farming business
- There is also easy availability of unskilled labour for farming activities
- There is availability of low cost farming and agricultural inputs,
- There is availability of natural resources



## Key obstacles that hinder agricultural Business in Richmond

On the other side the following issues hinder the agricultural businesses and activities to grow:

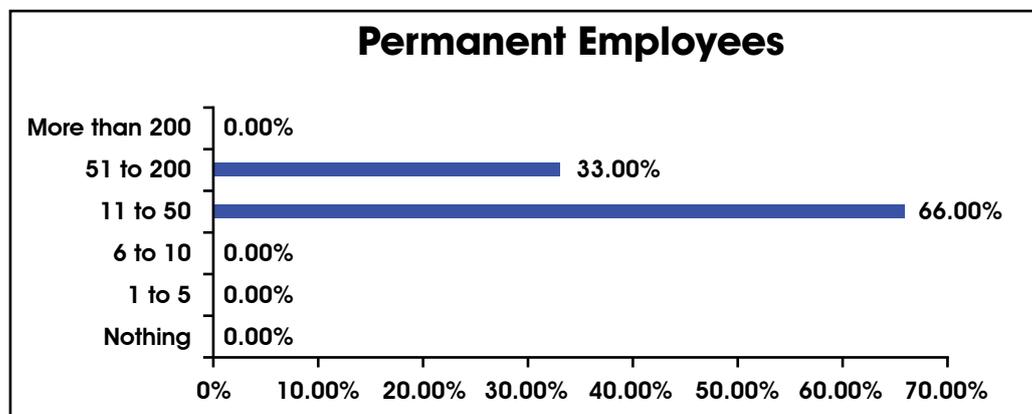
- Difficult to buy certain agricultural and farming feeds,
- Difficult to access chemicals,
- Difficult to access pumps and pipe connections,
- Some of the agricultural raw materials that are needed are not locally supplied, they come from Pietermaritzburg and Durban,
- Richmond is far from the market
- Skilled agricultural labour comes with a high price tag
- Police protection,
- Skills shortages,
- Difficult water and electricity supply,
- Telecommunication availability,
- CAPEX (Construction/Investment Cost) requirements

With regards to the duration of the agricultural businesses, the majority of them have been operating for more than 10 years and farmers in the Richmond Municipality focus their markets on the local consumers.

## Number of Employees

The majority of the agricultural businesses in Richmond employ 11 to 50 permanent workers as presented in the following figure

Figure 3.5 Number of Permanent Employees per Agricultural Business

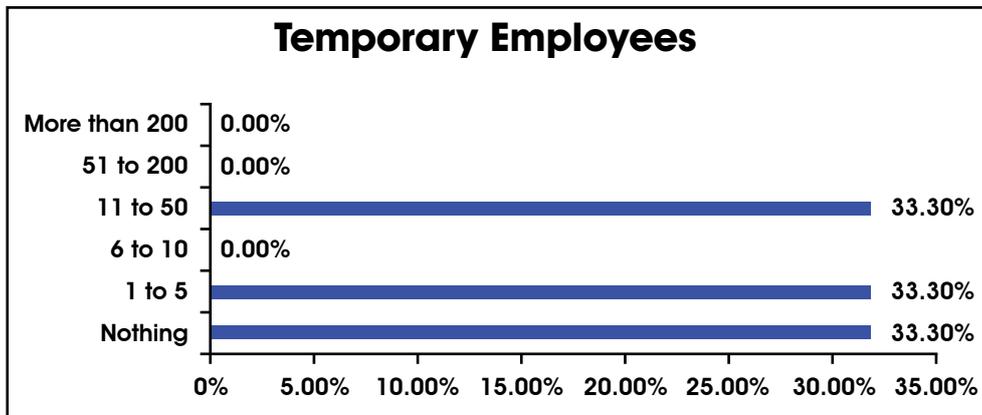


Source: Urban-Econ Surveys (2011)

With regard to temporary employments, the following figure presents the trends in this regard



Figure 3.6 Number of Temporary Employees per Agricultural Business

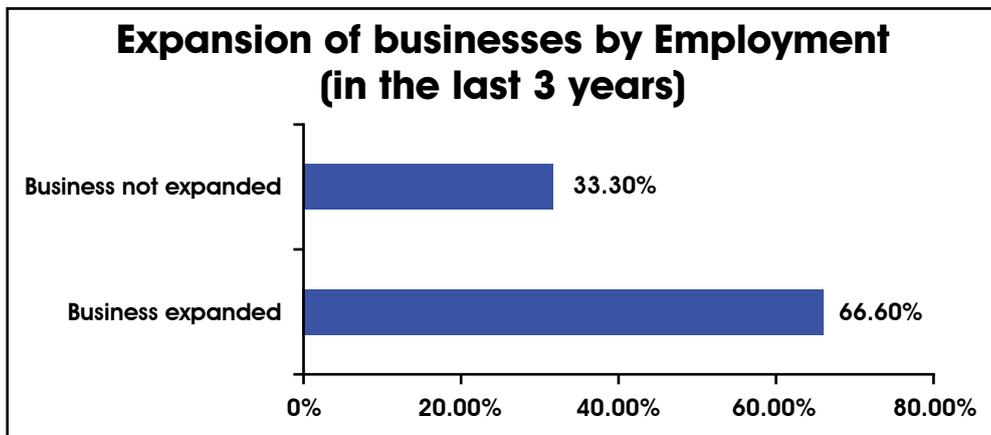


Source: Urban-Econ Surveys (2011)

### Business Expansion

The expansion of business in terms of increasing the number of employees in the last three years, the following figure indicates that 66.6% of the agricultural businesses in the Richmond Municipality have expanded.

Figure 3.7 Expansion Status of Agricultural Businesses over the Last Three Years



Source: Urban-Econ Surveys (2011)

however, the majority of the agricultural businesses (70%) still believe that they will expand their businesses in the other next three years

Whilst Richmond has realised its strong agricultural potential, most markets for agricultural products are not sustainable, therefore, agricultural stakeholders presented a number of concerns to address this issue:



**Table 3.7 Challenges Concerning Agricultural Potential Growth**

NO	DESCRIPTION
1	• Agricultural products need to be accompanied by the value adding processes
2	• Drying and pre-packs operations need to be performed in Richmond
3	• Planting are not followed up due to people expecting to get seeds for free
4	• Hard infrastructure including roads need to be updated
5	• Transport system needs to be improved as the majority of farmers uses the road transport for their goods
6	• Price of fuel needs to be reviewed or alternatively fuel subsidies need to be allocated to farmers.

**Source: Urban-Econ Surveys (2011)**

With regard to the governmental implementation of community gardens for families for own consumption and possible commercial markets, farmers in the Richmond Municipality pointed out that it was a good idea, people just need to be motivated enough to do it. Also, the producers (farmers) of vegetables need to be invited to see whether or not this project will affect their businesses.

Regarding the creation of partnerships between the existing farmers and emerging farmers or establishing cooperatives to ensure that they receive sufficient knowledge transfer and skills necessary to expand their community gardens for commercial markets, the following need to be observed:

- 33.3% of existing farmers are already empowering emerging small scale farmers and cooperatives,
- 66.6% are ready to do it under certain conditions, and
- Emerging farmers will need to work at least two years with commercial farmers before going on their own

### Strategic Guideline

The quality of soil at Richmond Local Municipality is potentially rich for agricultural purposes as shown in the preceding points. The major characters to highlight are that the agricultural sector within the Municipal Area is polarised between highly developed commercial farming enterprises and subsistence farming. The potential for agricultural development has not been fully exploited by the lower income groups mainly because of their lack of access to capital as well as to other support systems. Strategies aimed at addressing this situation should aim at establishing a training and human development programme.

On the other side the tribal areas comprise vast tracts of land lying vacant. These could be cultivated on a commercial scale. The youth are not taught applicable agricultural skills and there is little or no support from the Department of Agriculture to address the above issues. Existing commercial farmers experience problems and additional expense transporting timber/cane since the roads are in poor conditions.

Lack of financial support, mentorship, advisory services and relevant skills limit the ability of emerging farmers to succeed in this sector. The establishment of co-operatives or the purchasing of small agricultural inputs as a group and the marketing of products as a group that could provide economies of scale to increase the viability and sustainability of agricultural projects are not also motivated in the municipality.



### 3.2 Tourism sector

Richmond has the potential to become the destination of choice for tourists to KwaZulu-Natal and South Africa, especially for those tourists who desire the country ambience. The warm temperatures, summer rainfall, scenic beauty and environmental significance of the area make the climate excellent for tourism in Richmond Municipality. The area is sometimes described as the Drakensberg escarpment containing a number of scenic attractions and unique experiences that require establishment and aggressive marketing.

Apart from agriculture and other development initiatives, tourism can also play a pivotal role in the advancement of communities. The survey organised in the Richmond Municipality has indicated the following:

**Table 3.8 Characteristics of the Tourism Sector in Richmond**

NO	DESCRIPTION
1	<ul style="list-style-type: none"> <li>The majority (99%) of people frequenting Richmond are domestic tourists mainly coming from KZN</li> </ul>
2	<ul style="list-style-type: none"> <li>33% of tourists frequenting Richmond are on package tours mainly because they liked accommodation and local transport. A package tour consists of transport and accommodation advertised and sold together by a vendor known as a tour operator. Other services may be provided like a rental car, activities or outings during the holiday.</li> </ul>
3	<ul style="list-style-type: none"> <li>Given the safety concern, 66% of tourists frequenting Richmond preferred to explore the area accompanied by a tour guide and not alone.</li> </ul>
4	<ul style="list-style-type: none"> <li>66% of tourists frequent Richmond with the expectation of seeing how the area is organised, to experience the rural life style and to understand the historical background of the area.</li> </ul>
5	<ul style="list-style-type: none"> <li>33% of tourist stakeholders pointed out that Richmond has a lot to offer in terms of its history, but this has been provided in an uncoordinated way. For instance, the historical products of the area such as old churches, old museum and scenic beauties should be better promoted</li> </ul>
6	<ul style="list-style-type: none"> <li>The majority of tourists interviewed pointed out that their expectations of Richmond were not met. Despite the beauty of the scenic and natural landscapes, nothing has been organised, the area is quite dirty, the litter and general appearance is not very appealing.</li> </ul>
7	<ul style="list-style-type: none"> <li>Tourist stakeholders highlighted that the following need to be upgraded, improved or established in order to attract outside people: Museum, local art and craft galleries, adventure activities, bike ride, shopping centres, African cultural villages, religious gathering and ceremonies, the political and historical significance of town, good accommodations including Hotel, Guest-lodge, Bed &amp; Breakfast.</li> </ul>
8	<ul style="list-style-type: none"> <li>The majority of tourists in Richmond stay at Roseland Outdoor Centre and spend between R100 to R300 per day in local shops. 90% of tourists spend on food and beverages, while others buy souvenirs/ arts and crafts.</li> </ul>
9	<ul style="list-style-type: none"> <li>Stakeholders have pointed out that some concerns hinder the growth of the tourism sector in Richmond. These include:               <ul style="list-style-type: none"> <li>the town is dirty and not attractive to tourists,</li> <li>Street traders are scattered in the town and are not organised,</li> <li>The municipality does nothing to advertise any of the tourism products of the area</li> <li>Hygiene of the area needs to be closely examined</li> </ul> </li> </ul>

Source: Urban-Econ Surveys (2011)



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Despite the outcome of the survey, the tourism development corridor and eco-tourism site has been identified in the Municipal IDP. Tourism assets within the Richmond Municipality include the following assets and heritage sites:

- Blarney Cottage
- Carnarvon Masonic Lodge
- Bambata Rebellion Burial Site
- Herbert and Cecil J Rhodes cotton farm in Inhlavini Valley
- Beaulieu Dam
- Game Ranches
- Highover Nature Reserve
- Byrne Village (cultural heritage)
- Richmond-Byrne and District Museum

**Figure 3.8 Richmond Museum**





In addition, the Richmond area is recognised for its scenic and natural landscapes. The Umkomaas Valley, with its linkages to Inhlazuka and Hella Hella, provides an ideal opportunity for eco tourism and outdoor/adventure tourism initiatives. Tourism related activities which can be encouraged in these areas include the following:

- Establishment of cultural villages.
- Establishment of viewing points/decks.
- Craft centres.
- Hiking.
- Mountain Biking.
- Horse riding
- River rafting etc.

**Figure 3.9 Mkomanzi River**



The above-mentioned tourism activities offer tourists an ideal opportunity to experience the attractive landscape found within the Richmond Local Municipality. However, for such activities to occur, a proper marketing strategy is essential. This emphasises the need for the Municipality to develop an overall tourism strategy for the Municipal wide area. The focus for tourism development should be along the southern boundary of the municipal area (Umkomaas Valley). In addition the LED strategy identified a potential eco-tourism venture on the farm Process Kraal.

#### **Strategic Guideline**

The Richmond Local Municipality is a rural area in the main, and does not have much in the way of hard (built) tourism infrastructure. In spite of the Municipality being located along the R56 and having a number of tourism natural and comparative opportunities, very little tourist potential has been explored. Therefore this sector requires urgent attention in many fields among which are ecotourism, outdoor/adventure tourism initiatives and cultural tourism. The area is one of scenic beauty and environmental significance and this lend it a certain conservation status and in turn would contribute to the economic development of Richmond through job creation.



## 3.3 Manufacturing

Manufacturing is among the major sectors in the Richmond economy, contributing with 24.0% to GDP and 15.4% to the total employment of the municipality. As per the agricultural sector, manufacturing in Richmond Municipality is polarised between highly developed manufacturing enterprises and subsistence manufacturers. Manufacturing in the form of timber processing is significant with big companies such as NCT Forest, Sappi and Mondi dominating the area.

**Figure 3.10 Timber Manufacturing**



However, apart from the aforementioned large manufacturing companies, other manufacturing businesses of the small scale variety include among others the brick and block manufacturing.

Richmond has a number of local black economic empowerment (BEE) companies that manufacture bricks and blocks. These companies use the sand and water from the nearby river. The concrete is compacted into the moulds by hand-compaction to manufacture bricks and blocks. The targeted market is the building of government houses, as well as community and other type of building.

Based on the survey organised with manufacturing businesses in the Richmond Municipality, the following trends need to be highlighted:

### 3.3.1 Reasons for locating business in Richmond

Key reasons for locating business in Richmond Municipality

1. There is labour available, especially for timber manufacturing
2. Harvesting and supplying timber is affordable
3. Majority of business owners are from Richmond and their businesses have been established for many years
4. Richmond has a good climate for business and manufacturing
5. The location of Richmond is central to suppliers and central to customers
6. Soil and climate are conducive for vegetable production and citrus
7. The overall advantages and disadvantages of locating a manufacturing business in Richmond are presented in the following table



**Table 3.9 Advantages and Disadvantages of Locating a Manufacturing Business in Richmond**

ADVANTAGES	SHORTCOMINGS
Close to timber supply	Difficult water supply
Affordable rent	Difficult electricity supply
Availability of labour	No rail availability
Availability of more space	Should be closer to customers
Good soil and climate for food	Skilled labour shortage
Close to main cities	Transport and logistics issues

Source: Urban-Econ Surveys (2011)

### 3.3.2 Manufacturing activities

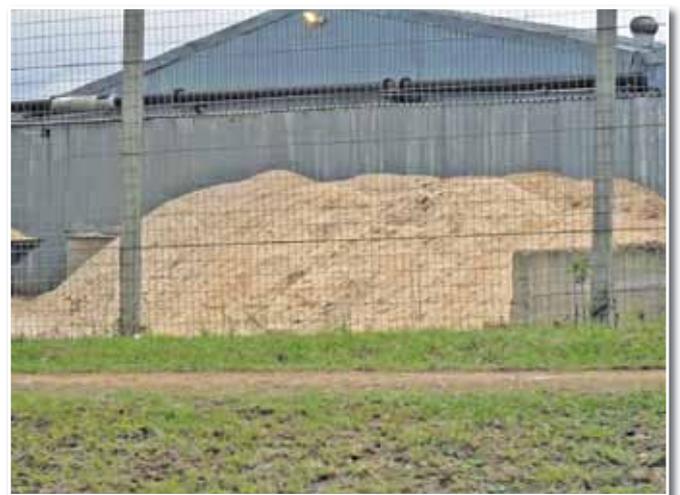
Manufacturing activities within the Richmond Municipality are presented in the following table

**Table 3.10 Manufacturing Activities**

No	DESCRIPTION
1	Timber preservation
2	Labour rails and bulbar
3	Freezing fresh vegetables
4	Manufacturing of kitchen cabinets and bricks
5	Vegetable and citrus production and packaging
6	Growing and packaging of seeds for sale

Source: Urban-Econ Surveys (2011)

**Figure 3.11 Timber Manufacturing**



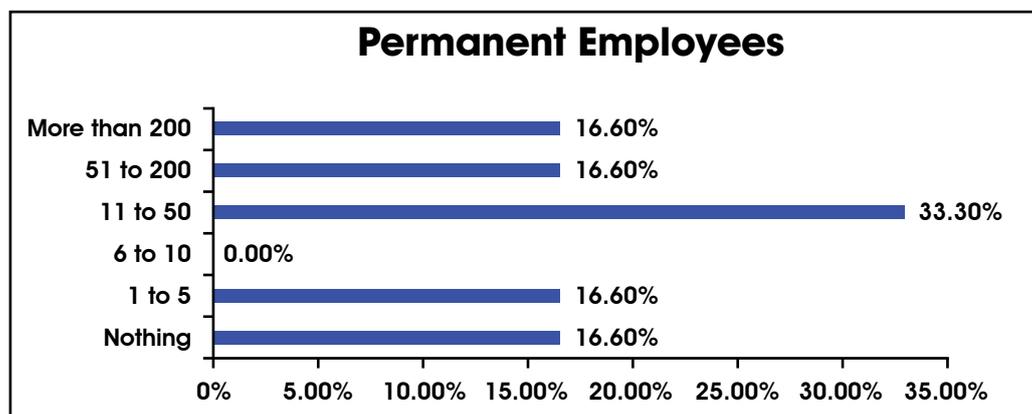
75% of the manufacturing companies in the Richmond Municipality have been in operation for more than 10 years while 25% have been in operation for 4 to 6 years



### 3.3.3 Number of Employees

The number of permanent employees in the manufacturing sector is presented in the following figure. 33% of the manufacturing businesses in Richmond have 11 to 50 permanent workers.

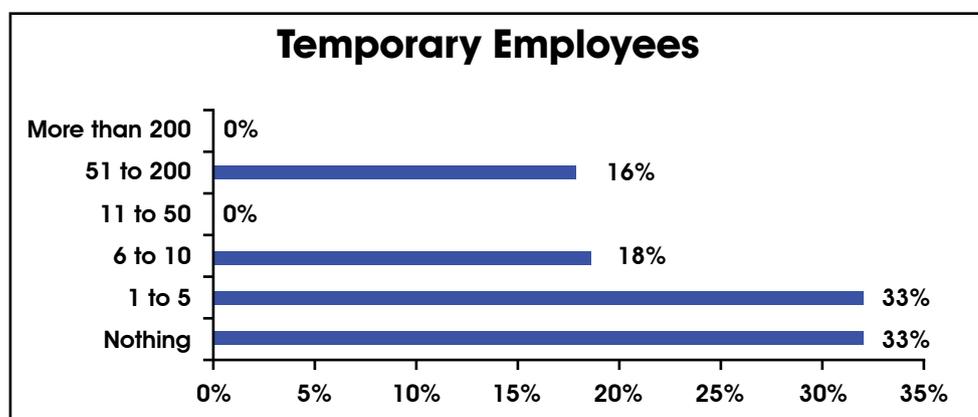
**Figure 3.12 Permanent Employees in the Manufacturing Sector**



Source: Urban-Econ Surveys (2011)

However, many manufacturing businesses employ between 1 to 5 temporary workers as presented in the following figure.

**Figure 3.13 Number of Temporary Employees in the Manufacturing Sector**



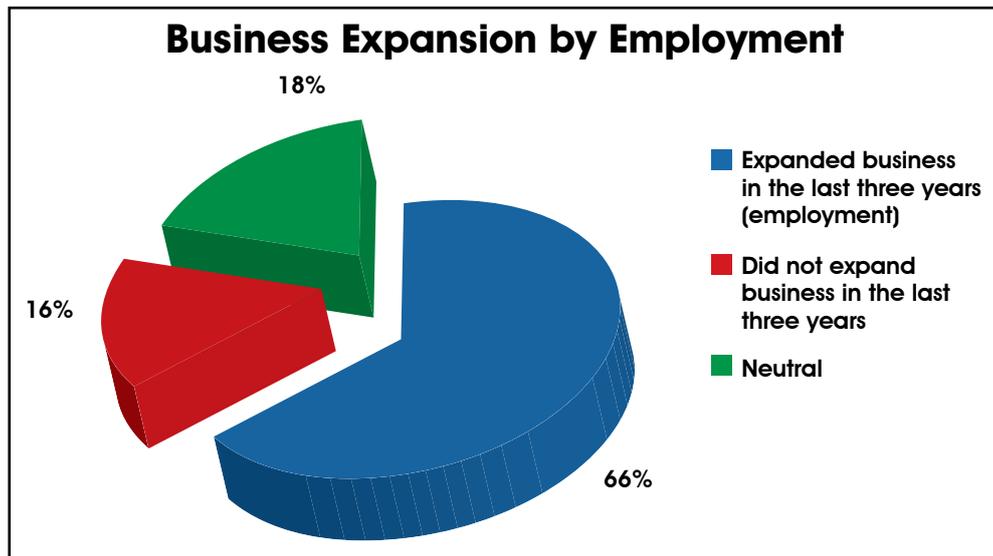
Source: Urban-Econ Surveys (2011)



### 3.3.4 Business Expansion

66% of the manufacturing businesses have expanded their businesses in the last three year in terms of increasing the number of employees as presented in the following figure

**Figure 3.14 Business Expansions by Employment in the Last Three Years in the Manufacturing Sector**



Source: Urban-Econ Surveys (2011)

The survey indicates that 50% of the manufacturing companies in the Richmond Municipality are still planning to expand their businesses for both local and international markets. However, there are challenges that need to be addressed before the expansion can take place as presented in the following table

**Table 3.11 Challenges in the Manufacturing Sector**

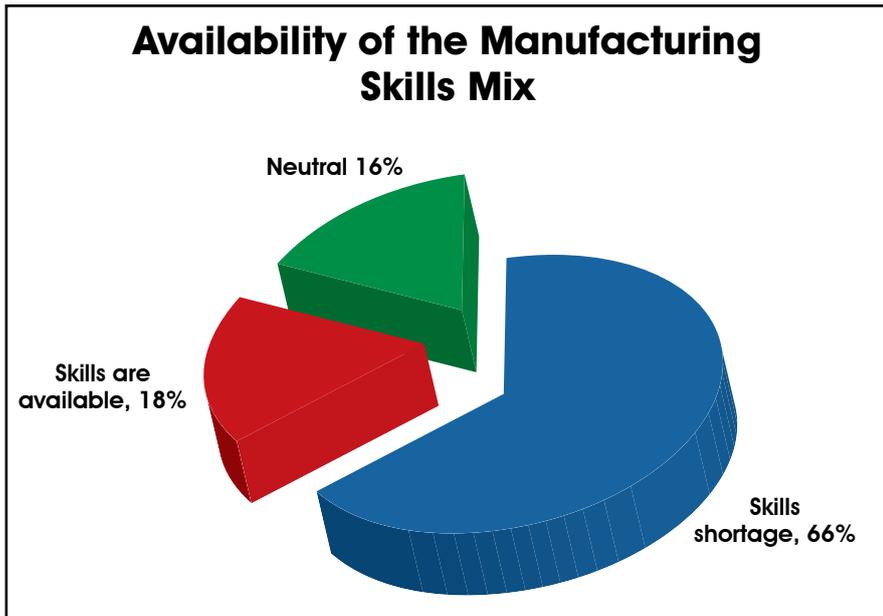
CHALLENGES	CHALLENGES
<ul style="list-style-type: none"> <li>Complicated legal issues ( it is difficult to acquire a vacant property to establish a new manufacturing factory)</li> </ul>	<ul style="list-style-type: none"> <li>Municipal red tape (especially during the process of getting the trading permit)</li> </ul>
<ul style="list-style-type: none"> <li>CAPEX requirements</li> </ul>	<ul style="list-style-type: none"> <li>Water and electricity supply,</li> </ul>
<ul style="list-style-type: none"> <li>Difficult to access business licensing and operating permits</li> </ul>	<ul style="list-style-type: none"> <li>Fire protection,</li> </ul>
<ul style="list-style-type: none"> <li>Skills shortages in the sector including: harvesting skills, critical thinking skills, chain saw, grader, bell leaders, boiler makers, management skills, financial skills, basic business understanding &amp; artisan skills</li> </ul>	<ul style="list-style-type: none"> <li>Planning &amp; zoning regulations,</li> </ul>
<ul style="list-style-type: none"> <li>Poor roads conditions</li> </ul>	<ul style="list-style-type: none"> <li>Telecommunication availability,</li> </ul>
<ul style="list-style-type: none"> <li>Limited police protection</li> </ul>	

Source: Urban-Econ Surveys (2011)



With regard to the availability of skills in the manufacturing sector in Richmond, 66% of respondents pointed out that Richmond lacks the necessary skills mix to ensure job security in the manufacturing sector (as presented in the following figure). It should be noted that the lack of necessary technical skills in the manufacturing sector in Richmond is due to a number of reasons, mainly the limited or lack of technical training facilities and education in the area. Consequently, the few skilled people who are available come with a high price tag. The locally needed technical skills include timber harvesting skills, critical skills, chain saw, grader, bell leaders, boiler makers, management skills, financial skills, basic business understanding and artisan skills.

**Figure 3.15 Availability of the Required Skills in the Manufacturing Sector**



Source: Urban-Econ Surveys (2011)

### Strategic Guideline

A number of opportunities exist in the manufacturing sector in Richmond. Richmond is a rural area suitable for a number of manufacturing plants, therefore an entrepreneurship spirit needs to be stimulated, specifically among youth to get them involved in this sector.

Further, based on current policies and capabilities and clear potential linkages between sectors, clusters, nodes and corridors, there is an indication that the Municipality has manufacturing opportunities in the following areas:

- Biofuels,
- Sewing,
- Wood and Wood Products,
- Honey Production, and
- Bricks and Blocks Manufacturing.

But all this needs to be accompanied by other support mechanisms, including technical skills and capacity building, financial support, and community mobilisation and project development.



### 3.4 small, medium and micro enterprises

Information in this sector comes from surveys conducted as part of this study in March 2011 in Richmond. The small business sector plays a crucial role in the national economy. SMME is considered to be one of the major sources for employment creation and community growth. As identified in National Small Business Act, No. 102 of 1996, "small business" means a separate and distinct business entity, including cooperative enterprises and non-governmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub-sector of the economy and which can be classified as a micro-, a very small, a small or a medium enterprise.

The SMME sector in the Richmond Municipality includes wholesalers and retail traders. Its contribution to GDP is about 9.9% while it contributes 10.7% to the employment of the municipality. Majority of businesses are concentrated in the town of Richmond as a result of the strategic location of town at the intersection of a number of main roads. This makes the town an important commercial and service centre for other surrounding areas.

#### 3.4.1 MAJOR ACTIVITIES

SMMEs in Richmond focus their business on the following activities:

catering & accommodation, retail trade and allied services, construction, manufacturing, restaurants & taverns, dairy farms, general dealers, supermarkets, butcheries, professional & financial services, bricks/ blocks manufacture, burial services, liquor retailers, consumer sales & other services, motor repairs, beauty salon, bakery, cleaning services, computer repairs, electrical appliance, hardware retail, laundry services, light engineering services, radio & TV repairs, clothing and textile, and security services.

Figure 3.16 Richmond Commercial Area





### 3.4.2 REASONS FOR CHOOSING RICHMOND AS A WORKING ENVIRONMENT

The SMME surveys which were undertaken revealed a number of key factors that had attracted people to establish business in Richmond municipality. These include the following:

- Richmond is my home town it will be easier for me to earn a living from here
- Close-by to home,
- Rural area,
- Only available area,
- Land availability,
- Business opportunity and the demand of my products
- Low competition,
- Potential for business to grow and close to target market,
- Cheaper labour at that time to recruit,
- Good infrastructure including roads,
- Good transport system for our staff
- Assist local community, develop the area, and create employment and source of income
- Business premises were affordable for sale, market was down at that time
- To reduce poverty, to contribute to local GDP and to decrease crime

However, the overall assessment of the business environment shows that Richmond is a good area for business growth as per the following table.

**Table 3.12 Description of the Working Area**

Description of the Business area	Percentages	Overall assessment
An excellent place to work	24.20%	Good 100 %
A pleasant place to work	48.50%	
An average place to work	27.30%	
An unpleasant place to work	0%	Worse 00.7%
A very unpleasant place to work	0%	
<b>Total</b>	<b>100.0</b>	<b>100%</b>

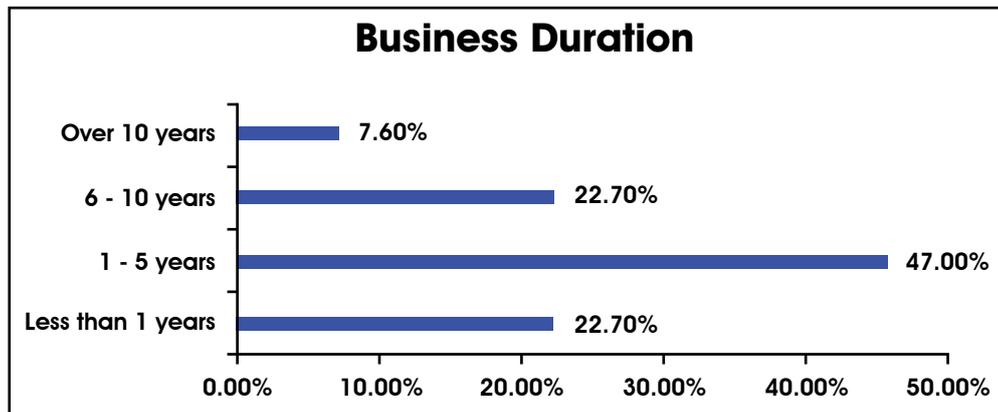
Source: Urban-Econ Surveys (2011)



### 3.4.3 BUSINESS DURATION

As per the following figure, the majority of SMMEs in Richmond have been operating for between 1 and 5 years. This indicates and confirms that Richmond is a good environment for business stability and growth.

**Figure 3.17 Business Durations**



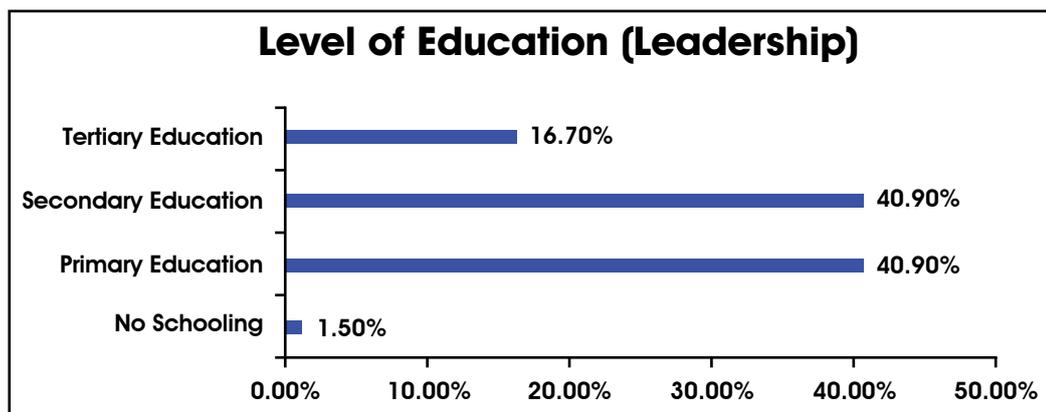
**Source: Urban-Econ Surveys (2011)**

It should be mentioned that the majority of businesses in Richmond are pessimistic about the future development of their business in their respective communities

### 3.4.4 level of education and business skills

The level of education of SMMEs has been presented separately for both leaders and workers. As shown in the following figure, more than half of the SMME leaders in Richmond Municipality are people who have studied and completed up to secondary school level. Others have completed secondary school and have undergone some tertiary education.

**Figure 3.18 Leadership's Level of Education**

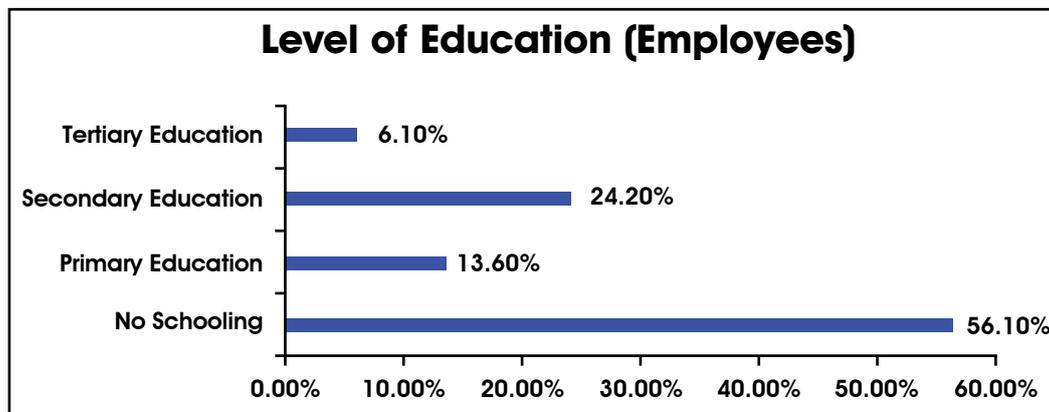


**Source: Urban-Econ Surveys (2011)**

However, the survey also found that the majority of SMME employees in Richmond Municipality are people who have not attended school as shown below.



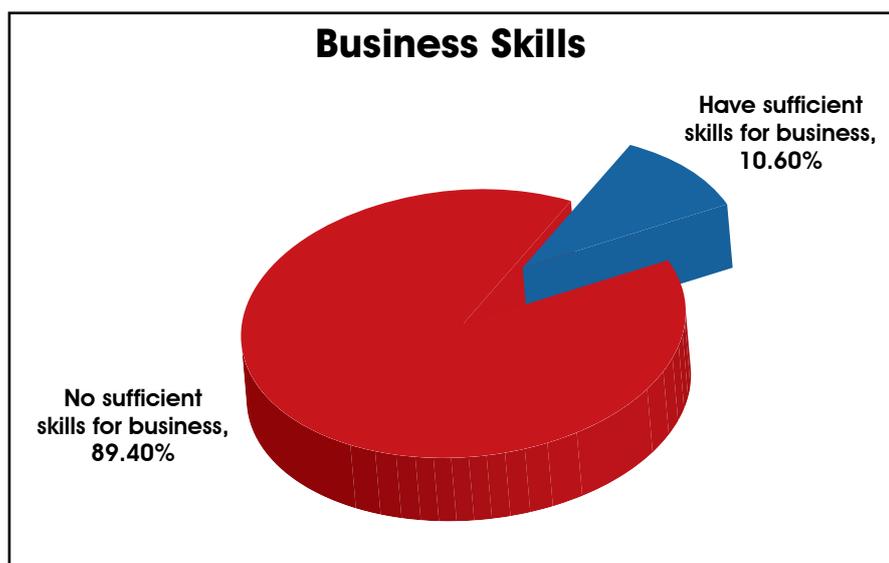
Figure 3.19 Employees' Level of Education



Source: Urban-Econ Surveys (2011)

With regard to business skills, 89% of SMMEs in Richmond pointed out that they lack the necessary business skills as indicated in the following figure.

Figure 3.20 Have and Have Not Sufficient Business Skills



Source: Urban-Econ Surveys (2011)



### 3.4.5 required training

In Richmond, SMMEs have indicated the need for certain skills training in order to improve and grow their businesses as presented in the following table.

**Table 3.13 Skills Required**

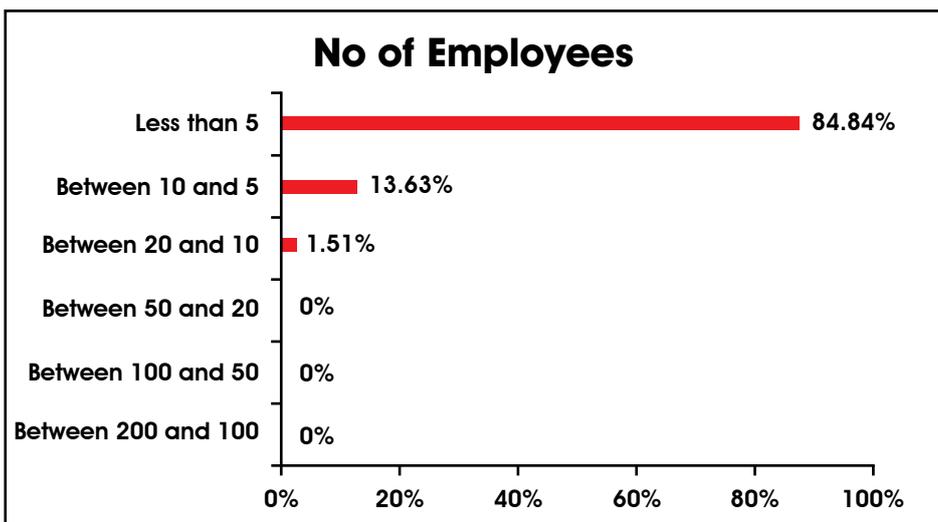
No	DESCRIPTION
1	Accounting skills
2	Baking skills
3	Basic education
4	Business and financial management skills
5	Communication skills
6	Computer skills
7	Cooking skills
8	Driving skills
9	Hair and beauty training
10	Mathematics

Source: Urban-Econ Surveys (2011)

### 3.4.6 NUMBER OF PERSON EMPLOYED PER BUSINESS

As per the following table, the majority of SMMEs in Richmond employ between 5 and 50 people, depending on the business sector.

**Figure 3.21 Number of Employees per SMME**



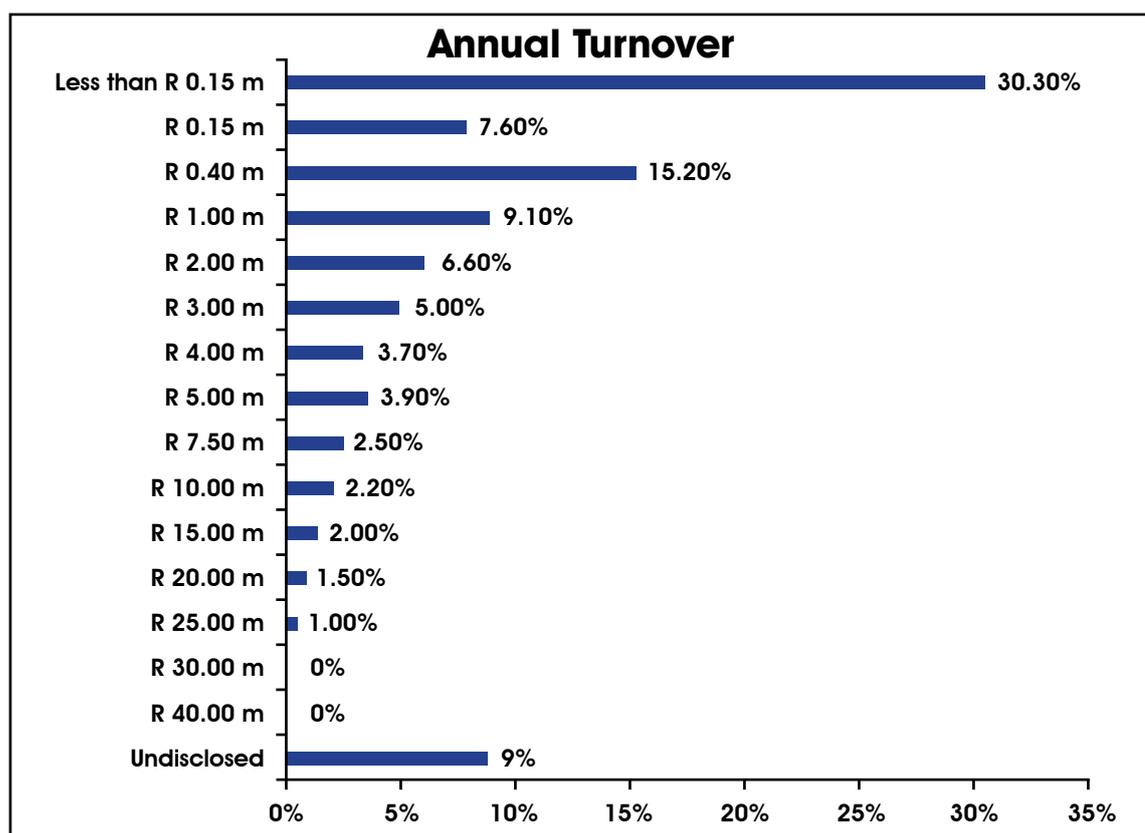
Source: Urban-Econ Surveys (2011)



## 3.4.7 BUSINESS ANNUAL TURNOVER

The majority of SMMEs in the survey were not willing to disclose their annual turnover for some reason. From those who disclosed their annual turnover, the majority (53.1%) ranged from R 150 000 to R990 000 per annum (which means below 1 million) as per the following figure.

Figure 3.22 Annual Turnover of SMMEs Surveyed



Source: Urban-Econ Surveys (2011)

## 3.4.8 MAJOR OBSTACLES

### Infrastructure issues

- Transport infrastructure needs to be improved or developed,
- Current roads and the sewerage system need to be improved,
- Crime is too high (there are overgrown properties which criminals are using as a hiding place),
- Electricity problems,
- Poor service delivery from municipality.

### Institutional issues

- Need for skilled workers,
- Financial problems and limited access to formal finance and banking institutions
- Poor marketing,
- Stiff competition from the municipal officials who own businesses in the area as well as from the Chinese cheap imports (the competition leads also to no stable labour).



## Economic issues

- High inflation,
- Interest rate hikes ,
- Absenteeism of staff due to HIV/AIDS and other sickness,
- Petrol price increases.

### 3.4.9 Key Needs OF SMMEs

SMMEs in Richmond Municipality indicated their needs as derived from the constraints that they are currently facing in running their businesses. In other words, the needs of the SMMEs also represent the challenges that they face. In order to improve their businesses, SMMEs in Richmond presented the following needs:

**Table 3.14 Needs for Growth in SMME Sector**

No	DESCRIPTION
1	Access to finance
2	Attract more tourists to Richmond,
3	Clean the town and make the town attractive
4	Access to skills
5	Motivate and encourage the community to buy local products
6	Easier access to business licence
7	Partnership and cooperation between SMMEs and the municipality
8	Lower rental fees for business premises
9	Provide spaces and parking

**Source: Urban-Econ Surveys (2011)**

#### Strategic Guideline

From the survey organised in Richmond, it emerged that SMMEs in this Municipality are desperate. They receive no assistance from the Municipality or government agencies such as SEDA. This situation reduced the mutual trust and synergies between municipal officials and business operators in the area. Therefore an effort needs to be made to address the above issue.

## 3.5 Informal sector

The informal economy makes an important contribution to the economic and social life of most South Africans. This also applies to the residents in Richmond Municipality. The town developed rapidly in the 1990s due to the deregulation of the economy and the transition to a democratic political system. Most informal businesses in Richmond are low-income generating operations that are typically survivalist in nature.

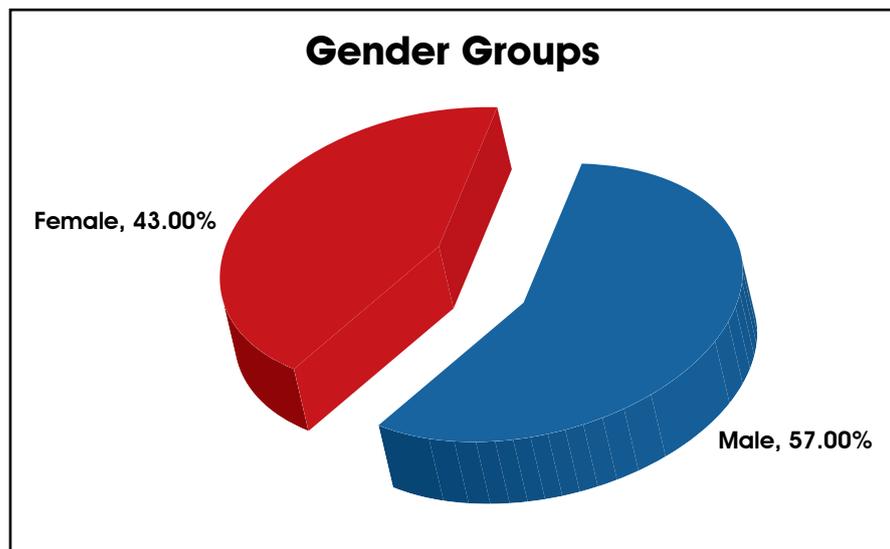
The profile and analysis of the informal sector presented in this sub-section is derived from the survey conducted by Urban-Econ with the informal traders in Richmond in March 2011.



## 3.5.1 gender group

The informal economy in Richmond town involves both male and female groups, but males dominate the sector as per the following figure.

Figure 3.23 Informal Economy According to Gender

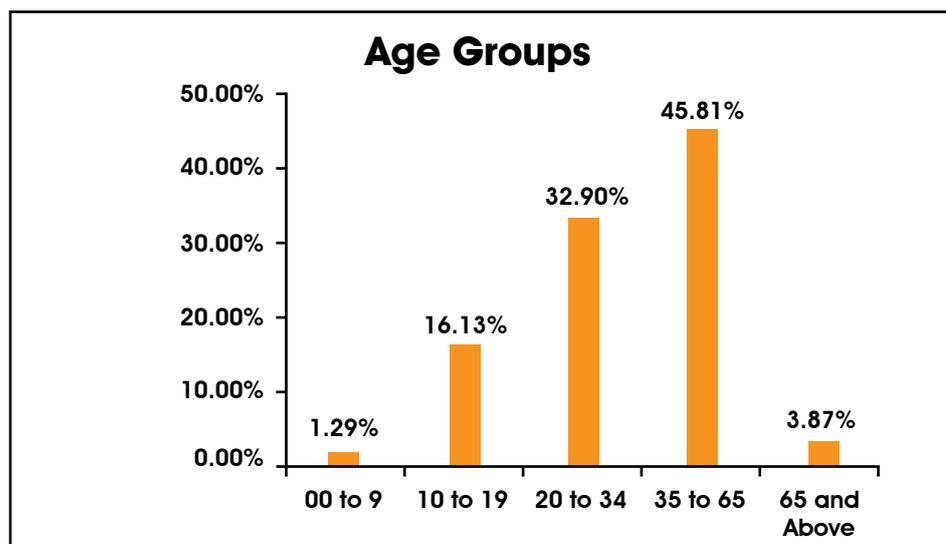


Source: Urban-Econ Richmond informal trading survey 2011

## 3.5.2 Age group

The informal workers in Richmond town include both young and old people. However, the majority of informal traders in this town are between 20 and 65 years old, the years in which most people are economically active. This shows the need to support this sector as it absorbs the economically active people of the town.

Figure 3.24 Informal Economy According to Age



Source: Urban-Econ Richmond informal trading survey 2011



### 3.5.3 Place of work

The informal economy in Richmond town is among the major means of making a living and therefore the trading takes place in a variety of places including the following:

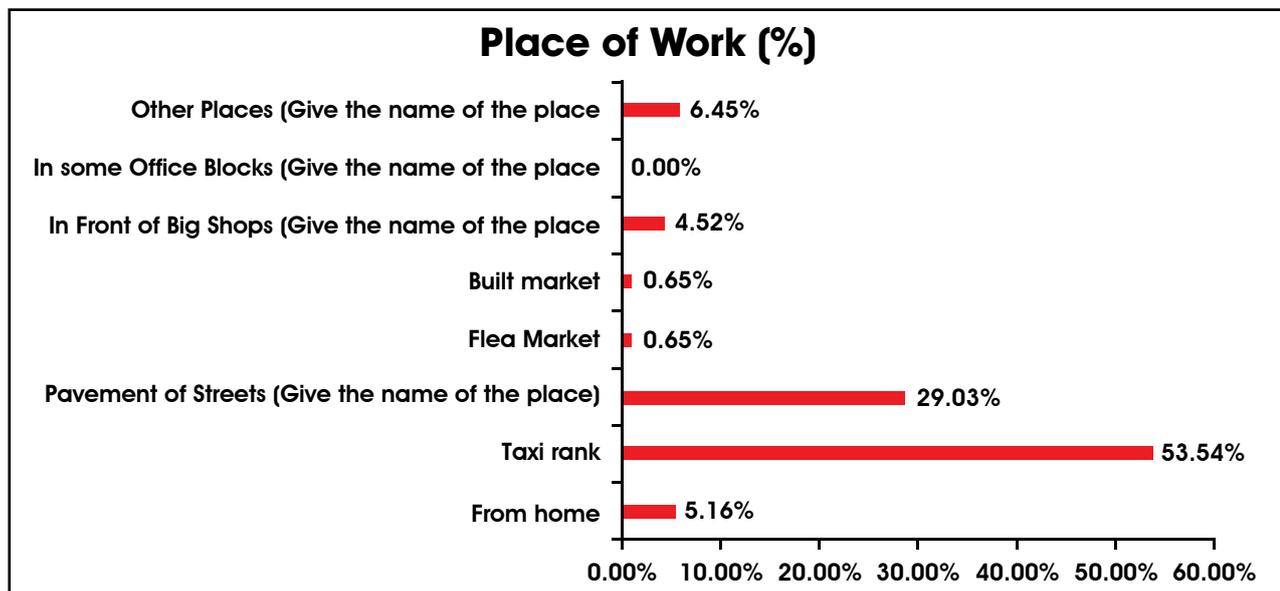
- From home
- Taxi rank
- Pavement of streets
- Flea markets
- Built market
- In front of big shops
- Other places

**Figure 3.25 Informal Trading in Richmond**



However, the taxi rank and the pavements are the main spots where the majority of the informal trading is taking place as presented in the following figure. It should be noted that the majority of informal trading activities take place on the ground, or self provided tables, mats or gazebos.

**Figure 3.26 Main Place of Work**



Source: Urban-Econ Richmond informal trading survey 2011



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## 3.5.4 trading merchandise

Informal traders in Richmond town, as presented in the following figures, provide a variety of merchandise to their clients that cross cut many economic activities. Some of them include:

- selling food (ice creams, samoosas, grilled sausage, fruit, street foods, mealie cookers, tavern and she-been, raw meat, cooked food),
- providing services (tailors, dressmakers and hatters, hairdresser, barber shops, shoe repairer, welding services),
- selling general goods (newspaper vendors, second hand clothes, CDs, spaza shop with variety of goods, cosmetics sales person),
- muthi traders,
- Mr. Phone dealer, and
- Taxis, minibus drivers.

**Figure 3.27 Informal Trading in Richmond**

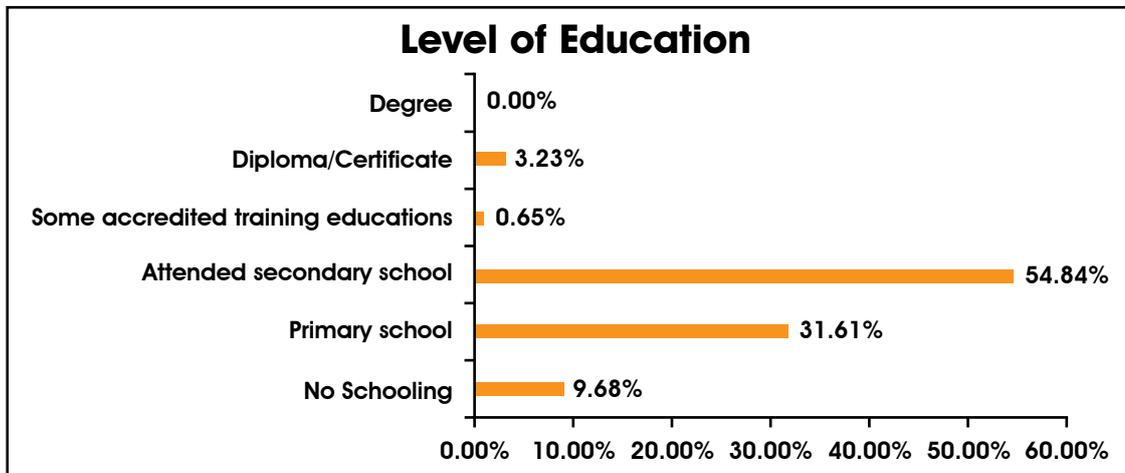


## 3.5.5 Level of education

The educational trends in Richmond town indicate that 9.68% of informal traders have never attended school at all. This obviously has an impact on the sector as this lack of education poses challenges to the growth of their own businesses. However, the survey also indicated that there are some informal traders in Richmond town who studied primary and secondary schools. A small number of informal traders have received accredited training or education.



Figure 3.28 Level of Education in the Informal Sector



Source: Urban-Econ Richmond informal trading survey 2011

### 3.5.6 Skills and training NEEDED

In Richmond town, informal traders have indicated the need for certain skills in order to improve and grow their businesses. However, despite the general and specific skills required, there also were two extreme poles in skills need. On the one side, some informal traders indicated that they do not need any training at the moment, while on the other side, other informal traders said that they need all sorts of training related to business development. The areas mentioned were:

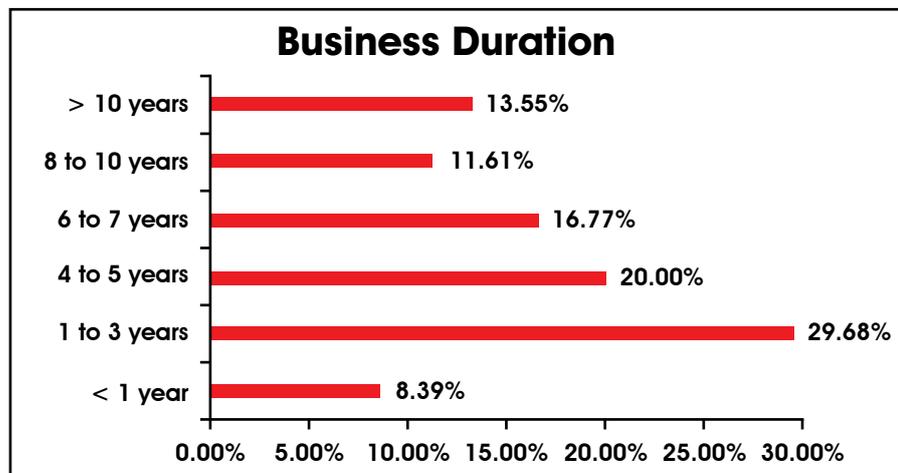
- Accounting skills
- Baking skills
- Communication skills
- Financial management
- Business trade and management skills
- Driving skills
- Computer skills
- Cooking skills

### 3.5.7 business duration

As per the following figure, a large number of informal trading businesses in Richmond town (41.93) have been operating for more than five years. This indicates and illustrates that Richmond town is a area which is conducive to business stability and growth and also shows that informal trading in this town is not a temporary activity, but issometimes a long-term carrier to many.



Figure 3.29 Informal Business Durations

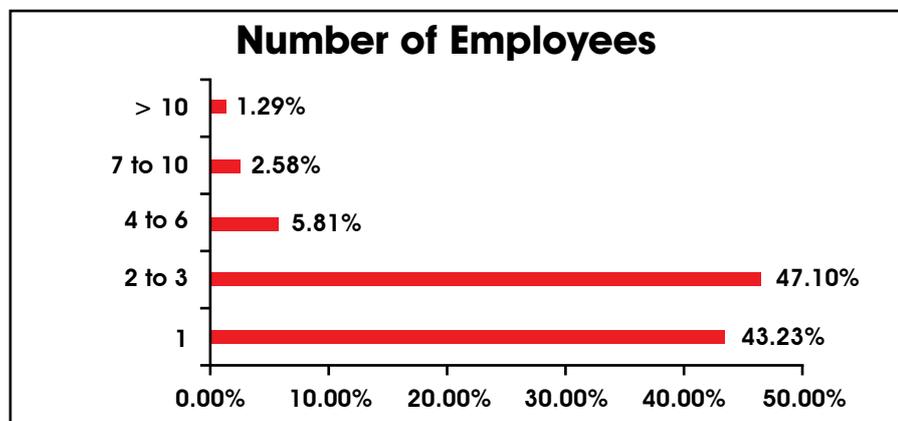


Source: Urban-Econ Richmond informal trading survey 2011

### 3.5.8 number of people employed in the business

As per the following figure, the majority of informal businesses (90%) in Richmond town employ between 1 and 3 people, depending on the activities of the business. This indicates that informal trading in Richmond town is a fairly labour intensive sector of the area.

Figure 3.30 Number of Employees



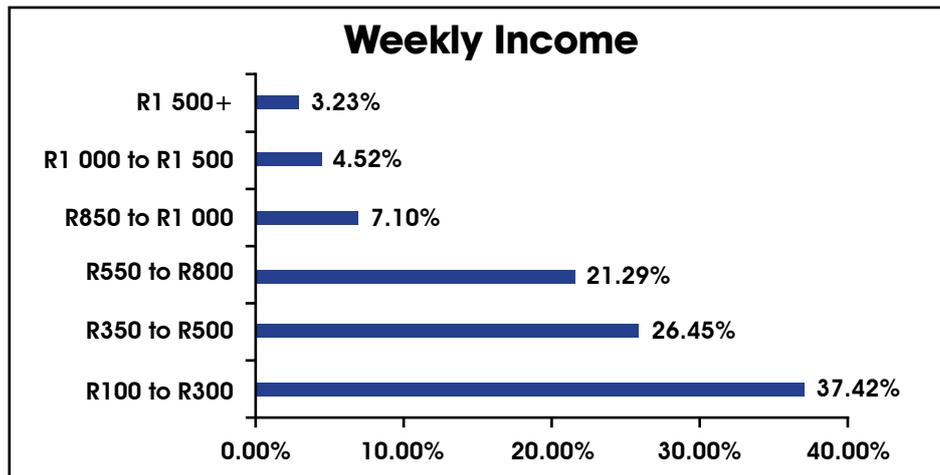
Source: Urban-Econ Richmond informal trading survey 2011



### 3.5.9 weekly income

The weekly income of the informal workers depends on business activities and varies from R 100 to R 1500 and more per week. However, the majority of them earn between R 100 to R 800 per week as per the figure below.

Figure 3.31 Weekly Income

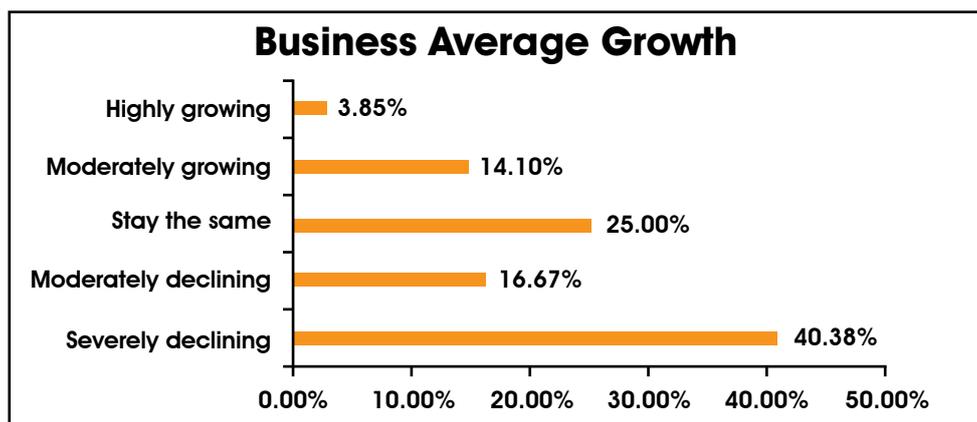


Source: Urban-Econ Richmond informal trading survey 2010

### 3.5.10 BUSINESS GENERAL/AVERAGE GROWTH

The survey also found that 25% of the informal businesses in Richmond town have a stagnant general average growth, while 14.10% show a moderate growth. However 40.38% of businesses have a severe declining growth rate. The declining growth trends need to be addressed in order to improve the sector.

Figure 3.32 Average Growth



Source: Urban-Econ Richmond informal trading survey 2011



## 3.5.11 business challenges

The overall provincial trends in KZN indicate that a large number of informal businesses fail after a couple of years. This trend also applies to Richmond’s informal trading. These failures may be attributed to a variety of challenges related to the management of business, business development as well as other inopportune challenges as presented in the following table. It should be noted that the challenges presented in the table below came out of the survey organised with the informal traders in Richmond town.

**Table 3.15 Informal Businesses Challenges**

Challenges	Challenges
High level of competition especially with the arrival of the Chinese traders that are scattered all over town	Weather conditions are sometimes not conducive to business growth (Chickens die because of too much heat)
The economic meltdown has impacted on everybody including us	There is the need for a trading mall where informal traders can be allocated place to work
The high cost of petrol makes life harder	High cost of rental fees
No support or sponsorship from the municipality	Lack of access to finance and equipment
Difficult to access finance and financial issues	Limited number of customers leading to low profit
Customers buying on credit are not willing to pay	Basic skills shortages (it is hard to read and write)
Business ideas are stolen all the time and they all sell the same products	Limited trading space

The table above has presented the challenges that currently face informal businesses in the town of Richmond. This indicates that a solution driven and an implementable informal economy development strategy is essential if Richmond Municipality wants to adhere to its constitutional obligation of promoting socio-economic development in its area of jurisdiction. However, informal traders in Richmond are still willing to grow and expand their businesses despite the challenges.

Some of the inputs that informal traders expect from the municipality include the following:

- Building a new taxi rank,
- Providing training to informal traders
- Providing water and public toilets
- Constructing street trading kiosks/tables
- Providing proper infrastructure such as roads
- Providing financial assistance to informal traders
- Creating a clean working environment, especially for food traders
- Consultation with informal traders on any projects that are planned



### Strategic Guideline

The characteristics of the informal economy in Richmond have ensured that it will never disappear, but instead continues to grow in size and importance. One of the problems facing local government in Richmond is that informal economy activities are spread throughout the municipality, with some of its activities taking place in rural areas where monitoring is difficult. In addition, by its very nature, the informal economy is hard to manage and, more importantly, to support its development. Given that the informal economy supports the livelihoods of thousands of mostly poor, vulnerable and marginalised people in Richmond, there is an urgent need to develop a dedicated informal economy strategy that will address the challenges faced by people operating in this sphere of the economy.

## 3.6 Transport sector

The transport sector in Richmond is not significant and its contribution to the GDP and employment level is low. Both transport and communication sectors contribute with 5.4% to the GDP and 1.4% to the employment of the Municipality.

The main road linkages in the Municipality are the R56 forming a north south corridor linking Pietermaritzburg, Richmond and Ixopo and the R624 linking Richmond to the south coast and the R603 to the N3 corridor.

Richmond's location in terms of major transport routes and corridor development serves as a link between eThekweni and Gauteng and its location therefore creates numerous benefits and the town should work towards strengthening the economy of the area.

In terms of public transport, there are eleven routes which transport passengers within and outside of the Richmond municipal areas

**Table 3.16: Public Transport Routes**

ORIGIN	DESTINATION
Richmond Taxi Rank	Durban
Ixopo Taxi Rank	Richmond
Gengeshe	Richmond
Richmond	Eston
Masangazane	Richmond
Magoda	Richmond
Ndaleneni	Richmond
Phatheni	Richmond Taxi Rank
Simozomeni	Richmond Taxi Rank
Inhlazuka	Richmond
Pietermaritzburg	Richmond

Source: KZN Department of Transport 2009



Figure 3.33 Main Means of Transport in Richmond



## Strategic Guideline

The transport system in Richmond is a major problem that needs to be closely looked at. Apart from the R56 and some main roads in Richmond town, others roads need to be improved and repaired.

The roads in the rural areas constitute the majority of the municipality's road network. Their construction and stormwater control are also important factors that could, if well addressed, allow investors, taxis and other means of transport to reach people in the deep rural areas.

## 3.7 Information Communication Technology

The growth of the Information Communication Technology (ICT) in the country has been noted as one of the most significant factors stimulating economic growth. The importance of this sector has been recognised by the KwaZulu-Natal province, and its potential has been translated into the Provincial Growth and Development Strategy and the Industrial Development Strategy. This sector has been acknowledged for its importance in the creation of a knowledge economy and as a contributor to social development and participation of the wider community through ICT enabled activities.

Presently, the Richmond Municipality does not have a developed ICT sector. There are three internet cafés in the area which have a limited number of services. However, with the coverage signal from Telkom, Vodacom, Cell C, MTN and Heita there is an opportunity for the ICT development.



**Figure 3.34 Internet Cafe in Richmond**



#### Strategic Guideline

As highlighted above, the ICT sector has been identified as one of the key factors in stimulating economic growth in line with national major policies such as ASGISA. As the sector is not developed in Richmond, more attention needs to be paid to this sector since it is not only capable of improving and modernising the services, but it also ensures better access to information, essential technology and community empowerment.

### 3.8 Synopsis

Richmond Local Municipality is primarily an agricultural community and agriculture is a significant sector of the local economy contributing 20% to the local GDP and 18.5% to the total employment of the Municipality. Despite the current agricultural activities undertaken in the Municipal areas, Richmond has potential for more farming and other activities because of the quality of the soils and climatic conditions.

Richmond has large number of tourism products that need to be capitalised on in order to create jobs and grow the tourism sector.

The transport sector is dominated by private taxi owners and associations. The main road linkages in the Municipality is the R56 forming a north south corridor and links Pietermaritzburg, Richmond and Ixopo. The R624 links Richmond to the south coast and the R603 to the N3 corridor. The roads within the town are in need of urgent repair as some of them are in poor conditions.



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The manufacturing sector is among the major sectors in Richmond contributing 24.0% to the local GDP and 15.4% to the employment of the area. It is characterised by timber preservation, labour rails and bulbar, freezing fresh vegetables, manufacturing of bricks, vegetable and citrus production and packaging, and the packaging of seeds.

The SMME sector in the Richmond Municipality includes both wholesalers and retail traders. Its contribution to the local GDP is about 9.9% and it provides 10.7% to the employment of the municipality. In most cases informal traders in Richmond are survivalist and provide support to family members.

# Organisational Performance Report 2010/2011



National/IDP Key Performance Areas	IDP Indicator Number	Outcome / Output Measurement	Indicators	Annual Target	Targeted Date	Quarter ending September		Quarter ending December		Quarter ending March		Quarter ending June		Annual Performance	Measures Taken to Improve Performance
						Projected	Actual	Projected	Actual	Projected	Actual	Projected	Actual		
<b>1. Mayoral Office</b>															
Financial Viability	69	Submission of all financial reports required in terms of MFMA.	% number of reports submitted as per MFMA	100%	Quarterly Bi-Annually	100%	100%	100%	100%	100%	100%	100%	1	No Intervention Required	
Financial Viability	70	Submission of Complete SDBIPs in of 2011/2012 for the Municipality in each quarter.	Number of SDBIP Reports Submitted in each Quarter	4	Quarterly	1	1	1	1	1	1	1	4	No Intervention Required	
Financial Viability	67	Preparation and adoption of Draft Budget 2012/2013.	Number of Budget Documents produced and adopted for 2012/2013	1 Draft & 1 Final	31 March 2012 & 31 May 2012	1 Draft	1 Draft	1 Draft	1 Draft	1 Draft	1 Draft	1 Draft	1 Final Budget Approved 31 May 2012	No Intervention Required	
Financial Viability	68	Draft SDBIP and Scorecard for 2012/2013.	Number of Draft Documents Submitted for adoption	1 Draft & 1 Final	31 March 2012 & 14 June 2012	1 Draft	1 Draft	1 Draft	1 Draft	1 Draft	1 Draft	1 Draft	1 Final SDBIP Approved 11 June 2012	No Intervention Required	
Institutional Transformation and Organisational Development.	8	Implementation of OPMS within the Municipality	% Number of workplans signed in the Municipality	100%	31-Jul-10	100%							100%	No Intervention Required	
Good Governance	87	Development and Adoption of Municipal IDP for 2012/2013.	Number of documents adopted by the Municipality and % quality as per COGTA	1 Document and 75% Credible as per COGTA	31 March 2012 & 31 May 2012	1 Draft	1 Draft	1 Draft	1 Draft	1 Draft	1 Draft	1 Draft	1 Final IDP Approved 31 May 2012	No Intervention Required	
Good Governance	9	Adopt and implement anti-corruption and fraud Strategy	% Number of Performance Review Reports produced	100%	Quarterly	100%	100%	100%	100%	100%	100%	100%	100%	No Intervention Required	
Good Governance	76	Establish Municipal Public Accounts Committee	Number of Documents adopted and implemented.	1	31-Dec-11								1 Draft & 75% Credible	No Intervention Required	
Good Governance	77	Review and adopt communication strategy	Number of Committees Established	1	30-Sep-11	1 Committee							1 Committee 30-September 2011	No Intervention Required	
Good Governance	74	Submission of all financial reports required in terms of MFMA.	Number of documents reviewed and adopted.	1	31-Jan-12								1 Draft done but not adopted.	No Intervention Required	
<b>2. Municipal Manager</b>															
Financial Viability	69	Submission of all financial reports required in terms of MFMA	% of reports submitted as per MFMA	100%	Annually Quarterly	100%	100%	100%	100%	100%	100%	100%	100%	No Intervention Required	
Institutional Transformation and Organisational Development.	6	Recruit and Reduce vacancies in 2011/2012 Organogram.	Percentage reduction in 2011/2012 vacancy / rate.	10%	31-Mar-12	5%	2.50%	0%	2.50%	0%	2%	10%	10%	No Intervention Required	
Institutional Transformation and Organisational Development.	7	Review and align Organogram to IDP for 2012/2013.	Number of Organograms adopted by the Municipality.	1	31-Mar-12	1		1					1 Organogram	No Intervention Required	
Institutional Transformation and Organisational Development.	8	Implementation of OPMS within the Municipality	% Number of workplans signed in the Municipality	100%	31-Jul-11	100%							100% 31 July 2011	No Intervention Required	
Good Governance	9	Conduct quarterly performance reviews.	% Number of Performance Review Reports produced	100%	Quarterly	100%	100%	100%	100%	100%	100%	100%	100% A Year	No Intervention Required	
Good Governance	1	Conduct Skills Audit and Develop WSP for Staff under your responsibility	Number of PDP Produced.	1	30-Jun-12								1	No Intervention Required	

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National/IDP Key Performance Areas	IDP Indicator Number	Measurable Objective / Outcome	Vote/Indicator	Annual Target	Revised Target		Quarter ending September		Quarter ending December		Quarter ending March		Quarter ending June		Actual Annual Performance	Measures Taken to Improve Performance
					Projected	Actual	Projected	Actual	Projected	Actual	Projected	Actual	Projected	Actual		
Financial Viability	70	SDRP Reports to of 2011/2012 for the Municipality in each quarter.	Number of SDRP Reports Submitted in each Quarter	4	Quarterly	1	1	1	1	1	1	1	1	1	4 Reports Submitted	No Intervention Required
Financial Viability	64	Improved Debt recovery ratio for 2011/2012 in each quarter.	% Debt Recovery Ratio Achieved in each quarter.	70%	Quarterly till 30 June 2012	70%	41.02%	70%	42.08%	70%	44%	70%	47.63%	Average of 44% Achieved.	No Intervention Required	
Financial Viability	65	Maintain liquidity that is greater than 1 at the end of the year.	Ratio greater than 1	>1	Quarterly	>1	>1	>1	>1	>1	>1	>1	>1	Liquidity Ratio >1	No Intervention Required	
Financial Viability	66	Maintain cash coverage ratio greater than 1 in each quarter.	Cash coverage ratio greater than 1.	>1	Quarterly	>1	3	>1	6	>1	6	>1	4.12	Average of 4.78 Achieved.	No Intervention Required	
Financial Viability	67	Draft Budget in respect of 2012/2013 financial year	Number of Draft Budgets tabled and Adopted by Council.	1 Draft and 1 Final	31 March 2012 & 31 May 2012	1 Draft	1 Draft	1 Draft	1 Draft	1 Draft	1 Draft tabled 30 March 2012	1 Final	1 Final Budget Approved 31 May 2012	1 Final Budget Approved 31 May 2012	No Intervention Required	
Financial Viability	68	Draft SDRP and Scorecard for 2012/2013.	Number of Draft Documents Submitted for adoption	1 Draft & 1 Final	31 March 2012 & 14 June 2012	1 Draft	1 Draft	1 Draft	1 Draft	1 Draft	1 Draft tabled 30 March 2012	1 Final SDRP Signed by Mayor	1 Final SDRP Approved 11 June 2012	1 Final SDRP Approved 11 June 2012	No Intervention Required	
Good Governance	76	Adopt and implement anti-corruption and fraud Strategy	Number of Documents adopted and Implemented.	1	31-Dec-11	1 Document Adopted	None	1 Document Adopted	None	1 Document Adopted	1 Document Adopted	1 Document Adopted	1 Document Adopted	1 Document Adopted	Draft adopted and final to be moved to 2012/13.	No Intervention Required
Good Governance	77	Establish Municipal Public Accounts Committee	Number of Committees Established	1	30-Sep-11	1 Committee Established	1 Committee Established	1 Committee Established	1 Committee Established	1 Committee Established	1 Committee Established	1 Committee Established	1 Committee Established	1 Committee Established	1 Committee Established	No Intervention Required
Good Governance	74	Review and adopt communication strategy	Number of documents reviewed and adopted.	1	31-Jan-12	1 Strategy Adopted	1 Strategy Adopted	1 Strategy Adopted	1 Strategy Adopted	1 Strategy Adopted	1 Strategy Adopted	1 Strategy Adopted	1 Strategy Adopted	1 Strategy Adopted	Moved to 2012/2013	No Intervention Required
Financial Viability	75	Install Community Notice Boards in All WARDS of the Municipality	Number of Notice Boards installed	13	31-Jan-12	13	13	13	13	13	13	13	13	13	13	No Intervention Required
Financial Viability	68	Draft SDRP and Scorecard for 2012/2013.	Number of Draft Documents Submitted for adoption	1 Draft & 1 Final	31 March 2012 & 14 June 2012	1 Draft	1 Draft	1 Draft	1 Draft	1 Draft	1 Draft tabled 30 March 2012	1 Final SDRP Signed by Mayor	1 Final SDRP Approved 11 June 2012	1 Final SDRP Approved 11 June 2012	No Intervention Required	
Financial Viability	78	Develop a framework/guideline for Municipal Public Accounts Committee	Number of documents developed and workshoped	1	30-Dec-11	1	1	1	1	1	1	1	1	1	1	No Intervention Required
Good Governance	79	Implement recommendations of Municipal Public Accounts Committee.	Percentage Recommendations Implemented.	100%	Quarterly	100%	100%	100%	100%	100%	100%	100%	100%	100%	100% A Year	No Intervention Required
Good Governance	80	Develop and issue newsletter to the Community in all WARDS.	Number of newsletters produced during the year	1.00	Quarterly	1.00	0 Communications Officer not appointed	1.00	1.00	1.00	1.00	1.00	1.00	4 Newsletters in a Year	No Intervention Required	
Good Governance	81	Update Municipal Website on a regular basis preferably quarterly	Number of times the website is updated	4	Quarterly	1	1	1	1	1	1	1	1	4 Updates done in a year.	No Intervention Required	
Good Governance	82	Develop and adopt a Calendar/Manual for compliance with relevant laws.	Number of documents developed.	1	30-Dec-11	1	1	1	1	1	1	1	1	1 Document 08 December 2011	No Intervention Required	
Good Governance	83	Develop and implement risk Management policy	Number of risk policies adopted and implemented	1	31-Dec-11	1	1	1	1	1	1	1	1	1 Draft Developed but not Approved.	No Intervention Required	
Good Governance	86	Take part in Intergovernmental Relations Structures.	Number of plans made inputs to or Programmes attended.	4	Quarterly	1	1	1	1	1	1	1	1	4 In a Year.	No Intervention Required	
Good Governance	87	Development and Adoption of Municipal IDP for 2012/2013.	Number of documents adopted by the Municipality and % Quality as per COGTA	1 Document and 75% Credible as per COGTA	31 March 2012 & 31 May 2012	1 Draft	1 Draft	1 Draft	1 Draft	1 Draft	1 Draft tabled 23 March 2012	1 Final IDP Credible	1 Final IDP Approved 31 May 2012	1 Final IDP Approved 31 May 2012	No Intervention Required	
<b>3. Department - Financial Services</b>																
<b>3.1. Vote: Financial Administration &amp; Reporting</b>																
Financial Viability	69	Submission of all financial reports required in terms of MFMA	% of reports submitted as per MFMA	100%	Annually Quarterly	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	No Intervention Required
Financial Viability	70	SDRP Reports to of 2011/2012 for the Municipality in each quarter.	Number of SDRP Reports Submitted in each Quarter	4	Quarterly	1	1	1	1	1	1	1	1	4 Reports Submitted	No Intervention Required	
Financial Viability	67	Draft Budget in respect of 2012/2013 financial year	Number of Draft Budgets tabled and Adopted by Council.	1 Draft and 1 Final	31 March 2012 & 31 May 2012	1 Draft	1 Draft	1 Draft	1 Draft	1 Draft	1 Draft tabled 23 March 2012	1 Final SDRP Signed by Mayor	1 Final SDRP Approved 11 June 2012	1 Final SDRP Approved 11 June 2012	No Intervention Required	
Financial Viability	68	Draft SDRP and Scorecard for 2012/2013.	Number of Draft Documents Submitted for adoption	1 Draft & 1 Final	31 March 2012 & 14 June 2012	1 Draft	1 Draft	1 Draft	1 Draft	1 Draft	1 Draft tabled 30 March 2012	1 Final SDRP Signed by Mayor	1 Final SDRP Approved 11 June 2012	1 Final SDRP Approved 11 June 2012	No Intervention Required	
Financial Viability	88	Submission of Complete SDRP Reports in respect of 2010/2011 for the Municipality in each Quarter.	Number of SDRP Reports Submitted in respect of 2010/2011 in each Quarter.	4	Quarterly	1	1	1	1	1	1	1	1	4 Reports Submitted	No Intervention Required	



National/IDP Key Performance Areas	IDP Indicator Number	Measurable Objective / Outcome	Vote/Indicator	Annual Target	Revised Target		Quarter ending September		Quarter ending December		Quarter ending March		Quarter ending June		Actual Annual Performance	Measures Taken to Improve Performance
					Projected	Actual	Projected	Actual	Projected	Actual	Projected	Actual	Projected	Actual		
Financial Viability	71	Preparation of annual financial statements for 2011/2012 as per MFMA.	Number of AFS documents produced.	1.00	Quarterly	1.00	0 System preparation	1.00	0 System Preparation	1.00	No quarterly Financial Statements	1.00	No Quarterly Financial Statements	No Quarterly AFS only for the year submitted 31 August	No Intervention Required	
Good Governance	72	Reduce complains in respect of Municipal Services.	%age Reduction in complains relating to Municipal Services.	1%	30-Jun-11	1%	0% No records maintained.	3%	0% records maintained	4%	0% No Records	4%	0 Records, system to adopted.	0% No Records Maintained - System	No Intervention Required	
Good Governance	73	Record and attend to complains and requests timely.	Percentage of Complains and requests recorded and attended to.	100%	Quarterly	100%	100%	100%	100%	100%	100%	100%	100%	100%	No Intervention Required	
Institutional Transformation and Organizational Development.	6	Recruit and Reduce vacancies in 2011/2012 Organogram.	Percentage reduction in 2011/2012 vacancy rate.	10%	31-Mar-12	5%	5.5%	2.50%	2.50%	0	0	2%	2%	10%	No Intervention Required	
Institutional Transformation and Organizational Development.	7	Review and align Organogram to IDP for 2012/2013.	Number of Organograms adopted by the Municipality.	1	31-Mar-12					1	1			1 Organogram Adopted	No Intervention Required	
Institutional Transformation and Organizational Development.	8	Implementation of OPMS within the Municipality	% Number of workplans signed in the Municipality	100%	31-Jul-11	100%	100%							100%	No Intervention Required	
Institutional Transformation and Organizational Development.	9	Conduct quarterly performance reviews.	% Number of Performance Review Reports produced	100%	Quarterly	100%	50%	100%	50%	100%	100%	100%	100%	100% Performance reviews conducted	No Intervention Required	
Institutional Transformation and Organizational Development.	1	Conduct Skills Audit and Develop WSP for Staff under your responsibility	Number of PDP Produced.	1	30-Jun-12							1	1	1 WSP Submitted 30 June 2012	No Intervention Required	
Institutional Transformation	2	Implementing 2011/2012 WSP within Municipality.	%age Budget Spent on Implementation.	100%	Saturday, June 30, 2012							100%	31%	31%	No Intervention Required	
<b>3.2. Vote, Budget &amp; Planning</b>																
Financial Viability	67	Draft Budget in respect of 2012/2013 financial year	Number of Draft Budgets tabled and Adopted by Council.	1 Draft and 1 Final	31 March 2012 & 31 May 2012						1 Draft	1 Draft tabled 30 March 2012	1 Final	1 Final Approved 31 May 2012	No Intervention Required	
Financial Viability	68	Draft SDBIP and Scorecard for 2012/2013.	Number of Draft Documents Submitted for adoption	1 Draft & 1 Final	31 March 2012 & 14 June 2012						1 Draft	1 Draft tabled 30 March 2012	1 Final SDBIP Signed by Mayor	1 Final Approved 11 June 2012	No Intervention Required	
Good Governance	87	Development and Adoption of Municipal IDP for 2012/2013.	Number of documents adopted by the Municipality and % quality as per COGSA	1 Document and 75% Creable as per COGSA	31 March 2012 & 31 May 2012						1 Draft tabled	1 Draft tabled 30 March 2012	1 Final DP & 75% Creable	1 Final Approved 31 May 2012	No Intervention Required	
Good Governance	86	Take part in Intergovernmental Relations Structures.	Number of plans made inputs to Programmes attended.	4	Quarterly	1	1	1	1	1	1	1	1	4 Plans	No Intervention Required	
<b>3.3. Vote, Revenue &amp; Financial Management</b>																
Financial Viability	64	Improved Debt recovery ratio for 2011/2012 in each quarter.	% Debt Recovery Rate Achieved in each quarter.	70%	Quarterly till 30 June 2012	70%	41.02%	70%	42.08%	70%	41.08%	70%	47.63%	Average of 44% Achieved	No Intervention Required	
Financial Viability	65	Maintain liquidity that is greater than 1 at the end of the year.	Ratio greater than 1	> 1	30-Jun-12								> 1	Liquidity Ratio Greater than 1.	No Intervention Required	
Financial Viability	66	Maintain cash coverage ratio greater than 1 in each quarter.	Cash coverage ratio greater than 1.	> 1	Quarterly	> 1	3	> 1	6	> 1	6	> 1	4.12	Average of 4.78 times.	No Intervention Required	
<b>3.4. Vote, Expenditure Management</b>																
Financial Viability	60	Facilitate implementation of DMP for the Municipality.	% Expenditure of Capital Budget for the Municipality.	100%	30-Jun-12	25%	70%	50%	70%	75%	81%	100%	90%	90% of Capital Budget Spent.	No Intervention Required	
Financial Viability	61	%age of operating Budget Spent in each quarter.	%age of operating Budget Spent in each quarter.	100%	30-Jun-12	25%	19%	50%	41.66%	75%	62.42%	100%	83.96%	83.96 % Budget Spent	No Intervention Required	
Financial Viability	62	Percentage of other grants allocated Spent by the Municipality	Percentage of other grants allocated Spent by the Municipality	100%	30-Jun-12	25%	10%	50%	40%	75%	57.31%	100%	90%	90% of Grants Spent	No Intervention Required	
Financial Viability	63	Percentage of MIG grants allocated Spent by the Municipality	Percentage of MIG grants allocated Spent by the Municipality	100%	30-Jun-12	25%	1%	50%	7.52%	75%	18.00%	100%	49%	49% of MIG Grants Spent	Tenders to be advertised early in March for the following financial year.	
<b>1. Vote : Corporate Services</b>																
<b>1.1 Administration</b>																



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National/IDP Key Performance Areas	IDP Indicator Number	Measurable Objective / Outcome	Vote/Indicator	Annual Target	Quarter ending September		Quarter ending December		Quarter ending March		Quarter ending June		Actual Annual Performance	Measures Taken to Improve Performance
					Projected	Actual	Projected	Actual	Projected	Actual	Projected	Actual		
Financial Viability	60	Facilitate implementation of DMP for the Municipality.	% Expenditure of Capital Budget for the Municipality.	100%	25%	15%	50%	15%	75%	48%	100%	88%	88% of Capital Budget Spent.	As soon as the draft budget is approved start advertising early to avoid any delays. Appeals must be dealt with timely.
Financial Viability	61		% of operating Budget Spent in each quarter.	100%	25%	19%	50%	50%	75%	71%	100%	99%	99% of Operating Budget Spent	Fill all vacant positions timely to avoid under-spending in the operational budget.
Financial Viability	62		Percentage of other grants allocated Spent by the Municipality	100%	25%	10%	50%	50%	75%	73%	100%	95%	95% of Other Grants Spent.	Draft business plans for all unspent grants and apply in the relation of contributions to the grants.
Financial Viability	67	Draft Budget in respect of 2012/2013 financial year	Number of Draft Budgets Tabled and Adopted by Council.	1 Draft and 1 Final					1 Draft	1 Draft tabled 30 March 2012	1 Final	1 Final Approved 31 May 2012	1 Final	Target fully achieved, therefore no intervention is necessary.
Financial Viability	68	Draft SDBIP and Scorecard for 2012/2013.	Number of Draft Documents Submitted for adoption	1 Draft & 1 Final					1 Draft	1 Draft tabled 30 March 2012	1 Final	1 Final Approved 11 June 2012	1 Final	Target fully achieved, therefore no intervention is necessary.
Financial Viability	70	SDBIP Reports for 2011/2012 for the Municipality in each quarter.	Number of SDBIP Reports Submitted in each Quarter	4	1	1	1	1	1	1	1	1	4 SDBIP Reports Submitted	Target fully achieved, therefore no intervention is necessary.
Good Governance	72	Reduce complaints in respect of Municipal Services.	%age Reduction in complaints relating to Municipal Services.	1%	1%	0% No Recording	2%	0%	3%	0%	4%	0%	0% Achieved - System to be developed.	Target fully achieved, therefore no intervention is necessary.
Good Governance	73	Record and attend to complaints and requests timely.	Percentage of Complaints and requests recorded and attended to.	100%	100%	100%	100%	100%	100%	100%	100%	100%	100% Complaints reported resolved.	Target fully achieved, therefore no intervention is necessary.
Good Governance	79	Implement recommendations of Municipal Public Accounts Committee.	Percentage Recommendations Implemented.	100%	100%	0% No Meeting within 1st Quarter	100%	100%	100%	100%	100%	100%	100% of Resolutions implemented.	Target fully achieved, therefore no intervention is necessary.
Good Governance	81	Update Municipal Website on a regular basis preferably quarterly	Number of times the website is updated	4	1	1	1	1	1	1	1	1	4 Updates Done in a year.	Target fully achieved, therefore no intervention is necessary.
Good Governance	84	Develop and Adopt fleet Management Policy.	Number of fleet management policies produced and adopted for implementation.	1	1	1	1	1	1	1	1	1	1 Draft tabled and Final to be approved 2012/13.	Target fully achieved, therefore no intervention is necessary.
Good Governance	85	Develop and Adopt Employee Assistance Programme Policy.	Number of policies developed and adopted for implementation	1	1	1	1	1	1	1	1	1	1 Draft tabled and Final to be approved 2012/13.	Target fully achieved, therefore no intervention is necessary.
Good Governance	86	Take part in intergovernmental Relations Structures.	Number of plans made inputs to or Programmes attended.	4	1	1	1	1	1	1	1	1	4 Plans made inputs inc.	Target fully achieved, therefore no intervention is necessary.
Good Governance	87	Development and Adoption of Municipal IDP for 2012/2013.	Number of documents adopted by the Municipality and % quality as per COGTA	1 Document and 75% Credible as per COGTA					1 Draft to be tabled in March	1 Draft tabled 30 March 2012	1 Final IDP & 75% Credible	1 Final Approved 31 May 2012	1 Final	Target fully achieved, therefore no intervention is necessary.
<b>Local Economic Development</b>														
Local Economic Development	49	Review and adopt LED strategy based on the analysis of the economy report.	Number of strategies reviewed, adopted and implemented.	1		No Strategy Adopted								Facilitate the adoption of the strategy once it has been developed to all stakeholders.
Local Economic Development	50	Market Richmond as a tourist destination and an area conducive for investors.	Number of businesses attracted for investment.	1 Light Industry, 1 Chemical Bank 1 Retail Shop										Performance target moved to 2012/2013 financial due to challenges.
Local Economic Development	51	Facilitate creation of job opportunities through LED Projects as well as Capital Projects.	Number of job opportunities created.	20	5	10	5	5	5	5	5	5	25 Temporary jobs Created.	Target fully achieved therefore no intervention is necessary.
Local Economic Development	52	Complete and submit business plans for funding applications.	Number of Business Plans Submitted.	4									4 Business Plan Submitted	Target fully achieved therefore no intervention is necessary.
50			Number of Business Plans Approved	1									2 Business Plans Approved by IDT.	Target fully achieved therefore no intervention is necessary.
			Percentage of Business Plans Approved	25%									50% Approved	Target fully achieved therefore no intervention is necessary.
Local Economic Development	53	Provide training Support to Local Small Medium Micro Enterprises.	Number of SME capacitated through training.	30	8	9	16	39	24	Moved to 2012/2013	30	Moved to 2012/2013	0 Achieved - Moved to 2012/2013 financial due to challenges.	Performance target moved to 2012/2013 financial due to challenges.



National/IDP Key Performance Areas	IDP Indicator Number	Measurable Objective / Outcome	Vote/Indicator	Annual Target	Revised Target		Quarter ending September		Quarter ending December		Quarter ending March		Quarter ending June		Actual Annual Performance	Measures Taken to Improve Performance
					Target	Actual	Projected	Actual	Projected	Actual	Projected	Actual	Projected			
Local Economic Development	54	Facilitate Access to Local SME to services of SME/Entrepreneur institutions (SEDA etc)	Number of SME supported by SME Agencies/institutions.	100	30-Jun-12	25%	24	50	to be done in quarter 3	75	Moved to 2012/2013	100	Moved to 2012/2013	Zero Achieved - Moved to 2012/13.	Performance target moved to 2012/2013 financial due to challenges.	
Local Economic Development	55	Organise affient interest group to formalise businesses/cooperatives (Pre-enterprising)	Percentage of business applications successfully registered.	100%	Quarterly	100%	100%	100%	to be done in quarter 3	100%	Moved to 2012/2013	100%	Moved to 2012/2013	Zero Achieved - Moved to 2012/13.	Performance target moved to 2012/2013 financial due to challenges.	
Local Economic Development	56	Partner industries and SME to expand business opportunities.	Number of business applications for strategic funding approved and contracted.	5	31-Mar-12			5		5	5 Obtained preliminary approval			Zero Achieved - Moved to 2012/13.	Performance target moved to 2012/2013 financial due to challenges.	
Local Economic Development	57	Local Economic Development	Strategic Fund Budget committed for Contracting.	R5 Million	30-Jun-12						R5 Million			Zero Achieved - Moved to 2012/13.	Performance target moved to 2012/2013 financial due to challenges.	
Local Economic Development	58	Leverage additional funding for business expansion.	Rand value of funding leveraged.	R3,25 Million	30-Jun-12						R3,25 Million			Zero Achieved - Moved to 2012/13.	Performance target moved to 2012/2013 financial due to challenges.	
Local Economic Development	59	Forge Partnership with Land owners (IB, DIDLK and Private Owners) for investment development	Number of SLA signed	1	30-Oct-12				1 SLA	0				Draft tabled and final to 2012/2013 financial year as approved therefore no intervention is required.		
<b>1.3 Human Resource</b>																
Institutional Transformation and Organisational Development	1	Conduct Skills Audit and Develop WSP for Staff under your responsibility	Number of PDP Produced.	1	30-Jun-12						1		1	1 WSP Submitted 30 June 2012	Target fully achieved therefore no intervention is necessary.	
Institutional Transformation	2	Implementing 2011/2012 WSP within Municipality.	%Age Budget Spent on Implementation.	100%	Saturday, June 30, 2012						100%		31%	31% Spent	Official identified for training in the WSP applied for staff bursary and as a result all the budget was exhausted.	
Institutional Transformation and Organisational Development	3	Percentage Number of Staff Trained in respect of 2011/2012 WSP.	Budget Amount Spent	R 63,600	30-Jun-12	25%	9%	50%	50%		R 63,600	100%	31%	R 19,475.00 31% Trained	Target fully achieved therefore no intervention is necessary.	
Institutional Transformation and Organisational Development	4	Newly Elected Ward COMMITTEE Members Trained.	Number of Members Trained.	70	31-Jan-12					70				70 Ward Committee Members Trained.	Target fully achieved therefore no intervention is necessary.	
Institutional Transformation and Organisational Development	5	Compliance with Employment Equity Act	Number of people EE Target Group Employed in the 3 highest levels of Management.	2	Saturday, June 30, 2012						2		0	Zero Achieved - Moved to 2012/13.	Performance target moved to 2012/2013 financial year due to challenges.	
Institutional Transformation and Organisational Development	6	Recruit and Reduce vacancies in 2011/2012 Organogram.	Percentage reduction in 2011/2012 vacancy rate.	10%	31-Mar-12	5%	5.5%	2.50%	2.50%			0%	2%	10% Achieved	Target fully achieved therefore no intervention is necessary.	
Institutional Transformation and Organisational Development	7	Review and align Organogram to IDP for 2012/2013.	Number of Organograms adopted by the Municipality.	1	31-Mar-12					1				1 Tabled and Approved.	Target fully achieved therefore no intervention is necessary.	
Institutional Transformation and Organisational Development	8	Implementation of OPMS within the Municipality	% Number of workplans signed in the Municipality	100%	31-Jul-10	100%	50%	50%	50%					100% Workplans Signed	Target fully achieved therefore no intervention is necessary.	
Institutional Transformation and Organisational Development	9	Conduct quarterly performance reviews.	% Number of Performance Review Reports produced	100%	Quarterly	100%	50%	100%	100%				100%	100% Performance Reviews Done	Target fully achieved therefore no intervention is necessary.	
<b>Department – Community services</b>																
<b>1.1 Vote: Administration</b>																
Institutional Transformation and Organisational Development	1	Conduct Skills Audit and Develop WSP for Staff under your responsibility	Number of PDP Produced.	1	30-Jun-12						1		1	1 WSP Submitted 30 June 2012	Target fully achieved therefore no intervention is necessary.	
Institutional Transformation	2	Implementing 2011/2012 WSP within Municipality.	%Age Budget Spent on Implementation.	100%	Saturday, June 30, 2012						100%		31%	31% Budget Spent	Official identified for training in the WSP applied for staff bursary and as a result all the budget was exhausted.	
Institutional Transformation and Organisational Development	6	Recruit and Reduce vacancies in 2011/2012 Organogram.	Percentage reduction in 2011/2012 vacancy rate.	10%	31-Mar-12	5%	5.5%	2.50%	2.50%				2%	10% positions filled	Target fully achieved therefore no intervention is necessary.	



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National/IDP Key Performance Areas	IDP Indicator Number	Measurable Objective / Outcome	Vote/Indicator	Annual Target	Quarter ending September		Quarter ending December		Quarter ending March		Quarter ending June		Actual Annual Performance	Measures Taken to Improve Performance
					Projected	Actual	Projected	Actual	Projected	Actual	Projected	Actual		
Institutional Transformation and Organisational Development	7	Review and align Organogram to IDP for 2012/2013.	Number of Organograms adopted by the Municipality.	1					1				1 Organogram adopted and approved.	Target fully achieved therefore no intervention is necessary.
Institutional Transformation and Organisational Development	8	Implementation of OPMs within the Municipality	% Number of workplans signed in the Municipality	100%		50%							100% Workplans Signed.	Target fully achieved therefore no intervention is necessary.
Institutional Transformation and Organisational Development	9	Conduct quarterly performance reviews.	% Number of Performance Review Reports produced	100%		50%			100%			100%	100% Performance Reviews Done.	Target fully achieved therefore no intervention is necessary.
Financial Viability	60	Facilitate Implementation of DMP for the Municipality.	% Expenditure of Capital Budget for the Municipality.	100%		70%			81%			90%	90% of Capital Budget Spent.	Advertised for services providers as soon as the budget is approved to avoid delays and deal with all appeals timely.
Financial Viability	61		% of operating Budget Spent in each quarter.	100%		19%			75%			83.96%	83.96 % Budget Spent	Recruit and fill all positions timely to avoid underspending on the operational budget.
Financial Viability	62		Percentage of other grants allocated Spent by the Municipality	100%		10%			75%			90%	90% of Grants Spent	Draft business plans for all unspent grants and apply for relaxation of conditions of grants for some grants.
Financial Viability	67	Draft Budget in respect of 2012/2013 financial year	Number of Draft Budgets tabled and Adopted by Council.	1 Draft and 1 Final					1 Draft			1 Final	1 Final Budget Approved 31 May 2012	Target fully achieved therefore no intervention is necessary.
Financial Viability	68	Draft SDBIP and Scorecard for 2012/2013.	Number of Draft Documents Submitted for adoption.	1 Draft & 1 Final					1 Draft			1 Final	1 Final SDBIP Approved 31 May 2012	Target fully achieved therefore no intervention is necessary.
Financial Viability	70	SDBIP Reports to of 2011/2012 for the Municipality in each quarter.	Number of SDBIP Reports Submitted in each Quarter	4					1			1	4 SDBIP Reports Submitted	Target fully achieved therefore no intervention is necessary.
Good Governance	72	Reduce complains in respect of Municipal Services.	% Age Reduction in complains relating to Municipal Services.	1%		0% No Recording			3%			4%	Zero Achieved	Review the current system to record actual information in be in a position to determine targets for the future.
Good Governance	73	Record and attend to complains and requests timely.	Percentage of Complains and requests recorded and attended to.	100%		100%			100%			100%	100% Resolved	Target fully achieved therefore no intervention is necessary.
Good Governance	79	Implement recommendations of Municipal Public Accounts Committee.	Percentage Recommendations Implemented.	100%		100%			100%			100%	100% Resolutions Implemented	Target fully achieved therefore no intervention is necessary.
Good Governance	86	Take part in Intergovernmental Relations Structures.	Number of plans made inputs to or programmes attended.	4					1			1	4 Plans contributed to	Target fully achieved therefore no intervention is necessary.
Good Governance	87	Development and Adoption of Municipal IDP for 2012/2013.	Number of documents adopted by the Municipality and % equality as per COGTA	1 Document and 75% Creditable as per COGTA					1 Draft			1 Final DP & 75% Creditable	1 Final Budget Approved 31 May 2012	Target fully achieved therefore no intervention is necessary.
<b>1.2 Housing Services &amp; Development</b>														
Basic Services and Infrastructure Development	14	Hand over complete Phatheni Houses to beneficiaries.	Number of Houses Handed Over.	198		121			50				198 Constructed and completed	Target fully achieved and therefore no intervention is necessary.
Basic Services and Infrastructure Development	15	Facilitate Packaging of Snyathuluka phase 2 Housing project.	Number of Agreements Signed between Municipality and Dept of HS.	1					1			Moved to 2012/2013	Zero Achieved	Performance target moved to 2012/2013 financial year due to challenges.
Basic Services and Infrastructure Development	16	Facilitate Packaging of Amanandus Hill Housing project.	Number of Agreements Signed between Municipality and Dept of HS.	1					1			Moved to 2012/2013	Zero Achieved	Performance target moved to 2012/2013 financial year due to challenges.
Basic Services and Infrastructure Development	17	Facilitate approval in respect of Inkhazuka Housing Project.	Number of Agreements Signed between Municipality and Dept of HS.	1					1			Moved to 2012/2013	Zero Achieved	Performance target moved to 2012/2013 financial year due to challenges.
Basic Services and Infrastructure Development	18	Facilitate Packaging of Zwelethu Housing project.	Number of Agreements Signed between Municipality and Dept of HS.	1					1			1	1 Approved and Construction commenced.	Target fully achieved and therefore no intervention is necessary.
Basic Services and Infrastructure Development	19	Facilitate acquisition of land in respect of Middle Income Housing Project.	Number of Plots acquired	43 Plots					43 Plots			Moved to 2012/2013	Zero Achieved	Performance target moved to 2012/2013 financial year due to challenges.



National/IDP Key Performance Areas	IDP Indicator Number	Measurable Objective / Outcome	Vote/Indicator	Annual Target	Revised Target		Quarter ending September		Quarter ending December		Quarter ending March		Quarter ending June		Actual Annual Performance	Measures Taken to Improve Performance
					Projected	Actual	Projected	Actual	Projected	Actual	Projected	Actual	Projected	Actual		
Basic Services and Infrastructure Development	20	Prepare a Housing Sector Plan for the Municipality	Number of Plans produced.	01 Draft Plan & 1 Final Plan	Draft Plan 31 March 2012 & Final 31 May 2012										1 Final Approved 31 May 2012	Target fully achieved and therefore no intervention is necessary.
<b>1.3 Aids Awareness</b>																
Basic Services and Infrastructure Development	38	Plan and Implement HIV/Aids awareness campaign.	Number of Plans prepared and implemented.	1	30-Nov-11										1 Plan Approved and Implemented	Target fully achieved and therefore no intervention is necessary.
<b>1.4 Arts and Culture</b>																
Basic Services and Infrastructure Development	39	Plan and implement cultural events.	Number of events planned and implemented.	1	31-Aug-11	1									1 Plan Approved and Implemented	Target fully achieved and therefore no intervention is necessary.
<b>1.5 Sports and Recreation</b>																
Basic Services and Infrastructure Development	40	Plan and implement sports and recreational Games.	Number of events	01 SALGA Games & 01 Richmond Riders & Runners	2011/08/31 RRR & 30 October 2011 SALGA GAMES	1 RRR Event	1 RRR Event	30 October 2011 SALGA GAMES							1 Plan Approved and Implemented	Target fully achieved and therefore no intervention is necessary.
<b>1.6 Library Services</b>																
Basic Services and Infrastructure Development	43	Provide access to information through library services.	%age request received and attend to.	100%	Monthly	100.00%	100.00%	100.00%	100%						100% Received and attended to.	Target fully achieved and therefore no intervention is necessary.
Local Economic Development	51	Facilitate creation of job opportunities through community services capital projects	Number of job opportunities created	80	30-Jun-12	20	40 Indigent Register	20	20	20	27				125 Job Opportunities Achieved	Target fully achieved and therefore no intervention is necessary.
<b>1.7 Public Safety</b>																
Basic Services and Infrastructure Development	44	Create Awareness of road safety act.	Number of awareness campaigns held.	04 Campaigns	Quarterly	1	0	1	1	1	1				4 Awareness Campaigns held.	Targets fully achieved therefore no intervention is necessary.
Basic Services and Infrastructure Development	45	Enforce road traffic Act.	Number of Road blocks held.	4 Road Blocks per Annum	Quarterly	1	0	01 Festive Season	6 Road Blocks Festive Season						1 Roadblocks Held	Targets fully achieved therefore no intervention is necessary.
Basic Services and Infrastructure Development	46	Record and attend to disasters reported.	Percentage of reported incidents attended to.	100%	Quarterly	100%	100%	100%	100%						100% Attended to.	Targets fully achieved therefore no intervention is necessary.
Basic Services and Infrastructure Development	47	Provide security of Municipal Assets & Create awareness of Municipal by-laws.	Number of Assets reported stolen & number of transgressions	0	30-Jun-12	0	0	0	0	0	0				0 Properties stolen.	Targets fully achieved therefore no intervention is necessary.
Basic Services and Infrastructure Development	48	Eliminate security breaches within the Municipality.	Number of reported security breaches resolved.	0%	Monthly	0%	0%	0%	0%						0 Theft	Targets fully achieved therefore no intervention is necessary.
<b>1.8 Community Services</b>																
Basic Services and Infrastructure Development	42	Maintain monthly schedule for environmental health services.	Number of work schedules signed in respect of environmental health services	12	Monthly	3	3	3	3	3	3				12 Schedules signed and implemented	Targets fully achieved therefore no intervention is necessary
Basic Services and Infrastructure Development	41	Maintain monthly schedule for maintenance of community facilities	Number of work schedules signed in respect of community facilities	12 per annum	Monthly	3	3	3	3	3	3				12 Schedules signed and Implemented	Targets fully achieved therefore no intervention is necessary
<b>Department: Technical Services</b>																
<b>1.Administration</b>																
Institutional Transformation and Organizational Development	1	Conduct Skills Audit and Develop WSP for Staff under your responsibility	Number of PDP Produced.	1	30-Jun-12										1 WSP Submitted 30 June 2012	Municipal Manager to HR Officer in finalising the Draft WSP and ensure that it is submitted on or before 30 September 2012.
Institutional Transformation	2	Implementing 2011/2012 WSP within Municipality.	%age Budget Spent on Implementation.	100%	Saturday, June 30, 2012										31% Spent	No Intervention required, employees who were identified for training in the WSP applied for staff bursaries and due to budget constraints the WSP could not be fully implemented.
			Budget Amount Spent	R 63,600	30-Jun-12										R 19,475	Improve budget in 2012/2013.



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National/IDP Key Performance Areas	IDP Indicator Number	Measurable Objective / Outcome	Vote/Indicator	Annual Target	Revised Target		Quarter ending September		Quarter ending December		Quarter ending March		Quarter ending June		Actual Annual Performance	Measures Taken to Improve Performance
					Target	Actual	Projected	Actual	Projected	Actual	Projected	Actual	Projected			
Institutional Transformation and Organisational Development	6	Recruit and Reduce vacancies in 2011/2012 Organogram.	Percentage reduction in 2011/2012 vacancy rate.	10%	31-Mar-12	5%	2.50%	2.50%	2.50%	2.50%	0	2%	10%	Positions filled	Target fully achieved therefore no intervention is necessary.	
	7	Review and align Organogram to IDP for 2012/2013.	Number of Organograms adopted by the Municipality.	1	31-Mar-12						1	1		1	Organogram adopted	Target fully achieved therefore no intervention is necessary.
Institutional Transformation and Organisational Development	8	Implementation of OPMS within the Municipality	% Number of workplans signed in the Municipality	100%	31-Jul-10	100%	100%								100% Workplans signed 31 October 2012	Municipal Manager to assist with the drafting of the workplans so that in future there is no delay.
	9	Conduct quarterly performance reviews.	% Number of Performance Review Reports produced	100%	Quarterly	100%	100%								100% Performance reviews done.	Strategic Manager to request the assistance with the drafting of workplans so that the quarterly assessment can be done timely.
Social and Local Economic Development	51	Facilitate creation of job opportunities through capital projects for infrastructure.	Number of Job Opportunities Created	300	30-Jun-12	75	75	113	75	62	75	77	77	292	Job Opportunities Created	Set realistic targets based on the project plans to avoid advances in future financial year.
	60	Facilitate implementation of DMP for the Municipality.	% Expenditure of Capital Budget for the Municipality.	100%	30-Jun-12	25%	70%	70%	50%	81%	75%	100%	90%	90%	Capital Budget Spent.	Procure for capital budget to commence as soon as the budget is approved to avoid delay and any tender appeals to be finalised timely.
Financial Viability	61		% of operating Budget Spent in each quarter.	100%	30-Jun-12	25%	50%	41.66%	50%	62.42%	75%	83.9%	83.9%	83.9%	Budget Spent	The vacant positions must be advertised timely to avoid under-spending on the operational budget.
	62		Percentage of other grants allocated Spent by the Municipality	100%	30-Jun-12	25%	50%	40%	50%	57.31%	75%	90%	90%	90%	Grants Spent	Business plans must be prepared for all the grants that are still unspent by the Municipality and money spent accordingly.
Financial Viability	63		Percentage of MIG Spent.	100%	30-Jun-12	25%	50%	7.52%	50%	18.00%	75%	49%	49%	49%	MIG Grants Spent	Appeals to be dealt with timely, investigate possibility to avoid appeal decisions with appeal.
	67	Draft Budget in respect of 2012/2013 financial year	Number of Draft Budgets Tableted and Adopted by Council.	1 Draft and 1 Final	31 March 2012 & 31 May 2012						1 Draft	1 Final	1 Final	1 Final	1 Final	Approved 31 May 2012
Financial Viability	68	Draft SDBRP and Scorecard for 2012/2013.	Number of Draft Documents Submitted for adoption	1 Draft & 1 Final	31 March 2012 & 14 June 2012						1 Draft	1 Final	1 Final	1 Final	Approved 11 June 2012	Target fully achieved therefore no intervention is necessary.
	70	SDRP Reports for 2011/2012 for the Municipality in each quarter.	Number of SDRP Reports Submitted in each Quarter	4	Quarterly	1	1	1	1	1	1	1	1	4	SDRP Reports Submitted	Target fully achieved therefore no intervention is necessary.
Good Governance	72	Reduce complains in respect of Municipal Services.	% Reduction in complains relating to Municipal Services.	1%	30-Jun-11	1%	0%	0% No Records Maintained	2%	3%	0	4%	0	Zero	Achieved due to system Problems.	Target fully achieved therefore no intervention is necessary.
	73	Record and attend to complains and requests timely.	Percentage of Complain and requests recorded and attended to.	100%	Quarterly	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	Complain resolved
Good Governance	79	Implement recommendations of Municipal Public Accounts Committee.	Percentage Recommendations Implemented.	100%	Quarterly	100%	0%	0% Meeting in November Training No Resolutions	100%	100%	100%	100%	100%	100%	Resolutions implemented	Target fully achieved therefore no intervention is necessary.
	86	Take part in intergovernmental Relations Structures.	Number of plans made inputs to Programmes attended.	4	Quarterly	1	1	1	1	1	1	1	1	4	Plans contributed to.	Target fully achieved therefore no intervention is necessary.
<b>2. Solid Waste</b>																
Basic Service Delivery	23	Maintenance of Monthly signed work schedules for provision of services i/o of Street Cleaning.	Number of workschedules signed.	12	Every Month	3	3	3	3	3	3	3	3	12	Schedules signed and Implemented.	Target fully achieved and therefore no intervention is necessary.
	24	Maintenance of Monthly signed work schedules for provision of services i/o of Refuse Removal.	Number of workschedules signed.	12	Every Month	3	3	3	3	3	3	3	3	12	Schedules Signed	Target fully achieved and therefore no intervention is necessary.
	25	Maintenance of Monthly signed work schedules in respect of verges maintenance.	Number of workschedules signed.	12	Every Month	3	3	3	3	3	3	3	3	12	Schedules Signed	Target fully achieved and therefore no intervention is necessary.



National/IDP Key Performance Areas	IDP Indicator Number	Measurable Objective / Outcome	Vote/Indicator	Annual Target	Revised Target	Quarter ending September		Quarter ending December		Quarter ending March		Quarter ending June		Actual Annual Performance	Measures Taken to Improve Performance
						Projected	Actual	Projected	Actual	Projected	Actual	Projected	Actual		
Basic Service Delivery	13	Extend Refuse Removal Services to Sydhuhukwa Phase and Byrne Villages.	Number of Households receiving refuse removal services.	1000	Weekly	1000	1000	1000	1000	1000	1000	1000	1000	1000 Households receiving refuse removal	Target fully achieved and therefore no intervention is necessary.
<b>3. Access Roads</b>															
Infrastructure Development	27	Maintenance of rural access road as well as tarred roads as per the plan for all the WARDS.	% age implementation of maintenance as per the plan.	100%	Quarterly	25%	15%	50%	43%	75%	100%	60%	60%	60% Achieved Council resolved to review system conditions and recommend a distance per WARD.	Review the current system for implementation of road to take into account bad weather conditions and recommend a distance per WARD.
Infrastructure Development	29	Construction of Mkhobeni Access Roads	% Completion of Mkhobeni Access Road.	100%	30-Jun-11	25%	0% Contract for Appointed	50%	0% Delays in Procurement	75%	100%	80%	80%	80% Complete.	Quay extraction was stopped at the quarry site. Council had to identify another quarry.
Infrastructure Development	30	Construction of Mancanza Rural Access Road.	% age Completion of Mancanza Rural and gravel road.	100%	30-Jun-12	25%	0% Contract for Appointed	50%	5%	75%	100%	98%	98%	98% Completed within time.	No Council intervention required
Infrastructure Development	36	Rehabilitated of sidewalks and stormwater drains for ward 1.	%age Completion of Sidewalks and Stormwater project.	50%	30-Nov-11	30.00%	20%	20.00%	17%	75%	100%	37%	37%	37% Completed in the current year	Contract. Cancelled. Council using the Contractor
Infrastructure Development	33	Construction of Harare Pedestrian Bridge	Percentage Completion.	100%	30-Jun-12	25%	0% Contract for Appointed	50%	30%	75%	100%	99%	99%	99% Complete	No Council intervention required
Infrastructure Development	34	Construction of Ndabeni Sidewalks and Stormwater Drain.	Percentage Completion.	100%	30-Jun-12	25%	0% Adjudication Stage	50%	0% Delays in Procurement	75%	100%	30%	30%	30% Construction Complete	Tender processes started late, due to appeals.
Infrastructure Development	35	Installation of Traffic Lights in Richmond Nelson and Chiley Streets.	Percentage Completion.	100%	30-Jun-12	25%	0% Just Advertised	50%	0% Delays in Procurement	75%	100%	99%	99%	99% Construction Complete	No Council intervention required
<b>4. Water, Sanitation, Electricity and Workshop</b>															
Basic Service Delivery	10	Facilitate supply of potable Water.	Number of Households with access to clean water.	12500	30-Jun-12	10500	10500	10500	10500	11500	12500	11670	11670	11670 Households benefiting	Conciliors sitting at UMDM to investigate
Basic Service Delivery	11	Facilitate Access to Sanitation.	Number of Households with access to sanitation services.	3500	30-Jun-12	2000	2000	2000	2000	2750	3500	3200	3200	3200	UMDM to resolve community problems causing a stifle.
Basic Service Delivery	12	Facilitate electrification of new houses.	Number of Houses Electrified.	500	30-Jun-12	0	0	0	0	250	500	0	0	0	Zero Achieved. Provincial Treasury to assist in drawing Specification.
Basic Service Delivery	21	Inspect record and report faulty street lights to be maintained.	Percentage of faults recorded and reported.	100%	Monthly	100%	0% Recorded	100%	100%	100%	100%	100%	100%	100% Achieved	No Council intervention Required
Infrastructure Development	37	Construction of Simzozmeni Sportsfield.	%age Completion of Simzozmeni Sportsfield as at 30 June 2011.	10%	30-Sep-11	10.00%	5%	5%	10%	75%	100%	80%	80%	80% Completed	No Council intervention Required
Infrastructure Development	31	Construction of Mpotana Sportsfield.	%age Completion of Mpotana Sportsfield as at 30 June 2012.	100%	30-Jun-12	25%	10%	50%	45%	75%	100%	65%	65%	65%	Extension granted due to rainy season.
Infrastructure Development	32	Construction and Completion of Retail Market Facility as at 30 December 2011.	%age Completion of Retail Market Facility as at 30 December 2011.	50%	30-Dec-11	25%	10%	25%	15%	100%	100%	10%	10%	10%	Extension granted due to delays caused by appointing service provider prepa electricity metries.
<b>7. Planning &amp; Development</b>															
Good Governance	87	Development and Adoption of Municipal IDP for 2012/2013.	Number of documents adopted by the Municipality and % quality as per CoG/IA	1 Document and 75% Credible as per CoG/IA	31 March 2012 & 31 May 2012	10500	10500	10500	10500	11500	12500	11670	11670	1 Final DP Approved 31 May 2012	No Council intervention required
Good Governance	88	Review and adopt Land Use Management System and SIDP for the Municipality.	Number of document reviewed and adopted.	1	31-May-12	100%	100%	100%	100%	100%	100%	100%	100%	1 Final document adopted	No Council intervention required
Basic Service Delivery	28	Approval of building plans and development applications in terms of the development act.	%age number of plan approved based on the plans submitted each quarter.	100%	Every Quarter	100%	100%	100%	100%	100%	100%	100%	100%	100%	No Council intervention required
Basic Service Delivery	26	Maintenance of work schedules in respect of building inspections to check non compliance.	Number of work schedules signed	12	Monthly	3	3	3	3	3	3	3	3	12 Schedule signed	No Council intervention required

Approved/Not Approved

Mr. E. S. Sifhale  
Municipal Manager

31.08.2012

Date



## Chapter 4: Organisational Development

### Component A: Introduction to Municipal Personnel

#### 4.1 Employee Totals Turnover and Vacancies

##### List of Staff as of 30 June 2012

##### Office of the Municipal Manager

NAME	DESIGNATION	PERMANENT / CONTRACT
D. Zuma	P.A to the MM	Contract
S.G Bhengu	Communications Officer	Permanent
M. Shelembe	Admin Clerk office of the MM (Acting)	Contract

##### Office of the Mayor

NAME	DESIGNATION	PERMANENT / CONTRACT
S. Mchunu	Service Deliver Clerk	Contract
S. Nxumalo	Councillors Secretary	Contract

##### Corporate Services

NAME	DESIGNATION	PERMANENT / CONTRACT
S.L Mthembu	SM: Corporate Services	Contract
G. Watson	Manager: Corporate	Permanent
A. Whyte	Manager: LED	Permanent
T. Ramnath	Senior HRO	Permanent
P. Mncwabe	Mayors Secretary / H.R.O (Acting)	Permanent
T. Mkhwanazi	I.T Officer	Permanent
S. Ndlovu	Councillors Secretary	Permanent
M. Mkize	Youth Officer	Permanent
H. Jama	P.A to SM's / Senior Admin Clerk (Acting)	Permanent
S. Ngcamu	Registry Clerk	Permanent
Z. Mntungwa	Help desk Clerk / Receptionist ( Acting)	Permanent
B. Mzimela	P.A to SM's (Acting)	Contract
T. Dlamini	Receptionist	Permanent
A Mchunu	Messenger	Permanent
N. Phoswa	Cleaner	Permanent
B. Mbanjwa	Cleaner	Permanent
T. Kunene	Cleaner Grounds	Permanent
N. Sokela	Cleaner Grounds	Permanent



## Financial Services

NAME	DESIGNATION	PERMANENT / CONTRACT
H. Osman	Manager Finance / C.F.O Acting	Permanent
L. Pieters	Financial accountant / Finance Manager (Acting)	Permanent
P. Mkhize	Pay Roll / Creditors	Permanent
T. Zwane	Supply Chain Practitioner	Permanent
N. Ngubane	Debtors Clerk / Expenditure Accountant (Acting)	Permanent
Z. Sibisi	Creditors & Debtors Management Clerk	Permanent
R. Dix	Cashier	Permanent
N. Mkhize	Debtors Clerk (Acting)	Contract
S. Sithole	Financial Interns	Contract
S. Nsindane	Financial Interns	Contract
F. Njapha	Financial Interns	Contract
S. Ngubo	Financial Interns	Contract
Z. Ndlovu	Financial Interns	Contract
S. Mchunu	Financial Interns	Contract

## Community Services

NAME	DESIGNATION	PERMANENT / CONTRACT
B. Mhlongo	SM: Community	Contract
M Ndlovu	Community Liaison Officer	Permanent
J. Funeka	Community Facilities Officer	Permanent
D. Ragavaloo	Manager: Protection Services	Permanent
O. Hadebe	Traffic Officer	Permanent
S. Dix	Traffic Officer	Permanent
E. Mtolo	Traffic Officer	Permanent
S. Mntungwa	Traffic Wardens	Permanent
S. Dlamini	Traffic Wardens	Permanent
N. Mlotshwa	Traffic Warden / Fleet Clerk (Acting)	Permanent
A Ngcobo	Senior Security Officer	Permanent
N. Ndlovu	Security Officer	Permanent
S. Nzimande	Security Officer	Permanent
B.E Shelembe	Security Officer	Permanent
B.M Shelembe	Security Officer	Permanent
M. Xaba	Driver Mayor	Contract
A Naiken	Bodyguard Mayor	Contract
M. Mbhele	Driver/Bodyguard Deputy Mayor	Contract
M. Duma	Driver / Bodyguard Exco Member	Contract
S. Ngcobo	Driver / Bodyguard Speaker	Contract
S. Shabane	Bodyguard	Contract
Z. Mshengu	Supervisor MLB	Permanent



# Annual Report 2011/2012

<b>NAME</b>	<b>DESIGNATION</b>	<b>PERMANENT / CONTRACT</b>
K. Sunderlall	Supervisor Learners Centre	Permanent
I Phoswa	Learners Clerk	Permanent
P.Maharaj	Learners Clerk	Permanent
R. Mbeje	Learners Clerk	Permanent
I Chiliza	Cashier Learners	Permanent
N. Msomi	Cashier MLB	Permanent
N. Motha	Fines Processing Clerk	Permanent
P. Ramkelawan	Manager Library services	Permanent
N.N Ndlovu	Senior Librarian	Permanent
T. Dlomo	Library Assistants	Permanent
C. Johnson	Library Assistants	Permanent
S. Ngcongco	Library Assistants	Permanent
M. Duma	Handy Man	Permanent
S.P Mkhize	Housing Officer (Acting)	Contract
H.T Mkhize	Receptionist Thusong Centre (Acting)	Contract
N.W Sosibo	Hall Caretaker (Acting)	Contract
N.W Mazibuko	Hall Caretaker (Acting)	Contract
J.Z Mtolo	Hall Caretaker (Acting)	Contract

## RICHMOND MUNICIPALITY VACANT POSTS AT 02 JULY 2012

No	POST	DEPT	Effective	Reason	Advertised Date	Closing Date	Interview Date	Appointment
1	Service Delivery Officer	Mayor	1/7/2012	New Post				
2	Councillor's Secretary	Council	1/7/2012	New Post				
3	Admin Officer	MM	1/7/2012	New Post	19/7/2012	03/08/2012		
4	Senior Admin Clerk	CORP	31/03/2012	Resignation	15/03/2012	30/03/2012	11/5/2012	Pending
5	HR Officer	CORP	1/7/2012	Appt to Sen HR	09/07/2012	27/07/2012		
6	Chief Financial Officer	FIN	31/12/2012	Resignation	24/12/2011	06/01/2012	8/5/2012	Pending
7	SCM Practitioner	FIN	1/7/2012	New Post	09/07/2012	20/07/2012	06/08/2012	
8	Credit Control/Debtors Management	FIN	1/7/2012	New Post	09/07/2012	20/07/2012	06/08/2012	
9	Accountant Expenditure	FIN	1/8/2012	Resignation	02/08/2012	17/08/2012		
10	Cashier	FIN	1/9/2012	Resignation				
11	Trainee Traffic Officer	COMM	1/7/2012	New Post	01/08/2012	17/08/2012		
12	Scholar Patrol	COMM			18/06/2012	29/06/2012		Date to confirm with Manager
13	Scholar Patrol	COMM			18/06/2012	29/06/2012		
14	Housing Officer	COMM	1/9/2012	Resignation				
15	Strategic Manager Tech Services	TECH	1/7/2012	Resignation	08/07/2012	27/07/2012		With MM
16	Driver TLB	TECH		New Post	09/07/2012	20/07/2012		With SM: Tech
17	Supervisor Landfill Site	TECH			01/08/2012	17/08/2012		
18	Supervisor Roads - Tar	TECH			01/08/2012	17/08/2012		
19	Supervisor Road - Gravel	TECH			01/08/2012	17/08/2012		



# Annual Report 2011/2012

## Component B: Managing the Municipal Workforce

### 4.2 Injuries Sickness and Suspensions July 2011 - June 2012

#### Company 1

NAME & INITIAL	SICK LEAVE DAYS TAKEN
Bhengu SG	0
Chiliza IN	5
Dix R	11
Dix S	24
Dlamini SL	0
Dlamini TF	14
Duma MN	0
Funeka JZ	2
Hadebe OM	6
Jama H	12
Johnson CK	5
Madondo SP	3
Maharaj PN	22
Mbeje R	55
Mbhele DJ	0
Mchunu SM	38
Mhlongo MB	1
Mkhize MC	6
Mkhize PNP	5
Mkhwanazi TH	6
Mlotshwa MN	4
Mncwabe PA	13
Mntungwa SP	10
Mntungwa Z	3
Motha NC	7
Mshengu ZY	2
Msomi NP	0
Mthembu SL	9
Mtolo ES	15
Mzila NA	0
Naicken N	0
Ndlovu EM	11
Ndlovu N	9
Ndlovu NN	13



<b>NAME &amp; INITIAL</b>	<b>SICK LEAVE DAYS TAKEN</b>
Ndlovu SB	34
Ndlovu ZS	0
Ngcamu SI	11
Ngcobo AM	3
Ngcongo SD	3
Ngubane NM	1
Ngubo SP	1
Njapha FS	0
Nsindane SC	0
Nzimande SM	17
Osman H	3
Phoswa IA	36
Pieters L	4
Ragavaloo DA	6
Ramkelawan R	5
Ramnath T	12
Shelembe BE	20
Shelembe BM	9
Sithole ES	8
Sithole MJ	0
Sithole SM	3
Sunderlall K	0
Thabethe GM	0
Van der Merwe P	0
Watson G	11
Whyte ACR	1
Xaba MJ	0



# Annual Report 2011/2012

## Chapter 5: Financial Performance - Annual Financial Statements

### ANNUAL FINANCIAL STATEMENTS FOR RICHMOND LOCAL MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2012

Province: KwaZulu Natal  
AFS rounding: R (i.e. only cents)

#### Contact Information:

**Name of Municipal Manager:** Mr ES Sithole

**Name of Chief Financial Officer (Acting):** Mrs H Osman  
**Contact telephone number:** 033 212 2155  
**Contact e-mail address:** halima.osman@lgnet.org.za

**Name of contact at provincial treasury:** Neli Cilo  
**Contact telephone number:** 033 897 4545  
**Contact e-mail address:** cilon@ngubane.co.za

**Name of relevant Auditor:** Sudesh Sivnerian  
**Contact telephone number:** 033 264 7400  
**Contact e-mail address:** sudeshs@agsa.co.za

**Name of contact at National Treasury:** Johan Botha  
**Contact telephone number:** 012 315 5171  
**Contact e-mail address:** johan.both@Treasury.gov.za



## General information

### Members of the Council

Cllr. A Ragavaloo	Mayor
Cllr. PC Ngcobo	Deputy Mayor
Cllr. T Shabalala	Speaker
Cllr. TD Kunene	Member of the Executive Committee
Cllr. KE Magubane	Member
Cllr. RB Shange	Member
Cllr. B Ngcongco	Member
Cllr. J Jili	Member
Cllr. P Moonsamy	Member
Cllr. B Ngubo	Member
Cllr. S Mdlalose	Member
Cllr. TC Madonda	Member
Cllr. M Maphumulo	Member
Cllr. BM Mngadi	Member

### Municipal Manager

Mr ES Sithole

### Chief Financial Officer (Acting)

Mrs H Osman

### Grading of Local Authority

Grade 4

### Auditors

Auditor-General

### Bankers

First National Bank



# Annual Report 2011/2012

**Registered Office:** Memorial Hall  
57 Shepstone Street  
RICHMOND  
3780

**Physical address:** Memorial Hall  
57 Shepstone Street  
RICHMOND  
3780

**Postal address:** Private Bag x1028  
RICHMOND  
3780

**Telephone number:** 033 212 2155  
**Fax number:** 033 212 4183  
**E-mail address:** [halima.osman@lgnet.org.za](mailto:halima.osman@lgnet.org.za)



## Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 67, in terms of Section 126(1) of the Municipal Finance Management Act (Act no. 56 of 2003) and which I have signed on behalf of the Municipality. I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 28 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and local Government's determination in accordance with this Act.

**Municipal Manager: Mr. ES Sithole**  
**31 August 2012**



# Annual Report 2011/2012

## Index

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

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## Statement of Financial Position for the year ended 30 June 2012

	Note	2012 R	2011 R Restated
<b>ASSETS</b>			
<b>Current assets</b>			
Inventories	2	175 162	171 710
Other financial assets	3	20 768	17 551
Trade and other receivables from exchange transactions	5	51 353	49 752
Other receivables from non- exchange transactions	6	3 451 556	1 348 538
VAT receivable	7	1 136 189	1 056 694
Consumer debtors	8	390 684	496 435
Cash and cash equivalents	9	37 721 545	36 386 170
		<b>42 947 257</b>	<b>39 526 850</b>
<b>Non-current assets</b>			
Property, plant and equipment	10	86 894 918	75 823 300
Investment property	11	4 114 853	4 114 853
Intangible assets	12	23 379	33 798
Other financial assets	3	32 633	54 922
Non current other receivables from non-exchange transactions	6	1 918 788	1 916 263
Non current consumer debtors	8	2 752 958	1 403 674
		<b>95 737 529</b>	<b>83 346 810</b>
Non-current assets held for sale	13	<b>1 113 114</b>	<b>1 018 872</b>
<b>Total Assets</b>		<b>139 797 900</b>	<b>123 892 532</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Other financial liabilities	14	20 768	17 551
Operating lease liability	15	222 087	184 075
Current portion of finance lease obligation	16	119 594	46 164
Trade and other payables from exchange transactions	17	5 719 181	7 050 027
Unspent conditional grants and receipts	18	21 765 192	15 743 516
		<b>27 846 822</b>	<b>23 041 333</b>
<b>Non-current liabilities</b>			
Other financial liabilities	14	32 367	54 656
Retirement benefit obligation	19	5 297 000	3 849 564
Non current finance lease obligation	16	138 766	96 251
Provisions	20	3 589 430	3 214 300
		<b>9 057 563</b>	<b>7 214 771</b>
<b>Total Liabilities</b>		<b>36 904 385</b>	<b>30 256 104</b>
Net Assets		<b>102 893 515</b>	<b>93 636 428</b>
<b>Net assets</b>			
Accumulated surplus		102 893 515	93 636 428



# Annual Report 2011/2012

## Statement of Financial Performance for the year ended 30 June 2012

	Note	2012 R	2011 R Restated
<b>REVENUE</b>			
<b>Revenue from Non-exchange Transactions</b>		<b>48 474 882</b>	<b>52 062 969</b>
<b>Taxation Revenue</b>		<b>6 908 471</b>	<b>5 539 594</b>
Property rates	22	6 115 439	5 085 774
Property rates - penalties imposed and collection charges	22	793 032	453 820
<b>Transfer Revenue</b>		<b>41 563 752</b>	<b>46 440 053</b>
Government grants and subsidies	24	41 563 752	46 440 053
<b>Other Revenue</b>		<b>2 659</b>	<b>83 322</b>
Fines		2 659	83 322
<b>Revenue from Exchange Transactions</b>		<b>4 781 327</b>	<b>5 946 171</b>
Service charges	23	283 028	1 125 151
Rental of facilities and equipment		1 349 177	821 944
Interest earned - external investments		1 610 290	1 390 269
Interest earned - outstanding debtors		98 028	133 227
Licences and permits		489 679	1 620 880
Income from agency services		427 511	375 170
Other revenue	25	523 614	479 530
<b>Total Revenue</b>		<b>53 256 209</b>	<b>58 009 140</b>

**EXPENDITURE**

Employee related costs	27	20 027 040	16 318 069
Remuneration of councillors	28	3 389 998	3 044 342
Debt impairment	8	473 068	1 646 091
Depreciation and amortisation	29	4 016 422	3 340 292
Collection costs		16 939	28 433
Repairs and maintenance		2 113 536	2 653 064
Finance costs	30	26 696	832
Contracted services		2 339 742	1 416 279
Grants and subsidies paid	32	64 730	93 582
Landfill Rehabilitation	20	256 130	232 846
General expenses	26	11 511 884	12 528 778
<b>Total Expenditure</b>		<b>44 236 185</b>	<b>41 302 608</b>
<b>Operating Surplus for the year</b>		<b>9 020 024</b>	<b>16 706 532</b>
(Loss)/ Gain on disposal on property, plant & equipment/ Investment property		( 9 200)	78 109
(Impairment loss)/ reversal on impairment loss		41 648	( 148 634)
Gain on donated assets		67 930	94 466
Gain on fair valuing of assets		126 458	-
<b>NET SURPLUS FOR THE YEAR</b>		<b>9 246 860</b>	<b>16 730 473</b>



# Annual Report 2011/2012

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012

	Restated Accumulated Surplus/ (Deficit) R
<b>Balance at 1 July 2010</b>	<b>77 059 969</b>
Interest received	9 966
Prior year adjustment	( 163 980)
	<hr/>
Net income (expense) recognised directly in net assets	( 154 014)
Surplus for the year - restated (Note 45.15)	16 730 473
Total recognised income and expenses for the year	16 576 459
Total changes	<hr/> <u>16 576 459</u>
<b>Balance at 1 July 2011</b>	<b>93 636 428</b>
Interest received	10 228
Prior year adjustment	( 1)
Net income (expense) recognised directly in net assets	10 227
Surplus for the year	9 246 860
Total recognised income and expenses for the year	9 257 087
Total changes	<hr/> <u>9 257 087</u>
<b>Balance as at 30 June 2012</b>	<b><u>102 893 515</u></b>



## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 R	2011 R Restated
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		5 249 925	7 856 739
Grants		47 176 466	42 509 539
Interest received		1 708 318	1 523 496
Other receipts		456 551	-
<b>Payments</b>			
Employee costs		( 21 199 992)	( 18 830 351)
Suppliers		( 17 183 175)	( 18 361 832)
Interest paid		( 26 696)	( 832)
Other payments		( 16 939)	-
<b>Net cash flows from operating activities</b>	<b>33</b>	<b><u>16 164 458</u></b>	<b><u>14 696 759</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10	( 15 270 028)	( 21 928 088)
Proceeds on disposal of property, plant and equipment		325 000	88 916
Loan repayments from financial assets		19 072	22 436
<b>Net cashflow from investing activities</b>		<b><u>( 14 925 956)</u></b>	<b><u>( 21 816 736)</u></b>
<b>Cash flows from financing activities</b>			
Repayment of other financial liabilities		96 873	142 415
<b>Net cash flows from financing activities</b>		<b><u>96 873</u></b>	<b><u>142 415</u></b>
Net increase/ (decrease) in cash equivalents		1 335 375	( 6 977 562)
Cash and cash equivalents at the beginning of the year		36 386 170	43 363 732
Cash and cash equivalents at the end of the year	9	<b><u>37 721 545</u></b>	<b><u>36 386 170</u></b>



# Annual Report 2011/2012

## ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2012

### 1 Presentation of Annual Financial Statements

#### Basis of Presentation

The 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 annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

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

The accounting policies applied are consistent with those used to present the previous year's annual financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant policy.

Accounting policies for material transactions, events or conditions not covered by the GRAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board. Related Party Disclosures are in terms of IPSAS 20.

#### Standards, amendments to standards and interpretations effective for the first time (1 April 2011) in the current year

In the current year, the municipality has adopted the following interpretations that are effective for the current financial year and that are relevant to its operations:

#### IGRAP 2: Changes in Existing Decommissioning, Restoration and Similar Liabilities

The interpretation applies to changes in the measurement of any existing decommissioning, restoration or similar liability that is both:

- recognised as part of the cost of an item of property, plant and equipment in accordance with the Standard of GRAP on Property, Plant and Equipment (as revised in 2010); and
- recognised as a liability in accordance with the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets (as revised in 2010).

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.



### **IGRAP 3: Determining Whether an Arrangement Contains a Lease**

The issues addressed in this Interpretation of the Standards of GRAP are:

- how to determine whether an arrangement is, or contains, a lease as defined in the Standard of GRAP on Leases (as revised in 2010);
- when the assessment or a reassessment of whether an arrangement is, or contains, a lease should be made; and
- if an arrangement is, or contains, a lease, how the payments for the lease should be separated from payments for any other elements in the arrangement.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

### **Standards, amendments to standards and interpretations effective for the first time (1 April 2011) in the current year**

#### **IGRAP 4: Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds**

This Interpretation of the Standards of GRAP applies to accounting in the financial statements of a contributor for interests arising from decommissioning funds. This interpretation is not applicable to the municipality.

#### **IGRAP 5: Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies**

This Interpretation of the Standards of GRAP provides guidance on how to apply the requirements of the Standard of GRAP on Financial Reporting in Hyperinflationary Economies (as revised in 2010).

The municipality does not operate in a hyperinflationary economy.

#### **IGRAP 6: Loyalty Programmes**

This Interpretation of the Standards of GRAP is not applicable to the municipality.

#### **IGRAP 7: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction**

This Interpretation of the Standards of GRAP applies to all post-employment defined benefits and other long-term employee defined benefits.

The interpretation clarifies minimum funding requirements for a post-employment or other long-term defined benefit plan.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

#### **IGRAP 8: Agreements for the Construction of Assets from Exchange Transactions**

This Interpretation applies to the accounting for revenue and associated expenses by municipalities that undertake the construction of assets in exchange transactions directly or through subcontractors.

The standard is not applicable to the municipality.



# Annual Report 2011/2012

## **IGRAP 9: Distributions of Non-cash Assets to Owners**

This Interpretation of the Standards of GRAP is not applicable to the municipality.

## **IGRAP 10: Assets Received from Customers**

This Interpretation of the Standards of GRAP applies to the accounting for the receipt of cash or items of property, plant and equipment by municipalities that receive such assets from their customers then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both.

The impact of the interpretation is not material.

Standards, amendments to standards and interpretations effective for the first time (1 April 2011) in the current year

## **IGRAP 13: Operating Leases – Incentives**

This interpretation deals with the issue of how incentives in an operating lease should be recognised in the financial statements of both the lessee and the lessor.

The impact of the interpretation is not material.

## **IGRAP 14: Evaluating the Substance of Transactions Involving the Legal Form of a Lease**

This interpretation deals with complex transactions that could indicate a leasing arrangement.

The impact of the interpretation is not material.

## **IGRAP 15: Revenue – Barter Transactions Involving Advertising Services**

This Interpretation of the Standards of GRAP is not applicable to the municipality.

Standards, amendments to standards and interpretations issued but not yet effective

The following GRAP standards have been approved and are effective at a date later than that of the financial statements have not been early adopted by the municipality. Application of all of the GRAP standards noted below will be effective from the date announced by the Minister of Finance.

GRAP 21	Impairment of Non-cash-generating-assets - issued March 2009 - effective date from 1 July 2012
GRAP 23	Revenue from Non-exchange Transactions - issued February 2008 - effective date from 1 July 2012
GRAP 24	Presentation of Budget Information - issued November 2007 - effective date from 1 July 2012
GRAP 26	Impairment of Cash-generating-assets - issued March 2009 - effective date from 1 July 2012
GRAP 103	Heritage Assets - issued July 2008 - effective date from 1 July 2012

The municipality expects to adopt the above standards for the first time in the 2013 financial statements.



Management have considered all of the above-mentioned GRAP standards and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

The following GRAP standards have been approved but are not yet effective nor available for early adoption and have not been considered in formulating the accounting policies. Application of all of the GRAP standards noted below will be effective from a date to be announced by the Minister of Finance. The date is currently not available.

GRAP 25	Employee Benefits - issued March 2009
GRAP 104	Financial Instruments - issued October 2009
GRAP 105	Transfer of functions between entities under common control - issued November 2010
GRAP 106	Transfer of functions between entities not under common control - issued November 2010
GRAP 107	Mergers - issued November 2010

The municipality expects to adopt the standards for the first time once effective.

Management have considered all of the above-mentioned GRAP standards and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

Standards, amendments to standards and interpretation not yet effective or relevant

The following GRAP standard has been approved but an effective date has not been determined and the standard is not available for use.

GRAP 18	Segment Reporting - issued February 2011
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### **Presentation Currency**

These annual financial statements are presented in South African Rand which is the functional currency of the Municipality.

### **Going Concern Assumption**

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

### **Comparative Information**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed in a note to the financial statements.

Where accounting errors or a change in accounting policy have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Refer to Note 2 for details.

The principle accounting policies adopted in the preparation of these annual financial statements are set out below.



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## 1.1 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are insignificant to the financial statements are set out below:

### Debtors and/or loans receivable

The municipality assesses its debtors and loans receivable for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from the financial asset.

### Useful lives of property, plant and equipment

Management estimates the remaining useful lives and condition of significant items of property, plant and equipment on an annual basis. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a significant impairment of the respective asset.

### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in Note 20.

### Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

### Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

### Long service awards

The present value of the long service award depends on a number of factors that are determined on an actuarial basis using a number of assumptions.

### Effective interest rate

The municipality used the prime interest rate to discount future cash flows.



## Allowance for doubtful debt

The provision for impairment is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the effective interest rate computed at initial recognition. An impairment loss is recognised in surplus and deficit when there is objective evidence that an asset is impaired. The impairment is measured with reference to historical data and payment trend analysis per group of consumers.

## 1.2 Property, plant and equipment

### Initial recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost or fair value.

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

The cost of an item of property, plant and equipment comprises purchase price, import duties, non-refundable purchase taxes and directly attributable costs of bringing the asset to working condition for its intended use, such as site preparation, initial delivery, handling, installation and professional fees. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located. Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

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.

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

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

Items of property, plant and equipment which are acquired for no cost or for a nominal cost are recognised at their fair values.

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

### Subsequent measurement

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.



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Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

## Depreciation and impairment

The cost or fair value of property, plant and equipment is depreciated using the straight line method over the period of the estimated useful lives of the assets. Depreciation on new acquisitions is charged to the Statement of Financial Performance in the financial year that economic benefits accrue to the municipality.

The annual depreciation rates are based on the following estimated asset lives:-

Item	Average useful life
Land	
• Land	Infinite
Buildings	
• Dwellings	25-30
• Non Residential Dwelling	25-30
Infrastructure	
• Cemeteries	15-30
• Electricity	15-30
• Reservoirs - Water	20-40
• Roads	15-50
• Solid Waste Disposal	10-55
Heritage	
• Heritage assets	Infinite
Other assets	
• Furniture and Office equipment	5-15
• Computer Equipment	5-10
• Machinery and Equipment	5-15
• Motor Vehicles	7
Leased assets	
• Finance leased assets	3

The residual value, and the useful life and depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

## Derecognition

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

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



### **1.3 Investment property**

#### **Initial recognition**

Investment property includes property (land or a building, or part of a building) held to earn rentals and/or for capital appreciation or both, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures the investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property at no cost or for a nominal value), its cost is its fair value as at the date of acquisition.

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

#### **Subsequent measurement**

Subsequent to initial measurement investment property is measured at cost.

### **1.4 Intangible assets**

#### **Initial recognition**

The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably. Intangible assets are initially recognised at cost.

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

Cost associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique products controlled by the Municipality, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads.

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

Expenditure that enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software.

#### **Subsequent measurement**

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.



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## Amortisation

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Item	Useful life
Computer software, other	5 years

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

## Derecognition

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

## 1.5 Financial instruments

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

### Classification

#### Financial assets

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

- Unlisted shares
- Long-term receivables
- Consumer debtors
- Other debtors
- Short-term investment deposits
- Bank balances and cash



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

**Type of financial asset**

- Unlisted shares
- Long-term receivables
- Consumer debtors
- Other debtors
- Short-term investment deposits
- Bank balances and cash

**Classification in terms of IAS 39.09**

- Held-to maturity investments
- Loans and receivables
- Loans and receivables
- Loans and receivables
- Held-to maturity investments
- Loans and receivables

**Financial assets**

Loans and Receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets

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

**Financial liabilities**

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

- Trade and other payables
- Long-term liabilities
- Current portion of long term liabilities

In accordance with IAS 39.09, the Financial Liabilities of the municipality are classified into the following category as allowed by this standard

- Financial liabilities at amortised cost.

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis.

**Initial and subsequent measurement**

**Financial assets**

Held-to-maturity Investments and Loans and Receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the effective interest method, less any accumulated impairment losses.

Financial assets are recognised on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.



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## Financial liabilities

Financial Liabilities at amortised cost are initially measured at fair value net of transaction costs. Subsequently, these liabilities are measured at amortised cost using the effective interest method.

Financial liabilities are recognised on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

## Fair value determination

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

## Impairment of financial assets

Financial assets are assessed for indicators of impairment at reporting date. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39

Initially financial assets are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Amounts receivable within 12 months from the date of reporting are classified as current.

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

The provision is made in accordance with IAS 39.64 whereby the recoverability of financial assets (including indigent debtors) is assessed collectively after grouping the assets in financial assets with similar credit risk characteristics.

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

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



## **Derecognition**

### **Financial assets**

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

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

### **Financial liabilities**

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

### **Held-to-maturity investments**

#### **Unlisted shares**

The municipality holds shares in NCT Forestry Co-opt Limited due to their past forestry operations. These shares are held at cost and are not available for sale or transferable on the open market. Should the municipality member cease farming and wish to redeem the shares, this would be done at the annual meeting of members and the paid up value (cost) of the shares refunded to the member.

### **Loans and receivables**

#### **Trade and other receivables**

Consumer and other receivables are categorised as financial assets: loans and receivables and are initially recognised at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

Bad debts are written off during the year in which they are identified.

An impairment or bad debt loss is recognised when it is probable that the municipality will not be able to collect all amounts due (principal and interest) according to the contractual terms of the accounts receivable. The assessment of objective indicators of impairment for accounts receivable is carried out at each balance sheet date.

### **Cash and cash equivalents**

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



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For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded at the current value of the utilisation of approved facilities from the Municipality's bankers. Finance charges on bank overdrafts are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

## **Financial liabilities carried at amortised cost**

### **Trade and other payables**

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discounts or premiums on settlement. Gains and losses are recognised in net income or loss when liabilities are impaired as well as through the amortisation process.

Accounts payable are stated in the annual financial statements at the amounts due to trade and other creditors for goods or services received. The liabilities are generally settled within a period of 30 days, accordingly impairments, if any, are considered to be immaterial.

## **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 - lessee**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

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

### **Finance leases - lessor**

Amounts due from lessees under finance leases are recorded as receivables at the amount of the net investment in the leases. The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.



## **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/ liability. Any contingent rents are expensed in the period they are incurred.

## **Operating leases - lessor**

Operating lease income is recognised as revenue 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 statement of financial performance.

## **1.7 Inventories**

### **Initial recognition**

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In general, the basis of allocating cost to inventory items is the weighted average method.

### **Subsequent measurement**

Inventories, consisting of consumable stores and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Where inventories are acquired at no cost, or for nominal consideration, their costs shall be their fair value as at the date of the acquisition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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

## **1.8 Non-current assets held for sale and disposal groups**

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

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.



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

## 1.9 Impairment of assets

### Cash generating assets

#### Identification:

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

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

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

#### Value in use:

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

#### Discount rate:

The discount rate is a rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

#### Recognition and measurement:

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

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

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

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



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

## **Non-cash generating assets**

### **Identification:**

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

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

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

### **Value in use:**

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approach:

### **Depreciated replacement cost approach:**

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

### **Recognition and measurement:**

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.



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

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

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

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

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

## 1.10 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 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 costs 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.

### Defined contribution plans

Council employees contribute to the Natal Joint Municipal Pension Fund. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid.

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

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

### Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The municipality and its employees contribute to the Natal Joint Municipal Pension Fund which is a defined contribution fund. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Natal Joint Superannuation & Retirement Funds are defined benefit funds. The Natal Joint Provident Fund is a defined contribution fund.



The schemes are funded through payments to fund administrator or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans.

Defined benefit plans have been accounted for as defined contribution plans in accordance with the requirements on multi-employer plans where sufficient information is not available to account for such plans as defined benefit plans. As the fund administrators do not have sufficient information available to allocate the shortfall on liabilities to individual employers, no liability is recognised for any shortfall of fund asset as compared to fund liabilities. Any surcharges that may be levied by the fund from time to time in order to compensate for shortfalls, are recognised as expenses in the period in which they become payable to the fund. As surcharges are advised long in advance, based on actuarial valuations of the fund as a whole, the necessary provision for the payment thereof is made in the course of the municipality's normal budgeting processes.

For defined contribution plans, the Municipality pays contributions to fund administrators. The Municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

### **Post retirement health care benefits**

The liability recognised in the Statement of Financial Position is in respect of defined benefit plan for post employment health care benefits. The fund is actuarially valued each year using the discounted cash flow method. Any deficits identified by the actuary are recovered from the municipality in the form of surcharges added to the contributions which are recognised as an expense in the Statement of Financial Performance in the year that they become payable. Valuations of these obligations are carried out every year by independent qualified actuaries.

### **1.11 Provisions and contingencies**

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

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

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as it occurs.

Contingent assets and liabilities are not recognised, however where material contingent liabilities are disclosed by way of note.

### **1.12 Revenue recognition**

#### **Revenue from exchange transactions**

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



# Annual Report 2011/2012

Service charges relating to refuse removal are raised and recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements, the category of property usage and the number of refuse containers on each property regardless of whether or not containers are emptied during the month.

Interest is recognised on a time proportion basis.

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

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered and the fee has been charged or licences and permits have been issued.

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified and once the terms of the agency agreement have been complied with.

Revenue from the sales of goods is recognised when the risk is passed to the consumer.

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

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the conditions, a liability is recognised.

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange.

Revenue from assessment rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts have been raised and are legally enforceable. Penalty interest is raised on unpaid rates after the due date for payment and is recognised on a time proportion basis.

Revenue from the collection of spot fines and summonses is recognised when payment is received together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Donations are recognised when cash is received or when property, plant and equipment are brought into use.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

## **1.13 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. A liability is recognised to the extent that the criteria, conditions or obligations have not been met.



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

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder or detailed in the memorandum of agreement it is recorded as part of the liability otherwise it is recognised as interest earned in the Statement of Financial Performance.

#### **1.14 Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so.

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

Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

#### **1.15 Unauthorised expenditure**

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

#### **1.16 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.

#### **1.17 Irregular expenditure**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearer's 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.



## 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.

## 1.19 Risk management of financial assets and liabilities

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

Risks and exposure are disclosed as follows:

### **Credit Risk:**

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

### **Liquidity Risk**

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities.

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

### **Interest Risk**

Interest rate risk originates from the uncertainty about the fair value or future cash flows of a financial instrument which fluctuate because of changes in market interest rates.

- Borrowings issued at variable rates expose the municipality to cash flow interest rate risk.
- Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

Management has assessed the impact of interest rate risk on the operations of the municipality and considers the risk to be negligible.



## **Market Risk**

Owing to legislative restrictions the municipality has no exposure to market risk.

### **1.20 Commitments**

Commitments are not recognised. Commitments are disclosed in the notes to the annual financial statements. A commitment is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

### **1.21 Related parties**

Individuals as well as their close family members, and/or entities are related parties if one party has the ability directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

### **1.22 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 purposes financial reporting by municipalities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

### **1.23 Value Added Tax**

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



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

	2012 R	2011 R Restated
<b>2. Inventories</b>		
Stationery	-	30 212
Fuel and Oil	175 162	141 498
	<u>175 162</u>	<u>171 710</u>
Inventory is carried at the lower of cost or net replacement value.		
<b>3. Other financial assets</b>		
<b>At cost</b>		
Unlisted shares	266	266
NCT Forestry Co-Operative Limited Richmond Local Municipality previously conducted farming and forestry functions, therefore they were required to be a member of the Forestry Co-opt. These shares held are non-transferable and do not accrue interest nor dividends. Should the municipality wish to cease their membership, the original cost of the shares will be refunded to the municipality.		
<b>Loans and receivables</b>		
Umgungundlovu District Municipality	53 135	72 207
The Richmond Local Municipality's water and sanitation services have been transferred to the district municipality during the transfer of functions and powers in the 2003/04 financial year. This transfer included a loan balance in favour of DBSA relating to water and sanitation assets. Although the loan is in the name of Richmond Local Municipality and payments are made by the Municipality, the payments of this loan are recovered from Umgungundlovu District Municipality.		
<b>Total other financial assets</b>	<u>53 135</u>	<u>72 207</u>
<b>Non-current assets</b>		
At cost	266	266
Loans and receivables	32 367	54 656
	<u>32 633</u>	<u>54 922</u>
<b>Current assets</b>		
Loans and receivables	20 768	17 551
<b>Total other financial assets</b>	<u>53 401</u>	<u>72 473</u>



	2012 R	2011 R Restated
<b>Loans and receivables</b>		
Umgungundlovu District Municipality	<u>53 135</u>	<u>72 207</u>
The fair value is determined by using the face value of capital outstanding.		
<b>4. Financial assets by category</b>		
The accounting policies for financial instruments have been applied to the line items below:	Loans & receivables	Total
<b>2012</b>		
Trade and other receivables	5 607 679	5 607 679
Cash and cash equivalents	<u>37 721 545</u>	<u>37 721 545</u>
	<u>43 329 224</u>	<u>43 329 224</u>
<b>2011</b>		
Trade and other receivables	3 533 630	3 533 630
Cash and cash equivalents	<u>36 386 170</u>	<u>36 386 170</u>
	<u><b>39 919 800</b></u>	<u><b>39 919 800</b></u>
<b>5. Trade and other receivables from exchange transactions</b>		
Trade debtors	33 838	33 054
Accrued Interest	<u>17 515</u>	<u>16 698</u>
	<u><b>51 353</b></u>	<u><b>49 752</b></u>
<b>6. Other receivables from non-exchange transactions</b>		
<b>Gross balances</b>		
Deposits	9 300	6 700
NCT debtor	921 981	498 642
Accrued Income: Housing	1 918 788	1 916 263
Umgungundlovu District Municipality	1 322 035	156 136
Other debtors	<u>1 384 222</u>	<u>906 137</u>
	<u><b>5 556 326</b></u>	<u><b>3 483 878</b></u>
<b>Less: Provision for debt impairment</b>		
Deposits	-	-
NCT debtor	-	-
Accrued Income: Housing	-	-
Umgungundlovu District Municipality	-	-
Other debtors	<u>( 185 982)</u>	<u>( 219 077)</u>
	<u><b>( 185 982)</b></u>	<u><b>( 219 077)</b></u>



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	2012 R	2011 R Restated
<b>Net balance</b>		
Deposits	9 300	6 700
NCT debtor	921 981	498 642
Accrued Income: Housing	1 918 788	1 916 263
Umgungundlovu District Municipality	1 322 035	156 136
Other debtors	1 198 240	687 060
	<b>5 370 344</b>	<b>3 264 801</b>
<p>Other receivables from non-exchange transactions impaired:            The amount of the provision was R185 982 as at 30 June 2012 (2011: R219 077)</p>		
<b>Non-current assets</b>		
Accrued Income: Housing	1 918 788	1 916 263
<b>Current assets</b>		
Deposits	9 300	6 700
NCT debtor	921 981	498 642
Umgungundlovu District Municipality	1 322 035	156 136
Other debtors	1 198 240	687 060
	<b>3 451 556</b>	<b>1 348 538</b>
<b>Total other receivables from non-exchange transactions</b>	<b>5 370 344</b>	<b>3 264 801</b>
<b>7. VAT receivable</b>		
VAT	<b>1 136 189</b>	<b>1 056 694</b>
<p>VAT is payable on the payments basis. Only once payment is received from debtors is VAT paid over to South African Revenue Services.</p>		
<b>8. Consumer debtors</b>		
<b>Gross balances</b>		
Rates	5 182 008	3 546 200
Refuse	117 625	8 870
	<b>5 299 633</b>	<b>3 555 070</b>
<b>Less: Provision for debt impairment</b>		
Rates	( 2 093 132)	( 1 646 091)
Refuse	( 62 859)	( 8 870)
	<b>( 2 155 991)</b>	<b>( 1 654 961)</b>
<b>Net balance</b>		
Rates	3 088 876	1 900 109
Refuse	54 766	0
	<b>3 143 642</b>	<b>1 900 109</b>



	2012 R	2011 R Restated
<b>Rates</b>		
Current (0 -30 days)	( 37 856)	39 868
31 - 60 days	148 563	156 121
61 - 90 days	116 043	125 598
91 - 120 days	109 168	174 848
121 - 365 days	4 846 090	3 049 765
	<b><u>5 182 008</u></b>	<b><u>3 546 200</u></b>
<b>Refuse</b>		
Current (0 -30 days)	24 142	-
31 - 60 days	13 891	-
61 - 90 days	11 843	-
91 - 120 days	8 938	-
121 - 365 days	58 811	8 870
	<b><u>117 625</u></b>	<b><u>8 870</u></b>
<b>Reconciliation of debt impairment provision</b>		
Balance at beginning of the year	( 1 654 961)	( 1 440)
Bad debts written off	5 133	-
Contributions to provision	( 506 163)	( 1 653 521)
	<b><u>( 2 155 991)</u></b>	<b><u>( 1 654 961)</u></b>
<b>Consumer debtors pledged as security</b>		
Consumer debtors have not been pledged as security or encumbered in any way.		
<b>Consumer debtors past due but not impaired</b>		
Consumer debtors which show a history of payment are not considered to be impaired. At 30 June 2012, R3 157 356 (2011: R1 860 241) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
Amounts not past due or impaired	( 13 714)	39 868
Amounts past due but not impaired	3 157 356	1 860 241
Amounts past due and impaired	2 155 991	1 654 961
	<b><u>5 299 633</u></b>	<b><u>3 555 070</u></b>
<b>Analysis of the age of amounts past due but not impaired:</b>		
<b>Rates</b>		
31 - 60 days	148 563	156 121
61 - 90 days	116 043	125 598
91 - 120 days	109 168	174 848
121 - 365 days	2 752 958	1 403 674
	<b><u>3 126 732</u></b>	<b><u>1 860 241</u></b>



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	2012 R	2011 R Restated
<b>Refuse</b>		
31 - 60 days	13 891	0
61 - 90 days	11 843	0
91 - 120 days	4 890	0
121 - 365 days	0	0
	<u>30 624</u>	<u>0</u>
	<b><u>3 157 356</u></b>	<b><u>1 860 241</u></b>

## Credit quality of consumer debtors

The credit quality of consumers that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Other receivables from non-exchange transactions impaired:

The amount of the provision was R2 155 991 as at 30 June 2012 (2011: R1 654 961)

Impairment of debtors was performed on a portfolio basis.

Judgement and estimation was applied to determine the impairment of debtors.

A discount rate of 9% was used to determine the effect of discounting. The rate used was the interest rate applicable at 30 June 2012.

Total value of indigent consumers as at 30 June 2012 is R28 388.

## Non-current assets

Rates	2 752 958	1 403 674
Refuse	0	0
	<u>2 752 958</u>	<u>1 403 674</u>

## Current assets

Rates	335 918	496 435
Refuse	54 766	0
	<u>390 684</u>	<u>496 435</u>

## Total consumer debtors

<b><u>3 143 642</u></b>	<b><u>1 900 109</u></b>
-------------------------	-------------------------

## 9. Cash and cash equivalents

Cash and cash equivalents consist of: cash on hand, bank balances as well as short term deposits.

Cash on hand	3 200	3 200
Bank balances	1 017 662	1 752 792
Short-term deposits	36 700 683	34 630 178
	<b><u>37 721 545</u></b>	<b><u>36 386 170</u></b>
Current assets	<b><u>37 721 545</u></b>	<b><u>36 386 170</u></b>



The municipality had the following bank accounts:

Account number / description	Bank statement balances		Cash book balances	
	30 June 2012	30 June 2011	30 June 2012	30 June 2011
FNB: 53565322104: Current Account	1 017 662	1 752 792	1 017 662	1 752 792
FNB: 61356002695: Call Account	14 472 863	1 613 217	14 472 863	1 613 217
FNB: 62117170407: Call Account	175 293	168 321	175 293	168 321
FNB: 62134473280: Call Account	226 518	216 759	226 518	216 759
FNB: 62155682844: Call Account	333 642	319 268	333 642	319 268
FNB: 62176174383: 32 day Call Account	854 946	818 112	854 946	818 112
FNB: 62202088333: 32 day Call Account	-	167 125	-	167 125
FNB: 62241817537: Call Account	473 547	905 967	473 547	905 967
FNB: 62241817727: Call Account	238 011	243 990	238 011	243 990
FNB: 74316220834: 32 day Account	-	744 291	-	744 291
FNB: 74248816230: 32 day Account	-	15 000 000	-	15 000 000
FNB: 62296629116: 32 day Account	8 406 892	2 935 949	8 406 892	2 935 949
FNB: 62352174496: Call Account	4 045 011	-	4 045 011	-
FNB: 62338525928: Call Account	86 903	-	86 903	-
Nedbank: 7165013946-001: Daily Call Account	7 115 834	11 497 179	7 115 834	11 497 179
Nedbank: 7165013946-013: Daily Call Account	271 223	-	271 223	-
	<b>37 718 345</b>	<b>36 382 970</b>	<b>37 718 345</b>	<b>36 382 970</b>



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## 10. Property, plant and equipment

	2012		Restated 2011			
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land	8 146 584	0	8 146 584	8 146 584	-	8 146 584
Buildings	33 385 806	(3 455 667)	29 930 139	27 826 400	(2 471 693)	25 354 707
Infrastructure	51 852 720	(11 008 684)	40 844 036	45 186 399	(9 242 934)	35 943 465
Heritage	128 080	0	128 080	128 080	-	128 080
Other assets	12 172 681	(4 567 015)	7 605 666	9 768 368	(3 659 524)	6 108 844
Finance leased assets	363 952	(123 539)	240 413	149 655	(8 035)	141 620
	<b>106 049 823</b>	<b>(19 154 905)</b>	<b>86 894 918</b>	<b>91 205 486</b>	<b>(15 382 186)</b>	<b>75 823 300</b>

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

	Opening Balance	Additions	Assets under construction	Disposals	Transfers	Fair value adjustments	Depreciation	Impairment (loss)/ reversal	Total
Land	8 146 584	-	-	-	-	-	-	-	8 146 584
Buildings	25 354 707	5 559 406	-	-	-	-	(796 453)	(187 521)	29 930 139
Infrastructure	35 943 465	6 666 321	-	-	-	-	(1 971 813)	206 063	40 844 036
Heritage	128 080	-	-	-	-	-	-	-	128 080
Other assets	6 108 844	2 897 934	-	(334 201)	(94 175)	126 458	(1 122 233)	23 039	7 605 666
Finance leased assets	141 620	214 297	-	-	-	-	(115 504)	-	240 413
	<b>75 823 300</b>	<b>15 337 958</b>	<b>0</b>	<b>(334 201)</b>	<b>(94 175)</b>	<b>126 458</b>	<b>(4 006 003)</b>	<b>41 581</b>	<b>86 894 918</b>

### Reconciliation of Property, plant and equipment - 2011 - Restated

	Opening Balance	Additions	Assets under construction	Disposals	Transfers	Fair value adjustments	Depreciation	Impairment (loss)/ reversal	Total
Land	8 146 584	-	-	-	-	-	-	-	8 146 584
Buildings	19 548 008	2 771 649	4 141 135	(462 239)	-	-	(643 846)	-	25 354 707
Infrastructure	25 560 532	4 195 949	8 112 884	-	-	-	(1 817 180)	(108 720)	35 943 465
Heritage	128 080	-	-	-	-	-	-	-	128 080
Other assets	4 177 547	2 800 937	-	(28 670)	-	62 668	(863 725)	(39 913)	6 108 844
Finance leased assets	-	149 655	-	-	-	-	(8 035)	-	141 620
	<b>57 560 751</b>	<b>9 768 535</b>	<b>12 254 019</b>	<b>(490 909)</b>	<b>0</b>	<b>62 668</b>	<b>(3 332 786)</b>	<b>(148 633)</b>	<b>75 823 300</b>



2012  
R

2011  
R  
**Restated**

### 11. Investment property

Carrying value of land at cost

4 114 853    4 114 853

The investment property relates to the plantation rented to NCT.

Net income derived from this property amounts to

748 339    304 235

### 12. Intangible assets

	Cost	2012 Accumulated amortisation	Carrying value	Cost	2011 Accumulated amortisation	Carrying value
Computer software, other	87 482	( 64 103)	23 379	87 482	( 53 684)	33 798

#### Reconciliation of intangible assets - 2012

	Opening Balance	Transfers	Additions	Disposals	Amortisation	Total
Computer software, other	33 798	-	-	-	( 10 419)	23 379

#### Reconciliation of intangible assets - 2011

	Opening Balance	Transfers	Additions	Disposals	Amortisation	Total
Computer software, other	26 816	-	14 485	-	( 7 503)	33 798

### 13. Non-current assets held for sale

The municipality has resolved to dispose of redundant non-current assets. The non-current assets are to be sold piecemeal. The following categories of assets were held for sale at year end:

Land	963 384	963 384
Motor vehicles	149 730	55 488
	<u>1 113 114</u>	<u>1 018 872</u>



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	2012 R	2011 R Restated
<b>14. Other financial liabilities</b>		
Held at amortised cost		
DBSA	<u>53 135</u>	<u>72 207</u>
<p>This loan relates to water and sanitation assets. The loan was transferred to the Umgungundlovu District Municipality together with the water and sanitation assets. The loan is in the name of Richmond Municipality, payments are made by the Municipality and recovered from Umgungundlovu District Municipality. The loans bear interest at rates between 8 and 10% per annum and are secured by the water and sewerage works.</p>		
<b>Non current liabilities</b>		
At amortised cost	32 367	54 656
<b>Current liabilities</b>		
At amortised cost	<u>20 768</u>	<u>17 551</u>
	<b><u>53 135</u></b>	<b><u>72 207</u></b>
<p>For further details refer to Appendix A.</p>		
<b>15. Operating lease liability</b>		
Current liabilities	<u>222 087</u>	<u>184 075</u>
	<b><u>222 087</u></b>	<b><u>184 075</u></b>
<p>Vacant land is being leased from Ingonyama Trust Board, on which community halls have been constructed by the Richmond Local Municipality. The lease period is 40 years with an escalation of 10% per annum. The lease rental over the contracted period is smoothed over the period of the lease. The difference between the smoothed rental and the rental paid during the year is raised as an operating lease accrual.</p>		
<p>The future minimum lease payments under a non-cancellable operating lease for the actual liability are as follows:</p>		
No later than 1 year	44 259	44 259
Later than 1 year and no later than 5 years	177 037	177 037
Later than 5 years	<u>1 298 271</u>	<u>1 342 531</u>
Total future cash flows	<b><u>1 519 567</u></b>	<b><u>1 563 827</u></b>



	2012 R	2011 R Restated
<b>16. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
No later than 1 year	138 018	57 108
Later than 1 year and no later than 5 years	145 734	104 775
Later than 5 years	-	-
	<u>283 752</u>	<u>161 883</u>
Less: future finance charges	<u>( 25 392)</u>	<u>( 19 468)</u>
<b>Present value of minimum lease payments</b>	<b><u>258 360</u></b>	<b><u>142 415</u></b>
<b>Present value of minimum lease payments due</b>		
No later than 1 year	119 594	46 164
Later than 1 year and no later than 5 years	138 766	96 251
Later than 5 years	-	-
	<u>258 360</u>	<u>142 415</u>
<p>The average lease term was 3 years and the effective borrowing rate was 9%.</p> <p>Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.</p> <p>The Municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. For further details refer to Appendix A.</p>		
<b>17. Trade and other payables from exchange transactions</b>		
Unallocated deposits	180 602	174 241
Leave pay accrual	1 252 416	1 010 458
Sundry payables	434 049	2 123 543
Retentions	1 322 586	1 572 722
Trade creditors	2 364 435	1 921 348
Deposits received	19 400	18 739
Payments received in advance	145 693	228 976
	<b><u>5 719 181</u></b>	<b><u>7 050 027</u></b>



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	2012 R	2011 R Restated
<b>18. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprise:</b>		
Free Basic Electricity	0	59 831
Financial Management Grant - FMG	181 133	398 727
MSIG	90 178	61 891
Siyathuthuka Phase 1	869 969	869 969
Zwelethu Housing	305 541	290 961
Siyathuthuka Phase 2	864 261	825 659
Patheni Housing	152 109	144 469
Argossy Farm	60 398	60 398
Municipal Infrastructure Grant (MIG)	8 771 083	2 412 042
Indigent Support	0	6 022
Development Information Systems - DIS	153 502	153 502
Project Consolidated	48 380	48 380
RSDI - DC 22	0	36 125
Municipal Infrastructure Development	67 651	67 651
Public Participation	0	103 875
COGTA Ward Committee	0	3 620
Municipal Assistance Programme - Map Grant	0	93 921
Small Town Regeneration	6 115 987	10 106 473
Library Services Grant	85 000	0
DME: Electrification Grant	4 000 000	0
	<b><u>21 765 192</u></b>	<b><u>15 743 516</u></b>

## Movement during the year

Balance at the beginning of the year	15 743 516	25 663 940
Additions during the year	21 796 259	13 831 268
Income recognition during the year	( 15 774 583)	( 23 751 692)
	<b><u>21 765 192</u></b>	<b><u>15 743 516</u></b>

See note 24 for reconciliation of grants from National/Provincial Government

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

Refer to appendix E for further details on grant and subsidies.



2012  
R

2011  
R  
Restated

## 19. Retirement benefits

### Defined benefit plan

#### Post retirement medical aid plan

The municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes (Bonitas, Hosmed, Keyhealth, LA Health and SAMWU), most of which offer a range of options pertaining to levels of cover. The post employment Health care benefit actuarial valuation was conducted by One Pangaea Financial. Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependents may continue membership of the medical scheme. Eligible In-service employees will receive a post-employment subsidy 60% of the contribution payable should they be a member of a medical scheme at retirement. All continuation members receive a 60% subsidy. Upon a member's death-in-service or death-in-retirement, the surviving dependants will continue to receive the same 60% subsidy.

#### Movement in the defined benefit obligation:

Balance at the beginning of the year	3 849 564	3 380 504
Current-service cost	383 000	261 557
Interest cost	372 000	308 963
Contributions (benefits paid)	( 119 000)	( 101 460)
Actuarial loss/ (gain)	-	-
Modelling and membership changes	276 000	-
Discount rate changes	313 000	-
Medical inflation	166 000	-
Miscellaneous	55 000	-
Other	1 436	-
<b>Balance at end of the year</b>	<b>5 297 000</b>	<b>3 849 564</b>

#### Net expense recognised in the statement of financial performance

Current-service cost	383 000	261 557
Interest cost	372 000	308 963
Actuarial (gains) losses	0	0
Benefit Payments	( 119 000)	( 101 460)
Modelling and membership changes	276 000	0
Discount rate changes	313 000	0
Medical inflation	166 000	0
Miscellaneous	55 000	0
Other	1 436	0
<b>Total (Included in employee benefits expense) Note 27</b>	<b>1 447 436</b>	<b>469 060</b>



# Annual Report 2011/2012

	2012 R	2011 R Restated
<b>Key assumptions used</b>		
Assumptions used on last valuation on 30 June 2012.		
Average retirement age	63	63
Discount rates used	8.35%	9.28%
Health care cost inflation rate	6.85%	7.35%
Net effective discount rate	1.40%	1.80%
Continuation of membership at retirement	100.00%	100.00%
Proportion assumed married at retirement	100.00%	100.00%
Proportion of eligible non-members joining the scheme by retirement	50.00%	50.00%

#### Other assumptions:

Mortality during employment - In accordance with the SA 85-90 ultimate table

Mortality post-retirement - In accordance with the PA90-2 ultimate table (PA90-1 in prior year)

#### Percentage of in-service members withdrawing before retirement

Age	Withdrawal rates
20	12.00%
25	6.60%
30	5.10%
35	3.60%
40	2.60%
45	1.80%
50	1.10%
>55	0%

#### Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

## 20. Provisions

#### Non-current liabilities

Environmental rehabilitation: Landfill site	2 817 430	2 561 300
Long service awards	772 000	653 000
	<b>3 589 430</b>	<b>3 214 300</b>



	<b>2012 R</b>	<b>2011 R Restated</b>
<b>Reconciliation of environmental rehabilitation provision</b>		
Opening balance	2 561 300	2 328 454
Movement	256 130	232 846
Closing balance	<u><b>2 817 430</b></u>	<u><b>2 561 300</b></u>

The landfill provision represents management's best estimate of the Municipality's liability.

The landfill site assessment was conducted by SSI Engineers & Environmental Consultants. The landfill site is expected to be fully operational until 2015 and it is assumed that the rehabilitation will only take place thereafter.

The prime rate of 10% has been used as the discounting factor in the provision.

Depreciation for the current year amounted to R465 691 (2011: R465 691).

#### **Reconciliation of long service awards provision**

Opening balance	653 000	590 000
Movement	119 000	63 000
Closing balance	<u><b>772 000</b></u>	<u><b>653 000</b></u>

Employees who achieve 10 years of service will be granted 10 days leave which must be taken or encashed in the same year that the employee qualifies for the award.

Employees who achieve 15 years of service will be granted 20 days leave which must be taken or encashed in the same year that the employee qualifies for the award.

Employees who achieve 20, 25, 30, 35, 40 or 45 years of service will be granted 30 days leave which must be taken or encashed in the same year that the employee qualifies for the award.

The provision is an estimate of the long service award based on the monthly salaries rate at 30 June 2012 (2011: 30 June 2011). A discount rate of 8.25% was used.



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	2012 R	2011 R Restated
<b>21. Housing development fund</b>		
Ring-fenced internal funds and reserves within accumulated surplus		
Opening balance	239 038	229 072
Interest earned	10 228	9 966
	<b><u>249 266</u></b>	<b><u>239 038</u></b>

The housing development fund is cash backed and the funds are invested in a 32 day call deposit account. Part of the funding is included in the municipality's main account.

## 22. Property rates

### Rates raised

Property rates	6 115 439	5 085 774
Property rates - penalties imposed & collection charges	793 032	453 820
	<b><u>6 908 471</u></b>	<b><u>5 539 594</u></b>

### Valuations

Residential	357 355 000	343 810 000
Commercial	113 597 000	113 069 000
Government and public sector	216 697 000	203 146 000
Municipal	121 399 000	59 928 000
Small holdings and farms	701 846 000	778 806 000
	<b><u>1 510 894 000</u></b>	<b><u>1 498 759 000</u></b>

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2008.

Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Assessment rates are determined by applying the following cents in the rand on the market valuation:

Residential properties	0.006	0.006
Business, commercial and industrial properties	0.011	0.011
Agriculture properties	0.001	0.001
State Owned property	0.011	0.011
Public service infrastructure	0.001	0.001
Public benefit organisation property	0.001	0.001
Other	0.003	0.003

Rebates are granted to:

Agricultural property owners	50%	60%
Residential property owners	0%	20%
Land reform, public benefit organisations, monuments, informal settlements, rural communal and municipal property owners	100%	100%
Public service infrastructure property owners.	30%	30%



2012  
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2011  
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Restated

The first R15,000 of the valuation of residential properties are exempt from the calculation of rates.

Rates are levied on an annual basis with the final date for payment being 30 June 2012 (2010: 30 June 2011).

Interest at a fixed rate of 18% per annum (2011: 18%) is levied on rates outstanding two months after due date.

### 23. Service charges

Refuse removal	<u>283 028</u>	<u>1 125 151</u>
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### 24. Government grants

Equitable share	24 863 000	20 834 558
Council support grant	986 000	849 000
Scholar patrol grant	23 728	21 851
Free Basic Electricity	-	1 120 276
Waste Management	0	1 957
Financial management grant	1 717 594	2 122 666
MSIG	761 713	815 728
Gijima	0	127 962
DME: Siyathuthuka Electrification	0	283 700
Zwelethu Housing	37 522	166 743
Inhlazuka Housing	1 148 611	835 650
Patheni Housing	0	36 375
St Bernard Mission	37 250	0
Municipal Infrastructure Grant	7 140 959	9 020 348
ID Registration & Distribution (DC22)	0	25 000
Indigent Support	6 022	7 641
Interdepartmental Monitoring	0	673
Development Information Systems	0	18 992
Spatial Planning	0	1 868
RSDI - DC 22	36 125	4 000
Municipal Infrastructure Development	0	77 541
Public Participation	103 875	0
Basic Bookkeeping	0	4 064
COGTA Ward Committee	3 620	10 860
Municipal assistance programme	93 921	295 591
Small Town Regeneration	4 459 279	9 427 684
Hiv/Aids Grant - DC 22	15 000	0
Library Service Grant - Staffing cost	129 533	0
RSDI	0	329 325
Rounding	( 1)	-
	<u><b>41 563 752</b></u>	<u><b>46 440 053</b></u>



# Annual Report 2011/2012

	2012 R	2011 R Restated
<b>24.1 Equitable Share</b>		
Balance unspent at beginning of year	-	-
Current-year receipts	24 863 000	20 834 558
Conditions met - transferred to revenue	( 24 863 000)	( 20 834 558)
	<u>-</u>	<u>-</u>

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

In terms of council rates policy, an annual subsidy of R7 641 was received by qualifying applicants.

## 24.2 Council Support Grant

Balance unspent at beginning of year	-	-
Current-year receipts	986 000	849 000
Conditions met - transferred to revenue	(986 000)	(849 000)
	<u>-</u>	<u>-</u>

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

In terms of council rates policy, an annual subsidy of R7 641 was received by qualifying applicants.

## 24.3 Scholar Patrol Grant

Balance unspent at beginning of year	-	-
Current-year receipts	23 728	21 851
Conditions met - transferred to revenue	(23 728)	(21 851)
	<u>-</u>	<u>-</u>

This grant is used to remunerate scholar patrols.

## 24.4 Free Basic Electricity

Balance unspent at beginning of year	59 831	1 180 107
Current-year receipts	-	-
Conditions met - transferred to revenue	(59 831)	( 1 120 276)
Conditions still to be met - transferred to liabilities (see note 18)	<u>-</u>	<u>59 831</u>

These funds form part of the Equitable share received by the municipality that was aside to subsidise future free basic electricity for qualifying indigents. The full amount of Equitable share was reflected in revenue in the previous years.



	2012 R	2011 R Restated
<b>24.5 Department on Environment Affairs (Waste Management)</b>		
Balance unspent at beginning of year	-	1 957
Current-year receipts	-	-
Conditions met - transferred to revenue	-	(1 957)
	<u>-</u>	<u>-</u>

Funds to be used to purchase refuse recepticals to be placed at strategic points in the Richmond CBD.

## 24.6 National Treasury

### 24.6.1 Financial Management Grant - FMG

Balance unspent at beginning of year	398 727	1 021 393
Current-year receipts	1 500 000	1 500 000
Conditions met - transferred to revenue	( 1 717 594)	( 2 122 666)
Conditions still to be met - transferred to liabilities (see note 18)	<u>181 133</u>	<u>398 727</u>

### 24.6.2 MSIG

Balance unspent at beginning of year	61 891	127 619
Current-year receipts	790 000	750 000
Conditions met - transferred to revenue	(761 713)	(815 728)
Conditions still to be met - transferred to liabilities (see note 18)	<u>90 178</u>	<u>61 891</u>

These funds are to be used for the updating of the municipality's financial policies, financial management system and fixed asset register to comply with the new GRAP standards.

The municipality has appointed service providers for some of the above projects and is in the process of appointing service providers to assist with the outstanding projects.

## 24.7 Gijima

Balance unspent at beginning of year	-	26 547
Current-year receipts	-	101 415
Conditions met - transferred to revenue	-	(127 962)
	<u>-</u>	<u>-</u>

These funds were utilised on the finalisation of the closeout report by Gijima (DED)



# Annual Report 2011/2012

	2012 R	2011 R Restated
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## 24.8 Department of Human Settlement

### 24.8.1 Department of Minerals and Energy Affairs (DME - Siyathuthuka Electrification )

Balance unspent at beginning of year	-	283 700
Current-year receipts	-	-
Conditions met - transferred to revenue	-	(283 700)
	<u>-</u>	<u>-</u>

Eskom was engaged to assist with the connection of electrical power supply to residential properties.

### 24.8.2 Siyathuthuka Phase 1

Balance unspent at beginning of year	869 969	197 571
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
Other	-	672 398
Conditions still to be met - transferred to liabilities (see note 18)	<u>869 969</u>	<u>869 969</u>

Housing projects are still work-in-progress. Funds will be utilised on the completion of these projects.

### 24.8.3 Zwelethu Housing

Balance unspent at beginning of year	290 961	424 607
Current-year receipts	52 102	33 097
Conditions met - transferred to revenue	(37 522)	(166 743)
Conditions still to be met - transferred to liabilities (see note 18)	<u>305 541</u>	<u>290 961</u>

Housing projects are still work-in-progress. Funds will be utilised on the completion of these projects.

### 24.8.4 Siyathuthuka Phase 2

Balance unspent at beginning of year	825 659	788 044
Current-year receipts	38 602	37 615
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see note 18)	<u>864 261</u>	<u>825 659</u>

Housing projects are still work-in-progress. Funds will be utilised on the completion of these projects.



	2012 R	2011 R Restated
<b>24.8.5 Inhlazuka Housing</b>		
Balance unspent at beginning of year	-	-
Current-year receipts	1 148 611	835 650
Conditions met - transferred to revenue	(1 148 611)	(835 650)
	<u>-</u>	<u>-</u>
Funds were utilised on housing projects.		
<b>24.8.6 Patheni Housing</b>		
Balance unspent at beginning of year	144 469	171 715
Current-year receipts	7 640	9 129
Conditions met - transferred to revenue	-	(36 375)
Conditions still to be met - transferred to liabilities (see note 18)	<u>152 109</u>	<u>144 469</u>
Housing projects are still work-in-progress. Funds will be utilised on the completion of these projects.		
<b>24.8.7 Argosy Farm</b>		
Balance unspent at beginning of year	60 398	60 398
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see note 18)	<u>60 398</u>	<u>60 398</u>
Housing projects are still work-in-progress. Funds will be utilised on the completion of these projects.		
<b>24.8.8 St Bernard Mission</b>		
Balance unspent at beginning of year	-	-
Current-year receipts	37 250	-
Conditions met - transferred to revenue	(37 250)	-
	<u>-</u>	<u>-</u>
Funds were utilised on housing projects.		
<b>24.8.9 Municipal Infrastructure Grant (MIG)</b>		
Balance unspent at beginning of year	2 412 042	1 787 390
Current-year receipts	13 500 000	9 645 000
Conditions met - transferred to revenue	(7 140 959)	(9 020 348)
Conditions still to be met - transferred to liabilities (see note 18)	<u>8 771 083</u>	<u>2 412 042</u>
Projects are work-in-progress and covers multi-fiscal years.		



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	2012 R	2011 R Restated
<b>24.10 Department of Cooperative Governance &amp; Traditional Affairs &amp; District Municipality</b>		
<b>24.10.1 ID Registration &amp; Distribution (DC 22)</b>		
Balance unspent at beginning of year	-	-
Current-year receipts	-	25 000
Conditions met - transferred to revenue	-	(25 000)
	<u>-</u>	<u>-</u>
Waiting for the finalisation of projects as per business plans.		
<b>24.10.2 Indigent Support</b>		
Balance unspent at beginning of year	6 022	13 663
Current-year receipts	-	-
Conditions met - transferred to revenue	(6 022)	(7 641)
	<u>-</u>	<u>6 022</u>
Waiting for the finalisation of projects as per business plans.		
<b>24.10.3 Interdepartmental Monitoring</b>		
Balance unspent at beginning of year	-	673
Current-year receipts	-	-
Conditions met - transferred to revenue	-	( 673)
	<u>-</u>	<u>-</u>
Waiting for the finalisation of projects as per business plans.		
<b>24.10.4 Development Information Systems - DIS</b>		
Balance unspent at beginning of year	153 502	172 494
Current-year receipts	-	-
Conditions met - transferred to revenue	-	(18 992)
Conditions still to be met - transferred to liabilities (see note 18)	<u>153 502</u>	<u>153 502</u>
Waiting for the finalisation of projects as per business plans.		
<b>24.10.5 Project Consolidated</b>		
Balance unspent at beginning of year	48 380	48 380
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see note 18)	<u>48 380</u>	<u>48 380</u>
Waiting for the finalisation of projects as per business plans.		



	2012 R	2011 R Restated
<b>24.10.6 Spatial Planning</b>		
Balance unspent at beginning of year	-	1 868
Current-year receipts	-	-
Conditions met - transferred to revenue	-	(1 868)
	<u>-</u>	<u>-</u>
Waiting for the finalisation of projects as per business plans.		
<b>24.10.7 RSDI - DC 22</b>		
Balance unspent at beginning of year	36 125	-
Current-year receipts	-	40 125
Conditions met - transferred to revenue	(36 125)	(4 000)
Conditions still to be met - transferred to liabilities (see note 18)	<u>-</u>	<u>36 125</u>
Waiting for the finalisation of projects as per business plans.		
<b>24.10.8 Municipal Infrastructure Development</b>		
Balance unspent at beginning of year	67 651	145 192
Current-year receipts	-	-
Conditions met - transferred to revenue	-	(77 541)
Conditions still to be met - transferred to liabilities (see note 18)	<u>67 651</u>	<u>67 651</u>
Waiting for the finalisation of projects as per business plans.		
<b>24.10.9 Public Participation</b>		
Balance unspent at beginning of year	103 875	103 875
Current-year receipts	-	-
Conditions met - transferred to revenue	(103 875)	-
	<u>-</u>	<u>103 875</u>
Waiting for the finalisation of projects as per business plans.		
<b>24.10.10 Basic Bookkeeping</b>		
Balance unspent at beginning of year	-	4 064
Current-year receipts	-	-
Conditions met - transferred to revenue	-	(4 064)
	<u>-</u>	<u>-</u>
Waiting for the finalisation of projects as per business plans.		



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	2012 R	2011 R Restated
<b>24.10.11 COGTA Ward Committee</b>		
Balance unspent at beginning of year	3 620	-
Current-year receipts	-	14 480
Conditions met - transferred to revenue	(3 620)	(10 860)
	<u>-</u>	<u>3 620</u>

Waiting for the finalisation of projects as per business plans.

## 24.11 Municipal Assistance Programme - Map Grant

Balance unspent at beginning of year	93 921	389 512
Current-year receipts	-	-
Conditions met - transferred to revenue	(93 921)	(295 591)
	<u>-</u>	<u>93 921</u>

Utilised on Municipal Assistance projects.

## 24.12 Small Town Regeneration

Balance unspent at beginning of year	10 106 473	18 713 170
Current-year receipts	-	-
Conditions met - transferred to revenue	( 4 459 279)	( 9 427 684)
Other	468 793	820 987
Conditions still to be met - transferred to liabilities (see note 18)	<u>6 115 987</u>	<u>10 106 473</u>

The projects have been advertised and the SCM process is still in progress.

## 24.13 Library Services Grant

Balance unspent at beginning of year	-	-
Current-year receipts	85 000	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see note 18)	<u>85 000</u>	<u>-</u>

This grant is for the position of a cyber cadet officer. (IT Officer)

## 24.14 DME: Electrification Grant

Balance unspent at beginning of year	-	-
Current-year receipts	4 000 000	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see note 18)	<u>4 000 000</u>	<u>-</u>

This grant is for the electrification of houses.



	2012 R	2011 R Restated
<b>24.15 HIV/AIDS Grant - DC 22</b>		
Balance unspent at beginning of year	-	-
Current-year receipts	15 000	-
Conditions met - transferred to revenue	(15 000)	-
	<u>-</u>	<u>-</u>
This grant is the for HIV/AIDS programmes.		
<b>24.16 Library Services Grant - Staffing costs</b>		
Balance unspent at beginning of year	-	-
Current-year receipts	129 533	-
Conditions met - transferred to revenue	(129 533)	-
	<u>-</u>	<u>-</u>
This grant was used to offset salary costs		
<b>24.17 RSDI</b>		
Balance unspent at beginning of year	-	-
Current-year receipts	-	329 325
Conditions met - transferred to revenue	-	(329 325)
	<u>-</u>	<u>-</u>
This grant was used for capital additions		
<b>25. Other revenue</b>		
Management fee	79 860	72 600
Impound - Motor Vehicles	3 799	4 726
Impound - Animals	6 620	5 044
Refuse bags	1 827	1 134
Cemetery levy	27 753	34 450
Plot clearing	79 840	-
Insurance claims	-	137 274
Re-imbursive costs	91 831	94 375
SETA refund	103 981	28 851
Tender deposit	63 158	55 233
Sundry income	64 945	45 843
	<u>523 614</u>	<u>479 530</u>



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	2012 R	2011 R Restated
<b>26. General expenses</b>		
Advertising	292 779	191 221
Auditors remuneration	532 817	405 754
Bank charges	54 389	53 810
Bursary	79 845	14 442
Spacial development framework	281 600	-
Cleaning	103 512	52 731
Conferences and seminars	54 855	52 415
Consulting and professional fees	219 544	561 343
Electricity	839 886	753 042
Employment agencies	286 695	-
Entertainment	55 741	37 092
Fuel and oil	971 810	674 335
Government grant expenditure - Financial Management Grant (FMG)	1 717 593	2 077 072
Government grant expenditure - Free basic Electricity	622 613	1 120 276
Government grant expenditure - Free Basic Services	10 576	1 033 963
Government grant expenditure - Inhlazuku Housing	1 148 611	835 649
Government grant expenditure - Management Assistance Program (MAP)	93 921	257 018
Government grant expenditure - MSIG	574 642	688 109
Government grant expenditure - Siyathuthuka Electrification	-	283 700
Government grant expenditure - Other	325 032	614 156
Insurance	347 447	243 800
Kwanaloga games	100 599	90 321
Lease rentals on operating expenses	155 981	426 131
Marketing	129 551	91 455
Motor vehicle expenses	88 067	73 905
Other expenses	683 427	943 397
Postage and courier	50 874	50 191
Printing and stationery	186 807	179 417
SALGA levies	110 000	100 000
Subcriptions and membership fees	2 340	1 892
Subsistence, travel and accommodation	338 589	408 093
Telephone and fax	200 536	214 048
Valuation roll	851 205	-
	<b><u>11 511 884</u></b>	<b><u>12 528 778</u></b>



	2012 R	2011 R Restated
<b>27. Employee related costs</b>		
Basic	13 259 562	10 800 050
Acting allowance	55 505	17 791
Bonus	716 128	624 823
Medical aid - company contributions	783 210	798 181
UIF	108 397	110 154
WCA	125 294	101 075
SDL	151 304	132 894
Pension	1 501 738	1 486 292
Post-employment benefits - Medical Aid - Defined benefit plan	1 447 436	469 060
Contribution to long service awards provision	119 000	63 000
Leave encashment	709 000	649 829
Job evaluation	111 753	-
Travel, motor car, accomodation, subsistence and other allowances	357 870	528 444
Overtime payments	393 939	404 487
Housing benefits and allowances	19 491	34 372
Uniforms	162 206	92 487
Levies	5 207	5 130
	<b><u>20 027 040</u></b>	<b><u>16 318 069</u></b>
<b>Remuneration of Municipal Manager</b>		
Annual Remuneration	631 472	583 711
Housing Allowance	18 000	18 000
Car Allowance	120 000	120 000
Contributions to UIF, Medical and Pension Funds	26 772	18 289
	<b><u>796 244</u></b>	<b><u>740 000</u></b>
<b>Remuneration of Chief Finance Officer</b>		
Annual Remuneration	283 700	475 452
Car Allowance	18 000	36 000
Contributions to UIF, Medical and Pension Funds	44 274	88 548
	<b><u>345 974</u></b>	<b><u>600 000</u></b>
<b>Remuneration of Strategic Manager: Corporate Services</b>		
Annual Remuneration	525 746	487 014
Car Allowance	60 000	60 000
Contributions to UIF, Medical and Pension Funds	50 734	52 986
	<b><u>636 480</u></b>	<b><u>600 000</u></b>
<b>Remuneration of Strategic Manager: Community Services</b>		
Annual Remuneration	502 000	465 895
Car Allowance	60 000	63 000
Contributions to UIF, Medical and Pension Funds	74 480	71 105
	<b><u>636 480</u></b>	<b><u>600 000</u></b>
<b>Remuneration of Strategic Manager: Technical Services</b>		
Annual Remuneration	518 379	486 989
Car Allowance	30 000	30 500
Contributions to UIF, Medical and Pension Funds	88 101	82 511
	<b><u>636 480</u></b>	<b><u>600 000</u></b>



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	2012 R	2011 R Restated
<b>28. Remuneration of councillors</b>		
Mayor	607 226	570 336
Deputy Mayor	280 982	265 297
Exco	264 155	249 744
Speaker	280 982	265 297
Councillors	1 956 653	1 693 668
	<b>3 389 998</b>	<b>3 044 342</b>

## In-kind benefits

The Mayor is full time and is provided with an office and secretarial support at the cost of the Council.

The Mayor has use of a Council owned vehicle for official duties.

The Mayor has one full time bodyguard and a full time driver. The Deputy Mayor has one full-time bodyguard/driver.

## 29. Depreciation and amortisation

Property, plant and equipment	4 006 003	3 332 788
Intangible assets	10 419	7 504
	<b>4 016 422</b>	<b>3 340 292</b>

Refer to reconciliation of carrying amounts in note 3 for further details. Depreciation and amortisation is calculated over the useful life of the asset and reflects the realisation of that asset through continued use.

## 30. Finance costs

Non-current liabilities	<b>26 696</b>	<b>832</b>
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## 31. Auditors' remuneration

Fees	<b>532 817</b>	<b>405 754</b>
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## 32. Grants and subsidies paid

Museum subsidy	53 880	93 582
Richmond Tourism	10 850	
	<b>64 730</b>	<b>93 582</b>

Items and artefacts are on display at the Museum. This attracts local and foreign tourists. The grant is to assist with the day to-day operations of the museum.



	2012 R	2011 R Restated
<b>33. Cash generated from (used in) operations</b>		
Surplus (deficit)	9 246 860	16 730 473
<b>Adjustments for:</b>		
Depreciation and amortisation	4 016 422	3 340 292
Loss/ (Gain) on sale of non-current assets and disposal groups	9 200	( 78 109)
Housing operating Income	10 228	-
Increase in provision for debt impairment	328 441	-
Prior year errors		799 256
Movements in operating lease assets and accruals	38 012	38 580
Impairment of assets	( 41 648)	148 634
Gain on donated assets	( 67 930)	( 94 466)
Gain on fair valuing assets	( 126 458)	0
Contribution to retirement benefit obligation	1 447 436	469 060
Contribution to landfill provision	256 130	232 846
Contribution to long service awards provision	119 000	63 000
<b>Working Capital Movements</b>		
Inventories	( 3 452)	( 58 948)
Trade and other receivables from exchange transactions	( 1 601)	155 638
Trade and other receivables from non-exchange transactions	( 2 072 448)	( 221 461)
Consumer debtors	( 1 744 563)	828 004
VAT receivable	( 79 495)	823 147
Trade and other payables from exchange transactions	( 1 330 846)	( 204 856)
Unspent conditional grants and receipts	6 021 676	( 9 920 422)
	<b><u>16 024 964</u></b>	<b><u>13 050 668</u></b>
<b>34. Capital Commitments</b>		
<b>Authorised capital expenditure:</b>		
<b>Already contracted for but not provided for</b>		
Property, plant and equipment	<b><u>16 056 872</u></b>	<b><u>19 380 139</u></b>

The municipality currently has five housing projects in progress, namely Siyathuthuka Phase 1 and Phase 2, Zwelethu, Patheni, Retail Market and Sidewalks and Stormwater Drainage.

This committed expenditure relates to property, plant and equipment and will be financed by grants and subsidies received from National and Provincial Government.

**Operating leases - as lessee (expense)**

Refer to Note 9 for details



# Annual Report 2011/2012

	2012 R	2011 R Restated
<b>Operating leases - as lessor (income)</b>		
<p>The municipality leased vacant land to a property developer whom has developed a shopping complex. The lease agreement has a term of 70 years. There are no contingent rents receivable. Due to the financial difficulties experienced by the lessee, the lease rental was renegotiated by the lessee and the municipality. The municipality has granted the lessee a relief period of 12 to 24 months to pay an agreed lower rental, linked to turnover. Thereafter, the terms and conditions of the original agreement will apply. Due to the changes of the original agreement and economic activities in Richmond town, rentals will be recognised when the lessee is invoiced and will not be smoothed over the period of the lease.</p>		
<b>35. Contingencies</b>		
<b>35.1 Contingent assets</b>		
In respect of the prior year fruitless and wasteful expenditure referred to in note 40.2 the amount of R19 305 was recovered from the employee concerned in July 2012 .	19 305	242
	<u>19 305</u>	<u>242</u>
<b>35.2 Contingent liabilities</b>		
<p>Council provided letters of suretyship to financial institutions to assist staff members to obtain home loans. These sureties were provided prior to the introduction of the Municipal Finance Management Act. The sureties ensure that the municipality complies with section 164(2) of the Municipal Finance Act.</p> <p>These amounts have been secured against the staff member's pension/provident funds by means of written agreements which are lodged with the Kwa-Zulu Natal Joint Municipal Pension/Provident Fund. Copies are maintained on the staff members personal files.</p>		
<b>Name of staff member</b>		
BV Rajoo	10 000	10 000
BG Kunene	12 000	12 000
	<u>22 000</u>	<u>22 000</u>

## 36. Related Parties

There are no related parties for Richmond for the current year and prior year.

Details of remuneration of key management and councillors is disclosed in Note 27 and Note 28.

No benefits were paid to spouses and dependants of key management or councillors.



2012  
R

2011  
R  
Restated

### 37. Risk Management

#### Financial Risk Management Objectives

Due to the largely non-trading nature of the activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities.

The municipality's finance function monitors and manages the financial risks relating to the operations of the municipality. These risks include credit risk, liquidity risk, market risk relating interest rate risk.

#### 37.1 Maximum credit risk exposure

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Except as detailed below, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

The maximum credit risk exposure in respect of the relevant financial instruments is as follows:

Cash and Cash Equivalents	37 721 545	36 386 170
Trade and other receivables	3 502 909	1 398 290
Other: Financial assets	20 768	17 551
<b>Maximum Credit Exposure</b>	<b><u>41 245 222</u></b>	<b><u>37 802 011</u></b>

#### 37.2 Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Unspent Grants are cashed back. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities into amounts due within the 12 months after financial year end. The amounts disclosed in the table are the contractual undiscounted cash flows.

Trade and other payables	4 121 070	5 617 613
Other: Financial liabilities and lease obligations	362 449	247 790
<b>Maximum Liquidity Exposure</b>	<b><u>4 483 519</u></b>	<b><u>5 865 403</u></b>



# Annual Report 2011/2012

	2012 R	2011 R Restated
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### 37.3 Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

At year end, financial instruments exposed to interest rate risk were as follows:

Bank Balances and Cash	<u>37 721 545</u>	<u>36 386 170</u>
Maximum Interest Exposure	<u><b>37 721 545</b></u>	<u><b>36 386 170</b></u>

### 38. Going concern

We draw attention to the fact at 30 June 2012, the municipality had an accumulated surplus of R104 339 737 and that the municipality's total assets exceed its liabilities by R104 339 737.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### 39. Events after reporting date

No significant events were identified after the reporting date that requires disclosure in the financial statements for the year ended 30 June 2012.

### 40. Unauthorised, Irregular, Fruitless and Wasteful expenditure

#### 40.1 Unauthorised expenditure

Finance costs	<u>14 696</u>	<u>-</u>
	<u><b>14 696</b></u>	<u><b>-</b></u>

The unauthorised expenditure relates to expenditure incurred that exceeded the budget. No criminal or disciplinary steps were taken.

#### 40.2 Fruitless and wasteful expenditure

<b>Opening balance</b>	-	-
Fruitless and wasteful expenditure	19 305	242
Approved / condoned by Council	-	-
To be recovered - contingent asset	<u>( 19 305)</u>	<u>( 242)</u>
To be condoned by Council	<u>-</u>	<u>-</u>

#### Incident - 2010/11

Relates to expenditure which was incurred as a result of the late payment for the municipal vehicle licence.



2012  
R

2011  
R  
Restated

**Action**

Council has recovered this amount from the employees in July 2011.

**Incident - 2011/12**

Relates to expenditure which was incurred as a result of the late payment for the municipal vehicle licence, traffic fines and interest on overdue account.

**Action**

Council has recovered this amount from the employees in July 2012. No disciplinary action was taken against the employees.

**40.3 Irregular expenditure**

Reconciliation of irregular expenditure

Opening balance

- -

Irregular expenditure for the current year

- -

Approved / condoned by Council

- -

To be condoned by Council

- -

**41. Reconciliation of budget surplus with the surplus in the statement of financial performance**

Net surplus per the statement of financial performance

9 246 860

Adjusted for:

Loss on the sale of assets

9 200

Impairments recognised/ reversed

( 41 648)

Gain on donated assets

( 67 930)

Fair value adjustments

( 126 458)

Decrease in provisions

467 935

Variance between revenue budgeted for and revenue received

11 142 457

Variance between expenditure budgeted for and expenditure incurred

( 5 364 651)

Net surplus per approved budget

**15 265 765**

Refer to Note 43 for the comparison of actual operating expenditure versus budgeted expenditure.

**42. Additional disclosure in terms of Municipal Finance Management Act (Act no. 56 of 2003)**

**42.1 Audit fees**

Opening balance

0 -

Current year subscription / fee

532 817 405 754

Amount paid - current year

( 532 817) ( 405 754)

Balance unpaid (included in trade payables)

0 0



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	2012 R	2011 R Restated
<b>42.2 PAYE and UIF</b>		
Opening balance	-	-
Current year subscription / fee	2 707 485	2 461 967
Amount paid - current year	<u>( 2 707 485)</u>	<u>( 2 461 967)</u>
Balance unpaid (included in trade payables)	<u>-</u>	<u>-</u>
<b>42.3 Pension and Medical Aid Deductions</b>		
Opening balance	-	-
Current year subscription / fee	4 083 414	3 705 716
Amount paid - current year	<u>( 4 083 414)</u>	<u>( 3 705 716)</u>
Balance unpaid (included in trade payables)	<u>-</u>	<u>-</u>
<b>42.4 VAT</b>		
VAT received	<u>3 123 550</u>	<u>1 056 694</u>
<p>VAT output payables and VAT input receivables are shown in note 13. All VAT returns have been submitted by the due date throughout the year.</p>		
<b>42.4 Supply chain management regulation</b>		
<p>In terms of section 36 of the Municipal Supply Chain Management Regulations any deviations from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by the Council. The expenses incurred as listed hereunder have been condoned.</p>		
Total amount considered	985 450	631 050
Total amount condoned	<u>( 985 450)</u>	<u>( 631 050)</u>
Deviations awaiting authorisation	<u>-</u>	<u>0</u>



Description	2011/12 Original Budget	Budget Adjustments	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Explanation of significant Variances greater than 10% versus Final Budget
	R	R	R	R	R	R	%	%	
<b>43. Actual operating expenditure versus budgeted operating expenditure</b>									
<b>Financial Performance</b>									
Revenue									
Property rates	6 000 000	0	6 000 000	6 115 439		115 439	102%	102%	Raising of interim valuations
Service charges	524 880	( 235 000)	289 880	283 028		( 6 852)	98%	54%	Due to non payment of rates
Property rates - penalties imposed & collection charges	300 000	20 000	320 000	793 032		473 032	248%	264%	Due to non payments of accounts
Interest earned - outstanding debtors	51 140	20 000	71 140	98 028		26 888	138%	192%	Year end accruals outstanding
Interest earned - external investments	1 200 000	100 000	1 300 000	1 610 290		310 290	124%	134%	Dependant on demand
Fines	406 000	( 402 000)	4 000	2 659		( 1 341)	66%	1%	Due to delays in transfer of "golf course" & property & shops not occupied
Government grants and subsidies	50 022 194	3 912 362	53 934 556	41 563 752		(12 370 804)	77%	83%	Donations library services not budgeted for - item as per GRAP
Licences and permits	2 008 770	(1 500 000)	508 770	489 679		( 19 091)	96%	24%	
Income for agency services	355 590	114 860	470 450	427 511		( 42 939)	91%	120%	
Rental of facilities and equipment	840 100	210 500	1 050 600	1 349 177		298 577	128%	161%	
Other revenue	5 240 196	( 4 790 926)	449 270	523 614		74 344	117%	10%	
<b>Total Revenue (excluding capital transfers &amp; contributions)</b>	<b>66 948 870</b>	<b>( 2 550 204)</b>	<b>64 398 666</b>	<b>53 256 209</b>		<b>( 11 142 457)</b>	<b>83%</b>	<b>80%</b>	
Expenditure									
Employee related costs	20 163 840	( 727 430)	19 436 410	20 027 040		590 630	103%	99%	
Remuneration of councillors	3 306 670	100 504	3 407 174	3 389 998		( 17 176)	99%	100%	
General expenditure & landfill rehabilitation	15 229 050	497 116	15 726 166	11 768 014		( 3 958 152)	75%	77%	
Repairs and maintenance	2 550 710	( 262 739)	2 287 971	2 113 536		( 174 435)	92%	83%	
Depreciation and amortisation	4 694 670	0	4 694 670	4 016 422		( 678 248)	86%	86%	
Debt Impairment	-	0	0	473 068		473 068	0%	0%	GRAP implementation
Finance charges	-	12 000	12 000	26 696	14 696	14 696	222%	0%	Commission based
Collection costs	150 000	( 61 000)	89 000	16 939		( 72 061)	19%	11%	
Contracted services	2 964 760	440 870	3 405 630	2 339 742		( 1 065 888)	69%	79%	
Grants and subsidies paid	85 980	( 12 100)	73 880	64 730		( 9 150)	88%	75%	
<b>Total Expenditure</b>	<b>49 145 680</b>	<b>( 12 779)</b>	<b>49 132 901</b>	<b>44 236 185</b>	<b>14 696</b>	<b>( 4 237 381)</b>	<b>90%</b>	<b>90%</b>	
<b>Surplus/(Deficit)</b>	<b>17 803 190</b>	<b>( 2 537 425)</b>	<b>15 265 765</b>	<b>9 020 024</b>	<b>-</b>	<b>( 6 245 741)</b>	<b>59%</b>	<b>51%</b>	



# Annual Report 2011/2012

Description	2011/12	Budget	Final Bud-	Actual	Unauthorised	Variance	Actual	Actual	Explanation of significant
	Original	Adjustments	get	Outcome	Expenditure	R	Outcome	Outcome	
	Budget	R	R	R	R	R	as % of	as % of	Variances greater than
							Final Bud-	Original	10% versus Final Budget
							get	Budget	
							%	%	
Loss on disposal of property, plant and equipment (Impairment loss)/ reversal on impairment loss			( 9 200)		-	( 9 200)	100%	100%	
Gain on donated assets			41 648		-	41 648	100%	100%	
Gain on fair valuing of assets			67 930		-	67 930	100%	100%	
			126 458		-	126 458	100%	100%	
<b>Surplus/ (Deficit)</b>	<b>17 803 190</b>	<b>( 2 537 425)</b>	<b>15 265 765</b>	<b>9 246 860</b>	<b>-</b>	<b>( 6 018 905)</b>	<b>61%</b>	<b>52%</b>	

#### 44. Actual capital expenditure versus budgeted capital expenditure

	2012		2012		2012		2012		2012	
	Actual	Under Construction	Total Additions	Budget	Variance	Actual	Variance	Actual	Variance	
Executive and council	388 418		388 418	403 000	( 14 582)				-4%	
LED	158 268		158 268	160 820	( 2 552)				-2%	
Corporate services	477 129		477 129	609 800	( 132 671)				-22%	
Financial services	265 391		265 391	59 200	206 191				348%	
Sport & recreation	152 715	1 905 622	2 058 337	4 391 165	( 2 332 828)				-53%	
Town planning	194 967		194 967	222 135	( 27 168)				-12%	
Community & social services	231 197	499 924	731 121	1 155 981	( 424 860)				-37%	
Public safety	226 724		226 724	231 562	( 4 838)				-2%	
Technical	189 699	112 349	302 048	304 800	( 2 752)				-1%	
Roads	1 762 222	8 705 403	10 467 625	16 641 011	( 6 173 386)				-37%	
Computer and furniture	67 930		67 930	-	67 930				100%	
	<b>4 114 659</b>	<b>11 223 299</b>	<b>15 337 958</b>	<b>24 179 474</b>	<b>( 8 841 516)</b>					



	Note	2011 R Restated
<b>45. Change in accounting policies and prior year adjustments</b>		
<p>The following adjustments were made to amounts previously reported in the annual financial statements as a result of the correction of prior year errors.</p>		
<b>45.1 Other receivables from non-exchange transactions</b>	6	
Balance as previously stated - 30 June 2011		3 264 838
<b>Correction of prior year error</b>		
Correction of sundry debtors		113
Correction of sundry debtors		( 150)
Restated balance as at 30 June 2011		<u><u>3 264 801</u></u>
<b>45.2 VAT receivable</b>	7	
Balance as previously stated - 30 June 2011		1 057 280
<b>Correction of prior year error</b>		
Correction of sundry debtors		( 586)
Restated balance as at 30 June 2011		<u><u>1 056 694</u></u>
<b>45.3 Consumer debtors</b>	8	
Balance as previously stated - 30 June 2011		3 541 022
<b>Correction of prior year error</b>		
Correction of rates debtors		5 178
Increase in provision for doubtful debts		( 1 646 091)
Restated balance as at 30 June 2011		<u><u>1 900 109</u></u>
<b>45.4 Property, plant and equipment</b>	10	
Balance as previously stated - 30 June 2011		95 280 856
<b>Correction of prior year error</b>		
Reversal of asset incorrectly fair valued		( 125 010)
Capitalising assets donated to library		94 466
Correction of value capitalised for switchboard		8 388
Leased asset capitalised		61 636
Re-classification of land as investment property		( 4 114 853)
Rounding difference		3
Restated balance as at 30 June 2011		<u><u>91 205 486</u></u>



# Annual Report 2011/2012

	<b>Note</b>	<b>2011 R Restated</b>
<b>45.5 Accumulated depreciation</b>	<b>10</b>	
Balance as previously stated - 30 June 2011		14 643 095
<b>Correction of prior year error</b>		
Depreciation on donated assets		8 129
Depreciation on leased assets for May and April 2011		3 937
Depreciation for June 2011 previously not raised		261 335
Depreciation of landfill site for 2010/11		465 691
Rounding difference		( 1)
Restated balance as at 30 June 2011		<b><u>15 382 186</u></b>
<b>45.6 Investment property</b>	<b>11</b>	
Balance as previously stated - 30 June 2011		-
<b>Correction of prior year error</b>		
Re-classification of land as investment property		4 114 853
Restated balance as at 30 June 2011		<b><u>4 114 853</u></b>
<b>45.7 Accumulated amortisation</b>	<b>12</b>	
Balance as previously stated - 30 June 2011		53 060
<b>Correction of prior year error</b>		
Amortisation for June 2011 previously not raised		624
Restated balance as at 30 June 2011		<b><u>53 684</u></b>
<b>45.8 Other financial assets</b>	<b>3</b>	
Balance as previously stated - 30 June 2011		77 359
<b>Correction of prior year error</b>		
Correction of opening balance for Loans and receivables		( 4 886)
Restated balance as at 30 June 2011		<b><u>72 473</u></b>



	Note	2011 R Restated
<b>45.9 Finance lease obligation</b>	16	
Balance as previously stated - 30 June 2011		79 168
<b>Correction of prior year error</b>		
Correction of liability capitalised incorrect amount		8 388
Capital redemption on switchboard for June 2011		( 2 143)
Correction of interest incorrectly calculated for switchboard for May 2011		( 107)
Correction on capitalisation of asset		61 636
Allocation of capital redemption on asset leased from Nashua		( 4 527)
Restated balance as at 30 June 2011		<u><u>142 415</u></u>
<b>45.10 Trade and other payables from exchange transactions</b>	17	
Balance as previously stated - 30 June 2011		7 024 939
<b>Correction of prior year error</b>		
Contract services not paid in previous years		35 500
Reversal of retention incorrectly raised		( 13 211)
Installment for lease of switchboard for June 2011		2 799
Restated balance as at 30 June 2011		<u><u>7 050 027</u></u>
<b>45.11 Other financial liabilities</b>	14	
Balance as previously stated - 30 June 2011		77 093
<b>Correction of prior year error</b>		
Correction of opening balance		( 4 886)
Restated balance as at 30 June 2011		<u><u>72 207</u></u>
<b>45.12 Provision for rehabilitation of landfill site</b>	20	
Balance as previously stated - 30 June 2011		2 817 429
<b>Correction of prior year error</b>		
Reversal of contribution for 2009/10		( 232 845)
Correction of the contribution for 2010/11		( 23 284)
Restated balance as at 30 June 2011		<u><u>2 561 300</u></u>



# Annual Report 2011/2012

	Note	2011 R Restated
<b>45.13 Provision for long service awards</b>	20	
Balance as previously stated - 30 June 2011		-
<b>Correction of prior year error</b>		
Recognition of liability at 30 June 2010		590 000
Expenses 2010/11		63 000
Restated balance as at 30 June 2011		<b>653 000</b>
<b>45.14 Accumulated surplus</b>		
Restated balance as at 1 July 2010		77 422 530
<b>Correction of prior year error</b>		
Contract services for 2009/10 previously not paid		( 34 410)
Reversal of asset incorrectly fair valued		( 125 010)
Reversal of contribution to landfill site provision for 2009/10		232 845
Long service award provision - recognition of liability at 30 June 2010		( 590 000)
Surplus for the year - restated (Note 45.15)		16 730 473
Restated balance as at 30 June 2011		<b>93 636 428</b>
<b>45.15 Surplus for the year</b>		
Surplus for the year as as previously stated		19 040 873
Correction of prior year errors		
Contract services for 2010/11 previously not paid		( 1 090)
Correction of rates debtors		5 178
Additional contribution to provision for doubtful debts for 2010/11		( 1 646 091)
Correction of sundry debtors		113
Correction of sundry debtors		( 150)
Interest expense on switchboard for June 2011		( 656)
Correction of interest expense on switchboard for May 2011		107
Allocation of capital redemption on leased asset to finance lease obligation		4 527
Additional contribution to landfill site provision for 2010/11		23 284
Reversal of retention raised through general expenses		13 211
VAT not claimed on contracted services		( 586)
Gain on assets donated		94 466
Depreciation on donated assets		( 8 129)
Depreciation on leased assets for May and April 2011		( 3 937)
Depreciation for June 2011 previously not raised		( 261 335)
Amortisation for June 2011 previously not raised		( 624)
Depreciation of landfill site for 2010/11		( 465 691)
Long service award provision - expenses for 2010/11		( 63 000)
Rounding difference - assets		3
Surplus for the year as restated		<b>16 730 473</b>

## APPENDIX A - SCHEDULE OF EXTERNAL LOANS AT 30 JUNE 2012

External Loans	Escalation %	Redeemable	Loan/Serial Number	Balance at 30/06/2011 (Restated)	Additions for the year	Redeemed or written off during the year	Balance at 30/06/2012
Development Bank of South Africa DBSA @ 8.80%	30/06/2014	25765		72 207		19 072	53 135
Finance lease liability				142 415	214 297	98 352	258 360
Gracan - IP communications platform	0%	31/05/2014		85 306		27 006	58 300
Konica Minolta - Photocopier	10%	31/07/2014	P041000992X/WZ1000885		96 344	23 463	72 881
Konica Minolta - Photocopier	10%	31/07/2014	F041005192/3WY1123986/4WYZ000345		36 011	8 770	27 241
Konica Minolta - Photocopier	10%	31/07/2014	F041005105/3WY1123994/4WYZ000344		41 798	10 179	31 619
Konica Minolta - Photocopier	10%	31/07/2014	F041004914/3WY1103564/4WY1000739		40 144	9 776	30 368
Nashua - Photocopier	0%	31/03/2014		57 109		19 158	37 951
<b>TOTAL</b>				<b>214 622</b>	<b>214 297</b>	<b>117 424</b>	<b>311 495</b>

## APPENDIX B - ANALYSIS OF PROPERTY PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2012

	Opening Balance		Additions		Projects released		Disposals		Transfers		Closing Balance		Opening Balance		Depreciation		Disposals		Transfers		Accumulated Depreciation		Closing Balance		Carrying Value	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
<b>Land</b>	<b>8 146 584</b>	-	-	-	-	-	-	-	-	-	-	<b>8 146 584</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	<b>8 146 584</b>
<b>Buildings</b>																										
Buildings - Dwelling	217 295	-	-	-	-	-	-	-	-	-	-	217 295	( 53 656)	( 7 727)	-	( 52 500)	( 113 883)	-	-	-	-	-	-	( 113 883)	103 412	
Buildings - Non residential dwellings	21 303 957	207 124	3 137 102	-	-	-	-	-	-	-	24 648 183	( 2 418 037)	( 788 726)	-	( 135 021)	( 3 341 784)	-	-	-	-	-	-	-	-	21 306 399	
Assets under construction	6 305 148	5 352 282	( 3 137 102)	-	-	-	-	-	-	-	8 520 328	-	-	-	-	-	-	-	-	-	-	-	-	-	8 520 328	
	<b>27 826 400</b>	<b>5 559 406</b>	-	-	-	-	-	-	-	-	<b>33 385 806</b>	<b>( 2 471 693)</b>	<b>( 796 453)</b>	-	<b>( 187 521)</b>	<b>( 3 455 667)</b>	-	-	-	-	-	-	-	-	<b>29 930 139</b>	
<b>Infrastructure</b>																										
Cemeteries	4 608	-	-	-	-	-	-	-	-	-	4 608	( 1 241)	( 154)	-	( 2 060)	( 3 455)	-	-	-	-	-	-	-	-	1 153	
Electricity	734 114	4 880	-	-	-	-	-	-	-	-	738 994	( 591 336)	( 49 150)	-	-	( 640 486)	-	-	-	-	-	-	-	-	98 508	
Reservoirs - water	80 032	-	-	-	-	-	-	-	-	-	80 032	( 16 855)	( 1 604)	0	( 18 459)	61 573	-	-	-	-	-	-	-	-	61 573	
Roads	32 710 719	31 684	2 637 697	-	-	-	-	-	-	-	35 380 100	( 7 969 321)	( 1 390 991)	-	201 395	( 9 158 917)	-	-	-	-	-	-	-	-	26 221 183	
Solid waste disposal	3 139 738	-	-	-	-	-	-	-	-	-	3 139 738	( 664 181)	( 529 914)	-	6 728	( 1 187 367)	-	-	-	-	-	-	-	-	1 952 371	



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	Opening Balance		Additions		Projects released		Cost		Disposals		Transfers		Closing Balance		Opening Balance		Depreciation		Disposals		Transfers		Accumulated Depreciation		Closing Balance		Carrying Value		
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	
Assets under construction	8 517 188	6 629 757	(2 637 697)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12 509 248	
<b>Heritage Assets</b>	<b>45 186 399</b>	<b>6 666 321</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	<b>40 844 036</b>	
<b>Other Assets</b>	<b>128 080</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	<b>128 080</b>	
Furniture and Office equipment	1 657 374	224 570	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	836 897	
Computer Equipment	1 151 796	314 146	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	663 342	
Machinery and Equipment	3 233 975	642 696	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2 314 811	
Motor vehicles	3 725 223	1 842 980	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3 790 616	
<b>Finance Lease Assets</b>	<b>9 768 368</b>	<b>3 024 392</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	<b>7 605 666</b>	
Office equipment	149 655	214 297	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	240 413	
<b>Total Property, Plant &amp; Equipment</b>	<b>91 205 486</b>	<b>15 464 416</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	<b>86 894 918</b>	
<b>Intangible Assets</b>																													
Computers - Software & programming	87 482	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	23 379	
Assets Held for sale	1 060 274	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 113 114	
	<b>1 147 756</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	<b>1 136 493</b>	
<b>Total</b>	<b>92 353 242</b>	<b>15 464 416</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	<b>88 031 411</b>	

## APPENDIX C - SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2012

	Opening Balance		Cost / Revaluation		Closing Balance		Opening Balance		Accumulated Depreciation		Closing Balance		Carrying value	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Council & Executive	524 723	550 980	1 075 703	( 229 877)	( 164 656)	( 330)	( 394 863)	680 840						
Financial Services	14 665 415	375 934	15 041 349	( 502 026)	( 188 470)	( 5 059)	( 695 555)	14 345 794						
Technical Services	59 718 395	11 215 130	70 548 446	( 11 335 408)	( 2 728 911)	106 025	( 13 907 416)	56 641 030						
Community & Social Services	20 351 549	3 072 215	23 423 764	( 2 767 910)	( 789 073)	( 58 989)	( 3 615 972)	19 807 792						
Public Safety	1 208 013	250 157	1 458 170	( 642 051)	( 145 312)	1	( 787 362)	670 808						
<b>Total</b>	<b>96 468 095</b>	<b>15 464 416</b>	<b>111 547 432</b>	<b>( 15 477 272)</b>	<b>( 4 016 422)</b>	<b>41 648</b>	<b>( 19 401 168)</b>	<b>92 146 264</b>						

Property, plant and equipment	86 894 918
Investment property	4 114 853
Intangible assets	23 379
Assets held for sale	1 113 114
<b>Total</b>	<b>92 146 264</b>





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## APPENDIX D: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

	2011 Actual Revenue R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R	2012 Actual Revenue R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R
	849 000	3 582 285	( 2 733 285)	986 000	3 818 774	( 2 832 774)
	-	1 337 764	( 1 337 764)	-	1 657 129	( 1 657 129)
	31 392 874	8 019 579	23 373 295	35 368 119	7 826 573	27 541 546
	338 376	3 766 828	( 3 428 452)	307 797	4 356 212	( 4 048 415)
	25 000	1 451 146	( 1 426 146)	515 000	2 835 121	( 2 320 121)
	1 322 467	1 309 256	13 211	1 223 383	1 223 383	0
	56 570	121 061	( 64 491)	46 577	113 917	( 67 340)
	104 755	812 945	( 708 190)	207 411	986 707	( 779 296)
	129 282	1 260 071	( 1 130 789)	153 440	1 922 526	( 1 769 086)
	478 346	606 125	( 127 779)	573 701	1 144 176	( 570 475)
	148 822	480 678	( 331 856)	-	674 377	( 674 377)
	18 559 558	3 100 540	15 459 018	11 083 654	3 135 667	7 947 987
	334 378	340 518	( 6 140)	50 899	557 824	( 506 925)
	122 656	1 622 501	( 1 499 845)	39 739	1 915 601	( 1 875 862)
	-	837 350	( 837 350)	-	1 000 998	( 1 000 998)
	1 549 473	514 392	1 035 081	413 664	642 899	( 229 235)
	-	6 213 726	( 6 213 726)	-	5 232 254	( 5 232 254)
	375 170	220 459	154 711	427 511	289 166	138 345
	310 375	1 239 521	( 929 146)	836 186	1 461 157	( 624 971)
	2 084 613	2 968 406	( 883 793)	573 629	1 804 729	( 1 231 100)
	685 535			685 535	1 506 701	( 821 166)
<b>TOTAL</b>	<b>58 181 715</b>	<b>39 805 151</b>	<b>18 376 564</b>	<b>53 492 245</b>	<b>44 105 891</b>	<b>9 386 354</b>

# APPENDIX E: DISCLOSURE OF GRANTS IN TERMS OF SECTION 123 OF THE MUNICIPAL FINANCE MANAGEMENT ACT, 56 OF 2003

Name of Grants	Unspent portion 2010/2011 financial statements	Adjustments and Transfers	Quarterly Receipts				Total Receipts	Quarterly Expenditure				Total Expenditure	Unspent portion 2011/2012 financial statements	Grants and Subsidies delayed / withheld	Reason for delay withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
			July to Sept	Oct to Dec	Jan to Mar	April to June		July to Sept	Oct to Dec	Jan to Mar	April to June						
<b>Department of Cooperative Governance and Traditional Affairs</b>	<b>513 096</b>	<b>0</b>					<b>0</b>					<b>243 563</b>	<b>269 833</b>				
Indigent Support	6 022						0	6 022				0	0	NO	N/A	YES	N/A
Development Information Systems - DIS	153 502						0					0	153 502	NO	N/A	YES	N/A
Project Consolidated	48 380						0					0	48 380	NO	N/A	YES	N/A
RSDI - DC 22	36 125						0	10 103	21 799	4 223		0	0	NO	N/A	YES	N/A
Municipal Infrastructure Development	67 651						0					0	67 651	NO	N/A	YES	N/A
Public Participation	103 875						0	100 752	3 123			0	0	NO	N/A	YES	N/A
Municipal Assistance Programme - MAP Grant	93 921						0	19 566	20 637			0	0	NO	N/A	YES	N/A
COGTA Ward Committee	3 620						0	3 620				0	0	NO	N/A	YES	N/A
<b>Operating Grants</b>	<b>59 831</b>	<b>0</b>					<b>4 263 261</b>					<b>228 092</b>	<b>4 085 000</b>				
Free Basic Electricity	59 831						0	59 831				0	0	NO	N/A	YES	N/A
Library Services Grant - Cyber Codef	-						85 000					0	85 000	NO	N/A	YES	N/A
HIV/AIDS Grant - Dc 22	-						15 000		520			0	0	NO	N/A	YES	N/A
Library Services Grant - Staffing Cost	-						129 533		129 533			0	0	NO	N/A	YES	N/A
Scholar Patrol	-						23 728		23 728			0	0	NO	N/A	YES	N/A
DIME: Electrification Grant	-						4 000 000					0	4 000 000	NO	N/A	YES	N/A
<b>National Treasury</b>	<b>440 618</b>	<b>0</b>					<b>2 290 000</b>					<b>2 479 307</b>	<b>271 311</b>				
Financial Management Grant - FMG	398 727						1 500 000		308 873			1 717 594	181 133	NO	N/A	YES	N/A
MISG	61 891						790 000		161 791			451 440	90 178	NO	N/A	YES	N/A
<b>Capital Grants</b>	<b>12 518 515</b>	<b>0</b>					<b>13 968 793</b>					<b>11 600 238</b>	<b>14 887 070</b>				
Municipal Infrastructure Grant (MIG)	2 412 042						13 500 000		7 042 000			1 899 919	8 771 083	NO	N/A	YES	N/A
Small Town Regeneration	10 106 473						146 540		157 761			403 051	6 115 982	NO	N/A	YES	N/A
<b>Department of Human Settlement</b>	<b>2 191 456</b>	<b>0</b>					<b>1 284 205</b>					<b>1 223 383</b>	<b>2 252 278</b>				
DOHS - Syvathuhuka Phase 1	869 969						0					0	869 969	NO	N/A	YES	N/A
DOHS - Zwelutlu Housing	290 961						3 554	40 969	3 711			37 522	305 541	NO	N/A	YES	N/A
DOHS - Syvathuhuka Phase 2	825 659						9 107	9 108	11 179			0	864 261	NO	N/A	YES	N/A
DOHS - Patheni Housing	144 469						1 871	1 867	2 014			0	152 109	NO	N/A	YES	N/A
DOHS - Argosy Farm	60 398						-	-	-			0	60 398	NO	N/A	YES	N/A
DOHS - St Bernard Mission	-						186 000	37 250				37 250	0	NO	N/A	YES	N/A
DOHS - Inhlazuluka Housing	-						1 148 611	336 579	200 300			1 148 611	0	NO	N/A	YES	N/A
	<b>15 743 516</b>	<b>0</b>	<b>10 095 072</b>	<b>1 758 682</b>	<b>9 551 147</b>	<b>397 378</b>	<b>21 796 259</b>	<b>1 218 223</b>	<b>3 702 925</b>	<b>2 739 663</b>	<b>8 113 771</b>	<b>15 774 583</b>	<b>21 765 192</b>				
	<u>15 743 516</u>												<u>21 765 192</u>				
	<u>15 743 516</u>												<u>21 765 192</u>				

Unspent grants at 30 June 2011 - Note 18

Unspent grants at 30 June 2012 - Note 18



## Chapter 6: Auditor Generals Audit Findings

### Component A: Auditor Generals Opinion 2011/2012

#### 6.1. Auditor Generals Report 2011/2012

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

#### REPORT ON THE FINANCIAL STATEMENTS

##### Introduction

1. I have audited the financial statements of the Richmond Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2012, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

##### Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2011 (Act No. 6 of 2011) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

##### Auditor-General's responsibility

3. My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the General Notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. 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.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.



## Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Richmond Municipality as at 30 June 2012 and its financial performance and cash flows for the year then ended in accordance with the SA Standards of GRAP and the requirements of the MFMA and DoRA.

## Emphasis of matters

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

## Material impairments

8. As disclosed in note 8 to the financial statements, the municipality had receivables for consumer debtors totalling R2,156 million at 30 June 2012, which had been outstanding for more than twelve months. The recoverability of these amounts is doubtful.

## Restatement of corresponding figures

9. As disclosed in note 45 to the financial statements, the corresponding figures for 30 June 2011 have been restated as a result of an error discovered during 30 June 2012 in the financial statements of the municipality at, and for the year ended, 30 June 2011.

## Additional matter

10. I draw attention to the matter below. My opinion is not modified in respect of this matter.  
Unaudited supplementary information

11. The supplementary information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. I have not audited this schedule and, accordingly, I do not express an opinion thereon.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12. In accordance with the PAA and the General Notice issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

## Predetermined objectives

13. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages xx to xx of the annual report.
14. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury Framework for managing programme performance information (FMPPi). The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).
15. There were no material findings concerning the usefulness and reliability of the information.



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## **Additional matter**

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

## **Achievement of planned targets**

17. Of the total number of 88 targets planned for the year, 20 of the targets were not achieved during the year under review. This represents 23% of total planned targets that were not achieved during the year under review. This was due to under spending of the budgets in the community and technical services departments.

## **Compliance with laws and regulations**

18. I performed procedures to obtain evidence that the municipality has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the General Notice issued in terms of the PAA are as follows:

## **Annual financial statements and annual report**

19. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of revenue, property plant and equipment, trade and other receivables, trade and other payables, provisions and cash and cash equivalents identified by the auditors were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

20. The accounting officer did not make public the council's oversight report on the 2010-11 annual report within seven days of its adoption, as required by section 129(3) of the MFMA.

## **Internal control**

21. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

## **Leadership**

22. The accounting officer did not exercise adequate oversight over financial and performance reporting and compliance as well as internal control. In this regard, the accounting officer did not periodically assess whether staff members had essential skills and knowledge to support the achievement of credible reporting. In addition, key vacancies were not timely filled in order to mitigate deficiencies to achieve desired control objectives.

## **Financial and performance management**

23. Adequate processes were not in place to communicate timely and relevant information to those charged with governance, in that monthly reporting was not operating effectively. This is evidenced by material corrections in the financial statements as well as weaknesses in the usefulness of performance reporting.



## Governance

24. The audit committee did not adequately assess the effectiveness of controls and responses to risks, as evidenced by material corrections in the financial statements and deficiencies in the annual performance report.

## Other reports

### Investigation in progress

25. An investigation is being conducted to probe into irregularities concerning financial misconduct of the technical services manager. The manager has been suspended pending the outcome of the investigation, which was still ongoing at the reporting date.

### Investigations completed during the financial year

26. Two investigations were conducted on allegations of unfair practice and irregularities in the procurement process. The investigations were completed during the year with no criminal proceedings.

*Auditor-General*

**Pietermaritzburg**  
**30 November 2012**



**AUDITOR - GENERAL**  
**SOUTH AFRICA**

*Auditing to build public confidence*



# Annual Report 2011/2012

## 6.2 RESPONSE TO AUDIT FINDING FOR 2011/2012 AND ACTION PLAN TO ADDRESS AUDIT QUERIES

**Type of Opinion:** Unqualified with other matters

**Type of Opinion Previous Year:** Unqualified (Clean)

### Adequacy of Audit Response:

#### Management Letter

Audit Query	Response from Management Action to resolve query	Person Responsible	Target Date	Progress
1. Oversight report not made public after being adopted by council	Noted	Municipal Manager	April 2012	
2. Non-Timely submission of budget	Noted.	Chief Financial Officer	May/June 2013	To be addressed with 2013/2014 budget
3. Retentions incompletely recorded	The retentions have since been corrected and accounted for	Chief Financial Officer	October 2012	Completed
4. Accrual not raised at year end	The required adjustment was effected accordingly.	Chief Financial Officer	October 2012	Completed
5. Commitment in respect of a grant does not agree to unspent grant.	Commitment figures were amended.	Chief Financial Officer	October 2012	Completed
6. Incorrect Accounting Treatment	The commitment figures were amended	Chief Financial Officer	October 2012	Completed
7. Consumer debtors not correctly presented: (GRAP 1)	Consumer debtors and other receivables from non-exchange transactions will be analysed to assess which debtors (if any) are not expected to be realised within twelve months of the reporting date and then these will then be disclosed as non-current assets. Other receivables relate to accrual interest and income and are expected to be received within the twelve months of the reporting date.	Chief Financial Officer	October 2012	Completed



Audit Query	Response from Management Action to resolve query	Person Responsible	Target Date	Progress
8. A maturity analysis for financial liabilities that shows the remaining contractual maturities and a description of how the municipality manages the liquidity risk is not disclosed in terms of IFRS 7 (39).	A suitable maturity analysis will be included in the Financial Statements	Chief Financial Officer	October 2012	Completed
9. Other expenses for the current and prior year were not broken down into an appropriate financial statement line items for presentation purposes; and A detailed breakdown of the government grant expenditure for the current (R4,493million) and prior year (R6,910 million) is not presented.	Agreed. The amounts referred to will be further analysed in the notes to the financial statements.	Chief Financial Officer	October 2012	Completed
10. Fully depreciated asset still in use	The audit finding and recommendation is noted and agreed with.	Chief Financial Officer	October 2012	Completed
11. On recalculation of the provision for landfill site rehabilitation, it was noted that the current year amount is overstated by R79,643.50 and the prior year amount is overstated by R51,653.54. This is due to the unwinding of the interest being calculated incorrectly.	The difference has been adjusted accordingly.	Chief Financial Officer	October 2012	Completed
12. Monthly reconciliation between general ledger and fixed assets register not performed monthly.	Noted	Chief Financial Officer	Ongoing	
13. Creditor reconciliations not prepared	Creditor reconciliations per creditor are done on the invoice and statement as paid monthly. The reconciliation is therefore undertaken on the expenditure voucher.	Chief Financial Officer	Ongoing	
14. Weak control over supplier master file amendments	Noted	Chief Financial Officer	Ongoing	
15. An audit of journal entries revealed the weakness as denoted below:- -Certain journal vouchers were not authorised by either the preparer and/ or reviewer; -Not all supporting documents were attached.	All journals have been signed and we have provided evidence of the supporting documentation to the auditor	Chief Financial Officer	Ongoing	Ongoing



# Annual Report 2011/2012

Audit Query	Response from Management Action to resolve query	Person Responsible	Target Date	Progress
16. Monthly budget statements, mid year budget and performance assessment reports not placed on website.	Noted	Strategic Manager: Corporate Services	October 2012	
17. Information on compliance with prescribed minimum competencies not reflected on the draft annual report	Noted. Information will be included in the final draft.	Municipal Manager	January 2013	
18. Draft annual report does not include an assessment of any arrears on municipal taxes and service charges	Noted. Information will be included in the final draft.	Municipal Manager	January 2013	
19. Monthly budget statements does not include an analysis of variances from the service delivery agreement and business plan.	Noted	Chief Financial Officer	Ongoing	Ongoing
20. A formally documents and approved user account management process had not been established	The recommendation is noted	SM: Corporate Services	January 2012	
21. Formal request access documentation was not completed for registering users, changing access rights, effecting password resets and terminating access rights. The lack of formal access documentation could result in the inability to monitor the authorisation of access granted to the system.	Noted	SM: Corporate Services	January 2012	
22. Process were not in place to ensure that reviews were periodically undertaken to determine whether the employees' current access and privileges on the system were commensurate with their job responsibilities.	Noted	SM: Corporate Services	January 2012	
23. No processes were in place to ensure that the activities of the systems administrator/IT manager who granted user access to the financial system would be reviewed.	Noted	SM: Corporate Services	January 2012	
24. Formally documented and approved program change control policies and procedures were not in place to detail what should be followed when the system updates were made to the ABAKUS financial System.	Noted	SM: Corporate Services	January 2012	



Audit Query	Response from Management Action to resolve query	Person Responsible	Target Date	Progress
25. There are no formal change request forms in place for performing system upgrades.	Noted	SM: Corporate Services	January 2012	
26. Vendors had unlimited and unmonitored access to the production environment. Vendors will thus inevitably gain inside knowledge of the municipality information, which could result in a breach of confidentiality.	Noted	SM: Corporate Services	January 2012	
27. There is no approved back up and retention strategy. Furthermore, although back ups are performed there are no controls in place for effective monitoring thereof.	Noted	SM: Corporate Services	January 2012	
28. Formal off-site back up arrangements for the ABAKUS financial system had not been documented and approved by management. Consequently, backups were not taken to the off-site backup location periodically.	Noted	CFO	January 2012	
29. As per regulation 6(a) of GNR. 796 of 24 August 2001: Local Government: Municipal Planning and Performance Management Regulations, 2001, "A municipality's integrated development plan must inform the municipalities annual budget that must be based on the development priorities and objectives referred to in section 26(c) of the Act and the performance targets set out by the municipality in terms of regulation 12;"	Noted	All	2012/12013 adjustment budget and 2013/2014 budgets	
On inspection of the budget and adjusted budget for 2011-2012 financial year it was not based on the development priorities or objectives of the municipality.				



# Annual Report 2011/2012

Audit Query	Response from Management Action to resolve query	Person Responsible	Target Date	Progress
<p>30. As per section 62(1) of the MFMA, "The Accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient, and transparent system:</p> <ul style="list-style-type: none"> <li>• Of financial and risk management and internal control;</li> <li>• Of internal audit operating in accordance with any prescribed Norms and standards"</li> </ul> <p>Through enquiry of management it was confirmed that the risk management strategy is in draft phase and has not been approved and implemented.</p>	<p>Noted. To be work-shopped to councillors and staff in December 2012 and will thereafter be approved.</p>	<p>Municipal Manager</p>	<p>January 2012</p>	

# APPENDICES

## Appendix A: Councillors Committee Allocation and Attendance

### ATTENDANCE AT MEETINGS OF COUNCIL AND EXCO 2011/2012

COUNCIL	COUNCILLOR	22-Jul 2011	25-Aug 2011	30-Sep 2011	27-Oct 2011	8-Dec 2011	27-Jan 2012	27-Feb 2012	30-Mar 2012	26-Apr 2012	31-May 2012	26-Jun 2012
SPEAKER	S T SHABALALA	1	1	1	1	1	1	1	1	1	1	1
	MAYOR	1	1	Apology	1	1	1	1	1	1	1	1
	DEPUTY MAYOR	1	1	1	1	Apology	1	Apology	1	1	1	1
	T D KUNENE	1	1	1	1	1	1	1	1	1	1	1
	K E MAGUBANE	1	Apology	1	1	0	1	Apology	1	Apology	Apology	1
	R B SHANGE	1	1	1	1	1	1	1	1	1	1	1
	B NGCONGO	0	1	0	1	1	1	1	1	1	1	1
	J JILI	1	1	Apology	1	1	1	1	1	1	1	1
	M MAPHUMULO	1	1	1	1	1	1	1	1	1	1	1
	M D B NGUBO	1	1	1	1	1	1	1	1	1	1	1
	P MOONSAMY	1	1	Apology	1	1	1	1	1	1	Apology	1
	S A MDLALOSE	1	1	1	1	1	1	1	1	1	1	1
T C MADONDA	1	1	1	1	1	1	1	1	1	1	1	
B M MNGADI	1	1	1	1	1	1	1	1	1	1	1	
EXCO	COUNCILLOR	12-Aug 2011	29-Sep 2011	11-Nov 2011	8-Dec 2011	27-Jan 2012	27-Feb 2012	30-Mar 2012	26-Apr 2012	31-May 2012	26-Jun 2012	
MAYOR	A. RAGAVALOO	1	1	1	1	1		1	1	1	1	
DEPUTY MAYOR	P C NGCOBO	1	1	1	1	1		1	1	1	1	
	T D KUNENE	1	1	1	1	1		1	1	1	1	
	Present	1	1	1	1	1		1	1	1	1	
	Absent	0	0	0	0	0		0	0	0	0	
	Apology											



# Annual Report 2011/2012

## Appendix B: Recommendations of the Audit Committee 2011/2012

### AUDIT AND PERFORMANCE COMMITTEES REPORT TO COUNCIL

The Audit Committee of the Municipality has pleasure in submitting its report to the Council of Richmond Municipality. This report is submitted in terms of the provisions of sections 121(3) (j), 166(2) (b) and 166(2) (c) of the Municipal Finance Management Act of 2003 ("the MFMA") and covers the financial period from 1 July 2011 to 30 June 2012.

Our report which is attached records the outcome of our work and gives possible recommendations as preventative or corrective measures to the weaknesses identified by these committees.

The recommendations or advice in this report have been made based on certain information at a point in time and are subject to change after due consideration of new information received as well as subsequent deliberation with the municipality.

Yours sincerely

**Dumezweni D Mncwabe**  
for Audit & Performance Committees



## MEMBERS

The Council decided not to change composition of both the Audit and Performance Committees for the year ended 30 June 2012, the following were the members:

Mr. DD Mncwabe – Chairperson  
Mrs. S Rajah – Member  
Mrs. S Keshav – Member

The Department of Co-operative Governance and Traditional Affairs as well as the office of the Auditor General are usually represented at our meetings.

## OVERVIEW OF ACTIVITIES

The Committee held five meetings during the year on the following dates:

27 August 2011  
21 December 2011  
12 January 2012  
2 April 2012  
26 June 2012

In terms of S166 (4) of the MFMA, the Committee must meet at least four times a year and therefore the Committee has complied with the requirements as per the MFMA.

## AUDIT AND PERFORMANCE CHARTER

Audit and Performance Committees' work was guided and regulated by an Audit Committee Charter, which was adopted by both these committees and ratified by Council.

## INTERNAL AUDIT CHARTER

The Internal Audit Charter as adopted by both the Audit and Performance Committees regulates the work of the Internal Audit Activities.

## INTERNAL CONTROL AND INTERNAL AUDITS

In terms of S165(1) each Municipality is required to have an internal audit, S165(3) allows the Municipality to outsource the internal audit function if the Municipality requires assistance to develop its internal capacity. The internal audit services were outsourced during the year ended 30 June 2012. The internal auditors presented annual coverage plan which was approved by the Committees on the meeting held on the 12 January 2012.

During the financial year internal audit reports were presented to the Committees and discussed with management. Issues that were raised have been resolved including the issues raised by the office of the Auditor-General.

The Committees raised concern with the Municipal Manager over the issue of not having appointed the Chief Financial Officer over the last six months of the financial year as this is a critical position. We also raised concern that the technical department was also without its head which is also a critical position within the Council and that these issues will potentially be reported on by the Auditor-General.



# Annual Report 2011/2012

Through reports tabled to the us and discussions we have had with the management the absence of the abovementioned head of department has been managed very well thus far by appointment of suitable acting personnel.

## **RISK ASSESSMENT**

A risk review workshop was held during the year and the risk register was duly updated and the risk assessment report was submitted to the Council. The risks identified were considered in the preparation of the audit coverage plan. The Council did not established a Risk Committee during the year under review, however this is being currently addressed.

## **ACCOUNTING POLICIES**

Our discussion with management and reports received revealed that the accounting policies are all in place and are reviewed yearly.

## **FINANCIAL REPORTING**

There has been an improvement in the use of the accounting system which assisted in producing adequate, credible and accurate financial reporting. The Municipal Finance Management Act, Section 71 reports were all submitted timeously to Treasury during the financial year.

## **ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

In compliance with S 166 (b) of the Municipal Finance Management Act (No. 56 of 2003) the Audit Committee, in its meeting held on the 27th August 2012, reviewed the Annual Financial Statements for the year ended 30 June 2012 as submitted by management. After review of the annual financial statements and thereafter proposing amendments, the Annual Financial Statements were approved for submission to the Auditor General.

## **PERFORMANCE MANAGEMENT**

We have reviewed the reports of Internal Audit and also held discussions with management, the areas observed by the Auditor-General in their prior year's report have all been resolved. It should be noted that there has been a tremendous improvement in this area and on the performance report. The appointment of the performance officer by the Council will add much needed value on this aspect.

## **PERFORMANCE EVALUATIONS**

Management held their performance evaluations for the period under review, no performance bonuses were paid by the Council.

## **EFFECTIVE GOVERNANCE**

The Committees has met the chairperson of the MPAC to establish a relationship that will promote the credibility of information reported to Council. Although no framework has been established, the Committees has resolved that the MPAC chairperson be invited to attend all our meetings in order that MPAC is part of the discussions and deliberations which we believe will the MPAC in discharging its duties of the oversight role.



## **FRUITLESS AND WASTEFULL EXPENDITURE, IRREGULAR EXPENDITURE AND IRREGULAR**

No fruitless and wasteful expenditure, Irregular expenditure and Unauthorised Expenditure have been brought to the attention of the Committees to date of this report.

### **CONCLUSION:**

The Committees wishes to express its sincere gratitude to the Council and all the those involved in the improvement of systems at the Municipality and to the Municipal Manager and Senior Management for their support during our term of office.









*“What a beautiful place”*



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