

2014

ANNUAL  
REPORT



**MUNICIPALITEIT  
RICHTERSVELD  
MUNICIPALITY**

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## CHAPTER 1 – MAYOR’S FOREWORD AND EXECUTIVE SUMMARY

### COMPONENT A: MAYOR’S FOREWORD

#### MAYOR’S FOREWORD

##### a. Vision

We should continuously strive to develop all of the resources of the Richtersveld, including its natural, cultural and human resources, in a manner that is sustainable and benefits the people of the region so that our future will be secure.

##### b. Key Policy Developments

Council strongly believes in an integrated approach to development. This strategy has yielded good returns over the past years and continues to be a key consideration when addressing the developmental issues. As most of South Africa, Richtersveld is also plagued by the triple challenge i.e. poverty, unemployment and inequality.

In order to eradicate these obstacles, Council has adopted an IDP which aligns 100% with the NC Provincial Growth and Development Strategy. This allows Council to address the key mandated objectives with stronger focus and in a coordinated manner.

In terms of municipal legislation in the form of council decisions and by-laws, we have always kept the Batho Pele principles firmly in mind when dealing with issues like non-payment of service charges, employment equity, job creation, economic inclusion and social transformation.

We have put measures in place to deal more effectively with challenges and shortcomings identified as barriers to service delivery. Some of them are:

- Municipal Finance Committees, Municipal Coastal Committees,
- A social service delivery survey, filling of critical vacancies,
- review of short and long term infrastructure development plans,
- Implementation of an integrated annual planning calendar for key staff members and management,
- increased oversight and guidance to our Finance Unit and OPEX and CAPEX monitoring,
- training for councillors and closer networking with the other 2 spheres of government closest to Municipalities i.e. district council and provincial government.

Council remains resolute to govern the municipal area with the utmost respect for the rule of law, the dynamics within our communities while doing all it can to take South Africa forward. Therefore, it is not strange that our IDP continues to focus on development that has at its core a mind set of “creating sustainable opportunities in the social, economic and management sphere to unlock the true potential of our human and natural resources”. In this 20th year of Democracy, The Richtersveld Municipal Council has shown that a hands-on approach by Council and management can deliver effective, efficient services in the right quantity, quality and at the right place.

### **c. Key Service Delivery Improvements**

In line with the key priorities of the National Development Plan, this municipality made concerted efforts over the past financial year to respond to the socio-economic, labour and industrial issues with a clear and unbiased attitude. The main thrust of our efforts have gone towards creating decent jobs, providing humane shelter, creating an investor friendly business environment, tackling waste management and sanitation as well as providing clean water. We have been faced with ongoing problems around debt collection and slow economic growth as well as large scale unemployment based on downscaling of mines and lack of large-scale fishing activities.

Crime has certainly had a negative impact on service delivery due to theft and destruction of public infrastructure e.g. copper theft, malicious vandalism, house break-ins, illegal dumping and damage to electricity kiosk, sewerage connections points, water pipes and road signs. Public Health has not improved significantly due to a number of reasons. This include but not limited to unhealthy personal lifestyles, lack of info, pollution, alcohol/drug abuse, lack of a resident district surgeon as well as the effects of HIV/Aids and TB.

Community Safety remains a major headache. Although Council continue to encourage citizens to take responsibility for their own personal safety, it always motivates and advocates for safer streets for all, safer homes for women and girl children, a call to respect the law and human rights. Strong partnerships have done some great work to help Council spread the message. Illegal and unsafe electricity connection to shacks and backyard dwellings also remains a safety risk.

Unemployment has proven to be a particular difficult obstacle to overcome. While local government cannot provide jobs for all, it has constantly spent energy to unlock job creation opportunities through public spending as well as attracting labour intensive private investment. The entire Richtersveld Municipal area has seen service delivery improvement over the last 12 months. Few of them include:

- Pavement of 5 streets in Port Nolloth
- Upgrading of Sanddrift Hall
- Survey of 58 plots in Sanddrift
- Upgrade of Port Nolloth Library
- Upgrade of Sizamile Hall
- Paving of Kuboes main road
- Continue with construction of Port Nolloth Health Care Centre
- Continue with construction of Port Nolloth Outdoor Fitness Centre
- Continue with upgrade of Port Nolloth Harbour

Council has learnt that the cost of doing business in a town with little economic activity is extremely high. It also has a direct bearing on people's ability to pay for municipal services. Coupled with rampant unemployment it could have dire consequences for the survival of the municipality. Therefore, it is imperative to find creative ways to get our citizens in work, but more importantly, to cultivate a culture of self-reliance and entrepreneurship. The Municipality surely faces a difficult set of challenges, but we still feel that learning from our mistakes and building on our successes will help to realize our country's national vision of a better life for all.

#### **d. Public Participation**

Richtersveld Municipality has long ago realized that everybody has a role to play in getting the desired results. This Council values and respects the input of social, business and other governmental partners. Council strongly feels that a people-centered approach is the right way to go in achieving its goals. We are under no illusion of the challenges facing this Council, but the key message to all stakeholders has always been “together, we can do more”. This approach has forced us to keep our partners constantly informed and on par with local governments plans to development this municipal jurisdiction.

And indeed, we have found ingenious ways to deal with local challenges in a matter which reflects mutual respect and cooperation in pursuit of success. Ward community meetings were held; every councillor held meetings in his/her ward and report back to council on the issues raised by the communities. Council has gone on a road show to all towns within Richtersveld to listen to its people. Budget community meetings were held as part of the budget preparation process, informing the community on the propose budget increases and the revise IDP.

Strong partnerships with community based organizations, churches, schools and sports clubs are encouraged to assists local government to educate, inform and uplift our communities. The appointment of a Social Transformation Officer within the Office of the Mayor has gone a long way in bringing public and social partners together to do joint planning and coordinate public events and programs. A number of these have happened to draw attention on burning issues like HIV, Human Rights Abuses, Youth development, Women’s Rights, Disability issues, Social crime prevention, Arts & culture and many other important concerns. Regular Stakeholder Meetings has given Council the platform to distribute info and garner support for its internal challenges. We should continue to build bridges and complement each other’s activities to benefit the entire community.

#### **e. Future Actions**

The municipality is committed to implement the following projects, over the next few years, to improve service delivery to the public.

- The municipality is in the final stages of the amalgamation of Alexanderbay into the Richtersveld municipality. The indigent people in the town will be able to apply for RDP houses and subsidies for basic service delivery.
- Assisting Disabled with specialized bathrooms and access control at their houses.
- Upgrading of the oxidation ponds in Port Nolloth, Lekkersing, Kuboes, Sanddrift and Eksteenfontein.
- Paving of front court and erect concrete yard at Luvuyo Drop-in centre.
- Upgrading of Solid waste disposal sites in all the towns in the Richtersveld Municipal Area.
- Install new Booster Pump in Sanddrift
- Paving of roads in all the towns in the Richtersveld Municipal Area.
- Extension of water reticulation network in Eksteenfontein.
- Construction of RDP houses.
- Upgrade of Town hall in Lekkersing and Eksteenfontein.
- Extend electricity supply grid infrastructure in Port Nolloth.
- Upgrading of cemeteries in all towns.

- Upgrade of Beach road and Mc Dougalls bay camp site.

**f. Agreements / Partnerships** (announcements on special partnerships initiated)

Currently we have partnerships with CPA, for cleaning of the towns. The municipality has partnership with World Heritage site and the Richtersveld National park for the joint management of the land. We have partnerships with both Transhex and De Beers for the Social Labour Plan. The municipality also has partnerships with the sector departments as well as the Department of Sport, Arts and culture for the development of the libraries. **Future partnership that is in the pipe-line might be with Shell, who wants to build a gas plant in the see and will look at our IDP to identify projects that they might sponsor.**

- Finalise development Plans for Desalination Plant
- Learner ships running in the area include ETDP Seta, Youth Environment service (YES) and Uhuru Youth Jobs in Waste

**g. Conclusion**

The Mayor and his councillors together with the entire municipal management have gone all the way to ensure the best of what we can offer with the limited resources available. We believe that we would not have achieved this without the goodwill, understanding and active participation of all role-players and ratepayers.

Given the many socio-economic, political and legislative challenges we face, we strongly believe in the ideals of a free and prosperous South Africa for All. Local government has always been and will always be at the forefront of fighting for social justice, democracy and empowerment of its people; therefore we want to pledge our continued dedication to do all we can to address the obstacles which hinder our people to be free, equal and prosperous.

**Mayor - AM Jansen**

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1.1. MUNICIPAL MANAGER'S OVERVIEW

**MUNICIPAL MANAGER'S OVERVIEW**

The administration of the Richtersveld Municipality (NC061) as a low capacity, Category B municipality has for the year under review made strides towards the improvement governance and service delivery; however still faced with certain challenges. Special focus has been given to the following aspects:

(i) **the alignment of services to IDP indicators and Council priorities**

The priorities of the IDP have been done with proper consultation in all the wards. It was further integrated with the Service and Labour Plans (SLP's) of the mining houses, being Alexkor and De Beers. Outstanding is Transhex who has not consulted and submitted their SLP to the municipality for the past two (2) years. The municipality is only in possession of the last SLP of 2008-2015.

The alignment of the IDP indicators and has been a challenge for the past year, due to the unreliable data within the municipal area, in the absence of reliable data one could not set realistic indicators which adhere to the SMART principles; being Specific, Measurable, Attainable, Realistic and Time bound. This in itself had numerous ripple effects on the rest of the other processes administratively. This has negatively impacted the:

- a) alignment of the Integrated Development Plan (IDP) with the budget
- b) targets for the Service Delivery and Budget Implementation Plan (SBIP); the Top Layer as well as departmental
- c) key performance indicators of the Performance Plans for Senior Managers
- d) effective measuring of performance against set targets during the assessment of managers
- e) and the therefore the overall performance of the municipality

To address the above challenges stemming from unreliable data a service provider has been appointed to do develop a Socio-economic and Skills Database for the next financial year. Progress of the service provider has been monitored through regular meetings.

(ii) **service delivery performance**

As indicated above, service delivery performance was difficult to determine and therefore we budgeted within our Municipal Systems Improvement Grant (MSIG) for a Climate Survey where questionnaires have been completed by the officials, members of the community as well as business owners to determine how they experience the standard of services rendered by the municipality. We also request for suggestions from all the participants to assist the municipality in offering an advanced level of especially basic services. In order to do that we also focused on the following training for staff members: We used members of the ward committee to assist in this regard. The outcome of the climate will then inform an action plan to be implemented and monitored on a quarterly basis.

(iii) **financial sustainability as represented by the financial health ratios;** -included in this report specifically in the financial overview, the financial sustainability are discussed in detail, relating to the ratios.

(iv) **the efforts the municipality is making to conserve power and water in its offices and other facilities to compliment the conservation measures its residents are being requested to adopt in their own housekeeping; and**

(v) **the municipality resort to energy saving tips which we circulate amongst us in the offices. The same tips are going to be circulated to the consumers in the form of formal notices. Some of the tips included the following;**

CONSERVATION MEASURES TO BE ADOPTED IN OUR OFFICES AND IN RESIDENTIAL HOUSE KEEPINGS.

TIP 1

Reduce the temperature of your geyser to around 55 degrees Celsius so that you don't need to add too much cold water when you shower or do the dishes.

TIP 2

Remember to keep the lid on the pot when you cook to conserve heat and energy.

The size of the pot should match the size of the stove plate; this can save you up to 25% on the electricity you use while cooking.

TIP 3

Close the windows and doors when the air conditioner or heater is on and save money!

TIP 4

Close the door every time you take things out of the fridge and also check that it seals properly.

TIP 5

Soak beans, samp and other related dry food overnight. This will save time, money and several hours of cooking.

Tip 6

It will save energy and water to use shower than bath.

TIP 7

Insulate your geyser by wrapping newspapers, old blankets or other insulating materials around it and the hot water pipes.

TIP 8

Switch off lights, fans, computers and other energy-consuming appliances when you leave the room. It will save you money.

TIP 9

Always try to use appropriate cooking utensils when cooking; for example, use pots and pans with a flat bottom, as these consume up to 50% less energy. Note that an electric stove consumes a lot of electricity so use the plates and oven as little as possible.

TIP 10

Use the right energy for the right purposes; for example, use heaters for space heating rather than hotplates, and use an electrical kettle for water heating rather than an ordinary pot on the stove. You will use about 50% less electricity.

Note: Electricity is good for electronic devices but gas is more efficient for heating and cooking.

TIP 11

Enjoy a comfortable indoor climate both summer and winter by ventilating your room properly on a daily

basis. Remember to switch off your heater, fan or air conditioner while ventilating the room.

TIP 12

Reduce your electricity account by skipping the washing machine's pre-wash cycle if your clothes are not particularly dirty. This will use up to 20% less electricity.

TIP 13

Save water and electricity by washing your bed linen at 60 degrees Celsius instead of 90 degrees; it will still be clean!

TIP 14

Reduce the temperature on the heater from full heat to a comfortable level.

TIP 15

Turn off all stand-by modes every time you leave the house and before going to bed.

TIP 16

Use energy-saving light bulbs. They last much longer and use less electricity, saving you money in the long run.

TIP 17

Reduce your electricity bill by doing all your ironing at the same time.

TIP 18

Check your electricity or gas meter at regular intervals and take a keen interest in your energy consumption level.

TIP 19

Share your energy consumption information with your neighbours; discuss your electricity.

Tip 20

If you are in the market for a new dishwasher or clothes washer, consider buying an efficient, water-saving energy star model to reduce hot water use.

Tip 21

Buy a new energy-efficient water heater. While it may cost more initially than a standard water heater, the energy savings will continue during the lifetime of the appliance.

Tip 22

Boil the required volume of water. It is energy wasting to fill the kettle, just to prepare only one cup of tea.

Tip 23

Use the kettle to boil water. It is energy wasting to use the stove to boil water compared to a kettle.

Tip 24

It is recommended that you open windows for ventilation than to use air conditioner.

Tip 25

No matter the energy consumption of the appliance, always switch off all appliances if not in use.

Tip 26

Just after cooking and switching off the stove, use the hot stove to either warm the water or cook eggs, but not limited to the mentioned.

Tip 27

In areas where there is evening cold breeze, it is recommended that the windows remain closed to preserve the liberation of heat.

Tip 28

During winter season, it's wise to dress in warm clothes therefore avoiding the use of heaters.

Tip 29

Use the energy saving bulbs at all times.

Tip 30

It is advisable to use one bulb per room.

Tip 31

Install a programmable thermostat to keep your house comfortably warm in the winter and comfortably cool in the summer.

Tip 32

Just air dry dishes, instead of using your dishwasher's drying cycle

Tip 33

Wash only full loads of dishes and clothes.

Tip34

Drive sensibly. Aggressive driving (speeding, rapid acceleration and braking) wastes gasoline.

Tip 35

Use higher density insulation on exterior walls, such as rigid foam boards, in cathedral ceilings and on exterior walls

(v) provide details of administrative policies made during the year reflecting the pressures from the world recession that impact on everyone (e.g. restrictions on conferences and other events outside your municipality and the use of meeting accommodation other than your municipality's own venues).

(vi) Shared service arrangements

The municipality has a shared service arrangement with the Namakwa District Municipality in terms of internal audit services and audit committee function. Reason being that the municipality cannot afford this services and by entering into a shared service arrangement is a more cost effective option.

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## 1.2. MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

### INTRODUCTION TO BACKGROUND DATA

The Richtersveld Municipality covers a geographical area 9,608 km<sup>2</sup> which is approximately 8% of the Namaqua District Municipality. The Richtersveld Municipality's boundary has been made smaller from 9.684 km<sup>2</sup> to 9,608 km<sup>2</sup> during the new demarcation in 2011 so that District Municipalities could be incorporated into local municipal boundaries. The population total of the Richtersveld is 11, 982 and the total of households is 3543. The average population growth rates between 1996 and 2010 were 0,6% for the Northern Cape Province, 0,4% for the Namakwa District Municipality and 0,2% for the Richtersveld. This indicates that the communities within the Richtersveld Municipality and Namakwa are much dispersed.

Port Nolloth has the largest population whilst the other small towns such as Alexanderbay, Eksteenfontein, Kuboes, Lekkersing and Sanddrift, contain small populations and the development potential are very low. The Richtersveld Municipality is situated north west of Nama Khoi, along the west coast, and includes Alexanderbay, Eksteenfontein, Kuboes, Lekkersing, Sanddrift and Port Nolloth as its major settlement. The area is sparsely

populated, with the population dispersion estimated to be 1.2 person per square kilometre over the 9 608 square kilometres. The Richtersveld Local Municipality is divided into four municipal wards and provides services to the towns and settlements as mentioned herein before.

Port Nolloth is a seaside town and has a harbour which serves fishing and diamond-mining boats. It is also a Mariculture (i.e. crayfish) and tourist centre (i.e. scenic drives and 4 x 4 routes). Economic migration takes place to improve one's economic prospects, to take advantages of a higher number of work opportunities or to access larger markets. Social migration occurs as a result of humankind's desire to form groups. Migration into larger groups improves one's chances of forming relationships and developing family and friendship ties. Generally larger social groups tend to offer better economic opportunities, although this is not the case in areas where industry is establishing and population size is not yet very high. Typical examples of these types of area include mining towns or military bases, where the economic attraction is higher than the social attraction.

T 1.2.1

NC061: Richtersveld	1996			2001			2011		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
0-4	642	598	1 240	509	451	960	481	456	937
5-9	654	602	1 256	509	443	951	482	440	922
10-14	633	562	1 195	468	456	924	525	472	997
15-19	446	467	912	487	411	898	487	394	881
20-24	644	562	1 205	445	425	870	475	434	910
25-29	827	590	1 416	478	441	919	674	533	1 207
30-34	724	594	1 318	466	458	924	524	444	968
35-39	550	486	1 036	447	463	909	506	435	941
40-44	511	403	914	311	358	668	526	439	965
45-49	335	303	638	308	292	600	447	454	902
50-54	278	230	508	214	209	423	365	328	692
55-59	207	153	360	173	179	352	286	251	537
60-64	115	147	262	114	129	243	191	215	406
65-69	102	95	197	88	120	208	140	166	306
70-74	59	45	104	67	72	139	84	87	172
75-79	37	53	89	31	33	64	54	73	128
80-84	15	34	49	15	30	45	30	34	64
85 +	10	17	27	11	18	29	23	27	50
<b>Total</b>	<b>6 786</b>	<b>5 938</b>	<b>12 724</b>	<b>5 138</b>	<b>4 986</b>	<b>10 125</b>	<b>6 300</b>	<b>5 682</b>	<b>11 982</b>

Source: Statistics SA

T1.2.2

## HOUSEHOLDS

Municipality	Total population			Number of households			Average household size		
	1996	2001	2011	1996	2001	2011	1996	2001	2011
DC6: Namakwa	103 089	101 308	110 276	26 280	27 776	33 856	3,9	3,6	3,3
NC061: Richtersveld	11 689	9 803	11 260	3 004	2 604	3 543	3,9	3,8	3,2

T1.2.3

## SOCIO ECONOMIC PROFILE

- Poverty levels are high, due to high levels of unemployment, and increasing rates of illness (HIV/AIDS and TB).
- Communal farming on municipal peri-urban land is creating environmental challenges.
- A large proportion of income is derived from social grants, with social consequences that are not fully understood and no proactive plans is put in place.
- Local economies of small towns in our municipal area are characterized by weak multipliers, because a great deal of purchasing power is spent in the larger Centre's, or bigger towns such as Springbok, etc. which are situated outside the Richtersveld Municipal area.
- Due to the arid nature of the area, surface and underground water supplies are insufficient to provide higher levels of infrastructure (such as waterborne sanitation), which creates grievances and resentment
- The conditions of life of remote settlements tend to be poor, with low mobility, and difficult access to health, education, recreation and shopping amenities
- There is an out-migration of skilled people, due to a lack of local economic opportunities.
- Increasing aridity, due to global warming, may lead to rising unemployment, declining underground water levels, and greater difficulties for commonage farmers.
- The socio-economic conditions of the municipal area are poor. More than 15,6% of the municipal population earns less than R38 400.00 per annum (or less than R3200.00 per month) consequently receiving payment for municipal services can be challenging. This in turn can have a negative effect on the sustainability of infrastructure and the delivery of services overall.
- Generally the population can be regarded as having a high dependency ratio; with 7.39% of the population over the age of 65 and 25% are less than 15 years. The latter youth group will be demanding education, housing and jobs in the near future.

A challenge facing Richtersveld Municipality is to engage in a multi-dimensional approach to spatial planning and development that goes beyond single perspectives (i.e. economic growth, infrastructure provision, poverty alleviation etc.) to, both space and time (long- & short-term). This calls for a socio-spatial approach to planning, taking into account the need for a place-making approach, while simultaneously considering the bigger whole and the public good (both in the short term and over the long term). This implies flexible, yet institutional, readiness and capacity in governance to ensure a balance between short-term needs and costs.

This entails the balancing of elements of development that are:

- based on economic potentials and marginal environmental impacts;
- based on identification of resource potentials;
- based on achieving development readiness – resources, infrastructure, institutional;
- based on balanced development – urban/rural;

- based on social need identification; and measurable targets and indicators

#### INDIGENT PROFILE

TOWN/VILLAGE	TOTAL INDIGENT HOUSEHOLDS RECEIVING SUBSIDIES
EKSTEENFONTEIN	112
KUBOES	117
LEKKERSING	131
PORT NOLLOTH	494
SANDDRIFT	118
<b>TOTAL</b>	<b>972</b>

*Table12: Richtersveld Indigent Households*  
(Source: Richtersveld Municipality Finance Department 2014)

#### EDUCATION PROFILE (People in the Labour market)

NC061: Richtersveld	1996			2001			2011		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
No schooling	278	240	518	163	168	331	98	94	192
Some primary	894	772	1 667	659	699	1 359	633	543	1 177
Completed primary	620	623	1 243	491	618	1 109	496	558	1 054
Some secondary	1 682	1 371	3 053	1 127	1 119	2 246	1 790	1 534	3 323
Grade 12/ Std 10	515	441	955	583	497	1 079	719	749	1 468
Higher	282	186	468	144	124	268	286	280	566
<b>Total</b>	<b>4 272</b>	<b>3 633</b>	<b>7 904</b>	<b>3 166</b>	<b>3 225</b>	<b>6 392</b>	<b>4 022</b>	<b>3 759</b>	<b>7 781</b>

#### KEY CHALLENGES

- Population growth;
- Dilapidated infrastructure;
- Distances and condition of roads between towns;
- Low income households who are living in poverty;
- Housing shortages;
- Low levels of education;
- Low levels of income;
- High levels of HIV/AIDS;
- In order to reduce the current employment rate by half in 10 years- need to create 500 jobs per annum.

#### SPATIAL LOGIC

The aim of a spatial development framework is to:

- Promote sustainable functional and integrated settlement patterns in order to:
  - discourage low density urban sprawl;
  - Generate social and economic opportunities for people; and promote easy accessibility to those opportunities.
- Maximize resources efficiently; for example:
  - Ensure the protection of the available environmental resources within the municipality;

- Protect productive land for agricultural purposes to ensure food security.
- Enhance regional identity and unique character of place.
- Ensure conformance with the district municipality and provincial spatial development frameworks.

**Natural Systems**

- Richtersveld Municipality is endowed with a variety of unique natural systems and mineral resources.
- The natural environment sustains the economy through eco-tourism, and agriculture.
- The ecological value of the natural environment (the profound impact that the natural resources have on the economy versus the value it has in influencing sense of place) influences how the natural environment should be protected.
- A significant challenge is the loss of natural resources due to increased development pressure.

**Settlement Hierarchy**

- A well-functioning settlement hierarchy exists in the Richtersveld in terms of the relative sizes of settlements, locations and access provided between them by various movement routes.
- However, some rural settlements function poorly as settlements. They are not sustainable economically or in other functional respects. They offer very little economic, social and recreational opportunities. In many cases they are pockets of low cost housing and villages. It is necessary to seek means to make these settlements more sustainable.

**DEMOGRAPHIC ANALYSIS**

Demographic trends are key driving forces in any economic development strategy and hence must be considered in any planning process. The demographic profile influences the type and level of demand of goods and services and the pressure on local services and transport. According to the 2011 Census, Richtersveld Municipality has a total population of 11 982 of which 76,6% are colored people, 13,1% are black African, 8,5% white people 0,5% Indian/Asian and the other racial groups constitute of 1,4% of the population. Of those 20 years and older 18,9% has completed grade 12, 7,3% have higher education, 13,7% completed primary education, 15,1% have some primary, 42,7% some secondary and 2,5 % has no schooling.

Group	Percentage
Black African	13,1%
Coloured	76,6%
Indian/Asian	0,5%
White	8,5%
Other	1,4%

SEX AND AGE DISTRIBUTION									
AGE	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44
<b>MALES</b>	4%	4%	4,4%	4,1%	4%	5,6%	4,4%	4,2%	4,4%
<b>FEMALES</b>	3,8%	3,7%	3,9%	3,3%	3,6%	4,4%	3,7%	3,6%	3,7%
AGE	45-49	50-54	55-59	60-64	65-69	70-74	75-79	80-84	85+
<b>MALES</b>	3,7%	3,0%	2,4%	1,6%	1,2%	0,7%	0,5%	0,3%	0,2%
<b>FEMALES</b>	3,7%	2,7%	2,1%	1,8%	1,4%	0,7%	0,6%	0,3%	0,2%

HIGHEST EDUCATIONAL LEVELS (ALL AGES)	
No Schooling	2,20%
Some Primary	46%
Completed Primary	8%
Some Secondary	31,10%
Completed Secondary	9,60%
Higher Education	1,40%
Not Applicable	1,60%

Marital Status	
Group	Percentage
Married	27,9%
Living together like married partners	5,6%
Never married	60,8%
Widower/Widow	3,9%
Separated	0,5%
Divorced	1,3%

Gender	
Sex	Percentage
Female	47,4%
Male	52,6%

Access to internet	
From Where	Percentage
Home	7,7%
Cellphone	14,7%
Work	4,3%
Elsewhere	1,2%
No Access	72,1%

Household goods		
Item	Yes	No
Cellphone	85,4%	14,6%
Computer	22,0%	78,0%
Television	84,8%	15,2%
Satellite Television	30,5%	69,5%
Radio	63,5%	36,5%
Landline / Telephone	20,6%	79,4%
Motor Car	35,9%	64,1%
Refrigerator	81,4%	18,6%
Electric / Gas-Stove	93,3%	6,7%

Average Household Income	
Income	Percentage
None income	9,7%
R1 - R4,800	4,1%
R4,801 - R9,600	7,5%
R9,601 - R19,600	15,1%
R19,601 - R38,200	17,7%
R38,201 - R76,4000	19,3%
R76,401 - R153,800	16,4%
R153,801 - R307,600	10,2%

(SOURCE - STATS SA 2011 CENSUS)

T1.2.4

Natural Resources	
Major Natural Resource	Relevance to Community
The Sea	Fishing and Mariculture activities
	Diamond mining
	Desalination of sea water
Biodiversity / Indigenous cultures	Tourism
	Local economic Development
	T1.2.7

### 1.3. SERVICE DELIVERY OVERVIEW

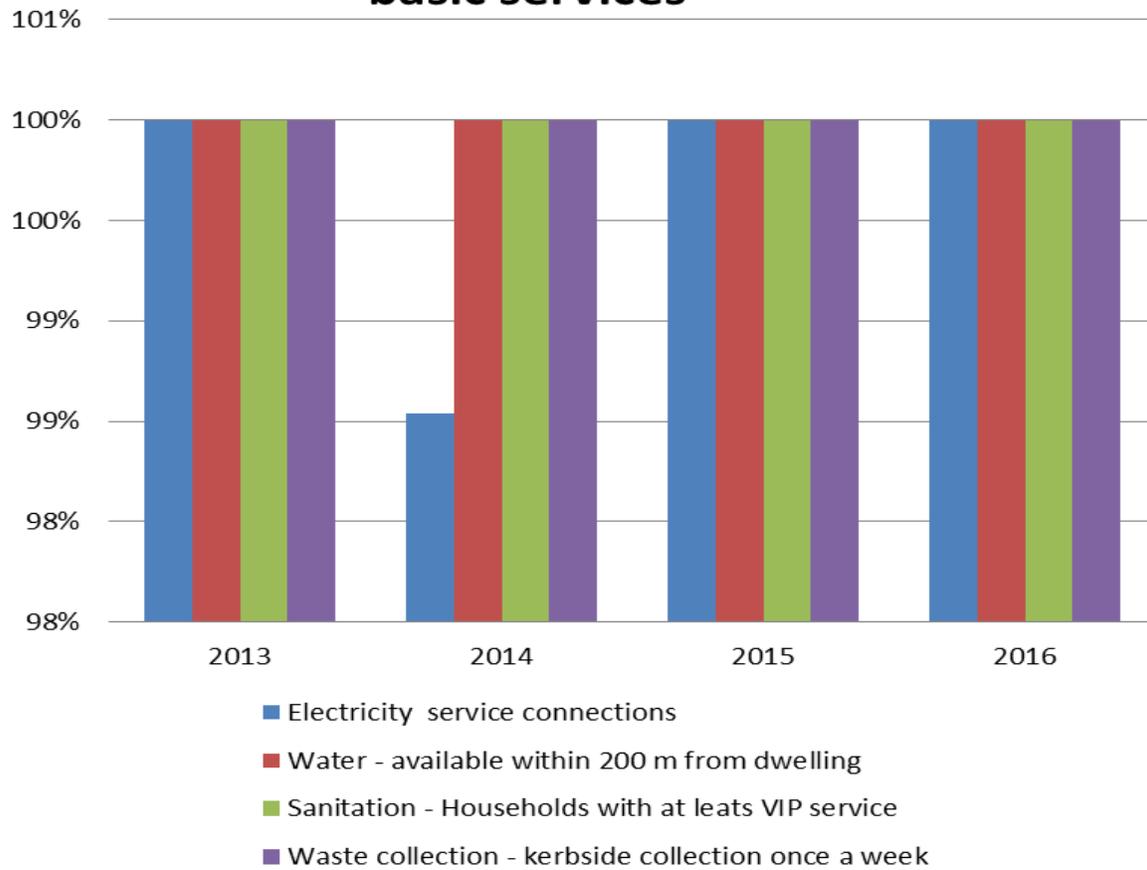
#### SERVICE DELIVERY INTRODUCTION

The Department of Water Affairs agreed to fund the Desalination of Sea Water project 100%. This means that the critical challenge of the availability of water as a basic service can now be addressed.

We currently have 972 Indigents excluding Alexanderbay. Each Indigent Household currently receives 6 Kl free basic water, 50kw Free basic Electricity and a subsidy on refuse and sewerage removal. We are currently in the process of reviewing our Indigent policy

T 1.3.1

## Proportion of households with access to basic services



T1.3.2

### COMMENT ON ACCESS TO BASIC SERVICES:

The borehole in Kuboes collapsed and resulted into certain portions of town having little or no access to water. The Kuboes pipeline is 99% completed, and this will soon be a problem of the past.

T1.3.3

## 1.4. FINANCIAL HEALTH OVERVIEW

### FINANCIAL OVERVIEW

#### Financial Risk Management

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk), credit risk and liquidity risk. The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the municipality's financial performance.

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates. The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

	2014	2013
	R	R
The potential impact on the entity's surplus/(deficit) for the year due to changes in interest rates were as follow:		
1% (2013: 1%) Increase in interest rates	44 378	67 636
1% (2013: 1%) Decrease in interest rates	(44 378)	(67 636)

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss. Credit risk arises mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other receivables are disclosed net after provisions are made for impairment and bad debts. Trade receivables comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. On-going credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other receivables is considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

All rates and services are payable within 30 days from invoice date. Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of consumer debtors are not performed in terms of GRAP 104 on initial recognition. The fair value of other receivables approximates their carrying value. No receivables are pledged as security for financial liabilities.

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposures are disclosed in the following paragraph.

The banks utilized by the municipality for current and non-current investments are all listed on the JSE (First National Bank). The credit qualities of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectations of counter party default. Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies. None of the councillors had arrear accounts for more than 90 days on 30 June 2014. None of the Councillors had arrear accounts outstanding for more than 90 days during the year.

#### Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines. The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

### Concessionary Loans

Financial Institution:		DBSA	DBSA
Loan number:		102 502	102 502
Interest Rate:		5.00%	5.00%
Redeemable Date:		31/03/2014	31/03/2014
Outstanding Balance:		-	253 909
Nominal Value:		-	244 468

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
<b>2014</b>				
Long-term Liabilities	1 323 464	1 085 359	-	-
Provision for Rehabilitation of Landfill-sites	6 385 249	1 675 981	1 358 159	-
Trade and Other Payables	6 001 241	-	-	-
	<u>13 709 955</u>	<u>2 761 340</u>	<u>1 358 159</u>	<u>-</u>
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
<b>2013</b>				
Long-term Liabilities	1 556 768	2 399 451	-	-
Provision for Rehabilitation of Landfill-sites	5 943 427	1 560 013	2 246 012	-
Trade and Other Payables	7 812 731	-	-	-
	<u>15 312 926</u>	<u>3 959 464</u>	<u>2 246 012</u>	<u>-</u>

### Financial Sustainability

Management is of the opinion that the municipality will continue to operate as a going concern and perform its functions as set out in the Constitution.

T1.4.1

FINANCIAL OVERVIEW-YEAR 1			
DETAILS	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL
<b>INCOME</b>			
GRANTS	33 784	39 075	32 935
TAXES, LEVIES & TARRIFS	28 478	28 134	26 701
OTHER	6 505	5 708	5 564
SUB TOTAL	68 767	72 917	65 200
<b>LESS EXPENDITURE</b>			
	66 069	78 177	65 798
NET TOTAL	2 698	-5 260	-598
SURPLUS/DEFICIT			T1.4.2

Operating Ratios	
Detail	%
Employee Cost	0.26
Repairs & Maintenance	0.80
Finance Charges & Impairment	
T1.4.3	

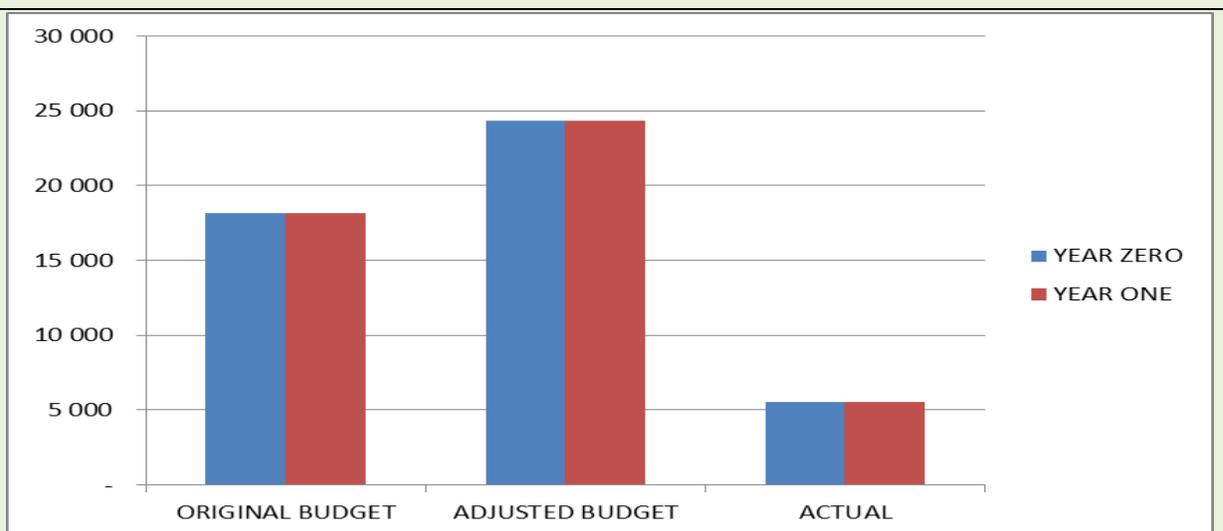
**COMMENT ON OPERATING RATIOS:**

Employee related cost is expected to be 30 % of Total Operating Expenditure, take into consideration that the ration excluded the Council Remuneration, it can be set that the ratio is well within its limit.

Repairs and Maintenance should have represent 20% of the total OPEX when being calculated as a % of Property, Plant and Equipment and Investment Property (Carrying Value) for budget purposes. Insufficient provision for maintenance of assets may cause huge capital expenditure in future.

T1.4.3

Total Capital Expenditure: Year -1 to Year 1			
Detail	Year -1	Year 0	Year 1
Original Budget	18 192		18 192
Adjustment Budget	24 312		24 312
Actual	5 533		5 533
T1.4.4			



T1.4.5

COMMENT ON CAPITAL EXPENDITURE:

The variances between the original budget and adjusted budget is due to "Service Labour Plan" budgets included in the capital budget, which was excluded in the original budget. The variance between the adjusted budget and the actual outcome on the CAPEX is a result of the grant in respect of the Regional bulk infrastructure grant and the ACIP grant being withheld as well as the SLP which did not apprehended.

T 1.4.5.1

1.5. AUDITOR GENERAL REPORT

AUDITOR GENERAL REPORT YEAR 1

**The municipality received a qualified opinion from the Auditor General for the year 2013-2014:**

"In my opinion, except for the effect of the matters describe in the basis for qualified opinion paragraphs, the financial statements presents fairly, in all material respects, the financial position of the Richtersveld Local Municipality as at 30June 2014 and its financial performance and cash flows for the year then ended, in accordance with the South African standards of Generally Recognized Accounting Practice (SA standards of GRAP) and the requirements of the requirements of the Municipal Finance Management Act of South Africa,2003 ( Act no 56 of 2003)(MFMA) and the Division of Revenue Act of South Africa,2013 (Act no 2 of 2013) (DORA)"

**Basis for qualified opinion**

Financial asset

"The municipality did not recognized or measure its financial asset in terms of GRAP 104 financial instruments. As the value of the financial asset could not be determined due to inadequate records maintained by the municipality, I was not able to determine the full extent of the understatement of the asset, as it was impractical to do so."

Property plant and equipment

"I was unable to obtain sufficient appropriate audit evidence that management had properly accounted for all the property, plant and equipment, due to an inadequate management, accounting and information system, to account for property plant and equipment. I was unable to confirm the assets by alternative means. Consequently, I was unable to determine whether any adjustments relating to property, plant and equipment stated at R110 409 348 (2013: R107 710 867) in the financial statements was necessary".

T 1.6.1

1.6. STATUTORY ANNUAL REPORT PROCESS

No.	Activity	Timeframe
1	Consideration of next 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	July
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	
3	Finalize the 4th quarter Report for previous financial year	
4	Submit draft year 1 Annual Report to Internal Audit and Auditor-General	
5	Municipal entities submit draft annual reports to MM	
6	Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant)	August
8	Mayor tables the unaudited Annual Report	
9	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General	
10	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	
11	Auditor General audits Annual Report including consolidated Annual Financial Statements and Performance data	September - October
12	Municipalities receive and start to address the Auditor General's comments	November
13	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report	
14	Audited Annual Report is made public and representation is invited	
15	Oversight Committee assesses Annual Report	

16	Council adopts Oversight report	January
17	Oversight report is made public	
18	Oversight report is submitted to relevant provincial councils	
19	Commencement of draft Budget/ IDP finalization for next financial year. Annual Report and Oversight Reports to be used as input	February
		T1.7.1

**COMMENT ON THE ANNUAL REPORT PROCESS:**

It is of the outmost importance to achieve the above deadlines to prepare the Annual Report nearer the end of the financial year and to provide the next budget process with a wide range of data from the outset. The importance of alignment between the IDP, Budget and Performance Management System cannot be over emphasised in order to meet organisational performance measures and assist with planning processes

T1.7.1.1

## CHAPTER 2 – GOVERNANCE

### INTRODUCTION TO GOVERNANCE

#### POLITICAL STRUCTURE

The Richtersveld Municipal Council consists of eight councillors, five from the African National Congress and the three from the Democratic Alliance. There is a constant positive work atmosphere within council that shows how Local Government delivers services to all the people irrespective of colour or political affiliation.

T2.0.1

## COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

### 2.1 POLITICAL GOVERNANCE

#### INTRODUCTION TO POLITICAL GOVERNANCE

#### COUNCIL AND COMMITTEES

The Council are divided into different working groups:

<b>Committee / Group</b>	<b>Names of Representative/s</b>
<b>Provincial</b>	
Provincial Coastal Committee	Cllr. Leon Ambrosini
<b><u>SALGA Working Groups</u></b>	
Governance and IGR	Cllr. Arthur Jansen (Mayor)
Municipal Finance	Cllr. Arthur Jansen (Mayor)
Municipal Infrastructure Services	Cllr. Willie Links
Economic Development and Planning	Cllr. Leon Ambrosini
Social Development and Municipal Health	Cllr. Gloria Beukes
Human Resource Management and Development	Cllr. Willie Links
<b>Regional Representatives</b>	
District Health Council	Cllr. G. Beukes
<b>Local representatives</b>	
Richtersveld Sida!Hub Community Property	Cllr. W.J.P. Links

T2.1.1

## POLITICAL STRUCTURE



**MAYOR** - Hon. Cllr AM Jansen

Function: The mayor is a councillor elected as chairperson of the municipal council as per legislation and précised over council meetings.

T2.1.1

### COUNCILLORS

The Richtersveld Council consists of 8 members of which ANC holds 5 seats and DA 3. All four wards councillors are ANC representatives with one proportional representative and 3 DA council members. Two are female councillors.

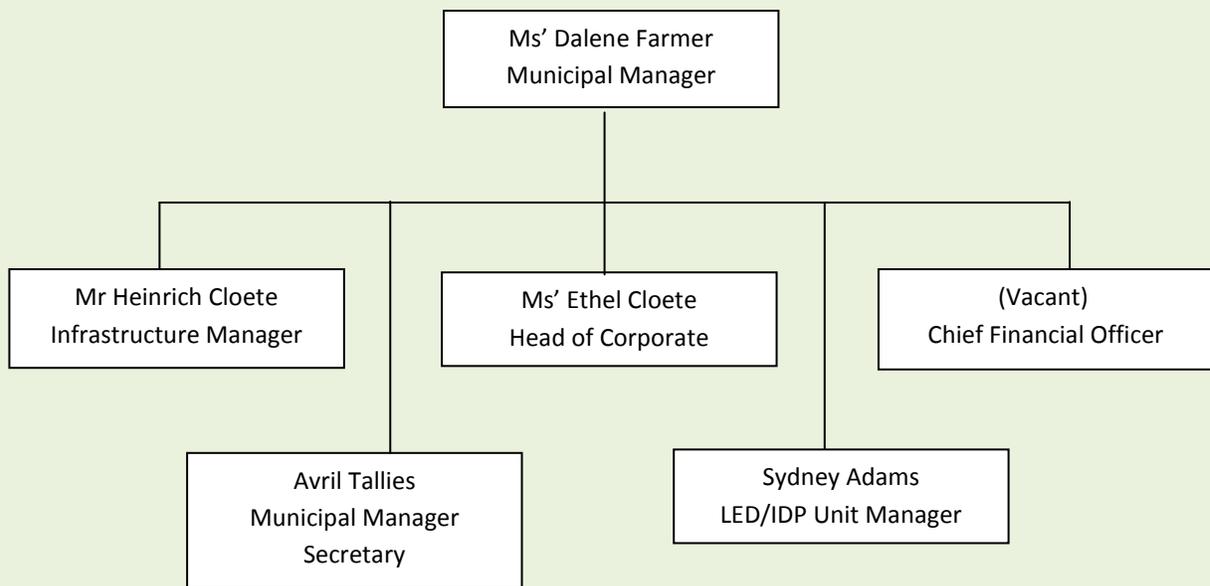
T2.1.2

INTRODUCTION TO ADMINISTRATIVE GOVERNANCE

Note: MFMA s60 (b): The Municipal Manager of a municipality is the accounting officer of the municipality for the purposes of this Act and must provide guidance on compliance with this Act to political structures; political office bearers, and officials of the municipality and any entity under the sole or shared control of the municipality.

T2.2.1

**TOP ADMINISTRATIVE STRUCTURE**



## COMPONENT B: INTERGOVERNMENTAL RELATIONS

### INTRODUCTION TO CO-OPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

The Intergovernmental Relations Framework Act (IGRFA) of 2005 provides a framework for the cooperation among the three spheres of government as distinctive, interdependent and interrelated, and it defines the responsibilities and institutional structures to support closer cooperation monitored by the Department of Provincial and Local Government with the aim to encourage and enforce cooperative governance amongst the three spheres of government, National, Provincial and Local Government (Municipalities).

Richtersveld Municipality has been taking full part in all Intergovernmental Relations Meetings at both District and Provincial Level on a regular basis.

T 2.3.0

## COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

### OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

The Municipality appointed an oversight committee consisting of 4 Councillors. The committee reviewed the previous year's annual report and made recommendations to council.

#### *Communication, Participation and Forums*

Municipality makes use of the following communication mediums:

Newsletters/flyers on municipal accounts

- Community radio: Radio Namakwa
- Local Newspapers: Die Eland: Namakwalander; Die Plattelander
- Pamphlets at houses and schools
- Posters on strategic places in towns
- Quarterly Communication forum meetings are held regularly with all the important role players including Sector Departments, Mine houses, local NGO's and Ratepayers Association.

T 2.4.0

COMMUNICATION, PARTICIPATION AND FORUMS

Newsletters/flyers on municipal accounts

This is done regularly and is very effective to reach all ratepayers and property owners. It is limited to brief notices usually about important meetings, power outages, water supply, price increases or any other crucial changes.

It does have the limitation of reaching only the audience responsible for settling accounts.

- Community radio: Radio Namakwa

This medium have a wide reach and proved to be very popular with both young and old. Notices about community events and important information about projects/employment and such social info are distributed in this way. Paid adverts are expensive and thus limited to tender invitations mostly.

- Local Newspapers: Die Eland: Namakwalander; Die Plattelander

These papers reach vast amount of readers, not only in our jurisdiction but all across Namaqua. Information intended for local residents are taken up easily, because these are Afrikaans mediums and relatively cheap for readers to buy.

- Pamphlets at houses and schools

In cases where info needed to reach residents urgently, we use flyers at houses but most commonly using school kids to take it home.

The downside of this is that only houses with school-going kids get the info directly.

This stays an important and cheap way of communication with the residents.

- Posters on strategic places in towns

We do not have many shops in town. By posting information intended for locals at the few bigger shops, it is a sure way of getting the word out there, because eventually all of us will have to visit a shop sometime.

We also place posters at community halls, government department offices and busy street corners.

Another ingenious way of getting adverts and notices out is by using Sunday church services. This method reaches large numbers of different backgrounds and usually proves most effective.

- Quarterly Communication forum meetings are held regularly with all the important role players

including Sector Departments, Mine houses, local NGO's and Ratepayers Association

Local Role-Player Forum Meetings takes place monthly where socio-economic issues are discussed, activities and events planned and crucial info distributed.

All other social forums are active with varying degrees of success and visibility. The most active is War on Poverty and least active was the Local Aids council.

Local networking partners regularly join to implement common social transformation programs. These events usually draw large crowds when there are entertainment and refreshment for the crowd. Budget constraints do not always allow that to happen

T2.4.1

## WARD COMMITTEES

### ROLE OF WARD COMMITTEES

The Richtersveld Municipality ward committee's role is as follows:-

- Increase the participation of local residents in Municipal decision making.
- Represent the Local ward and are not politically aligned.
- Should be involved in the Integrated Development Planning process, Municipal performance management, annual Budget, Council projects and other key activities and programmes.
- Can identify and initiate projects to improve the lives of the people in the ward.
- Can support the Ward Councillor in dispute resolutions.
- Monitoring of the performance of the Municipality and raise issues of concern in the ward.
- Assist with community awareness campaigns e.g. waste, water and sewerage, payment of fees and charges, etc.

Major issues targeted by the ward committees range from job creation, sanitation, housing, social grants to HIV and economic inclusions.

T2.4.2

**PUBLIC MEETINGS**

<b>DETAILS OF COMMUNITY/STAKEHOLDER MEETINGS FOR 2014</b>			
<b>Date</b>	<b>Ward</b>	<b>Town</b>	<b>Purpose of Meeting</b>
15-Jan-14	2	Sanddrift	IDP Community Meeting
15-Jan-14	2	Alexanderbaai	Alexcor Employment
10-Feb	1	Kuboes	Ward Community Meeting
28-Mar-14	4	Port Nolloth	Community Meeting: Fishers
04-May-14	1	Eksteenfontein	Community Meeting: Housing
04-May-14	1	Lekkersing	Budget
20-May-14	1	Kuboes	Budget 2014/2015
20-May-14	2	Sanddrift	Mining
20-May-14	2	Alexanderbaai	Mine Houses
21-May-14	1	Eksteenfontein	Budget 2014/2015
21-May-14	1	Lekkersing	
22-May-14	3	Port Nolloth	
22-May-14	4	Port Nolloth	
30-Jun-14	3	Port Nolloth	Ward Community Meeting
07-Jul-14	3	Port Nolloth	Ward Community Meeting
15-Jul-14	1	Kuboes	Re-election of ward Committee
	2	Alexanderbaai	
16 Julie 2014	1	Lekkersing	Re-election of ward com
	1		Eksteenfontein
	3		Port Nolloth
18-Jul-14	4	Port Nolloth	Mandela day Public Event
21 Julie 2014	2	Alexanderbaai	Ward Community Meeting
09-Aug-14	4	Port Nolloth	Women's Day Public Event
17-Sep-14	4	Port Nolloth	Tell Your Story Campaign
24-Sep-14		Port Nolloth	Heritage Day Public Event with PN Library
19-Nov-14	4	Port Nolloth	Service Delivery Contact Session

T2.4.3

Stakeholder Engagements Dates of Meetings			
23-Jun-14	4	Port Nolloth	Establishment of Social Crime Prevention Forum
17-Jul-14	3	Port Nolloth	Youth Debate Session on Employment Creation
23-Jul-14	3	Port Nolloth	Info Session for youth with SEDA
18-Aug-14	4	Port Nolloth	Home Affairs Forum
03-Sep-14	2	Alexanderbay	Health Committee Meeting
27-Aug-14	2	Alexanderbay	Alexbay High School - Water Monitoring with Dept. Water & Sanitation
28-Aug-14	4	Port Nolloth	PN High School
08-Sep-14	4	Port Nolloth	Signing of MOU- Social Crime Forum
09-Oct-14	4	Port Nolloth	PN Cluster Joint Meeting with SAPS
19-Sep-14	3	Port Nolloth	Crime free Youth Campaign with IEC & SAPS
16-Oct-14	2	Sandrift	Older person Event with DsD
28-Oct-14	3	Port Nolloth	Local Aids Council training
			Partnership Against Aids Event
21-Oct-14	4	Port Nolloth	Coghta Housing Meeting
10-Dec-14	4	Port Nolloth	Re-election of Ward Committee members with Coghta

**COMMENT ON THE EFFECTIVENESS OF THE PUBLIC MEETINGS HELD:**

Most meeting are successful because it draw the relevant people and does not have to be postponed or cancelled altogether, although at times few members are present. Factors influencing the success of meetings range from the weather, time of meeting, proximity of venue to the period of notices given and the topics under discussion. Meetings with stakeholders are usually fruitful although some members come unprepared at times.

Meetings with the general public are not intended to have long discussion points, therefore making it “short and sweet” to avoid people leaving the hall. Speakers do get enough time and opportunity to make speeches. Entertainment are put in-between speeches to keep the meeting or event vibrant and keep listeners interested. Afrikaans is mainly used but in some meeting Xhosa speaking people prefer English.

Set out the key benefits for the municipality and the public from the above mentioned meetings:

- Increased understanding for each other’s viewpoints
- Increased support and better culture of payment for services
- Minimize conflict and complains
- Get the right info to the right people on the right time
- Keep residents informed of service delivery issues
- Save money and effort when there is greater support for government mandates

T2.4.3.1

## 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	T2.5.1

The Richtersveld Municipality established structures for the development and implementation of the IDP in order to reinforce alignment with government departments and to ensure public participation, this includes community meetings per ward, IDP Stakeholders Representative meetings with sector departments and community based organisations, etc. The IDP framework been approved and submitted to the MEC of Cooperative Governance. However it was not aligned with the SDBIP for the current financial year. Emphasis was put on it and huge strides were made in order to ensure that it is done in the new financial year.

### COMPONENT D: CORPORATE GOVERNANCE

#### OVERVIEW OF CORPORATE GOVERNANCE

In terms of Section 51 of the Municipal Systems Act, a municipality must within its administrative and financial capacity establish and organise its administration in a manner that would enable the municipality to:

- Be responsive to the needs of the local community;
- facilitate a culture of public service and accountability amongst its staff;
- be performance orientated and focussed on the objects of local government set out in section [52 of the Constitution and its developmental duties as required by section 153 of the Constitution; 10
- ensure that its political structures, political office bearers and managers and other staff members align their roles and responsibilities with the priorities and objectives set out in the municipality's integrated development plan;

- establish clear relationships, and facilitate co-operation, co-ordination and communication, between 15
- its political structures and political office bearers and its administration;
- its political structures, political office bearers and administration and the local community;
- organise its political structures, political] office bearers and administration in a flexible way in order to respond to changing priorities and circumstances;
- perform its functions—through operationally effective and appropriate administrative units and mechanisms, including departments and other functional or business units; and when necessary, on a decentralised basis:
- assign clear responsibilities for the management and co-ordination of these administrative units and mechanisms;
- hold the municipal manager accountable for the overall performance of the administration;
- maximise efficiency of communication and decision-making within the administration;
- delegate responsibility to the most effective level within the administration:
- involve staff in management decisions as far as is practicable: and
- provide an equitable, fair, open and non-discriminatory working environment

Corporate services need to play a support role and assist the Municipal manager with her duties.

T2.6.0

## 2.5 RISK MANAGEMENT

### RISK MANAGEMENT

The Policy is in place.

Risk Committee has been appointed

The risk Charter had been approved by Council

Quarterly assessments had been done.

T2.6.1

## 2.6 ANTI-CORRUPTION AND FRAUD

### FRAUD AND ANTI-CORRUPTION STRATEGY

The Policy is in place. A service provider has been appointed to develop a fraud and anti-corruption strategy. This has been budgeted for in the Finance Municipal Grant.

Audit Committee: (The Municipality does not have a functioning Audit Committee)

Management must ensure that the internal audit performs the following activities to ensure that the municipality complies with this section of the MFMA:

- (a) Prepare a risk-based audit plan and an internal audit program for each financial year;

(b) Advise the accounting officer and report to the audit committee on the implementation of the internal audit plan and matters relating to:

- (i) Internal audit;
- (ii) Internal controls;
- (iii) Accounting procedures and practices;
- (iv) Risk and risk management;
- (v) Performance management;
- (vi) Loss control; and
- (vii) Compliance with this Act, the annual Division of Revenue Act and any other applicable legislation; and

(c) Perform such other duties as may be assigned to it by the accounting officer the municipality are in a process to appoint its own internal auditor to ensure that all the requirements as per the MFMA is met and to ensure that weaknesses within the control environment are identified and addressed consequently.

T2.7.1

## 2.7 SUPPLY CHAIN MANAGEMENT

### OVERVIEW SUPPLY CHAIN MANAGEMENT

Note: MFMA S110-119; SCM Regulations 2005; and relevant MFMA circulars set out required processes and guidance manuals to help ensure that SCM arrangements provide appropriate goods and services, offer best value for money and minimize the opportunities for fraud and corruption.

#### 1. POLICY AND PROCEDURES DEVELOPMENT AND IMPLEMENTATION

During the 2012/13 financial year Supply Chain Management Policy was developed by Provincial Treasury in line with the Supply Chain Management Regulations that was issued by National Treasury. This was done due to changes in the Preferential Procurement Regulations and the challenges experienced within the Richtersveld jurisdiction the former Chief Financial Officer requested the Provincial Treasury of Kimberley to revise the policy This policy became effective from 01 January 2013.

During the 2013/14 financial, Ms Aubrienne Stuurman, the Accountant, compiled a report on the reviewing of the Supply Chain Management Policy with regards to procurement and amendment of the policy. Highlights from her report included the fact that the municipality had two different policies for the 2012/2013 financial year. This included the previous policy as well as the policy that was updated by Provincial Treasury. This caused frustration for the auditors of the Auditor-General. Recommended changes were requested by the Accountant in order for the policy to be updated and to provide for the following in the policy:

- Ensure rotation of suppliers and request for three quotations and avoid the current practice which causes irregular expenditure.
- One senior official must authorise expenditure (head of department who requested goods or services) to ensure accountability whether it is more than R 2000.00 or more than R 30 000, 00.

### 1.1 Establishment of the Supply Chain Management Unit

During the 2013/2014 financial year no Budget and Treasury Office was established within Richtersveld Municipality as required by Section 80 of the Municipal Finance Management Act. This caused that the establishment of a Supply chain management unit was difficult as there is no official primarily responsible for Supply Chain Management in the department. In the 2013/2014 financial year the Assistant Accountant and the Accountant was responsible for the monitoring and implementation of Supply Chain Management in the municipality. However the head of departments was responsible for the sign off of formal written price quotations (quotations between R 30 000.00 to R 199 999.99). This makes the monitoring of irregular expenditure extremely difficult as some of the purchases are done by bypassing the supply chain management unit which most of the time this type of purchases causes irregular expenditure that cannot be avoided.

During the 2013/2014 financial year the structure in supply chain management was as follow:

- Accountant
- Assistant Accountant
- Supply Chain Clerk
- Orders Clerk

A declaration of interest form was circulated during the 2013/2014 financial year to all head of departments and council to complete which gives the Supply Chain Management Unit an idea of business interest of all staff members.

#### Challenges within the Supply Chain Management Unit

The municipality faced budget constraints in 2013/2014 which prohibits the municipality in having a fully-fledged structure as envisaged by the legislation. No Budget and Treasury office was established which ensures accountability and proper segregation of duties within the supply chain management unit.

#### Proposed Solution for the 2014/2015

Amending the current finance structure to a Budget and Treasury office structure as and when funds become available.

### 1.2 Establishment of the Supply Chain Management Bid Committees

In terms of the Municipal Supply Chain Management Regulations all municipalities is required to have a bid specifications committee, bid evaluation committee and a bid adjudication committee. In 2013/14 Richtersveld Municipality had the following committees established:

- Bid Evaluation Committee
- Bid Adjudication Committee

Only the bid evaluation committee and bid adjudication committee have been established. Due number of officials with technical knowledge, the municipality cannot establish a bid specification committee; therefore this function is currently at the end user who requires the purchase of goods, works or services.

#### Challenges during 2013/2014

Timely sitting of the bid committee meetings and turnaround time due to work load by the officials serving on the committees.

#### Proposed Solution for 2014/2015

The development of a time frame schedule should be the best solution of the problem. Proper planning must be done at the beginning of the financial year which will inform the time frame schedule. A turnaround time schedule for the various bid committees must be introduced which must then be adhered to as far as practically possible.

#### 1.3 Implementation of MBDs Documents

All municipal bid documents (MBDs) are in place in compliance with MFMA Circular 25 and include specifications and evaluation criteria as recommended by the end user and approved by the Accounting Officer.

#### Challenges for 2013/2014

Service providers/ Prospective bidders not completing all municipal bid documents as required by legislation which causes audit queries by the Auditor General which results in irregular expenditure that could have been avoided.

#### Proposed Solution for 2014/2015

Assist prospective bidders with all queries relating to the completion of MBD documents. Acquire assistance by the Provincial Treasury to conduct bi-annual workshops on the importance of the completion of all municipal bid documents.

#### 1.4 Establishment of Database of Suppliers/Service Providers

The municipality has developed and implemented a database of suppliers. Adverts are placed annually in the one nationally circulated newspaper and one locally circulated newspaper in the municipality's area of jurisdiction inviting suppliers to register on the municipal database. Due to unforeseen circumstances the advertisement was placed in May 2014. Service provider may however register on the database at any stage as there is no closing date for registration. The policy makes provision that in cases where there are not enough local suppliers, the municipality may consult with the District Municipality and utilize their database to identify more potential suppliers or motivation by end user Department and approve by Accounting Officer. However the supplier database of Richtersveld Municipality is currently more advanced than the district offices with more suppliers registered on the database with the necessary documentary as evidence.

#### Challenges in 2013/2014

Due to the locality of the municipality, we do not always receive applications for a wide range of services like the supply of fuel and the registration of supermarkets on our supplier database.

#### Proposed Solution for 2014/2015

The continuous updating of the supplier database of Richtersveld Municipality. The revision of the current supply chain management policy to make provision for local suppliers to benefit, depending on their prices, before request the supply of goods and services from external suppliers out Richtersveld Municipal jurisdiction.

The Local Economic Development unit in partnership with the Small Enterprise Development Agency (SEDA) can conduct workshops to inform the community of the different entrepreneurship opportunities within the Richtersveld Municipal jurisdiction, as well as the process of starting your own business and the different funding sources that can be used.

### 1.5 Training and Development of the SCM Unit and Bid Committees

Training has been provided in the Workplace Skills Plan (WSP) for training for the Supply Chain Management Officials and the bid committee members.

No training has taken place for the 2013-2014 financial year for the Supply Chain Management Unit members; however no training was yet to be implemented as disclosed in the WSP of the municipality. The planned date for training will be in the 2014/2015 financial year.

#### Challenges for 2013/2014

Keeping well-informed with the latest developments regarding to supply chain management and court cases outcomes pertaining to supply chain management.

#### Proposed Solution for 2014/2015

Implementation of the WSP and request the Provincial Treasury for workshops on at least once every year for an update on changes to legislation and requirements of the Auditor-General as well as National Treasury.

## 2. SUPPLY CHAIN MANAGEMENT PLANNING

### 2.1 Procurement Plan

The municipality has developed an annual procurement plan template for 2013/2014 financial year. The procurement plan was tabled to council and approved. Procurement is been measured against the plan and the Annual Budget that was compiled by the Chief Financial Officer of Richtersveld Municipality.

#### Challenges for 2013/2014

2012/13 was the first year that the municipality had to develop a procurement plan. Projects identified on the Procurement Plan were not fully implemented due to lack proper planning. Constant improvements will be made to the plan as the municipality progresses with its implementation.

#### Proposed Solution for 2014/2015

Constant improvement, development and monitoring of the implementation of the procurement plan. Proper strategic planning at the beginning of the financial year where project start dates are identified and implemented as per project.

## 3. ACHIEVEMENT OF PREFERENTIAL PROCUREMENT GOALS AND TARGETS

The following bids were awarded for the 2013/2014 financial year:

Supplier	Details	BBBEE Level	Amount of Project
Ribicon Consulting Engineers T/A D.A.R Consulting Engineers	Upgrading and Project Management of Waste Water Treatment works	Level 2	R 295 917.10
Chryselda Building Construction	Provision of storm water infrastructure in Eksteenfontein	Level 1	R 807 889.50
DC Namakwa Kontruksie Dienste	Construction of 50 Low Cost Houses in Sanddrift	Level 3	R 4 409 111.80
Brainwave Project 2514 CC	Upgrading of the Sizamile Community Hall in Port Nolloth	Non-compliant contributor	R 351 499.96

- The appointment of the contractor for the upgrading of the sewer pump stations was only done during the 2014/2015 financial year. The advertisement was placed in the 2013/2014 financial year, however due to tender amount being more than the allocated amount it caused that downscaling had to be done.
- The appointment of the consultant for the provision of a socio-economic database in the Richtersveld Municipal Jurisdiction was also done during the 2014/2015 financial year.

The following bids were awarded for the 2013/2014 financial year:

Supplier	Details	BBBEE Level	Amount of Project
Van Der Wall and Partners	Appointment of conveyancer for the transfer of RDP Houses for the period of three years	Level 2	Project is funded by the Department of Cooperative Governance and Human Settlements

#### 4. MANAGEMENT OF RISKS IN SUPPLY CHAIN MANAGEMENT

Risks around supply chain management have been identified as part of the risk assessment exercise undertaken by the Provincial Treasury and the officials within the various departments.

##### Challenges

Continuous identification of risks as officials work on a daily basis new risks are identified.

##### Proposed Solution

Continuous monitoring and evaluation of systems and controls.

T2.8.1

## 2.8 BY-LAWS

The Municipality adopted the following by-laws:

1. Law Enforcement By-Law. (By-Law Nr 1 of 2007)
2. Cemeteries By-Law. (By-Law Nr 2 of 2007)
3. Keeping of Dogs By-Law. (By-Law Nr 3 of 2007)
4. Keeping of Animals, Poultry and Bees Control By-Law. (By-Law Nr 4 of 2007)
5. Street Trading By-Law. (By-Law Nr 5 of 2007)
6. Advertising Signs and Disfigurement of the Fronts and Frontages of Streets Control By-Law. (By-Law Nr 6 of 2007)
7. Water Services By-Law. (By-Law Nr 7 of 2007)
8. Building Control By-Law. (By Law Nr 8 of 2007)
9. Municipal Taxi Ranks By-Law. (By-Law Nr 9 of 2007)
10. Electricity By-Law. (By-Law Nr 10 of 2007)
11. Fire Brigade By-Law. (By-Law Nr 11 of 2007)
12. Refuse Removal By-Law. (By-Law Nr 12 of 2007)
13. Caravan Parks By-Law. (By-Law Nr 13 of 2007)
14. Swimming Pool By-Law. (By-Law Nr 14 of 2007)
15. Municipal Commonage By-Law. (By-Law Nr 15 of 2007)

16. Fireworks By-Law. (By-Law Nr 16 of 2007)
17. Tariffs, Credit Control and Debt Collection By-Law. (By-Law Nr 17 of 2007)
18. Standing Orders
19. Antennae Systems By-Law. (By-Law Nr 18 of 2007)

**COMMENT ON BY-LAWS:**

Council adopted the by-laws as drafted by the office of the MEC COGTA. These by-laws will soon be proclaimed and published in a government cassette.

T2.9.1.1

**2.9 WEBSITES**

[www.richtersveld.gov.za](http://www.richtersveld.gov.za)

<b>Municipal Website : Content and Currency of Material</b>		
<b>Documents published on the Municipality's / Entity's Website</b>	<b>Yes / No</b>	<b>Publishing Date</b>
Current annual and adjustments budgets and all budget-related documents	YES	
All current budget-related policies	YES	
The previous annual report (Year 0)		
The annual report (2013) published/to be published	YES	
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (Year 1) and resulting scorecards	YES	
All service delivery agreements (Year 1)	-	
All long-term borrowing contracts (Year 1)		
All supply chain management contracts above a prescribed value (give value) for Year 1	YES	
An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during Year 1	-	
Contracts agreed in Year 1 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	YES	
Public-private partnership agreements referred to in section 120 made in Year 1	-	
All quarterly reports tabled in the council in terms of section 52 (d) during Year 1	YES	-
<i>Note: MFMA S75 sets out the information that a municipality must include in its website as detailed above. Municipalities are, of course encouraged to use their websites more extensively than this to keep their community and stakeholders abreast of service delivery arrangements and municipal developments.</i>		T2.10.1

COMMENT MUNICIPAL WEBSITE CONTENT AND ACCESS:

Changes was made to the layout of the website to make it more user friendly and also access information needed, easier. Updated employee details and contact details are now published on the website. We also updated necessary documents such as notices, tenders and vacancies as per requirement of the MFMA.

T2.10.1.1

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2.10 PUBLIC SATISFACTION ON MUNICIPAL SERVICES

PUBLIC SATISFCATION LEVELS

Consultants had been appointed to determine client satisfactory levels through a climate survey. This will assist the Municipality to plan more properly and address service delivery in a more sufficient manner.

T2.11.1

<b>Satisfaction Surveys Undertaken during: Year 0 and Year 1</b>				
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	Questionnaire	22 July 2014	140	not yet analyzed
(b) Municipal Service Delivery	Questionnaire	29 July 2014	1345	not yet analyzed
(c) Mayor	Questionnaire	29 July 2014	1345	not yet analyzed
<b>Satisfaction with:</b>				
(a) Refuse Collection	Questionnaire	29 July 2014	1345	not yet analyzed
(b) Road Maintenance	Questionnaire	29 July 2014	1345	not yet analyzed
(c) Electricity Supply	Questionnaire	29 July 2014	1345	not yet analyzed
(d) Water Supply	Questionnaire	29 July 2014	1345	not yet analyzed
(e) Information supplied by municipality to the public	Questionnaire	29 July 2014	1345	not yet analyzed
(f) Opportunities for consultation on municipal affairs	Questionnaire	29 July 2014	60	not yet analyzed
<i>* The percentage indicates the proportion of those surveyed that believed that relevant performance was at least satisfactory</i>				T2.11.2

**COMMENT ON SATISFACTION LEVELS:**

Satisfaction levels will be determined by analysing the questionnaires, and an action plan based on the outcome of the survey, will then be developed with appropriate timeframes attached.

T2.11.2.2

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

### INTRODUCTION

The vision of Richtersveld Municipality is that the municipality will continuously strive to develop all the resources of the Richtersveld, including its natural, cultural and human resource, in a manner that is sustainable and benefits the people of the region so that their future will be secure. Our mission reads that Richtersveld Municipality will try to maintain optimal standards of professional practice leading to the highest possible quality of service delivery. To provide and render direct services, support and advocacy for customers, stakeholders and employees involved in service delivery and thus the objective of the municipality is to speed up effective and sustainable service delivery within our municipality. The key performance areas of is to ensure the delivery of basic services to the communities.

By addressing the backlog within the communities through the construction of new infrastructure, Richtersveld municipality also aims to create the maximum job opportunities for the unemployed based on the EPWP principles. Richtersveld municipality was assisted by the Project Management Unit (PMU) of Namaqua District Municipality to manage, facilitate and implement projects but the PUM has not been operational in 2013 and Richtersveld Municipality although needing their assistance did cope with the management of this project implementation.

Our objective is to speed up effective and sustainable service delivery within our municipality. The key performance areas of is to ensure the delivery of basic services to the communities. By addressing the backlog within the communities through the construction of new infrastructure, Richtersveld municipality also aims to create the maximum job opportunities for the unemployed based on the EPWP principles.

Richtersveld municipality is assisted by the Project Management Unit (PMU) that was established at the District level. The PMU facilitate the development of projects as well as management of projects within our municipality and also assist with capacity where there is a lack thereof.

T3.0.1

## COMPONENT A: BASIC SERVICES

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

### INTRODUCTION TO BASIC SERVICES

#### Overview of Approach

The supply of infrastructure and services is the number one priority within the Municipality. Good infrastructure is a prerequisite for many types of development. The Richtersveld Municipality inherited many infrastructure and service problems from the past. As a Municipality we are highly constrained as our current rates base is very small and we do not have funds for capital projects.

During the IDP review process a large number of infrastructure-related problems were highlighted in each of the towns and smaller settlements. At a broader level it is difficult to prioritize the specific issues but instead of coming up with a large 'wish list' of projects we have focused on the critical areas that were consistently raised in each of the settlements. Implementing the review process (projects) it was considered to look at the urgency of the needs analysis and if funding could be obtained very rapidly to address our poor infrastructure. What also needs to be considered is that all projects did not receive funding as previously mentioned and maybe implemented in the 2014/2015 financial year if funding is obtained.

#### Basic Development indicators of the Approach

1. Richtersveld Municipality desired to reach their target to give access to basic infrastructure for all residents in 2014 (housing, water, sanitation, electricity and waste management) that is of nationally acceptable standards but due to cash flow and capital funding constraints this target could not be reached. A new target was set for 2020 to obtain funds to reach our goal.
2. Municipal service delivery will improve each year and the number of complaints from residents will be halved each year. For this to happen people also have to gain a better understanding of how the municipality functions and the problems involved in service delivery.

#### Approach to Achieving the Goals

Focus on developing business plans for the priority projects for 2013/14 that do not have funding.

1. The housing project of 100 R.D.P houses in Nollothville, Port Nolloth will be completed by September 2014 including the electrification of the houses.
2. As mentioned in the previous annual reports the supply of potable water in Kuboes is a priority, the project was completed but during commission of the pipeline it was established that the raw water did not reach the reservoir in Kuboes. After consultation with the engineer it was established that a new booster pump station should be constructed to address the mistake. Procurement for the material are completed and we are awaiting the construction of the new electricity line for the booster pump station that will be constructed by ESCOM.
3. The poor state of the roads and lack of a public transport system in the Richtersveld is a constant problem for residents and businesses in the area. The road from Alexander Bay to Kuboes and Sanddrift is the main route that Trans Hex vehicles utilise daily. The road is also an important thoroughfare for residents of Kuboes and Sanddrift and tourists going to the Richtersveld National Park. Therefore the critical project is the tarring of this road. Negotiations are underway for the past 5 years with Trans Hex and Province in this regard. The Department of Public Works in partnership with Alexkor Mine and Transhex are currently re-gravelling the road which is about 50% completed. A public transport system also needs to be developed and in the future the other dirt roads will need resurfacing.
4. Waste management is a major area of concern within the Municipal area. Very few of the towns have proper landfill sites and there are high incidents of informal dumping. A project has been designed that will firstly deal with the supply of proper infrastructure for waste management and then promoting small businesses that can be involved with recycling and waste removal. In the 2013/14 financial year, we registered MIG projects for

waste disposal sites for Kuboes, Lekkersing, Port Nolloth and Eksteenfontein but the funding from MIG are limited and we have other categorized projects thus Richtersveld Municipality must look at other avenues to obtain these funds.

5. The regular maintenance of Streetlights is needed in all the settlements. We had several discussions with Escom but only promises for maintenance were made.

T3.1.0

### 3.1. WATER PROVISION

#### INTRODUCTION TO WATER PROVISION

##### Port Nolloth

Richtersveld Municipality still has the challenge in Port Nolloth where the demand for water is increasing and the municipality cannot deliver. The feasibility study and WCWDM plan are completed but the Department of Water Affairs still wants the municipality to either co-fund the project or find another funder to co-fund the project.

##### Lekkersing

In Lekkersing we are also experiencing a shortage of water as the water resources within the town are limited to only two (2) boreholes. The exiting boreholes in Lekkersing are exhausted and new water resources must be looked at, our IDP section has identified this in the reviewed IDP and thus the feasibility studies will commence when funding is acquired. A study must be done to investigate if any other resources in the area are available.

##### Sanddrift

Maintenance is done as required. Maintenance is minimal due to the infrastructure being relatively new but after an investigation it was found that the old reservoir has structural problems. The water demand is however met as Transhex Mining Group is the water service provider for Sanddrift.

T3.1.1

COMMENT ON WATER USE BY SECTOR:

DESALINATION PLANT

The feasibility study for the desalination plant in Port Nolloth was approved and thus the construction for the plant is approved but Richtersveld Municipality still has the challenge of co-funding, the Department of Water Affairs still wants the municipality to either co-fund the project or find another funder to co-fund the project. Construction will commence only when the project is 100% funded, the Department of Water Affairs approved the amount of R 30,000,000.00 after the Water Conservation Water Demand Management plan was completed and implemented but Richtersveld Municipality must co-fund + R 13,000,000.00.

T3.1.2.2

#### COMMENT ON WATER SERVICES PERFORMANCE OVERALL:

Our blue drop scores for the 2011 did not improve as the assessors from DWA found that our existing Operation & Maintenance plan was not as required. The procurement process for a new Operation & Maintenance plan has been started for our municipality to comply with the Blue Drop requirements.

A new telemetric system will also be installed in Port Nolloth at the reservoirs to monitor levels to help with water conservation and water demand management. The water demand in Port Nolloth is growing annually and daily we are restricting the quantity of water that is distributed to Port Nolloth. The Water Works department must check the levels of our reservoirs daily to ensure that we have enough water, manpower and overtime is made use to perform this practice. We in the infrastructure department investigated any other practice that we can follow to limit unnecessary manpower/overtime. A new telemetric system which would monitor our reservoirs and other water resources (boreholes) electronically was found to be the best manner to operate. This telemetric system will show the levels of our reservoirs and boreholes and any levels will be send via a telephonic sms. A laptop at the office will also show the levels of our water resources and warn us if there is any distress. Another advantage is that the telemetric system will also open valves at the reservoirs when there is a low/high level. Boreholes will be switched on automatically if the there is a low level at the reservoir and will switch off automatically if there is a high level at the reservoir.

We are currently still having the challenge where our water demand is more than what we as a municipality can provide. The feasibility study for the desalination plant in Port Nolloth was approved and thus the construction for the plant is approved and construction will commence when funds are allocated to the municipality in 2013/2014 financial year by the Department of Affairs.

#### DESALINATION PLANT

The feasibility study for the construction of the desalination plant was approved but only R 11,000,000.00 of the R 30,000,000.00 needed was approved by Department of Water Affairs. R 6,000,000.00 was allocated for the 2012/2013 financial year and the other R 5,000,000.00 was allocated for the 2013/2014 financial year. The Department of Water Affairs motivated that their findings for allocating only 37% of funding applied for is:

1. Our number of indigents in Port Nolloth is only 37% of all the households and if the information is not correct we must correct our indigent register.
2. We have 25% of water loss in Port Nolloth which is more than the prescribed percentage.

With BVi the Consulting Engineers we then decided to follow the next route to obtain more funding:

1. Our indigent register updated as requested by DWA as soon as possible but also using the information from Census 2011 to update it correctly. We must motivate to DWA after our indigent register is updated to obtain more funding.
2. We have identified the area where our water losses occurs namely, Sizamile and hereby after install household water meters to determine where the loss is and conserve water. Zonal water meters will also be installed to determine which areas in Sizamile to concentrate on. A business plan for the above mentioned challenges were submitted to DWA and was approved, the tender will be advertised in August 2012.

After remedying of these challenges and if more funding for the project is obtained via our motivation the funding of the project from DWA will be R 21,000,000.00. R 9,000,000.00 will be the amount the municipality must contribute or other sources of funding must be looked at. This project is of utmost importance due to the growth of the water demand in Port Nolloth. Construction of the freshwater pipeline to Kuboes is completed but the commissioning (testing) is currently in progress. This project will be completed in the 2012/2013 financial year and thus the demand for water will be met. As previously mentioned our Blue Drop Compliance scores are very low but improvements will be seen when the Operation-&-Maintenance Plan is completed.

T3.1. 10

### 3.2 WASTE WATER (SANITATION) PROVISION

#### INTRODUCTION TO SANITATION PROVISION

Port Nolloth – Maintenance is done as and when required but our biggest challenge is the existing Waste Water Treatment Works that is not fully operational. Only two of the seven oxidation ponds are currently functional and during the holiday seasons it tends to overflow which is a health risk. The WWTW is also not fenced and this is also a health and security risk but these challenges are addressed in the feasibility studies of the WWTW that was submitted to Department of Environmental Affairs. Our green drop scores will also improve when these challenges are met and the new Operation & Maintenance plan are in place. The application for funding was also submitted to COGHSTA – MIG for implementation and we are awaiting approval.

Eksteenfontein, Kuboes, Lekkersing & Sanddrift – In these four towns there is no sewer bulk infrastructure only septic drains and V.I.P toilets. Septic tanks are emptied via our “honey suckers” and are dumped in a designated area. Our current challenge is the maintenance of the honey suckers which is done weekly and spare parts or tyres are not always available. We do not have any WWTW and this non-compliance of our O&M plan as well as the feasibility studies conducted. A more detailed description is given under capital projects.

T3.2.1

COMMENT ON SANITATION SERVICES PERFORMANCE OVERALL:

FEASIBILITY STUDIES FOR WASTE WATER TREATMENT WORKS IN THE MUNICIPAL AREA

Consultants were appointed in 2010 to compile business plans for the upgrading and construction of oxidation ponds in all five towns (Port Nolloth, Sanddrift, Kuboes, Lekkersing and Eksteenfontein) in the Municipal Area. The business plans was submitted to the Municipal Infrastructure Grant for funding but it was recommended by them that feasibility studies must firstly done for the construction to be implemented. The feasibility studies started in May 2010 and due to the magnitude of the construction, whereby a cost estimate of R 80,000,000.00 was determined the studies took longer than anticipated.

The feasibility studies are completed and were submitted to Department Environmental Affairs for approval that was done October 2012. Construction of these projects can only commence when the feasibility studies are approved and must also be prioritized as our MIG allocations for the three next financial years are only R 27,358,000.00 and the cost estimates for the projects are R 80,000,000.00. These projects will be implemented over a period of five (5) years which will start from 2015 to 2020.

T3.2.10

3.3 ELECTRICITY

INTRODUCTION TO ELECTRICITY

Port Nolloth

The bulk infrastructure is in a very poor condition and maintenance is done a regular basis. We are currently experiencing problems with the infrastructure to the affect that households are without electricity two/three days. The main substation in Fifth Street needs urgent maintenance as it is the substation that provides electricity for the whole of Port Nolloth. In our operational budget for the 2013/14 financial year funds will be available for this maintenance. But due to cash flow constraints could not be utilized.

Richtersveld Municipality also does not have a qualified electrician and this is a huge concern. The past three years that I have been here we tried to recruit an electrician but to no avail, other options of recruitment must be looked at because of this position of an electrician is very critical.

In Lydia Links Park 83 houses were electrified in the 2013/2014 financial year and the electrification of the other 17 houses will be completed by September 2014.

Eksteenfontein, Kuboes, Lekkersing & Sanddrift

ESKOM provides electricity to these four towns, but the municipality do assist them if any assistance is needed.

T3.3.1

3.4 WASTE MANAGEMENT (THIS SECTION TO INCLUDE: REFUSE COLLECTIONS, WASTE DISPOSAL, STREET CLEANING AND RECYCLING)

INTRODUCTION TO WASTE MANAGEMENT

Removal of refuse is done on weekly basis as set out in our weekly program. Our Solid Waste Disposal Site was upgraded and it boosted the lifespan of the Solid Waste Disposal Site. A new guard house with access gates was constructed. Rehabilitation of the site itself was also done through machines removing the existing waste into a new trench. Feasibility studies for the updating of the SWDS were also done and submitted to Department Environmental Affairs and we are awaiting approval.

Eksteenfontein, Kuboes, Lekkersing & Sanddrift

Removal of refuse is done on weekly basis as set out in our weekly program. Our current challenge is the maintenance of the refuse removal vehicles which is done weekly and spare parts or tires are not always available. Feasibility studies for the updating of the SWDS were also done and submitted to Department Environmental Affairs.

T3.4.1

COMMENT ON WASTE MANGEMENT SERVICE PERFORMANCE OVERALL:

FEASIBILITY STUDIES FOR SOLID WASTE DISPOSAL SITES IN THE MUNICIPAL AREA

Consultants were appointed in 2010 to compile business plans for the upgrading and construction of Solid Waste Disposal Sites in all five towns (Port Nolloth, Sanddrift, Kuboes, Lekkersing and Eksteenfontein) in the municipal area. The business plans were submitted to the Municipal Infrastructure Grant for funding, but it was recommended by them that feasibility studies must firstly be done for the construction to be implemented. The feasibility studies started in May 2010 and due to the magnitude of the construction, whereby a cost estimate of R 20,000,000.00 was determined the studies took longer than anticipated.

The feasibility studies are completed and were submitted to the Department of Environmental Affairs for approval, the approval was done in October 2012. Construction of these projects will commence when the feasibility studies are approved and must also be prioritized as our MIG allocations for the three next financial years are only R 27,358,000.00 and the cost estimates for the projects are R 20,000,000.00. These projects will be implemented over a period of five (5) years which will start from 2015 to 2020.

T3.4.10

INTRODUCTION TO HOUSING

Formalization and Upgrading of informal settlements is an urgent need in the Richtersveld. Informal settlements consist mostly of backyard dwellings in Port Nolloth. Rural towns still have informal houses, Rectification of 300 houses throughout the Richtersveld: Business plans had been submitted to COGHSTA.

BUSINESS PLANS SUBMITTED

Sanddrift	140 servicing of plots
Sanddrift	50 infill sites
Lydia Links Port Nolloth	100 construction of RDP houses
Kuboes	48 construction of RDP houses
Eksteenfontein	30 construction of RDP houses
Lekkersing	39 construction of RDP houses

1. The demand for housing in the Richtersveld towns became critical, especially in Sanddrift where people have started a squatter camp on serviced sites, in unhygienic circumstances. It is therefore recommended that we postpone the business plan for Sanddrift 140 and that a business plan be submitted to apply for 50 additional infill houses to be built in Sanddrift as to eliminate the influx and growing of a squatter camp. The construction of 50 houses is currently underway.
2. The demand for the rest of the Richtersveld amounts to 127 houses in the Lekkersing, Eksteenfontein and Kuboes area that also need to be addressed as a matter of urgency to eradicate plastic bag shacks and provide decent shelter.
3. Richtersveld has currently no housing official to deal with housing administration issues.

T3.5.1

## COMPONENT B: ROAD TRANSPORT

This component includes: roads; transport; and waste water (storm water drainage).

### 3.6 ROADS

#### INTRODUCTION TO ROADS

##### Port Nolloth

Maintenance of gravel roads is a challenge due to that the municipality does not have a grader. A grader can be obtained by hiring from local service providers. The infrastructure department has started with the process to upgrade the gravel roads by applying for funds. A more detailed description is given under capital projects. Storm water is a challenge in certain areas but two (2) sludge pumps were acquired to assist with the problems.

##### Eksteenfontein

Maintenance of gravel roads is a challenge because there is no grader in Eksteenfontein. Hiring for a grader is also a challenge because it will need to be transported. The Department of Public Works and Roads are doing maintenance on these roads as requested. The infrastructure department has started with the process to upgrade the gravel roads by applying for funds from COGHSTA - MIG and roads will be upgraded in the 2013/2014 financial year. A more detailed description is given under capital projects.

##### Kuboes

Maintenance of gravel roads is a challenge because there is no grader in Kuboes. Hiring for a grader is also a challenge because it will need to be transported. Transhex Mine does sometimes assist with the grading of these roads. The infrastructure department has started with the process to upgrade the gravel roads by applying for funds from COGHSTA - MIG and roads will be upgraded in the 2013/2014 financial year. A more detailed description is given under capital projects.

##### Lekkersing

Maintenance of gravel roads is a challenge because there is no grader in Lekkersing. Hiring for a grader is also a challenge because it will need to be transported. Numerous requests were done to The Department of Public Works and Roads to do maintenance on the roads in Eksteenfontein but to no avail. The infrastructure department has started with the process to upgrade the gravel roads by applying for funds from COGHSTA - MIG and roads will be upgraded in the 2013/2014 financial year. A more detailed description is given under capital projects.

##### Sanddrift

Maintenance of gravel roads is a challenge because there is no grader in Sanddrift. Hiring for a grader is also a challenge because it will need to be transported. Transhex Mine does sometimes assist with the grading of these roads. The infrastructure department has started with the process to upgrade the gravel roads by

applying for funds from COGHSTA - MIG and roads will be upgraded in the 2013/2014 financial year. A more detailed description is given under capital projects.

T3.7.1

COMMENT ON THE PERFORMANCE OF ROADS OVERALL:

PAVING OF GRAVEL ROADS IN MUNICIPAL AREA

The upgrading of 2.2 km gravel roads in Port Nolloth was implemented in the 2012/2013 financial year and was completed by June 2013. This upgrading entailed following works:

1. Preparation of road surface including excavations, importing materials, compacting materials and finishing layer works.
2. Installation of interlocking pavers including 30mm sand bed.
3. Installation of storm water structures to channel water to existing storm water infrastructure.
4. Installation of kerbs.
5. Construction of sidewalks alongside the streets
6. Installation of road signs

The design of the work was according to standards of maximum labour intensive construction methods (EPWP).

**FLEET** - The challenge that we are facing is that our vehicle fleet is not sufficient for service delivery. Due to the distances between towns and service delivery within town more vehicles are needed.

No Fleet Management is in place and it hampers the control measures but we as the senior management of Richtersveld Municipality are considering other resources to fill this gap in the 2013/2014 financial year. Due to the distances between towns and service delivery within town more vehicles are needed to visit the all the towns on a weekly/monthly basis.

T3.7.10

## COMPONENT D: COMMUNITY & SOCIAL SERVICES

This component includes: libraries and archives; museums arts and galleries; community halls; cemeteries and crematoria; child care; aged care; social programmes, theatres.

### 3.52 LIBRARIES; ARCHIEVES; MUSEUMS; GALLERIES; COMMUNITY FACILITIES; OTHER (THEATRES, ZOOS, ETC)

#### INTRODUCTION TO LIBRARIES; ARCHIEVES; MUSEUMS; GALLERIES; COMMUNITY FACILITIES

##### COMMUNITY HALLS

There are community halls in all six towns in the Richtersveld Area for weddings, meetings and other functions.

##### LIBRARIES

There are also libraries in every town for the use of scholars and for the general public with internet facilities. With the assistance of a Library development Fund from the Department Sports Arts and Culture programmes are driven to enhance literacy levels, reading and information distribution.

##### MUSEUMS

There is an existing museum in Port Nolloth as well as Alexander Bay, Eksteenfontein and the community is busy with the establishment of one in Kuboes. However funds remain a challenge to operate these facilities as this is not the core function of the Municipality.

##### SOCIAL PROGRAMMES

The vacancy for a Transformation Officer had been filled as soon as possible. This will enable us to implement our Drug master plan, drive crime prevention programmes, youth and disabled persons programmes as well as attend to women and children's issues.

T3.52.1

Library	Total Membership
Port Nolloth	4113
Sanddrift	497
Kuboes	470
Lekkersing	283
Eksteenfontein	453



We are in the process of seeking extra funding to find new premises for the Library in Kuboes since it is currently hosted in a container. An application for the extension of our Library business plan was forwarded to the Provincial Library services Unit.

T3.52.7

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### 3.53 CHILD CARE; AGED CARE; SOCIAL PROGRAMMES

#### INTRODUCTION TO CHILD CARE; AGED CARE; SOCIAL PROGRAMMES

Child care, age care and social programmes is the Department of Social service, but as a Municipality we try as far as we can to support these initiatives. The Mayor's office assists with funding the different programs such as the VCT Clinics, Hospice, Drop In centre, HIV and Aids as well as Pauper burials.

After recent protests against drug abuse the office of the Mayor will embark on a programme in liaison with different sector departments to implement the National Drug master.

T3.56.1

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### 3.54 BIO-DIVERSITY; LANDSCAPE (INCL. OPEN SPACES); AND OTHER (EG. COASTAL PROTECTION)

#### INTRODUCTION BIO-DIVERSITY AND LANDSCAPE

##### Bio-Diversity

With the assistance of DEAT bio-diversity centres had been opened in all our towns; however, due to lack of funding, it is not really operational.

##### SKEPPIES - RICHTERSVELD BIRDPARK

The Bird Park is currently unmanned for most of the day due to a number of reasons such as lack of resources to appoint permanent office staff and communication facilities. A learnership programme was ran under the leadership and watch of Mr Nicolaas Sigam which was called the "YES Programme - PORT NOLLOTH BIRD PARK"

T3.60.1

## SERVICE STATISTICS FOR BIO-DIVERSITY AND LANDSCAPE

The following activities were undertaken during this period:

### 1. Deliverable 1 = Formal & Informal training

A 4 four weeks Life Skills assignment dealing with personal development topics i.e.

- Leadership
- Gender Equality
- Problem Solving
- RSA Bill of Rights

One fortnightly Environmental Education assignments dealing with basic introduction to Pollution, with a strong focus on the impact of pollution on marine and coastal resources were conducted.

### 2. Deliverable 2 = Establish and/or improve local succulent nursery

We did a lot of improvement and upgrading on the nursery ranging from planting more diverse succulent species, layout new planting plots, extending irrigation pipes, plant local trees species as windbreakers and generally, to keep the area clean. A funding proposal to the value of R2.2 million was developed and submitted to Dept. Environmental Affairs (DEA) for phase 2 of our PN Bird Park Strategic Development Plan.

### **Climate Change**

After experiencing a mini tsunami a few years ago as well as a distinct change in weather patterns and rising sea levels, we realised that all stakeholders need to understand the impact it might have on the Municipality and local communities. A Climate Change Policy had been developed and approved by Council with possible response objectives. On 06 August 2013 some of the Councillors and staff members attended a workshop on Climate Change under the watch of Conservation South Africa (CSA) and South African Local Government Association (SALGA). The aim of the workshop was to look at the importance of climate change and the role and responsibility of municipalities to take it into account the impact thereof in IDP. The workshop looked at methods of mitigation and adaptation on recent change in weather patterns for sustainability.

### **Coastal management**

A councillor and official represent the Municipality on our Coastal committee that seeks the conservation of our marine resources and vulnerable coastline. A coast care project headed by the Department of Environmental affairs and Tourism addresses much of our responsibility to protect our coast and marine resources. Due to a lack of human resources and funding the conservation of our rich bio diversity does not get the required attention.

### **Renewable Energy**

Various renewable projects have been proposed such as wind energy and solar energy. The Kannikwa Vlake wind energy has come to a halt due to mining rights which were also issued at the same area. Furthermore there is no real incentive for these capital intensive projects.

T3.60.2

## COMPONENT F: HEALTH

This component includes: clinics; ambulance services; and health inspections.

### INTRODUCTION TO HEALTH

Health is not a function of the Municipality, but we try to support as far as possible the programs and try to intervene where ever possible. The local clinic in Port Nolloth had been extended and upgraded by the Department of Health to improve their services. Health services in the Municipality are provided by the Provincial Department of Health. The following health facilities are found in the Municipal Area:

- Alexanderbay Hospital
- Port Nolloth Hospital

Provincial Community Health Care facilities are in Kuboes, Sanddrift, Lekkersing, Eksteenfontein and Port Nolloth. Manpower at Community Health Facilities is a source of concern as well as the lack of emergency services staff/paramedics. A new health care facility (hospital) is currently planned for Port Nolloth whereby the bulk earthworks have been completed..

T.62.0

### 3.61 AMBULANCE SERVICES

#### INTRODUCTION TO AMBULANCE SERVICES

**Ambulance services is rendered by the EMS and is not a function of Municipality.**

T3.63.1

### 3.62 HEALTH INSPECTION; FOOD AND ABBATOIR LICENSING AND INSPECTION; ETC

#### INTRODUCTION TO HEALTH INSPECTIONS; FOOD AND ABATTOIR LICENCING AND INSPECTIONS, ETC

Municipal Health services is a fundamental public health service, which focus and affects the wellbeing of the whole population. It applies preventative health practices to sustain healthy communities and reduce illnesses associated with environmental factors.

Door to door awareness is conducted on a regular basis across various communities in the Richtersveld, with the ultimate goal to eliminate and mitigate health related issues/challenges.

#### Food premises

Regular monitoring of food premises is conducted to ensure compliance to relevant legislation and standards. Shortcomings are communicated to business owners and some of the residential businesses do not comply

with regulations in most aspects. Evaluation of food premises is conducted on a regular basis; in order to enforce relevant legislation i.e. regulation 962 and Certificates of Acceptability are issued to complying business owners. Health and hygiene education is regularly conducted at the restaurants and shops to promote provisions of health standards.

T3.64.1

SERVICE STATISTICS FOR HEALTH INSPECTION, Etc.

Towns	Food Premises Reached
Port Nolloth	24
Eksteenfontein	5
Lekkersing	2
Kuboes	2
Sandrift	4
Beuvallon	0
Alexanderbaai	3

T3.64.2

Project/Awareness	Targets	Targets Reached
Education on personal health and hygiene in the Richtersveld area.	400	386
Educate communities in the prevention and treatment of communicable diseases.	400	408
Education on safe sanitation and waste management in the Richtersveld area.	92	153
Education on general hygiene and climate change	92	106

COMMENT ON THE PERFORMANCE OF HEALTH INSPECTIONS, etc. OVERALL:

Project implementation

Various Environmental Health projects and awareness campaigns which focus on Municipal Health functions were executed in different municipal areas during the past year.

Objectives

- To improve the status of the environment in order to reduce health risks for various communities in the Richtersveld.
- To bring about a visible change in waste management, hygiene conditions and health standards.
- To improve waste management practices, general hygiene and change people's attitude towards waste management practices and general hygiene.

T3.64.7

## COMPONENT G: SECURITY AND SAFETY

This component includes: police; fire; disaster management, licensing and control of animals, and control of public nuisances, etc.

### INTRODUCTION TO SECURITY & SAFETY

The Municipality struggles with the implementation of Law Enforcement and lean heavily on the SAPS to assist in some cases. We envisage to incorporate a Law Enforcement Officer in the organogram for the 2014/2015 Financial Year and to budget accordingly.

T3.65.0

### 3.63 FIRE

### INTRODUCTION TO FIRE SERVICES

No formal fire services are available. The Municipality has trained staff who deal with fire services on an adhoc basis. Lack of Equipment is also a huge concern and we are mainly dependant on the District Municipality to assist with Disaster Management.

T3.66.1

### 3.64 OTHER (DISASTER MANAGEMENT, ANIMAL LICENCING AND CONTROL, CONTROL OF PUBLIC NUISANCES AND OTHER)

#### INTRODUCTION TO DISASTER MANAGEMENT, ANIMAL LICENCING AND CONTROL, CONTROL OF PUBLIC NUISANCES, ETC

##### **Functional Disaster Management Centre**

Richtersveld Municipality does not have a functional disaster management centre. Disaster management, although very challenging, has improved and Richtersveld Municipality has implemented a computerised safety tracking system for all its fisher folk to assist in the event of distress whilst at sea.

Currently the Richtersveld Municipality is supported by the Namakwa District municipality and a Disaster Management Forum is established at a district level.

Richtersveld Municipality have an adopted disaster management plan but lacks resources for implementation such as fire station, trained staff and other equipment to prompt response. The Disaster management centre at a district level is functional. A disaster management framework is in place. Some of the disaster management plans are finalised, but needs to be reviewed as we are confronted by new challenges such as climate change resulting in tsunamis and natural disasters such as droughts.

T3.67.1

## COMPONENT H: SPORT AND RECREATION

This component includes: community parks; sports fields; sports halls; stadiums; swimming pools; and camp sites.

#### INTRODUCTION TO SPORT AND RECREATION

##### SPORT FACILITIES

Due to insufficient funding the implementation for the construction of new sport facilities in Port Nolloth were to be done in phases. Phase 1 of the construction for the new sport facilities was completed in 2009, the 2nd Phase of construction started in June 2012 and will be completed in January 2013. Maintenance is very low hence to the fact that the infrastructure of the sport facilities is relatively new. The challenge that we as the municipality have is that funding allocated for the sport facilities is not sufficient to complete these facilities hundred percent (100%).

##### CARAVAN PARK

The caravan park of the municipality is a tourist attraction, upgrading is needed but funding is also a challenge, the maintenance budget is very low and infrastructure such as fencing, new braai facilities and upgrading of the ablution blocks. Business plans must be compiled to apply for funding at the relevant resources.

COMMUNITY PARKS

Our community parks are being maintained on a daily basis but there is also a budget constraint due to a low Operation-&-Maintenance budget. Fencing is of a great necessity and business plans must be compiled to apply for funding at the relevant resources.

T3.68.0

COMMENT ON THE PERFORMANCE OF SPORT AND RECREATION OVERALL:

SPORT FACILITIES

Business plans for the newly existing sport facilities was compiled in 2005 and submitted to MIG (COGHSTA), and only a portion of funding was granted that were requested in the business plan, thus the implementation were to be done in phases. Phase two (2) is currently under construction but the funds are also limited, a new business plan must be drafted as construction cost escalated severely over the past five (5) years.

T3.68.6

INTRODUCTION TO HUMAN RESOURCE SERVICES

EMPLOYMENT EQUITY

The employment equity plan was submitted to the Department of Labour. The Employment Equity Report that must be submitted on a two-year basis, was submitted to:

Employment Equity Registry  
The Department of Labour  
Private Bag X117  
PRETORIA  
0001

SKILLS DEVELOPMENT

It is crucial that the Municipality should try to develop the skills of both councillors and personnel. The Workplace Skills Plan (WSP) was compiled and approved by Council. The WSP was also submitted to LGSETA. The Municipality must however in terms of the Skills Development Act do its utmost best to comply with this competency.

PERFORMANCE MANAGEMENT

Performance Management Contracts are being signed between the Managers and the Municipal Manager/ Mayor.

T3.71.1

SERVICE STATISTICS FOR HUMAN RESOURCE SERVICES

Report on the total number of employees (including employees with disabilities) in each of the occupational categories

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top Management	0	1	0	0	0	1	0	0	0	0	2
Senior Management	0	2	0	0	0	1	0	0	0	0	3
Professionally qualified and experienced specialists and mid-management	0	3	0	0	0	1	0	0	0	0	4
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	0	3	0	1	3	14	0	3	0	0	24
Semi-skilled and discretionary decision making	1	26	0	0	4	17	0	0	0	0	46
Unskilled and defined decision making	7	26	0	0	4	9	0	0	0	0	46
<b>TOTAL PERMANENT</b>	8	61	0	1	9	43	0	3	0	0	125
Temporary employees	1	10	0	0	2	9	0	0	0	0	22
<b>GRAND TOTAL</b>	9	71	0	1	11	52	0	3	0	0	147

T3.71.2

### 3.72 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

This component includes: Information and Communication Technology (ICT) services.

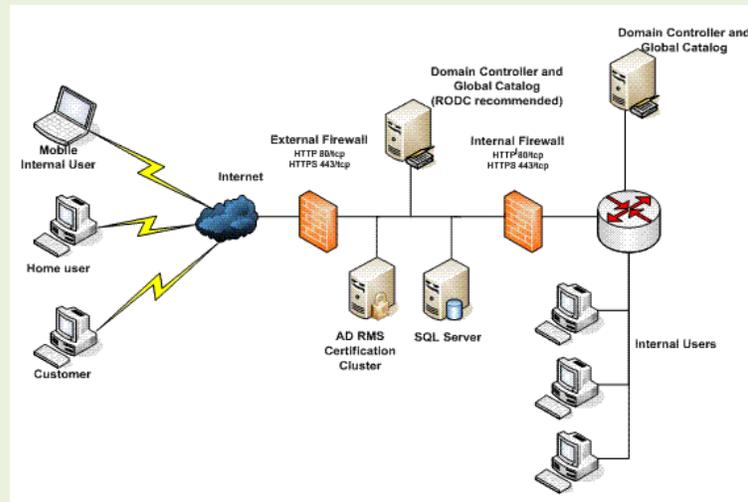
#### INTRODUCTION TO INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

Maintenance of the network and software support is done on a daily basis. Training to end users is done as and when required. An outstanding challenge is the management of ICT assets that will be addressed before the end of the financial year.

The determination of IT requirements is also done regularly. The following IT policies had been reviewed and approved by council.

1. Information Technology
2. Risk Register Policy
3. Firewall Policy
4. Patch Management Policy
5. Database Policy
6. Environmental Policy
7. Network Operations Policy
8. Disaster Recovery Plan Policy
9. Systems Acquisition Policy
10. Physical Access to IT environment Policy

SALGA assisted us with the development of an IT Security policy.

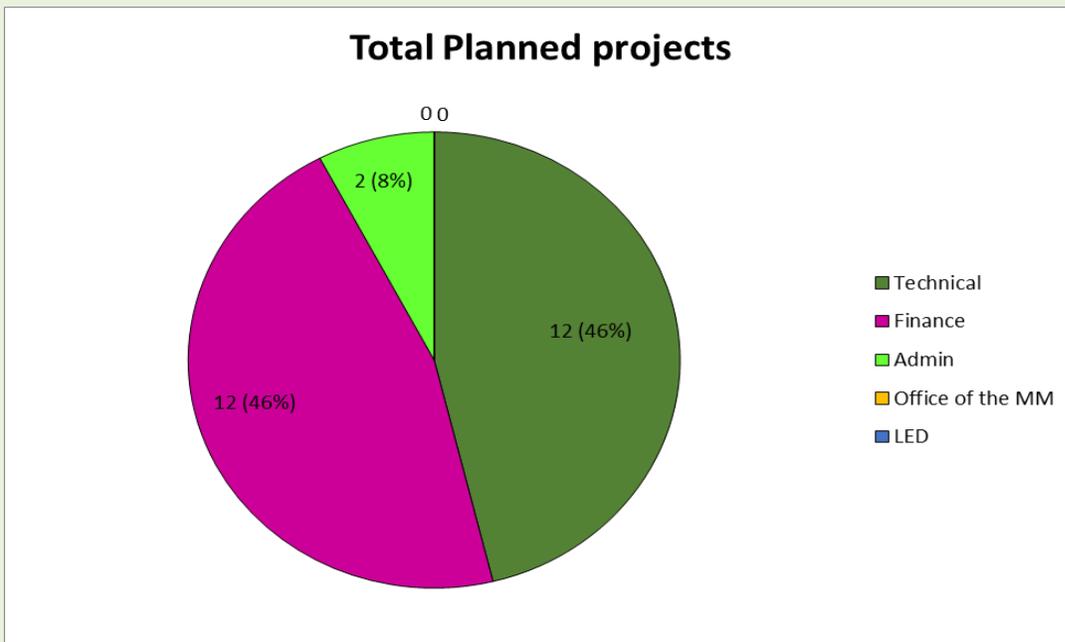


T3.72.1

**COMPONENT K: ORGANISATIONAL PERFORMANCE SCORECARD**

Annual Organisational Performance Information.

Department	Total Planned projects
Technical	12
Finance	12
Admin	2
Office of the MM	0
LED	0
<b>TOTAL</b>	<b>26</b>



Achieved	To be implemented	Not achieved	Not approved	TOTAL
0	7	0	5	12
6	6	0	0	12
0	0	2	0	2
0	0	0	0	0
0	0	0	0	0
<b>6</b>	<b>13</b>	<b>2</b>	<b>5</b>	<b>26</b>

FIND ATTACHED SECTION 46 ANNUAL PERFORMANCE REPORT (VOLUME IV)

## CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE

### (PERFORMANCE REPORT PART II)

#### COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

##### 4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

The following vacancies still need to be filled e.g.: Housing Officer, Electrician, and Human Resource Manager. The following vacancies have been advertised and will be filled:

- Administration Clerk
- General Worker
- Driver in Port Nolloth
- Driver in Kuboes
- Driver in Lekkersing

However financial constraints and the inability to attract delay the appointment of the most critical posts.

Vacancy Rate: Year 1			
Designations	*Total Approved Posts No.	*Vacancies (Total time that vacancies exist using fulltime equivalents) No.	*Vacancies (as a proportion of total posts in each category) %
Municipal Manager	1	0	
CFO	1	1	
Other S57 Managers (excluding Finance Posts)	3	1	
Other S57 Managers (Finance posts)			
Police officers			
Fire fighters			
Senior management: Levels 13-15 (excluding Finance Posts)	0	0	
Senior management: Levels 13-15 (Finance posts)	0	0	
Highly skilled supervision: levels 9-12 (excluding Finance posts)	0	0	
Highly skilled supervision: levels 9-12 (Finance posts)	0	0	
<b>Total</b>	<b>5</b>	<b>2</b>	<b>40,00</b>
<i>Note: *For posts which are established and funded in the approved budget or adjustments budget (where changes in employee provision have been made). Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.</i>			T4.1.2

4.2 POLICIES

HR Policies and Plans				
	Name of Policy	Completed	Reviewed	Date adopted by council or comment on failure to adopt
		%	%	
1	Affirmative Action	100%		09/12/2013
2	Attraction and Retention	100%		09/12/2013
3	Code of Conduct for employees	100%		09/12/2013
4	Delegations, Authorisation & Responsibility	100%		09/12/2013
5	Disciplinary Code and Procedures	100%		09/12/2013
6	Essential Services			No policy, but using the LRA
7	Employee Assistance / Wellness	100%		
8	Employment Equity	100%		09/12/2013
9	Exit Management	100%		09/12/2013
10	Grievance Procedures	100%		09/12/2013
11	HIV/Aids	100%		09/12/2013
12	Human Resource and Development	100%		09/12/2013
13	Information Technology	100%		09/12/2013
14	Job Evaluation			09/12/2013
15	Leave	50%		09/12/2013
16	Occupational Health and Safety	100%		09/12/2013
17	Official Housing	100%		09/12/2013
18	Official Journeys	0%		09/12/2013
19	Official transport to attend Funerals	0%		
20	Official Working Hours and Overtime	50%		09/12/2013
21	Organisational Rights			Collective Agreement SALGBC
22	Payroll Deductions	0%		
23	Performance Management and Development	0%		
24	Recruitment, Selection and Appointments	100%		09/12/2013
25	Remuneration Scales and Allowances	0%		09/12/2013
26	Resettlement	0%		
27	Sexual Harassment	100%		09/12/2013
28	Skills Development	100%		09/12/2013
29	Smoking	100%		09/12/2013
30	Special Skills	0%		
31	Work Organisation	0%		
32	Uniforms and Protective Clothing	100%		09/12/2013
33	Other:			
Use name of local policies if different from above and at any other HR policies not listed.				

T4.2.1

**COMMENT ON WORKFORCE POLICY DEVELOPMENT:**

The following HR policies have been reviewed and developed:

- ✚ Attendance and Punctuality
- ✚ Employment Practice
- ✚ Incapacity due to Health/Injury
- ✚ Incapacity due to Poor Work Performance
- ✚ Internal Bursary
- ✚ Employees under the Influence of Intoxicating Substances
- ✚ Legal Aid
- ✚ Private Work and Declarations of interest\
- ✚ Relocation
- ✚ Sexual Harassment
- ✚ Smoking
- ✚ Succession Planning
- ✚ Training and Development
- ✚ Transport Allowance
- ✚ Whistle Blowing
- ✚ HIV Policy
- ✚ Guidelines in good practice and recruitment and selection
- ✚ Placement Policy

T4.2.1.1

**4.3 INJURIES, SICKNESS AND SUSPENSIONS**

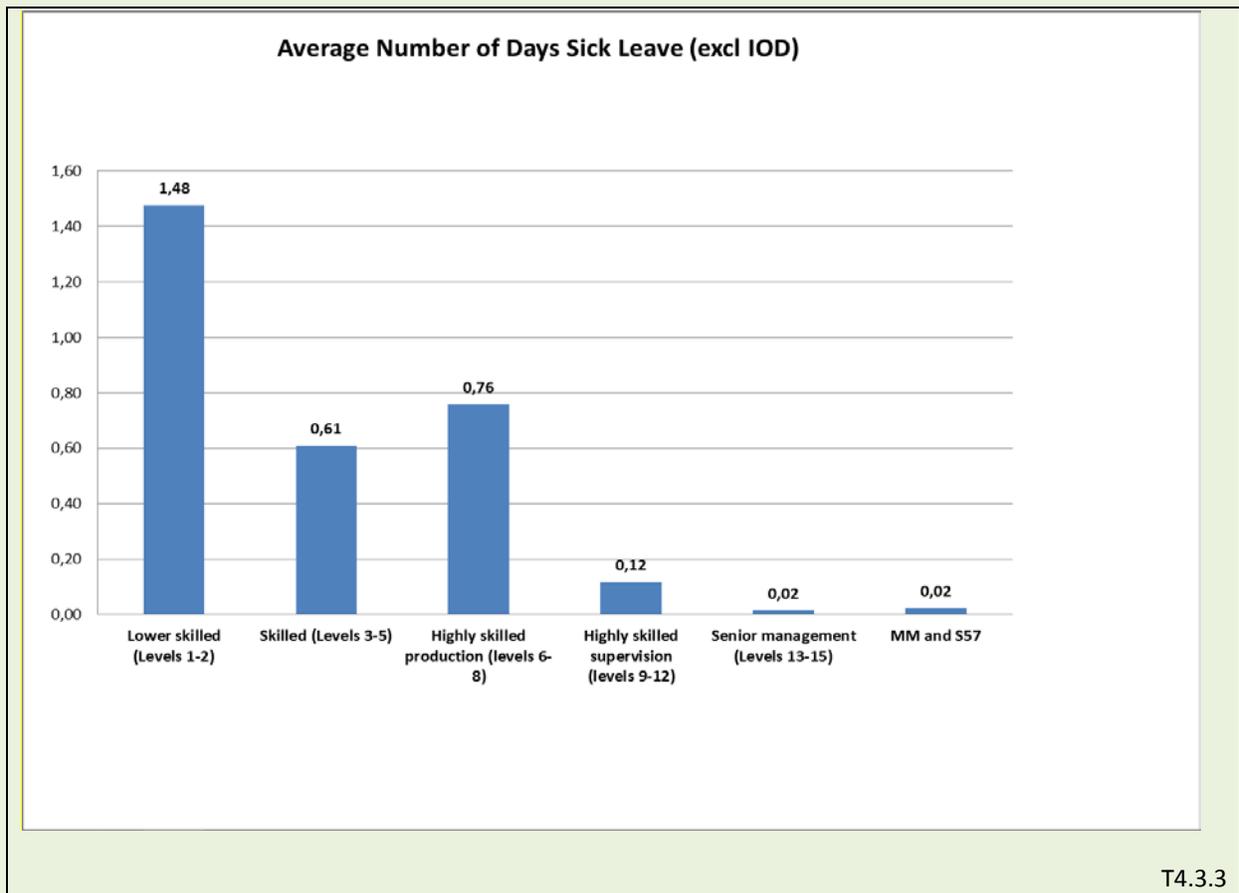
<b>Number and Cost of Injuries on Duty</b>					
<b>Type of injury</b>	<b>Injury Leave Taken</b>	<b>Employees using injury leave</b>	<b>Proportion employees using sick leave</b>	<b>Average Injury Leave per employee</b>	<b>Total Estimated Cost</b>
	<b>Days</b>	<b>No.</b>	<b>%</b>	<b>Days</b>	<b>R'000</b>
Required basic medical attention only	60	5	8.33%	12	60
Temporary total disablement					
Permanent disablement					
Fatal					
<b>Total</b>	<b>60</b>	<b>5</b>	<b>8.33%</b>	<b>12</b>	<b>60</b>

T4.3.1

Number of days and Cost of Sick Leave (excluding injuries on duty)						
Salary band	Total sick leave	Proportion of sick leave without medical certification	Employees using sick leave	Total employees in post*	*Average sick leave per Employees	Estimated cost
	Days	%	No.	No.	Days	R' 000
Lower skilled (Levels 1-2)	189	30%	33	46	1,48	
Skilled (Levels 3-5)	78	20%	18	46	0,61	
Highly skilled production (levels 6-8)	97	20%	15	24	0,76	
Highly skilled supervision (levels 9-12)	15	0%	2	7	0,12	
Senior management (Levels 13-15)	2	10%	1	3	0,02	
MM and S57	3	0%	2	2	0,02	
<b>Total</b>	<b>384</b>	<b>13%</b>	<b>71</b>	<b>128</b>	<b>3,00</b>	<b>0</b>

\* - Number of employees in post at the beginning of the year  
 \*Average is calculated by taking sick leave in column 2 divided by total employees in column 5

T4.3.2



T4.3.3

4.4 SKILLS DEVELOPMENT AND TRAINING

Skills Matrix														
Management level	Gender	Employees in post as at 30 June Year 1	Number of skilled employees required and actual as at 30 June Year 1											
			Learnerships			Skills programmes & other short courses			Other forms of training			Total		
			No.	Actual : End of Year 0	Actual : End of Year 1	Target	Actual : End of Year 0	Actual : End of Year 1	Target	Actual: End of Year 0	Actual: End of Year 1	Target	Actual: End of Year 0	Actual: End of Year 1
MM and s57	Female	2								2	1		2	1
	Male	3								3	2		3	2
Councilors, senior officials and managers	Female	2									0			
	Male	6									0			
Technicians and associate professionals *	Female										0			
	Male										0			
Professionals	Female	1								1	1		1	1
	Male	3									0			
Sub total	Female	5								3	0		3	2
	Male	12								3	0		3	2
<b>Total</b>		<b>17</b>		<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>		<b>6</b>	<b>0</b>		<b>6</b>	<b>4</b>

\*Registered with professional Associate Body e.g CA (SA)

T4.5.1

Financial Competency Development: Progress Report*						
Description	A. Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	B. Total number of officials employed by municipal entities (Regulation 14(4)(a) and (c))	Consolidated: Total of A and B	Consolidated: Competency assessments completed for A and B (Regulation 14(4)(b) and (d))	Consolidated: Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Consolidated: Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
<b>Financial Officials</b>						
Accounting officer	1	0	1	0	0	0
Chief financial officer	1	0	1	0	0	0
Senior managers	1	0	1	0	0	1
Any other financial officials	20	0	20	1	0	7
<b>Supply Chain Management Officials</b>						
Heads of supply chain management units	0	0	0	0	0	0
Supply chain management senior managers	0	0	0	0	0	0
<b>TOTAL</b>	<b>23</b>	<b>0</b>	<b>23</b>	<b>1</b>	<b>0</b>	<b>8</b>

\* This is a statutory report under the National Treasury: Local Government: MFMA Competency Regulations (June 2007)

T4.5.2

Skills Development Expenditure										R'000	
Management level	Gender	Employees as at the beginning of the financial year	Original Budget and Actual Expenditure on skills development Year 1								
			Learnerships		Skills programmes & other short courses		Other forms of training		Total		
			No.	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual
MM and S57	Female							10	20	10	20
	Male							20	25	20	25
Legislators, senior officials and managers	Female										
	Male										
Professionals	Female										
	Male										
Technicians and associate professionals	Female										
	Male										
Clerks	Female										
	Male										
Service and sales workers	Female										
	Male										
Plant and machine operators and assemblers	Female										
	Male										
Elementary occupations	Female										
	Male										
Sub total	Female							10	20	10	20
	Male							20	25	20	25
<b>Total</b>		0	0	0	0	0	0	30	45	30	45
<b>*% and *R value of municipal salaries (original budget) allocated for workplace skills plan.</b>										<b>%* *R</b>	

T4.5.3

### INTRODUCTION

Chapter 5 contains information regarding financial performance and highlights specific accomplishments. The chapter comprises of three components:

- Component A: Statement of Financial Performance
- Component B: Spending Against Capital Budget
- Component C: Other Financial Matters

The application of sound financial management principles in Richtersveld Municipality's is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities within the Richtersveld Municipal Jurisdiction. In 2013/14 the financial department experienced lots of challenges with regards to the short-term cash-flow in the municipality which directly influenced the statement of financial performance as expenditure had to be managed. During the compilation of the 2013/14 Annual budget the expected surplus on operations were R 222 000.00. Due to changes in the economic climate, the budget had to be revised during the Mid-year budget assessment. During the 2013/14 mid-year municipality's business and service delivery priorities were reviewed as part of shifting budget in different votes. Where appropriate, funds were transferred from low- to high-priority programs so as to maintain sound financial stewardship.

The credit control and debt collection was neglected in the past and as from 01 April 2014, the Accountant implemented stronger credit control and debt collection measure which at stage still is not enough. From the statement of financial performance in the Annual Financial Statements it can be seen that most of the actual services charges were less than budgeted for. The municipality's officials and council must embarked on implementing a range of revenue collection mechanisms to optimize the collection of debt owed by consumers.

The main challenges experienced during the 2013/14 financial year can be summarized as follows:

The ongoing difficulties in the national and local economy;

- Aging and poorly maintained water, roads and electricity infrastructure;
- The need to reprioritize projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The under and over budgeted figures for expenditure has led to overspending of votes in the first half the financial year.
- Due to poor credit control we have not receive the income expected in the first three quarters of the financial year.

T5.0.1

## COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

### INTRODUCTION TO FINANCIAL STATEMENTS

Note: Statements of Revenue Collection Performance by vote and by source are included at **Appendix K**.

This component provides an overview of the financial performance of the municipality and focuses on the financial health of the Richtersveld Municipality. In terms of the financial performance it can be seen that the municipality collected lesser revenue than anticipated. The Actual service charges is 38.28% less than what was budgeted for in Annual Budget and 33.07% less than the original budget.

In terms of the operational expenditure it can be noted that the municipality managed to keep well within its budgetary limits to try and minimise any unauthorised expenditure. At financial year end Richtersveld Municipality's audited financial statements indicated a deficit of R 598 000.00 with regards to operational performance. These annual financial statements have been prepared on a going concern basis

In terms of capital expenditure the municipality had under expenditure in relation to the capital budget. The total capital expenditure was R 5265 000. In relation to the budgeted amount of R 19 917 000.00. Due to unforeseen circumstances some projects like the construction of desalination plant could not be implemented. The total budgeted capital expenditure for this project was R 7000 000.00. It is expected that this project will not be implemented in the next financial year as well due to negotiations in terms of the funding ratio.

In terms of the cash flow statement the municipality indicated cash and cash equivalent at financial year end of R 6 577 000.00

T5.1.0

5.1 STATEMENTS OF FINANCIAL PERFORMANCE

Financial Summary							R' 000
Description	Year 0	Current Year: Year 1		Year 1 Variance			
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget	
<b>Financial Performance</b>							
Property rates		9056	8714	6549	-38,28	-33,07	
Service charges		19422	19420	18011	-7,84	-7,82	
Investment revenue		744	348	360	-106,95	3,15	
Transfers recognised - operational		14592	14763	27161	46,28	45,65	
Other own revenue		5738	5360	5962	3,74	10,10	
<b>Total Revenue (excluding capital transfers and contributions)</b>	-	49552	48605	58043	14,63	16,26	
Employee costs		17208	17368	17143	-0,38	-1,31	
Remuneration of councillors		2123	2040	1970	-7,74	-3,54	
Depreciation & asset impairment		2476	5054	4530	45,34	-11,57	
Finance charges		346	214	947	63,41	77,41	
Materials and bulk purchases		9146	9884	9421	2,91	-4,92	
Transfers and grants		18567	32216	0			
Other expenditure		17586	11401	30403	42,16	62,50	
<b>Total Expenditure</b>	-	67452	78177	64414	-4,72	-21,37	
<b>Surplus/(Deficit)</b>	-	-17900	-29572	-6371	-180,92	-364,13	
Transfers recognised - capital		18120	24312	5533	-227,48	-339,38	
Contributions recognised - capital & contributed assets		0	0	240	100,00	100,00	
<b>contributions</b>	-	222	-5260	-598	137,08	-779,90	
Share of surplus/ (deficit) of associate		0	0	0			
<b>Surplus/(Deficit) for the year</b>	-	222	-5260	-598	137,08	-779,90	
<b>Capital expenditure &amp; funds sources</b>							
<b>Capital expenditure</b>	-	0	0	0			
Transfers recognised - capital	-	19917	981	5265	-278,29	81,37	
Public contributions & donations		0	28558	0	0,00	0,00	
Borrowing		0	5	0	0,00	0,00	
Internally generated funds		0	0	479	100,00	0,00	
<b>Total sources of capital funds</b>	-	19917	982	5745	-246,71	82,91	
<b>Financial position</b>							
Total current assets	-	21397	14207	8601	-148,76	-65,17	
Total non current assets	-	153311	164142	158509	3,28	-3,55	
Total current liabilities	-	19085	19242	11883	-60,61	-61,93	
Total non current liabilities	-	13017	10935	10536	-23,54	-3,78	
Community wealth/Equity	-	142606	0	144691	1,44	100,00	

<b>Cash flows</b>						
Net cash from (used) operating	-	3254	-7103	5007	35,01	241,86
Net cash from (used) investing	-	-1150	715	-7333	84,32	109,75
Net cash from (used) financing	-	-1482	7168	-1495	0,86	579,60
<b>Cash/cash equivalents at the year end</b>	-	0	0	6577	100,00	100,00
<b>Cash backing/surplus reconciliation</b>						
Cash and investments available	-	16403	602	0	0,00	0,00
Application of cash and investments	-	1007	20668	0	0,00	0,00
<b>Balance - surplus (shortfall)</b>	-	15397	20065	0	0,00	0,00
<b>Asset management</b>						
Asset register summary (WDV)	-	38332	41149	110409	65,28	62,73
Depreciation & asset impairment	-	2476	5054	4449	44,35	-13,59
Renewal of Existing Assets	-	0	2026	0	0,00	0,00
Repairs and Maintenance	-	2025	2026	1300	-55,72	-55,81
<b>Free services</b>						
Cost of Free Basic Services provided	-	2036	247	0	0,00	0,00
Revenue cost of free services provided	-	3899	194	0	0,00	0,00
<b>Households below minimum service level</b>						
Water:	-	0	0	0	0,00	0,00
Sanitation/sewerage:	-	0	99	0	0,00	0,00
Energy:	-	0	0	0	0,00	0,00
Refuse:	-	0	0	0	0,00	0,00
<i>Variiances are calculated by dividing the difference between actual and original/adjustments budget by the actual. This table is aligned to MBRR table A1</i>						T5.1.1

Financial Performance of Operational Services							R '000
Description-Richtersveld Municipality	Year 0	Year 1			Year 1 Variance		
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget	
<b>Operating Cost</b>							
Water	5 069	13 228	12 527	4 657	-184.03%	-168.96%	
Waste Water (Sanitation)	1 604	5 361	15 304	2 111	-153.92%	-624.89%	
Electricity	10 951	10 878	12 567	10 089	-7.83%	-24.57%	
Waste Management	1 620	813	1 397	1 780	54.34%	21.50%	
Housing	14	40	8 169	9 034	99.55%	9.57%	
Component A: sub-total	1 865	1 622	1 865	1 510	-7.41%	-23.46%	
Waste Water (Stormwater Drainage)	-	-	-	-	0.00%	0.00%	
Roads	9 958	171	187	4 765	96.40%	96.07%	
Transport	-	-	-	-	0.00%	0.00%	
Component B: sub-total	8 455	8 455	8 624	9 554	11.50%	9.73%	
Planning	-	-	-	-	0.00%	0.00%	
Local Economic Development	-	-	-	-	0.00%	0.00%	
Component B: sub-total	6 846	6 230	7 256	6 640	6.19%	-9.28%	
Planning (Strategic & Regulatory)	-	-	-	-	0.00%	0.00%	
Local Economic Development	-	-	-	-	0.00%	0.00%	
Component C: sub-total	48 542	40 776	48 542	46 115	11.58%	-5.26%	
Community & Social Services	1 501	751	1 549	10 374	92.76%	85.07%	
Environmental Protection	-	-	-	-	0.00%	0.00%	
Health	61	-	107	61	100.00%	-76.39%	
Security and Safety	-	-	-	-	0.00%	0.00%	
Sport and Recreation	2 266	2 764	2 504	2 788	0.86%	10.17%	
Corporate Policy Offices and Other	-	-	-	-	0.00%	0.00%	
Component D: sub-total	3 827	3 515	4 160	13 223	73.42%	68.54%	
<b>Total Expenditure</b>	<b>96 423</b>	<b>88 325</b>	<b>117 987</b>	<b>106 631</b>	<b>17.17%</b>	<b>-10.65%</b>	
In this table operational income (but not levies or tariffs) is offset against operational expenditure leaving a net operational expenditure total for each service as shown in the individual net service expenditure tables in chapter 3. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.						T5.1.2	

5.2 GRANTS

Grant Performance						
R' 000						
Description-Richtersveld	Year 0	Year 1			Year 1 Variance	
	Actual	Budget	Adjustments Budget	Actual	Original Budget (%)	Adjustments Budget (%)
<b>Operating Transfers and Grants</b>						
<b>National Government:</b>	-	14 878	13 868	14 457		
Equitable share	-	12 338	11 328	12 338	100.00%	108.00%
Municipal Systems Improvement	-	890	890	518	72.00%	72.00%
Department of Water Affairs	-	-	-	-	0.00%	0.00%
Levy replacement	-	-	-	-	0.00%	0.00%
Finance Mangement Grant		1 650	1 650	1 601	97.00%	97.00%
<b>Provincial Government:</b>	-	9 826	9 826	10 327		
Health subsidy	-	-	-	-	0.00%	0.00%
Housing	-	8 120	8 120	8 960	109.00%	109.00%
Ambulance subsidy	-	-	-	-	0.00%	0.00%
Sports and Recreation	-	706	706	713	105.00%	105.00%
Expanded Public Works		1 000	1 000	654	65.44%	65.44%
<b>District Municipality:</b>	-	-	375	574		
<i>Namakwa District Municipality</i>		-	375	574	%	0
<b>Other grant providers:</b>	-	-	5	-		
<i>Public Donation</i>		-	5	-	0.00%	0
<b>Total Operating Transfers and Grants</b>	-	24 704	24 074	25 359		
<i>Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.</i>						T5.2.1

#### COMMENT ON OPERATING TRANSFERS AND GRANTS:

For the 2013/14 financial year the expected operating grants and transfer were R 24 704 000.00. However due to under spending in the 2010/11 financial year National Treasury off-sated an amount of R 1 010 000.00 in respect of the Equitable Share Grant which caused that the amount had to be revised in the adjustment budget to R 11 328 000.00. This caused that an over expenditure in respect of the grant which was as a result of operational needs which directly affects service delivery.

With regards to the Municipal Systems Improvement Grant (MSIG) the municipality have spent lesser than the allocation. Due to revision of the MSIG Activity Plan it caused late advertisement of the Socio-Economic Database tender and appointment. A roll-over request was done to National Treasury which was approved for the amount of R 372 000.00. The difference will be funded through an Alexkor Social Labour Plan Project.

It is commendable as the municipality spent almost 100% of its Finance Management Grant allocation for the 2013/14 financial year. However there is still major challenges within the finance department that need to be addressed in the upcoming financial year in terms of capacity building. The municipality underspend on the Expanded Public Works Programme which was from the result of challenged experienced by the contractor who was responsible for the upgrading of the road and storm water infrastructure in Eksteenfontein.

T5.2.2

#### COMMENT ON CONDITIONAL GRANTS AND GRANT RECEIVED FROM OTHER SOURCES:

No additional grant benefits was received by Richtersveld Municipality, except for the Social and Labour Plan Projects that are funded by De Beers and Alexkor.

T5.2.3

### 5.3 ASSET MANAGEMENT

#### INTRODUCTION TO ASSET MANAGEMENT

The utilization and management of property, plant and equipment, investment property, intangible assets and agricultural assets is the prime mechanism by which the Municipality can fulfil its constitutional mandates for:

- Delivery of sustainable services;
- Social and economic development;
- Promoting safe and healthy environments; and
- Fulfilling the basic needs to the community.

As trustees on behalf of the local community, the Municipality has a legislative and moral obligation to ensure it implements policies to safeguard the monetary value and future service provision invested in assets.

The policy for the management of assets deals with the Municipal rules required to ensure the enforcement of appropriate stewardship of assets. Stewardship has two components being the:

- Financial administration by the Chief Financial Officer; and
- Physical administration by the relevant managers.

Statutory provisions are being implemented to protect public property against arbitrary and inappropriate management or disposals by local government. Accounting standards have been approved by the Accounting Standards Board to ensure the appropriate financial treatment for property, plant and equipment, investment property, intangible assets and agricultural assets. The requirements of these new accounting standards include:

- The compilation of asset registers covering all assets controlled by the Municipality.
- Accounting treatment for the acquisition, disposal, recording and depreciation / amortisation of assets.
- The standards to which financial records must be maintained to comply with the new accounting standards.

T5.3.1

TREATMENT OF THE THREE LARGEST ASSETS ACQUIRED DURING 2013/14				
<b>Asset 1</b>				
Name	Guardhouse			
Description	Building of guardhouse at waste disposal site			
Asset Type	Fixed Asset			
Key Staff Involved	De Beers	Led/IDP Manager	Municipal manager	
Staff Responsibilities	Ensure implementation of SLP project as prescribed in SLP agreement			
Asset Value	Year -2	Year -1	Year 0	Year 1
				181 635.28
Capital Implications	Was a social labour project			
Future Purpose of Asset	Ensure maintenance and security at the waste disposal sites			
Describe Key Issues				
Policies in Place to Manage Asset	Asset management policy in place			
<b>Asset 2</b>				
Name	IMIS Finance-Upgrading of Fixed asset Register			
Description	Upgrading of fixed asset register on IMIS system			
Asset Type	Intangible asset			
Key Staff Involved	Accountant	Asset Clerk	TGIS	
Staff Responsibilities	Ensure maintenance of assets on IMIS system			
Asset Value	Year -2	Year -1	Year 0	Year 1
				218 445.00
Capital Implications				
Future Purpose of Asset	Esnure proper maintenance of assets for accurate useful life estimatio			
Describe Key Issues				
Policies in Place to Manage Asset	Asset Policy in place, however no repairs and maintenace plans in place			
<b>Asset 3</b>				
Name	Electrical Equipment for Mini-Substation			
Description	Acquisition of electrical equipment to ensure provision of electrical services			
Asset Type	Fixed Asset			
Key Staff Involved	Infrastructure Manager			
Staff Responsibilities	Ensure proper maintenance of assets			
Asset Value	Year -2	Year -1	Year 0	Year 1
				417 029.35
Capital Implications				
Future Purpose of Asset				
Describe Key Issues				
Policies in Place to Manage Asset	Asset Policy in place, however no repairs and maintenace plans in place			
				T5.3.2

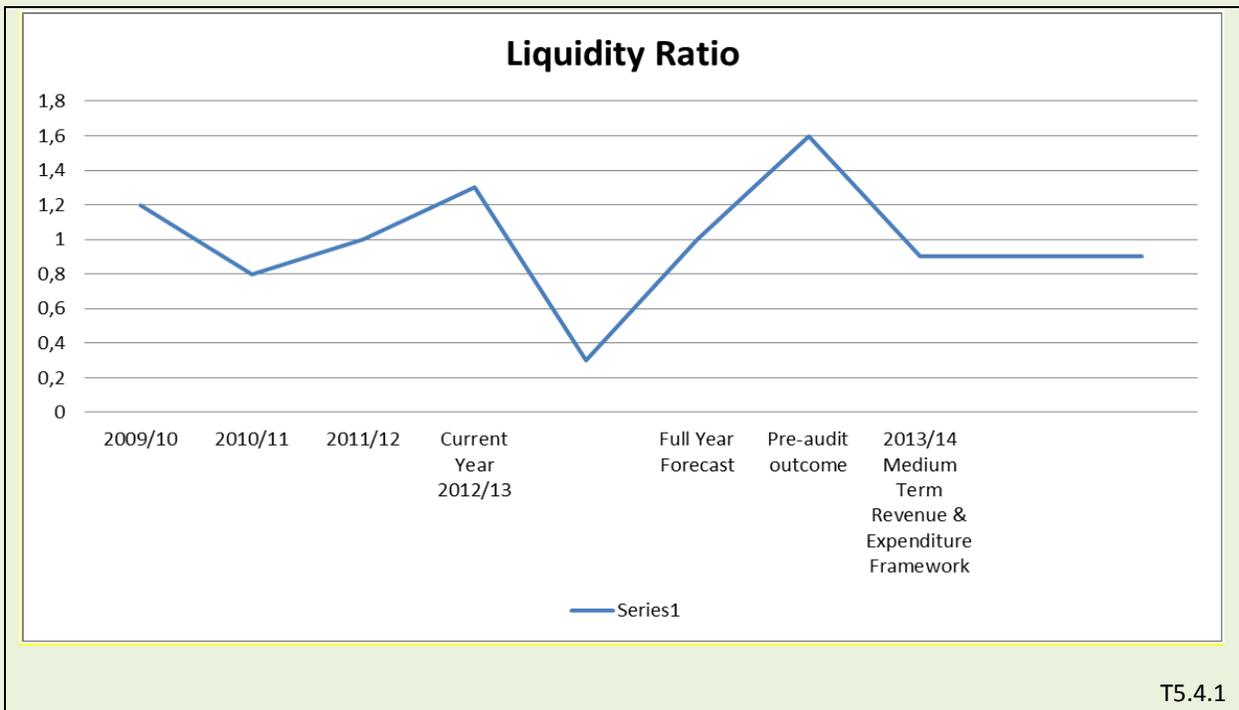
Repair and Maintenance Expenditure: Year 1				
				R' 000
	Original Budget	Adjustment Budget	Actual	Budget variance
Repairs and Maintenance Expenditure	2024841	2026000	1300317,24	35,78%
				T5.3.3

**COMMENT ON REPAIR AND MAINTENANCE EXPENDITURE:**

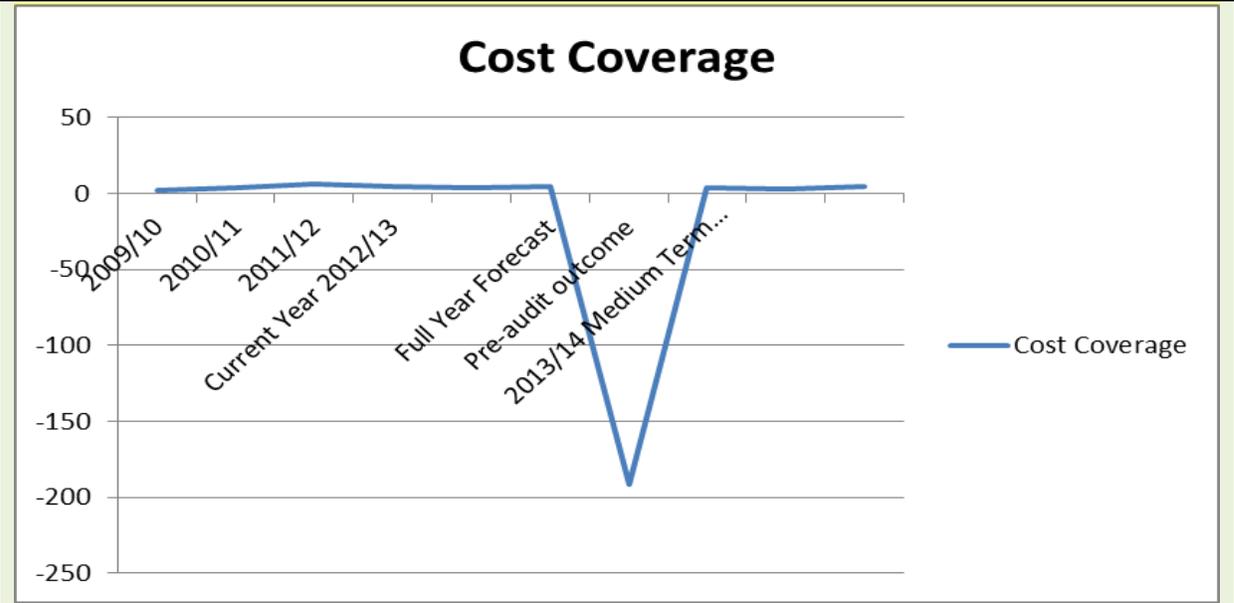
The Actual repairs and maintenance is lesser than the original and adjustment budget amount. This indicates that the Municipality is experiencing cash flow problems and therefore unable to spend at appropriate levels on its repairs to existing assets or purchase of new assets thus impacting negatively on service delivery.

T5.3.3.1

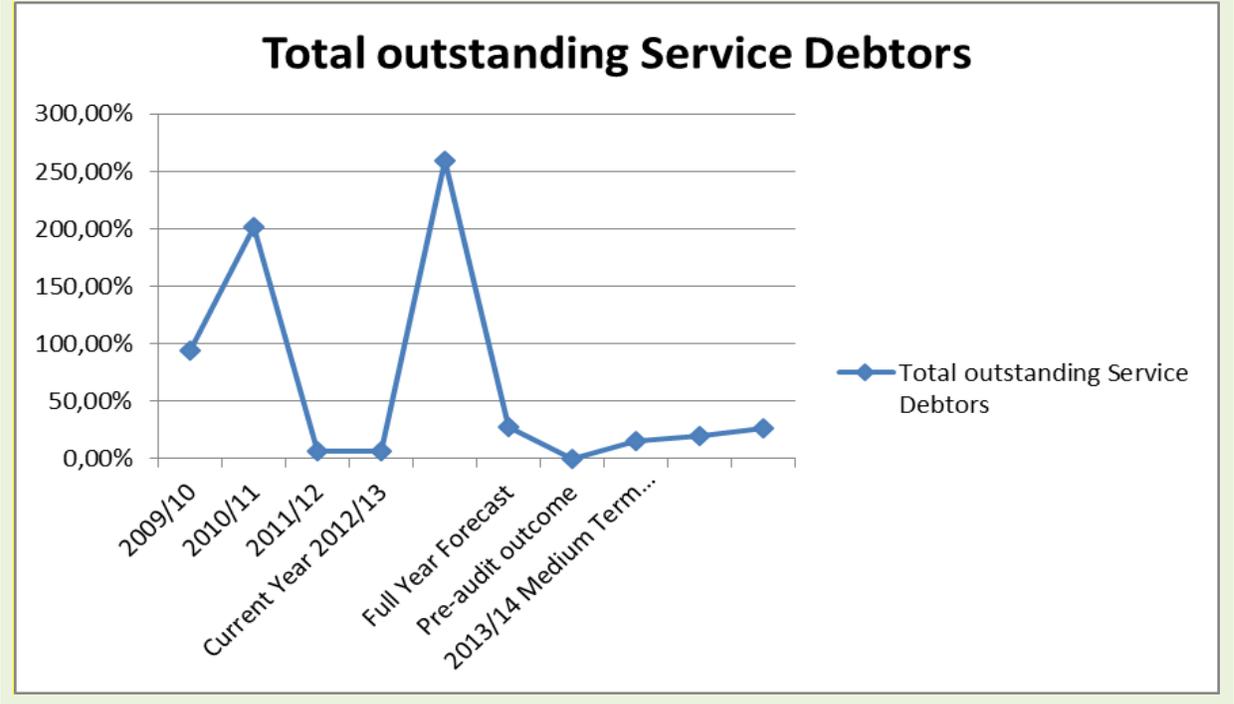
**5.4 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS**



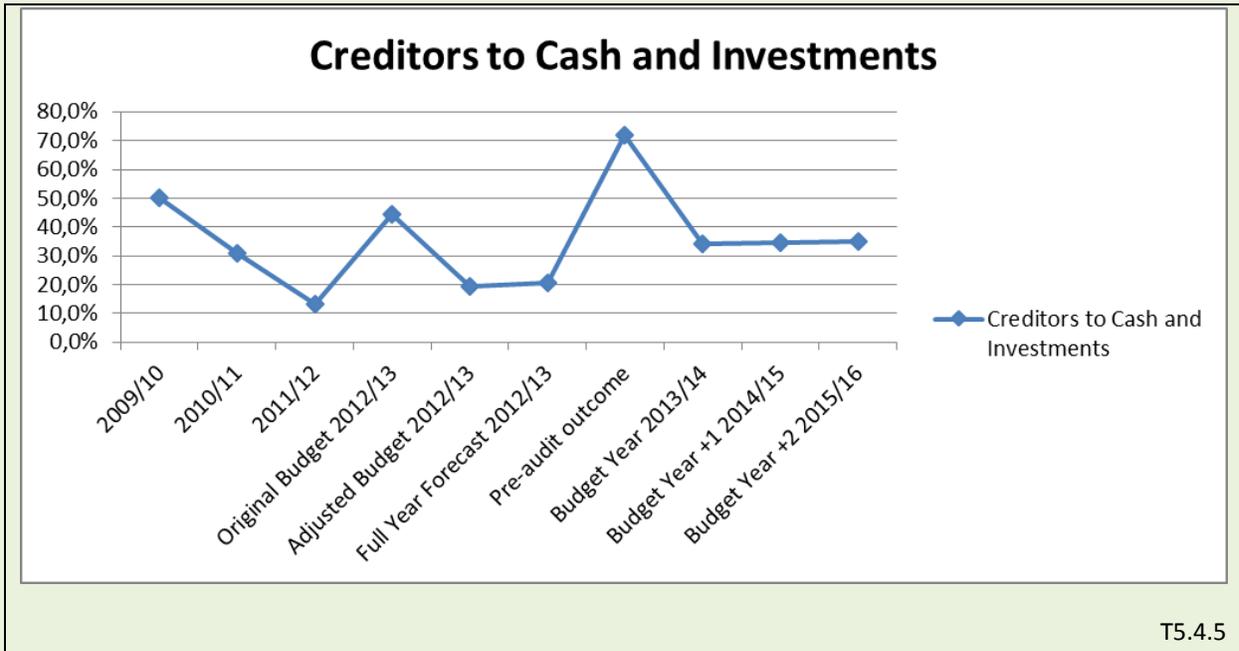
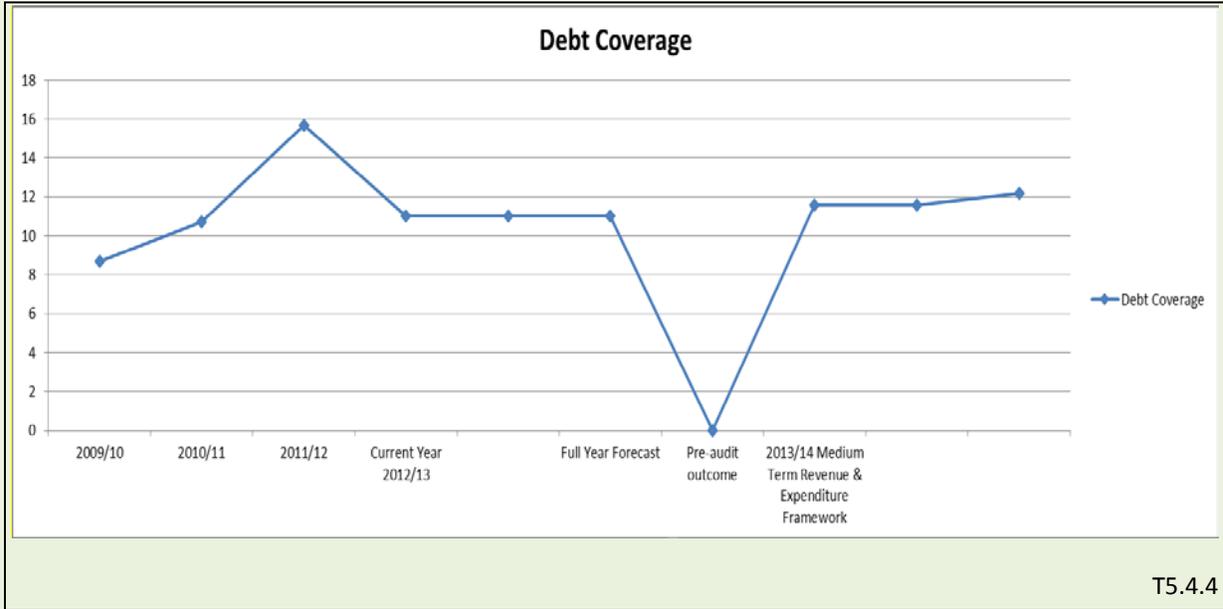
T5.4.1



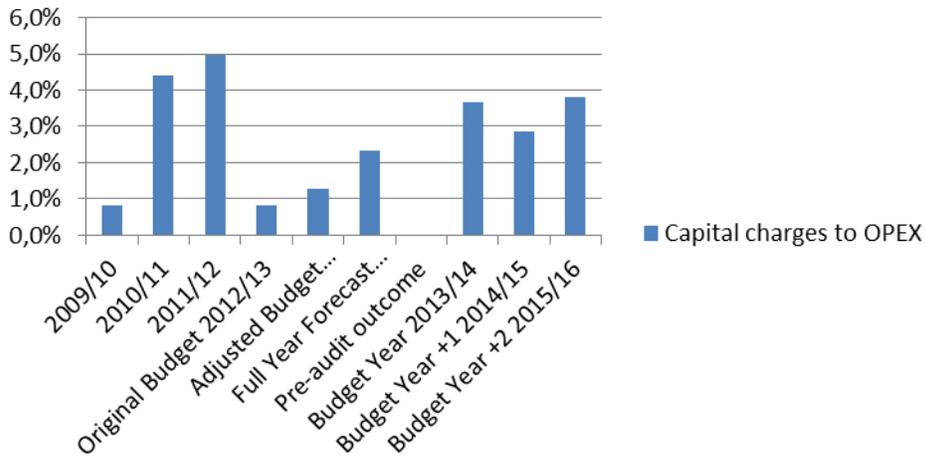
T5.4.2



T5.4.3

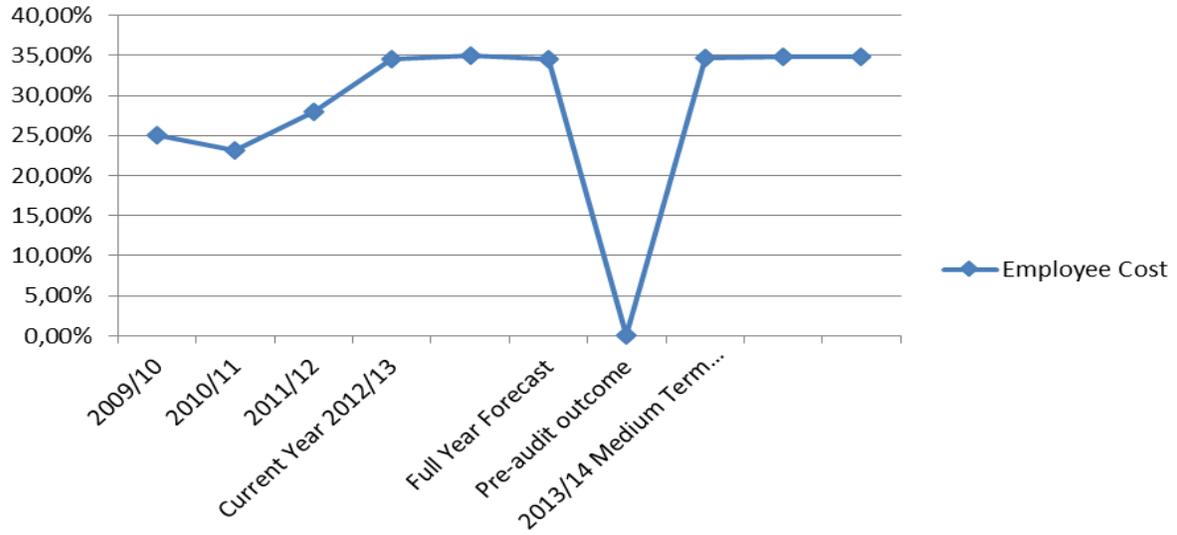


### Capital charges to OPEX

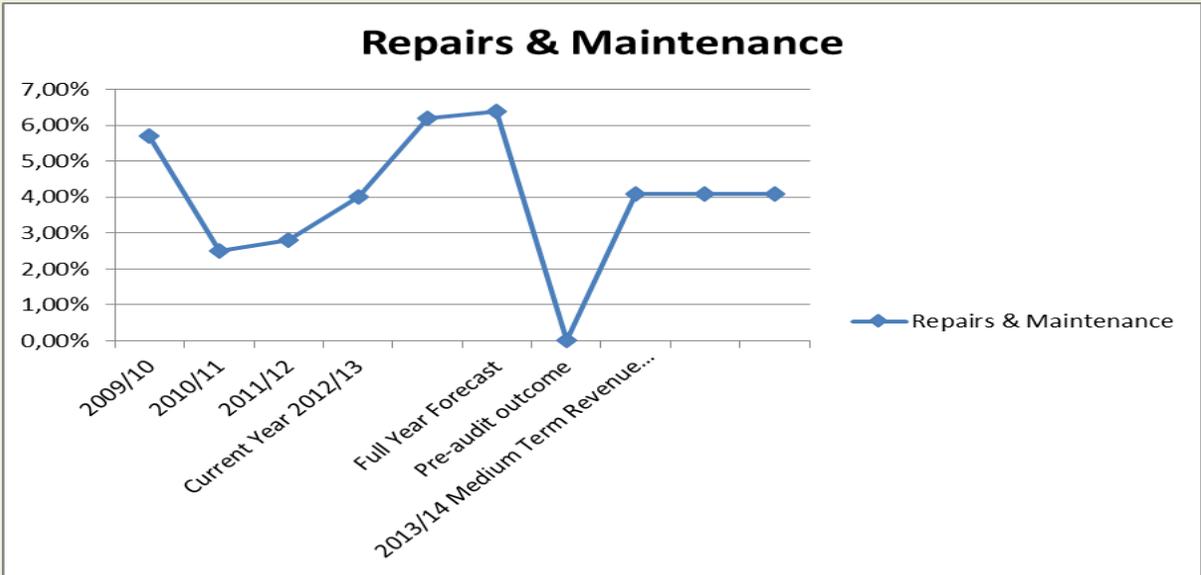


T5.4.6

### Employee Cost



T5.4.7



T5.4.8

## COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

### 5.5 SOURCES OF FINANCE

Capital Expenditure - Funding Sources Year 0 to Year 1							R' 000
Details	Year 0	Year 1					
	Actual	Original Budget (OB)	Adjustment Budget	Actual	Adjustment to OB Variance (%)	Actual to OB Variance (%)	
<b>Source of finance</b>							
External loans	0	0	0	0	#DIV/0!	#DIV/0!	
Public contributions and donations	0	0	5	0	#DIV/0!	#DIV/0!	
Grants and subsidies	16345	19917	28558	5533	43.39%	-72.22%	
Other	0	0	982	479	#DIV/0!	#DIV/0!	
<b>Total</b>	<b>16345</b>	<b>19917</b>	<b>29545</b>	<b>6012</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	
<i>Percentage of finance</i>							
External loans	0.0%	0.0%	0.0%	0.0%	#DIV/0!	#DIV/0!	
Public contributions and donations	0.0%	0.0%	0.0%	0.0%	#DIV/0!	#DIV/0!	
Grants and subsidies	100.0%	100.0%	96.7%	92.0%	#DIV/0!	#DIV/0!	
Other	0.0%	0.0%	3.3%	8.0%	#DIV/0!	#DIV/0!	
<b>Capital expenditure</b>							
Water and sanitation	0	15600	-764	1054	-104.90%	-93.24%	
Electricity	0	0	1108	1372	#DIV/0!	#DIV/0!	
Housing	0	0	0	0	#DIV/0!	#DIV/0!	
Roads and storm water	0	3092	0	3320	-100.00%	7.37%	
Other	0	0	0	701	#DIV/0!	#DIV/0!	
<b>Total</b>	<b>0</b>	<b>18692</b>	<b>344</b>	<b>6447</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	
<i>Percentage of expenditure</i>							
Water and sanitation	#DIV/0!	83.5%	-222.1%	16.3%	#DIV/0!	#DIV/0!	
Electricity	#DIV/0!	0.0%	322.1%	21.3%	#DIV/0!	#DIV/0!	
Housing	#DIV/0!	0.0%	0.0%	0.0%	#DIV/0!	#DIV/0!	
Roads and storm water	#DIV/0!	16.5%	0.0%	51.5%	#DIV/0!	#DIV/0!	
Other	#DIV/0!	0.0%	0.0%	10.9%	#DIV/0!	#DIV/0!	

T5.6.1

5.6 CAPITAL SPENDING ON 5 LARGEST PROJECTS

Capital Expenditure of 5 largest projects*					
Name of Project	Current Year: Year 1			Variance Current Year: Year 1	
	Original Budget	Adjustment Budget	Actual Expenditure	Original Variance (%)	Adjustment variance (%)
	A - Upgrading of Gravel Roads	3 092	7 962	4 838	-56%
B - Oxidation Ponds	5 100	230	-	100%	95%
C - ACIP: Refurbishment of WWTW	3 000	1 000	-	100%	67%
D - Construction of Desalination Plant	7 000	7 000	-	100%	0%
Upgrading of Roads and Stormwater Infrastructure in Eksteenfontein	500	1 000	654	-31%	-100%
* Projects with the highest capital expenditure in Year 1					

Name of Project - A	Upgrading of Gravel Roads in Richtersveld jurisdiction
Objective of Project	To Improve access to towns within the Richtersveld jurisdiction
Delays	No delays experienced in 2013/14
Future Challenges	Allocated amount may be not be sufficient to ensure completion of project
Anticipated citizen benefits	Economic Development and improved infrastructure

Name of Project - B	Oxidation Ponds
Objective of Project	Existing ponds are at its capacity level and needs to be upgraded to accommodate future growth in sewerage flows
Delays	Feasibility studies took longer than anticipated
Future Challenges	Financing the implementation of the construction of the project
Anticipated citizen benefits	Beneficiaries will be able to build with flush toilets

Name of Project - C	ACIP: Refurbishment of WWTW
Objective of Project	Upgrading of sewer pump stations in Port Nolloth
Delays	Tender process took longer than anticipated due to availability of funding versus the tender amounts received
Future Challenges	Timeframe to complete the project before financial year end of DWA
Anticipated citizen benefits	Environmental friendly environment

Name of Project - D	Construction of Desalination Plant
Objective of Project	To improve the provision of water services in Port Nolloth
Delays	Co-funding ratio discussions still in process between the Department of Water Affairs (provincial) and Department of Water Affairs (national) to ensure proper financing of project.
Future Challenges	Delays in funding
Anticipated citizen benefits	Sufficient water quality to residents of Port Nolloth

Name of Project - E	Upgrading of Roads and Storm water in Eksteenfontein
Objective of Project	To improve storm water and road infrastructure in Eksteenfontein
Delays	Contractor had problems with the labours in this area, lack of cooperation and a relatively slow work rate throughout the project period which caused delays.
Future Challenges	Contract was terminated at 30 June 2014
Anticipated citizen benefits	Improved storm water infrastructure

T5.7.1

COMMENT ON CAPITAL PROJECTS:

Upgrading of gravel roads project in the Richtersveld Municipal Jurisdiction formed part of the 2013/14 Annual Budget. The original budget amount for the project was R 3092 000.00 for the project. Due to incorrect budgeting the amount had to be revised at the revised budget to avoid any unauthorized expenditure on the project. The project was implemented late in the 2013/14 financial year where total capital expenditure of R 4 838 000.00 was incurred. It was well within the revised budget figure however the above table indicates that a over expenditure of 56% between the original budget and the actual figure. This specific project is a multi-year project and it is anticipated that due to a lesser allocation in 2014/15 for the Municipal Infrastructure Grant the municipality may experience problems to finalize the project with the contract term.

The Oxidation Ponds were also budgeted from the Municipal Infrastructure Grant (MIG). At this stage the construction of the project has yet to commence due to feasibility studies that took much longer than anticipated. The amount budgeted for the project was R 5 100 000.00 in the Original Budget and R 530 000.00. However not capital expenditure was incurred in respect of the project, only operational expenditure which was in respect of payments to the consulting engineering company handling the project.

In February 2014 the municipality advertised the project for the refurbishment of waste water treatment works in Port Nolloth. Due to bid amounts received and the allocated amount the bid evaluation committee requested a downscaling of works to ensure that the municipality will be able to finalise the project. No appointment was made as at end of June 2014 and appointment of the contractor will done during the 2014/15 financial year. It is anticipated that this project will be finalized by 31 March 2015.

The feasibility study for the desalination plant in Port Nolloth was approved and thus the construction for the plant is approved and construction will commence when funds are allocated to the municipality the Department of Affairs. The municipality will have to budget for every year for the construction of the desalination plant since every year an amount will be allocated in the Division of Revenue Act. At this stage there is no date set when construction will commence. The 2013/14 original budget and revised amount for the project was R 7000 000.00 of which nil expenditure was incurred.

Upgrading of roads and storm water in Eksteenfontein was funded from the Expanded Public Works Programme (EPWP) during the 2013/14 financial year. The construction company Chryselda Construction was appointed by the municipality for the project. The budgeted amount for the project as per the 2013/14 original budget was R 500 000.00 and the revised budget figure was R 1000 000.00, which was the allocated amount as per the DORA. The contractor started on 17 February 2014 and ended on 02 August 2014 where the construction of Storm water infrastructure consisting of 587m of trapezoidal concrete trenches and laying of 234m of concrete pipe culvert. Works took place on Akker Street, Main Street, Berg Street and Skool Street. 417m of the concreting work on Akker and Main Street has been completed. This excludes street crossings and erf entrances which needed review as the estimated quantities were different from the actual. Only works on these two streets have been done. These are works on Berg Street and Skool Street.

T5.7.1.1

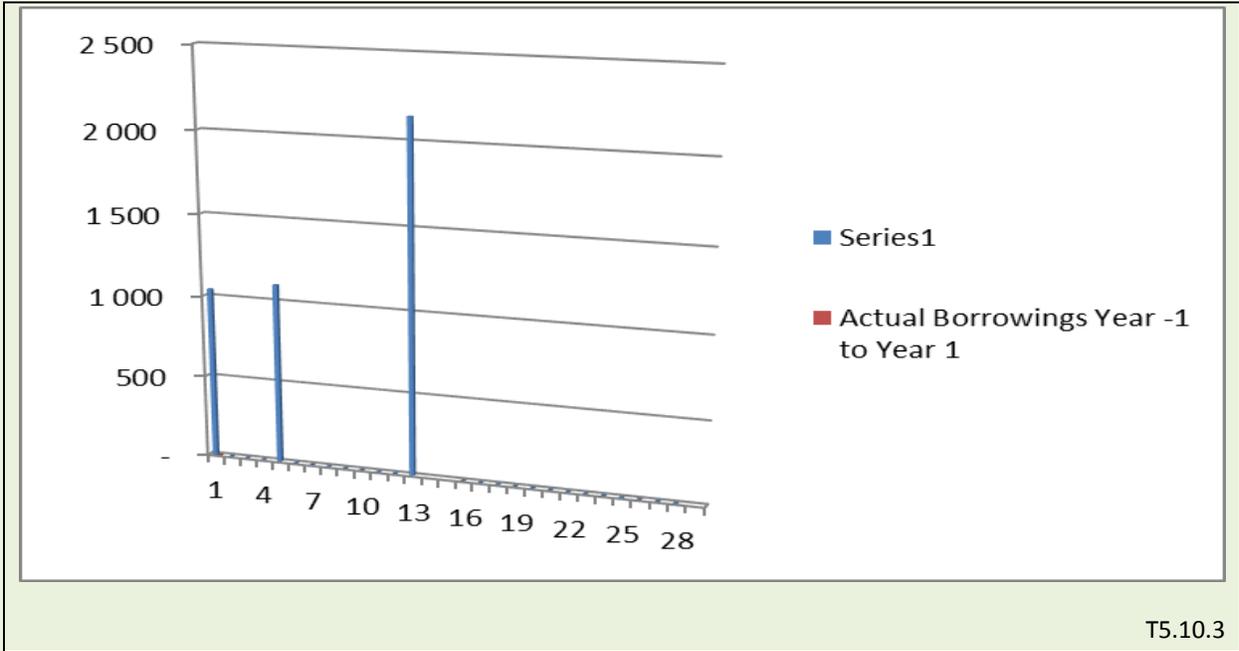
## COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

### 5.7 CASH FLOW

Cash Flow Outcomes				
Description	R'000			
	2013	Current Year: Year 1		
	Audited Outcome	Original Budget	Adjusted Budget	Actual
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Ratepayers and other	24 924	34 216 000	(35 772)	27 241
Government - operating	13 813	14 592 000	(11 827)	26 498
Government - capital	16 345	11 120 000	-	5 533
Interest	653	744 000	-	360
Dividends	-	-	-	-
<b>Payments</b>				
Suppliers and employees	(30 844)	(45 600 000)	41 414	(54 303)
Finance charges	(470)	(346 000)	12	(322)
Transfers and Grants	(13 435)	(11 472 000)	(930)	-
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>10 986</b>	<b>3 254</b>	<b>(7 103)</b>	<b>5 007</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Receipts</b>				
Proceeds on disposal of PPE	-	-	-	(165)
Decrease (Increase) in non-current debtors	-	-	-	-
Decrease (increase) other non-current receivables	9	-	-	9
Decrease (increase) in non-current investments	-	-	-	-
<b>Payments</b>				
Capital assets	(15 739)	(1 150 000)	715	(7 177)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(15 730)</b>	<b>(1 150)</b>	<b>715</b>	<b>(7 333)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>Receipts</b>				
Short term loans	-	-	-	-
Borrowing long term/refinancing	74 854	-	-	-
Increase (decrease) in consumer deposits	46 341	644 226	-	-
<b>Payments</b>				
Repayment of borrowing	(1 427)	(2 126 000)	7 168	(1 495)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(1 306)</b>	<b>(1 482)</b>	<b>7 168</b>	<b>(1 495)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>(6 051)</b>	<b>622</b>	<b>780</b>	<b>(3 820)</b>
Cash/cash equivalents at the year begin:	16 448	15 947 887	259	10 397
Cash/cash equivalents at the year end:	10 398	16 570	1 039	6 577
Source: MBRR SA7				T5.9.1

<b>Actual Borrowings Year -1 to Year 1</b>			
			R' 000
<b>Instrument</b>	<b>Year -1</b>	<b>Year 0</b>	<b>Year 1</b>
<b>Municipality</b>			
Long-Term Loans (annuity/reducing balance)	1 041		1 041
Long-Term Loans (non-annuity)	-		-
Local registered stock	-		-
Instalment Credit	-		-
Financial Leases	1 098		1 098
PPP liabilities	-		-
Finance Granted By Cap Equipment Supplier	-		-
Marketable Bonds	-		-
Non-Marketable Bonds	-		-
Bankers Acceptances	-		-
Financial derivatives	-		-
Other Securities	-		-
<b>Municipality Total</b>	<b>2 139</b>		<b>2 139</b>
<b>Municipal Entities</b>			
Long-Term Loans (annuity/reducing balance)	-		-
Long-Term Loans (non-annuity)	-		-
Local registered stock	-		-
Instalment Credit	-		-
Financial Leases	-		-
PPP liabilities	-		-
Finance Granted By Cap Equipment Supplier	-		-
Marketable Bonds	-		-
Non-Marketable Bonds	-		-
Bankers Acceptances	-		-
Financial derivatives	-		-
Other Securities	-		-
<b>Entities Total</b>	<b>-</b>		<b>-</b>

T5.10.2



T5.10.3

<b>Municipal and Entity Investments</b>			
			<b>R' 000</b>
Investment* type	Year -1	Year 0	Year 1
	Actual	Actual	Actual
<b><u>Municipality</u></b>			
Securities - National Government			
Listed Corporate Bonds			
Deposits - Bank			
Deposits - Public Investment Commissioners			
Deposits - Corporation for Public Deposits			
Bankers Acceptance Certificates			
Negotiable Certificates of Deposit - Banks			
Guaranteed Endowment Policies (sinking)			
Repurchase Agreements - Banks			
Municipal Bonds			
Other			
<b>Municipality sub-total</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b><u>Municipal Entities</u></b>			
Securities - National Government			
Listed Corporate Bonds			
Deposits - Bank			
Deposits - Public Investment Commissioners			
Deposits - Corporation for Public Deposits			
Bankers Acceptance Certificates			
Negotiable Certificates of Deposit - Banks			
Guaranteed Endowment Policies (sinking)			
Repurchase Agreements - Banks			
Other			
<b>Entities sub-total</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Consolidated total:</b>	<b>0</b>	<b>0</b>	<b>0</b>

T5.10.4

## COMPONENT D: OTHER FINANCIAL MATTERS

### 5.9 GRAP COMPLIANCE

#### GRAP COMPLIANCE

GRAP is the acronym for **Generally Recognized Accounting Practice** and it provides the rules by which municipalities are required to maintain their financial accounts. Successful GRAP compliance will ensure that municipal accounts are comparable and more informative for the municipality. It will also ensure that the municipality is more accountable to its citizens and other stakeholders. Information on GRAP compliance is needed to enable National Treasury to assess the pace of progress and consider the implications.

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. The annual financial statements have been prepared in accordance with the Finance Management Act (MFMA) and effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

The Municipality resolved to early adopt the following GRAP standards which have been issued but are not yet effective:

REFERENCE	TOPIC	EFFECTIVE DATE
<b>GRAP 5 (Revised – Feb 2013)</b>	Borrowing Costs	1 April 2014
<b>GRAP 100 (Revised – Feb 2013)</b>	Discontinued Operations (formerly known as Non-Current Assets Held for Sale and Discontinued Operations)	1 April 2014

The Municipality use the following GRAP standard to disclose information in its financial statements:

REFERENCE	TOPIC
GRAP 20	Related Party Disclosures

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below. Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP. The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements. In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Property, Plant and Equipment, Investment Property and Intangible Assets where the acquisition cost of an asset could not be determined.

1.1. *PRESENTATION CURRENCY*

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

1.2. *GOING CONCERN ASSUMPTION*

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

1.3. *COMPARATIVE INFORMATION*

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where accounting errors 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. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.4. *MATERIALITY*

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

1.5. *PRESENTATION OF BUDGET INFORMATION*

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as separate additional financial statements, namely Statements of comparison of budget and actual amounts. Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2013 to 30 June 2014. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for material differences between the final budget amounts and actual amounts are included the notes to the financial statements. The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24. No amendments or disclosure requirements in terms of GRAP 3 (Revised – March 2012) has been made.

1.6. *STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE*

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

REFERENCE	TOPIC	EFFECTIVE DATE
GRAP 6 (Revised – Nov 2010)	<b><u>Consolidated and Separate Financial Statements</u></b> The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity. No significant impact is expected as the Municipality does not have any entities at this stage to be consolidated.	Unknown
GRAP 8 (Revised – Nov 2010)	<b><u>Interest in Joint Ventures</u></b> The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities. No significant impact is expected as the Municipality is not involved in any joint ventures.	Unknown
GRAP 18 (Original – Feb 2011)	<b><u>Segment Reporting</u></b> The objective of this Standard is to establish principles for reporting financial information by segments. Information to a large extent is already included in the appendixes to the financial statements which do not form part of the audited financial statements.	1 April 2015
GRAP 20 (Original – Jun 2011)	<b><u>Related Party Disclosure</u></b> The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties. The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.	Unknown
GRAP 32 (Original – Aug 2013)	<b><u>Service Concession Arrangements: Grantor</u></b> The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public entity. No significant impact expected as any such transactions or events are expected in the foreseeable future.	Unknown
GRAP 105 (Original – Nov 2010)	<b><u>Transfer of Functions Between Entities Under Common Control</u></b> The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. No significant impact expected as any such transactions or events are expected in the foreseeable future.	1 April 2015
GRAP 106	<b><u>Transfer of Functions Between Entities Not Under Common</u></b>	1 April 2015

<b>(Original – Nov 2010)</b>	<b><u>Control</u></b> The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. No significant impact expected as any such transactions or events are expected in the foreseeable future.	
<b>GRAP 107 (Original – Nov 2010)</b>	<b><u>Mergers</u></b> The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger. No significant impact expected as any such transactions or events are expected in the foreseeable future.	1 April 2015
<b>GRAP 108 (Original – Sept 2013)</b>	<b><u>Statutory Receivables</u></b> The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables. No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.	Unknown
<b>IGRAP 11</b>	<b><u>Consolidation - Special Purpose Entities (SPE)</u></b> The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE. No significant impact is expected as the Municipality does not have any SPE's at this stage.	Unknown
<b>IGRAP 12</b>	<b><u>Jointly Controlled Entities non-monetary contributions</u></b> The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venture to a Jointly Controlled Entity (JCE). No significant impact is expected as the Municipality does not have any JCE's at this stage.	Unknown
<b>IGRAP 17</b>	<b><u>Service Concession Arrangements where a grantor controls a significant residual interest in an Asset</u></b> The objective of this Interpretation of the Standard is to provide guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. No significant impact is expected as the Municipality does not have any Concession Arrangements at this stage.	Unknown

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

**1.7. FOREIGN CURRENCY TRANSACTIONS**

The Municipality will not incur a foreign currency liability other than that allowed by the MFMA.

**1.8. 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.

## 1.9. RESERVES

### 1.9.1. Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, funds are transferred from the accumulated surplus / (deficit) to the CRR. The funds in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus / (Deficit) are credited by a corresponding amount when the amounts in the CRR are utilized. The CRR may only be utilized for the purpose of purchasing/ construction of items of property, plant and equipment and may not be used for the maintenance of these items.

## 1.10. LEASES

### 1.10.1. Municipality as 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. Transfer of ownership is not required to be recognised as a finance lease. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) 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 and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality shall recognise the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

### 1.10.2. Municipality as Lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). 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 are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leases asset is diminished.

#### 1.11. BORROWING COST

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

#### 1.12. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

#### 1.13. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately disclosed in the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from public.

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

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

#### 1.14. UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.

Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

#### 1.15. PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability is:

- a) a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) a present obligation that arises from past events but is not recognised because:
  - i. it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
  - ii. the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

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.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
  - the principal locations affected;
  - the location, function and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date. This means:

- Provisions for one-off events are measured at the most likely outcome;
- Provisions for large populations of events are measured at a probability-weighted expected value; and
- Both measurements are discounted (where the effect is material) using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the liability.

#### 1.16. EMPLOYEE BENEFITS

(a) *Post-Retirement Medical Obligations*

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(b) *Long Service Awards*

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(c) *Staff Leave*

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Accumulated leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

(d) *Staff Bonuses*

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

(e) *Other Short-term Employee Benefits*

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset. Accumulated leave is vesting.

## 1.17. PROPERTY, PLANT AND EQUIPMENT

### 1.17.1. *Initial Recognition*

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at

cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measure at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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

#### 1.17.2. *Subsequent Measurement – Cost Model*

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

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.

#### 1.17.3. *Depreciation and Impairment*

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives:

	<b>Years</b>	<b>Other</b>	<b>Years</b>
<b>Infrastructure</b>			
Roads, pavements and bridges	3-30	Buildings	20-30
Storm Water	20	Specialist vehicles	3-15
Electricity	2-50	Other vehicles	3-15
Water	5-100	Office equipment	2-15
Sanitation	5-50	Furniture and fittings	2-15
Waste Management	25-30	Watercraft	10-15

		Bins and containers	3-10
<b>Community</b>		Specialised plant and	
Sports fields and Stadia	20-30	Equipment	2-15
Housing	3-30	Other plant and	
Security	3-15	Equipment	2-15
Halls	5-30	Emergency equipment	7-30
Libraries	5-30	Computer equipment	25
Parks and gardens	20-30		
Other assets	3-30		
<b>Finance lease assets</b>			
Office equipment	5		
Other assets	5		
<p>Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.</p> <p>An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.</p>			
<p>1.17.4. <i>De-recognition</i></p> <p>Items of property, plant and equipment are derecognised when the asset is disposed 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 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.</p>			
<p>1.17.5. <i>Land and Buildings and Other Assets – application of deemed cost (Directive 7)</i></p> <p>The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2007.</p>			
<p>1.18. INTANGIBLE ASSETS</p>			
<p>1.18.1. <i>Initial Recognition</i></p> <p>An intangible asset is an identifiable non-monetary asset without physical substance.</p> <p>An asset meets the identifiability criterion in the definition of an intangible asset when it:</p>			

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

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

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project;
- it is probable that the municipality will receive future economic benefits or service potential; and
- the Municipality can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

#### 1.18.2. *Subsequent Measurement – Cost Model*

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

#### 1.18.3. *Amortisation and Impairment*

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. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<b><u>Intangible Assets</u></b>	<b>Years</b>
Computer Software	2-15
Computer Software Licenses	2-15

#### 1.18.4. *De-recognition*

Intangible assets are derecognised when the asset is disposed 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.

#### 1.18.5. *Application of deemed cost (Directive 7)*

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2007.

### 1.19. INVESTMENT PROPERTY

#### 1.19.1. *Initial Recognition*

Investment property shall be recognised as an asset when and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, 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. Property with a currently undetermined use is also classified as investment property.

At initial recognition, the Municipality measures 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 for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

#### 1.19.2. *Subsequent Measurement – Cost Model*

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

#### 1.19.3. *Depreciation and Impairment – Cost Model*

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	25-30

#### 1.19.4. *De-recognition*

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### 1.19.5. *Application of deemed cost (Directive 7)*

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007.

### 1.20. HERITAGE ASSETS

#### 1.20.1. *Initial Recognition*

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

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

A heritage asset that qualifies for recognition as an asset is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

#### 1.20.2. *Subsequent Measurement – Cost Model*

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

#### 1.20.3. *Depreciation and Impairment*

Heritage assets are not depreciated

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

#### 1.20.4. *De-recognition*

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

#### 1.20.5. *Application of deemed cost (Directive 7)*

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2011.

### 1.21. IMPAIRMENT OF NON-FINANCIAL ASSETS

#### 1.21.1. *Cash generating assets*

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

- (a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated;
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset;
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite;
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined,

net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

#### 1.21.2. *Non-cash-generating assets*

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

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset;
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset;
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date;
- A decision to halt the construction of the asset before it is complete or in a usable condition;
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. 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 recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- depreciation replacement cost approach - the present value of the remaining service potential of an 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.

- restoration cost approach - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- service unit approach - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset. An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

#### 1.22. NON CURRENT INVESTMENTS

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost. Where investments 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. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance. The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

#### 1.23. INVENTORIES

##### 1.23.1. *Initial Recognition*

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process. Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage. Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

#### 1.23.2. *Subsequent Measurement*

Inventories, consisting of consumable stores, raw materials, work-in-progress 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. Redundant and slow-moving inventories are identified and written down. 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 or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs. The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset. In general, the basis of allocating cost to inventory items is the first-in-first-out method. Water inventory is measured annually at the reporting date by way of dip readings.

#### 1.24. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions). The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

##### 1.24.1. *Initial Recognition*

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

##### 1.24.2. *Subsequent Measurement*

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

#### 1.24.2.1. *Receivables*

Receivables are classified as financial assets at amortised cost, and are subsequently measured amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

#### 1.24.2.2. *Payables and Annuity Loans*

Financial liabilities consist of trade and other payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

#### 1.24.2.3. *Cash and Cash Equivalents*

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

#### 1.24.2.4. *Non-Current Investments*

Investments which include investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance. The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

#### 1.24.3. De-recognition

##### 1.24.3.1. *Financial Assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality

could be required to repay. When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

#### 1.24.3.2. *Financial Liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

#### 1.24.4. *Offsetting of Financial Instruments*

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### 1.25. REVENUE

#### 1.25.1. *Revenue from Non-Exchange Transactions*

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount. Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. It is a subsequent event if the Municipality does not enforce its obligation to collect the revenue. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction. Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised when monies are received, as the Municipality does not have any control over fines issued by other government institutes.

Revenue from public contributions and donations 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 qualifies for recognition and first becomes available for use by the

Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability). Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality. 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. Revenue shall be measured at the fair value of the consideration received or receivable.

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

#### 1.25.2. *Revenue from Exchange Transactions*

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

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

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

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of

consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property. Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution. Interest revenue is recognised using the effective interest rate method.

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 by applying the relevant tariff. This includes the issuing of licences and permits. Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer. Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services. Revenue shall be measured at the fair value of the consideration received or receivable. The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue. When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services

received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

#### 1.26. TRANSFER OF FUNCTIONS (Municipality as acquirer)

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving a Municipality's objectives, either by providing economic benefits or service potential. A transfer of functions is the reorganisation and/or the re-allocation of functions between Municipalities by transferring functions between Municipalities or into another entity.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality accounts for each transfer of functions between entities not under common control by applying the acquisition method. Applying the acquisition method requires:

- (a) identifying the acquirer (Municipality);
- (b) determining the acquisition date;
- (c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
- (d) recognising the difference between (c) and the consideration transferred to the seller.

As of the acquisition date, the Municipality recognises the identifiable assets acquired and the liabilities assumed. The identifiable assets acquired and liabilities assumed meets the definitions of assets and liabilities in the Framework for the Preparation and Presentation of Financial Statements and the recognition criteria in the applicable Standards of GRAP at the acquisition date. In addition, the identifiable assets acquired and liabilities assumed are part of what the Municipality and the acquiree (or its former owners) agreed in the binding arrangement. The Municipality measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values. The Municipality subsequently measures and account for assets acquired and liabilities assumed in accordance with other applicable Standards of GRAP.

#### 1.27. RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person's family is related to the Municipality if that person:
- has control or joint control over the Municipality.
  - has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
  - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:
- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
  - both entities are joint ventures of the same third party.
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
  - the entity is controlled or jointly controlled by a person identified in (a).
  - a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee;
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality. The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

#### 1.28. 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 a 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 (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### 1.29. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (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 (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### 1.30. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### 1.31. CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability. The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote.

A contingent asset is disclosed where the inflow of economic benefits or service potential is probable. Management judgement is required when recognising and measuring contingent liabilities.

#### 1.32. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

##### *Post-retirement medical obligations and Long service awards*

The cost of post-retirement medical obligations and long service are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 5 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

##### *Impairment of Receivables*

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

##### *Property, Plant and Equipment*

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment:

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- Cost of items with a similar nature currently in the Municipality's asset register;
- Cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- Cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

#### *Intangible Assets*

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets. For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

#### *Investment Property*

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

### *Provisions and Contingent Liabilities*

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

#### *Provision for Landfill Sites*

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset is charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

#### *Provision for Staff leave*

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

#### *Provision for Performance bonuses*

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

#### *Pre-paid electricity estimation*

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year end, which is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 7 days' worth of unused electricity.

#### *Componentisation of Infrastructure assets*

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

### *Revenue Recognition*

Accounting Policy 1.26.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.26.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality. In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed.

#### 1.33. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

#### 1.34. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

#### 1.35. EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

#### 1.36. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

## CHAPTER 6 – AUDITOR GENERAL AUDIT FINDINGS

Find attached (VOLUME III: AUDITOR GENERAL AUDIT FINDINGS)

### GLOSSARY

<b>Accessibility indicators</b>	Explore whether the intended beneficiaries are able to access services or outputs.
<b>Accountability documents</b>	Documents used by executive authorities to give “ <i>full and regular</i> ” reports on the matters under their control to Parliament and provincial legislatures as prescribed by the Constitution. This includes plans, budgets, in-year and Annual Reports.
<b>Activities</b>	The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe “ <i>what we do</i> ”.
<b>Adequacy indicators</b>	The quantity of input or output relative to the need or demand.
<b>Annual Report</b>	A report to be prepared and submitted annually based on the regulations set out in Section 121 of the Municipal Finance Management Act. Such a report must include annual financial statements as submitted to and approved by the Auditor-General.
<b>Approved Budget</b>	The annual financial statements of a municipality as audited by the Auditor General and approved by council or a provincial or national executive.
<b>Baseline</b>	Current level of performance that a municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period.
<b>Basic municipal service</b>	A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided it may endanger the public health and safety or the environment.
<b>Budget year</b>	The financial year for which an annual budget is to be approved – means a year ending on 30 June.

<b>Cost indicators</b>	The overall cost or expenditure of producing a specified quantity of outputs.
<b>Distribution indicators</b>	The distribution of capacity to deliver services.
<b>Financial Statements</b>	Includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other statements that may be prescribed.
<b>General Key performance indicators</b>	After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.
<b>Impact</b>	The results of achieving specific outcomes, such as reducing poverty and creating jobs.
<b>Inputs</b>	All the resources that contribute to the production and delivery of outputs. Inputs are "what we use to do the work". They include finances, personnel, equipment and buildings.
<b>Integrated Development Plan (IDP)</b>	Set out municipal goals and development plans.
<b>National Key performance areas</b>	<ul style="list-style-type: none"> <li>• Service delivery &amp; infrastructure</li> <li>• Economic development</li> <li>• Municipal transformation and institutional development</li> <li>• Financial viability and management</li> <li>• Good governance and community participation</li> </ul>
<b>Outcomes</b>	The medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are "what we wish to achieve".
<b>Outputs</b>	The final products, or goods and services produced for delivery. Outputs may be defined as "what we produce or deliver". An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunization, or a service such as processing an application) that contributes to the achievement of a Key Result Area.

<b>Performance Indicator</b>	Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to which an output has been achieved (policy developed, presentation delivered, service rendered)
<b>Performance Information</b>	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.
<b>Performance Standards:</b>	The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the outputs and related activities of a job by describing what the required result should be. In this EPMDS performance standards are divided into indicators and the time factor.
<b>Performance Targets:</b>	The level of performance that municipalities and its employees strive to achieve. Performance Targets relate to current baselines and express a specific level of performance that a municipality aims to achieve within a given time period.
<b>Service Delivery Budget Implementation Plan</b>	Detailed plan approved by the mayor for implementing the municipality's delivery of services; including projections of the revenue collected and operational and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included.
<b>Vote:</b>	One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area. Section 1 of the MFMA defines a "vote" as: <i>a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and</i> <i>b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned</i>

## APPENDICES

### APPENDIX A – COUNCILLORS; COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE

Councillors, Committees Allocated and Council Attendance					
Council Members	Full Time / Part Time FT/PT	Committees Allocated	*Ward and/ or Party Represented	Percentage Council Meetings Attendance	Percentage Apologies for non-attendance
				%	%
A.M. Jansen	F/T	2	Ward	92,31	7,69
L.R. Ambrosini	P/T	3	Ward	92,31	7,69
G. Beukes	P/T	1	Ward	92,31	7,69
W.J.P. Links	P/T	3	Ward	76,92	23,08
E.N. Hausiku	P/T		Party	100,00	-
J. Pretorius (deseased)	P/T		Party	15,38	-
C. Richter	P/T		Party	100,00	-
R. Jonker	P/T		Party	61,54	23,08
T. Swartbooi	P/T		Party	76,92	23,08
<i>Note: * Councillors appointed on a proportional basis do not have wards allocated to them</i>					T A

### APPENDIX B – COMMITTEES AND COMMITTEE PURPOSES

Committees (other than Mayoral / Executive Committee) and Purposes of Committees	
Municipal Committees	Purpose of Committee
Municipal Public Accounts Committee	Provide oversight at local government level, to limit possible risks and make recommendations on mechanisms to be put in place to avoid financial mismanagement.
Finance Committee	To deal with financial issues
Risk Committee	Identifying risks and seek mitigating measures and mechanisms to address them
	T B

APPENDIX E – WARD REPORTING

Functionality of Ward Committees					
Ward Name (Number)	Name of Ward Councillor	Elected Ward committee members	Number of monthly Committee meetings	Number of monthly reports submitted	Number of quarterly public ward meetings held
Lekkersing - 1	Willem Links	Julian Cloete	10	10	2
		Madelein Isaacs			
		Vicky Petro Cloete			
Eksteenfontein - 1	Willem Links	Filecia Rooi	9	9	2
		Ryno Farmer			
		Embiline Rooi			
Kuboes - 1	Willem Links	Johanna Snyders	7	7	3
		Vacant			
		vacant			
Alexanderbaai - 2	Arthur Jansen	Louis Cloete	10	10	2
		Ems Joseph			
		Dirk Balie			
Beuavallon - 2	Arthur Jansen	Magdalena Links			
		Dawinda Obies			
Sanddrift - 2	Arthur Jansen	Freddie Fulton	9	9	2
		Gert Cloete			
		Anna Kotze			
		Patricia Mgwebi			
		Magrieta Fortuin			
Port Nolloth - 3	Gloria Beukes	Robert Gwala	10	10	4
		Ursula Mouton			
		Sonja Diergaardt			
		Petrus Cloete			
		Eva Cloete			
		Zakuthini Wani			
		Yoliswa Nyanda			
		Johnson Mkubukeli			
Yoliswa Mase					
Port Nolloth - 4	Leon Ambrosini	Thabiso Duba	12		4
		Alida Daniels			
		Catherine Barbery			
		Mathilda V/d Heever			
		Joseph Doise			
		Magdalena van Wyk			
		Cornel Knoph			
		Sharmaine Beukes			
Marlene Cloete					
		Valine Bok			
		Jorinda Whitlow			

T E



APPENDIX K (ii): REVENUE COLLECTION PERFORMANCE BY SOURCE

Revenue Collection Performance by Source							R '000
Description	2013	2014			2014		
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget	
Property rates	7 167	8 368	7 903	7 932			
Property rates - penalties & collection charges	634	688	811	758			
Service Charges - electricity revenue	7 066	9 053	8 248	7 518			
Service Charges - water revenue	5 236	3 847	5 118	4 508			
Service Charges - sanitation revenue	2 384	1 897	1 678	1 468			
Service Charges - refuse revenue	2 079	1 829	1 849	1 760			
Service Charges - other	-	2 796	2 526	2 758			
Rentals of facilities and equipment	1 545	1 732	2 023	1 925			
Interest earned - external investments	653	744	348	360			
Interest earned - outstanding debtors	1 604	1 833	1 815	1 735			
Dividends received	-	-	-	-			
Fines	25	22	10	8			
Licences and permits	109	147	1	28			
Agency services	371	222	298	384			
Transfers recognised - operational	21 220	15 592	14 763	27 161			
Other revenue	2 373	1 804	1 142	1 015			
Gains on disposal of PPE	-	-	72	109			
Environmental Protection							
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>52 465</b>	<b>50 575</b>	<b>48 605</b>	<b>59 426</b>	<b>14,89%</b>	<b>18,21%</b>	
<i>Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual. This table is aligned to MBRR table A4.</i>						T K.2	

APPENDIX L: CONDITIONAL GRANTS RECEIVED: EXCLUDING MIG

Conditional Grants: excluding MIG						R' 000
Details	Budget	Adjustments Budget	Actual	Variance		Major conditions applied by donor (continue below if necessary)
				Budget	Adjustments Budget	
Finance Management Grant	1650	1650	1650	100%	100%	Establishment of a Budget and Treasury Office (BTO) with positions filled by appropriately qualified personnel
Municipal System Improvement Grant	890	890	890	100%	100%	Municipalities must submit a signed activity plan in the prescribed format with detailed budgets and timeframes for the implementation of prioritised measurable outputs
				%	%	
				%	%	
				%	%	
				%	%	
<i>Other Specify:</i>				%	%	
Expanded Public Works Programme	5000	1000	1000	50%	100%	EPWP projects must comply with the project selection criteria determined in the 2012 EPWP Grant Manual; the EPWP guidelines set by the Department of Public Works (DPW) and the Ministerial Determination as updated annually on 1 November each year
				%	%	
				%	%	
<b>Total</b>				%	%	
<i>* This includes Neighbourhood Development Partnership Grant, Public Transport Infrastructure and Systems Grant and any other grant excluding Municipal Infrastructure Grant (MIG) which is dealt with in the main report, see T5.8.3. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.</i>						TL

COMMENT ON CONDITIONAL GRANTS EXCLUDING MIG:

During the 2013/14 financial year Richtersveld Municipality only received three conditional grants excluding the MIG. As indicated in the above table the municipality did receive all conditional grants. For all the above grants business plans were compiled and approved by the respective stakeholders (National Treasury, Department of Co-operative Governance and Public Works).

TL.1

