



Hessequua Annual Report 2010/11

Please note that this report is a draft annual report for the 2010/11 financial year. All information and figures in this report was submitted by the different divisions within the municipality and are still subject to change during and after auditing. It must still be finally confirmed and signed-off at a later stage before the final draft can be submitted to council in January 2012 for final approval and public participation as per the MFMA requirements

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DRAFT

EXECUTIVE MAYOR'S FOREWORD

Executive Mayor

Photo

Signature

DRAFT

MUNICIPAL MANAGER'S FOREWORD

Municipal Manager

Photo

Signature

DRAFT

CHAPTER 1

MUNICIPAL OVERVIEW

CHAPTER 1: INTRODUCTION AND MUNICIPAL OVERVIEW

1.1 MUNICIPAL OVERVIEW

This report addresses the performance of the Hessequa Municipality in the Western Cape in respect of its core legislative obligations. Local government must create the participatory framework that defines and enhances the relationship between elected leaders and their communities. This requires that the council of the municipality provides regular and predictable reporting on programme performance and the general state of affairs in their locality.

The 2010/11 Annual Report reflects on the performance of the Hessequa Municipality for the period 1 July 2010 to 30 June 2011. The Annual Report is prepared in terms of Section 121(1) of the Municipal Finance Management Act (MFMA), in terms of which the Municipality must prepare an Annual Report for each financial year.

1.1.1 VISION AND MISSION

The Hessequa Municipality committed itself to the vision and mission of:

Vision:

“A cooperative community where everyone reaps the fruit of a growing economy through sustainable development and utilization of our human potential and our natural resources”

Mission:

- *To be a co-operative and prosperous community where:*
 - *Future generations will be able to share equally in the bounty of our region;*
 - *It is ensured that fundamental needs are met;*
 - *Our environmental, archaeological and cultural heritage is guarded;*
- *We live in harmony with nature and each other in honour of our common ancestry in the place that gave rise to our humanity.*

1.1.2 DEMOGRAPHIC INFORMATION

A) MUNICIPAL GEOGRAPHICAL INFORMATION

The name Hessequa, meaning "people of the trees", refers to the tribe of Khoikhoi people that used to live in the region. Hessequa is the gently curving edge of the continent just east of the southern-most tip of Africa. The municipality nestles at the foot of the Langeberg Mountains with boundaries stretching along the Southern Cape coast from the Breede River to Gouritsmond. A region rich in natural beauty with rolling hills of pristine limestone and mountain fynbos, dune thicket and Renosterveld and to the north surrounded with rugged mountains and indigenous forests. Pristine beaches stretch the entire length of her coastline. Ecological assets include four estuaries, a world heritage forest site, several nature reserves which guard a number of rare and endangered floral species and even a very special little frog. Hessequa Municipality is situated in the Southern Cape Coast on the Garden Route; about 320 km's from Cape Town on the N2 and is situated in the Eden District Municipality between Heidelberg and Mossel Bay. At present, the Municipal area of Hessequa includes the surrounding towns of Riversdal, Heidelberg, Albertinia, Witsand, Gouritsmond, Slangrivier and Stilbaai.

Wards

The Municipality is currently structured into the following 8 Wards:

WARD	AREAS
1	Bietouville, Gouritsmond, Melkhoutfontein, Stilbaai East, Part of Stilbaai West and rural farming areas
2	Albertinia, Theronville, Rainbow Village and rural farming areas
3	Vermaaklikheid, Jongensfontein, part of Stilbaai West and rural farming areas
4	Witsand, Joe-Slovo, Slangrivier, Heidelberg and surrounding farms
5	Heidelberg and rural farming areas
6	Part of Riversdale and rural areas
7	Riversdale, Alwynfleur, Kwanokuthula, Plankiesdorp and rural areas
8	Aloeridge, Môrestond, Panorama, Beverley Hills and Melrose Place

Table 1: Municipal Wards

Below is a map of the Western Cape that indicates the location of the Municipality in the Eden District area:



Figure 1: Western Cape Area map

The area includes a number of big rural areas, as well as the following towns:

Riversdale:

Riversdale is a picturesque town with rich cultural heritage and numerous historical landmarks. In Riversdale, peacefulness of old days is finely blended with modern day convenience. The town is the ideal base for one-day trips to travel around and explore the exotic natural beauty of the area. It is located at the foot of the Sleeping Beauty mountain peak on the N2 highway between the Langeberg mountain range and the sea. It is only a few kilometres away from the towns like Still Bay and Witsand. The town was proclaimed as a town in 1838. Formerly the town was known as "Riversville" and was named after a government official named Sir Harry Rivers.

Heidelberg

The location of Heidelberg is very convenient and is easily accessible. The town nestles between the majestic mountains of Langeberg and the Indian Ocean. The picturesque town is situated next to the N2 highway on the banks of the Duivenhoks River, 276 km from Cape Town. The town was explored by Izaak Schryver in 1689. The valley has been inhabited since 1725 and was part of the then Riversdale district. A portion of the valley was

taken by the Riversdale church council and the town was established. The name Heidelberg was named after the ancient city of Germany. It is a perfect tourist destination offering all sorts of interesting activities starting from bird watching to exploring mountains and forests. It is a small town with beautiful mountains, rivers and forests.

Albertinia

The town was named after the reverend J.R. Albertyn of Riversdale, who planned the establishment of a separate church community. On the 10th of September 1898 the church council of Riversdale bought the farm Grootfontein from a Mrs. H. Lourens. A rectory was built by the congregation of Riversdale, and on 17th February 1900 a minister, the reverend D.J. Malan was ordained. Albertinia was proclaimed a town on 18 November 1904. Albertinia was, therefore, founded by the Dutch Reformed Church. In 1908 a big diamond was discovered at nearby Aasvoëlberg—literally Vulture Mountain—but no further finds were recorded. The town became known for its ochre and kaolin mines and is also the centre of the aloe products industry. Most of the country's roof thatching material comes from the Albertinia district.

Stilbaai

Stilbaai, also known as the Bay of Sleeping Beauty, hosts a variety of B&B lodges and a friendly warm coast for surfing and swimming. Stilbaai is host to a number of interesting archaeological sites, including ancient fish traps thought to have been built by early ancestors of the Khoi people of the Southern Cape, and a shell landfill that has been carbon dated to around 1,000 BC. Another archaeological site is situated in a group of caves at Blombos cave, about 12 kilometres from Stilbaai. Artifacts found at Blombos have been carbon dated to around 77,000 BC, making it the oldest known human settlement today.

Witsand

Witsand is a popular seaside resort with unspoilt beaches and a small harbour and is situated at the mouth of the Breede River and offers food for the soul and a place to simply relax and unwind. It is also an important breeding ground for rare birds and home to the Blue Crane, South Africa's national bird. The surrounding Indian Ocean and Breede River, the country's largest river estuary, offer an abundance of water-sports and fishing. It is surrounded by magnificent species of Cape Fynbos within this Cape Floral Region World Heritage Site. Witsand is known as The Whale Nursery of Southern Africa, due to the record number of Southern Right whales that migrate to St. Sebastian Bay annually between June and November. It is the best land-based vantage point from which to view these 58 ton gentle giants of the sea.

Slangrivier

The 'forgotten' village of Slangrivier (snake river) is fifteen kilometers from Heidelberg. Its origins date back to 1838 when Sir George Grey awarded the small settlement to the indigenous community for their loyalty during the 'border wars'. The settlement has since developed into a village of about 2000 people. The tiny, somewhat undeveloped village is known for its Slangrivier Christmas Choir and Slangrivier Culture Group. The well-known Blue Crane Trail starts here and ends in picturesque, coastal Witsand.

Gouritsmond

The small coastal town enjoys moderate weather throughout the year, but it is during the summer months that Gouritsmond comes alive, as holiday makers descend to enjoy the full benefits of this sun-sea-sand destination.

B) POPULATION

The municipality is estimated to account for 10.5% or 52 648 of the Eden District's population 553 081 in 2010/11.

a) Total Population

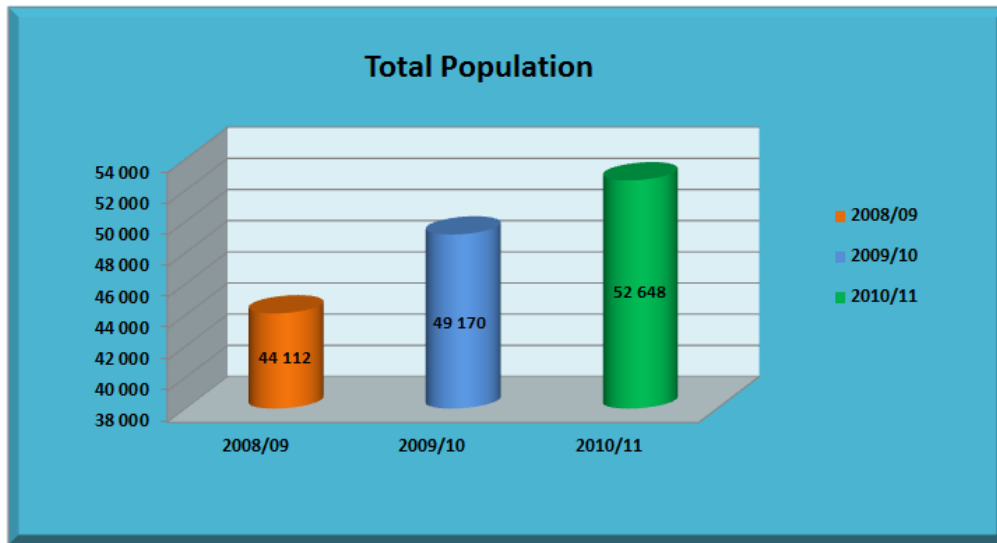
The table below indicates the total population within the municipal area:

2008/09	2009/10	2010/11	Population Growth
44 112	49 170	52 648	6.45%

Table 2: Demographic information of the municipal area – Total population

The population growth for the 2009/10 financial year was **11.14%** and for 2010/11 financial year the population growth increased by **10.7%**.

The graph below illustrate the yearly population growth for the municipal area.



Graph 1: Total Population Growth

c) HOUSEHOLDS

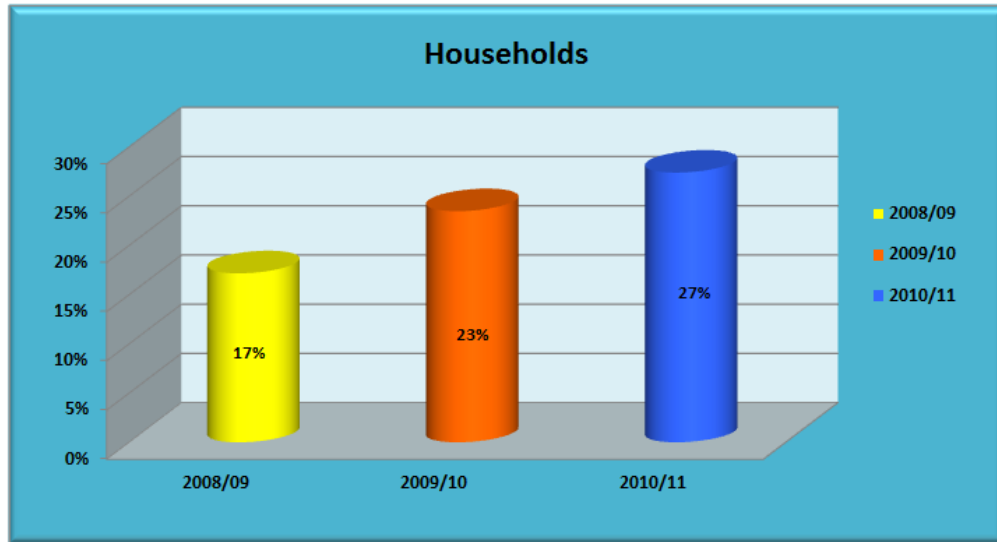
The total number of households within the municipal area increased from **12 603** households in 2008/09 financial year to a total of **15 972** households in 2010/11 financial year. This indicates an increase of **1.26%** in the total number of households within the municipal area over the two years.

Households	2008/09	2009/10	2010/11
Number of households in municipal area	12 603	14 048	15 972
Number of indigent households in municipal area	2 163	3 298	4 375

Table 3: Total number of households

Source: Global Insight 2009

The graph below shows that the total number of indigent households increased from **17%** in 2008/09 to **27%** in 2010/11 financial year. The indigent households show an annual **increase** of **10%** growth over the two years.



Graph 2: Total % indigent households within the municipal area

D) KEY ECONOMIC ACTIVITIES

The Municipality is dependent upon the following economic activities:

Key Economic Activities	Description
Agriculture and agri-processing	Cultivation and harvesting of wheat, canola, grain
	Ostrich farming, Milk cows, sheep farming
	Dekriet, Aloe, Fynbos
Transportation	N2, Railway line, Taxis
Tourism	Generic marketing, events management, product development, business development

Table 4: Key Economic activities

Gross Operating Surplus of Industries						
Households	2001	2007	2009	Increase since 2001	Increase since 2007	% of Economic Activity
	R Million	R Million	R Million	%	%	%
Real estate activities	61 593	199 677	268 182	335.41	34.31	25.70
Agriculture and hunting	74 350	139 082	146 147	96.57	5.08	14.01

HESSEQUA LOCAL MUNICIPALITY ANNUAL REPORT 2010/11

Gross Operating Surplus of Industries						
Households	2001	2007	2009	Increase since 2001	Increase since 2007	% of Economic Activity
	R Million	R Million	R Million	%	%	%
Retail trade and repairs of goods	41 439	116 738	141 154	240.63	20.92	13.53
Construction	16 200	77 500	129 373	698.61	66.93	12.40
Land and Water transport	16 149	58 273	96 223	495.84	65.12	9.22
Post and telecommunication	14 597	37 682	37 833	159.18	0.40	3.63
Finance and Insurance	10 050	39 789	37 585	273.97	-5.54	3.60
Health and social work	11 433	23 765	30 083	163.14	26.59	2.88
Education	11 747	20 344	26 239	123.37	28.98	2.52
Sale and repairs of motor vehicles, sale of fuel	5 166	19 997	25 846	400.27	29.25	2.48
Other service activities	10 997	19 171	24 778	125.32	29.25	2.37
Hotels and restaurants	2 688	10 124	13 761	411.98	35.92	1.32
Public administration and defence activities	4 366	9 397	12 181	179.00	29.64	1.17
Fishing, operation of fish farms	2 336	8 408	11 242	381.29	33.71	1.08
Wholesale and commission trade	2 244	7 094	9 424	319.93	32.85	0.90
Furniture and other items NEC and recycling	4 078	8 931	9 079	122.66	1.66	0.87
Other business activities	1 388	4 096	6 519	369.64	59.18	0.62
Electricity, gas, steam and hot water supply	992	2 442	4 901	394.16	100.66	0.47
Collection, purification and distribution of water	944	3 851	2 832	199.99	-26.47	0.27
Food, beverages and tobacco products	961	2 927	2 88	169.30	-11.58	0.25
Fuel, petroleum, chemical and rubber products	1 012	2 348	2 577	154.61	9.75	0.25
Forestry and logging	1 342	2 343	2 513	87.33	7.29	0.24
Air transport and transport supporting activities	337	964	1 266	275.87	31.41	0.12
Other non-metallic mineral products	212	791	807	279.92	2.01	0.08
Metal products, machinery and	254	702	600	135.86	-14.63	0.06

Gross Operating Surplus of Industries						
Households	2001	2007	2009	Increase since 2001	Increase since 2007	% of Economic Activity
	R Million	R Million	R Million	%	%	%
household appliances						
Other mining and quarrying (incl 22)	143	372	371	159.03	-0.24	0.04
Electronic, sound/vision, medical & other appliances	20	149	65	223.09	-56.43	0.01
Transport equipment	211	191	26	-87.70	-86.44	0.00
Mining of metal ores	0	1	1	95.03	11.13	0.00
Electrical machinery and apparatus	0	1	0	-214.77	-166.94	0.00
Textiles, clothing and leather goods	65	191	-31	-147.34	-116.05	0.00
Wood and wood products	522	2,432	-852	-263.36	-135.05	-0.08

Table 5: Gross Operating surplus of industries within the municipal boundaries

1.1.3 SOCIO ECONOMIC INFORMATION

A) SOCIO ECONOMIC GROWTH

The socio-economic information for the municipal area is as follows:

Housing Backlog	Households with No Income (%)	People older than 14 years illiterate (%)	HIV/AIDS Prevalence (%)	Urban/rural household split
3 855	46.7	25.8	2.0	0.08

Table 6: Socio Economic information

B) POPULATION BY GENDER

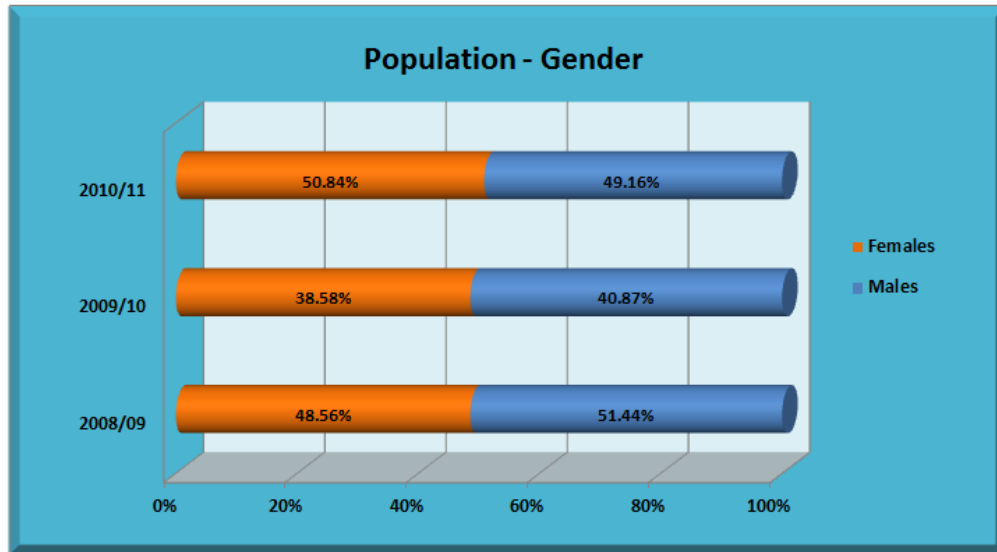
The Hessequa population is closely balanced with **50.84%** representation of females and **49.16%** of males in 2010/11 as shown below:

Population - Gender	2008/09	2009/10	2010/11	growth rate
Females	21 420	23 876	26 768	8.32%
Males	22 692	25 294	25 880	4.68%
Total	44 112	49 170	52 648	6.45%

Table 7: Demographic information of the municipal area – Gender

Source: Global Insight 2009

The following graph displays the female and male representation.



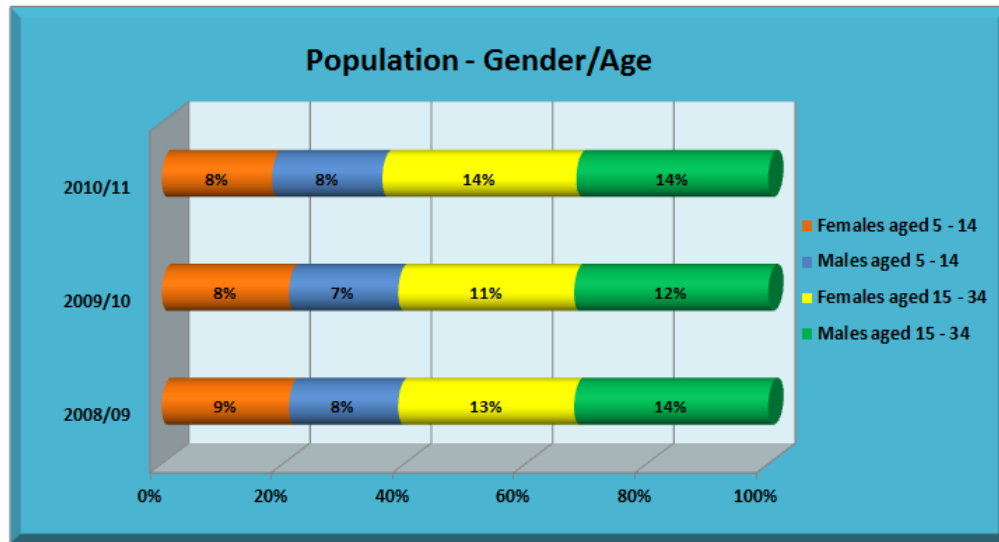
Graph 3: Gender Population

c) POPULATION BY GENDER/AGE

Population - Gender/Age	2008/09	2009/10	2010/11
Females aged 5 - 14	4 119	4 798	4 137
Males aged 5 - 14	3 531	4 113	4 140
Females aged 15 - 34	5 689	6 626	7 278
Males aged 15 - 34	6 278	7 312	7 195

Table 8: Demographic information of the municipal area – Gender/Age

The graph below indicates the population categories by gender/age.



Graph 4: Population Categories by gender/age

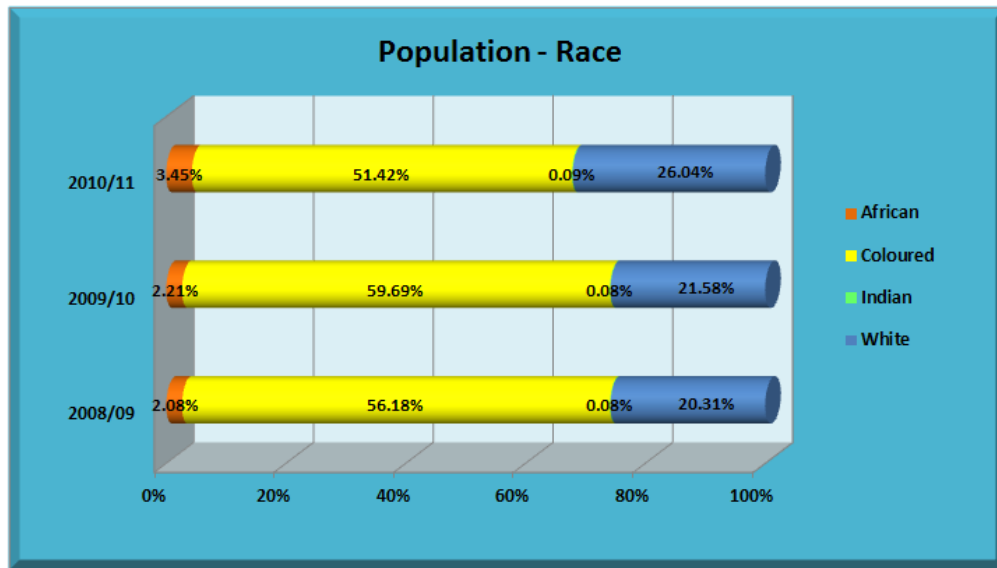
D) POPULATION BY RACE CATEGORIES

Population - Racial	2008/09	2009/10	2010/11	Growth rate
African	1 164	1 298	2 244	30.92%
Coloured	31 510	35 123	33 419	2.01%
Indian	44	49	61	12.87%
White	11 394	12 700	16 924	16.17%
TOTAL	44 112	49 170	52 648	6.45%

Table 9: Demographic information of the municipal area – Race categories

Source: Global Insight 2009

The graph below shows the population by race.



Graph 5: Population by race

1.1.4 MUNICIPAL CHALLENGES

The following general challenges are experienced by the municipality:

CHALLENGES	ACTIONS TO ADDRESS
Large geographical area: Challenging to communicate with all residents of the Hessequa region	Council does attempt to solve this with the quarterly Imbizo's in which all areas are visited by Council and
Economic situation	The pressure on the global economy is experienced in the Hessequa region as well and good financial management has to be applied in all areas and sectors of the administration
Limited income base that serves 11 settlements and 6 towns each with its own infrastructure and municipal service points.	To maintain sustainable environment: <ul style="list-style-type: none"> • By protecting the environment and natural resources • Development of sustainable human settlements • Address and manage the impact of climate change • Develop the human capital of the area and in cooperation with the private sector and public sector role players.

Table 10: Municipal Challenges

CHAPTER 2

GOVERNANCE

CHAPTER 2: GOVERNANCE

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

After the 18th of May 2011 local government election the 15 seats in the Hessequa Municipal Council were allocated as follows: 6 ANC, 1 Civic Independent, 1 Cope and 7 DA.

The first Council meeting only occurred after 1 month and was then controlled by an ANC/CIVIC INDEPENDENT/COPE alliance. On the 5th of September 2011 a DA/COPE alliance took control of the Hessequa Council.

2.1 NATIONAL KEY PERFORMANCE INDICATORS - GOOD GOVERNANCE AND PUBLIC PARTICIPATION

The following table indicates the municipality's performance in terms of the National Key Performance Indicators required in terms of the Local Government: Municipal Planning and the Performance Management Regulations 7146 2001 and section 43 of the MSA. This key performance indicator is linked to the National Key Performance Area - Good Governance and Public Participation.

KPA & INDICATORS	MUNICIPAL ACHIEVEMENT	MUNICIPAL ACHIEVEMENT	MUNICIPAL ACHIEVEMENT
	2008/09	2009/10	2010/11
The percentage of a municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan	100	100	100

Table 11: National KPIs - Good Governance and Public Participation Performance

2.2 PERFORMANCE HIGHLIGHTS - GOOD GOVERNANCE AND PUBLIC PARTICIPATION

Highlight	Description
Quarterly Imbizo's	This municipality takes public participation very seriously and has regular Imbizo's with the community in the various wards where the entire senior management team is involved.
Leadership, Change and Management Training	Senior Management obtained training in various fields relevant to public sector which has enhanced capacity and staff morale.

Highlight	Description
Consultative IDP Process	The IDP process has been communicated and workshopped with various sectors and communities in the Hessequa to ensure full public participation.
MFMA Minimum Core Competency Training	The senior management team as well as various financial staff has started the required training required by the Municipal Finance Management Act and shall complete it before the deadline of January 2013.
Performance Management System	The Council has developed and put into use a fully functioning PMS system to measure the performance of the senior management team and is in the process of rolling it out to the lower levels of staff.
Brag Document	Council developed and circulated an additional brag document this year to highlight achievements for the last 5 years. With this publication good work conducted were highlighted.
Unqualified Audit Reports	Council has received unqualified audit reports the last two years and expects to do so again this year. So providing evidence of good financial management and controls.
Freedom day celebrations in Slangrivier	The key note speaker for the event was the Head of Human Resources Department.
Youth day celebrations in Riversdale	The key note speaker for the event was the Head of Human Resources Department.

Table 12: Good Governance and Public Participation Performance Highlights

2.3 CHALLENGES - GOOD GOVERNANCE AND PUBLIC PARTICIPATION

Description	Actions to address
Accessibility to various communications media	In an attempt to communicate with all residents and enhance public participation, it remains a challenge as not everyone has access to Internet, Cell phones, Newspapers, Notice Boards, Post boxes and an ideal media mix remains difficult to find

Table 13: Good Governance and Public Participation Challenges

2.4 GOVERNANCE STRUCTURE

2.4.1 POLITICAL GOVERNANCE STRUCTURE

The council performs both legislative and executive functions. They focus on legislative, oversight and participatory roles, and have delegated its executive function to the Executive Mayor and the Mayoral Committee. Their primary role is to debate issues publicly and to facilitate political debate and discussion. Apart from their functions as decision makers, Councillors are also actively involved in community work and the various social programmes in the municipal area.

A) COUNCIL

The Council comprises 15 elected Councillors, made up from 8 Ward Councillors and 7 Proportional Representation (PR) Councillors. The portfolio committees are made up of councillors drawn from all political parties. The party and gender representation in the Council is represented the table below:

Below is a table that categorised the councillors within their specific political parties and wards before 18 May 2011:

Name of councillor	Capacity	Political Party	Ward representing or proportional	Meetings Attendance %
AK Daries	Speaker	ANC	PR	100
CP Taute	Executive Mayor	ANC	Ward 8	87.5
L Scott	Executive Deputy Mayor	ANC	PR	87.5
F Hartnick	Mayco Member	ANC	Ward 6	100
NR Stride	Mayco Member	ANC	PR	100
L Manho	Councillor	ANC	Ward 2	75
H Bouwer	Councillor	DA	Ward 3	50
N Esau	Councillor	ANC	Ward 4	100
A Hartnick	Councillor	ANC	Ward 5	62.5
L Pieterse	Councillor	ANC	PR	100
L February	Councillor	ANC	PR	100
E Nel	Councillor	DA	PR	87.5
G James	Councillor	DA	PR	100

Table 14: Council until 18 May 2011

Below is a table that categorised the councillors within their specific political parties and wards after 18 May 2011:

Name of councillor	Capacity	Political Party	Ward representing or proportional	Meetings Attendance %
A Hartnick	Speaker	ANC	Ward 5	100
CP Taute	Executive Mayor	ANC	Ward 8	100
ME Dayimani	Executive Deputy Mayor	ANC	PR	100
LC February	Mayco	ANC	Ward 4	100
FC Carelse	Mayco	Civil Independent	PR	100

Name of councillor	Capacity	Political Party	Ward representing or proportional	Meetings Attendance %
D Abrahams	Councillor	ANC	PR	100
PR Claassens	Councillor	DA	Ward 1	100
EJ Prins	Councillor	DA	Ward 3-	100
CAE Prins	Councillor	DA	Ward 2	100
F Hartnick	Councillor	ANC	Ward 6	100
A Stroebel	Councillor	DA	Ward 7	100
R Cronje	Councillor	DA	PR	100
R Johannes	Councillor	DA	PR	100
E Nel	Councillor	DA	PR	100
J Fielies	Councillor	COPE	PR	100

Table 15: Council after 18 May 2011

Below is a table which indicates the Council meetings attendance for the 2010/11 financial year:

Meeting dates	Percentage Council Meetings Attendance %	Percentage Apologies for non-attendance %
31 August 2010	100	0
30 November 2010	100	0
14 December 2010	73.3	75
22 February 2011	80	100
28 February 2011	80	66
15 March 2011	93.3	100
22 March 2011	80	33
19 April 2011	93.9	100
27 June 2011	100	0

Table 16: Council meetings

B) EXECUTIVE MAYORAL COMMITTEE

The Executive Mayor of the Municipality, **Councillor CP Taute**, assisted by the Mayoral Committee, heads the executive arm of the Municipality. The Executive Mayor is at the centre of the system of governance, since executive powers are vested in him to manage the day-to-day affairs. This means that he has an overarching strategic and political responsibility. The key element of the executive model is that executive power is vested in the Executive Mayor, delegated by the Council, and as well as the powers assigned by legislation. Although

accountable for the strategic direction and performance of the Municipality, the Executive Mayor operates in concert with the Mayoral Committee.

The name and portfolio of each Member of the Mayoral Committee is listed in the table below for the period 1 July to 18 May:

Name of member	Capacity
CP Taute	Executive Mayor
L Scott	Executive Deputy Mayor
F Hartnick	Mayco member
NR Stride	Mayco member

Table 17: Executive Mayoral Committee until 18 May 2011

The name and portfolio of each Member of the Mayoral Committee is listed in the table below for the period 18 May to 30 June 2011:

Name of member	Capacity
CP Taute	Executive Mayor
E Dayimani	Executive Deputy Mayor
L February	Mayco member
FC Carelse	Mayco member

Table 18: Executive Mayoral Committee after 18 May 2011

The table below indicates the dates of the Committee meetings and the number of reports submitted to Council for the 2010/11 financial year:

Meeting date	Number of reports submitted to council
13 July 2010	19
27 July 2010	36
24 August 2010	24
28 September 2011	27
26 October 2010	39
23 November 2010	51
1 December 2010	1
7 December 2010	34
25 January 2011	23
15 February 2011	23
21 February 2011	4

Meeting date	Number of reports submitted to council
22 February 2011	4
28 February 2011	1
15 March 2011	2
22 March 2011	11
19 April 2011	26
12 May 2011	4
29 June 2011	1

Table 19: Committee Meetings

(Please note that the name and functions of the committees have on numerous occasions been altered due to the change of council.)

c) PORTFOLIO COMMITTEES

In terms of section 80 of the Municipal Structures Act, 1998, if a council has an executive committee; it may appoint in terms of section 79 committees of councillors to assist the executive committee or executive mayor. Section 80 committees are permanent committees that specialise in a specific functional area of the municipality and may in some instances make decisions on specific functional issues. They advise the executive committee on policy matters and make recommendations to Council.

The portfolio committees for the 2006/11 council term and their Chairpersons are as follow:

a) Administration and Human Resources Committee

Name of member	Capacity
L Scott	Chairperson
AK Daries	Member
L Pieterse	Member
J George	Member
C Swanepoel	Member

Table 20: Administration and Human Resources Portfolio Committees

Meeting dates	Number of reports submitted to council
10 August 2010	39
14 September 2010	
12 October 2010	

Meeting dates	Number of reports submitted to council
9 November 2010	
8 February 2011	
8 March 2011	

Table 21: Administration and Human Resources Portfolio Committee Meetings

b) Water, Sewerage, Sanitation and Electricity Committee

Name of member	Capacity
F Hartnick	Chairperson
L Pieterse	Member
AK Daries	Member
C Swanepoel	Member
M Streicher	Member

Table 22: Water, Sewerage, Sanitation and Electricity Portfolio Committee

Meeting dates	Number of reports submitted to council
10 August 2010	95
14 September 2010	
12 October 2010	
9 November 2010	
8 February 2011	
8 March 2011	

Table 23: Water, Sewerage, Sanitation and Electricity Portfolio Committee Meetings

c) Streets, Stormwater, Parks and Resorts Committee

Name of member	Capacity
F Hartnick	Chairperson
A Hartnick	Member
N Esau	Member
C Swanepoel	Member
M Streicher	Member

Table 24: Streets, Stormwater, Parks and Resorts Portfolio Committee

Meeting dates	Number of reports submitted to council
10 August 2010	63
14 September 2010	
12 October 2010	
9 November 2010	
8 February 2011	
8 March 2011	

Table 25: Streets, Stormwater, Parks and Resorts Portfolio Committee Meetings

d) Economic and Social Development and Protection Services Committee

Name of member	Capacity
N Stride	Chairperson
N Esau	Member
A Hartnick	Member
C Swanpoel	Member
J George	Member

Table 26: Economic and Social Development and Protection Services Portfolio Committee

Meeting dates	Number of reports submitted to council
11 August 2010	100
15 September 2010	
13 October 2010	
10 November 2010	
9 February 2011	
9 March 2011	

Table 27: Economic and Social Development and Protection Services Portfolio Committee Meetings

e) Finance and Audit Committee

Name of member	Capacity
L Scott	Chairperson
CJ Swanpoel	Member
L February	Member
L Manho	Member
E Nel	Member

Table 28: Finance and Audit Portfolio Committee

Meeting dates	Number of reports submitted to council
10 August 2010	109
14 September 2010	
12 October 2010	
9 November 2010	
8 February 2011	
8 March 2011	

Table 29: Finance and Audit Portfolio Committee Meetings

f) Planning Services Committee

Name of member	Capacity
N Stride	Chairman
L Manho	Member
L February	Member
C Swanepoel	Member
E Nel	Member

Table 30: Planning Services Portfolio Committee

Meeting dates	Number of reports submitted to council
11 August 2010	161
15 September 2010	
13 October 2010	
10 November 2010	
9 February 2011	
9 March 2011	
12 April 2011	

Table 31: Planning Services Portfolio Committee Meetings

2.4.2 ADMINISTRATIVE GOVERNANCE STRUCTURE

The Municipal Manager is the Chief Accounting Officer of the Municipality. He is the head of the administration, and primarily has to serve as chief custodian of service delivery and implementation of political priorities. He is assisted by his direct reports, which constitutes the Management Team, whose structure is outlined in the table below:

Name of Official	Department	Performance agreement signed
		(Yes/No)
Mr J Jacobs	Municipal Manager	Yes
Mr BR Ellman	Information Technology & Corporate Services and HR	Yes
Mr CJ Onrust	Socio Economic Development	Yes
Mr E Steyn	Water, Sewer and Sanitation & Electro Technical Services	Yes
Mrs AM Vermeulen	Legal Services & Safety and Security	Yes
Mrs HJ Viljoen	Finance Services	Yes
Mr HS Visser	Planning	Yes
Mr RR Wesso	Streets, Stormwater, Parks and Resorts	Yes

Table 32: Administrative Governance Structure

2.5 PUBLIC ACCOUNTABILITY

Section 16 of the Municipal Systems Act (MSA) refers specifically to the development of a culture of community participation within municipalities. It states that a municipality must develop a culture of municipal governance that complements formal representative government with a system of participatory governance. For this purpose it must encourage and create conditions for the local community to participate in the affairs of the community. Such participation is required in terms of:

- the preparation, implementation and review of the IDP;
- establishment, implementation and review of the performance management system;
- monitoring and review of the performance, including the outcomes and impact of such performance; and
- preparation of the municipal budget.

2.5.1 WARD COMMITTEES

The ward committees support the Ward Councillor who receives reports on development, participate in development planning processes, and facilitate wider community participation. To this end, the municipality constantly strives to ensure that all ward committees function optimally with community information provision; convening of meetings; ward planning; service delivery; IDP formulation and performance feedback to communities.

Ward 1: Bietouville, Gouritsmond, Melkhoutfontein, Stilbaai East, Part of Stilbaai West and rural farming areas

Ward 1 of Hessequa Municipality didn't change for the 2011 elections and consists of the following areas. As a planning area ward 1 is not an ideal delimitation of a geospatial planning area.

Name of representative	Capacity representing	Dates of meetings held during the year
Clr C Swanepoel	Chairperson	26 July 2010 27 September 2010 22 February 2011 29 March 2011 29 April 2011
Mr Faan Muller	Member	
Mr Louis Kleinhans	Member	
Brig Hertzog Lerm	Member	
Ms Petra Daneel	Member	
Ms Judith Kotze	Member	
Mr R Kasselmann	Member	
Clr L Scott	Member	

Table 33: Ward 1 Committee Meetings

Ward 2: Albertinia, Theronville, Rainbow Village and rural farming areas

Ward 2 changed radically from the previous delimitation as the 2006 ward only consisted of the Albertinia urban settlement. No rural areas was included, but for 2011 all of the rural areas from the northern side of the N2 surrounding Albertinia and find the Langeberg mountain range as northern border and the eastern border of Hessequa. In terms of communities, ward 2 still just encapsulates the urban area of Albertinia. This causes ward 2 to be more of an accurate planning delimitation and statistics are more balanced in terms of economic activities as the rural segment of the economy would be included in statistics.

Name of representative	Capacity representing	Dates of meetings held during the year
Clr L Manho	Chairperson	22 July 2010 19 August 2010 23 September 2010 21 October 2010 18 November 2010 22 April 2011
Ms M Losper	Member	
Ms E Saayman	Member	
Prof J Roelofse	Member	
Clr M Streicher	Member	

Table 34: Ward 2 Committee Meetings

Ward 3: Vermaaklikheid, Jongensfontein, part of Stilbaai West and rural farming areas

Ward 3 is one of the largest geographical wards in Hessequa and as a result, also one of the least useful to planning purposes. A large rural area that stretches from the Goukou river mouth to about halfway between Jongensfontein and Witsand. It then stretches north alongside the east side of Heidelberg and about all of the rural areas in Hessequa, north of Heidelberg. It includes Still bay-West, Jongensfontein and the rural community of Vermaaklikheid. As a geospatial planning area, ward 3 is one of the least practical areas to do planning as statistics are shared with a very large rural area and two relatively well-off communities.

Name of representative	Capacity representing	Dates of meetings held during the year
Clr H Bouwer	Chairperson	22 July 2010 19 August 2010 16 September 2010 21 October 2010 27 November 2010 24 February 2011 31 March 2011
Mr WP Jacobs	Member	
Ms M van Coller	Member	
Ms H Döckel	Member	
Mr F Muller	Member	
Ms A Philander	Member	
Mr J Stanbridge	Member	
Clr L Pieterse	Member	

Table 35: Ward 3 Committee Meetings

Ward 4: Witsand, Joe-Slovo, Slangrivier, Heidelberg and surrounding farms

Ward 4 didn't experience any changes since the 2006 local elections. However it still remains a very unpractical area to manage in terms of statistics on ward level. It includes a relatively large rural area surrounding Witsand, Slangrivier and the Heidelberg area. It's boundary towards the west is the municipal boundary and stretches from the coast in the south to the N2 on the northern boundary. As mentioned Witsand is included, Slangrivier and a relatively large portion of Heidelberg town.

In terms of planning and statistical analysis the ward's delimitation is very unpractical. It literally cuts through the middle of a community and resulting in that area's statistics to be included with Slangrivier and Witsand. It is of no strategic value to look at statistics on the level of ward 4.

Name of representative	Capacity representing	Dates of meetings held during the year
Clr D Esau	Chairperson	22 July 2010
Mr G Hartman	Member	19 August 2010

Name of representative	Capacity representing	Dates of meetings held during the year
Mr John February	Member	21 October 2010 18 November 2010 17 February 2011
Mr MC de Beer	Member	
Clr J George	Member	
Clr L February	Member	

Table 36: Ward 4 Committee Meetings

Ward 5: Heidelberg and rural farming areas

Ward 5 didn't experience any changes since the 2006 elections. The ward consists mostly out of the Heidelberg urban area with a small piece of rural area included towards the north-west of the town. As planning area ward 5 would've worked well, but due to a relatively large portion of the ward that is removed by the delimitation of ward 4, a core group of the residents of Heidelberg is removed from statistics, thus renders the ward as geospatial planning area useless.

Name of representative	Capacity representing	Dates of meetings held during the year
Clr A Hartnick	Chairperson	22 July 2010 19 August 2010 30 August 2010 28 September 2010 26 October 2010 18 November 2010 22 February 011
Mr J Blom	Member	
Mr L Adams	Member	
Mr J Du Plesis	Member	
Mr R Jacobs	Member	
Ms L Lotz	Member	

Table 37: Ward 5 Committee Meetings

Ward 6: Part of Riversdale and rural areas

Ward 6 forms part of Riversdale and includes a small rural area within its borders. The largest portion of ward 6's residents is located in Riversdale by being separated from the rest of the town by the railway line and Main Street on the western border. The rural area of ward 6 has a few concentrated farming areas. Ward 6 is a difficult planning unit as it once again includes rural as well as urban areas.

Name of representative	Capacity representing	Dates of meetings held during the year
Clr F Hartnick	Chairperson	19 August 2010 21 October 2010 17 February 2011 17 March 2011
Mr D September	Member	
Me D Weber	Member	
Clr E Nel	Member	

Table 38: Ward 6 Committee Meetings

Ward 7: Riversdale, Alwynfleur, Kwanokuthula, Plankiesdorp and rural areas

Ward 7 is one of the wards that did change considerably from the 2006 local elections and was influenced by changes in ward 8 and ward 2. The rural area that is included within ward 7 is towards the south-western side of Riversdale and continues north over the Langeberg mountain range and includes all rural areas of the Hessequa municipal area on the northern border behind the mountain range. Thus it consists of a substantial amount of rural residents. Coming to its urban components, it includes a large part of Riversdale’s centre of commerce and continues towards the north-westerly residential areas known as Alwynfleur and surrounding areas. Another urban settlement was included in ward 7 and is known as Kwanokuthula. This is primarily a formal residential area where almost all residents are indigent households and it has an informal settlement called “Plankiesdorp”. The geographical layout of ward 7 makes it very difficult to use as a planning area as its vastness does not allow for planning to be reflected in a useful manner if the complete ward is displayed.

Name of representative	Capacity representing	Dates of meetings held during the year
Clr M Streicher	Chairperson	22 July 2010 19 August 2010 23 September 2010 18 November 2010 17 February 2011
Mr P van den Berg	Member	
Ms C Mcdonald	Member	
Mr J Victor	Member	
Ms E Buis	Member	
Mr H Stroebel	Member	
Ms A Schoeman	Member	
Mr A Daniels	Member	
Clr R Stride	Member	

Table 39: Ward 7 Committee Meetings

Ward 8: Aloeridge, Mōrestond, Panorama, Beverley Hills and Melrose Place

Ward 8 was changed for the 2011 local elections by the transfer of Kwanokuthula to ward 7. Even though the ward does include a small amount of non-urban land, it has very few residents in that part of the ward. The relatively high density communities of Morestond, Aloeridge and Panorama are the urban areas that house the relatively poor residents. Ward 8 is the only ward that can be used as a planning area as it perfectly contains these communities as a whole.

Name of representative	Capacity representing	Dates of meetings held during the year
Clr C Taute	Chairperson	26 July 2010
Mr C Merkeur	Member	16 August 2010
Mr K Saayman	Member	18 October 2010
Ms E Scholtz	Member	15 November 2010
Clr E Nel	Member	29 November 2010
		21 February 2011
		22 March 2011

Table 40: Ward 8 Committee Meetings

2.5.2 FUNCTIONALITY OF WARD COMMITTEE

The purpose of a ward committee is:

- to get better participation from the community to inform council decisions;
- to make sure that there is more effective communication between the Council and the community; and
- to assist the ward councillor with consultation and report-backs to the community.

Ward committees should be elected by the community they serve. A ward committee may not have more than 10 members and women should be well represented. The ward councillor serves on the ward committee and act as the chairperson. Although ward committees have no formal powers, they advise the ward councillor who makes specific submissions directly to the council. These committees play a very important role in the development and annual revision of the integrated development plan of the area.

The table below provides information on the establishment of Ward Committees and their functionality:

Ward Number	Committee established: Yes / No	Number of reports submitted to the Speakers Office	Number meetings held during the year	Committee functioning effectively: Yes / No	Actions to address
1	Yes	0	5	Yes	n/a
2	Yes	0	6	Yes	n/a
3	Yes	0	7	Yes	n/a
4	Yes	0	5	Yes	n/a
5	Yes	0	7	Yes	n/a

Ward Number	Committee established: Yes / No	Number of reports submitted to the Speakers Office	Number meetings held during the year	Committee functioning effectively: Yes / No	Actions to address
6	Yes	0	4	Yes	n/a
7	Yes	0	5	Yes	n/a
8	Yes	0	7	Yes	n/a

Table 41: Functioning of Ward Committees

2.5.3 REPRESENTATIVE FORUMS

A) LABOUR FORUM

The table below specifies the members of the Labour forum for the 2010/11 financial year:

Name of representative	Capacity	Meeting dates
Clr. AK Daries	Councillor	2 February 2010 6 April 2010 3 June 2010 16 September 2010 21 October 2010 11 November 2010 3 March 2011 7 April 2011
Clr. F. Hartnick	Councillor	
Clr. J. Hartnick	Councillor	
Clr. L. February	Councillor	
Clr. L. Pieterse	Councillor	
Clr. E. Nel	Councillor	
Mr. J. Jacobs	Employer	
Mr. J. Gertse	Employer	
Mrs. A. Booysen	Employer	
Mrs. E. Kouter Mr. E. Mokoena Mr. H. Michael Mr. J Nomdoe	SAMWU	
Mr. C. September Mr. F. Rust Mr. S. Rust	IMATU	

Table 42: Labour Forum

2.5.4 IZIMBIZO

Izimbizo gives further effect and concrete expression to participatory democracy so that communities can exercise their rights to be heard, and assist with the national effort to build a better life for all.

Government launched the Izimbizo programme in 2001 as a period of intensified activity where all spheres of government - national, provincial and local - interact with the people across the country. The Izimbizo initiative plays an important role as an interactive style of governance, which creates more space for public participation and involvement around interactive implementation of government's Programme of Action.

Izimbizo is about unmediated communication between government and its people. It is a forum for enhancing dialogue and interaction between senior government executives and ordinary people and provides an opportunity for government to communicate its programmes and progress directly to the people. Izimbizo also promotes participation of the public in the programmes to improve their lives. Interaction through Izimbizo highlights particular problems needing attention, blockages in implementation of policy, or policy areas that may need review. It draws public input into how best to tackle challenges and gives the President and others direct access to what people say and feel about government and service delivery, to listen to their concerns, their grievances and advice about the pace and direction of government's work.

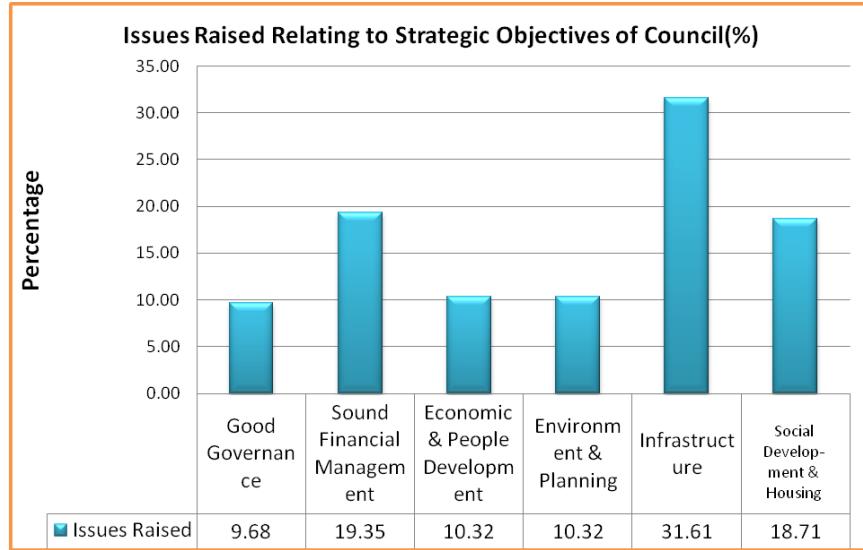
The table below categorise the date of events held within the different types of Izimbizo:

Type of Imbizo	Date of events	Place where event was held	Issues raised by community	Issue addressed
Municipal/Mayoral Izimbizo	10, 11, 12, 16 and 17 August 2010	Riversdale, Heidelberg, Slangrivier & Witsand, Stilbaai & Jongensfontein, Melkhoutfontein, Gouritsmond and Albertinia	<ul style="list-style-type: none"> • Conditions of municipal and provincial roads • Water quality • Availability of electricity • High cost and steep increase of electricity tariffs • Law enforcement • Housing needs • Improvement of basic service conditions • Upgrade and maintenance of sport and community facilities 	Imbizo report submitted to Executive Mayoral Committee for discussion and referral to the applicable Portfolio Committee to address issues raised.
	1, 2, 3, 4, and 8 November 2010	Riversdale, Heidelberg, Slangrivier, Stilbaai & Jongensfontein, Melkhoutfontein,	<ul style="list-style-type: none"> • Conditions of municipal and provincial roads • Water quality 	Imbizo report submitted to Executive Mayoral Committee for discussion and referral to the

Type of Imbizo	Date of events	Place where event was held	Issues raised by community	Issue addressed
		Gouritsmond and Albertinia	<ul style="list-style-type: none"> • Availability of electricity • High cost and steep increase of electricity tariffs • Law enforcement • Housing needs • Improvement of basic service conditions • Upgrade and maintenance of sport and community facilities 	applicable Portfolio Committee to address issues raised.
	7, 8, 9, 10, 14, 15 and 16 March 2011	Riversdale, Heidelberg, Slangrivier & Witsand, Stilbaai & Jongensfontein, Melkhoutfontein, Vermaaklikheid, Kwanokuthula, Gouritsmond and Albertinia	<ul style="list-style-type: none"> • Conditions of municipal and provincial roads • Water quality • Availability of electricity • High cost and steep increase of electricity tariffs • Law enforcement • Housing needs • Improvement of basic service conditions • Upgrade and maintenance of sport and community facilities 	Imbizo report submitted to Executive Mayoral Committee for discussion and referral to the applicable Portfolio Committee to address issues raised.

Table 43: Izimbizo

The following diagram identifies the key issues that are raised mostly by our residents. Infrastructure are raised most followed by financial management related issues, mainly influenced by the updating of our valuation rolls that caused an immense amount of inputs by residents.



2.6 CORPORATE GOVERNANCE

Corporate governance is the set of processes, practices, policies, laws and stakeholders affecting the way an institution is directed, administered or controlled. Corporate governance also includes the relationships among the many stakeholders involved and the goals for which the institution is governed.

2.6.1 ANTI-CORRUPTION AND ANTI-FRAUD

Section 83(c) of the MSA refers to the implementation of effective bidding structures to minimize the possibility of fraud and corruption and the Municipal Finance Management Act (MFMA), section 112(1) (m)(i) identify supply chain measures to be enforced to combat fraud and corruption, favoritism and unfair and irregular practices. Section 115(1) of the MFMA states that the accounting officer must take steps to ensure mechanisms and separation of duties in a supply chain management system to minimize the likelihood of corruption and fraud.

A) DEVELOPED STRATEGIES

Name of strategy	Developed Yes/No	Date Adopted/Reviewed
Anti-corruption strategy	Yes	July 2007

Table 44: Strategies

B) IMPLEMENTATION OF STRATEGIES

Strategies to implement	Key Risk Areas	Key measures to curb corruption and fraud
Ethics Awareness Programme	Human Resources	Training and capacity building of councillors, staff and managers
Risk Assessment	Recruitment, Procurement and Housing	Identify target areas to review & refine policies, procedures and controls
Community Awareness Campaign	Lack of awareness by the Public	Engage with key stakeholders and development of a code of conduct for service providers

Table 45: Implementation of the Strategies

2.6.2 AUDIT COMMITTEE/S

Section 166(2) of the MFMA states that an audit committee is an independent advisory body which must - (a) advise the municipal council, the political office-bearers, the accounting officer and the management staff of the municipality, on matters relating to –

- internal financial control;
- risk management;
- performance Management; and
- effective Governance.

A) FUNCTIONS OF THE AUDIT COMMITTEE

The Council decided on 22 July 2010 that the Audit Committee will also act as the Performance Committee.

The main functions of the Audit Committee are set out in section 166 (2) (a-e) of the Municipal Finance Management Act, 2003.

B) MEMBERS OF THE AUDIT COMMITTEE

Name of representative	Capacity	Meeting dates
Prof. JA Döckel	Chairperson	10 August 2010
Dr. AL van Wyk	Member	29 September 2010 (Special meeting Financial Statements) 16 November 2010 15 February 2011 24 March 2011 (Special meeting Budget)
Ms. CE Conradie	Member	
Mr. TB Februarie	Member	
Mr. J Lupini	Member of the Public	
Mr. KG Herbst	Co-opted member	

Name of representative	Capacity	Meeting dates
Prof. PJ du Plessis	Co-opted member	17 May 2011

Table 46: Members of the Audit Committee

2.6.3 INTERNAL AUDITING

Section 165 (2) (a), (b)(iv) of the MFMA requires that:

The internal audit unit of a municipality must –

- (a) prepare a risk based audit plan and an internal audit program for each financial year; and
- (b) advise the accounting officer and report to the audit committee on the implementation on the internal audit plan and matters relating to:
- (c) risk and risk management.

The Internal Audit function is performed internally and consists of two staff members.

Annual Audit Plan

The Risk Based Audit Plan for 2010/11 was implemented 90% with available resources, due to of special leave of personnel that was approved as such by the Audit Committee. The table below provides detail on audits completed:

Description		No of Hours	Date completed	
Phase 1				
Revisiting current risk profile and priorities		80	30 November 2010	
Phase 2				
Compiling Risk Based Audit Plan		20	10 December 2010	
Phase 3				
Audit Engagement	Departmental System	Detail	No of Hours	Date completed
Finance	Financial Services	Revenue- Water & Electricity	160	21 January 2011
		Assets	240	15 March 2011
Legal Services & Safety and Security Services	Safety and Security	Law Enforcement Maintenance	120	25 August 2010
		Administrative services	240	27 October 2010
Socio Economic Development	Tourism	Tourism in Hessequa	120	6 December 2010

Description			No of Hours	Date completed
Services				
Information Technology & Corporate Services and HR	Human Resources	Appointments, Admin and Salaries	240	30 October 2010
Planning Services	Building and land use	Building and land use	280	10 June 2011
Streets, Stormwater, Parks and Resorts Services	Municipal Buildings	Buildings	160	30 July 2010
Performance Information	Governance	Good Governance	40	2 June 2011
		Performance Information	40	14 April 2011
Management	Audit	Project Clean Audit	40	31 May 2011
		Ad Hoc Audits	320	Continuous
Administrative duties			200	Continuous
Audit Committee Meetings			220	Continuous
Governance Audits - DORA			120	29 July 2010
Follow up Audits			120	28 June 2011
Training CPD			160	Continuous
Total Hours			2 920	-

Table 47: Internal Audit Coverage Plan

Below are the functions of the Internal Audit Unit that was performed during the financial year under review:

Function	Date/Number
Risk analysis completed/reviewed	30 November 2010
Risk based audit plan approved for 2010/11 financial year	16 February 2010
Internal audit programme drafted and approved	16 February 2010
Number of audits conducted and reported on	9
Audit reports included the following key focus areas:	
<i>Internal controls</i> <i>Accounting procedures and practices</i> <i>Risk and risk management</i> <i>Performance management</i> <i>Loss control</i> <i>Compliance with the MFMA and other legislation</i>	

Table 48: Internal Audit Functions

2.6.4 AUDITOR GENERAL

Hessequa Local Municipality was audited by the Auditor-General of South Africa in terms of section 188 of the Constitution and section 4 of the Public Audit Act and section 126 of the MFMA and the audit report for the financial year under review is in Annexure B of this report.

2.6.5 BY-LAWS AND POLICIES

Section 11 of the MSA gives municipal Councils the executive and legislative authority to pass and implement by-laws and policies.

Below is a list of all the by-laws developed and reviewed during the financial year:

By-laws developed/revised	Date adopted	Public Participation Conducted Prior to adoption of By-Laws (Yes/No)	Date of Publication
Bylaw relating to prevention of public nuisance and public nuisance arising from keeping of animals (revised)	In process	Yes 21-28 May 2011	Not yet published
Bylaw relating to impoundment of animals(revised)	In process	Yes 10-17 February 2011	Not yet published
Events bylaw (developed)	In process	Yes 21-28 May 2011	Not yet published
Liquor trading hours bylaw (developed)	In process	Yes 2 February 2009	Not yet published

Table 49: By-laws

Below is a list of all the policies developed and reviewed during the financial year:

Policies developed/revised	Date adopted	Public Participation Conducted Prior to adoption of policy (Yes/No)	Date of Publication
Events policy (developed)	In process	No	Not yet published
Law enforcement strategy (revised)	In process	No	Internal consultation to be conducted

Table 50: Policies

2.6.6 COMMUNICATION

Local government has a legal obligation and a political responsibility to ensure regular and effective communication with the community. The Constitution of the Republic of South Africa Act 1996 and other statutory enactments all impose an obligation on local government communicators and require high levels of transparency, accountability, openness, participatory democracy and direct communication with the communities to improve the lives of all.

Below is a communication checklist of the compliance to the communication requirements:

Communication activities	Yes/No
Communication unit	No
Communication strategy	No
Communication Policy	No
Customer satisfaction surveys	No
Functional complaint management systems	Yes
Newsletters distributed at least quarterly	Yes

Table 51: Communication Activities

2.6.7 WEBSITES

A municipal website should be an integral part of a municipality's communication infrastructure and strategy. It serves as a tool for community participation, improves stakeholder involvement and facilitates stakeholder monitoring and evaluation of municipal performance. Section 75 of the MFMA requires that the municipalities place key documents and information on their website, including the IDP, the annual budget, adjustments budgets and budget related documents and policies.

Below is a website checklist to indicate the compliance to Section 75 of the MFMA:

Documents published on the Municipal website	Date Published
Current annual and adjustments budgets and all budget-related documents	31 March 2011
Budget implementation policy: Tariff policy	31 March 2011
Budget implementation policy: Credit control policy	31 March 2011
Budget implementation policy: Rates policy	31 March 2011
Budget implementation policy: SCM policy	31 March 2011
Annual report for 2009/10	31 March 2011

Documents published on the Municipal website	Date Published
Performance agreements required in terms of section 57 (1) (b) of the Municipal Systems Act for 2010/11	Yes
All service delivery agreements for 2010/11	No
All long-term borrowing contracts for 2010/11	Yes
All supply chain management contracts above the prescribed value for 2010/11	No
Information statement containing a list of assets over a prescribed that have been disposed of in terms of section 14 (2) or (4) of the MFMA during for 2010/11	Yes
Contracts agreed in 10/11 to which subsection (1) of section 33 of the MFMA apply, subject to subsection (3) of that section	n/a
Public-private partnership agreements referred to in section 120 of the MFMA made in 2010/11	n/a
All quarterly reports tabled in the council in terms of section 52 (d) of the MFMA during 2010/11	Yes

Table 52: Website Checklist

DRAFT

CHAPTER 3

ORGANISATIONAL DEVELOPMENT PERFORMANCE

CHAPTER 3: ORGANISATIONAL DEVELOPMENT PERFORMANCE

3.1 NATIONAL KEY PERFORMANCE INDICATORS – MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

The following table indicates the municipality’s performance in terms of the National Key Performance Indicators required in terms of the Local Government: Municipal Planning and the Performance Management Regulations of 2001 and section 43 of the MSA. These key performance indicators are linked to the National Key Performance Area – Municipal Transformation and Organisational Development.

KPA & INDICATORS	MUNICIPAL ACHIEVEMENT	MUNICIPAL ACHIEVEMENT	MUNICIPAL ACHIEVEMENT
	2008/09	2009/10	2010/11
The number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality’s approved employment equity plan	10	13	16
The percentage of a municipality’s budget actually spent on implementing its workplace skills plan	0.4	0.3	0.2

Table 53: National KPIs– Municipal Transformation and Organisational Development

3.2 PERFORMANCE HIGHLIGHTS – MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

Highlight	Description
Reviewing of Organisational structure	Almost completed
TASK evaluation process	Starting of the TASK evaluation process, will be implemented in due course
MFMA Minimum Competency level training	Well on track
Successfully completion of WSP for 2010/2011	Completed and reviewed the feedback report
Employment Equity plan	Started with the compilation, for completion 16 January 2012
Recruitment policy	Completed review and referred to counsel for authorization

Table 54: Performance Highlights– Municipal Transformation and Organisational Development

3.3 CHALLENGES – MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

Challenge	Actions to address
HR Capacity: Need more staff, for maximum service to personnel	Provision of sufficient budget in future years
Numerous vacancies: Skills development facilitator, Employee Assistance and Occupational Health and Safety	Provision of sufficient budget in future years
Driving of the implementation of the Workplace Skills Plan	Provision of sufficient budget to appoint Skills Development Facilitator

Table 55: Challenges – Municipal Transformation and Organisational Development

3.4 INTRODUCTION TO THE MUNICIPAL WORKFORCE

The Hessequa Municipality currently employs **488** (excluding non-permanent positions) officials, who individually and collectively contribute to the achievement of Municipality's objectives. The primary objective of Human Resource Management is to render an innovative HR service that addresses both skills development and an administrative function.

3.4.1 EMPLOYMENT EQUITY

The Employment Equity Act (1998) Chapter 3, Section 15 (1) states that affirmative action measures are measures designed to ensure that suitable qualified people from designated groups have equal employment opportunities and are equitably represented in all occupational categories and levels in the workforce of a designated employer. The national performance indicator also refers to: "Number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan"

A) EMPLOYMENT EQUITY TARGETS/ACTUAL

African			Coloured			Indian			White		
Target June	Actual June	Target reach	Target June	Actual June	Target reach	Target June	Actual June	Target reach	Target June	Actual June	Target reach
21	31	148%	308	369	119%	0	0	0	87	68	78%

Table 56: 2010/11 EE targets/Actual by racial classification

Male			Female			Disability		
Target June	Actual June	Target reach	Target June	Actual June	Target reach	Target June	Actual June	Target reach
272	338	80%	97	124	26%	0	3	0.6%

Table 57: 2010/11 EE targets/actual by gender classification

B) EMPLOYMENT EQUITY VS. POPULATION

Description	African	Coloured	Indian	White	Total
Population numbers	2 244	33 419	61	16 924	52 648
% Population	4.3	63.5	0.1	32.1	100
Number for positions filled	32	386	0	70	488
% for Positions filled	6.5	79	0	14.3	100

Table 58: EE population 2010/11

C) OCCUPATIONAL CATEGORIES - RACE

Below is a table that indicate the number of employees by race within the specific occupational categories:

Posts filled									
Occupational categories	Male				Female				Total
	A	C	I	W	A	C	I	W	
Legislators, senior officials and managers	2	6	0	3	0	2	0	1	14
Professionals	1	17	0	4	1	7	0	5	35
Technicians and associate professionals	0	12	0	7	0	0	0	0	19
Clerks	1	16	0	0	3	39	0	19	78
Service and sales workers	0	17	0	1	0	4	0	0	22
Craft and related trades workers	0	0	0	0	0	0	0	0	0
Plant and machine operators and assemblers	11	28	0	0	5	28	0	0	72
Elementary occupations	65	84	0	20	36	43	0	0	248
Total permanent	80	180	0	35	45	123	0	25	488
Non- permanent	6	32	0	3	6	40	0	9	96
Grand total	86	212	0	38	51	163	0	34	584

Table 59: Occupational Categories

D) OCCUPATIONAL LEVELS - RACE

The table below categories the number of employees by race within the occupational levels:

Occupational Levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top Management	0	5	0	4	1	3	0	2	15
Senior management	0	3	0	4	0	0	0	2	9
Professionally qualified and experienced specialists and mid- management	0	8	0	19	0	5	0	9	41
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	3	68	0	9	1	46	0	24	151
Semi-skilled and discretionary decision making	19	188	0	5	4	56	0	0	272
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
Total permanent	22	272	0	41	6	110	0	37	488
Non- permanent employees	6	32	0	3	6	40	0	9	96
Grand total	28	304	0	44	12	150	0	46	584

Table 60: Occupational Levels

E) DEPARTMENTS - RACE

The following table categories the number of employees by race within the different departments:

Department	Male				Female				Total
	A	C	I	W	A	C	I	W	
Municipal manager	0	1	0	3	0	0	0	2	6
Corporate Services and HR	0	9	0	2	2	15	0	3	31
Information Technology	0	3	0	0	0	0	0	0	3
Socio Economic Development	0	10	0	1	0	15	0	8	34
Water, Sewer and Sanitation	12	82	0	7	0	6	0	1	108
Electro Technical Services	2	34	0	9	0	0	0	0	45
Legal Services	0	0	0	0	0	1	0	2	3
Safety and Security	2	14	0	5	0	7	0	0	28
Financial Services	1	9	0	4	0	17	0	11	42
Planning	0	3	0	2	0	2	0	2	9
Streets, Stormwater, Parks and Resorts	9	120	0	5	4	38	0	3	179
Total permanent	26	285	0	38	6	101	0	32	488
Non- permanent	6	32	0	3	6	40	0	9	96

Department	Male				Female				Total
	A	C	I	W	A	C	I	W	
Grand total	32	317	0	41	12	141	0	41	584

Table 61: Department - Race

3.4.2 VACANCY RATE

The approved organogram for the municipality had **541** posts for the 2010/11 financial year. The actual positions filled are indicated in the tables below by post level and by functional level. **53** Posts were vacant at the end of 2010/11, resulting in a vacancy rate of **10.9%**.

Below is a table that indicates the vacancies within the municipality:

PER POST LEVEL		
Post level	Filled	Vacant
MM & MSA section 57 & 56	8	1
Middle management	14	1
Admin Officers	109	13
General Workers	357	38
Total	488	53
PER FUNCTIONAL LEVEL		
Functional area	Filled	Vacant
Municipal manager	6	0
Corporate Services and HR	31	4
Information Technology	3	0
Socio Economic Development	34	5
Water, Sewer and Sanitation	108	15
Electro Technical Services	45	5
Legal Services	3	0
Safety and Security	28	2
Financial Services	42	6
Planning	10	0
Streets, Stormwater, Parks and Resorts	178	16
Total	488	53

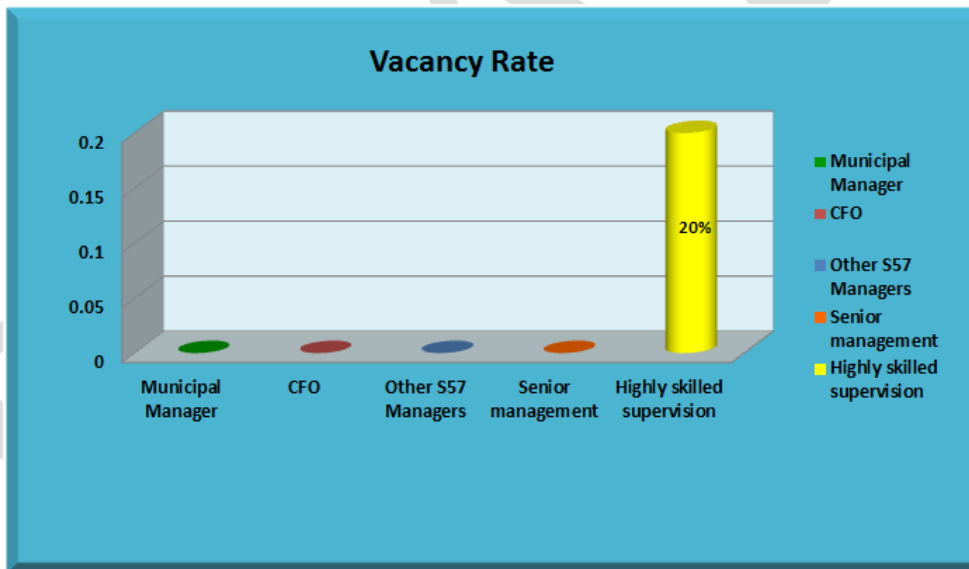
Table 62: Vacancy rate per post and functional level

The table below indicates the number of staff per level expressed as total positions and current vacancies express as full time staff equivalents:

Salary Level	Number of current critical vacancies	Number total posts as per organogram	Vacancy job title	Vacancies (as a proportion of total posts per category)
Municipal Manager	0	1	0	0
Chief Financial Officer	0	1	0	0
Other Section 57 Managers	0	6	0	0
Senior management	0	6	0	0
Highly skilled supervision	2	10	Superintendent: Technical Services Accountant Assets & Insurance	20%
Total	2	24		

Table 63: Vacancy rate per salary level

The following graph specify the vacancy rate as a percentage per salary level.



Graph 6: Vacancy rate

3.4.3 TURNOVER RATE

A high turnover may be costly to a municipality and might negatively affect productivity, service delivery and institutional memory/organizational knowledge. Below is a table that shows the turnover rate within the municipality. The turnover rate shows a **decrease** from **8.21%** in 2009/10 to **4.7%** in 2010/11.

The table below indicates the turn-over rate over the last three years:

Financial year	New appointments	No Terminations during the year	Turn-over Rate
2007/08	63	38	14.0%
2008/09	53	36	11.7%
2009/10	37	27	8.2%
2010/11	49	23	4.7%

Table 64: Turnover Rate

3.5 MANAGING THE MUNICIPAL WORKFORCE

Managing the municipal workforce refers to analyzing and coordinating employee behavior.

3.5.1 INJURIES

An occupational injury is a personal injury, disease or death resulting from an occupational accident. Compensation claims for such occupational injuries are calculated according to the seriousness of the injury/disease and can be costly to a municipality. Occupational injury will influence the loss of man hours and therefore financial and productivity performance.

The injury rate shows a slight decrease for the 2010/11 financial year from **98** employees injured against **29** employees in the 2009/10 financial year.

The table below indicates the total number of injuries within the different directorates:

Directorates	2008/09	2009/10	2010/11
Municipal manager	0	3	0
Corporate Services and HR	6	9	0
Information Technology	0	0	0
Socio Economic Development	1	1	0
Water, Sewer and Sanitation	16	24	6

Directorates	2008/09	2009/10	2010/11
Electro Technical Services	14	26	3
Legal Services	0	0	0
Safety and Security	1	0	2
Financial Services	3	4	4
Planning	0	1	0
Streets, Stormwater, Park and Resorts	14	30	14
Total	55	98	29

Table 65: Injuries

3.5.2 SICK LEAVE

The number of day's sick leave taken by employees has service delivery and cost implications. The monitoring of sick leave identifies certain patterns or trends. Once these patterns are identified, corrective action can be taken.

The total number of employees that have taken sick leave during the 2010/11 financial year shows a **increase** when comparing it with the 2009/10 financial year.

The table below indicates the total number sick leave days taken within the different directorates:

Directorates	2008/09	2009/10	2010/11
Municipal manager	17	7	20.5
Corporate Services and HR	170.5	158	268.5
Information Technology	3	0	2
Socio Economic Development	239.5	162	485
Water, Sewer and Sanitation	1267	926	1 504
Electro Technical Services	600.5	733	1 253
Legal Services	0	2	11
Safety and Security	137	213	264.5
Financial Services	221	234.5	346.5
Planning	60	32	45
Streets, Stormwater, Park and Resorts	458	391.5	516.5
Total	3 173.5	2 859.0	4 716.5

Table 66: Sick Leave

3.5.3 HR POLICIES AND PLANS

Policies and plans provide guidance for fair and consistent staff treatment and a consistent approach to the managing of staff.

The table below shows the HR policies and plans that are approved and that still needs to be developed:

Approved policies	
Name of policy	Date approved/ revised
Employment equity plan	4 March 2008
HIV/AIDS	1 May 2002
Recruitment and selection	6 September 2007
Skills development plan	30 June 2010
Subsistence abuse	28 April 2010
Bursary Policy for Part-time Study	29 July 2007
Overtime	19 August 2008
Travel and Subsistence	November 2007
Human Resources & Development Policy	1 November 2007
Policies still to be developed	
Name of policy	Proposed date of approval
Performance Evaluation Policy (lower levels)	July 2012
Telephone Use	March 2011
Phone and Fax Use Policy	To be approved
Compassion Policy (Love & Sorrow)	To be approved
Essential Services	To be approved

Table 67: HR policies and plans

3.5.4 EMPLOYEE PERFORMANCE REWARDS

In accordance with regulation 32, a performance bonus, based on affordability, may be paid to an employee, after -

- (1) the annual report for the financial year under review has been tabled and adopted by the municipal council;
- (2) an evaluation of performance in accordance with the provisions of regulation 23; and
- (3) approval of such evaluation by the municipal council as a reward for outstanding performance.

The evaluation of the performance of Section 57 managers forms the basis for rewarding outstanding performance.

The table below shows the total number of S57 that received performance rewards:

Race	Gender	Number of beneficiaries	Total number of employees received performance rewards	% Employees received performance rewards
African	Female	0	0	0
	Male	0	0	0
Asian	Female	0	0	0
	Male	0	0	0
Coloured	Female	0	0	0
	Male	3	3	100
White	Female	2	2	100
	Male	3	3	100
Disability	Female	0	0	0
	Male	0	0	0
Total		8	8	100

Table 68: Performance Rewards

3.6 CAPACITATING THE MUNICIPAL WORKFORCE

Section 68(1) of the MSA states that municipality must develop its human resource capacity to a level that enables it to perform its functions and exercise its powers in an economical, effective, efficient and accountable way. For this purpose the human resource capacity of a municipality must comply with the Skills Development Act (SDA), 1998 (Act No. 81 of 1998), and the Skills Development Levies Act, 20 1999 (Act No. 28 of 1999).

3.6.1 SKILLS MATRIX

The table below indicates the number of employees that received training in the year under review:

Management level	Gender	Number of employees identified for training at start of the year	Number of Employees that received training
MM and S57	Female	2	2
	Male	17	16
Legislators, senior officials and	Female	4	0

Management level	Gender	Number of employees identified for training at start of the year	Number of Employees that received training
managers	Male	11	0
Associate professionals and Technicians	Female	0	0
	Male	19	2
Professionals	Female	13	6
	Male	22	11
Clerks	Female	61	15
	Male	17	5
Service and sales workers	Female	4	5
	Male	18	9
Craft and related trade workers	Female	0	0
	Male	0	0
Plant and machine operators and assemblers	Female	8	0
	Male	39	3
Elementary occupations	Female	79	0
	Male	169	6
Sub total	Female	171	28
	Male	312	52
Total		483	80

Table 69: Skills Matrix

3.6.2 SKILLS DEVELOPMENT – TRAINING PROVIDED

The Skills Development Act (1998) and the Municipal Systems Act, (2000), require employers to supply employees with the necessary training in order to develop its human resource capacity. Section 55(1)(f) states that as head of administration the Municipal Manager is responsible for the management, utilization and training of staff.

Occupational categories	Gender	Training provided within the reporting period						
		Learnerships		Skills programmes & other short courses		Total		
		Actual	Target	Actual	Target	Actual	Target	% Variance
MM and S57	Female	0	0	2	4	2	4	(50)

Occupational categories	Gender	Training provided within the reporting period						
		Learnerships		Skills programmes & other short courses		Total		
		Actual	Target	Actual	Target	Actual	Target	% Variance
	Male	0	0	16	7	16	7	129
Legislators, senior officials and managers	Female	0	0	0	6	0	6	(100)
	Male	0	0	0	7	0	7	(100)
Professionals	Female	0	0	0	4	0	4	(100)
	Male	0	0	2	6	2	6	(67)
Technicians and associate professionals	Female	0	3	6	2	6	5	20
	Male	0	7	11	4	11	11	0
Clerks	Female	0	7	15	7	15	14	7
	Male	0	3	5	5	5	8	(38)
Service and sales workers	Female	12	6	5	7	17	13	31
	Male	3	6	9	3	12	9	33
Craft and related trade workers	Female	0	5	0	0	5	0	100
	Male	0	5	0	0	5	0	100
Plant and machine operators and assemblers	Female	0	5	0	0	5	0	100
	Male	0	5	3	10	3	15	(80)
Elementary occupations	Female	0	7	0	0	0	7	(100)
	Male	0	13	6	0	6	13	(54)
Sub total	Female	12	33	28	30	40	63	(37)
	Male	3	39	52	42	55	81	(32)
Total		15	72	80	72	95	144	(34)

Table 70: Skills Development

On the 15th of June 2007 a Government Gazette No. 29967 was published with the title: National Treasury: Local Government: Municipal Finance Management Act: Municipal Regulations on Minimum Competency Levels. This regulation stipulates clearly the various qualifications, experience and competencies required by the Municipal Manager, CFO, Senior Management and other Financial Officials. The progress with regards to the compliance with this regulation must be reported bi-annually and in the annual report. The requirements must be obtained by all relevant officials by January 2013.

The School of Public Leadership at the University of Stellenbosch Bellville Campus has been appointed to provide training to the relevant officials in house. This training commenced on the 30th of May 2011 and is scheduled to be completed by the end of December 2012. Currently, 36 staff of Hessequa Municipality is in the process of obtaining the required training and this training can be cascaded to the lower levels if additional budget support can be obtained.

3.6.3 SKILLS DEVELOPMENT - BUDGET ALLOCATION

The table below indicates that a total amount of **R262 840** was allocated to the workplace skills plan and that **30.73%** of the total amount was spending in the 2010/11 financial year:

Total personnel budget	Total Allocated	Total Spend	% Spend
R	R	R	
96 431 190	262 840	80 761	30.72%

Table 71: Budget allocated and spent for skills development

3.7 MANAGING THE MUNICIPAL WORKFORCE EXPENDITURE

Section 66 of the MSA states that the accounting officer of a municipality must report to the Council on all expenditure incurred by the municipality on staff salaries, wages, allowances and benefits. This is in line with the requirements of the Public Service Regulations, (2002), as well as National Treasury Budget and Reporting Regulations SA22 and SA23.

3.7.1 PERSONNEL EXPENDITURE

The percentage personnel expenditure is essential in the budgeting process as it reflects on current and future efficiency. The table below indicates the percentage of the municipal budget that was spent on salaries and allowance for the past three financial years and that the municipality is well within the national norm of between 35 to 40%:

Financial year	Total Expenditure salary and allowances	Total Operating Expenditure	Percentage (%)
	R'000	R'000	R'000
2007/08	48 274	128 945	37.4
2008/09	51 120	166 321	30.7
2009/10	68 053	252 421	26.9
2010/11	86 088	240 266	35.8

Table 72: Personnel Expenditure

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Below is a summary of Councillor and staff benefits for the year under review:

Financial year	2008/09	2009/10	2010/11		
Description	Actual	Actual	Original Budget	Adjusted Budget	Actual
Councillors (Political Office Bearers plus Other)					
Basic Salary	2 199	2 337	2 480	2 541	2 393
UIF, Medical and Pension Fund	120	423	447	447	405
Vehicle	859	1 137	1 115	1 115	1 102
Cell Phone	179	185	0	0	192
Housing	0	0	0	0	0
Performance	0	0	0	0	0
Other	268	0	0	0	0
In-kind Benefits	0	0	0	0	0
Sub Total	3 627	4 082	4 042	4 103	4 093
% increase/(decrease)	–	12.5	(1.0)	(98.5)	(0.3)
Senior Managers of the Municipality					
Salary	3 788	4 019	4 055	4 055	4 055
UIF, Medical Aid – and Pension Contributions	912	867	887	887	887
Medical Aid Contributions	0	0	0	0	0
Motor Vehicle Allowance	1 271	928	472	472	472
Cell phone Allowance	0	0	0	0	0
Housing allowance	0	0	0	0	0
Performance Bonus	393	488	641	641	641
Other Benefits or Allowances	0	25	63	63	63
In-kind Benefits	0	0	0	0	0
Sub Total	6 364	6 328	6 118	6 118	6 118
% increase/(decrease)	–	(0.6)	(3.3)	(100.0)	–
Other Municipal Staff					
Basic Salaries and Wages	32 099	41 808	52 027	51 723	56 035
UIF, Medical Aid – and Pension Contributions	6 856	13 391	13 184	13 184	13 271
Medical Aid Contributions	0	0	0	0	0
Motor Vehicle Allowance	1 331	1 305	2 036	2 036	2 036
Cell phone Allowance	0	0	245	245	245
Housing Allowance	424	297	310	310	242
Overtime	0	0	0	0	0

Financial year	2008/09	2009/10	2010/11		
Description	Actual	Actual	Original Budget	Adjusted Budget	Actual
Other Benefits or Allowances	4 047	4 924	2 257	2 257	14 260
Sub Total	44 755	61 725	70 059	69 755	86 089
% increase/(decrease)	–	37.9	13.5	(100.4)	(23.4)
Total Municipality	54 747	72 135	76 177	75 873	92 207
% increase/(decrease)	–	31.8	11.2	(100.3)	(27.8)

Table 73: Personnel Expenditure

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CHAPTER 4

STRATEGIC PERFORMANCE

CHAPTER 4: STRATEGIC PERFORMANCE

This chapter will provide information on the strategic performance of the municipality and will indicate how well the municipality is meeting its objectives and which policies and processes are working. All government institutions must report on strategic performance to ensure that service delivery is efficient, effective and economical. Municipalities must develop strategic plans and allocate resources for the implementation. The implementation must be monitored on an ongoing basis and the results must be reported on during the financial year to various role-players to enable them to timeously implement corrective measures where required.

This chapter speaks to the strategic performance highlights in terms of the Municipality’s IDP, performance on basic service delivery and backlogs addressed the MIG projects as well as the spending priorities for the following year. It addresses the communication and public participation processes of the Municipality to give a holistic view of how the Municipality communicates performance to its stakeholders.

4.1 NATIONAL KEY PERFORMANCE INDICATORS – BASIC SERVICE DELIVERY AND LOCAL ECONOMIC DEVELOPMENT

The following table indicates the municipality’s performance in terms of the National Key Performance Indicators required in terms of the Local Government: Municipal Planning and the Performance Management Regulations of 2001 and section 43 of the MSA. These key performance indicators are linked to the following two National Key Performance Areas: Basic Service Delivery and Local Economic Development.

KPA & INDICATORS	MUNICIPAL ACHIEVEMENT	MUNICIPAL ACHIEVEMENT	MUNICIPAL ACHIEVEMENT
	2008/09	2009/10	2010/11
Basic Service Delivery			
The percentage of households earning less than R 1100 per month with access to free basic services	100	100	100
The percentage of households with access to basic level of water	100	100	100
The percentage of households with access to basic level of sanitation	100	100	100
The percentage of households with access to basic level of electricity	100	100	100
The percentage of households with access to basic level of solid waste removal	100	100	100
Local economic development			
The number of jobs created through municipality’s local economic development initiatives including capital projects	Man days 9 000	Man days 10 500	Man days 38 400

Table 74: National KPIs – Basic Service Delivery and Local Economic Development

4.2 STRATEGIC SERVICE DELIVERY BUDGET IMPLEMENTATION PLAN (TOP LAYER)

The purpose of strategic performance reporting is to report specifically on the implementation and achievement of IDP outcomes. This section should provide an overview on the strategic achievement of a municipality in terms of the strategic intent and deliverables achieved as stated in the IDP. The top layer (strategic) SDBIP is the municipality’s strategic plan and shows the strategic alignment between the different documents. (IDP, Budget and Performance Agreements). The municipality compiled a top layer SDBIP for the first time in the 2010/11 financial year.

In the paragraphs below the performance achieved is illustrated against the top layer SDBIP according to the 5 National Key Performance Areas linked to the Municipal Key Performance Areas and IDP (strategic) Objectives.

The following figure illustrates the method in which the strategic service delivery budget implementation plan is measured:

Category	Color	Explanation
KPI's Not Yet Measured	Grey	KPIs with no targets or actuals in the selected period.
KPI's Not Met	Red	0% >= Actual/Target < 75%
KPI's Almost Met	Orange	75% >= Actual/Target < 100%
KPI's Met	Green	Actual/Target = 100%
KPI's Well Met	Dark Green	100% > Actual/Target < 150%
KPI's Extremely Well Met	Dark Blue	Actual/Target >= 150%

Figure 2: SDBIP Measurement Categories

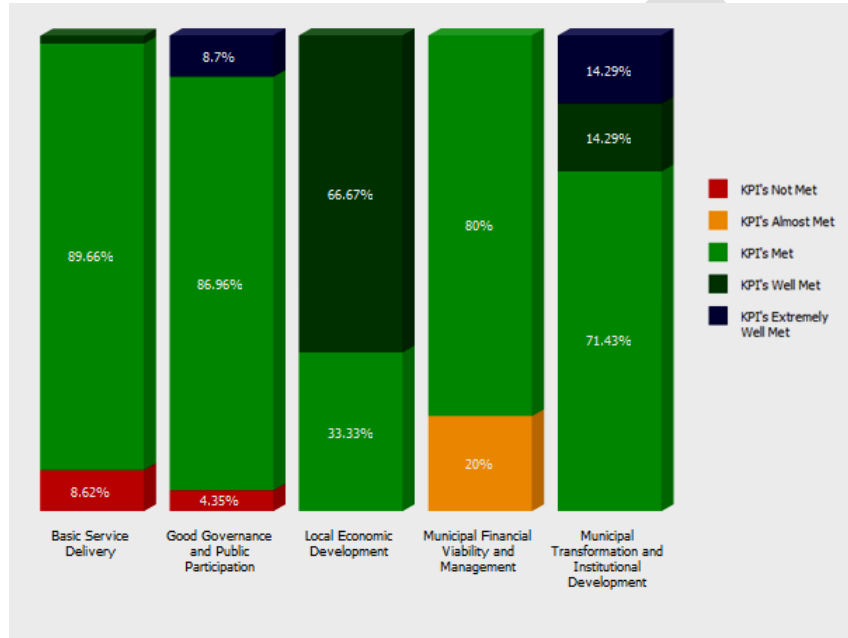
The overall performance results achieved by the municipality in terms of the Top Layer SDBIP are indicated in the table and graph below:

Directorates	Total KPIs	KPIs Extremely Well Met	KPIs Well Met	KPIs Met	KPIs almost Met	KPIs not Met
Basic Service Delivery	58	0	1	52	0	5
Good Governance and Public Participation	23	2	0	20	0	1
Local Economic Development	3	0	2	1	0	0
Municipal Financial Viability and Management	10	0	0	8	2	0
Municipal Transformation and Institutional	7	1	1	5	0	0

Directorates	Total KPIs	KPIs Extremely Well Met	KPIs Well Met	KPIs Met	KPIs almost Met	KPIs not Met
Development						
Hessequa Municipality	101	3	4	86	2	6

Table 75: Top Layer SDBIP Performance per National KPA

The graph below displays the performance per National Key Performance Areas:



Graph 7: Performance per National Key Performance Area

Below is the top level SDBIP according to the 5 National Key Performance Areas linked to the Municipal Key Performance Areas and IDP strategic objectives.

4.3.1 TOP LAYER SDBIP - GOOD GOVERNANCE AND PUBLIC PARTICIPATION

The National Key Performance Area Good Governance and Public Participation are linked to the Municipal Key Performance Area namely Good Governance. The IDP Objective that is linked to Good Governance and Public Participation is: "Ensure good governance and accountability through institutional transformation, inter-governmental co-operation and public consultation"

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KPI Name	Unit of Measurement	Wards	Baseline	Annual Performance 09/10	Overall Performance for the Year		Performance comment & Corrective action
					Target	Actual	
Approval of SDBIP	Approval of SDBIP before legislative deadline	All	Jun-10	New KPI	100	100	n/a
Effective functioning of committee system	No of sec 79 committee meetings per committee per annum	All	9	New KPI	9	9	n/a
Effective functioning of council	No of council meetings held	All	4	New KPI	4	4	n/a
Effective functioning of ward committees	No of ward committee meetings per ward per annum (8 wards)	All	8	New KPI	8	16	4 ward committee meetings per quarter per ward
Establishment of a functional Performance Audit Committee	Committee established	All	Audit committee function as PAC	New KPI	1	1	n/a
Functional Internal Audit unit	On-going implementation of Risk based audit plan by June 2011	All	100%	New KPI	100%	100%	n/a
Functional performance of Audit Committee	No of meetings of the audit committee	All	6	New KPI	6	6	n/a
Functional performance of Performance audit committee	No of meetings of the performance audit committee	All	0	New KPI	4	0	Performance Committee not functioning yet. Will be in current financial year.
IDP endorsed by all wards	No of ward committees endorsing IDP	All	8	New KPI	8	8	IDP Circulated through all wards and Imbizos and positive feedback received
IDP endorsed by community organisations and stakeholders as local social compacts	% implementation of public participation and consultation processes i.t.o the public participation framework	All	100%	New KPI	100%	100%	n/a
Improved good governance	% Implementation of anti-corruption policy	All	100%	New KPI	100%	100%	n/a
Institutional Performance management system in place	No of performance agreements (Section 57) signed on time	All	11	New KPI	8	8	n/a
Strengthen role of	No of ward based development plans	All	8	New KPI	8	8	n/a

KPI Name	Unit of Measurement	Wards	Baseline	Annual Performance 09/10	Overall Performance for the Year		Performance comment & Corrective action
					Target	Actual	
communities	completed						
Approval of adjustments budget	Approval of adjustments budget before legislative deadline	All	end January 2010	New KPI	100	100	n/a
Approval of Main budget	Approval of Main budget before legislative deadline	All	end May 2010	New KPI	100	100	Budget approved April 2011
Develop 3rd generation IDP	IDP approved by May Annually	All	40308	New KPI	100	100	n/a
IDP to include all required sectoral plans	No of required sectoral plans included	All	4	New KPI	4	4	All available and existing sectoral plans included in the IDP process
MFMA Section 71 Reporting	% compliance with reporting requirements	All	100%	New KPI	100%	100%	n/a
Reporting on conditional grant spending - capital	% of total conditional capital grants spent	All	100%	New KPI	100%	100%	n/a
Reporting on conditional grant spending - operational	% of total conditional operational grants spent	All	100%	New KPI	100%	100%	n/a
Effective communication with communities	Development of communication policy	All	100%	New KPI	100%	100%	A Communication policy does exist and shall be reviewed by a consultant appointed
Annual performance reporting	Annual report and oversight report of council submitted before legislative deadline	All	100%	New KPI	100%	100%	n/a
Review of the Spatial Development Plan	Review and submitted to PGWC annually by the end of June	All	100%	New KPI	100%	170%	Review done by consultants that were appointed by province. Waiting for Province review report.

Table 76: Top Layer SDBIP – Good Governance and Public Participation

4.3.2 TOP LAYER SDBIP - MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT

The National Key Performance Area Municipal Transformation and Institutional Development are linked to the Municipal Key Performance Area namely Good Governance. The IDP Objective that is linked to Municipal Financial Viability is: *“Ensure good governance and accountability through institutional transformation, inter-governmental co-operation and public consultation”*

KPI Name	Unit of Measurement	Wards	Baseline	Annual Performance 09/10	Overall Performance for the Year		Performance comment & Corrective action
					Target	Actual	
Creation of effective capacity	% Vacancy level as % of approved and funded organogram	All	20%	New KPI	15%	15%	n/a
Effective and up to date HR policies	Revision of top 3 HR priority policies by June 2011	All	3	New KPI	3	3	Consultant appointed through tender to review policies and because of delay in council creation, could not complete before end of June 2011
Effective labour relations	No of meetings of the LLF	All	10	New KPI	10	11	LLF Meetings scheduled monthly and also held monthly unless committee requests it to be postponed
Review Employment Equity Plan in line with approved organogram	Plan reviewed by October 2010	All	100%	New KPI	100%	100%	n/a
Review Skills Development Plan	Plan reviewed	All	100%	New KPI	100%	100%	Plan 100% reviewed and submitted before deadline
Targeted skills development	% of budget spent on implementing its workplace skills plan	All	0.28%	New KPI	1%	1%	n/a
Effective and up to date By-laws	No of By-laws reviewed	All	0	New KPI	4	7	n/a

Table 77: Top Layer SDBIP – Municipal Transformation and Institutional Development

4.3.3 TOP LAYER SDBIP - MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT

The National Key Performance Area Municipal Financial Viability and Management are linked to the Municipal Key Performance Area namely Financial Management. The IDP Objective that is linked to Municipal Financial Viability is: *“Ensure sound financial management, maximized resource mobilization through effective and efficient utilization of scarce resources*

KPI Name	Unit of Measurement	Wards	Baseline	Annual Performance 09/10	Overall Performance for the Year		Performance comment & Corrective action
					Target	Actual	
Asset management	Maintained asset register	All	100%	New KPI	100%	100%	n/a
Clean audit	% of audit queries	All	70%	New KPI	80%	80%	n/a

KPI Name	Unit of Measurement	Wards	Baseline	Annual Performance 09/10	Overall Performance for the Year		Performance comment & Corrective action
					Target	Actual	
	addressed						
Effective SCM system	No successful appeals	All	0	New KPI	0%	0%	n/a
Financial Viability	Cost coverage ((Available cash+ investments)/ Monthly fixed operating expenditure	All	Info not available	New KPI	90.00%	67.50%	Target was incorrect for the year should have been relation. Actual for the year was 6.01
Financial Viability	Debt coverage ((Total operating revenue-operating grants received)/debt service payments due within the year)	All	12,67%	New KPI	15%	15%	n/a
Financial Viability	Service debtors to revenue – (Total outstanding service debtors/ revenue received for services)	All	47%	New KPI	40%	40%	n/a
Improved revenue collection	% Debt recovery rate	All	92%	New KPI	98%	95%	Stronger credit control measures to be implemented in the current financial year
Preparation of financial statements	Financial statements submitted on time	All	100% (August)	New KPI	100%	100%	n/a
Supplementary Valuation role	No of valuation roles	All	1	New KPI	1	1	n/a
Updated indigent register for the provision of free basic services	Updated indigent register monthly	All	100%	New KPI	100%	100%	n/a

Table 78: Top Layer SDBIP – Municipal Financial Viability and Management

4.3.4 TOP LAYER SDBIP - LOCAL ECONOMIC DEVELOPMENT

The National Key Performance Area Local Economic Development is linked to the Municipal Key Performance Area namely Economic Development. The IDP Objective that is linked to Local Economic Development is: *“Develop economic, human and social capital with special reference to the vulnerable groups”*

KPI Name	Unit of Measurement	Wards	Baseline	Annual Performance 09/10	Overall Performance for the Year		Performance comment & Corrective action
					Target	Actual	
Employment through job creation schemes	No of permanent jobs created through local economic initiatives	All	100	New KPI	340	398	n/a
Employment through job creation schemes	Temporary jobs created (No of working man days)	All	200	New KPI	780	810	n/a
Enhancement of economic development	No of contracts advertised assigned to emerging contractors	All	3%	New KPI	10%	10%	n/a

Table 79: Top Layer SDBIP – Local Economic Development

4.3.5 TOP LAYER SDBIP - BASIC SERVICE DELIVERY

The National Key Performance Area Basic Service Delivery is linked to the Municipal Key Performance Area namely Infrastructure and Service Provision. The IDP Objectives that is linked to Basic Service Delivery is: *“Strategic investment in high-quality basic services and efficient ‘connectivity infrastructure” and “Create an enabling social environment that ensures safe, healthy and vibrant communities”*

KPI Name	Unit of Measurement	Wards	Baseline	Annual Performance 09/10	Overall Performance for the Year		Performance comment & Corrective action
					Target	Actual	
No of HH receiving free basic electricity	No of HH	All	3028	New KPI	4,390	4,390	n/a
Percentage electricity losses	KW billed/ KW used by municipality	All	Info not available	New KPI	20%	20%	n/a
Quantum of free basic electricity received	50Kwh per month per household (only indigents)	All	50Kwh	New KPI	50	50	n/a
Quantum of free basic refuse removal received	R value per month per household	All	R 56.96	New KPI	R 61	R 0	Actual performance was not updated on the system. Actual was R61 per month per household
Quantum of free basic sanitation received	R value per month per household	All	R 74.52	New KPI	R 80	R 80	n/a
No of HH receiving	No of HH	All	3028	New KPI	4,390	0	Actual performance was

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KPI Name	Unit of Measurement	Wards	Baseline	Annual Performance 09/10	Overall Performance for the Year		Performance comment & Corrective action
					Target	Actual	
free basic refuse removal							not updated on the system. Actual was 4 390 households
No of HH receiving free basic sanitation	Number of HH	All	3028	New KPI	4,390	0	Actual performance was not updated on the system. Actual was 4 390 households
Percentage water losses	KL billed/ KL used by municipality	All	20%	New KPI	20%	15%	n/a
Quantum of free basic water received	6kl per month per household (only for indigent HH)	All	6kl	New KPI	6	0	Actual performance was not updated on the system. Actual was 6kl per household per month
No of HH receiving free basic water	No of HH	All	3028	New KPI	4,390	0	Actual performance was not updated on the system. Actual was 4 390 households
Implementation of Integrated Human Settlement Plan	% of budget spent	All	100%	New KPI	100%	100%	n/a
Reviewed Disaster Management Framework/ Plan	Disaster Management Framework/ Plan reviewed Annually	All	100%	New KPI	100%	100%	n/a
Maintenance of halls and facilities	% of maintenance budget of halls and facilities spent	All	98%	New KPI	98%	98%	n/a
Maintenance of halls and facilities	Implementation of maintenance plan for halls and facilities	All	100%	New KPI	100%	100%	n/a
Maintenance of recreational areas	% of maintenance budget of recreational areas spent	All	100%	New KPI	100%	100%	n/a
Maintenance of recreational areas	Development of maintenance plan for recreational areas	All	No existing plan	New KPI	100%	100%	n/a
Maintenance of grave yards	% of maintenance budget of grave yards spent	All	98%	New KPI	98%	98%	n/a
Maintenance of grave yards	Development of maintenance	All	No existing	New KPI	100%	100%	n/a

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KPI Name	Unit of Measurement	Wards	Baseline	Annual Performance 09/10	Overall Performance for the Year		Performance comment & Corrective action
					Target	Actual	
	plan for grave yards		plan				
Maintenance of sport facilities	% of maintenance budget of sport facilities spent	All	100%	New KPI	100%	100%	n/a
Maintenance of sport facilities	Implementation of maintenance plan for sport facilities	All	100%	New KPI	100%	100%	n/a
Percentage of settlements provided and with access to recreational facilities	% of Settlements with access to recreational facilities	All	80%	New KPI	80%	80%	n/a
Maintenance of municipal roads	% of maintenance budget of municipal roads spent	All	100%	New KPI	100%	100%	n/a
Effective capital spending	% spent of approved municipal roads capital projects	All	100%	New KPI	100%	100%	n/a
Maintenance of municipal roads	Km's of roads patched according to approved maintenance plan (on-going program) and within available budget	All	100%	New KPI	100%	100%	n/a
Effective capital spending	% spent of approved stormwater capital projects	All	100%	New KPI	100%	100%	n/a
Maintenance of stormwater assets	% of approved maintenance plan executed	All	100%	New KPI	100%	100%	n/a
Maintenance of stormwater assets	% of maintenance budget of stormwater spent	All	100%	New KPI	100%	100%	n/a
Percentage with no stormwater system - Formal areas	% of HH without	All	50%	New KPI	50%	50%	n/a
Percentage with no stormwater system - Informal areas	% of HH without	All	20%	New KPI	20%	20%	n/a

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KPI Name	Unit of Measurement	Wards	Baseline	Annual Performance 09/10	Overall Performance for the Year		Performance comment & Corrective action
					Target	Actual	
Effective capital spending	% spent of approved electricity capital projects	All	100%	New KPI	100%	100%	n/a
Maintenance of electricity assets	% of maintenance budget of electricity spent	All	100%	New KPI	100%	100%	n/a
Maintenance of electricity assets	% of approved maintenance plan executed	All	100%	New KPI	100%	100%	n/a
Percentage of HH with street lights	% of HH with adequate street lighting	All	100%	New KPI	100%	100%	n/a
Improvement of electricity distribution capacity	% improvement	All	100%	New KPI	10%	10%	n/a
New electricity connections	No of new electricity connections as per applications	All	100%	New KPI	100%	100%	n/a
Percentage of HH that meet agreed service standards (connected to the national grid) - Formal areas	% of HH achieving agreed service standards	All	100%	New KPI	100%	100%	n/a
Percentage of HH that meet agreed service standards (connected to the national grid) - Informal areas	% of HH achieving agreed service standards	All	100%	New KPI	100%	100%	n/a
Effective capital spending	% Spent of approved waste management capital projects	All	100%	New KPI	100%	100%	n/a
Effective capital spending	% Spent of approved waste water management capital projects as planned per quarter	All	100%	New KPI	100%	100%	n/a
Improvement of refuse sites' capacity	% Improvement	All	0%	New KPI	10%	10%	n/a
Improvement of sanitation system capacity	% of capacity improvement	All	5%	New KPI	5%	5%	n/a
Maintenance of	% of approved	All	100%	New KPI	100%	100%	n/a

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KPI Name	Unit of Measurement	Wards	Baseline	Annual Performance 09/10	Overall Performance for the Year		Performance comment & Corrective action
					Target	Actual	
refuse removal assets	maintenance plan executed						
Maintenance of refuse removal assets	% of maintenance budget of refuse removal spent	All	100%	New KPI	100%	100%	n/a
Maintenance of sanitation assets	% of approved maintenance plan executed	All	100%	New KPI	100%	100%	n/a
Maintenance of sanitation assets	% of maintenance budget of sanitation spent	All	100%	New KPI	100%	100%	n/a
Percentage of HH that meet agreed refuse removal service standards (at least once a week) - Informal areas	% of HH that meet minimum standard refuse removal	All	100%	New KPI	100%	100%	n/a
Percentage of HH that meet agreed refuse removal service standards (at least once a week) -Formal areas	% of HH that meet minimum standard refuse removal	All	100%	New KPI	100%	100%	n/a
Percentage of HH that meet agreed sanitation service standards (at least VIP on site) -Formal areas	% of HH that meet minimum standard sanitation	All	100%	New KPI	100%	100%	n/a
Percentage of HH that meet agreed sanitation service standards (at least VIP on site) - Informal areas	% of HH that meet minimum standard sanitation	All	100%	New KPI	100%	100%	n/a
Quality of waste water discharge	% Water quality level of waste water discharge	All	90%	New KPI	90%	90%	n/a
Effective capital spending	% spent of approved water capital projects	All	100%	New KPI	100%	100%	n/a
Excellent water quality	% water quality level as per blue drop project	All	80%	New KPI	86%	86%	n/a
Improvement of water purification system capacity	% of capacity improvement	All	100%	New KPI	0%	0%	n/a

KPI Name	Unit of Measurement	Wards	Baseline	Annual Performance 09/10	Overall Performance for the Year		Performance comment & Corrective action
					Target	Actual	
Maintenance of water assets	% of approved maintenance plan executed	All	100%	New KPI	100%	100%	n/a
Maintenance of water assets	% of maintenance budget of water spent	All	100%	New KPI	100%	100%	n/a
New water connections	% of new water connections on receipt of application	All	100%	New KPI	100%	100%	n/a
Percentage of HH that meet agreed service standards (cleaned piped water 200m from household) - Informal areas	% of HH achieving agreed service standards	All	100%	New KPI	100%	100%	n/a
Percentage of HH that meet agreed service standards (cleaned piped water 200m from household) -Formal areas	% of HH achieving agreed service standards	All	100%	New KPI	100%	100%	n/a
Develop of a comprehensive law enforcement strategy	% of strategy developed	All	15%	New KPI	50%	50%	n/a

Table 80: Top Layer SDBIP – Basic Service Delivery

4.4 DEVELOPMENT AND SERVICE DELIVERY PRIORITIES FOR 2011/12

4.4.1 CREATE AN ENABLING SOCIAL ENVIRONMENT THAT ENSURES SAFE, HEALTHY AND VIBRANT COMMUNITIES

KPI	Unit of Measurement	Ward	Annual Target
Disaster Management Plan reviewed by the end of June	Plan reviewed by the end of June 2012	All	100
Review comprehensive law enforcement strategy by the end of June to decrease high risk violations	Strategy reviewed by the end of June 2012	All	100
Provision of Public Transport facilities by the end of March 2012	No of public transport facilities created	All	2

Table 81: Basic Service Delivery Priorities for 2011/12

4.4.2 STRATEGIC INVESTMENT IN HIGH-QUALITY BASIC SERVICES AND EFFICIENT CONNECTIVITY INFRASTRUCTURE

KPI	Unit of Measurement	Ward	Annual Target
Provision of free basic electricity in terms of the equitable share requirements	No of HH receiving free basic electricity	All	3298
Provision of free basic electricity in terms of the equitable share requirements	Quantum (kWh) of free basic electricity per HH per month	All	50
Provision of free basic refuse removal in terms of the equitable share requirements	No of HH receiving free basic refuse removal	All	3298
Provision of free basic refuse removal in terms of the equitable share requirements	Quantum of free basic refuse removal per month per household	All	75.25
Provision of free basic sanitation in terms of the equitable share requirements	No of HH receiving free basic sanitation	All	3298
Provision of free basic sanitation in terms of the equitable share requirements	Quantum (R) of free basic sanitation provided per HH per month	All	98.34
Provision of free basic water in terms of the equitable share requirements	No of HH receiving free basic water	All	3298
Quantum of free basic water per household in terms of the equitable share requirements	Quantum (KI) of free basic water provided per household per month	All	6
Provision of stormwater management systems in built up areas to all formal HH	No of HH to be provided with stormwater systems	All	200
Provision of stormwater management systems in built up areas to all informal HH	No of HH	All	300
Develop a maintenance schedule for parks, resorts and cemeteries by September 2011 to ensure that recreational areas are maintained	Schedule developed by September 2011	All	100
Parks, resorts and cemeteries is maintained measured by the % of the maintenance budget spent	% of budget spent	All	100
Effective municipal roads capital spending measured by the % of budget spent	% spent of approved roads capital projects	All	100
Municipal roads assets are maintained in terms of the maintenance budget spent	% of maintenance budget of municipal roads spent	All	100
Municipal roads is maintained measured by the square meters of roads patched and resealed according to approved maintenance plan	Square meters of roads patched and resealed	All	36000
Provision of municipal roads measured by the square meters of new road for previously un-serviced areas	Area of square meters serviced	All	6000
Effective stormwater capital spending measured by the % of budget spent	% spent of approved stormwater capital projects	All	100

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KPI	Unit of Measurement	Ward	Annual Target
Stormwater assets are maintained in terms of the maintenance budget spent	% of maintenance budget of stormwater spent	All	100
Provision of electricity that are connected to the national grid to all formal areas	No of HH in formal areas that meet agreed service standards	All	12777
Provision of refuse removal, refuse dumps and solid waste disposal to all formal areas	No of formal HH for which refuse is removed at least once a week	All	45500
Provision of sanitation systems limited to domestic waste water and sewerage disposal to formal HH	No of formal HH that have at least VIP on site	All	12183
Provision of cleaned piped water to all formal HH within 200m from the household	No of formal HH that meet agreed service standards for piped water	All	10396
Development of an electricity master plan per town by the end of June	Master plan completed by the end of June 2012	All	100
Effective electricity capital spending measured by the % of budget spent	% spent of approved electricity capital projects	All	100
Effective management of electricity provisioning systems	% of electricity unaccounted for	All	13
Electricity assets are maintained in terms of the maintenance budget spent	% of maintenance budget of electricity spent	All	100
Electricity connections to provide electricity reticulation to new developments	No of new electricity connections per annum	4; 5	532
Renewable energy projects to reduce electricity demand from ESKOM	No of the MOU's completed for the various projects	All	3
Effective waste management capital spending measured by the % of budget spent	% spent of approved waste management capital projects	All	100
Refuse removal assets are maintained in terms of the maintenance budget spent	% of maintenance budget of refuse removal spent	All	100
Progress with the investigation of high temperature conversion of waste to energy by the end of June	Completion of the EIA by June 2012	All	100
Development of the Water Services Development Plan by the end of June	Plan developed by the end of June 2012	All	100
Sanitation assets are maintained in terms of the maintenance budget spent	% of maintenance budget of sanitation spent	All	100
Quality of waste water discharge measured by the % water quality level as per SANS 242	% water quality level of waste water discharge	All	100
Effective management of water provisioning systems to limit unaccounted water	% of water unaccounted for	All	19
Effective water capital spending measured by the % of budget spent	% spent of approved water capital projects	All	100
New water connections to provide for	No of new water connections per annum	4; 5	532

KPI	Unit of Measurement	Ward	Annual Target
potable water supply systems			
Provision of sufficient water by investigating additional supply of water by means of a desalination plant to the towns of Heidelberg, Slangrivier and Witsand	% completion of EIA process and sourced funding	All	100
Revise maintenance plan for water assets by the end of June to maintain water assets	Plan revised by the end of June 2012	All	100
Water assets are maintained in terms of the maintenance budget spent	% of maintenance budget of water spent	All	100
Excellent water quality measured by the quality of water as per SANS 242 criteria	% water quality level	All	85
Implementation of a Water Demand Management plan by the end of June	No of water saving awareness initiatives in terms of the plan	All	4

Table 82: Basic Service Delivery Priorities for 2011/12

4.4.3 SUSTAIN THE HESSEQUA ENVIRONMENT THROUGH RESOURCE CONSERVATION, GOOD LANDUSE PRACTICES AND PEOPLE-CENTRED PLANNING

KPI	Unit of Measurement	Ward	Annual Target
All existing informal settlements is formalised with land use plans for economic and social facilities and with the provision of permanent basic services	No of informal settlements identified to be formalised	All	1

Table 83: Basic Service Delivery Priorities for 2011/12

4.4.4 DEVELOP ECONOMIC, HUMAN AND SOCIAL CAPITAL OF OUR PEOPLE, WITH SPECIAL REFERENCE TO THE VULNERABLE GROUPS

KPI	Unit of Measurement	Ward	Annual Target
Implementation of the approved Social Development Strategy	No of initiatives	All	4
No of initiatives implemented in terms of the approved LED strategy	No of initiatives implemented in terms of the approved strategy	All	4
The number of jobs created through municipality's local economic development initiatives including capital projects	Number of jobs created	All	160
Value of contracts assigned to SMME's to enhance economic development	R Value of contracts assigned	All	1 800 000

Table 84: Local Economic Development Priorities for 2011/12

4.4.5 ENSURE GOOD GOVERNANCE THROUGH INSTITUTIONAL TRANSFORMATION, INTER-GOVERNMENTAL CO-OPERATION AND PUBLIC CONSULTATION TO ENSURE ACCOUNTABILITY

KPI	Unit of Measurement	Ward	Annual Target
Targeted skills development measured by the implementation of the workplace skills plan	% of the budget spent on implementation of the WSP	All	1
Implementation of the Employment Equity Act measured by the number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan	No of people employed in the three highest levels of management	All	7
Annual report and oversight report of council submitted before the end of January	Report submitted to Council	All	100
Effective communication with communities	Development or review of communication policy by June 2012	All	100
To determine citizen satisfaction	Citizen satisfaction survey conducted by June	All	100
Effective labour relations by facilitating regular LLF meetings per annum	No of meetings of the LLF per annum	All	6
Revise identified HR policies by the end of June to ensure compliant and up to date HR policies	No of policies revised	All	4
Creation of an effective institution with sustainable capacity	% Vacancy level as % of approved organogram	All	15
Implementation of skills development plan with targeted skills development	No of personnel actually trained/ No of personnel identified for training (%)	All	80
Effective functioning of council measured in terms of the number of council meetings per annum	No of council meetings per annum	All	4
Effective functioning of the committee system measured by the number of committee meetings per committee per quarter	No of sec 79 committee meetings per committee per annum	All	4
Effective functioning of ward committees to ensure consistent and regular communication with residents	No of ward committee meetings per ward per annum	All	4
The adjustment budget is approved by Council by the legislative deadline	Approval of adjustments budget before the end of February 2012	All	100
The main budget is approved by Council by the legislative deadline	Approval of Main budget before the end of May 2012	All	100
The Top Layer SDBIP is approved by the Mayor within 28 days after the budget has been approved	Top Layer SDBIP approved before the end of June 2012	All	100
IDP reviewed and approved annually by the end of May	IDP approved by the end of May 2012	All	100

KPI	Unit of Measurement	Ward	Annual Target
Provision of effective and up to date by-laws by revising identified by-laws annually	No of By-laws revised	All	2
Integrated development planning measured by the alignment of the municipal spending with IDP	The percentage of a municipality's capital budget spent on capital projects identified in the IDP	All	100
Institutional Performance management system in place and implemented up to level 6	Implemented up to level 6	All	100
No of Section 57 performance agreements signed by the end of July	No of performance agreements signed	All	8
The municipality comply with all the relevant legislation	0 findings in the audit report on non-compliance with laws and regulations	All	0
Functional performance audit committee measured by the number of meetings per annum	No of meetings held	All	4
Initiatives in the anti-corruption policy is successfully implemented	% of annual identified initiatives implemented in terms of the approved strategy	All	100
Risk based audit plan approved by September 2011	Plan approved	All	100
The municipality listens and talks back to its people by ensuring that the IDP is endorsed by all wards	No of ward committees endorsing the IDP	All	8
The IDP is comprehensive and complies with the requirements of the Systems Act	No of required sectoral plans included in the IDP	All	8

Table 85: Good Governance and Public Participation & Municipal Transformation and Institutional Development Priorities for 2011/12

4.4.6 ENSURE SOUND FINANCIAL MANAGEMENT, MAXIMISED RESOURCE MOBILISATION THROUGH EFFECTIVE AND EFFICIENT UTILISATION OF SCARCE RESOURCES

KPI	Unit of Measurement	Ward	Annual Target
Financial viability measured in terms of the available cash to cover fixed operating expenditure	Cost coverage ((Available cash+ investments)/ Monthly fixed operating expenditure	All	4.28
Financial viability measured in terms of the municipality's ability to meet its service debt obligations	Debt coverage ((Total operating revenue-operating grants received)/debt service payments due within the year)	All	6.26
Financial viability measured in terms of the outstanding service debtors	Service debtors to revenue – (Total outstanding service debtors/ revenue received for services)	All	18
Compliance with the SCM Act measured by the limitation of successful appeals against	0 successful appeals	All	0

KPI	Unit of Measurement	Ward	Annual Target
the municipality			
Approved financial statements submitted by 31 August	Approved financial statements submitted	All	100
Compliance with GRAP 16, 17 & 102 to ensure effective asset management	0 findings in the audit report on non-compliance	All	0
Improvement in capital conditional grant spending measured by the % spent	% of the grant spent	All	100
Improvement in operational conditional grant spending measured by the % spent	% of the grant spent	All	100
No of Root causes of issues raised by AG in AG report of the previous financial year addressed to promote a clean audit	% of Root causes addressed	All	80

Table 86: Municipal Financial Viability and Management Priorities for 2011/12

4.5 BASIC SERVICE DELIVERY

4.5.1 BASIC SERVICES DELIVERY PERFORMANCE HIGHLIGHTS

Highlight	Description
Upgrading of AC low pressure water mains in Riversdale	Replace old AC water line with PVC.
Development and servicing of emergency erven	20 Erven at Heidelberg, 30 at Slangrivier and 75 at Melkhoutfontein were provided with sewer and water.
Commissioning of Heidelberg sewerage works	New sewerage works were established at the cost of R25 000 000
Green energy projects	MOU's were signed to develop a wind farm at Melkhoutfontein, solar panel farm of 6 megawatt at Riversdale
Energy Efficiency Demand Side Management Program	Energy saving bulbs were installed in all municipal buildings, offices, sport grounds and street lights at the cost of R 4 000 000

Table 87: Basic Services Delivery Highlights

4.5.2 BASIC SERVICES DELIVERY CHALLENGES

Service Area	Challenge	Actions to address
Water	The severe drought of 2009/10 put the water resources of the municipality under severe pressure.	Groundwater exploration was carried out with two of three boreholes delivering substantial water, but of low quality.
Electricity	The shortage of capital funds to upgrade the 66 kV main power line to Stilbaai.	Obtaining of external funds to the amount of R 34 000 000 other than municipal funds.
Sanitation	To adhere to the Polokwane Agreement,	Recycling, sustainable green projects like

Service Area	Challenge	Actions to address
	no waste to landfill by 2022.	worm farms, green genies for composting to minimize waste to landfill.

Table 88: Basic Services Delivery Challenges

4.5.3 ACCESS TO FREE BASIC SERVICES

The following table indicates the percentage of indigent households that have access to free basic municipal services. In accordance with the approved indigent policy of the municipality, all households earning less than **R3 000** per month will receive the free basic services as prescribed by national policy.

The table below indicates that **20.5%** of the total number of households received free basic services in 2008/09 financial year whilst it increased to **20.6%** in the 2010/11 financial year:

Financial year	Number of households								
	Total no of HH	Free Basic Electricity		Free Basic Water		Free Basic Sanitation		Free Basic Refuse Removal	
		No Access	%	No Access	%	No Access	%	No Access	%
2008/09	19 987	2 632	1.37	2 163	1.13	2 163	1.13	2 163	1.13
2009/10	16 075	3 298	20.5	3 298	20.5	3 298	20.5	3 298	20.5
2010/11	21 254	4 375	20.6	4 375	20.6	4 375	20.6	4 375	20.6

Table 89: Free basic services to indigent households

The access to free basic services is summarised into the different services as specified in the following table:

Financial year	Electricity								
	Indigent Households			Non-indigent households			Households in Eskom areas		
	No of HH	Unit per HH (kwh)	Value R'000	No of HH	Unit per HH (kwh)	Value R'000	No of HH	Unit per HH (kwh)	Value R'000
2008/09	2 163	50	1 491	3 979	20	409	359	50	114
2009/10	3 298	50	938	12 777	20	1 237	343	50	119
2010/11	4 065	600	1537	0	0	0	310	600	104

Table 90: Free basic Electricity services to indigent households

Water						
Financial year	Indigent Households			Non-indigent households		
	No of HH	Unit per HH (kl)	Value	No of HH	Unit per HH (kl)	Value
			R'000			R'000
2008/09	2 163	6	1 972	8 751	6	1 901
2009/10	3 298	6	523	12 777	6	1 875
2010/11	4 375	6	1 521	0	0	0

Table 91: Free basic Water services to indigent households

Sanitation						
Financial year	Indigent Households			Non-indigent households		
	No of HH	R value per HH	Value	No of HH	Unit per HH per month	Value
			R'000			R'000
2008/09	2 163	77.30	2 006	0	0	0
2009/10	3 298	84.95	3 362	0	0	0
2010/11	4 375	80.08	4 204	0	0	0

Table 92: Free basic Sanitation services to indigent households

Refuse Removal						
Financial year	Indigent Households			Non-indigent households		
	No of HH	Service per HH per week	Value	No of HH	Unit per HH per month	Value
			R'000			R'000
2008/09	2 163	60.12	1 560	0	0	0
2009/10	3 298	64.93	2 570	0	0	0
2010/11	4 375	61.25	3 216	0	0	0

Table 93: Free basic Refuse Removal services to indigent households per type of service

4.5.4 ACCESS TO BASIC LEVEL OF SERVICES

The following table indicates the number of households that gained access for the first time to the different types of basic services during the 2010/11 financial year:

Type of service	2007/08	2008/09	2009/10	2010/11
Housing	0	0	664	390
Water	0	0	664	390

Type of service	2007/08	2008/09	2009/10	2010/11
Sanitation	0	0	664	390
Refuse removal	0	0	664	390
Electricity	0	0	664	315
Streets & Storm Water	0	0	664	235

Table 94: Access to basic level of services

A) CAPITAL BUDGET SPENT ON MUNICIPAL SERVICES

The percentage (%) of the total approved capital budget spent on each municipal service respectively for the 2008/09, 2009/10 and 2010/11 financial years respectively are as follows:

Financial Year	Housing	Water	Sanitation	Refuse Removal	Electricity	Streets & Storm Water	Community facilities
	(%)	(%)	(%)	(%)	(%)	(%)	(%)
2008/09	13.1	17.6	0	8.3	47.11	4.9	8.8
2009/10	12.59	9.14	25.87	0	17.28	33.87	1.26
2010/11	0	13.89	9.92	0	21.30	36.68	.47

Table 95: Capex

The following table indicates the total amount of capital expenditure on assets by asset class for the past three financial years:

Description	2007/08	2008/09	2009/10	2010/11		
	Actual	Actual	Actual	Original Budget	Adjustment Budget	Actual Expenditure
Capital expenditure on new assets by Asset Class/Sub-class (R'000)						
Infrastructure						
Infrastructure - Road transport	0	0	0	0	0	0
Roads, Pavements & Bridges	16 355	23 075	20 849	21 130	21 466	15 825
Infrastructure - Electricity	0	0	0	0	0	0
Transmission & Reticulation	311	3 956	10 435	11 830	9 109	9 163
Street Lighting	278	127	201	30	666	26
Infrastructure - Water	0	0	0	0	0	0
Dams & Reservoirs	9 668	6 024	5 626	7 241	4 206	5 991

Description	2007/08	2008/09	2009/10	2010/11		
	Actual	Actual	Actual	Original Budget	Adjustment Budget	Actual Expenditure
Infrastructure - Sanitation	0	0	0	0	0	0
Reticulation	10 589	8 601	15 925	5 185	5 185	1 338
Sewerage Purification	0	0	0	0	1 506	2 941
Infrastructure - Other	0	0	0	0	0	0
Waste Management	0	70	0	0	0	0
Other	0	0	0	0	0	0
Community						
Parks & gardens	348	1 879	773	336	336	202
Sportsfields & stadia	239	0	0	0	0	0
Community halls	200	0	0	0	0	0
Recreational facilities	0	510	0	0	0	0
Social Renting Housing	0	0	0	0	0	0
Heritage assets	0	0	0	0	0	8 326
Investment properties	0	0	0	0	0	0
Other assets	0	0	0	0	0	0
General vehicles	1 372	3 252	1 703	1 299	1 493	1 436
Plant & equipment	984	652	2 138	224	209	2 251
Furniture and other office equipment	1 398	428	916	1 338	1 596	993
Civic Land and Buildings	2 615	3 116	2 991	6 608	8 452	2 929
Other	0	400	0	162	161	51
Agricultural assets	0	0	0	0	0	0
Biological assets	0	0	0	0	0	0
Intangibles	0	0	0	0	0	0
Total Capital Expenditure on new assets	44 356	52 088	61 559	56 890	54 389	51 471

Table 96: Total capital expenditure on assets

B) PERCENTAGE SPENDING ON TOTAL CAPITAL BUDGET

The total percentage (%) of the capital budget for the past three years is indicated in the table below:

Financial year	% of Capital budget spent	Reasons for under spending
2007/08	88.66	Projects not finalized due to outstanding Record of Decisions issued by DEADP
2008/09	83.5	Breedezicht development-expenditure less than budgeted; Stilbaai 66/11 KV installation project delayed due to external factors; Various projects procured under budget; Valuation roll transferred to operating budget-non capital item
2009/10	97.66	Savings
2010/11	79.33	EIA for Slangrivier not received; Biteman shortage country wide

Table 97: Total capital expenditure

C) SUMMARY OF BACKLOGS THAT MUST STILL BE ADDRESSED

The following backlogs exist in the municipal area that must still be addressed:

Area	Total nr of households affected	Timeframe to be addressed	Cost to address
			R'000
Housing	3 855	15 Years	385 500
Water (on site)	0	0	0
Sanitation	0	0	0
Refuse removal (at least once a week at site)	0	0	0
Electricity (in house)	0	0	0
Streets and storm water	775	10 years	34 000

Table 98: Backlogs

4.5.5 WATER AND SANITATION

Water is probably the most fundamental and indispensable of natural resources – fundamental to life, the environment, food production, hygiene and power generation. Poverty reduction and improved water management are inextricably linked. Section 4B of the Constitution lists water and sanitation services limited to potable water supply systems and domestic wastewater and sewerage disposal systems as a local government function. Basic water is defined as 25 liters of potable water per day supplied within 200 meters of a household.

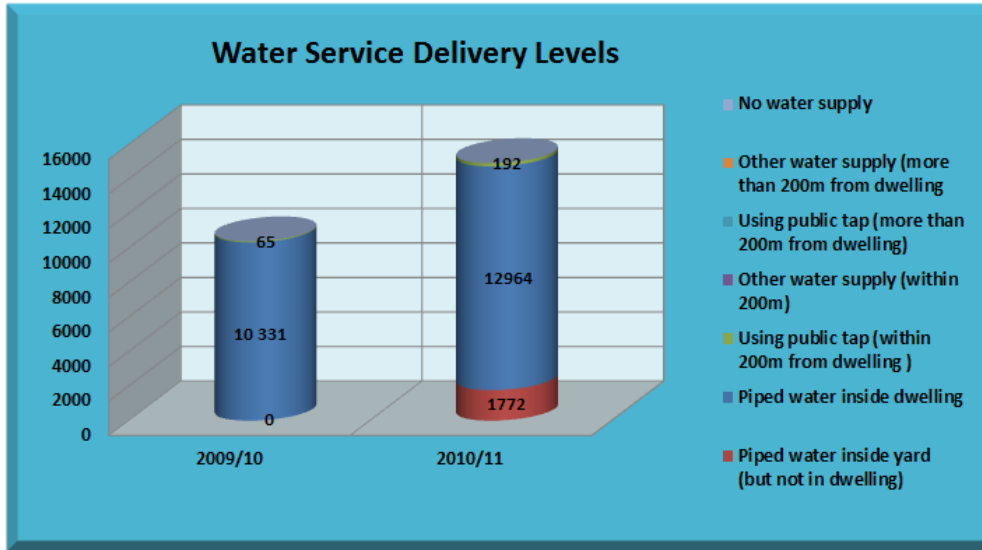
A) WATER SERVICE DELIVERY LEVELS

Below is a table that specifies the different water service delivery levels per households for the financial years 2009/10 and 2010/11:

Description	2009/10	2010/11
	Actual	Actual
Household		
<u>Water: (above minimum level)</u>		
Piped water inside dwelling	10 331	12 964
Piped water inside yard (but not in dwelling)	0	1 772
Using public tap (within 200m from dwelling)	65	192
Other water supply (within 200m)	0	0
<i>Minimum Service Level and Above sub-total</i>	10 396	14 928
<i>Minimum Service Level and Above Percentage</i>	100	100
<u>Water: (below minimum level)</u>		
Using public tap (more than 200m from dwelling)	0	0
Other water supply (more than 200m from dwelling)	0	0
No water supply	0	0
<i>Below Minimum Service Level sub-total</i>	0	0
<i>Below Minimum Service Level Percentage</i>	0	0
Total number of households (formal and informal)	10 396	14 928

Table 99: Water service delivery levels

The graph below shows the different water service delivery levels per total households and the progress per year



Graph 8: Water service delivery levels

B) SANITATION SERVICE DELIVERY LEVELS

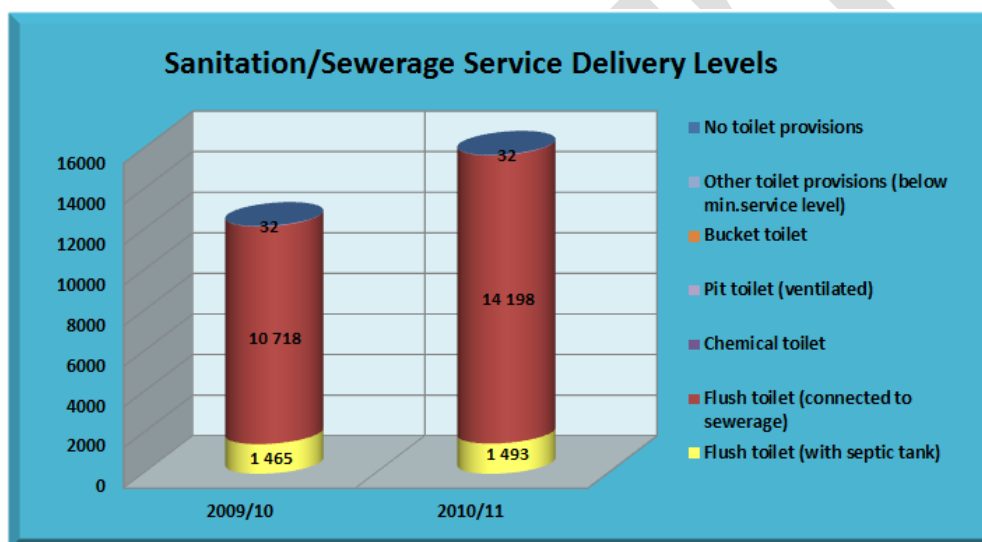
Below is a table that specifies the different sanitation service delivery levels per households for the financial years 2009/10 and 2010/11:

Description	2009/10	2010/11
	Actual	
Household		
<i>Sanitation/sewerage: (above minimum level)</i>		
Flush toilet (connected to sewerage)	10 718	14 198
Flush toilet (with septic tank)	1 465	1 493
Chemical toilet	0	0
Pit toilet (ventilated)	32	32
Other toilet provisions (above minimum service level)	0	0
Minimum Service Level and Above sub-total	12 215	15 723
Minimum Service Level and Above Percentage	100	100
<i>Sanitation/sewerage: (below minimum level)</i>		
Bucket toilet	0	0
Other toilet provisions (below minimum service level)	0	0

Description	2009/10	2010/11
	Actual	
No toilet provisions	0	0
<i>Below Minimum Service Level sub-total</i>	0	0
<i>Below Minimum Service Level Percentage</i>	0	0
Total number of households	12 215	15 723

Table 100: Sanitation service delivery levels

The graph below shows the different sanitation/sewerage service delivery levels per total households and the progress per year.



Graph 9: Sanitation/Sewerage Service Delivery Levels

4.4.6 ELECTRICITY

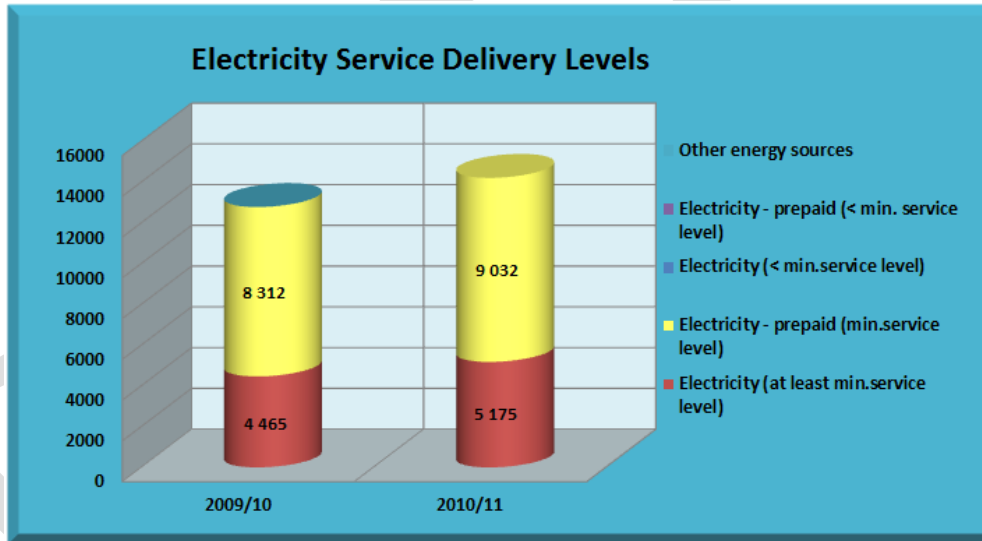
Local Government plays a very important role in the provision of electricity. Section 153 of the Constitution places the responsibility on municipalities to ensure the provision of services to communities in a sustainable manner for economic and social support. The table below indicates the different service delivery level standards for electricity within the municipality:

Description	2009/10	2010/11
	Actual	Actual
Household		
<i>Electricity: (above minimum level)</i>		
Electricity (at least minimum service level)	4 465	5 175

Description	2009/10	2010/11
	Actual	Actual
Electricity - prepaid (minimum service level)	8 312	9 032
Minimum Service Level and Above sub-total	12 777	14 207
Minimum Service Level and Above Percentage	100	100
Electricity: (below minimum level)		
Electricity (< minimum service level)	0	0
Electricity - prepaid (< min. service level)	0	0
Other energy sources	0	0
Below Minimum Service Level sub-total	0	0
Below Minimum Service Level Percentage	0	0
Total number of households	12 777	14 207

Table 101: Electricity service delivery levels

The graph shows the number of households categorised into the different service levels.



Graph 10: Electricity Service Delivery Levels

4.5.7 HOUSING

The following table shows the increase in the number of people on the housing waiting list. There are currently approximately 3966 housing units on the waiting list.

Financial year	Nr of people on waiting list	% increase/decrease
2007/08	3 926	-
2008/09	4 160	5.96
2009/10	3 507	(15.69)
2010/11	3 894	11.03

Table 102: Housing waiting list

A total amount of **R15 265 000** was allocated to build houses during the financial year under review. A summary of houses built, includes:

Financial year	Allocation (R'000)	Amount spent (R'000)	% spent	Number of houses built	Number of sites serviced
2007/08	10 610	10 610	100	0	Sewerage (233) Water (95) Streets (112)
2008/09	10 263	16 157	157	160	749
2009/10	70 300	70 300	100	664	235
2010/11	15 265	17 000	111	235	32

Table 103: Housing

During the 2010/11 financial year the municipality received **390** building plans of which **377** with a value of **R88 223 700** were approved. **94** Town planning applications were received and approved for the same period of which **26** were rezoning applications.

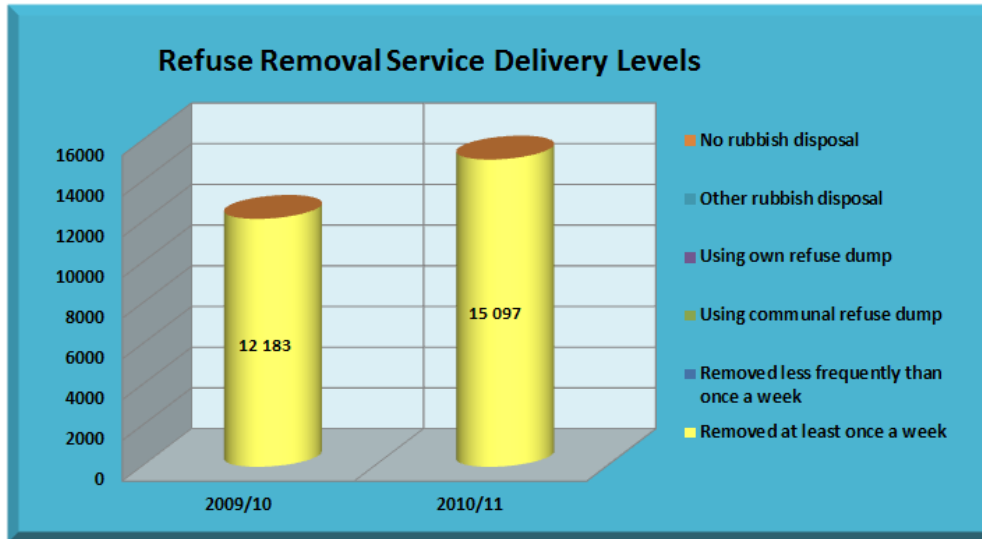
4.5.8 REFUSE REMOVAL

The table below indicates the different refuse removal service delivery level standards within the municipality:

Description	2009/10	2010/11
	Actual	Actual
Household		
<i>Refuse Removal: (Minimum level)</i>		
Removed at least once a week	12 183	15 097
<i>Minimum Service Level and Above sub-total</i>	12 183	15 097
<i>Minimum Service Level and Above percentage</i>	100	100
<i>Refuse Removal: (Below minimum level)</i>		
Removed less frequently than once a week	0	0
Using communal refuse dump	0	0
Using own refuse dump	0	0
Other rubbish disposal	0	0
No rubbish disposal	0	0
<i>Below Minimum Service Level sub-total</i>	0	0
<i>Below Minimum Service Level percentage</i>	0	0
Total number of households	12 183	15 097

Table 104: Refuse removal service delivery levels

The graph indicates the different refuse removal standards which the households are receiving.



Graph 11: Refuse removal service delivery levels

4.5.9 ROADS

The following tables give an overview of the total kilometers of roads maintained and new roads tarred:

A) TARRED ROADS

Financial year	Total km tarred roads	Km of new tar roads	Km existing tar roads re-tarred	Km of existing tar roads re-sheeted	Km tar roads maintained
2008/09	231	1.7	1.7	2.5	231
2009/10	231	2.1	0.7	3.0	231
2010/11	231	2.3	3.0	3.0	231

Table 105: Tarred roads

B) GRAVELED ROADS

Financial year	Total km gravel roads	Km new gravel roads constructed	Km gravel roads upgraded to tar	Km gravel roads graded/maintained
2008/09	32	0	1.7	32
2009/10	32	0	2.1	32
2010/11	32	2.5	1.4	32

Table 106: Gravelled roads

c) COST OF CONSTRUCTION/MAINTENANCE

The table below shows the costs involved for the maintenance and construction of roads within the municipal area:

Financial year	Gravel			Tar		
	New R'000	Gravel – Tar R'000	Maintained R'000	New R'000	Re-worked R'000	Maintained R'000
2008/09	37	55	92	147	221	368
2009/10	69	105	174	278	418	696
2010/11	100	4 000	100	0	10 000	800

Table 107: Cost of construction/maintenance of roads

4.5.10 STORMWATER

A) STORM WATER INFRASTRUCTURE

The table below shows the total kilometers of stormwater maintained and upgraded as well as the kilometers of new stormwater pipes installed:

Financial year	Total km Stormwater measures	Km new stormwater measures	Km stormwater measures upgraded	Km stormwater measures maintained
2008/09	78	1.2	1.2	78
2009/10	79.2	1.5	1.5	79.2
2010/11	79.2	1.2	1.2	80.7

Table 108: Stormwater infrastructure

B) COST OF CONSTRUCTION/MAINTENANCE

The table below indicates the amount of money spend on stormwater projects:

Financial year	Stormwater Measures		
	New R'000	Upgraded R'000	Maintained R'000
2008/09	12 968	0	0
2009/10	2 550	0	400
2010/11	6 600	0	340

Table 109: Cost of construction/maintenance of stormwater systems

4.6 MUNICIPAL INFRASTRUCTURE AND OTHER GRANTS

The Municipality had a total amount of **R9,689 million** for infrastructure and other capital projects available that was received in the form of grants from the National and Provincial Governments during the 2010/11 financial year. The performance in the spending of these grants is summarised as follows:

Description	2008/09		2009/10		2010/11		
	Amount Received R'000	Amount Spent R'000	Amount Received R'000	Amount Spent R'000	Amount Received R'000	Amount Spent R'000	% Spent
National Government							
MIG Projects	31 558	21 182	22 915	18 024	8 676	6 742	77.71
Western Cape Government – Flood Disaster	17 920	4 819	10 769	10 769	0	0	n/a
Provincial Government							
Old Housing Office	0	0	0	0	24	24	100
Enlargement Duivenshok Library	0	0	114	114	0	0	n/a
Proclaimed Roads – Capital	2 762	2 762	1 599	1 599	0	0	n/a
District Municipality							
Enlargement Duivenshok Library	0	0	290	265	0	0	n/a
Hessequa Thoroughfares	0	0	999	10	989	989	100
Heidelberg Sewerage	81	81	0	0	0	0	n/a
Other grant providers							
Sewerage – Breedezicht Witsand	705	705	0	0	0	0	n/a
New Reservoir	2 500	2 500	0	0	0	0	n/a
Total	55 526	32 049	36 686	30 781	9 689	7 755	80.04

Table 110: Spending of grants

4.7 ADDITIONAL PERFORMANCE

The table below enclose all additional performance of the municipality:

Type of service	2008/09	2009/10	2010/11
General Law enforcement			
Animals impounded	No records	No records	1 273
Motor vehicle licenses processed	No records	No records	12 249
Learner driver licenses processed	No records	No records	1 438
Driver licenses processed	No records	No records	1 179
Driver licenses issued	No records	No records	707
Fines issued for traffic offenses	No records	No records	35 343
R-value of fines collected	No records	No records	1 339 880
Operational call-outs	No records	No records	54
Roadblocks held	No records	No records	14
Complaints attended to by Traffic Officers	No records	No records	536
Special Functions – Escorts	No records	No records	33
Awareness initiatives on public safety	No records	No records	17
Fire Services			
Operational call-outs	No records	No records	476
Reservists and volunteers trained	No records	No records	17
Awareness initiatives on fire safety	No records	No records	108 hours
Town Planning and Building Control			
Building plans application processed	311	205	390
Approximate value	R 123 953 000	R388 852 250	R112 396 265
New residential dwellings	62	193	161
Residential extensions	209	156	202
New Business buildings	3	9	8
Business extensions	12	3	0
Rural applications	25	5	18
Land use applications processed	86	113	226
Libraries			

Type of service	2008/09	2009/10	2010/11
Library members	No records	No records	17 263
Books circulated	No records	No records	36 831
Exhibitions held	No records	No records	445
New library service points or Wheelie Wagons	No records	No records	2
Children programmes	No records	No records	264
Visits by school groups	No records	No records	538
Book group meetings for adults	No records	No records	60
Primary and Secondary Book Education sessions	No records	No records	145
Social Services			
Veggie gardens established	No records	No records	14
Soup kitchens established or supported	No records	No records	2
Initiatives to increase awareness on child abuse	No records	No records	3
Youngsters educated and empowered	No records	No records	84
Initiatives to increase awareness on disability	No records	No records	2
Initiatives to increase awareness on women	No records	No records	2
Women empowered	No records	No records	2
Initiatives to increase awareness on HIV/AIDS	No records	No records	4
Initiatives to increase awareness on Early Childhood Development	No records	No records	2
Initiatives to increase awareness on substance abuse and high drug and alcohol related crimes	No records	No records	4
Special events hosted (World's Aids Day, World Labour day, World Disability Day, Youth Day, 16 Days of activism against women abuse)	No records	No records	8
Local economic development initiatives			
Small businesses assisted	No records	No records	7
SMME's trained	127	No records	50
Community members trained for tourism	No records	33	74
Recycling awareness programmes	No records	No records	2

Table 111: Additional Performance

4.8 LED

4.8.1 HIGHLIGHTS: LED

The following performance highlights with regard to the implementation of the LED strategy are:

Highlights	Description
Public private partnerships	Provision of land for the establishment of a dairy in Riversdale as part of incentive between private and public sector concentrating/contributing on/to value adding locally
Agricultural Feasibility	Study done to determine possibilities in the agricultural and tourism sector in the whole of Hessequa
Preparation of an Investment Portfolio	Investment Portfolio of potential projects in Hessequa as part of Eden Catalytic Project Investment Portfolio for the UK and Europe

Table 112: LED Highlights

4.8.2 CHALLENGES: LED

The following challenges with regard to the implementation of the LED strategy are:

Description	Actions to address
Capacity constraints – Resignation of LED Officer	Filling of vacancy of Head for LED, and motivate for additional human resources to expand the LED section
Intergovernmental Relations	Urgent engagements with sector departments and district on programs, projects and funding issues
Investment Incentives for SMME's	Investment Incentive policy to be drawn up

Table 113: LED Challenges

4.8.3 LED STRATEGY

Hessequa is a rural region in which agriculture has been the economic mainstay for a very long time. The future of Hessequa's agriculture is of special importance to the economic future of the region. The opportunities provided by new activities such as tourism and induced growth projects. Hessequa's economy must grow in order to achieve the goal of a community where everyone reaps economic benefits. There is a need to satisfy demand from local suppliers. Too much money flows out of the local economy to other regions. Too little value is added locally to primary (mostly agricultural) products.

The economic realities in Hessequa identified in the Local Economic Development (LED) Implementation Plan are:

- 2 400 unemployed people
- Gross geographic product (GGP) of R1,4 billion
- More than 8 000 households living under the household subsistence level (HSL)

These statistics were set as the baseline for the planning for LED actions in Hessequa. The setting of specific targets in terms of the Accelerated and Shared Growth Initiative for South Africa (ASGISA) was done, ending up with:

- Halve unemployment Job creation for 1 200 people
- Maintain 6% growth New initiatives with an annual turnover of R84 million
- Halve poverty Economic opportunities for 4 300 households

Sectoral responsibility was assigned to these targets, and projects identified in each sector to satisfy the objectives for employment and GGP contribution, with implications for poverty alleviation.

The key performance areas (KPA) identified in the Departmental Service Delivery Budget Implementation Plan (SDBIP) driven from within the LED Section in the Department are:

- LED capacity building, training and mentorship
- Review LED strategy and implementation plan
- LED learnership programme
- LED sector business funding support
- SMME support
- LED marketing support and investment promotion

These activities will be done in cooperation with the business structures, including the Hessequa, entrepreneurs and communities.

The LED strategy identifies various issues and strategic areas for intervention such as:

Objectives	Strategies
Job Creation initiatives	Through the EPWP Program
Capacity Building, Training and Mentorship	Structured skills development program in conjunction with sector departments and private sector partners

Table 114: LED Objectives and Strategies

4.8.4 ECONOMIC CONTRIBUTION BY SECTOR (ACTIVITY IN CONTEXT OF REGIONAL ECONOMY)

The table below identifies the economic activity within the different sectors:

Sector	2008/09	2009/10	2010/11
Agriculture	17.0%	15.7%	13.3%
Mining	0.0%	0.0%	0.0%
Manufacturing	4.0%	3.6%	3.6%
Electricity	0.7%	0.7%	0.8%
Construction	12.8%	13.8%	13.7%
Trade	16.5%	16.9%	18.2%
Transport	11.3%	11.1%	11.4%
Finance	21.8%	21.7%	21.9%
Community services	15.9%	16.5%	17.1%
Total	100%	100%	100%

Table 115: Economic activity by sector

4.8.5 LED INITIATIVES

The table below identifies the details of the various LED initiatives in the municipal area:

Description of project	No of Jobs created	Total Investment R'000	Amount spent to date R'000	Performance Highlights
Cleaning of Beaches in the Hessequa Area	171	480	480	Blue Flag Beaches
Cleaning of Towns	59	200	200	Clean Towns
Upgrading of the Water Main in Versveld street	14	362	362	New Pipeline
Water and Sewer Services	29	1 079	1 079	New services
Upgrading of Stormwater System at Theronville	11	3 950	3 950	No more complaints of wet erven
Paving of Roads in the Hessequa Municipal Area	35	3 800	3 800	New streets
Paving at the Traffic Centre	16	225	225	Upgraded testing grounds
Upgrading of the Amphitheatre in Still Bay	6	536	536	New infrastructure
Cleaning of Residential Areas	43	2 000	2 000	Clean residential areas

Table 116: LED initiatives

4.9 SERVICE PROVIDERS STRATEGIC PERFORMANCE

Although the municipality has not implemented a system to measure the performance of the service providers, they did have to address the performance of any service providers. All appointed service providers have delivered services in terms of agreements and appointment letters.

DRAFT

CHAPTER 5

FUNCTIONAL PERFORMANCE

CHAPTER 5: FUNCTIONAL PERFORMANCE

This chapter provides information on the functional performance of the municipality on the implementation of the Top Layer and Departmental SDBIP for 2010/11.

The municipal functional areas are as indicated below:

Municipal Function	Municipal Function: Yes / No
Constitution Schedule 4, Part B functions:	
Air pollution	
Building regulations	Yes
Child care facilities	
Electricity and gas reticulation	Yes
Fire fighting services	Yes, outsourced to Eden DM
Local tourism	Yes
Municipal airports	Yes
Municipal planning	Yes
Municipal health services	No
Municipal public transport	Yes
Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this Constitution or any other law	Yes
Pontoons, ferries, jetties, piers and harbours, excluding the regulation of international and national shipping and matters related thereto	Yes
Stormwater management systems in built-up areas	Yes
Trading regulations	Yes
Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems	Yes
Constitution Schedule 5, Part B functions:	
Beaches and amusement facilities	Yes
Billboards and the display of advertisements in public places	Yes
Cemeteries, funeral parlours and crematoria	Yes
Cleansing	Yes
Control of public nuisances	Yes
Control of undertakings that sell liquor to the public	Yes
Facilities for the accommodation, care and burial of animals	Yes
Fencing and fences	Yes
Licensing of dogs	Yes

Municipal Function	Municipal Function: Yes / No
Licensing and control of undertakings that sell food to the public	Yes
Local amenities	Yes
Local sport facilities	Yes
Markets	Yes
Municipal abattoirs	Yes
Municipal parks and recreation	Yes
Municipal roads	Yes
Noise pollution	No
Pounds	Yes
Public places	Yes
Refuse removal, refuse dumps and solid waste disposal	Yes
Street trading	Yes
Street lighting	Yes
Traffic and parking	Yes

Table 117: Functional Areas

5.1 PERFORMANCE HIGHLIGHTS PER FUNCTIONAL AREAS

Directorate/ Functional area	Sub Directorate	Highlights
Municipal Manager	Council	Fully functional Council and Mayoral Committee sit as scheduled along with Portfolio Committee and other Ad Hoc committees
	Municipal Manager	Unqualified Audit Report for second year in a row
	IDP	Development of framework for Geospatial Integrated Planning
Development of a clear framework for the alignment and integration of IDP, Budget & PMS		
Municipal Manager	Internal Audit	Hessequa Municipality is one of two municipalities in the Western Cape that complied with legislation to conduct a Quality Assessment (QA) of the Internal Audit Unit. The assessment was completed in May 2011 by the Institute for Internal Auditors.
		Quarterly Audit Committee meetings were held and two special meetings to discuss the financial statements (29 Sept 2010) and municipal budget (24 March 2011).
Corporate Services and HR	Human Resources	Interviews and final report completed within one month of vacancy approved/created
		Reduced amount of disciplinary hearings because of proactive visits to staff locations to solve problems before they occur
		Workplace skills plan completed before deadline and training budget spent
		Coordination of HIV/AIDS day 01 December 2010

Directorate/ Functional area	Sub Directorate	Highlights
	Administration	Coordination of National day for disabled 02 September 2011
		Agendas and Minutes distributed promptly by electronic means and minutes completed within 48 hours
		Correspondence processed daily with no backlog in this regard
		Appointment of Head: Supply Chain Management
		Successful submission of the WSP/ATR 2011/2012 to LGSETA
Information Technology Services	Information Technology	New server procured for enhanced service delivery speed and Disaster Recovery Capacity Expansion and formalisation of municipal wireless network to bring services closer to the community with less delay
Socio Economic Development Services	Local Economic Development	Training of 50 entrepreneurs in the construction sector
		Compilation and Provision of LED related training material for 15 LED Interns
		Formal LED/Entrepreneurialship related training course for 15 LED Interns
	Library	ICT Projects at Slangrivier and Protea libraries
		Official opening of enlarged Duivenhoks library at Heidelberg
		Securing of additional ICT Projects for Melkhoutfontein and Gouritsmond libraries
	Housing	Completion of the Riversdale housing projects – Infill and Kwanokuthula - 235 units
		Completion of the Kwanokuthula Community Hall in partnership with ASLA
		Approval of the Heidelberg and Slangrivier Housing Projects for 2011/2012 financial year
	Tourism and Social Development	Creation of 8 New Municipal Tourism Information Access Points (Slangrivier, Heidelberg, Witsand, Riversdale, Albertinia, Gouritsmond, Melkhoutfontein and Stilbaai)
		HR Procurement and equipping of all 8 new municipal Tourism Information Access Points/Offices
		Training and Educational orientation initiatives for 8 Tourism Info Officers
		Municipal Jamboree's, Nation Building Programs (Youth Day, Women's Day , Heritage day , Human Rights day, Freedom day, 16 days of activism etc.), School holiday programs, Training of 10 youth in computer literacy, Driver's license project for 20 youth, Construction training for 20 youth (contracting entrepreneurial training), Camp Eden Youth program (300 Youth from Hessequa took part)
		Disabled open day and establishment of disabled forum,
		Rural Christmas program and rural empowerment programs (training and establishment of farm committees)
	Sport	Establishment of two sport centers in Riversdale and Heidelberg
		Sport infrastructural development (Riversdale, Heidelberg, Albertinia, Melkhoutfontein),
		Host the following sport events: Sevens Rugby coaching clinics with international seven players; Graven Week under 16 rugby games; Prestige athletics tournament; Rural sports day; Accredited rugby referee training for Rural referees; Golden Games and the Hessequa international Soccer Cup

Directorate/ Functional area	Sub Directorate	Highlights
Water, Sewer and Sanitation Services	Sewerage Services	Upgrading of sludge dams at sewerage works : Riversdale – R1,500,000.00
		Sewerage provision : Housing Slangrivier – R3,100,000.00
		Bio filter for sewerage works : Stilbaai – R500,000.00
		Provision of services : Albertinia – R73,000.00
		Development and servicing of emergency erven (125) : Slangrivier/Heidelberg/Melkhoutfontein – R1,800,000.00
	Water and Sanitation	Prepaid water meters : Hessequa – R700,000.00
		Replace AC low pressure water mains : Riversdale – R400,000.00
Provision of services : Albertinia – R147,000.00		
Electro Technical Services	Electricity	Emergency generator for sewerage pump station : Albetinia – R500,000.00
		Upgrading of 11 kV Main sub stations : Hessequa – R2,500,000.00
		Upgrading of low voltage electricity network : Hessequa – R2,290,000.00
	Fleet Management	Replacement of old vehicles : Hessequa – R1,500,000.00
Legal Services	Legal Services	Department expanded with appointment of clerk/admin official
		Scope of work expanded
		Better interdepartmental legal support
Safety and Security Services	Traffic & Licensing	Upgrading of motor vehicle testing station Riversdale
		Traffic officials rank structures expanded with internal appointment of 2 seniors
		Establishment of law enforcement strategy
	Disaster Management	SLA with EDEN: fire services
Financial Services	Income	E-mailing of accounts
		Budget compiled from statistics
		Re-write all policies
	Expenditure	Most of payments made electronic
	SCM	Establishment of all bid committees
		Suppliers data basis updated
Red Tape reduction investigation – implementation 2011/2012		
Planning Services	Nature Conservation	Compilation of management plans for Municipal Nature Reserves
		Fencing on Werner Freshe Nature Reserve
	Town Planning	Revision of Hessequa SDF
		Vacant land audit
		Densification Study
	Building Control	Revised Spaza shop policy
Appointment of new building inspector		

Directorate/ Functional area	Sub Directorate	Highlights
		Law enforcement course done by Chief Building Inspector
	Environmental Planning	Appointment of Environmental Officer Re-alignment of Sleeping Beauty and Kristalkoof Hiking Trails Registration for Environmental EPWP Projects
Streets, Stormwater, Park and Resorts	Parks	Provision of fencing at 4 of 24 playgrounds
		Utilise local labour to implement fencing project
	Seaside Resorts	All resorts were booked to capacity during the peak holiday season
		Work opportunities created by using local labour during peak times
		Upgrading of resorts attracted greater numbers of holiday makers
	Swimming Pools	Pools operated full season from 1 September 2010 to 30 April 2011
		No incidents at pools
		Full time lifeguards at all times
	Streets & Stormwater (Public Works)	Almost 100% spending of available funding
		EPWP targets for job creation were well exceeded
		Funding applications for Public Transport projects were successful
	Land & Buildings	Almost 100% spending of available funding
		2 New posts were filled for Janitors
		Building maintenance plan updated to prioritize maintenance activities
	Cemeteries	Successfully appointed a service provider to do new Cemetery Extension Study
		Piloting electronic burial system
		All pauper burials successfully handled
	Camping Sites	All camp sites were booked to capacity during the peak holiday season
		Work opportunities created by using local labour during peak times
		Upgrading of resorts attracted greater numbers of holiday makers

Table 118: Performance highlights per functional area

5.2 OVERVIEW OF PERFORMANCE

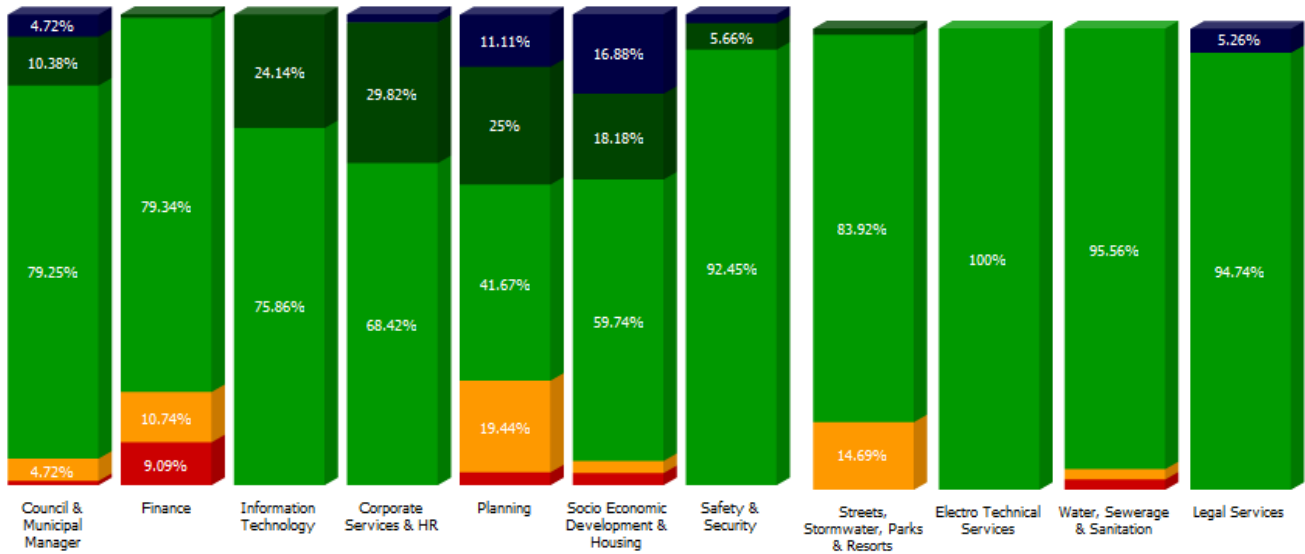
The performance statistics in the table below and all the graphs in the following sub paragraphs include performance in terms of the Departmental SDBIP, which measures operational performance, as well as, the performance in terms of the Top Layer SDBIP. The graph for each directorate is an overview of the overall results of all the KPI's measured in terms of the municipal SDBIP performance management system.

Directorates	Financial Year	Total KPIs	KPIs Extremely Well Met	KPIs Well Met	KPIs Met	KPIs almost Met	KPIs not Met
Council and Municipal Manager	2009/10	72	n/a	n/a	62	2	8
	2010/11	106	5	11	84	5	1
Corporate Services and HR	2009/10	32	n/a	n/a	29	2	1
	2010/11	57	1	17	39	0	0
Information Technology	2009/10	32	n/a	n/a	32	0	0
	2010/11	29	0	7	22	0	0
Socio Economic Development	2009/10	75	n/a	n/a	65	2	8
	2010/11	77	13	14	46	2	2
Water, Sewer and Sanitation	2009/10	64	n/a	n/a	63	1	0
	2010/11	90	0	0	86	2	2
Electro Technical Services	2009/10	45	n/a	n/a	43	2	0
	2010/11	58	0	0	58	0	0
Legal Services	2009/10	13	n/a	n/a	12	1	0
	2010/11	19	1	0	18	0	0
Safety and Security	2009/10	34	n/a	n/a	33	0	1
	2010/11	53	1	3	49	0	0
Financial Services	2009/10	92	n/a	n/a	73	14	5
	2010/11	121	0	1	96	13	11
Planning	2009/10	32	n/a	n/a	21	7	4
	2010/11	36	4	9	15	7	1
Streets, Stormwater, Park and Resorts	2009/10	83	n/a	n/a	76	1	6
	2010/11	143	0	2	120	21	0
Total average for municipality	2009/10	574	n/a	n/a	509	32	33
	2010/11	789	25	64	633	50	17

Table 119: Summary of total performance

Note: The table above does not include KPI's not measured yet in the Top Layer and Departmental SDBIP

The following graph indicates the overall results of all the KPI's measured of the various directorates in terms of the municipal SDBIP performance management system



Graph 12: Overall performance of directorates

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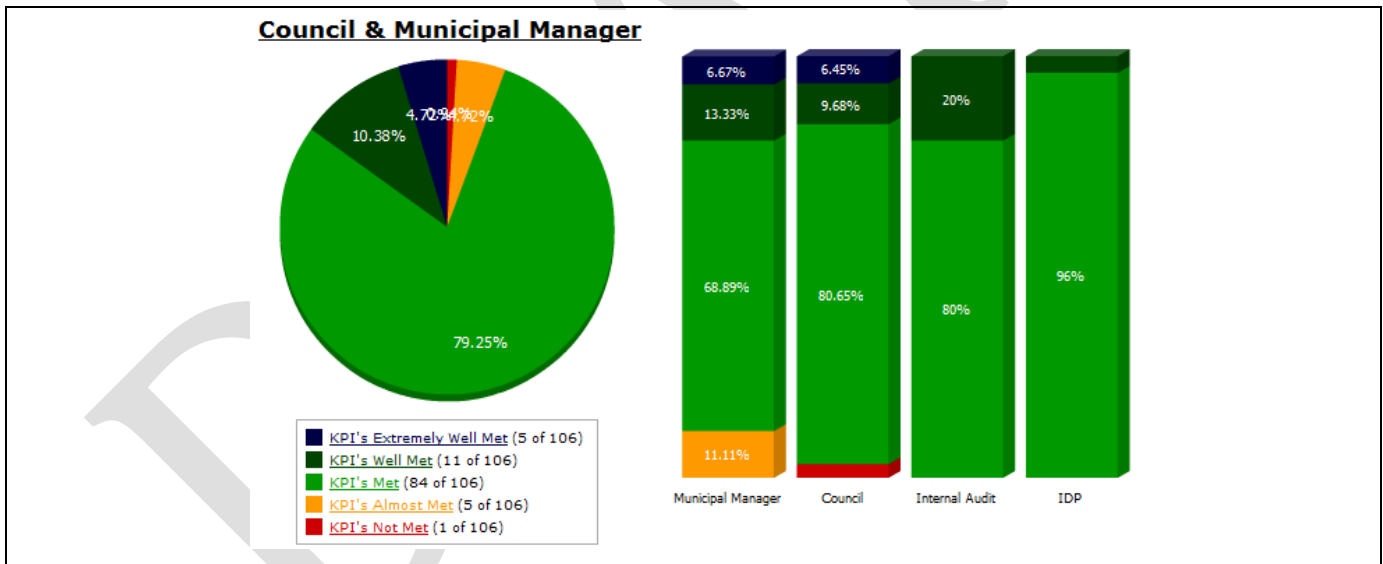
5.3 PERFORMANCE PER FUNCTIONAL AREA (DEPARTMENTAL/OPERATIONAL SDBIP)

5.3.1 COUNCIL AND MUNICIPAL MANAGER

The Municipal Manager’s SDBIP consists of the following divisions:

- Council
- Municipal Manager
- IDP
- Internal Audit

The following graph indicates the overall results of all the KPI’s measured of the various sub-directorates within the Council and Municipal Manager directorate in terms of the municipal SDBIP performance management system



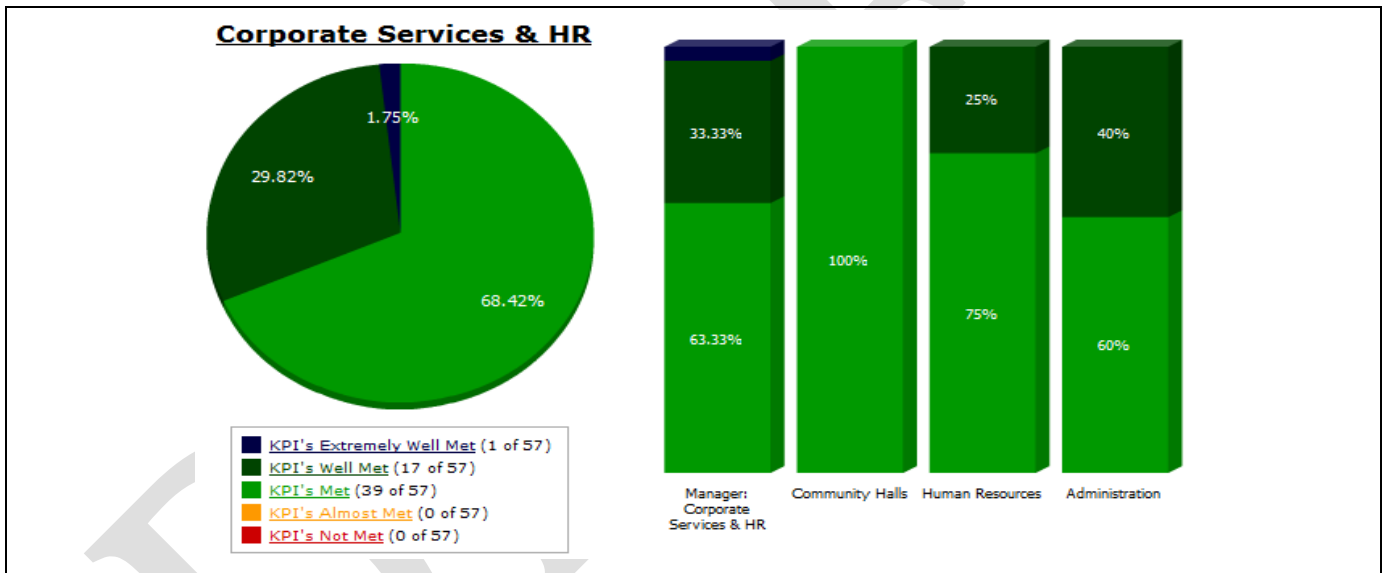
Graph 13: Executive and Council sub-directorate performance

5.3.2 CORPORATE SERVICES AND HR

The Corporate Services and HR SDBIP consist of the following divisions:

- Manager: Corporate Services and HR
- Administration
- Human Resources
- Community Halls

The following graph indicates the overall results of all the KPI's measured of the various sub-directorates within the Corporate Services and HR directorate in terms of the municipal SDBIP performance management system



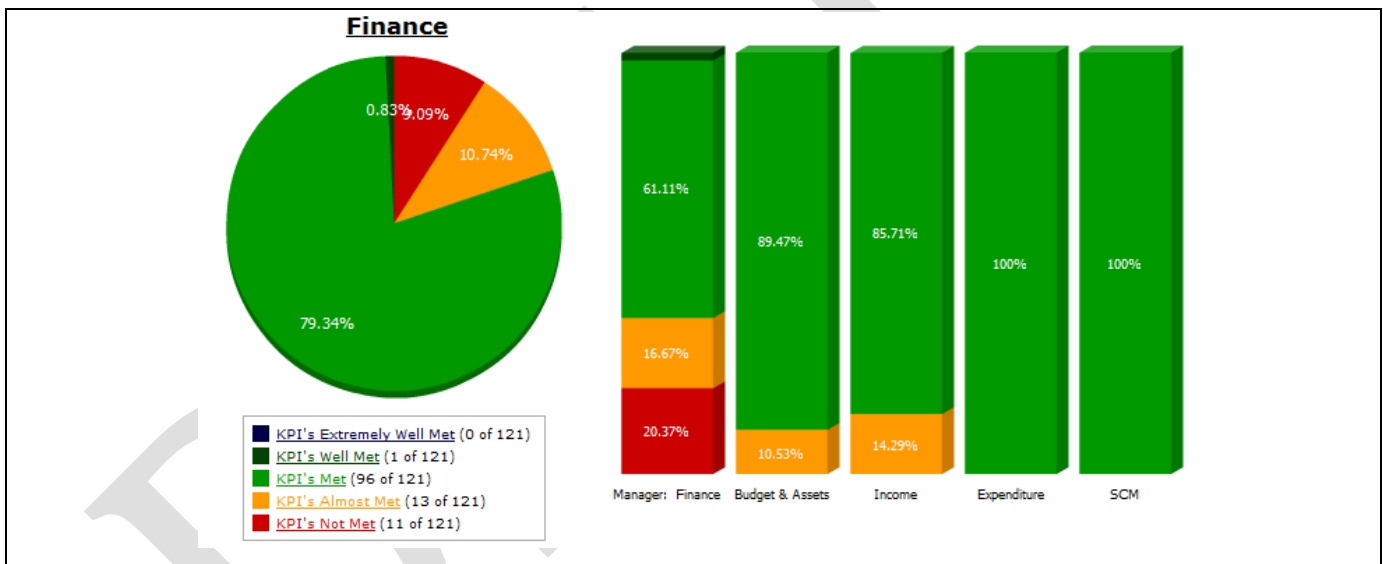
Graph 14: Corporate Services & HR sub-directorate performance

5.3.3 FINANCIAL SERVICES

The Financial Services SDBIP consists of the following divisions:

- Manager: Financial Services
- Budget & Assets
- Income
- Expenditure
- Supply Chain Management

The following graph indicates the overall results of all the KPI's measured of the various sub-directorates within the Financial Services directorate in terms of the municipal SDBIP performance management system



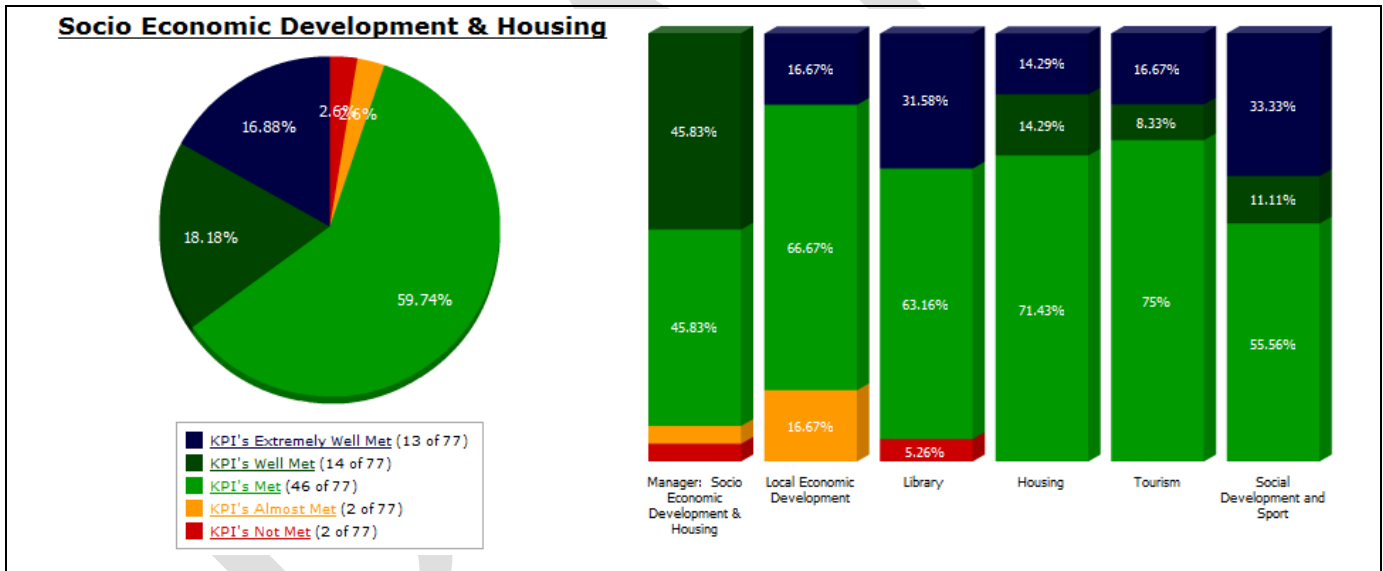
Graph 15: Financial Services sub-directorate performance

5.3.4 SOCIO ECONOMIC DEVELOPEMENT AND HOUSING SERVICES

Socio Economic Development and Housing Services SDBIP consist of the following divisions:

- Manager: Socio Economic Development & Housing Services
- Local Economic Development
- Library
- Housing
- Tourism
- Social Development and Sport

The following graph indicates the overall results of all the KPI's measured of the various sub-directorates within the Socio Economic Development and Housing Services directorate in terms of the municipal SDBIP performance management system



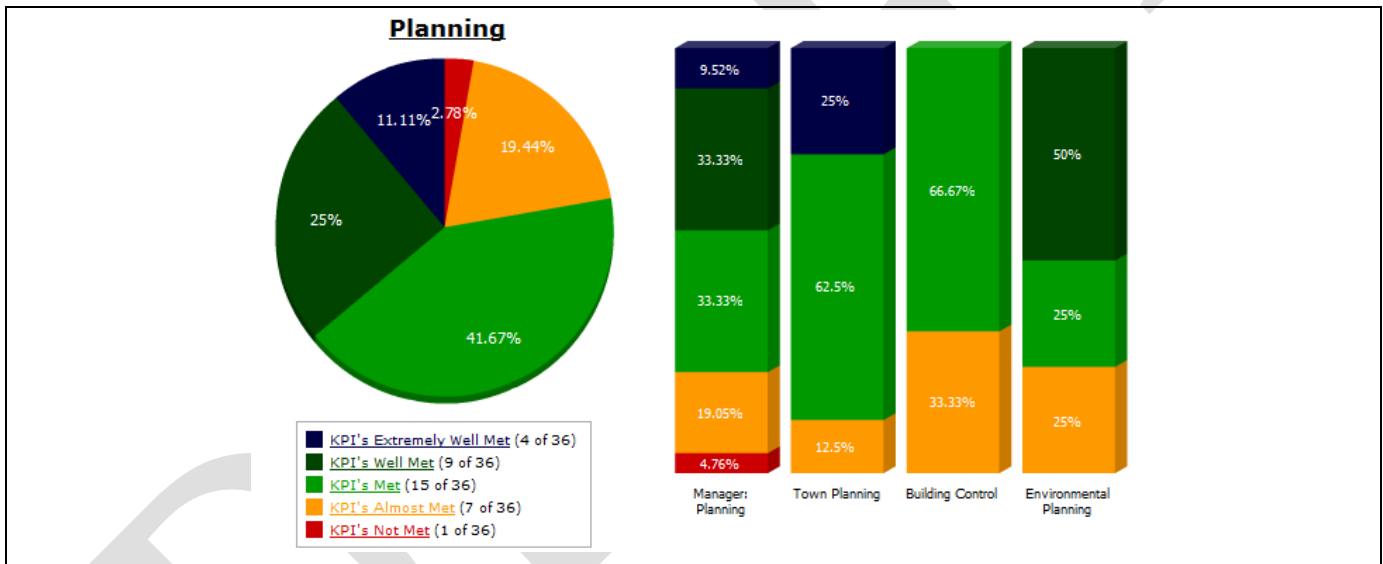
Graph 16: Socio Economic Development and Housing Services sub-directorate performance

5.3.5 PLANNING SERVICES

The Planning Services SDBIP consists of the following divisions:

- Manager: Planning
- Building Control
- Town Planning
- Environmental Planning

The following graph indicates the overall results of all the KPI's measured of the various sub-directorates within the Planning Services directorate in terms of the municipal SDBIP performance management system



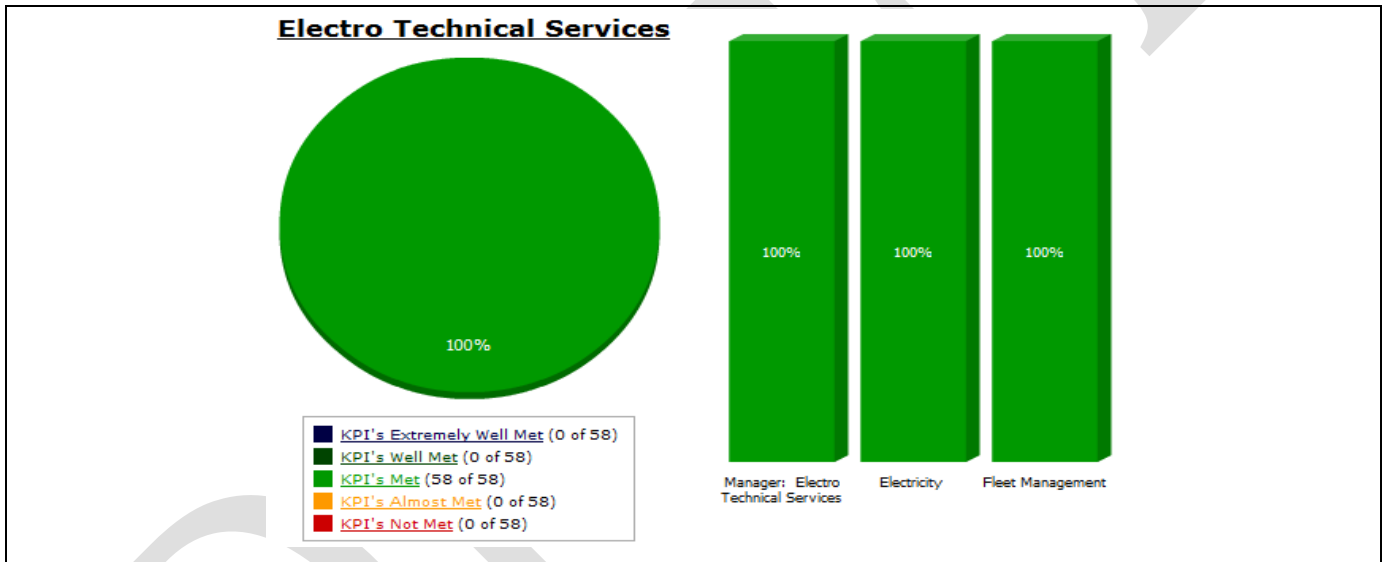
Graph 17: Planning Services sub-directorate performance

5.3.6 ELECTRO-TECHNICAL SERVICES

The Electro-Technical Services SDBIP consists of the following divisions:

- Manager: Electro-Technical Services
- Electricity
- Fleet Management

The following graph indicates the overall results of all the KPI's measured of the various sub-directorates within the Electro-Technical Services directorate in terms of the municipal SDBIP performance management



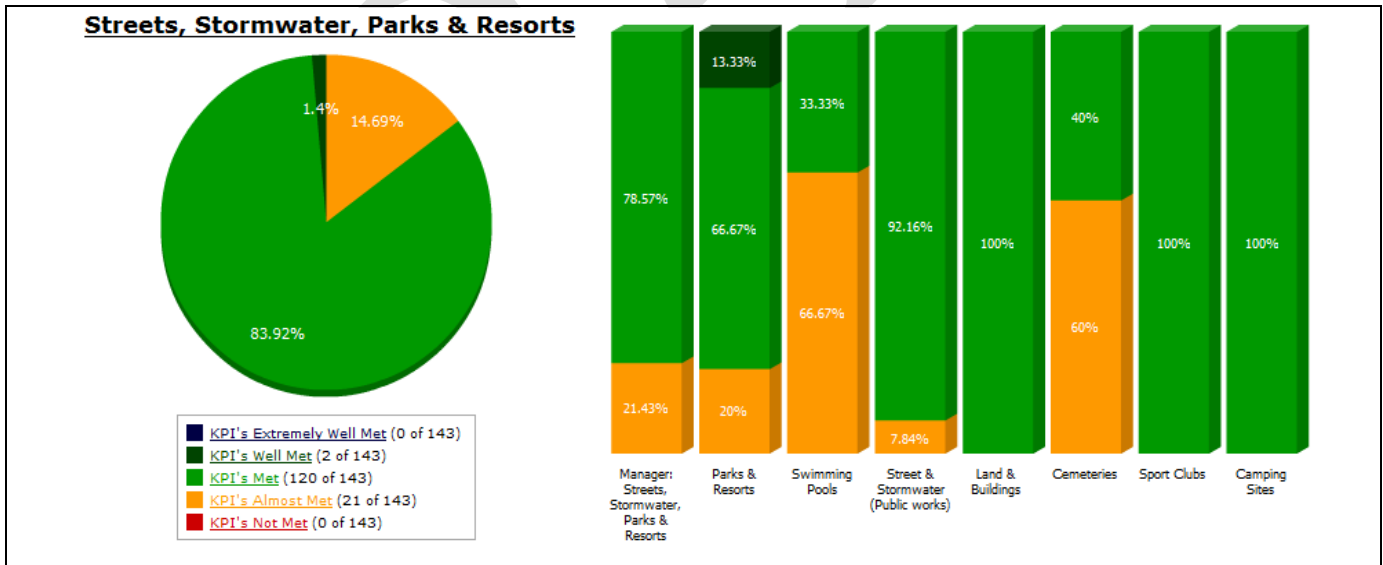
Graph 18: Electro-Technical Services sub-directorate performance

5.3.7 STREETS, STORMWATER, PARKS AND RESORTS SERVICES

Streets, Stormwater, Parks and Resorts Services SDBIP consist of the following divisions:

- Manager: Streets, Stormwater, Parks and Resorts
- Parks & Resorts
- Swimming Pools
- Street & Stormwater (Public Works)
- Land & Buildings
- Cemeteries
- Sport Clubs
- Camping Sites

The following graph indicates the overall results of all the KPI's measured of the various sub-directorates within the Streets, Stormwater, Parks and Resorts Services directorate in terms of the municipal SDBIP performance management system



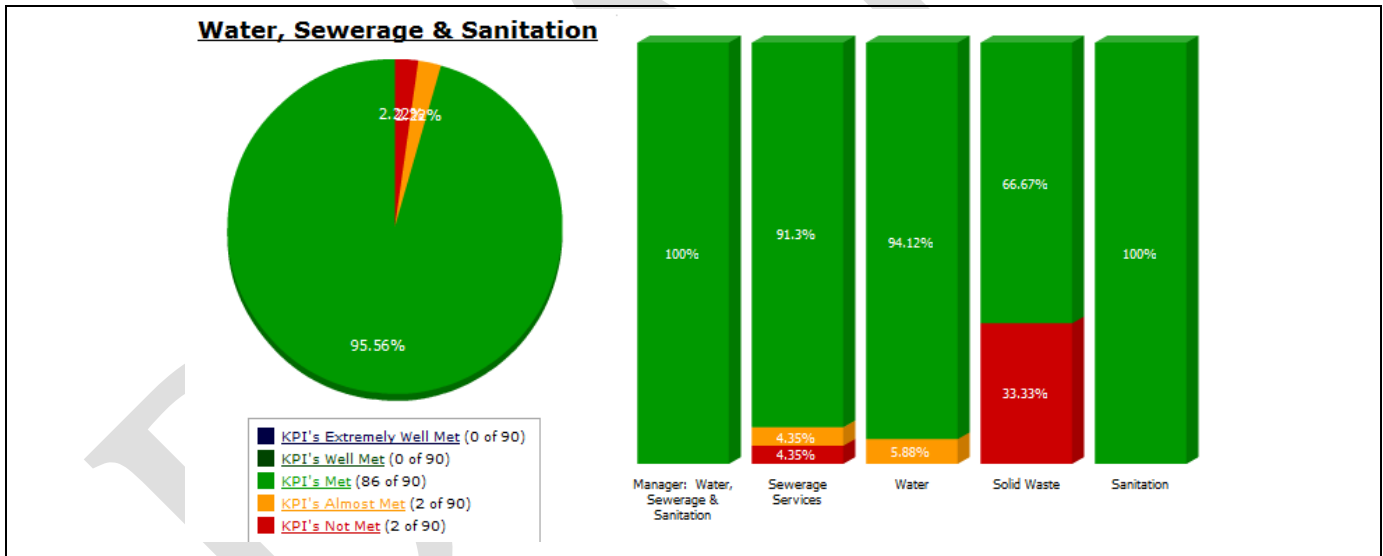
Graph 19: Streets, Stormwater, Parks and Resorts Services sub-directorate performance

5.3.8 WATER, SEWERAGE & SANITATION SERVICES

The Water, Sewerage & Sanitation Services SDBIP consists of the following divisions:

- Manager: Water, Sewerage and Sanitation Services
- Sewerage Services
- Water
- Solid Waste
- Sanitation

The following graph indicates the overall results of all the KPI's measured of the various sub-directorates within the Water, Sewerage and Sanitation Services directorate in terms of the municipal SDBIP performance management system



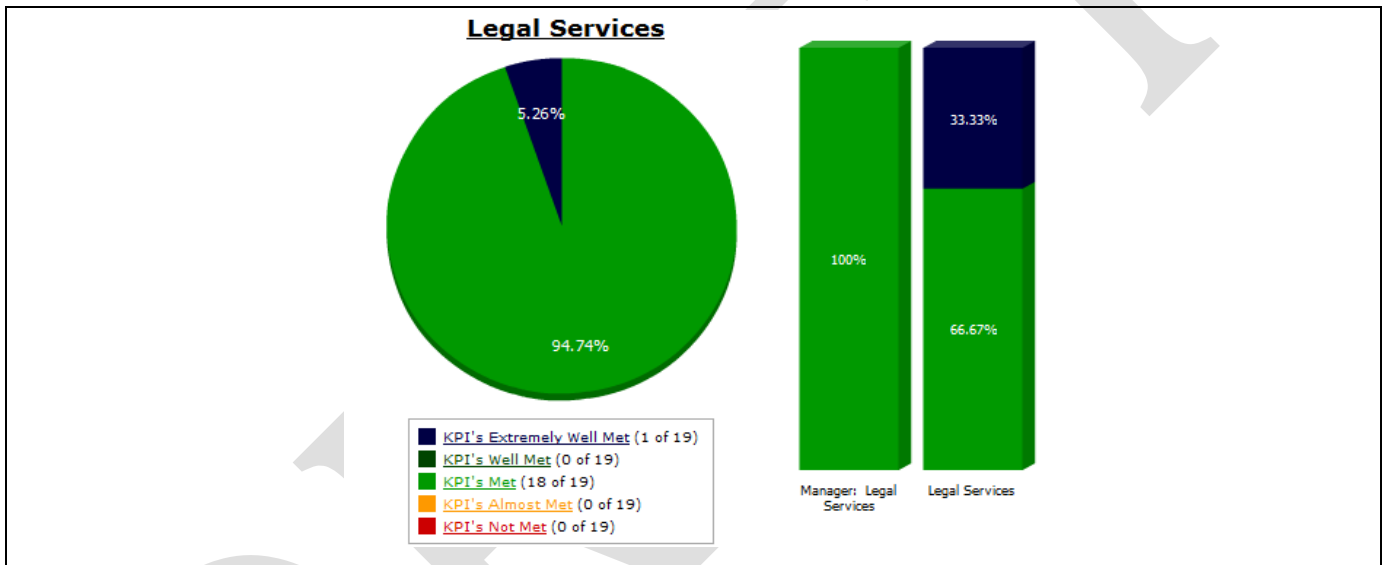
Graph 20: Water, Sewerage and Sanitation Services sub-directorate performance

5.3.9 LEGAL SERVICES

The Legal Services SDBIP consists of the following divisions:

- Manager: Legal Services
- Legal Services

The following graph indicates the overall results of all the KPI's measured of the various sub-directorates within the Legal Services directorate in terms of the municipal SDBIP performance management system



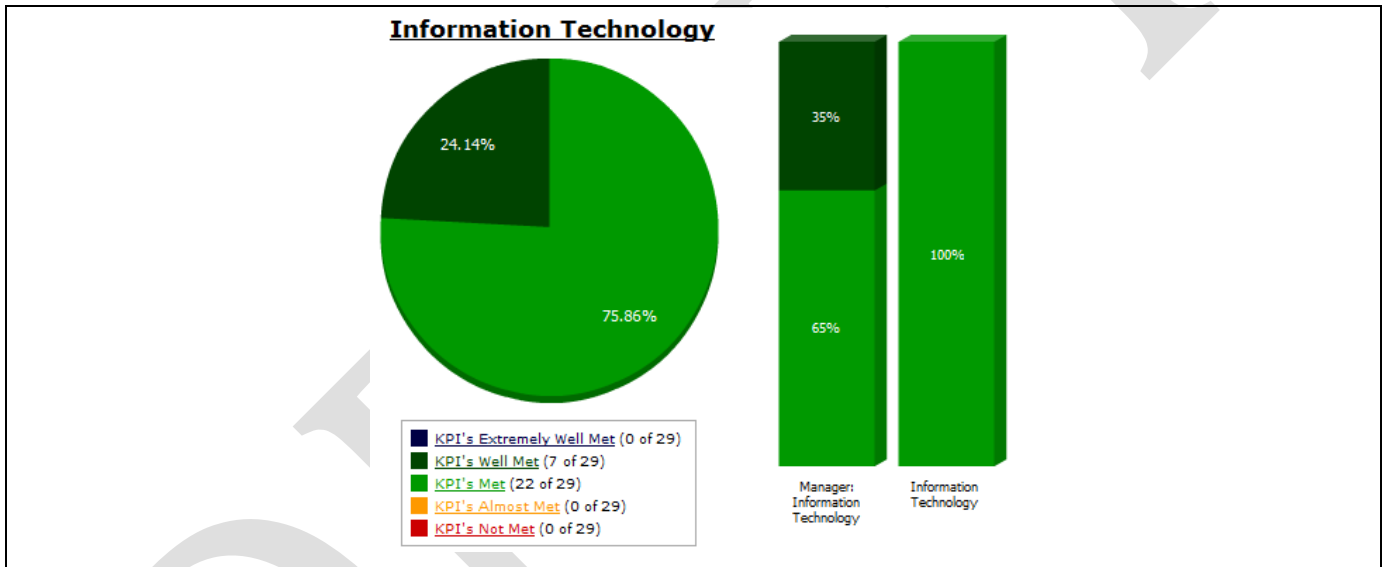
Graph 21: Legal Services sub-directorate performance

5.3.10 INFORMATION TECHNOLOGY SERVICES

The Information Technology Services SDBIP consists of the following divisions:

- Manager: Information Technology
- Information Technology

The following graph indicates the overall results of all the KPI's measured of the various sub-directorates within the Information Technology Services directorate in terms of the municipal SDBIP performance management system



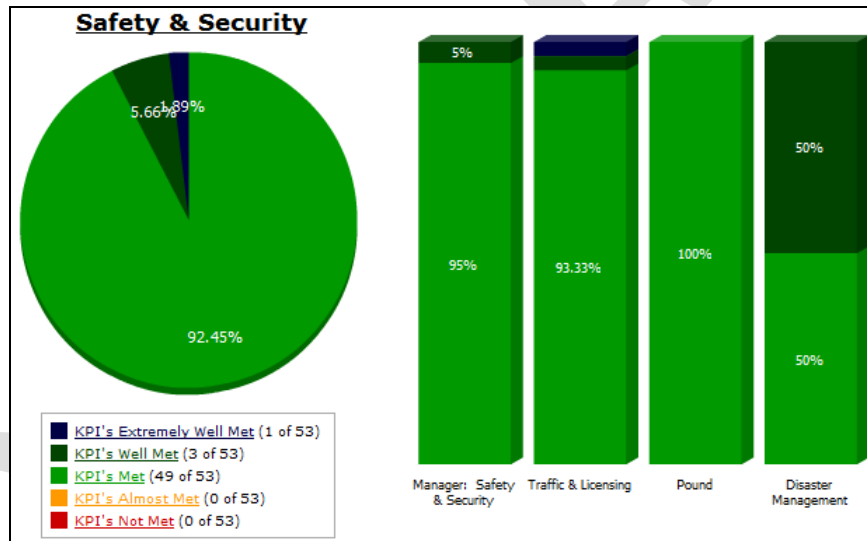
Graph 22: Information Technology Services sub-directorate performance

5.3.11 SAFETY AND SECURITY

The Safety and Security Services SDBIP consists of the following divisions:

- Manager: Safety and Security
- Traffic and Licensing
- Pound
- Disaster Management

The following graph indicates the overall results of all the KPI's measured of the various sub-directorates within the Safety and Security Services directorate in terms of the municipal SDBIP performance management system



Graph 23: Safety and Security Services sub-directorate performance

CHAPTER 6

FINANCIAL PERFORMANCE

CHAPTER 6: FINANCIAL PERFORMANCE

6.1 NATIONAL KEY PERFORMANCE INDICATORS - MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT

The following table indicates the municipality's performance in terms of the National Key Performance Indicators required in terms of the Local Government: Municipal Planning and the Performance Management Regulations of 2001 and section 43 of the MSA. These key performance indicators are linked to the National Key Performance Area namely Municipal Financial Viability and Management.

KPA & INDICATOR	2007/08	2008/09	2009/10	2010/11
Debt coverage ((Total operating revenue-operating grants received)/debt service payments due within the year)	6.27	8.74	6.26	5.97
Service debtors to revenue – (Total outstanding service debtors/ revenue received for services)	19%	14.3%	17.9%	14.8%
Cost coverage ((Available cash+ investments)/ Monthly fixed operating expenditure	6.11	6.83	4.28	6.01

Table 120: National KPI's for financial viability and management

6.2 FINANCIAL VIABILITY HIGHLIGHTS

Challenge	Action to address
Grap Compliant Asset Register	Fully Grap compliant asset register at 30 June 2011
E-mailing of debtors accounts	Monthly accounts send by e-mail
Electronic payments	Most of our payments made via internet, more cost effective
Budget compliant with National Treasury Formats	The budget for 2011/2012 was submitted according to the new National Treasury Formats
SCM	All the committees were established and the unit was capacitated according the implementation plan
Policies	All the financial policies were reviewed and workshopped with the Public

Table 121: Financial Viability Highlights

6.3 FINANCIAL VIABILITY CHALLENGES

Challenge	Action to address
New tariff module	Statistics balanced on a monthly basis and will be used in new tariff module for setting up tariffs for 2012/2013
Cash Management	Surplus money to be invested through asset managers to make sure that council receive the maximum revenue from

Challenge	Action to address
	interest
Software	Investigation on the procurement of new software

Table 122: Financial Viability Challenges

6.4 FINANCIAL SUSTAINABILITY

6.4.1 OPERATING RESULTS

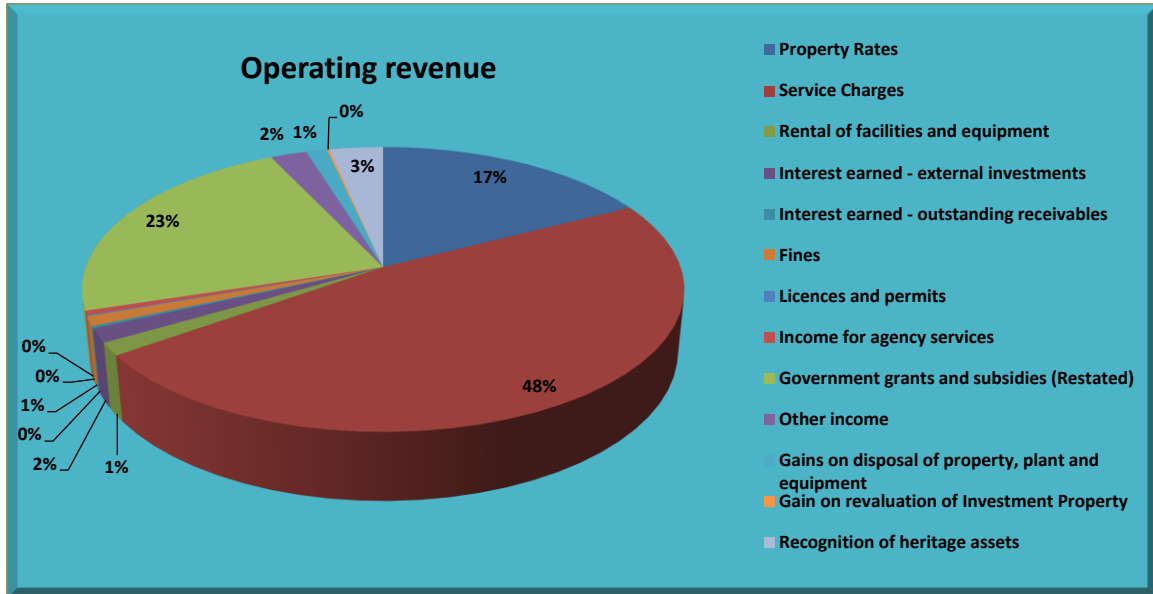
The table below shows a summary of performance against budgets

Financial Year	Revenue				Operating expenditure			
	Budget	Actual	Diff.	%	Budget	Actual	Diff.	%
	R'000	R'000	R'000		R'000	R'000	R'000	
2007/08	169 595	137 930	(31 665)	81	142 563	125 501	17 062	88
2008/09	225 127	217 389	(7 738)	96	182 096	164 012	18 084	80
2009/10	314 331	288 650	(25 681)	92	268 438	252 421	16 017	94
2010/11	266 836	247 458	(19 378)	93	248 730	238 927	9 803	96

Table 123: Performance against budgets

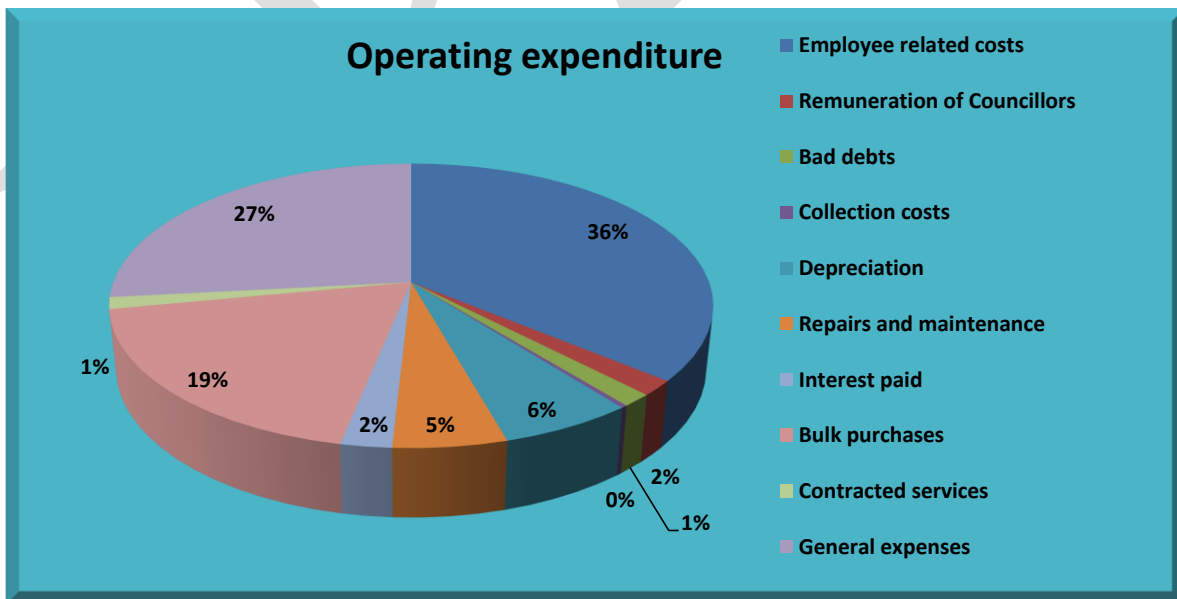
The municipality received **R247 458** revenue for the year of which **R238 927** was utilized for operating expenditure. Salaries and Councillor allowances were **37%** of the operating expenditure for the year under review and the percentage is well within the national norm of between 35-40%. Bulk purchases of water and electricity and expenditure with regards to grants and subsidies that were received from other spheres of government along with salaries and allowances makes up most of the total operating expenditure of the municipality. Grant and subsidies received, property tax and service charges, account for most of the revenue for the year under review.

The following graph indicates the various types of revenue items in the municipal budget for 2010/11



Graph 24: Revenue

The following graph indicates the various types of expenditure items in the municipal budget for 2010/11



Graph 25: Operating expenditure

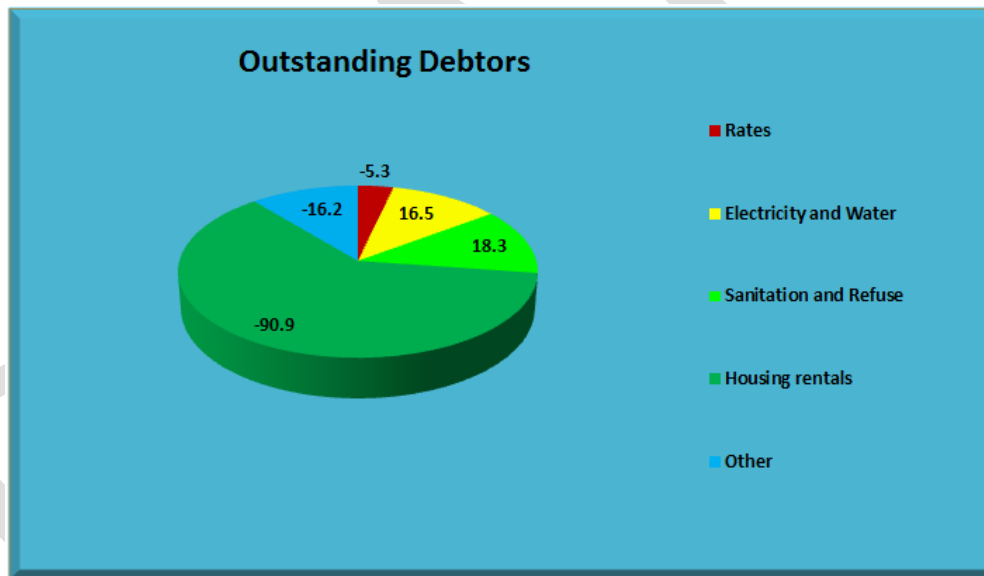
6.4.2 OUTSTANDING DEBTORS

A) GROSS OUTSTANDING DEBTORS PER SERVICE

Financial year	Rates	Trading services	Economic services	Housing rentals	Other	Total
		(Electricity and Water)	(Sanitation and Refuse)			
	R'000	R'000	R'000	R'000	R'000	R'000
2009/10	10 452	8 206	4 149	11	2 615	25 433
2010/11	9 901	9 562	4 910	1	2 192	26 567
Difference	(551)	1 356	761	(10)	(423)	1 134
% growth year on year	(5.3)	16.5	18.3	(90.9)	(16.2)	4.5

Table 124: Gross outstanding debtors per service

The following graph indicates the total outstanding debt per type of service for 2010/11



Graph 26: Debt per type of service

B) TOTAL DEBTORS AGE ANALYSIS

Financial year	Less than 30 days	Between 30-60 days	Between 60-90 days	More than 90 days	Total
	R'000	R'000	R'000	R'000	R'000
2009/10	9 956	3 883	1 291	10 303	25 433
2010/11	9 953	2 551	1 182	12 882	26 568

Financial year	Less than 30 days	Between 30-60 days	Between 60-90 days	More than 90 days	Total
	R'000	R'000	R'000	R'000	R'000
Difference	(3)	(1 332)	(109)	2 579	1 135
% growth year on year	(.03)	(34.3)	(8.4)	25	4.5

Table 125: Service debtor age analysis

Note: Figures exclude provision for bad debt

6.4.3 VIABILITY INDICATORS

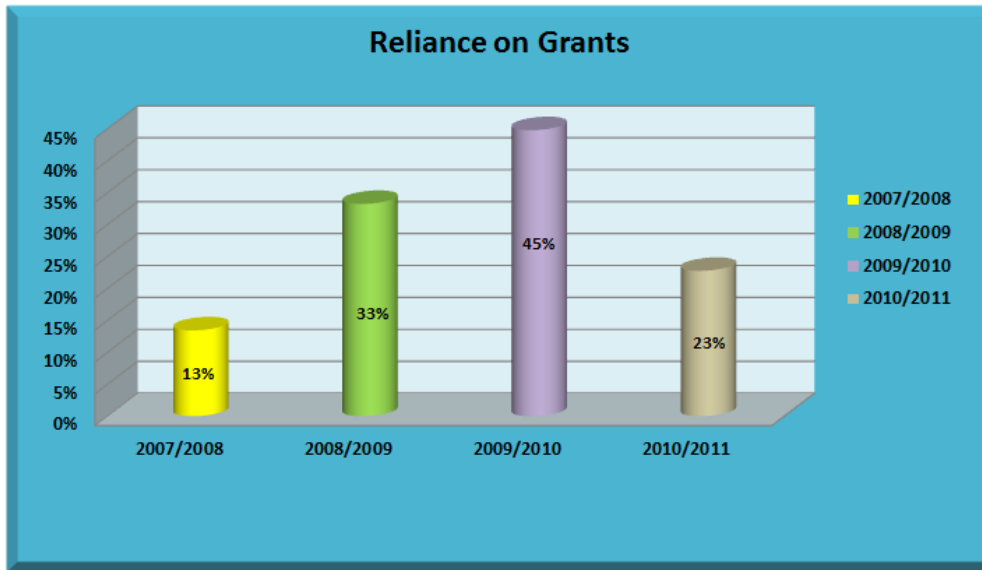
A) LEVEL OF RELIANCE ON GRANTS AND SUBSIDIES

Financial year	Total grants and subsidies received (R'000)	Total Operating Revenue (R'000)	(%)
2007/08	18 528	137 930	13
2008/9	72 267	217 389	33
2009/10	129 291	288 650	45
2010/11	56 323	247 458	23

Table 126: Reliance on grants

The municipality is more reliant on grants to finance expenditure than other municipalities with the same nature, due to our limited revenue raising capacity.

The following graph indicates the municipality’s reliance on grants as percentage for the last three financial years



Graph 27: Reliance on grants as %

The 2007/08 figures does not reflect the true situation due to accounting practices that changed, specifically the recognition of government grants related to capital, as the 2008/09 figures was restated. Year on year the reliance improved from **45 to 23%**. The growth of future Division of Revenue Act (DORA) allocations increase above the normal inflation rate; with the effect that the reliance ratio will be under pressure. The high growth rate in own revenue for 2009/2010 was mostly due to fact that new accounting practices forced certain accrued income to be recognised, as well as the increased income from electricity service charges due to higher than inflation rate tariff increases.

B) LIQUIDITY RATIO

Financial year	Net current assets (R'000)	Net current liabilities (R'000)	Ratio
2007/08	91 128	56 468	1.6:1
2008/09	124 509	78 526	1.6:1
2009/10	95 469	51 426	1.8:1
2010/11	101 528	60 607	1.7:1

Table 127: Liquidity ratio

The ratio indicates that the municipality is in a favorable position to meet its short term liabilities. The ratio is currently higher than the national norm of 1.5:1.

6.4.4 AUDITED OUTCOMES

Year	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/11
Status	Qualified	Qualified	Qualified	Unqualified	Unqualified	Pending

Table 128: Audit outcomes

The following table provides the details on the audit outcomes for the past two financial years with the correctives steps implemented:

2008/09	
Issue raised	Corrective step implemented
Emphasis of matter:	
Non-compliance with regulatory requirements related to performance information included: <ul style="list-style-type: none"> • Non-existence of a performance audit committee • Internal audit did not audit the results of performance as part of their internal audit processes 	<ul style="list-style-type: none"> • A performance management audit committee was established during 2009/2010 • Internal Audit received information pertaining to performance only in June 2009

Table 130: 2008/09 Detail on audit outcomes

2009/10	
Issue raised	Corrective step implemented
Emphasis of matter:	
With reference to note 14 to the financial statements, a provision has been made for the South African Local Authorities Pension Fund and the Cape Joint Pension Fund, for a possible increased employer contribution to the pension fund and a possible shortfall in the investment returns in respect of the defined benefits component, respectively	N/A
Emphasis of matter:	
Matter of Governance	
Internal Audit: <ul style="list-style-type: none"> ▪ The municipality did not develop and implement mechanisms, systems and processes for auditing the results of performance measurement and the predetermined objectives report as part of its internal audit processes, as required in terms of section 45 of the Municipal Systems Act, 2000 ▪ Internal audit did not fulfill its responsibilities as set out in section 165 of the MFMA and in accordance with accepted best practice and standards 	<ul style="list-style-type: none"> ▪ The performance measurement audit is already taking place, and will be tabled at the first meeting of the Performance Audit Committee during June 2011 ▪ A detailed annual performance report will be report will be prepared at the end of this financial year for the first time
Non compliance with regulatory requirements:	
<ul style="list-style-type: none"> ▪ Hessequa Municipality did not perform a risk assessment for the year under review, as required by section 62(1)(c) of the MFMA. 	<ul style="list-style-type: none"> ▪ The Internal Auditors are given updated risk registers by the Managers every year to compile the risk based audit plan. The updating of the risk register was however not

2009/10	
Issue raised	Corrective step implemented
	up to standard. There was also uncertainty between Management and Internal Audit as to whose responsibility risk management is. There was an external quality assessment done on the internal audit section on 3 and 4 May 2011. From this assessment, it emerged that risks are the responsibility of every Manager. We are still waiting for the final report on this assessment after which risk management will be applied more intensely.
<ul style="list-style-type: none"> ▪ Planned and reported performance targets not specific, measurable and time bound ▪ For the selected objectives, 100% of the planned and reported targets were not: <ul style="list-style-type: none"> ⇒ Specific in clearly identifying the nature and the required level of performance ⇒ Measurable in identifying the required performance ⇒ Time bound in specifying the time period or deadline for delivery 	<ul style="list-style-type: none"> ▪ As Performance Management Principles and systems are improved, so will the SMART quality indicators improve.
<p><u>Contract Management:</u></p> <ul style="list-style-type: none"> ▪ The accounting officer did not monitor on a monthly basis the performance of the contractors under contract management in terms of section 116(2)(b) of the MFMA ▪ The accounting officer did not establish capacity in the administration of the municipality to assist the accounting officer in ensuring that contracts are properly enforced and in monitoring the performance of contractors as required by section 116(2)(b) of the MFMA 	<ul style="list-style-type: none"> ▪ A head of SCM has been appointed in the unit, and this evaluation will be done from 2011/2012. Various models will be presented to the financial portfolio committee so that a decision can be made as to which model will be used from 01 June 2011. A Contract Manager has been appointed for all the MIG projects.

Table 131: 2009/10 Detail on audit outcomes

2010/11	
Issue raised	Corrective step implemented
<u>Emphasis of matter:</u>	
Pending	
<u>Emphasis of matter:</u>	
<u>Significant uncertainties</u>	
<u>Emphasis of matter:</u>	
<u>Material losses</u>	

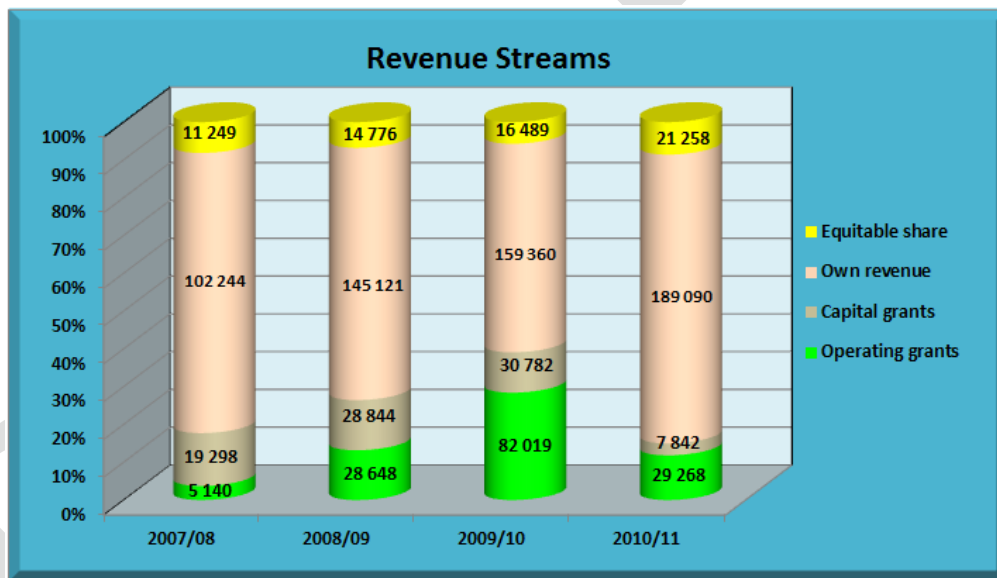
Table 132: 2010/11 Detail on audit outcomes

6.4.5 **EQUITABLE SHARE VS TOTAL REVENUE**

Description of revenue	Amount received 2007/08	Amount received 2008/09	Amount received 2009/10	Amount received 2010/11
	R'000	R'000	R'000	R'000
Equitable share	11 249	14 776	16 489	21 258
Capital grants	19 298	28 844	30 782	7 842
Operating grants	5 140	28 648	82 019	29 268
Own revenue	102 244	145 121	159 360	189 090
Total revenue	137 931	217 389	288 650	257 458

Table 133: Equitable share vs. total revenue

The following graph indicates the various revenue streams of the municipality for the past three financial years



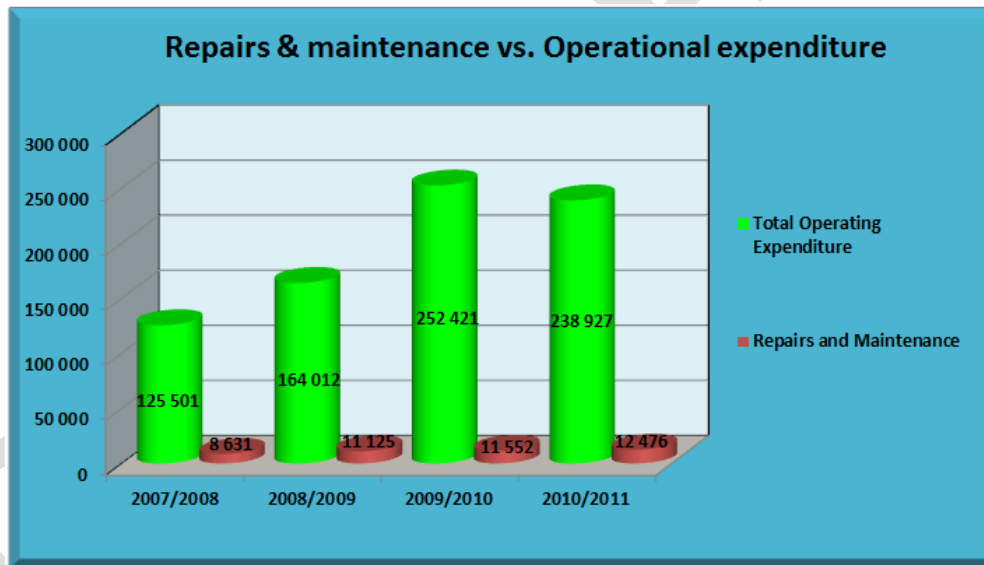
Graph 28: Revenue streams

6.4.6 REPAIRS AND MAINTENANCE

Description	2007/2008	2008/2009	2009/2010	2010/11
	R'000	R'000	R'000	R'000
Total Operating Expenditure	125 501	164 012	252 421	238 927
Repairs and Maintenance	8 631	11 125	11 552	12 476
% of total OPEX	6.69%	6.69%	4.58%	5.22%

Table 134: Repairs & maintenance as % of total OPEX

The following graph indicates the percentage of the budget that was spent on repairs & maintenance in relation to the operational budget



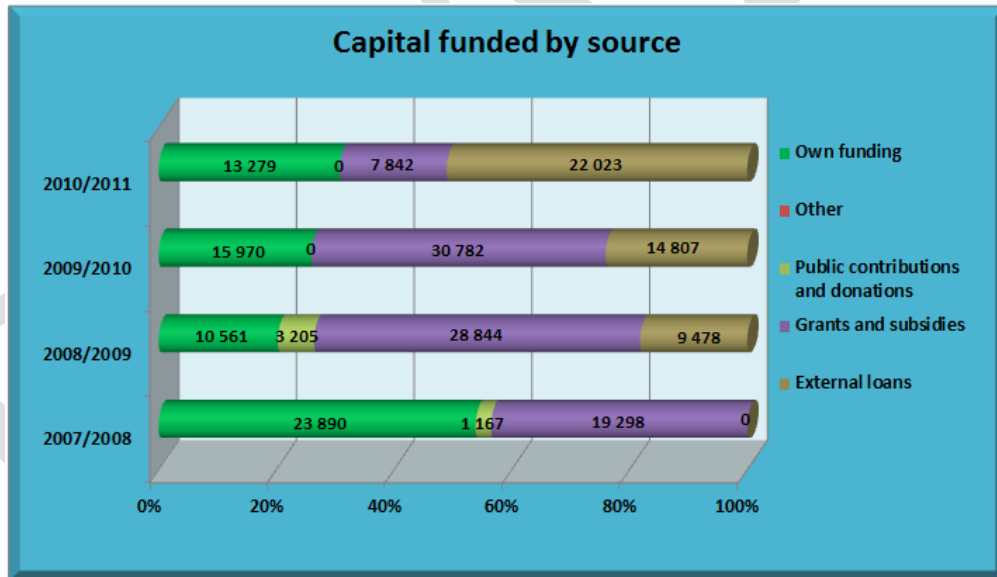
Graph 29: Repairs and maintenance as percentage of OPEX

6.4.7 CAPITAL FUNDED BY SOURCE

Description Source	2007/2008	2008/2009	2009/2010	2010/11
	R'000	R'000	R'000	R'000
External loans	0	9 478	14 807	22 023
Grants and subsidies	19 298	28 844	30 782	7 842
Public contributions and donations	1 167	3 205	0	0
Own funding	23 890	10 561	15 970	13 279
Other	0	0	0	0
Total capital expenditure	44 355	52 088	61 559	43 144

Table 135: Capital funded by source

The following graph indicates capital expenditure funded by the various sources



Graph 30: Capital funded by source

LIST OF ABBREVIATIONS

AG	Auditor-General
CAPEX	Capital Expenditure
CBP	Community Based Planning
CFO	Chief Financial Officer
DPLG	Department of Provincial and Local Government
DWAF	Department of Water Affairs and Forestry
EE	Employment Equity
GAMAP	Generally Accepted Municipal Accounting Practice
GRAP	Generally Recognised Accounting Practice
HR	Human Resources
IDP	Integrated Development Plan
IFRS	International Financial Reporting Standards
IMFO	Institute for Municipal finance officers
KPA	Key Performance Area
KPI	Key Performance Indicator
LED	Local Economic Development
MAYCOM	Executive Mayoral Committee
MFMA	Municipal Finance Management Act (Act No. 56 of 2003)
MIG	Municipal Infrastructure Grant
MM	Municipal Manager
MMC	Member of Mayoral Committee
MSA	Municipal Systems Act No. 32 of 2000
MTECH	Medium Term Expenditure Committee
NGO	Non-governmental organisation

NT	National Treasury
OPEX	Operating expenditure
PMS	Performance Management System
PT	Provincial Treasury
SALGA	South African Local Government Organisation
SAMDI	South African Management Development Institute
SCM	Supply Chain Management
SDBIP	Service Delivery and Budget Implementation Plan
SDF	Spatial Development Framework

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ANNEXURE A: FINANCIAL STATEMENTS

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HESSEQUA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2010

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 7, in terms of Section 126(1) of the Municipal Finance Management Act 56 of 2003, and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 29 of these Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of the Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.


.....
J. JACOBS
Municipal Manager

31-06-2010
.....
Date

HESSEQUA MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2011

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 99, in terms of Section 126(1) of the Municipal Finance Management Act 56 of 2003 , and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 31 of these Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of the Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



.....
J. JACOBS
Municipal Manager

.....
Date

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HESSEQUA MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011

Net Assets and Liabilities	Note	2011 R	2010 R
ASSETS			
Current Assets		101 527 988	95 679 553
Inventory	2	818 150	895 797
Non-current Assets held for sale	3	150 500	0
Trade receivables from exchange transactions	4	16 448 019	13 136 602
Trade receivables from non-exchange transactions	5	9 155 108	15 435 950
VAT Receivable	6	2 599 594	3 542 332
Bank, Cash and Cash Equivalents	7	2 102 592	5 780
Call Investment deposits	8	70 020 893	62 439 932
Operating Lease Assets	9	231 489	221 640
Current Portion of Long-term Receivables	13	1 643	1 519
Non-Current Assets		549 711 532	513 636 022
Property, Plant and Equipment	10	505 869 726	470 136 241
Intangible assets	11	365 556	378 889
Investment Property	12	43 450 280	43 093 280
Long-term Receivables	13	25 970	27 612
Total Assets		651 239 520	609 315 575
LIABILITIES			
Current Liabilities		60 607 498	50 177 667
Consumer Deposits	14	3 253 353	3 119 521
Provisions	15	7 792 798	6 311 170
Creditors	16	34 367 187	23 414 412
Unspent Conditional Grants and Receipts	17	6 925 194	9 920 940
Operating Lease Liabilities	18	21 221	58 672
Bank Overdraft	7	0	1 548 604
Current Portion of Long-term Liabilities	19	8 247 746	5 804 349
Non-Current Liabilities		92 138 934	68 320 630
Long-term Liabilities	19	56 356 369	42 117 439
Retirement Benefit Liabilities	20	31 386 837	22 280 910
Non-current Provisions	21	2 851 237	2 400 866
Trust Fund	50	1 544 492	1 521 416
Total Liabilities		152 746 433	118 498 298

Total Assets and Liabilities		498 493 088	490 817 277
NET ASSETS		498 493 088	490 817 276
Statutory Funds	22	49 838	43 028
Reserves	23	0	0
Accumulated Surplus	24	498 443 250	490 774 249
Total Net Assets		498 493 088	490 817 276

HESSEQUA MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

Budget						Actual	
2010	2011	Revenue	Note	2011	2010		
R	R			R	R		
					(Restated)		
39 956 800	43 463 157	Property Rates	25	42 630 797	40 125 241		
97 844 443	117 378 559	Service Charges	26	118 221 495	100 437 113		
3 071 318	3 105 340	Rental of facilities and equipment		3 584 769	3 167 787		
6 600 000	5 725 000	Interest earned - external investments		3 967 327	5 897 442		
1 020 000	517 000	Interest earned - outstanding receivables		1 063 350	1 040 394		
2 345 900	2 536 200	Fines		2 632 877	2 569 979		
164 500	260 500	Licences and permits		293 514	204 609		
1 153 100	1 176 500	Income for agency services		1 221 382	1 199 004		
135 867 832	69 788 495	Government grants and subsidies (Restated)	27 + 28	56 322 961	130 676 510		
4 406 921	2 684 928	Other income	29	5 612 146	3 905 799		
21 900 000	20 200 000	Gains on disposal of property, plant and equipment		3 223 023	625 284		
0	0	Gain on revaluation of Investment Property		357 000	0		
0	0	Recognition of heritage assets		8 326 375	0		
314 330 814	266 835 679	Total Revenue		247 457 017	289 849 162		
		Expenditure					
66 781 182	80 007 952	Employee related costs	30	86 088 837	68 190 468		
4 374 598	4 541 808	Remuneration of Councillors	31	4 093 200	4 082 242		
2 330 888	2 439 638	Bad debts	32	3 392 909	2 105 761		
735 382	811 880	Collection costs		696 647	382 492		
14 292 804	15 270 123	Depreciation		15 598 285	14 130 874		
13 609 030	14 181 715	Repairs and maintenance		12 475 804	11 371 779		
4 051 482	5 114 073	Interest paid	33	5 601 000	4 259 843		
37 459 082	46 460 957	Bulk purchases	34	44 874 237	35 858 618		
0	0	Loss on disposal of property, plant and equipment		0	752 496		
853 935	3 215 000	Contracted services		3 172 254	799 192		
123 949 768	76 687 186	General expenses	35	63 788 033	112 326 403		

268 438 151	248 730 332	Total Expenditure		239 781 206	254 260 167
45 892 663	18 105 347	Surplus/(Deficit) For The Year		7 675 811	35 588 994

Refer to Appendix E (1) for explanation of variances

HESSEQUA MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED

30 JUNE 2011

	Note	Housing Reserve R	Revaluation Reserve R	Accumulated Surplus/ (Deficit) R	Total R
2010					
Balance at 1 July 2009		1 944 470	187 932 963	271 339 176	461 216 609
Correction of errors	49.2 49.3	0	-16 541 500	-43 586	-16 585 086
Change in accounting policies	49.2/48.1		-171 391 463	181 988 232	10 596 769
Restated balance at 1 July 2009		1 944 470	0	453 283 822	455 228 292
Surplus for the year				35 588 994	35 588 994
Transfer to Housing Reserve		-74 843		74 843	0
Balance at 30 June 2010		1 869 627	0	488 947 659	490 817 286
Corrections prior years	49.4	-1 826 590	0	1 826 590	0
Restated balance 30/6/2010		43 037	0	490 774 249	490 817 286
Surplus for the year				7 675 811	7 675 811
Revaluation of land and buildings			0		0
Transfer from Housing Reserve		6 810		-6 810	0
Balance at 30 June 2011		49 847	0	498 443 250	498 493 097

HESSEQUA MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

Cash Flow from Operating Activities	Note	2011 R	2010 R
Cash receipts from ratepayers, government and other		233 489 366	267 719 131
Cash payments to suppliers and employees		-208 122 878	-255 324 941
Cash generated from/(utilised in) operations	37	25 366 488	12 394 189
Interest received		5 030 678	6 937 836
Interest paid	33	-5 601 000	-4 259 843
Net Cash from Operating Activities		24 796 166	15 072 183
Cash flows from Investing Activities			
Purchase of property, plant and equipment	10	-43 144 420	-61 576 589
Sale of property, plant and equipment		3 224 881	712 283
Purchase of intangible assets		0	0
(Increase)/decrease in non-current receivables		1 519	180 731
Decrease/(increase) in operating lease assets		-9 850	17 658
Net Cash flows from Investing Activities		-39 927 871	-60 665 916
Cash flows from Financing Activities			
New loans raised/(repaid)		16 682 326	10 350 751
Increase in consumer deposits		133 832	65 729
Increase in Trust Funds		23 076	74 836
Retirement Benefit Liabilities		9 105 927	1 305 780
Non-current Provisions		450 371	298 857
Decrease in operating lease liabilities		-37 451	-17 909
Net Cash from Financing Activities		26 358 081	12 078 045
Net Increase / (decrease) in Cash and Cash Equivalents		11 226 376	-33 515 689
Cash and cash equivalents at the beginning of the year		60 897 109	94 412 798
Cash and cash equivalents at the end of the year	36	72 123 485	60 897 109

HESSEQUA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and is in accordance with the historical cost convention, except where indicated otherwise.

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

1. 1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2010 and 30 June 2011 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only in the following instances, where it:

(a) is required by a Standard of GRAP; or

(b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows.

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in the Annual Financial Statements:

1. 2. 1 Revenue Recognition

Accounting Policy 10.2 on *Revenue from Exchange Transactions* and Accounting Policy 10.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

HESSEQUA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1. BASIS OF PRESENTATION (continued)

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS (continued)

1. 2. 1 Revenue Recognition (continued)

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: *Revenue from Exchange Transactions* and GAMAP 9: Revenue, as far as Revenue from Non-Exchange Transactions is concerned (see Basis of Preparation above). In particular, 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 is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1. 2. 2 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 6.1 on *Financial Assets Classification* and Accounting Policy 6.2 on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in IAS 32: *Financial Instruments - Presentation* and IAS 39: *Financial Instruments - Recognition and Measurement*.

1. 2. 3 Impairment of Financial Assets

Accounting Policy 6.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in IAS 39: *Financial Instruments - Recognition and Measurement*, and used its judgement to select a variety of methods and made assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

• Impairment of trade 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.

1. 2. 4 Useful lives of Property, Plant and Equipment

As described in Accounting Policies 3.3, 4 and 5 the municipality depreciates/ amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

1. 2. 5 Impairment: Write down of Property, Plant and Equipment and Inventories

Accounting Policy 3.9 on *PPE - Impairment of assets* and Accounting Policy 4.2 on *Intangible assets - Subsequent Measurement, Amortisation and Impairment* and Accounting Policy 8.2 on *Inventory - Subsequent measurement* describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 17: *Property, Plant and Equipment*, GRAP 12: *Inventory* and GRAP 102: *Intangible assets*. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the NRV for inventories involves significant judgment by management.

1. 2. 6 Defined Benefit Plan Liabilities

As described in Accounting Policy 13, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations, and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 20 and 21 of the Annual Financial Statements.

HESSEQUA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1. BASIS OF PRESENTATION (continued)

1. 2. 7 Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities as set out in notes, 14 and 20 respectively. Provisions are discounted where the effect of discounting is material, using actuarial valuations.

1. 3 PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency.

1. 4 GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on a going concern basis.

1. 5 OFFSETTING

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

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:

- GRAP 18 Segment Reporting - issued March 2005
- GRAP 21 Impairment of Non-cash-generating Assets - issued March 2009
- GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
- GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
- GRAP 25 Employee Benefits - issued December 2009
- GRAP 26 Impairment of Cash-generating Assets - issued March 2009
- GRAP 103 Heritage Assets - issued July 2008
- GRAP 104 Financial Instruments - October 2009

The Minister of Finance announced that the application of GRAP 21, GRAP 23, GRAP 24, GRAP 26, GRAP 103 will be effective for the period starting after 1 April 2012. All other standards as listed above will only be effective when a date is announced by the Minister of Finance.

The ASB Directive 5 paragraph 29 sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of the International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued, but is not yet in effect, an entity may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph .12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The Municipality applied the principles established in the following Standards of GRAP that have been issued, but is not yet in effect, in developing appropriate accounting policies dealing with the following transactions, but have not early adopted these Standards:

- Impairment of Non-cash-generating Assets (GRAP 21 - issued March 2009)
- Impairment of Cash-generating Assets (GRAP 26 - issued March 2009)
- Revenue from Non-Exchange Transactions (GRAP 23 - issued February 2008) Financial
- Instruments (GRAP 104 Financial Instruments - October 2009)

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

HESSEQUA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2. ACCUMULATED SURPLUS

Included in the accumulated surplus of the municipality, are the following reserves that are maintained in terms of specific requirements:

2. 1 Housing development fund/Housing operating account

Sections 15(5) and 16 of the Housing Act, (Act No. 107 of 1997), which came into operation on 1 April 1998, required that the Entity maintains a separate housing operating account. This legislated separate operating account is known as the 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 sale 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.

The following provisions are set for the creation and utilisation of the Housing Development Fund:

- The Housing Development Fund is cash-backed, and invested in accordance with the investment policy of the Entity.
- The proceeds in this fund are utilised for housing development in accordance with the National Housing Policy, and also for housing development projects approved by the MEC for Human Settlements.
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.
- Interest earned on the investments of the fund is disclosed as interest earned in the Statement of Financial Performance.

2. 2 Revaluation Reserve

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/ (deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus/ (deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance. During the year under review, the Municipality changed its accounting policy with regards to Land and Buildings and accordingly, the reserve has been written back to the accumulated surplus. Refer to note 48.2

2. 3 Trust Funds

The following trust funds exist in the municipality:

2. 3 1 *Development Fund for the Maintenance and Operation of Nature Areas in Still Bay*

This fund was established in terms of section 76.2 of the Municipal Ordinance, 1974 (Ordinance 20 of 1974) with the sanction of the Premier on 14 August 1998.

2. 3 2 *Elsje Koorts Tuberculosis Fund*

This fund was established in terms of clause 4 of the last will and testament of the late Elsje Koorts, and states inter alia that "the remainder of my estate will be used for the treatment of tuberculosis cases in Riversdale..."

These funds are invested in a ring fenced investment account.
(See separate Financial Statements disclosed in the Annual Financial Statements)

3. PROPERTY, PLANT AND EQUIPMENT

3. 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 for more than one year.

The cost of an item of property, plant and equipment is 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 if the cost or fair value of the item can be measured reliably.

HESSEQUA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Property, plant and equipment is initially recognised at cost on its acquisition date or in the case of assets acquired by grants or donations, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by 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.

3. 1 Initial Recognition (Continued)

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

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if 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.

3. 2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently property plant and equipment, including Infrastructure Assets, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.

Previously, land and buildings were carried at a revalued amount based on municipal valuations, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. These changes are recorded as a change in accounting policy in the Statement of Financial Performance.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

3. 3 Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset, and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

HESSEQUA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

3. PROPERTY, PLANT AND EQUIPMENT (continued)

	Years		Years
Infrastructure		Buildings	5 - 50
Roads and Paving	10 - 100		
Electricity	8 - 57	Other	
Water	8 - 100	Emergency equipment	2 - 30
Sewerage	7 - 100	Plant and equipment	1 - 20
Landfill Sites	10 - 36	Motor vehicles	4 - 23
		Office equipment	1 - 23
Community		Security equipment	5
Recreational Facilities	6 - 147		
Security	0		

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

3. 4 Incomplete Construction Work

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

3. 5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as **Property, Plant and Equipment** controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

3. 6 Heritage Assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding their estimated useful lives. The Municipality assess at each reporting date if there is an indication of impairment. Subsequent to measurement, heritage assets are carried at cost less impairment losses.

3. 7 Land

Land is not depreciated as it is deemed to have an indefinite useful life.

3. 8 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

3. 9 Housing Development Fund Assets

The Housing Development Fund contains letting schemes that is included in Council's Property Plant and Equipment. All surpluses generated from the letting schemes are transferred to the Housing Development Fund.

3. 10 Derecognition of property, plant and equipment

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

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds and is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

3. 11 Impairment of assets

3. 11. 1 Impairment of Cash generating assets

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

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

HESSEQUA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3. 11. 1 *Impairment of Cash generating assets (Continued)*

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

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

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

An impairment of assets carried at a revalued amount, reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

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

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

The increased carrying amount of an asset attributable to a reversal of an impairment loss, does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

3. 11. 2 *Impairment of Non-Cash generating assets*

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

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

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

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

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

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

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

Transitional provisions

The estimated useful lives and depreciation methods have been reviewed for the year ended 30 June 2011 (and applied retrospectively where practicable), and any changes therein have been implemented in accordance with the requirements of GRAP 17, GRAP 3 and ASB Directive 4.

HESSEQUA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

4. INTANGIBLE ASSETS

4. 1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. 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 recognised as an expense when incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with IPSAS 21/ IAS 36.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is acquired. 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.

4. 2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment losses.

In terms of GRAP 102, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives, which are estimated to be 30 years. The residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes obtained by the municipality give the municipality access to land for specific purposes for an unlimited period - however, such intangible assets are subject to an annual impairment test.

Intangible assets are tested annually for impairment, including intangible assets not yet available for use. Where items of intangible assets 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 except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

HESSEQUA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

4. INTANGIBLE ASSETS (continued)

4. 3 Derecognition

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

Transitional provisions

The fair values of intangible assets recognised in terms of GRAP 102 have been disclosed for the financial year ended 30 June 2011 (and retrospectively where practicable) in accordance with the requirements of GRAP 102, GRAP 3 and ASB Directive 4.

5. INVESTMENT PROPERTY

5. 1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land or 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.

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 the cost at date of completion.

Based on management's judgement, the following criteria has been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality); and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (inter alia) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

HESSEQUA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

5. INVESTMENT PROPERTY (continued)

5. 2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined annually by external valuers at the reporting date. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the period in which it arises.

5. 3 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal

5. 4 Transitional Provisions

The fair values of investment properties recognised in terms of GRAP 16 have been disclosed for the financial year ended 30 June 2011 (and retrospectively where practicable) in accordance with the requirements of GRAP 16, GRAP 3 and ASB Directive 4.

6. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual agreement. The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

Initial recognition

Financial assets and financial liabilities are recognised in the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument.

The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exists; and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair value methods and assumptions

The fair values of financial instruments are determined as follows:

The fair values of quoted investments are based on current bid prices.

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

The effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Amortised cost

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

HESSEQUA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

6. FINANCIAL INSTRUMENTS (continued) 6. 1 Financial Assets - Classification

A financial asset is any asset that **represents** cash or contractual right to receive cash.

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

Loans and Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

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

Financial assets at fair value through profit or loss are financial assets that meet either of the following conditions:

- they are classified as held for trading; or
- upon initial recognition they are designated as at fair value through the Statement of Financial Performance.

Available for sale investments are financial assets that are designated as available for sale or are not classified as:

- Loans and Receivables;
- Held-to-Maturity Investments; or
- Financial assets at fair value through profit and loss

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of IAS 39.09
Short-term Investment Deposits – Call	Held-to-maturity investments
Bank Balances and Cash	Loans and receivables
Finance Lease Receivables	Loans and receivables
Long-term Receivables	Loans and receivables
Consumer Debtors	Loans and receivables
Other Debtors	Loans and receivables
Investments in Fixed Deposits	Held-to-maturity investments

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of 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, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

6. 2 Financial Liabilities - Classification

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

- Long-term Liabilities
- Certain Other Creditors (see note 9)
- Bank Overdraft
- Short-term loans
- Current Portion of Long-term Liabilities
- Consumer Deposits

There are **three** main categories of *Financial Liabilities*, the classification determining how they are measured. Financial liabilities may be measured at:

- (i) Fair value through profit or loss; or
- (ii) Other financial liabilities (Financial liabilities measured at amortised cost)
- (iii) Financial guarantee contract

Financial liabilities that are measured at fair value through profit or loss are financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives)

Any other financial liabilities are classified as "Other financial liabilities" in accordance with IAS 39.09

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

HESSEQUA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

FINANCIAL INSTRUMENTS (continued)

6. 3 Initial and Subsequent Measurement

6. 3. 1 *Financial Assets:*

Held-to-maturity Investments are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with revenue recognised on an effective yield basis.

Loans and Receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis. .

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to group entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as loans and receivables.

Available-for-Sale Financial Assets are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the statement of financial performance.

6. 3. 2 *Financial Liabilities:*

Financial liabilities

Financial liabilities that are measured at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities held at amortised cost

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded as the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

Financial guarantee contract

Financial guarantee contracts represent contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when they are contractually due.

Financial guarantee contract liabilities are initially measured at fair value.

The subsequent measurement of financial guarantee contracts is the higher of the amount determined in accordance with the policy on provisions as set out below, or the amount initially recognised less appropriate cumulative amortisation.

6. 4 Impairment of Financial Assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39.

HESSEQUA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

6. FINANCIAL INSTRUMENTS (continued)

6. 4 Impairment of Financial Assets (continued)

Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in net assets and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in net assets shall be removed and recognised in the Statement of Financial Performance even though the financial asset has not been derecognised.

The amount of the cumulative loss that is removed from net assets and recognised in the Statement of Financial Performance is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in Statement of Financial Performance.

Impairment losses recognised in the Statement of Financial Performance for an investment in an equity instrument classified as available-for-sale are not reversed through the Statement of Financial Performance

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss is recognised in the Statement of Financial Performance, the impairment loss must be reversed, with the amount of the reversal recognised in the Statement of Financial Performance.

Financial assets carried at amortised cost

Accounts receivables encompass long term debtors, consumer debtors and other debtors.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with IAS 39.64 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

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

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

6. 5 Derecognition of Financial Assets

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

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

HESSEQUA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

FINANCIAL INSTRUMENTS (continued)

6. 6 Derecognition of Financial Liabilities

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

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

7. RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

The Municipality has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

Risks and exposure are disclosed as follows:

Market Risk

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Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices that will affect the Municipality's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

- The maximum exposure to cashflow and fair value risk, price risk and foreign currency risk.
- Sensitivity analysis for each of the market risks

Credit Risk

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Credit risk is the risk of financial loss to the Municipality if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Municipality's receivables from customers.

- Each class of financial instrument is disclosed separately.
- Maximum exposure to credit risk not covered by collateral is specified.
- Financial instruments covered by collateral are specified.

Liquidity Risk

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Liquidity risk is the risk that the Municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Municipality's reputation.

- A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities.

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Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

- A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in note 48.8 to the annual financial statements.

HESSEQUA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

8. INVENTORIES

8. 1 Initial Recognition

Inventories comprise current assets held for sale and current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus 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.

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.

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also includes a proportion of overhead costs.

8. 2 Subsequent Measurement

Consumable stores, raw materials, work-in-progress and finished goods

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that an entity expects to realise from the sale on inventory in the ordinary course of business). In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Water inventory

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at statement of financial position date, comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the **FIFO** method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

Unsold properties

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. 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.

Transitional provisions

The net realisable value of inventory recognised in terms of GRAP 12 have been disclosed for the financial year ended 30 June 2011 in accordance with the requirements of GRAP 12, GRAP 3 and ASB Directive 4.

9. NON-CURRENT ASSETS HELD-FOR-SALE

9. 1 Initial Recognition

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

HESSEQUA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

9. NON-CURRENT ASSETS HELD-FOR-SALE (CONTINUED)

9. 2 Subsequent Measurement

Non-current Assets (and Disposal Groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

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

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

The gain or loss on the eventual sale of non-current assets held for sale is included in the Statement of Financial Performance as gain or loss on sale of assets. The gain or loss on the eventual sale of non-current assets held for sale, is calculated on the difference between the net disposal proceeds and the carrying amount of the individual asset or the disposal group.

10. REVENUE RECOGNITION

10. 1 General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

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

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximate 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.

HESSEQUA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

10. REVENUE RECOGNITION

10. 2 Revenue from Exchange Transactions

10. 2. 1 *Service Charges*

Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being 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. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

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 number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

10. 2. 2 *Pre-paid Electricity*

Revenue from the sale of electricity pre-paid meter cards is recognised at the point of sale and if payment is made five days before year end it's recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

10. 2. 3 *Finance income*

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

10. 2. 4 *Tariff Charges*

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

10. 2. 5 *Income from Agency Services*

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

10. 2. 6 *Sale of Goods (including Houses)*

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

- The municipality has transferred to the buyer 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.
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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.

10. 2. 7 *Rentals*

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

HESSEQUA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2011**

10. REVENUE RECOGNITION (continued)

10. 2 Revenue from Exchange Transactions (continued)

10. 2. 8 Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

10. 2. 9 Royalties

Royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement. Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

10. 3 Revenue from Non-exchange Transactions

10. 3. 1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

10. 3. 2 Fines

Fines constitute both spot fines and summonses for which revenue is recognised when payment is received, together with management's best estimate of the probable inflows from the amounts not yet collected.

10. 3. 3 Public contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or, where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received and the municipality has not met the condition, a liability is recognised.

10. 3. 4 Other Donations and Contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are available for use.

10. 3. 5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

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. Such revenue is based on legislated procedures.

HESSEQUA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

11. CONDITIONAL GRANTS AND RECEIPTS

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Government grants and conditional receipts are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

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

12. PROVISIONS

Provisions for environmental restoration, rehabilitation, restructuring costs and legal claims are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

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. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

Provision for Restructuring cost

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

- 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;
 - when the plan will be implemented; and;

(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.

Environmental rehabilitation provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Entity's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

HESSEQUA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

13. EMPLOYEE BENEFITS

13. 1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

13. 2 Post employment benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post employment plans.

13. 2 1 Defined Contribution Plans

A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

13. 3 Defined Benefit Plans

A **defined benefit plan** is a post-employment benefit plan other than a defined contribution plan.

13. 3. 1 Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every two years by independent qualified actuaries.

The municipality recognises actuarial gains and losses in full in the period in which they occur.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

13. 3. 2 Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

HESSEQUA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

13. EMPLOYEE BENEFITS (continued)

13. 3. 3 *Provincially-administered Defined Benefit Plans*

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 42 of the Annual Financial Statements for details). The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triannually on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

13. 3. 4 *Defined benefit pension plans*

The municipality has an obligation to provide Post-retirement pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The Entity contributes monthly to the funds.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

The municipality recognises actuarial gains and losses in full in the period in which they occur. Actuarial valuations are performed every two years.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

14. LEASES

Lease Classification

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

14. 1 The Municipality as Lessee

Finance leases

Where the Municipality enters into a finance lease, Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. 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. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

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

Operating leases

The municipality recognises operating lease rentals as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

HESSEQUA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2011**

14. LEASES (continued)

14. 1 The Municipality as Lessee (continued)

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

14. 2 The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

14. 3 Determining whether an arrangement contains a lease

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.

15. BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance for the financial year ending 30 June 2011 in accordance with the requirements of GRAP 5 and ASB Directive 4.

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established - the municipality expenses borrowing costs when it is inappropriate to capitalise it. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete.

The municipality ceases to capitalise borrowing costs when substantially all the activities necessary to prepare the qualifying assets for its intended use has been completed. Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the entity shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

16. GRANTS-IN-AID

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

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

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

17. VALUE ADDED TAX

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Sec15(2)(a) of the Value-Added Tax Act No 89 of 1991.

HESSEQUA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

18. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

19. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

20. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

21. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 46 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

22. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

23. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

HESSEQUA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

24. FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

25. COMPARATIVE INFORMATION

25. 1 Current year comparatives:

Budgeted amounts have, in accordance with GRAP 1, been provided in an annexure to these financial statements and forms part of the audited Annual Financial Statements.

25. 2 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

26. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

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

27. COMMITMENTS

Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts can be non-cancellable or only cancellable if significant cost contracts should relate to something other than the business of the municipality

28. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

HESSEQUA MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**2011
R2010
R**1. GENERAL INFORMATION**

Hessequa Municipality (the municipality) is a local government institution in Riversdale, Western Cape. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Constitution.

The municipality adopted a phased-in approach in order to comply fully with the implementation of GRAP. The municipality is classified by the National Treasury as a medium capacity municipality and must comply with GRAP by 30 June 2009. The municipality, however, took advantage of the transitional provisions in Directive 4 from the Accounting Standards Board and is fully compliant with GRAP as at 30 June 2011.

2. INVENTORY**2.1 Stores, water and paving**

Stilbaai Store - at cost	495 855	513 990
Store Heidelberg - Electrical - at cost	35 979	91 690
Public Works - Heidelberg - at cost	5 117	10 040
Waterworks - Heidelberg - at cost	37 569	25 674
Water Inventory - at cost	218 378	224 066
	792 898	865 459

2.2 Other

Stilbaai Books	374	606
Refuse Bins	740	887
Refuse Bags - Jongensfontein	378	41
Albertinia Books	0	2 600
Hessequa Book: Riversdal Tourism	6 245	6 381
Albertinia Tourism	0	0
Albertinia Municipal Office	1 358	1 358
Slangrivier - Office	679	679
Stilbaai - Office	1 086	1 222
Gouritsmond Tourism	10 726	10 862
Stilbaai Tourism	272	407
Witsand - Office	950	950
Heidelberg - Office	1 358	1 358
Mayoral Office	1 086	2 987

Total**818 150****895 797**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011	2010
	R	R
<u>Water Inventory</u>		
The Municipality also has raw, untreated water in stock in the Olive Grove Dam of about 535 500 cubic meters. In its present form, this water stock cannot be sold and needs to be purified and therefore, its fair value has been estimated at the cost of the department less cost of chemicals, divided by the kiloliters sold.		
Inventories are held for own use with the result that no write downs of Inventory to Net Realisable Value was required.		
The cost of Inventories recognised as an expense during the period was R534,501 (2010: R574,960).		
3. NON-CURRENT ASSETS HELD-FOR-SALE		
Property held-for-sale at cost	150 500	0
Total assets classified as held-for-sale	150 500	0
The municipality intends to dispose of parcels of land it no longer utilises within the next 12 months. No impairment loss was recognised on reclassification of the property as held-for-sale.		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011				2011	2010	
				R	R	
4. Trade receivables from exchange transactions	30 June 2010			30 June 2011		
	Gross Balance	Provision for Bad Debts	Net Balance	Gross Balance	Provision for Bad Debts	Net Balance
Service Debtors:						
Electricity	6 657 823	1 440 043	5 217 780	9 092 284	1 955 042	7 137 241
Water	2 697 087	583 362	2 113 725	3 934 309	845 964	3 088 345
Sewerage	2 930 901	633 934	2 296 967	3 519 150	756 695	2 762 455
Waste Management	1 798 589	389 023	1 409 566	2 078 469	446 917	1 631 552
Housing Rental/Selling Schemes	11 091	2 735	8 356	1 704	366	1 338
Other	2 735 188	644 980	2 090 208	2 327 567	500 478	1 827 088
	16 830 679	3 694 077	13 136 602	20 953 482	4 505 463	16 448 019
Ageing of consumer debtors						
Electricity, Water, Waste Management & Sewerage						
Current (0 - 30days)				9 395 771		6 081 566
Past due						
31 - 60 days				1 829 659		1 543 554
60 days +				772 303		775 915
90 days +				6 626 478		5 683 366
Total				18 624 212		14 084 401
Other						
Current (0 - 30days)				294 067		319 197
Past due						
31 - 60 days				182 272		180 858
60 days +				98 115		131 222
90 days +				1 753 113		2 103 911
Total				2 327 567		2 735 188
Housing rentals						
Current (0 - 30days)				0		2 285
Past due						
31 - 60 days				0		1 401
60 days +				0		1 135
90 days +				1 704		6 270
Total				1 704		11 091

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

The average credit period for Consumer Debtors is 30 days. No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter interest is charged on the outstanding balance at prime plus 1%. The municipality strictly enforces its approved credit control policy to ensure the recovery of Consumer Debtors.

Summary of Debtors by Customer Classification

The summary of assessment Rates of Debtors by Customer Classification is included in the summary below. A separate summary of assessment rates could not be provided as separate amounts are not available.

	Domestic R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2011				
<u>Current:</u>				
0 - 30 days	7 795 171	1 610 889	273 410	10 368
<u>Past Due:</u>				
31 - 60 Days	1 573 992	298 061	135 008	4 870
61 - 90 Days	744 616	106 905	15 430	3 467
+ 90 Days	7 580 029	632 796	119 702	48 768
Sub-total	17 693 808	2 648 651	543 550	67 473
Less: Provision for Impairment	-3 779 520	-707 909	0	-18 034
Total Debtors by Customer Classification	13 914 288	1 940 742	543 550	49 439

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011				2011	2010
				R	R
4. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)					
Summary of Debtors by Customer Classification					
	Domestic	Industrial/ Commercial	National and Provincial Government	Other	
	R	R	R	R	
As at 30 June 2010					
<u>Current:</u>					
0 - 30 days	8 494 676	1 096 273	260 142	105 182	
<u>Past Due:</u>					
31 - 60 Days	3 290 249	307 576	256 315	28 619	
61 - 90 Days	1 164 233	88 878	26 476	11 863	
+ 90 Days	8 764 428	774 823	649 112	114 445	
Sub-total	21 713 586	2 267 550	1 192 045	260 109	
Less: Provision for Impairment	-5 618 888	-585 185	0	-67 126	
Total Debtors by Customer Classification	16 094 698	1 682 365	1 192 045	192 983	
Reconciliation of the provision for impairment					
Balance at beginning of year			6 271 199	5 699 201	
Impairment Losses recognised			3 392 909	2 105 761	
Amounts written off as uncollectable			-2 482 154	-1 533 764	
Balance at end of year			7 181 954	6 271 199	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
In determining the recoverability of a Consumer Debtor, the municipality considers any change in the credit quality of the Consumer Debtor from the date credit was initially granted up to the reporting date, and places strong emphasis on verifying the indigent status of consumers. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes that there is no further credit provision required in excess of the Provision for Impairment.		
Provision for impairment of Consumer Debtors have been made by an assessment of each individual debtors account. Assumptions regarding recoverability were made based on investigations of all consumer balances outstanding.		
The average credit period for government grants and subsidies is dependant on the Government Department involved and the nature of claims. No interest is charged on outstanding government grants and subsidies. The subsidies are payable to the municipality per allocations made in the Division of Revenue Act or based on agreements between the municipality and the relevant departments. Government grants and Subsidies receivable are past due and not impaired as management has no concern over the credit quality of these assets		
At 30 June 2011 consumer debtors of R9,960,544 (2010: R 3,093,403) were past due but not impaired. The age analysis of these consumer debtors is as follows:		
31 - 60 Days	1 780 710	1 725 813
61 - 90 Days	771 456	908 272
91 Days +	7 408 378	782 389
Total	9 960 544	3 416 474
No discounting calculation have been considered on the outstanding arrangements due to the fact that the provision for bad debts on these accounts are considered to be adequate to ensure that these balances are disclosed at fair value.		
5. TRADE RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Assessment rates debtors	9 900 738	9 202 180
Insurance claims	25 426	63 412
Government subsidies	1 227 055	6 044 287
Prepaid Expenses	15 915	291 426
Employees PAYE & Salary control	19 970	42 756
Other	642 495	2 369 011
	11 831 599	18 013 072
Less: Provision for Impairment	-2 676 491	-2 577 122
Total Trade Receivables from non-exchange transactions	9 155 108	15 435 950

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

5. TRADE RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS - (continued)

The average credit period for **Other Debtors**, excluding Assessment rate debtors, is 30 days. No interest is charged on other debtors. Interest is charged at prime plus 1% on all overdue assessment rates.

The claims instituted against the Municipality's insurance company are supported by valid insurance claims which are claimable in terms of the insurance contract entered into by the Municipality. The average waiting period depends on the nature of the claim. No interest is charged on outstanding insurance claims.

Management of the municipality is of the opinion that the carrying value of Other Debtors approximate their fair values.

Ageing of trade receivables from non-exchange transaction

Rates Ageing

Current (0 - 30days)	3 246 682	4 339 284
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Past due

31 - 60 days	770 540	2 368 715
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60 days +	410 044	494 581
-----------	---------	---------

90 days +	5 473 472	1 999 600
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Total	9 900 738	9 202 180
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Summary of Debtors by Customer Classification

	Domestic R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2011				
Current:				
0 - 30 days	3 080 662	149 089	14 855	2 076
Past Due:				
31 - 60 Days	701 777	40 305	26 837	1 622
61 - 90 Days	376 453	23 282	8 700	1 609
+ 90 Days	4 858 941	144 504	454 097	15 928
Sub-total	9 017 833	357 180	504 489	21 235
Less: Provision for Impairment	-2 560 795	-109 203	0	-6 492
Total Debtors by Customer Classification	6 457 038	247 977	504 489	14 743

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011		
	2011 R	2010 R
6. VAT		
VAT payable	-2 218 841	-1 849 190
VAT receivable	4 818 435	5 391 522
Net VAT payable/(receivable)	2 599 594	3 542 332
<p>VAT is payable on the receipt basis. Once payment is received from debtors VAT is paid over to SARS. The Vat amount on outstanding debtors amounts to R2,218,841 (2010: R1,849,190) at year end.</p> <p>No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies.</p>		
7. BANK AND CASH		
Bank, Cash and Cash Equivalents	6 080	5 780
Bank balance	2 096 512	0
Bank overdraft	0	-1 548 604
Total Bank, Cash and Cash Equivalents	2 102 592	-1 542 824
<p>For the purposes of the Statement of Financial Position and the Cash Flow Statement, Bank, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.</p>		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011		2011	2010
		R	R
7. BANK AND CASH - (continued)			
Primary Bank Account			
First National Bank - Riversdale Branch Code 200313			
Account Number 53571024174			
Cheque Account			
Cash book balance at beginning of year		-1 557 361	-11 131 940
Cash book balance at end of year		1 886 831	-1 557 361
Bank statement balance at beginning of year		16 877 372	99 559
Bank statement balance at end of year		5 543 538	16 877 372
Current Account			
First National Bank - Riversdale Branch Code 200313			
Account Number 62225917543			
Cheque Account			
Cash book balance at beginning of year		8 857	45
Cash book balance at end of year		209 681	8 857
Bank statement balance at beginning of year		8 857	45
Bank statement balance at end of year		209 531	8 857
The management of the municipality is of the opinion that the carrying value of Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.			
The fair value of Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.			

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
8. INVESTMENTS		
Financial Instruments		
- Short term investments	70 020 893	62 439 932
Total	70 020 893	62 439 932
Summary of Investments		
Standard Bank	20 156 846	25 801 768
Investec	30 093 041	10 001 808
Nedbank	15 064 240	8 582 816
FNB	4 706 766	18 053 540
	70 020 893	62 439 932
Allocations of investments		
- Repayment of Long-term Liabilities as set out in Note 19	8 247 746	5 804 349
- Attributable to Unspent Conditional Grants as set out in Note 17	6 925 194	11 306 835
- Attributable to Housing Reserve as set out in Note 22	49 838	43 037
- Attributable to Trust Funds - see note 48	1 544 492	1 521 416
- Available for Operational Account	53 253 622	43 764 294
	70 020 893	62 439 932
Short term investment Deposits are investments with a maturity period of less than 3 months and earn interest varying from 5.6% to 6.63% per annum.		
The management of the Municipality is of the opinion that the carrying value of Short-term investment Deposits recorded at amortised cost in the Annual Financial Statements approximate their fair value.		
The fair value of Short-term Investment Deposits was determined after considering the standard terms and conditions of agreements entered into between the Municipality and financial institutions.		
9. OPERATING LEASE ASSETS		
Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:		
		Restated
Balance at beginning of year	221 640	239 298
Operating Lease expenses recorded	-455 967	-1 041 905
Operating Lease payments effected	465 816	1 024 247
Total Operating Lease Assets as restated	231 489	221 640

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011			2011	2010
			R	R
9. OPERATING LEASE ASSETS - (continued)				
Operating Lease Assets have been restated to adhere to the disclosure provisions of GRAP 13. Refer to Note 49.4 on "Correction of Error" for details of the restatement.				
9.1 Leasing arrangements				
Operating Leases relate to Property owned by the municipality with lease terms of between 1 to 25 years, with an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.				
9.2 Amounts receivable under Operating Leases				
At the Reporting Date the following lease receipts were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:				
Up to 1 year			806 501	966 497
2 to 5 years			1 477 033	1 000 113
More than 5 years			111 590	259 874
Total Operating Lease Arrangements			2 395 125	2 226 485
The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been a decrease in current year income of R9 849 (2010: R11 482 Decrease).				

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011						2011	2010
						R	R
10. PROPERTY, PLANT AND EQUIPMENT							
30 June 2011							
Reconciliation of Carrying Value							
Description	Land and Buildings	Infrastructure	Community	Heritage	Other	Total	
Carrying values at 1 July 2010 - As restated	260 442 689	179 240 637	11 011 328	5 500	19 436 087	470 136 241	
Cost	263 972 225	213 733 432	14 764 396	5 500	30 084 253	522 559 806	
- Completed Assets	263 972 225	206 114 389	14 387 724	5 500	30 084 253	514 564 091	
- Under Construction	0	7 619 043	376 672	0	0	7 995 715	
Accumulated Depreciation:	3 529 536	34 492 795	3 753 068	0	10 648 166	52 423 565	
- Cost	3 529 536	34 492 795	3 753 068	0	10 648 166	52 423 565	
- Revaluation	0	0	0	0	0	0	
Transfer to non-current assets held for sale	-150 500	0	0	0	0	-150 500	
Disposals	0	0	0	0	-103 336	-103 336	
Depreciation on disposals					101 479	101 479	
Acquisitions	2 928 728	15 577 925	0	0	4 730 517	23 237 170	
Capital under Construction - Additions	0	19 704 771	202 479	0	0	19 907 250	
Fair Value recognition	0	0	0	8 326 375	0	8 326 375	
Depreciation:	3 819 023	7 181 948	809 710	0	3 774 272	15 584 953	
- Based on cost	3 819 023	7 181 948	809 710	0	3 774 272	15 584 953	
- Based on revaluation	0	0	0	0	0	0	
CARRYING VALUES AT 30 JUNE 2011	259 401 894	207 341 385	10 404 097	8 331 875	20 390 475	505 869 726	
Cost	266 750 453	249 016 128	14 966 875	8 331 875	34 711 434	573 776 765	
- Completed Assets	266 750 453	229 311 357	14 764 396	8 331 875	34 711 434	553 869 515	
- Under Construction	0	19 704 771	202 479	0	0	19 907 250	
Transfer	0	0	0	0	0	0	
Accumulated Depreciation:	7 348 559	41 674 743	4 562 778	0	14 320 959	67 907 039	
- Cost	7 348 559	41 674 743	4 562 778	0	14 320 959	67 907 039	
- Revaluation	0	0	0	0	0	0	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

 2011
R

 2010
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10. PROPERTY, PLANT AND EQUIPMENT (continued)

30 June 2010
Reconciliation of Carrying Value

Description	Land and Buildings	Infrastructure	Community	Heritage	Other	Total
Carrying values at 1 July 2009 AS restated	202 525 754	132 619 418	11 442 439	5 500	18 390 541	364 983 652
Cost	202 535 508	160 299 583	14 387 724	5 500	26 267 903	403 496 218
- Completed Assets	201 470 827	160 299 583	14 387 724	5 500	26 267 903	402 431 537
Correction of error	1 064 681	0	0	0	0	1 064 681
Accumulated Depreciation:	9 754	27 680 165	2 945 285	0	7 877 362	38 512 566
- Cost	9 754	27 680 165	2 945 285	0	7 877 362	38 512 566
- Revaluation	0	0	0	0	0	0
Transfer of cost	58 533 038	0	0	0	0	58 533 038
Disposals / Written off	-87 000	0	0	0	-959 039	-1 046 039
Depreciation on disposals	0	0	0	0	206 543	206 543
Acquisitions	2 990 679	45 814 806	0	0	4 775 389	53 580 874
Capital under Construction - Additions	0	7 619 043	376 672	0	0	7 995 715
Depreciation:	3 519 782	6 812 630	807 783	0	2 977 347	14 117 542
- Based on cost as restated	3 519 782	6 812 630	807 783	0	2 977 347	14 117 542
- Based on revaluation	0	0	0	0	0	0
CARRYING VALUES AT 30 JUNE 2010	260 442 689	179 240 637	11 011 328	5 500	19 436 087	470 136 241
Cost	263 972 225	213 733 432	14 764 396	5 500	30 084 253	522 559 806
- Completed Assets	263 972 225	206 114 389	14 387 724	5 500	30 084 253	514 564 091
- Under Construction	0	7 619 043	376 672	0	0	7 995 715
Accumulated Impairment Losses	0	0	0	0	0	0
Accumulated Depreciation:	3 529 536	34 492 795	3 753 068	0	10 648 166	52 423 565
- Cost	3 529 536	34 492 795	3 753 068	0	10 648 166	52 423 565
- Revaluation	0	0	0	0	0	0

The comparative amounts have been restated due to the change in accounting policy through the implementation of GRAP retrospectively. Land and buildings have been unbundled which resulted in the reclassification and restatement of the comparative amounts. Refer to change in Accounting policy note 48.1.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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The Municipality has taken advantage of ASB Directive 4 par 75 and 78, which states that certain classes of property, plant and equipment may not be recognised and measured in accordance with the Standard of GRAP on Property, Plant and Equipment in individual entities' financial statements. During the 2011 financial year those items of Property, Plant and Equipment which have not previously been unbundled, were componetised which resulted in the reclassification and restatement of comparative amounts.

10.1 Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use

Infrastructure	1 977 454	623 200
Other	0	2 595 312
Carrying Value of PPE fully depreciated and still in use	1 977 454	3 218 512

Property, Plant and Equipment per Cash Flow Statement:

- Total Additions as per Appendix "B"	43 144 420	61 576 589
	43 144 420	61 576 589

10.2 Impairment of Property, Plant and Equipment

The Municipality carried out a review of the recoverable amount of all its Assets.

Deemed Cost

Other Assets

Items of Property, Plant and Equipment which have previously been recognised at nominal or Zero values, were fair valued through the Depreciated Replacement Cost Method. The extent of these assets recognised at fair value are as follows:

Emergency Equipment	154 414	
Motor Vehicles	3 467 354	
Office Equipment	5 806 932	
Plant and Equipment	3 541 692	
	12 970 392	

Heritage Assets

Heritage assets have been valued by an expert artifact and arts valuer by taking into account the intrinsic value as well as the cultural significance of the specified items

8 331 875

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
11 INTANGIBLE ASSETS		
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	365 556	378 889
The movement in Intangible Assets is reconciled as follows:		
Carrying value at 1 July 2010	378 889	392 222
Cost	400 000	400 000
Accumulated Amortisation	-21 111	-7 778
Acquisitions during the Year:	0	0
Amortisation during the Year:	-13 333	-13 333
Carrying value at 30 June 2011	365 556	378 889
Cost	400 000	400 000
Accumulated Amortisation	-34 444	-21 111
Significant intangible Assets that did not meet the recognition criteria for Intangible Assets as stipulated in IAS 38, are the following:		
- Website Costs incurred during the last two financial years have been expensed and not recognised as Intangible Assets. The municipality cannot demonstrate how its website will generate probable future economic benefits.		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
12. INVESTMENT PROPERTY		
At fair value	43 450 280	43 093 280
The movement in Investment Property is reconciled as follows:		
Carrying values at 1 July 2010	43 450 280	43 093 280
Fair value	43 093 280	101 626 319
Transfer to Land and Buildings (Caravan Parks)	0	-58 533 039
Fair value adjustment	357 000	0
Accumulated impairment loss	0	0
Net Gains from Fair Value Adjustments	0	0
Carrying values at 30 June 2011	43 450 280	43 093 280
Fair value	43 450 280	43 093 280
Accumulated impairment loss	0	0
Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:		
Rental Revenue earned from Investment Property	465 816	3 167 787
The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. The municipality did not recognise all the Investment property in accordance with GRAP 16 for the financial years up to 30 June 2010.		
The municipality has identified and measured all Investment property in terms of GRAP 16 for the financial year ended 30 June 2011. The balances of the Investment property have been accordingly restated retrospectively. Refer to note 49.2.		
All of the municipality's Investment Property is held under freehold interests and no Investment Property has been pledged as security for any liabilities of the municipality.		
There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.		
12.1 Investment Property carried at Fair Value:		
The municipality's Investment Property is valued annually or when deemed necessary, by an independent, professionally qualified valuer at 30 June.		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
13. LONG-TERM RECEIVABLES		
Sport clubs/Pre-primary school	27 613	29 131
Other	0	0
	27 613	29 131
Less: Current portion transferred to current receivables	-1 643	-1 519
Car Loans	0	0
Sport clubs	-1 643	-1 519
Other	0	0
Housing - Stilbaai	0	0
Less: Provision for Impairment - Housing Loans	0	0
Total	25 970	27 612
13.1 Reconciliation of the Provision for Impairment		
Balance at beginning of year	0	0
Amounts written off as uncollectable	0	0
Total	0	0
The management of the municipality is of the opinion that the carrying value of Long-term Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values.		
The fair value of Long-term Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.		
In determining the recoverability of a Long-term Receivable, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes that there is no further credit provision required in excess of the Provision for Impairment.		
<u>Sport clubs and other</u>		
The council granted loans at a interest rate of 8% to the following:		
Pikkewouter Pre-primary school - Stilbaai		
Heidelberg Gholfklub		
These loans are repayable by the year 2022.		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011		
	2011	2010
	R	R
14. CONSUMER DEPOSITS		
Electricity and Water	3 253 353	3 119 521
Balance 30 June 2011	3 253 353	3 119 521
<p>Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their account, the Municipality can utilise the deposit as payment for the outstanding amount. No interest is paid on Consumer Deposits held. The management of the Municipality is of the opinion that the carrying value of Consumer Deposits approximate their fair value.</p>		
<p>The fair value of Consumer Deposits was determined after considering the standard terms and conditions of agreements entered into between the Municipality and its consumers.</p>		
15. PROVISIONS		
Performance Bonus	770 900	641 028
Pension Fund Arrears Contribution	5 305 302	4 321 305
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 20.1 below)	1 364 892	1 092 794
Current portion of Provision for Ex-Gratia Pensioners Benefit Liability (See Note 20.2 below)	9 188	35 000
Current portion of Provision for long-service Awards (See note 21 below)	342 516	221 043
Total Provisions	7 792 798	6 311 170

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
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15. PROVISIONS - (continued)

Performance bonuses accrue to employees half yearly, subject to certain conditions. The provision is an estimate of the amount due to staff at the reporting date.

SALA Pension Fund

Notwithstanding the fact that the SALA Pension Fund litigation against the municipality has not been tested in a court of law, a provision has been made in the Financial Statements. The amount is for increased employer contributions to the SALA Pension Fund.

Cape Joint Pension Fund

The Fund's actuary has calculated that there is a shortfall in the investment returns in respect of the defined benefits component of the Fund. The Municipality is liable for a pro rata payment of R1 253 481.11.

The movement in current provisions are reconciled as follows:-

	Cape Joint Pension Fund	SALA Pension Fund Contributions	Post Employment Health Care Benefits	Current Portion of Long Service	Current Portion of Ex-Gratia Benefits	Performance Bonus	Job Evaluation
Balance at 1 July 2010	1 253 481	3 067 824	1 092 794	221 043	35 000	641 028	0
Transfer from non-current	0	0	1 364 892	342 516	-25 812	0	0
Contribution to provisions		983 997	0	0	0	770 900	0
Expenditure incurred	0	0	-1 092 794	-221 043	0	-641 028	0
Balance at 30 June 2011	1 253 481	4 051 820	1 364 892	342 516	9 188	770 899	0
Balance at 1 July 2009	0	2 309 215	1 013 326	311 631	35 000	501 087	0
Transfer from non-current	0	0	79 468	-90 588	0	0	0
Contribution to provisions	1 253 481	758 609	0	0	0	641 027	0
Expenditure incurred	0	0	0	0	0	-501 086	0
Balance at 30 June 2010	1 253 481	3 067 824	1 092 794	221 043	35 000	641 028	0

16. CREDITORS

Trade Creditors	21 167 793	10 673 269
Payments received in advance	983 005	258 456
Retentions	2 414 746	3 996 546
Staff Leave	3 449 072	2 970 842
Other Creditors	6 352 571	5 515 299
Total	34 367 187	23 414 412

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA, No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the Municipality deals with. The management of the Municipality is of the opinion that the carrying value of Creditors approximate their fair value. The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011	2010
	R	R
Municipality and other parties.		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011		2011	2010
		R	R
17. UNSPENT CONDITIONAL GRANTS AND RECEIPTS			
		Restated	
17.1 Conditional Grants from other spheres of Government - Appendix F		3 794 399	9 619 003
National Government Grants		3 111 187	7 779 424
Provincial Government Grants		253 135	379 685
District Municipality Grants		430 078	1 459 893
17.2 Other Conditional Receipts - (see note 27)		3 130 795	301 937
Tourism		101 819	101 819
Skills Development		222 815	113 805
Eskom Solar Panels		0	0
Africana Centre		26 313	26 313
Cape Nature: Plant Project		0	0
Garcia Forestry		2 719 848	0
Vodacom Sport Contribution		0	0
Public Participation Strategy		60 000	60 000
Gourits Nature Impact Study		0	0
Total conditional grants and receipts		6 925 194	9 920 940

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

18. OPERATING LEASE LIABILITY

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following liabilities have been recognised:

Balance at beginning of year	58 672	76 581
Operating Lease expenses recorded	-367 235	-337 352
Operating Lease payments effected	329 784	319 444
Total Operating Lease Liabilities	21 221	58 672

18.1 Leasing Arrangements

The Municipality as Lessee:

Operating Leases relate to Property, Plant and Equipment with lease terms not longer than 5 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

18.2 Amounts payable under Operating Leases

At the Reporting Date the municipality had outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment, which fall due as follows:

Buildings:	897 173	576 365
Up to 1 year	396 898	206 228
2 to 5 years	500 275	370 137
More than 5 years	0	0

Equipment:	0	118 746
Up to 1 year	0	118 746
2 to 5 years	0	0
More than 5 years	0	0
Total Operating Lease Arrangements	897 173	695 111

The following payments have been recognised as an expense in the Statement of Financial Performance:

Minimum lease payments		
Contingent rentals	443 496	319 444
Total Operating Lease Expenses	443 496	319 444

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011		
	2011 R	2010 R
19. LONG-TERM LIABILITIES		
Annuity Loans	64 604 115	47 921 789
Less: Current portion transferred to current liabilities	8 247 746	5 804 349
Total long-term liabilities (Neither past due nor impaired)	56 356 369	42 117 439
Annuity Loans are repaid over periods not exceeding 10 years and at interest rates varying from 9.33% tot 11.56% per annum. Annuity loans are not secured.		
Refer to Appendix "A" for more detail on Long-term Liabilities.		
Long-term Liabilities have been utilized in accordance with the MFMA. Current portion of long-term liabilities is fully invested in ringfenced financial instruments. See note 8 for more detail.		
The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.		
The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
20. RETIREMENT BENEFIT LIABILITIES		
Post-retirement Health Care Benefits Liability	31 268 144	22 236 353
Ex-gratia Pension Benefit Liability	118 692	44 556
Total	31 386 837	22 280 910
20.1 Post-retirement Health Care Benefits Liability		
Balance at beginning of Year	23 329 147	21 894 532
Contributions to Provision	2 745 121	2 553 359
Expenditure incurred	-1 092 794	-1 118 744
Actuarial loss	7 651 562	0
Balance at end of Year	32 633 036	23 329 147
Transfer to Current Provisions	-1 364 892	-1 092 794
Total Post-retirement Health Care Benefits Liability	31 268 144	22 236 353
<p>The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.</p>		
<p>The most recent actuarial valuations of the present value of the defined benefit obligation was carried out at 30 June 2011 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.</p>		
<p>The members of the Post-employment Health Care Benefit Plan are made up as follows:</p>		
In-service Members (Employees)	143	126
Continued Members (Retirees, widowers and orphans)	56	49
Total members	199	175
<p>The liability in respect of past service has been estimated as follows:</p>		
In-service Members	12 427 119	7 611 675
Continued Members	20 205 917	15 717 472
Total liability	32 633 036	23 329 147

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:		
- Bonitas		
- Hosmed		
- Keyhealth		
- LA Health		
- Samwumed		
The Current-service Cost and interest cost for the year ending 30 June 2011 is estimated to be R618,949 and R2,126,172 respectively, whereas the cost for the ensuing year is estimated to be R1,133,640 and R2,757,000 respectively.		
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	8.63%	9.27%
Health Care Cost Inflation Rate	7.28%	7.84%
Net Effective Discount Rate	1.25%	1.33%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
20. RETIREMENT BENEFIT LIABILITIES (continued)		
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	23 329 148	21 894 532
Current service costs	618 949	566 416
Interest cost	2 126 172	1 986 943
Benefits paid	-1 092 794	-1 118 744
Actuarial losses / (gains)	7 651 562	0
Present Value of Fund Obligation at the end of the Year	32 633 037	23 329 148
Actuarial losses / (gains) unrecognised	0	0
Total Recognised Benefit Liability	32 633 037	23 329 148
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	32 633 037	23 329 148
Unrecognised Past-service Cost	0	0
Unrecognised Actuarial Gains / (Losses)	0	0
Total Benefit Liability	32 633 037	23 329 148
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	618 949	566 416
Interest cost	2 126 172	1 986 943
Actuarial losses / (gains)	7 651 562	0
Total Post-retirement Benefit included in Employee Related Costs (Note 30)	10 396 683	2 553 359
Sensitivity analysis		
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost	3 238 357	2 969 300
Effect on the defined benefit obligation	37 677 000	24 972 000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	2 349 222	2 215 000
Effect on the defined benefit obligation	28 505 000	19 387 000
Refer to Note 44 "Multi-employer Retirement Benefit Information" to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is administered Provincially and Nationally.		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
20.2 Ex-Gratia Pensioners Defined Benefit Liability		Restated
Balance at beginning of Year as restated	79 556	128 917
Contributions to Provision	12 574	11 540
Expenditure incurred	0	-60 901
Increase due to Re-measurement	35 750	0
Balance at end of Year	127 880	79 556
Transfer to Current Provisions	-9 188	-35 000
Total Ex-Gratia Pensioners Benefits Liability	118 692	44 556
The Ex-Gratia Pensioner Benefit Plan is a defined benefit plan. As at 30 June 2011, 87 pensioners were eligible for payments in terms of this plan.		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
20. RETIREMENT BENEFIT LIABILITIES (continued)		
The Municipality provides a once-off pension benefit to all employees who entered service prior to 31 December 1994 on normal retirement (65 for males and 60 for females). Only members who were still in-service after 1 July 1998 are entitled to the benefit. The benefit is calculated according to the average annual salary earned as at 31 December 1994 multiplied by number of years of service up to 31 December 1994, multiplied by 10%.		
The interest-cost for the next year is estimated to be R10,693. Actuaries are of opinion that future service cost need not be determined for pension fund liability as all benefits vests immediately.		
Key actuarial assumptions used:		
i) Rate of interest		
Discount Rate	8.67%	8.95%
ii) Mortality rates		
The SA85-90 Ultimate mortality table was used by the actuaries		
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year as restated	79 556	128 917
Interest cost	12 574	11 540
Benefits paid	0	-60 901
Actuarial losses / (gains)	35 750	0
Present Value of Fund Obligation at the end of the Year	127 880	79 556
Actuarial losses / (gains) unrecognised	0	0
Total Recognised Benefit Liability	127 880	79 556
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	127 880	79 556
Actuarial gains / (losses) not recognised	0	0
Total Benefit Liability	127 880	79 556
The amounts recognised in the Statement of Financial Performance are as follows:		
Interest cost	12 574	11 540
Actuarial losses / (gains)	35 750	0
Total Post-retirement Benefit included in Employee Related Costs (Note 30)	48 324	11 540
The effect of a two-year decrease and increase in the assumed average retirement age is as follows:		
Increase:		
Effect on the interest cost	11 396	9 500
Effect on the defined benefit obligation	112 059	110 800

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
Decrease:		
Effect on the interest cost	13 695	13 400
Effect on the defined benefit obligation	145 891	148 320
21. NON-CURRENT PROVISIONS		
Provision for Long Service Awards	2 851 237	2 400 866
The movement in Non-current Provisions are reconciled as follows:		
Balance at beginning of year	2 621 909	2 413 640
Contributions to provision	629 408	568 062
Increase due to discounting	0	0
Expenditure incurred	-221 043	-359 793
Reduction due to re-measurement	163 479	0
	3 193 753	2 621 909
Transfer to current provisions	-342 516	-221 043
Balance at end of year	2 851 237	2 400 866

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
21. NON-CURRENT PROVISIONS - (continued)		
The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 5 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.		
The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2011 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.		
At year end, 489 employees were eligible for Long-services Awards.		
The Current-service Cost and interest cost for the year ending 30 June 2011 is estimated to be R393,951 and R235,457 respectively, whereas the cost for the ensuing year is estimated to be R434,202 and R236,934 respectively.		
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	7.83%	9.28%
General salary inflation	6.28%	6.94%
Net Effective Discount Rate	1.46%	2.19%
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	2 621 909	2 413 640
Current service costs	393 951	360 505
Interest cost	235 457	207 557
Benefits paid	-221 043	-359 793
Actuarial losses / (gains)	163 479	0
Present Value of Fund Obligation at the end of the Year	3 193 753	2 621 909
Actuarial losses / (gains) unrecognised	0	0
Total Recognised Benefit Liability	3 193 753	2 621 909
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	3 193 753	2 621 909
Actuarial gains / (losses) not recognised	0	0
Total Benefit Liability	3 193 753	2 621 909

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011		
	2011	2010
	R	R
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	393 951	360 505
Interest cost	235 457	207 557
Actuarial losses / (gains)	163 479	0
Total Post-retirement Benefit included in Employee Related Costs (Note 30)	792 887	568 062
The effect of a 1% movement in the assumed general salary inflation rate is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost	672 982	549 187
Effect on the defined benefit obligation	3 420 000	2 555 000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	590 532	479 239
Effect on the defined benefit obligation	2 990 000	2 240 000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011		2011	2010
		R	R
22. STATUTORY FUNDS			
Housing Reserve			Restated
Balance 1 July		43 028	1 944 462
Rental Income		88 488	39 277
		131 515	1 983 739
Less: Written off/Correction of Provision for Impairment		0	-1 826 591
Less: Expenses		-81 677	-114 120
Total at 30 June as restated		49 838	43 028
The Housing reserve is represented by the following:			
Housing selling scheme loans			
Housing rental debtors (included in other/rentals) note 4		0	0
Investment (included in investments note 8)		49 838	43 028
Total Housing Reserve Assets		49 838	43 028
The Housing Development Fund has its origin from Loans extinguished by Government on 1 April 1998 and the net of housing transactions appropriated to the fund thereafter. No separate unappropriated surplus account for housing transactions was kept.			
23. RESERVES			
Revaluation Reserve			Restated
Balance as at 1 July 2009		0	187 932 963
Adjustments to land and buildings		0	-16 541 500
Change in accounting policy		0	-171 391 463
Restated balance as at 1 July 2010		0	0
Movement during the year		0	0
Balance as at 30 June 2011		0	0
The revaluation reserve was reversed to accumulated surplus due to a change in the accounting policy. Refer to note 48.2.			
24. ACCUMULATED SURPLUS			
The Accumulated Surplus consists of the following Internal Funds and Reserves:			Restated
Capital Replacement Reserve (CRR)		37 049 801	37 049 801
- Total insurance Reserves		4 643 039	4 643 038
-Total disaster Relief Reserves		1 191 929	1 191 929
Accumulated Surplus due to the results of Operations		455 558 481	447 889 481
Total Accumulated Surplus		498 443 249	490 774 249
The Capital Replacement Reserve is a reserve to finance future capital expenditure and is fully invested in ring-fenced Financial Instrument Investments.			

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
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25. PROPERTY RATES		
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Actual		
Residential, Commercial & State	46 034 017	43 261 311
Less: Income Forgone	-3 403 220	-3 136 070
Total Assessment Rates	42 630 797	40 125 241

Valuations	R000's	R000's
Residential, Commercial & State	10 045 827	9 807 171
Agriculture	3 540 995	3 760 004
Municipal	287 505	292 078
Churches	0	100 530
Total Property Valuations	13 874 327	13 959 783

Assessment Rates are levied on the value of land and improvements, which valuation must be performed every four years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations, consolidations and subdivisions.

Rates are levied annually on property owners and are payable in 12 monthly installments. Interest is levied on outstanding rates amounts.

An uniform general rate of 0.0003690 c/R (2009/2010: 0.0003690 c/R is applied to property valuations to determine assessment rates.

The current property valuations were done according to the Local Government: Municipal Property Rates Act 6 of 2004, with implementation date 1 July 2009.

The rates tariffs for the 2010/2011 financial year was as follows:

	Towns	
Residential	.003967 c/R	
Vacant Land	.005421 c/R	
Agriculture	.000969 c/R	
State	.008118 c/R	

A rebate of R50 000 on the value of the property (2009/2010: R50 000) was allowed on residential properties, whilst rebates of 10% - 40% were applied to pensioners, based on the annual income of the ratepayer. A discount of 20% was granted to private owned developments.

26. SERVICE CHARGES		
Sale of electricity	72 278 723	60 603 925
Sale of water	16 577 435	13 833 976
Connection Fees Services	1 086 372	1 037 512
Admission fees Swimming Pools	53 385	52 432
Camping Fees	4 798 063	3 937 206
Refuse removal fees	9 780 990	8 708 649
Sewerage and sanitation charges	13 646 527	12 263 413

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<u>Total Service Charges</u>	<u>118 221 495</u>	<u>100 437 113</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011		2011	2010
		R	R
27. GOVERNMENT GRANTS AND SUBSIDIES - (Statement of Performance)			
<u>Operating</u>			
<u>National:</u>			
Equitable Share	27.1	21 258 479	16 488 968
Financial Management Grant	27.2	1 256 871	754 374
MIG Projects	27.12	1 370 108	2 168 672
Municipal Systems Improvement Grant	27.22	445 602	430 993
DME	27.14	7 758 838	5 969 089
<u>Provincial:</u>			
Water Service Delivery Plan	27.4	0	256 160
Housing Projects	27.6	17 000 000	70 299 331
Library: Extending Staffing Levels	27.7	475 000	389 000
Hessequa Soccer Cup	27.23	50 000	0
Melrose Place Toilets	27.5	0	15 526
Primary Health Care Services	27.3	511	15 504
Slangrivier Land Reform	27.8	0	137 064
Performance Management Grant	27.10	0	224 958
Housing Consumer Education	27.19	15 739	0
Master Planning Grant	27.2	0	200 000
Proclaimed Roads	27.15	300 000	207 697
Community Development Workers	27.90	50 000	48 000
<u>District Municipality</u>			
Clean-Up Project	27.32	144 000	0
Alternative Electricity	27.17	0	26 467
Stilbaai Sewerage (Restated)	27.20	0	25 411
Africa Day	27.33	40 000	0
Tourism Grant	27.24	0	40 000
Heidelberg Sewerage (Restated)	27.18	0	27 263
<u>Other Municipality</u>			
George - Housing Consumer Education	27.11	0	18 608

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011		2011	2010
		R	R
Capital Projects			
<u>National:</u>			
MIG Allocations	27.12	6 741 818	18 024 352
MIG Allocations - Flood Disaster 2006	27.13	0	10 769 309
<u>Provincial:</u>			
WC Department of Transport	27.16	0	1 599 000
MHFT Pedestrian Sidewalk	27.27	0	90 404
Primary Health Care Services	27.3	110 300	0
Slangrivier Taxi Rank	27.26	0	5 013
Melrose Place Toilets	27.5	0	6 689
Sport Facilities Slangrivier	27.27	0	2 599
Slangrivier Library	27.28	0	9 309
<u>District Municipality</u>			
Albertinia Sewerage Phase 8	27.29	0	111 734
Globe Conference	27.30	0	16 563
Stilbaai Sewerage	27.20	0	136 709
Thoroughfares	27.21	989 815	10 161
Total Government Grants & Subsidy - Operational		50 165 148	97 743 085
Total Government Grants & Subsidy - Capital		7 841 933	30 781 842
Operating Grants per Statement of Performance		48 481 028	
Capital Grants per Statement of Performance		7 841 933	
Operating Grant conditions met, included in Other Revenue (VAT)		2 044 522	
Operating Grant conditions met, included in Other Revenue		512	
TOTAL: GOVERNMENT GRANTS AND OTHER GRANTS - Appendix F		58 367 995	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011		2011	2010
		R	R
27.1 GOVERNMENT GRANTS AND SUBSIDIES - (continued)			
27.1 Equitable Share			
Current Year Receipts		21 258 479	16 488 968
Conditions met - transferred to revenue		-21 258 479	-16 488 968
Conditions still to be met - transferred to liabilities (refer note 17.1)		0	0
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members as well as for LED and upliftment projects. All registered indigents receive the following:			
Level of Income:	Subsidy		
- R0.00 - R3 000	- free basic services plus 100% rebate on rates - 6kl free water - 50kwh free electricity		
- R3 001 - R3 500	- 50% free basic services plus 50% rebate on rates - 6kl free water - 50kwh free electricity		
27.2 Financial Management Grant			
Balance unspent at beginning of year		594 424	598 798
Current Year Receipts		1 000 000	750 000
Conditions met - transferred to revenue: Operating Expenses		-1 256 871	-754 374
Conditions still to be met - transferred to liabilities (refer note 17.1)		337 553	594 424
The Financial Management Grant is paid by National Treasury to all municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The MFMA Grant also pays for the cost of the Financial Management Internship Programme (eg. Salary costs of the Financial Management interns).			
27.3 Health Care Centre HB			
Balance unspent at beginning of year		110 811	126 315
Current Year Receipts		0	0
Conditions met - transferred to revenue: Capital Expenses		-110 300	0
Conditions met - transferred to revenue: Operating Expenses		-511	-15 504
Conditions still to be met - transferred to liabilities (refer note 17.2)		0	110 811
With the exception of the oral hygienist, the rest of the clinic staff were transferred to the Provincial Department of Health with effect from 1 January 2007. Until the 31 December 2007 the Municipalities involvement was only the salary of the hygienist and the payment of sundry operating expenses. With effect from 1 January 2008 the municipality's activities at the clinic ceased.			
27.4 Water Service Delivery Plan			
Balance unspent at beginning of year		0	6 161
Current Year Receipts		0	250 000
Conditions met - transferred to revenue: Operating Expenses		0	-256 161
Conditions still to be met - transferred to liabilities (refer note 17.1)		0	0

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
27.5 Melrose Place Toilets		
Balance unspent at beginning of year	0	22 215
Current Year Receipts	0	0
Conditions met - transferred to revenue: Capital Expenses	0	-6 689
Conditions met - transferred to revenue: Operating Expenses	0	-15 526
Conditions still to be met - transferred to liabilities (refer note17.1)	0	0
27.6 Housing Projects		
Balance unspent at beginning of year	0	0
Current Year Receipts	17 000 000	70 299 331
Conditions met - transferred to revenue: Operating Expenses	-17 000 000	-70 299 331
Conditions still to be met - transferred to liabilities (refer note17.1)	0	0
These grants are for the construction of houses. The conditions of the grant have been met.		
27.7 Library Extending Staffing Levels		
Balance unspent at beginning of year	0	0
Current Year Receipts	475 000	389 000
Conditions met - transferred to revenue: Operating Expenses	-475 000	-389 000
Conditions still to be met - transferred to liabilities (refer note17.1)	0	0

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
27.8 GOVERNMENT GRANTS AND SUBSIDIES - (continued)		
<u>27.8 Slangrivier Land Reform</u>		
Balance unspent at beginning of year	8 725	1 379
Current Year Receipts	0	144 410
Conditions met - transferred to revenue: Operating Expenses	0	-137 064
Conditions still to be met - transferred to liabilities (refer note17.1)	8 725	8 725
<u>27.9 Community Development Workers</u>		
Balance unspent at beginning of year	0	0
Current Year Receipts	50 000	48 000
Conditions met - transferred to revenue: Operating Expenses	-50 000	-48 000
Conditions still to be met - transferred to liabilities (refer note17.1)	0	0
<u>27.10 Performance Management Grant</u>		
Balance unspent at beginning of year	125 042	120 000
Current Year Receipts	0	230 000
Conditions met - transferred to revenue: Operating Expenses	0	-224 958
Conditions still to be met - transferred to liabilities (refer note17.1)	125 042	125 042
<u>27.11 Housing Consumer Education - George Municipality</u>		
Balance unspent at beginning of year	23 758	42 366
Current Year Receipts	0	0
Conditions met - transferred to revenue: Operating Expenses	0	-18 608
Conditions still to be met - transferred to liabilities (refer note17.1)	23 758	23 758
<u>27.12 MIG Infrastructure allocations</u>		
Balance unspent at beginning of year	4 891 091	8 789 428
Current Year Receipts	5 155 000	13 963 000
Transfer from Flood Disaster 2006	0	2 331 687
Conditions met - transferred to Revenue: Capital Expenses	-6 741 818	-18 024 352
Conditions met - transferred to revenue: Operating Expenses	-1 370 108	-2 168 672
Conditions still to be met - transferred to liabilities (refer note17.1)	1 934 165	4 891 091
<u>27.13 MIG Infrastructure - Flood disaster 2006</u>		
Balance unspent at beginning of year	0	13 100 997
Current Year Receipts	0	0
Transfer to MIG Infrastructure allocations	0	-2 331 687
Conditions met - transferred to Revenue: Capital Expenses	0	-10 769 310
Conditions still to be met - transferred to liabilities (refer note17.1)	0	0

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
27.14 National DME		
Balance unspent at beginning of year	2 283 639	0
Current Year Receipts	6 000 000	8 252 728
Conditions met - transferred to revenue: Operating Expenses	-7 758 838	-5 969 089
Conditions still to be met - transferred to liabilities (refer note17.1)	524 801	2 283 639
27.15 Western Cape Department of Transport		
Balance unspent at beginning of year	0	0
Current Year Receipts	300 000	1 806 697
Conditions met - transferred to Revenue: Capital Expenses	0	-1 599 000
Conditions met - transferred to revenue: Operating Expenses	-300 000	-207 697
Conditions still to be met - transferred to liabilities (refer note17.1)	0	0
27.16 Master Planning Grant		
Balance unspent at beginning of year	0	0
Current Year Receipts	0	200 000
Conditions met - transferred to Revenue: Capital Expenses	0	-200 000
Conditions still to be met - transferred to liabilities (refer note17.1)	0	0

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
27.17 GOVERNMENT GRANTS AND SUBSIDIES (continued)		
<u>27.17 Alternative Electricity</u>		
Balance unspent at beginning of year	273 533	300 000
Current Year Receipts	0	0
Conditions met - transferred to Revenue: Capital Expenses	0	-26 467
Conditions still to be met - transferred to liabilities (refer note17.1)	273 533	273 533
<u>27.18 Heidelberg Sewerage</u>		
Balance unspent at beginning of year	0	27 263
Current Year Receipts	0	0
Conditions met - transferred to Revenue: Operating Expenses	0	-27 263
Conditions still to be met - transferred to liabilities (refer note17.1)	0	0
<u>27.19 Housing Consumer Education</u>		
Balance unspent at beginning of year	50 000	50 000
Current Year Receipts	0	0
Conditions met - transferred to revenue: Operating Expenses	-15 739	0
Conditions still to be met - transferred to liabilities (refer note17.1)	34 261	50 000
<u>27.20 Stilbaai Sewerage</u>		
Balance unspent at beginning of year	0	162 120
Current Year Receipts	0	0
Conditions met - transferred to Revenue: Capital Expenses	0	-162 120
Conditions still to be met - transferred to liabilities (refer note17.1)	0	0
<u>27.21 Thoroughfares</u>		
Balance unspent at beginning of year	989 815	999 976
Current Year Receipts	0	0
Conditions met - transferred to Revenue: Capital Expenses	-989 815	-10 161
Conditions still to be met - transferred to liabilities (refer note17.1)	0	989 815
<u>27.22 Municipal Systems Improvement</u>		
Balance unspent at beginning of year	10 273	41 266
Current Year Receipts	750 000	400 000
Conditions met - transferred to revenue: Operating Expenses	-445 602	-430 993
Conditions still to be met - transferred to liabilities (refer note17.1)	314 671	10 273
<u>27.23 Hessequa Soccer Cup</u>		
Balance unspent at beginning of year	0	0
Current Year Receipts	50 000	0
Conditions met - transferred to revenue: Operating Expenses	-50 000	0
Conditions still to be met - transferred to liabilities (refer note17.1)	0	0

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
27.24 Tourism Grant		
Balance unspent at beginning of year	0	0
Current Year Receipts	0	40 000
Conditions met - transferred to revenue: Operating Expenses	0	-40 000
Conditions still to be met - transferred to liabilities (refer note17.1)	0	0
27.25 MHFT Pedestrian Sidewalk		
Balance unspent at beginning of year	0	90 404
Current Year Receipts	0	0
Conditions met - transferred to revenue: Capital Expenses		-90 404
Conditions still to be met - transferred to liabilities (refer note17.1)	0	0
27.26 Slangrivier Taxi Rank		
Balance unspent at beginning of year	0	5 013
Current Year Receipts	0	0
Conditions met - transferred to revenue: Capital Expenses	0	-5 013
Conditions still to be met - transferred to liabilities (refer note17.1)	0	0

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
27.27 GOVERNMENT GRANTS AND SUBSIDIES (continued)		
<u>27.27 Sport Facilities Slangrivier</u>		
Balance unspent at beginning of year	0	2 599
Current Year Receipts	0	0
Conditions met - transferred to revenue: Capital Expenses	0	-2 599
Conditions still to be met - transferred to liabilities (refer note17.1)	0	0
<u>27.28 Slangrivier Library</u>		
Balance unspent at beginning of year	0	9 309
Current Year Receipts	0	0
Conditions met - transferred to revenue: Capital Expenses	0	-9 309
Conditions still to be met - transferred to liabilities (refer note17.1)	0	0
<u>27.29 Albertinia Sewerage Phase 8</u>		
Balance unspent at beginning of year	0	111 734
Current Year Receipts	0	0
Conditions met - transferred to revenue: Capital Expenses	0	-111 734
Conditions still to be met - transferred to liabilities (refer note17.1)	0	0
<u>27.30 Clobe Conference</u>		
Balance unspent at beginning of year	0	16 563
Current Year Receipts	0	0
Conditions met - transferred to revenue: Capital Expenses	0	-16 563
Conditions still to be met - transferred to liabilities (refer note17.1)	0	0
<u>27.31 Project Preparation Grant</u>		
Balance unspent at beginning of year	63 000	63 000
Current Year Receipts	0	0
Conditions met - transferred to revenue: Capital Expenses	0	0
Conditions still to be met - transferred to liabilities (refer note17.1)	63 000	63 000
<u>27.32 Clean-up Project</u>		
Balance unspent at beginning of year	0	0
Current Year Receipts	144 000	0
Conditions met - transferred to revenue: Capital Expenses	-144 000	0
Conditions still to be met - transferred to liabilities (refer note17.1)	0	0
<u>27.33 Africa Day</u>		
Balance unspent at beginning of year	40 000	40 000
Current Year Receipts	0	0
Conditions met - transferred to revenue: Capital Expenses	-40 000	0
Conditions still to be met - transferred to liabilities (refer note17.1)	0	40 000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011		2011	2010
		R	R
28. OTHER GRANTS AND SUBSIDIES - (Statement of Performance)			
Operating			Restated
Seta	28.2	80 761	161 568
Garcia Forestry - Services	28.1	280 151	1 895 556
Eskom Solar Panels	28.3	0	35 473
Cape Nature Plant Project	28.4	0	22 320
Gouritsmond Impact Study	28.5	0	36 666
Total Other Grants		360 912	2 151 583
28.1 Garcia Forestry - Services			
Balance unspent at beginning of year		0	1 895 556
Current Year Receipts		3 000 000	0
Conditions met - transferred to revenue: Operating Expenses		-280 151	-1 895 556
Conditions still to be met - transferred to liabilities (refer note16.2)		2 719 849	0

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
28.2 OTHER GRANTS AND SUBSIDIES - (continued)		
<u>28.2 Skills Development</u>		
Balance unspent at beginning of year	0	261 975
Current Year Receipts	189 770	13 398
Conditions met - transferred to revenue: Operating Expenses	-80 761	-161 568
<u>28.3 Eskom Solar Panels</u>		
Balance unspent at beginning of year	0	35 473
Current Year Receipts	0	0
Conditions met - transferred to revenue: Operating Expenses	0	-35 473
Conditions still to be met - transferred to liabilities (refer note16.2)	0	0
<u>28.4 Cape Nature Plant Project</u>		
Balance unspent at beginning of year	0	22 320
Current Year Receipts	0	0
Conditions met - transferred to Revenue: Capital Expenses	0	0
Conditions met - transferred to revenue: Operating Expenses	0	-22 320
Conditions still to be met - transferred to liabilities (refer note16.2)	0	0
<u>28.5 Gouritsmond Impact Study</u>		
Balance unspent at beginning of year	0	36 666
Current Year Receipts	0	0
Conditions met - transferred to Revenue: Capital Expenses	0	0
Conditions met - transferred to revenue: Operating Expenses	0	-36 666
Conditions still to be met - transferred to liabilities (refer note16.2)	0	0
29. OTHER INCOME		
Capital Contribution: Water and electricity	664 567	116 324
Sewerage	161 773	187 146
Building plans	356 576	329 991
Other	2 061 178	3 009 594
VAT on grants	2 044 522	0
Roadworthy Certificates	285 911	250 390
Services Electricians	37 619	12 354
Total	5 612 146	3 905 799

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
30. EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	52 247 697	46 477 775
Employee related costs - Contributions for UIF, pensions and medical aids	12 812 015	10 703 643
Employee related costs - SALA Pension Fund	459 316	421 425
Travel, motor car, accommodation, subsistence and other allowances	5 303 004	3 987 316
Housing benefits and allowances	241 644	297 108
Overtime payments	3 787 266	3 170 240
Performance bonus	0	0
Contribution to provision for post- retirement medical aid benefits	2 745 121	3 132 961
Contribution to long-service provision	629 408	0
Contribution to ex-gratia provision	12 574	0
Net Actuarial (gains)/losses recognised	7 850 791	0
Total Employee Related Costs	86 088 837	68 190 468
Remuneration of the Municipal Manager		
Annual Remuneration	635 786	539 411
Bonus	50 000	50 000
Performance Bonuses	125 522	89 496
Car Allowance	120 000	173 145
Contributions to UIF, Medical and Pension Fund	140 573	134 076
Total	1 071 881	986 128

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
30. EMPLOYEE RELATED COSTS - (continued)		
<u>Remuneration of the Manager Corporate Services</u>		
Annual Remuneration	0	220 735
Bonus	0	47 833
Car Allowance	0	46 549
Performance Bonus	0	44 852
Contributions to UIF, Medical and Pension Fund	0	37 506
Total	0	397 475
<u>Remuneration of the Manager Water, Sewerage & Sanitation</u>		
Annual Remuneration	541 092	360 541
Bonus	5 000	0
Long service award	0	28 970
Performance Bonus	81 129	49 022
Car Allowance	60 000	112 026
Acting Allowance	24 145	125 914
Contributions to UIF, Medical and Pension Fund	123 366	104 914
Total	834 732	781 387
<u>Remuneration of the Manager Community Services</u>		
Annual Remuneration	352 152	316 685
Bonus	30 000	45 492
Performance Bonus	58 170	37 438
Car Allowance	80 000	100 747
Contributions to UIF, Medical and Pension Fund	96 399	83 789
Total	616 721	584 151
<u>Remuneration of the Manager Streets & Storm water - (8 months)</u>		
Annual Remuneration	480 725	399 329
Bonus	40 000	0
Performance Bonus	81 129	49 022
Car Allowance	48 000	90 000
Other Allowance	4 167	25 000
Contributions to UIF, Medical and Pension Fund	104 285	88 513
Total	758 306	651 864
<u>Remuneration of the Manager Planning Services</u>		
Annual Remuneration	455 487	372 313
Bonus	25 000	25 000
Performance Bonus	81 129	49 022
Car Allowance	80 000	100 000
Contributions to UIF, Medical and Pension Fund	95 722	80 275

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011		
	2011	2010
	R	R
Total	737 338	626 610
Remuneration of the Manager Information Technology		
Annual Remuneration	423 697	335 377
Bonus	40 000	30 000
Performance Bonus	62 731	38 220
Acting Allowance	13 760	46 675
Contributions to UIF, Medical and Pension Fund	102 831	82 200
Total	643 019	532 472
Remuneration of the Manager Financial Services		
Annual Remuneration	415 520	348 762
Bonus	50 000	50 000
Performance Bonus	81 129	49 022
Car Allowance	84 000	84 000
Contributions to UIF, Medical and Pension Fund	106 920	95 293
Total	737 569	627 077

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
30. EMPLOYEE RELATED COSTS (continued)		
<u>Remuneration of the Acting Manager Protective Services</u>		
Annual Remuneration	0	217 744
Bonus	0	17 713
Performance bonus	0	39 196
Car Allowance	0	126 378
Acting Allowance	0	9 382
Contributions to UIF, Medical and Pension Fund	0	81 252
Total	0	491 665
<u>Remuneration of the Manager Legal Services</u>		
Annual Remuneration	485 943	299 409
Bonus	25 000	25 000
Performance bonus	70 090	42 440
Car Allowance	0	95 499
Acting Allowance	20 860	106 923
Contributions to UIF, Medical and Pension Fund	116 770	79 671
Total	718 663	648 942
31. REMUNERATION OF COUNCILORS		
Executive Mayor	546 729	594 184
Deputy Executive Mayor	481 103	485 079
Speaker	422 894	483 201
Mayoral Committee Members	765 437	809 230
Councilors	1 877 037	1 710 549
Total Councilors' Remuneration	4 093 200	4 082 242
In-kind Benefits		
The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time councilors. Each is provided with an office and secretarial support at the cost of the Council.		
Councilors allowances and benefits are within the upper limits of the framework envisaged in section 219 of the Constitution.		
32. PROVISION FOR IMPAIRMENT		
Contribution to bad debt provision - ex I & E	3 392 909	2 105 761
Contribution from bad debt provision	-2 482 154	-1 533 764
Bad debts written off	2 482 154	1 533 764
Total	3 392 909	2 105 761
33. INTEREST PAID		
Long-term liabilities	5 075 844	3 905 105
Other	525 156	354 738
Total Interest Expense	5 601 000	4 259 843

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011		2011	2010
		R	R
34. BULK PURCHASES			
			Restated
Electricity		42 268 359	33 309 330
Water		2 605 878	2 549 288
Total Bulk Purchases		44 874 237	35 858 618
35. GENERAL EXPENSES			
			Restated
Operating Grants:			
Equitable Share		8 893 265	6 764 115
Skills Development		80 761	161 568
Housing:			
- Albertinia		0	60 644 027
- Gouritsmond		222 000	3 396 900
- Riversdal		15 988 730	10 511 133
Dennedal Garcia Services		280 152	656 792

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
35. GENERAL EXPENSES - (continued)		
Electricity - Demand Side Management (DME)	6 805 998	1 714 705
Other	2 558 252	2 583 956
	34 829 158	86 433 195
Audit Fees	1 238 654	999 377
Chemicals	1 401 239	1 127 118
Insurance	492 121	743 376
Material & Supplies	811 989	727 461
Other	12 203 209	8 424 138
Shared Service - Fire Brigade - Eden	0	1 067 526
Clean-up projects	1 349 818	721 840
Environmental education	515 000	1 012 450
Tourism	455 311	1 569 756
Development Costs	503 196	236 700
Inventory	0	0
Levy: Dept. of Water Affairs	249 604	108 274
Operational Leases: Office Machines	134 061	130 837
Land and Buildings	309 435	223 504
Postage & Telephone	2 665 318	2 385 069
Printing & Stationery	649 688	675 651
Software assistance	1 031 120	1 228 545
Travelling & Subsistence	739 371	763 605
Valuation fees	371 719	443 281
Vehicle Costs	3 838 023	3 304 701
Total	63 788 033	112 326 403
The comparative year has been restated due to the correction of errors. Refer to note 49.		
36. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:		
Bank and Cash on Hand	6 080	5 780
Call investment deposits	70 020 893	62 439 932
Bank balance	0	0
Bank overdraft	0	-1 548 604
Total	70 026 973	60 897 109

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
37. CASH GENERATED BY OPERATIONS		
		Restated
Surplus for the year	7 675 811	35 588 994
Adjustments for:-		
Investment Property valuation surplus	-357 000	0
Depreciation	15 598 285	14 130 874
Gain on disposal of assets	-3 223 023	-625 284
Loss on disposal of property, plant and equipment	0	752 496
Recognition of heritage assets	-8 326 375	0
Contribution provision for impairment	910 755	571 997
Investment & Debtors Interest	-5 030 678	-6 937 836
Interest paid	5 601 000	4 259 843
Operating surplus before working capital changes:	12 848 776	47 741 084
(Increase)/Decrease in inventories	77 647	-139 681
(Increase)/Decrease in debtors	-3 311 417	-5 212 918
(Increase)/Decrease in other debtors	5 370 087	-9 925 990
(Increase)/Decrease in provisions	1 481 628	2 140 912
(Increase)/Decrease in conditional grants and receipts	-2 995 746	-17 275 504
(Increase)/(Decrease) in creditors	10 952 775	-5 173 621
(Increase)/Decrease in VAT	942 738	239 907
Cash generated by operations	25 366 488	12 394 189

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011		2011	2010
		R	R
38. ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT			
38.1 Contributions to organised local government - SALGA			
Opening Balance		0	0
Council Subscriptions		383 756	314 480
Amount paid - current year		-383 756	-314 480
Balance at 30 June 2010		0	0
38.2 PAYE and UIF			
Opening Balance		0	0
Current year payroll deductions		8 064 216	5 880 928
Amount paid - current year		-8 064 216	-5 880 928
Balance at 30 June 2010		0	0
38.3 Pension and Medical Aid deductions			
Opening Balance		0	0
Current year payroll deductions		16 657 811	16 006 792
Amount paid - current year		-16 657 811	-16 006 792
Balance at 30 June 2010		0	0
38.4 Audit Fees			
Opening Balance		0	0
Current year Audit Fees		1 238 654	999 377
Amount paid - current year		-1 238 654	-999 377
Balance at 30 June 2010		0	0
38.5 VAT			
VAT input receivables and VAT output receivables are shown in Note 5. These returns have been submitted by the due date throughout the year.			
38.6 Councilor's arrear Consumer Accounts			
The following Councilors had arrear accounts outstanding for more than 90 days as at:			
30 June 2011	Total	Outstanding up to 90 days	Outstanding more than 90 days
			days
Councilor February, LC	1 997	0	1 997
Councilor Johannes, R	1 892	0	1 892
Total Councilor Arrear Consumer Accounts	3 889	0	3 889
During the prior financial year, no Councilor (present or past) was in arrears with the settlement of their municipal accounts.			

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011		2011	2010
		R	R
39 Non-Compliance with Chapter 111 of the Municipal Finance Management Act			
No known matters existed at reporting date.			
The Municipality has developed a supply chain management policy, which was approved by Council.			
40. DEVIATION FROM, AND RATIFICATION OF MINOR BREACHES OF, THE PROCUREMENT PROCESS			
In terms of section 36 of the Supply Chain Management Policy approved by Council it is stipulated that bids where the formal procurement processes could not be followed, must be noted in the financial statements. During the year, deviations from the Municipality's Supply Chain Management Policy were noted and are summarised and disclosed in threshold totals as follows:			
		Number of	R
		Cases	
<R2 000		198	111 008
Sole supplier		24	19 301
Emergency		140	70 256
Exceptional Circumstances		32	20 310
Impractical		2	1 140

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
40. DEVIATION FROM, AND RATIFICATION OF MINOR BREACHES OF, THE PROCUREMENT PROCESS - (continued)		
R2 000 - R30 000	124	1 122 304
Sole supplier	64	581 982
Emergency	41	384 996
Exceptional Circumstances	14	117 327
Impractical	5	37 998
R30 000 - R200 000	16	900 428
Sole supplier	7	365 294
Emergency	5	293 932
Exceptional Circumstances	3	197 702
Impractical	1	43 500
> R200 000	3	2 030 930
Sole supplier	1	321 480
Emergency	1	329 450
Exceptional Circumstances	0	0
Impractical	1	1 380 000
	341	4 164 670

A complete list, including reasons for deviation per transaction, is available. Below are details of 3 deviations.

Department	Service	Provider	Reason for deviation	Amount
Streets, Storm water	Extension of project - Kasduikers	Element Consulting Engineers	The open furrow is a hazard. Pollution, children getting hurt (claim already lodged with Council), Den for vandals etc. Cost saving is important and time saving. Contractor on site	329 150
Streets, Storm water	Extension of project - Kasduikers	Meyer Beton	By extending the project, cost saving will result and the scope of the work extended	321 480
Finance and Admin	MFMA Minimum Regulations Training	University of Stellenbosch	Deviation request to appoint the University of Stellenbosch to do above mentioned training as per regulations and gazette.	1 380 000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

41. RELATED PARTY TRANSACTIONS

41.1 Services rendered to Related Parties

During the year the municipality rendered services to the following related parties that are related to the municipality as indicated:

	Rates Charges	Service Charges	Sundry Charges	Outstanding Balances
	R	R	R	R
For the year ended 30 June 2011				
Councilors	21 697	86 226	668	11 899
Municipal Manager and Section 57 Personnel	42 162	101 234	6 061	12 119
Municipal Entities	0	0	0	0
Total	63 859	187 461	6 729	24 018
For the year ended 30 June 2010				
Councilors	4 264	58 518	0	-10 564
Municipal Manager and Section 57 Personnel	39 914	87 195	0	2 586
Municipal Entities	0	0	0	0
Total	44 178	145 713	0	-7 978

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councilors, the Municipal Manager and Section 57 Personnel not on the salary deduction list. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

41.2 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councilors, Management, Staff and Public with effect from 1 July 2004. Loans, together with the conditions thereof, granted prior to this date are disclosed in Note 13 to the Annual Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011				2011 R	2010 R
41. RELATED PARTY TRANSACTIONS - (continued)					
41.3 Compensation of Related Parties					
Compensation of Key Management Personnel and Councilors is set out in Notes 30 and 31 respectively, to the Annual Financial Statements.					
41.4 Purchases from Related Parties					
The municipality procured services from the following service providers, which are considered to be Related Parties:					
				2011 R	2010 R
Service Provider	Related Person	Capacity	Municipal Capacity		
Fynbos Guest House	Ms S Jacobs	Owner	Municipal Manager	3 940	17 044
Autozone	Mr A Stroebe	Manager	Councilor	6 742	0
				10 682	17 044
Ms S Jacobs is the spouse of the Municipal Manager. The transactions were concluded in compliance with the municipality's Supply Chain Management policy. The transactions are considered to be at arm's length.					
Councilor A Stroebe was elected as a councilor on 18 May 2011. He is the manager of Autozone. The transactions were conducted in compliance with the Municipality's supply chain management policy. The transactions are considered to be at arm's length.					
42. COMMITMENTS FOR EXPENDITURE					
Capital Commitments					
Commitments in respect of Capital Expenditure:					
- Approved and Contracted for:-				13 363 222	1 727 292
Total Capital Commitments				13 363 222	1 727 292
This expenditure will be financed from:					
- Capital Replacement Reserve				13 363 222	1 727 292
				13 363 222	1 727 292
43. AFTER BALANCE SHEET EVENTS					
No events having financial implications requiring disclosure occurred subsequent to 30 June 2011.					

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011	2010
	R	R
44. RETIREMENT BENEFIT INFORMATION		
<p>The personnel of the Hessequa Municipality are members of the funds as set out below. These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below. The Cape Joint Pension Fund is defined benefit fund, whereas the Cape Joint Retirement Fund, Municipal Councilors Fund, The Provident Fund and The National Fund for Municipal Workers are defined contribution funds. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:</p>		
<ul style="list-style-type: none"> - The assets of each fund are held in one portfolio; these assets are not nationally allocated to each of the participating employers. 		
<ul style="list-style-type: none"> - One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer. 		
<ul style="list-style-type: none"> - The same rate of contributions applies to all participating employers. 		
<p>It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.</p>		
<p>The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councilors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.</p>		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
44.1 DEFINED BENEFIT SCHEMES		
Cape Joint Pension Fund		
<p>The statutory valuation performed as at 30 June 2010 revealed that the fund had a surplus of R0,0 (30 June 2009: R0) million, with a funding level of 100,0% (30 June 2009: 100%) and a solvency reserve with a closing balance of R4.9 (30 June 2009: R220,6) million. The contribution rate paid by the members 9,00% and the municipalities 18,00% is less than the recommended contribution rate of 32,1%.</p>		
<p>Refer to note 15, for details regarding a provision for a shortfall in the investment returns in respect of the defined benefits component of the Fund.</p>		
SALA Pension Fund		
<p>The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 1 July 2010. The statutory valuation performed as at 1 July 2010 revealed that the fund had a deficit of 307,6 (1 July 2009: R264,2) million, with a funding level of 96% (1 July 2009: 96%). The contribution rate paid by the members 7,50% to 9,00% and the municipalities 15,00% to 20,78% is sufficient to fund the benefits accruing from the fund in the future.</p>		
44.2 DEFINED CONTRIBUTION SCHEMES		
Cape Joint Pension Fund		
<p>This scheme was established to accommodate the unique characteristics of contract employees and 'cost to company' employees. All existing members were given the option to transfer to the defined contribution plan before 1 July 2003. The actuary report certified that the structure of the assets is appropriate relative to the nature of the liabilities, assuming a smoothed bonus philosophy, and given normal circumstances.</p>		
<p>The statutory valuation performed as at 30 June 2010 revealed that the investment reserve of the fund amounted to R7,311 (30 June 2009: R1,171) million, with a funding level of 102% (30 June 2009: 100,3%). The contribution rate paid by the members 9,00% and the municipalities 18,00% is sufficient to fund the benefits accruing from the fund in the future.</p>		
Cape Joint Retirement Fund		
<p>The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2010. The statutory valuation performed as at 30 June 2010 revealed that the assets of the fund amounted to R8 220 (30 June 2009: R6 842) million, with funding levels of 99,9% and 100,3% (30 June 2009: 100,8% and 131,9%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members 7,5% and the municipalities 19,5% is sufficient to fund the benefits accruing from the fund in the future.</p>		
Municipal Councilors' Pension Fund		
<p>The Municipal Councilors' Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13,75%) and their councils (15,00%) is sufficient to fund the benefits accruing from the fund in the future. The last actuarial valuation of the fund was undertaken at 30 June 2010, and the actuary reported that the fund was as a whole in a sound financial position.</p>		
South African Municipal Workers Union National Provident Fund		
<p>The scheme is subject to an tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2005. The statutory valuation performed as at 30 June 2005 revealed that the fund had a funding ratio of 100,0% (30 June 2002: 100,0%). The contribution rate paid by the members (not less than 5,00%) and Council (not less than 12,00%) is sufficient to fund the benefits accruing from the fund in the future.</p>		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

**2011
R**

**2010
R**

The following table reflects the information of the defined benefit retirement, pension and provident funds to which councilors and employees belong. The relevant law requires every fund to do an actuarial valuation every three years.

	Actuarial Value action done every:	Last Accrual Valuation	Total Assets R,000	Total Liabilities R,000	Contributing Members
Municipal Councilors Pension Fund	Year	June 2010			11
Cape Joint Retirement Fund	Year	June 2010	8 200 000	8 144 204	170
Cape Joint Pension Fund	Year	June 2010	2 951 468	2 946 599	31
SAMWU Provident Fund	3 Years	June 2005	1 511 461	1 447 663	52
SALA Pension Fund	3 Year	June 2010	7 110 300	7 417 900	191

An amount of R8,670 million (2010:R8,659 million) was contributed by Council towards councilor and employee retirement funding. These contributions have been expensed.

45. GUARANTEES

Guarantees were issued in favor of Eskom in the amount of R70 200.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

46. IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any in-kind Donations and Assistance during the year under review.

47. BUDGET RECONCILIATION

47.1 Operating Budget

	Appr.Budget 2010/07/01	Approved Amendments	Amended Budget
Employee Related Cost	76 735 257	-304 067	76 431 190
Council Remuneration	4 480 808	61 000	4 541 808
Collection Cost	811 880	0	811 880
Contributions to Provisions	6 016 400	0	6 016 400
Depreciation	15 270 123	0	15 270 123
Repairs and Maintenance	14 635 953	-454 238	14 181 715
Interest Paid	4 862 073	252 000	5 114 073
Bulk Purchases	46 577 957	-117 000	46 460 957
Contracted Services	3 056 000	159 000	3 215 000
General Expenses	32 363 903	-72 107	32 291 796
Operating Grants	38 093 260	6 302 130	44 395 390
Internal Transfers	15 509 091	0	15 509 091
TOTAL EXPENDITURE	258 412 705	5 826 718	264 239 423
Property Rates	45 831 273	740 000	46 571 273
Penalties on Rates	500 000	0	500 000
Service Charges	122 205 747	-2 250 000	119 955 747
Rental of facilities and equipment	3 105 340	0	3 105 340
Interest earned - external investments	6 800 000	-1 075 000	5 725 000
Interest earned - outstanding debtors	500 000	17 000	517 000
Fines	2 294 200	242 000	2 536 200
Licenses and permits	160 500	100 000	260 500
Income for agency services	1 176 500	0	1 176 500
Government grants & Subsidies	52 850 340	6 752 359	59 602 699
Grants & Subsidies Capital	12 273 000	-2 087 204	10 185 796
Other income	2 438 565	246 363	2 684 928
Gains on disposal of PPE	20 200 000	0	20 200 000
Less: Income Forgone	-6 535 304	350 000	-6 185 304
Internal Charges	15 509 091	0	15 509 091
TOTAL INCOME	279 309 252	3 035 518	282 344 770
SURPLUS/(DEFICIT)	-20 896 547	2 791 200	-18 105 347
Transfer to CRR	11 978 084	0	11 978 084
Capital Grants used for PPE	12 273 000	-2 087 204	10 185 796
SURPLUS/(DEFICIT) FOR THE YEAR	3 354 537	703 996	4 058 533

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011			
		2011	2010
		R	R
47.2 Capital Budget	Appr.Budget 2010/07/01	Approved Amendments	Amended Budget
Infrastructure	40 231 250	-4 783 206	35 448 044
Other Assets	16 658 620	2 281 840	18 940 460
	56 889 870	-2 501 366	54 388 504
Source of Finance			
External Loans	22 500 000	-476 986	22 023 014
Internal Contributions	22 116 870	62 824	22 179 694
Grants & Subsidies	12 273 000	-2 087 204	10 185 796
	56 889 870	-2 501 366	54 388 504

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
48. CHANGE IN ACCOUNTING POLICY		
48.1 Property Plant and Equipment		
<p>The municipality previously opted to take advantage of the transitional provisions on GRAP 12 Inventory, GRAP 17 Property, plant and equipment , GRAP 16 Investment Property and GRAP 102 Intangible assets as set out in Directive 4. Under Directive 4, the Municipality was not required to measure inventory, property, plant and equipment, investment property or intangible assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP 12 Inventory, GRAP 17 Property, plant and equipment , GRAP 16 Investment Property and GRAP 102 Intangible assets, being 1 July 2008. Furthermore where the initial accounting for inventory, property, plant and equipment, investment property or intangible assets was incomplete by the end of a reporting period in which the Standard became effective or the transfer occurred, whichever was later, the municipality reported for those items of inventory, property, plant and equipment, investment property or intangible assets for which the accounting was incomplete at provisional amounts in its financial statements.</p>		
<p>At 30 June 2011, the Municipality is no longer able to apply the abovementioned transitional provisions, and thus in terms of Directive 4, the Municipality should retrospectively adjust the provisional amounts recognised to reflect information obtained about facts and circumstances that existed on the effective date of GRAP 12 Inventory, GRAP 17 Property, plant and equipment , GRAP 16 Investment Property and GRAP 102 Intangible assets.</p>		
The effect of the change in Accounting Policy is on the current and comparative figures are as follows:		
Decrease/(increase) in Accumulated surplus 30 June 2009 (opening balance 2009/2010)		-10 596 770
Decrease/(increase) in assets written off		699 196
Increase/(decrease) in Expenditure		
Depreciation and amortisation		2 476 633
Increase/(decrease) in Assets		
Property, Plant and Equipment		7 420 939
		0
48.2 Property Plant and Equipment / Revaluation reserve		
<p>During the year the Municipality decided to change the accounting policy for land and buildings in property, plant and equipment from the fair value method to deemed cost less accumulated depreciation and accumulated impairment losses. This is due to the fact that the municipality is not in the business of selling land and buildings and the cost to perform annual valuations exceeds the benefits by far. The municipal value is used as the deemed cost and restatements where necessary was done retrospectively.</p>		
The effect of the change in accounting policy is as follows:		
Increase in accumulated surplus		-171 391 463
Decrease in revaluation reserve		171 391 463
Net change		0

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
49. CORRECTION OF ERRORS AND RECLASSIFICATIONS		
A number of errors in the prior's years transactions were discovered and were corrected in the current year's financial statements. Details of these errors as follows:		
49.1 Unspent Conditional Grants and Receipts / Government Grants and Subsidies		
A number of unspent conditional grants were disclosed in the prior year for which the conditions were already met during the prior year. These amounts should have been recognised as income during 2010. The unspent conditional grants liability and government grants and subsidies income for the prior year has been corrected.		
Unspent Conditional Grants and Receipts		
Balance as stated per 2010 published statements		11 306 836
Correction of errors		-1 385 897
Restated balance as at 30 June 2010		9 920 939

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011		2011	2010
		R	R
49. CORRECTION OF ERRORS AND RECLASSIFICATIONS - (continued)			
Government Grants and Subsidies			
Amount as stated per 2010 published statements			129 290 613
Correction of errors			1 385 897
Restated amount as at 30 June 2010			130 676 510
49.2 Property, Plant and Equipment			
The municipality made corrections to its revaluation roll used to determine the values of land and buildings due to the continuous updating of the valuation roll. The opening balances of Land and buildings and revaluation reserve were corrected on 1 July 2009 to reflect the correct values. Reclassifications between land and buildings and investment properties were also made where new information was obtained.			
	Revaluation reserve	Investment properties	PPE Land and buildings
		R	R
Balances as published as at 30 June 2008	-187 932 963	119 232 500	201 470 827
Correction of errors	16 541 500	-17 606 181	1 064 681
Restated balances as at 30 June 2008	-171 391 463	101 626 319	202 535 508
49.3 Retirement Benefit Liabilities			
A correction was made on the opening balance of the prior year on the Ex-gratia provision to adjust to the Actuarial report's opening balance.			
		Retirement Benefit Liabilities	Accumulated Surplus for the Year
		R	R
Balances as published as at 30 June 2010		-85 331	271 339 176
Correction of errors		-43 586	-43 586
Restated balances as at 30 June 2010		-128 917	271 295 590

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011		2011 R	2010 R
49.4 Appropriations to Accumulated surplus account			
Corrections were made and appropriated to the Accumulated Surplus Account during the financial years ended 30 June.			
Details of the appropriations are as follows:			
Unappropriated Surplus Account:			
Corrections to operating lease assets	Income for operating leases incorrectly treated in the 2009/10 AFS		-6 176
Corrections to VAT	VAT review reflected unclaimed Vat from previous year/s		1 536 324
Corrections to Provision performance bonuses	Provision for performance bonuses was less than actual expenditure		-137 893
Corrections to debtors	Resolutions of the Valuations Appeals Board Implemented		-1 249 519
Corrections to Housing Development Fund	All loans written off in 2004, transactions incorrectly written of against provision for bad debts		1 826 591
Corrections to Non-Current Provisions	New actuarial valuation highlighted an incorrect calculation		-43 586
Corrections to Property, Plant and Equipment	See note 48.1		8 498 271
Corrections to Outstanding Grants	VAT on grant expenditure not allocated preciously		1 385 896
Corrections to other debtors	Eskom deposit incorrectly allocated. It is a guarantee.		-70 302
Increase in Unappropriated Surplus Account			11 739 606
49.5 VAT on Trade receivables from exchange transactions			
A correction was made on the trade receivables from exchange transactions and the VAT receivable balances for the year ended 30 June 2010 due to the incorrect classification of VAT on outstanding consumer debtors.			
		Trade receivables from exchange transactions	VAT receivable
		R	R
Reclassification		1 849 190	-1 849 190
50. TRUST FUNDS			
Nature Development - Stilbaai		1 377 699	1 363 468
Elsje Koorts Tuberculosis Fund		166 793	157 948
Total Trust Funds		1 544 492	1 521 416
An annexure is attached with the Annual Financial Statements of the Trust Funds			

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011			2011	2010
			R	R
51. FINANCIAL INSTRUMENTS				
51.1 Classification of Financial Instruments				
FINANCIAL ASSETS				
Financial Assets		Classification		
Long-term Receivables				
Sport clubs/Pre-primary School		Loans and receivables	25 970	27 612
Other		Loans and receivables	0	0
Consumer Debtors				
Rates	Note 5	Loans and receivables	9 900 738	9 202 180
Electricity	Note 4	Loans and receivables	9 092 284	6 657 823
Water	Note 4	Loans and receivables	3 934 309	2 697 087
Sewerage	Note 4	Loans and receivables	3 519 150	2 930 901
Waste Management	Note 4	Loans and receivables	2 078 469	1 798 589
Housing Rental/Selling Schemes	Note 4	Loans and receivables	1 704	11 091
Other	Note 4	Loans and receivables	2 327 567	2 735 188
Less: Provision for Impairment	Note 4	Loans and receivables	-7 181 954	-6 271 199
Other Debtors				
	Note 5			
Insurance claims		Loans and receivables	25 426	63 412
Government subsidies		Loans and receivables	1 227 055	6 044 287
Councilors Telephone Accounts		Loans and receivables	0	0
Other		Loans and receivables	642 495	2 369 011
Current Portion of Long-term Receivables				
Sport clubs/Pre-primary School		Loans and receivables	1 643	1 519
Other		Loans and receivables	0	0
Short-term Investment Deposits				
Call Deposits	Note 8	Loans and receivables	70 020 893	62 439 932
Bank Balances and Cash				
Cash Floats and Advances		Loans and receivables	2 102 592	5 780
SUMMARY OF FINANCIAL ASSETS				

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011			2011	2010
			R	R
51. FINANCIAL INSTRUMENTS - (continued)				
Loans and Receivables:				
Call Deposits	Note 8	Loans and receivables	70 020 893	62 439 932
Long-term Receivables		Sport clubs/Pre-primary School	25 970	27 612
Consumer Debtors	Note 5	Rates	9 900 738	9 202 180
Consumer Debtors		Electricity	9 092 284	6 657 823
Consumer Debtors		Water	3 934 309	2 697 087
Consumer Debtors		Sewerage	3 519 150	2 930 901
Consumer Debtors		Waste Management	2 078 469	1 798 589
Consumer Debtors		Housing Rental/Selling Schemes	1 704	11 091
Consumer Debtors		Other	2 327 567	2 735 188
Consumer Debtors		Less: Provision for Impairment	-7 181 954	-6 271 199
Other Debtors	Note 5	Insurance claims	25 426	63 412
Other Debtors		Government subsidies	1 227 055	6 044 287
Other Debtors		Other	642 495	2 369 011
Current Portion of Long-term Receivables	Note 13	Car Loans	0	0
Current Portion of Long-term Receivables		Sport clubs/Pre-primary School	1 643	1 519
Current Portion of Long-term Receivables		Other	0	0
Current Portion of Long-term Receivables		Housing selling scheme loans - Stilbaai	0	0
Bank Balances and Cash	Note 7	Cash Floats and Advances	2 102 592	5 780
			97 718 339	90 713 214
TOTAL FINANCIAL ASSETS			97 718 339	90 713 214

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011			2011	2010
			R	R
<u>Financial Liabilities</u>	<u>Classification</u>			
Long-term Liabilities				
Annuity Loans	Note 19	Financial liabilities at amortised cost	56 356 369	42 117 439
Consumer Deposits				
Electricity and Water	Note 14	Financial liabilities at amortised cost	3 253 353	3 119 521
Creditors				
Trade Creditors	Note 16	Financial liabilities at amortised cost	21 167 793	10 673 269
Provisions	Note 15	Financial liabilities at amortised cost	7 792 798	6 311 170
Retentions		Financial liabilities at amortised cost	2 414 746	3 996 546
Staff Leave		Financial liabilities at amortised cost	3 449 072	2 970 842
Other Creditors		Financial liabilities at amortised cost	6 352 571	5 515 299
Unspent Conditional Grants				
National Government Grants	Note 17	Financial liabilities at amortised cost	3 111 187	7 779 424
Provincial Government Grants		Financial liabilities at amortised cost	253 135	379 685
District Municipal Grants		Financial liabilities at amortised cost	430 078	1 459 893
Other Conditional Grants		Financial liabilities at amortised cost	3 130 795	301 937
Current Portion of Long-term Liabilities				
Annuity Loans		Financial liabilities at amortised cost	8 247 746	5 804 349

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011			2011	2010
			R	R
51. FINANCIAL INSTRUMENTS - (continued)				
SUMMARY OF FINANCIAL LIABILITIES				
Long-term Liabilities	Note 19	Annuity Loans	56 356 369	42 117 439
Consumer Deposits	Note 14	Electricity and Water	3 253 353	3 119 521
Creditors	Note 15	Trade Creditors	21 167 793	10 673 269
Creditors		Retentions	2 414 746	3 996 546
Creditors		Staff Leave	3 449 072	2 970 842
Creditors		Other Creditors	6 352 571	5 515 299
Unspent Conditional Grants	Note 17	National Government Grants	3 111 187	7 779 424
Unspent Conditional Grants		Provincial Government Grants	253 135	379 685
Unspent Conditional Grants		District Municipal Grants	430 078	1 459 893
Unspent Conditional Grants		Other Conditional Grants	3 130 795	301 937
Current Portion of Long-term Liabilities	Note 19	Annuity Loans	8 247 746	5 804 349
TOTAL FINANCIAL LIABILITIES			108 166 843	84 118 205

51.2 Fair Value of Financial Instruments

In accordance with IAS 39.09 the Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

The management of the municipality is of the opinion that the carrying value of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statement approximate their fair values. The fair value of Financial Assets and Financial Liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors. (All carrying amounts listed below = fair value and no disclosure of fair value is required when the carrying amount of financial instruments is a reasonable approximation of fair value)

	30 June 2011		30 June 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
FINANCIAL ASSETS				
Loans and Receivables	97 718 339	97 718 339	90 713 214	90 713 214
Long-term Receivables	25 970	25 970	27 612	27 612
Call Deposits	70 020 893	70 020 893	62 439 932	62 439 932
Consumer Debtors	23 672 266	23 672 266	19 761 660	19 761 660
Other Debtors	1 894 976	1 894 976	8 476 710	8 476 710
Bank Balances and Cash	2 102 592	2 102 592	5 780	5 780
Current Portion of Long-term Receivables	1 643	1 643	1 519	1 519
Total Financial Assets	97 718 339	97 718 339	90 713 214	90 713 214

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011		2011	2010
		R	R
FINANCIAL LIABILITIES			
Loans and receivables:			
<u>Unsecured Bank Facilities:</u>	64 604 115	64 604 115	47 921 789
- Annuity Loans	64 604 115	64 604 115	47 921 789
Trade and Other Payables:	43 562 728	43 562 728	36 196 416
Consumer Deposits	3 253 353	3 253 353	3 119 521
Creditors	33 384 182	33 384 182	23 155 956
Unspent Conditional Grants	6 925 194	6 925 194	9 920 940
Total Financial Liabilities	108 166 843	108 166 843	84 118 205

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011	2010
	R	R
51. FINANCIAL INSTRUMENTS - (continued)		
<u>Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities</u>		
The fair value of Financial Assets and Financial Liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.		
<u>51.3 Capital Risk Management</u>		
The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged. The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 18, Bank, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus and the Statement of Changes in Net Assets.		
<u>51.4 Significant Accounting Policies</u>		
Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect or each class of Financial Asset, Financial Liability and Equity Instrument are disclosed in the Accounting Policies to the Annual Financial Statements.		
<u>51.5 Financial Risk Management Objectives</u>		
Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.		
The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.		
Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.		
<u>51.6 Market risk</u>		
The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 51.7 below). No formal policy exists to hedge volatilities in the interest rate market.		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

51.7 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of fixed deposit investments, long-term deposit investments, other debtors, short-term investment deposits and bank and cash balances.

The municipality is exposed to interest rate risk as the municipality borrows funds at both fixed and floating interest rates. The risk is managed by the municipality by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles.

51.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

51. FINANCIAL INSTRUMENTS - (continued)**Liquidity and Interest Risk Tables**

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Average effective interest rate	1 - 6 months	6 - 12 months	1 - 2 years	2 - 5 years	More than 5 Years	Total
	%	R	R	R	R	R	R
30 June 2011							
Fixed Interest Rate Instruments	9.33% - 11.56%	4 250 378	3 997 368	8 651 055	20 537 062	27 168 251	64 604 114
30 June 2010							
Fixed Interest Rate Instruments	9.33% - 11.56%	2 818 610	2 985 736	6 449 609	17 920 788	17 747 046	47 921 789

The municipality has access to financing facilities, the total unused amount which is R100,000 at the reporting date. The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain current debt to equity ratio. This will be achieved through increasing tariffs and the increased use of unsecured bank loan facilities.

51.9 Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality.

Potential concentrations of credit risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of an allowance for doubtful debt.

In the case of debtors whose accounts become in arrears, it is endeavored 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
Long-term Receivables and Other Debtors are individually evaluated annually at balance sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.		
The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.		
The maximum credit risk exposure in respect of the relevant financial instruments is as follows:		
Fixed Deposit Investments	70 020 893	62 439 932
Long-term Receivables	1 643	1 519
Consumer Debtors	16 448 019	13 136 602
Other Debtors	9 155 108	15 435 950
VAT Receivable	2 599 594	3 542 332
Bank and Cash Balances	2 102 592	5 780
Maximum interest and credit risk exposure	100 327 849	94 562 116

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
52. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE		
52.1 Unauthorised expenditure		
To management's best of knowledge no Unauthorised Expenditure was incurred during the year under review.		
52.2 Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure:		
Opening balance	0	0
Legal costs paid due to non-compliance with SCM policy	76 855	0
Electricity losses above the threshold (Refer note 53)	0	300894
Water losses above the threshold (Refer note 53)	510 384	384 441
Fruitless and Wasteful Expenditure awaiting condonement	587 239	685 335
Abovementioned Fruitless and wasteful expenditure are not recoverable.		
52.3 Irregular expenditure		
To management's best of knowledge no Unauthorised Expenditure was incurred during the year under review.		
53. MATERIAL LOSSES		
Electricity distribution losses		
- Units purchased (Kwh)	86 434 806	86 264 512
- Units lost during distribution (Kwh)	8 344 213	11 103 977
- Percentage lost during distribution	9.65%	12.87%
Losses of up to 12 % is regarded as normal. The loss of electricity is indicative of ageing infrastructure assets. Maintenance and upgrading is performed on a regular basis. The Municipality's loss in distribution during 2010//11 was 9.65% as opposed to the 12.87% loss of the previous year. The decrease in the loss can be attributed to, inter alia, audits that were done to ensure that all consumption is metered. The Stilbay lines are in the process of being upgraded and maintenance is being done on all lines to try and minimize the losses. The Municipality however has limited resources available and the best possible maintenance works is performed with the available resources. Council is also investigating further possibilities to address the problem.		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
<u>Water Inventory</u>		
The following losses were calculated during the comparison of water purchases against water sales:		
Riversdale		
Kiloliters purchased	1 179 405	1 198 644
Kiloliters sold	644 365	636 527
Kiloliters lost in distribution	535 040	562 117
Percentage loss in distribution	45%	47%
Cost per kiloliter	0.35	0.32
Total cost in Rand	187 264	179 877
Amount greater than 12% transferred to fruitless expenditure	137 729	133 850
Heidelberg and Witsand		
Kiloliters purchased	460 031	543 476
Kiloliters sold	341 782	426 551
Kiloliters lost in distribution	118 249	116 925
Percentage loss in distribution	26%	22%
Cost per kiloliter	4.66	3.96
Total cost in Rand	551 040	463 023
Amount greater than 12% transferred to fruitless expenditure	293 791	204 763
Slangrivier		
Kiloliters purchased	67 728	73 415
Kiloliters sold	31 929	48 354
Kiloliters lost in distribution	35 799	25 061
Percentage loss in distribution	53%	34%
Cost per kiloliter	2.85	2.82
Total cost in Rand	102 027	70 672
Amount greater than 12% transferred to fruitless expenditure	78 864	45 828
Total amount transferred to fruitless expenditure (Refer note 52.2)	510 384	384 441

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011	2010
	R	R
53. MATERIAL LOSSES - (continued)		
Losses of up to 12% is regarded as normal. This has not been included in the figures above.		
<p>The loss of water is indicative of ageing infrastructure assets requiring improved maintenance and upgrading. Although the losses in Riversdale is higher than the previous year, there is a significant improvement in the losses of Witsand/Heidelberg and Slangrivier. This is the result of capital invested in the upgrading of the infrastructure. An investigation was done in Riversdale to see if all meters are read. No significant deviations were found. Council is however currently investigating further possibilities to address this problem. The water infrastructure is very old, and millions of Rands is required to finance the backlog.</p>		

Appendix A

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011

EXTERNAL LOANS	Interest Rate	Loan Number	Redeemable	Balance at 30/06/2010 R	Received during the period R	Redeemed written off during the period R	Balance at 30/6/2011 R
Annuity Loans							
Development Bank	10.50%	12007420	2021	0	22 023 014	0	22 023 014
Development Bank	11.36%	101222	2013/12	9 011 147	0	-2 232 079	6 779 068
Development Bank	11.40%	101432	2014/12	3 159 670	0	-664 459	2 495 211
Development Bank	9.38%	102004	2015	4 113 657	0	-602897	3 510 760
Development Bank	9.33%	102770	2017	7 884 698	0	-843 576	7 041 122
First National Bank	11.40%	4-000-019-445-833	2020	14 807 788	0	-389 469	14 418 319
Development Bank	11.56%	103465	2019/06	8 944 828	0	-608 208	8 336 620
Total External Loans				47 921 788	22 023 014	-5 340 688	64 604 114

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WACC - WEIGHTED AVERAGE COST OF CAPITAL

34.09	3.58	10	400	40	4.00
10.49	1.19	12	300	30	3.60
3.86	0.44	15	200	20	3.00
5.43	0.51	18	100	10	1.80
10.90	1.02				
22.32	2.54		1000	100	12.40
12.90	1.49				
100.00	10.77				

Appendix B

ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNIE 2011

	Cost						Accumulated Depreciation					Carrying Value R	Budget Additions R
	Opening	Additions	Fair Value Adjustment/Transfer	Under Construction	Disposals	Closing	Opening	Transfers	Additions	Disposals	Closing		
	Balance R	R	R	R	R	Balance R	R	R	R	Balance R			
Land and Buildings													
Land and Buildings	263 972 225	2 928 728	-150 500	0		266 750 453	3 529 536		3 819 023	0	7 348 559	259 401 894	4 098 887
	263 972 225	2 928 728	-150 500	0	0	266 750 453	3 529 536		3 819 023	0	7 348 559	259 401 894	4 098 887
Non-current assets held for sale													
Land	0	0	150 500	0	0	150 500	0		0	0	0	150 500	0
	0	0	150 500	0	0	150 500	0		0	0	0	150 500	0
Investment Property													
Land and Buildings	43 093 281	0	357 000	0	0	43 450 281	0		0		0	43 450 281	0
	43 093 281	0	357 000	0	0	43 450 281	0		0	0	0	43 450 281	0
Intangible Assets													
Water Rights	400 000	0	0	0	0	400 000	21 111		13 333	0	34 444	365 556	0
	400 000	0	0	0	0	400 000	21 111		13 333	0	34 444	365 556	0

Appendix B

ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNIE 2011

	Cost						Accumulated Depreciation					Carrying Value R	Budget Additions R
	Opening	Additions	Fair Value Adjustment/Transfer	Under	Disposals	Closing	Opening	Transfers	Additions	Disposals	Closing		
	Balance R			Construction R		Balance R	Balance R				Balance R		
Infrastructure													
Sewerage													
Purification	32 119 619	2 796 101	0	45 975	0	34 961 695	2 594 533		1 047 949	0	3 642 482	31 319 213	5 185 000
Outfall Sewerage	5 962 552	98 840	0	0	0	6 061 392	1 559 587		411 969	0	1 971 556	4 089 836	145 000
Reticulation	23 942 881	712 575	0	625 000	0	25 280 456	5 922 768		665 235	0	6 588 003	18 692 453	1 361 945
Water													
Water Meters	2 281 659	630 682	0	0	0	2 912 341	448 925		81 891	0	530 816	2 381 525	665 000
Reticulation Network	16 527 327	884 519	0	1 652 638	0	19 064 484	3 802 302		432 340	0	4 234 642	14 829 842	2 675 270
Pump Stations	5 479 646	107 137	0	0	0	5 586 784	339 259		319 548	0	658 807	4 927 977	113 000
Purification Works	2 243 791	0	0	0	0	2 243 791	668 160		157 324	0	825 484	1 418 307	0
Reservoirs/Tanks	13 921 918	2 715 909	0	0	0	16 637 827	2 691 550		436 713	0	3 128 263	13 509 564	2 716 250
Electricity													
Power Stations	179 178	0	0	0	0	179 178	88 757		6 986	0	95 743	83 435	0
Transformer Kiosks	1 535 624	56 547	0	0	0	1 592 171	109 733		34 953	0	144 686	1 447 485	60 000
Substations	5 061 181	0	0	0	0	5 061 181	644 364		87 151	0	731 515	4 329 666	0
Streetlights	1 446 853	25 875	0	0	0	1 472 728	212 912		39 640	0	252 552	1 220 176	666 180
Electricity Meters	1 386 156	0	0	0	0	1 386 156	372 150		31 615	0	403 765	982 391	0
Mains	16 597 038	0	0	9 106 167	0	25 703 205	2 791 860		395 198	0	3 187 058	22 516 147	9 715 614
					0								
Solid Waste	973 611	0	0	0	0	973 611	311 311		67 875	0	379 186	594 425	0
Roads and Stormwater													
Motorways	55 925 656	1 251 909	0	8 274 991	0	65 452 556	6 990 601		1 927 176	0	8 917 777	56 534 779	14 861 026
Stormwater	24 075 345	6 297 831	0	0	0	30 373 177	4 188 311		896 502	0	5 084 813	25 288 364	6 438 974
Parking Areas	18 027	0	0	0	0	18 027	3 464		1 273	0	4 737	13 290	0
Footpaths	4 055 368	0	0	0	0	4 055 368	752 252		140 611	0	892 863	3 162 505	0
	213 733 431	15 577 925	0	19 704 771	0	249 016 128	34 492 799		7 181 949	0	41 674 748	207 341 380	44 603 259

Appendix B

ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNIE 2011

	Cost						Accumulated Depreciation					Carrying Value R	Budget Additions R
	Opening	Additions	Fair Value Adjustment/Transfer	Under	Disposals	Closing	Opening	Transfers	Additions	Disposals	Closing		
	Balance R			Construction		Balance R	Balance R				Balance R		
Community Assets		R	R	R	R	R	R	R	R	R	R	R	R
Cemeteries	620 228	0	0	0	0	620 228	205 512		51 905	0	257 417	362 811	0
Sport Grounds	7 808 272	0	0	0	0	7 808 272	2 127 103		490 359	0	2 617 462	5 190 810	0
Parks	6 089 675	0	0	202 479	0	6 292 154	1 410 702		262 620	0	1 673 322	4 618 832	336 228
Public Conveniences	246 220	0	0	0	0	246 220	9 750		4 826	0	14 576	231 644	0
	14 764 395	0	0	202 479	0	14 966 874	3 753 067		809 710	0	4 562 777	10 404 097	336 228

Appendix B

ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNIE 2011

	Cost					Accumulated Depreciation					Carrying Value R	Budget Additions R	
	Opening	Additions	Fair Value Adjustment/Transfer	Under	Disposals	Closing	Opening	Transfers	Additions	Disposals			Closing
	Balance R			Construction		Balance R	Balance R						R
Heritage Assets													
Various Items	5 500	8 326 375		0	0	8 331 875	0		0	0	0	8 331 875	0
	5 500	8 326 375	0	0	0	8 331 875	0		0	0	0	8 331 875	0
Other Assets													
Emergency Equipment													
Emergency	437 467	24 458	-	-	-	461 925	83 045		40 477	-	123 522	338 403	53 000
Plant&Equipment													
Graders and Frontloaders	2 488 282	774 128	-	-	-	3 262 410	741 339		305 080	-	1 046 419	2 215 991	774 169
Tractors	1 683 629	530 231	-	-	-	2 213 860	629 806		146 309	-	776 115	1 437 745	400 000
Boats	56 035	-	-	-	-	56 035	12 191		5 347	-	17 538	38 497	-
Lawnmowers	809 201	145 815	-	-	-	955 016	326 364		134 553	-	460 917	494 099	134 000
Compressors	104 413	8 000	-	-	-	112 413	38 939		13 263	-	52 202	60 211	18 078
Other Plant and Equipment	2 943 433	792 883	-		(3 898)	3 732 418	1 388 065		411 611	(3 123)	1 796 553	1 935 865	772 948
MotorVehicles													
Sedans	552 023	-	-	-	-	552 023	185 688		72 284	-	257 972	294 051	-
Motor Cycles	78 769	-	-	-	-	78 769	48 706		6 749	-	55 455	23 314	-
Trailers	1 798 994	101 105	-		(25 175)	1 874 924	453 184		188 917	(25 175)	616 926	1 257 998	114 000
Trucks/LDV's	10 743 611	1 335 255	-		-	12 078 866	3 539 258		1 302 920	-	4 842 178	7 236 688	1 379 200
Office Equipment													
Computer Equipment	1 565 274	372 146	-		(36 914)	1 900 506	617 623		274 215	(35 831)	856 007	1 044 499	315 461
Other Equipment	534 380	58 989	-		-	593 369	201 397		63 740	-	265 137	328 232	7 000
Office Machines	2 057 703	219 785	-		(37 350)	2 240 138	778 721		289 765	(37 350)	1 031 136	1 209 002	525 347
Furniture and Fittings	4 223 982	341 582	-		-	4 565 564	1 603 616		513 090	-	2 116 706	2 448 858	748 277
Security Equipment													
Security	7 057	26 140	-		-	33 197	224		5 952	-	6 176	27 021	108 650
	30 084 253	4 730 517	-	-	(103 336)	34 711 434	10 648 167	-	3 774 272	(101 479)	14 320 959	20 390 475	5 350 130
TOTAL	566 053 086	31 563 545	357 000	19 907 250	-103 336	617 777 544	52 444 680	-	15 598 287	-101 479	67 941 488	549 836 056	54 388 504

Appendix C

SEGMENTAL ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2011

	Cost					Accumulated Depreciation					Carrying Value R
	Opening Balance R	Additions R	Under Construction R	Fair Value Adjustment t	Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Closing Balance R	
	Executive & Council	345 539	8 354 649	-		-	8 700 188	89 828	51 921	-	
Finance & Admin	289 780 776	2 370 889	-	357 000	(103 336)	292 405 329	3 483 488	2 640 926	(101 479)	6 022 935	286 382 394
Health	1 218 248	-	-		-	1 218 248	113 397	113 397	-	226 794	991 454
Community & Social Services	15 931 412	534 906	-		-	16 466 318	2 311 390	1 427 963	-	3 739 353	12 726 965
Public Safety	1 884 483	633 383	-		-	2 517 866	636 789	294 981	-	931 770	1 586 096
Sport & Recreation	23 481 376	1 212 100	202 479		-	24 895 955	4 589 369	1 608 469	-	6 197 838	18 698 117
Planning and Development	281 293	13 987	-		-	295 280	95 585	41 478	-	137 063	158 217
Nature Conservation	-	-	-		-	-	-	-	-	-	-
Tourism	1 285 422	238 674	-		-	1 524 096	568 062	158 939	-	727 001	797 095
Road Transport	83 562 594	7 561 391	8 274 991		-	99 398 976	11 501 446	2 670 161	-	14 171 607	85 227 369
Waste Water Management/Sewerage	63 138 678	3 857 548	670 975		-	67 667 201	10 339 719	2 418 785	-	12 758 504	54 908 697
Waste Management/Solid Waste	1 026 344	-	-		-	1 026 344	332 894	80 746	-	413 640	612 704
Water	54 367 062	6 194 845	1 652 638		-	62 214 545	12 778 405	3 014 041	-	15 792 446	46 422 099
Electricity	29 749 859	591 174	9 106 167		-	39 447 200	5 604 307	1 076 480	-	6 680 787	32 766 413
TOTAL	566 053 086	31 563 545	19 907 250	357 000	(103 336)	617 777 545	52 444 680	15 598 287	(101 479)	67 941 488	549 836 057

Appendix D

SEGMENTAL INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

2010				2011		
Actual Income R	Actual Expenditure R	Surplus/(Deficit) R		Actual Income R	Actual Expenditure R	Surplus/(Deficit) R
17 720 016	22 876 936	-5 156 919	Executive & Council	21 934 382	33 773 242	-11 838 860
60 278 249	30 412 869	29 865 380	Finance & Admin	69 342 756	27 997 140	41 345 616
1 430 440	3 310 481	-1 880 041	Planning & Development	4 545 950	5 316 376	-770 426
			o Health			0
1 251 895	5 243 464	-3 991 569	Community & Social Services	986 647	5 903 744	-4 917 098
70 357 216	70 390 755	-33 539	Housing	17 237 116	17 206 505	30 610
4 675 388	6 231 264	-1 555 876	Public Safety	5 056 066	8 616 115	-3 560 049
133 055	1 498 231	-1 365 176	Environmental Conservation	144 425	1 048 864	-904 438
5 868 769	12 199 556	-6 330 787	Sport & Recreation	6 919 395	14 045 812	-7 126 417
13 188 789	20 348 544	-7 159 755	Road Transport	5 014 566	25 421 733	-20 407 167
27 796 780	12 652 332	15 144 448	Waste Water Management/Sewerage	15 000 663	12 954 838	2 045 825
8 830 577	8 478 675	351 902	Waste Management/Solid Waste	10 095 254	10 166 447	-71 194
20 271 541	17 099 421	3 172 121	Water	19 754 716	17 708 356	2 046 361
72 284 054	56 609 995	15 674 059	Electricity	85 644 259	72 624 838	13 019 421
40 000	2 180 359	-2 140 359	Hessequa Tourism		1 216 375	-1 216 375
304 126 769	269 532 880	34 593 889	Sub total	261 676 194	254 000 383	7 675 810
-14 277 607	-14 277 607	0	Less inter-departmental charges	-14 219 177	-14 219 177	0
289 849 162	255 255 273	34 593 889	Total	247 457 017	239 781 206	7 675 810

APPENDIX E (1)

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2011

	2011 Actual R	2011 Budget R	2011 Variance R	2011 Variance %	Explanation of Significant Variances greater than 5% versus Budget
Revenue					
Property Rates	42 630 797	43 463 157	-832 360	-1.92	
Service charges	118 221 495	117 378 559	842 936	0.72	
Rental of facilities and equipment	3 584 769	3 105 340	479 429	15.44	More income generated than expected
Interest earned - external investments	3 967 327	5 725 000	-1 757 673	-30.70	Lower interest rates as a result of the recession
Interest earned - outstanding debtors	1 063 350	517 000	546 350	105.68	More income generated than expected
Fines	2 632 877	2 536 200	96 677	3.81	
Licences and permits	293 514	260 500	33 014	12.67	More income generated than expected
Income for agency services	1 221 382	1 176 500	44 882	3.81	
Government grants and subsidies	56 322 961	69 788 495	-13 465 534	-19.29	DME Grant budgeted for, already included in previous year
Other Income	5 612 146	2 684 928	2 927 218	109.02	More income received, because of vat recovery on government grants, not budgeted for
Surplus on sale of assets	3 223 023	20 200 000	-16 976 977	-84.04	Tender for sale of land much lower than reserve price
Gain on revaluation of investment property	357 000	0	357 000		Fair Value adjustment not budgeted for
Recognition of heritage assets	8 326 375	0	8 326 375		Avaluation has been done on all heritage assets
Total Income	247 457 017	266 835 679	-19 378 662	-7.26	

APPENDIX E (1)

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2011

	2011 Actual R	2011 Budget R	2011 Variance R	2011 Variance %	Explanation of Significant Variances greater than 5% versus Budget
Expenditure					
Employee related costs	86 088 837	80 007 952	6 080 885	7.60	Actuarial losses more than budgeted for
Remuneration of councillors	4 093 200	4 541 808	-448 608	-9.88	Budget remuneration more than actual
Working Capital Reserve	3 392 909	2 439 638	953 271	39.07	Revision of contribution more than anticipated
Collection Costs	696 647	811 880	-115 233	-14.19	Expected litigation re SALA Pension Fund not realised
Depreciation	15 598 285	15 270 123	328 162	2.15	
Repairs and Maintenance	12 475 804	14 181 715	-1 705 911	-12.03	Due to capacity restraints, money was not spent
Interest - External borrowings	5 601 000	5 114 073	486 927	9.52	Interest SALA Pension Fund, not budgeted for
Bulk Purchases	44 874 237	46 460 957	-1 586 720	-3.42	
Contracted Services	3 172 254	3 215 000	-42 746	-1.33	Saving on budget for contractors
General Expenses	63 788 033	76 687 186	-12 899 153	-16.82	1) Saving on postage & telephone, vehicle cost en other expense items
Total Expenditure	239 781 206	248 730 332	-8 949 126	-3.60	
Nett surplus for the year	7 675 811	18 105 347	-10 429 536	-57.60	

APPENDIX E (2)

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2011

	2011 Actual R	2011 Budget R	2011 Variance R	2011 Variance %	Explanation of Significant Variances greater than 5% versus Budget
Land					
Land	2 928 728	4 098 887	-1 170 159	-28.55	Underspent on upgrade of camps
	2 928 728	4 098 887	-1 170 159	-28.55	
Infrastructure					
<u>Sewerage</u>	4 278 491	6 691 945	-2 413 454	-36.07	EIA for Slangrivier sewerage not received
<u>Water</u>	5 990 885	6 169 520	-178 635	-2.90	
<u>Electricity</u>	9 188 589	10 441 794	-1 253 205	-12.00	Tenders for low cost housing electricity way under budget
<u>Roads and Stormwater</u>	15 824 731	21 300 000	-5 475 269	-25.71	Biteman shortage country wide
	35 282 696	44 603 259	-9 320 563	-20.90	
Community Assets					
Parks	202 479	336 228	-133 749	-39.78	Underspent on two projects
	202 479	336 228	-133 749	-39.78	
Other Assets					
<u>Plant & Equipment</u>	2 251 057	2 099 195	151 862	7.23	Favourable tenders procured for requirements
<u>Motor Vehicles</u>	1 436 360	1 493 200	-56 840	-3.81	
<u>Other</u>	1 043 100	1 757 735	-714 635	-40.66	Purchased ex inventory budget
	4 730 517	5 350 130	-619 613	-20.50	
Total	43 144 420	54 388 504	-11 244 084	-20.67	

APPENDIX F

Disclosure of Grants and Subsidies in terms of section 123 of the MFMA, 56 of 2003

Name of Grant	Funder	Quarterly Receipts						Quarterly Expenditure					Closing Balance 30/06/2011 R	Capital R	Operating R
		Opening Balance 1/07/2010 R	September R	December R	March R	June R	Total R	September R	December R	March R	June R	Total R			
National Government		7 779 425	16 496 488	14 957 991	8 009 000	0	47 242 904	11 872 884	7 739 840	9 380 303	15 138 690	44 131 717	3 111 187	6 741 818	32 089 898
Equitable Share	DPLG	0	8 857 488	7 085 991	5 315 000		21 258 479	5 314 620	5 314 620	5 314 620	5 314 619	21 258 479	0		21 258 479
MIG Projects	DPLG	4 891 091	589 000	2 872 000	1 694 000		10 046 091	226 266	1 481 897	1 079 482	5 324 282	8 111 927	1 934 164	6 741 818	1 370 108
Financial Management Grant	DPLG	594 422	1 000 000				1 594 422	244 768	286 494	381 029	344 580	1 256 871	337 551		1 256 871
National Electricity Program			5 300 000				5 300 000	5 300 000				5 300 000	0	Previous year debtors	
Municipal Systems Improvement Grant	DPLG	10 273	750 000				760 273	68 280	25 000	53 720	298 602	445 602	314 671		445 602
DME	DMEA	2 283 639		5 000 000	1 000 000		8 283 639	718 950	631 829	2 551 452	3 856 607	7 758 838	524 801		7 758 838
Provincial Government		379 686	158 400	5 058 300	11 869 030	789 270	18 254 686	183 830	5 095 559	11 794 730	927 432	18 001 551	253 135	110 300	17 891 251
Slangrivier Land Reform	WC: Land Affairs	8 726	0				8 726					0	8 726		
Hessequa Soccer Cup	WC: Transport	0	0		50 000		50 000	50 000				50 000	0		50 000
Library Ext. Staff Levells	WC: Housing	0	158 400	158 300	158 300		475 000	118 750	118 750	118 750	118 750	475 000	0		475 000
RDP Housing	WC: Housing	0		4 850 000	11 360 730	789 270	17 000 000		4 850 000	11 360 730	789 270	17 000 000	0		17 000 000
Community Development Workers	WC: Housing	0	0	50 000			50 000	12 500	12 500	12 500	12 500	50 000	0		50 000
Primary Health Care Services	WC: Health	110 812	0				110 812		108 000	2 300	512	110 812	0	110 300	512
Proclaimed Roads	WC: Transport	0	0		300 000		300 000			300 000		300 000	0		300 000
Spatial Development Framework	WC: Environment	22 105	0				22 105					0	22 105		
Performance Management System	PAWC	125 042	0				125 042					0	125 042		
Housing Consumer Education	WC: Housing	50 000	0				50 000	2 580	6 309	450	6 400	15 739	34 261		15 739
Project Preparation Grant	WC: Local Govt.	63 000	0	0	0	0	63 000					0	63 000		0
District Municipality		1 459 893	0	0	0	144 000	1 603 893	0	40 783	660 809	472 224	1 173 816	430 078	989 815	184 000
Vermaaklikheid Land Reform	Eden Distr. Mun.	78 787	0	0	0	0	78 787					0	78 787		
Hessequa Thouroughfares	Eden Distr. Mun.	989 815	0	0	0	0	989 815		40 783	660 809	288 224	989 816	0	989 815	
Alternative Electricity	Eden Distr. Mun.	273 533	0	0	0	0	273 533					0	273 533		
Housing Consumer Educations	Eden Distr. Mun.	23 758	0	0	0	0	23 758					0	23 758		
Clean-up Project	Eden Distr. Mun.	0		0	0	144 000	144 000				144 000	144 000	0		144 000
Africa Day	Eden Distr. Mun.	40 000	0	0	0		40 000				40 000	40 000	0		40 000
LED Learnership	Eden Distr. Mun.	54 000	0	0	0	0	54 000					0	54 000		
Other		301 937	0	3 061	186 709	3 000 000	3 491 707	33 357	13 149	23 855	290 552	360 913	3 130 794	0	360 913
Skills Development	Seta	113 805		3 061	186 709		303 575	33 357	13 149	23 855	10 400	80 761	222 814		80 761
Garcia Forestry		0				3 000 000	3 000 000				280 152	280 152	2 719 848		280 152
Tourism		101 819					101 819					0	101 819		
Africana Centrum		26 313					26 313					0	26 313		
Public Participation Strategy		60 000					60 000					0	60 000		
TOTAL - CONDITIONAL GRANTS		9 920 940	16 654 888	20 019 352	20 064 739	3 933 270	70 593 189	12 090 071	12 889 331	21 859 697	16 828 898	63 667 997	6 925 193	7 841 933	50 526 062

HESSEQUA MUNICIPALITY

TRUST FUNDS - STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011

Net Assets and Liabilities	2011 R	2010 R
Net assets	1 544 492	1 521 416
Capital Fund	1 080 340	1 080 340
Accumulated Surplus/(Deficit)	464 152	441 076
Total Net Assets and Liabilities	1 544 492	1 521 416
Assets		
Current assets	1 544 492	1 521 416
Investments	1 544 492	1 521 416
Total Assets	1 544 492	1 521 416

TRUST FUNDS - STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

Revenue	Note	2011 R	2010 R
Interest earned - external investments		81 905	92 856
Other Income		0	
Total Revenue		81 905	92 856
Expenditure			
General expenses		58 829	18 020
Total Expenditure		58 829	18 020
Surplus/(Deficit) For The Year		23 076	74 836

HESSEQUA LOCAL MUNICIPALITY
TRUSTFUNDS

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1. **BASIS OF PRESENTATION**

The following trust funds exist in the municipality:

(a) Development Fund for the Maintenance and Operation of Nature Areas in Stilbaai

This fund was established in terms of section 76.2 of Municipal Ordinance, 1974 (Ordinance 20 of 1974) with the sanction of the Premier on 14 August 1998.

(b) Elsje Koorts Tuberculosis Fund

This fund was established in terms of clause 4 of the last will and testament of the late Elsje Koorts, and states inter alia that "the remainder of my estate will be used for the treatment of tuberculosis cases in Riversdale....."

These funds are invested in ringfenced investment account. See note 8

ANNEXURE B: REPORT OF THE AUDITOR GENERAL

DRAFT

REPORT OF THE AUDITOR-GENERAL TO THE WESTERN CAPE PROVINCIAL PARLIAMENT AND THE COUNCIL ON HESSEQUA MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Hessequa Municipality, which comprise the statement of financial position as at 30 June 2011, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 1 to 85.

Accounting officer's responsibility for the financial statements

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

Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and section 126(3)(a) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and *General Notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

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

Emphasis of matters

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

Restatement of corresponding figures

9. As disclosed in note 48 and 49 to the financial statements, the corresponding figures for 30 June 2010 have been restated as a result of a change in accounting policy and errors discovered during 2011 in the financial statements of the municipality at, and for the year ended, 30 June 2010.

Material losses

10. As disclosed in note 53 to the financial statements, water distribution losses of R510 384 (40,4%) were incurred during the 2010-11 financial year (2009-10 financial year: R384 441 (38,8%)) as a result of ageing infrastructure assets.

Material underspending of the budget

11. The Municipality has materially underspent on its capital budget by an amount of R11 244 084. This was mainly due to a country-wide shortage of raw materials for the construction of roads and the environmental impact assessment for Slangrivier sewerage not being approved. The unspent capital budget has been carried over to the 2011-12 financial year.

Additional matters

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

Material inconsistencies in other information included in the annual report

13. The draft annual report has not yet been submitted to us for review to identify any material inconsistencies that may exist between the annual report and financial statements. The final printer's proof of the annual report will be reviewed and any material inconsistencies then identified will be communicated to management. Should the inconsistencies not be corrected, it may result in the matter being included in the audit report.

Unaudited supplementary schedules

14. The supplementary information set out on pages 86 to 99 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

15. In accordance with the PAA and in terms of *General notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, I include below my findings on the annual performance report as set out on pages ... to ... and material non-compliance with laws and regulations applicable to the municipality.

Predetermined objectives

Reliability of information

16. The reported performance information was deficient in respect of the following criteria:

- **Validity:** The reported performance did not occur and does not pertain to the entity
- **Accuracy:** The amounts, numbers and other data relating to reported actual performance have not been recorded and reported appropriately.

17. The following findings relate to the above criteria

- For the selected objectives 24% of the reported indicators were not accurate based on the source information or evidence provided.
- For the selected objectives the validity and accuracy of 21% of the reported indicators could not be established as sufficient appropriate audit evidence and/or relevant source documentation could not be provided

Compliance with laws and regulations

Expenditure management

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

Procurement and contract management

19. The performance of contractors or providers was not monitored on a monthly basis as required by section 116(2)(b) of the MFMA.

20. The contract performance measures and methods whereby they are monitored on a monthly basis were insufficient to ensure effective contract management as per the requirements of section 116(2)(c) of the MFMA.

Asset management

21. The accounting officer did not take all reasonable steps to ensure that the municipality had and maintained a management, accounting and information system which accounts for the assets of the municipality as required by section 63(2)(a) of the MFMA.

Internal audit

22. The municipality did not develop and implement mechanisms, systems and processes for auditing the results of performance measurement as part of its internal audit processes as required by section 45(1)(a) of the Municipal Systems Act, 2000 (Act No. 32 of 2000)(MSA) and regulation 14 of the Municipal Planning and Performance Management Regulations, 2001 (regulations), issued in *GNR.796 of 24 August 2001*.

Predetermined objectives

23. Adequate explanations and corrective action for major variances between the planned and the actual reported targets were not provided, as required by regulation 13 of the regulations.
24. The audit committee did not function as required by regulation 14 of the regulations in that the audit committee did not meet at least twice during the year, review the quarterly reports of internal audit on their audits of the performance measurements for the municipality, review the municipality's performance management system and submit an auditor's report to the council regarding the performance management system at least twice during the financial year.
25. The Municipality did not disclose a comparison of performance with targets set for the current and previous financial years, in the annual performance report as required by section 46 of the MSA.

INTERNAL CONTROL

26. In accordance with the PAA and in terms of General notice 1111 of 2010, issued in *Government Gazette 33872 of 15 December 2010*, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

Leadership

27. Action plans to address internal control deficiencies identified on predetermined objectives in the prior year were not adequately implemented and monitored which resulted in recurring findings in the current period.
28. The deficiencies were not analysed and appropriate follow-up actions were not taken to ensure that external audit findings relating to predetermined objectives raised were appropriately addressed.
29. A council approved implementation plan exists, procedures to enable and support understanding and execution of internal control objectives, processes, and responsibilities relating to procurement and contract management performance were not established effectively.

Financial and Performance Management

30. Management did not take adequate action to address risks relating to the achievement of complete and accurate performance reporting. Management did not adequately monitor and review reported performance information.

31. Asset register reconciliations were not regularly performed nor reviewed and compared to accounting records to ensure completeness and accuracy thereof as well as compliance with the reporting framework. This resulted in material misstatements identified and corrected during the audit. The underlying reason for the control deficiency is due to the timelines for finalisation of accounting records not being adequately enforced by the chief financial officer resulting in limited time available for review of financial statements and supporting working papers to be submitted for audit.

Governance

Performance audit committee

32. Although a performance audit committee was established, the committee did not function during the year as the committee never met and consequently did not perform their required duties.

Internal audit

33. The municipality did not develop and implement mechanisms, systems and processes for auditing the results of performance measures and the performance report as part of its internal audit process.

OTHER REPORTS

Investigations

34. During the current financial year an investigation into the alleged improper soliciting of businesses for donations to a political party was undertaken, Council reprimanded the individual for the actions and the matter has been closed.

Auditor General
Cape Town

30 November 2011



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

DRAFT

Hessequa Munisipaliteit

Ouditkomitee

Verlag aan die Raad oor bedrywighede gedurende 2010/2011

1. Doel van die verslag

Om verslag aan die Raad, ooreenkomstig klousule 10.4 van die Ouditkomitee se mandaat, oor die bedrywighede van die Ouditkomitee gedurende 2010/2011, te lewer.

2. Lede van die Ouditkomitee

Die lede van die Ouditkomitee is as volg:

- Prof JA Döckel (Voorsitter)
- Dr AL van Wyk
- Mev CE Conradie
- Mnr TB Februarie
- Mnr J Lupini
- Mnr KG Herbst (gekoöpteer)
- Prof PJ du Plessis (gekoöpteer)

3. Vergaderings gehou, bywoning en deelname

Gedurende die loop van 2010/11 het die Ouditkomitee vier geskeduleerde vergaderings gehou en wel op die volgende datums:

- 10 Augustus 2010
- 16 November 2010
- 15 Februarie 2011; en
- 17 Mei 2011

Twee spesiale Vergaderings is gehou naamlik op 29 September 2010 om die finansiële state vir die jaar geëindig 30 Junie 2010 te bespreek en ook op 24 Maart 2011 om die 2011/2012 Begroting te bespreek.

Die vergaderings is goed bygewoon met slegs enkele verskonings in uitsonderlike gevalle. Daar was geen verandering in lede nie wat goed is vir die kontinuiteit van die komitee. Mnr JC Oosthuizen, Hoof: Interne Oudit, het elke vergadering bygewoon en as sekretaris opgetree. Mev M Hume, Assistent Interne Ouditeur was op drie maande kraamverlof, maar het verder alle vergaderings bygewoon. Volledige notules is gehou van elke vergadering en op 'n gereelde basis aan die Raad voorgelê. Die Voorsitter van die Ouditkomitee is

na die Portefeuljekomitee vergaderings, waar die notule van Ouditkomitee vergaderings bespreek is, uitgenooi om deel te neem aan die besprekings.

Betrokke amptenare is na vergaderings genooi waar verdere inligting oor bepaalde aangeleenthede benodig was. Dit het daartoe gelei dat die komitee beter ingelig is oor bepaalde besprekingspunte wat vervat is in aanbevelings.

4. Mandaat en verantwoordelikhede van die Ouditkomitee

Ingevolge artikel 166(2)(a) van die Wet op Plaaslike Regering: Munisipale Finansiële Bestuur, 2003 (Wet No. 56 van 2003), is 'n Ouditkomitee 'n onafhanklike adviserende liggaam wat, onder andere, die munisipale raad, die politieke ampsdraers, die rekenpligtige beampte en die bestuurspersoneel van die munisipaliteit moet adviseer oor 'n wye reeks finansiële, wetlike en bestuursaangeleenthede. Die verantwoordelikhede en bevoegdhede wat die Raad in terme van hierdie wetsbepaling aan die Hessequa Ouditkomitee opgedra het, het gedurende 2010/2011 onveranderd gebly, naamlik:

- Evaluering van die werksaamhede van die Ouditeur-Generaal
- Evaluering van die mandaat, ouditplan en werksaamhede van Interne Oudit
- Onderhouding van effektiewe stelsels van interne monitering en finansiële beheer
- Nakoming van wette, reëls en regulasies
- Monitering van die etiese optrede van raadslede, uitvoerende amptenare en bestuur
- Ontleding van finansiële state
- Monitering van prestasiebestuur
- Nagaan van die risikobestuursproses

Hierdie is uitgebreide verantwoordelikhede en met beperkte middele het die Ouditkomitee gepoog om dit tot die beste van sy vermoë uit te voer.

5. Opsomming van vernaamste sake bespreek

Aangesien volledige notules gehou word wat gereeld aan die Raad voorgelê is, word slegs die volgende belangrikste sake wat aandag geniet het, aangestip:

- Aanbevelings vir verstellings van die Ouditkomitee se mandaat
- Ouditbeplanning vir 2011, 2012 en 2013
- Voldoening aan wetsvereistes
- Onafhanklike ondersoeke na spesifieke sake
- Nie-nakoming van Raadsbesluite deur direktorate
- Evaluering van die interne ouditfunksie en die Hoof: Interne Oudit in terme van onafhanklikheid en effektiwiteit
- Oudit van algemene administratiewe aangeleenthede
- Voltooing van die goedgekeurde ouditplan vir die jaar

Benewens bostaande aspekte het sekere ander algemene sake deur die jaar aandag geniet:

1. *Uitstaande debiteure.*

Die Ouditkomitee beskou die invordering van agterstallige betalings as 'n baie belangrike aspek en word terugvoering hieroor gegee op elke gewone vergadering van die komitee. Daar bestaan 'n bekommernis oor die stygende tendens van die agterstallige bedrae.

2. *Prestasiebestuurstelsel*

Die eerste vergadering van die Prestasie Ouditkomitee was geskeduleer vir 29 Junie 2011. Die Munisipale Bestuurder het egter versoek dat dit uitgestel word omrede die strukture van die pas verkose Raad nog nie in plek was nie. Die ouditering van die stelsel het dus plaasgevind in die 2010/2011 jaar, maar het nie gedien voor die Prestasie Ouditkomitee nie.

3. *Risikobestuurstrategie*

Die afwesigheid van 'n Risikobestuurstrategie word gereeld deur die Ouditkomitee onder die aandag van die Raad gebring. So 'n strategie is egter nog nie in plek nie. Dit is 'n aspek wat dringende aandag vereis.

4. *“Quality Assessment”*

'n Quality Assessment (QA) is tydens Mei 2011 uitgevoer op die Interne Ouditafdeling van die Raad deur die Instituut van Interne Ouditeure. Die verslag en kommentaar daaroor sal in die 2011/2012 jaar deur die Ouditkomitee bespreek word. So 'n evaluering word voorgeskryf deur wetgewing en is Hessequa en Kaapstad die enigste twee munisipaliteite in die Wes Kaap wat al so 'n evaluering laat doen het.

5. *Uitvoering van Ouditplan*

Die uitvoering van die goedgekeurde Ouditplan word kwartaalliks deur die Ouditkomitee gemonitor en bespreek.

6. Ouditeur-Generaal

Die samewerking en evaluering van die werksaamhede van die Ouditeur-Generaal (OG) is een van die prioriteite van die Ouditkomitee. Die Ouditkomitee het dan ook op 29 September 2010, aan die aanvang van die audit van die finansiële state vir die jaar geëindig 30 Junie 2010, met die hoofde van die OG se auditspan vergader en aspekte van die aard en omvang van die audit met hulle bespreek en aanbevelings gemaak aangaande probleem areas wat die audit kan aanspreek. n Aspek ten opsigte van interne audit, wat deur die eksterne ouditeure uitgelig is in die amptelike auditverslag vir die finansiële jaar geëindig 30 Junie 2010, was egter omstrede, veral wat betref die rol van interne audit by risikobestuur. Die verslag van die OG verklaar, in die verband, dat “die interne auditfunksie vervul nie sy verantwoordelikhede soos uiteengesit in die MFMA nie”. 'n Opname van risikos in departemente word gedoen. Dit dien as basis waarvolgens hierdie geïdentifiseerde risikos in die auditplan vervat word.

Daar bestaan tans nie 'n risikobestuurstrategie vir die munisipaliteit nie. Interne oudit kan nie betrokke wees by die implementering van die risikobestuur en dit terselfdertyd ouditeer nie. Die gebrek aan 'n risikobestuurstrategie is herhaaldelik deur Interne Oudit uitgewys. Vele navrae aan ekstene ouditeure en die Ouditeur Generaal oor presies wat die verdere vereistes is waaraan interne oudit in die opsig moet voldoen het op niks uitgeloop nie. Die hoop word uitgespreek dat duidelikheid hieroor verkry sal word sodra die OG begin met die oudit van die finansiële state vir die jaar geëindig 30 Junie 2011.

7. Aangeleenthede wat die Ouditkomitee dringend onder die aandag van die Raad wil bring

7.1 Nie-nakoming van Raadsbesluite

Daar bestaan kommer by die Ouditkomitee dat sommige besluite deur die Raad, wat voortspruit uit aanbevelings van die Ouditkomitee, nie uitgevoer is nie. Die leemte loop oor na sommige algemene Raadsbesluite wat nog uitstaande is.

Die Collaborator stelsel word gebruik om besluite aan individue deur te stuur, maar het nie die gewenste uitwerking nie aangesien daar steeds 'n aantal raadsbesluite is wat nie uitgevoer is nie. Dit wil voorkom asof daar nie 'n effektiewe moniteringsproses is nie. Hierdie aangeleentheid vereis dus nog verdere aandag en is deur die Ouditkomitee verwys na die Raad.

7.2 Doeltreffendheid van die interne ouditfunksie

Die Ouditkomitee is tevrede met die onafhanklikheid van die interne ouditfunksie. Die wetsvereistes vir die ouditfunksie is omvangryk. Die 2 vakkundige personele in die departement is onvoldoende om in diepte aan al die take die vereiste aandag te gee. Die goedgekeurde Ouditplan vir 2010/2011 is nogtans bevredigend uitgevoer. Aandag behoort geskenk te word aan die aanstelling van 'n Interne Ouditklerk.

8. Leemtes

8.1 Bateregister

Die 2009/10 ouditverslag was ongekwalifiseerd. Die bateregister is egter nie volledig nagegaan nie. Die Ouditeur Generaal het egter bevestig dat die bateregister vir die 2010/2011 boekjaar volledig geoudit sal word. Daar is terugvoering verkry vanaf Departement Finansies dat 'n volledige bateregister gereed sal wees teen 30 Junie 2011.

8.2 Risikobestuurstrategie

Die gebrek aan 'n Risikobestuurder is 'n bron van kommer vir die komitee. Die ouditverslag van die 2009/2010 jaar het dit ook aangespreek. 'n Konsep risikobestuurstrategie is deur eksterne konsultante opgestel en beskikbaar gestel gedurende November 2008, en is aan die Munisipale Bestuurder verskaf. Die Raad het op die UBK vergadering van 24 Maart 2009 per besluit 5.2.4.2.1,

besluit dat hierdie strategie voorgelê word vir bespreking en aanvaarding, asook dat 'n bestaande amptenaar se funksie uitgebrei word om die Raad se risikobestuur te koördineer. Hierdie besluit is egter nie uitgevoer nie en daar is tot op datum nie 'n risikobestuurstrategie vir die Raad goedgekeur nie. Voorts is daar ook nie 'n formele struktuur ingestel om die proses te koördineer nie.

8.3 Prestasiebestuurproses

Soos vroeër in die verslag genoem, is die eerste vergadering van die Prestasie Ouditkomitee uitgestel. Daar is wel 'n oudit gedoen op die Prestasiebestuurstelsel.

9. Algemene mening

Ondanks die punte wat in paragraaf 8 aangedui is, is die Ouditkomitee tevrede dat stelsels en interne kontrolemaatreëls in plek is om die implementering van effektiewe en doeltreffende bestuur van die Hessequa Munisipaliteit te ondersteun. Die Ouditkomitee is daartoe verbind om sy funksies na die beste van sy vermoë uit te voer en voortydig die Raad in te lig indien daar leemtes geïdentifiseer word wat aandag vereis. Die Ouditkomitee is altyd gretig om die baie goeie prestasies van die Raad en amptenary uit te lig.

10. Skakeling met die Raad

Die notules van die Ouditkomitee word aan die Raad versprei waar die besluite van die Ouditkomitee dien as aanbevelings aan die Raad. Die Raad is ook altyd bereid om kwelpunte met die Ouditkomitee te bespreek.

JA Döckel

Voorsitter: Ouditkomitee