

# HESSEQUA MUNICIPALITY

*ANNUAL REPORT  
2018-2019*



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## ABOUT THE 2018/19 ANNUAL REPORT

The 2018/19 Annual Report reflects the second year of the newly elected Council after the 2016 elections and as a result also highlight all the initiatives emanating from the vision as set out in the IDP. It has been Hessequa Municipality's endeavour to deliver quality service and engage its communities in participatory local government. This report offers an overview of the operations, activities and performance of Hessequa Municipality for the 2018/19 financial year. 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.

The Annual Report consists of six chapters, each addressing specific reporting areas as well as the supporting documentation in the form of Annexures. A broad overview of the report is as follows:

- Chapter 1 - An overview of the Municipality's social and demographic profile and key highlights regarding Finance, Performance and Service Delivery.
- Chapter 2 - Provides details about the governmental workings of the municipality addressing the key aspects of good governance.
- Chapter 3 - Highlights the Municipality's performance for the year, focussing on the service delivery and the Pre-determined objectives of the Council.
- Chapter 4 - Provides insight into the Human Resources and organisational management areas of the Municipality, focussing on organisational structure, training and development, legislation and collective agreements.
- Chapter 5 - An overview of the Municipality's financial performance, reflecting on the Municipality's financial position, assets, cash flow and intergovernmental grants received by the Municipality.
- Chapter 6 Auditor-General Opinion
- Annexure A - Audited Financial Statements
- Annexure B - Audit Committee Annual Report
- Annexure C - Oversight Report



# *Chapter 1:*

## *Overview of Hessequa*

### *Municipality*



## CHAPTER 1

### 1.1 FOREWORD BY THE EXECUTIVE MAYOR

I am proud to present the Annual Report which reflects the service delivery highlights and challenges of the 2018/2019 financial year, as Executive Mayor of Hessequa. Hessequa continues to deliver on the national, provincial and IDP service delivery goals, with service delivery standards above the regional and national norm.

In collaboration with other spheres of government, knowledge partners and international support, could we deliver a solution to the Witsand water crisis with the building of the first solar powered desalination plant of its kind in South Africa. Other service delivery highlights are the investment in bulk services in Riversdale and Stilbaai to accommodate growth. We continue to eradicate service backlogs with paving of streets in previously disadvantaged communities. Upgrades to municipal camp sites also serves as investment in opening the doors of Hessequa to stimulate our stagnant economy. Economic development and growth remain a priority.

In the process of our IDP review, I challenged the administration to deepen the discussion with communities during the development of the coming budget and a process was developed and implemented which allowed communities to not only contribute to the process, but having a follow-up discussion with communities to identify priorities and communicate limitations in terms of resources. This was well received by communities.

In terms of general management of the organisational performance, the expenditure of capital funding remains challenge as the implementation of many projects have been affected by highly regulated and time consuming supply chain procedures. Even in the midst of this, we are committed to clean and ethical governance and can we only ensure that all procedures are followed and regulations are adhered to. We will continue to serve our communities in the tradition of clean audit outcomes, as it has been set by the last two administrations.

In your service,

*Grant Riddles*

Executive Mayor, Cllr G Riddles





## 1.2 MUNICIPAL MANAGER'S OVERVIEW

Hessequa Municipality provides this Annual Report to the reader with the powers and functions, as set out in sections 155 and 156 of the Constitution of South Africa, as a Category B municipality. It does so without any Municipal Entities or sharing of functions with other sector departments.

It is a pleasure to reflect on the previous five consecutive clean audit outcomes Hessequa Municipality has achieved, but it remains a priority to comply and perform in a highly regulated environment. Service delivery of a continuous high quality to all residents of Hessequa and all visitors to the area remain the highest priority and will not be neglected. The financial health of the municipality is stable and growing in the midst of challenging economic circumstances and a below average economic growth.



Hessequa has been able to invest in bulk services in various towns and are committed to ensure service delivery. Service delivery is seen as a growth enabler which will ensure an expanding income base. Hessequa has one town that shows the signs of growth and has the municipality prepared for development by not only investing in services, but also creating a more responsive administration in the form of a new Investment Facilitation Standard Operating Procedure (IFSOP) which assists prospective investors on what is needed and required when new developments are considered.

The municipality has taken up loans in the past few financial years in accordance with our approved long term financial plan, which is encapsulated in the Integrated Development plan, or IDP. There has been no change in the 2018/2019 financial year to the senior management team of the municipality.

Hessequa embarked on an extensive review of governance processes at the hand of a strategic risk assessment. With financial assistance from Provincial Treasury, a highly skilled risk practitioner was procured to complete a risk maturity assessment and presented it to Council. Hessequa is committed to gradually work towards a combined assurance model of governance with the limited resources available to the municipality.

Investment in aging information systems remain a priority, but with the implementation of required changes to financial systems, integration and automation is limited. The information technology environment is ever changing and the cost implication thereof on medium-low capacity municipalities in general are immense. Currently information security and systems continuity remain a priority.

As the desalination plant in Witsand shown, collaboration between ourselves, partners, other spheres of government and our communities, Hessequa can continue to be a success.

*Johan Jacobs*

Municipal Manager, Mr J Jacobs



## 1.3 MUNICIPAL & SERVICE DELIVERY OVERVIEW

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, indigenous forests, fynbos and Karoo. 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 such as Erica Blenna 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 on the western border of the Garden Route District Municipality between Swellendam and Mosselbay Municipalities. At present, the Municipal area of Hessequa includes the towns of Heidelberg, Riversdale, Albertinia, Witsand, Gouritsmond, Slangrivier, Stilbaai and Jongensfontein. Small rural communities are also part of Hessequa like Garcia and Vermaaklikheid.

### **Wards**

The municipal area includes a number of huge rural areas as well as towns. The Municipality is currently structured into the following 9 Municipal Wards:

Ward	Areas	Ward	Areas
1	Gouritsmond, Melkhoutfontein, Stilbaai East and rural farming areas	5	Part of Heidelberg from N2 towards Duivenhoksrivier
2	Albertinia Town, Theronville and rural farming areas	6	Part of Riversdale and rural farming areas
3	Vermaaklikheid, Jongensfontein, Stilbaai West and rural farming areas	7	Part of Riversdale and rural farming areas, Brandrivier/Karoo, Garcia and Kwanokuthula
4	Witsand, Part of Diepkloof Heidelberg and surrounding rural farms and Slangrivier	8	Part of Riversdale, Môrestond, Aloeridge & Panorama
		9	Part of Heidelberg, North-west of N2 and surrounding rural farming areas towards northern border with Kannaland and Swellendam municipalities

*Table 1.:Municipal Wards*





### 1.3.1 Hessequa Households & Population

At the time of Census 2011, the population of the Hessequa region constituted of **52 642** people made up of **15 873** household units. The municipal area includes a number of big rural areas as well as towns. These towns all have unique socio-economic challenges and does the municipality provide a safety net for poor households through the approved Credit Control and Indigent Policy. Table 1 reflects the number of households registered for indigent support as at July 2019.

Town	2017/2018	2018/2019
Albertinia	1 003	1 065
Gouritsmond	49	56
Heidelberg	1 233	1 258
Slangrivier	788	725
Riversdale	1 863	1 929
Stilbaai	243	326
<b>Total</b>	<b>5 179</b>	<b>5 359</b>

*Table 1 - Indigent Households*

#### Population

The Municipality is estimated to account for +/-9% of the total Garden Route District's population of 574 265. The table below indicates the projected population for each town within the Hessequa municipal area, based on the 10-year growth rate from 2001 - 2011:

	2001	Growth Rate	2011	2018	2020	2025	2030
Albertinia	4692	3.11%	6372	8393	8757	10589	12900
Gouritsmond	459	1.16%	515	539	571	605	641
Jongensfontein	282	2.33%	355	389	437	490	550
Heidelberg	7125	1.49%	8259	8762	9433	10156	10934
Melkhoutfontein	1479	5.53%	2533	3141	4111	5380	7040
Riversdale	12793	2.37%	16177	19982	20211	22945	26094
Slangrivier	2352	2.50%	3011	3324	3761	4255	4814
Stilbaai	3012	1.55%	3514	3737	4037	4360	4710
Witsand	199	4.90%	321	389	494	627	796
Rural	11741	-0.13%	11586	11525	11448	11372	11297
<b>Total</b>	<b>44134</b>	<b>1.78%</b>	<b>52642</b>	<b>78020</b>	<b>83469</b>	<b>93725</b>	<b>105872</b>

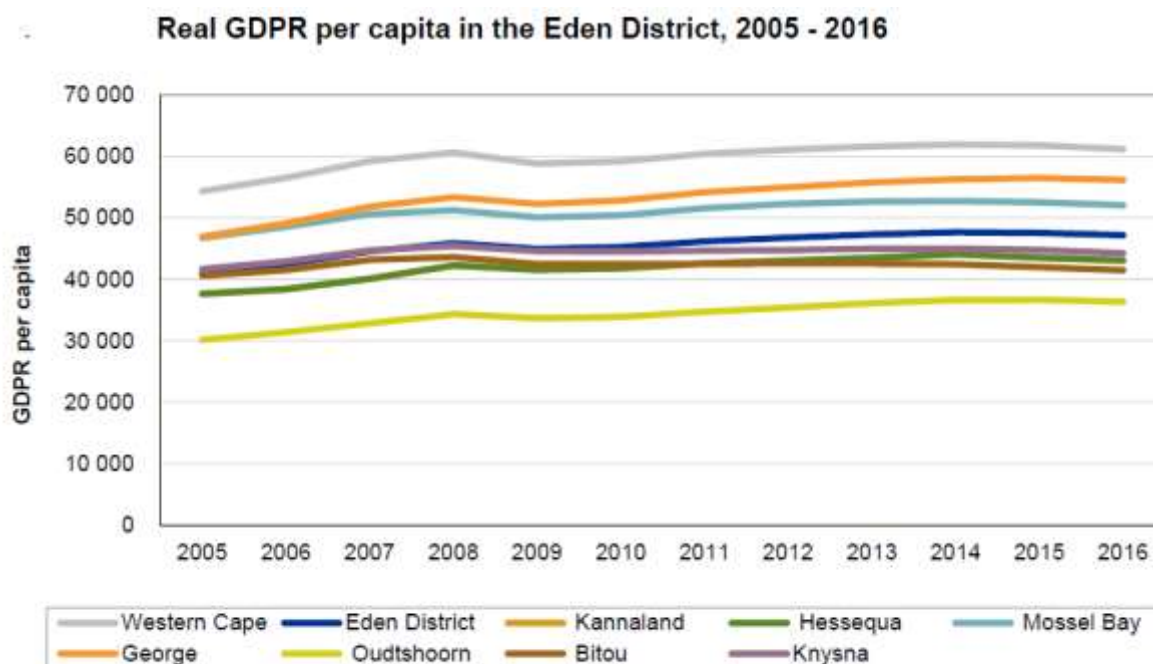
*Table 2.: Growth and Projected Population*

### 1.3.2 Overview of Hessequa's Social and Economic Information

#### Socio-economic Overview

To provide a brief overview of the Hessequa economic profile the following table clearly indicates the growth challenges experienced by economic sectors within Hessequa. Even though the statistics in the following tables do not relate directly to the reporting financial year, the trends in progress/regress/levels are relevant to the Annual Report as it provides an overview to the reader.





Source: Quantec/Urban-Econ 2017

Table 3.:Economic Growth

These challenges also reflect within the employment figures. These figures clearly indicate that residents aren't experiencing economic growth, and should the municipality consider investment in income generating infrastructure, which will provide growth nodes with the capacity in bulk services to accommodate new development.

Sector	Contribution to employment (%) 2015	Number of jobs 2015	Trend 2004 - 2015	Employment (net change)		
				Pre-recession 2004 - 2008	Recession 2008 - 2009	Recovery 2009 - 2015
Agriculture, forestry and fishing	4.2	891	-3 477	-2 523	-445	-509
Mining and quarrying	0.0	5	-17	-5	-6	-6
Manufacturing	9.7	2 088	329	381	-125	73
Electricity, gas and water	0.2	51	6	6	-7	7
Construction	7.8	1 669	-306	73	-299	-80
Wholesale and retail trade, catering and accommodation	33.1	7 084	2 915	2 045	16	854
Transport, storage and communication	8.2	1 757	1 056	614	42	400
Finance, insurance, real estate and business services	15.5	3 322	1 586	833	-2	755
Community, social and personal services	12.9	2 759	707	378	11	318
General government	8.4	1 799	393	153	46	194
<b>Total Hessequa</b>	<b>100</b>	<b>21 425</b>	<b>3 192</b>	<b>1 955</b>	<b>-769</b>	<b>2 006</b>

Source: Quantec Research, 2016

Table 4.:Economic Sector Employment



### 1.3.3 Service Delivery Overview

One of the major challenges of the Hessequa municipal region is the vast geographic layout. The above-mentioned communities are located in a rural area more than twice the size of the City of Cape Town Metro. When access to services are assessed within the integrated development planning process, it **includes the vast number of households that are in the rural areas**. These households do pose a major challenge in terms of service delivery as they are not connected to any form of municipal basic service. The following tables represent the access to basic services for all household's c in Hessequa compared that of other municipalities in the Eden district.

#### Water

**Different types of access to water, Eden District, 2016**

Municipality	Inside the yard		Less than 200 m from yard		More than 200 m from yard	
	2015	2016	2015	2016	2015	2016
Kannaland	5 812	7 537	0	0	0	0
Hessequa	12 945	13 316	399	427	0	0
Mossel Bay	31 888	35 156	2 422	72	0	0
George	29 740	30 106	3 137	3 362	120	120
Oudtshoorn	13 966	14 588	3 392	3 392	103	0
Bitou	14 129	14 784	929	850	0	0
Knysna	15 932	16 826	3 768	3 744	1 179	929

Source: Non-Financial Census of Municipalities, Stats SA 2017

*Table 5.:Services Comparison*

The data indicates that in Hessequa, 80.4 per cent of households have access to water within their dwellings and a further 14.4 per cent have access inside their yard. The minimum service level is households that have access to water 200 m or less from their dwelling. Approximately 97.8 per cent of households meet this minimum standard. This puts Hessequa close to the NDP target of 100 per cent access to water by 2030. Hessequa outperforms the Provincial and District average of 96.6 and 95.2 per cent respectively.

**Sanitation****Different types of access to sanitation, Eden District, 2016**

Municipality	Toilet connected to public sewerage system		Flush toilet connected to septic tank		Bucket system		Ventilated improved pit latrine system		Other	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Kannaland	5 332	5 332	190	190	0	0	0	0	0	0
Hessequa	12 945	12 987	1 713	1 713	0	0	487	487	0	0
Mossel Bay	26 623	26 623	5 285	5 285	137	137	30	30	2 285	2 285
George	29 740	31 147	1 630	1 630	0	0	1 627	811	0	0
Oudtshoorn	13 966	14 588	508	601	0	0	0	0	492	592
Bitou	14 129	15 059	479	390	0	0	0	0	0	0
Knysna	15 932	18 454	2 634	528	0	0	0	2 108	5 139	3 205

Source: Stats SA Non-Financial Census of Municipalities

\*VIP Service is an acceptable service standard and are primarily found in rural areas where households are not connected to flow sanitation services.

Table 6.: Sanitation Services Comparison

**Selected socio-economic indicators, Eden District, 2005 - 2016**

Indicator	Eden District	Kannaland	Hessequa	Mossel Bay	George	Oudtshoorn	Bitou	Knysna
GDP growth (2005 - 2015)	3.2%	3.3%	3.2%	2.9%	3.7%	3.2%	3.2%	2.3%
Population growth (2005 - 2015)	1.7%	1.3%	1.6%	1.6%	1.7%	1.2%	2.8%	1.6%
Real GDP per capita (2005 - 2015)	R45 574	R41 689	R41 805	R50 959	R53 364	R34 360	R42 294	R44 366
Gini coefficient (2010 - 2016)	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase
Household expenditure	Non-durable goods/ Services	Non-durable goods/ Services	Non-durable goods/ Services	Non-durable goods/ Services	Non-durable goods/ Services	Non-durable goods/ Services	Non-durable goods/ Services	Non-durable goods/ Services
HDI (2010 - 2016)	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase
No schooling (2016)	7.1%	8.5%	7.4%	6.4%	7.4%	7.7%	6.1%	6.1%
Grade 12 dropout rates (2016)	31.7%	39.3%	30.2%	32.5%	26.4%	35.6%	25.9%	32.2%
Informal dwelling (2016)	8.9%	1.5%	2.2%	7.3%	7.4%	5.7%	16.9%	18.1%
Indigent households (2015 - 2016)	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Decrease
Free basic water (2015 - 2016)	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Decrease
Free basic electricity (2015 - 2016)	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Decrease
Free basic refuse removal (2015 - 2016)	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Decrease
Free basic sanitation (2015 - 2016)	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Decrease
Main causes of death (%)	Diseases of the circulatory system							
Age group with highest death rate	45 - 65+							

\*Table sourced from Municipal Economic Review and Outlook, 2017, Western Cape Government

**Inclusive Summary**

The socio-economic profile illustrates how the socio-economic environment impacts on the standard of living within the Municipality. The following points are of note in the analysis above:

- An **increasing dependency ratio** on municipal indigent safety nets. (Table 1)
- Hessequa has growing population at a rate of 1.6 per cent per annum, according to Quantec Research. This has been noted and considered in the review of the Spatial Development Framework in the previous financial year.
- The **literacy rate** remains a serious matter to consider. The Grade 12 drop-out rate impacts on the employability of youth. This has been part of inter-governmental discussions throughout the IDP review.
- Hessequa has relatively low amounts of informal structures, but a recent study of Backyard Dwellings showed that the impact of the lack of housing is much larger than the figures show.
- The Municipality has the lowest level of households under the lower bound poverty line within the District. The Municipality however has the **lowest increasing per capita income**.
- Hessequa Municipality outperforms the District in terms of access to water, electricity, sanitation and formal dwellings, but there is still room for improvement in terms of household access to refuse removal. This is primarily caused by the lack of the service in rural areas.

It is also clear that any investments that is made by the municipality should be focused on sustainability and providing the space for development. It is clear from this short overview that services are delivered, however the cost of these services on the low-income households is creating a risk of non-sustainability.

### Basic Service Delivery Performance Highlights

Highlight	Description
Drilling and Testing of Boreholes in Witsand, Vermaaklikheid, Still Bay and Albertinia.	To strategic goals are to ensure sustainable water supply to the Hessequa Municipal areas. The boreholes will also be monitored for quality and yield. The impact will be that the sustainable yield will be known for future planning.
Witsand Desalination Plant	The strategic goal is to ensure sustainable water supply to the Witsand community. The impact is to increase the water supply security, especially during droughts, or times of water scarcity.  The outcome is an increased water supply security to the Witsand community
Upgrading of Still Bay Waste Water Treatment Works	The strategic goal is to comply to outflow requirements stipulated in the license conditions, and to cater for seasonal peak flow.
Paving of streets in low cost housing areas in the Hessequa Municipal Area	The project was implemented to address road and storm water related issues in the low cost residential area in the Hessequa Municipal area to prevent damages caused by storm water to existing houses. To improve service delivery to the Hessequa residents.
Municipal Infrastructure Grant	Hessequa Municipality managed to spend 100% of their MIG funds by 30 June 2019.
Expanded Public Works Programme (Work Opportunities)	Hessequa Municipality managed to create a total of 354 work opportunities versus 53 FTE's during the 2018/19 financial year. The



Highlight	Description
	Municipality managed to reach their five-year protocol agreement target of 1514.
Upgrading of the Riversdale Waste Water Treatment Works	The purpose of this upgrade is to ensure that the outflow quality complies to the licence requirements. Some spare capacity will also be created to allow for growth in Riversdale over the coming years.
Service levels	A good level of service delivery is maintained in the Hessequa municipality mostly due to dedicated staff committed to their work.
Appointment of critical staff.	Two critically important vacancies were filled, namely the Head: Technical Services positions in Albertinia and Riversdale.
Heidelberg Cemetery	The Heidelberg Cemetery was extended during the 2018/19 financial year.
Takkieskloof swimming pool	The swimming pool floor , pump and filter was upgraded.
Melkhoutfontein Cemetery	Approval from the Department of Environmental Affairs was obtained for the extension of the Melkhoutfontein Cemetery (extension with: 4499m <sup>2</sup> )
Blue flag status (Beaches)	Hessequa Municipality obtained 5 star blue flag status for the following beaches: Lappiesbaai , Gouritsmond, Preekstoel, Witsand and Jongensfontein .Still Bay West received a pilot blue flag status, for the 2019/20 season.

Table 7.:Basic Service Delivery Highlights

### Basic Service Delivery Challenges

Service Area	Challenge	Actions to address
Water, roads, sanitation, refuse removal	The availability of infrastructure in remote areas remains a huge problem – Garcia, Vermaaklikheid	National support is needed to effectively manage rural small towns. Small towns with less than 2 000 households are a huge challenge.
Water, roads, sanitation, electrical	Inadequate funding (Grant & Internal)	The financial plan of the municipality clearly identifies the investment needed to maintain and develop services. More significant Provincial and National investment in local sphere of government is needed to maintain service levels
Supply Chain Processes	Supply Chain Processes are time consuming and difficult to administer. Several contracts had to be cancelled due to appeals and several contracts that were awarded, had to be cancelled due to non-performance of service providers.	A committee was established to address supply chain processes, call the DMC (Demand Management Committee)

Table 8.:Basic Service Delivery Challenges



## 1.4 FINANCIAL HEALTH

### 1.4.1 Financial Overview

Income	Final Budget		Actual
	R'000		R'000
Grants	86 893		80 272
Taxes, Levies and tariffs	298 793		305 536
Other	104 238		110 011
<b>Sub Total</b>	<b>489 925</b>		<b>495 819</b>
<b>Less Expenditure</b>	<b>478 742</b>		<b>429 407</b>
<b>Net Surplus</b>	<b>11 183</b>		<b>66 412</b>

Table 9.: Operating Budget Overview - Please refer to AFS for more detailed information

### 1.4.2 Operating Ratios

Detail	Expected norm (% of total budget exp) %	Actual/Total Final budget (%)	Variance %
Employee Cost	33,50%	32,90%	0,60%
Repairs & Maintenance	8,00%	14,78%	-6,78%
Finance Charges & Depreciation	10,01%	3,53%	6,48%

Table 10.: Operating ratios

### 1.4.3 Total Capital Expenditure

Detail	2017/18	2018/19
	R'000	
Final Budget	90,682	92 477
Actual	62,292	68 065
% spent	68.69%	73,60%
<b>For more information on under expenditure, please refer to page 49, TL1, explanation on under performance of capital expenditure</b>		

Table 11.: Total Capital Expenditure





# *Chapter 2:*

# *Good Governance*



## CHAPTER 2

### COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

#### 2.1 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	2016/17	2017/18	2018/19
	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	80.03%	68.69%

Table 12.: National KPIs - Good Governance and Public Participation Performance

#### 2.2 PERFORMANCE HIGHLIGHTS - GOOD GOVERNANCE AND PUBLIC PARTICIPATION

Highlight	Description
<b>In depth IDP Review process with Communities</b>	The Mayor mandated a more in depth inclusion of communities in the IDP/Budget review. This was implemented with a process of revisiting communities during the IDP process to discuss the results of public input into the IDP and budget with each respective community. It was found that communities are not always aware of need / challenges / backlogs in terms of the greater Hessequa area of planning. The community meetings were facilitated to <b>discuss</b> challenges, rather than to just <b>present</b> . The result was that a greater understanding and sense of cohesion were established that also lead to further engagements requested by various representative platforms to better understand the planning for their respective areas.
<b>IDP / Budget Governance Review</b>	In collaboration and support of Provincial Treasury, Hessequa initiated a process of review of the IDP and Budget Prioritisation model. The management of strategic risk to the municipal vision was placed as strategic planning tool and the use of a skilled Risk Management Practitioner was procured on the cost of Provincial Treasury to support Hessequa.

Table 13.: Good Governance and Public Participation Performance Highlights



## 2.3 CHALLENGES - GOOD GOVERNANCE AND PUBLIC PARTICIPATION

Description	Actions to address
<p><b>Compliance and Affordability to comply and mature towards enhanced governance processes.</b></p>	<p>Communities are becoming more and more used to various services that are enabled through digital services and does the implementation of these technologies create a major challenge to consider in terms of systems changes that is required. Changes within the regulatory environment of municipalities causes system changes as well and do all local municipalities struggle to find the needed resources to invest in non-income generating expenditure. Examples of these are new financial systems, electronic process management, infrastructure telemetry, broadband/network infrastructure, etc.</p>

Table 14.: 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 function 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 of 17 elected Councillors as of August 2016, consisting of 9 Ward Councillors and 8 Proportional Representation (PR) Councillors. The portfolio committees are made up of Councillors drawn from all political parties. The party representation in the Council is presented in the table below and the Councillors are categorised within their specific political parties and wards for the 2018/19 financial year:

#### July 2018 – June 2019

Council Members	Capacity	Political Party	Ward representing or proportional	Number of Council meetings attended (Total 13 )	Percentage Apologies for non-attendance
					%
G Riddles	Executive Mayor	DA	PR	13	n/a



Council Members	Capacity	Political Party	Ward representing or proportional	Number of Council meetings attended (Total 13 )	Percentage Apologies for non-attendance
					%
Johannes Hartnick	Executive Deputy Mayor	Freedom Front	PR	12	100
A Stroebel	Speaker	DA	PR	13	n/a
M Jakobs	Councillor	DA	PR	13	n/a
AM Joubert	Councillor	DA	PR	13	n/a
B Smith	Councillor	DA	Ward 1	13	n/a
T van Rensburg (Since September 2018)	Councillor	DA	PR	11	n/a
JL Hartnick (Resigned September 2018)	Councillor	DA	PR	2	n/a
SM Odendaal	Councillor	DA	Ward 9	13	n/a
T van den Berg	Councillor	DA	Ward 3	13	n/a
ME Dayimani	Councillor	ANC	Ward 7	12	100
CP Taute	Councillor	ANC	Ward 8	9	100
L Pieterse	Councillor	ANC	PR	12	100
JE Gelderbloem	Councillor	ANC	Ward 5	11	100
T Pretorius (Deceased February 2019)	Councillor	ANC	Ward 4	8	100
NA Joseph	Councillor	ANC	Ward 6	13	n/a
M Fielies	Councillor	ANC	PR	12	100
IT Mangaliso	Councillor	ANC	Ward 2	11	100
GL Boezak (since May 2019)	Councillor	DA	Ward 4	3	n/a

Table 15.: Council Meeting attendance



**b. Executive Mayoral Committee**

The Executive Mayor of the Municipality, Councillor G Riddles, 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 functions in consultation 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 2018 to 30 June 2019:

<b>Name of member</b>	<b>Capacity</b>
G Riddles	Executive Mayor
Johannes Hartnick	Executive Deputy Mayor
M Jakobs	Mayoral Committee member
AM Joubert (Until December 2018)	Mayoral Committee member
B Smith	Mayoral Committee member
SM Odendaal (Replace AM Joubert since January 2019 )	Mayoral Committee member
<b>Meeting dates</b>	<b>Number of reports submitted to Council</b>
25 July 2018	254
29 August 2018	
26 September 2018	
23 October 2018	
31 October 2018	
28 November 2018	
30 January 2019	
27 Februarie 2019	
28 March 2019	
29 May 2019	
26 June 2019	

*Table 16.: Executive Mayoral Committee*



**c. Portfolio Committees**

In terms of section 80 of the Municipal Structures Act, 1998, a Council may appoint 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 2018-19 financial year and their chairpersons are as follows:

**I. Corporate Services**

<b>Name of member</b>	<b>Capacity</b>
B Smith	Chairperson
M Fielies	Member
Johannes Hartnick	Member
IT Mangaliso	Member
SM Odendaal	Member
L Pieterse	Member
JL Hartnick (resigned September 2018)	Member
T van Rensburg (since Nov '18 to Apr '19 – switched to Financial Services Portfolio from May 2019)	Member
A Stroebel (until April 2019)	Member
AM Joubert (since May 2019 - replaced T v Rensburg)	Member
G Boezak (since May 2019 – replaced A Stroebel)	Member

*Table 17.: Corporate Management Portfolio Committee*

<b>Meeting dates</b>	<b>Number of reports submitted to Council</b>
15 August 2018	237
12 September 2018	
17 October 2018	
14 November 2018	
13 February 2019	
13 March 2019	
15 May 2019	
12 June 2019	

*Table 18.: Corporate Services Portfolio Committee Meetings*



**II. Community Services****July 2018-June 2019**

<b>Name of member</b>	<b>Capacity</b>
M Jakobs	Chairperson
AM Joubert	Member
SM Odendaal	Member
JL Hartnick (Until September 2018)	Member
IT Mangaliso	Member
M Fielies	Member
T Pretorius (Deceased, February 2019)	Member
Johannes Hartnick	Member
GL Boezak (Since May 2019)	Member
T van Rensburg (Since October 2018)	Member

*Table 19.: Community Services Portfolio Committee*

<b>Meeting dates</b>	<b>Number of reports submitted to Council</b>
15 August 2018	103
12 September 2018	
17 October 2018	
14 November 2018	
13 February 2019	
13 March 2019	
15 May 2019	
12 June 2019	

*Table 20.: Community Services Portfolio Committee Meetings***III. Technical Services**

<b>Name of member</b>	<b>Capacity</b>
AM Joubert	Chairperson (Until December 2018)
SM Odendaal	Chairperson (Since January 2019)
JL Hartnick (Until September 2018)	Member
T van den Berg	Member





Name of member	Capacity
Johannes Hartnick	Member
ME Dayimani	Member
T Pretorius (Deceased, February 2019)	Member
J Gelderbloem	Member
T van Rensburg (Since October 208)	Member
GL Boezak (Since May 2019)	Member

*Table 21.: Technical Services Portfolio Committee*

Meeting dates	Number of reports submitted to Council
15 August 2018	133
12 September 2018	
17 October 2018	
14 November 2018	
13 February 2019	
13 March 2019	
15 May 2019	
12 June 2019	

*Table 22.: Technical Services Portfolio Committee Meetings*

#### IV. Financial Services Portfolio Committee

Name of member	Capacity
B Smith	Chairperson
ME Dayimani	Member
Johannes Hartnick	Member
M Jakobs	Member
NA Joseph	Member
AM Joubert (Until April 2019 - switched to Corporate Management Portfolio)	Member
T van Rensburg (replaced Cllr AM Joubert since May 2019)	Member
CP Taute	Member



Name of member	Capacity
T van den Berg	Member

*Table 23.: Financial Services Portfolio Committee*

Meeting dates	Number of reports submitted to Council
15 August 2018	
12 September 2018	
17 October 2018	
14 November 2018	130
13 February 2019	
13 March 2019	
15 May 2019	
12 June 2019	

*Table 24.: Finance and Audit Portfolio Committee Meetings*

#### V. Development Planning

Name of member	Capacity
Johannes Hartnick	Chairperson
AM Joubert	Member
T van den Berg	Member
M Jakobs	Member
J Gelderbloem	Member
N Joseph	Member
L Pieterse	Member

*Table 25.: Development Planning Portfolio Committee*



Meeting dates	Number of reports submitted to Council
15 August 2018	57
12 September 2018	
17 October 2018	
14 November 2018	
13 February 2019	
13 March 2019	
15 May 2019	
12 June 2019	

*Table 26.: Development Planning Portfolio Committee Meetings*

## 2.4.2 Municipal Public Accounts Committee (MPAC)

The Municipal Public Accounts Committee were appointed by the newly elected Council and consists of five members. The following table reflects the members. The primary function of the Public Accounts Committee is to provide oversight on behalf of the community by the non-executive members of Council. Various functions can be delegated to the MPAC committee. The 2018/19 year also saw the extension of MPAC with the addition of two more members being added by Council to the committee.

As it serves as a dedicated platform to provide oversight to Council, the 2017/18 Annual Report Oversight Process was delegated to the MPAC committee and was dealt with in great detail and efficiency. Additional members were co-opted for the oversight process to develop the legislated "Oversight Report". These co-opted members included a public nominee and a representative of the Audit Committee.

Councillor	Capacity
Cllr I Mangaliso	Chairperson
Cllr A Joubert	Member
Cllr T van den Berg	Member
Cllr T van Rensburg	Member
Cllr M Fielies	Member

*Table 27.: Members of the Municipal Public Accounts Committee*

## 2.4.3 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. The Municipal Manager is supported by a management team as set out below in Table 28.



Name of Official	Directorate	Performance agreement signed
		(Yes/No)
Mr. J Jacobs	Municipal Manager	Yes
Ms. AM Griesel	Corporate Management	Yes
Ms. HJ Viljoen	Financial Services	Yes
Mr. HS Visser	Development Planning	Yes
Mr. H Basson	Technical Services	Yes
Mr. C Onrust	Community Services	Yes

*Table 28.: Administrative Governance Structure*

#### 2.4.4 Section 32 Committee

##### Legislation Associated with the section 32 Committee

Section 32 (2) (b) of the MFMA stipulates that council must recover unauthorised, irregular or fruitless and wasteful expenditure from the person liable for the expenditure unless the expenditure, after investigation by a council committee (hereinafter referred to as the Section 32 committee), has been certified by the council as irrecoverable and written off by the council. Unauthorised expenditure can however also be authorised in terms of an adjustment budget and in this case the section 32 committee is not involved. Expenditure refers to the use of municipal funds that is in contravention of the following legislation:

- Municipal Finance Management Act, Act 56 of 2003, and its regulations;
- Municipal Systems Act, Act 32 of 2000, and its regulations;
- Public Office-Bearers Act, Act 20 of 1998, and its regulations; and
- The municipality's supply chain management policy, and any by-laws giving effect to that policy.

##### Objectives of the Section 32 Committee

The objectives of the section 32 is to: –

- investigate the circumstances of unauthorised, irregular, fruitless and wasteful expenditure;
- based on the facts revealed by the investigation, consider whether the Municipality received value or suffered any loss;
- conclude that, where the Municipality: -
  - i. received value and suffered no loss, that a claim against the official/ councillor concerned would not succeed and that no further steps be taken, or
  - ii. received no value and suffered loss, that a claim against the official/ councillor for the recovery of such loss be instituted;- and□ Report to council with recommendations.



### **Purpose and responsibility of the Section 32 committee**

The purpose of section 32(2) is not punitive.

Its responsibility is to deal with possible losses by the municipality; this is confirmed by section 32(2) (a)<sup>[1]</sup> of the MFMA which makes it possible for unauthorised expenditure to be regularised by subsequent authorisation.

Punitive action may be necessary in respect of unauthorised expenditure [32(2) (a)], but is always necessary in terms of irregular or fruitless and wasteful expenditure [32(2) (b)] and it is the responsibility of the Accounting Officer or Council to take punitive steps and not the section 32 committee.

The Committee does not write off expenditure and it would also not regularise the expenditure. The expenditure could be regularised only in terms of either the SCM Policy (in line with reg. 36) or section 170 of the MFMA.

### **The authority of the Section 32 committee**

- a) The Section 32 committee have a mandate to interview any relevant person and to obtain all relevant documentation from any official or councillor that may assist with the investigations.
- b) The Section 32 committee the authority to terminate an investigation if there are no grounds to support the allegations.
- c) The Section 32 committee will submit a report on the findings and recommendation of the committee to Council after completion of its investigation. Should an urgent report have to be submitted, the Chairperson will arrange accordingly with the Speaker.
- d) If the Speaker is implicated, the Section 32 committee Chairperson will submit a report on the findings and recommendation of the committee to the Council meeting after completion of its investigation and in consultation with the Acting Speaker. Should an urgent report have to be submitted, the Chairperson will also arrange accordingly with the Acting Speaker.

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<sup>[1]</sup> A municipality must recover unauthorised, irregular or fruitless and wasteful expenditure from the person liable for that expenditure unless the expenditure, in the case of unauthorised expenditure is-

(a) (i) authorised in an adjustments budget; or (ii) certified by the municipal council, after investigation by a council committee, as irrecoverable and written off by the council; and (b) in the case of irregular or fruitless and wasteful expenditure, certified by the council as irrecoverable and written off by the council.

**Organisational Arrangements and procedures**

- a) Council appoints the members of the Section 32 committee.
- b) The Chairperson of the Section 32 committee will decide on the dates, time and venue of the meetings of the Section 32 committee.
- c) The quorum of the Section 32 committee is the Chairperson plus at least one member.
- d) If the Chairperson is implicated, the Council will appoint an acting Chairperson.
- e) The committee is further guided by MFMA circular 68 on processes and procedures.
- f) The Manager: Legal and Administration Services will dedicate staff for the secretarial function.  
The meetings of the committee will be recorded and minuted by the secretariat.

**Reporting Requirements**

The Section 32 Committee reports regularly to council on any findings with recommendations.

**The Section 32 Committee meetings held during the 2018/19 financial year:**

Date of meeting of Section 32 Committee	Unauthorised, Irregular, Wasteful, fruitless	Description	Amount	Write-off / Liability	Consequence Management	Date of Council resolution
30 January 2019	Irregular expenditure	The supply and delivery of fire protection clothing by Vanguard Fire and Safety Cape	R79 220	Write off	That Consequence Management procedures have been put in place to prevent similar occurrences in the future.	27 02 2019
30 January 2019	Unauthorized expenditure	For the renewal of vehicle license of refuse compactor CEG 2631.	R22 406.40	Condone	That Consequence Management procedures have been put in place to prevent similar occurrences in the future.	27 02 2019
30 January 2019	Unauthorized expenditure	Unauthorized expenditure for the 2017/18 financial year, due to the actuarial gains	R862 201	Condone		27 02 2019

*Table 29.: Section 32 Committee meetings*

**The Section 32 Committee members are as follows:**

Cllr T van den Berg (Chairperson)

Cllr C Taute

Cllr T van Rensburg

Mr J Jacobs (MM)

Ms L Viljoen (CFO)

Mr D Lewis (Legal Services)



## COMPONENT B: INTERGOVERNMENTAL RELATIONS

### 2.5 INTERGOVERNMENTAL RELATIONS

#### 2.5.1 National Intergovernmental Structures

Hessequa Local Municipality does from time to time attend National Inter-Governmental Meetings. These however are kept to a minimum to save on travel costs. When national meetings are held in the Western Cape, they are attended if the agenda justifies attendance. Hessequa is very conservative with travel and subsistence expenditure. Hessequa also do take part in National Competitions and attend such functions when awards are to be received. The Housing and Green Energy Awards are examples of such events. Otherwise, SALGA represents the Western Cape and Hessequa in national issues.

#### 2.5.2 Provincial Inter-Governmental Structures

Provincial SALGA meetings are attended diligently as well as meetings held and hosted by all Provincial Departments. The meetings hosted by the Premier and MEC members are also attended. We have a good working relationship with our provincial departments, especially the Provincial Treasury and the Department of Local Government and Housing. The Municipal Manager attends the Western Cape Municipal Managers Forum.

#### 2.5.3 District Intergovernmental Structures

Hessequa Local Municipality is a member of the Garden Route District Municipality. Multiple district forums and meetings are attended and information, strategies and best practice models, are shared amongst each other.

Hessequa Local Municipality is a member of the Eden District Municipality. Multiple district forums and meetings are attended and information, strategies and best practice models, are shared amongst each other.

The following forums are active in our district;

<b>Name of Forum</b>	<b>Frequency of Meetings</b>
• Integrated Communications and Technology	Quarterly
• District IDP Managers Forum	Quarterly
• District Coordinating Forum (DCF)	Quarterly
• LED Managers Forum	Quarterly
• Municipal Managers Forum (MMF)	Quarterly
• Public Transport Technical Steering Committee	Quarterly
• Public Participation and Communication Forum	Quarterly
• Garden Route Disaster Management Forum	Quarterly
• Town Engineers Bulk Infrastructure Forum	Quarterly
• District GIS Forum	Quarterly
• Internal Audit and Risk Management Forum	Quarterly
• Local Tourism Forum	Quarterly





• Regional Skills Development Facilitators Forum	Quarterly
• Labour Relations Forum	Quarterly
• Legal Advisors Forum	Bi - Monthly
• Garden Route & Central Karoo HR Forum	Bi - Monthly
• Garden Route Waste Management	Bi - Monthly

## COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

Section 16 of the Municipal Systems Act 2000 (MSA) provides for a municipality to 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 and review of Spatial Development Framework (SDF);
- establishment, implementation and review of the performance management system;
- monitoring and review of the performance, including the outcomes and impact of such performance; and
- input to the municipal budget.

### 2.6 PUBLIC MEETINGS

Public communication and participatory initiatives employed by the municipality include the following:

Public Meeting	Description and feedback given to community
<b>IDP</b>	Preparation, implementation and workshop of IDP and review of the Spatial Development Framework(SDF)
<b>Municipal Budget</b>	Comments and feedback required from public for yearly budget review
<b>Mayoral Outreaches</b>	Municipality communicate its programmes and progress directly to the public and receive feedback on service delivery, listen to concerns, grievances and advice on progress and direction of government work.
<b>Environmental Education</b>	Department Environmental Services works together with Cape Nature to promote a litter free community. Facilitate educational puppet shows to educate primary school children on litter and the effects on the community
<b>Jamborees</b>	Jamborees are held every second month on a rotation schedule in different towns to bring governmental services to the community.
<b>By-Law Policies</b>	All by-laws are submitted for public comment and recommendations through public meetings and advertisement
<b>Eden FM</b>	Regular timeslots on Eden FM, between 17h00 – 17h30 to address pressing issues arising within the municipality.
<b>Environmental Advisory Forums</b>	Stilbaai Environmental Advisory Forum (EAF), Gouritsmond EAF and Witsand/Grootvadersbosch EAF are involved in the management of all protected areas. All conservation projects and initiatives are overseen by these platforms



<b>Municipal Services Act (MSA) Article 17(4) Forums</b>	Economic Development Advisory Forum, Social Development Advisory Forum, all meet on a quarterly basis with reports from relevant departments.
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*Table 30.: Public Meetings*

### 2.6.1 Ward Committees

Ward committees are established in terms of Section 72 and 73 of the Local Government: Municipal Structures Act 1998. As a formal mechanism of public participation, ward committees are seen as a vital platform to ensure that the municipal council creates an environment where communities can participate in the affairs of local government.

Ward committees can be involved in various processes within the municipality, including integrated development planning, budgeting and performance monitoring. Except for marginal involvement currently within these processes, Hessequa Municipality primarily utilises ward committees for comment and advice to various items presented to Council for decisions. This relates to any project / program that impacts on a ward, or all wards, and need public input. In itself this is of great value to the municipal decision-making process and is managed formally through the administration office of the municipality.

The ward committee 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.

The above-mentioned examples are not the full extent of the roles and responsibilities that ward committee members play within the public participation processes of council, but are they a reflection of the implementation methodology that Council employed during the reporting period of this annual report.



**A. Ward 1: Bietouville, Gouritsmond, Melkhoutfontein, Stilbaai East and Rural farming areas**

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

Name of representative	Capacity representing	Dates of meetings held during the year
Cllr B Smith	Chairperson	19 July 2018 23 August 2018 25 September 2018 25 October 2018 22 November 2018 21 February 2019 23 May 2019 26 June 2019
NT Oosthuizen	Member	
B Steyn	Member	
BE Prins	Member	
L de Necker (until Nov 2018)	Member	
JG du Plessis (until Feb 2019)	Member	
T Haak (since Feb 2019)	Member	
MF Groenewald (since May 2019)	Member	

Table 31.: Ward 1 Committee Meetings

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

Ward 2 comprises of Albertinia town and northern rural areas. Ward 2 also includes a higher population density rural area like Klipfontein.

Name of representative	Capacity representing	Dates of meetings held during the year
Cllr IT Mangaliso	Chairperson	23 August 2018 20 September 2018 25 October 2018 22 November 2018 21 February 2019 23 May 2019 20 June 2019
EC Prins	Member	
D Nomdo	Member	
E Tarentaal	Member	
E Saayman	Member	
FJ Pietersen	Member	
R Briel	Member	
RC Buys	Member	

Table 32.: Ward 2 Committee Meetings

**C. Ward 3: Vermaaklikheid, Jongensfontein, Stilbaai-west and rural farming areas**

Ward 3 is a large rural area that stretches from the Goukouriver mouth to about halfway between Jongensfontein and Witsand. It includes Stilbaai-west, Jongensfontein and the rural community of Vermaaklikheid.

Name of representative	Capacity representing	Dates of meetings held during the year
Cllr T van den Berg	Chairperson	23 August 2018 27 September 2018 25 October 2018 21 February 2019
N Palmer	Member	
J Willemse	Member	
R Pretorius	Member	



Name of representative	Capacity representing	Dates of meetings held during the year
		23 May 2019 20 June 2019 (not a quorum)

Table 33.: Ward 3 Committee Meetings

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

Ward 4 includes a relatively large rural area surrounding Witsand, Slangrivier and the Heidelberg area. It's boundary towards the west is the municipal boundary to the east it borders Ward 3 and stretches from the coast in the south to the N2 on the northern boundary. As mentioned Witsand is included as well as Slangrivier and a relatively large portion of Heidelberg town known as Diepkloof

Name of representative	Capacity representing	Dates of meetings held during the year
Clr T Pretorius (deceased Feb '19)	Chairperson	23 August 2018 20 September 2018 25 October 2018 (not a quorum) 28 February 2019 23 May 2019 20 June 2019 (not a quorum)
Clr G Boezak (since May 2019)	Chairperson	
MC Damons	Member	
C Skietekat	Member	
L Schüller	Member	
GL Hartman	Member	
N Pieterse (until October 2018)	Member	
R Julius (since August 2018)	Member	
L February (since September 2018)	Member	
P February (since September 2018)	Member	

Table 34.: Ward 4 Committee Meetings

**E. Ward 5: South -east Heidelberg**

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.

Name of representative	Capacity representing	Dates of meetings held during the year
Clr JE Gelderbloem	Chairperson	19 July 2018 23 August 2018 20 September 2018 29 October 2018 21 February 2019 23 May 2019 20 June 2019
V van Niekerk	Member	
P Hunter	Member	
T February	Member	
D du Toit	Member	
W Fielies	Member	
L Meyers	Member	

Table 35.: Ward 5 Committee Meetings



**F. Ward 6: Part of Riversdale and rural areas**

Ward 6 forms part of Riversdale and includes a small rural area (Kruisrivier) within its borders. The largest portion of ward 6's residents are 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.

Name of representative	Capacity representing	Dates of meetings held during the year
Cllr NA Joseph	Chairperson	23 August 2018 20 September 2018 25 October 2018 (not a quorum) 21 February 2019 23 May 2019 20 June 2019
N Juta	Member	
C Bokwana	Member	
R Baker	Member	
M de Villiers	Member	
V Kleinbooi	Member	
J Grispe	Member	

Table 36.: Ward 6 Committee Meetings

**G. Ward 7: Riversdale, Aalwynfleur, Kwanokuthula, Plankiesdorp and rural areas**

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 number 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 Aalwynfleur and surrounding areas. Another urban settlement was included in ward 7 and is known as Kwanokuthula which is primarily a formal residential area where almost all residents are indigent.

Name of representative	Capacity representing	Dates of meetings held during the year
Cllr ME Dayimani	Chairperson	19 July 2018 23 August 2018 (not a quorum) 20 September 2018 25 October 2018 21 February 2019 (not a quorum) 23 May 2019 20 June 2019
A Prins	Member	
H Stroebel	Member	
K Victor	Member	
F Thiar	Member	
J Bosman	Member	
A Daniels	Member	
M Macewan (Resign April 2019)	Member	

Table 37.: Ward 7 Committee Meetings

**H. Ward 8: Aloeridge, Môrestond, Panorama, Beverley Hills and Melrose Place**

Even though the ward does include a small area of non-urban land, it has very few residents in that part of the ward. The relatively high density communities of Môrestond, Aloeridge and Panorama are the urban areas that house the relatively poor residents.



Name of representative	Capacity representing	Dates of meetings held during the year
Cllr C Taute	Chairperson	23 August 2018 20 September 2018 25 October 2018 21 February 2019 23 May 2019 20 June 2019
M Snyers	Member	
K Saayman	Member	
J van Staden	Member	
F Adams	Member	
K Adolf	Member	
L Elbrink (Evertse) (Resign October 2018))	Member	
S Damons	Member	
Q Esau	Member	

Table 38.: Ward 8 Committee Meetings

### I. Ward 9: Heidelberg town and rural areas

Ward 9 is the newly demarcated ward since the 2016 elections and does it consist of the larger part of Heidelberg town, North-west of the N2 that divides the town in two sections. It also contains the rural area surrounding Heidelberg towards the northern border of Hessequa and Municipal border to the West.

Name of representative	Capacity representing	Dates of meetings held during the year
Cllr SM Odendaal	Chairperson	23 August 2018 (not a quorum) 20 September 2018 25 October 2018 (not a quorum) 21 February 2019 23 May 2019 20 June 2019 (not a quorum)
P Daries	Member	
NP Mlambo	Member	
D Oosthuizen	Member	
D Esterhuizen(since Feb 2019)	Member	
B Dell (Resigned August 2018)	Member	
A de Waal (Until September 2018)	Member	
D Erasmus (Deceased Oct 2018)	Member	

Table 39.: Ward 9 Committee Meetings



### 2.6.2 Functionality of Ward Committees

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. The ward councillor serves on the ward committee and act as the chairperson. Although ward committees have no formal powers, they through the minutes of their meetings advise the ward councillor who makes specific submissions directly to the Council and the Municipal Manager. These committees play a very important role in the development and annual revision of the integrated development plan of the area.

### 2.6.3 Labour Forum

The Local Labour Forum is a structure created in terms of the Labour Relations Act (1995) and functions under the auspices of the South African Local Government Bargaining Council (SALGBC). The function of the Forum is to create a platform where matters of mutual interest between the Trade Unions and the Employer can be discussed. The powers and functions of the Forum is limited to matters that do not fall within the scope of either Provincial and/or National collective bargaining. It is mainly a consultative forum. The table below specifies the members of the Labour Forum:

Name of representative	Capacity	Meeting dates
<b>July 2018 – June 2019</b>		
G Riddles	Councillor	13 August 2018 06 September 2018 10 October 2018 08 November 2018 19 February 2019 25 March 2019 21 May 2019 18 June 2019
ME Dayimani	Councillor	
B Smith	Councillor	
Johannes Hartnick (since November 2018)	Councillor	
SM Odendaal (since May 2019)	Councillor	
JL Hartnick (resigned September 2018)	Councillor	
T Pretorius (deceased February 2019)	Councillor	
J Jacobs (Chairperson – since February 2019)	Employer	
AM Griesel	Employer	
AJ Oelofse	Employer	
M Cronje	Employer	
D Lewis	Employer	
J Paige	SAMWU	
J Saayman	SAMWU	
J Nomdo	SAMWU	
S Sibotoboto	SAMWU	
CR Jacobs (since May 2019)	SAMWU	
S Motha (until April 2019)	SAMWU	





Name of representative	Capacity	Meeting dates
<b>July 2018 – June 2019</b>		
F Rust (Chairperson – since August 2018 until January 2019)	IMATU	
J Myburgh (Chairperson – until July 2018)	IMATU	
E Esau	IMATU	
J Jaegers (since September 2018)	IMATU	
E Hobson (until June 2019)	IMATU	

Table 40.: Labour Forum

#### 2.6.4 Mayoral Outreaches

The Mayoral Outreaches gave 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. It is a platform for enhancing dialogue and interaction between senior government executives and residents and provides an opportunity for Council to communicate its programmes and progress directly to the people. It also provides the opportunity to discuss challenges the municipality faces with communities and be transparent about its capacity. The 2018/2019 IDP and Budget engagements with communities assisted greatly to provide communities with a robust overview of the current state of the municipal service delivery in their respective communities. When inputs have been provided through the normal submission process in accordance with the IDP / Budget Time Schedule, feedback to communities where given and discussed.

Dates of events	Reason for Engagement	Place where event was held
17-25 September 2018	IDP & Budget Priorities per town	Albertinia, Gouritsmond, Stilbaai, Melkhoutfontein, Slangrivier, Riversdale, Witsand, Heidelberg
29 October – 8 November 2018	IDP & Budget Inputs reviewed and prioritisation of inputs per town	Albertinia, Gouritsmond, Stilbaai, Melkhoutfontein, Slangrivier, Riversdale, Witsand, Heidelberg
15 – 25 April 2019	Draft IDP & Budget	Albertinia, Gouritsmond, Stilbaai, Melkhoutfontein, Slangrivier, Riversdale, Witsand, Heidelberg

Table 41.: Mayoral Outreaches during 2018/19



## COMPONENT D: 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 relationship among the many stakeholders involved and the strategic goals that leads the institution.

### 2.7 RISK MANAGEMENT

The Municipality is required by the Municipal Finance Management Act (No 56 of 2003) to have a risk management system in place. The legislation specifically reads under section 62 as follows:

*(1) The Accounting Officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure - ..... (c) that the municipality has and maintains effective, efficient and transparent systems - (i) of financial and risk management and internal control; and .....*

During the 2018/2019 year a Risk Review project was initiated with the support of Provincial Treasury. The project focused on assessing existing risk management practices within the municipality in accordance with industry standards. Then the development of new processes to enable the municipality to implement a combined assurance model in the coming 2-3 years. The Risk Management Committee is established and functioning. As a result of the review process, the Risk Management policy has been amended and are changes being implemented in the coming financial year.

### 2.8 ANTI-FRAUD AND ANTI-CORRUPTION

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 of 2003 (MFMA), section 112(1) (m)(i) identify supply chain measures to be enforced to combat fraud and corruption, favouritism 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.

Garden Route District Municipality invited tenders for the Anti-Fraud Hotline. The tender was awarded to **ADVANCE CALL**. Hessequa Municipality is currently in a *shared services* agreement with Garden Route District Municipality with regards to the Anti – Fraud Hotline service. The service provider Advance Call capture and distribute disclosures. Hessequa Municipality make use of the same number as *Garden Route District Municipality Anti-Fraud Hotline (0800 004 006)* to report disclosures.



## 2.9 AUDIT COMMITTEE

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 resolved on 22 July 2010 that the Audit Committee will also act as the Performance Committee. Their main functions include:

- To advise Council on all matters related to compliance and effective governance.
- To review the annual financial statements to provide Council with an authoritative and credible view of the financial position of the municipality, its efficiency and its overall level of compliance with the MFMA, the annual Division of Revenue Act (DORA) and other applicable legislation.
- Respond to Council on any issues raised by the Auditor-General in the audit report.
- To review the quarterly reports submitted to it by the internal audit.
- To evaluate audit reports pertaining to financial, administrative and technical systems.
- The compilation of reports to Council, at least twice during a financial year.
- To review the performance management system and make recommendations in this regard to Council.
- To identify major risks to which Council is exposed and determine the extent to which risks have been minimised.
- To review the annual report of the municipality.
- Review the plans of the internal audit function and in so doing; ensure that the plan addresses the high-risk areas and ensure that adequate resources are available.
- Provide support to the internal audit function.
- Ensure that no restrictions or limitations are placed on the Internal Audit Section.
- Evaluate the activities of the internal audit function in terms of their role as prescribed by legislation.

In terms of Section 14(4) (a) of the Municipal Planning and Performance Management Regulations 2001, the performance audit committee has the responsibility to -

- i. review the quarterly reports produced and submitted by the internal audit process;
- ii. review the municipality's performance management system and make recommendations in this regard to Council of the municipality; and
- iii. at least twice during each financial year submit a performance audit report to the Council of the municipality.



**b) Members of the Audit Committee**

Name of representative	Capacity	Meeting dates
Prof JA Döckel	Chairperson (Member Performance)	13 September 2018 13 September 2018 (Financial Statements) 22 November 2018 21 February 2019 23 May 2019
Mr.KG Herbst	Member	
Mr. FH Zietsman	Member	
Mrs. S van Jaarsveld	Member	
Mrs A Hartnick	Member	

Table 42.: Members: Audit Committee

**2.10 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:  
risk and risk management.

The internal audit function is performed internally and consists of two staff members. 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	November 2018
Risk based audit plan approved for 2019/20 financial year	23 May 2019
Internal audit programme drafted and approved	5
Number of audits conducted and reported on	5
<b>Audit reports included the following key focus areas:</b>	
Internal controls	
Accounting procedures and practices	
Risk and risk management	
Performance management	
Loss control	
Compliance with the MFMA and other legislation	

**1. Internal Audit Functions****a) Annual Audit Plan**

The Risk Based Audit Plan for 2018/2019 was implemented 100% with available resources. The plan was amended due to a changing needs of the Finance Department. The table below provides detail on audits completed:



Description			No of Hours	Date completed
<b>Phase 1</b>				
Revisiting current risk profile and priorities			80	May 2019
<b>Phase 2</b>				
Compiling Risk Based Audit Plan			20	May 2019
<b>Phase 3</b>				
Audit Engagement	Departmental System	Detail	No of Hours	Date completed
Unauthorized Buildings	Development Planning	The following controls and processes have been checked: 1. Compliance 2. Illegal Buildings Process 3. Legal Handover 4. Safeguarding of Documentation	280	July 2018
Water infrastructure, purification, networks & pumping stations	Technical Services	The following controls and processes have been checked. 1. Compliance 2. Capital/Operating Budget 3. Water Network Process 4. Manpower and Resources	280	September 2018
Telephone Bills of Officials	Corporate Management	The following controls and processes have been checked. 1. Cost Allocation Private/Official 2. Monitoring 3. Reliability of Call Manager System 4. General Telephone Process	280	November 2018
Law Enforcement	Community Services	The following controls and processes have been checked. 1. Compliance 2. Handovers/Summons/Notice Issued 3. Manpower and Equipment	280	February 2019
Contract Management	Financial Services	The following controls and processes have been checked. 1. Compliance 2. Contract File (Invoices, Payments, Correspondence etc.) 3. Review of Contract Expiry/Termination 4. Supplier Performance Management	280	April 2019
Follow-up audits	Various	Follow up on above audits and others	160	June 2019
<b>Total Hours</b>			<b>1660</b>	

Table 43.: Internal Audit Coverage Plan



## 2.11 BY-LAWS

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

By-laws currently in force and not amended during the financial year:

<b>By-laws in force and not amended in 2018/2019</b>
Customer Care & Revenue Management
Electricity Supply
Commonage
Disposal of Solid Waste
Sport Facilities
Airfields
Water and Sanitation
Cemeteries and Crematoria
Air Pollution
Fencing and Fences
Irrigation Water
Outdoor Advertising
Public Amenities
Prevention of Public Nuisance and Public Nuisances arising from the Keeping of Animals
Roads and Streets
Street Trading
Storm Water Management
Water Supply, Sanitation and Industrial Effluent
Fire Works
River Management
Heritage Resources and Cultural Institutions
Order Rules Relating to Meetings
Fire Safety
Events
Tariffs
Rates
Municipal Land Use Planning

*Table 44.: By-laws enforce and not amended*

No By-laws reviewed and or adopted with amendments during the financial year. Policies developed and reviewed during the financial year are:

Policies developed/ revised	Date adopted by Council
Hessequa Early Childhood Development Policy	December 2018
Speed Calming Policy	December 2018
SALGA Credit Control Policy	December 2018
Property Tax Policy	December 2018
Credit Control Policy	January 2019
Debt Write Off Policy	May 2019

Table 45.: Policies developed and reviewed

## 2.12 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.

The communities, on the other hand, have a right and a responsibility to participate in local government affairs and decision-making and ample provision is made in the abovementioned legislation for them to exercise their right in this respect. Our democratic government is committed to the principles of **Batho Pele** and this, in simple terms, means that those we elect to represent us (councillors at municipal level) and those who are employed to serve us (the municipal officials at municipal level) must always put people first in what they do.

South Africa has adopted a system of developmental local government, which addresses the inequalities, and backlogs of the past while ensuring that everyone has access to basic services, to opportunities and an improved quality of life.

To be successful, communications must focus on the issues that are shown to impact on the residents' perceptions, quality of service, value for money and efficiencies. They should ideally look to close the communication-consultation loop, i.e. tell people how they can have a say and demonstrate how those who have given their views have had a real impact.

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

Communication activities	Yes/No
Communication unit	Yes
Communication strategy	Yes, the communication strategy forms part of the communication policy



Communication activities	Yes/No
Communication Policy	Yes
Communication Satisfaction Survey	Yes
Functional complaint management systems	Yes
Newsletters distributed at least quarterly	Yes – monthly newsletter

Table 46.: Communications Activities

## 2.13 WEBSITE

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 in terms of Section 75	Published Yes/No
Current annual and adjustments budgets and all budget-related documents, including SDBIP	Yes
Tariff policy	Yes
Credit control policy	Yes
Rates policy	Yes
SCM policy	Yes
Annual report for 2017/18	Yes
Annual Financial Statements for 2017/18	Yes
Service Delivery Agreements for 2018/19	No, Supply Chain Management indicated that service delivery agreements are marked as confidential and not made public
All supply chain management contracts above the prescribed value for 2018/2019	Yes
Performance agreements required in terms of section 57 (1) (b) of the Municipal Systems Act for 2018/19	Yes
All quarterly reports tabled in the Council in terms of section 52 (d) of the MFMA during 2018/19	Yes

Table 47.: Documents published on the Municipal Website





## 2.14 SUPPLY CHAIN MANAGEMENT

### 2.14.1 Competitive Bids in Excess of R200 000

#### a) Bid Committee

The following table details the number of Bid Committee meetings held for the 2018/19 financial year:

Goods and Services

GOODS AND SERVICES		
Bid Specification Committee	Bid Evaluation Committee	Bid Adjudication Committee
20	21	36
INFRASTRUCTURE		
Bid Specification Committee	Bid Evaluation Committee	Bid Adjudication Committee
14	15	33

*Table 48.: Bid Committee Meetings*

The attendance figures of fixed members of the Bid Specification Committee are as follows:

#### *Goods and Services*

Member	Number of meetings Attended	% of Meetings Attended
H. Visser	18 out of 20	90%
F. Bergh	8 out of 20	40%
J.A. Thyse	19 out of 20	95%
E Lotriet (Resigned End February)	7 out of 11	64%
N. La Grange	1 out of 20	5%

#### *Infrastructure*

Member	Number of meetings Attended	% of Meetings Attended
H. Basson	7 out of 14	50%
F. Bergh	11 out of 14	79%
A. Carelse	11 out of 14	79%
N. La Grange (Secondi)	2 out of 2	100%
E Lotriet (Resigned End February)	9 out of 12	75%
D Lewis	11 out of 14	79%

*Table 49.: Attendance of members of bid specification committee*



The attendance figures of members per directorate of the Bid Specification Committee are as follows:	
Goods and Services	
Member	Attendance
<b>TECHNICAL SERVICES</b>	
A. Hansen	1
J. Lesch	6
S. Kennedy	2
<b>FINANCIAL SERVICES</b>	
L. Saayman	3
A Carelse	5
R. Prinsloo	1
J. Heunis	1
<b>CORPORATE SERVICES</b>	
A. Kleynhans	5
U. Oosthuizen	1
J. Kleinhans	4
T. Prins	2

Table 50.: Attendance of members of bid specification committee

Member	Attendance
<b>TECHNICAL SERVICES</b>	
A. Hansen	0
S. Kennedy	5
J. Lesch	1
R. Manho	2
<b>CORPORATE SERVICES</b>	
A. Kleynhans	2
U. Oosthuizen	1
<b>COMMUNITY SERVICES</b>	
C. Onrust	3
R. Heunis	1

Table 51.: Number of meetings attended of members of bid specification committee as required for their specific tender

The attendance figures of fixed members of the bid evaluation committee are as follows:

**Goods and Services**

Member	Attendance	% of Meetings Attended
--------	------------	------------------------



M. Griesel	20 out of 21	95%
J. Booyesen	15 out of 21	71%
J. Thyse	18 out of 21	86%

**Infrastructure**

Member	Attendance	% of Meetings Attended
M. Griesel	14 out of 15	93%
J Booyesen	12 out of 15	80%
J Thyse	14 out of 15	93%

*Table 52.: Attendance of fixed members of bid specification committee*

The attendance figures of members of the bid evaluation committee per directorate are as follows:

Goods and Services

Member	Attendance
<b>TECHNICAL SERVICES</b>	
S. Kennedy	3
A. Hansen	1
J. Lesch	4
R. Manho	2
<b>FINANCIAL SERVICES</b>	
J. Heunis	1
A. Carelse	3
F. Bergh	1
<b>CORPORATE SERVICES</b>	
A. Kleynhans	4
T. Prins	1
J. Kleinhans	5
D. Lewis	4

Infrastructure

Member	Attendance
<b>TECHNICAL SERVICES</b>	
S. Kennedy	8
A. Hansen	2
R. Manho	4
J. Lesch	1
<b>CORPORATE SERVICES</b>	



Member	Attendance
A. Kleynhans	2
K. van Eck	1
U. Oosthuizen	1
<b>COMMUNITY SERVICES</b>	
C. Onrust	2
R. Heunis	1

Table 53.: Number of meetings attended of members of bid evaluation committee as required for their specific tender

The attendance figures of the full-time members of the bid adjudication committee are as follows:

### ***Goods and Services***

Member	Attendance	% of Meetings Attended
L. Viljoen	3 out of 36	8%
T. Maddison	34 out of 36	94%
A. Carelse	29 out of 36	81%
H. Visser	23 out of 36	64%
C. Onrust	32 out of 36	89%
H. Pienaar (Secondi)	7 out of 7	100%

### ***Infrastructure***

Member	Attendance	% of Meetings Attended
L. Viljoen	3 out of 33	9%
T. Maddison	31 out of 33	94%
A. Carelse	27 out of 33	82%
H. Basson	15 out of 33	45%
C. Onrust	30 out of 33	91%
H. Pienaar (Secondi)	6 out of 6	100%

Table 54.: Bid Adjudication Committee Meetings

**b) Awards Made by the Bid Adjudication Committee**

The ten highest bids awarded by the bid adjudication committee are as follows:

Bid number	Title of bid	Directorate and section	Successful Bidder	Value of bid awarded (Vat Excl.)(R)
UNSOLICITED BID	UNSOLICITED PROPOSAL FROM TURNKEY WATER SOLUTIONS TO CONSTRUCT AN OSMOSUN DESALINATION PLANT IN WITSAND	TECHNICAL SERVICES	TURNKEY EATER SOLUTIONS	R 7 826 086.96
HES-TECH 45/1819	UPGRADING OF THE STILL BAY WWTW – CIVIL ENGINEERING WORKS	TECHNICAL SERVICES	RUWACON (PTY) LTD	R 7 036 577.66
HES-TECH 44/1819	UPGRADING OF THE STILL BAY WWTW – MECHANICAL/ELECTRICAL ENGINEERING WORKS	TECHNICAL SERVICES	INENZO WATER (PTY) LTD	R 6 131 971.60
HES-TECH 05/1819	PAVING OF ROADS IN HESSEQUA MUNICIPAL AREA	TECHNICAL SERVICES	MEYER BETON	R 2 771 300.00
HES-TECH 48/1819	SUPPLY AND DELIVERY OF FIVE (5) LDV'S	TECHNICAL SERVICES	ISUZU TRUCK CENTRE	R 1 303 903.00
			DATCENTRE MOTORS PTY LTD T/A CMH NISSAN	R 252 869.50
HES-TECH 22/1819	ELECTRIFICATION OF HOUSES AT KWANOKUTHULA (RIVERSDALE) AND MELKHOUTFONTEIN	TECHNICAL SERVICES	VE RETICULATION (PTY) LTD	R 922 797.00
HES-CORP 19/1819	SUPPLY, DELIVERY AND INSTALLATION OF STORAGE AREA NETWORK	CORPORATE SERVICES	FIRST TECHNOLOGY WESTERN CAPE (PTY) LTD	R 896 826.00
HES-TECH 32/1819	CONSTRUCTION OF NEW GRAVITY WATER MAIN FROM WIDSAND RESERVOIR	TECHNICAL SERVICES	ENTSHA HENRA (PTY) LTD	R 859 184.70
HES-CORP 16/1819	THE REQUEST FOR DEVELOPMENT PROPOSALS FOR THE LEASING OF TAKKIESKLOOF HOLIDAY RESORT SITUATED IN TRUTERSTREET RIVERSDALE	CORPORATE SERVICES	WIE-HANMAR TRUST T/A DIBIKI HOLIDAY RESORT	R 646 380.52
HES-CORP 02/1819	PROCUREMENT OF ICT HARDWARE, LAPTOPS, DESK TOPS AND OTHER PERIPHERALS	CORPORATE SERVICES	CA COMPUTER SOLUTIONS INTERNATIONAL CC	R 565 669.65

Table 55.: Ten highest bids awarded by bid adjudication committee

**c) Awards Made by the Accounting Officer**

Bids awarded by the Accounting Officer are as follows:

Bid number	Title of bid	Directorate and section	Successful Bidder	Value of bid awarded R ( EXCL. VAT)
HES-FIN 06/1819	TAKING UP OF AN ESTERNAL LOAN	FINANCE	DEVELOPMENT BANK OF SOUTH AFRICA	R 30 000 000.00
HES-COM 05/1819	PROVISION OF SERVICES AS AN IMPLEMENTING AGENT FOR SPECIFIED HUMAN SETTLEMENT PROJECTS IN THE HESSEQUA MUNICIPAL AREA	COMMUNITY SERVICES	ASLA CONSTRUCTION (PTY) LTD	The value can only be determined at the end of the contract period

Table 56.: Awards made by Accounting Officer

**d) Objections lodged by aggrieved bidders**

- e) Twelve (12) objections and four (4) appeals were lodged by aggrieved bidders on awards made in terms of regulation 49 of the Municipal Finance Management Act: Supply Chain Management Regulations of 2005 of which five (5) were upheld.

**2.14.2 Deviations from normal procurement processes**

The following table provides a summary of deviations approved during the financial year

Type of deviation	Number of deviations	Value of deviations R	Percentage of total deviations value
<b>&lt;R2 000</b>	<b>226</b>	<b>R 222 103.82</b>	<b>2.160147</b>
Sole Supplier	2	R 2 962.35	0.028811
Emergency	41	R 35 593.34	0.346175
Exceptional Circumstances	183	R 183 548.13	1.785161
<b>R2 000 – R30 000</b>	<b>209</b>	<b>R 1 855 242.65</b>	<b>18.0438</b>
Sole Supplier	8	R 148 336.17	1.442695
Emergency	54	R 560 627.49	5.452576
Exceptional Circumstances	147	R 1 146 278.99	11.14853
<b>R30 000 – R200 000</b>	<b>48</b>	<b>R 3 214 269.64</b>	<b>31.26149</b>
Sole Supplier	3	R 241 797.08	2.351681
Emergency	3	R 185 506.32	1.804206
Exceptional Circumstances	42	R 2 786 966.24	27.1056
<b>&gt;R200 000</b>	<b>7</b>	<b>R 4 990 266.61</b>	<b>48.53456</b>
Sole Supplier	0	R 0.00	0
Emergency	0	R 0.00	0
Exceptional Circumstances	7	R 4 990 266.61	48.53456
Total	<b>490</b>	<b>R 10 281 882.72</b>	<b>100%</b>

Table 57.: Summary of deviations



# *Chapter 3:*

## *Service Delivery Performance*

## CHAPTER 3

### 3.1 OVERVIEW OF PERFORMANCE WITHIN HESSEQUA MUNICIPALITY

Performance Management is a process which measures the implementation of the municipality's strategy. It is also a management tool to assist the municipality with planning, monitoring, measuring and reviewing of performance indicators to ensure effective and efficient service delivery. The approved macro structure of the municipality is displayed in the following table and does it provide alignment between organisational structure and how it gives effect to the vision and Key Performance Areas (KPA's).

Department	Functions	Applicable KPA's
<b>Municipal Manager</b>	Internal Audit	Good Governance and Public Participation
	Strategic & Governance Support	
<b>Finance</b>	Income	Good Governance and Public Participation, Financial Management
	Expenditure	
	Supply Chain Management	
	Budget & Treasury	
	Financial Statements	
<b>Corporate Management</b>	Administration	Good Governance and Public Participation, Financial Management,
	Property Management	
	Human Resource Management	
	Information & Communication Technology	
	Public Relations	
	Legal Services	
	Library Services	
<b>Technical Services</b>	Planning & Project Management	Cost Effective Service Delivery, Environmental Management, Financial Management
	Infrastructure Maintenance	
	Electrical & Mechanical Services	
	Parks & Public Areas	
<b>Community Services</b>	Safety Services	Social and Economic Development
	Human Settlements	
	Social Development	
<b>Development Planning</b>	Spatial Planning	Environmental Management, Social and Economic Development
	Building Control	
	Environmental Management	
	Economic Development & Tourism	

*Table 58.: Macro structure*





### 3.1.1 Legislative Requirements

The Municipal Systems Act (MSA) 2000 requires municipalities to establish a performance management system. Further, the MSA and the Municipal Finance Management Act (MFMA) requires the Integrated Development Plan (IDP) to be aligned to the municipal budget and to be monitored for the performance of the budget against the IDP via the Service Delivery Budget Implementation Plan (SDBIP).

In terms of section 46(1)(a) of the MSA a municipality must prepare for each financial year a performance report reflecting –

- i. The performance of the municipality and of each external service provider during that financial year;
- ii. A comparison of the performances referred to in paragraph (i) with targets set for and performances in the previous financial year; and
- iii. Measures taken to improve performance.

### 3.1.2 Performance Management Within Hessequa Municipality

#### **A) Performance Management System**

The Performance Management System (PMS) of the municipality is the institutional system that is employed to develop, monitor and evaluate performance of the municipality. The performance management process of Hessequa Municipality is integrated with the IDP and budget. The IDP is the municipal planning stage and the performance management is the implementation, monitoring and evaluation of the IDP.

The reviewed 2017 – 2022 IDP and the Budget for 2018/19 were approved by Council on 29 May 2018. The SDBIP for 2018/19 was approved by the Executive Mayor. Performance agreements with Senior Managers were signed and published on the municipal website. Key Performance Indicators (KPI's) are developed for the Municipal Manager and each Senior Manager reporting to the Municipal Manager. The KPI's are annual measures relating to either a Service Delivery Target or a Financial Revenue or Expenditure target.

Hessequa Municipality utilizes an electronic web based system on which the users update actual performance on a monthly basis, documenting the actual performance, performance comment and remedial actions in the instances where performance targets were not met. A portfolio of evidence is maintained to support actual performance results updated.

### 3.1.3 National Key Performance Indicators – Municipal Financial Viability and Management (Ratios)

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 Performance Management Regulations of 2001 and section 43 of the Municipal Systems Act (MSA). The key performance indicators are linked to the **National Key Performance Area** Namely **Municipal Financial Viability and Management**

<i>KPA &amp; Indicator</i>	<i>2017/18</i>	<i>2018/19</i>	<i>Comments</i>
<i>Debt Coverage {(Total operating revenue - operating grants received) : debt service payments due within the year}</i>	<b>1002,63%</b>	<b>1109%</b>	<b>Indicates short term debt relative to operating revenue. Norm 45%</b>
<i>Service debtors : revenue (Total outstanding service debtors : revenue received for services)</i>	<b>11,90%</b>	<b>10,73%</b>	<b>Norm is 0%</b>
<i>Cost coverage {(Available cash + investments) : Monthly fixed operating expenditure}</i>	<b>10,5</b>	<b>11,9</b>	<b>Indicates the municipality's ability to meet at least its monthly fixed operating commitments. The norm ranges between 1-3 months. Above the Norm</b>

Table 59.: National KPI's for financial viability and management

#### **B) Monitoring and Evaluation of Performance**

Performance is monitored and evaluated via the SDBIP and the process can be summarised as follows:

- Two formal performance evaluations (in terms of the signed performance agreements – Mid Year and Final);
- Two informal performance evaluations (quarter 1 and 3); and
- Internal Audit compiles quarter performance reports. The findings are reported to the Performance Audit Committee, bi-annually

## 3.2 ACTUAL MUNICIPAL PERFORMANCE FOR 2018/19

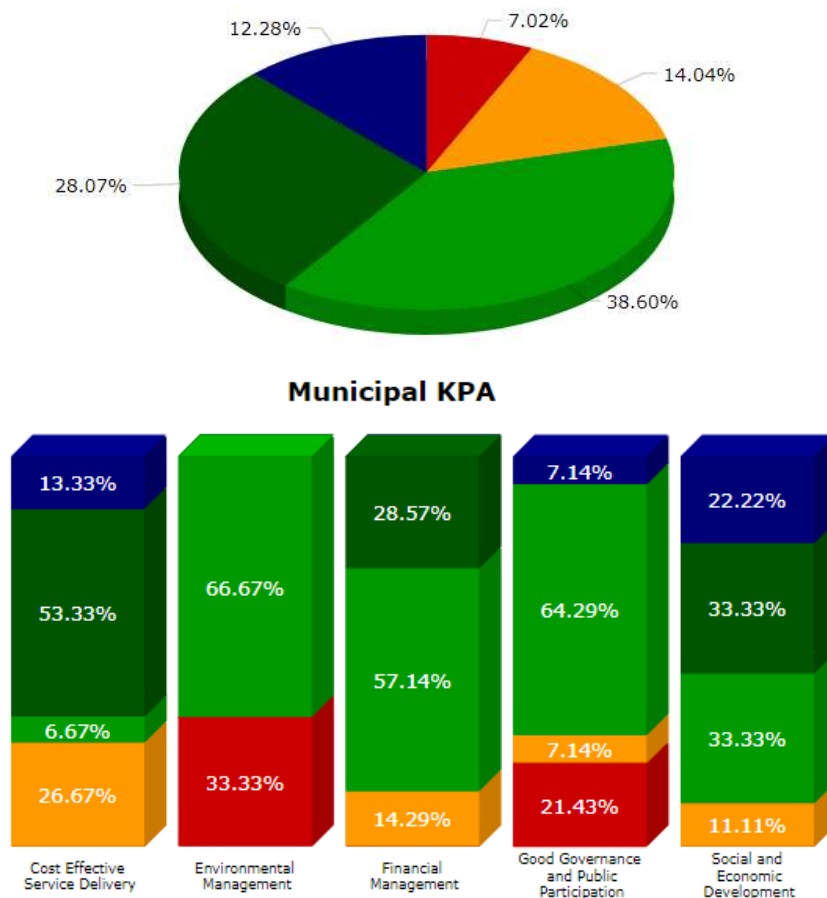
### 3.2.1 Overview of Actual Performance for 2018/19

The purpose of strategic performance reporting is to report specifically on the implementation and achievement of IDP outcomes. This section aims to provide an overview on the strategic achievement of the municipality in terms of strategic intent and deliverables as stated in the IDP. In the paragraphs below the performance achieved is illustrated according to the strategic objectives as set out in the IDP. The following table explains the method by which the overall assessment of actual performance against targets set for the key performance indicators (KPI's) of the SDBIP is measured:

Category	Color	Explanation
KPI Not Yet Measured	N/A	KPIs with no targets or actuals in the selected period.
KPI Not Met	R	0% <= Actual/Target <= 75%
KPI Almost Met	O	75.000% <= Actual/Target <= 99%
KPI Met	G	Actual meets Target (Actual/Target = 100%)
KPI Well Met	G2	100.001% <= Actual/Target <= 150%
KPI Extremely Well Met	B	150% <= Actual/Target

**Figure 1.: SDBIP Measurement Categories**

The graphs below display the overall performance, per strategic objective (as set out in the IDP) for the 2018/19 financial year:



**Figure 2.: Overall performance per Key Performance Area**

**3.2.2 Detail Performance Per Strategic Objective For 2018/19**

***Cost Effective Service Delivery***

TL Ref#	KPI	Unit of Measurement	Previous year performance	Overall Performance for Jul 2018 to Jun 2019			
				Target	Actual	Result	Performance Comment
TL1	90% Expenditure of the Approved Capital Budget for the Municipality by end of June 2019	% of Budget spent	68,69%	90%	73.60%	O	The cancelling of the Consulting Engineering tender in the previous financial year had an effect on the roll out of the capital projects. This resulted in a delay in the implementation of projects that required the services of consulting engineers. The spending that was achieved was partially due to the fact that it was executed departmentally.
TL2	90% Expenditure of the Approved Operational Budget for the Municipality by end of June 2019	% of budget spent	92,80%	90%	89.69%	O	This target is measured on all operational expenses, including depreciation and asset impairment(R10M), employee related costs(R15M), contracted services (R10M), and other. The employee related costs are as a result of unfilled skilled vacancies and actuarial gain on the retirement benefit liability (R8.5m)
TL3	% Provision of electricity to residential properties connected to the municipal infrastructure network for both prepaid and credit electrical metering	Percentage of formal residential properties connected to the municipal electrical infrastructure network	98,82%	90%	92%	G2	Target Achieved
TL4	% Provision of water to residential properties connected to the municipal infrastructure network for both prepaid and credit metering	Percentage of formal residential properties connected to the municipal water network	77,06%	90%	98%	G2	Target Achieved



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TL Ref#	KPI	Unit of Measurement	Previous year performance	Overall Performance for Jul 2018 to Jun 2019			
				Target	Actual	Result	Performance Comment
TL5	% Provision of refuse removal and solid waste disposal for residential account holders	Percentage of residential properties billed for refuse removal	90,73%	90%	98%	G2	Target Achieved
TL6	% Provision of sanitation/sewerage services to residential account holders	Percentage of residential properties billed for sanitation/sewerage services	87,80%	90%	88%	O	This performance measure is based on a legislative reporting indicator. Please refer to footnote <sup>1</sup> "1". As Corrective Measure the municipality continually address possible service delivery backlogs through Funding Applications(MIG) and the implementation of Human Settlements Planning to rectify any possible shortages in service delivery. Municipal Offices in all towns also provides residents the opportunity to query any service delivery shortage to which response is given within approved service standards.
TL7	The % of registered indigent account holders (poor households) with access to free basic services	Number of registered indigent households with access to free basic services	90,14%	90%	94%	G2	Target Achieved
TL14	90% Expenditure of Approved budget for maintenance of Municipal camps sites by end of Financial year	% budget spent	87,75%	90%	97.36%	G2	Target Achieved

<sup>1</sup> The calculation is based on the total household account holders, as registered on the financial system of the municipality. It is important to note that not all households do receive the same services as in the case of fenced developments, multiple units on one stand which has only one sewerage connection, central collection points for refuse removal, etc. The total households are used as denominator for calculation purposes.



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TL Ref#	KPI	Unit of Measurement	Previous year performance	Overall Performance for Jul 2018 to Jun 2019			
				Target	Actual	Result	Performance Comment
TL48	90% Expenditure of the approved Capital Budget of the Technical Department for 2018/2019	% capital budget spent	67,13%	90%	73%	O	The cancelling of the Consulting Engineering tender in the previous financial year had an effect on the roll out of the capital projects. This resulted in a delay in the implementation of projects that required the services of consulting engineers. The spending that was achieved was partially due to the fact that it was executed departmentally.
TL49	90% Expenditure of the approved Operational Budget of the Technical Department for 2018/2019	% of expenditure budget spent	95,92%	90%	97%	G2	Target Achieved
TL51	Limit electricity losses to 10% for financial year 2018/2019	% unaccounted electricity	10,70%	10%	7%	B	Target Achieved
TL52	95% Expenditure of National Electrification Grant spent for 2018/2019	95% of Electrification Grant spent	100%	95%	100%	G2	Target Achieved
TL53	Feedback Report to Portfolio committee regarding Blue flag Beaches	Number of reports	2	2	2	G	Target Achieved
TL55	95% Expenditure of Municipal Infrastructure Grant (MIG) for 2018/2019	% of Grant spent	74,00%	95%	100%	G2	Target Achieved
TL56	Limit water losses to less than 30% for 2018/2019	% of water losses	12,00%	30%	11%	B	Target Achieved

Table 60.: Actual performance for 2018/19 for the strategic objective: Cost Effective Service Delivery



***Good Governance and Public Participation***

TL Ref#	KPI	Unit of Measurement	Previous year performance	Overall Performance for Jul 2018 to Jun 2019			
				Target	Actual	Result	Performance Comment
TL8	Development of an Integrated IDP Process Plan submitted to Portfolio Committee by August 2019	Number of submitted Process plan	1	1	1	G	Target Achieved
TL9	Submission of Final IDP submitted to Council by May 2019	Final IDP submitted to Council by May 2019	1	1	1	G	Target Achieved
TL10	Submission of Risk Action Plan to Risk Management Committee	Risk Action Plan Submitted to Risk Management Committee	New KPI	1	0	R	The Development of the Action plan was preceded by the development of a new Strategic Risk Register in collaboration with Council, Senior Management and Heads of Department. The final process with Council was delayed as a result of Council's recess period being announced after the National Election date was announced. The only date that could be secured to workshop the contents and findings of the new Strategic Risk Assessment was in May 2019. As a result, the Target for the reviewed Register and maturity assessment was met, but the action plan has not been completed for submission. The Risk Action Plan has been included in the Risk Management process planning for 2019/2020.



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TL Ref#	KPI	Unit of Measurement	Previous year performance	Overall Performance for Jul 2018 to Jun 2019			
				Target	Actual	Result	Performance Comment
TL11	The percentage of people from employment equity target groups employed in the three highest levels of management in compliance with the Municipalities Annual Employment Equity report	% employed of target groups according to Annual Department of Labour Employment Equity report	55,2	66%	55.60%	O	The Council appointed a white male Director: Technical Services, after the previous incumbent (Coloured Male) resigned. The current incumbent, Mr Basson is also responsible for the mentoring of subordinates in order to create a pool of talent that will be able to qualify and apply for the position, when Mr Basson’s contract expires. The professional development of the talent pool in Technical Services is progressing well. It is not foreseen that the target % of 66% will be achieved prior to the end of 2020.
TL12	Review of Risk Register of Directorate and Submission to Chief Risk Officer	Reviewed risk register submitted to Chief Risk Officer	New KPI	1	1	G	Target Achieved
TL13	Maintain an average vacancy rate of less than 10% of budgeted staff establishment	Average % vacancy rate less than 10% calculated from statistical report	3,33%	10%	5.98%	B	Target Achieved
TL15	Revision of Delegation Register by September 2019	Reviewed municipal Delegation Register submitted	1	1	1	G	Target Achieved
TL16	Revision of Municipal code and submitted to Council by May 2019	Reviewed municipal code submitted	1	1	1	G	Target Achieved
TL17	Review of Client Service Standards and submitted to Portfolio Committee by May 2019	Reviewed Client Services standards submitted	1	1	1	G	Target Achieved
TL20	Development of Book of Standards - ICT Strategy Initiative	Completed Book of standards - Approved by Council	New KPI	1	1	G	Target Achieved
TL24	Review of Risk Register of Directorate and Submission to Chief Risk Officer	Reviewed risk register submitted to Chief Risk Officer	New KPI	1	1	G	Target Achieved





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TL Ref#	KPI	Unit of Measurement	Previous year performance	Overall Performance for Jul 2018 to Jun 2019			
				Target	Actual	Result	Performance Comment
TL29	Review of Risk Register of Directorate and Submission to Chief Risk Officer	Reviewed risk register submitted to Chief Risk Officer	New KPI	1	1	G	Target Achieved
TL39	Review of Risk Register of Directorate and Submission to Chief Risk Officer	Reviewed risk register submitted to Chief Risk Officer	New KPI	1	0	R	Register submitted to Collaborator system on 28 June to Managers but not Risk Manager. See Collab 1230358. Reviewed risk register was forwarded to Risk Manager on 2 July 2019. The due date for submission was 30 June 2019.
TL50	Review of Risk Register of Directorate and Submission to Chief Risk Officer	Reviewed risk register submitted to Chief Risk Officer	New KPI	1	0	R	The target date was missed as a result of non-availability of staff in the final phase of the Risk Review Project, However it will be completed as part of the following annual risk review process and have been submitted at the time of the development of this report.

Table 61.: Actual performance for 2018/19 for the Strategic Objective: Good Governance and Public Participation

**Social and Economic Development**

TL Ref#	KPI	Unit of Measurement	Previous year performance	Overall Performance for Jul 2018 to Jun 2019			
				Target	Actual	Result	Performance Comment
TL18	Hold Library exhibitions annually in Hessequa	Number of exhibitions per year	1005	672	1,108	B	Target Achieved
TL28	Quarterly report on Development Trends to PC	Number of reports submitted to Pc	3	4	4	G	Target Achieved
TL30	Evaluate land use applications within 120 days by the Planning Tribunal, after receipt of all relevant information and documents in terms of SPLUMA	% applications evaluated within 120 days	100%	90%	100%	G2	Target Achieved



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TL Ref#	KPI	Unit of Measurement	Previous year performance	Overall Performance for Jul 2018 to Jun 2019			
				Target	Actual	Result	Performance Comment
TL31	Evaluate land use applications within 60 days by the delegated official, after receipt of all relevant information and documents in terms of SPLUMA	% applications evaluated within 60 days	100%	90%	100%	G2	Target Achieved
TL32	Approve/reject building plans within 30 days for buildings less than 500m2 and 60 days for buildings larger than 500m2 after all information required is correctly submitted	% of plans evaluated	100%	90%	100%	G2	Target Achieved
TL33	Finalise occupancy certification within 14 days after receipt of all applicable information	% of certification completed within 14 days	100%	95%	100%	G2	Target Achieved
TL36	Submit a quarterly report indicating progress in terms of Economic Development programmes to PC	number of reports submitted	3	4	4	G	Target Achieved
TL37	Submit a quarterly report indicating progress in terms of tourism programmes to PC	Number of reports submitted	3	4	4	G	Target Achieved
TL38	Submit a progress report on the Slangrivier Transformation Process every quarter to the PC	Number or reports	4	4	4	G	Target Achieved
TL40	Review the housing Pipeline in Collaboration with the Department of Human Settlements by March 2018 and submit reviewed pipeline to PC	Housing pipeline reviewed and submitted to Portfolio Committee	1	1	1	G	Target Achieved



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TL Ref#	KPI	Unit of Measurement	Previous year performance	Overall Performance for Jul 2018 to Jun 2019			
				Target	Actual	Result	Performance Comment
TL41	Scheduled outreach programmes for all towns in Hessequa to update housing waiting lists	Number of outreaches	6	6	10	B	Target Achieved
TL42	Implementation of 12 Social development initiatives in Hessequa for 2018/2019	Number of initiatives conducted	21	12	24	B	Target Achieved
TL43	Implementation of 10 Sport Development Initiatives in Hessequa for 2018/2019	Number of initiatives conducted	19	10	14	G2	Target Achieved
TL44	Implement 6 Thusong Outreach Programmes for 2018/2019	Number of mobile outreach initiatives	6	6	6	G	Target Achieved
TL45	Receive a performance of not less than 80% for the formal Provincial Audits on the licensing Agency Services	Average % achieved for the financial year	91,8	80%	97%	G2	Target Achieved
TL46	Conduct 12 integrated vehicle checkpoints for 2018/2019	Number of checkpoints conducted for the period	32	12	30	B	Target Achieved
TL47	Establishment of Fire Fighting Service by the procurement of Equipment by 90% of the capital budget spent for 2018/2019	% of budgeted spend on Equipment for Fire Fighting Services	77,07%	90%	87.86%	O	Actual spending of budgeted amount was confirmed by final Venus report that feeds into the Annual Financial statements. All Hydrants could not be bought due to SCM challenges experienced, and funding will be rolled over. The remainder of the unspent budget represents savings.



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TL Ref#	KPI	Unit of Measurement	Previous year performance	Overall Performance for Jul 2018 to Jun 2019			
				Target	Actual	Result	Performance Comment
TL54	Number of FTE's (full time employment) created through EPWP	Number of FTE's created	52	65	62	O	A total of 149 work opportunities and 11 FTE's were created up to the end of June 2019. Hessequa municipality managed to reach the 2018/19 work opportunities of 330. Due to the new EPWP system which was launched in May 2019, Municipalities faced reporting and uploading challenges, which had a direct impact on the performance and targets of the municipalities with applicable reports not being available for reporting.

Table 62.: Actual performance for 2018/19 for the strategic objective: Social and Economic Development

### Financial Management

TL Ref #	KPI	Unit of Measurement	Previous year performance	Overall Performance for Jul 2018 to Jun 2019			
				Target	Actual	Result	Performance Comment
TL19	95% Spending of Municipal Replacement fund (Grant) and Community Library Services Grant by end of June 2019	Percentage of grant spent	96,7	95%	92.36%	O	Six vacant posts which were not filled, consequently caused a saving on the total budgeted amount. The delay in appointments was due to the fact that TASK took several months to approve the job descriptions. Saving on an operational project: The bid amount from the successful contractor for the upgrading of Duivenhoks Library was far below the budgeted funds for the project. It was projected that the project will be R290 000, the successful contractor bid amount was R161 000, which caused a saving of R129 000.
TL21	Submit a report on Borrowing Funds and Reserves to the Financial Portfolio committee by Feb 2019	Number of borrowing and reserve funds reports submitted to Portfolio committee	1	1	1	G	Target Achieved
TL22	Submit a liquidity report of the Municipality to the Finance Portfolio Committee by end Feb 2019	Number of reports submitted to Portfolio Committee	1	1	1	G	Target Achieved



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TL Ref #	KPI	Unit of Measurement	Previous year performance	Overall Performance for Jul 2018 to Jun 2019			
				Target	Actual	Result	Performance Comment
TL23	Unqualified Financial Audit as reported by Auditor General	Number of Unqualified Financial Audit result	1	1	1	G	Target Achieved
TL25	Management of Income annual payment rate of thresholds higher than 95% for financial year	% Income thresholds higher than 95% maintained for financial year	96,94%	95%	96.69%	G2	Target Achieved
TL26	Submit a detailed report on the status of handed over accounts twice a year	number of reports submitted	1	2	2	G	Target Achieved
TL27	95% Spending of Municipal Financial Management Grant by end of June 2019	Percentage of Grant spent	1	95%	100%	G2	Target Achieved

Table 63.: Actual performance for 2018/19 for the strategic objective: Financial Management

### Environmental Management

TL Ref#	KPI	Unit of Measurement	Previous year performance	Overall Performance for Jul 2018 to Jun 2019			
				Target	Actual	Result	Performance Comment
TL34	Review of the Climate Change Adaptation plan submitted to PC by June 2019	Reviewed plan submitted	1	1	1	G	Target Achieved
TL35	Review the Hessequa Air Quality Management Plan	Reviewed plan submitted	New KPI	1	1	G	Target Achieved
TL57	Submission of Solid Waste Management Report to Portfolio Committee.	Report submitted	New KPI	1	0	R	The complete process of waste management review was placed on hold as a result of allocated funding not being received in time to initiate and complete the review of the Waste Management Master Plan. This was submitted to council in the form of presentation at a workshop. Progress reports should at all times be submitted to formal portfolio meetings where Council can take note of progress.

Table 64.: Actual performance for 2018/19 for the strategic objective: Environmental Management



### 3.2.3 Overview of Performance Per Directorate

The performance statistics in the table below and all the graphs in the following sub paragraphs include performance in terms of the SDBIP for the 2018/19 financial year and where applicable, in comparison to the 2017/18 financial year.

Directorates	Financial Year	KPIs Extremely Well Met	KPIs Well Met	KPIs Met	KPIs almost Met	KPIs not Met	Average Performance Summary
Office of the Municipal Manager	2017/18	0	2	5	5	1	Improvement - to above standard
	2018/19	0	4	2	3	1	
Corporate Management	2017/18	2	1	6	2	0	Slight Improvement - above standard
	2018/19	2	1	5	2	0	
Community Services	2017/18	3	2	4	1	0	Slightly lower - still above standard
	2018/19	3	2	2	1	1	
Financial Services	2017/18	0	2	4	0	0	Slightly lower - still above standard
	2018/19	0	2	5	0	0	
Development Planning	2017/18	0	4	7	0	0	Above standard
	2018/19	0	4	7	0	0	
Technical Services	2017/18	1	3	2	1	2	Slightly lower - still above standard
	2018/19	2	3	1	2	2	

Table 65.: Summary of total performance per Directorate

### 3.2.4 Service Providers Strategic Performance

Section 76(b) of the MSA states that KPIs should inform the indicators set for every municipal entity and service provider with whom the municipality has entered into a service delivery agreement. A service provider:

- means a person or institution or any combination of persons and institutions which provide to or for the benefit of the local community
- External service provider means an external mechanism referred to in section 76(b) which provides a municipal service for a municipality
- Service delivery agreement means an agreement between a municipality and an institution or person mentioned in section 76(b) in terms of which a municipal service is provided by that institution or person, either for its own account or on behalf of the municipality.



Hessequa Municipality Rates Service Providers using a 1-5-point scale, with 1 being excellent and 5 being consider blacklisting from future processes. During the year under review the municipality appointed two service providers who provided municipal services to or for the benefit of the local community on behalf of the municipality. The details of the service providers as set out in the table below:

Service Provider	Service Agreement / Tender	Rating	Comments
Henque Waste – Recyclable Waste Removal	HES-TECH 14/1617 BAC: 21/07/2017 Collab no: 1031367 SLA no: 1059026	2.2 (Average for FY)	Services rendered in general was of good quality. Positive feedback was received from the public regarding the services rendered by Henque Waste.
Working on Fire (Pty)(Ltd)	TRANSVERSAL AGREEMENT: DEPARTMENT OF ENVIRONMENT AFFAIRS BAC: 19/07/2018 Collab no: 1145646 SLA no: 1059026	3 (Average for FY)	On average and in general the services rendered were of a very good standard and within the specifications.
Syntell (Pty) Ltd	Deviation: 59370 BAC: 29/06/2018 Collab no: 1120174 SLA no: 1142153	2 (Average for FY)	General comments received is good service delivery, services rendered were done within the SLA and tender conditions. Minor issues were reported for equipment not delivered within specified time, this is due to external factors and required approval from SANRAL

Table 66.: Section 76 (b) Contractors for 2018/19

### 3.2.5 Municipal Functions

The municipal function areas for the 2018/19 financial year are indicated below:

Municipal Function	Municipal Function Yes / No
<b>Constitution Schedule 4, Part B functions:</b>	
Air pollution	Yes
Building regulations	Yes
Child care facilities	No
Electricity reticulation	Yes
Structural Firefighting services	Yes
Local tourism	Yes
Municipal airports	No
Municipal planning	Yes
Municipal health services	No
Municipal public transport	No



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<b>Municipal Function</b>	<b>Municipal Function Yes / No</b>
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
Storm water 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
<b>Constitution Schedule 5, Part B functions:</b>	
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
Licensing and control of undertakings that sell food to the public	No
Local amenities	Yes
Local sport facilities	Yes
Markets	Yes
Municipal abattoirs	No
Municipal parks and recreation	Yes
Municipal roads	Yes
Noise pollution	Yes
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 67.: Functional Areas*





### 3.3 COMPONENT A: BASIC SERVICES

This component includes basic service delivery highlights and challenges, including details of services provided for water, waste water (sanitation), electricity, waste management, housing services and a summary of free basic services. *Please note that the following figures relate to users accessing municipal services within the service areas as identified in the Spatial Development Framework. These figures should not be reconciled with the total households of the municipal region as it does not include rural/farm households and communities like Vermaaklikheid or Denedal Garcia in any/some figures. As an example, Denedal Garcia is a community that is provided by a package sewerage solution. Water and electricity consumption are metered per household. The number of households can and will therefore vary for different services.*

#### 3.3.1 Water Provision

##### A) Introduction to Water Provision

Hessequa Municipality is in terms of the Water Services Act of 1998 (WSA), the WSA of the region and therefore accountable and responsible for ensuring that water services are provided to consumers. Water is provided by the municipality to 9 towns (Witsand, Slangrivier, Heidelberg, Riversdale, Melkhoutfontein, Still Bay, Jongensfontein, Albertinia and Gouritsmond) and two settlements, Vermaaklikheid and Denedal Garcia. The Overberg Water Board provides the towns of Witsand, Slangrivier and Heidelberg with bulk water; however, the municipality is still responsible for ensuring provision of water services within the area of their jurisdiction and is accountable to their citizens for services within the municipal urban edge and distribution networks. In addressing sustainable water services to the consumer, there are three major goals that the municipality should aim to achieve.

These are: Delivery of sustainable water services; Integrated water resource management and Efficient and effective water services institutional arrangements

Household Water Service Delivery Levels		
Description	2018/19	2017/18
	Actual	Actual
	No.	No.
<b><u>Water: (above min level)</u></b>		
Piped water inside dwelling or yard	14781	14763
Using public tap (within 200m from dwelling )	488	444
<b><i>Minimum Service Level and above Total</i></b>	<b>15269</b>	<b>15207</b>
<b><i>Minimum Service Level and above Percentage</i></b>	<b>100</b>	<b>100</b>
<b><i>Includes informal settlements</i></b>		

Table 68.: Water Service Delivery levels: Households



Employees: Water and Sewerage					
Job Level	2017/18		2018/19		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	29	30	29	1	3.3%
4 - 6	14	4	4	0	0
7 - 9	20	32	30	2	6.2%
10 - 12	5	4	4	0	0
13 - 15	0	0	0	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
<b>Total</b>	<b>68</b>	<b>70</b>	<b>67</b>	<b>3</b>	<b>4.2%</b>
<i>Employees and Post numbers as at 30 June .</i>					

Table 69.: Employees: Water Services

Capital Expenditure 2018/19: Water				
R				
Capital Projects	Adjusted Budget	Actual Expenditure	Variance from adjusted budget	Comments
Water meters - Hessequa	400 000	251 970	148 030	Meters were purchased and delivered.
Replacement of Water Infrastructure - GLS Report- H/B	1 403 719	1 403 719	0	Project is completed
Upgrading of Network booster pump station - Witsand	1 340 000	1 247 378	92 622	Project is completed
Replace Water network – Still Bay	250 000	182 139	67 861	Works is completed.
New Reservoir Platbos - phase 1 - (GLS) - S/B	1 029 588	1 029 589	-1	The funding was spent during the upgrading of the Bulk Water infrastructure in Stillbay, which was completed in December 2018.
Water Specials - H/Q	100 000	72 500	27 500	A requisition was loaded for the purchase of a bulk watermeters at the Riversdale Water Treatment Works.
Telemetric system - Hessequa	400 000	209 731	190 269	The telemetry for Still Bay was upgraded before the season. The balance of the upgrading will be undertaken over the next 2 years.

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Capital Expenditure 2018/19: Water				
R				
Capital Projects				
	Adjusted Budget	Actual Expenditure	Variance from adjusted budget	Comments
Upgrading Of Sandfilters - R/D	400 000	191 941	208 059	Upgrading could not be completed due to the costs involved. The most essential work was completed.
New Water Networks Distribution - Gl's - S/B	2 346 944	2 324 037	22 907	Project is completed
Improve Water Pressure, Die Poort – Melkhoutfontein	60 000	57 635	2 365	The project was handled internally and completed.
Service Of Municipal Property - Slangrivier	25 000	0	25 000	Emergency services and will only be utilized as and when the need arise.
Service Of Municipal Property - Heidelberg	50 000	0	50 000	Emergency services and will only be utilized as and when the need arise.
Service Of Municipal Property - Riversdale	50 000	12 743	37 257	Emergency services and will only be utilized as and when the need arise.
Service Of Municipal Property - Albertinia	25 000	0	25 000	Emergency services and will only be utilized as and when the need arise.
Laboratory Equipment - Water	100 000	42 775	57 225	The lab equipment was purchased. The unspent budget is a saving.
Upgrading Of Water Purification Works - Jongensfontein	248 608	248 608	0	Project is completed
Boreholes- Albertinia/Stilbaai PgwC	3 000 000	2 820 518	179 482	98% of the contract has been completed. A roll-over application will be submitted by the end of August 2019.
Desalination Plant-Witsand PgwC	4 500 000	4 500 000	0	The project was awarded to Turnkey Water Solutions. Project is completed.
Desalination Plant-Witsand (French Funding)	4 500 000	0	4 500 000	Project is completed. The R 4 500 000 was funded and used by the France Embassy.
Pressure Reducing Valves	3 004	0	3 004	The project was dealt with as part of another contract. This is therefore a saving.
Refurbishment Preekstoel	121 885	121 885	0	Project is completed
Upgrading of Waterworks	151 500	151 500	0	Project is completed
Riversdale Low Level Res Rehabilitation	1 500 000	0	1 500 000	After a detailed technical investigation of the different options available, it was found that the funding provided was insufficient. Additional funding was allocated on the 2019/20 financial year for the completion of this project. Funding is provided on the 19/20 budget.
Gouritzmond Sand Filters	750 000	0	750 000	The estimation for the project was based on pre sandfilters. A Detailed technical investigation however indicated that an alternative technology would be more efficient. The completion of the project will be referred to the budget process. Funding is provided on the 19/20 budget. The project will be completed before the 19/20 season.



Capital Expenditure 2018/19: Water				
R				
Capital Projects				
	Adjusted Budget	Actual Expenditure	Variance from adjusted budget	Comments
Water Meters	217 310	0	217 310	Close Quotation process was followed but due to the preferred bidder's quotation being above R200 000, the process was cancelled. Funding is provided on the 19/20 budget.
Bulk Water Meter & Water Tank	43 787	13 211	30 576	The Bulk Water meter and tank was purchased. The balance is a saving.

Table 70.: Capital Expenditure 2018/19: Water

### 3.3.2 Waste Water (Sanitation) Provision

#### A) Introduction to Sanitation Provision

In addressing sustainable Sanitation service delivery to the consumer, there are three major goals that the municipality should aim to achieve. These are:

- Integrated sanitation resource management;
- Efficient and effective sanitation services;
- Institutional arrangements and
- Ensure continuous service delivery at the required standards.

Sanitation Service Delivery Levels		
Households		
Description	2018/19	2017/18
	Actual	Actual
	No.	No.
<b><i>Sanitation/sewerage: (above minimum level)</i></b>		
Sanitation Services above Minimum Standard provided	13630	13351
<b><i>Minimum Service Level and Above Total</i></b>	<b>13630</b>	<b>13351*</b>
<b><i>Minimum Service Level and Above Percentage</i></b>	<b>100</b>	<b>100</b>
<b>Total households connected</b>	<b>13630</b>	<b>13351</b>
<b><i>*decrease due to septic tanks being excluded</i></b>		

Table 71.: Sanitation Service Delivery Level



Capital Expenditure 2018/19: Waste Water Management				
R				
Capital Projects	Adjusted Budget	Actual Expenditure	Variance from Adjusted budget	Comments
Extension of existing Sewerage Infrastructure ( GLS) - Albertinia	1 297 061	944 751	352 310	Tender was awarded to Tricom Africa. The project is completed
Bulk Sewer Upgrade phase 1 ( GLS) - Stilbaai	2 861 204	1 042 958	1 818 246	Project is completed.
Bulk Sewer Upgrade phase 2 (GLS) - Stilbaai	1 754 839	779 089	975 750	Project is completed.
Refurbishment of clarifier bridge WWTW - Stilbaai	63 661	63 662	-1	Project is completed
Sewerage Plant for re-use of sewerage- Jongensfontein	0	0	0	The funding was allocated to the generator vote number during the February 2019 adjustment budget.
Upgrading of Sewerage works - Gouritsmond	1 900 000	670 453	1 229 547	The project is completed. The remaining funds can be seen as a saving
Upgrading of Sewerage works - Phase 2 - Riversdale	11 120 784	11 596 064	-475 280	The project is under construction and will be completed by 02 August 2019.
Upgrading of Sewerage works - Phase 2 - Riversdale	1 668 116	0	1 668 116	VAT on the MIG Project.
Pump for pump station 1 and 3 - S/B	280 000	194 148	85 852	Completed, remaining balance can be seen as a saving.
Extension of flow sewer line (GLS ) & School - H/B	1 060 000	891 620	168 380	The works at the Merwena Hostel and Aalwynlaan in Heidelberg is completed.
Upgrade Existing Gravity - GLS Development - S/B	918 732	918 732	0	Project is completed
New Gravity Distribution - GLS Development - S/B	3 368 816	3 368 816	0	project is completed
Upgrade Sewerage Works - S/B	2 400 000	2 398 772	1 228	The two tender (HES TECH 44/1819& HES TECH 45/1819) for the Stilbay WWTW was awarded to Inenzo and Rawacon. Project will be implemented over two financial years and be completed in the 2019/20 financial year.
Service of Municipal property - Slangrivier	25 000	0	25 000	Emergency services and will only be utilized as and when the need arise.

Capital Expenditure 2018/19: Waste Water Management				
R				
Capital Projects	Adjusted Budget	Actual Expenditure	Variance from Adjusted budget	Comments
Service of Municipal property - Heidelberg	50 000	47 553	2 447	Project completed.
Service of Municipal property - Riversdale	50 000	5 312	44 688	Emergency services and will only be utilized as and when the need arise.
Service of Municipal property - Albertinia	25 000	0	25 000	Emergency services and will only be utilized as and when the need arise.

Table 72.: Capital Expenditure 2018/19: Waste Water Management

### 3.3.3 Electricity

#### A) Introduction to Electricity

The Hessequa Municipality adopted a Green Vision in 2008 with the following objectives:

- To ensure that all residents have access to electricity by eradicating backlogs with the assistance of external funding
- To reduce consumption by implementing the Energy Efficiency and Demand Side Management Program, through consumer awareness and incentive programs
- To establish renewable energy sources in Hessequa to reduce our carbon footprint and become energy neutral.
- To identify appropriate mechanisms through which Council may develop its own assets and assist the private sector to establish renewable energy projects in Hessequa which will generate an income stream to Council which will compensate for loss of revenue as a result of increased energy efficiency.

The process is driven on three levels:

- With own resources- grants, own funds.
- Combined resources-strategic partnerships with knowledge partners, of the government departments and the private sector.
- Creating an enabling environment - encouraging and supporting private economic initiatives: incentives, access to land and services, rebates etc.



Electricity Service Delivery Levels		
Households		
Description	2018/19	2017/18
	Actual	Actual
	No.	No.
<b><i>Energy: (above minimum level)</i></b>		
<b><i>Minimum Service Level and Above sub-total</i></b>	<b>14379+628 (ESKOM)</b>	<b>15 028</b>
<b><i>Minimum Service Level Percentage</i></b>	<b>100</b>	<b>100</b>
<b>Total number of households</b>	<b>15 007</b>	<b>15 028</b>

Table 73.: Electricity Service Delivery Levels

Employees: Electricity Services					
Job level	2017/18	2018/19			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	2	1	1	0	0
4 – 6	20	20	16	4	20%
7 – 9	4	4	3	1	25%
10 – 12	8	8	8	0	0
13 – 15	2	2	1	1	50%
16 – 18	0	0	0	0	0
19 – 20	0	0	0	0	0
<b>Total</b>	<b>36</b>	<b>35</b>	<b>29</b>	<b>6</b>	<b>17.1%</b>
<b><i>Employees and Post numbers as at 30 June.</i></b>					

Table 74.: Employees: Electricity

Capital Expenditure 2018/19: Electricity				
Capital Projects				Comments
	Adjusted	Actual Expenditure	Variance from adjusted budget	
Upgrading 11 KV Main sub-station-Albertinia	1 645 000	1 537 397	107 603	Project is completed



Capital Expenditure 2018/19: Electricity				
Capital Projects				Comments
	Adjusted	Actual Expenditure	Variance from adjusted budget	
Upgrading & Service of erven - Preekstoel	250 000	189 591	60 409	Electrical services were successfully installed at the camping site of Preekstoel. The balance is a saving.
Upgrading Strand Street Lights Jongensfontein	70 000	56 568	13 433	Street lights were installed.
Electricity Network - Low Cost Housing - H/Q	2 379 566	2 559 914	-180 348	Project is completed
Electricity Network - Low Cost Housing - H/Q	356 934	0	356 934	VAT on Low Cost Housing Project
Service of Municipal property - Slangrivier	25 000	0	25 000	Emergency services and will only be utilized as and when the need arise.
Service of Municipal property - Heidelberg	50 000	0	50 000	Emergency services and will only be utilized as and when the need arise.
Service of Municipal property - Riversdale	50 000	0	50 000	Emergency services and will only be utilized as and when the need arise.
Service of Municipal property - Albertinia	25 000	0	25 000	Emergency services and will only be utilized as and when the need arise.
Informal Settlement Devel. - Infrastructure Elect. - Kwanokuthula	150 000	0	150 000	CMB was appointed to do the design of the housing projects and the housing connections were successfully completed. External funding was provided. The remaining funds are a saving on the project.
Installation of Rooftop Pv on Municipal	273 533	0	273 533	Tendered price for the rooftop installation came in higher than the available budget. This led to the project not being implemented.
Installation of New Transformer Stilbaai	500 000	0	500 000	The funds were added to the Adjustment budget in February 2019 to be installed at the Stillbay Waste Water Treatment works. Due to the delivery period the transformer would not have been delivered and installed before 30 June 2019. Funding is provided on the 19/20 budget.

Table 75.: Capital Expenditure 2018/19: Electricity Services



### 3.3.4 Waste Management (Refuse Collections, Waste Disposal, Street Cleaning and Recycling)

#### A) Introduction to Waste Management

The SA Constitution states that the people of South Africa have the right to an environment that is not detrimental to human health. Local Government is assigned the responsibility for refuse removal, refuse dumps and solid waste disposal. All the towns in the municipal area have a waste programme in place. All households are serviced once a week and all businesses at least three times a week. Recycling at source is encouraged throughout the area. The Waste Management goal is to optimize the waste management strategy to ensure continuous cost effective services by also encouraging waste minimization and recycling activities to enhance in proper management services. Hessequa Municipality has also adopted its Green Vision to be a Zero Waste Society. This vision is managed in partnership with a private concern for the recycling of all waste.

Solid Waste Service Delivery Levels		
Description	Households	
	2018/19	2017/18
	Actual	Actual
	No.	No.
Removed at least once a week	15 188	13797
<b>Minimum Service Level and Above Total</b>	15 188	13797
<b>Minimum Service Level and Above percentage</b>	<b>100</b>	<b>100</b>
<b>Total number of households</b>	<b>15 188*</b>	<b>13 797</b>
<b>* Increase as a result of implementation of Rural Solid Waste Removal Tariff</b>		

Table 76.: Solid Waste Service Delivery Levels

Rural waste removal is currently done along the following routes:

- Garcia Route
- Vermaaklikheid Route
- Blombos Route
- Klipfontein Route
- Droëvlakte Route
- Jongensfontein Road
- Kusweg-road
- R-Route to Gouritsmond and Stilbaai Turn-off



Employees: Waste Management					
Job Level	2017/18	2018/19			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	39	38	37	1	2.6%
4 - 6	18	18	18	0	0
7 - 9	4	4	4	0	0
10 - 12	4	3	3	0	0
13 - 15	0	0	0	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
<b>Total</b>	<b>66</b>	<b>63</b>	<b>62</b>	<b>1</b>	<b>1.5%</b>
<i>Employees and posts numbers as at 30 June.</i>					

Table 77.: Employees Waste Management

Capital Expenditure 2018/19: Waste Management				
Capital Projects	Adjusted Budget (R)	Actual Expenditure (R)	Variance from Adjusted budget (R)	Comments
Reloading station and additional cells - building rubble - W/S	150 000	81 560	68 440	Funding was used for fill material and the management of cells. This process was completed.
Rural Refuse Containers / Depots - H/Q	100 000	91 901	8 099	Delivered and Completed

Table 78.: Capital Expenditure 2018/19: Waste Management

### 3.3.5 Housing

#### A) Introduction to Housing

Hessequa Municipality consists of several towns: Riversdale, Albertinia, Gouritsmond, Heidelberg, Slangrivier, Melkhoutfontein, Stilbaai, Jongensfontein and Witsand. Housing projects have been successfully undertaken and completed in Albertinia, Gouritsmond, Riversdale, Heidelberg and Slangrivier in previous financial years, and Melkhoutfontein in the current financial year under review.

During the period under reporting, the following progress regarding the implementation of Council's approved Housing Pipeline, can be reported:



**Melkhoutfontein West Housing Project, Stilbaai**

The project application has been approved for Planning purposes by the Department of Human Settlements, Western Cape, on 1 October 2018 for a maximum of 600 housing opportunities. This project will be phased, with an initial 250 housing opportunities to qualifying beneficiaries. The project will be a mixed project comprising of BNG houses, Serviced sites and opportunities for qualifying beneficiaries in the so called GAP market. The first phase will comprise the installation of engineering services.

**Heidelberg Site 4 Housing Project**

The project application has been approved for Planning purposes by the Department of Human Settlements, Western Cape, on 22 October 2018 for a maximum of 189 serviced sites. The project will be a mixed project comprising of BNG houses, Serviced sites and opportunities for qualifying beneficiaries in the so called GAP market. The first phase will comprise the installation of engineering services.

**Dollar Square Informal Settlement, Heidelberg**

The project application has been approved for Planning purposes by the Department of Human Settlements, Western Cape, for a maximum of 88 Serviced Sites. The project will be implemented through the Upgrading of Informal Settlement programme. The first phase will comprise the installation of engineering services.

**Eike weg Informal Settlement, Heidelberg**

The project application has been approved for Planning purposes by the Department of Human Settlements, Western Cape, on 20 December 2018 for a maximum of 32 Serviced sites. The project will be implemented through the Upgrading of Informal Settlement programme. The first phase will comprise the installation of engineering services.

**Tembani Street Informal Settlement, Riversdale**

The project application has been approved for Planning purposes by the Department of Human Settlements, Western Cape, on 22 October 2018 for a maximum of 75 Serviced Sites. The project will be implemented through the Upgrading of Informal Settlement program. The first phase will comprise the installation of engineering services.

**Melkhoutfontein North Housing Project, Stilbaai**

The remainder of 11 houses of the abovementioned project was completed during the period under reporting, in conjunction with the municipality's housing Implementing Agent, ASLA and their team of professionals as well as a locally based upcoming subcontractor.

**Title Deed Restoration Project**



The municipality is a participant in the Title Deed Restoration project which aims to eradicate all backlogs in Title Deeds, thus securing home ownership. Funding were secured through the department of Human Settlements, Western Cape. During the period under review, a first round of engagements and signing of Purchase Agreements, were conducted. This is a multi-year project which will continue in the 2019/20 financial year.

### Data Cleansing Project

Hessequa municipality is still part of the data cleansing project of the Western Cape department of Human Settlement. This is a progressive process that entails the “cleaning” of all duplicated data on the housing demand database; removing of data of those persons that passed away, as well as removing of beneficiaries already assisted with housing opportunities.

Based on the data “cleansing” exercise, the provincial database reflects a demand of **5280** housing opportunities as at end June 2019.

The following table shows the increase/decrease in the number of people on the municipal housing demand database as per data from the Western Cape Housing Demand Database. The demand for housing opportunities was **5381** for the 2017/2018 financial year, and for the 2018/2019 financial year a total demand of **5280** are recorded.

Financial year	No of housing units on waiting list	% Housing waiting list increase/decrease from previous year
2017/18	5381	1.75% Decrease
2018/19	5280	1.87% Decrease

*Table 79.: Housing Waiting List*

The above table consist of data from the Hessequa Collaborator system data as well as data from the cleansed Western Cape Housing Demand Database. The Western Cape Department of Human Settlements implemented the above 40 rule as set out in formal Circular no 10 of 20 May 2015, for implementation by all municipalities until the data for the demand databases above 40 years of age are depleted and assisted with a housing opportunity, potential beneficiaries between 40 and 35 years, can only then be considered.

The following table shows the amount of approved funding for housing allocated to Hessequa municipality by the provincial Department of Human Settlements. The table also summarise the % spent, as well as the amount of housing opportunities and/or serviced sites created.

Funding Received 2018/2019					
Financial year	Allocation	Amount spent	% spent	Number of houses built	Number of sites serviced
2017/18	13 665 140.80	11 005 796.80	80.53	107	0
2018/19	6 676 165.14	3 160 165.14	47.34	11	0

Table 80.: Funding receive, Houses build and Sites serviced

During the 2017/18 financial year, an amount of R13 665 140.80 was allocated to Hessequa municipality for the construction of top structures for the Melkhoutfontein North housing project, where 107 houses were built.

The 2018/19 allocation was used for the construction of 11 remaining houses in the Melkhoutfontein housing project, and an amount was allocated to the Title Deed Restoration project. The money allocated for the Title Deed Restoration project was not spend because the tender to appoint a service provider to effect transfers, amongst others, was not concluded yet. Application will be submitted to the provincial treasury for the monies to be rolled over.

Employees: Housing					
Job Level	2017/18	2018/19			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	No.
0 - 3	1	1	1	0	0
4 - 6	0	0	0	0	0
7 - 9	2	2	2	0	0
10 - 12	1	0	0	0	0
13 - 15	0	1	1	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
<b>Total</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>0</b>	<b>0</b>

*Employees and Post numbers as at 30 June.*

Table 81.: Employees: Housing

### 3.3.6 Free Basic Services And Indigent Support

#### A) Introduction to Free Basic Services and Indigent Support

The Municipal Council must give priority to the basic needs of the community, promote the social and economic development of the community and ensure that all residents and communities in the Municipality have access to at least the minimum level of basic municipal services in terms of Section 152(1)(b) and 153(b) of the Constitution. To achieve the purpose, it is important to set a fair



threshold level, and then to provide a fair subsidy of tariffs. The customer, in order to qualify as an indigent, needs to complete the necessary documentation as required and agree to regulations and restrictions stipulated by Hessequa Municipality. In accordance with the approved indigent policy of the municipality, all households earning less than R3 800 (Category B – 50% subsidy) and R3 430 (Category A – 100% subsidy) per month will receive the free basic services as prescribed by national policy. The purpose of the Indigent Policy is to ensure that the subsidy scheme for indigent household's form part of the financial management system of Hessequa Municipality and to ensure that the same procedure is followed for each individual case. The policy also emanates from the objectives determined in Council's anti-corruption policy. It is therefore against the above background that the Hessequa Municipality undertakes to promote the following principles:

- To ensure that the portion for free basic services allocated as part of the equitable share received annually will be utilized for the benefit of the poor only and not to subsidize rates and services charges of those who can afford to pay;
- To link this policy with the Municipality's Integrated Development Plan (IDP),
- Local Economic Development (LED) initiatives and poverty alleviation programmes;
- To promote an integrated approach of free basic service delivery; and
- To engage the community in the development and implementation of this policy.

For more information on the cost of indigent policy implementation, please refer to Chapter 5 which contains a detailed overview of financials for the 2018/19 financial year.

## 3.4 COMPONENT B: ROAD TRANSPORT

This component includes:

- roads;
- transport; and
- Storm Water

### 3.4.1 Roads

#### A) Introduction to Roads

Most of the roads in the Hessequa municipal area are local roads (Class 4 & 5 roads). Some roads that should be classified as Class 3 roads has been degraded to deviate from this status due to historical events. Examples are direct access to residential properties that should not have been allowed. The result is that the roads perform at a lower level than what it was designed for. A total of R3 271 300 has been spent on the conversion of previously gravel roads to paved roads. These roads were Andries Du Toit / Mandela straat, Hartnick Street, several streets within the Blikkiesdorp community in Heidelberg and Jacobus Fielies Street, Johan Fielies, Nobuhle street in Riversdale.

#### B) Service Delivery Performance Information

Gravel Road Infrastructure: Kilometres				
Year	Total gravel roads	Re-gravel of roads	Gravel roads upgraded to Paved Surface	Gravel roads graded/maintained
2016/17	42.3	1.5	5.57	43.8
2017/18	43.8	0	1.2	45
2018/19	45	0	1.9	43.1

Table 82.: Gravel road infrastructure

Tarred Road Infrastructure: Kilometres					
Year	Total tarred roads	New tar roads	Existing tar roads re-tarred	Existing tar roads re-sheeted	Tar roads maintained
2016/17	231	0	11	2	231
2017/18	231	0	0	1.7	231
2018/19	231	0	1.7	0	231

Table 83.: Tarred road infrastructure

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



Cost of Construction/Maintenance:R'000						
Year	Gravel			Tar		
	New	Gravel- Tar /Paved	Maintained	New	Re-worked	Maintained
2016/17	0.00	200		0.00	15 100	0.0
2017/18	0.00	7 620	1 162	0.00	3 500	4 648
2018/19	0.00	5 656	709	0.00	2 952	2 834

Table 84.: Cost of construction / maintenance of roads

Employees: Roads and Storm water					
Job Level	2017/18	2018/19			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	9	6	6	0	0
4 - 6	45	50	47	3	6%
7 - 9	10	11	10	1	9%
10 - 12	4	4	4	0	0
13 - 15	0	0	0	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
<b>Total</b>	<b>64</b>	<b>71</b>	<b>67</b>	<b>4</b>	<b>5.6%</b>

*Employees and Posts numbers as at 30 June.*

Table 85.: Employees: Roads

Capital Expenditure 2018/19: Road Transport				
R				
Capital Projects	Adjusted Budget	Actual Expenditure	Variance from adjusted budget	Comments
Upgrade Strand street - JFT	2 232 913	2 214 206	18 707	Project is completed
Paving of Gravel Roads Andries Du Toit / Mandela straat - H/B	541 000	541 000	0	Project is completed
Paving of Gravel Roads Hartnick Street - H/B	795 000	795 000	0	Project is completed



<b>Capital Expenditure 2018/19: Road Transport</b>				
<b>R</b>				
<b>Capital Projects</b>	<b>Adjusted Budget</b>	<b>Actual Expenditure</b>	<b>Variance from adjusted budget</b>	<b>Comments</b>
Paving of Roads - Blikkiesdorp - H/B	835 000	835 000	0	Project is completed
Paving of Gravel Roads Jacobus Fielies Street - R/D	300 300	300 300	0	Project is completed
Paving of Gravel Roads Johan Fielies street - R/D	300 000	300 000	0	Project is completed
Westly road bypass (Development) - S/B	3 000 000	720 264	2 279 736	Several meetings were held with potential developers to determine the estimated implementation time schedules. The Western Bypass Road is required to provide access to these developments. The feedback from these discussions was that the estimated programs for implementation was longer that originally expected. This meant that the spending on this project could be moved to a later stage and that resulted in a saving on the funds spend in the 18/19 year. The result of this investigation is that the 3-year budget will also be adjusted.
Paving of Gravel Roads Nobuhle street - R/D	500 000	500 000	0	project is completed
Paving of Gravel Roads Douglas Joseph street - R/D	280 000	280 000	0	project is completed
Paving of Gravel Roads Trevor Waterboer street - A/B	1 800 000	1 799 998	2	Project is completed
Speedbumps - H/Q	250 000	235 986	14 014	Completed, remaining balance can be seen as a saving.
Reseal Van Riebeeck street - R/D	926 935	737 568	189 367	Project is completed
PAVING OF GRAVEL ROADS BR	305 000	304 995	5	Project is completed

Table 86.: Capital Expenditure 2018/19: Road Transport

### 3.4.2 Storm water Drainage

#### A) Introduction to Storm Water Drainage

The principles and procedures for storm water management establishment and formalization were focused on:

- The hydrological modelling of urban and rural drainage regions;
- The hydraulic analysis of conduits and natural waterways;
- The compilation of management scenarios;
- To identify, prioritize, find solutions and costing to upgrade sub-standard systems and
- Maintenance management

#### B) Service Delivery Information

The table below shows the total kilometres of storm water maintained and upgraded as well as the kilometres of new storm water pipes installed:

Storm water Infrastructure: Kilometres				
Year	Total Storm water measures	New storm water measures	Storm water measures upgraded	Storm water measures maintained
2016/17	82.35	2	6	90.35
2017/18	0.05	Storm water pipes, catch pits	Catch pits	90.40
2018/19	0	0	Catch pits	90.40

Table 87.: Storm water Infrastructure Kilometres

Cost of construction Storm water Infrastructure cost:R'000			
Year	New	Upgraded	Maintained
2016/17	0.00		
2017/18	90	35	1162
2018/19	0	100	886

Table 88.: Cost of construction / maintenance of storm water systems



### 3.5 COMPONENT C: PLANNING AND LOCAL ECONOMIC DEVELOPMENT

The Department of Development Planning consists of the following four sections namely:

- Town Planning
- Building Control
- Environmental Management
- Economic Development & Tourism

The department focuses primarily on the planning, design, implementation and management of public interventions in the development and use of land from site to supranational level and the promotion of economic development. The intentions of these interventions are to widen choice, promote equity and ensure sustainable development. Individuals, groups and communities generate within society and economic activities, which place demand on the use of land. This department is concerned with the arrangement and allocations of these land uses and must ensure that development will take place in a healthy and orderly way to the social and economic advantage of the community.

#### 3.5.1 PLANNING

##### A) *Introduction to Planning*

The following spatial development strategies have been formulated to correspond with the spatial development objectives:

- Consolidate and integrate spatial development by developing land in proximity to public transport facilities and existing services.
- Identifying zones of opportunity according to land needs.
- Pro-actively manage land use and set appropriate levels of service to achieve sustainability.
- Implement the principles of integrated Environmental Management
- Identify resources and manage land use in valuable resource areas.

The main focus on service delivery is the processing of land use applications and building plans and to investigate illegal building activities. With the introduction of a new GIS system and software, most land use applications and building plans can be processed within two weeks and finalized within three months.

##### B) *Service Delivery Information*

Applications for Land Use Development						
Detail	Formalization of Townships		Rezoning		Built Environment	
	2017/18	2018/2019	2017/18	2018/19	2017/18	2018/19
Applications received	1	2	25	28	594	527
Determination made in year of receipt	0	2	17	8	594	527



Applications for Land Use Development						
Detail	Formalization of Townships		Rezoning		Built Environment	
	2017/18	2018/2019	2017/18	2018/19	2017/18	2018/19
Determination made in following year	0	0	0	0	0	0
Applications withdrawn	0	0	1	0	0	0
Applications outstanding at year end	1	1	8	20	0	0

Table 89.: Application for Land Use Development

Employees: Development Planning					
Job Level	2017/18	2018/19			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0
4 - 6	0	0	0	0	0
7 - 9	1	0	0	0	0
10 - 12	2	4	4	0	0
13 - 15	2	2	2	0	0
16 - 18	1	1	1	0	0
19 - 20	0	0	0	0	0
<b>Total</b>	<b>6</b>	<b>7</b>	<b>7</b>	<b>0</b>	<b>0%</b>

*Employees and Post numbers as at 30 June.*

Table 90.: Employees: Development Planning

### 3.5.2 LOCAL ECONOMIC DEVELOPMENT

#### A) Performance Highlights

Performance highlights for the 2018/2019 financial year are:

#### ECONOMIC DEVELOPMENT STRATEGY REVIEW

The economic development strategy review has been identified as a top layer key performance indicator for the 2018/2019 financial year. The objective of the reviewed LED Strategy / framework is to provide strategic direction in terms of economic programmes and projects for the remaining term of Council. The draft strategy was to Council in June 2018. Key strategic thrusts of the framework are:



- Investment Promotion i.e. IFSOP
- Business retention & Expansion
- Informal trading business infrastructure Development per towns
- Preferential Procurement Policy & Implementation Plan
- Business Development and the Informal Economy
- Commonage Development and Management for municipal owned land
- Targeted focus on Green Economy e.g. recycling

To give effect to the strategic thrusts as indicated above, the importance of cross functional departmental working teams becomes crucial in realizing the economic potential of the region. Hence the importance of incorporating economic development as a key performance indicator of each directorate to monitor and evaluate its direct and or indirect performance and contribution to the local economy. All the above is underpinned by a functional LED Governance structure, with emphasis on focused partnership with private sector and civil society.

### **BUSINESS SUPPORT TO SMALL MEDIUM AND MICRO BUSINESSES**

The LED Unit facilitated several SMME support initiatives during the 2018/2019 financial year. The objective of the programme is to provide support to local entrepreneurs through the provision and of access to information and funding for local entrepreneurs.

Key initiatives were the:

- LED Outreach, as part of the Thusong Mobile Outreach Programme in Albertinia, Heidelberg & Riversdale. Assistance offered was information on business funding for entrepreneurs, the establishment of cooperatives and general information on what assistance / services are offered through the LED Department and business administration in terms of compliance.
- Training & Awareness Sessions offered during 2018/2019 financial year:

#### **1. Cooperative Governance Training in Partnership with National Youth Development Agency [NYDA]**

The LED Department in collaboration with the National Youth Development Agency [NYDA] coordinated training on cooperative governance for youth. This programme included training on business management, business plan writing and mentorship offered by the Niacin a total of twenty seven [27] youth entrepreneurs from the different towns in Hessequa region attended this five [5] day training programme. The focal point of the training was to provide youth with the skills on managing their enterprises. A total of twelve [12] participants completed a business plan and submitted it to the NYDA to apply for start-up funding for their businesses.

## 2. **Basic Hospitality Skills training for unemployed youth**

The LED department obtained a grant from the Provincial Department of Local Government to the value of R250 000 to roll-out a skills training programme in Hessequa. Research done by the LED Department indicated that the hospitality is one of the major contributors to employment in the Hessequa region, and that tourism is one of the fastest growing sectors in the Garden Route district. Ten [10] unemployed youth were recruited from the region and they completed a thirty [30] day accredited training programme in basic hospitality, where after they were taken into a two [2] month in-service programme with local businesses. Aim of this partnership with the private sector was to enhance the employability of local youth, reduce the unemployed rate and provide them with the necessary skills to find employment or start their own businesses within this particular industry.

## 3. **Innovative Business Idea Competition**

This intervention derived from the initial youth business development programme hosted in collaboration with the National Youth Development Agency [NYDA]. Purpose of the competition was to provide youth entrepreneurs with access to funding, marketing assistance and mentorship for their businesses. Fifteen [15] youth entrepreneurs entered this competition and presented their business idea to a panel of judges, where after the three [(3)] best candidates were selected. The three winners were taken into a business development programme where they will receive start-up funding, business advice, marketing assistance and mentorship from relevant stakeholders. The programme is a joint initiative by the LED Department, Southern Cape Economic Partnership (SCEP) Afrikaans Handels Instituut Western Cape (AHi), Small Enterprise Development Agency (SEDA), National Youth Development Agency (NYDA), Nedbank, First National Bank and Absa Bank.

## 4. **Engagements between Hessequa Municipality and Business Chambers [Melkhoutfontein Entrepreneur Development Programme]**

Hessequa Municipality had several engagements with the Stilbaai Business Chambers and the outcome was the formulation of a development programme for Melkhoutfontein Entrepreneurs. The Afrikaans Handels Instituut Western Cape (AHi) joined forces with the Municipality and rolled out an extensive programme where local entrepreneurs could create business models for their respective business. Expected outcome of these business models is to enable participants to build sustainable business that encourage job creation and skills development.

## 5. **Business Infrastructure for Entrepreneurs (Diepkloof Hub)**

Building plans were approved by Hessequa Municipality for building of the hub, where after a contractor was appointed by Cape Bentonite mine, with three local companies as sub-contractors and they started with building of a business hub in Diepkloof, Heidelberg. Purpose of this hub is to provide



a total of eight [8] local emerging entrepreneurs with adequate infrastructure for operating and growing sustainable businesses.

### 6. **Business Development Help Desk – Walk in Centre**

Clients that visited the help desk within the LED department required assistance with compliance, company registrations, CIDB registrations, business development advice and funding applications at relevant organisations. A total 137 clients were assisted for the period of 2018/2019 at the walk in centre.

### **SLANGRIVIER TRANSFORMATION**

The Department of Rural Development and Land Reform appointed a service provider to complete the Slangrivier TRANCRAA Process which started in 2005. The objective of the Transfer of Certain Rural Areas Act (TRANCRAA Act 9 of 1998) is to provide for the transfer of certain land to an entity of choice by the local Act 9 community i.e. municipality or another legal entity of choice i.e. Community Property Association, Trust or Municipality. A transformation Committee has been established to drive the process in collaboration with the Department and the Municipality, facilitated by a service provider. The Municipality formally request the Minister to place a notice to announce the start of the 18-month period of the transformation process for Slangrivier. The Slangrivier Transformation Process has been officially gazetted on 30 September 2016, announcing the beginning of the transformation process i.e. transfer of land process to entity of choice as decided by the local community of Slangrivier. Subsequent to the gazetting, the Municipality endorsed the process plan for the completion of the 18-24 month's process and submitted to the Minister of Rural Development and Land Reform for endorsement.

A meeting was held on 02 November 2018 to discuss the management agreement in detail and the Department's financial commitment to the Municipality as part of the agreement. Due to internal protocol and processes, the Department requested time to obtain the necessary approval for the management agreement by the end of January 2019.

To date, the Municipality awaits the final feedback from the Department of Rural Development and Land Reform pertaining to their financial commitment to the post TRANCRAA process. The Municipality has been diligently following up with the Department pertaining to their decision on financial commitment for the post-transformation process, but to date, no definite decision has been taken by the Department, hence this is delaying the process. The Municipality will continue following up in the anticipation to finalise this phase of the TRANCRAA process.

### **INVESTMENT FACILITATION STANDARD OPERATING PROCEDURE [IFSOP]**

The main purpose of the Investment Facilitation Standard Operating Procedure [IFSOP] is to create uniform investment promotion and facilitation processes and procedures in the Municipality to attract new investors, and retain existing ones, whilst at the same time satisfying the legal and legislative objectives, as well as the governance objectives of economy, efficiency and fairness. The main objectives of the IFSOP are to:

- Provide clarity of the relevant legal and legislative framework in relation to Investment Opportunities.
- Assist in the streamlined management and finalization of Investment Applications.
- Enable the correct identification and classification of Investment Opportunities.
- Provide a Supply Chain Management (SCM) system process that will ensure clarity and consistency.
- Provide an Investment Opportunity recording process that will ensure transparency.
- Provide further guidelines and procedures (the 'HOW').
- Make officials aware of the treatment and/or management of Investment Opportunities.
- Instil best practice.
- Strengthen the control environment.
- Establish a single point of access for the management of Investment Opportunities.
- Assist management to appropriately act on Investment Opportunities.
- To strengthen the ability to manage Investment Opportunities.
- To create a central capacity to manage Investment Opportunities.

Council adopted in principle the policy statements. Subsequent to the adoption of the principles a service provider was appointed to assist with the development and the drafting of an implementation plan for the IFSOP. This was co-funded by the Department of Economic Development and Tourism, after a funding application was submitted. The concept IFSOP was tabled in June 2018 to Council for approval. Considerable time and effort have gone into the development of the IFSOP and the Still Bay Harbour Development has been identified as catalyst to kick-start investment into the area.

#### ***Performance Highlights for Tourism & Tourism Development***

Performance highlights with regard to tourism and tourism development for 2018/2019 financial year are:

- 94% Expenditure of Tourism Operational Budget spend in the 2018/2019 financial year for tourism specific initiatives, excluding general operational items reflecting on tourism budget general operational costs (i.e. telephone & fax, skills development levy, workmen compensation and OPR Leases). Projects and operational activities funded from tourism operational budget were the concluding of the tourism audit, marketing material, branding and advertisements/advertorials, events/festival support, website redesign and maintenance/hosting and dropbox renewal, tourist month celebration network session, material and supplies, arrive alive campaign, network and





awareness sessions. Given the budget, in order to give effect to the tourism implementation plan, sufficient budget needs to be made available to ensure the successful implementation of the approved tourism framework with maximum output and impact.

The tourism framework and implementation plan were adopted by Council in September 2017. Key outcomes/actions of the tourism implementation plan were as:

Actions completed based on the implementation plan is the tourism audit conducted for the region. This had been extended by conducting a tourism audit of services, products, infrastructure and skills requirements to town level in the 2018/2019 financial year.

The establishment and strengthen of partnerships is ongoing with local businesses, tourism associations, regional tourism bodies and other institutions such as Wesgro, DEDAT and SAT. Increased tourism network sessions across the region took place to obtain buy-in and to start building relationships leading to partnership agreements. This will be a continuous process of consultation throughout 2019/2020 financial year.

Generic marketing is also conducted, until the route development per town has been concluded. In 2018/2019 financial year research and investigation will be conducted on the potential and viability of the different routes which have been identified.

### **TOURISM BUSINESS AND SUPPORT INITIATIVES (DEVELOPMENT)**

The focus of the tourism business and support initiatives is to create awareness, provide training and support to develop local tourism products to become part of the mainstream tourism industry.

- **Event / Festival Support**

In total five (9) applications received financial assistance for the 2018/2019 financial year. That is 3 more than the 2017/2018 financial year. In total hundred and twenty thousand rand (R 120 000.00) was approved to support the events i.e.; Baleia MTB Challenge (R10 000.00), Vlake Marathon (R20 000.00), Proe Bietjie Fees (R13 333.00), Hessequa 6-A-Side Cricket Tournament (R10 000.00), Christmas-In-July (R10 000.00), Hessequa Harmonie (R13 333.00), Silver Mountain Music Festival (R13 333.00), The Giant Pumpkin Festival (R20 000.00) and the Riversdal Skou (R10 000.00). The applications for funding was ascertained according to the approved events and festival framework as approved by Council in September 2016. The events/festival framework provides a guideline for events / festival support and the assessment criteria.

### TOURISM MARKETING, PROMOTION & DEVELOPMENT

As part of tourism marketing, promotion and development, the tourism department of the municipality has increased its activities to market the region and development the local tourism industry:

- The development of a new tourism marketing brochure/map for the Hessequa region. Collaborate with district to issue the new GR&KK visitor guide.
- Various marketing and promotional articles and content was published in national tourism and travel magazines which included Mzansi Travel (Issue 12 & 13), African Safaris (Issue 37) and various regional media publications.
- Hessequa municipality also took part in the World Travel Market – Africa 2019 tourism trade show in Cape Town which is the most prominent tourism indaba in Africa. The tourism department promoted the Hessequa region at this event and help facilitate that a local Hessequa product showcase at the indaba namely Gourikwa Nature Reserve.
- The Explorer’s Garden Route (official tourism) website was redesigned and updated. In terms of the tourism social media profile and footprint. Its Facebook following increased by 20% and a new twitter tourism account was created @EGRTOURISM to promote the Hessequa region on this platform and to gain more exposure for the region as a destination.
- 8 Youth from the Hessequa region was sponsored to attend a film and media training course facilitated by Ikasi Media.
- 1 internship opportunity was awarded to a local tourism student from Heidelberg for a 6-month period.
- 12 tourism network sessions took place in towns such as Heidelberg, Witsand, Riversdale, Albertinia, Stilbaai and Gouritsmond
- A two-month tourism product audit was conducted to determine status quo of the local tourism industry and to assist with future planning. 6 Local people were employed to conduct the survey of which 5 was youth.
- Hessequa Municipality assisted Stilbaai Tourism Bureau with the Kwêla Town of the Year Competition. As a result, Stilbaai was awarded Western Cape: Town of The Year and Top 3 finalist in the national (final) round of the competition.

### CHALLENGES - LED & TOURISM

DESCRIPTION	ACTION TO ADDRESS
Lack of institutionalised representative governance structures for LED & Tourism	The lack if institutionalised representative governance structures to drive the agenda of tourism and LED needs to be addressed. As a critical outcome of the implementation plan for LED this is a key focal point to address the skewed ownership patterns, inequality in the area.
Tourism Budget deficiency	Review of the tourism function to identify key focus areas for interventions to harness economic development. Review of the implementation plan to ensure that the strategic direction for tourism is still adequate and/or trace.



Lack of staff in the LED & Tourism Department	Given the geographic spread of the municipal area, the staff deficiency in the department have an impact on delivery of services per town. Two unfunded posts have been approved in the 2015/2016 financial years, but costs could not have been filled to date. The increase in workload and needs of the community, places more pressure on the LED & Department to deliver crucial services to the community. The non-funding of these posts leads to a department not realising the full potential of the community in need.
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### C) LED Strategy

The Draft LED Strategy has been completed and tabled to Council in June 2018 for adoption. This strategy was consulted with the stakeholders and the final strategy with an implementation plan will be tabled to Council.

Employees: LED & Tourism					
Job Level	2017/18	2018/19			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0
4 - 6	0	0	0	0	0
7 - 9	0	0	0	0	0
10 - 12	2	2	2	0	0
13 - 15	1	1	0	1	100%
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
<b>Total</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>33%</b>
<i>Employees and Post numbers as at 30 June.</i>					

Table 91.: Employees: LED and Tourism

## 3.6 COMPONENT D: COMMUNITY AND SOCIAL SERVICES

Hessequa Municipality, in collaboration with the Provincial Library Service of the Western Cape provides a comprehensive library service to the people in the area. The Library Service strives to improve the quality of life of all inhabitants, change and uplift communities and promote literacy.

The Library Service endeavours to promote awareness of the benefits of library use within the whole community and continuously promotes a reading and learning culture with free access to information.



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The nine formal libraries, one satellite library and four mini Libraries make great effort to develop an educated society through programs that enhance literacy and culture including lifelong learning.

The museum service aims to promote respect for cultural diversity in South Africa and appreciation of our natural heritage. The museum service therefore sets out to build understanding and pride of our diverse heritage through the affiliated museums. Hessequa comprise of 2 official private sector driven museums and 1 Africana Centre managed by the municipality, which develops and promotes exhibitions and programs for educational purposes and the public interest.

All municipalities strive to achieve the objects for local government as set out in the Constitution of the RSA. To achieve a balance between the provision of services to communities in a sustainable manner, the promotion of social development and to encourage the involvement of communities in a decentralised municipality is a huge challenge. Hessequa consist of six previous towns and more than 10 different residential areas with different levels of services and social development.

The Hessequa Community Development Department fulfils the role to promote integrated social development and developmental social services that is accessible, affordable and appropriate to the disadvantaged communities. The programs are aimed at the youth, the aged, disabled persons and the empowerment of the vulnerable groups. Through the provision of accessible developmental community services, the quality of life of the community is improved. The recreational needs of the community are satisfied through the integration of arts; cultural and sport programmes.

The Hessequa Community Development Department give priority to the basic needs of the community and promote the social development of the broader community.

The vision of Council for social development is:

- To ensure the provision of comprehensive, integrated, sustainable and high- quality social development services against vulnerability and poverty,
- And to create an enabling environment for sustainable Development in partnership with those committed to building a caring society.

The Mission of the Department of Community Development can be proposed as:

The Social development, upliftment and empowerment of youth, women, the disabled, children, the elderly, people living on the street and people with HIV & AIDS within the boundaries of the Greater Hessequa.

It plans to do so through a process of facilitation, co-ordination and networking with services rendered by role players (inter-governmental and NGO's) in the field. This does not mean that the department will



not undertake programs of its own, but that it will be selective in deciding on programs of own initiative in order to prevent duplication of services.

Our aim is to ensure that Hessequa Municipality delivers on its mandate as a developmental agent by mainstreaming the Rights Based Approach through all service delivery. The purpose of this is to ensure that the rights of the vulnerable people within our boundaries are protected and that cognisance of their needs is taken in service delivery by the Municipality thereby contributing towards poverty alleviation and development among these vulnerable groups.

### 3.6.1 LIBRARIES

#### A) *Highlights: Libraries*

Highlights	Description
Mandela Day 18 July 2018	Outreach activities ranged from clean-up campaigns at local schools, food donations to homeless people, visits to schools, old age homes and storytelling sessions were organised. Displays were presented to celebrate Nelson Mandela's birthday and promote the idea that each person has the power to change the world
Women's Day 9 August 2018	Talks, tea parties and displays were presented
National Book Week 2 – 8 September 2018	National Book Week was celebrated from 2 – 8 September 2018 with the theme, <i>#OURSTORIES</i> . A wide range of activities were presented to promote and entrench a culture of reading.
Literacy Day 8 September 2018	Displays, talks and storytelling sessions were presented to raise awareness on the issues surrounding adult and child literacy in South Africa
Book Launch 11 October 2018	Launching of the book, <i>The Forgotten Front: Untold stories of the Anglo-Boer War in the Karoo</i> written by Michael de Jongh and Belinda Gordon at Still Bay Library
Heritage Day 24 September 2018	Discussions, storytelling hours and visits to schools were presented to encourage people to celebrate their culture and the diversity of their beliefs and traditions
16 Days of Activism for No Violence Against Women and Children 25 November – 10 December 2018	Displays, activities, storytelling and discussions were presented to raise awareness of the negative impact that violence has on women and children
Book launch 6 December 2018	Belinda Gordon presented a talk on her latest book, <i>The Forgotten Front: Untold stories of the Anglo-Boer War in the Karoo</i> written by Michael de Jongh and Belinda Gordon at Riversdale Library



Highlights	Description
Read Aloud Day 1 February 2019	Various activities, e.g. performances, talks, competitions and displays were presented to celebrate literacy and the power of reading
Book launch 8 February 2019	Launching of the book, <i>Ons moet spoeg om te sien hoekom ons nie kan sien nie</i> written by Gerhard Ferreira at Still Bay Library
South African Library Week 18 - 24 March 2019	South African Library Week was celebrated from 18 - 24 March 2019 with the theme, <i>Collaborate @ your library</i> . A wide range of activities were presented to enhance literacy and culture including lifelong learning
World Book Day 23 April 2019	Performances, displays, visits to schools and talks promoted the importance of books and reading
Africa Day May 2019	The staff were dressed in traditional clothes and talks, activities as well as displays highlighted this subject
Reader's Day 15 May 2019	Martin Steyn, well-known author and Jo Nel up-coming author both presented interesting and interactive talks on their books at Readers' Day
Youth Day 16 June 2019	Displays and talks on Youth Day <i>were presented to remember the youth of 1976 and what transpired on the day</i>
Book launch 26 June 2019	Marié Heese presented a talk on her latest book, <i>Peter Pan en Laurie</i> at Still Bay Library

Table 92.: Libraries Highlights

**B) Service Statistics for Libraries**

Type of service	2017/18	2018/19
Library members	15 093	15 443
Items circulated	372 774	371 841
Exhibitions held	1 005	1 144
Outreach activities	2 259	2 391
ICT facilities used	17 045	14 444

Table 93.: Service Statistics for libraries



<b>Employees: Libraries</b>					
<b>Job Level</b>	<b>2017/18</b>	<b>2018/19</b>			
	<b>Employees</b>	<b>Posts</b>	<b>Employees</b>	<b>Vacancies (fulltime equivalents)</b>	<b>Vacancies (as a % of total posts)</b>
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>%</b>
0 - 3	2	5	5	0	0
4 - 6	8	8	7	1	12.5%
7 - 9	6	8	7	1	12.5%
10 - 12	2	1	1	0	0
13 - 15	2	1	1	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
<b>Total</b>	<b>20</b>	<b>23</b>	<b>21</b>	<b>2</b>	<b>8.6%</b>
<b><i>Employees and Post numbers as at 30 June.</i></b>					

Table 94.: Employees: Libraries

### 3.6.2 CHILD CARE, AGED CARE AND SOCIAL PROGRAMMES

#### A) *Introduction to Child Care, Aged Care and Social Programmes*

Children aged 0-14 is by far the most vulnerable group within the boundaries of the Greater Hessequa. Not only do they not have the ability to provide shelter and care for themselves, but have decisions made on their behalf by their guardians and are at great risk of exploitation. South Africa appears to have an escalating problem of child abuse and neglect. This happens in most cases within the family environment. Although it is not confined to the poor communities, it is more apparent there. Add to this that due to the mortality rate related to HIV and AIDS, they are often left without care and added responsibilities of looking after siblings. This leads to an early school drop-out rate and if they manage to stay in school, they struggle due to malnutrition, hunger and a lack of Early Childhood Development (ECD).

The Department Social and Community Development must embark on a survey into the status of ECD centres within the Greater Hessequa.

Structures: Issues of children are dealt with by a number of NGO's the Dept. of Education, Dept. of Health and the Dept. Social Development among others. There is no formal Municipal structure representing the rights of children within Hessequa other than NGO's like Child welfare, ACVV and DROOM representing the organisations dealing with them.

### **Role of the Department Social- and Community Development:**

Co-ordination and facilitation of services rendered by role players focusing on children.

- Be aware of the needs relating to issues of children and address it through mainstreaming within the IDP of the Municipality and linking them with budget and resources in other spheres of government.
- Link with relevant service providers providing safety nets and raise awareness.
- Encourage family re-integration programmes with stakeholders

### **Youth Development**

#### **Background**

Youth as defined by the National Youth Policy includes persons between the ages of 14 and 35 years and are recognized as a valuable resource for the country. As former President Nelson Mandela has said in May 1994: "Youth are the valued possession of the nation. Without them there can be no future. Their needs are immense and urgent. They are the centre of reconstruction and development."

Youth development is underpinned by a firm and well stipulated **LEGISLATIVE FRAMEWORK**. The policy framework for youth development is largely shaped by broader national policy initiatives and it is also reflective of international programmes and conventions namely the following:

- i.* The Constitution and White paper on local Government. The constitution sets a broad policy context for the National Youth policy. This is highlighted in **Chapter 2: Bill of Rights** with the specific reference to Section 28 and at local government level in Section 152 (1) (c) where it is stated that one of the objectives of local government is to **promote social and economic development.**
- ii.* The National Youth Commission Act (1997)
- iii.* Charter of the United Nations
- iv.* United Nations World Programme of Action for Youth
- v.* The Commonwealth Youth Charter
- vi.* Local Government Municipal Systems Act 23 of 2000

Local Government Municipal Structures Act (Act 117 of 1998) Amended: Act 33 of 2000

The Hessequa Youth Policy has been finalized and the document sets out a policy for the young people of the Hessequa Municipal Area. In order to address Socio & Economic challenges effectively within Hessequa Municipal Area, the establishment of a Youth Development coordinator, and Youth Desk is





important. The establishment of Youth Committees, in every Town within Hessequa, will ensure the fulfilment of the objectives outlined in the policy.

The National Youth Policy, National Youth Policy Development Framework, Western Cape Youth Commission Policy, SALGA Youth Strategy, Eden District Youth Policy, Hessequa Municipality Integrated Development Plan and other documents provided the context for the Policy document.

### **Role of the Dept Social and Community Development:**

- Co-ordination of Youth projects.
- Co-ordination and facilitation of services rendered by other youth organisation.
- Awareness of the needs of youth and address them through the programs run by youth organisations, mainstreaming of youth issues within the IDP of the Municipality and linking them with the budget and resources in other spheres of government.

### **People with Disabilities:**

Situational Analysis:

People living with disability refer to those who have long-term physical, mental, intellectual, or sensory impairments which in interaction with various barriers may hinder their full and effective participation in society on an equal basis with others. The Western Cape province has one of the highest number of disabled people. The highest number is in the category of physical disabilities followed by the visually impaired. The Greater Hessequa has proportionally similar statistics. People with disabilities are excluded from the mainstream of society and experience difficulty in accessing their fundamental rights. There is furthermore a strong relationship between disability and poverty.

It is important that, together with the HR Department we have to reach out to the main role players in Hessequa dealing with people living with disabilities. We must aim towards discussions on how the Municipality could contribute towards creating employment, skills development and empowerment opportunities.

Structures: There is currently one structure representing the disabled within our boundaries.

Other service providers/organisations: Huis Wallace Anderson

Examples of projects and activities relating to development for people living with disabilities include: Protective Workshops/employment, awareness on the rights of people living with disability, mainstreaming issues affecting people living with disabilities within service delivery of LG and the

prevention of disability and advice centres for access to information and opportunities that might lead to employment.

### **Role of the Dept. Social and Community Development:**

- Ensuring a more integrated collaborative approach to facilitate the mainstreaming of issues relating to people with disabilities
- The economic empowerment of people with disabilities.

### **Elderly**

Situational Analysis:

The elderly refers to persons aged 60 years and older. From a socio economic perspective older persons are still subjected to widespread violation of their rights. This is exacerbated by chronic and deepening poverty, weakened family ties and community structures due to migration, the impact of HIV/AIDS and various forms of abuse against older persons. Within our boundaries there are a number of Old Age Homes. However, these do not house the majority of older persons. Most of them are still living within the communities.

Indeed, the dependency burden of HIV and AIDS is enormous and older persons who can least afford it, now find their care giving and financial support functions starting again. The state old age pension that many of them receive is in many cases the primary or only source of income for the family. The reality is that many older persons are making a valuable contribution to households as carers for children, people with disabilities and those affected and infected by HIV and AIDS.

- Examples of projects/activities: Raising awareness on the rights of older people, service clubs, sporting codes and support programmes for older people caring for their families.

### **Role of the Dept Social and Community Development:**

- Co-ordination and facilitation of services rendered by role players focusing on older people.
- Be aware of the needs relating to issues of older people and address it through mainstreaming within the IDP of the Municipality and linking them with budget resources and in other spheres of government.
- Eradication of violence against older people in communities.

### **Hessequa Social Advisory Forum**

The Department Community Development has since 2013, managed to conduct various social development initiatives; mandated by two of councils 7 objectives:



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- “empowerment of communities through effective communication and participation.”
- And, “a special focus on human development to enhance the social well-being of our residents.”

These objectives were enhancing with the establishment of the Hessequa Social Development Advisory forum, article 17(4) of the municipal systems act (act 32 of 2000) as amended.

The Social Development Advisory Forum act as platform where structured engagements with regards to matters in the social fraternity take place. This body comprise of representatives from civil society role-players, sector departments as well as the municipality. This forum meets quarterly and has the following focus areas:

- Youth Development
- Sport and Culture
- Institutional Capacity
- HIV/AIDS, TB and STI's, Teenage Pregnancies
- Food Security
- Early Childhood Development
- Elderly
- Persons with disabilities
- Substance abuse
- Women and Children
- Rural Development

Monthly and quarterly reports on the activities of the Forum are submitted to Council.

### ***B) Highlights: Child Care, Aged Care, Sport development and Social Programmes***

<b>Description</b>	<b>2018/19</b>
Food Security Programme	During the 2018/2019 financial year, Hessequa Municipality's Department of Community Development procured a total of 87 X 1500L water tanks.  A total of 68 water tanks were allocated and delivered to households and 15 water tanks were allocated to the camping sites. The extra 4 tanks were allocated to households with exceptional circumstances.
Programmes for the Elderly	Hessequa Municipality's Department of Community Development, in cooperation with the Provincial Government of Local Authorities, launched an ID Outreach Program for Senior Citizens in Hessequa from 11 March 2019 till 26 March 2019. A total of 602 senior citizens applied for their ID cards.



Description	2018/19
Youth Development Programmes	<p>The Community Development office understand the fact that the Socio – Economic challenges, has a direct impact on the youth. There-for the Community Development office, are fully aware of the importance to capacitate the youth with the necessary skills, knowledge and hope for tomorrow. For the financial year the Social Development office managed to successfully held the following programmes and activities for youth:</p> <p><b>Youth Camp</b> – A Youth Camp was held from 21 March 2019 till 23 March 2019 at Preekstoel (Still bay. The target group were youth between the age of 12 and 16 years, who presents behavioural problems, but has not been in conflict with the law. The purpose of the youth camp. The purpose of the Youth Camp was to equip the youth with knowledge and life skills with the aim to prevent youth delinquencies. A total of 40 youth participants attended the Youth Camp.</p> <p><b>Youth Conference</b> - A Youth Conference was held on 15 June 2019. The purpose of the youth conference was to get inputs from the youth in order to finalise the Youth Policy for Hessequa Municipality and to establish a youth structure in Hessequa. A total of youth in the Hessequa Area attended the youth conference.</p>
Early Childhood Development Programmes	<p>A fire safety workshop was held on February 4 February 2018. Ms Rayganah Rhodate, the training officer employed by "Working on Fire" Cape Town, facilitated the workshop. The purpose of the workshop was to reduce fire incidents through effective fire prevention and to limit the extent and consequences of fire incidents through effective emergency procedures, information and knowledge. A total of 12 Preschool and Early Child Development Practitioners attended the workshop. On 23 April 2019, the Social Development Programme Coordinator and Ms Rayganah Rhodate visited three (3) Early Child Development Centres in Heidelberg, to follow up on whether the Early Child Development Practitioners implemented the knowledge they gained during the workshop on 4 February 2019. An emergency evacuation was done at the three (3) ECD Centres. The three (3) Early Child Development Centres were equipped with a fire alarm for each classroom.</p>
People with disabilities initiatives	<p>The Social Development office understands the challenges people with disabilities are facing, for that reason people with disabilities are part of our Social Development Strategy. The Social Development Department therefore considered it necessary to visit the Molen River Multi-Grade Primary School to offer an education and awareness program for the Grade R to Grade 3 learners. The aim of the program was to promote</p>

Description	2018/19
	<p>positive perceptions and greater social awareness towards persons with disabilities as well as to promote recognition of the skills and abilities of persons with disabilities. A total of 75 learners attended the program. Hessequa Municipality's Social Development Division took the opportunity to be part of an entrepreneurial day hosted by Mossel Bay Municipality in collaboration with SEDA and BEE Corp on 3 December 2019. The purpose of the Entrepreneurial Day was to give people with disabilities the opportunity to form partnerships between the disability sector and business development service providers, with the aim of turning their business skills into business opportunities. A total of 62 people with disabilities from Hessequa attended the Entrepreneurs Day.</p>
Education and Training	<p><b>Democracy Education Workshop</b></p> <p>A Democracy Education Workshop was held on 8 April 2019. The workshop was presented by the Public Education Office of Parliament. A total of 38 community members attended the training. The aim of the workshop was to equip the target group with knowledge of the role Parliament plays, legislation, how to participate in parliamentary processes as well as to develop a basic understanding of Parliament.</p> <p>Skills Development: Hospitality Training. Hessequa region has a high unemployment rate amongst the youth, and lack of adequate skills, restricting them to enter the labour market.</p> <p>The role of the municipality: apply for funding and / or enter into partnerships with the private &amp; public sector to roll –out skills development to position youth to become employable. This programme aims to train previously disadvantaged individuals in hospitality, enhancing their employability in this sector. The manager Community Development secured funding, through the Department Local Government, to conduct the training programme. The ten (10) students already completed the first part of the training.</p> <p><b>Computer Training</b></p> <p>On 26 October 2018, Hessequa Municipality's Department of Community Development, in collaboration with Cape Access Riversdal, held a formal handing-over ceremony of certificates to successful students who completed their basic computer skills certificate, ICDL certificates and E-Learner, as community development is a priority. A total of 68 students successfully completed their courses. A certificate</p>



Description	2018/19
	ceremony was also held at Slangrivier on 29 November 2019. A total of 40 students successfully completed their course.
Hessequa Social Advisory Forum	The Hessequa Social Development Advisory Forum initiated outreaches to the various towns in Hessequa with the aim of establishing a sub-forum in each town. A representative of this sub-forum will attend the quarterly meetings of the Hessequa Social Development Advisory Forum, which will create a platform for the sub-forum of each town, to canalize their social challenges in the respective towns. A sub-forum has already been established in Albertinia as well as Riversdale.
Special Events	<p>Social Development events:</p> <p>16 DAYS OF ACTIVISM OF NO VIOLENCE AGAINST WOMEN AND CHILDREN- The 16 Days of Activism of No Violence Against Women and Children is an international awareness campaign, which takes place annually from November 25 to December 10. This campaign also aims to make South Africans aware of the negative impact of violence against women and children and on all members of the community. Hessequa Municipality's Community Development Division, held a 16 Days of Activism Program on Wednesday, 28 November 2018, at Vondeling Primary School. The aim of the program was to make children aware of violence against children and also to empower them with knowledge, which would enable them to act, should they become a victim of violence. The focus group was primary school learners from grade 1 to grade 7. A total of 96 learners attended the programme.</p> <p>TABLE OF PEACE PROGRAMME -The Table of Peace Initiative came into being after a need was identified to create a platform where people of different cultures, ethnicity and religion can sit around one table to enhance Nation Building and to better community cohesion. The Table of Peace was successfully held on 28 November 2019. The highlight of the evening was the guest speaker, Mr Maurice Page, a resident of Heidelberg and a known actor for his role in Suid-Ooster.</p> <p>CHILD PROTECTION WEEK- A workshop around the challenges with street children was conducted in conjunction with the Western Cape street children forum. The aim of the workshop was to come up with programmes on how this challenge could be addressed. The following departments attended the program:</p> <p>SAPS ,SPUR RIVERSDALE, OLD AGE HOMES, KFC, CHILD WELFARE, CURCHES, COMMUNITY POLICING FORUMS</p>



Description	2018/19
	<p>WOMEN'S DAY – National Women's Day is a public holiday celebrated annually on August 9 in South Africa. The day commemorates the national march of women on this day in 1956 to object to legislation that compelled Black Africans to pass.</p> <p>Today, National Women's Day is commemorated in several ways. This year, Hessequa Municipality's Social Development Division approached a non-governmental organization, Awareness Action, with the aim of providing input on the needs of women in the community of Slangrivier as they also provide services to women. Women's Day was commemorated on 9 August 2018 at Slangrivier. A total of 93 women attended the programme.</p>
Hessequa Thusong Mobile Programme	<p>The Hessequa Thusong Mobile programme is an attempt by Hessequa Municipality to bring government to the people, especially to the rural areas. During the first Provincial "Jamboree" held in Heidelberg in 2008, the need for service delivery was identified by Hessequa Municipality. Since then, outreach programmes were held in the Hessequa region every quarter which started in Riversdale.</p> <p>In the 2018/19 Financial year 6 Mobile programmes were conducted. The following towns were included: Riversdale, Slangrivier, Heidelberg, Albertinia, Melkhoutfontein</p> <p><b>TOTAL NUMBER OF BENEFICIARIES REACHED: 4159</b></p>

Table 95.: Child Care, Aged Care and Social Programmes Highlights

### C) Challenges: Child Care, Aged Care and Social Programmes

Description	Actions to address
<p>Hessequa Municipal Area is vast area, which includes 6 towns and surrounding farms.</p> <p>Currently there is only one Social Development Programme Coordinator, responsible for social development initiatives. There is a need for the appointment of more Social Development Programme Coordinators in order to ensure that social ills in the Hessequa area can be addressed effectively.</p>	<p>Appointment of Social Development Programme Coordinators in each town.</p>

Table 96.: Child Care, Aged Care and Social Programmes Challenges



<b>Employees: Child Care, Aged Care, Social Programmes</b>					
<b>Job Level</b>	<b>2017/18</b>	<b>2018/19</b>			
	<b>Employees</b>	<b>Posts</b>	<b>Employees</b>	<b>Vacancies (fulltime equivalents)</b>	<b>Vacancies (as a % of total posts)</b>
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>%</b>
0 - 3	0	0	0	0	0
4 - 6	0	0	0	0	0
7 - 9	3	2	2	0	0
10 - 12	0	1	1	0	0
13 - 15	1	0	0	0	0
16 - 18	0	1	1	0	0
19 - 20	0	0	0	0	0
<b>Total</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>0</b>	<b>0</b>

*Employees and Post numbers as at 30 June.*

Table 97.: Employees: Child Care, Aged Care and Social Programmes

## 3.7 COMPONENT E: ENVIRONMENTAL PROTECTION

This component includes:

- Pollution control
- Biodiversity and landscape
- Coastal protection

### 3.7.1 INTRODUCTION TO ENVIRONMENT PROTECTION

Hessequa Municipality implemented the Hessequa Air Quality Management Plan (HAQMP) during the 2018/19 financial year, this strategic plan lapsed towards the end of the financial year and provision have been made for the review thereof. In this instance consultants were appointed in collaboration with the Garden Route District Municipality and the other B-municipalities in the Garden Route area for the review of all AQMPs. This process was concluded and a Draft Hessequa Municipal Air Quality Management Plan was received in June 2019. The municipality also reviewed the Hessequa Climate Change Adaptation Plan during the 2018/19 financial year in order to keep the Hessequa Climate Change Strategy relevant and up to date. It should be noted that an Air Quality Management Officer as well as a Climate Change Management Officer was appointed as required by relevant national statutes. We are also in the process of addressing the dune management issue for our region. Implementation of the Witsand Dune Management Plan as well as the Lappiesbaai Dune Management Plan is continuing, with phase two of the Lappiesbaai Dune Management Plan being initiated in May 2019.





River control on our four estuaries took on the form of access control points and physical patrols on the estuaries itself in order to ensure compliance with environmental legislation and municipal bylaws. The inauguration of National Estuary Management Protocol in 2014 means that the Breede River (Estuary) now falls under the mandate of DEA&DP and the management authority for the Gourits Estuary is Garden Route District Municipality (GRDM), although the enforcement of the Hessequa River Control By-laws on these two estuaries is still the Hessequa Municipality's responsibility. Hessequa Municipality in conjunction with the Department of Environmental Affairs and Development Planning (DEA&DP) and other coastal local authorities with estuaries under their jurisdiction initiated a process to revise the municipality's River Control By-laws.

The municipality has a range of nature reserves with an assortment of critically endangered biomes and three of the eight local municipal nature reserves are in the process of being registered under the Stewardship Program as rolled out by Cape Nature.

### **3.7.1.1 POLLUTION CONTROL**

The Hessequa Municipality has Air Quality Control By-laws which were adopted and approved by Council and which is currently being enforced by Garden Route District Municipality in conjunction with Hessequa Municipality. Hessequa Municipality also have a dedicated air quality officer (approved by Council) as well as an approved Air Quality Management Plan which was also reviewed, therefore completing the municipality's air quality infrastructure as required under the National Environmental Management: Air Quality Act, 2004 (Act 39 of 2004) (AQMA). In terms of section 15(2) of the Act each municipality must include in its Integrated Development Plan (IDP) contemplated in chapter 5 of the Municipal Systems Act, an air quality management plan (AQMP), this has also been done.

Other initiatives under air quality management was compliance inspections as part of an agreement between Hessequa Municipality and the Garden Route District Municipality at various residential as well as industrial facilities. In this instance a quarterly Air Quality Officers Forum takes place for all air quality officers in the Garden Route District as well as a Provincial Air Quality Forum. During 2018/19 the first Environmental Inspectorate Management Forum was also held in the Garden Route and two officials from the Hessequa Municipality has been designated as Environmental Management Inspectors (EMIs) or Green Scorpions. The municipality also actively participation in compliance inspections along the coast with CapeNature and DEADP: Compliance (Green Scorpions) were illegal activities or structures was erected. Different platforms have been developed for the reporting of environmental pollution, some of which are the various estuary management forums (x3), Protected Areas Advisory Forums (x3), Environmental Working Group meetings with CapeNature, regular engagement with the provincial Department of Environmental Affairs & Development Planning as well as with the national Department of Environmental Affairs.



**3.7.1.2. BIO-DIVERSITY AND LANDSCAPE**

As previously mentioned the municipality are in the process of registering two of our eight nature reserves under the Cape Nature Stewardship Program and the rest will follow after conclusion of the registration of initial two. Thus, continuing our efforts to provide all settlements in the Hessequa area with access to at least one or more nature reserves in its vicinity.

Follow-up and alien clearance projects total approximately 500ha on municipal land including all municipal nature reserves. In addition to aliens cleared, erosion control projects were also rolled out in areas with hiking trails such as those in the municipal nature reserves. For 2018/19 the municipality again invested resources into the expansion and maintenance of the Tuin-op-die-Brak the newest addition was an indigenous nursery.

The municipality entered two environmental orientated competitions during 2018/19, one the Arbour City awards (National) and the Greenest Municipality Awards (Provincial), the outcomes thereof will only be made in the 2019/20 financial year.

The booklet which was distributed to the relevant municipal departments regarding the National Environmental Management Act: Listed Activities was also again revised to ensure its relevancy to new legislation. The rationale behind the booklet is to ensure that Building Control, Town Planning and the Technical Department can make informed decisions with regards to what activities is allow and which are not. The booklet has also been made available on the municipal website.

2018/19 also saw the continuous update of the municipality's #100000TreeCampaign which is mostly internet based to ensure that it stays fresh and relevant. The campaign strives to plant 100 000 indigenous trees within the municipal area, with the cooperation and assistance of the community. Community members are encouraged to register all the indigenous trees they plant and make it part of the tally.

The municipality actively participated in the development of Coastal Management Lines for our region, which includes the development setback line and coastal protection line as well as in the identification of current and historical coastal access points as per requirement of the integrated Coastal Management Act of 2008. This exercise is coordinated by the Department of Environmental Affairs and Development Planning and is ongoing.

The Estuary Management Committees are also up and running for three of the four estuaries which falls within our area of operation with the exception of the Breede Estuary whose committee is the responsibility of DEA&DP.

Two different projects were approved by the national Department of Environmental Affairs (DEA), one is a Working for the Coast (WFTC) project which focus on mass employment in the Hessequa region, totalling R10 750 000 over a three-year period and the other also a WFTC project under the EPIP Program of DEA which focus on infrastructure over a three-year period and totals R10 000 000.



<b>Employees: Environmental Services</b>					
<b>Job Level</b>	<b>2017/18</b>	<b>2018/19</b>			
	<b>Employees</b>	<b>Posts</b>	<b>Employees</b>	<b>Vacancies (fulltime equivalents)</b>	<b>Vacancies (as a % of total posts)</b>
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>%</b>
0 - 3	0	0	0	0	0
4 - 6	5	6	6	0	0
7 - 9	0	0	0	0	0
10 - 12	2	2	2	0	0
13 - 15	1	1	1	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
<b>Total</b>	<b>8</b>	<b>9</b>	<b>9</b>	<b>0</b>	<b>0</b>
<i>Employees and Post numbers as at 30 June.</i>					

Table 98.: Employees: Environmental Management

## 3.8 COMPONENT F: SECURITY AND SAFETY

### 3.8.1 INTRODUCTION TO SECURITY AND SAFETY

The department Protection Services consists of the following sections:

- Traffic law enforcement
- Traffic agency services
  - Motor registrations
  - Licensing
  - Roadworthiness
- Law enforcement (by-laws)
  - Municipal Animal pound
  - Technical services (road maintenance)
- Security services
- Disaster management
- Fire Brigade Services (contracted service)

The Department have sub stations in Heidelberg, Albertinia and Still Bay with the main base in Riversdale.

Fire services have vehicles in all the above mentioned towns, Still Bay: Medium pumper and a Strike unit (LDV), Heidelberg: Medium pumper and Strike unit (LDV), Riversdale: Medium pumper and two (2) Strike unites (LDV) AND Albertinia: one Strike unit (LDV).

We also have personnel in all of the abovementioned towns, Albertinia: One (1) permanent member and 3 WOF contracted people, Still Bay: One (1) permanent member and 4 WOF contracted people, Heidelberg: One permanent member and 4 WOF people and in Riversdale we have ten (10) people of which two (2) are permanent and 8 is WOF contracted people. We have 5 permanent operational members and 19 WOF contracted people.

The personnel work 12 hours shifts (08h00 to 20h00) in Albertinia, Still Bay, Heidelberg and 24 hours shifts in Riversdale.

All Traffic services are all operating from Riversdale and are then deployed to the surrounding towns. We currently have Nine (9) permanently employed Operational Traffic Officers. They have two (2) supervisors, one immediate by the rank of Superintendent and the Deputy Traffic Chief, operations. Traffic officers work an eight (8) hours shifts, from 06h00 to 14h00 and 14h00 to 22h00.

### 3.8.2 TRAFFIC SERVICES AND LAW ENFORCEMENT

#### A) *Highlights: Traffic Services and Law Enforcement*

Highlights	Description
Warrant execution	We have started to execute warrants of arrests for traffic fines and had operations to knock on the doors of those with outstanding warrants, all due to 3 extra temporary traffic officials. The objective of this program is to bring compliance to the Traffic act and ensure road safety. That offenders also pay there traffic fines.
Public transport Applications	Public transport is always a big frustration and this office assist with legalisation of many illegal operators to apply for and received legal permits to transport commuters ,this is a challenge because we don't have the capacity to deal with all the application and illegal operators.
HTA Establishment	This department together with the Provincial Regulatory Entity assist in the establishment of Hessequa Taxi Association to be of assistance to transport operators in the Hessequa area
Temporary Traffic officers x3	With the great help of 3 x well trained and hardworking temporary Traffic Officers this department could achieve a lot more with regards to: public complains, overall law enforcement during weekends and outstanding complaints on traffic law enforcement
Driving Under the Influence of alcohol (DUI) stats increase	Due to the help of the three (3) temporary Traffic Officers we made a lot more arrests for driving under the influence of alcohol and thus create safer roads
Speed operations	Speed complaints was successfully addressed where direct speed law enforcement was introduced in especially the Still Bay area to bring offenders to justice.
Roadblock bus operations	Due to the fact that the Speed enforcement service providers road block bus is stationed at the Riversdale Traffic office we could actively increase our visibility with roadblock operations, integrated operations with other Law Enforcement agencies to create safer roads
ANPR vehicles	Hessequa Traffic department was the first in the Southern cape to use intelligent Law Enforcement with ANPR (Automatic Number Plate Recognition) technology within a patrol vehicle, now Hessequa are proud to say that four of our patrol vehicles are equipped with the technology to intelligently seek out offenders

*Table 99.: Traffic Services and Law Enforcement Highlights*

#### B) *Challenges: Traffic Services and Law Enforcement*

Description	Actions to address
Staff	To establish a full time service in 9 towns of Hessequa, the current staff establishment will need to be enlarged.
Public transport	Policing of public transport remains a challenge

*Table 100.: Traffic Services and Law Enforcement Challenges*



C) *Service Statistics for Traffic Services and Law Enforcement*

No.	Details	2018/19
		Actual No.
	Camera notices issued successfully	111 924
	Handwritten notices/ summonses	3369
	Handwritten summonses provincial Mosselbay & Swellendam	2328
	Warrants executed for (2 months only) By Hessequa Municipal Traffic Officers	50

Table 101.: *Service Statistics: Law Enforcement*

Additional Performance Information for Traffic Services and Law Enforcement							
Type of services							
2018/2019							
Fire Incidents	Traffic Charges	Operations	Roadworthiness	Motor Registration	Licensing	Pound	Law & Enforcement
135	10113	45	3536	50711	16687	400	301

Highlights	Description
<b>Registration/Roadworthy/Driving license</b>	
<p>During the financial year abovementioned departments received on different occasions 100% for Provincial audits. Motor vehicle registration received an average of above 90% for all audits conducted during the financial year.</p> <p>March 2018 Albertinia Driving license testing centre were opened to render a service to Albertinia and nearby communities. Renewal of driving license, Professional driving permits and the writing of learners license is currently available at Albertinia DLTC. The service is currently available on Thursday but hope to extend the service to multiple days in a week.</p>	<p>Provincial and National department conducts unannounced audits for different services(Registration Roadworthy and licenses) Audits are to ensure Municipalities render services according download lures and regulations and National Road traffic Act.</p> <p>The need was identified in Albertinia to see if the community could be assisted in all aspects of driving license. Due to the distance the public needs to travel to Riversdale the Provincial and National department granted approval for Albertinia DLTC.</p>
<b>Technical service (Road Maintenance)</b>	
<p>Technical team consist of four employees. These personnel are responsible for road signs and markings within the Hessequa Municipal area consisting of multiple towns (9).</p>	<p>Signs needs to be erected and markings painted according to the National Road Traffic Act. Road safety plays an important part of Protection Services and therefore strive to safer towns. Signs and road markings is of utmost importance as its prescribed by legislation. Should signs and road markings contradict regulations legal action may follow.</p>
<b>Highlights</b>	
<b>Description</b>	
<b>Road safety</b>	
<p>It's an important aspect to promote road safety within the Hessequa region. We conducted many road safety interventions in an attempt to create safer roads</p>	<p>Road safety interventions were held at Pre-primary, Primary and High schools in an effort to promote road safety among younger people. The strategy is to invest in younger people and to spread the road safety message as far as possible. This might also lead to having safer drivers at a later stage in their lives</p>
<b>Security service</b>	
<p>Witsand-3-year approach were accepted to educate holiday makers during festive times. Large number of holiday makers flock to Witsand each year as a 20-Year-old tradition</p>	<p>Hessequa Municipality has a responsibility towards the public to create/maintain a safe environment at all times. Evaluate</p>



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<p>The public area that the holiday makers make use of is not suitable for their needs for instance:</p> <ul style="list-style-type: none"> <li>• Camping (overnight)</li> <li>• Fires – outside demarcated areas</li> <li>• Bathroom facilities – not using the public facilities that is there</li> </ul> <p>The situation has been identified as a major health and safety risk for the holiday makers, permanent residents as well as for the Local Authority.</p> <p>15 additional staff members were employed (creating jobs) for duties specifically in Witsand.</p> <p><u>Witsand 3-year strategy</u></p> <ul style="list-style-type: none"> <li>• Year 1 - awareness were done by ways of handing out pamphlets, and more than 1100 pamphlet was handed out and by word of mouth of dangers and risk currently present</li> </ul> <p>15 additional staff members were employed (creating jobs) for duties specifically in Witsand. Additional toilet facilities were made available.</p> <ul style="list-style-type: none"> <li>• Year 2 – access control and will apply. Only a certain amount of vehicles and persons will be allowed.</li> </ul> <p>10 additional staff members will be employed and trained to assist in handling situations in professional manner.</p> <ul style="list-style-type: none"> <li>• Year 3 – construction/extension of public area to a more acceptable, controlled and improve facility</li> </ul> <p>Staff members to assist in keeping specific area safe and clean.</p>	<p>and monitor each situation and ensure the necessary precautionary measures</p>
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**Table 102.:** Additional performance information for Traffic Services and Law Enforcement

<b>Employees: Traffic Services, Law Enforcement, Fire Services and Disaster Management</b>					
<b>Job Level</b>	<b>2017/18</b>	<b>2018/19</b>			
	<b>Employees</b>	<b>Posts</b>	<b>Employees</b>	<b>Vacancies (fulltime equivalents)</b>	<b>Vacancies (as a % of total posts)</b>
	No.	No.	No.	No.	%
0 - 3	2	2	2	0	0
4 - 6	12	13	13	0	0
7 - 9	8	19	16	3	2.5%
10 - 12	9	3	3	0	0
13 - 15	3	3	3	0	0
16 - 18	1	1	1	0	0
19 - 20	0	0	0	0	0
<b>Total</b>	<b>35</b>	<b>41</b>	<b>38</b>	<b>3</b>	<b>7.3%</b>
<i>Employees and Post numbers as at 30 June.</i>					

**Table 103.:** Employees: Traffic Services, Law Enforcement, Fire Services and Disaster Management



### 3.8.3 FIRE SERVICES

The Fire Service consists of twenty WOF staff members which is currently contracted by Hessequa Municipality. Fire service consist of five permanent employed fire fighters.

Fire service fleet:

1. 3 x medium fire engines
2. 6 x pickups
3. 2 x four-wheel drive vehicle

These vehicles are equipped with standard firefighting equipment and gets upgraded as funds are available

The service provider's contract is being monitored and evaluated and found to be in good relation. The newly established 24-hour control centre is a huge improvement to emergency service. The control centre activates all emergency service within seconds and minimise respond time within the region. The service provider is merely responsible for the employment of junior staff members and hopefully more permanent staff members could be employed. The fire service is also responsible for the monitoring of controlled fire and a total of 649 permits were issued. Building and premises inspections were also conducted and a total of 100 inspections were completed. Above ground fire hydrants were also installed at strategic areas, but it's an ongoing process and will commence each year.

SERVICE STATISTICS FIRE BRIGADE										
	Veld fires		Structure fires		Motor Vehicle Accidents		Other		Total	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
July	7	0	1	4	1	0	1	0	10	4
Aug	2	4	3	3	2	6	0	4	7	17
Sep	6	4	0	4	7	8	1	4	14	20
Oct	5		3		2		1		11	
Nov	4	9	1	5	7	12	0	4	12	30
Dec	4	12	1	3	6	13	0	0	11	28
Jan	4	7	1	1	7	7	3	2	15	17
Feb	8	8	0	2	3	5	2	2	13	17
Mar	3	7	4	3	5	9	0	1	12	20
Apr	15	8	2	2	4	5	0	0	21	15
May	6	4	1	5	4	8	2	1	13	18
Jun	1	1	2	6	2	7	0	1	5	15
<b>TOTAL</b>	<b>65</b>	<b>64</b>	<b>19</b>	<b>37</b>	<b>50</b>	<b>80</b>	<b>10</b>	<b>19</b>	<b>144</b>	<b>201</b>

Table 104.: SERVICE STATISTICS FIRE BRIGADE





### 3.8.4 DISASTER MANAGEMENT

During October to November 2018 large fires were present in the Vermaaklikheid area and in the Langeberg mountain range. During the ongoing drought the water resources were managed in such a way that water was never a problem when it comes to fire fighting. No other disaster was reported or disaster areas were declared. The Disaster management advice Forum were established in March 2019 with great successes and joint responsibility. Each month at least two Fire/Disaster awareness were held as well as door to door interventions within Hessequa Mun.

## 3.9 COMPONENT G: SPORT AND RECREATION

### 3.9.1 SPORT AND RECREATION

#### A) Introduction

The extent of the existing infrastructure for parks and resorts are summarised in the following table:

Asset	Unit	Number
Parks	Play parks	34
Sports Grounds	Community sport grounds	7
Camp Sites	Resorts for public	6
Swimming Pools	Community pools	3
Sport Halls	Sport Halls	5

Table 105.: Summary of existing assets: Sport and Recreation

#### B) Highlights: Sport and Recreation

Highlights	Description
<ul style="list-style-type: none"> <li>Melkhoutfontein &amp; Slangrivier Sport Ground</li> </ul>	<p>The Municipality is in the process to upgrade the sport facilities in Slangrivier and Melkhoutfontein. Consultation processes with both the community and the sporting bodies will commence in the 2019/20 financial year.</p>
<ul style="list-style-type: none"> <li>Takkieskloof Swimming pool</li> </ul>	<p>The swimming pool floor of the small pool was replaced and the pumps and filter was upgraded.</p>
<ul style="list-style-type: none"> <li>Major capital upgrades of ablution facilities at Caravan Parks</li> </ul>	<ul style="list-style-type: none"> <li>Tiles, showers, basins, toilets, mirrors, and taps that were installed in the ablution facilities was welcomed by the visitors to the Caravan Park.</li> <li>New roofs were erected at the parking bays at Preekstoel</li> <li>Stands at Preekstoel was serviced with electricity.</li> <li>Roads at Ellensrust, Jongensfontein and Preekstoel was resealed.</li> <li>A new boiler heating system was installed.</li> </ul>
<ul style="list-style-type: none"> <li>Maintenance of Infrastructure at Caravan Parks</li> </ul>	<ul style="list-style-type: none"> <li>The general condition of the buildings improved due to maintenance that was performed and inspections of buildings that is done on a regular basis.</li> </ul>



Highlights	Description
	<ul style="list-style-type: none"> <li>95% of the available budget was spend on maintenance of infrastructure.</li> </ul>

Table 106.: Sport and Recreation Highlights

**C) Challenges: Sport and Recreation.**

Actions to address	Description
Maintenance and extension of recreation facilities	Inadequate or limited funding to maintenance and upgrade recreation facilities and municipal parks.
Electronic booking systems to all resorts.	We are currently considering the different booking systems which best meet our needs. A well-developed booking system will improve our service which we deliver to our clients by enhancing the management of client data, statistics and reporting information in order to make informed management decisions.
Occupation of Caravan Parks during out of Season	This challenge is addressed by marketing our Caravan parks and to offer out of season discount and discounts on group bookings in order to increase our out of season occupancy levels. The impact of the marketing and discounts offered on the occupation levels will be evaluated on a yearly basis.

Table 107.: Challenges: Sport and Recreation

**D) Service Statistic for Sport and Recreation**

Type of service	2017/18	2018/19
<b>Community parks</b>		
Number of parks with play park equipment	34	34
Number of wards with community parks	9	9
<b>Swimming pools</b>		
Number of visitors per annum	16 450	9 788
R-value collected from entrance fees	R 108 824	R 88 217.80
<b>Camp sites/Resorts</b>		
Number of visitors per annum	44 000	42 000
R-value collected from visitation and/or accommodation fees	R12 315 918	R 12 292 568



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Type of service	2017/18	2018/19
<b>Sport fields</b>		
Number of wards with sport fields	7	7
Number of sport associations utilizing sport fields	12	10
R-value collected from utilization of sport fields	R 20 938	R30 9647
<b>Sport halls</b>		
Number of wards with sport halls	5	7
Number of sport associations utilizing sport halls	25	25
R-value collected from rental of sport halls (community halls)	R 316 717	R344 838

Table 108.: Additional performance information for Sport and Recreation

<b>Employees: Parks and Recreation</b>					
Job Level	2017/18	2018/19			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	55	56	54	2	3.5%
4 - 6	37	45	41	4	8.8%
7 - 9	8	9	8	1	11.11%
10 - 12	2	4	3	1	25%
13 - 15	1	1	1	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
<b>Total</b>	<b>103</b>	<b>115</b>	<b>107</b>	<b>8</b>	<b>6.95%</b>
<b>Employees and Posts numbers are as at 30 June</b>					

Table 109.: Employees: Parks and Recreation



# *Chapter 4:*

# *Organisational Development*

# *Performance*



## CHAPTER 4

Hessequa consists of ten (10) service centres, each with its unique service delivery infrastructure. This is closely linked to the geographical layout of Hessequa. In 2000 the following municipalities were amalgamated into the Langeberg Municipality, that is now known as Hessequa Municipality:

- Riversdale Municipality
- Heidelberg Municipality
- Albertinia Municipality
- Stilbaai Municipality
- Gouritsmond Municipality
- Slangrivier Municipality

A centralized management structure with decentralized technical operational units per major town is the organisational design approach to manage the human and other resources across the vast geographical area of Hessequa.

### 4.1 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 Municipal Systems Act of 2000. These key performance indicators are linked to the *Municipal Transformation and Organisational Development* National Performance Area.

#### *Municipal Transformation and Organisational Development.*

KPA & Indicators	Municipal Achievement	
	2017/18	2018/19
<b>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</b>	13	12
<b>The percentage of a municipality's personnel budget actually spent on implementing its workplace skills plan</b>	0.38%	0.52%

Table 110.: National KPIs- Municipal Transformation and Organisational Development

### 4.2 INTRODUCTION TO THE MUNICIPAL WORKFORCE

The Hessequa Municipality currently employs 550 (including fixed term contract employees) officials, who individually and collectively contribute to the achievement of Municipality's objectives. This is approximately 1% of the Hessequa population. The municipality seeks to employ, train, develop,



empower and in general create a rewarding employment experience with the Hessequa Municipality as employer its employees. The Council leadership is convinced that a fulfilled and motivated employee adds immeasurable value to the individual employee's personal development, the municipality's objectives and most importantly, serving the interests of the Hessequa community at large.

#### 4.2.1 Vacancy Rate and Staff Establishment

The staff establishment is 669 posts. Not all these posts are funded. 584 posts are funded and of these 550 posts are filled. At the end of this period there were 34 vacant and funded posts. A continuous process of recruitment and selection is maintained, with a key performance indicator being a vacancy rate of not more than 10%.

The vacancy rate for funded posts as well as total (funded and unfunded) posts are outlined below.

Month	Perm	FTCon	Out	In	% Funded	% Total	Seasonal
<b>June 2019</b>	517	33	2	4	5,8%	12,7%	163
<b>May 2019</b>	520	29	0	3	6,1%	18,0%	65
<b>April 2019</b>	517	29	2	3	6,8%	18,5%	91
<b>March 2019</b>	516	28	2	4	7,1%	18,9%	93
<b>February 2019</b>	514	28	5	1	7,3%	19,1%	96
<b>January 2019</b>	518	28	3	5	7,3%	18,6%	161
<b>December 2018</b>	516	30	2	0	5,2%	18,8%	170
<b>November 2018</b>	518	28	3	5	4,8%	18,5%	154
<b>October 2018</b>	516	26	3	1	5,7%	19,1%	125
<b>September 2018</b>	518	26	2	0	5,3%	18,9%	126
<b>August 2018</b>	520	26	4	4	5,3%	18,6%	47
<b>July 2018</b>	520	26	6	1	5,2%	18,6%	54
<b>June 2018</b>	525	26	0	0	3,1%	17,2%	64

#### 4.2.2 Turnover Rate

A high staff turnover may be costly to a municipality and might negatively affect productivity, service delivery and institutional memory/organizational knowledge. The turnover rate is determined by the following formula:

$$\left( \frac{\text{Number of employees who left during the year}}{(\text{Number of employees at the beginning of the year} + \text{Number of employees at the end of the year})/2} \right) \times 100$$



The turnover rate for 2018/19 is 6.2%.

Year	New	Terminations	Turn-over Rate	
2016/17	38	36	<b>6.6%</b>	$\left[ \frac{36}{(536 + 544)} \right] \times 100 = 6.6\%$
2017/18	40	36	<b>6.6%</b>	$\left[ \frac{36}{(546 + 551)} \right] \times 100 = 6.6\%$
2018/19	34	34	<b>6.2%</b>	$\left[ \frac{34}{(546 + 550)} \right] \times 100 = 6.2\%$

**Table 111.: Turnover Rate**

### 4.2.3 Sick Leave

Sick leave days taken by employees have a negative influence on service delivery and has cost implications. The monitoring of sick leave identifies certain patterns or trends within directorates. The management of sick leave are executed in conjunction with the various directorates. The total number of workdays lost due to sick leave during the 2018/19 financial year shows an increase of 161.5 days compared to the previous financial year. On average 366.5 working days are lost per month at an average 7.9 days per employee per year.

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

Directorates	2017/18	2018/19
Office of the Municipal Manager	12	12
Corporate Management	631	741.5
Technical Services	2 748	2 659.5
Community Services	326	313
Financial Services	424	497
Development Planning	96	175.5
<b>Total</b>	<b>4 237</b>	<b>4 398.5</b>

**Table 112.: Sick Leave**

### 4.2.4 Director's Performance Rewards

In accordance with Regulation 32, a performance bonus, provided it is affordable, may be paid to a Senior Manager (Section 56) appointment, after -



- a) the annual report for the financial year under review has been tabled and adopted by the municipal Council;
- b) an evaluation of performance in accordance with the provisions of regulation 23; and
- c) 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 with given resources and circumstances. All Section 57 Managers qualified for a performance bonus for the previous financial year during the 2018/19 financial year.

#### **4.2.5. Conditions of Service**

The three-year Salary and Wage collective bargaining agreement reached in the South African Local Government Bargaining Council (SALGBC) at national level terminates on 30 June 2021. All the salary and wage adjustments were successfully implemented in this year.

The management of temporary contracts and the provisions thereof was highlighted in this year. The procurement and management of staff on temporary contracts has become increasingly difficult with amendments to the Labour Relations Act. Stricter compliance to contract periods in line with the Labour Relations Act (LRA) have been implemented.

The Collective Bargaining Agreement for Conditions of Service in the Western Cape Division of the SALGBC are also being complied with.

The recently published Regulations on the Public Audit Amendment Act, particularly with regards to parts that deal with "*Material Irregularity*" must be noted. There will be adverse finding where municipalities act outside the prescribed policy framework and bargaining council collective agreements. It is imperative that the boundaries of the collective agreements be respected and complied with.

#### **4.2.6. Human Resource Policy Administration**

Human Resource Policy administration is an ongoing task that requires research, drafting, consultation and submission to the respective oversight steering committees' and decision-making structures of Council as well as consultation with the two representative trade unions active the Local Labour Forum. In this period the following policies were reviewed and amended:

- a) Leave Policy
- b) Recruitment and Selection
- c) Travel, Subsistence and Incidental Costs

The Cabinet had at the end of this reporting period not approved the Municipal Staff Regulations as proposed by the Minister for Co-operative Governance and Traditional Affairs (CoGTA). The





promulgation of the Regulations will require a review and alignment of policies where appropriate. A dedicated project effort to implement and explain the details of any changes to employment conditions to staff will be required.

### 4.3. AUDITOR-GENERAL’S HUMAN RESOURCE MANAGEMENT FINDINGS

An objective measure of internal human resource practices is the two main external assessments of human resource services, the Auditor General’s report and the SALGA national Human Resource Maturity Assessment.

#### 4.3.1. Auditor General

The Communication of Audit Findings (COMAF’s) for human resource management over the last five years were as follows:

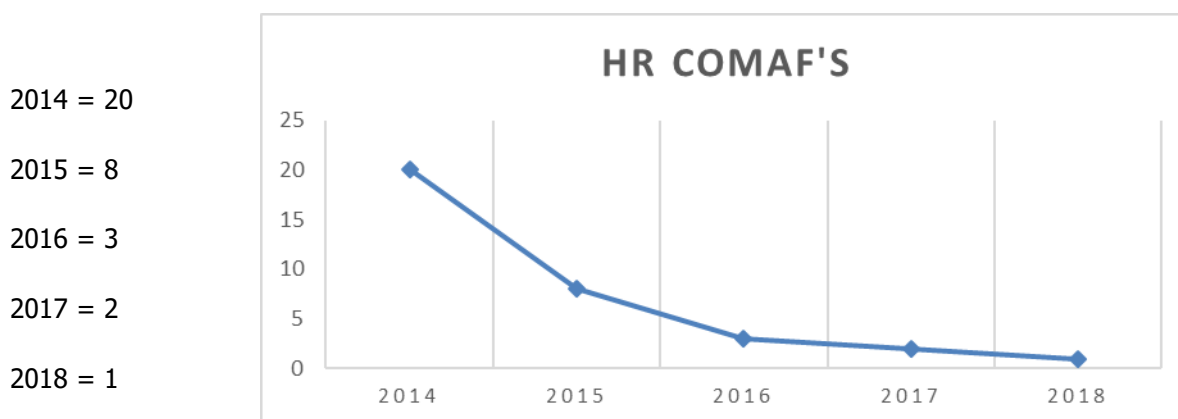


Table 113.: HR COMAF's

The 2018 COMAF’s relates to the Reconciliation of Leave. The Auditor General noted that the Human Capital processes and procedures are “Good” with the basics in place and no concerns were identified.

#### 4.3.2. SALGA’s Human Resource Management Maturity

Hessequa’s maturity rating in 2015 was level 0 and has progressed to level 2 in 2017. This has been maintained and some improvements have been implemented. Whilst it is the ideal to strive towards the highest level 4 maturity, it is realistically not possible in the short or medium term. The municipality is simply too small and limited in its financial and human resources to implement some of the “ideal” human resource practices required for level 4 maturity. These include “self-help” online HR services and professional psychometric assessment of staff. The best practice in Hessequa with regard to Succession Planning initiated a “peer learning” agreement between Bitou Municipality and Hessequa facilitated by SALGA.

### 4.4. 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".

***Number of Employees per Race vs. Western Cape Population***

Description	African	Coloured	Indian	White	Total
* % Economically Active Population(Western Cape)	36%	48.7%	0.5%	14.8%	100%
Number for positions filled	40	443	0	67	550
% for Positions filled	7.3%	80.4%	0%	12.3%	100%

***Table 114.: No of employee vs Western Cape Economically Active Population 2018/19***

***\* 2017 Provincial Statistics provided by Department of Labour.***

The percentage employees from previously disadvantaged groups in Top Management (Directors and Municipal Manager) remained static. There are 3 white males, 2 white females and 1 coloured male in the top management team of 6.

Occupational Levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
<b>Top management</b>	0	1	0	3	0	0	0	2	6
<b>%</b>	0	16.7	0	50	0	0	0	33.3	100
<b>Snr Management</b>	0	9	0	9	0	2	0	1	21
<b>%</b>	0	42.9	0	42.9	0	9.5	0	4.7	100

***Table 115.: Employees Top Management***

The mentorship program in Technical Services includes four coloured males and one coloured female. Many of these employees should be eligible for consideration for appointment to the top management level upon expiry of the current employment contract of the Director: Technical Services in 2021. One of the candidates was appointed as Manager; Civil Infrastructure during this period. All indications are that the mentorship programme will yield positive results.

## 4.4 MANAGING THE MUNICIPAL WORKFORCE

Managing the municipal workforce refers to the post-recruitment and selection period where the human capital must be managed, deployed and utilized effectively. This requires discipline, training and development and fostering healthy and professional workplace human relationships amongst staff. Productivity is key.

### 4.4.1 Occupational Health and Safety (OHS)

Great strides continue to be made to ensure employees work are safe in the workplaces they work in. Challenges remain but systematically these are being addressed. The year in review saw the unfortunate contractual dispute with the supplier for protective clothing.

The Health and Safety representatives are trained in OHS and First Aid. There are Chairpersons appointed for each town and the co-ordinating committee meets quarterly in line with the SDBIP requirements. A floating trophy was introduced and was won by Heidelberg in 2018/19.



No serious injuries were reported. The following table indicates the total number of injuries on duty reported within the different departments:

Directorates	2017/18	2018/19
Office of the Municipal Manager	0	0
Corporate Management	3	3
Technical Services	60	62
Community Services	2	1
Financial Services	1	3
Development Planning	4	0
<b>Total</b>	<b>70</b>	<b>69</b>

Table 116.: Number of injuries on duty

#### 4.4.2 Capacitating the Workforce

Section 68(1) of the MSA states that a 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 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). The financial year of the LGSETA runs from 1 May to 30 April as it is a national entity. These periods do not align with the Municipal financial year end as the National and Local Government financial years differ. The training interventions and expenditure reported hereunder is for the LGSETA Workplace Skills Plan period May 2018 to April 2019.

The table below indicates that a total amount of R862 000 was allocated towards the implementation of the workplace skills plan and that 90,2 % of the total amount was spent from 1 May 2018 to 30 April 2019.

Total personnel budget	Total Allocated	Total Spent	% of allocation spent
R150 088 660	R862 000	R777 721	90,2%

*Table 117.: Budget Allocated and Spent for Skills Development*

The table below shows the training interventions per occupational categories for the WSP Period 1 May 2018 to 30 April 2019.

Category	Gender	Target	Actual
Managers	Female	2	1
	Male	27	6
Professionals	Female	6	2
	Male	17	10
Technicians and Associate Professionals	Female	5	9
	Male	26	13
Clerical Support Workers	Female	9	1
	Male	0	2
Service Workers	Female	2	0
	Male	16	7
Skilled Workers	Female	0	0
	Male	17	68



Category	Gender	Target	Actual
Plant and Machine Operators	Female	2	0
	Male	63	55
Elementary Occupations	Female	10	12
	Male	147	175
<i>Sub total</i>	<i>Female</i>	<i>36</i>	<i>25</i>
	<i>Male</i>	<i>313</i>	<i>336</i>
Total		349	361

**Table 118.: Training interventions**

#### 4.4.3 Creating a Learning Organisation

In a massive project (over 70 working days' contact time), the Personal Development Plans (PDP) for every employee was completed in this period. Each Director received an overarching Human Resource Development Plan for her/his Directorate that outlines each employee's personal development aspirations and matches that against the employers' need and capacity. This is the bedrock of a solid and sustainable development plan for the municipality and its employees. All training and development initiatives must align to these plans. The consolidated PDP plan is the "true north" for human resource development planning.

#### 4.4.4 MFMA Competencies

All the requirements for the Minimum Competency levels have been achieved by the respective employees where it is a requirement, apart from two officials whose minimum educational qualifications are lower than prescribed.

### 4.5 MANAGING THE MUNICIPAL WORKFORCE EXPENDITURE

Section 66 of the Municipal Systems Act (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 National Treasury Budget and Reporting Regulations SA22 and SA23 and Cost Cutting measures in Circular 82 of 2016.

#### 4.5.1 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 two financial years and that the municipality is within the national norm of between 35 to 40%:



Financial year	Total Expenditure salary and allowances	Total Operating Expenditure	Percentage
	R'000	R'000	
2017/18	158 489	407 855	38,86%
2018/19	157 498	429 407	36,68%

Table 119.: Personnel Expenditure

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

Financial year	2017/18	2018/19	
	Actual	Approved Budget	Actual
	R'000	R'000	R'000
<b>Councillors</b>			
Basic Salary	4 887	4 887	4 887
UIF, Medical and Pension Fund	637	637	637
Vehicle	1 153	1 153	1 153
Cellphone	524	524	524
Housing			
Performance			
Other			
Benefits			
<b>Sub Total</b>	<b>7 202</b>	<b>7 202</b>	<b>7 202</b>
<b>% increase/(decrease)</b>			
<b>Senior Managers of the Municipality</b>			
Salary	4 811	5 591	5 688
UIF, Medical Aid– and Pension Contributions	914	983	977
Motor Vehicle Allowance	499	488	532
Cell phone Allowance	35	36	50
Housing allowance		–	–
Performance Bonus	792	886	1 104
Other Benefits or Allowances	115	29	(308)
Benefits	0	–	–
<b>Sub Total</b>	<b>7 165</b>	<b>8 013</b>	<b>8 044</b>
<b>% increase/(decrease)</b>			<b>18%</b>
<b>Other Municipal Staff</b>			
Basic Salaries and Wages	94 184	108 914	103 001
UIF, Medical Aid– and Pension Contributions	20 733	24 532	22 287
Motor Vehicle Allowance	4 137	4 516	4 082
Cell phone Allowance	314	339	314



CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE

<b>Financial year</b>	<b>2017/18</b>	<b>2018/19</b>	
<b>Description</b>	<b>Actual</b>	<b>Approved Budget</b>	<b>Actual</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
Housing Allowance	1 159	1 497	1 079
Overtime	4 952	4 531	4 751
Other benefits or allowances	4 969	6 553	6 170
Post-retirement	13 673	7 973	182
<b>Sub Total</b>	<b>144 122</b>	<b>158 854</b>	<b>141 866</b>
<b>% increase/ (decrease)</b>			<b>12%</b>
<b>Total Municipality</b>	<b>158 489</b>	<b>174 917 716</b>	<b>157 498 266</b>
<b>% increase/ (decrease)</b>			<b>12%</b>

Table 120.: Personnel Expenditure



# *Chapter 5:*

## *Financial Performance*





## CHAPTER 5

This chapter provides details regarding the financial performance of the municipality for the 2018/1999 financial year.

### A Statement of Comparison

<b>HESSEQUA LOCAL MUNICIPALITY</b>						
<b>STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AT 30 JUNE 2019</b>						
Statement of Financial Performance	Final approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Revenue</b>						
<b>Revenue from non-exchange transactions</b>	<b>249 145 905</b>	-	<b>249 145 905</b>	<b>234 921 899,11</b>	<b>(14 224 006)</b>	<b>Note 55</b>
Property Rates	84 864 620	-	84 864 620	86 657 328,25	1 792 708	
Fines	67 871 713	-	67 871 713	58 699 669,03	(9 172 044)	Rev 1
Licences and permits	1 474 532	-	1 474 532	1 445 420,06	(29 112)	
Income from agency services	2 031 680	-	2 031 680	2 408 308,86	376 629	Rev 2
Interest earned - outstanding receivables	510 000	-	510 000	717 407,82	207 408	
Donated Property, Plant and Equipment	5 500 000	-	5 500 000	4 722 091,44	(777 909)	Rev 9
Transfers Recognised - Operational	62 367 617	-	62 367 617	56 568 365,25	(5 799 252)	Rev 3
Transfers Recognised - Capital	24 525 743	-	24 525 743	23 703 308,40	(822 435)	Rev 4
<b>Revenue from exchange transactions</b>	<b>240 778 837</b>	-	<b>240 778 837</b>	<b>260 896 907,33</b>	<b>20 118 070</b>	
Service Charges	213 928 430	-	213 928 430	218 878 708,41	4 950 278	
Rental of facilities and equipment	1 951 506	-	1 951 506	2 905 926,53	954 421	Rev 5
Interest earned - external investments	5 528 100	-	5 528 100	18 188 992,19	12 660 892	Rev 6
Interest earned - outstanding receivables	1 062 649	-	1 062 649	1 650 545,13	587 896	Rev 7
Other Revenue	15 808 152	-	15 808 152	16 916 650,36	1 108 498	Rev 8
Gains/(Loss) on Sale of Fixed Assets	2 500 000	-	2 500 000	2 356 084,71	(143 915)	
<b>Total Revenue</b>	<b>489 924 742</b>	-	<b>489 924 742</b>	<b>495 818 806,44</b>	<b>5 894 064</b>	
<b>Expenditure</b>						
Employee related costs	165 196 148	279 000	165 475 148	149 909 820,71	(15 565 327)	Exp1
Remuneration of Councillors	8 050 309	-	8 050 309	7 588 445,32	(461 864)	
Bad debts	59 530 298	-	59 530 298	57 822 982,07	(1 707 316)	
Depreciation and Asset Impairment	35 959 608	-	35 959 608	27 794 206,91	(8 165 401)	Exp2
Inventory Consumed	27 201 535	(669 474)	26 532 061	22 515 541,75	(4 016 519)	Exp3
Finance Charges	21 179 799	-	21 179 799	16 899 033,94	(4 280 765)	Exp4
Bulk purchases	94 197 457	-	94 197 457	97 204 702,27	3 007 245	Exp7
Transfers and Subsidies	1 154 600	51 900	1 206 500	1 133 147,41	(73 353)	
Contracted services	35 872 010	488 947	36 360 957	26 290 316,72	(10 070 640)	Exp5
General expenses	30 400 081	(150 373)	30 249 708	22 248 639,76	(8 001 068)	Exp6
<b>Total Expenditure</b>	<b>478 741 845</b>	-	<b>478 741 845</b>	<b>429 406 836,86</b>	<b>(49 335 008)</b>	
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>11 182 897</b>	-	<b>11 182 897</b>	<b>66 411 969,58</b>	<b>55 229 073</b>	

CHAPTER 5 – FINANCIAL PERFORMANCE

<b>STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AT 30 JUNE 2019</b>						
<b>Statement of Financial Position</b>	<b>Final approved budget</b>	<b>Adjustments</b>	<b>Final Budget</b>	<b>Actual amounts on comparable basis</b>	<b>Difference between final budget and actual</b>	<b>Reference</b>
Figures in Rand						
<b>ASSETS</b>						<b>Note 55</b>
<b>Current Assets</b>	<b>197 954 967</b>	<b>46 360 000</b>	<b>244 314 967</b>	<b>308 578 738</b>	<b>64 263 771</b>	
Inventory	3 218 000	-	3 218 000	2 842 014	(375 986)	
Trade receivables from exchange transactions	27 684 645	5 976 000	33 660 645	23 481 985	(10 178 660)	Fp1
Trade receivables from non-exchange transactions	20 344 322	-	20 344 322	24 291 135	3 946 813	Fp1
Bank, Cash and Cash Equivalents	146 705 000	40 384 000	187 089 000	257 508 767	70 419 767	Fp2
Operating Lease Assets	-	-	-	451 756	451 756	
Current Portion of Long-term Receivables	3 000	-	3 000	3 082	82	
<b>Non-Current Assets</b>	<b>931 198 330</b>	<b>-20 051 395</b>	<b>911 146 935</b>	<b>911 365 695</b>	<b>218 760</b>	
Property, Plant and Equipment	853 831 000	-23 098 995	830 732 005	829 153 099	(1 578 906)	
Intangible assets	540 455	315 600	856 055	277 366	(578 689)	
Investment Property	68 495 000	2 732 000	71 227 000	73 606 414	2 379 414	
Heritage Assets	8 321 875	-	8 321 875	8 321 875	-	
Long-term Receivables	10 000	-	10 000	6 940	(3 060)	
<b>Total Assets</b>	<b>1 129 153 297</b>	<b>26 308 605</b>	<b>1 155 461 902</b>	<b>1 219 944 433</b>	<b>64 482 531</b>	
<b>LIABILITIES</b>						
<b>Current Liabilities</b>	<b>99 841 713</b>	<b>2 411 801</b>	<b>102 253 514</b>	<b>97 238 851</b>	<b>-5 014 663</b>	
Consumer Deposits	5 341 000	3 058 605	8 399 605	9 224 987	825 382	Fp3
Current Employee Benefits	7 972 000	-	7 972 000	16 790 400	8 818 400	Fp6
Creditors	70 790 713	-2 329 752	68 460 961	42 605 658	(25 855 303)	Fp4
Unspent Conditional Grants and Receipts	-	-	-	6 918 935	6 918 935	Fp4
Operating Lease Liabilities	-	-	-	129 042	129 042	
VAT Payable	-	-	-	990 510	990 510	
Current Portion of Long-term Liabilities	15 738 000	1 682 948	17 420 948	20 579 320	3 158 372	Fp5
<b>Non-Current Liabilities</b>	<b>297 251 221</b>	<b>-30 651 869</b>	<b>266 599 352</b>	<b>256 491 897</b>	<b>(10 107 455)</b>	
Long-term Liabilities	150 774 514	-26 640 967	124 133 547	103 568 572	(20 564 975)	Fp7
Retirement Benefit Liabilities	49 670 206	-	49 670 206	48 160 000	(1 510 206)	
Non-current Provisions	96 806 501	-4 010 902	92 795 599	102 614 814	9 819 215	Fp8
Trust Fund	-	-	-	2 148 511	2 148 511	Fp8
<b>Total Liabilities</b>	<b>397 092 934</b>	<b>-28 240 068</b>	<b>368 852 866</b>	<b>353 730 748</b>	<b>(15 122 118)</b>	
<b>Total Assets and Liabilities</b>	<b>732 060 363</b>	<b>54 548 673</b>	<b>786 609 036</b>	<b>866 213 685</b>	<b>79 604 649</b>	
<b>NET ASSETS</b>	<b>732 060 363</b>	<b>54 548 673</b>	<b>786 609 036</b>	<b>866 213 684</b>	<b>79 604 648</b>	
Statutory Funds	246 000	-	246 000	543 102	297 102	
Accumulated Surplus	731 814 363	54 548 673	786 363 036	865 670 582	79 307 546	Fp9
<b>Total Net Assets</b>	<b>732 060 363</b>	<b>54 548 673</b>	<b>786 609 036</b>	<b>866 213 684</b>	<b>79 604 648</b>	



CHAPTER 5 – FINANCIAL PERFORMANCE

<b>CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2019</b>				
	<b>Note</b>	<b>Budget 1819</b>	<b>2019/06/30</b>	<b>2018/06/30</b>
<b>Cash Flow from Operating Activities</b>			<b>R</b>	<b>R</b>
		<b>Budget</b>	<b>Actual</b>	<b>Restated</b>
<b>Receipts</b>		<b>420 597</b>	<b>405 472</b>	<b>388 929</b>
Property rates		83 167	83 660	76 165
Fines		14 253	8 372	8 742
Government grants and subsidies		92 593	74 510	84 660
Service Charges		209 650	214 933	194 872
Income from agency services		2 032	2 770	2 218
Rental of facilities and equipment		1 952	2 906	2 607
Licences and permits		1 475	1 445	1 420
Other receipts		15 476	16 875	18 244
<b>Payments</b>		<b>362 024</b>	<b>(323 339)</b>	<b>(306 646)</b>
Employee related cost		165 196	(151 358)	(133 351)
Remuneration of councillors		8 050	(7 588)	(7 202)
Transfers and Subsidies		1 107	(1 133)	(1 055)
Suppliers paid		187 671	(142 585)	(145 971)
Other payments		–	(20 675)	(19 067)
<b>Cash generated from operations</b>	<b>36</b>	<b>58 573</b>	<b>82 133</b>	<b>82 283</b>
Interest received		7 069	20 557	19 909
Interest paid	<b>32</b>	(21 180)	(16 899)	(18 822)
<b>Net Cash from Operating Activities</b>		<b>(14 111)</b>	<b>85 791</b>	<b>83 370</b>
<b>Cash flows from Investing Activities</b>				
Purchase of property, plant and equipment	<b>8</b>	(92 477)	(63 343)	(62 158)
Purchase of intangible assets				–
Sale of property, plant and equipment		2 500	1 366	539
Decrease in non-current receivables		2	3	3
<b>Net Cash flows from Investing Activities</b>		<b>(89 975)</b>	<b>(61 974)</b>	<b>(61 617)</b>
<b>Cash flows from Financing Activities</b>				
New loans raised/(repaid)		12 579	12 593	(15 739)
Increase in consumer deposits		210	825	1 956
Increase in Housing Reserve			297	–
Increase in Trust Funds			116	111
<b>Net Cash from Financing Activities</b>		<b>12 789</b>	<b>13 832</b>	<b>(13 672)</b>
<b>Net Increase in Cash and Cash Equivalents</b>		<b>(32 723)</b>	<b>37 648</b>	<b>8 081</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>219 860</b>	<b>219 860</b>	<b>211 779</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>35</b>	<b>187 137</b>	<b>257 509</b>	<b>219 860</b>



CHAPTER 5 – FINANCIAL PERFORMANCE

The table below shows the 5 most expensive consultancy fee arrangements for the 2018/19 financial year:

<b>Consultant arrangement</b>	<b>Cost R '000</b>	<b>Result</b>	<b>Reason for this engagement</b>
BENVER CIVILS & PLANT HIRE CC	12 903 309	Upgrading of existing old watermains and improving the water usage in the Jongensfontein Caravan park. Increasing the capacity at the Gouritsmond Waste Water Treatment works. Paving of roads in Riversdale and Albertinia	Improving of the water infrastructure Still Bay, Jongensfontein, Heidelberg and the upgrading of the Gouritsmond Waste Water Treatment works. Upgrading and improving the road infrastructure in Riversdale and Albertinia.
VE RETICULATION	2 937 491	INEP grant funding made it possible for electrification at informal- and subsidised housing areas within Hessequa municipality.	Electrical upgrades were required to strengthen the current electrical network in Heidelberg and provision of electrical services at the informal area in Kwanokuthula and Melkhoutfontein.
ACTIVE PHAMBILI CIVIL	3 424 658	Upgrading of bulk water infrastructure in Still Bay	Upgrading of water infrastructure in the Still Bay area
HESSEQUA CONSULTING ENGIN	1 577 669	Upgrading of existing old watermains and improving the water usage in the Jongensfontein Caravan park. Increasing the capacity at the Gouritsmond Waste Water Treatment works.	Responsible for the design and construction monitoring during the upgrading of watermains in Still Bay, Jongensfontein, Heidelberg and the upgrading of the Gouritsmond Waste Water Treatment works
MUBESKO AFRICA CC	1 253 604	Updating of the asset register, unbundling of completed projects and updating of infrastructure (water, sewer and electrical) master and drafting maintenance plans.	Assist with Asset management , updating of masterplans and maintenance plans.

*Table 121.: Five Highest Consultancy Fees for 2018/19 financial year*



## COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

The Statement of Financial Performance provides an overview of the financial performance of the municipality and focuses on the financial health of the municipality.

### 5.1 FINANCIAL SUMMARY

The table below indicates the summary of the financial performance for the 2018/19 financial year:

Financial Summary						
R'000						
Description	2017/18	2018/19			2018/19 Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
Financial Performance						
Property rates	78 149	84 865	84 865	86 657	(1 793)	(1 793)
Service charges	201 489	213 928	213 928	218 879	(4 950)	(4 950)
Investment revenue	17 959	5 528	5 528	18 189	(12 661)	(12 661)
Transfers recognised - operational	60 346	55 751	62 368	56 568	(817)	5 799
Other own revenue	65 645	93 210	93 210	87 100	6 110	6 110
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>423 588</b>	<b>453 282</b>	<b>459 899</b>	<b>467 393</b>	<b>(14 111)</b>	<b>(7 494)</b>
Employee costs	151 287	166 365	165 475	149 910	16 455	15 565
Remuneration of councillors	7 202	8 050	8 050	7 588	462	462
Depreciation & asset impairment	30 044	35 960	35 960	27 794	8 165	8 165
Finance charges	18 822	20 698	21 180	16 899	3 799	4 281
Materials and bulk purchases	108 598	121 509	120 730	119 049	2 459	1 680
Transfers and grants	1054	987	1 207	1 133	(146)	73
Loss on disposal of PPE						
Other expenditure	90 969	119 406	126 141	107 033	12 373	19 108
<b>Total Expenditure</b>	<b>407 976</b>	<b>472 975 068</b>	<b>478 742</b>	<b>429 407</b>	<b>43 568</b>	<b>49 335</b>
<b>Surplus/(Deficit)</b>	<b>15 612</b>	<b>-19 692 786</b>	<b>(18 843)</b>	<b>37 987</b>	<b>(57 679)</b>	<b>(56 829)</b>
Transfers recognised - capital	32 885	15 524	24 526	23 703	(8 179)	822



Financial Summary						
R'000						
Description	2017/18	2018/19			2018/19 Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
<b>Financial Performance</b>						
Contributions recognised - capital & contributed assets	142	1 000	5 500	4 722	(3 722)	778
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>48 639</b>	<b>(3 169)</b>	<b>11 183</b>	<b>66 412</b>	<b>(69 581)</b>	<b>(55 229)</b>
Share of surplus/ (deficit) of associate						
<b>Surplus/(Deficit) for the year</b>	<b>52 463</b>	<b>(3 169)</b>	<b>11 183</b>	<b>66 412</b>	<b>(69 581)</b>	<b>(55 229)</b>
<b>Capital expenditure &amp; funds sources</b>						
<b>Capital expenditure</b>						
Transfers recognised - capital	26 361	16 524	30 026	27 011	(10 487)	3 015
Public contributions & donations			–		–	–
Borrowing		70 694	49 020	34 561	36 132	14 458
Internally generated funds	35 931	13 365	13 432	6 493	6 872	6 939
<b>Total sources of capital funds</b>	<b>62 292</b>	<b>100 582</b>	<b>92 477</b>	<b>68 065</b>	<b>32 517</b>	<b>24 412</b>
<b>Financial position</b>						
Total current assets	271 264	197 955	244 315	308 579	(110 624)	(64 264)
Total non-current assets	853 355	931 198	911 147	911 366	19 833	(219)
Total current liabilities	97 482	99 842	102 254	97 239	2 603	5 015
Total non current liabilities	227 632	297 251	266 599	256 492	40 759	10 107
Community wealth/Equity	799 504	732 060	786 609	866 214	(134 153)	(79 605)
<b>Cash flows</b>						
Net cash from (used) operating	83 370	34 534	44 463	85 791	(51 155)	(41 227)
Net cash from (used) investing	-61 617	(91 864)	(89 975)	61 974	(13 137)	(11 248)
Net cash from (used) financing	-13 672	55 166	12 789	13 832	41 334	(1 043)
<b>Cash/cash equivalents at the year end</b>	<b>219 860</b>	<b>147 705</b>	<b>187 137</b>	<b>257 509</b>	<b>(135)</b>	<b>(70)</b>
<b>Cash backing/surplus reconciliation</b>						
Cash and investments available	219 860	146 705	187 089	257 509	(110 804)	(70 420)

Financial Summary						
R'000						
Description	2017/18	2018/19			2018/19 Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
<b>Financial Performance</b>						
Application of cash and investments	12 680	30 337	23 220	(2 820)	33 157	26 041
<b>Balance - surplus (shortfall)</b>	<b>207 180</b>	<b>116 368</b>	<b>163 869</b>	<b>260 329</b>	(143 961)	(96 460)
<b>Asset management</b>						
Asset register summary (WDV)	854 062 742	931 188 386	911 136 935	911 358 754	19 830	(222)
Depreciation & asset impairment	30 044 169	35 959 608	35 959 608	27 794 207	8 165	8 165
Renewal of Existing Assets	10 430 315	5 011 500	5 014 541	2 675 884	2 336	2 339
Repairs and Maintenance	16 578 320	76 704 218	76 735 447	69 255 405	7 449	7 480
<b>Free services</b>						
Cost of Free Basic Services provided	17 866 537	26 842 150	11 874 999	12 368 112	14 474	(493)
Revenue cost of free services provided	13 721 888	15 719 703	30 591 735	29 943 524	(14 224)	648
<i>Variances are equal to actual minus original- and adjusted budget</i>						

Table 122.: Financial Performance 2018/19

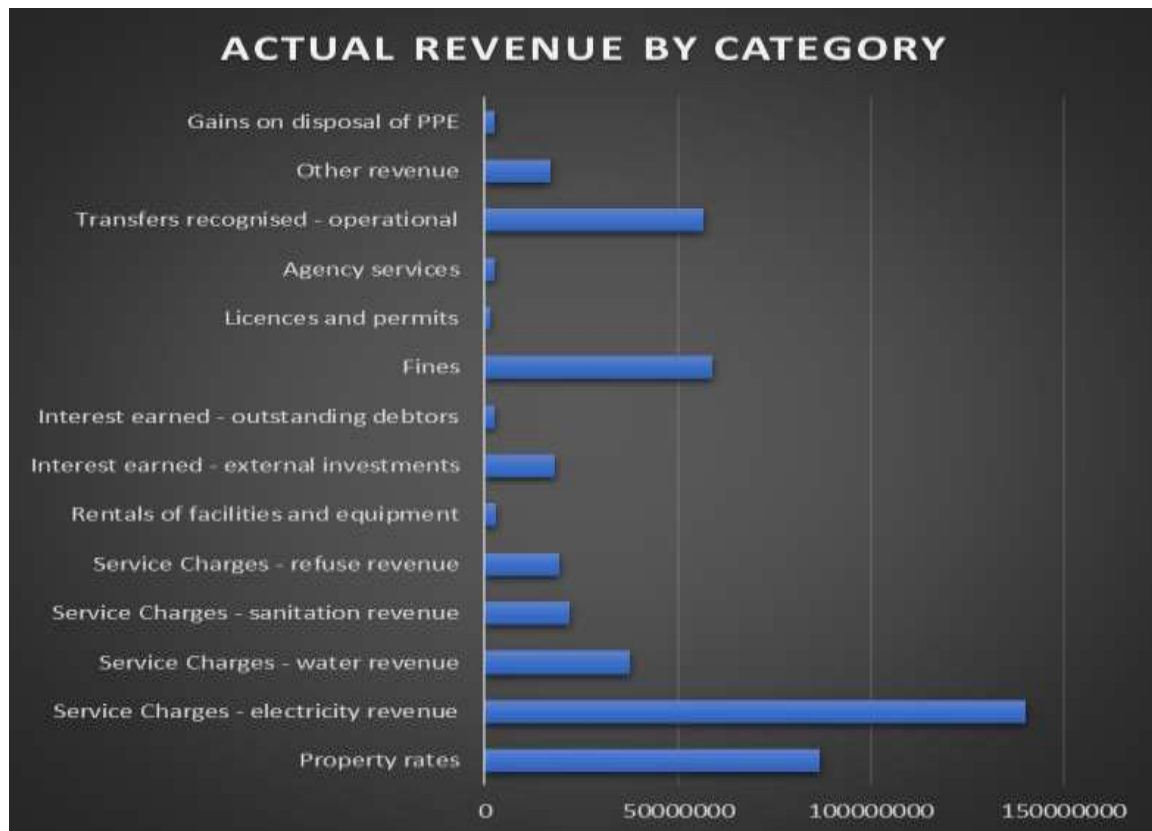
The table below shows a summary of performance against budgets:

Financial Year	Revenue				Operating expenditure			
	Budget	Actual	Diff.	Actual/Budget	Budget	Actual	Diff.	Actual/Budget
	R'000	R'000	R'000	%	R'000	R'000	R'000	%
2017/18	460 831	456 615	4 216	<b>99,09%</b>	435 962	407 976	27 986	<b>93,58%</b>
2018/19	489 925	495 819	(5 894)	<b>101,20%</b>	478 742	429 407	49 335	<b>89,69%</b>

Table 123.: Performance against budgets



The following graph indicates the revenue by source actuals for 2018/19



Graph 3.: Revenue

The following graph indicates the expenditure by type actuals for 2017/18.

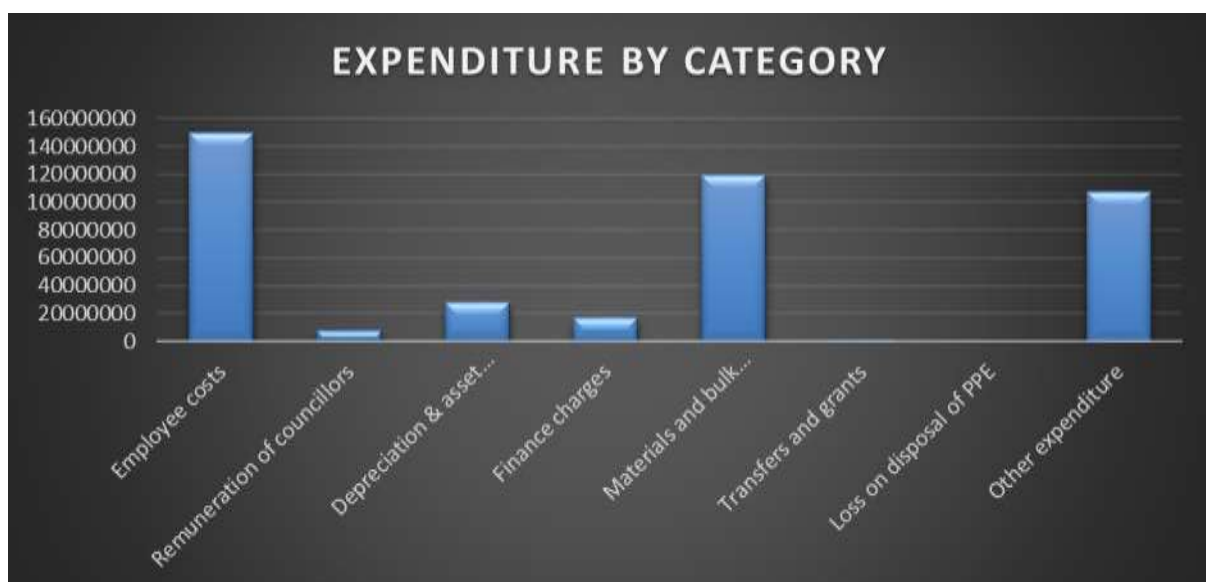


Figure 3.: Operating expenditure (refer to note 8.5 in AFS for more details)



### 5.1.1 Revenue collection by Vote

The table below indicates the Revenue collection performance by Vote:

Vote Description	2017/18	2018/19			2018/19 Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
	R'000					
Vote1 - Executive and Council	38 428	42 182	42 265	41 440	742	825 172
Vote2 - Internal Audit	0	–	–	(2)	2	2 035
Vote3 - Finance and Admin	100 039	99 091	99 665	111 157	(12 066)	-11 491 656
Vote4 - Planning and Development	4 757	4 445	4 929	3 686	759	1 243 653
Vote5 - Public Safety	982	51	313	279	(228)	34 333
Vote6 – Health *			–	–	–	0
Vote7 - Community and Social Services	8 494	9 464	9 720	8 615	849	1 105 247
Vote8 - Sports and Recreation	11 817	12 183	12 183	12 258	(75)	-75 142
Vote9 - Housing	11 081	726	6 632	3 245	(2 519)	3 386 829
Vote 10 - Waste Management	5 059	18 320	18 320	19 567	(1 247)	-1 247 282
Vote11 - Road Transport	47 099	72 266	72 266	63 737	8 529	8 528 676
Vote12 - Waste Water Management	21 635	31 736	31 736	34 998	(3 262)	-3 261 766
Vote13 - Water Management	34 489	37 324	49 585	52 889	(15 565)	-3 304 096
Vote14 - Energy Sources	172 661	141 489	141 763	143 391	(1 901)	-1 627 943
Vote15 - Environmental Protection	475	519	538	442	77	95 953
Vote16 - Other	20	10	10	118	(108)	-108 077
<b>Total Revenue by Vote</b>	<b>457 035</b>	<b>469 806</b>	<b>489 925</b>	<b>495 818 806</b>	<b>(26 013)</b>	<b>-5 894 064</b>
<i>Variances are equal to actual minus original- and adjusted budget (*Health responsibility of District Municipality)</i>						

Table 124.: Revenue by Vote

### 5.1.2 Revenue collection by Source

The table below indicates the revenue collection performance by source for the 2018/19 financial year:

Description	2017/18	2018/19			2018/19 Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
	R'000					
Property rates	78 149	84 865	84 865	86 657	(1 793)	(1 793)
Property rates - penalties & collection charges		–	–	–	–	–
Service Charges - electricity revenue	132 153	138 175	138 175	140 022	(1 847)	(1 847)



Description	2017/18	2018/19			2018/19 Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
	R'000					
Service Charges - water revenue	33 830	36 394	36 394	37 622	(1 228)	(1 228)
Service Charges - sanitation revenue	20 242	21 197	21 197	21 827	(630)	(630)
Service Charges - refuse revenue	15 264	18 162	18 162	19 408	(1 245)	(1 245)
Service Charges - other			–	–	–	–
Rentals of facilities and equipment	2 607	1 952	1 952	2 906	(954)	(954)
Interest earned - external investments	17 959	5 528	5 528	18 189	(12 661)	(12 661)
Interest earned - outstanding debtors	1 950	1 573	1 573	2 368	(795)	(795)
Dividends received			–	–	–	–
Fines	37 997	67 872	67 872	58 700	9 172	9 172
Licences and permits	1 420	1 475	1 475	1 445	29	29
Agency services	2 218	2 032	2 032	2 408	(377)	(377)
Transfers recognised - operational	60 346	55 751	62 368	56 568	(817)	5 799
Other revenue	18 898	15 808	15 808	16 917	(1 108)	(1 108)
Gains on disposal of PPE	101	2 500	2 500	2 356	144	144
Profit/(Loss) on Fair Value Adjustments	454		–	–	–	–
Loss on Disposal			–		–	–
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>423 588</b>	<b>453 282</b>	<b>459 899</b>	<b>467 393</b>	<b>(14 111)</b>	<b>(7 494)</b>
<i>Variances are equal to actual minus original- and adjusted budget (EXCLUDING CAPITAL GRANTS)</i>						

Table 125.: Revenue by Source

### 5.1.3 Operational Services Performance

4The table below indicates the Operational services performance for the 2018/19 financial year:

Description	2017/18	2018/19			2018/19 Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
<b>Operating Cost</b>						
Water Management	9 978	6 384	17 727	22 242	(15 858)	(4 515)
Waste Water Management	1 599	8 205	8 278	13 003	(4 798)	(4 725)
Energy Sources	56 044	14 367	15 205	21 709	(7 341)	(6 503)



Description	2017/18	2018/19		2018/19 Variance		
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
Waste Management	-27 324	(13 218)	(13 325)	(9 862)	(3 356)	(3 463)
Housing	-977	(1 571)	(1 545)	(1 469)	(103)	(77)
<b>Component A: sub-total</b>	<b>39 320</b>	<b>14 167</b>	<b>26 339</b>	<b>45 622</b>	<b>(31 455)</b>	<b>(19 283)</b>
Waste Water (Storm water Drainage)						
Road Transport	-28 936	(37 845)	(37 474)	(39 734)	1 889	2 260
Transport						
<b>Component B: sub-total</b>	<b>-28 936</b>	<b>(37 845)</b>	<b>(37 474)</b>	<b>(39 734)</b>	<b>1 889</b>	<b>2 260</b>
Planning And Development	-4 620	(6 407)	(6 287)	(6 294)	(113)	7
Other	-1 164	(1 492)	(1 478)	(1 130)	(362)	(348)
<b>Component C: sub-total</b>	<b>-5 784</b>	<b>(7 898)</b>	<b>(7 765)</b>	<b>(7 424)</b>	<b>(474)</b>	<b>(341)</b>
Community And Social Services	-6 781	(8 759)	(8 618)	(7 309)	(1 450)	(1 309)
Environmental Protection	-1 082	(1 458)	(1 421)	(1 520)	62	100
Health						
Public Safety	-3 880	(6 317)	(6 181)	(4 899)	(1 417)	(1 282)
Sport And Recreation	-5 371	(9 304)	(8 812)	(5 599)	(3 705)	(3 213)
Finance And Administration	52 425	38 158	39 995	62 580	(24 422)	(22 585)
Executive And Council	10 000	17 617	16 624	26 091	(8 474)	(9 468)
Internal Audit	-1 272	(1 530)	(1 504)	(1 396)	(134)	(108)
<b>Component D: sub-total</b>	<b>44 039</b>	<b>28 408</b>	<b>30 083</b>	<b>67 948</b>	<b>(39 540)</b>	<b>(37 866)</b>
<b>Net</b>	<b>48 639</b>	<b>(3 169)</b>	<b>11 183</b>	<b>66 412</b>	<b>(69 581)</b>	<b>(55 229)</b>

*In this table operational income (but not levies or tariffs) is offset against operational expenditure leaving a net operational expenditure total for each service. Variances are equal to actual minus original- and adjusted budget*

Table 126.: Operational Services Performance

## 5.2 FINANCIAL PERFORMANCE PER MUNICIPAL FUNCTION

### 5.2.1 Water Services

Description	2017/18	2018/19			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Water Management</b>	<b>R'000</b>				
<b>Total Operational Revenue</b>	<b>34 489</b>	<b>37 324</b>	<b>49 585</b>	<b>50 821</b>	<b>(1 236)</b>
Expenditure:					
Employees	9 261	11 232	11 335	10 096	1 239
Inventory	6 842	2 444	10 477	7 760	2 717
Depreciation and amortisation	2 726	3 339	3 339	2 926	414
Bulk Purchases	192	8 174	322	139	183
Interest Paid	1 361	1 786	1 786	1 222	564



Description	2017/18	2018/19			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Water Management</b>	<b>R'000</b>				
Bad debts	1 480	965	965	2 633	(1 668)
Contracted Services	486	1 441	2 103	1 665	438
Loss on Disposal of PPE		–	–	76	(76)
Water losses	886	–	–	671	(671)
Gains/(Loss) on Sale of Fixed Assets		–	–	–	–
General Expenses	1 278	1 558	1 531	1 392	139
<b>Total Operational Expenditure</b>	<b>24 511</b>	<b>30 940</b>	<b>31 858</b>	<b>28 580</b>	<b>3 278</b>
<b>Net</b>	<b>9 978</b>	<b>6 384</b>	<b>17 727</b>	<b>22 242</b>	<b>(4 515)</b>
<i>Variances equal to actual minus adjustment budget (INCLUDING CAPITAL GRANTS)</i>					

Table 127.: Financial Performance: Water services

### 5.2.2 Waste Water (Sanitation)

Description	2016/17	2017/18			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Waste Water Management</b>	<b>R'000</b>				
<b>Total Operational Revenue</b>	<b>23 852</b>	<b>27 335</b>	<b>31 100</b>	<b>21 635</b>	<b>9 465</b>
Expenditure:					
Employees	9 244	9 957	10 483	10 718	<b>(235)</b>
Inventory	1 253	1 931	1 638	1 420	<b>218</b>
Depreciation and amortisation	2 976	4 303	4 303	3 283	<b>1 019</b>
Bulk Purchases	233	286			
Interest Paid	1 113	1 656	1 476	1 268	<b>208</b>
Bad debts	598	476	476	807	<b>(331)</b>
Contracted Services	1 699	1 693	2 070	1 731	<b>339</b>
Loss on Disposal of PPE					
Gains/(Loss) on Sale of Fixed Assets					
General Expenses	599	794	965	809	<b>156</b>
<b>Total Operational Expenditure</b>	<b>17 716</b>	<b>21 096</b>	<b>21 411</b>	<b>20 036</b>	<b>1 375</b>
<b>Net</b>	<b>6 136</b>	<b>6 239</b>	<b>9 689</b>	<b>1 599</b>	<b>8 090</b>
<i>Variances equal to actual minus adjustment budget</i>					

Table 128.: Financial Performance: Waste Water (Sanitation) services



## 5.2.3 Electricity

Description	2017/18	2018/19			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Energy Sources	R'000				
<b>Total Operational Revenue</b>	<b>172 661</b>	<b>141 489</b>	<b>141 763</b>	<b>143 415</b>	<b>(1 652)</b>
Expenditure:					
Employees	10 174	12 563	12 378	10 995	1 383
Inventory	1 862	2 284	2 090	1 792	299
Depreciation and amortisation	3 255	3 411	3 411	2 952	459
Bulk Purchases	89 170	93 876	93 876	97 066	(3 190)
Interest Paid	6 383	6 417	6 417	5 585	832
Bad debts	866	2 720	2 720	(851)	3 572
Contracted Services	1 922	2 352	2 165	1 159	1 006
Loss on Disposal of PPE		–	–	24	(24)
Inventories: (write-down)/Reversal of write-down to Net Realisable value	121	–	–	–	–
General Expenses	2 865	3 499	3 500	2 986	514
<b>Total Operational Expenditure</b>	<b>116 616</b>	<b>127 122</b>	<b>126 558</b>	<b>121 706</b>	<b>4 851</b>
<b>Net</b>	<b>56 044</b>	<b>14 367</b>	<b>15 205</b>	<b>21 709</b>	<b>(6 503)</b>
<i>Variances equal to actual minus adjustment budget</i>					

Table 129.: Financial Performance: Electricity

## 5.2.4 Waste Management

Description	2017/18	2018/19			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Waste Management	R'000				
<b>Total Operational Revenue</b>	<b>5 059</b>	<b>18 320</b>	<b>18 320</b>	<b>19 659</b>	<b>(1 339)</b>
Expenditure:					
Employees	10 066	11 722	11 788	11 350	438
Inventory	1 428	1 797	1 796	1 698	98
Depreciation and amortisation	7 286	7 427	7 427	5 397	2 030
Bulk Purchases		–	–	–	–
Interest Paid	6 335	6 450	6 931	6 031	900
Bad debts	685	484	484	2 068	(1 584)
Contracted Services	2 130	2 792	2 389	2 059	330
Loss on Disposal of PPE		–	–	92	(92)
General Expenses	629	867	829	825	3
<b>Total Operational Expenditure</b>	<b>28 559</b>	<b>31 538</b>	<b>31 645</b>	<b>29 522</b>	<b>2 124</b>
<b>Net</b>	<b>-23 500</b>	<b>(13 218)</b>	<b>(13 325)</b>	<b>(9 862)</b>	<b>(3 463)</b>
<i>Variances equal to actual minus adjustment budget</i>					

Table 130.: Financial Performance: Waste Management



## 5.2.5 Housing

Description	2017/18	2018/19			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Housing	R'000				
<b>Total Operational Revenue</b>	<b>11 081</b>	<b>726</b>	<b>6 632</b>	<b>3 245</b>	<b>3 387</b>
Expenditure:					
Employees	955	1 356	1 334	1 505	(171)
Inventory		–	–	–	–
Depreciation and amortisation	3	11	11	5	6
Bulk Purchases		–	–	–	–
Interest Paid		–	–	–	–
Bad debts		–	–	12	(12)
Contracted Services	11 073	880	6 785	3 162	3 623
Loss on Disposal of PPE		–	–	–	–
General Expenses	28	51	47	30	16
<b>Total Operational Expenditure</b>	<b>12 058</b>	<b>2 298</b>	<b>8 177</b>	<b>4 713</b>	<b>3 464</b>
<b>Net</b>	<b>-977</b>	<b>(1 571)</b>	<b>(1 545)</b>	<b>(1 469)</b>	<b>(77)</b>
<i>Variances equal to actual minus adjustment budget</i>					

Table 131.: Financial Performance: Housing

## 5.2.6 Roads

Description	2017/18	2018/19			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Road Transport	R'000				
<b>Total Operational Revenue</b>	<b>47 099</b>	<b>72 266</b>	<b>72 266</b>	<b>63 854</b>	<b>8 412</b>
Expenditure:					
Employees	25 086	30 272	29 969	28 595	1 374
Inventory	4 187	6 043	5 458	5 006	452
Depreciation and amortisation	7 564	9 372	9 372	8 784	589
Bulk Purchases		–	–	–	–
Interest Paid	3 043	3 039	3 039	2 563	477
Bad debts	30 057	54 064	54 064	50 040	4 025
Contracted Services	4 419	4 677	5 347	6 510	(1 163)
Loss on Disposal of PPE		–	–	117	(117)
General Expenses	1 678	2 643	2 490	1 975	515
<b>Total Operational Expenditure</b>	<b>76 035</b>	<b>110 111</b>	<b>109 740</b>	<b>103 589</b>	<b>6 152</b>
<b>Net</b>	<b>(28 936)</b>	<b>(37 845)</b>	<b>(37 474)</b>	<b>(39 734)</b>	<b>2 260</b>
<i>Variances equal to actual minus adjustment budget</i>					

Table 132.: Financial Performance: Roads



## 5.2.7 Planning

Description	2017/18	2018/19			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Planning And Development</b>	<b>R'000</b>				
<b>Total Operational Revenue</b>	<b>4 757</b>	<b>4 445</b>	<b>4 929</b>	<b>3 686</b>	<b>1 244</b>
Expenditure:					
Employees	8 165	9 044	8 944	8 813	130
Inventory	154	111	247	99	148
Depreciation and amortisation	24	58	58	29	29
Bulk Purchases		–	–	–	–
Interest Paid		–	–	–	–
Bad debts		–	–	–	–
Contracted Services	392	661	903	419	484
Loss on Disposal of PPE		–	–	–	–
General Expenses	643	977	1 065	619	445
<b>Total Operational Expenditure</b>	<b>9 377</b>	<b>10 852</b>	<b>11 217</b>	<b>9 979</b>	<b>1 237</b>
<b>Net</b>	<b>-4 620</b>	<b>(6 407)</b>	<b>(6 287)</b>	<b>(6 294)</b>	<b>7</b>
<i>Variances equal to actual minus adjustment budget</i>					

Table 133.: Financial Performance: Planning

## 5.2.8 Community &amp; Social Services

Description	2017/18	2018/19			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Community And Social Services</b>	<b>R'000</b>				
<b>Total Operational Revenue</b>	<b>8 494</b>	<b>9 464</b>	<b>9 720</b>	<b>8 888</b>	<b>832</b>
Expenditure:					
Employees	11 745	13 174	12 889	12 081	808
Inventory	654	940	976	830	146
Depreciation and amortisation	871	1 204	1 204	675	528
Bulk Purchases		–	–	–	–
Interest Paid	145	195	195	132	63
Bad debts		–	–	–	–
Contracted Services	942	1 267	1 663	1 185	478
Loss on Disposal of PPE		–	–	273	(273)
General Expenses	917	1 444	1 412	1 020	392
<b>Total Operational Expenditure</b>	<b>15 274</b>	<b>18 223</b>	<b>18 338</b>	<b>16 197</b>	<b>2 141</b>
<b>Net</b>	<b>-6 781</b>	<b>(8 759)</b>	<b>(8 618)</b>	<b>(7 309)</b>	<b>(1 309)</b>
<i>Variances equal to actual minus adjustment budget</i>					

Table 134.: Financial Performance: Community &amp; Social Services



## 5.2.9 Environmental Protection

Description	2017/18	2018/19			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Environmental Protection	R'000				
<b>Total Operational Revenue</b>	<b>475</b>	<b>519</b>	<b>538</b>	<b>442</b>	<b>96</b>
Expenditure:					
Employees	757	782	772	915	(143)
Inventory	171	207	232	207	24
Depreciation and amortisation	5	8	8	6	2
Bulk Purchases		–	–	–	–
Interest Paid		–	–	–	–
Bad debts		–	–	–	–
Contracted Services	166	498	400	333	68
Loss on Disposal of PPE		–	–	–	–
General Expenses	458	482	546	501	45
<b>Total Operational Expenditure</b>	<b>1 557</b>	<b>1 977</b>	<b>1 958</b>	<b>1 962</b>	<b>(4)</b>
<b>Net</b>	<b>-1 082</b>	<b>(1 458)</b>	<b>(1 421)</b>	<b>(1 520)</b>	<b>100</b>
<i>Variances equal to actual minus adjustment budget</i>					

Table 135.: Financial Performance: Environmental Protection

## 5.2.10 Security and Safety

Description	2017/18	2018/19			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Public Safety	R'000				
<b>Total Operational Revenue</b>	<b>982</b>	<b>51</b>	<b>313</b>	<b>286</b>	<b>27</b>
Expenditure:					
Employees	1 603	2 564	2 684	2 062	622
Inventory	218	429	389	309	79
Depreciation and amortisation	92	283	283	202	81
Bulk Purchases		–	–	–	–
Interest Paid		49	49	–	49
Bad debts		–	–	–	–
Contracted Services	2 761	2 590	2 564	2 346	219
Loss on Disposal of PPE		–	–	7	(7)
General Expenses	188	452	525	259	266
<b>Total Operational Expenditure</b>	<b>4 862</b>	<b>6 368</b>	<b>6 494</b>	<b>5 185</b>	<b>1 309</b>
<b>Net</b>	<b>-3 880</b>	<b>(6 317)</b>	<b>(6 181)</b>	<b>(4 899)</b>	<b>(1 282)</b>
<i>Variances equal to actual minus adjustment budget</i>					

Table 136.: Financial Performance: Public Safety





## 5.2.11 Sport and Recreation

Description	2017/18	2018/19			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Sport And Recreation</b>	<b>R'000</b>				
<b>Total Operational Revenue</b>	<b>11 817</b>	<b>12 183</b>	<b>12 183</b>	<b>12 444</b>	<b>(261)</b>
Expenditure:					
Employees	11 147	13 211	12 823	11 651	1 172
Inventory	1 412	1 903	1 963	1 721	242
Depreciation and amortisation	2 183	2 731	2 731	1 855	875
Bulk Purchases		–	–	–	–
Interest Paid	113	392	392	90	303
Bad debts		–	–	–	–
Contracted Services	1 722	2 299	2 175	1 959	215
Loss on Disposal of PPE		–	–	186	(186)
General Expenses	611	951	911	581	330
<b>Total Operational Expenditure</b>	<b>17 189</b>	<b>21 487</b>	<b>20 995</b>	<b>18 043</b>	<b>2 952</b>
<b>Net</b>	<b>-5 371</b>	<b>(9 304)</b>	<b>(8 812)</b>	<b>(5 599)</b>	<b>(3 213)</b>
<i>Variances equal to actual minus adjustment budget</i>					

Table 137.: Financial Performance: Sport and Recreation

## 5.2.12 Finance &amp; Admin

Description	2017/18	2018/19			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Finance And Administration</b>	<b>R'000</b>				
<b>Total Operational Revenue</b>	<b>100 039</b>	<b>99 091</b>	<b>99 665</b>	<b>113 709</b>	<b>(14 044)</b>
Expenditure:					
Employees	33 716	38 590	37 855	35 992	1 863
Inventory	806	1 110	1 097	898	200
Depreciation and amortisation	2 696	3 399	3 399	1 657	1 742
Bulk Purchases		–	–	–	–
Interest Paid	175	460	460	146	314
Bad debts	451	782	782	1 464	(683)
Contracted Services	2 684	5 364	4 845	2 772	2 073
Loss on Disposal of PPE		–	–	409	(409)
Profit/(Loss) on Fair Value Adjustments		–	–	–	–
Reversal of Impairment Loss/(Impairment Loss) on receivables		–	–	–	–
General Expenses	7 085	11 227	11 232	7 791	3 441
<b>Total Operational Expenditure</b>	<b>47 614</b>	<b>60 933</b>	<b>59 670</b>	<b>51 129</b>	<b>8 541</b>
<b>Net</b>	<b>52 425</b>	<b>38 158</b>	<b>39 995</b>	<b>62 580</b>	<b>(22 585)</b>
<i>Variances equal to actual minus adjustment budget</i>					

Table 138.: Financial Performance: Corporate Policy Offices &amp; Other



## 5.2.13 Executive &amp; Council

Description	2017/18	2018/19			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Executive And Council	R'000				
<b>Total Operational Revenue</b>	<b>38 428</b>	<b>42 182</b>	<b>42 265</b>	<b>41 446</b>	<b>818</b>
Expenditure:					
Employees	23 307	17 656	18 524	10 532	7 992
Inventory	29	57	52	29	23
Depreciation and amortisation	34	62	62	35	27
Bulk Purchases		–	–	–	–
Interest Paid		–	–	–	–
Bad debts		–	–	–	–
Contracted Services	1 506	2 512	2 529	684	1 845
Loss on Disposal of PPE		–	–	7	(7)
General Expenses	3 552	4 278	4 475	4 068	407
<b>Total Operational Expenditure</b>	<b>28 428</b>	<b>24 565</b>	<b>25 641</b>	<b>15 355</b>	<b>10 286</b>
<b>Net</b>	<b>10 000</b>	<b>17 617</b>	<b>16 624</b>	<b>26 091</b>	<b>(9 468)</b>
<i>Variances equal to actual minus adjustment budget</i>					

Table 139.: Financial Performance: Executive &amp; Council

## 5.2.14 Internal Audit

Description	2017/18	2018/19			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Internal Audit	R'000				
<b>Total Operational Revenue</b>	<b>0</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Expenditure:					
Employees	1 198	1 304	1 284	1 288	(5)
Inventory	2	2	2	1	0
Depreciation and amortisation	3	5	5	3	2
Bulk Purchases		–	–	–	–
Interest Paid		–	–	–	–
Bad debts		–	–	–	–
Contracted Services	58	127	127	56	70
Loss on Disposal of PPE		–	–	2	(2)
General Expenses	12	94	88	46	42
<b>Total Operational Expenditure</b>	<b>1 272</b>	<b>1 530</b>	<b>1 504</b>	<b>1 396</b>	<b>108</b>
<b>Net</b>	<b>-1 272</b>	<b>(1 530)</b>	<b>(1 504)</b>	<b>(1 396)</b>	<b>(108)</b>
<i>Variances equal to actual minus adjustment budget</i>					

Table 140.: Financial Performance: Internal Audit



## 5.2.15 Other

Description	2017/18	2018/19			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Other	R'000				
<b>Total Operational Revenue</b>	<b>20</b>	<b>10</b>	<b>10</b>	<b>120</b>	<b>(110)</b>
Expenditure:					
Employees	591	861	910	744	166
Inventory	52	54	29	24	5
Depreciation and amortisation	18	48	48	17	31
Bulk Purchases		–	–	–	–
Interest Paid		–	–	–	–
Bad debts		–	–	–	–
Contracted Services	202	131	74	74	0
Loss on Disposal of PPE		–	–	2	(2)
General Expenses	321	408	428	390	38
<b>Total Operational Expenditure</b>	<b>1 184</b>	<b>1 502</b>	<b>1 488</b>	<b>1 250</b>	<b>238</b>
<b>Net</b>	<b>-1 164</b>	<b>(1 492)</b>	<b>(1 478)</b>	<b>(1 130)</b>	<b>(348)</b>
<i>Variances equal to actual minus adjustment budget</i>					

Table 141.: Financial Performance: Other

## 5.3 GRANTS

## 5.3.1 Grant Performance :

Grant Performance						
R'000						
Description	2017/18	2018/19			2018/19 Variance	
	Actual	Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
<b>Operating Transfers and Grants</b>						
<b>National Government:</b>	<b>40 133</b>	<b>44 134</b>	<b>44 134</b>	<b>44 130</b>	<b>4</b>	<b>4</b>
Equitable share	37 497	<b>40 885</b>	40 885	40 885	–	–
Municipal Systems Improvement					–	–
Finance Management	1 550	1 550	1 550	1 550	–	–
Energy Efficiency & Demand Management					–	–
Expended Public Works programme (EPWP)	395	1 026	1 026	1 022	4	4
Disaster Recovery Grant					–	–
Mig 5%	691	673	673	673	–	–
<b>Provincial Government:</b>	<b>19 934</b>	<b>9 958</b>	<b>16 908</b>	<b>12 583</b>	<b>(2 625)</b>	<b>4 325</b>



Grant Performance						
R'000						
Description	2017/18	2018/19			2018/19 Variance	
	Actual	Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
Housing	11 006	750	6 655	3 160	(2 410)	3 495
Housing Consumer education					–	–
Housing Correction Previous claims					–	–
National Emergency Housing Programme / Elec Master plan	600				–	–
Tuin op die brak					–	–
Greenest municipality	42				–	–
Financial Support Grant / Management	415	690	674	516	174	158
Performance Management Grant					–	–
Thusong Centre					–	–
Capacity Building	91		824	504	(504)	321
Libraries		8 389	8 644	8 293	96	351
CDW, Road Maintenance	7 780	129	110	110	19	(0)
<b>Other grant providers</b>	<b>278</b>	<b>1 059</b>	<b>1 076</b>	<b>0</b>	<b>1 059</b>	<b>1 076</b>
Seta/Disaster Relief/Trade Union/HCE/ASLA/tourism	278	1 049	1 049	0	1 049	1 049
Heritage Council WC					–	–
Arbor City		10	27		10	27
National Lottery fund					–	–
<b>Total Operating Transfers and Grants</b>	<b>60 346</b>	<b>55 151</b>	<b>62 118</b>	<b>56 714</b>	<b>(1 563)</b>	<b>5 404</b>

*Variances equal to actual minus original and adjustment budget*

Table 142.: Grant Performance for 2018/19

### 5.3.2 Conditional Grants (Excluding MIG)

Conditional Grants: excluding MIG						
R' 000						
Details	Budget	Adjusted Budget	Actual	Variance		Major conditions applied by donor
				Budget	Adjusted Budget	
FMG, MSIG, NEP, EPWP, DME, PGWC: LIBRARY GRANTS, PGWC: FINANCIAL SUPPORT GRANT	6 266 000	7 329 589	6 592 061	-326 061	737 528	
<b>Total</b>	<b>10 492 800</b>	<b>10 822 800</b>	<b>10 996 974</b>	<b>-504 174</b>	<b>-174 174</b>	

*This includes Neighbourhood Development Partnership Grant, Public Transport Infrastructure and Systems Grant and any other grant excluding Municipal Infrastructure Grant (MIG). Variances equal to actual minus original/adjustment budget*



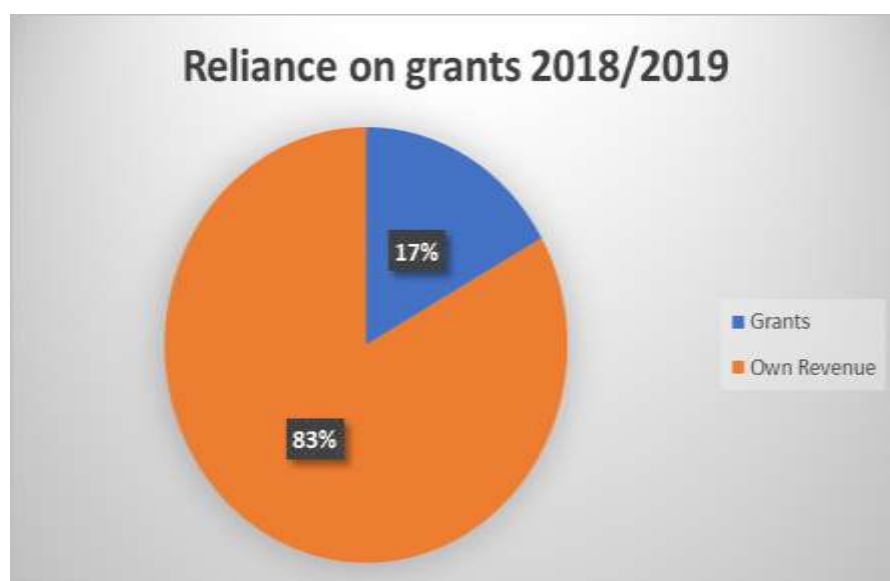
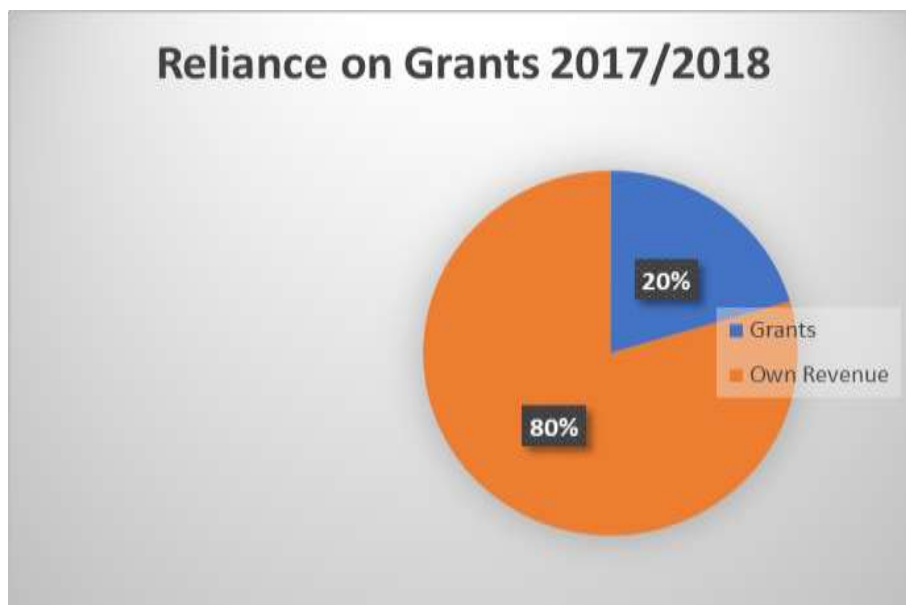
Table 143.: Conditional Grant (excl. MIG)

5.3.4 Level of Reliance on Grants & Subsidies

Financial year	Total grants	Total	Percentage
	and subsidies received	Operating Revenue	
	R'000	R'000	%
2017/18	93 231	456 615	20,42%
2018/19	80 272	495 819	16,19%

Table 144.: Reliance on grants

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



***Figure 4.: Reliance on grants***

The Municipality's dependency on grants is less than the previous financial year.

## 5.4 ASSET MANAGEMENT

The Municipality maintained its infrastructure and immovable assets.

### 5.4.1 Maintenance / Development of the Three Largest Assets

Asset 1		
Name	<b>Upgrading of Riversdale Waste Water Treatment Works: Phase 2B</b>	
Description	Installation of the mechanical and electrical equipment into the new sewerage inlet works to increase the capacity to 4Ml/day.(Increase the capacity of the works)	
Asset Type	Infrastructure	
Key Staff Involved	Director Technical Services: ( Harold Basson)& Manager Civil Planning and Project Management (Shahida Kennedy)	
Staff Responsibilities	Project management	
Asset Value	<b>2017/18 (R'000)</b>	<b>2018/19 (R'000)</b>
	1 012	11 596

Table 145.: Summary of Upgrading of Riversdale Waste Water Treatment Works

Asset 2		
Name	<b>Witsand Desalination Plant</b>	
Description	To ensure sustainable water supply to the Witsand Community.	
Asset Type	Infrastructure	
Key Staff Involved	Director Technical Services: (Harold Basson)& Manager Civil Planning and Project Management (Shahida Kennedy)	
Staff Responsibilities	Project management	
Asset Value	<b>2017/18 (R'000)</b>	<b>2018/19 (R'000)</b>
	0	9 000

Table 146.: Summary of Witsand Desalination Plant

Asset 3	
Name	<b>Drilling and testing of boreholes in the Hessequa Municipal area</b>
Description	The strategic goals are to ensure sustainable water supply to the Hessequa Municipality. The impact of the project is to improve the water supply capacities to the communities of Witsand, Albertinia, Vermaaklikheid and Still Bay. Drilling and testing of new and existing boreholes in the Hessequa area.
Asset Type	Infrastructure



Asset 3		
Key Staff Involved	Director Technical Services: (Harold Basson) & Manager Civil Planning and Project Management (Shahida Kennedy)	
Staff Responsibilities	Project management	
Asset Value	<b>2017/18 (R'000)</b>	<b>2018/19 (R'000)</b>
	0	2 820

Table 147.: Drilling and testing of Boreholes in the Hessequa Municipal Area

One of the recommendations in the approved financial plan of the Council is not to neglect the replacement of existing assets.

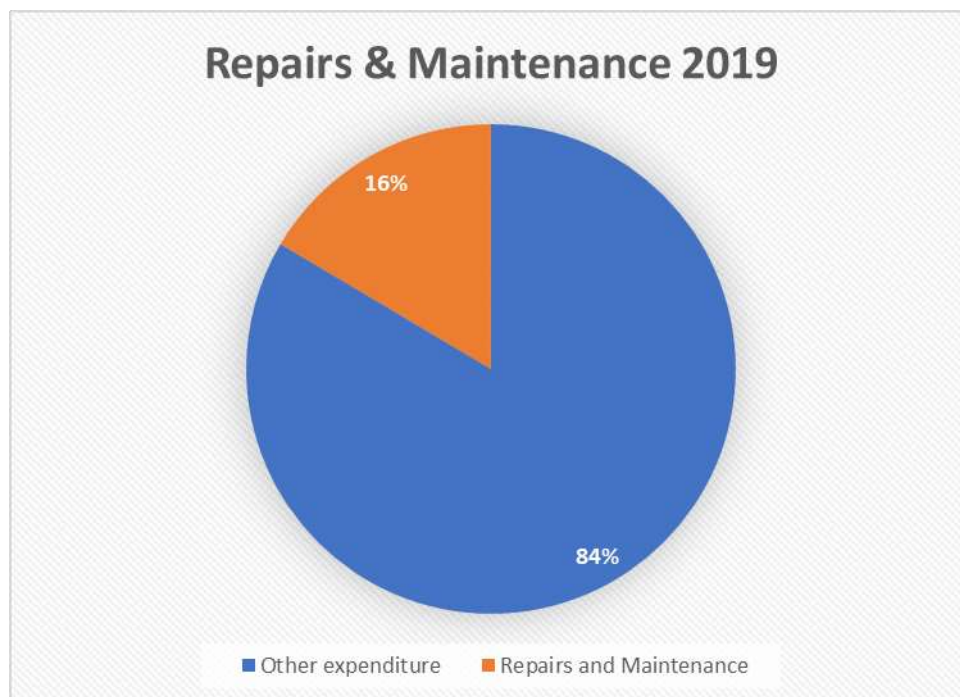
### 5.4.2 Repairs and Maintenance

Description	2017/18	2018/19
	R'000	R'000
Total Operating Expenditure	407 976	429 407
Repairs and Maintenance	69 154	70 734
<b>% of total OPEX</b>	<b>16,95%</b>	<b>16,47%</b>

\*Note: These figures do not include salaries of repairs and maintenance staff

Table 148.: Repairs & maintenance as % of total Operating Expenditure

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





## Repairs &amp; Maintenances. Operational Expenditure

The repairs and maintenance costs above do not include employee costs associated with repairs and maintenance, since the municipality do not take these costs into account when calculating the total repairs and maintenance costs. The aforementioned will bring the percentage spend on repairs and maintenance costs closer to the norm of approximately 7%.

## 5.5 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

### 5.5.1 Liquidity Ratio

Description	Basis of calculation	2017/18	2018/19
		Audit outcome	Audit outcome
Current Ratio	Current assets/current liabilities	2,78	3,17
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	2,54	2,90
Liquidity Ratio	Monetary Assets/Current Liabilities	2,75	3,14

Table 149.: Liquidity Financial Ratio (norm 1:5 to 2:1)

Financial year	Total Assets	Total Liabilities	Ratio
	R'000	R'000	
2017/18	1 124 619	325 115	3.5:1
2018/19	1 219 944	353 731	3.0:1

Table 150.: Liquidity Financial Ratio (norm 1:5 to 2:1 and above)

### 5.5.2 IDP Regulation Financial Viability Indicators

Description	Basis of calculation	2017/18	2018/19
		Audit outcome	Audit outcome
Cost Coverage	(Available cash + Investments)/monthly fixed operational expenditure	10,46	11,91
Total Outstanding Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	11,90%	10,73%
Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	10,03	11,09

Table 151.: Financial Viability National KPAs



### 5.5.3 Creditors Management

Description	Basis of calculation	2017/18	2018/19
		Audit outcome	Audit outcome
Creditors System Efficiency	of Creditors Paid Within Terms (within MFMA' s 65(e))	69,04	63,49

Table 152.: Creditors Management

### 5.5.4 Borrowing Management

Description	Basis of calculation	2017/18	2018/19
		Audit outcome	Audit outcome
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	8,47%	7,99%

Table 153.: Borrowing Management

### 5.5.5 Employee costs

Description	Basis of calculation	2017/18	2018/19
		Audit outcome	Audit outcome
Employee costs	Employee costs/(Total Revenue - capital revenue)	37,42%	36,23%

Table 154.: Employee Costs

## COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

### 5.6 Analysis of Capital and operating expenditure

R million	Original Budget	Adjusted Budget	Actual	Original Budget variance	Adjusted Budget Variance
Capital Expenditure	100 582	92 477	68 065	32 517	24 412
Operating Expenditure	472 975	478 742	429 407	43 568	49 335
<b>Total expenditure (Capital)</b>	<b>100 582</b>	<b>92 477</b>	<b>68 065</b>	<b>32 517</b>	<b>24 412</b>
Water and sanitation	49 906	54 230	43 510	6 396	10 720
Electricity	20 387	8 317	5 393	14 994	2 924
Housing				–	–
roads pavements bridges and storm water	15 210	15 924	9 857	5 352	6 067
Other	15 080	14 006	9 305	5 775	4 701
<b>Total Finance Source - Capital</b>	<b>100 582</b>	<b>92 477</b>	<b>68 065</b>	<b>32 517</b>	<b>24 412</b>
External Loans	70 694	49 020	34 561	36 132	14 458
Internal contributions	13 365	13 432	6 493	6 872	6 939
Grants and subsidies	16 524	30 026	27 011	(10 487)	3 015
Other		0	0	0	
Salaries, wages and allowances	174 416	173 525 457	157 498 266	16 917	16 027
External loans repaid	20 698	21 179 799	16 899 034	3 799	4 281
<b>Operating Revenue</b>	<b>469 806</b>	<b>489 925</b>	<b>495 819</b>	<b>(26 013)</b>	<b>(5 894)</b>
Property rates	84 865	84 864 620	86 657 328	(1 793)	(1 793)
Service charges	213 928	213 928 430	218 878 708	(4 950)	(4 950)
Other own revenue	171 013	191 131 692	190 282 770	(19 270)	849
<b>Operating Expenditure</b>	<b>472 975</b>	<b>478 742</b>	<b>429 407</b>	<b>43 568</b>	<b>49 335</b>
Employee related costs	166 365	173 525 457	157 498 266	8 867	16 027
Provision for working capital	59 530	59 530 298	57 822 982	1 707	1 707
Contracted services	29 303	36 360 957	26 290 317	3 012	10 071
Bulk purchases	102 049	94 197 457	97 204 702	4 845	(3 007)
Other expenditure	115 728	115 127 676	90 590 569	25 137	24 537
	<b>141 489</b>	<b>141 763</b>	<b>143 401</b>	<b>(1 912)</b>	<b>(1 639)</b>
Service charges: Electricity	138 175	138 175	140 022	(1 847)	(1 847)
Grants & subsidies: Electricity	3 000	3 000	3 000	–	–
Other revenue: Electricity	315	588	379	(65)	209
	<b>127 122</b>	<b>117</b>	<b>117</b>	<b>1</b>	<b>(1)</b>
Employee related costs: Electricity	12 563	12 378	10 995	1 569	1 383
Provision for working capital: Electricity	2 720	2 720	85	2 636	2 636



R million	Original Budget	Adjusted Budget	Actual	Original Budget variance	Adjusted Budget Variance
Contracted Services: Electricity	2 352	2 165	1 159	1 193	1 006
Bulk purchases: Electricity	93 876	93 876	97 066	(3 190)	(3 190)
Other expenditure: Electricity	15 611	15 419	12 389	3 221	3 030
	<b>37 324</b>	<b>53</b>	<b>34</b>	<b>(6)</b>	<b>(19)</b>
Service charges: Water	36 394	36 394	37 622	(1 228)	(1 228)
Grants & subsidies: Water	673	8 173	7 994	(7 321)	179
Other revenue: Water	256	5 018	5 196	(4 940)	(179)
	<b>30 940</b>	<b>31 858</b>	<b>26 582</b>	<b>4 359</b>	<b>5 276</b>
Employee related costs: Water	11 232	11 335	10 096	1 136	1 239
Provision for working capital: Water	965	965	1 382	(417)	(417)
Contracted Services: Water	1 441	2 103	1 665	(224)	438
Bulk purchases: Water	8 174	322	139	8 035	183
Other expenditure: Water	9 128	17 133	13 299	(4 172)	3 834

Table 155.: Analysis of Capital and Operating Expenditure

## 5.7 Sources of Finance

The table below indicates the capital expenditure by funding source for the 2017/18 financial year:

Capital Expenditure - Funding Sources 2017/18 to 2018/19						
R'000						
Details	2017/18	2018/19				
	Actual	Original Budget (OB)	Adjustment Budget	Actual	Variance Ori	Variance Adjustment
External loans	27 423	70 694	49 020	34 561	36 132	14 458
Public contributions and donations	126	–	–	–	–	–
Grants and subsidies	26 236	16 524	30 026	27 011	(10 487)	3 015
Other / CRR	8 508	13 365	13 432	6 493	6 872	6 939
<b>Total</b>	<b>62 292</b>	<b>100 582</b>	<b>92 477</b>	<b>68 065</b>	<b>32 517</b>	<b>24 412</b>
Percentage of finance						
External loans	44.02%	70,28%	53,01%	50,78%	111%	59%
Public contributions and donations	0.20%		0	0	0%	0%
Grants and subsidies	42.12%	16,43%	32,47%	39,68%	-32%	12%
Other	13.66%	13,29%	14,52%	9,54%	21%	28%
Water and sanitation	26 210	49 906	54 230	43 510	6 396	10 720
Electricity	8 574	20 387	8 317	5 393	14 994	2 924
Housing		–	–	–	–	–



Capital Expenditure - Funding Sources 2017/18 to 2018/19						
R'000						
Details	2017/18	2018/19				
	Actual	Original Budget (OB)	Adjustment Budget	Actual	Variance Ori	Variance Adjustment
Roads and stormwater	9 525	15 210	15 924	9 857	5 352	6 067
Other	17 983	15 080	14 006	9 305	5 775	4 701
<b>Total</b>	<b>62 292</b>	<b>100 582</b>	<b>92 477</b>	<b>68 065</b>	<b>32 517</b>	<b>24 412</b>
Percentage of expenditure						
Water and sanitation	42.08%	49,62%	58,64%	63,92%	19,67%	43,91%
Electricity	13.76%	20,27%	8,99%	7,92%	46,11%	11,98%
Housing						
Roads and stormwater	15.29%	15,12%	17,22%	14,48%	16,46%	24,85%
Other	28.87%	14,99%	15,15%	13,67%	17,76%	19,26%

Table 156.: Capital Expenditure by funding source

Funding of the capital budget consist of a mix of external loans, grants & subsidies and own funds. The effect of interest rates on external borrowings was taken into account with the compilation of the budget.

## 5.8 Capital Spending on the 5 most expensive Projects

Projects with the highest capital expenditure in 2018/19.

Name of Project*	Current Year: 2018/19		Variance Current Year: 2018/19
	Amended Budget R'000	Actual Expenditure R'000	Variance R'000
Upgrading of Sewerage works - Phase 2 - Riversdale	11 121	11 596	475
Upgrading of Water mains in the Still Bay, Heidelberg and Jongensfontein area	6 463	6 395	68
Witsand Desalination Plant	9 000	9 000	0
Upgrading of Bulk Water Infrastructure in Still Bay – Phase 1	3776	3 545	231
Paving of Roads in the Hessequa Municipal Area	2 771	2 771	0

Table 157.: Capital Expenditure on the 5 most expensive Projects

Name of Project	Upgrading of Sewerage works - Phase 2 - Riversdale
Objective of Project	To increase the current capacity of the sewerage treatment works.
Delays	During construction the mechanical/electrical contractor was delayed due to delays in the final completion of the outstanding work on the civil works side of the project. All the civil works must be completed and in a proper working condition prior to the trial and testing period.



<b>Future Challenges</b>	Insufficient Municipal funds to complete the full project. An Application was submitted for MIG Funding to complete the third phase of the project.
<b>Anticipated citizen benefits</b>	16172 (Riversdale)

*Table 158.: Summary of Upgrading of Sewerage works - Phase 2 - Riversdale*

<b>Name of Project</b>	<b>Upgrading of the watermains in the Still Bay, Heidelberg and Jongensfontein.</b>
<b>Objective of Project</b>	To upgrade and replace the existing water infrastructure in Still Bay, Heidelberg and Jongensfontein.
<b>Delays</b>	None
<b>Future Challenges</b>	None
<b>Anticipated citizen benefits</b>	Melkhoutfontein (2750) and Heidelberg (8259) and Jongensfontein (398)

*Table 159.: Summary of Upgrading of the watermains in Still Bay, Heidelberg and Jongensfontein*

<b>Name of Project</b>	<b>Witsand Desalination Plant</b>
<b>Objective of Project</b>	To ensure water security to the Witsand Community.
<b>Delays</b>	None
<b>Future Challenges</b>	None
<b>Anticipated citizen benefits</b>	435

*Table 160.: Summary of Witsand Desalination Plant*

<b>Name of Project</b>	<b>Upgrading of the Bulk water Infrastructure In Still Bay</b>
<b>Objective of Project</b>	To improve the water reticulation and cater for future developments by improvements to the water supply and water storage capacities. To replace and upgrade existing water infrastructure.
<b>Delays</b>	None
<b>Future Challenges</b>	None
<b>Anticipated citizen benefits</b>	4 000

*Table 161.: Summary of Upgrading of Bulk water Infrastructure in Still Bay*

<b>Name of Project</b>	<b>Paving of roads in the Hessequa Municipal Area</b>
<b>Objective of Project</b>	To improve the roads surface and storm water infrastructure of existing gravel roads
<b>Delays</b>	None
<b>Future Challenges</b>	None
<b>Anticipated citizen benefits</b>	16172 ( Riversdale), Heidelberg (8529) and Still Bay (4000)

*Table 162.: Summary of Paving of roads in the Hessequa Municipal area*



## 5.9 Basic Service and Infrastructure Backlogs – Overview

### 5.9.1 Municipal Infrastructure Grant (MIG)

This grant is intended to provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

<b>Municipal Infrastructure Grant (MIG)* Expenditure 2018/19 on Service backlogs</b>			
<b>R0</b>			
<b>Details</b>	<b>Approved Budget</b>	<b>Actual</b>	<b>Variance from Approved Budget</b>
<b>Infrastructure - Road transport</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Storm water</i>			
<b>Sport development</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Street Lighting</i>			
<b>Infrastructure - Water</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Dams &amp; Reservoirs</i>			
<b>Infrastructure - Sanitation</b>	<b>12 789</b>	<b>11 596</b>	<b>1 193</b>
<i>Reticulation</i>			
<b>Other:</b>			
<b>Total</b>	<b>12 789</b>	<b>11 596</b>	<b>1 193</b>

*\* MIG is a government grant program designed to fund a reduction in service backlogs, mainly: Water; Sanitation; Roads; Electricity. Expenditure on new, upgraded and renewed infrastructure. Variance is the difference between actual and approved budget*

*The amount of R2 951 was unspent at year end due to limited time. Rollover applications will be submitted for all the unspent funds.*

Table 163.: Municipal Infrastructure Grant (MIG)

All MIG funds received are utilised to improve and provided services to previously disadvantaged areas.

## COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

Accurate cash flow projections will enable the Council to invest surplus funds at the best interest rate. Stricter measures have been implemented to ensure more accurate cash flow projections.

The collection of debtors influence the cash flow of the municipality and all the necessary steps are taken to increase debt recovery.



## 5.10 Cash Flowtable:

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2019				
	Note	Budget 1819	2019/06/30	2018/06/30
Cash Flow from Operating Activities		Budget	R Actual	R Restated
<b>Receipts</b>		<b>420 597</b>	<b>405 472</b>	<b>388 929</b>
Property rates		83 167	83 660	76 165
Fines		14 253	8 372	8 742
Government grants and subsidies		92 593	74 510	84 660
Service Charges		209 650	214 933	194 872
Income from agency services		2 032	2 770	2 218
Rental of facilities and equipment		1 952	2 906	2 607
Licences and permits		1 475	1 445	1 420
Other receipts		15 476	16 875	18 244
<b>Payments</b>		<b>362 024</b>	<b>(323 339)</b>	<b>(306 646)</b>
Employee related cost		165 196	(151 358)	(133 351)
Remuneration of councillors		8 050	(7 588)	(7 202)
Transfers and Subsidies		1 107	(1 133)	(1 055)
Suppliers paid		187 671	(142 585)	(145 971)
Other payments		–	(20 675)	(19 067)
<b>Cash generated from operations</b>	<b>36</b>	<b>58 573</b>	<b>82 133</b>	<b>82 283</b>
Interest received		7 069	20 557	19 909
Interest paid	<b>32</b>	(21 180)	(16 899)	(18 822)
<b>Net Cash from Operating Activities</b>		<b>(14 111)</b>	<b>85 791</b>	<b>83 370</b>
<b>Cash flows from Investing Activities</b>				
Purchase of property, plant and equipment	<b>8</b>	(92 477)	(63 343)	(62 158)
Purchase of intangible assets				–
Sale of property, plant and equipment		2 500	1 366	539
Decrease in non-current receivables		2	3	3
<b>Net Cash flows from Investing Activities</b>		<b>(89 975)</b>	<b>(61 974)</b>	<b>(61 617)</b>
<b>Cash flows from Financing Activities</b>				
New loans raised/(repaid)		12 579	12 593	(15 739)
Increase in consumer deposits		210	825	1 956
Increase in Housing Reserve			297	–
Increase in Trust Funds			116	111
<b>Net Cash from Financing Activities</b>		<b>12 789</b>	<b>13 832</b>	<b>(13 672)</b>





CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2019				
	Note	Budget 1819	2019/06/30	2018/06/30
<b>Net Increase in Cash and Cash Equivalents</b>		<b>(32 723)</b>	<b>37 648</b>	<b>8 081</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>219 860</b>	<b>219 860</b>	<b>211 779</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>35</b>	<b>187 137</b>	<b>257 509</b>	<b>219 860</b>

Table 164.: Cash flow

## 5.11 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
2017/18	11 464	25 169	9 705	–	8 384	<b>54 722</b>
2018/19	13 709	27 537	11 921	–	6 554	<b>59 721</b>
Difference	2 245	2 368	2 215	–	(1 830)	4 999
<b>% growth year on year</b>	<b>16,38%</b>	<b>8,60%</b>	<b>18,59%</b>		<b>-27,92%</b>	<b>8,37%</b>

*Note: figures exclude provision for bad debts and outstanding fines*

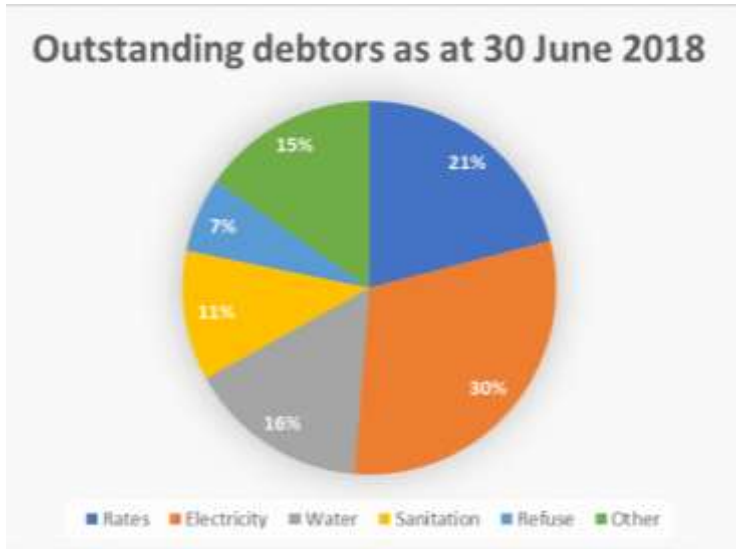
Financial year	Rates	Trading services	Economic services	Housing rentals	Other	Total
		(Electricity and Water)	(Sanitation and Refuse)			
	R'000	R'000	R'000	R'000	R'000	R'000
2017/18	11 464	25 169	9 705	–	16 445	<b>62 784</b>
2018/19	13 709	27 537	11 921	–	14 153	<b>67 320</b>
Difference	2 245	2 368	2 215	–	(2 292)	<b>4 537</b>
<b>% growth year on year</b>	<b>16,38%</b>	<b>8,60%</b>	<b>18,59%</b>		<b>-16,20%</b>	<b>6,74%</b>

*Note: figures exclude provision for bad debts on rates and services and include the written down value on traffic fines*

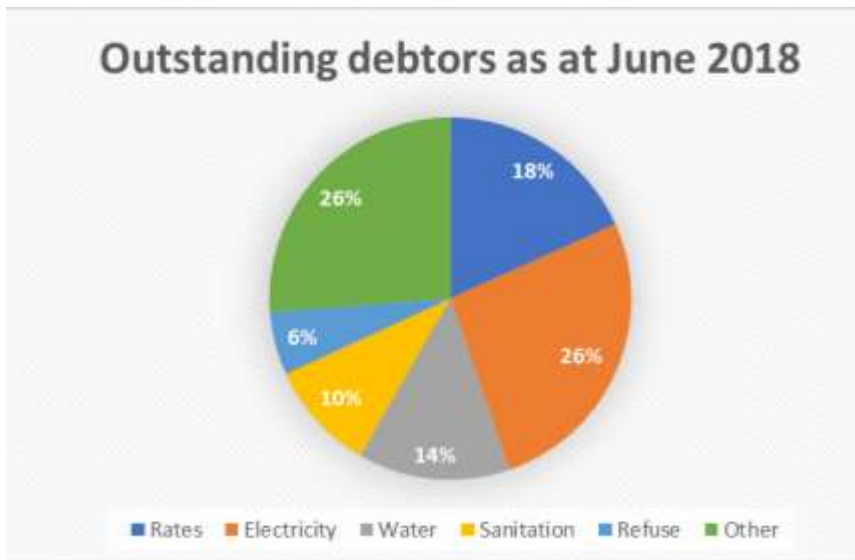
Table 165.: Gross outstanding debtors per service



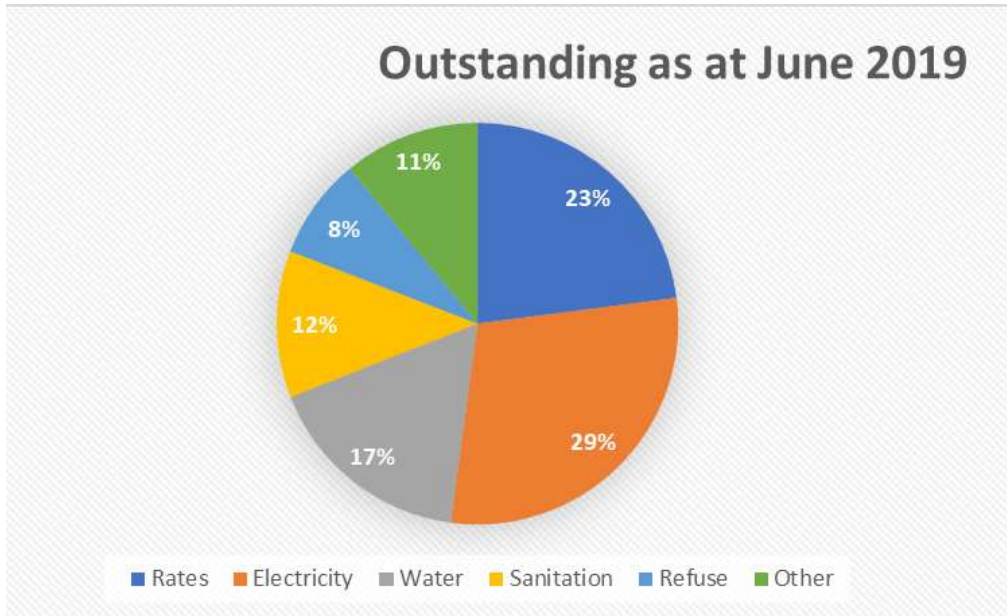
The following graphs indicate the total outstanding debt per type of service for 2017/18 and 2018/19 excluding and including fines



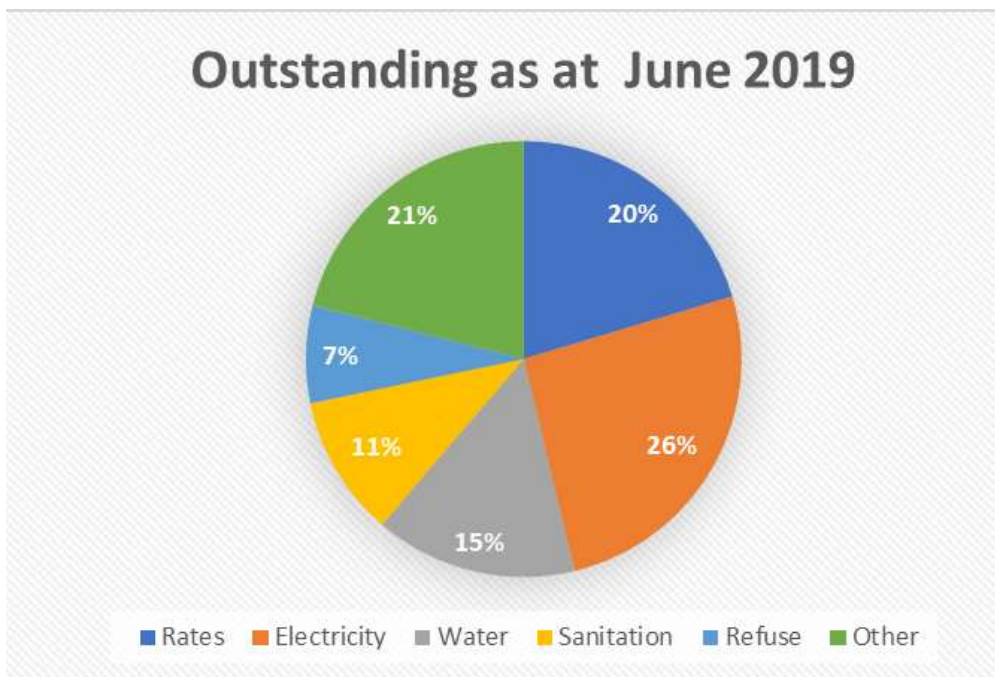
*Excluding fines*



*Including Fines*



***Excluding fines***



***Including Fines***

***Figure 5.: Outstanding debtors for 2018/19 financial year.***

## 5.12 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
2017/18	25 124	4 382	1 906	23 311	54 722
2018/19	26 275	4 523	2 103	26 821	59 721
Difference	1 151	141	197	3 510	4 999
<b>% growth year on year</b>	<b>4,38%</b>	<b>3,11%</b>	<b>9,38%</b>	<b>13,09%</b>	<b>8,37%</b>

*Note: figures exclude provision for bad debts and outstanding fines-*

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
2017/18	25 124	4 382	1 906	31 372	62 784
2018/19	26 275	4 523	2 103	34 420	67 320
Difference	1 151	141	197	3 048	4 537
<b>% growth year on year</b>	<b>4,38%</b>	<b>3,11%</b>	<b>9,38%</b>	<b>8,85%</b>	<b>6,74%</b>

*Including fines*

**Table 166.:** Service debtor age analysis

*THERE IS A YEAR ON YEAR INCREASE IN OUTSTANDING DEBTORS; HOWEVER THE MUNICIPALITY MAINTAINED A COLLECTION RATE OF 97% WHICH IS WELL ABOVE THE NORM FOR MUNICIPALITIES.*

## 5.13 Borrowing and Investments

### 5.13.1 Actual Borrowings

R'000		
Instrument	2017/18	2018/19
Long-Term Loans	111 555	124 148
<b>Total</b>	<b>111 555</b>	<b>124 148</b>

**Table 167.:** Actual Borrowings



## COMPONENT D: OTHER FINANCIAL MATTERS

### 5.14 Supply Chain Management

- The Municipality reviews the Supply Chain management Policy annually and complies with the legislative requirements.
- No councillors are members of any committee handling supply chain processes.
- Contract management and performance of suppliers are currently being done by SCM in conjunction with Managers.

### 5.15 GRAP Compliance

The municipality is GRAP compliant.

.



# *Chapter 6:*

## *Auditor-General Findings*



## CHAPTER 6

### 6.1 COMPONENT A: AUDITOR-GENERAL OPINION 2017/18

#### AUDITOR-GENERAL OPINION AUDITOR-GENERAL OPINION

<b>Auditor-General Report on Performance Information 2017/18</b>	
I did not raise any material findings on the usefulness and reliability of the reported performance information for this objective. <ul style="list-style-type: none"> <li>• Strategic objective 2: Cost effective service delivery</li> </ul>	No findings
<b>Auditor-General Report on Non-Compliance Issues 2017/18</b>	
I did not raise any material findings on compliance with the specific matters in key legislation as set out in the general notice issued in terms of the PAA.	No findings

*Table 168.: AG Report on Performance information & Compliance2017/18*

<b>Auditor-General Report on Financial Performance 2017/18</b>	
In my opinion, financial statements present fairly, in all material respects, the financial position of the Hessequa Municipality as at 30 June 2018, and its performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standard of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2017 (Act No. 3 of 2017) (Dora)..	Audit opinion: Unqualified with no findings (Clean Audit)

*Table 169.: AG Report on Performance information & Compliance2017/18*

### 6.2 COMPONENT B: AUDITOR-GENERAL OPINION 2018/19

#### AUDITOR-GENERAL OPINION AUDITOR-GENERAL OPINION

<b>Auditor-General Report on Performance Information 2018/2019</b>	
I did not raise any material findings on the usefulness and reliability of the reported performance information for this objective. <ul style="list-style-type: none"> <li>• Strategic objective 2: Cost effective service delivery</li> </ul>	No findings
<b>Auditor-General Report on Non-Compliance Issues 2018/2019</b>	
I did not raise any material findings on compliance with the specific matters in key legislation as set out in the general notice issued in terms of the PAA.	No findings

*Table 170.: AG Report on Performance information & Compliance2018/19*

<b>Auditor-General Report on Financial Performance 2018/2019</b>	
In my opinion, the financial statements present fairly, in all material respects, the position of the Hessequa Municipality as at 30 June 2019, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standard of GRAP), and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act no. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2018 (Act no. 1 of 2018) (Dora)..	Audit opinion: Unqualified with no findings (Clean Audit)

*Table 171.: AG Report on Performance information & Compliance2018/19*



## 6.3 COMPONENT C: AUDITOR-GENERAL REPORT 2018/19

*\*Please note that all page references within the Audit Report refers to the page numbers of the relevant report and not of the Annual Report.*

### Report of the auditor-general to the Western Cape Provincial Parliament and the Council on the Hessequa Municipality

#### Report on the audit of the financial statements

##### Opinion

1. I have audited the financial statements of the Hessequa Municipality set out on pages 7 to 84, which comprise the statement of financial position as at 30 June 2019, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget with actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the position of the Hessequa Municipality as at 30 June 2019, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standard of GRAP), and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act no. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2018 (Act no. 1 of 2018) (Dora).

##### Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the municipality in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants*, and parts 1 and 3 of the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA codes), as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

##### Emphasis of matters

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





### **Restatement of corresponding figures**

7. As disclosed in note 46 to the financial statements, the corresponding figures for 30 June 2018 have been restated as a result of errors identified during the 2018-19 financial year in the financial statements of the municipality at, and for the year ended, 30 June 2019.

### **Material losses/impairments**

8. As disclosed in note 3 to the financial statements, the municipality provided for the impairment of trade receivables from exchange transactions (consumer debtors) amounting to R19,5 million (2017-18: R16,3 million), which represents 45,4% (2017-18: 40,5%) of the total trade receivables from exchange transactions.
9. As disclosed in note 4 to the financial statements, the municipality provided for the impairment of trade receivables from non-exchange transactions (mainly traffic fines) amounting to R60,2 million (2017-18: R51,2 million), which represents 71,2% (2017-18: 69,5%) of the total trade receivables from non-exchange transactions.
10. As disclosed in the statement of financial performance and note 30 to the financial statements, the municipality has written off receivables from exchange and non-exchange transactions amounting to R46 million during the year (2017-18: R51,9 million).

### **Underspending of the capital budget**

11. As disclosed in the appropriation statement, the municipality underspent R24,4 million (26,4%) on its final approved capital budget. The reasons for the variances are set out in note 55.

### **Other matters**

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

### **Unaudited disclosure notes**

13. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

### **Unaudited supplementary schedules**

14. The supplementary information set out on pages 85 to 100 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.

### **Responsibilities of the accounting officer for the financial statements**

15. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and Dora, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



16. In preparing the financial statements, the accounting officer is responsible for assessing the Hessequa Municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

### **Auditor-general's responsibilities for the audit of the financial statements**

17. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
18. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

## **Report on the audit of the annual performance report**

### **Introduction and scope**

19. In accordance with the Public Audit Act of South Africa, 2004 (Act no. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
20. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated the completeness and appropriateness of the performance indicators/measures included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
21. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the municipality for the year ended 30 June 2019:

Strategic objective	Pages in the annual performance report
Strategic objective 2 – cost effective service delivery	49 – 51

### Strategic objective 2 – cost effective service delivery

22. I did not raise any material findings on the usefulness and reliability of the reported performance information for this objective.

### Other matter

23. I draw attention to the matter below.

### Achievement of planned targets

24. Refer to the annual performance report on pages 49 to 51 for information on the achievement of planned targets for the year.

## Report on the audit of compliance with legislation

### Introduction and scope

25. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the municipality with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

26. I did not raise material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

### Other information

27. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report, which includes the audit committee's report. The other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.

28. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

29. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and

the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

30. If based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact.

31. I have nothing to report in this regard.

#### Internal control deficiencies

32. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. I did not identify any significant deficiencies in internal control.

*Auditor General*

Cape Town

29 November 2019



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## Annexure – Auditor-general’s responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected objectives and on the municipality’s compliance with respect to the selected subject matters.

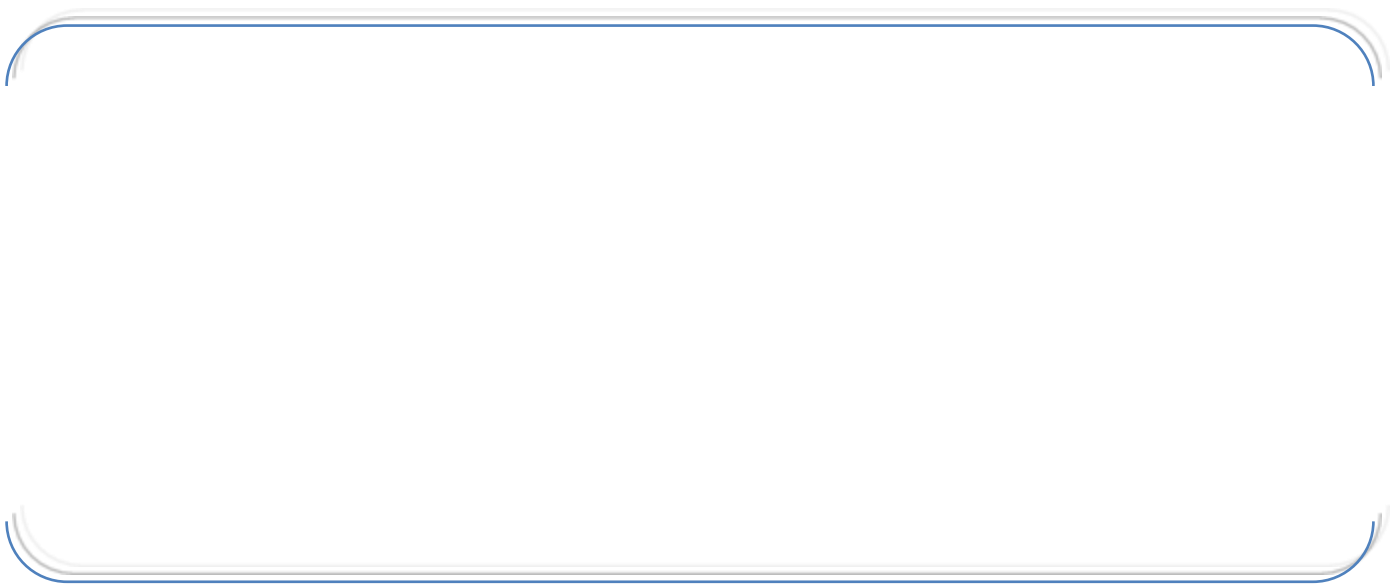
### Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor’s report, I also:
  - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
  - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality’s internal control
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer
  - conclude on the appropriateness of the accounting officer’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hessequa Municipality’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause a municipality to cease continuing as a going concern
  - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

### Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

## ANNEXURES



*Annexure: A*

*Hessequa Annual Financial*

*Statements*

*Annexure: B*

*Audit and Performance Audit*

*Committee Report*



*Annexure: C*

*Oversight Report on*

*2018/2019 Annual Report*

To be completed and included for final submission to Council

# HESSEQUA MUNICIPALITY

## *ANNUAL PERFORMANCE REPORT*

*2018-2019*

*(as presented as chapter 3 & 4 of the Annual Report)*



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### 3.1 OVERVIEW OF PERFORMANCE WITHIN HESSEQUA MUNICIPALITY

Performance Management is a process which measures the implementation of the municipality's strategy. It is also a management tool to assist the municipality with planning, monitoring, measuring and reviewing of performance indicators to ensure effective and efficient service delivery. The approved macro structure of the municipality is displayed in the following table and does it provide alignment between organisational structure and how it gives effect to the vision and Key Performance Areas (KPA's).

Department	Functions	Applicable KPA's
<b>Municipal Manager</b>	Internal Audit	Good Governance and Public Participation
	Strategic & Governance Support	
<b>Finance</b>	Income	Good Governance and Public Participation, Financial Management
	Expenditure	
	Supply Chain Management	
	Budget & Treasury	
	Financial Statements	
<b>Corporate Management</b>	Administration	Good Governance and Public Participation, Financial Management,
	Property Management	
	Human Resource Management	
	Information & Communication Technology	
	Public Relations	
	Legal Services	
	Library Services	
<b>Technical Services</b>	Planning & Project Management	Cost Effective Service Delivery, Environmental Management, Financial Management
	Infrastructure Maintenance	
	Electrical & Mechanical Services	
	Parks & Public Areas	
<b>Community Services</b>	Safety Services	Social and Economic Development
	Human Settlements	
	Social Development	
<b>Development Planning</b>	Spatial Planning	Environmental Management, Social and Economic Development
	Building Control	
	Environmental Management	
	Economic Development & Tourism	

Table 1.:Macro structure

### 3.1.1 Legislative Requirements

The Municipal Systems Act (MSA) 2000 requires municipalities to establish a performance management system. Further, the MSA and the Municipal Finance Management Act (MFMA) requires the Integrated Development Plan (IDP) to be aligned to the municipal budget and to be monitored for the performance of the budget against the IDP via the Service Delivery Budget Implementation Plan (SDBIP).

In terms of section 46(1)(a) of the MSA a municipality must prepare for each financial year a performance report reflecting –

- i. The performance of the municipality and of each external service provider during that financial year;
- ii. A comparison of the performances referred to in paragraph (i) with targets set for and performances in the previous financial year; and
- iii. Measures taken to improve performance.

### 3.1.2 Performance Management Within Hessequa Municipality

#### **A) *Performance Management System***

The Performance Management System (PMS) of the municipality is the institutional system that is employed to develop, monitor and evaluate performance of the municipality. The performance management process of Hessequa Municipality is integrated with the IDP and budget. The IDP is the municipal planning stage and the performance management is the implementation, monitoring and evaluation of the IDP.

The reviewed 2017 – 2022 IDP and the Budget for 2018/19 were approved by Council on 29 May 2018. The SDBIP for 2018/19 was approved by the Executive Mayor. Performance agreements with Senior Managers were signed and published on the municipal website. Key Performance Indicators (KPI's) are developed for the Municipal Manager and each Senior Manager reporting to the Municipal Manager. The KPI's are annual measures relating to either a Service Delivery Target or a Financial Revenue or Expenditure target.

Hessequa Municipality utilizes an electronic web based system on which the users update actual performance on a monthly basis, documenting the actual performance, performance comment and remedial actions in the instances where performance targets were not met. A portfolio of evidence is maintained to support actual performance results updated.

### 3.1.3 National Key Performance Indicators – Municipal Financial Viability and Management (Ratios)

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 Performance Management Regulations of 2001 and section 43 of the Municipal Systems Act (MSA). The key performance indicators are linked to the **National Key Performance Area** Namely **Municipal Financial Viability and Management**

<i>KPA &amp; Indicator</i>	<i>2017/18</i>	<i>2018/19</i>	<i>Comments</i>
<i>Debt Coverage {(Total operating revenue - operating grants received) : debt service payments due within the year}</i>	<b>1002,63%</b>	<b>1109%</b>	<b>Indicates short term debt relative to operating revenue. Norm 45%</b>
<i>Service debtors : revenue (Total outstanding service debtors : revenue received for services)</i>	<b>11,90%</b>	<b>10,73%</b>	<b>Norm is 0%</b>
<i>Cost coverage {(Available cash + investments) : Monthly fixed operating expenditure}</i>	<b>10,5</b>	<b>11,9</b>	<b>Indicates the municipality's ability to meet at least its monthly fixed operating commitments. The norm ranges between 1-3 months. Above the Norm</b>

*Table 2.: National KPI's for financial viability and management*

#### **B) Monitoring and Evaluation of Performance**

Performance is monitored and evaluated via the SDBIP and the process can be summarised as follows:

- Two formal performance evaluations (in terms of the signed performance agreements – Mid Year and Final);
- Two informal performance evaluations (quarter 1 and 3); and
- Internal Audit compiles quarter performance reports. The findings are reported to the Performance Audit Committee, bi-annually

## 3.2 ACTUAL MUNICIPAL PERFORMANCE FOR 2018/19

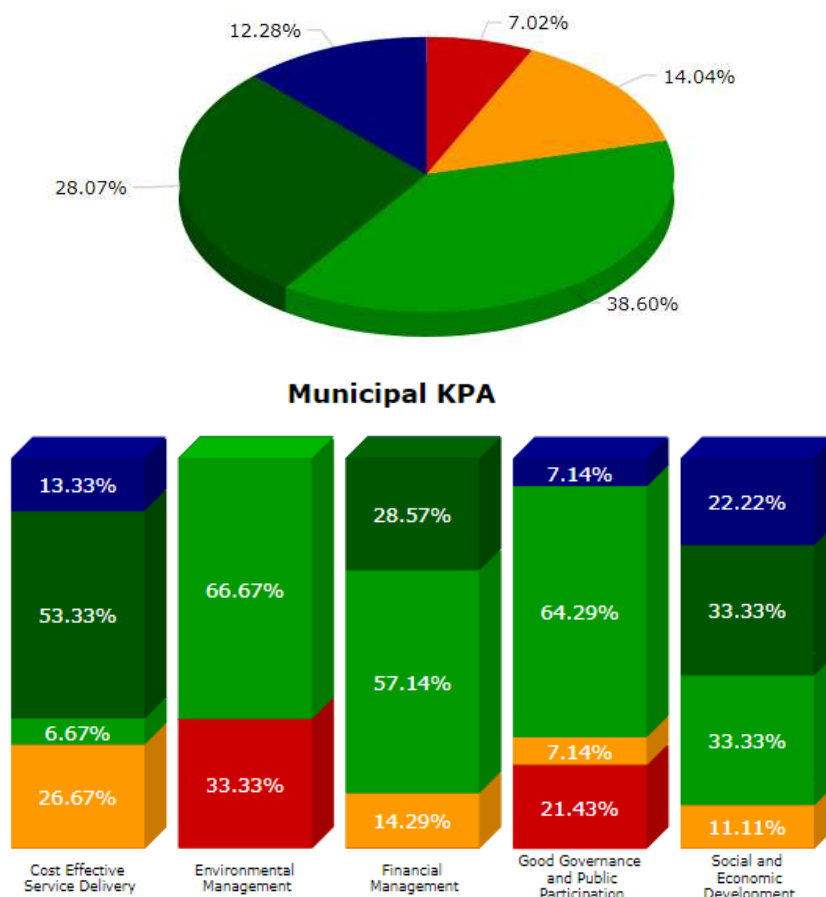
### 3.2.1 Overview of Actual Performance for 2018/19

The purpose of strategic performance reporting is to report specifically on the implementation and achievement of IDP outcomes. This section aims to provide an overview on the strategic achievement of the municipality in terms of strategic intent and deliverables as stated in the IDP. In the paragraphs below the performance achieved is illustrated according to the strategic objectives as set out in the IDP. The following table explains the method by which the overall assessment of actual performance against targets set for the key performance indicators (KPI's) of the SDBIP is measured:

Category	Color	Explanation
KPI Not Yet Measured	N/A	KPIs with no targets or actuals in the selected period.
KPI Not Met	R	0% <= Actual/Target <= 75%
KPI Almost Met	O	75.000% <= Actual/Target <= 99%
KPI Met	G	Actual meets Target (Actual/Target = 100%)
KPI Well Met	G2	100.001% <= Actual/Target <= 150%
KPI Extremely Well Met	B	150% <= Actual/Target

**Figure 1.: SDBIP Measurement Categories**

The graphs below display the overall performance, per strategic objective (as set out in the IDP) for the 2018/19 financial year:



**Figure 2.: Overall performance per Key Performance Area**



SERVICE DELIVERY PERFORMANCE

3.2.2 Detail Performance Per Strategic Objective For 2018/19

*Cost Effective Service Delivery*

TL Ref#	KPI	Unit of Measurement	Previous year performance	Overall Performance for Jul 2018 to Jun 2019			
				Target	Actual	Result	Performance Comment
TL1	90% Expenditure of the Approved Capital Budget for the Municipality by end of June 2019	% of Budget spent	68,69%	90%	73.60%	O	The cancelling of the Consulting Engineering tender in the previous financial year had an effect on the roll out of the capital projects. This resulted in a delay in the implementation of projects that required the services of consulting engineers. The spending that was achieved was partially due to the fact that it was executed departmentally.
TL2	90% Expenditure of the Approved Operational Budget for the Municipality by end of June 2019	% of budget spent	92,80%	90%	89.69%	O	This target is measured on all operational expenses, including depreciation and asset impairment(R10M), employee related costs(R15M), contracted services (R10M), and other. The employee related costs are as a result of unfilled skilled vacancies and actuarial gain on the retirement benefit liability (R8.5m)
TL3	% Provision of electricity to residential properties connected to the municipal infrastructure network for both prepaid and credit electrical metering	Percentage of formal residential properties connected to the municipal electrical infrastructure network	98,82%	90%	92%	G2	Target Achieved
TL4	% Provision of water to residential properties connected to the municipal infrastructure network for both prepaid and credit metering	Percentage of formal residential properties connected to the municipal water network	77,06%	90%	98%	G2	Target Achieved



## SERVICE DELIVERY PERFORMANCE

TL Ref#	KPI	Unit of Measurement	Previous year performance	Overall Performance for Jul 2018 to Jun 2019			
				Target	Actual	Result	Performance Comment
TL5	% Provision of refuse removal and solid waste disposal for residential account holders	Percentage of residential properties billed for refuse removal	90,73%	90%	98%	G2	Target Achieved
TL6	% Provision of sanitation/sewerage services to residential account holders	Percentage of residential properties billed for sanitation/sewerage services	87,80%	90%	88%	O	This performance measure is based on a legislative reporting indicator. Please refer to footnote <sup>1</sup> "1". As Corrective Measure the municipality continually address possible service delivery backlogs through Funding Applications(MIG) and the implementation of Human Settlements Planning to rectify any possible shortages in service delivery. Municipal Offices in all towns also provides residents the opportunity to query any service delivery shortage to which response is given within approved service standards.
TL7	The % of registered indigent account holders (poor households) with access to free basic services	Number of registered indigent households with access to free basic services	90,14%	90%	94%	G2	Target Achieved
TL14	90% Expenditure of Approved budget for maintenance of Municipal camps sites by end of Financial year	% budget spent	87,75%	90%	97.36%	G2	Target Achieved

<sup>1</sup> The calculation is based on the total household account holders, as registered on the financial system of the municipality. It is important to note that not all households do receive the same services as in the case of fenced developments, multiple units on one stand which has only one sewerage connection, central collection points for refuse removal, etc. The total households are used as denominator for calculation purposes.

SERVICE DELIVERY PERFORMANCE

TL Ref#	KPI	Unit of Measurement	Previous year performance	Overall Performance for Jul 2018 to Jun 2019			
				Target	Actual	Result	Performance Comment
TL48	90% Expenditure of the approved Capital Budget of the Technical Department for 2018/2019	% capital budget spent	67,13%	90%	73%	O	The cancelling of the Consulting Engineering tender in the previous financial year had an effect on the roll out of the capital projects. This resulted in a delay in the implementation of projects that required the services of consulting engineers. The spending that was achieved was partially due to the fact that it was executed departmentally.
TL49	90% Expenditure of the approved Operational Budget of the Technical Department for 2018/2019	% of expenditure budget spent	95,92%	90%	97%	G2	Target Achieved
TL51	Limit electricity losses to 10% for financial year 2018/2019	% unaccounted electricity	10,70%	10%	7%	B	Target Achieved
TL52	95% Expenditure of National Electrification Grant spent for 2018/2019	95% of Electrification Grant spent	100%	95%	100%	G2	Target Achieved
TL53	Feedback Report to Portfolio committee regarding Blue flag Beaches	Number of reports	2	2	2	G	Target Achieved
TL55	95% Expenditure of Municipal Infrastructure Grant (MIG) for 2018/2019	% of Grant spent	74,00%	95%	100%	G2	Target Achieved
TL56	Limit water losses to less than 30% for 2018/2019	% of water losses	12,00%	30%	11%	B	Target Achieved

Table 3.: Actual performance for 2018/19 for the strategic objective: Cost Effective Service Delivery

SERVICE DELIVERY PERFORMANCE

***Good Governance and Public Participation***

TL Ref#	KPI	Unit of Measurement	Previous year performance	Overall Performance for Jul 2018 to Jun 2019			
				Target	Actual	Result	Performance Comment
TL8	Development of an Integrated IDP Process Plan submitted to Portfolio Committee by August 2019	Number of submitted Process plan	1	1	1	G	Target Achieved
TL9	Submission of Final IDP submitted to Council by May 2019	Final IDP submitted to Council by May 2019	1	1	1	G	Target Achieved
TL10	Submission of Risk Action Plan to Risk Management Committee	Risk Action Plan Submitted to Risk Management Committee	New KPI	1	0	R	The Development of the Action plan was preceded by the development of a new Strategic Risk Register in collaboration with Council, Senior Management and Heads of Department. The final process with Council was delayed as a result of Council's recess period being announced after the National Election date was announced. The only date that could be secured to workshop the contents and findings of the new Strategic Risk Assessment was in May 2019. As a result, the Target for the reviewed Register and maturity assessment was met, but the action plan has not been completed for submission. The Risk Action Plan has been included in the Risk Management process planning for 2019/2020.
TL11	The percentage of people from employment equity target groups employed in the three highest levels of management in compliance with the Municipalities Annual Employment Equity report	% employed of target groups according to Annual Department of Labour Employment Equity report	55,2	66%	55.60%	O	The Council appointed a white male Director: Technical Services, after the previous incumbent (Coloured Male) resigned. The current incumbent, Mr Basson is also responsible for the mentoring of subordinates in order to create a pool of talent that will be able to qualify and apply for the position, when Mr Basson's contract expires. The professional development of the talent pool in Technical Services is progressing well. It is not foreseen that the target % of 66% will be achieved prior to the end of 2020.

SERVICE DELIVERY PERFORMANCE

TL Ref#	KPI	Unit of Measurement	Previous year performance	Overall Performance for Jul 2018 to Jun 2019			
				Target	Actual	Result	Performance Comment
TL12	Review of Risk Register of Directorate and Submission to Chief Risk Officer	Reviewed risk register submitted to Chief Risk Officer	New KPI	1	1	G	Target Achieved
TL13	Maintain an average vacancy rate of less than 10% of budgeted staff establishment	Average % vacancy rate less than 10% calculated from statistical report	3,33%	10%	5.98%	B	Target Achieved
TL15	Revision of Delegation Register by September 2019	Reviewed municipal Delegation Register submitted	1	1	1	G	Target Achieved
TL16	Revision of Municipal code and submitted to Council by May 2019	Reviewed municipal code submitted	1	1	1	G	Target Achieved
TL17	Review of Client Service Standards and submitted to Portfolio Committee by May 2019	Reviewed Client Services standards submitted	1	1	1	G	Target Achieved
TL20	Development of Book of Standards - ICT Strategy Initiative	Completed Book of standards - Approved by Council	New KPI	1	1	G	Target Achieved
TL24	Review of Risk Register of Directorate and Submission to Chief Risk Officer	Reviewed risk register submitted to Chief Risk Officer	New KPI	1	1	G	Target Achieved
TL29	Review of Risk Register of Directorate and Submission to Chief Risk Officer	Reviewed risk register submitted to Chief Risk Officer	New KPI	1	1	G	Target Achieved
TL39	Review of Risk Register of Directorate and Submission to Chief Risk Officer	Reviewed risk register submitted to Chief Risk Officer	New KPI	1	0	R	Register submitted to Collaborator system on 28 June to Managers but not Risk Manager. See Collab 1230358. Reviewed risk register was forwarded to Risk Manager on 2 July 2019. The due date for submission was 30 June 2019.
TL50	Review of Risk Register of Directorate and Submission to Chief Risk Officer	Reviewed risk register submitted to Chief Risk Officer	New KPI	1	0	R	The target date was missed as a result of non-availability of staff in the final phase of the Risk Review Project, However it will be completed as part of the following annual risk review

SERVICE DELIVERY PERFORMANCE

TL Ref#	KPI	Unit of Measurement	Previous year performance	Overall Performance for Jul 2018 to Jun 2019			
				Target	Actual	Result	Performance Comment
							process and have been submitted at the time of the development of this report.

Table 4.:Actual performance for 2018/19 for the Strategic Objective: Good Governance and Public Participation

**Social and Economic Development**

TL Ref#	KPI	Unit of Measurement	Previous year performance	Overall Performance for Jul 2018 to Jun 2019			
				Target	Actual	Result	Performance Comment
TL18	Hold Library exhibitions annually in Hessequa	Number of exhibitions per year	1005	672	1,108	B	Target Achieved
TL28	Quarterly report on Development Trends to PC	Number of reports submitted to Pc	3	4	4	G	Target Achieved
TL30	Evaluate land use applications within 120 days by the Planning Tribunal, after receipt of all relevant information and documents in terms of SPLUMA	% applications evaluated within 120 days	100%	90%	100%	G2	Target Achieved
TL31	Evaluate land use applications within 60 days by the delegated official, after receipt of all relevant information and documents in terms of SPLUMA	% applications evaluated within 60 days	100%	90%	100%	G2	Target Achieved
TL32	Approve/reject building plans within 30 days for buildings less than 500m2 and 60 days for buildings larger than 500m2 after all information required is correctly submitted	% of plans evaluated	100%	90%	100%	G2	Target Achieved

SERVICE DELIVERY PERFORMANCE

TL Ref#	KPI	Unit of Measurement	Previous year performance	Overall Performance for Jul 2018 to Jun 2019			
				Target	Actual	Result	Performance Comment
TL33	Finalise occupancy certification within 14 days after receipt of all applicable information	% of certification completed within 14 days	100%	95%	100%	G2	Target Achieved
TL36	Submit a quarterly report indicating progress in terms of Economic Development programmes to PC	number of reports submitted	3	4	4	G	Target Achieved
TL37	Submit a quarterly report indicating progress in terms of tourism programmes to PC	Number of reports submitted	3	4	4	G	Target Achieved
TL38	Submit a progress report on the Slangrivier Transformation Process every quarter to the PC	Number or reports	4	4	4	G	Target Achieved
TL40	Review the housing Pipeline in Collaboration with the Department of Human Settlements by March 2018 and submit reviewed pipeline to PC	Housing pipeline reviewed and submitted to Portfolio Committee	1	1	1	G	Target Achieved
TL41	Scheduled outreach programmes for all towns in Hessequa to update housing waiting lists	Number of outreaches	6	6	10	B	Target Achieved
TL42	Implementation of 12 Social development initiatives in Hessequa for 2018/2019	Number of initiatives conducted	21	12	24	B	Target Achieved
TL43	Implementation of 10 Sport Development Initiatives in Hessequa for 2018/2019	Number of initiatives conducted	19	10	14	G2	Target Achieved
TL44	Implement 6 Thusong Outreach Programmes for 2018/2019	Number of mobile outreach initiatives	6	6	6	G	Target Achieved

SERVICE DELIVERY PERFORMANCE

TL Ref#	KPI	Unit of Measurement	Previous year performance	Overall Performance for Jul 2018 to Jun 2019			
				Target	Actual	Result	Performance Comment
TL45	Receive a performance of not less than 80% for the formal Provincial Audits on the licensing Agency Services	Average % achieved for the financial year	91,8	80%	97%	G2	Target Achieved
TL46	Conduct 12 integrated vehicle checkpoints for 2018/2019	Number of checkpoints conducted for the period	32	12	30	B	Target Achieved
TL47	Establishment of Fire Fighting Service by the procurement of Equipment by 90% of the capital budget spent for 2018/2019	% of budged spend on Equipment for Fire Fighting Services	77,07%	90%	87.86%	O	Actual spending of budgeted amount was confirmed by final Venus report that feeds into the Annual Financial statements. All Hydrants could not be bought due to SCM challenges experienced, and funding will be rolled over. The remainder of the unspent budget represents savings.
TL54	Number of FTE's (full time employment) created through EPWP	Number of FTE's created	52	65	62	O	A total of 149 work opportunities and 11 FTE's were created up to the end of June 2019. Hessequa municipality managed to reach the 2018/19 work opportunities of 330. Due to the new EPWP system which was launched in May 2019, Municipalities faced reporting and uploading challenges, which had a direct impact on the performance and targets of the municipalities with applicable reports not being available for reporting.

Table 5.: Actual performance for 2018/19 for the strategic objective: Social and Economic Development

### Financial Management

TL Ref #	KPI	Unit of Measurement	Previous year performance	Overall Performance for Jul 2018 to Jun 2019			
				Target	Actual	Result	Performance Comment
TL19	95% Spending of Municipal Replacement fund (Grant) and Community Library Services Grant by end of June 2019	Percentage of grant spent	96,7	95%	92.36%	O	Six vacant posts which were not filled, consequently caused a saving on the total budgeted amount. The delay in appointments was due to the fact that TASK took several months to approve the job descriptions. Saving on an operational project: The bid amount from the successful contractor for the upgrading of Duivenhoks Library was far below the budgeted funds for the project. It was projected that the project will be R290 000, the successful contractor bid amount was R161 000, which caused a saving of R129 000.
TL21	Submit a report on Borrowing Funds and Reserves to the Financial Portfolio committee by Feb 2019	Number of borrowing and reserve funds reports submitted to Portfolio committee	1	1	1	G	Target Achieved
TL22	Submit a liquidity report of the Municipality to the Finance Portfolio Committee by end Feb 2019	Number of reports submitted to Portfolio Committee	1	1	1	G	Target Achieved
TL23	Unqualified Financial Audit as reported by Auditor General	Number of Unqualified Financial Audit result	1	1	1	G	Target Achieved
TL25	Management of Income annual payment rate of thresholds higher than 95% for financial year	% Income thresholds higher than 95% maintained for financial year	96,94%	95%	96.69%	G2	Target Achieved
TL26	Submit a detailed report on the status of handed over accounts twice a year	number of reports submitted	1	2	2	G	Target Achieved
TL27	95% Spending of Municipal Financial Management Grant by end of June 2019	Percentage of Grant spent	1	95%	100%	G2	Target Achieved

Table 6.: Actual performance for 2018/19 for the strategic objective: Financial Management



## Environmental Management

TL Ref#	KPI	Unit of Measurement	Previous yea performance	Overall Performance for Jul 2018 to Jun 2019			
				Target	Actual	Result	Performance Comment
TL34	Review of the Climate Change Adaptation plan submitted to PC by June 2019	Reviewed plan submitted	1	1	1	G	Target Achieved
TL35	Review the Hessequa Air Quality Management Plan	Reviewed plan submitted	New KPI	1	1	G	Target Achieved
TL57	Submission of Solid Waste Management Report to Portfolio Committee.	Report submitted	New KPI	1	0	R	The complete process of waste management review was placed on hold as a result of allocated funding not being received in time to initiate and complete the review of the Waste Management Master Plan. This was submitted to council in the form of presentation at a workshop. Progress reports should at all times be submitted to formal portfolio meetings where Council can take note of progress.

*Table 7.:Actual performance for 2018/19 for the strategic objective: Environmental Management*

### 3.2.3 Overview of Performance Per Directorate

The performance statistics in the table below and all the graphs in the following sub paragraphs include performance in terms of the SDBIP for the 2018/19 financial year and where applicable, in comparison to the 2017/18 financial year.

Directorates	Financial Year	KPIs Extremely Well Met	KPIs Well Met	KPIs Met	KPIs almost Met	KPIs not Met	Average Performance Summary
Office of the Municipal Manager	2017/18	0	2	5	5	1	Improvement - to above standard
	2018/19	0	4	2	3	1	
Corporate Management	2017/18	2	1	6	2	0	Slight Improvement - above standard
	2018/19	2	1	5	2	0	
Community Services	2017/18	3	2	4	1	0	Slightly lower - still above standard
	2018/19	3	2	2	1	1	
Financial Services	2017/18	0	2	4	0	0	Slightly lower - still above standard
	2018/19	0	2	5	0	0	
Development Planning	2017/18	0	4	7	0	0	Above standard
	2018/19	0	4	7	0	0	
Technical Services	2017/18	1	3	2	1	2	Slightly lower - still above standard
	2018/19	2	3	1	2	2	

Table 8.: Summary of total performance per Directorate

### 3.2.4 Service Providers Strategic Performance

Section 76(b) of the MSA states that KPIs should inform the indicators set for every municipal entity and service provider with whom the municipality has entered into a service delivery agreement. A service provider:

- means a person or institution or any combination of persons and institutions which provide to or for the benefit of the local community
- External service provider means an external mechanism referred to in section 76(b) which provides a municipal service for a municipality
- Service delivery agreement means an agreement between a municipality and an institution or person mentioned in section 76(b) in terms of which a municipal service is provided by that institution or person, either for its own account or on behalf of the municipality.

Hessequa Municipality Rates Service Providers using a 1-5-point scale, with 1 being excellent and 5 being consider blacklisting from future processes. During the year under review the municipality appointed two service providers who provided municipal services to or for the benefit of the local community on behalf of the municipality. The details of the service providers as set out in the table below:

## SERVICE DELIVERY PERFORMANCE

Service Provider	Service Agreement / Tender	Rating	Comments
Henque Waste – Recyclable Waste Removal	HES-TECH 14/1617 BAC: 21/07/2017 Collab no: 1031367 SLA no: 1059026	2.2 (Average for FY)	Services rendered in general was of good quality. Positive feedback was received from the public regarding the services rendered by Henque Waste.
Working on Fire (Pty)(Ltd)	TRANSVERSAL AGREEMENT: DEPARTMENT OF ENVIRONMENT AFFAIRS BAC: 19/07/2018 Collab no: 1145646 SLA no: 1059026	3 (Average for FY)	On average and in general the services rendered were of a very good standard and within the specifications.
Syntell (Pty) Ltd	Deviation: 59370 BAC: 29/06/2018 Collab no: 1120174 SLA no: 1142153	2 (Average for FY)	General comments received is good service delivery, services rendered were done within the SLA and tender conditions. Minor issues were reported for equipment not delivered within specified time, this is due to external factors and required approval from SANRAL.

Table 9.:Section 76 (b) Contractors for 2018/19

### 3.2.5 Municipal Functions

The municipal function areas for the 2018/19 financial year are indicated below:

Municipal Function	Municipal Function Yes / No
<b>Constitution Schedule 4, Part B functions:</b>	
Air pollution	Yes
Building regulations	Yes
Child care facilities	No
Electricity reticulation	Yes
Structural Firefighting services	Yes
Local tourism	Yes
Municipal airports	No
Municipal planning	Yes
Municipal health services	No
Municipal public transport	No
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
Storm water 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

## SERVICE DELIVERY PERFORMANCE

Municipal Function	Municipal Function Yes / No
<b>Constitution Schedule 5, Part B functions:</b>	
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
Licensing and control of undertakings that sell food to the public	No
Local amenities	Yes
Local sport facilities	Yes
Markets	Yes
Municipal abattoirs	No
Municipal parks and recreation	Yes
Municipal roads	Yes
Noise pollution	Yes
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 10.: Functional Areas*

### 3.3 COMPONENT A: BASIC SERVICES

This component includes basic service delivery highlights and challenges, including details of services provided for water, waste water (sanitation), electricity, waste management, housing services and a summary of free basic services. *Please note that the following figures relate to users accessing municipal services within the service areas as identified in the Spatial Development Framework. These figures should not be reconciled with the total households of the municipal region as it does not include rural/farm households and communities like Vermaaklikheid or Denedal Garcia in any/some figures. As an example, Denedal Garcia is a community that is provided by a package sewerage solution. Water and electricity consumption are metered per household. The number of households can and will therefore vary for different services.*

#### 3.3.1 Water Provision

##### A) Introduction to Water Provision

Hessequa Municipality is in terms of the Water Services Act of 1998 (WSA), the WSA of the region and therefore accountable and responsible for ensuring that water services are provided to consumers. Water is provided by the municipality to 9 towns (Witsand, Slangrivier, Heidelberg, Riversdale, Melkhoutfontein, Still Bay, Jongensfontein, Albertinia and Gouritsmond) and two settlements, Vermaaklikheid and Denedal Garcia. The Overberg Water Board provides the towns of Witsand, Slangrivier and Heidelberg with bulk water; however, the municipality is still responsible for ensuring provision of water services within the area of their jurisdiction and is accountable to their citizens for services within the municipal urban edge and distribution networks. In addressing sustainable water services to the consumer, there are three major goals that the municipality should aim to achieve.

These are: Delivery of sustainable water services; Integrated water resource management and Efficient and effective water services institutional arrangements

Household Water Service Delivery Levels		
Description	2018/19	2017/18
	Actual	Actual
	No.	No.
<b><u>Water: (above min level)</u></b>		
Piped water inside dwelling or yard	14781	14763
Using public tap (within 200m from dwelling )	488	444
<b><i>Minimum Service Level and above Total</i></b>	<b>15269</b>	<b>15207</b>
<b><i>Minimum Service Level and above Percentage</i></b>	<b>100</b>	<b>100</b>
<b><i>Includes informal settlements</i></b>		

Table 11.: Water Service Delivery levels: Households

SERVICE DELIVERY PERFORMANCE

Employees: Water and Sewerage					
Job Level	2017/18	2018/19			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	29	30	29	1	3.3%
4 - 6	14	4	4	0	0
7 - 9	20	32	30	2	6.2%
10 - 12	5	4	4	0	0
13 - 15	0	0	0	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
<b>Total</b>	<b>68</b>	<b>70</b>	<b>67</b>	<b>3</b>	<b>4.2%</b>
<i>Employees and Post numbers as at 30 June .</i>					

Table 12.: Employees: Water Services

Capital Expenditure 2018/19: Water				
R				
Capital Projects	Adjusted Budget	Actual Expenditure	Variance from adjusted budget	Comments
Water meters - Hessequa	400 000	251 970	148 030	Meters were purchased and delivered.
Replacement of Water Infrastructure - GLS Report- H/B	1 403 719	1 403 719	0	Project is completed
Upgrading of Network booster pump station - Witsand	1 340 000	1 247 378	92 622	Project is completed
Replace Water network – Still Bay	250 000	182 139	67 861	Works is completed.
New Reservoir Platbos - phase 1 - (GLS) - S/B	1 029 588	1 029 589	-1	The funding was spent during the upgrading of the Bulk Water infrastructure in Stillbay, which was completed in December 2018.
Water Specials - H/Q	100 000	72 500	27 500	A requisition was loaded for the purchase of a bulk water meters at the Riversdale Water Treatment Works.
Telemetric system - Hessequa	400 000	209 731	190 269	The telemetry for Still Bay was upgraded before the season. The balance of the upgrading will be undertaken over the next 2 years.

SERVICE DELIVERY PERFORMANCE

Capital Expenditure 2018/19: Water				
R				
Capital Projects				
	Adjusted Budget	Actual Expenditure	Variance from adjusted budget	Comments
Upgrading Of Sand filters - R/D	400 000	191 941	208 059	Upgrading could not be completed due to the costs involved. The most essential work was completed.
New Water Networks Distribution - Gl's - S/B	2 346 944	2 324 037	22 907	Project is completed
Improve Water Pressure, Die Poort – Melkhoutfontein	60 000	57 635	2 365	The project was handled internally and completed.
Service Of Municipal Property - Slangrivier	25 000	0	25 000	Emergency services and will only be utilized as and when the need arise.
Service Of Municipal Property - Heidelberg	50 000	0	50 000	Emergency services and will only be utilized as and when the need arise.
Service Of Municipal Property - Riversdale	50 000	12 743	37 257	Emergency services and will only be utilized as and when the need arise.
Service Of Municipal Property - Albertinia	25 000	0	25 000	Emergency services and will only be utilized as and when the need arise.
Laboratory Equipment - Water	100 000	42 775	57 225	The lab equipment was purchased. The unspent budget is a saving.
Upgrading Of Water Purification Works - Jongensfontein	248 608	248 608	0	Project is completed
Boreholes- Albertinia/Stilbaai PGWC	3 000 000	2 820 518	179 482	98% of the contract has been completed. A roll-over application will be submitted by the end of August 2019.
Desalination Plant-Witsand PGWC	4 500 000	4 500 000	0	The project was awarded to Turnkey Water Solutions. Project is completed.
Desalination Plant-Witsand (French Funding)	4 500 000	0	4 500 000	Project is completed. The R 4 500 000 was funded and used by the France Embassy.
Pressure Reducing Valves	3 004	0	3 004	The project was dealt with as part of another contract. This is therefore a saving.
Refurbishment Preekstoel	121 885	121 885	0	Project is completed
Upgrading of Waterworks	151 500	151 500	0	Project is completed
Riversdale Low Level Res Rehabilitation	1 500 000	0	1 500 000	After a detailed technical investigation of the different options available, it was found that the funding provided was insufficient. Additional funding was allocated on the 2019/20 financial year for the completion of this project. Funding is provided on the 19/20 budget.
Gouritsmond Sand Filters	750 000	0	750 000	The estimation for the project was based on pre sand filters. A Detailed technical investigation however indicated that an alternative technology would be more efficient. The completion of the project will be referred to the budget process. Funding is provided on the 19/20 budget. The project will be completed before the 19/20 season.

SERVICE DELIVERY PERFORMANCE

Capital Expenditure 2018/19: Water				
R				
Capital Projects				
	Adjusted Budget	Actual Expenditure	Variance from adjusted budget	Comments
Water Meters	217 310	0	217 310	Close Quotation process was followed but due to the preferred bidder's quotation being above R200 000, the process was cancelled. Funding is provided on the 19/20 budget.
Bulk Water Meter & Water Tank	43 787	13 211	30 576	The Bulk Water meter and tank was purchased. The balance is a saving.

Table 13.: Capital Expenditure 2018/19: Water

### 3.3.2 Waste Water (Sanitation) Provision

#### A) Introduction to Sanitation Provision

In addressing sustainable Sanitation service delivery to the consumer, there are three major goals that the municipality should aim to achieve. These are:

- Integrated sanitation resource management;
- Efficient and effective sanitation services;
- Institutional arrangements and
- Ensure continuous service delivery at the required standards.

Sanitation Service Delivery Levels		
Households		
Description	2018/19	2017/18
	Actual	Actual
	No.	No.
<b><i>Sanitation/sewerage: (above minimum level)</i></b>		
Sanitation Services above Minimum Standard provided	13630	13351
<b><i>Minimum Service Level and Above Total</i></b>	<b>13630</b>	<b>13351*</b>
<b><i>Minimum Service Level and Above Percentage</i></b>	<b>100</b>	<b>100</b>
<b>Total households connected</b>	<b>13630</b>	<b>13351</b>
<b><i>*decrease due to septic tanks being excluded</i></b>		

Table 14.: Sanitation Service Delivery Level



SERVICE DELIVERY PERFORMANCE

Capital Expenditure 2018/19: Waste Water Management				
R				
Capital Projects	Adjusted Budget	Actual Expenditure	Variance from Adjusted budget	Comments
Extension of existing Sewerage Infrastructure ( GLS) - Albertinia	1 297 061	944 751	352 310	Tender was awarded to Tricom Africa. The project is completed
Bulk Sewer Upgrade phase 1 ( GLS) - Stilbaai	2 861 204	1 042 958	1 818 246	Project is completed.
Bulk Sewer Upgrade phase 2 (GLS) - Stilbaai	1 754 839	779 089	975 750	Project is completed.
Refurbishment of clarifier bridge WWTW - Stilbaai	63 661	63 662	-1	Project is completed
Sewerage Plant for re-use of sewerage- Jongensfontein	0	0	0	The funding was allocated to the generator vote number during the February 2019 adjustment budget.
Upgrading of Sewerage works - Gouritsmond	1 900 000	670 453	1 229 547	The project is completed. The remaining funds can be seen as a saving
Upgrading of Sewerage works - Phase 2 - Riversdale	11 120 784	11 596 064	-475 280	The project is under construction and will be completed by 02 August 2019.
Upgrading of Sewerage works - Phase 2 - Riversdale	1 668 116	0	1 668 116	VAT on the MIG Project.
Pump for pump station 1 and 3 - S/B	280 000	194 148	85 852	Completed, remaining balance can be seen as a saving.
Extension of flow sewer line (GLS ) & School - H/B	1 060 000	891 620	168 380	The works at the Merwena Hostel and Aalwynlaan in Heidelberg is completed.
Upgrade Existing Gravity - GLS Development - S/B	918 732	918 732	0	Project is completed
New Gravity Distribution - GLS Development - S/B	3 368 816	3 368 816	0	project is completed
Upgrade Sewerage Works - S/B	2 400 000	2 398 772	1 228	The two tender (HES TECH 44/1819& HES TECH 45/1819) for the Stilbay WWTW was awarded to Inenzo and Rawacon. Project will be implemented over two financial years and be completed in the 2019/20 financial year.
Service of Municipal property - Slangrivier	25 000	0	25 000	Emergency services and will only be utilized as and when the need arise.

## SERVICE DELIVERY PERFORMANCE

Capital Expenditure 2018/19: Waste Water Management				
R				
Capital Projects	Adjusted Budget	Actual Expenditure	Variance from Adjusted budget	Comments
Service of Municipal property - Heidelberg	50 000	47 553	2 447	Project completed.
Service of Municipal property - Riversdale	50 000	5 312	44 688	Emergency services and will only be utilized as and when the need arise.
Service of Municipal property - Albertinia	25 000	0	25 000	Emergency services and will only be utilized as and when the need arise.

Table 15.: Capital Expenditure 2018/19: Waste Water Management

### 3.3.3 Electricity

#### A) Introduction to Electricity

The Hessequa Municipality adopted a Green Vision in 2008 with the following objectives:

- To ensure that all residents have access to electricity by eradicating backlogs with the assistance of external funding
- To reduce consumption by implementing the Energy Efficiency and Demand Side Management Program, through consumer awareness and incentive programs
- To establish renewable energy sources in Hessequa to reduce our carbon footprint and become energy neutral.
- To identify appropriate mechanisms through which Council may develop its own assets and assist the private sector to establish renewable energy projects in Hessequa which will generate an income stream to Council which will compensate for loss of revenue as a result of increased energy efficiency.

The process is driven on three levels:

- With own resources- grants, own funds.
- Combined resources-strategic partnerships with knowledge partners, of the government departments and the private sector.
- Creating an enabling environment - encouraging and supporting private economic initiatives: incentives, access to land and services, rebates etc.

SERVICE DELIVERY PERFORMANCE

Electricity Service Delivery Levels		
Households		
Description	2018/19	2017/18
	Actual	Actual
	No.	No.
<b><i>Energy: (above minimum level)</i></b>		
<b><i>Minimum Service Level and Above sub-total</i></b>	<b>14379+628 (ESKOM)</b>	<b>15 028</b>
<b><i>Minimum Service Level Percentage</i></b>	<b>100</b>	<b>100</b>
<b>Total number of households</b>	<b>15 007</b>	<b>15 028</b>

Table 16.: Electricity Service Delivery Levels

Employees: Electricity Services					
Job level	2017/18	2018/19			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	2	1	1	0	0
4 – 6	20	20	16	4	20%
7 – 9	4	4	3	1	25%
10 – 12	8	8	8	0	0
13 – 15	2	2	1	1	50%
16 – 18	0	0	0	0	0
19 – 20	0	0	0	0	0
<b>Total</b>	<b>36</b>	<b>35</b>	<b>29</b>	<b>6</b>	<b>17.1%</b>
<b><i>Employees and Post numbers as at 30 June.</i></b>					

Table 17.: Employees: Electricity

Capital Expenditure 2018/19: Electricity				
Capital Projects				Comments
	Adjusted	Actual Expenditure	Variance from adjusted budget	
Upgrading 11 KV Main sub-station-Albertinia	1 645 000	1 537 397	107 603	Project is completed

SERVICE DELIVERY PERFORMANCE

<b>Capital Expenditure 2018/19: Electricity</b>				
<b>Capital Projects</b>				<b>Comments</b>
	<b>Adjusted</b>	<b>Actual Expenditure</b>	<b>Variance from adjusted budget</b>	
Upgrading & Service of erven - Preekstoel	250 000	189 591	60 409	Electrical services were successfully installed at the camping site of Preekstoel. The balance is a saving.
Upgrading Strand Street Lights Jongensfontein	70 000	56 568	13 433	Street lights were installed.
Electricity Network - Low Cost Housing - H/Q	2 379 566	2 559 914	-180 348	Project is completed
Electricity Network - Low Cost Housing - H/Q	356 934	0	356 934	VAT on Low Cost Housing Project
Service of Municipal property - Slangrivier	25 000	0	25 000	Emergency services and will only be utilized as and when the need arise.
Service of Municipal property - Heidelberg	50 000	0	50 000	Emergency services and will only be utilized as and when the need arise.
Service of Municipal property - Riversdale	50 000	0	50 000	Emergency services and will only be utilized as and when the need arise.
Service of Municipal property - Albertinia	25 000	0	25 000	Emergency services and will only be utilized as and when the need arise.
Informal Settlement Devel. - Infrastructure Elect. - Kwanokuthula	150 000	0	150 000	CMB was appointed to do the design of the housing projects and the housing connections were successfully completed. External funding was provided. The remaining funds are a saving on the project.
Installation of Rooftop Pv on Municipal	273 533	0	273 533	Tendered price for the rooftop installation came in higher than the available budget. This led to the project not being implemented.
Installation of New Transformer Stilbaai	500 000	0	500 000	The funds were added to the Adjustment budget in February 2019 to be installed at the Stillbay Waste Water Treatment works. Due to the delivery period the transformer would not have been delivered and installed before 30 June 2019. Funding is provided on the 19/20 budget.

*Table 18.: Capital Expenditure 2018/19: Electricity Services*

### 3.3.4 Waste Management (Refuse Collections, Waste Disposal, Street Cleaning and Recycling)

#### A) Introduction to Waste Management

The SA Constitution states that the people of South Africa have the right to an environment that is not detrimental to human health. Local Government is assigned the responsibility for refuse removal, refuse dumps and solid waste disposal. All the towns in the municipal area have a waste programme in place. All households are serviced once a week and all businesses at least three times a week. Recycling at source is encouraged throughout the area. The Waste Management goal is to optimize the waste management strategy to ensure continuous cost effective services by also encouraging waste minimization and recycling activities to enhance in proper management services. Hessequa Municipality has also adopted its Green Vision to be a Zero Waste Society. This vision is managed in partnership with a private concern for the recycling of all waste.

Solid Waste Service Delivery Levels		
Description	Households	
	2018/19	2017/18
	Actual	Actual
	No.	No.
Removed at least once a week	15 188	13797
<b>Minimum Service Level and Above Total</b>	15 188	13797
<b>Minimum Service Level and Above percentage</b>	<b>100</b>	<b>100</b>
<b>Total number of households</b>	<b>15 188*</b>	<b>13 797</b>
<b>* Increase as a result of implementation of Rural Solid Waste Removal Tariff</b>		

Table 19.: Solid Waste Service Delivery Levels

Rural waste removal is currently done along the following routes:

- Garcia Route
- Vermaaklikheid Route
- Blombos Route
- Klipfontein Route
- Droëvlakte Route
- Jongensfontein Road
- Kusweg-road
- R-Route to Gouritsmond and Stilbaai  
Turn-off

SERVICE DELIVERY PERFORMANCE

Employees: Waste Management					
Job Level	2017/18	2018/19			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	39	38	37	1	2.6%
4 - 6	18	18	18	0	0
7 - 9	4	4	4	0	0
10 - 12	4	3	3	0	0
13 - 15	0	0	0	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
<b>Total</b>	<b>66</b>	<b>63</b>	<b>62</b>	<b>1</b>	<b>1.5%</b>
<i>Employees and posts numbers as at 30 June.</i>					

Table 20.: Employees Waste Management

Capital Expenditure 2018/19: Waste Management				
Capital Projects	Adjusted Budget (R)	Actual Expenditure (R)	Variance from Adjusted budget (R)	Comments
Reloading station and additional cells - building rubble - W/S	150 000	81 560	68 440	Funding was used for fill material and the management of cells. This process was completed.
Rural Refuse Containers / Depots - H/Q	100 000	91 901	8 099	Delivered and Completed

Table 21.: Capital Expenditure 2018/19: Waste Management

### 3.3.5 Housing

#### A) Introduction to Housing

Hessequa Municipality consists of several towns: Riversdale, Albertinia, Gouritsmond, Heidelberg, Slangrivier, Melkhoutfontein, Stilbaai, Jongensfontein and Witsand. Housing projects have been successfully undertaken and completed in Albertinia, Gouritsmond, Riversdale, Heidelberg and Slangrivier in previous financial years, and Melkhoutfontein in the current financial year under review.

During the period under reporting, the following progress regarding the implementation of Council's approved Housing Pipeline, can be reported:

**Melkhoutfontein West Housing Project, Stilbaai**

The project application has been approved for Planning purposes by the Department of Human Settlements, Western Cape, on 1 October 2018 for a maximum of 600 housing opportunities. This project will be phased, with an initial 250 housing opportunities to qualifying beneficiaries. The project will be a mixed project comprising of BNG houses, Serviced sites and opportunities for qualifying beneficiaries in the so called GAP market. The first phase will comprise the installation of engineering services.

**Heidelberg Site 4 Housing Project**

The project application has been approved for Planning purposes by the Department of Human Settlements, Western Cape, on 22 October 2018 for a maximum of 189 serviced sites. The project will be a mixed project comprising of BNG houses, Serviced sites and opportunities for qualifying beneficiaries in the so called GAP market. The first phase will comprise the installation of engineering services.

**Dollar Square Informal Settlement, Heidelberg**

The project application has been approved for Planning purposes by the Department of Human Settlements, Western Cape, for a maximum of 88 Serviced Sites. The project will be implemented through the Upgrading of Informal Settlement programme. The first phase will comprise the installation of engineering services.

**Eike weg Informal Settlement, Heidelberg**

The project application has been approved for Planning purposes by the Department of Human Settlements, Western Cape, on 20 December 2018 for a maximum of 32 Serviced sites. The project will be implemented through the Upgrading of Informal Settlement programme. The first phase will comprise the installation of engineering services.

**Tembani Street Informal Settlement, Riversdale**

The project application has been approved for Planning purposes by the Department of Human Settlements, Western Cape, on 22 October 2018 for a maximum of 75 Serviced Sites. The project will be implemented through the Upgrading of Informal Settlement program. The first phase will comprise the installation of engineering services.

**Melkhoutfontein North Housing Project, Stilbaai**

The remainder of 11 houses of the abovementioned project was completed during the period under reporting, in conjunction with the municipality's housing Implementing Agent, ASLA and their team of professionals as well as a locally based upcoming subcontractor.

**Title Deed Restoration Project**

## SERVICE DELIVERY PERFORMANCE

The municipality is a participant in the Title Deed Restoration project which aims to eradicate all backlogs in Title Deeds, thus securing home ownership. Funding were secured through the department of Human Settlements, Western Cape. During the period under review, a first round of engagements and signing of Purchase Agreements, were conducted. This is a multi-year project which will continue in the 2019/20 financial year.

### Data Cleansing Project

Hessequa municipality is still part of the data cleansing project of the Western Cape department of Human Settlement. This is a progressive process that entails the "cleaning" of all duplicated data on the housing demand database; removing of data of those persons that passed away, as well as removing of beneficiaries already assisted with housing opportunities.

Based on the data "cleansing" exercise, the provincial database reflects a demand of **5280** housing opportunities as at end June 2019.

The following table shows the increase/decrease in the number of people on the municipal housing demand database as per data from the Western Cape Housing Demand Database. The demand for housing opportunities was **5381** for the 2017/2018 financial year, and for the 2018/2019 financial year a total demand of **5280** are recorded.

Financial year	No of housing units on waiting list	% Housing waiting list increase/decrease from previous year
2017/18	5381	1.75% Decrease
2018/19	5280	1.87% Decrease

*Table 22.: Housing Waiting List*

The above table consist of data from the Hessequa Collaborator system data as well as data from the cleansed Western Cape Housing Demand Database. The Western Cape Department of Human Settlements implemented the above 40 rule as set out in formal Circular no 10 of 20 May 2015, for implementation by all municipalities until the data for the demand databases above 40 years of age are depleted and assisted with a housing opportunity, potential beneficiaries between 40 and 35 years, can only then be considered.

The following table shows the amount of approved funding for housing allocated to Hessequa municipality by the provincial Department of Human Settlements. The table also summarise the % spent, as well as the amount of housing opportunities and/or serviced sites created.



## SERVICE DELIVERY PERFORMANCE

Funding Received 2018/2019					
Financial year	Allocation	Amount spent	% spent	Number of houses built	Number of sites serviced
2017/18	13 665 140.80	11 005 796.80	80.53	107	0
2018/19	6 676 165.14	3 160 165.14	47.34	11	0

Table 23.: Funding receive, Houses build and Sites serviced

During the 2017/18 financial year, an amount of R13 665 140.80 was allocated to Hessequa municipality for the construction of top structures for the Melkhoutfontein North housing project, where 107 houses were built.

The 2018/19 allocation was used for the construction of 11 remaining houses in the Melkhoutfontein housing project, and an amount was allocated to the Title Deed Restoration project. The money allocated for the Title Deed Restoration project was not spend because the tender to appoint a service provider to effect transfers, amongst others, was not concluded yet. Application will be submitted to the provincial treasury for the monies to be rolled over.

Employees: Housing					
Job Level	2017/18	2018/19			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	No.
0 - 3	1	1	1	0	0
4 - 6	0	0	0	0	0
7 - 9	2	2	2	0	0
10 - 12	1	0	0	0	0
13 - 15	0	1	1	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
<b>Total</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>0</b>	<b>0</b>
<i>Employees and Post numbers as at 30 June.</i>					

Table 24.: Employees: Housing

### 3.3.6 Free Basic Services And Indigent Support

#### A) Introduction to Free Basic Services and Indigent Support

The Municipal Council must give priority to the basic needs of the community, promote the social and economic development of the community and ensure that all residents and communities in the Municipality have access to at least the minimum level of basic municipal services in terms of Section 152(1)(b) and 153(b) of the Constitution. To achieve the purpose, it is important to set a fair

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threshold level, and then to provide a fair subsidy of tariffs. The customer, in order to qualify as an indigent, needs to complete the necessary documentation as required and agree to regulations and restrictions stipulated by Hessequa Municipality. In accordance with the approved indigent policy of the municipality, all households earning less than R3 800 (Category B – 50% subsidy) and R3 430 (Category A – 100% subsidy) per month will receive the free basic services as prescribed by national policy. The purpose of the Indigent Policy is to ensure that the subsidy scheme for indigent household's form part of the financial management system of Hessequa Municipality and to ensure that the same procedure is followed for each individual case. The policy also emanates from the objectives determined in Council's anti-corruption policy. It is therefore against the above background that the Hessequa Municipality undertakes to promote the following principles:

- To ensure that the portion for free basic services allocated as part of the equitable share received annually will be utilized for the benefit of the poor only and not to subsidize rates and services charges of those who can afford to pay;
- To link this policy with the Municipality's Integrated Development Plan (IDP),
- Local Economic Development (LED) initiatives and poverty alleviation programmes;
- To promote an integrated approach of free basic service delivery; and
- To engage the community in the development and implementation of this policy.

For more information on the cost of indigent policy implementation, please refer to Chapter 5 which contains a detailed overview of financials for the 2018/19 financial year.

## 3.4 COMPONENT B: ROAD TRANSPORT

This component includes:

- roads;
- transport; and
- Storm Water

### 3.4.1 Roads

#### **A) Introduction to Roads**

Most of the roads in the Hessequa municipal area are local roads (Class 4 & 5 roads). Some roads that should be classified as Class 3 roads has been degraded to deviate from this status due to historical events. Examples are direct access to residential properties that should not have been allowed. The result is that the roads perform at a lower level than what it was designed for. A total of R3 271 300 has been spent on the conversion of previously gravel roads to paved roads. These roads were Andries Du Toit / Mandela street, Hartnick Street, several streets within the Blikkiesdorp community in Heidelberg and Jacobus Fielies Street, Johan Fielies, Nobuhle street in Riversdale.

**B) Service Delivery Performance Information**

Gravel Road Infrastructure: Kilometres				
Year	Total gravel roads	Re-gravel of roads	Gravel roads upgraded to Paved Surface	Gravel roads graded/maintained
2016/17	42.3	1.5	5.57	43.8
2017/18	43.8	0	1.2	45
2018/19	45	0	1.9	43.1

Table 25.: Gravel road infrastructure

Tarred Road Infrastructure: Kilometres					
Year	Total tarred roads	New tar roads	Existing tar roads re-tarred	Existing tar roads re-sheeted	Tar roads maintained
2016/17	231	0	11	2	231
2017/18	231	0	0	1.7	231
2018/19	231	0	1.7	0	231

Table 26.: Tarred road infrastructure

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

Cost of Construction/Maintenance:R'000						
Year	Gravel			Tar		
	New	Gravel- Tar /Paved	Maintained	New	Re-worked	Maintained
2016/17	0.00	200		0.00	15 100	0.0
2017/18	0.00	7 620	1 162	0.00	3 500	4 648
2018/19	0.00	5 656	709	0.00	2 952	2 834

Table 27.: Cost of construction / maintenance of roads

Employees: Roads and Storm water					
Job Level	2017/18	2018/19			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	9	6	6	0	0
4 - 6	45	50	47	3	6%
7 - 9	10	11	10	1	9%

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Employees: Roads and Storm water					
Job Level	2017/18	2018/19			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
10 - 12	4	4	4	0	0
13 - 15	0	0	0	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
<b>Total</b>	<b>64</b>	<b>71</b>	<b>67</b>	<b>4</b>	<b>5.6%</b>
<i>Employees and Posts numbers as at 30 June.</i>					

Table 28.: Employees: Roads

Capital Expenditure 2018/19: Road Transport				
R				
Capital Projects	Adjusted Budget	Actual Expenditure	Variance from adjusted budget	Comments
Upgrade Strand street - JFT	2 232 913	2 214 206	18 707	Project is completed
Paving of Gravel Roads Andries Du Toit / Mandela street - H/B	541 000	541 000	0	Project is completed
Paving of Gravel Roads Hartnick Street - H/B	795 000	795 000	0	Project is completed
Paving of Roads - Blikkiesdorp - H/B	835 000	835 000	0	Project is completed
Paving of Gravel Roads Jacobus Fielies Street - R/D	300 300	300 300	0	Project is completed
Paving of Gravel Roads Johan Fielies street - R/D	300 000	300 000	0	Project is completed
Westly road bypass (Development) - S/B	3 000 000	720 264	2 279 736	Several meetings were held with potential developers to determine the estimated implementation time schedules. The Western Bypass Road is required to provide access to these developments. The feedback from these discussions was that the estimated programs for implementation was longer that originally expected. This meant that the spending on this

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Capital Expenditure 2018/19: Road Transport				
R				
Capital Projects				
	Adjusted Budget	Actual Expenditure	Variance from adjusted budget	Comments
				project could be moved to a later stage and that resulted in a saving on the funds spend in the 18/19 year. The result of this investigation is that the 3-year budget will also be adjusted.
Paving of Gravel Roads Nobuhle street - R/D	500 000	500 000	0	project is completed
Paving of Gravel Roads Douglas Joseph street - R/D	280 000	280 000	0	project is completed
Paving of Gravel Roads Trevor Waterboer street - A/B	1 800 000	1 799 998	2	Project is completed
Speedbumps - H/Q	250 000	235 986	14 014	Completed, remaining balance can be seen as a saving.
Reseal Van Riebeeck street - R/D	926 935	737 568	189 367	Project is completed
PAVING OF GRAVEL ROADS BR	305 000	304 995	5	Project is completed

Table 29.: Capital Expenditure 2018/19: Road Transport

### 3.4.2 Storm water Drainage

#### A) Introduction to Storm Water Drainage

The principles and procedures for storm water management establishment and formalization were focused on:

- The hydrological modelling of urban and rural drainage regions;
- The hydraulic analysis of conduits and natural waterways;
- The compilation of management scenarios;
- To identify, prioritize, find solutions and costing to upgrade sub-standard systems and
- Maintenance management

#### B) Service Delivery Information

The table below shows the total kilometres of storm water maintained and upgraded as well as the kilometres of new storm water pipes installed:

Storm water Infrastructure: Kilometres				
Year	Total Storm water measures	New storm water measures	Storm water measures upgraded	Storm water measures maintained
2016/17	82.35	2	6	90.35
2017/18	0.05	Storm water pipes, catch pits	Catch pits	90.40
2018/19	0	0	Catch pits	90.40

Table 30.: Storm water Infrastructure Kilometres

Cost of construction Storm water Infrastructure cost:R'000			
Year	New	Upgraded	Maintained
2016/17	0.00		
2017/18	90	35	1162
2018/19	0	100	886

Table 31.: Cost of construction / maintenance of storm water systems

### 3.5 COMPONENT C: PLANNING AND LOCAL ECONOMIC DEVELOPMENT

The Department of Development Planning consists of the following four sections namely:

- Town Planning
- Building Control
- Environmental Management
- Economic Development & Tourism

The department focuses primarily on the planning, design, implementation and management of public interventions in the development and use of land from site to supranational level and the promotion of economic development. The intentions of these interventions are to widen choice, promote equity and ensure sustainable development. Individuals, groups and communities generate within society and economic activities, which place demand on the use of land. This department is concerned with the arrangement and allocations of these land uses and must ensure that development will take place in a healthy and orderly way to the social and economic advantage of the community.

#### 3.5.1 PLANNING

##### A) *Introduction to Planning*

The following spatial development strategies have been formulated to correspond with the spatial development objectives:

- Consolidate and integrate spatial development by developing land in proximity to public transport facilities and existing services.
- Identifying zones of opportunity according to land needs.
- Pro-actively manage land use and set appropriate levels of service to achieve sustainability.
- Implement the principles of integrated Environmental Management
- Identify resources and manage land use in valuable resource areas.

The main focus on service delivery is the processing of land use applications and building plans and to investigate illegal building activities. With the introduction of a new GIS system and software, most land use applications and building plans can be processed within two weeks and finalized within three months.

##### B) *Service Delivery Information*

Applications for Land Use Development						
Detail	Formalization of Townships		Rezoning		Built Environment	
	2017/18	2018/2019	2017/18	2018/19	2017/18	2018/19
Applications received	1	2	25	28	594	527
Determination made in year of receipt	0	2	17	8	594	527

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Applications for Land Use Development						
Detail	Formalization of Townships		Rezoning		Built Environment	
	2017/18	2018/2019	2017/18	2018/19	2017/18	2018/19
Determination made in following year	0	0	0	0	0	0
Applications withdrawn	0	0	1	0	0	0
Applications outstanding at year end	1	1	8	20	0	0

Table 32.: Application for Land Use Development

Employees: Development Planning					
Job Level	2017/18	2018/19			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0
4 - 6	0	0	0	0	0
7 - 9	1	0	0	0	0
10 - 12	2	4	4	0	0
13 - 15	2	2	2	0	0
16 - 18	1	1	1	0	0
19 - 20	0	0	0	0	0
<b>Total</b>	<b>6</b>	<b>7</b>	<b>7</b>	<b>0</b>	<b>0%</b>

*Employees and Post numbers as at 30 June.*

Table 33.: Employees: Development Planning

### 3.5.2 LOCAL ECONOMIC DEVELOPMENT

#### A) Performance Highlights

Performance highlights for the 2018/2019 financial year are:

#### ECONOMIC DEVELOPMENT STRATEGY REVIEW

The economic development strategy review has been identified as a top layer key performance indicator for the 2018/2019 financial year. The objective of the reviewed LED Strategy / framework is to provide strategic direction in terms of economic programmes and projects for the remaining term of Council. The draft strategy was to Council in June 2018. Key strategic thrusts of the framework are:



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- Investment Promotion i.e. IFSOP
- Business retention & Expansion
- Informal trading business infrastructure Development per towns
- Preferential Procurement Policy & Implementation Plan
- Business Development and the Informal Economy
- Commonage Development and Management for municipal owned land
- Targeted focus on Green Economy e.g. recycling

To give effect to the strategic thrusts as indicated above, the importance of cross functional departmental working teams becomes crucial in realizing the economic potential of the region. Hence the importance of incorporating economic development as a key performance indicator of each directorate to monitor and evaluate its direct and or indirect performance and contribution to the local economy. All the above is underpinned by a functional LED Governance structure, with emphasis on focused partnership with private sector and civil society.

### **BUSINESS SUPPORT TO SMALL MEDIUM AND MICRO BUSINESSES**

The LED Unit facilitated several SMME support initiatives during the 2018/2019 financial year. The objective of the programme is to provide support to local entrepreneurs through the provision of access to information and access to funding for local entrepreneurs.

Key initiatives were the:

- LED Outreach, as part of the Thusong Mobile Outreach Programme in Albertinia, Heidelberg & Riversdale. Assistance offered was information on business funding for entrepreneurs, the establishment of cooperatives and general information on what assistance / services are offered through the LED Department and business administration in terms of compliance.
- Training & Awareness Sessions offered during 2018/2019 financial year:

#### 1. Cooperative Governance Training in Partnership with National Youth Development Agency [NYDA]

The LED Department in collaboration with the National Youth Development Agency [NYDA] coordinated training on cooperative governance for youth. This programme included training on business management, business plan writing and mentorship offered by the Niacin total twenty seven [27] youth entrepreneurs from the different towns in Hessequa region attended this five [5] day training programme. The focal point of the training was to provide youth with the skills on managing their enterprises. A total of twelve [12] participants completed a business plan and submitted it to the NYDA to apply for start-up funding for their businesses.

**2. Basic Hospitality Skills training for unemployed youth**

The LED department obtained a grant from the provincial department of Local Government to the value of R250 000 to roll-out a skills training programme in Hessequa. Research done by the LED department indicated that the hospitality is one of the major contributors to employment in the Hessequa region, and the tourism is one of the fastest growing sectors in the Garden Route district. Ten [10] unemployed youth were recruited from the region and they completed a thirty [30] day accredited training programme in basic hospitality, where after they were taken into a two [2] month in-service programme with local businesses. Aim of this partnership with the private sector was to enhance the employability of local youth, reduce the unemployed rate and provide youth with the necessary skills to find employment or start their own businesses within this particular industry.

**3. Innovative Business Idea Competition**

This intervention derived from the initial youth business development programme hosted in collaboration with the National Youth Development Agency [NYDA]. Purpose of the competition was to provide youth entrepreneurs with access to funding, marketing assistance and mentorship for their businesses. Fifteen [15] youth entrepreneurs entered this competition and presented their business idea to a panel of judges, where after the three [(3)] best candidates were selected. The three winners were taken into a business development programme where they will receive start-up funding, business advice, marketing assistance and mentorship from relevant stakeholders. The programme is a joint initiative by the LED department, Southern Cape Economic Partnership (SCEP) Afrikaans Handels Instituut Western Cape (AHi), Small Enterprise Development Agency (SEDA), National Youth Development Agency (NYDA), Nedbank, First National Bank and Absa Bank.

**4. Engagements between Hessequa Municipality and Business Chambers [Melkhoutfontein Entrepreneur Development Programme]**

Hessequa Municipality had several engagements with the Stilbaai Business Chambers and the outcome was the formulation of a development programme for Melkhoutfontein Entrepreneurs. The Afrikaans Handels Instituut Western Cape (AHi) joined forces with the municipality and rolled out an extensive programme where local entrepreneurs could create business models for their respective business. Expected outcome of these business models is to enable participants to build sustainable business that encourage job creation and skills development.

**5. Business Infrastructure for Entrepreneurs (Diepkloof Hub)**

Building plans was approved by Hessequa Municipality for building of the hub, where after a contractor was appointed by Cape Bentonite mine, with three local companies as sub-contractors and they started with building of a business hub in Diepkloof, Heidelberg. Purpose of this hub is to

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provide a total of eight [8] local emerging entrepreneurs with adequate infrastructure for operating and growing sustainable businesses.

### **6. Business Development Help Desk – Walk in Centre**

Clients that visited the help desk within the LED department required assistance with compliance, company registrations, CIDB registrations, business development advice and funding applications at relevant organisations. A total 137 clients were assisted for the period of 2018/2019 at the walk in centre.

## **SLANGRIVIER TRANSFORMATION**

The Department of Rural Development and Land Reform appointed a service provider to complete the Slangrivier TRANCRAA Process which started in 2005. The objective of the Transfer of Certain Rural Areas Act (TRANCRAA Act 9 of 1998) is to provide for the transfer of certain land to an entity of choice by the local Act 9 community i.e. municipality or another legal entity of choice i.e. Community Property Association”, Trust or Municipality. A transformation Committee has been established to drive the process in collaboration with the Department and the Municipality, facilitated by a service provider. The Municipality formally request the Minister to place a notice announcing the 18-month period announcing the start of the transformation process for Slangrivier. The Slangrivier Transformation Process has been officially gazetted on 30 September 2016, announcing the beginning of the transformation process i.e. transfer of land process to entity of choice as decided by the local community of Slangrivier. Subsequent to the gazetting, the Municipality endorsed the process plan for the completion of the 18-24 month’s process and submitted to the Minister of Rural Development and Land Reform for endorsement.

A meeting was held on 02 November 2018 to discuss the management agreement in detail and the Department’s financial commitment to the Municipality as part of the agreement. Due to internal protocol and processes, the Department requested time to obtain the necessary approval for the management agreement by the end of January 2019.

To date, the Administration still awaits the final feedback from the Department of Rural Development and Land Reform pertaining to their financial commitment to the post TRANCRAA process. The Municipality has been diligently following up with the Department pertaining to their decision on financial commitment for the post-transformation process, but to date, no definite decision has been taken by the Department, hence this is delaying the process. The Administration will continue following up in the anticipation to finalise this phase of the TRANCRAA process.

### **INVESTMENT FACILITATION STANDARD OPERATING PROCEDURE [IFSOP]**

The main purpose of the Investment Facilitation Standard Operating Procedure [IFSOP] is to create uniform investment promotion and facilitation processes and procedures in the Municipality to attract new investors, and retain existing ones, whilst at the same time satisfying the legal and legislative objectives, as well as the governance objectives of economy, efficiency and fairness. The main objectives of the IFSOP are to:

- Provide clarity of the relevant legal and legislative framework in relation to Investment Opportunities.
- Assist in the streamlined management and finalization of Investment Applications.
- Enable the correct identification and classification of Investment Opportunities.
- Provide a Supply Chain Management (SCM) system process that will ensure clarity and consistency.
- Provide an Investment Opportunity recording process that will ensure transparency.
- Provide further guidelines and procedures (the 'HOW').
- Make officials aware of the treatment and/or management of Investment Opportunities.
- Instil best practice.
- Strengthen the control environment.
- Establish a single point of access for the management of Investment Opportunities.
- Assist management to appropriately act on Investment Opportunities.
- To strengthen the ability to manage Investment Opportunities.
- To create a central capacity to manage Investment Opportunities.

Council adopted in principle the policy statements. Subsequent to the adoption of the principles a service provider was appointed to assist with the development and the drafting of an implementation plan for the IFSOP. This was co-funded by the Department of Economic Development and Tourism, after a funding application was submitted. The concept IFSOP was tabled in June 2018 to Council for approval. Considerable time and effort have gone into the development of the IFSOP and the Still Bay Harbour Development has been identified as catalyst to kick-start investment into the area.

#### ***Performance Highlights for Tourism & Tourism Development***

Performance highlights with regard to tourism and tourism development for 2018/2019 financial year are:

- 94% Expenditure of Tourism Operational Budget spend in the 2018/2019 financial year for tourism specific initiatives, excluding general operational items reflecting on tourism budget general operational costs (i.e. telephone & fax, skills development levy, workmen compensation and OPR Leases). Projects and operational activities funded from tourism operational budget were the concluding of the tourism audit, marketing material, branding and advertisements/advertorials, events/festival support, website redesign and maintenance/hosting and dropbox renewal, tourist month celebration network session, material and supplies, arrive alive campaign, network and

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awareness sessions. Given the budget, in order to give effect to the tourism implementation plan, sufficient budget needs to be made available to ensure the successful implementation of the approved tourism framework with maximum output and impact.

The tourism framework and implementation plan were adopted by Council in September 2017. Key outcomes/actions of the tourism implementation plan were as:

Actions completed based on the implementation plan is the tourism audit conducted for the region. This had been extended by conducting a tourism audit of services, products, infrastructure and skills requirements to town level in the 2018/2019 financial year.

The establishment and strengthen of partnerships is ongoing with local businesses, tourism associations, regional tourism bodies and other institutions such as Wesgro, DEDAT and SAT. Increased tourism network sessions across the region took place to obtain buy-in and to start building relationships leading to partnership agreements. This will be a continuous process of consultation throughout 2019/2020 financial year.

Generic marketing is also conducted, until the route development per town has been concluded. In 2018/2019 financial year research and investigation will be conducted on the potential and viability of the different routes which have been identified.

### **TOURISM BUSINESS AND SUPPORT INITIATIVES (DEVELOPMENT)**

The focus of the tourism business and support initiatives is to create awareness, provide training and support to develop local tourism products to become part of the mainstream tourism industry.

- **Event / Festival Support**

In total five (9) applications received financial assistance for the 2018/2019 financial year. That is 3 more than the 2017/2018 financial year. In total hundred and twenty thousand rand (R 120 000.00) was approved to support the events i.e.; Baleia MTB Challenge (R10 000.00), Vlake Marathon (R20 000.00), Proe Bietjie Fees (R13 333.00), Hessequa 6-A-Side Cricket Tournament (R10 000.00), Christmas-In-July (R10 000.00), Hessequa Harmonie (R13 333.00), Silver Mountain Music Festival (R13 333.00), The Giant Pumpkin Festival (R20 000.00) and the Riversdal Skou (R10 000.00). The applications for funding was ascertained according to the approved events and festival framework as approved by Council in September 2016. The events/festival framework provides a guideline for events / festival support and the assessment criteria.

### **TOURISM MARKETING, PROMOTION & DEVELOPMENT**

As part of tourism marketing, promotion and development, the tourism department of the municipality has increased its activities to market the region and development the local tourism industry:

- The development of a new tourism marketing brochure/map for the Hessequa region. Collaborate with district to issue the new GR&KK visitor guide.
- Various marketing and promotional articles and content was published in national tourism and travel magazines which included Mzansi Travel (Issue 12 & 13), African Safaris (Issue 37) and various regional media publications.
- Hessequa municipality also took part in the World Travel Market – Africa 2019 tourism trade show in Cape Town which is the most prominent tourism indaba in Africa. The tourism department promoted the Hessequa region at this event and help facilitate that a local Hessequa product showcase at the indaba namely Gourikwa Nature Reserve.
- The Explorer’s Garden Route (official tourism) website was redesigned and updated. In terms of the tourism social media profile and footprint. Its Facebook following increased by 20% and a new twitter tourism account was created @EGRTOURISM to promote the Hessequa region on this platform and to gain more exposure for the region as a destination.
- 8 Youth from the Hessequa region was sponsored to attend a film and media training course facilitated by Ikasi Media.
- 1 internship opportunity was awarded to a local tourism student from Heidelberg for a 6-month period.
- 12 tourism network sessions took place in towns such as Heidelberg, Witsand, Riversdale, Albertinia, Stilbaai and Gouritsmond
- A two-month tourism product audit was conducted to determine status quo of the local tourism industry and to assist with future planning. 6 Local people were employed to conduct the survey of which 5 was youth.
- Hessequa Municipality assisted Stilbaai Tourism Bureau with the Kwêla Town of the Year Competition. As a result, Stilbaai was awarded Western Cape: Town of The Year and Top 3 finalist in the national (final) round of the competition.

### **CHALLENGES - LED & TOURISM**

<b>DESCRIPTION</b>	<b>ACTION TO ADDRESS</b>
Lack of institutionalised representative governance structures for LED & Tourism	The lack if institutionalised representative governance structures to drive the agenda of tourism and LED needs to be addressed. As a critical outcome of the implementation plan for LED this is a key focal point to address the skewed ownership patterns, inequality in the area.
Tourism Budget deficiency	Review of the tourism function to identify key focus areas for interventions to harness economic development. Review of the implementation plan to ensure that the strategic direction for tourism is still adequate and/or trace.

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Lack of staff in the LED & Tourism Department	Given the geographic spread of the municipal area, the staff deficiency in the department have an impact on delivery of services per town. Two unfunded posts have been approved in the 2015/2016 financial years, but costs could not have been filled to date. The increase in workload and needs of the community, places more pressure on the LED & Department to deliver crucial services to the community. The non-funding of these posts leads to a department not realising the full potential of the community in need.
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### C) LED Strategy

The Draft LED Strategy has been completed and tabled to Council in June 2018 for adoption. This strategy was consulted with the stakeholders and the final strategy with an implementation plan will be tabled to Council.

Employees: LED & Tourism					
Job Level	2017/18	2018/19			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0
4 - 6	0	0	0	0	0
7 - 9	0	0	0	0	0
10 - 12	2	2	2	0	0
13 - 15	1	1	0	1	100%
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
<b>Total</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>33%</b>
<i>Employees and Post numbers as at 30 June.</i>					

Table 34.: Employees: LED and Tourism

## 3.6 COMPONENT D: COMMUNITY AND SOCIAL SERVICES

Hessequa Municipality, in collaboration with the Provincial Library Service of the Western Cape provides a comprehensive library service to the people in the area. The Library Service strives to improve the quality of life of all inhabitants, change and uplift communities and promote literacy.

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The Library Service endeavours to promote awareness of the benefits of library use within the whole community and continuously promotes a reading and learning culture with free access to information. The nine formal libraries, one satellite library and four mini Libraries make great effort to develop an educated society through programs that enhance literacy and culture including lifelong learning.

The museum service aims to promote respect for cultural diversity in South Africa and appreciation of our natural heritage. The museum service therefore sets out to build understanding and pride of our diverse heritage through the affiliated museums. Hessequa comprise of 2 official private sector driven museums and 1 Africana Centre managed by the municipality, which develops and promotes exhibitions and programs for educational purposes and the public interest.

All municipalities strive to achieve the objects for local government as set out in the Constitution of the RSA. To achieve a balance between the provision of services to communities in a sustainable manner, the promotion of social development and to encourage the involvement of communities in a decentralised municipality is a huge challenge. Hessequa consist of six previous towns and more than 10 different residential areas with different levels of services and social development.

The Hessequa Community Development Department fulfils the role to promote integrated social development and developmental social services that is accessible, affordable and appropriate to the disadvantaged communities. The programs are aimed at the youth, the aged, disabled persons and the empowerment of the vulnerable groups. Through the provision of accessible developmental community services, the quality of life of the community is improved. The recreational needs of the community are satisfied through the integration of arts; cultural and sport programmes.

The Hessequa Community Development Department give priority to the basic needs of the community and promote the social development of the broader community.

The vision of Council for social development is:

- To ensure the provision of comprehensive, integrated, sustainable and high- quality social development services against vulnerability and poverty,
- And to create an enabling environment for sustainable Development in partnership with those committed to building a caring society.

The Mission of the Department of Community Development can be proposed as:

The Social development, upliftment and empowerment of youth, women, the disabled, children, the elderly, people living on the street and people with HIV & AIDS within the boundaries of the Greater Hessequa.



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It plans to do so through a process of facilitation, co-ordination and networking with services rendered by role players (inter-governmental and NGO's) in the field. This does not mean that the department will not undertake programs of its own, but that it will be selective in deciding on programs of own initiative in order to prevent duplication of services.

Our aim is to ensure that Hessequa Municipality delivers on its mandate as a developmental agent by mainstreaming the Rights Based Approach through all service delivery. The purpose of this is to ensure that the rights of the vulnerable people within our boundaries are protected and that cognisance of their needs is taken in service delivery by the Municipality thereby contributing towards poverty alleviation and development among these vulnerable groups.

### 3.6.1 LIBRARIES

#### A) *Highlights: Libraries*

Highlights	Description
Mandela Day 18 July 2018	Outreach activities ranged from clean-up campaigns at local schools, food donations to homeless people, visits to schools, old age homes and storytelling sessions were organised. Displays were presented to celebrate Nelson Mandela's birthday and promote the idea that each person has the power to change the world
Women's Day 9 August 2018	Talks, tea parties and displays were presented
National Book Week 2 – 8 September 2018	National Book Week was celebrated from 2 – 8 September 2018 with the theme, <i>#OURSTORIES</i> . A wide range of activities were presented to promote and entrench a culture of reading.
Literacy Day 8 September 2018	Displays, talks and storytelling sessions were presented to raise awareness on the issues surrounding adult and child literacy in South Africa
Book Launch 11 October 2018	Launching of the book, <i>The Forgotten Front: Untold stories of the Anglo-Boer War in the Karoo</i> written by Michael de Jongh and Belinda Gordon at Still Bay Library
Heritage Day 24 September 2018	Discussions, storytelling hours and visits to schools were presented to encourage people to celebrate their culture and the diversity of their beliefs and traditions
16 Days of Activism for No Violence Against Women and Children 25 November – 10 December 2018	Displays, activities, storytelling and discussions were presented to raise awareness of the negative impact that violence has on women and children
Book launch 6 December 2018	Belinda Gordon presented a talk on her latest book, <i>The Forgotten Front: Untold stories of the Anglo-Boer War in the</i>

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Highlights	Description
	Karoo written by Michael de Jongh and Belinda Gordon at Riversdale Library
Read Aloud Day 1 February 2019	Various activities, e.g. performances, talks, competitions and displays were presented to celebrate literacy and the power of reading
Book launch 8 February 2019	Launching of the book, "Ons moet spoeg om te sien hoekom ons nie kan sien nie" written by Gerhard Ferreira at Still Bay Library
South African Library Week 18 - 24 March 2019	South African Library Week was celebrated from 18 - 24 March 2019 with the theme, <i>Collaborate @ your library</i> . A wide range of activities were presented to enhance literacy and culture including lifelong learning
World Book Day 23 April 2019	Performances, displays, visits to schools and talks promoted the importance of books and reading
Africa Day May 2019	The staff were dressed in traditional clothes and talks, activities as well as displays highlighted this subject
Reader's Day 15 May 2019	Martin Steyn, well-known author and Jo Nel up-coming author both presented interesting and interactive talks on their books at Readers' Day
Youth Day 16 June 2019	Displays and talks on Youth Day <i>were presented to remember the youth of 1976 and what transpired on the day</i>
Book launch 26 June 2019	Marié Heese presented a talk on her latest book, Peter Pan en Laurie at Still Bay Library

Table 35.: Libraries Highlights

**B) Service Statistics for Libraries**

Type of service	2017/18	2018/19
Library members	15 093	15 443
Items circulated	372 774	371 841
Exhibitions held	1 005	1 144
Outreach activities	2 259	2 391
ICT facilities used	17 045	14 444

Table 36.: Service Statistics for libraries

<b>Employees: Libraries</b>					
<b>Job Level</b>	<b>2017/18</b>	<b>2018/19</b>			
	<b>Employees</b>	<b>Posts</b>	<b>Employees</b>	<b>Vacancies (fulltime equivalents)</b>	<b>Vacancies (as a % of total posts)</b>
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>%</b>
0 - 3	2	5	5	0	0
4 - 6	8	8	7	1	12.5%
7 - 9	6	8	7	1	12.5%
10 - 12	2	1	1	0	0
13 - 15	2	1	1	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
<b>Total</b>	<b>20</b>	<b>23</b>	<b>21</b>	<b>2</b>	<b>8.6%</b>
<b><i>Employees and Post numbers as at 30 June.</i></b>					

Table 37.: Employees: Libraries

### 3.6.2 CHILD CARE, AGED CARE AND SOCIAL PROGRAMMES

#### A) *Introduction to Child Care, Aged Care and Social Programmes*

Children aged 0-14 is by far the most vulnerable group within the boundaries of the Greater Hessequa. Not only do they not have the ability to provide shelter and care for themselves, but have decisions made on their behalf by their guardians and are at great risk of exploitation. South Africa appears to have an escalating problem of child abuse and neglect. This happens in most cases within the family environment. Although it is not confined to the poor communities, it is more apparent there. Add to this that due to the mortality rate related to HIV and AIDS, they are often left without care and added responsibilities of looking after siblings. This leads to an early school drop-out rate and if they manage to stay in school, they struggle due to malnutrition, hunger and a lack of Early Childhood Development (ECD).

The Department Social and Community Development must embark on a survey into the status of ECD centres within the Greater Hessequa.

Structures: Issues of children are dealt with by a number of NGO's the Dept. of Education, Dept. of Health and the Dept. Social Development among others. There is no formal Municipal structure representing the rights of children within Hessequa other than NGO's like Child welfare, ACVV and DROOM representing the organisations dealing with them.

### **Role of the Department Social- and Community Development:**

Co-ordination and facilitation of services rendered by role players focusing on children.

- Be aware of the needs relating to issues of children and address it through mainstreaming within the IDP of the Municipality and linking them with budget and resources in other spheres of government.
- Link with relevant service providers providing safety nets and raise awareness.
- Encourage family re-integration programmes with stakeholders

### **Youth Development**

#### **Background**

Youth as defined by the National Youth Policy includes persons between the ages of 14 and 35 years and are recognized as a valuable resource for the country. As former President Nelson Mandela has said in May 1994: "Youth are the valued possession of the nation. Without them there can be no future. Their needs are immense and urgent. They are the centre of reconstruction and development."

Youth development is underpinned by a firm and well stipulated **LEGISLATIVE FRAMEWORK**. The policy framework for youth development is largely shaped by broader national policy initiatives and it is also reflective of international programmes and conventions namely the following:

- i.* The Constitution and White paper on local Government. The constitution sets a broad policy context for the National Youth policy. This is highlighted in **Chapter 2: Bill of Rights** with the specific reference to Section 28 and at local government level in Section 152 (1) (c) where it is stated that one of the objectives of local government is to **promote social and economic development.**
- ii.* The National Youth Commission Act (1997)
- iii.* Charter of the United Nations
- iv.* United Nations World Programme of Action for Youth
- v.* The Commonwealth Youth Charter
- vi.* Local Government Municipal Systems Act 23 of 2000

Local Government Municipal Structures Act (Act 117 of 1998) Amended: Act 33 of 2000

The Hessequa Youth Policy has been finalized and the document sets out a policy for the young people of the Hessequa Municipal Area. In order to address Socio & Economic challenges effectively within Hessequa Municipal Area, the establishment of a Youth Development coordinator, and Youth Desk is

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important. The establishment of Youth Committees, in every Town within Hessequa, will ensure the fulfilment of the objectives outlined in the policy.

The National Youth Policy, National Youth Policy Development Framework, Western Cape Youth Commission Policy, SALGA Youth Strategy, Eden District Youth Policy, Hessequa Municipality Integrated Development Plan and other documents provided the context for the Policy document.

### **Role of the Dept Social and Community Development:**

- Co-ordination of Youth projects.
- Co-ordination and facilitation of services rendered by other youth organisation.
- Awareness of the needs of youth and address them through the programs run by youth organisations, mainstreaming of youth issues within the IDP of the Municipality and linking them with the budget and resources in other spheres of government.

### **People with Disabilities:**

Situational Analysis:

People living with disability refer to those who have long-term physical, mental, intellectual, or sensory impairments which in interaction with various barriers may hinder their full and effective participation in society on an equal basis with others. The Western Cape province has one of the highest number of disabled people. The highest number is in the category of physical disabilities followed by the visually impaired. The Greater Hessequa has proportionally similar statistics. People with disabilities are excluded from the mainstream of society and experience difficulty in accessing their fundamental rights. There is furthermore a strong relationship between disability and poverty.

It is important that, together with the HR Department we have to reach out to the main role players in Hessequa dealing with people living with disabilities. We must aim towards discussions on how the Municipality could contribute towards creating employment, skills development and empowerment opportunities.

Structures: There is currently one structure representing the disabled within our boundaries.

Other service providers/organisations: Huis Wallace Anderson

Examples of projects and activities relating to development for people living with disabilities include: Protective Workshops/employment, awareness on the rights of people living with disability, mainstreaming issues affecting people living with disabilities within service delivery of LG and the prevention of disability and advice centres for access to information and opportunities that might lead to employment.

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### **Role of the Dept. Social and Community Development:**

- Ensuring a more integrated collaborative approach to facilitate the mainstreaming of issues relating to people with disabilities
- The economic empowerment of people with disabilities.

### **Elderly**

#### Situational Analysis:

The elderly refers to persons aged 60 years and older. From a socio economic perspective older persons are still subjected to widespread violation of their rights. This is exacerbated by chronic and deepening poverty, weakened family ties and community structures due to migration, the impact of HIV/AIDS and various forms of abuse against older persons. Within our boundaries there are a number of Old Age Homes. However, these do not house the majority of older persons. Most of them are still living within the communities.

Indeed, the dependency burden of HIV and AIDS is enormous and older persons who can least afford it, now find their care giving and financial support functions starting again. The state old age pension that many of them receive is in many cases the primary or only source of income for the family. The reality is that many older persons are making a valuable contribution to households as carers for children, people with disabilities and those affected and infected by HIV and AIDS.

- Examples of projects/activities: Raising awareness on the rights of older people, service clubs, sporting codes and support programmes for older people caring for their families.

### **Role of the Dept Social and Community Development:**

- Co-ordination and facilitation of services rendered by role players focusing on older people.
- Be aware of the needs relating to issues of older people and address it through mainstreaming within the IDP of the Municipality and linking them with budget resources and in other spheres of government.
- Eradication of violence against older people in communities.

### **Hessequa Social Advisory Forum**

The Department Community Development has since 2013, managed to conduct various social development initiatives; mandated by two of councils 7 objectives:

- "empowerment of communities through effective communication and participation."

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- And, “ a special focus on human development to enhance the social well-being of our residents.”

These objectives were enhancing with the establishment of the Hessequa Social Development Advisory forum, article 17(4) of the municipal systems act (act 32 of 2000) as amended.

The Social Development Advisory Forum act as platform where structured engagements with regards to matters in the social fraternity take place. This body comprise of representatives from civil society role-players, sector departments as well as the municipality. This forum meets quarterly and has the following focus areas:

- Youth Development
- Sport and Culture
- Institutional Capacity
- HIV/AIDS, TB and STI's, Teenage Pregnancies
- Food Security
- Early Childhood Development
- Elderly
- Persons with disabilities
- Substance abuse
- Women and Children
- Rural Development

Monthly and quarterly reports on the activities of the Forum are submitted to Council.

### ***B) Highlights: Child Care, Aged Care, Sport development and Social Programmes***

<b>Description</b>	<b>2018/19</b>
Food Security Programme	During the 2018/2019 financial year, Hessequa Municipality's Department of Community Development procured a total of 87 X 1500L water tanks.  A total of 68 water tanks were allocated and delivered to households and 15 water tanks were allocated to the camping sites. The extra 4 tanks were allocated to households with exceptional circumstances.
Programmes for the Elderly	Hessequa Municipality's Department of Community Development, in cooperation with the Provincial Government of Local Authorities, launched an ID Outreach Program for Senior Citizens in Hessequa from 11 March 2019 till 26 March 2019. A total of 602 senior citizens applied for their ID cards.

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Description	2018/19
Youth Development Programmes	<p>The Community Development office understand the fact that the Socio – Economic challenges, has a direct impact on the youth. There-for the Community Development office, are fully aware of the importance to capacitate the youth with the necessary skills, knowledge and hope for tomorrow. For the financial year the Social Development office managed to successfully held the following programmes and activities for youth:</p> <p><b>Youth Camp</b> – A Youth Camp was held from 21 March 2019 till 23 March 2019 at Preekstoel (Still bay. The target group were youth between the age of 12 and 16 years, who presents behavioural problems, but has not been in conflict with the law. The purpose of the youth camp. The purpose of the Youth Camp was to equip the youth with knowledge and life skills with the aim to prevent youth delinquencies. A total of 40 youth participants attended the Youth Camp.</p> <p><b>Youth Conference</b> - A Youth Conference was held on 15 June 2019. The purpose of the youth conference was to get inputs from the youth in order to finalise the Youth Policy for Hessequa Municipality and to establish a youth structure in Hessequa. A total of youth in the Hessequa Area attended the youth conference.</p>
Early Childhood Development Programmes	<p>A fire safety workshop was held on February 4 February 2018. Ms Rayganah Rhodate, the training officer employed by "Working on Fire" Cape Town, facilitated the workshop. The purpose of the workshop was to reduce fire incidents through effective fire prevention and to limit the extent and consequences of fire incidents through effective emergency procedures, information and knowledge. A total of 12 Preschool and Early Child Development Practitioners attended the workshop. On 23 April 2019, the Social Development Programme Coordinator and Ms Rayganah Rhodate visited three (3) Early Child Development Centres in Heidelberg, to follow up on whether the Early Child Development Practitioners implemented the knowledge they gained during the workshop on 4 February 2019. An emergency evacuation was done at the three (3) ECD Centres. The three (3) Early Child Development Centres were equipped with a fire alarm for each classroom.</p>
People with disabilities initiatives	<p>The Social Development office understands the challenges people with disabilities are facing, for that reason people with disabilities are part of our Social Development Strategy. The Social Development Department therefore considered it necessary to visit the Molen River Multi-Grade Primary School to offer an education and awareness program for the Grade R to Grade 3 learners. The aim of the program was to promote positive perceptions and greater social awareness towards persons with disabilities</p>



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Description	2018/19
	<p>as well as to promote recognition of the skills and abilities of persons with disabilities. A total of 75 learners attended the program. Hessequa Municipality's Social Development Division took the opportunity to be part of an entrepreneurial day hosted by Mossel Bay Municipality in collaboration with SEDA and BEE Corp on 3 December 2019. The purpose of the Entrepreneurial Day was to give people with disabilities the opportunity to form partnerships between the disability sector and business development service providers, with the aim of turning their business skills into business opportunities. A total of 62 people with disabilities from Hessequa attended the Entrepreneurs Day.</p>
<p>Education and Training</p>	<p><b>Democracy Education Workshop</b></p> <p>A Democracy Education Workshop was held on 8 April 2019. The workshop was presented by the Public Education Office of Parliament. A total of 38 community members attended the training. The aim of the workshop was to equip the target group with knowledge of the role Parliament plays, legislation, how to participate in parliamentary processes as well as to develop a basic understanding of Parliament.</p> <p>Skills Development: Hospitality Training. Hessequa region has a high unemployment rate amongst the youth, and lack of adequate skills, restricting them to enter the labour market.</p> <p>The role of the municipality: apply for funding and / or enter into partnerships with the private &amp; public sector to roll –out skills development to position youth to become employable. This programme aims to train previously disadvantaged individuals in hospitality, enhancing their employability in this sector. The manager Community Development secured funding, through the Department Local Government, to conduct the training programme. The ten (10) students already completed the first part of the training.</p> <p><b>Computer Training</b></p> <p>On 26 October 2018, Hessequa Municipality's Department of Community Development, in collaboration with Cape Access Riversdal, held a formal handing-over ceremony of certificates to successful students who completed their basic computer skills certificate, ICDL certificates and E-Learner, as community development is a priority. A total of 68 students successfully completed their courses. A certificate ceremony was also held at Slangrivier on 29 November 2019. A total of</p>

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Description	2018/19
	40 students successfully completed their course.
Hessequa Social Advisory Forum	<p>The Hessequa Social Development Advisory Forum initiated outreaches to the various towns in Hessequa with the aim of establishing a sub-forum in each town. A representative of this sub-forum will attend the quarterly meetings of the Hessequa Social Development Advisory Forum, which will create a platform for the sub-forum of each town, to canalize their social challenges in the respective towns. A sub-forum has already been established in Albertinia as well as Riversdale.</p>
Special Events	<p>Social Development events:</p> <p>16 DAYS OF ACTIVISM OF NO VIOLENCE AGAINST WOMEN AND CHILDREN- The 16 Days of Activism of No Violence Against Women and Children is an international awareness campaign, which takes place annually from November 25 to December 10. This campaign also aims to make South Africans aware of the negative impact of violence against women and children and on all members of the community. Hessequa Municipality's Community Development Division, held a 16 Days of Activism Program on Wednesday, 28 November 2018, at Vondeling Primary School. The aim of the program was to make children aware of violence against children and also to empower them with knowledge, which would enable them to act, should they become a victim of violence. The focus group was primary school learners from grade 1 to grade 7. A total of 96 learners attended the programme.</p> <p>TABLE OF PEACE PROGRAMME -The Table of Peace Initiative came into being after a need was identified to create a platform where people of different cultures, ethnicity and religion can sit around one table to enhance Nation Building and to better community cohesion. The Table of Peace was successfully held on 28 November 2019. The highlight of the evening was the guest speaker, Mr Maurice Page, a resident of Heidelberg and a known actor for his role in Suid-Ooster.</p> <p>CHILD PROTECTION WEEK- A workshop around the challenges with street children was conducted in conjunction with the Western Cape street children forum. The aim of the workshop was to come up with programmes on how this challenge could be addressed. The following departments attended the program:</p> <p>SAPS ,SPUR RIVERSDALE, OLD AGE HOMES, KFC, CHILD WELFARE, CURCHES, COMMUNITY POLICING FORUMS</p> <p>WOMEN'S DAY – National Women's Day is a public holiday celebrated annually on</p>

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Description	2018/19
	<p>August 9 in South Africa. The day commemorates the national march of women on this day in 1956 to object to legislation that compelled Black Africans to pass.</p> <p>Today, National Women's Day is commemorated in several ways. This year, Hessequa Municipality's Social Development Division approached a non-governmental organization, Awareness Action, with the aim of providing input on the needs of women in the community of Slangrivier as they also provide services to women. Women's Day was commemorated on 9 August 2018 at Slangrivier. A total of 93 women attended the programme.</p>
Hessequa Thusong Mobile Programme	<p>The Hessequa Thusong Mobile programme is an attempt by Hessequa Municipality to bring government to the people, especially to the rural areas. During the first Provincial "Jamboree" held in Heidelberg in 2008, the need for service delivery was identified by Hessequa Municipality. Since then, outreach programmes were held in the Hessequa region every quarter which started in Riversdale.</p> <p>In the 2018/19 Financial year 6 Mobile programmes were conducted. The following towns were included: Riversdale, Slangrivier, Heidelberg, Albertinia, Melkhoutfontein</p> <p><b>TOTAL NUMBER OF BENEFICIARIES REACHED: 4159</b></p>

Table 38.: Child Care, Aged Care and Social Programmes Highlights

**C) Challenges: Child Care, Aged Care and Social Programmes**

Description	Actions to address
<p>Hessequa Municipal Area is vast area, which includes 6 towns and surrounding farms.</p> <p>Currently there is only one Social Development Programme Coordinator, responsible for social development initiatives. There is a need for the appointment of more Social Development Programme Coordinators in order to ensure that social ills in the Hessequa area can be addressed effectively.</p>	<p>Appointment of Social Development Programme Coordinators in each town.</p>

Table 39.: Child Care, Aged Care and Social Programmes Challenges

<b>Employees: Child Care, Aged Care, Social Programmes</b>					
<b>Job Level</b>	<b>2017/18</b>	<b>2018/19</b>			
	<b>Employees</b>	<b>Posts</b>	<b>Employees</b>	<b>Vacancies (fulltime equivalents)</b>	<b>Vacancies (as a % of total posts)</b>
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>%</b>
0 - 3	0	0	0	0	0
4 - 6	0	0	0	0	0
7 - 9	3	2	2	0	0
10 - 12	0	1	1	0	0
13 - 15	1	0	0	0	0
16 - 18	0	1	1	0	0
19 - 20	0	0	0	0	0
<b>Total</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>0</b>	<b>0</b>
<i>Employees and Post numbers as at 30 June.</i>					

Table 40.: Employees: Child Care, Aged Care and Social Programmes

## 3.7 COMPONENT E: ENVIRONMENTAL PROTECTION

This component includes:

- Pollution control
- Biodiversity and landscape
- Coastal protection

### 3.7.1 INTRODUCTION TO ENVIRONMENT PROTECTION

Hessequa Municipality implemented the Hessequa Air Quality Management Plan (HAQMP) during the 2018/19 financial year, this strategic plan lapsed towards the end of the financial year and provision have been made for the review thereof. In this instance consultants were appointed in collaboration with the Garden Route District Municipality and the other B-municipalities in the Garden Route area for the review of all AQMPs. This process was concluded and a Draft Hessequa Municipal Air Quality Management Plan was received in June 2019. The municipality also reviewed the Hessequa Climate Change Adaptation Plan during the 2018/19 financial year in order to keep the Hessequa Climate Change Strategy relevant and up to date. It should be noted that an Air Quality Management Officer as well as a Climate Change Management Officer was appointed as required by relevant national statutes. We are also in the process of addressing the dune management issue for our region. Implementation of the Witsand Dune Management Plan as well as the Lappiesbaai Dune Management

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Plan is continuing, with phase two of the Lappiesbaai Dune Management Plan being initiated in May 2019.

River control on our four estuaries took on the form of access control points and physical patrols on the estuaries itself in order to ensure compliance with environmental legislation and municipal bylaws. The inauguration of National Estuary Management Protocol in 2014 means that the Breede River (Estuary) now falls under the mandate of DEA&DP and the management authority for the Gourits Estuary is Garden Route District Municipality (GRDM), although the enforcement of the Hessequa River Control By-laws on these two estuaries is still the Hessequa Municipality's responsibility. Hessequa Municipality in conjunction with the Department of Environmental Affairs and Development Planning (DEA&DP) and other coastal local authorities with estuaries under their jurisdiction initiated a process to revise the municipality's River Control By-laws.

The municipality has a range of nature reserves with an assortment of critically endangered biomes and three of the eight local municipal nature reserves are in the process of being registered under the Stewardship Program as rolled out by Cape Nature.

### **3.7.1.1 POLLUTION CONTROL**

The Hessequa Municipality has Air Quality Control By-laws which were adopted and approved by Council and which is currently being enforced by Garden Route District Municipality in conjunction with Hessequa Municipality. Hessequa Municipality also have a dedicated air quality officer (approved by Council) as well as an approved Air Quality Management Plan which was also reviewed, therefore completing the municipality's air quality infrastructure as required under the National Environmental Management: Air Quality Act, 2004 (Act 39 of 2004) (AQMA). In terms of section 15(2) of the Act each municipality must include in its Integrated Development Plan (IDP) contemplated in chapter 5 of the Municipal Systems Act, an air quality management plan (AQMP), this has also been done.

Other initiatives under air quality management was compliance inspections as part of an agreement between Hessequa Municipality and the Garden Route District Municipality at various residential as well as industrial facilities. In this instance a quarterly Air Quality Officers Forum takes place for all air quality officers in the Garden Route District as well as a Provincial Air Quality Forum. During 2018/19 the first Environmental Inspectorate Management Forum was also held in the Garden Route and two officials from the Hessequa Municipality has been designated as Environmental Management Inspectors (EMIs) or Green Scorpions. The municipality also actively participation in compliance inspections along the coast with CapeNature and DEADP: Compliance (Green Scorpions) were illegal activities or structures was erected. Different platforms have been developed for the reporting of environmental pollution, some of which are the various estuary management forums (x3), Protected Areas Advisory Forums (x3), Environmental Working Group meetings with CapeNature, regular engagement with the provincial Department of

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Environmental Affairs & Development Planning as well as with the national Department of Environmental Affairs.

### ***3.7.1.2. BIO-DIVERSITY AND LANDSCAPE***

As previously mentioned the municipality are in the process of registering two of our eight nature reserves under the Cape Nature Stewardship Program and the rest will follow after conclusion of the registration of initial two. Thus, continuing our efforts to provide all settlements in the Hessequa area with access to at least one or more nature reserves in its vicinity.

Follow-up and alien clearance projects total approximately 500ha on municipal land including all municipal nature reserves. In addition to aliens cleared, erosion control projects were also rolled out in areas with hiking trails such as those in the municipal nature reserves. For 2018/19 the municipality again invested resources into the expansion and maintenance of the Tuin-op-die-Brak the newest addition was an indigenous nursery.

The municipality entered two environmental orientated competitions during 2018/19, one the Harbour City awards (National) and the Greenest Municipality Awards (Provincial), the outcomes thereof will only be made in the 2019/20 financial year.

The booklet which was distributed to the relevant municipal departments regarding the National Environmental Management Act: Listed Activities was also again revised to ensure its relevancy to new legislation. The rationale behind the booklet is to ensure that Building Control, Town Planning and the Technical Department can make informed decisions with regards to what activities is allow and which are not. The booklet has also been made available on the municipal website.

2018/19 also saw the continuous update of the municipality's #100000TreeCampaign which is mostly internet based to ensure that it stays fresh and relevant. The campaign strives to plant 100 000 indigenous trees within the municipal area, with the cooperation and assistance of the community. Community members are encouraged to register all the indigenous trees they plant and make it part of the tally.

The municipality actively participated in the development of Coastal Management Lines for our region, which includes the development setback line and coastal protection line as well as in the identification of current and historical coastal access points as per requirement of the integrated Coastal Management Act of 2008. This exercise is coordinated by the Department of Environmental Affairs and Development Planning and is ongoing.

The Estuary Management Committees are also up and running for three of the four estuaries which falls within our area of operation with the exception of the Breede Estuary whose committee is the responsibility of DEA&DP.

Two different projects were approved by the national Department of Environmental Affairs (DEA), one is a Working for the Coast (WFTC) project which focus on mass employment in the Hessequa region,

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totalling R10 750 000 over a three-year period and the other also a WFTC project under the EPIP Program of DEA which focus on infrastructure over a three-year period and totals R10 000 000.

<b>Employees: Environmental Services</b>					
<b>Job Level</b>	<b>2017/18</b>	<b>2018/19</b>			
	<b>Employees</b>	<b>Posts</b>	<b>Employees</b>	<b>Vacancies (fulltime equivalents)</b>	<b>Vacancies (as a % of total posts)</b>
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>%</b>
0 - 3	0	0	0	0	0
4 - 6	5	6	6	0	0
7 - 9	0	0	0	0	0
10 - 12	2	2	2	0	0
13 - 15	1	1	1	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
<b>Total</b>	<b>8</b>	<b>9</b>	<b>9</b>	<b>0</b>	<b>0</b>
<i>Employees and Post numbers as at 30 June.</i>					

Table 41.: Employees: Environmental Management

## 3.8 COMPONENT F: SECURITY AND SAFETY

### 3.8.1 INTRODUCTION TO SECURITY AND SAFETY

The department Protection Services consists of the following sections:

- Traffic law enforcement
- Traffic agency services
  - Motor registrations
  - Licensing
  - Roadworthiness
- Law enforcement (by-laws)
  - Municipal Animal pound
  - Technical services (road maintenance)
- Security services
- Disaster management
- Fire Brigade Services (contracted service)

The Department have sub stations in Heidelberg, Albertinia and Still Bay with the main base in Riversdale.

Fire services have vehicles in all the above mentioned towns, Still Bay: Medium pumper and a Strike unit (LDV), Heidelberg: Medium pumper and Strike unit (LDV), Riversdale: Medium pumper and two (2) Strike unites (LDV) AND Albertinia: one Strike unit (LDV).

We also have personnel in all of the abovementioned towns, Albertinia: One (1) permanent member and 3 WOF contracted people, Still Bay: One (1) permanent member and 4 WOF contracted people, Heidelberg: One permanent member and 4 WOF people and in Riversdale we have ten (10) people of which two (2) are permanent and 8 is WOF contracted people. We have 5 permanent operational members and 19 WOF contracted people.

The personnel work 12 hours shifts (08h00 to 20h00) in Albertinia, Still Bay, Heidelberg and 24 hours shifts in Riversdale.

All Traffic services are all operating from Riversdale and are then deployed to the surrounding towns. We currently have Nine (9) permanently employed Operational Traffic Officers. They have two (2) supervisors, one immediate by the rank of Superintendent and the Deputy Traffic Chief, operations. Traffic officers work an eight (8) hours shifts, from 06h00 to 14h00 and 14h00 to 22h00.



### 3.8.2 TRAFFIC SERVICES AND LAW ENFORCEMENT

#### A) *Highlights: Traffic Services and Law Enforcement*

Highlights	Description
Warrant execution	We have started to execute warrants of arrests for traffic fines and had operations to knock on the doors of those with outstanding warrants, all due to 3 extra temporary traffic officials. The objective of this program is to bring compliance to the Traffic act and ensure road safety. That offenders also pay there traffic fines.
Public transport Applications	Public transport is always a big frustration and this office assist with legalisation of many illegal operators to apply for and received legal permits to transport commuters ,this is a challenge because we don't have the capacity to deal with all the application and illegal operators.
HTA Establishment	This department together with the Provincial Regulatory Entity assist in the establishment of Hessequa Taxi Association to be of assistance to transport operators in the Hessequa area
Temporary Traffic officers x3	With the great help of 3 x well trained and hardworking temporary Traffic Officers this department could achieve a lot more with regards to: public complains, overall law enforcement during weekends and outstanding complaints on traffic law enforcement
Driving Under the Influence of alcohol (DUI) stats increase	Due to the help of the three (3) temporary Traffic Officers we made a lot more arrests for driving under the influence of alcohol and thus create safer roads
Speed operations	Speed complaints was successfully addressed where direct speed law enforcement was introduced in especially the Still Bay area to bring offenders to justice.
Roadblock bus operations	Due to the fact that the Speed enforcement service providers road block bus is stationed at the Riversdale Traffic office we could actively increase our visibility with roadblock operations, integrated operations with other Law Enforcement agencies to create safer roads
ANPR vehicles	Hessequa Traffic department was the first in the Southern cape to use intelligent Law Enforcement with ANPR (Automatic Number Plate Recognition) technology within a patrol vehicle, now Hessequa are proud to say that four of our patrol vehicles are equipped with the technology to intelligently seek out offenders

*Table 42.: Traffic Services and Law Enforcement Highlights*

#### B) *Challenges: Traffic Services and Law Enforcement*

Description	Actions to address
Staff	To establish a full time service in 9 towns of Hessequa, the current staff establishment will need to be enlarged.
Public transport	Policing of public transport remains a challenge

*Table 43.: Traffic Services and Law Enforcement Challenges*

SERVICE DELIVERY PERFORMANCE

**C) Service Statistics for Traffic Services and Law Enforcement**

No.	Details	2018/19
		Actual No.
	Camera notices issued successfully	111 924
	Handwritten notices/ summonses	3369
	Handwritten summonses provincial Mosselbay & Swellendam	2328
	Warrants executed for (2 months only) By Hessequa Municipal Traffic Officers	50

*Table 44.: Service Statistics: Law Enforcement*

Additional Performance Information for Traffic Services and Law Enforcement							
Type of services							
2018/2019							
Fire Incidents	Traffic Charges	Operations	Roadworthiness	Motor Registration	Licensing	Pound	Law & Enforcement
135	10113	45	3536	50711	16687	400	301

Highlights	Description
<b>Registration/Roadworthy/Driving license</b>	
<p>During the financial year abovementioned departments received on different occasions 100% for Provincial audits. Motor vehicle registration received an average of above 90% for all audits conducted during the financial year.</p> <p>March 2018 Albertinia Driving license testing centre were opened to render a service to Albertinia and nearby communities. Renewal of driving license, Professional driving permits and the writing of learners license is currently available at Albertinia DLTC. The service is currently available on Thursday but hope to extend the service to multiple days in a week.</p>	<p>Provincial and National department conducts unannounced audits for different services(Registration Roadworthy and licenses) Audits are to ensure Municipalities render services according download lures and regulations and National Road traffic Act.</p> <p>The need was identified in Albertinia to see if the community could be assisted in all aspects of driving license. Due to the distance the public needs to travel to Riversdale the Provincial and National department granted approval for Albertinia DLTC.</p>
<b>Technical service (Road Maintenance)</b>	
<p>Technical team consist of four employees. These personnel are responsible for road signs and markings within the Hessequa Municipal area consisting of multiple towns (9).</p>	<p>Signs needs to be erected and markings painted according to the National Road Traffic Act. Road safety plays an important part of Protection Services and therefore strive to safer towns. Signs and road markings is of utmost importance as its prescribed by legislation. Should signs and road markings contradict regulations legal action may follow.</p>
<b>Highlights</b>	<b>Description</b>
<b>Road safety</b>	
<p>It's an important aspect to promote road safety within the Hessequa region. We conducted many road safety interventions in an attempt to create safer roads</p>	<p>Road safety interventions were held at Pre-primary, Primary and High schools in an effort to promote road safety among younger people. The strategy is to invest in younger people and to spread the road safety message as far as possible. This might also lead to having safer drivers at a later stage in their lives</p>
<b>Security service</b>	
<p>Witsand-3-year approach were accepted to educate holiday makers during festive times. Large number of holiday makers flock to Witsand each year as a 20-Year-old tradition</p>	<p>Hessequa Municipality has a responsibility towards the public to create/maintain a safe environment at all times. Evaluate</p>

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<p>The public area that the holiday makers make use of is not suitable for their needs for instance:</p> <ul style="list-style-type: none"> <li>• Camping (overnight)</li> <li>• Fires – outside demarcated areas</li> <li>• Bathroom facilities – not using the public facilities that is there</li> </ul> <p>The situation has been identified as a major health and safety risk for the holiday makers, permanent residents as well as for the Local Authority.</p> <p>15 additional staff members were employed (creating jobs) for duties specifically in Witsand.</p> <p><u>Witsand 3-year strategy</u></p> <ul style="list-style-type: none"> <li>• Year 1 - awareness were done by ways of handing out pamphlets, and more than 1100 pamphlet was handed out and by word of mouth of dangers and risk currently present</li> </ul> <p>15 additional staff members were employed (creating jobs) for duties specifically in Witsand. Additional toilet facilities were made available.</p> <ul style="list-style-type: none"> <li>• Year 2 – access control and will apply. Only a certain amount of vehicles and persons will be allowed.</li> </ul> <p>10 additional staff members will be employed and trained to assist in handling situations in professional manner.</p> <ul style="list-style-type: none"> <li>• Year 3 – construction/extension of public area to a more acceptable, controlled and improve facility</li> </ul> <p>Staff members to assist in keeping specific area safe and clean.</p>	<p>and monitor each situation and ensure the necessary precautionary measures</p>
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*Table 45.: Additional performance information for Traffic Services and Law Enforcement*

<b>Employees: Traffic Services, Law Enforcement, Fire Services and Disaster Management</b>					
<b>Job Level</b>	<b>2017/18</b>	<b>2018/19</b>			
	<b>Employees</b>	<b>Posts</b>	<b>Employees</b>	<b>Vacancies (fulltime equivalents)</b>	<b>Vacancies (as a % of total posts)</b>
	No.	No.	No.	No.	%
0 - 3	2	2	2	0	0
4 - 6	12	13	13	0	0
7 - 9	8	19	16	3	2.5%
10 - 12	9	3	3	0	0
13 - 15	3	3	3	0	0
16 - 18	1	1	1	0	0
19 - 20	0	0	0	0	0
<b>Total</b>	<b>35</b>	<b>41</b>	<b>38</b>	<b>3</b>	<b>7.3%</b>
<i>Employees and Post numbers as at 30 June.</i>					

*Table 46.: Employees: Traffic Services, Law Enforcement, Fire Services and Disaster Management*

## SERVICE DELIVERY PERFORMANCE

### 3.8.3 FIRE SERVICES

The Fire Service consists of twenty WOF staff members which is currently contracted by Hessequa Municipality. Fire service consist of five permanent employed fire fighters.

Fire service fleet:

1. 3 x medium fire engines
2. 6 x pickups
3. 2 x four-wheel drive vehicle

These vehicles are equipped with standard firefighting equipment and gets upgraded as funds are available

The service provider's contract is being monitored and evaluated and found to be in good relation. The newly established 24-hour control centre is a huge improvement to emergency service. The control centre activates all emergency service within seconds and minimise respond time within the region. The service provider is merely responsible for the employment of junior staff members and hopefully more permanent staff members could be employed. The fire service is also responsible for the monitoring of controlled fire and a total of 649 permits were issued. Building and premises inspections were also conducted and a total of 100 inspections were completed. Above ground fire hydrants were also installed at strategic areas, but it's an ongoing process and will commence each year.

SERVICE STATISTICS FIRE BRIGADE										
	Veld fires		Structure fires		Motor Vehicle Accidents		Other		Total	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
July	7	0	1	4	1	0	1	0	10	4
Aug	2	4	3	3	2	6	0	4	7	17
Sep	6	4	0	4	7	8	1	4	14	20
Oct	5		3		2		1		11	
Nov	4	9	1	5	7	12	0	4	12	30
Dec	4	12	1	3	6	13	0	0	11	28
Jan	4	7	1	1	7	7	3	2	15	17
Feb	8	8	0	2	3	5	2	2	13	17
Mar	3	7	4	3	5	9	0	1	12	20
Apr	15	8	2	2	4	5	0	0	21	15
May	6	4	1	5	4	8	2	1	13	18
Jun	1	1	2	6	2	7	0	1	5	15
<b>TOTAL</b>	<b>65</b>	<b>64</b>	<b>19</b>	<b>37</b>	<b>50</b>	<b>80</b>	<b>10</b>	<b>19</b>	<b>144</b>	<b>201</b>

Table 47.: SERVICE STATISTICS FIRE BRIGADE

### 3.8.4 DISASTER MANAGEMENT

During October to November 2018 large fires were present in the Vermaaklikheid area and in the Langeberg mountain range. During the ongoing drought the water resources were managed in such a way that water was never a problem when it comes to fire fighting. No other disaster was reported or disaster areas were declared. The Disaster management advice Forum were established in March 2019 with great successes and joint responsibility. Each month at least two Fire/Disaster awareness were held as well as door to door interventions within Hessequa Mun.

## 3.9 COMPONENT G: SPORT AND RECREATION

### 3.9.1 SPORT AND RECREATION

#### A) Introduction

The extent of the existing infrastructure for parks and resorts are summarised in the following table:

Asset	Unit	Number
Parks	Play parks	34
Sports Grounds	Community sport grounds	7
Camp Sites	Resorts for public	6
Swimming Pools	Community pools	3
Sport Halls	Sport Halls	5

Table 48.: Summary of existing assets: Sport and Recreation

#### B) Highlights: Sport and Recreation

Highlights	Description
<ul style="list-style-type: none"> <li>Melkhoutfontein &amp; Slangrivier Sport Ground</li> </ul>	The Municipality is in the process to upgrade the sport facilities in Slangrivier and Melkhoutfontein. Consultation processes with both the community and the sporting bodies will commence in the 2019/20 financial year.
<ul style="list-style-type: none"> <li>Takkieskloof Swimming pool</li> </ul>	The swimming pool floor of the small pool was replaced and the pumps and filter was upgraded.
<ul style="list-style-type: none"> <li>Major capital upgrades of ablution facilities at Caravan Parks</li> </ul>	<ul style="list-style-type: none"> <li>Tiles, showers, basins, toilets, mirrors, and taps that were s installed in the ablution facilities was welcomed by the visitors to the Caravan Park.</li> <li>New roofs were erected at the parking bays at Preekstoel</li> <li>Stands at Preekstoel was serviced with electricity.</li> <li>Roads at Ellensrust, Jongensfontein and Preekstoel was resealed.</li> <li>A new boiler heating system was installed.</li> </ul>
<ul style="list-style-type: none"> <li>Maintenance of Infrastructure at Caravan Parks</li> </ul>	<ul style="list-style-type: none"> <li>The general condition of the buildings improved due to maintenance that was performed and inspections of buildings that is done on a regular basis.</li> </ul>

## SERVICE DELIVERY PERFORMANCE

Highlights	Description
	<ul style="list-style-type: none"> <li>95% of the available budget was spend on maintenance of infrastructure.</li> </ul>

Table 49.: Sport and Recreation Highlights

### C) Challenges: Sport and Recreation.

Actions to address	Description
Maintenance and extension of recreation facilities	Inadequate or limited funding to maintenance and upgrade recreation facilities and municipal parks.
Electronic booking systems to all resorts.	We are currently considering the different booking systems which best meet our needs. A well-developed booking system will improve our service which we deliver to our clients by enhancing the management of client data, statistics and reporting information in order to make informed management decisions.
Occupation of Caravan Parks during out of Season	This challenge is addressed by marketing our Caravan parks and to offer out of season discount and discounts on group bookings in order to increase our out of season occupancy levels. The impact of the marketing and discounts offered on the occupation levels will be evaluated on a yearly basis.

Table 50.: Challenges: Sport and Recreation

### D) Service Statistic for Sport and Recreation

Type of service	2017/18	2018/19
<b>Community parks</b>		
Number of parks with play park equipment	34	34
Number of wards with community parks	9	9
<b>Swimming pools</b>		
Number of visitors per annum	16 450	9 788
R-value collected from entrance fees	R 108 824	R 88 217.80
<b>Camp sites/Resorts</b>		
Number of visitors per annum	44 000	42 000

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<i>Type of service</i>	<i>2017/18</i>	<i>2018/19</i>
R-value collected from visitation and/or accommodation fees	R12 315 918	R 12 292 568
<b>Sport fields</b>		
Number of wards with sport fields	7	7
Number of sport associations utilizing sport fields	12	10
R-value collected from utilization of sport fields	R 20 938	R30 9647
<b>Sport halls</b>		
Number of wards with sport halls	5	7
Number of sport associations utilizing sport halls	25	25
R-value collected from rental of sport halls (community halls)	R 316 717	R344 838

*Table 51.: Additional performance information for Sport and Recreation*

<b>Employees: Parks and Recreation</b>					
<b>Job Level</b>	<b>2017/18</b>	<b>2018/19</b>			
	<b>Employees</b>	<b>Posts</b>	<b>Employees</b>	<b>Vacancies (fulltime equivalents)</b>	<b>Vacancies (as a % of total posts)</b>
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>%</b>
0 - 3	55	56	54	2	3.5%
4 - 6	37	45	41	4	8.8%
7 - 9	8	9	8	1	11.11%
10 - 12	2	4	3	1	25%
13 - 15	1	1	1	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
<b>Total</b>	<b>103</b>	<b>115</b>	<b>107</b>	<b>8</b>	<b>6.95%</b>
<b>Employees and Posts numbers are as at 30 June</b>					

*Table 52.: Employees: Parks and Recreation*

## 4.1 NATIONAL KEY PERFORMANCE INDICATORS - MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

Hessequa consists of ten (10) service centres, each with its unique service delivery infrastructure. This is closely linked to the geographical layout of Hessequa. In 2000 the following municipalities were amalgamated into the Langeberg Municipality, that is now known as Hessequa Municipality:

- Riversdale Municipality
- Heidelberg Municipality
- Albertinia Municipality
- Stilbaai Municipality
- Gouritsmond Municipality
- Slangrivier Municipality

A centralized management structure with decentralized technical operational units per major town is the organisational design approach to manage the human and other resources across the vast geographical area of Hessequa.

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 Municipal Systems Act of 2000. These key performance indicators are linked to the *Municipal Transformation and Organisational Development* National Performance Area.

### *Municipal Transformation and Organisational Development.*

KPA & Indicators	Municipal Achievement	
	2017/18	2018/19
<b>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</b>	13	12
<b>The percentage of a municipality's personnel budget actually spent on implementing its workplace skills plan</b>	0.38%	0.52%

*Table 53.: National KPIs- Municipal Transformation and Organisational Development*

## 4.2 INTRODUCTION TO THE MUNICIPAL WORKFORCE

The Hessequa Municipality currently employs 550 (including fixed term contract employees) officials, who individually and collectively contribute to the achievement of Municipality's objectives. This is approximately 1% of the Hessequa population. The municipality seeks to employ, train, develop, empower and in general create a rewarding employment experience with the Hessequa Municipality as employer its employees. The Council leadership is convinced that a fulfilled and motivated employee



## SERVICE DELIVERY PERFORMANCE

adds immeasurable value to the individual employee's personal development, the municipality's objectives and most importantly, serving the interests of the Hessequa community at large.

### 4.2.1 Vacancy Rate and Staff Establishment

The staff establishment is 669 posts. Not all these posts are funded. 584 posts are funded and of these 550 posts are filled. At the end of this period there were 34 vacant and funded posts. A continuous process of recruitment and selection is maintained, with a key performance indicator being a vacancy rate of not more than 10%.

The vacancy rate for funded posts as well as total (funded and unfunded) posts are outlined below.

Month	Perm	FTCon	Out	In	% Funded	% Total	Seasonal
<b>June 2019</b>	517	33	2	4	5,8%	12,7%	163
<b>May 2019</b>	520	29	0	3	6,1%	18,0%	65
<b>April 2019</b>	517	29	2	3	6,8%	18,5%	91
<b>March 2019</b>	516	28	2	4	7,1%	18,9%	93
<b>February 2019</b>	514	28	5	1	7,3%	19,1%	96
<b>January 2019</b>	518	28	3	5	7,3%	18,6%	161
<b>December 2018</b>	516	30	2	0	5,2%	18,8%	170
<b>November 2018</b>	518	28	3	5	4,8%	18,5%	154
<b>October 2018</b>	516	26	3	1	5,7%	19,1%	125
<b>September 2018</b>	518	26	2	0	5,3%	18,9%	126
<b>August 2018</b>	520	26	4	4	5,3%	18,6%	47
<b>July 2018</b>	520	26	6	1	5,2%	18,6%	54
<b>June 2018</b>	525	26	0	0	3,1%	17,2%	64

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### 4.2.2 Turnover Rate

A high staff turnover may be costly to a municipality and might negatively affect productivity, service delivery and institutional memory/organizational knowledge. The turnover rate is determined by the following formula:

$$\left( \frac{\text{Number of employees who left during the year}}{(\text{Number of employees at the beginning of the year} + \text{Number of employees at the end of the year})/2} \right) \times 100$$

The turnover rate for 2018/19 is 6.2%.

Year	New	Terminations	Turn-over Rate	
2016/17	38	36	<b>6.6%</b>	$\left[ \frac{36}{(536 + 544)/2} \right] \times 100 = 6.6\%$
2017/18	40	36	<b>6.6%</b>	$\left[ \frac{36}{(546 + 551)/2} \right] \times 100 = 6.6\%$
2018/19	34	34	<b>6.2%</b>	$\left[ \frac{34}{(546 + 550)/2} \right] \times 100 = 6.2\%$

**Table 54.: Turnover Rate**

### 4.2.3 Sick Leave

Sick leave days taken by employees have a negative influence on service delivery and has cost implications. The monitoring of sick leave identifies certain patterns or trends within directorates. The management of sick leave are executed in conjunction with the various directorates. The total number of workdays lost due to sick leave during the 2018/19 financial year shows an increase of 161.5 days compared to the previous financial year. On average 366.5 working days are lost per month at an average 7.9 days per employee per year.

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

Directorates	2017/18	2018/19
Office of the Municipal Manager	12	12
Corporate Management	631	741.5
Technical Services	2 748	2 659.5
Community Services	326	313
Financial Services	424	497

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<b>Directorates</b>	<b>2017/18</b>	<b>2018/19</b>
Development Planning	96	175.5
<b>Total</b>	<b>4 237</b>	<b>4 398.5</b>

*Table 55.: Sick Leave*

### 4.2.4 Director's Performance Rewards

In accordance with Regulation 32, a performance bonus, provided it is affordable, may be paid to a Senior Manager (Section 56) appointment, after -

- a) the annual report for the financial year under review has been tabled and adopted by the municipal Council;
- b) an evaluation of performance in accordance with the provisions of regulation 23; and
- c) 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 with given resources and circumstances. All Section 57 Managers qualified for a performance bonus for the previous financial year during the 2018/19 financial year.

### 4.2.5. Conditions of Service

The three-year Salary and Wage collective bargaining agreement reached in the South African Local Government Bargaining Council (SALGBC) at national level terminates on 30 June 2021. All the salary and wage adjustments were successfully implemented in this year.

The management of temporary contracts and the provisions thereof was highlighted in this year. The procurement and management of staff on temporary contracts has become increasingly difficult with amendments to the Labour Relations Act. Stricter compliance to contract periods in line with the Labour Relations Act (LRA) have been implemented.

The Collective Bargaining Agreement for Conditions of Service in the Western Cape Division of the SALGBC are also being complied with.

The recently published Regulations on the Public Audit Amendment Act, particularly with regards to parts that deal with "*Material Irregularity*" must be noted. There will be adverse finding where municipalities act outside the prescribed policy framework and bargaining council collective agreements. It is imperative that the boundaries of the collective agreements be respected and complied with.

### 4.2.6. Human Resource Policy Administration

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Human Resource Policy administration is an ongoing task that requires research, drafting, consultation and submission to the respective oversight steering committees' and decision-making structures of Council as well as consultation with the two representative trade unions active the Local Labour Forum. In this period the following policies were reviewed and amended:

- a) Leave Policy
- b) Recruitment and Selection
- c) Travel, Subsistence and Incidental Costs

The Cabinet had at the end of this reporting period not approved the Municipal Staff Regulations as proposed by the Minister for Co-operative Governance and Traditional Affairs (CoGTA). The promulgation of the Regulations will require a review and alignment of policies where appropriate. A dedicated project effort to implement and explain the details of any changes to employment conditions to staff will be required.

### 4.3. AUDITOR-GENERAL'S HUMAN RESOURCE MANAGEMENT FINDINGS

An objective measure of internal human resource practices is the two main external assessments of human resource services, the Auditor General's report and the SALGA national Human Resource Maturity Assessment.

#### 4.3.1. Auditor General

The Communication of Audit Findings (COMAF's) for human resource management over the last five years were as follows:

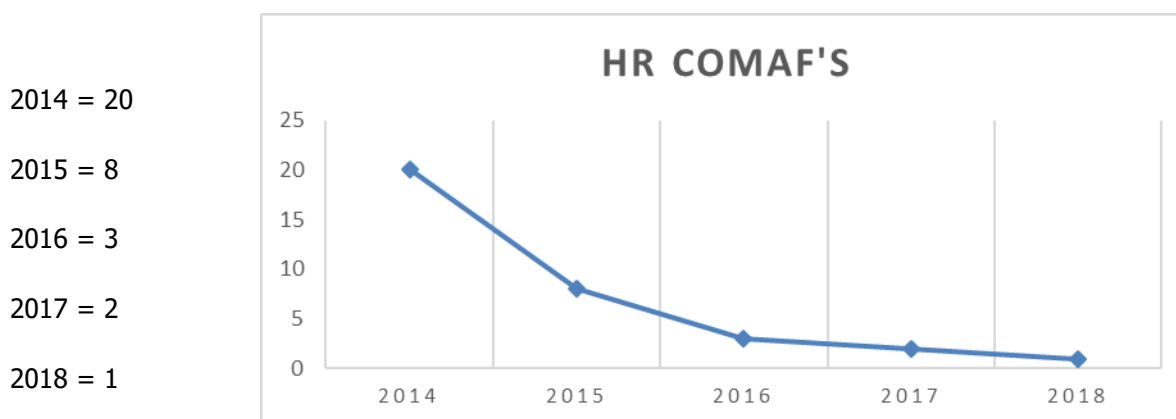


Table 56.: HR COMAF's

The 2018 COMAF's relates to the Reconciliation of Leave. The Auditor General noted that the Human Capital processes and procedures are "Good" with the basics in place and no concerns were identified.

#### 4.3.2. SALGA's Human Resource Management Maturity

Hessequa's maturity rating in 2015 was level 0 and has progressed to level 2 in 2017. This has been maintained and some improvements have been implemented. Whilst it is the ideal to strive towards the

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highest level 4 maturity, it is realistically not possible in the short or medium term. The municipality is simply too small and limited in its financial and human resources to implement some of the "ideal" human resource practices required for level 4 maturity. These include "self-help" online HR services and professional psychometric assessment of staff. The best practice in Hessequa with regard to Succession Planning initiated a "peer learning" agreement between Bitou Municipality and Hessequa facilitated by SALGA.

### 4.4. 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".

#### ***Number of Employees per Race vs. Western Cape Population***

Description	African	Coloured	Indian	White	Total
* % Economically Active Population(Western Cape)	36%	48.7%	0.5%	14.8%	100%
Number for positions filled	40	443	0	67	550
% for Positions filled	7.3%	80.4%	0%	12.3%	100%

***Table 57.: No of employee vs Western Cape Economically Active Population 2018/19***

***\* 2017 Provincial Statistics provided by Department of Labour.***

The percentage employees from previously disadvantaged groups in Top Management (Directors and Municipal Manager) remained static. There are 3 white males, 2 white females and 1 coloured male in the top management team of 6.

Occupational Levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
<b>Top management</b>	0	1	0	3	0	0	0	2	6
<b>%</b>	0	16.7	0	50	0	0	0	33.3	100
<b>Snr Management</b>	0	9	0	9	0	2	0	1	21
<b>%</b>	0	42.9	0	42.9	0	9.5	0	4.7	100

***Table 58.: Employees Top Management***

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The mentorship program in Technical Services includes four coloured males and one coloured female. Many of these employees should be eligible for consideration for appointment to the top management level upon expiry of the current employment contract of the Director: Technical Services in 2021. One of the candidates was appointed as Manager; Civil Infrastructure during this period. All indications are that the mentorship programme will yield positive results.

### 4.4 MANAGING THE MUNICIPAL WORKFORCE

Managing the municipal workforce refers to the post-recruitment and selection period where the human capital must be managed, deployed and utilized effectively. This requires discipline, training and development and fostering healthy and professional workplace human relationships amongst staff. Productivity is key.

#### 4.4.1 Occupational Health and Safety (OHS)

Great strides continue to be made to ensure employees work are safe in the workplaces they work in. Challenges remain but systematically these are being addressed. The year in review saw the unfortunate contractual dispute with the supplier for protective clothing.

The Health and Safety representatives are trained in OHS and First Aid. There are Chairpersons appointed for each town and the co-ordinating committee meets quarterly in line with the SDBIP requirements. A floating trophy was introduced and was won by Heidelberg in 2018/19.



No serious injuries were reported. The following table indicates the total number of injuries on duty reported within the different departments:

Directorates	2017/18	2018/19
Office of the Municipal Manager	0	0

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Directorates	2017/18	2018/19
Corporate Management	3	3
Technical Services	60	62
Community Services	2	1
Financial Services	1	3
Development Planning	4	0
<b>Total</b>	<b>70</b>	<b>69</b>

*Table 59.: Number of injuries on duty*

### 4.4.2 Capacitating the Workforce

Section 68(1) of the MSA states that a 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 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). The financial year of the LGSETA runs from 1 May to 30 April as it is a national entity. These periods do not align with the Municipal financial year end as the National and Local Government financial years differ. The training interventions and expenditure reported hereunder is for the LGSETA Workplace Skills Plan period May 2018 to April 2019.

The table below indicates that a total amount of R862 000 was allocated towards the implementation of the workplace skills plan and that 90,2 % of the total amount was spent from 1 May 2018 to 30 April 2019.

Total personnel budget	Total Allocated	Total Spent	% of allocation spent
R150 088 660	R862 000	R777 721	90,2%

*Table 60.: Budget Allocated and Spent for Skills Development*

The table below shows the training interventions per occupational categories for the WSP Period 1 May 2018 to 30 April 2019.

Category	Gender	Target	Actual
Managers	Female	2	1
	Male	27	6
Professionals	Female	6	2
	Male	17	10
Technicians and Associate Professionals	Female	5	9

## SERVICE DELIVERY PERFORMANCE

Category	Gender	Target	Actual
	Male	26	13
Clerical Support Workers	Female	9	1
	Male	0	2
Service Workers	Female	2	0
	Male	16	7
Skilled Workers	Female	0	0
	Male	17	68
Plant and Machine Operators	Female	2	0
	Male	63	55
Elementary Occupations	Female	10	12
	Male	147	175
<i>Sub total</i>	<i>Female</i>	<i>36</i>	<i>25</i>
	<i>Male</i>	<i>313</i>	<i>336</i>
<b>Total</b>		<b>349</b>	<b>361</b>

**Table 61.: Training interventions**

### 4.4.3 Creating a Learning Organisation

In a massive project (over 70 working days' contact time), the Personal Development Plans (PDP) for every employee was completed in this period. Each Director received an overarching Human Resource Development Plan for her/his Directorate that outlines each employee's personal development aspirations and matches that against the employers' need and capacity. This is the bedrock of a solid and sustainable development plan for the municipality and its employees. All training and development initiatives must align to these plans. The consolidated PDP plan is the "true north" for human resource development planning.

### 4.4.4 MFMA Competencies

All the requirements for the Minimum Competency levels have been achieved by the respective employees where it is a requirement, apart from two officials whose minimum educational qualifications are lower than prescribed.



## 4.5 MANAGING THE MUNICIPAL WORKFORCE EXPENDITURE

Section 66 of the Municipal Systems Act (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 National Treasury Budget and Reporting Regulations SA22 and SA23 and Cost Cutting measures in Circular 82 of 2016.

### 4.5.1 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 two financial years and that the municipality is within the national norm of between 35 to 40%:

Financial year	Total Expenditure salary and allowances	Total Operating Expenditure	Percentage
	R'000	R'000	
2017/18	158 489	407 855	38,86%
2018/19	157 498	429 407	36,68%

Table 62.: Personnel Expenditure

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

Financial year	2017/18		2018/19	
	Actual	Approved Budget	Actual	Actual
Description	R'000	R'000	R'000	R'000
<b>Councillors</b>				
Basic Salary	4 887	4 887	4 887	4 887
UIF, Medical and Pension Fund	637	637	637	637
Vehicle	1 153	1 153	1 153	1 153
Cellphone	524	524	524	524
Housing				
Performance				
Other				
Benefits				
<b>Sub Total</b>	<b>7 202</b>	<b>7 202</b>	<b>7 202</b>	<b>7 202</b>
<b>% increase/(decrease)</b>				
<b>Senior Managers of the Municipality</b>				
Salary	4 811	5 591	5 688	5 688
UIF, Medical Aid- and Pension Contributions	914	983	977	977
Motor Vehicle Allowance	499	488	532	532
Cell phone Allowance	35	36	50	50

SERVICE DELIVERY PERFORMANCE

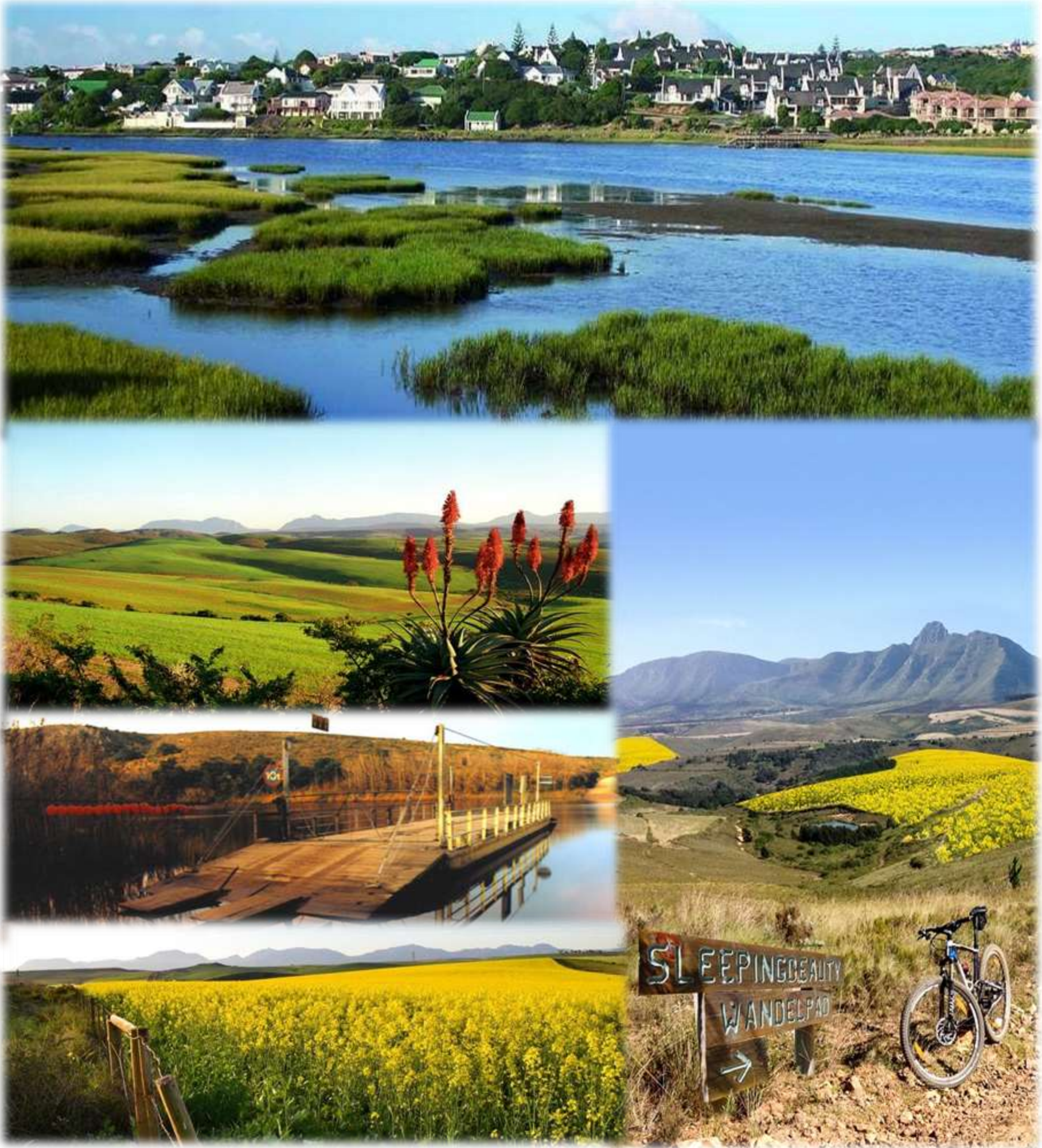
Financial year	2017/18	2018/19	
Description	Actual	Approved Budget	Actual
	R'000	R'000	R'000
Housing allowance		–	–
Performance Bonus	792	886	1 104
Other Benefits or Allowances	115	29	(308)
Benefits	0	–	–
<b>Sub Total</b>	<b>7 165</b>	<b>8 013</b>	<b>8 044</b>
<b>% increase/(decrease)</b>			<b>18%</b>
<b>Other Municipal Staff</b>			
Basic Salaries and Wages	94 184	108 914	103 001
UIF, Medical Aid– and Pension Contributions	20 733	24 532	22 287
Motor Vehicle Allowance	4 137	4 516	4 082
Cell phone Allowance	314	339	314
Housing Allowance	1 159	1 497	1 079
Overtime	4 952	4 531	4 751
Other benefits or allowances	4 969	6 553	6 170
Post-retirement	13 673	7 973	182
<b>Sub Total</b>	<b>144 122</b>	<b>158 854</b>	<b>141 866</b>
<b>% increase/ (decrease)</b>			<b>12%</b>
<b>Total Municipality</b>	<b>158 489</b>	<b>174 917 716</b>	<b>157 498 266</b>
<b>% increase/ (decrease)</b>			<b>12%</b>

Table 63.: Personnel Expenditure



# HESSEQUA MUNICIPALITY

# 2018/2019





**HESSEQUA LOCAL MUNICIPALITY****INDEX****PAGE**

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# HESSEQUA MUNICIPALITY

## GENERAL INFORMATION

EXECUTIVE MAYOR  
DEPUTY MAYOR  
SPEAKER

Councillor G Riddles  
Councillor Mr J Hartnick  
Councillor A Stroebel

MEMBERS OF THE EXECUTIVE MAYORAL COMMITTEE:

Chairperson  
Member  
Member  
Member  
Member

Councillor G Riddles  
Councillor Johannes Hartnick  
Councillor M Jakobs  
Councillor SM Odendaal  
Councillor B Smith

CHAIRPERSONS OF THE PORTFOLIO COMMITTEES :

Corporate Services  
Finance Portfolio  
Community Services  
Planning and Environmental Services  
Technical Services Portfolio

Councillor B Smith  
Councillor B Smith  
Councillor M Jakobs  
Councillor Johannes Hartnick  
Councillor SM Odendaal

MEMBERS OF THE FINANCIAL AUDIT COMMITTEE:

Chairperson  
Member  
Member  
Member  
Member

Prof JA Döckel  
Mr KG Herbst  
Ms S van Jaarsveld  
Mr FH Zietsman  
Ms A Hartnick

MEMBERS OF THE PERFORMANCE AUDIT COMMITTEE:

Chairperson  
Member  
Member  
Member  
Member

Prof JA Döckel  
Mr KG Herbst  
Ms S van Jaarsveld  
Mr FH Zietsman  
Me A Hartnick

AUDITORS:

The Auditor General  
Private Bag X1  
CHEMPET  
7742  
Telephone 021-528 4100  
Fax 021-528 4201

BANKERS:

FNB  
c/o Robertson & Church Street  
RIVERSDALE  
Telephone 082-713 2434

REGISTERED OFFICE:

Van den Berg Street  
PO Box 29  
RIVERSDALE  
6670  
Telephone 082 713 8000  
Fax 086 401 5259

**GENERAL INFORMATION - (continued)**

MUNICIPAL MANAGER:

Mr. J. Jacobs

DIRECTOR: FINANCIAL SERVICES:

Ms. H.J. Viljoen

COUNCIL MEMBERS

I Mangaliso  
AM Joubert  
B Smith  
CP Taute  
T van den Berg  
GL Boezak  
M Fielies  
L Pieterse  
S Odendaal  
J Gelderbloem  
Johannes Hartnick  
G Riddles  
A Stroebel  
M Jakobs  
T van Rensburg  
ME Daymani  
NA Joseph

POSITION

Councillor, Garden Route DM Rep  
Councillor  
Councillor, Executive Mayoral Committee  
Councillor  
Councillor  
Councillor  
Councillor  
Councillor  
Councillor, Executive Mayoral Committee  
Councillor  
Deputy Executive Mayor  
Executive Mayor  
Speaker, Councillor  
Councillor, Executive Mayoral Committee  
Councillor, Garden Route DM Rep  
Councillor  
Councillor

# HESSEQUA MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS

### FOR THE YEAR ENDED

### 30 JUNE 2019

I am responsible for the preparation of these annual financial statements, which are set out on pages 7 - 100, 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.

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

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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 Co-operative Governance and Traditional Affairs determination in accordance with this Act.

The annual financial statements have been prepared on the going concern basis and is hereby certified.



J. JACOBS  
Municipal Manager

31 August 2019

Date

# HESSEQUA LOCAL MUNICIPALITY

## Statement from the Chief Financial Officer

### 1. Introduction

It is my pleasure to give a brief summary of the financial results of our Council for the financial year ended 30 June 2019.

The financial activities for the year are discussed in the various sections of this report.

Restated

### 2. Key financial indicators

#### Ratio Description

#### Current ratio

The current ratio is used to measure to which extent the municipality's liquid assets are able to cover its short-term liabilities, also known as working capital. Working capital refers to the financial resources to support the day-to-day operations of the entity giving effect to Section 215 of the Constitution.

The higher the ratio is to 1, the more liquid and solvent the municipality is and able to comply with Section 65 of the MFMA.

3.17      2.78

#### Revenue Management

*Actual income vs Budgeted income*

101.20%      98.96%

*Level of government grants to own income*

19.65%      25.71%

The decrease in ratio indicates that the government grants received decreased relative to the municipality's own income.

#### Expenditure management

*Actual expenditure vs Budgeted expenditure*

89.69%      93.68%

*Personnel costs to total expenditure*

36.92%      35.49%

*Interest paid as percentage of total expenditure*

3.94%      4.61%

The general accepted norm in this regard is 15%. The relatively low ratio indicates the Municipalities ability to finance capital programmes, to some extent, from own resources. The borrowing, funds and reserves policy prescribes the rate not to exceed 5%.

*Creditors, unspent grants and VAT to Cash and Investments*

19.62%      25.74%

#### Asset management

*Acquisition of PPE - Actual vs budgeted*

	2019 Actual R	2019 Budget R	2019 Variance R	2019 Variance %
<b>Land</b>				
<b>Land &amp; Buildings</b>	537 916	1 156 334	(618 418)	-53.48
	<b>537 916</b>	<b>1 156 334</b>	<b>(618 418)</b>	<b>-53.48</b>
<b>Infrastructure</b>				
<b>Sewerage</b>	22 874 377	28 843 213	(5 968 836)	-20.69
<b>Water</b>	19 561 196	22 916 345	(3 355 149)	-14.64
<b>Electricity</b>	4 445 444	5 775 033	(1 329 589)	-23.02
<b>Solid Waste</b>	173 461	250 000	(76 539)	-30.62
<b>Roads and Stormwater</b>	9 710 243	12 216 148	(2 505 905)	-20.51
<b>Information And Communication Infrastructure</b>	794 016	983 000	(188 984)	-19.23
	<b>57 558 738</b>	<b>70 983 739</b>	<b>(13 425 001)</b>	<b>-128.71</b>



Statement from the Chief Financial Officer -(continued)

<b>Intangible Assets</b>				
<b>Computer Software And Applications</b>	65 600	315 600	(250 000)	-79.21
	<b>65 600</b>	<b>315 600</b>	<b>(250 000)</b>	<b>-79.21</b>
<b>Community Assets</b>				
<b>Public Convenience</b>	507 681	2 230 000	(1 722 319)	-77.23
<b>Sportfields</b>	2 093 691	3 097 595	(1 003 904)	-32.41
<b>Libraries</b>	266 535	266 535	(0)	-0.00
<b>Cemeteries</b>	979 136	1 270 000	(290 864)	-22.90
	<b>3 847 043</b>	<b>6 864 130</b>	<b>(3 017 087)</b>	<b>-43.95</b>
<b>Other Assets</b>				
<b>Plant &amp; Equipment</b>	1 179 623	1 883 050	(703 427)	-37.36
<b>Trucks</b>	1 500 000	7 300 000	(5 800 000)	-79.45
<b>LDV's</b>	1 556 773	1 880 000	(323 228)	-17.19
<b>Computer Equipment</b>	816 504	1 006 641	(190 137)	-18.89
<b>Furniture &amp; Office Equipment</b>	605 164	687 663	(82 499)	-12.00
<b>Other</b>	397 803	400 000	(2 197)	-0.55
	<b>6 055 866</b>	<b>13 157 354</b>	<b>(7 101 488)</b>	<b>-53.97</b>
<b>Total</b>	<b>68 065 162</b>	<b>92 477 157</b>	<b>(24 411 995)</b>	<b>-26.40</b>

Budget Spent 73.60%

*Consumer debtors and rates collection period*

(Gross exchange debtors/service charges x 365)

The higher the ratio in the days the more likelihood that some debt could be irrecoverable.

Collection rate - (levies for the year less receipts)

**Debt management**

*Total liabilities/Total assets*

The ratio remained mainly unchanged from the previous year.

*Long term debt to Total operating revenue (Excl grants and transfers)*

(The borrowing, funds and reserves policy prescribes the rate not to exceed 35%.)

*Percentage of Total annual repayment of long term debt to operating expenditure*

(The borrowing, funds and reserves policy prescribes the rate not to exceed 10%.)

*Trade creditors payment period*

The municipality pay their creditors within 30 days as per the required by the MFMA. The reason for the long payment period, is due to the high amounts of creditors, which occur at yearend. The higher the creditors, the longer the payment period.

	2018/19	2017/18
Consumer debtors and rates collection period	67.78 days	67.59 days
Collection rate - (levies for the year less receipts)	96.69%	96.94%
Total liabilities/Total assets	29.00%	28.91%
Long term debt to Total operating revenue (Excl grants and transfers)	30.05%	30.75%
Percentage of Total annual repayment of long term debt to operating expenditure	4.84%	4.21%
Trade creditors payment period	63.49 days	69.04 days

**3. Operating Results**

The overall summarised operating results for the municipality in comparison to the approved budget is shown below. The Statement of Financial Performance reflects a summary of income and expenditure, whilst the segmental operating results per service is shown in Appendix D of the annual financial statements.

	2018/19		2017/18	Growth
	Actual	Budget	Actual	
<b>Revenue</b>				
Agency services	2 408 309	2 031 680	2 218 473	8.56%
Fines	58 699 669	67 871 713	37 997 075	54.48%
Gains on disposal of PPE	387 452	2 500 000	101 615	281.29%
Donated PPE	4 722 091	5 500 000	141 699	3232.49%
Interest Earned - External investments	18 188 992	5 528 100	17 958 842	1.28%
Interest Earned - Outstanding debtors	2 367 953	1 572 649	1 950 423	21.41%
Licenses and permits	1 445 420	1 474 532	1 420 287	1.77%
Property rates	86 657 328	84 864 620	78 148 577	10.89%
Rental of facilities and equipment	2 905 927	1 951 506	2 607 264	11.46%
Services Charges	218 878 708	213 928 430	201 488 590	8.63%
Transfers Recognised	80 271 674	86 893 360	93 230 593	-13.90%
Gain on revaluation of Investment Property	1 968 633	-	453 509	334.09%
Other revenue	16 916 651	15 808 152	18 898 201	-10.49%
	<b>495 818 807</b>	<b>489 924 742</b>	<b>456 615 148</b>	<b>8.59%</b>

Statement from the Chief Financial Officer -(continued)

	2018/19		2017/18	Growth
	Actual	Budget	Actual	
<b>Expenses</b>				
Bulk purchases	97 204 702	94 197 457	89 362 014	8.78%
Contracted services	26 290 317	36 360 957	32 192 657	-18.33%
Debt impairment	45 999 258	59 530 298	38 691 945	18.89%
Depreciation and impairment	27 794 207	35 959 608	29 101 245	-4.49%
Employee related cost	161 733 545	165 475 148	151 287 185	6.90%
Remuneration of councillors	7 588 445	8 050 309	7 202 030	5.37%
Finance charges	16 899 034	21 179 799	18 822 055	-10.22%
Inventory consumed	21 844 488	26 532 061	19 235 516	13.56%
Transfers and subsidies	1 133 147	1 206 500	1 054 803	7.43%
Other expenditure	22 919 693	30 249 708	21 026 644	9.00%
	<b>429 406 837</b>	<b>478 741 845</b>	<b>407 976 092</b>	<b>5.25%</b>
<b>Net operating Surplus</b>	<b>66 411 970</b>	<b>11 182 897</b>	<b>48 639 055</b>	

### 3.1 Operating revenue

The major revenue streams that supported the programmes and activities of the municipality were:

- property rates
- services charges, consisting of the following:
  - ~ electricity sales
  - ~ water sales
  - ~ waste water management
  - ~ solid waste management
- government grants and subsidies
- other

Details of the main categories of income are as follows:

	2018/19	2017/18
Service Charges	44.36%	44.18%
Property rates	17.56%	17.14%
Grants and subsidies	16.27%	20.44%
Other	21.82%	18.24%
	<b>100.00%</b>	<b>100.00%</b>

### 3.2 Operating expenditure

Details of the main categories of expenditure for the year under review is provided below:

	2018/19	2017/18
Bulk purchases	22.84%	21.60%
Employee related cost/Council Remuneration	39.04%	36.74%
Depreciation and impairment	6.53%	7.04%
Finance cost	3.97%	4.55%
Other	27.61%	30.07%
	<b>100.00%</b>	<b>100.00%</b>

### 4. Debtors

Total outstanding net debtors increased by R1 324 668 to a balance of R47 773 120 at 30 June 2019. Income from traffic fines increased to R58 699 669 and outstanding traffic receivables amounted to R67 818 339 at 30 June 2019. A provision for impairment of traffic fines of R55 177 000 was made at year end.

### 5. Borrowings, Investments and Cash

Interest bearing debt increase to R124 147 892 in the financial year ended 30 June 2019. Cash and cash equivalents increased by R37 648 467 to close the year at R258 million.

### 6. Expression of appreciation

I am grateful to the Mayor, members of the Executive Committee, Councilors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, without whose assistance these Annual Financial Statements would not have been possible.

**H.J. VILJOEN**  
**CHIEF FINANCIAL OFFICER**  
**31 August 2019**

## STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2019

	Note	2019 R	2018 Restated R
<b>ASSETS</b>			
<b>Current Assets</b>		<b>308 578 738</b>	<b>271 264 020</b>
Inventory	2	2 842 014	2 810 521
Trade receivables from exchange transactions	3	23 481 985	23 983 095
Trade receivables from non-exchange transactions	4	24 291 135	22 465 357
VAT Receivable	5	-	1 689 073
Bank, Cash and Cash Equivalents	6	257 508 767	219 860 299
Operating Lease Assets	7	451 756	452 826
Current Portion of Long-term Receivables	12	3 082	2 849
<b>Non-Current Assets</b>		<b>911 365 695</b>	<b>853 355 042</b>
Property, Plant and Equipment	8	829 153 099	772 882 452
Intangible Assets	9	277 366	298 911
Investment Property	10	73 606 414	71 841 781
Heritage Assets	11	8 321 875	8 321 875
Long-term Receivables	12	6 940	10 022
<b>Total Assets</b>		<b>1 219 944 433</b>	<b>1 124 619 061</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>		<b>97 238 851</b>	<b>97 482 387</b>
Consumer Deposits	13	9 224 987	8 399 605
Current Employee Benefits	14	16 790 400	14 931 103
Creditors	15	42 605 658	43 914 899
Unspent Conditional Grants and Receipts	16	6 918 935	12 680 337
Operating Lease Liabilities	17	129 042	135 495
VAT Payable	6	990 510	-
Current Portion of Long-term Liabilities	18	20 579 320	17 420 948
<b>Non-Current Liabilities</b>		<b>256 491 897</b>	<b>227 632 366</b>
Long-term Liabilities	18	103 568 572	94 133 984
Retirement Benefit Liabilities	19	48 160 000	51 622 000
Non-current Provisions	20	102 614 814	79 843 805
Trust Fund	48	2 148 511	2 032 577
<b>Total Liabilities</b>		<b>353 730 748</b>	<b>325 114 754</b>
<b>Total Assets and Liabilities</b>		<b>866 213 685</b>	<b>799 504 308</b>
<b>NET ASSETS</b>		<b>866 213 685</b>	<b>799 504 308</b>
Statutory Funds	21	543 103	245 695
Accumulated Surplus	22	865 670 582	799 258 613
<b>Total Net Assets</b>		<b>866 213 685</b>	<b>799 504 308</b>

## HESSEQUA LOCAL MUNICIPALITY

### STATEMENT OF FINANCIAL PERFORMANCE AT 30 JUNE 2019

Revenue	Note	2019 R Actual	2018 R Restated
<b>Revenue from non-exchange transactions</b>		<b>234 921 899</b>	<b>213 627 945</b>
Property Rates	23	86 657 328	78 148 577
Fines		58 699 669	37 997 075
Licences and permits		1 445 420	1 420 287
Income from Agency Services		2 408 309	2 218 473
Interest earned - outstanding receivables		717 408	471 240
Donated Property, Plant and Equipment		4 722 091	141 699
Transfers recognised - Operational	25 + 26	56 568 366	60 345 573
Transfers recognised - Capital	25 + 26	23 703 308	32 885 020
<b>Revenue from exchange transactions</b>		<b>258 540 823</b>	<b>242 432 078</b>
Service Charges	24	218 878 708	201 488 590
Rental of facilities and equipment		2 905 927	2 607 264
Interest earned - external investments		18 188 992	17 958 842
Interest earned - outstanding receivables		1 650 545	1 479 183
Other income	27	16 916 650	18 898 200
<b>Total Revenue</b>		<b>493 462 722</b>	<b>456 060 023</b>

<b>Expenditure</b>			
Employee related costs	28	158 556 001	144 786 954
Remuneration of Councillors	29	7 588 445	7 202 030
Bad debts written off	30	45 999 258	51 878 620
Depreciation and Amortisation	31	27 794 207	29 101 245
Finance Charges	32	16 899 034	18 822 055
Bulk purchases	33	97 204 702	89 362 014
Inventory Consumed	57	21 844 488	19 235 516
Transfers and Subsidies		1 133 147	1 054 803
Contracted services	56	26 290 317	32 192 657
General expenses	34	22 248 639	20 018 955
<b>Total Expenditure</b>		<b>425 558 239</b>	<b>413 654 850</b>

<b>Operating Surplus/(Deficit) for the Year</b>			
Actuarial Gains/(Losses)	28	8 646 180	(6 500 230)
Inventories: (write-down)/Reversal of write-down to Net Realisable value		-	(121 430)
Gains/(Loss) on Sale of Fixed Assets		387 452	101 615
Reversal of Impairment Loss/(Impairment Loss) on receivables	30	(11 823 724)	13 186 675
Water losses	51	(671 054)	(886 257)
Profit/(Loss) on Fair Value Adjustments	10	1 968 633	453 509
<b>NET SURPLUS FOR THE YEAR</b>		<b>66 411 970</b>	<b>48 639 055</b>

Refer to note 46 for details regarding restatements

## HESSEQUA LOCAL MUNICIPALITY

### STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED

**30 JUNE 2019**

	Note	Housing Reserve  R	Revaluation Reserve  R	Accumulated Surplus/ (Deficit)  R	Total  R
<b>Balance 1 July 2017</b>		245 695	-	752 280 205	752 525 900
Correction of prior year error	46			(1 660 647)	(1 660 647)
<b>Restated balance 1 July 2017</b>		245 695	-	750 619 558	750 865 253
Surplus for the year - restated	46			48 639 055	48 639 055
<b>Restated balance at 30 JUNE 2018</b>		245 695	-	799 258 613	799 504 309
Transfer to Housing Reserve		297 409			297 409
Surplus for the year				66 411 970	66 411 970
<b>Balance at 30 JUNE 2019</b>		543 104	-	865 670 582	866 213 687

**HESSEQUA LOCAL MUNICIPALITY**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2019/06/30	2018/06/30
		R	R
		Actual	Restated
<b>Cash Flow from Operating Activities</b>			
<b>Receipts</b>		<b>405 471 989</b>	<b>388 928 543</b>
Property rates		83 660 259	76 164 765
Fines		8 372 293	8 741 649
Government grants and subsidies		74 510 271	84 660 054
Service Charges		215 294 877	194 872 288
Income from agency services		2 408 309	2 218 473
Rental of facilities and equipment		2 905 927	2 607 264
Licences and permits		1 445 420	1 420 287
Other receipts		16 874 633	18 243 762
<b>Payments</b>		<b>(323 338 686)</b>	<b>(306 645 673)</b>
Employee related cost		(151 357 524)	(133 350 855)
Remuneration of councillors		(7 588 445)	(7 202 030)
Transfers and Subsidies		(1 133 147)	(1 054 802)
Suppliers paid		(142 584 590)	(145 971 292)
Other payments		(20 674 978)	(19 066 694)
<b>Cash generated from operations</b>	<b>36</b>	<b>82 133 303</b>	<b>82 754 110</b>
Interest received		20 556 945	19 438 025
Interest paid	<b>32</b>	(16 899 034)	(18 822 055)
<b>Net Cash from Operating Activities</b>		<b>85 791 214</b>	<b>83 370 081</b>
<b>Cash flows from Investing Activities</b>			
Purchase of property, plant and equipment	<b>8</b>	(63 343 071)	(62 158 081)
Sale of property, plant and equipment		1 365 791	538 544
Decrease in non-current receivables		2 849	2 633
<b>Net Cash flows from Investing Activities</b>		<b>(61 974 430)</b>	<b>(61 616 904)</b>
<b>Cash flows from Financing Activities</b>			
New loans raised/(repaid)		12 592 960	(15 739 178)
Increase in consumer deposits		825 382	1 955 980
Increase in Housing Reserve		297 408	-
Increase in Trust Funds		115 934	111 231
<b>Net Cash from Financing Activities</b>		<b>13 831 684</b>	<b>(13 671 968)</b>
<b>Net Increase in Cash and Cash Equivalents</b>		<b>37 648 468</b>	<b>8 081 209</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>219 860 299</b>	<b>211 779 090</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>35</b>	<b>257 508 767</b>	<b>219 860 299</b>



## HESSEQUA LOCAL MUNICIPALITY

### STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AT 30 JUNE 2019

#### Statement of Financial Performance

Figures in Rand

Revenue	Final approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Revenue from non-exchange transactions</b>	<b>249 145 905</b>	-	<b>249 145 905</b>	<b>234 921 899</b>	<b>(14 224 006)</b>	<b>Note 55</b>
Property Rates	84 864 620	-	84 864 620	86 657 328	1 792 708	
Fines	67 871 713	-	67 871 713	58 699 669	(9 172 044)	Rev 1
Licences and permits	1 474 532	-	1 474 532	1 445 420	(29 112)	
Income from agency services	2 031 680	-	2 031 680	2 408 309	376 629	Rev 2
Interest earned - outstanding receivables	510 000	-	510 000	717 408	207 408	
Donated Property, Plant and Equipment	5 500 000	-	5 500 000	4 722 091	(777 909)	Rev 9
Transfers Recognised - Operational	62 367 617	-	62 367 617	56 568 366	(5 799 251)	Rev 3
Transfers Recognised - Capital	24 525 743	-	24 525 743	23 703 308	(822 435)	Rev 4
<b>Revenue from exchange transactions</b>	<b>240 778 837</b>	-	<b>240 778 837</b>	<b>260 896 907</b>	<b>20 118 070</b>	
Service Charges	213 928 430	-	213 928 430	218 878 708	4 950 278	
Rental of facilities and equipment	1 951 506	-	1 951 506	2 905 927	954 421	Rev 5
Interest earned - external investments	5 528 100	-	5 528 100	18 188 992	12 660 892	Rev 6
Interest earned - outstanding receivables	1 062 649	-	1 062 649	1 650 545	587 896	Rev 7
Other Revenue	15 808 152	-	15 808 152	16 916 650	1 108 498	Rev 8
Gains/(Loss) on Sale of Fixed Assets	2 500 000	-	2 500 000	2 356 085	(143 915)	
<b>Total Revenue</b>	<b>489 924 742</b>	-	<b>489 924 742</b>	<b>495 818 806</b>	<b>5 894 064</b>	
<b>Expenditure</b>						
Employee related costs	165 196 148	279 000	165 475 148	149 909 821	(15 565 327)	Exp1
Remuneration of Councillors	8 050 309	-	8 050 309	7 588 445	(461 864)	
Bad debts	59 530 298	-	59 530 298	57 822 982	(1 707 316)	
Depreciation and Asset Impairment	35 959 608	-	35 959 608	27 794 207	(8 165 401)	Exp2
Inventory Consumed	27 201 535	(669 474)	26 532 061	22 515 542	(4 016 519)	Exp3
Finance Charges	21 179 799	-	21 179 799	16 899 034	(4 280 765)	Exp4
Bulk purchases	94 197 457	-	94 197 457	97 204 702	3 007 245	Exp7
Transfers and Subsidies	1 154 600	51 900	1 206 500	1 133 147	(73 353)	
Contracted services	35 872 010	488 947	36 360 957	26 290 317	(10 070 640)	Exp5
General expenses	30 400 081	(150 373)	30 249 708	22 248 639	(8 001 069)	Exp6
<b>Total Expenditure</b>	<b>478 741 845</b>	-	<b>478 741 845</b>	<b>429 406 837</b>	<b>(49 335 008)</b>	
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>11 182 897</b>	-	<b>11 182 897</b>	<b>66 411 970</b>	<b>55 229 073</b>	

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AT 30 JUNE 2019**

<b>Statement of Financial Position</b>	<b>Final approved budget</b>	<b>Adjustments</b>	<b>Final Budget</b>	<b>Actual amounts on comparable basis</b>	<b>Difference between final budget and actual</b>	<b>Reference</b>
Figures in Rand						
<b>ASSETS</b>						<b>Note 55</b>
<b>Current Assets</b>	<b>197 954 967</b>	<b>46 360 000</b>	<b>244 314 967</b>	<b>308 578 738</b>	<b>64 263 771</b>	
Inventory	3 218 000	-	3 218 000	2 842 014	(375 986)	
Trade receivables from exchange transactions	27 684 645	5 976 000	33 660 645	23 481 985	(10 178 660)	Fp1
Trade receivables from non-exchange transactions	20 344 322	-	20 344 322	24 291 135	3 946 813	Fp1
Bank, Cash and Cash Equivalents	146 705 000	40 384 000	187 089 000	257 508 767	70 419 767	Fp2
Operating Lease Assets	-	-	-	451 756	451 756	
Current Portion of Long-term Receivables	3 000	-	3 000	3 082	82	
<b>Non-Current Assets</b>	<b>931 198 330</b>	<b>-20 051 395</b>	<b>911 146 935</b>	<b>911 365 695</b>	<b>218 760</b>	
Property, Plant and Equipment	853 831 000	-23 098 995	830 732 005	829 153 099	(1 578 906)	
Intangible assets	540 455	315 600	856 055	277 366	(578 689)	
Investment Property	68 495 000	2 732 000	71 227 000	73 606 414	2 379 414	
Heritage Assets	8 321 875	-	8 321 875	8 321 875	-	
Long-term Receivables	10 000	-	10 000	6 940	(3 060)	
<b>Total Assets</b>	<b>1 129 153 297</b>	<b>26 308 605</b>	<b>1 155 461 902</b>	<b>1 219 944 433</b>	<b>64 482 531</b>	
<b>LIABILITIES</b>						
<b>Current Liabilities</b>	<b>99 841 713</b>	<b>2 411 801</b>	<b>102 253 514</b>	<b>97 238 851</b>	<b>-5 014 663</b>	
Consumer Deposits	5 341 000	3 058 605	8 399 605	9 224 987	825 382	Fp3
Current Employee Benefits	7 972 000	-	7 972 000	16 790 400	8 818 400	Fp6
Creditors	70 790 713	-2 329 752	68 460 961	42 605 658	(25 855 303)	Fp4
Unspent Conditional Grants and Receipts	-	-	-	6 918 935	6 918 935	Fp4
Operating Lease Liabilities	-	-	-	129 042	129 042	
VAT Payable	-	-	-	990 510	990 510	
Current Portion of Long-term Liabilities	15 738 000	1 682 948	17 420 948	20 579 320	3 158 372	Fp5
<b>Non-Current Liabilities</b>	<b>297 251 221</b>	<b>-30 651 869</b>	<b>266 599 352</b>	<b>256 491 897</b>	<b>(10 107 455)</b>	
Long-term Liabilities	150 774 514	-26 640 967	124 133 547	103 568 572	(20 564 975)	Fp7
Retirement Benefit Liabilities	49 670 206	-	49 670 206	48 160 000	(1 510 206)	
Non-current Provisions	96 806 501	-4 010 902	92 795 599	102 614 814	9 819 215	Fp8
Trust Fund	-	-	-	2 148 511	2 148 511	Fp8
<b>Total Liabilities</b>	<b>397 092 934</b>	<b>-28 240 068</b>	<b>368 852 866</b>	<b>353 730 748</b>	<b>(15 122 118)</b>	
<b>Total Assets and Liabilities</b>	<b>732 060 363</b>	<b>54 548 673</b>	<b>786 609 036</b>	<b>866 213 685</b>	<b>79 604 649</b>	
<b>NET ASSETS</b>	<b>732 060 363</b>	<b>54 548 673</b>	<b>786 609 036</b>	<b>866 213 685</b>	<b>79 604 649</b>	
Statutory Funds	246 000	-	246 000	543 103	297 103	
Accumulated Surplus	731 814 363	54 548 673	786 363 036	865 670 582	79 307 546	Fp9
<b>Total Net Assets</b>	<b>732 060 363</b>	<b>54 548 673</b>	<b>786 609 036</b>	<b>866 213 685</b>	<b>79 604 649</b>	



**HESSEQUA LOCAL MUNICIPALITY**

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AT 30 JUNE 2019**

<b>Cash Flow from Operating Activities</b>	<b>Approved budget</b>	<b>Adjustments</b>	<b>Final Budget</b>	<b>Actual amounts on comparable basis</b>	<b>Difference between final budget and actual</b>	<b>Reference</b>
Figures in Rand						<b>Note 55</b>
<b>Receipts</b>						
Property rates	83 167 328	-	83 167 328	83 660 259	492 931	
Service charges	209 649 861	-	209 649 861	215 294 877	5 645 016	Cf1
Other revenue	35 186 930	-	35 186 930	32 006 582	(3 180 348)	Cf2
Government grants and subsidies	72 275 000	20 318 000	92 593 000	74 510 271	(18 082 729)	Cf3
<b>Payments</b>						
Suppliers and employees	(357 148 000)	(3 770 000)	(360 918 000)	(322 205 538)	38 712 462	Cf4
Transfers and grants	(987 000)	(118 000)	(1 105 000)	(1 133 147)	(28 147)	
<b>Cash generated from operations</b>	<b>42 144 119</b>	<b>16 430 000</b>	<b>58 574 119</b>	<b>82 133 303</b>	<b>23 559 185</b>	
Interest received	7 069 296	-	7 069 296	20 556 945	13 487 649	Cf5
Interest paid	(14 679 000)	(6 501 000)	(21 180 000)	(16 899 034)	4 280 966	Cf6
<b>Net Cash from Operating Activities</b>	<b>34 534 415</b>	<b>9 929 000</b>	<b>44 463 415</b>	<b>85 791 214</b>	<b>41 327 800</b>	
<b>Cash flows from Investing Activities</b>						
Purchase of property, plant and equipment	(94 366 000)	1 889 000	(92 477 000)	(63 343 071)	29 133 929	Cf7
Sale of property, plant and equipment	2 500 000	-	2 500 000	1 365 791	(1 134 209)	
(Increase)/decrease in non-current receivables	2 000	-	2 000	2 849	849	
<b>Net Cash flows from Investing Activities</b>	<b>(91 864 000)</b>	<b>1 889 000</b>	<b>(89 975 000)</b>	<b>(61 974 430)</b>	<b>28 000 570</b>	
<b>Cash flows from Financing Activities</b>						
New loans raised/(repaid)	54 955 585	(42 377 299)	12 578 286	12 592 960	14 674	
(Decrease)/increase in consumer deposits	210 000	-	210 000	825 382	615 382	
Increase in Housing Reserve	-	-	-	297 408	297 408	
Increase in Trust Funds	-	-	-	115 934	115 934	
<b>Net Cash from Financing Activities</b>	<b>55 165 585</b>	<b>(42 377 299)</b>	<b>12 788 286</b>	<b>13 831 684</b>	<b>1 043 398</b>	
<b>Net Increase / (decrease) in Cash and Cash Equivalents</b>	<b>(2 164 000)</b>	<b>(30 559 299)</b>	<b>(32 723 299)</b>	<b>37 648 468</b>	<b>70 371 767</b>	
<b>Cash and cash equivalents at the beginning of the year</b>	<b>149 869 000</b>	<b>69 991 299</b>	<b>219 860 299</b>	<b>219 860 299</b>	<b>-</b>	
<b>Cash and cash equivalents at the end of the year</b>	<b>147 705 000</b>	<b>39 432 000</b>	<b>187 137 000</b>	<b>257 508 767</b>	<b>70 371 767</b>	Cf8

## **HESSEQUA LOCAL MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

#### **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), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – April 2018) and the hierarchy approved in Directive 5 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 2018 and 30 June 2019 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 municipality'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 reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an on-going 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 and estimations, that management has 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 13.2 on *Revenue from Exchange Transactions* and Accounting Policy 13.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: *Revenue from Exchange Transactions* and GRAP 23: *Revenue from Non-Exchange Transactions*. 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 are 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.

# **HESSEQUA LOCAL MUNICIPALITY**

## **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 30 JUNE 2019**

### **1. BASIS OF PRESENTATION (continued)**

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

##### **1. 2. 2 Financial assets and liabilities**

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 9.1 on *Financial Assets Classification* and Accounting Policy 9.2 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 GRAP 104: *Financial Instruments*.

##### **1. 2. 3 Impairment of Financial Assets**

Accounting Policy 9.4 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 GRAP 104: *Financial Instruments* 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 is performed per service-identifiable categories across all classes of debtors.

The total increase in estimation of the impairment of Receivables from Exchange Transactions, Receivables from Non-exchange Transactions and that of Long-term Receivables are disclosed in Notes 3, 4 and 12 to the Annual Financial Statements.

##### **1. 2. 4 Fair Value Estimations**

As described in Accounting Policy 6.2, the municipality subsequently measures its Investment Property in terms of the Fair Value Model.

The valuation of assets are based on management's estimation. Management considered the impact of valuation techniques and market information in order to determine the current valuations, and more specifically as follows:

- Investment Property is measured at fair value amounts based on valuation techniques and market information. The actual value of these items could differ from those estimated.

##### **1. 2. 5 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 management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The assessment and considerations of useful lives are set out in Accounting policy 8, Estimation of Useful Lives.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

##### **1. 2. 6 Impairment: Write down of Property, Plant and Equipment, Intangible assets, Heritage assets and Inventories**

Accounting Policy 3.9 on *PPE - Impairment of assets* and Accounting Policy 5.2 on *Intangible assets - Subsequent Measurement, Amortisation and Impairment*, Accounting Policy 11.2 on *Inventory - Subsequent measurement and Accounting policy 4.3 on Heritage assets - 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).

## **HESSEQUA LOCAL MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 30 JUNE 2019**

#### **1. BASIS OF PRESENTATION (continued)**

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 21: Impairment of Cash generating Assets and GRAP 26: Impairment of non-Cash generating Assets. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the NRV for inventories involves significant judgement by management.

#### **1. 2. 7 Defined Benefit Plan Liabilities**

As described in Accounting Policy 16, 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 GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 19 and 20 of the Annual Financial Statements.

#### **1. 2. 8 Provisions and contingent liabilities**

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities as set out in notes, 14, 20 and 52 respectively. Provisions are discounted where the effect of discounting is material, using actuarial valuations.

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

Management referred to the following when making assumptions regarding provisions:

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

#### **1. 2. 9 Water Inventory**

The estimation of the water stock in the reservoirs is based on the measurement of water after the depth of water in the reservoirs has been determined, which is then converted into volumes based on the total capacity of the reservoir. Furthermore, the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end. Refer to Note 12 of the accounting policy notes to the Annual Financial Statements.

#### **1. 2. 10 Budget information**

Municipalities are typically subject to budgetary limits in the form of budget authorisations, which is given effect through authorising legislation, appropriation or similar. General purpose financial reporting by the municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury.

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives. The approved budget covers the fiscal period from 01/07/2018 to 30/06/2019.

The financial statements and the budget are on the same basis of accounting, therefore a comparison with the budgeted amounts for the reporting period are disclosed separately in the Statement of comparison of budget and actual amounts.

Deviations between budget and actual amounts are regarded as material differences when a 5% deviation exists. All material differences above 5% are explained in the notes to the annual financial statements.

#### **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. No foreign exchange transactions are included in the statements.

#### **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 MATERIALITY**

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

**HESSEQUA LOCAL MUNICIPALITY**

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**1. BASIS OF PRESENTATION (continued)**

**1. 7 STANDARDS AND AMENDMENTS TO STANDARDS ISSUED BUT NOT YET EFFECTIVE**

GRAP 18 Segment Reporting is effective from 1 April 2015. The implementation of GRAP 18 is delayed, in terms of Directive 5, for municipalities for the 2018/19 financial year and municipalities are not required to apply or early adopt GRAP 18. The implementation date of GRAP 18 is 1 April 2019.

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

Reference	Topic	Effective date
GRAP 20 (Original June 2011)	<b>Related party disclosures (Revised)</b> The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.  The Municipality adopted some of the disclosure requirements of GRAP 20. The information is included in the financial statements.	1 April 2019
GRAP 32 (Original August 2013)	<b>Service Concession Arrangement Grantor - issued December 2009</b> The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public entity.  No significant impact is expected as no such transactions or events are expected in the foreseeable future.	1 April 2019
GRAP 34 (Revised April 2019)	<b>Separate financial statements</b> The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.  No significant impact is expected as no such transactions or events are expected in the foreseeable future.	1 April 2020
GRAP 35 (Revised April 2019)	<b>Consolidated financial statements</b> The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.  No significant impact is expected as no such transactions or events are expected in the foreseeable future.	1 April 2020
GRAP 36 (Revised April 2019)	<b>Investments in associates and joint ventures</b> The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.  No significant impact is expected as no such transactions or events are expected in the foreseeable future.	1 April 2020
GRAP 37 (Revised April 2019)	<b>Joint arrangements</b> The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).  No significant impact is expected as no such transactions or events are expected in the foreseeable future.	1 April 2020

**HESSEQUA LOCAL MUNICIPALITY**

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**1. BASIS OF PRESENTATION (continued)**

Reference	Topic	Effective date
GRAP 38 (Revised April 2019)	<p><b>Disclosure of interests in other entities</b></p> <p>The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:</p> <p>(a) the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and</p> <p>(b) the effects of those interests on its financial position, financial performance and cash flows.</p> <p>No significant impact is expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2020
GRAP 104 (Revised April 2019)	<p><b>Financial instruments</b></p> <p>The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	1 April 2019
GRAP 108 (Original September 2013)	<p><b>Statutory Receivables - issued December 2009</b></p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy.</p>	1 April 2019
GRAP 109	<p><b>Accounting by Principals and Agents</b></p> <p>The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	1 April 2019
GRAP 110	<p><b>Living and Non-Living Resources</b></p> <p>The objective of this Standard is to prescribe the recognition, measurement, presentation and disclosure requirements for living resources; and disclosure requirements for non-living resources.</p> <p>No significant impact is expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2020
IGRAP 17	<p><b>Service Concession Arrangements where a grantor controls a significant residual interest in an Asset</b></p> <p>The Interpretation of the Standards is to provide guidance to the grantor where it has entered into a service concession arrangement, but only controls, through a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.</p> <p>No significant impact is expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2019



**HESSEQUA LOCAL MUNICIPALITY**

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**1. BASIS OF PRESENTATION (continued)**

Reference	Topic	Effective date
IGRAP 18	<p><b>Recognition and derecognition of land</b></p> <p>This Interpretation provides guidance on when an entity should recognise and derecognise land as an asset in its financial statements based on "control". Control includes, but is not limited to, legal title to land. Other rights are also considered in assessing whether land is controlled.</p> <p>The municipality needs to assess whether there are any changes to binding agreements that may impact its assessment of control.</p>	1 April 2019
IGRAP 19	<p><b>Liabilities to pay levies</b></p> <p>The Interpretation provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Interpretation.</p>	1 April 2019
IGRAP 20	<p><b>Accounting for adjustments to revenue</b></p> <p>Adjustments to revenue already recognised in terms of legislation or similar means arise from the completion of an internal review process within the municipality, and/or the outcome of an external appeal or objection process undertaken in terms of legislation or similar means. Adjustments to revenue include any refunds that become payable as a result of the completion of a review, appeal or objection process.</p>	1 April 2020
	<p><b>Guideline Accounting for Housing Arrangements Undertaken in terms of the National Housing Programme</b></p> <p>The Guideline indicates how municipalities should account for the activities they undertake for the department of Human Settlements in terms of the National Housing Programme.</p>	1 April 2019

## **HESSEQUA LOCAL MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 30 JUNE 2019**

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, a municipality 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.

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.

#### **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 Municipality 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 Municipality.
- 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 Trust Funds**

The following trust funds exist in the municipality:

###### **2. 2. 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. 2. 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..."

Subsequent interest earned on the invested funds are accounted for using the accrual basis and are added to the carrying amount of trust funds. The accrued interest is utilised as per the trust funds conditions as set out above.

These funds are invested in a ring fenced investment account.



## **HESSEQUA LOCAL MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 30 JUNE 2019**

#### **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.

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.

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

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

Repairs and maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in the Statement of Financial Performance and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

##### **3. 2 Subsequent Cost and 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 municipality 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.

Compensation from third parties for items of Property, Plant and Equipment that were impaired, lost or given up is included in the Statement of Financial Performance 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 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 charge is recognised in the Statement of Financial Performance.

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

The depreciation rates are based on the following estimated useful lives:

## HESSEQUA LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### **3. PROPERTY, PLANT AND EQUIPMENT (continued)**

	<b>Years</b>		<b>Years</b>
<b>Infrastructure</b>		<b>Buildings</b>	5 - 50
Roads and Paving	10 - 100		
Electricity	8 - 57	<b>Other</b>	
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
<b>Community</b>		Security equipment	5
Recreational Facilities	6 - 147		

The municipality reviews the estimates of the useful lives in accordance with Accounting Policy 8, Estimation of Useful Lives.

Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

#### **3. 4 Work in Progress**

Work in Progress 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 municipality 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 Land**

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

#### **3. 7 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. 8 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. 9 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.

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**4. Heritage Assets**

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

Heritage Assets are not depreciated owing to uncertainty regarding their estimated useful lives. The municipality assesses at each reporting date if there is an indication of impairment.

**4. 1 Initial Recognition**

The cost of an item of heritage assets 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.

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets 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.

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.

The cost of an item of heritage assets acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

**4. 2 Subsequent Measurement**

Subsequent expenditure relating to heritage assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality 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, all heritage assets are measured at cost, less accumulated impairment losses. Heritage assets are not depreciated.

Heritage assets are tested annually for impairment. Where items of heritage 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. The impairment loss is the difference between the carrying amount and the recoverable amount.

**4. 3 Derecognition of Heritage assets**

The carrying amount of an item of heritage assets 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 heritage assets is included in surplus or deficit when the item is derecognised.

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

## **HESSEQUA LOCAL MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 30 JUNE 2019**

#### **5. INTANGIBLE ASSETS**

##### **5. 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. Development assets are tested for impairment annually, in accordance with GRAP 21 / GRAP 26.

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. 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.

Repairs and maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in the Statement of Financial Performance and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

##### **5. 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.

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an Intangible Asset at a later date.

In terms of GRAP 31, 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 finite 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.

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

Intangible assets are tested annually for impairment, including intangible assets not yet available for use. Intangible assets with an indefinite useful life are tested for impairment whenever there are indications of impairment. 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. The impairment loss is the difference between the carrying amount and the recoverable amount.

The municipality reviews the estimates of the useful lives in accordance with Accounting Policy 8, Estimation of Useful Lives.

Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

## **HESSEQUA LOCAL MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 30 JUNE 2019**

#### **5. INTANGIBLE ASSETS (continued)**

##### **5. 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 disposal proceeds and the carrying value, and is recognised in the Statement of Financial Performance.

#### **6. INVESTMENT PROPERTY**

##### **6. 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 in the capacity as lessee and where it is being sublet) 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:

- Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations;
- 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 operations, the land is regarded as held for capital appreciation);
- A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases on a commercial basis (this will include the property portfolio rented out on a commercial basis on behalf of the municipality);
- A property owned by the municipality and leased out at a below market rental; and
- Property that is being constructed or developed for future use as investment property.

The rent earned does not have to be at a commercial basis or market related for the property to be classified as investment property.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Assets Classified as 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 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.

Repairs and maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in the Statement of Financial Performance and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

If the Municipality determines that the fair value of an investment property under construction is not reliably measurable but expects the fair value to be reliably measurable when construction is completed, it measures that investment property at cost until the fair value can be reliably determined or construction has been completed.

Where the Municipality has determined that the fair value of an investment property (other than investment property under construction) is not determinable on a continuing basis, the municipality measures that investment property using the cost model (as per the accounting policy for property, plant and equipment).

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
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**6. INVESTMENT PROPERTY (continued)**

**6. 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.

If the municipality determines that the fair value of an Investment Property under construction is not reliably measurable but expects the fair value to be reliably measurable when construction is completed, it measures that Investment Property at cost until the fair value can be reliably determined or construction has been completed.

Where the municipality has determined that the fair value of an Investment Property (other than Investment Property under construction) is not determinable on a continuing basis, the municipality measures that Investment Property using the cost model (as per the Accounting Policy for Property, Plant and Equipment).

**6. 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 is expected from its disposal.

**7. IMPAIRMENT OF ASSETS**

The municipality classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

**7. 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.

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. The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arms length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

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.

Any impairment loss of a revalued asset 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 the Statement of Financial Performance. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase and would be credited directly against the Revaluation Surplus to the extent of any previous impairments recognised against said reserve in respect of that asset.



**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**7. 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.

The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- Depreciated replacement cost approach;
- Restoration cost approach;
- Service units approach.

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 the Statement of Financial Performance. Any impairment loss of a revalued asset 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 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.

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 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 the Statement of Financial Performance. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase and would be credited directly against the Revaluation Surplus to the extent of any previous impairments recognised against said reserve in respect of that asset.

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
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**8. ESTIMATION OF USEFUL LIVES**

The municipality depreciates its assets over the estimated useful lives.

The useful life of an asset is defined as:

- The period over which an asset is expected to be available for use by an municipality, or
- The number of production or similar units expected to be obtained from the asset by the municipality.

The municipality assesses at each reporting date whether there is any indication that the useful life of an asset has changed. If any such indication exists the useful life is changed.

Any change in the useful life is accounted for as change in estimate in accordance with GRAP 3 (*Accounting policies, change in accounting estimates and errors*)

Annually the municipality considers whether there have been any indication that the initial useful lives of assets needs to be revised. The municipality considers the following during the assessment of its assets' useful lives. Whether:

- (a) The composition of the asset has changed,
- (b) The use of the asset has changed because of the following:
  - (i) The municipality has changed the manner in which the asset is used;
  - (ii) The municipality has changed the utilisation rate of the asset;
  - (iii) The municipality has made the decision to dispose of the asset during a future reporting period which results in a change in the useful life of the asset;
  - (iv) Technological, environmental or commercial changes occurred during the reporting period that will change the use of the asset;
  - (v) The asset was idle or retired during the current reporting period.
- (c) The asset is approaching its previously expected useful life,
- (d) There is evidence that the condition of the asset improved or declined based on assessments undertaken during the reporting period,
- (e) The asset is assessed as being impaired in accordance with the Accounting Policy 7.1 and 7.2 on Impairment of Assets.

A decrease in the estimated useful life of an asset is accounted for as an impairment in the Statement of Financial Performance.

The impairment of an asset is accounted for in accordance with Accounting policy 7.1 and 7.2 on Impairment of Assets.

The estimation of the useful lives of the municipality's assets is a matter of judgement based on the experience of the municipality with similar assets. The municipality considers all facts and circumstances in estimating the useful lives of assets, which includes the consideration of financial, technical and other factors.

**9. FINANCIAL INSTRUMENTS**

The municipality has various types of financial instruments and these can be broadly categorised as either Financial Assets, Financial Liabilities or Residual Interests 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 municipality's Statement of Financial Position when the municipality becomes party to the contractual provisions of the instrument.

The municipality 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 municipality 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.



## HESSEQUA LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### 9. FINANCIAL INSTRUMENTS (continued)

##### 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.

#### 9. 1 Financial Assets - Classification

A financial asset is any asset that represents cash or contractual right to receive cash or another financial asset from another entity.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

- **Financial assets at amortised cost** 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. Financial assets at amortised cost 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.
- **Financial assets measured at fair value** are financial assets that meet any of the following conditions:
  - (a) derivatives;
  - (b) combined instruments that are designated at fair value
  - (c) instruments held for trading.
  - (d) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
  - (e) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.
- **Financial assets measured at cost** are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

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 GRAP 104
Bank, Cash and Cash Equivalents – Call Deposits	Financial assets at amortised cost
Bank, Cash and Cash Equivalents – Cash	Financial assets at fair value
Bank, Cash and Cash Equivalents – Bank	Financial assets at amortised cost
Operating Lease Receivables	Financial assets at amortised cost
Long-term Receivables	Financial assets at amortised cost
Current Portion of Long-term Receivables	Financial assets at amortised cost
Trade receivables from exchange transactions	Financial assets at amortised cost
Trade receivables from non-exchange transactions	Financial assets at amortised cost
Investments in Fixed Deposits	Financial assets at amortised cost

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: Financial assets at amortised cost.

#### 9. 2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

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

- (i) Fair value;
- (ii) Amortised cost; or
- (iii) Cost.

## HESSEQUA LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### 9. FINANCIAL INSTRUMENTS (continued)

##### 9. 2 Financial Liabilities - Classification (continued)

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:

Type of Financial Liability	Classification in terms of GRAP 104
Long term liabilities	Financial liability at amortised cost
Other creditors	Financial liability at amortised cost
Bank overdraft	Financial liability at amortised cost
Short term loans	Financial liability at amortised cost
Current portion of long term liabilities	Financial liability at amortised cost

**Financial Liabilities that are measured at Fair Value** 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).

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

##### 9. 3 Initial and Subsequent Measurement

###### 9. 3. 1 Financial Assets:

###### Financial Assets measured at Amortised Cost

*Financial assets at Amortised cost* 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 Municipality entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as *Financial assets at Amortised cost*.

###### Financial Assets measured at Fair Value

Financial Assets at Fair Value are initially measured at fair value, excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

###### 9. 3. 2 Financial Liabilities:

###### Financial liabilities

Financial liabilities are initially measured at fair value. Subsequently financial liabilities are measured at amortised cost.

###### 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.

##### 9. 4 Impairment of Financial Assets

Financial assets, other than those at fair value, 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 GRAP 104.

## **HESSEQUA LOCAL MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 30 JUNE 2019**

#### **9. FINANCIAL INSTRUMENTS (continued)**

##### **9. 4 Impairment of Financial Assets (continued)**

###### **Financial assets carried at amortised cost**

Accounts receivable encompasses Long-term Debtors, Receivables from Exchange Transactions (Consumer Debtors) and Receivables from Non-exchange Transactions (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 receivable 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 GRAP 104 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 revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

###### **Impairment of Financial Assets measured at cost**

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

##### **9. 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.

##### **9. 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.

## **HESSEQUA LOCAL MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 30 JUNE 2019**

#### **10. STATUTORY RECEIVABLES**

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

##### **10. 1 Initial recognition**

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

##### **10. 2 Subsequent measurement**

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised.

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk-free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

##### **10. 3 Derecognition**

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived;
- (b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality:
  - i. derecognise the receivable; and
  - ii. recognise separately any rights and obligations created or retained in the transfer.

#### **11. 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**

- 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 cash flow and fair value risk, price risk and foreign currency risk.
- Sensitivity analysis for each of the market risks

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**11. RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES (continued)**

**Credit Risk**

- 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**

- 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.
- 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 49.8 to the annual financial statements.

**12. INVENTORIES**

**12. 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.

**12. 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 a municipality 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. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

**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, 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 weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.



**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
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**12. INVENTORIES (continued)**

**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 arise. 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.

**13. REVENUE RECOGNITION**

**13. 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 reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances. 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.

**13. 2 Revenue from Exchange Transactions**

**13. 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.

## **HESSEQUA LOCAL MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 30 JUNE 2019**

#### **13. REVENUE RECOGNITION (continued)**

##### **13. 2. 2 Pre-paid Electricity**

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

##### **13. 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.

##### **13. 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.

##### **13. 2. 5 Income from Agency Services**

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

##### **13. 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.
- 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.

##### **13. 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.

#### **13. 3 Revenue from Non-exchange Transactions**

An inflow of resources from a non-exchange transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

##### **13. 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.

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
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**13. REVENUE RECOGNITION (continued)**

**13. 3. 2 Fines**

Fines constitute both spot fines and summonses. Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably.

Revenue for fines is recognised when the fine is issued at the full amount of the receivable, considering the allowance in terms of IGRAP 1 to use estimates to determine the amount of revenue that the municipality is entitled to collect.

Assessing and recognising impairment is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment is not made at the time of initial recognition.

Subsequent to initial recognition and measurement, the collectability of the revenue is assessed and an impairment loss is recognised where appropriate.

There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

An estimate is made for revenue from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue is recognised when the public prosecutor pays the cash collected over to the municipality.

**13. 3. 3 Public contributions**

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. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

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.

Assets acquired in non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

**13. 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 under the control of the municipality.

**13. 3. 5 Services in-kind**

Services in-kind that are significant to the Municipality's operations are recognised as assets and the related revenue when:

- it is probable that the future economic benefits or service potential will flow to the Municipality; and
- the fair value of the assets can be measured reliably.

**13. 3. 6 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.



**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**14. CONDITIONAL GRANTS AND RECEIPTS**

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

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. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

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.

Revenue 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.

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.

**15. PROVISIONS**

Provisions 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.

The best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time, and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

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.

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**15. PROVISIONS (Continued)**

**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:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken;
  - 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.

**Provision for Environmental Rehabilitation**

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Municipality'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.

**16. EMPLOYEE BENEFIT LIABILITY**

**16. 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.

**16. 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.

**16. 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.

## **HESSEQUA LOCAL MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 30 JUNE 2019**

#### **16. EMPLOYEE BENEFITS (continued)**

##### **16. 3 Defined Benefit Plans**

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

##### **16. 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. 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 annually 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 the Statement of Financial Performance.

##### **16. 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.

##### **16. 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 43 of the Annual Financial Statements for details). These plans are either accounted for as defined benefit plans or defined contribution plans, based on their nature as set out in note 43. 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 every three years (unless staff numbers vary materially) 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.

##### **16. 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 Municipality contributes monthly to the funds.

The liability recognised in the Statement of Financial Position 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 annually.

Past-service costs are recognised immediately in the Statement of Financial Performance.

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**17. 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.

**17. 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.

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.

**17. 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.

**17. 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 considerations 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.

## **HESSEQUA LOCAL MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 30 JUNE 2019**

#### **18. BORROWING COSTS**

All borrowing costs are treated as an expense in the period in which they are incurred.

#### **19. 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.

#### **20. 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.

#### **21. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). The overspending on a vote constitutes unauthorised expenditure. All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **22. 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. Irregular 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.

#### **23. 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. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

#### **24. MATERIAL LOSSES**

The MFMA requires the disclosure of material losses incurred during the year under review. The disclosure is provided in order to comply to the legislative requirements governing Municipalities and Municipal Entities.

#### **25. 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. Details of Changes in Accounting Policies are disclosed in the Notes to the Annual Financial Statements where applicable.

**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. Details of Correction of Errors are disclosed in the Notes to the Annual Financial Statements where applicable.

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**26. 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. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager. All related party transactions not in the ordinary course of business are disclosed.

**27. 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.

**28. TRANSFER OF FUNCTIONS BETWEEN ENTITIES UNDER COMMON CONTROL**

Certain functions might be transferred between entities within the same sphere of government or between entities that are part of the same economic entity.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential.

**28.1 Initial Recognition**

The assets and liabilities that qualify for recognition by the acquirer or derecognition by the transferor in a transfer of functions between entities under common control are the result of separate transactions to be accounted for in accordance with their nature and the applicable Standard of GRAP.

If a transfer of functions in effect settles a pre-existing relationship, the acquirer recognises a gain or loss, measured as follows:

- (a) for a pre-existing non-contractual relationship, fair value.
- (b) for a pre-existing contractual relationship, the lesser of (i) and (ii):

- (i) the amount by which the binding arrangement is favourable or unfavourable from the perspective of the acquirer when compared with terms for current market transactions for the same or similar items.

- (ii) the amount of any stated settlement provisions in the binding arrangement available to the counterparty to whom the contract is unfavourable.

If (ii) is less than (i), the difference is included as part of a transfer of functions accounting. The amount of gain or loss recognised may depend in part on whether the acquirer had previously recognised a related asset or liability, and the reported gain or loss therefore may differ from the amount calculated by applying the above requirements.

If the initial accounting for a merger is incomplete by the end of the reporting period in which the merger occurs, a provisional amount is recorded in the financial statements for the items for which the accounting is incomplete. During the measurement period, the provisional amounts recognised are adjusted retrospectively at the merger date to reflect new information obtained about facts and circumstances that existed as of the merger date and, if known, would have affected the measurement of the amounts recognised as of that date. The measurement period ends as soon as the combined entity receives the information it was seeking about facts and circumstances that existed as of the merger date or learns that more information is not obtainable. The measurement period shall not exceed two years from the merger date.

**28.2 Subsequent Measurement**

At the transfer date, the assets acquired and liabilities assumed shall be classified or designated as necessary in order to apply other Standards of GRAP subsequently. Those classifications or designations are made on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions that exist at the transfer date.

As of the transfer date, all the assets transferred and liabilities relinquished in a transfer of functions shall be derecognised from the financial statements, at their carrying amounts.



**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**29. TRANSFER OF FUNCTIONS BETWEEN ENTITIES NOT UNDER COMMON CONTROL**

Certain functions might be transferred between entities not under common control.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential.

**29.1 Initial Recognition**

Each transfer of functions between entities not under common control is accounted for by applying the acquisition method.

The acquisition method implies recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree, and recognising the difference between the assets and liabilities and the consideration transferred to the seller.

The identifiable assets acquired and the liabilities assumed are initially recognised at their acquisition-date fair values.

For each transfer of functions, the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at is measured at:

**Fair value**

The present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets.

All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by the Standards of GRAP.

Any difference between the assets acquired and liabilities assumed and the consideration transferred (if any) as of the acquisition date is recognised in surplus or deficit.

If the initial accounting for a merger is incomplete by the end of the reporting period in which the merger occurs, a provisional amount is recorded in the financial statements for the items for which the accounting is incomplete. During the measurement period, the provisional amounts recognised are adjusted retrospectively at the merger date to reflect new information obtained about facts and circumstances that existed as of the merger date and, if known, would have affected the measurement of the amounts recognised as of that date. The measurement period ends as soon as the combined entity receives the information it was seeking about facts and circumstances that existed as of the merger date or learns that more information is not obtainable. The measurement period shall not exceed two years from the merger date.

If a transfer of functions in effect settles a pre-existing relationship, the acquirer recognises a gain or loss, measured as follows:

- (a) for a pre-existing non-contractual relationship, fair value.
- (b) for a pre-existing contractual relationship, the lesser of (i) and (ii):

- (i) the amount by which the binding arrangement is favourable or unfavourable from the perspective of the acquirer when compared with terms for current market transactions for the same or similar items.

- (ii) the amount of any stated settlement provisions in the binding arrangement available to the counterparty to whom the contract is unfavourable.

If (ii) is less than (i), the difference is included as part of a transfer of functions accounting. The amount of gain or loss recognised may depend in part on whether the acquirer had previously recognised a related asset or liability, and the reported gain or loss therefore may differ from the amount calculated by applying the above requirements.

**29.2 Subsequent Measurement**

At the transfer date, the assets acquired and liabilities assumed shall be classified or designated as necessary in order to apply other Standards of GRAP subsequently. Those classifications or designations are made on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions that exist at the transfer date.

As of the transfer date, all the assets transferred and liabilities relinquished in a transfer of functions shall be derecognised from the financial statements, at their carrying amounts.

## **HESSEQUA LOCAL MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 30 JUNE 2019**

#### **30. FOREIGN CURRENCIES**

Transactions in foreign currencies are translated to the functional currency of the municipality at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost and fair value in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the Statement of Financial Performance.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Cash flows arising from transactions in a foreign currency are recorded in Rand's by applying, to the foreign currency amount, the exchange rate between the Rand and the foreign currency at the date of the cash flow.

#### **31. COMPARATIVE INFORMATION**

##### **31. 1 Current Year Comparatives**

In accordance with GRAP 1 Budgeted Amounts have been provided and forms part of the Annual Financial Statements.

##### **31. 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.

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The mSCOA Charts are updated annually by National Treasury. The municipality has realigned items in the financial statements with the Item Segment of mSCOA V 6.2, on which the municipality was required to transacted for periods after 1 July 2018. The result of this process was a reclassification and naming of items in the annual financial statements.

##### **31. 3 Budget information**

The annual budget figures have been prepared in accordance with GRAP 24 and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or under spending on line items. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan. The budget is approved on an accrual basis by nature classification.

The approved budget covers the period from 1 July 2018 to 30 June 2019.

#### **32. 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 municipality.

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 municipality.

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



**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**33. CAPITAL COMMITMENTS**

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. 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.

Capital commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- 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.

**34. 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 LOCAL MUNICIPALITY****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019****2019**  
**R****2018**  
**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.

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

Stilbaai Store - at cost	663 076	635 092
Store Heidelberg - Electrical - at cost	124 759	69 044
Public Works - Heidelberg - at cost	9 474	7 994
Riversdal Electrical Store	1 793 423	1 877 916
Waterworks - Heidelberg - at cost	14 462	6 883
Water Inventory - at cost	229 878	205 967
	<b>2 835 071</b>	<b>2 802 895</b>

**2.2 Other**

Stilbaai Books	316	863
Refuse Bins	2 010	2 010
Hessequa Book: Albertinia Municipal Office	1 358	1 358
Slangrivier - Office	679	679
Stilbaai - Office	136	136
Stilbaai Tourism Office	136	136
Witsand - Office	950	950
Heidelberg - Office	1 358	1 358
Mayoral Office	-	136

**Total****2 842 014**      **2 810 521****Water Inventory**

The Municipality also has raw, untreated water in stock in the Olive Grove Dam of about 250 000 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 direct cost of the department less cost of chemicals, divided by the kiloliters sold.

Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost. Write downs of Inventory to Net Realisable Value amounted to R0 during the current year (2018: R121 430).

No Inventories have been pledged as collateral for Liabilities of the municipality.

The cost of Inventories recognised as an expense during the period was R21 844 487 (2018: R19 235 516).

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**2019**

**2018**

**R**

**R**

3. Trade receivables from exchange transactions	30 JUNE 2018			30 JUNE 2019		
	Gross Balance	Provision for Impairment	Net Balance	Gross Balance	Provision for Impairment	Net Balance
Service Debtors:						
Electricity	16 604 680	7 619 721	8 984 959	17 428 171	6 575 829	10 852 343
Water	8 564 204	3 404 691	5 159 513	10 109 084	4 811 247	5 297 837
Sewerage	6 160 202	2 159 499	4 000 703	7 049 740	3 713 343	3 336 397
Waste Management	3 545 134	1 242 770	2 302 364	4 871 083	2 565 769	2 305 315
Other	5 443 978	1 908 422	3 535 556	3 571 134	1 881 041	1 690 093
	<b>40 318 198</b>	<b>16 335 103</b>	<b>23 983 095</b>	<b>43 029 212</b>	<b>19 547 227</b>	<b>23 481 985</b>

**Ageing of consumer debtors**

**Electricity, Water, Waste Management & Sewerage**

Current (0 - 30 days)	19 981 387	19 257 852
<b><u>Past due</u></b>		
31 - 60 days	2 859 361	2 552 409
60 days +	1 464 636	1 314 461
90 days +	15 152 694	11 749 498
<b>Total</b>	<b>39 458 079</b>	<b>34 874 220</b>

**Other**

Current (0 - 30 days)	691 892	804 876
<b><u>Past due</u></b>		
31 - 60 days	186 349	405 565
60 days +	159 726	172 680
90 days +	2 533 167	4 060 857
<b>Total</b>	<b>3 571 134</b>	<b>5 443 978</b>

Consumer Debtors are billed monthly, normally on the 29/30th of each month. No interest is charged on trade receivables until the 1st working day of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance. A Credit Control Debt Collection and Indigent By-law has been approved by council to ensure recovery of Consumer Debtors. Exchange receivables are not secured.

The municipality receives applications for water and electricity connections that it processes. Deposits are required to be paid for all water and electricity accounts opened.

The recoverability of Consumer Debtors was determined after considering the standard terms and conditions of agreements entered into between the municipality and Consumer Debtors as well as the current payment ratio's of the municipality's Consumer Debtors. The concentration of credit risk and credit quality is limited due to the customer base being largely unrelated. Accordingly, management believes no further credit provisions or disclosures are required in excess of present allowance for impairment.

**Summary of Debtors by Customer Classification**

The summary of assessment Rates of Debtors by Customer Classification is included in the summary below.

	Domestic R	Industrial/ Commercial R	National and Provincial Government R	Other R
<b>As at 30 JUNE 2019</b>				
<b><u>Current:</u></b>				
0 - 30 days	15 424 991	4 131 164	697 587	419 537
<b><u>Past Due:</u></b>				
31 - 60 Days	2 348 639	484 627	175 335	37 110
61 - 90 Days	1 206 788	210 435	76 071	131 068
+ 90 Days	15 650 605	810 720	177 573	1 046 963
<b>Sub-total</b>	<b>34 631 023</b>	<b>5 636 946</b>	<b>1 126 565</b>	<b>1 634 678</b>
Less: Provision for Impairment	(16 155 077)	(2 629 587)		(762 563)
<b>Total Debtors by Customer Classification</b>	<b>18 475 946</b>	<b>3 007 359</b>	<b>1 126 565</b>	<b>872 114</b>

**3. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)**

**Summary of Debtors by Customer Classification**

	Domestic R	Industrial/ Commercial R	National and Provincial Government R	Other R
<b>As at 30 JUNE 2018</b>				
<u>Current:</u>				
0 - 30 days	14 916 909	4 162 911	687 006	295 902
<u>Past Due:</u>				
31 - 60 Days	2 317 410	581 417	30 462	28 685
61 - 90 Days	1 148 672	303 550	24 687	10 233
+ 90 Days	13 951 813	927 616	810 066	120 860
<b>Sub-total</b>	<b>32 334 804</b>	<b>5 975 494</b>	<b>1 552 221</b>	<b>455 680</b>
Less: Provision for Impairment	(13 625 152)	(2 517 938)		(192 013)
<b>Total Debtors by Customer Classification</b>	<b>18 709 652</b>	<b>3 457 556</b>	<b>1 552 221</b>	<b>263 667</b>

**Reconciliation of collective provision for impairment on exchange and non-exchange debtors**

Restated

Balance at beginning of year	67 581 117	80 923 408
Impairment Losses recognised	57 822 982	38 691 945
Impairment -Vat movement	361 737	(155 616)
Amounts written off as uncollectable	(45 999 258)	(51 878 620)
<b>Balance at end of year</b>	<b>79 766 578</b>	<b>67 581 117</b>

**The balance of the provision for impairment can be analysed as follows:**

Consumer -and other debtors	24 589 578	20 627 395
Traffic Fines	55 177 000	46 953 722
	<b>79 766 578</b>	<b>67 581 117</b>

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.

The methodology followed in the calculation of the provision for impairment of consumer debtors was as follows:

- The highest 50 debtors were selected based on outstanding debt per unit number. These debtors were evaluated individually by management,
- High risk accounts were provided for at 100% - Debtors with indigent status,
- Low risk accounts provided for at 0% - State debtors, employee - and departmental accounts,

- All remaining debtors provided for at a percentage of non-payment for outstanding debt.

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 2019 consumer debtors of R4,670,072 (2018: R4,445,115) were past due but not impaired. The age analysis of these consumer debtors is as follows:

31 - 60 Days	3 045 710	2 957 973
61 - 90 Days	1 624 362	1 487 142
91 Days +	-	-
<b>Total</b>	<b>4 670 072</b>	<b>4 445 115</b>

No discounting calculation has been considered on the outstanding arrangements due to the fact that the provision for impairment on these accounts are considered to be adequate to ensure that these balances are disclosed at the recoverable amount.

**4. TRADE RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

Restated

Assessment rates debtors	13 709 025	11 463 869
Prepaid Expenses	2 155 839	1 956 411
Employees PAYE & Salary control	23 639	26 405
Traffic Fines	67 818 339	59 307 467
Other	803 645	957 220
	84 510 487	73 711 372
Less: Provision for Impairment	(60 219 352)	(51 246 015)
<b>Total Trade Receivables from non-exchange transactions</b>	<b>24 291 135</b>	<b>22 465 357</b>

**Analysis of traffic fines receivable**

Traffic Fines receivable at beginning of the year	59 307 467	76 094 766
Movement of fines during the year	8 510 872	(16 787 299)
Fines outstanding at the end of the year before provision for impairment	67 818 339	59 307 467
Less: Provision for Impairment of traffic fines	(55 177 000)	(46 953 722)
Fines outstanding at the end of the year	<b>12 641 339</b>	<b>12 353 745</b>



**4. TRADE RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS - (continued)**

The average credit period for **Other Debtors**, excluding Assessment rate debtors, is 30 days. Interest is charged at prime plus 1% on all overdue assessment rates.

Non-Exchange receivables are not secured.

**Ageing of trade receivables from non-exchange transactions****Rates Ageing**

Current (0 - 30days)

5 601 601	5 060 958
-----------	-----------

**Past due**

31 - 60 days

1 477 153	1 424 165
-----------	-----------

60 days +

478 455	418 495
---------	---------

90 days +

6 151 816	4 560 250
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**Total**

<b>13 709 025</b>	<b>11 463 869</b>
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**Summary of Debtors by Customer Classification**

	Domestic R	Industrial/ Commercial R	National and Provincial Government R	Other R
<b>As at 30 JUNE 2019</b>				
<u>Current:</u>				
0 - 30 days	5 278 963	307 964	7 024	7 650
<u>Past Due:</u>				
31 - 60 Days	1 374 920	92 260	7 114	2 859
61 - 90 Days	449 608	20 258	7 012	1 577
+ 90 Days	5 060 924	173 863	787 197	129 832
<b>Sub-total</b>	<b>12 164 415</b>	<b>594 345</b>	<b>808 347</b>	<b>141 918</b>
Less: Provision for Impairment	(4 754 576)	(232 305)	-	(55 470)
<b>Total Debtors by Customer Classification</b>	<b>7 409 839</b>	<b>362 040</b>	<b>808 347</b>	<b>86 448</b>

**As at 30 JUNE 2018**Current:

0 - 30 days

4 780 630	271 925	2 935	5 468
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Past Due:

31 - 60 Days

1 234 090	60 766	128 368	941
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61 - 90 Days

391 713	23 024	2 935	823
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+ 90 Days

3 938 254	193 764	390 778	37 454
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**Sub-total**

<b>10 344 688</b>	<b>549 479</b>	<b>525 016</b>	<b>44 686</b>
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Less: Provision for Impairment

(4 059 148)	(215 610)	-	(17 534)
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**Total Debtors by Customer Classification**

<b>6 285 539</b>	<b>333 869</b>	<b>525 016</b>	<b>27 152</b>
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At 30 June 2019 receivables from non-exchange transactions of R3,065,073 (2018: R2,110,618) were past due but not impaired. The age analysis of these debtors is as follows:

31 - 60 Days	1 477 153	1 424 165
61 - 90 Days	478 455	418 495
91 Days +	1 109 464	267 957
<b>Total</b>	<b>3 065 073</b>	<b>2 110 618</b>

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of the Debtors. The current payment ratios of Other Debtors were also taken into account for fair value determination.

**5. VAT**

VAT payable

(2 960 774)	(2 477 477)
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VAT receivable

1 970 265	4 166 550
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**Net VAT (payable)/receivable**

<b>(990 510)</b>	<b>1 689 073</b>
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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 R4,434,850 (2018: R3,951,553) at year end.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies.

**6. CASH AND CASH EQUIVALENTS**

Current Investments	254 166 308	216 414 954
Cash and Cash Equivalents	60 460	50 530
Bank	3 281 998	3 394 815
<b>Total Bank, Cash and Cash Equivalents</b>	<b>257 508 767</b>	<b>219 860 299</b>

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.

**6.1 Current Investment Deposits**

Call Deposits	<b>254 166 308</b>	<b>216 414 954</b>
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**Summary of Investments**

ABSA	5 057 770	-
FNB	20 093 261	1 576 869
Investec	71 448 837	61 717 419
Standard Bank	35 036 147	50 628 205
Nedbank	122 530 294	102 492 460
	<b>254 166 308</b>	<b>216 414 954</b>

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 7.175% to 8.431% (2018: 7,175% to 8.81%) per annum.

**Allocations of investments**

- Repayment of Long-term Liabilities as set out in Note 18	20 579 320	17 420 948
- Attributable to Unspent Conditional Grants as set out in Note 16	6 918 935	12 680 337
- Attributable to Housing Reserve as set out in Note 21	543 103	245 695
- Attributable to Trust Funds - see note 48	2 148 511	2 032 577
- Provision made for 40% (2018: 40%) of provision for rehabilitation of land-fill sites	37 483 526	28 437 122
- Available for Operational Account	186 492 914	155 598 274
	<b>254 166 308</b>	<b>216 414 954</b>

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.

**Primary Bank Account**

First National Bank - Riversdale Branch Code 200313  
Account Number 53571024174  
Cheque Account

Cash book balance at beginning of year	<b>3 352 587</b>	11 296 052
Cash book balance at end of year	<b>3 237 345</b>	3 352 587

Bank statement balance at beginning of year	<b>3 368 893</b>	11 316 905
Bank statement balance at end of year	<b>3 268 465</b>	3 368 893

**Current Account**

First National Bank - Riversdale Branch Code 200313  
Account Number 62225917543  
Cheque Account

Cash book balance at beginning of year	<b>42 228</b>	<b>76 283</b>
Cash book balance at end of year	<b>44 653</b>	<b>42 228</b>

Bank statement balance at beginning of year	<b>42 228</b>	<b>76 283</b>
Bank statement balance at end of year	<b>44 653</b>	<b>42 228</b>

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

The municipality limits its counterparty exposures from its cash and cash equivalents by only dealing with well-established financial institutions of high credit standing.

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.

**7. 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:

Balance at beginning of year	452 826	392 126
Operating Lease expenses recorded	(2 281 164)	(1 589 345)
Operating Lease payments effected	2 280 093	1 650 045
<b>Total Operating Lease Assets</b>	<b>451 756</b>	<b>452 826</b>

**7.1 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. The operating lease receipts escalate between 5 and 10% annually. 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.

**7.2 Amounts receivable under Operating Leases**

At the Reporting Date the following lease receipts were receivable under Operating Leases, at variable periods, for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	1 455 699	1 779 046
2 to 5 years	3 849 013	3 319 751
More than 5 years	1 257 087	908 895
<b>Total Operating Lease Arrangements</b>	<b>6 561 799</b>	<b>6 007 692</b>

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been a reduction in current year income of R1,070 (2018: Increase of R60,700). No restrictions have been imposed on the municipality in terms of the lease agreements.

**8. PROPERTY, PLANT AND EQUIPMENT**

**30 JUNE 2019**

**Reconciliation of Carrying Value**

Description	Land	Buildings	Infrastructure	Community	Other	Total
<b>Carrying values at 1 JULY 2018</b>	<b>147 222 528</b>	<b>27 682 313</b>	<b>499 925 973</b>	<b>17 388 972</b>	<b>80 662 665</b>	<b>772 882 452</b>
<b>Cost</b>	<b>165 394 047</b>	<b>58 351 506</b>	<b>611 867 935</b>	<b>29 362 545</b>	<b>127 945 136</b>	<b>992 921 170</b>
- Completed Assets	165 394 047	58 347 431	580 344 640	28 795 947	127 937 086	960 819 151
- Under Construction	-	4 075	31 523 295	566 599	8 050	32 102 019
<b>Accumulated Depreciation:</b>	<b>18 171 519</b>	<b>30 669 193</b>	<b>111 941 962</b>	<b>11 973 573</b>	<b>47 282 471</b>	<b>220 038 718</b>
- Cost	18 171 519	30 669 193	111 941 962	11 973 573	47 282 471	220 038 718
Transfer to cost of completed assets due to projects completed	-	4 075	19 550 772	458 287	8 050	20 021 184
Transfer from cost under construction due to projects completed	-	(4 075)	(19 652 747)	(458 287)	(8 050)	(20 123 159)
Disposals	-	-	(493 589)	-	(1 064 452)	(1 558 042)
Depreciation on disposals	-	-	58 853	-	724 849	783 702
IGRAP 2 adjustment	-	-	-	-	16 854 461	16 854 461
<b>Total acquisitions</b>	<b>168 880</b>	<b>783 239</b>	<b>56 862 577</b>	<b>3 308 778</b>	<b>6 941 688</b>	<b>68 065 162</b>
Acquisitions	168 880	751 192	36 296 906	2 900 351	6 941 688	47 059 017
Capital under Construction - Additions	-	32 047	20 565 671	408 427	-	21 006 145
<b>Depreciation:</b>	<b>-</b>	<b>1 871 819</b>	<b>15 320 146</b>	<b>1 221 023</b>	<b>9 359 675</b>	<b>27 772 662</b>
- Based on cost	-	1 871 819	15 320 146	1 221 023	9 359 675	27 772 662
<b>Impairment:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
- Based on cost	-	-	-	-	-	-
<b>CARRYING VALUES AT 30 JUNE 2019</b>	<b>147 391 408</b>	<b>26 593 734</b>	<b>540 931 694</b>	<b>19 476 728</b>	<b>94 759 537</b>	<b>829 153 099</b>
<b>Cost</b>	<b>165 562 927</b>	<b>59 134 745</b>	<b>668 134 948</b>	<b>32 671 323</b>	<b>150 676 833</b>	<b>1 076 180 777</b>
- Completed Assets	165 562 927	59 102 698	635 698 730	32 154 584	150 676 833	1 043 195 772
- Under Construction	-	32 047	32 436 219	516 739	-	32 985 005
<b>Accumulated Depreciation and impairment:</b>	<b>18 171 519</b>	<b>32 541 012</b>	<b>127 203 254</b>	<b>13 194 596</b>	<b>55 917 296</b>	<b>247 027 677</b>
- Cost	18 171 519	32 541 012	127 203 254	13 194 596	55 917 296	247 027 677



8. PROPERTY, PLANT AND EQUIPMENT (continued)

30 JUNE 2018

Reconciliation of Carrying Value

Description	Land Restated	Buildings Restated	Infrastructure Restated	Community Restated	Other Restated	Total Restated
<b>Carrying values at 1 JULY 2017</b>	<b>147 402 528</b>	<b>28 473 210</b>	<b>469 033 407</b>	<b>15 950 590</b>	<b>89 349 728</b>	<b>750 209 463</b>
<b>Cost</b>	<b>165 574 047</b>	<b>56 662 720</b>	<b>566 316 936</b>	<b>26 808 604</b>	<b>126 197 941</b>	<b>941 560 250</b>
- Completed Assets	165 573 047	56 875 593	543 532 051	26 335 340	126 197 941	918 513 973
- Under construction	-	16 200	22 784 885	473 264	-	23 274 350
- Completed assets - Correction of error	1 000	(229 073)	-	-	-	(228 073)
<b>Accumulated Depreciation:</b>	<b>18 171 519</b>	<b>28 189 510</b>	<b>97 283 530</b>	<b>10 858 014</b>	<b>36 848 213</b>	<b>191 350 786</b>
- Cost	18 171 519	28 281 139	95 145 054	10 858 014	36 848 213	189 303 940
- Correction of errors	-	(91 629)	2 138 475	-	-	2 046 846
Transfer to cost of completed assets due to projects completed	-	16 200	21 899 507	193 439	-	22 109 146
Transfer from cost under construction due to projects completed	-	(16 200)	(21 619 682)	(473 264)	-	(22 109 146)
Disposals	(188 000)	-	-	(36 092)	(383 506)	(607 598)
Depreciation on disposals	-	-	-	36 071	355 699	391 769
IGRAP 2 adjustment	-	-	-	-	(10 331 261)	(10 331 261)
<b>Total acquisitions</b>	<b>8 000</b>	<b>1 688 786</b>	<b>45 271 174</b>	<b>2 869 857</b>	<b>12 461 962</b>	<b>62 299 779</b>
Acquisitions	8 000	1 684 711	14 913 082	2 303 259	12 453 912	31 362 964
Capital under Construction - Additions	-	4 075	30 358 092	566 598	8 050	30 936 816
<b>Depreciation:</b>	<b>-</b>	<b>2 479 683</b>	<b>14 658 432</b>	<b>1 151 629</b>	<b>10 789 956</b>	<b>29 079 701</b>
- Based on cost as restated	-	3 025 857	15 043 162	1 163 649	10 789 956	30 022 625
- Correction of error	-	(546 174)	(384 730)	(12 019)	-	(942 924)
<b>Impairment:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
- Based on cost	-	-	-	-	-	-
<b>CARRYING VALUES AT 30 JUNE 2018</b>	<b>147 222 528</b>	<b>27 682 313</b>	<b>499 925 973</b>	<b>17 388 972</b>	<b>80 662 665</b>	<b>772 882 452</b>
<b>Cost</b>	<b>165 394 047</b>	<b>58 351 506</b>	<b>611 867 935</b>	<b>29 362 545</b>	<b>127 945 136</b>	<b>992 921 170</b>
- Completed Assets	165 393 047	58 576 504	580 344 640	28 795 947	127 937 086	961 047 224
- Completed assets - Correction of error	1 000	(229 073)	-	-	-	(228 073)
- Under Construction	-	4 075	31 523 295	566 599	8 050	32 102 019
<b>Accumulated Depreciation and impairment:</b>	<b>18 171 519</b>	<b>30 669 193</b>	<b>111 941 962</b>	<b>11 973 573</b>	<b>47 282 471</b>	<b>220 038 718</b>
- Cost	18 171 519	31 306 997	110 188 217	11 985 592	47 282 471	218 934 795
- Correction of error	-	(637 804)	1 753 745	(12 019)	-	1 103 922

8.1 Property, Plant and Equipment Under Construction

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The municipality has incurred expenditure on capital projects which were not completed at year end. The details of the carrying amounts of expenditure included in each class of assets are listed below:

- Buildings	32 047	4 075
- Infrastructure	32 436 219	31 523 295
- Community	516 739	566 599
- Other assets	-	8 050
	<b>32 985 005</b>	<b>32 102 019</b>

Property, Plant and Equipment per Cash Flow Statement:

- Total Additions as per Appendix "B"	68 065 162	62 299 779
- Less: Donated Assets	(4 722 091)	(141 699)
	<b>63 343 071</b>	<b>62 158 081</b>

8.2 Delayed projects

No projects that are currently in progress are experiencing significant delays. No projects have been halted either during the current or previous reporting period.

8.3 Impairment of Property, Plant and Equipment

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



**8. PROPERTY, PLANT AND EQUIPMENT (continued)**

**8.4 Net carrying amount of assets subject to finance lease**

The Municipality does not have any assets subject to finance leases at the end of the current year.

**8.5 Expenditure to repair and maintain**

The following specific costs included in the amount of repairs and maintenance were incurred by the municipality during the reporting period:

		Restated
Employee related costs	54 651 313	51 249 866
Contractors	10 474 653	8 892 902
Materials	4 533 767	7 685 418
Other	1 074 576	1 326 099
	<b>70 734 310</b>	<b>69 154 285</b>

**9. INTANGIBLE ASSETS**

**At Cost less Accumulated Amortisation and Accumulated Impairment Losses**

277 366

298 911

The movement in Intangible Assets is reconciled as follows:

**Carrying value at 1 JULY 2018**

298 911

320 455

Cost	457 480	457 480
Accumulated Amortisation	(158 569)	(137 025)
Acquisitions during the Year:	-	-
Amortisation during the Year:	(21 545)	(21 545)

**Carrying value at 30 JUNE 2019**

277 366

298 911

Cost	457 480	457 480
Accumulated Amortisation	(180 114)	(158 569)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (See note 31)

All of the Municipality's Intangible Assets are held under freehold interests and no Intangible Asset has been pledged as security for any liabilities of the Municipality.

Significant intangible Assets that did not meet the recognition criteria for Intangible Assets as stipulated in GRAP 102, 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.

No restrictions apply to any of the Intangible Assets of the municipality.

**10. INVESTMENT PROPERTY**

Restated

**At fair value**

73 606 414

71 841 781

The movement in Investment Property is reconciled as follows:

**Carrying values at 1 JULY 2018**

71 841 781

71 609 372

Fair value as previously reported	71 841 781	70 995 100
Correction of error	-	614 272
Disposals	(204 000)	(221 100)
Fair value adjustments due to revaluation	1 968 633	453 509
		-

**Carrying values at 30 JUNE 2019**

73 606 414

71 841 781

Fair value	73 606 414	71 841 781
Accumulated impairment loss	-	-

Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:

Rental Revenue earned from Investment Property	646 660	144 932
Direct Operating expenses arising from investment property that generated rental revenue - Repairs and maintenance	93 071	-

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.

**10.1 Impairment of Investment Property**

The municipality carried out a review of the recoverable amount of all its Investment Property. No impairment losses have been recognised on Investment Property of the municipality at the reporting date. (2018: R0)

**10.2 Investment Property carried at Fair Value:**

The fair value of investment properties was determined by a qualified valuer based on current market prices. The valuations were performed by DDP valuers and the valuer Mr. T Nel is a professional valuer.

**11. HERITAGE ASSETS**

30 JUNE 2019

Reconciliation of Carrying Value

	Mayoral chains	Art collections, antiquities and exhibits	Total
<b>Carrying value at 1 JULY 2018</b>	<b>30 000</b>	<b>8 291 875</b>	<b>8 321 875</b>
<b>Cost</b>			
- Completed Assets	30 000	8 291 875	8 321 875
<b>Accumulated Impairment losses</b>			
Impairment losses	-	-	-
Disposals	-	-	-
<b>CARRYING VALUE AT 30 JUNE 2019</b>	<b>30 000</b>	<b>8 291 875</b>	<b>8 321 875</b>
<b>Cost</b>			
- Completed Assets	30 000	8 291 875	8 321 875
<b>Accumulated Impairment losses</b>			
	-	-	-

30 JUNE 2018

Reconciliation of Carrying Value

	Mayoral chains	Art collections, antiquities and exhibits	Total
<b>Carrying value at 1 JULY 2017</b>	<b>30 000</b>	<b>8 291 875</b>	<b>8 321 875</b>
<b>Cost</b>			
- Completed Assets	30 000	8 291 875	8 321 875
<b>Accumulated Impairment losses</b>			
Impairment losses	-	-	-
Disposals	-	-	-
<b>CARRYING VALUE AT 30 JUNE 2018</b>	<b>30 000</b>	<b>8 291 875</b>	<b>8 321 875</b>
<b>Cost</b>			
- Completed Assets	30 000	8 291 875	8 321 875
<b>Accumulated Impairment losses</b>			
	-	-	-

All of the municipality's Heritage Assets are held under freehold interests and no Heritage Assets have been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

**11.1 Impairment of Heritage Assets**

No impairment losses have been recognised on Heritage Assets of the municipality at the reporting date.

**12. LONG-TERM RECEIVABLES**

Sport clubs/Pre-primary school	10 022	12 871
<b>Less: Current portion transferred to current receivables</b>	<b>(3 082)</b>	<b>(2 849)</b>
Car Loans	-	-
Sport clubs/Pre-primary school	(3 082)	(2 849)
Other	-	-
Housing - Stilbaai	-	-
<b>Total</b>	<b>6 940</b>	<b>10 022</b>

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 Receivables, the municipality considers any change in the credit quality of the receivables 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.

Credit quality is determined by past defaults. There are no past defaults and consequently no impairments.

**Sport clubs and other**

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 and are not secured.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**
**2019**  
**R**
**2018**  
**R**
**13. CONSUMER DEPOSITS**

Electricity, Water and Other	9 224 987	8 399 605
<b>Balance 30 JUNE 2019</b>	<b>9 224 987</b>	<b>8 399 605</b>

Consumer Deposits are paid by consumers on application for new water and electricity connections, and other deposits are paid with a new application. Examples of these deposits are for camping sites, building plans, and rental of facilities. Service deposits are repaid when the water and electricity connections are terminated, and all other deposits are repaid upon receipt of an application. 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, as well as on any other deposit. The management of the Municipality is of the opinion that the carrying value of Consumer Deposits approximate their fair value.

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.

**14. CURRENT EMPLOYEE BENEFITS**
**Reclassified**

Performance Bonus	1 005 568	841 190
Staff bonuses	4 175 172	3 887 857
Staff Leave	7 987 659	7 028 056
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 19.1 below)	2 521 000	2 280 000
Current portion of Provision for Ex-Gratia Pensioners Benefit Liability (See Note 19.2 below)	6 000	4 000
Current portion of Provision for long-service Awards (See note 20 below)	1 095 000	890 000
<b>Total current employee benefits</b>	<b>16 790 400</b>	<b>14 931 103</b>

**Performance bonuses**

Performance bonuses accrue to employees yearly, subject to performance criteria stipulated in the employee contracts. The amount of the bonus is fixed at a maximum of 14% of the annual remuneration. This is however subjected to evaluation. The provision is an estimate of the amount due to directors at the reporting date.

**Staff bonuses**

Service bonuses are granted to employees as a 13th cheque. An estimate amount for the provision raised is determined according to the amount accruing to employees from December to June which is based on their salaries earned at 30 June of each year. In order to qualify for a 13th cheque, the staff member must be in service of the municipality at the date of payment.

**Staff leave**

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

**The movement in current employee benefits are reconciled as follows:-**

	Staff leave	Staff bonuses	Post Employment Health Care Benefits	Current Portion of Long Service	Current Portion of Ex-Gratia Benefits	Performance Bonus
Balance at 1 JULY 2018	7 028 056	3 887 857	2 280 000	890 000	4 000	841 190
Contribution to provisions	959 603	4 175 172	2 476 010	1 010 810	2 000	1 005 568
Expenditure incurred	-	(3 887 857)	(2 235 010)	(805 810)	-	(841 190)
<b>Balance at 30 JUNE 2019</b>	<b>7 987 659</b>	<b>4 175 172</b>	<b>2 521 000</b>	<b>1 095 000</b>	<b>6 000</b>	<b>1 005 568</b>
Balance at 1 JULY 2017	6 433 171	3 710 174	2 015 885	1 022 375	10 878	714 752
Transfer from non-current	-	-	-	-	(6 878)	-
Contribution to provisions	594 885	3 887 857	2 345 427	855 127	-	791 883
Expenditure incurred	-	(3 710 174)	(2 081 312)	(987 502)	-	(665 445)
<b>Balance at 30 JUNE 2018</b>	<b>7 028 056</b>	<b>3 887 857</b>	<b>2 280 000</b>	<b>890 000</b>	<b>4 000</b>	<b>841 190</b>

**15. CREDITORS**
**Reclassified**

Trade Creditors	29 152 460	30 416 499
Payments received in advance	3 566 235	3 482 993
Retentions	4 332 216	5 932 347
Other Creditors	5 554 747	4 083 061
<b>Total</b>	<b>42 605 658</b>	<b>43 914 899</b>

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/statement. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the Municipality deals with. The Municipality has financial risk policies in place to ensure all payables are paid within the credit timeframe.

Retentions refer to construction contracts.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the Municipality and other parties.



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**
**2019**
**2018**
**R**
**R**
**16. UNSPENT CONDITIONAL GRANTS AND RECEIPTS**
**16.1 Conditional Grants from Government - Appendix F**

 National Government Grants  
 Provincial Government Grants  
 District Municipality Grants

2019	2018
R	R
<b>5 563 830</b>	<b>11 477 728</b>
34 681	30 907
5 203 971	11 108 433
325 177	338 388

**16.2 Other Conditional Receipts - Appendix F**

Tourism	Note 26.5
Skills Development	Note 26.1
National Lottery Fund	Note 26.3
ASLA Devco - Water meters Slangrivier	Note 26.4
Africana Centre	Note 26.2
Public Participation Strategy	Note 26.6
Arbor Day Award	Note 26.7

2019	2018
R	R
<b>1 355 105</b>	<b>1 202 609</b>
1 820	101 819
728 456	495 961
303 227	303 227
217 310	217 310
20 314	314
60 000	60 000
23 978	23 978
<b>6 918 935</b>	<b>12 680 337</b>

**Total conditional grants and receipts**

See note 25 and 26 for reconciliation of grants.

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

**17. OPERATING LEASE LIABILITY**

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

Balance at beginning of year	135 495	130 220
Operating Lease expenses recorded	(1 001 384)	936 641
Operating Lease payments effected	994 931	(931 366)
<b>Total Operating Lease Liabilities</b>	<b>129 042</b>	<b>135 495</b>

**17.1 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. The operating lease payments escalate between 0 and 8% annually. The municipality did not pay any contingent rent during the year.

**17.2 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:

<b>Buildings:</b>	<b>1 031 158</b>	<b>1 770 246</b>
Up to 1 year	680 548	758 507
2 to 5 years	350 610	1 011 739
More than 5 years	-	-
<b>Computer software:</b>	<b>614 016</b>	<b>887 384</b>
Up to 1 year	295 200	273 344
2 to 5 years	318 816	614 040
More than 5 years	-	-
<b>Equipment:</b>	<b>1 187 828</b>	<b>1 310 998</b>
Up to 1 year	1 187 828	1 310 998
2 to 5 years	-	-
More than 5 years	-	-
<b>Total Operating Lease Arrangements</b>	<b>2 833 002</b>	<b>3 968 628</b>

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

Minimum lease payments	(994 931)	(931 366)
<b>Total Operating Lease Expenses</b>	<b>(994 931)</b>	<b>(931 366)</b>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**2019**  
**R**

**2018**  
**R**

**18. LONG-TERM LIABILITIES**

Annuity Loans	124 147 892	111 554 932
Finance Lease Liabilities	-	-
	124 147 892	111 554 932
<b>Less: Current portion transferred to current liabilities</b>		
Annuity Loans	20 579 320	17 420 948
<b>Total long-term liabilities (Neither past due nor impaired)</b>	<b>103 568 572</b>	<b>94 133 984</b>

Annuity Loans are repaid over periods not exceeding 10 years and at interest rates varying from 8.90% 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 6 for more detail.

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.

**Obligations under finance lease liabilities:**

**The Municipality as lessee**

The Municipality did not have any finance lease liabilities at the end of the year.

**19. RETIREMENT BENEFIT LIABILITIES**

Post-retirement Health Care Benefits Liability	48 041 000	51 516 000
Ex-gratia Pension Benefit Liability	119 000	106 000
<b>Total</b>	<b>48 160 000</b>	<b>51 622 000</b>
<b>19.1 Post-retirement Health Care Benefits Liability</b>		
Balance at beginning of Year	53 796 000	44 021 033
Contributions to Provision	7 126 000	5 721 664
Expenditure incurred	(2 235 010)	(2 081 312)
Actuarial (gains)/loss	(8 124 990)	6 134 615
Balance at end of Year	50 562 000	53 796 000
Transfer to Current Provisions	(2 521 000)	(2 280 000)
<b>Total Post-retirement Health Care Benefits Liability</b>	<b>48 041 000</b>	<b>51 516 000</b>

The liability in respect of the current and previous four years has been estimated as follows:

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Members	50 562 000	53 796 000	44 021 033	44 668 000	44 603 000
<b>Total Liability</b>	<b>50 562 000</b>	<b>53 796 000</b>	<b>44 021 033</b>	<b>44 668 000</b>	<b>44 603 000</b>
Experience adjustments were calculated as follows:					
Liabilities: (Gain)/Loss	<b>(8 124 990)</b>	<b>6 134 615</b>	<b>(5 164 748)</b>	<b>(3 847 733)</b>	<b>(4 007 373)</b>

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.

The most recent actuarial valuations of the present value of the defined benefit obligation was carried out at 30 June 2019 by Neil Fourie, Fellow of the Actuarial Society of South Africa and employee of ZAQEN Actuaries (Pty) Ltd. 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.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	156	161
Continued Members (Retirees, widowers and orphans)	56	54
<b>Total members</b>	<b>212</b>	<b>215</b>

The liability in respect of past service has been estimated as follows:

In-service Members	24 009 000	28 011 000
Continued Members	26 553 000	25 785 000
<b>Total liability</b>	<b>50 562 000</b>	<b>53 796 000</b>

**19. RETIREMENT BENEFIT LIABILITIES (continued)**

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 2019 is estimated to be R1,804,000 and R5,322,000 respectively, whereas the cost for the ensuing year is estimated to be R1,479,000 and R5,024,000 respectively.

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

Discount Rate	10.42%	9.72%
Consumer Price inflation	7.15%	7.97%
Health Care Cost Inflation Rate (1% above Consumer price inflation)	8.15%	8.97%
Net Effective Discount Rate	2.1%	0.69%
Average retirement age	63	63

The main reasons for the actuarial gain over the past year were as follows:

- Changes in economic variables resulted in a decrease in the liability of R4 873 000.
- Changes in membership data over the year resulted in the number of members increasing, which resulted in a decrease in the liability of R3 152 000.

ii) Mortality rates

Pre-retirement SA 85 - 90 mortality table

SA 85 - 90 mortality table

Post-retirement PA (90 - 1) ultimate mortality table

PA (90 - 1) ultimate mortality table

iii) Normal retirement age

The normal retirement age for all active employees was assumed to be 65 years.

**Movements in the present value of the Defined Benefit Obligation were as follows:**

Balance at the beginning of the year	53 796 000	44 021 033
Current service costs	1 804 000	1 623 513
Interest cost	5 322 000	4 098 151
Benefits paid	(2 235 010)	(2 081 312)
Actuarial gains	(8 124 990)	6 134 615
<b>Present Value of Fund Obligation at the end of the Year</b>	<b>50 562 000</b>	<b>53 796 000</b>
Actuarial losses / (gains) unrecognised	-	-
<b>Total Recognised Benefit Liability</b>	<b>50 562 000</b>	<b>53 796 000</b>

**The amounts recognised in the Statement of Financial Position are as follows:**

Present value of fund obligations	50 562 000	53 796 000
Unrecognised Past-service Cost	-	-
Unrecognised Actuarial Gains / (Losses)	-	-
<b>Total Benefit Liability</b>	<b>50 562 000</b>	<b>53 796 000</b>

**The amounts recognised in the Statement of Financial Performance are as follows:**

Current service cost	1 804 000	1 623 513
Interest cost	5 322 000	4 098 151
Actuarial (gains) / loss	(8 124 990)	6 134 615
<b>Total Post-retirement Benefit included in Employee Related Costs (Note 28)</b>	<b>(998 990)</b>	<b>11 856 279</b>

**Sensitivity analysis**

i) 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	7 495 000	8 347 000
Effect on the defined benefit obligation	57 235 000	61 680 000

**Decrease:**

Effect on the aggregate of the current service cost and the interest cost	5 686 000	6 137 000
Effect on the defined benefit obligation	44 982 000	47 289 000

ii) The effect of a 20% movement in the assumed mortality rates is as follows:

**Increase:**

Effect on the aggregate of the current service cost and the interest cost	5 956 000	5 732 000
Effect on the defined benefit obligation	46 509 000	40 891 000

**Decrease:**

Effect on the aggregate of the current service cost and the interest cost	7 184 000	6 976 000
Effect on the defined benefit obligation	55 632 000	49 461 000

The municipality expects to make a contribution of R6 503 000 to the provision during the next year.

Refer to Note 43 "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.



19. RETIREMENT BENEFIT LIABILITIES (continued)

19.2 Ex-Gratia Pensioners Defined Benefit Liability

Balance at beginning of Year	110 000	122 640
Contributions to Provision	10 000	10 409
Expenditure incurred	-	-
Decrease due to Re-measurement	5 000	(23 049)
Balance at end of Year	125 000	110 000
Transfer to Current Provisions	(6 000)	(4 000)
<b>Total Ex-Gratia Pensioners Benefits Liability</b>	<b>119 000</b>	<b>106 000</b>

The liability in respect of the current and previous four years has been estimated as follows:

	2019 R	2018 R	2017 R	2016 R	2015 R
Members	125 000	110 000	122 640	134 000	138 000
<b>Total Liability</b>	<b>125 000</b>	<b>110 000</b>	<b>122 640</b>	<b>134 000</b>	<b>138 000</b>

Experience adjustments were calculated as follows:

	2019	2018	2017	2016	2015
Liabilities: (Gain)/Loss	5 000	(23 049)	(22 360)	(9 000)	(58 918)

The Ex-Gratia Pension Benefit Plan is a defined benefit plan. As at 30 June 2019, 51 (2018: 51) pensioners were eligible for payments in terms of this plan. The municipality operates an unfunded defined benefit plan for these qualifying employees.

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 R9 000. 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	7.79%	9.16%
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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	110 000	122 640
Interest cost	10 000	10 409
Benefits paid	-	-
Actuarial losses / (gains)	5 000	(23 049)
<b>Present Value of Fund Obligation at the end of the Year</b>	<b>125 000</b>	<b>110 000</b>
Actuarial losses / (gains) unrecognised	-	-
<b>Total Recognised Benefit Liability</b>	<b>125 000</b>	<b>110 000</b>

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	125 000	110 000
Actuarial gains / (losses) not recognised	-	-
<b>Total Benefit Liability</b>	<b>125 000</b>	<b>110 000</b>

The amounts recognised in the Statement of Financial Performance are as follows:

Interest cost	10 000	10 409
Actuarial gains	5 000	(23 049)
<b>Total Post-retirement Benefit included in Employee Related Costs (Note 28)</b>	<b>15 000</b>	<b>(12 640)</b>

The effect of a one percent movement in the discount rate is as follows:

Increase:

Effect on the interest cost	9 000	10 000
Effect on the defined benefit obligation	119 000	104 000

Decrease:

Effect on the interest cost	9 000	9 000
Effect on the defined benefit obligation	131 000	117 000

**20. NON-CURRENT PROVISIONS**

Provision for Long Service Awards	8 906 000	8 751 000
Land-fill Sites	93 708 814	71 092 805
<b>Total non-current provisions</b>	<b>102 614 814</b>	<b>79 843 805</b>

The movement in Non-current Provisions are reconciled as follows:

	30 JUNE 2019 Land-fill sites	30 JUNE 2019 Long Service Awards
Balance at beginning of year	71 092 805	9 641 000
Increase due to changes in the amount of the outflow of resources embodying economic benefits and a change in the discount rate	16 854 461	1 692 000
Expenditure incurred	-	(805 810)
Interest charge due to the unwinding of discount	5 761 548	
Increase due to re-measurement	-	(526 190)
	93 708 815	10 001 000
Transfer to current provisions	-	(1 095 000)
<b>Balance at end of year</b>	<b>93 708 815</b>	<b>8 906 000</b>

The liability in respect of the current and previous four years has been estimated as follows:

	2019 R	2018 R	2017 R	2016 R	2015 R
Members	10 001 000	9 641 000	8 799 175	8 226 000	7 460 000
<b>Total Liability</b>	<b>10 001 000</b>	<b>9 641 000</b>	<b>8 799 175</b>	<b>8 226 000</b>	<b>7 460 000</b>

Experience adjustments were calculated as follows:

	2019	2018	2017	2016	2015
Liabilities: (Gain)/Loss	(526 190)	403 162	(365 825)	(297 017)	84 714

**Long service awards**

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 municipality operates an unfunded defined plan for these qualifying employees.

The most recent actuarial valuation of the present value of the defined benefit obligation was carried out at 30 June 2019 by Neil Fourie, Fellow of the Actuarial Society of South Africa and employee of ZAQEN Actuaries (Pty) Ltd. 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, 516 (2018: 521) employees were eligible for Long-services Awards.

The Current-service Cost and interest cost for the year ending 30 June 2019 is estimated to be R775,000 and R917,000 respectively, whereas the cost for the ensuing year is estimated to be R789,000 and R1,001,000 respectively.

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

	Long Service	
	2019	2018
Discount Rate	9.10%	8.93%
General salary inflation	6.94%	7.43%
Net Effective Discount Rate	2.04%	1.40%
Average retirement age	63	63

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	9 641 000	8 799 175
Current service costs	775 000	726 589
Interest cost	917 000	714 074
Benefits paid	(805 810)	(987 502)
Actuarial (gains) / losses	(526 190)	388 664
<b>Present Value of Fund Obligation at the end of the Year</b>	<b>10 001 000</b>	<b>9 641 000</b>
Actuarial (gains) / losses unrecognised	-	-
<b>Total Recognised Benefit Liability</b>	<b>10 001 000</b>	<b>9 641 000</b>

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	10 001 000	9 641 000
Actuarial (gains) / losses not recognised	-	-
<b>Total Benefit Liability</b>	<b>10 001 000</b>	<b>9 641 000</b>

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	775 000	726 589
Interest cost	917 000	714 074
Actuarial (gains) / losses	(526 190)	388 664
<b>Total Post-retirement Benefit included in Employee Related Costs (Note 28)</b>	<b>1 165 810</b>	<b>1 829 327</b>

Sensitivity Analysis:

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	1 948 000	1 846 000
Effect on the defined benefit obligation	10 794 000	10 422 000

Decrease:

Effect on the aggregate of the current service cost and the interest cost	1 649 000	1 555 000
Effect on the defined benefit obligation	9 291 000	8 943 000

The municipality expects to make a contribution of R1 790 000 to the provision during the next year.



**20. NON-CURRENT PROVISIONS - (continued)**

**Provision for Land-fill Sites**

The provision for rehabilitation of the land-fill sites is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the land-fill sites. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the statement of financial performance.

In terms of the licencing of the landfill refuse sites, the municipality will incur licencing and rehabilitation costs to restore the sites at the end of their useful lives. Provision has been made for the net present value of the future cost, using the average cost of borrowing interest rate.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of land-fill sites as well as the remaining useful life of each specific land-fill site.
- Interest rates linked to the Consumer Price Index was used to calculate the effect of time value of money.

**21. STATUTORY FUNDS**

**Housing Reserve**

Balance 1 July	245 694	245 695
Sale of land	297 409	-
	<b>543 103</b>	<b>245 695</b>
Less: Expenses	-	-
<b>Total at 30 June</b>	<b>543 103</b>	<b>245 695</b>
<u>The Housing reserve is represented by the following:</u>		
Investment (included in investments note 6)	543 103	245 695
<b>Total Housing Reserve Assets</b>	<b>543 103</b>	<b>245 695</b>

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.

**22. ACCUMULATED SURPLUS**

**The Accumulated Surplus consists of the following Internal Funds and Reserves:**

		Restated
Opening balance as restated	799 258 613	750 619 558
Surplus for the year as restated (refer note 46)	66 411 970	48 639 055
Transfer to Housing Reserve	-	-
<b>Total Accumulated Surplus</b>	<b>865 670 582</b>	<b>799 258 613</b>

**23. PROPERTY RATES**

Actual

Residential, Commercial & State	94 613 781	85 124 471
Less: Income Forgone	(7 956 453)	(6 975 894)
<b>Total Assessment Rates</b>	<b>86 657 328</b>	<b>78 148 577</b>

Valuations

	R000's	R000's
Residential, Commercial & State	10 190 764	10 031 556
Agriculture	3 989 708	3 932 614
Municipal	313 628	320 799
Churches	119 995	118 895
<b>Total Property Valuations</b>	<b>14 614 095</b>	<b>14 403 864</b>

Assessment Rates are levied on the market value of properties, which valuation must be performed every four years. The Municipality however obtained approval by the MEC for an extension for the next valuation roll to be implemented 1 July 2021. 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. A uniform general residential rate of 0.007678 c/R (2017/2018: 0.007109 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 2014.

The rates tariffs for the 2018/2019 financial year were as follows:

	2018/19	2017/18
<b>Residential</b>	.007678c/R	.007109c/R
<b>Vacant Land</b>	.015355c/R	.012387c/R
<b>Agriculture</b>	.001919c/R	.001777c/R
<b>State</b>	.015696c/R	.015092c/R
<b>Business</b>	.007858c/R	.007276c/R

A rebate of R50 000 on the value of the property (2017/2018: 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 10% was granted to agricultural properties used for residential and/or business purposes.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**
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**24. SERVICE CHARGES**

Sale of electricity		139 736 726	131 783 398
Sale of water		37 621 783	33 829 899
Connection Fees - Geysers load control		285 264	369 879
Refuse removal fees		19 407 531	15 263 905
Sewerage and sanitation charges		21 827 404	20 241 509
<b>Total Service Charges</b>		<b>218 878 708</b>	<b>201 488 590</b>

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed on a monthly basis according to approved tariffs.

**25. GOVERNMENT GRANTS AND SUBSIDIES - (Statement of Performance)**
**Operating**

<b>National:</b>		<b>44 199 335</b>	<b>40 132 920</b>
Equitable Share	25.1	40 885 000	37 497 000
Financial Management Grant	25.2	1 540 185	1 550 000
MIG Projects	25.10	673 100	690 650
Expanded Public Works Programme	25.4	1 022 226	395 270
Integrated National Electricity Program	25.11	78 824	-

<b>Provincial:</b>		<b>12 186 141</b>	<b>19 934 226</b>
Human Settlement Development	25.5	3 160 165	11 005 796
Library Conditional Grant	25.7	3 424 000	3 200 000
Libraries Municipal Replacement Funding	25.14	4 537 741	4 469 313
Municipal Service Delivery and Capacity Building	25.19	150 650	16 020
LG Graduate Internship Grant	25.20	66 000	74 878
Greenest Municipality	25.16	-	42 387
Subsidy - Proclaimed Roads	25.13	110 000	111 000
Municipal Capacity Building Grant	25.15	352 903	-
Municipal Electrical Master Plan	25.25	-	600 000
Financial Management Support Grant	25.17	384 682	414 832

**Capital Projects**

<b>National:</b>		<b>15 719 891</b>	<b>30 503 147</b>
Financial Management Grant	25.2	9 815	-
Integrated National Electricity Program	25.11	2 921 176	1 000 000
MIG Allocations	25.10	12 788 900	17 346 418
Disaster Recovery Grant	25.18	-	11 519 000
Extended Public Works Programme	25.4	-	637 730

<b>Provincial:</b>		<b>7 983 417</b>	<b>2 302 783</b>
Fire Service Capacity Building Grant	25.24	233 703	937 954
Municipal Drought Support Grant	25.23	7 320 518	1 000 000
Greenest Municipality	25.16	18 844	-
Financial Management Support Grant	25.17	65 600	-
Libraries Municipal Replacement Funding	25.14	331 541	329 829
Vermaaklikheid Land Reform	25.26	13 211	35 000

<b>Total Government Grants &amp; Subsidy - Operational</b>		<b>56 385 475</b>	<b>60 067 145</b>
<b>Total Government Grants &amp; Subsidy - Capital</b>		<b>23 703 308</b>	<b>32 805 930</b>

Government - Operating Grants		56 385 475	60 067 145
Government - Capital Grants		23 703 308	32 805 930

<b>TOTAL: GOVERNMENT GRANTS AND OTHER GRANTS - Appendix F</b>		<b>80 088 783</b>	<b>92 873 075</b>
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Other grants note 26		182 890	357 518
		<b>80 271 674</b>	<b>93 230 594</b>

**25 GOVERNMENT GRANTS AND SUBSIDIES - (continued)**

**25.1 Equitable Share**

Current Year Receipts	40 885 000	37 497 000
Conditions met - transferred to revenue	(40 885 000)	(37 497 000)
<b>Conditions still to be met - transferred to liabilities (refer note 16.1)</b>	<b>-</b>	<b>-</b>

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:**

- R0.00 - R3 430

- R3 431 - R3 800

**Subsidy**

- free basic services plus 100% rebate on rates
- 6kl free water
- 50kwh free electricity
- 100% rebate on rates up to a market value of R800 000
- 50% free basic services plus 50% rebate on rates
- 6kl free water
- 50kwh free electricity
- 50% rebate on rates up to a market value of R800 000

**25.2 Financial Management Grant**

Balance unspent at beginning of year	-	-
Current Year Receipts	1 550 000	1 550 000
Conditions met - transferred to revenue: Operating Expenses	(1 540 185)	(1 550 000)
Conditions met - transferred to revenue: Capital Expenses	(9 815)	-
<b>Conditions still to be met - transferred to liabilities (refer note 16.1)</b>	<b>-</b>	<b>-</b>

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).

**25.3 Riversdale Thusong Centre**

Balance unspent at beginning of year	-	2 600
Current Year Receipts	-	-
Revert back to Provincial Department	-	(2 600)
Conditions met - transferred to revenue: Capital Expenses	-	-
Conditions met - transferred to revenue: Operating Expenses	-	-
<b>Conditions still to be met - transferred to liabilities (refer note 16.1)</b>	<b>-</b>	<b>-</b>

This grant is used for social and economic development.

**25.4 Extended Public Works Programme**

Balance unspent at beginning of year	-	-
Current Year Receipts	1 026 000	1 033 000
Conditions met - transferred to revenue: Operating Expenses	(1 022 226)	(395 270)
Conditions met - transferred to revenue: Capital Expenses	-	(637 730)
<b>Conditions still to be met - transferred to liabilities (refer note 16.1)</b>	<b>3 774</b>	<b>-</b>

The EPWP is used for various local economic development and environmental projects.

**25.5 Human Settlement Development**

Balance unspent at beginning of year	2 659 344	10 078 278
Current Year Receipts	4 016 821	3 586 862
Conditions met - transferred to revenue: Capital Expenses	-	-
Conditions met - transferred to revenue: Operating Expenses	(3 160 165)	(11 005 796)
<b>Conditions still to be met - transferred to liabilities (refer note 16.1)</b>	<b>3 516 000</b>	<b>2 659 344</b>

This grant from the Department of Local Government and Housing is used for the construction of houses and related infrastructure.

**25.6 Spatial Development Framework**

Balance unspent at beginning of year	-	2 807
Revert back to Provincial Department	-	(2 807)
Current Year Receipts	-	-
Conditions met - transferred to revenue: Operating Expenses	-	-
<b>Conditions still to be met - transferred to liabilities (refer note 16.1)</b>	<b>-</b>	<b>-</b>

This grant is earmarked for environmental projects.

**25.7 Library Conditional Grant**

Balance unspent at beginning of year	-	-
Current Year Receipts	3 424 000	3 200 000
Conditions met - transferred to revenue: Capital Expenses	-	-
Conditions met - transferred to revenue: Operating Expenses	(3 424 000)	(3 200 000)
<b>Conditions still to be met - transferred to liabilities (refer note 16.1)</b>	<b>-</b>	<b>-</b>

This grant is utilised to fund the remuneration expenses of the library service.



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**25 GOVERNMENT GRANTS AND SUBSIDIES - (continued)**

**25.8 Accelerated Community Infrastr. Programme**

Balance unspent at beginning of year	30 907	30 907
Current Year Receipts	-	-
Conditions met - transferred to revenue: Operating Expenses	-	-
Conditions met - transferred to revenue: Capital Expenses	-	-
<b>Conditions still to be met - transferred to liabilities (refer note16.1)</b>	<b>30 907</b>	<b>30 907</b>

This grant is utilised for Local Economic Development projects.

**25.9 Housing Consumer Education - George Municipality**

Balance unspent at beginning of year	21 068	21 068
Current Year Receipts	-	-
Conditions met - transferred to revenue: Operating Expenses	-	-
<b>Conditions still to be met - transferred to liabilities (refer note16.1)</b>	<b>21 068</b>	<b>21 068</b>

This grant is earmarked for consumer awareness projects.

**25.10 MIG Infrastructure allocations**

Balance unspent at beginning of year	-	4 224 067
Current Year Receipts	13 462 000	13 813 000
Conditions met - transferred to Revenue: Capital Expenses	(12 788 900)	(17 346 418)
Conditions met - transferred to revenue: Operating Expenses	(673 100)	(690 650)
<b>Conditions still to be met - transferred to liabilities (refer note16.1)</b>	<b>-</b>	<b>(0)</b>

This grant was used to construct roads, labour intensive side-walks, sewerage and water infrastructure as part of the upgrade of informal settlement areas.

**25.11 Integrated National Electricity Program**

Balance unspent at beginning of year	-	2 461 224
Current Year Receipts	3 000 000	1 000 000
Conditions met - transferred to Revenue: Capital Expenses	(2 921 176)	(1 000 000)
Conditions met - transferred to Revenue: Operating Expenses	(78 824)	-
Repaid to National Revenue Fund	-	(2 461 224)
<b>Conditions still to be met - transferred to liabilities (refer note16.1)</b>	<b>-</b>	<b>-</b>

The INEP grant was used for electrification of housing schemes.

**25.12 Slangrivier Land Reform**

Balance unspent at beginning of year	-	8 725
Current Year Receipts	-	-
Revert to Provincial Government	-	(8 725)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions met - transferred to revenue: Operating Expenses	-	-
<b>Conditions still to be met - transferred to liabilities (refer note16.1)</b>	<b>-</b>	<b>-</b>

**25.13 Proclaimed Roads**

Balance unspent at beginning of year	-	-
Current Year Receipts	110 000	111 000
Conditions met - transferred to Revenue: Operating Expenses	(110 000)	(111 000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
<b>Conditions still to be met - transferred to liabilities (refer note16.1)</b>	<b>-</b>	<b>-</b>

This grant was used for Provincial road projects.

**25.14 Libraries Municipal Replacement Funding**

Balance unspent at beginning of year	254 961	390 102
Current Year Receipts	5 300 000	4 664 001
Conditions met - transferred to Revenue: Operating Expenses	(4 537 741)	(4 469 313)
Conditions met - transferred to Revenue: Capital Expenses	(331 541)	(329 829)
<b>Conditions still to be met - transferred to liabilities (refer note16.1)</b>	<b>685 679</b>	<b>254 961</b>

This grant is utilised to fund the expenses of the library service.

**25.15 Municipal Capacity Building Grant**

Balance unspent at beginning of year	360 000	120 000
Revert to Provincial Government	(360 000)	-
Current Year Receipts	360 000	240 000
Conditions met - transferred to revenue: Operating Expenses	(352 903)	-
<b>Conditions still to be met - transferred to liabilities (refer note16.1)</b>	<b>7 097</b>	<b>360 000</b>

This grant was used for external bursaries.

**25. GOVERNMENT GRANTS AND SUBSIDIES - (continued)**

**25.16 Subsidy - Greenest Municipality**

Balance unspent at beginning of year	19 067	11 454
Current Year Receipts	-	50 000
Conditions met - transferred to Revenue: Operating Expenses	-	(42 387)
Conditions met - transferred to revenue: Capital Expenses	(18 844)	-
<b>Conditions still to be met - transferred to liabilities (refer note16.1)</b>	<b>223</b>	<b>19 067</b>

This grant was a prize.

**25.17 Financial Management Support Grant**

Balance unspent at beginning of year	12 669	97 500
Current Year Receipts	630 000	330 000
Revert to Provincial Government	(12 668)	-
Conditions met - transferred to revenue: Operating Expenses	(384 682)	(414 832)
Conditions met - transferred to revenue: Capital Expenses	(65 600)	-
<b>Conditions still to be met - transferred to liabilities (refer note16.1)</b>	<b>179 719</b>	<b>12 669</b>

This grant was used for the development of the municipality's financial plan.

**25.18 Disaster Recovery Grant**

Balance unspent at beginning of year	-	-
Current Year Receipts	-	11 519 000
Revert to National Government	-	-
Conditions met - transferred to revenue: Operating Expenses	-	-
Conditions met - transferred to revenue: Capital Expenses	-	(11 519 000)
<b>Conditions still to be met - transferred to liabilities (refer note16.1)</b>	<b>-</b>	<b>-</b>

The grant was used for the rehabilitation of infrastructure damaged by floods.

**25.19 Municipal Service Delivery and Capacity Building**

Balance unspent at beginning of year	4 224	20 244
Revert to Provincial Government	(4 224)	-
Current Year Receipts	715 957	-
Conditions met - transferred to revenue: Operating Expenses	(150 650)	(16 020)
<b>Conditions still to be met - transferred to liabilities (refer note16.1)</b>	<b>565 307</b>	<b>4 224</b>

For youth development and IT governance.

**25.20 LG Graduate Internship Grant**

Balance unspent at beginning of year	36 122	45 000
Current Year Receipts	72 000	66 000
Conditions met - transferred to revenue: Operating Expenses	(66 000)	(74 878)
<b>Conditions still to be met - transferred to liabilities (refer note16.1)</b>	<b>42 122</b>	<b>36 122</b>

For an internship

**25.21 Municipal Infrastructure Support Grant**

Balance unspent at beginning of year	-	15 810
Current Year Receipts	-	-
Revert back to Provincial Department	-	(15 810)
Conditions met - transferred to revenue: Operating Expenses	-	-
<b>Conditions still to be met - transferred to liabilities (refer note16.1)</b>	<b>-</b>	<b>-</b>

**25.22 Housing Consumer Education**

Balance unspent at beginning of year	-	20 586
Current Year Receipts	-	-
Revert to Provincial Government	-	(20 586)
Conditions met - transferred to revenue: Operating Expenses	-	-
<b>Conditions still to be met - transferred to liabilities (refer note16.1)</b>	<b>-</b>	<b>-</b>

This grant is earmarked for consumer awareness projects.

**25.23 Municipal Drought Support Grant**

Balance unspent at beginning of year	7 500 000	1 000 000
Current Year Receipts	-	7 500 000
Conditions met - transferred to revenue: Operating Expenses	-	-
Conditions met - transferred to revenue: Capital Expenses	(7 320 518)	(1 000 000)
<b>Conditions still to be met - transferred to liabilities (refer note16.1)</b>	<b>179 482</b>	<b>7 500 000</b>

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**25. GOVERNMENT GRANTS AND SUBSIDIES - (continued)**

**25.24 Fire Service Capacity Building Grant**

Balance unspent at beginning of year		262 046	1 200 000
Current Year Receipts		-	-
Conditions met - transferred to revenue: Capital Expenses		(233 703)	(937 954)
<b>Conditions still to be met - transferred to liabilities (refer note16.1)</b>		<b>28 343</b>	<b>262 046</b>

**25.25 Municipal Electrical Master Plan**

Balance unspent at beginning of year		-	-
Current Year Receipts		-	600 000
Conditions met - transferred to revenue: Operating Expenses		-	(600 000)
<b>Conditions still to be met - transferred to liabilities (refer note16.1)</b>		<b>-</b>	<b>-</b>

**25.26 Vermaaklikheid Land Reform**

Balance unspent at beginning of year		43 787	78 787
Current Year Receipts		-	-
Conditions met - transferred to revenue: Capital Expenses		(13 211)	(35 000)
<b>Conditions still to be met - transferred to liabilities (refer note16.1)</b>		<b>30 576</b>	<b>43 787</b>

**25.27 Alternative Electricity**

Balance unspent at beginning of year		273 533	273 533
Current Year Receipts		-	-
Conditions met - transferred to revenue: Capital Expenses		-	-
<b>Conditions still to be met - transferred to liabilities (refer note16.1)</b>		<b>273 533</b>	<b>273 533</b>

**26. OTHER GRANTS AND SUBSIDIES - (Statement of Performance)**

<b>Operating</b>		<b>182 890</b>	<b>278 428</b>
Seta	26.1	45 500	134 302
Arbor Day Award	26.7	-	104 126
MM forum	26.8	-	20 000
Speakers forum	26.9	17 391	-
Tourism	26.5	119 999	20 000
<b>Capital</b>		<b>-</b>	<b>79 090</b>
Africana Centre	26.2	-	23 000
Asla Devco - Water meters Slangrivier	26.4	-	56 090
<b>Total Operating Grants</b>		<b>182 890</b>	<b>278 428</b>
<b>Total Capital Grants</b>		<b>-</b>	<b>79 090</b>

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**26. OTHER GRANTS AND SUBSIDIES - (Statement of Performance) - (continued)**

**26.1 Seta**

Balance unspent at beginning of year	495 962	258 318
Current Year Receipts	277 995	371 946
Conditions met - transferred to revenue: Operating Expenses	(45 500)	(134 302)
<b>Conditions still to be met - transferred to liabilities (refer note16.2)</b>	<b>728 457</b>	<b>495 962</b>

This grant is utilised for various staff skills development programmes.

**26.2 Africana Centre**

Balance unspent at beginning of year	315	23 315
Current Year Receipts	20 000	-
Conditions met - transferred to revenue: Capital Expenses	-	(23 000)
<b>Conditions still to be met - transferred to liabilities (refer note16.2)</b>	<b>20 315</b>	<b>315</b>

This was utilised for maintenance and general expenditure.

**26.3 National Lottery Fund**

Balance unspent at beginning of year	303 227	303 227
Current Year Receipts	-	-
Conditions met - transferred to revenue: Operating Expenses	-	-
Conditions met - transferred to revenue: Capital Expenses	-	-
<b>Conditions still to be met - transferred to liabilities (refer note16.2)</b>	<b>303 227</b>	<b>303 227</b>

This grant is earmarked for projects in previously disadvantaged areas.

**26.4 Asla Devco - Water Meters Slangrivier**

Balance unspent at beginning of year	217 310	273 400
Current Year Receipts	-	-
Conditions met - transferred to revenue: Capital Expenses	-	(56 090)
<b>Conditions still to be met - transferred to liabilities (refer note16.2)</b>	<b>217 310</b>	<b>217 310</b>

This grant is used for the acquisition and installation of water meters in housing schemes

**26.5 Tourism**

Balance unspent at beginning of year	101 819	101 819
Current Year Receipts	20 000	20 000
Conditions met - transferred to revenue: Operating Expenses	(119 999)	(20 000)
<b>Conditions still to be met - transferred to liabilities (refer note16.2)</b>	<b>1 820</b>	<b>101 819</b>

This grant is earmarked for projects in previously disadvantaged areas

**26.6 Public Participation Strategy**

Balance unspent at beginning of year	60 000	60 000
Current Year Receipts	-	-
Conditions met - transferred to revenue: Capital Expenses	-	-
<b>Conditions still to be met - transferred to liabilities (refer note16.2)</b>	<b>60 000</b>	<b>60 000</b>

This grant is used for public participation initiatives

**26.7 Arbor Day Award**

Balance unspent at beginning of year	23 978	128 104
Current Year Receipts	-	-
Conditions met - transferred to revenue: Capital Expenses	-	-
Conditions met - transferred to revenue: Operating Expenses	-	(104 126)
<b>Conditions still to be met - transferred to liabilities (refer note16.2)</b>	<b>23 978</b>	<b>23 978</b>

This grant was used for greenery

**26.8 Absa - MM forum**

Balance unspent at beginning of year	-	-
Current Year Receipts	-	20 000
Conditions met - transferred to revenue: Operating Expenses	-	(20 000)
<b>Conditions still to be met - transferred to liabilities (refer note16.2)</b>	<b>-</b>	<b>-</b>

This grant was used to finance catering for the MM forum

**26.9 FNB - Speakers forum**

Balance unspent at beginning of year	-	-
Current Year Receipts	17 391	-
Conditions met - transferred to revenue: Operating Expenses	(17 391)	-
<b>Conditions still to be met - transferred to liabilities (refer note16.2)</b>	<b>-</b>	<b>-</b>

This grant was used to finance catering for the speakers forum



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**
**2019**
**2018**
**R**
**R**
**27. OTHER INCOME**

Included in other income is the following:

Capital Contribution: Water and electricity	821 581	2 135 844
Capital Contribution: Sewerage	267 868	399 940
Capital Contribution: Parking areas	57 033	-
Building plans	1 119 476	1 253 492
Camping fees	12 289 328	12 315 918
Commission	92 379	86 040
Entrance fees	85 872	84 438
Other Income	1 789 301	2 205 914
Roadworthy Certificates	393 813	416 615
<b>Total</b>	<b>16 916 650</b>	<b>18 898 200</b>

**28. EMPLOYEE RELATED COSTS**

Salaries and wages	109 793 419	99 786 448
Contributions for UIF, pensions and medical aids	23 263 793	21 647 756
Workmens Compensation	833 014	828 687
Travel, motor car,accomodation, subsistence and other allowance	9 715 510	8 972 913
Housing benefits and allowance	1 079 156	1 159 439
Overtime payments	5 043 108	5 218 976
Contribution to provision for post-retirement medical aid benefits	7 126 000	5 721 664
Contribution to long-service provision	1 692 000	1 440 663
Contribution to provision for post-retirement ex-gratia	10 000	10 409
<b>Total Employee Related Costs</b>	<b>158 556 001</b>	<b>144 786 954</b>

Included in Comparison of budget statements are the following actuarial gains or losses:

Post-retirement Health Care Benefits (gain) / loss	(8 124 990)	6 134 615
Ex-Gratia Pensioners Defined Benefit Liability	5 000	(23 049)
Long service awards	(526 190)	388 664
<b>Total actuarial (gains) / loss</b>	<b>(8 646 180)</b>	<b>6 500 230</b>

**Remuneration of the Municipal Manager**

Annual Remuneration	1 118 716	981 249
Performance Bonus	163 717	128 830
Travel Allowance	36 000	36 000
Other (telephone,bargaining council etc)	38 724	48 055
Contributions to UIF, Medical and Pension Fund	194 153	169 409
<b>Total</b>	<b>1 551 310</b>	<b>1 363 543</b>

**Remuneration of the Director Community Services**

Annual Remuneration	879 253	684 390
Performance Bonus	132 427	96 916
Travel Allowance	80 000	80 000
Other (telephone, bargaining council etc)	21 142	37 560
Contributions to UIF, Medical and Pension Fund	223 537	181 515
<b>Total</b>	<b>1 336 359</b>	<b>1 080 381</b>

**Remuneration of the Director Technical Services**

Annual Remuneration	968 805	672 719
Performance Bonus	172 057	16 622
Travel Allowance	132 000	122 000
Other (telephone, bargaining council etc)	51 409	35 956
Leave	-	13 496
Contributions to UIF, Medical and Pension Fund	1 785	55 416
<b>Total</b>	<b>1 326 056</b>	<b>916 209</b>

**Remuneration of the Director Planning Services**

Annual Remuneration	927 911	863 611
Performance Bonus	154 758	144 148
Travel Allowance	60 000	60 000
Other (telephone, bargaining council etc)	7 305	17 478
Contributions to UIF, Medical and Pension Fund	194 880	181 801
<b>Total</b>	<b>1 344 854</b>	<b>1 267 038</b>



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**
**2019**
**2018**
**R**
**R**
**28. EMPLOYEE RELATED COSTS (continued)**
**Remuneration of the Director Financial Services**

Annual Remuneration	836 653	774 482
Performance Bonus	154 758	144 148
Travel Allowance	180 000	180 000
Long Service bonus	-	88 788
Other (telephone, bargaining council etc)	16 843	21 597
Contributions to UIF, Medical and Pension Fund	166 138	150 929
<b>Total</b>	<b>1 354 392</b>	<b>1 359 944</b>

**Remuneration of the Director Corporate Services**

Annual Remuneration	956 683	834 065
Performance bonus	144 701	134 781
Long Service bonus	-	62 264
Other (telephone, bargaining council etc)	16 193	18 237
Contributions to UIF, Medical and Pension Fund	226 107	199 516
<b>Total</b>	<b>1 343 684</b>	<b>1 248 863</b>

The following compensation was payable to key management personnel in terms of GRAP 25 as at 30 June:

**Post-employment Benefits:-**

Chief Financial Officer	680 989	612 531
Director: Corporate Services	619 840	497 979
Director: Planning	310 510	185 321
Director: Community Services	264 363	198 190
<b>Total</b>	<b>1 875 701</b>	<b>1 494 021</b>

**Other Long-term Benefits:-**

Director: Corporate Services	56 711	45 362
Director: Planning	117 787	100 279
Director: Community Services	282 005	204 352
<b>Total</b>	<b>456 502</b>	<b>349 993</b>

**Staff Leave Benefits:-**

Municipal Manager	63 007	63 244
Chief Financial Officer	55 830	55 528
Director: Corporate Services	41 084	30 829
Director: Planning	25 725	23 488
Director: Community Services	125 489	99 391
<b>Total</b>	<b>311 135</b>	<b>272 479</b>

**29. REMUNERATION OF COUNCILLORS**

Executive Mayor	872 149	829 513
Deputy Executive Mayor	706 336	670 331
Speaker	706 379	670 331
Mayoral Committee Members	1 988 738	1 891 608
Chief Whip	306 352	285 477
Councillors	3 008 491	2 854 770
	<b>7 588 445</b>	<b>7 202 030</b>
Ward committee's - see other expenses	-	-
<b>Total Councillors' Remuneration</b>	<b>7 588 445</b>	<b>7 202 030</b>

**In-kind Benefits**

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time councillors. Each is provided with an office and secretarial support at the cost of the Council.

Councillors allowances and benefits are within the upper limits of the framework envisaged in section 219 of the Constitution.

**30. PROVISION FOR IMPAIRMENT OF DEBTORS**

		<b>Restated</b>
Impairment loss on receivables	11 823 724	(13 186 675)
Bad debts written off	45 999 258	51 878 620
<b>Total</b>	<b>57 822 982</b>	<b>38 691 945</b>

**The contribution consist of the following:**

Rates and service debtors	7 783 198	4 288 467
Traffic fines	50 039 784	34 403 478
<b>Total</b>	<b>57 822 982</b>	<b>38 691 945</b>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**
**2019**  
**R**
**2018**  
**R**
**31. DEPRECIATION AND AMORTISATION**
**Restated**

PPE (Note 8)	27 772 662	29 079 701
Intangible assets (Note 9)	21 545	21 545
<b>Total</b>	<b>27 794 207</b>	<b>29 101 245</b>

**32. FINANCE CHARGES**

Long-term liabilities	11 137 486	12 802 688
Other	5 761 548	6 019 367
<b>Total</b>	<b>16 899 034</b>	<b>18 822 055</b>

**33. BULK PURCHASES**

Electricity	97 065 542	89 170 107
Water	139 161	191 907
<b>Total</b>	<b>97 204 702</b>	<b>89 362 014</b>

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst Water is purchased from Overberg water and "Korente Veterrivier Besproeiingsraad".

"Refer to note 57 - inventory consumed for the bulk purchase of water"

**34. GENERAL EXPENSES**

Audit Fees - External	3 871 318	3 327 477
Commission	457 456	452 555
Insurance	1 145 313	1 212 439
Other	5 485 627	5 455 333
SALGA membership	1 559 129	1 368 357
Skills Development	1 231 496	1 116 965
Software license	1 729 569	1 645 368
Operational Leases: Office Machines	245 963	-
Machinery and equipment	233 061	-
Investment properties	765 697	-
Postage & Telephone	1 371 944	1 916 460
Printing & Stationery	109 756	121 475
Software assistance	1 883 493	1 635 552
Travelling & Subsistence	1 290 307	991 259
Vehicle Costs	868 510	775 717
<b>Total</b>	<b>22 248 639</b>	<b>20 018 955</b>

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not directly attributable to a specific service or class of expense.

**35. 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	60 460	50 530
Bank, cash and cash equivalents	257 448 307	219 809 769
<b>Total</b>	<b>257 508 767</b>	<b>219 860 299</b>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**
**2019**
**2018**
**R**
**R**
**36. CASH GENERATED BY OPERATIONS**

		<b>Restated</b>
Surplus for the year	66 411 970	48 639 055
<b>Adjustments for:</b>		
Depreciation and amortisation	27 794 207	29 101 245
Gain on disposal of assets	(387 452)	(101 615)
Decrease in Property, plant and equipment due to transfer between assets under construction and completed assets	101 975	-
Gain on revaluation of investment property	(1 968 633)	(453 509)
Donated property, plant and equipment	(4 722 091)	(141 699)
Contribution to provision for impairment of debtors	57 822 982	38 691 945
(Decrease)/increase in Retirement Benefit Liabilities	(3 462 000)	9 505 090
Increase in Non-current Provisions	5 916 548	6 993 567
(Decrease)/increase in operating lease liabilities	(6 453)	5 275
(Increase)/decrease in operating lease assets	1 070	(60 700)
Investment & Debtors Interest	(20 556 945)	(19 438 025)
Interest paid	16 899 034	18 822 055
<b>Operating surplus before working capital changes:</b>	<b>143 844 211</b>	<b>131 562 684</b>
(Increase)/Decrease in inventories	(31 493)	375 086
(Increase)/Decrease in debtors	(9 138 923)	(8 144 702)
(Increase)/Decrease in other debtors	(50 370 464)	(29 849 162)
Increase/(Decrease) in current employee benefits	1 859 297	7 457 039
(Decrease)/Increase in conditional grants and receipts	(5 761 402)	(8 570 539)
(Decrease)/Increase in creditors	(1 309 241)	(10 093 521)
(Increase)/Decrease in VAT	3 041 320	17 225
<b>Cash generated by operations</b>	<b>82 133 303</b>	<b>82 754 110</b>

**37. ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT**
**37.1 Contributions to organised local government - SALGA**

Opening Balance	-	-
Council Subscriptions	1 559 129	1 368 357
Amount paid - current year	(1 559 129)	(1 368 357)
<b>Balance at 30 JUNE 2019</b>	<b>-</b>	<b>-</b>

**37.2 PAYE and UIF**

Opening Balance	-	-
Current year payroll deductions	19 748 790	17 621 449
Amount paid - current year	(19 748 790)	(17 621 449)
<b>Balance at 30 JUNE 2019</b>	<b>-</b>	<b>-</b>

**37.3 Pension and Medical Aid deductions**

Opening Balance	-	-
Current year payroll deductions	35 771 855	33 251 208
Amount paid - current year	(35 771 855)	(33 251 208)
<b>Balance at 30 JUNE 2019</b>	<b>-</b>	<b>-</b>

**37.4 Audit Fees**

Opening Balance	-	-
Current year Audit Fees	3 871 318	3 327 477
Amount paid - current year	(3 871 318)	(3 327 477)
<b>Balance at 30 JUNE 2019</b>	<b>-</b>	<b>-</b>

**37.5 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.

**37.6 Councillor's arrear Consumer Accounts**

No Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2019

**38. 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.



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**2019**  
**R**

**2018**  
**R**

**39. 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:

	<b>30 JUNE 2019</b>	<b>30 JUNE 2019</b>
	<b>Number of Cases</b>	<b>R</b>
<b>&lt;R2 000</b>	<b>226</b>	<b>222 104</b>
Sole supplier	2	2 962
Emergency	41	35 593
Exceptional Circumstances	183	183 548
Impractical	-	-
<b>R2 000 - R30 0000</b>	<b>209</b>	<b>1 855 242</b>
Sole supplier	8	148 336
Emergency	54	560 627
Exceptional Circumstances	147	1 146 279
Impractical	-	-
<b>R30 000 - R200 000</b>	<b>48</b>	<b>3 214 270</b>
Sole supplier	3	241 797
Emergency	3	185 506
Exceptional Circumstances	42	2 786 966
Impractical	-	-
<b>&gt; R200 000</b>	<b>7</b>	<b>4 990 267</b>
Sole supplier	0	-
Emergency	0	-
Exceptional Circumstances	7	4 990 267
Impractical	-	-
<b>Total</b>	<b>490</b>	<b>10 281 883</b>

A complete list, including reasons for deviation per transaction, is available. Below are details of a selection of the larger deviations. Amounts are VAT exclusive.

<b>Department</b>	<b>Service</b>	<b>Provider</b>	<b>Reason for deviation</b>	<b>Amount</b>
Corporate Services	The design, supply and management of a wide area network	Wispernet Pty Ltd	1. On 06 June 2014 tender HES-ICT 02/1314 was awarded to Wispernet (Pty) Ltd for a contract period of three years from 1 July 2014 to 30 June 2017. 2. On 30 June 2017 contract HES-ICT 02/1314 was extended in terms of S116 of the MFMA to 30 June 2018 to complete a network assessment on the current infrastructure. 3. On 15 February 2018 a new tender HES-ICT 03/1718 was approved for advertising by the Bid Specification Committee and advertised on 22 and 23 February to invite new bidder to tender for the implementation and management of a wide-area network for Hessequa Municipality. 4. On 19 March 2018 the tender advert was cancelled following an executive decision by the ICT Steering Committee to complete an in-depth ICT strategic review. 5. Consequently, the current contract had to be amended to allow sufficient time for the indept ICT strategic review to be finalised and completed. 6. On 22 March 2018 a public notice was published to give the local public reasonable notice as to the intension to amend the contract and to submit representations to the municipality. 7. No objection was received and consequently an item was tabled to the BAC for approval of the contract extension for another 12 months from 1 July 2018 to 30 June 2019. 8. On 26 June 2018, the service provider indicated that they are not willing to extend the contract for a further 12 months due to certain contract conditions that are too stringent on the part of the municipality. 9. The municipality agreed to negotiate more lenient terms in terms of the contract and to establish a month to month agreement to a maximum of 12 months. 10. Approval is therefore requested in terms of section 36 (1)(v) to deviate from the official procurement process and to appoint Wispernet (Pty) Ltd. 11. An extension of the current contract is not feasible as the extension may only incur on the same terms and conditions as the original contract and because the current contract has lapsed on 30 June 2018.	524 327
Corporate Services	Book detection services for Riversdale, Duivenhok and Protea Library	Metrofile Pty Ltd	Book detection systems have been installed in Riversdale, Duivenhoks and Protea Libraries and need to be maintained. This requires two preventative services per year to ensure accurate data which is used for statistical reporting. The supplier is the sole supplier of the 3M library book detection system.	108 000
Technical Services	Repair and upgrading of existing telemetric system in Still Bay	Specialist Sysstem Engineering Pty Ltd	The municipality is currently making use of the current service provider's software and system, it will therefore not make practical sense to appoint another service provider to assist with the repair and upgrading of the current telemetry software programme. Currently the existing telemetry system is not in full operation and must be upgraded to monitor the performance of different reservoirs and pump stations in the Still Bay area.	209 731
Technical Services	Repair D4E Dozer HB 0095 5A	WS Forestry Equipment Repairs CC T/A Fluid Air Hydraulics	Repair on Rotation Register. The engine had to be repaired as it overheated. The head of the cylinder is faulty and needed to be repaired.	127 011
Technical Services	Tender Hes-Tech 08/1718 Upgrading of sewerage infrastructure in the Hessequa municipal area	Urhwebo e-Transand Pty Ltd	During the construction period of the tender a request was received to construct the sewer line in Strand street. The consulting engineer was requested by the Technical Department to design and survey the additional works. The additional works was partly made possible due to cost saving in the Still Bay portion of the contract. Regular sewerage blokages occurred which had a direct negative impact on the environment and the surrounding residents of Aalwyn avenue. The Hostel and school made use of septic tanks and needed a sewerage reticulation system. The contractor was approached and given instructions, which reduced the cost of site establishment.	879 385
Technical Services	Tender Hes-Tech 08 17/18 Upgrading of sewerage infrastruture in the Hessequa Municipal Area	Neil Lyners and Associates	During the construction period of the tender a request was received to construct the sewer line in Strand street. The consulting engineer was requested by the Technical Department to design and survey the additional works. The additional works was partly made possible due to cost saving in the Still Bay portion of the contract. Regular sewerage blokages occurred which had a direct negative impact on the environment and the surrounding residents of Aalwyn avenue. The Hostel and school made use of septic tanks and needed a sewerage reticulation system. The contractor was approached and given instructions, which reduced the cost of site establishment.	112 900
Technical Services	Service Level Agreement: Consideration of unsolicited proposal from Turnkey water solutions to construct an osmosun desalination plant in Witsand	TWS Turnkey Water Solutions	Turnkey Water Solutions was appointed for the design and construction of the Witsand Desalination Plant in Witsand. The monitoring cost was only identified after the environmental management plan was submitted and was outlined in the approval conditions. The MOU included this resolution. The monitoring permit will only be required until the discharge permit is permanently approved and amended.	1 586 955
Technical Services	Repair to sewerage pump Jongensfontein	Hidro-Tech Systems Pty Ltd	Repair on Rotation Register. As a result of the distance between pump stations, one pumpstation cannot function with one pump at a time for extended periods. The pump was regularly send for repairs and maintenance.	185 630
Technical Services	Unsolicited proposal from Turnkey Water Solutions to construct an Osmosun Desalination plant in Witsand: Contract extension/deviation	TWS Turnkey Water Solutions	Turnkey Water Solutions was appointed for the design and construction of the Witsand Desalination Plant in Witsand. Turnkey Water Solutions was already in the process to complete the Desalination plant and it would not make practical sense to complete the additional works at a later stage, since this could lead to additional establishment / de-establishment costs. The goods and services as needed to complete the project . The additional cost to be financed from saving on the Driling and borehole contract.	493 658
Corporate Services	Deviation: Extending Wispernet Agreement	WISPERNET PTY LTD	The strategic decision to combine supporting contract with reference to tele-communication in one agreement brings certain complexity with reference to compiling the required technical specifications. The shortage of internal skills and capacity to compile a full specification to ultimately secure a successful procurement process was raised i.to consequence management. As a result, internal ICT requested shared support from the Provincial Department of Local Government (DLG) and the Premiers Office (DOP) to assist the Municipality with compiling specifications for an integrated tele-communication service by combining network and telephony in a long-term (5-year) agreement with one service provider. Similar to what the abovementioned State departments did on the broadband initiative ICT also engaged with SITA to provide a possible solution. By deviating and extending the current agreement the Municipality will have ample time to procure a suitable service with support from the abovementioned Provincial structures. It's critical to ensure a capable network environment that can effectively respond to business needs and provide a platform for a fully integrated financial solution as determined by mSCOA.	524 327

**39. DEVIATION FROM, AND RATIFICATION OF MINOR BREACHES OF THE PROCUREMENT PROCESS - (continued)**

**30 June 2018**

	30 June 2018	30 June 2018
	Number of Cases	R
<b>&lt;R2 000</b>	<b>466</b>	<b>537 906</b>
Sole supplier	7	145 772
Emergency	260	196 270
Exceptional Circumstances	199	195 864
Impractical	-	-
<b>R2 000 - R30 0000</b>	<b>329</b>	<b>2 509 487</b>
Sole supplier	8	94 687
Emergency	124	738 212
Exceptional Circumstances	197	1 676 588
Impractical	-	-
<b>R30 000 - R200 000</b>	<b>61</b>	<b>4 518 230</b>
Sole supplier	6	511 299
Emergency	5	363 042
Exceptional Circumstances	50	3 643 889
Impractical	-	-
<b>&gt; R200 000</b>	<b>13</b>	<b>18 772 627</b>
Sole supplier	1	829 478
Emergency	1	229 300
Exceptional Circumstances	11	17 713 849
Impractical	-	-
<b>Total</b>	<b>869</b>	<b>26 338 250</b>

A complete list, including reasons for deviation per transaction, is available. Below are details of a selection of the larger deviations. Amounts are VAT exclusive.

Department	Service	Provider	Reason for deviation	Amount
Technical Services	The repair of extensive flood damage to roads and stormwater in Heidelberg.	CJ Meyer (Meyer Beton)	The funds in the flood damage allocation had to be spend before 30 June 2018. Given time constraints and conditions set by grant funding it was recommended that there be deviated from the official procurement process.	4 085 082
Technical Services	The repair of extensive flood damage to roads and stormwater in Riversdale.	Benver Civil and Plant Hire	The funds in the flood damage allocation had to be spend before 30 June 2018. Given time constraints and conditions set by grant funding it was recommended that there be deviated from the official procurement process.	2 470 385
Technical Services	Appointment of consulting engineers for the design, implementation, construction monitoring and completion of various capital projects.	Various	This in an exceptional case and it is impractical or impossible to follow the official procurement processes.	5 173 796
Technical Services	Appointment of a consulting engineer to conclude flood damage construction related work.	WEC Consult (Pty) Ltd	This case it is impractical to follow the official procurement processes. Due to time constraints the Municipality will be exposed to substantial risks if the official processes are followed.	637 582
Technical Services	Geyser controll fees	Powertech System Integrators	Other brands are not compatible with the existing unit, and Powertech is the OEM of the geyser load control equipment and as such the only service provider that can maintain the system.	257 205
Corporate Services	Microsoft annual license fees	Microsoft Ireland Operations	Microsoft Enterprise is the sole provider of Windows and MS Office licenses. Pricing is fixed in terms of the agreement but subject to the Rand/Dollar exchange rate.	599 268
3	Printing and distribution of monthly municipal service accounts and newsletters	CAB Holdings (Pty) Ltd	The monthly service accounts need to be distributed to all account holders as per debtors policy. If accounts are not distributed, there is a risk that debtors will not pay their monthly service accounts.	341 875
Financial Services	Vending Services Management	Ontec Systems (Pty) Ltd	Circular 80 recommends that municipalities should not procure additional systems while MSCOA is being implemented. The services will therefore be rendered on a month-to-month basis until 30 June 2018.	484 404
Community Services	Conversion of one Isuzu chassis cab truck into a medium capacity fire fighting vehicle	Ramcom Trucks and load bodies (Pty) Ltd	Two tenders were received but both did not score the minimum required points for functionality. The cheapest tender was accepted and appointed.	492 126
Community Services	The provision of traffic law enforcement equipment, back-office system and related services.	Syntell (Pty) Ltd	It is an exceptional circumstance and it is impractical or impossible to follow the official tender process.	1 130 838

**40. RELATED PARTY TRANSACTIONS**

**40.1 Services rendered to Related Parties**

During the year the municipality rendered services to related parties such as Councillors, Municipal Manager and Section 57 Personnel.

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councilors, the Municipal Manager and Section 57 Personnel.. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.



**40. RELATED PARTY TRANSACTIONS - (continued)**

**40.2 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 12 to the Annual Financial Statements.

**40.3 Interest of Related Parties**

With the exception of Councilor Stroebel, no councilors and/or management of the municipality had any relationships with businesses during the financial period.

**40.4 Compensation of Related Parties**

Compensation of Key Management Personnel and Councilors is set out in Notes 28 and 29 respectively, to the Annual Financial Statements.

**40.5 Purchases from Related Parties**

The municipality procured services from the following service providers, which are considered to be Related Parties as per the definition in the Supply Chain Management Policy:

	Related Person	Capacity	Municipal Capacity	2019 R	2018 R
<b>Service Provider</b>					
Stilbaai Panelbeaters	AJ Hopley	Owner	Foreman: Technical Services	29 676	26 659
Seasons Find 982 CC	YJ Daniels	Owner	Admin Clerk	12 700	118 000
Henna's Catering	E du Preez	Owner	Cashier/Clerk	75 020	121 955
HAH Motors T/A Pro Motors	A Stroebel	Owner	Councillor	433 129	379 101
Silverstar Construction	J. Michaels	Owner	Clerk: Preekstoel	280 413	-
Garnion Industries CC	M. Swartbooi	Owner	Nelson Mandela Bay Municipality	86 250	-
Story Team	B.J. Loristou	Director	Western Cape Department of	29 998	-
A.F.G. Muller	Charlene Muller	Nurse	Riversdal - Department of Health	14 739	-
CRR General Dealers	CJ Riddles	Owner	Handyman	82 268	10 500
N Cronje t/a WG Pompe	M Cronje	Owner	Head: Employee relations	153 320	543 130
<b>Total</b>				<b>1 197 513</b>	<b>1 199 345</b>

The transactions were concluded in compliance with the municipality's Supply Chain Management policy. The transactions are considered to be at arm's length.

**41. COMMITMENTS FOR EXPENDITURE**

**Capital Commitments**

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-

Infrastructure

16 221 423	23 774 400
-	898 549

Community

**Total Capital Commitments**

<b>16 221 423</b>	<b>24 672 949</b>
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This expenditure will be financed from:

- Own funds, grants and subsidies and external finance

16 221 423	24 672 949
<b>16 221 423</b>	<b>24 672 949</b>

(Including VAT)

**42. AFTER BALANCE SHEET EVENTS**

No events having financial implications requiring disclosure occurred subsequent to 30 JUNE 2019.

**43. RETIREMENT BENEFIT INFORMATION**

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 a 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:

- The assets of each fund are held in one portfolio; these assets are not nationally allocated to each of the participating employers.
- One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- The same rate of contributions applies to all participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

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.

**43.1 DEFINED BENEFIT SCHEMES**

**LA Retirement Fund (Previously Cape Joint Pension Fund)**

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2017.

The contribution rate payable is under the defined benefit section is 27%, 9% by the members and 18% by their councils. The actuarial valuation report at 30 June 2017 disclosed an actuarial valuation amounting to R1,859,077,000 (30 June 2016 : R2,037,843,000), with a nett accumulated surplus of R46,989,000 (2016 : R67,791,000 ), with a funding level of 102.6% (30 June 2016 : 103.5%).

**43. RETIREMENT BENEFIT INFORMATION (continued)****43.2 DEFINED CONTRIBUTION SCHEMES****Cape Joint Pension Fund**

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.

The actuarial valuation report at 30 June 2017 indicated that the defined contribution scheme of the fund is in a sound financial position, with a assets amounting to R1,911,937,000.00 (30 June 2016 : R1,960,970,000.00), net investment reserve of R0 (30 June 2016 : R0) and with a funding level of 100% (2016 : 100%).

The actuary concluded that :

- The Pensioner account has a funding level of 102.6% with a surplus of R47.0 million and is in a sound financial condition as at the valuation date.
- There is a surplus of R47.0 million in The DB Section excluding The surplus in The Pensioner Account. The surplus has been allocated to The Pensioner Account.
- The overall funding level in respect of the DB Section including the Pensioner Account is 101.3% with a surplus of R47.0 million.
- The DC Section has a funding level of 100% and is in a sound Financial condition.
- Overall the fund is in a sound financial condition with a surplus of R47.0 million and the overall funding level of 102.6%.
- The Trustees awarded a 3.3% pension increase effective 1 January 2018.

It is to be noted that :

- All the active members have now all been converted to the DC Section.
- There is no longer any contribution rate shortfall as this only applied to 29 residual DB Section active members, that have now also converted to the DC Section and
- Both the DC Section and the DB Section were fully funded as at the valuation date.

The nature of the assets is suitable for the Fund, except that the proportion of direct property underlying the pensioner liabilities may represent an over-concentration of assets in this class. The assets are appropriately matched relative to the term and nature of the active member liabilities. The Fund's investment strategy is suitable. Finally the risk benefits are partially re-insured and this is appropriate for the size and nature of the Fund.

**Cape Joint Retirement Fund**

The last statutory valuation performed as at 30 June 2016 revealed that the assets of the fund amounted to R20,075,000,000 (30 June 2015: R18,322,177,000), with funding levels of 118.0% and 100% (30 June 2015 112.1% and 100%) for the Pensions Account and the Share Account respectively. The Preservation Pension Account showed a surplus of R0 and was 100% funded for both 2016 & 2015. The contribution rate paid by the members (7,50%/9%) and the municipalities (19,50%/18%) is sufficient to fund the benefits accruing from the fund in the future. The actuary certified that the structure of the assets is appropriate relative to the nature of the liabilities, given normal circumstances and that the Fund is in a sound financial condition as at the valuation date.

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.

**Municipal Councillors' Pension Fund**

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The statutory valuation performed as at 30 June 2015 revealed that the assets of the fund amounted to R2,551,861,000 (30 June 2014 : R2,229,410,000), with funding levels of 101.08% (30 June 2014: 98.83%). The contribution rate paid by the members (13,75 %) and council (15 %) is sufficient to fund the benefits accruing from the fund in the future. The Actuary certified that the Fund was in a sound financial condition as at 30 June 2015, in that the assets of the fund were sufficient to cover the accrued service liabilities including the recommended contingency reserves in full.

The appointment of a Curator in terms of section 5(1) of the Financial Institutions (protection of funds) Act 2001 for the whole of the business of the Municipal Councillors Pension Fund was done in December 2017. Due to the provisional curatorship, a short moratorium has been placed on the payment of benefits to members/beneficiaries. In terms of the curatorship order, the Court ordered as follows: 1. The provisional Curatorship order of the 19th December 2017 is made a final; 2. The Curator shall furnish the Registrar of the Pension Fund with progress report; 3. The Curator must deliver a further progress report to the Court by no later than 31st October 2018 which report deals with the status of curatorship as at the 30th September 2018; on the curatorship once every two months;

**SALA Pension Fund:**

The SALA Pension Fund operates both as a defined benefit and defined contribution scheme.

The statutory valuation performed as at 1 July 2016 revealed that the assets of the fund amounted to R13,700,300.00 (30 June 2015 : R13,231,200.00), with funding levels of 100% (30 June 2015: 100%). The highest contribution rate paid by the members was 7.92% and by Council 20.78%.

It is the actuary's opinion that :

- They are satisfied with the investment strategy of the Fund;
- the nature of the assets is, in their opinion, suitable for the nature of the liabilities of the Fund as defined in the Rules of the Fund;
- the matching of assets with the liabilities of the Fund is adequate; and
- the insurance arrangements are appropriate compared to the cover provided can be regarded as financially sound at the valuation date.

**National Fund For Municipal Workers**

The fund operates as a defined contribution fund and in terms of the rules of the fund category A and category C members contribute at a rate as agreed upon by the Local Authority and the member, subject to an absolute minimum contribution of 2% and 5% of their remuneration respectively.

Category C-Members, appointed after 1 July 2012, who are not part of the Schedule shall make monthly contributions to the Fund equal to 7.5% of their Remuneration.

The Local Authority must contribute in respect of category A and category C members such an amount as agreed between the Local Authority and the fund, subject to a minimum contribution rate of 2% and 5% of their remuneration respectively. Category B members are members who belong to both category A and C and the Local Authority must, on behalf of such members, not contribute less than 7% of their remuneration. The contribution rates stipulated above include the amount payable towards the insured risk benefits policy.

The last statutory valuation performed as at 30 June 2015 revealed that the assets of the fund amounted to R10,050,029,000 (30 June 2014 : R10,050,029,000), with funding levels of 100.42% (30 June 2014: 100.10%). The actuary certified that the assets of the fund are sufficient to cover 100.42% of the members' liabilities, also that it can be expected that the funding level of a fund of this nature will fluctuate around 100%, for example due to timing differences in investment and receipt of monies, slight mismatching of assets and liabilities and processing errors.

**The Municipal Workers Retirement Fund (Previously South African Municipal Workers Union National Provident Fund)**

The Municipal Workers Retirement Fund is a defined contribution scheme. Members contribute at a rate of not less than 7.5% of salaries, as required by the Rules. The employers contribute at a total rate of not less than 18%. From 1 July 2017, members and employers that fall under other bargaining councils or forums are not bound by the above minimum contribution rates. The statutory valuation performed as at 30 June 2017 revealed that the assets of the fund amounted to R7,720,948,000 (30 June 2011 : R6,574,75,00), with funding levels of 102.0% (30 June 2014: 111.7%). As a percentage of members' Fund Credits, the investment smoothing reserve has decreased from 5.6% to 4.9% over the valuation period. As a percentage of the market value of assets, it has decreased marginally from 4.6% to 4.4%. The Fund's assets are sufficient to cover the members' Fund Credits, the targeted levels of the risk benefits reserve and the data and processing error reserve, and an investment smoothing reserve of 4.9% of members' Fund Credits as at 30 June 2017. In addition, there is brought-forward surplus of some R152.8 million which has been allocated to former members and is awaiting payment. The Fund is therefore in a sound financial position.

An amount of R16,200 million (2018: R16,200 million) was contributed by Council towards councilor and employee retirement funding. These contributions have been expensed.



**44. GUARANTEES**

Guarantees were issued in favor of Eskom in the amount of R70 200. The guarantees were given in lieu of a cash deposit, and if we do not pay the account, Eskom can encash the guarantee.

**45. IN-KIND DONATIONS AND ASSISTANCE**

The municipality did not receive any in-kind Donations and Assistance during the year under review.

**46. CORRECTION OF ERRORS AND RECLASSIFICATIONS IN TERMS OF GRAP 3**

Errors and other restatements in the prior years transactions were discovered and were corrected in the current year's financial statements. Details of these errors and restatements are as follows:

**46.1 Property, Plant and Equipment**

<b>Balances as published as at 30 June 2018</b>	<b>774 214 448</b>
Roads and Stormwater infrastructure improved unbundling - Infrastructure accumulated depreciation - Opening balance	(2 138 475)
Roads and Stormwater infrastructure improved unbundling - Infrastructure accumulated depreciation - Prior year	318 591
Land incorrectly recognised as Investment Property	1 000
Depreciation incorrectly recognised on assets with change in estimate in the previous year	612 879
Investment property incorrectly previously recognised as buildings - Cost - Opening balance	(229 073)
Investment property incorrectly previously recognised as buildings - Accumulated depreciation - Opening balance	91 629
Investment property incorrectly previously recognised as buildings - Accumulated depreciation - Opening balance	11 454
<b>Restated balance as at 30 June 2018</b>	<b>772 882 452</b>

**46.2 Investment property**

<b>Balances as published as at 30 June 2018</b>	<b>71 227 509</b>
Land incorrectly recognised as Investment Property	(200 000)
Investment property incorrectly previously recognised as buildings	814 272
<b>Restated balance as at 30 June 2018</b>	<b>71 841 781</b>

**46.3 Trade receivables from non-exchange transactions**

The prior year income from traffic fines was adjusted due to fines issued in prior years that should have been reduced and withdrawn during the prior year. The provision for impairment for the prior year was also recalculated and adjusted.

<b>Balances as published as at 30 June 2018</b>	<b>27 231 760</b>
Traffic fines received - adjusted	(19 233 749)
Provision for impairment of traffic fines - adjusted	14 467 346
<b>Restated balance as at 30 June 2018</b>	<b>22 465 357</b>

**46.4 Accumulated Surplus**

Corrections were made and appropriated to the Accumulated Surplus Account during the financial year ended 30 June.

Details of the appropriations are as follows:

<b>Balance as published as at 30 June 2018</b>	<b>804 742 739</b>
Correction of accumulated depreciation due to Roads and Stormwater improved unbundling	(2 138 475)
Correction of land incorrectly recognised as Investment Property	(199 000)
Investment property incorrectly previously recognised as buildings	676 828
<b>Effect of changes in the surplus for the previous financial year</b>	<b>(3 823 479)</b>
<b>Restated balance as at 30 June 2018 - Refer to note 22</b>	<b>799 258 613</b>

**46.5 Appropriations to the 2017/2018 surplus/deficit**

Corrections were made to certain profit and loss accounts which affected the 2017/2018 year.

<b>Surplus for the year as previously stated:</b>	<b>52 462 535</b>
Reduction of impairment loss on receivables	14 467 346
Traffic fines	(19 233 749)
Depreciation and amortisation Roads and Stormwater infrastructure improved unbundling	318 592
Depreciation and amortisation Depreciation incorrectly recognised on assets with change in estimate in the previous year	612 879
Depreciation and amortisation Investment property incorrectly previously recognised as buildings	11 454
<b>Restated balance as at 30 June 2018</b>	<b>48 639 056</b>



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**
**2019**
**2018**
**R**
**R**
**46. CORRECTION OF ERRORS AND RECLASSIFICATIONS IN TERMS OF GRAP 3 - (continued)**
**46.6 Reclassification**

Provision for staff leave have been reclassified from creditors to Current employee benefits to comply to the requirements of GRAP 25.

<b>Current employee benefits as previously stated</b>	<b>7 903 047</b>
Staff leave reclassified from creditors	7 028 056
<b>Restated balance as at 30 June 2018</b>	<b>14 931 103</b>
<b>Creditors as previously stated</b>	<b>50 942 955</b>
Staff leave reclassified to current employee benefits	(7 028 056)
<b>Restated balance as at 30 June 2018</b>	<b>43 914 899</b>

**47. CHANGE IN ACCOUNTING ESTIMATES**
**47.1 Property, Plant and Equipment**

Change in estimate resulted in decreased depreciation charge for the 2019 year and an increase to the following years amounting to R589,193

The useful life of certain property, plant and equipment approaching the end of its useful lives, have been revised by management in the current financial period. The effect of this revision has decreased the depreciation charges for the current year and increased the depreciation charge for future periods by R589,193.

**48. TRUST FUNDS**

Nature Development - Stilbaai	1 878 317	1 782 397
Elsje Koorts Tuberculosis Fund	270 194	250 180
<b>Total Trust Funds</b>	<b>2 148 511</b>	<b>2 032 577</b>

**49. FINANCIAL INSTRUMENTS**
**49.1 Classification of Financial Instruments**
**FINANCIAL ASSETS**
**Financial Assets**
**Classification**

In accordance with Grap 104 the Financial Assets of the municipality are classified as follows:

**Long-term Receivables**

Sport clubs/Pre-primary School	Note 12	Amortised cost	6 940	10 022
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**Consumer Debtors**

Rates	Note 4	Amortised cost	13 709 025	11 463 869
Electricity	Note 3	Amortised cost	17 428 171	16 604 680
Water	Note 3	Amortised cost	10 109 084	8 564 204
Sewerage	Note 3	Amortised cost	7 049 740	6 160 202
Waste Management	Note 3	Amortised cost	4 871 083	3 545 134
Other	Note 3	Amortised cost	3 571 134	5 443 978
Less: Provision for Impairment	Note 3	Amortised cost	(24 589 578)	(20 627 395)

**Current Portion of Long-term Receivables**

Sport clubs/Pre-primary School	Note 12	Amortised cost	3 082	2 849
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**Cash and Cash Equivalents**

Call Deposits	Note 6	Amortised cost	254 166 308	216 414 954
Bank balances and Cash Floats	Note 6	Amortised cost	3 342 458	3 445 345
			<b>289 667 448</b>	<b>251 027 842</b>

**SUMMARY OF FINANCIAL ASSETS**
**Loans and Receivables:**

Long-term Receivables	Note 12	Sport clubs/Pre-primary School	6 940	10 022
Consumer Debtors	Note 4	Rates	13 709 025	11 463 869
Consumer Debtors	Note 3	Electricity	17 428 171	16 604 680
Consumer Debtors	Note 3	Water	10 109 084	8 564 204
Consumer Debtors	Note 3	Sewerage	7 049 740	6 160 202
Consumer Debtors	Note 3	Waste Management	4 871 083	3 545 134
Consumer Debtors	Note 3	Other	3 571 134	5 443 978
Consumer Debtors		Less: Provision for Impairment	(24 589 578)	(20 627 395)
Current Portion of Long-term Receivables	Note 12	Sport clubs/Pre-primary School	3 082	2 849
Bank, Cash and Cash Equivalents	Note 6	Bank Balances, Cash Floats and Advances	257 508 767	219 860 299
			<b>289 667 448</b>	<b>251 027 842</b>

**TOTAL FINANCIAL ASSETS**
**289 667 448**
**251 027 842**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019			2019	2018
			R	R
<b>49. FINANCIAL INSTRUMENTS - (continued)</b>				
<b>FINANCIAL LIABILITIES</b>				
<b>Financial Liabilities</b>	<b>Classification</b>			
<b>Long-term Liabilities</b>				
Annuity Loans	Note 18	Amortised cost	103 568 572	94 133 984
<b>Consumer Deposits</b>				
Electricity, Water and Other	Note 13	Amortised cost	9 224 987	8 399 605
<b>Creditors</b>				
Trade Creditors	Note 15	Amortised cost	29 152 460	30 416 499
Retentions	Note 15	Amortised cost	4 332 216	5 932 347
Other Creditors	Note 15	Amortised cost	5 554 747	4 083 061
<b>Current Portion of Long-term Liabilities</b>				
Annuity Loans	Note 18	Amortised cost	20 579 320	17 420 948
			<b>172 412 302</b>	<b>160 386 443</b>
<b>SUMMARY OF FINANCIAL LIABILITIES</b>				
Long-term Liabilities	Note 18	Annuity Loans	103 568 572	94 133 984
Consumer Deposits	Note 13	Electricity, Water and Other	9 224 987	8 399 605
Creditors	Note 15	Trade Creditors	29 152 460	30 416 499
Creditors	Note 15	Retentions	4 332 216	5 932 347
Creditors	Note 15	Other Creditors	5 554 747	4 083 061
Current Portion of Long-term Liabilities	Note 18	Annuity Loans	20 579 320	17 420 948
<b>TOTAL FINANCIAL LIABILITIES</b>			<b>172 412 302</b>	<b>160 386 443</b>

#### 49.2 Fair Value of Financial Instruments

In accordance with GRAP 104, 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 2019		30 JUNE 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>FINANCIAL ASSETS</b>				
<b>Loans and Receivables</b>				
Long-term Receivables	6 940	6 940	10 022	10 022
Call Deposits	254 166 308	254 166 308	216 414 954	216 414 954
Consumer Debtors	32 148 659	32 148 659	31 154 671	31 154 671
Bank Balances and Cash	3 342 458	3 342 458	3 445 345	3 445 345
Current Portion of Long-term Receivables	3 082	3 082	2 849	2 849
<b>Total Financial Assets</b>	<b>289 667 448</b>	<b>289 667 448</b>	<b>251 027 842</b>	<b>251 027 842</b>
<b>FINANCIAL LIABILITIES</b>				
<b>Loans and receivables:</b>				
<u>Unsecured Bank Facilities:</u>				
- Annuity Loans	124 147 892	124 147 892	111 554 932	111 554 932
<b>Trade and Other Payables:</b>	<b>48 264 410</b>	<b>48 264 410</b>	<b>48 831 511</b>	<b>48 831 511</b>
Consumer Deposits	9 224 987	9 224 987	8 399 605	8 399 605
Creditors	39 039 423	39 039 423	40 431 906	40 431 906
<b>Cash and Cash equivalents</b>				
Bank Overdraft	-	-	-	-
<b>Total Financial Liabilities</b>	<b>172 412 302</b>	<b>172 412 302</b>	<b>160 386 443</b>	<b>160 386 443</b>

**49. FINANCIAL INSTRUMENTS - (continued)****Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities**

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.

**49.3 Capital Risk Management**

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 19, Bank, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus and the Statement of Changes in Net Assets.

**49.4 Significant Accounting Policies**

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 of each class of Financial Asset, Financial Liability and Equity Instrument are disclosed in the Accounting Policies to the Annual Financial Statements.

**49.5 Financial Risk Management Objectives**

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. 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.

**49.6 Market risk**

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 49.7 below). No formal policy exists to hedge volatilities in the interest rate market.

**49.7 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.

**49.8 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.



49. 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	Within 1 year	2 - 5 years	More than 5 Years	Total
	%	R	R	R	R
<b>30 JUNE 2019</b>					
Development Bank	8.90% - 11.56%	15 808 703	47 135 828	18 798 970	81 743 500
ABSA	10.20%	3 236 975	12 947 899	9 710 924	25 895 798
Nedbank	9.01%	3 769 142	7 538 283	-	11 307 425
First National Bank	11.40%	2 520 900	-	-	2 520 900
Standard Bank	11.26%	7 274 239	29 096 956	14 548 478	50 919 674
Trade Creditors	0%	29 152 460			29 152 460
Retentions	0%	4 332 216			4 332 216
Other Creditors	0%	5 554 747			5 554 747
		<b>71 649 381</b>	<b>96 718 967</b>	<b>43 058 372</b>	<b>211 426 720</b>
<b>30 JUNE 2018</b>					
Development Bank	8.90% - 11.56%	11 731 872	33 222 627	4 008 512	48 963 011
ABSA	10.20%	3 236 975	12 947 899	12 939 278	29 124 152
Nedbank	9.01%	3 783 945	11 351 836	-	15 135 781
First National Bank	11.40%	2 520 900	2 520 900	-	5 041 799
Standard Bank	11.26%	7 274 239	29 096 956	21 827 960	58 199 155
Trade Creditors	0%	30 416 499			30 416 499
Retentions	0%	5 932 347			5 932 347
Other Creditors	0%	4 083 061			4 083 061
		<b>68 979 837</b>	<b>89 140 218</b>	<b>38 775 749</b>	<b>196 895 803</b>

The municipality has access to financing facilities. 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.

**49.9 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.

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:

Long-term Receivables	10 022	12 872
Consumer Debtors	23 481 985	23 983 095
Other Debtors	8 666 672	7 171 575
Bank and Cash Balances	257 508 767	219 860 299
<b>Maximum interest and credit risk exposure</b>	<b>289 667 446</b>	<b>251 027 840</b>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**
**2019**  
**R**
**2018**  
**R**
**50. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE**
**50.1 Unauthorised expenditure**

Reconciliation of unauthorised expenditure:

Opening balance	862 201	2 774 641
Unauthorised expenditure current year - capital	-	-
Unauthorised expenditure current year due to budget exceeded - operating	3 007 245	862 201
Approved by Council on 30 January 2019	(862 201)	(2 774 641)
<b>Unauthorised expenditure awaiting authorisation:</b>	<b>3 007 245</b>	<b>862 201</b>

The recoverability of the unauthorised expenditure will be determined by Council after an investigation by a Council Committee in terms of Section 32 of the MFMA

**Operating budget - Expenditure by type**

	2019 R Budget	2019 R Actual	2019 R Variance	2019 R Unauthorised
Employee related costs	165 475 148	149 909 821	(15 565 327)	
Remuneration of Councillors	8 050 309	7 588 445	(461 864)	
Bad debts	59 530 298	57 822 982	(1 707 316)	
Depreciation and Asset Impairment	35 959 608	27 794 207	(8 165 401)	
Inventory Consumed	26 532 061	22 515 542	(4 016 519)	
Finance Charges	21 179 799	16 899 034	(4 280 765)	
Bulk purchases	94 197 457	97 204 702	3 007 245	3 007 245
Transfers and Subsidies	1 206 500	1 133 147	(73 353)	
Contracted services	36 360 957	26 290 317	(10 070 640)	
General expenses	30 249 708	22 248 639	(8 001 069)	
<b>Total</b>	<b>478 741 845</b>	<b>429 406 837</b>	<b>(49 335 008)</b>	<b>3 007 245</b>

**30 June 2018**
**Operating budget - Expenditure by GFS classification**

	2018 R Budget	2018 R Actual	2018 R Variance	2018 R Unauthorised
Office of the MM	30 137 962	31 000 163	862 201	862 201
Corporate Services	40 092 276	35 396 373	(4 695 903)	
Financial Services	27 809 106	24 279 911	(3 529 195)	
Community Services	75 383 337	62 857 973	(12 525 364)	
Technical Services	251 025 878	240 220 349	(10 805 529)	
Spatial Planning & Environmental Management	11 513 309	10 818 194	(695 115)	
<b>Total</b>	<b>435 961 868</b>	<b>404 572 962</b>	<b>(31 388 906)</b>	<b>862 201</b>

**50.2 Fruitless and wasteful expenditure**

Reconciliation of fruitless and wasteful expenditure:

Opening balance	-	261 879
Transport	1 750	-
Vehicle license of Compactor	22 406	-
Telkom switchboard and subscription not used	-	409 029
Electricity losses above the threshold (Refer note 51)	-	-
Water losses above the threshold (Refer note 51)	-	-
Fruitless and Wasteful Expenditure awaiting condonement	<b>24 156</b>	<b>670 908</b>
Less: Condoned by Council on 28 August 2019	(24 156)	(670 908)
<b>Fruitless and wasteful expenditure awaiting authorisation:</b>	<b>-</b>	<b>-</b>

Council resolved, after a Section 32 Committee investigation, that expenditure for the amount of R24 156 be certified as irrecoverable and be written off.

**50.3 Irregular expenditure**

Reconciliation of irregular expenditure:

Opening balance	1 516 763	-
Irregular expenditure current year:		
- Not applying the applicable taxes when determining "price" in the award of quotations	491 872	-
- Vanguard fire and safety Cape - PPPFA, Regulation 8(5)	-	79 220
- Mubesko Africa - Interpretation of Municipal Supply Chain Management Regulation 32	1 253 604	1 437 543
- Ground Water Solutions CC T/A AB Pumps (yield testing services) - Interpretation of Municipal Supply Chain Management Regulation 32	702 708	
- Steyns Drilling Trust CC - Interpretation of Municipal Supply Chain Management Regulation 32	1 973 182	
- Administrative irregularities in the award of tender	-	1 150 976
- Adopting alternative solution from Vox	-	377 842
- Payment of acting allowance	-	79 514
Less: Condoned by Council on 30 January 2019 and 28 February 2019	(571 092)	(1 608 332)
<b>Irregular expenditure awaiting council approval</b>	<b>5 367 037</b>	<b>1 516 763</b>

Council resolved, after a Section 32 Committee investigation, that expenditure for the amount of R571 092 be certified as irrecoverable and be written off.

With reference to MFMA circular 68, we are of the opinion that the municipality acted in good faith in all these Regulation 32 appointments. Comparison was also adjusted.

**51. MATERIAL LOSSES**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**2019**  
**R**

**2018**  
**R**

**Electricity distribution losses**

- Units purchased (Kwh)	92 425 838	91 314 146
- Units lost during distribution (Kwh)	6 290 027	9 770 776
<b>- Percentage lost during distribution</b>	<b>6.81%</b>	<b>10.70%</b>

Electricity losses can be placed in two categories, namely Technical and Non-Technical losses.

Technical losses are the losses within the distribution network caused by the resistance to the flow of electricity forming part of items such as overhead lines, cables and transformers. Since Hessequa Municipality provides power to a number of towns (holiday destinations), with a very low load factor, which is also developed along the coast in long narrow sections resulting in long radial electrical feeders, the technical losses are higher than that of the other towns. Faulty meters are replaced as soon as they are reported.

Non-Technical losses are due to:

- Illegal connections
- Electricity theft
- Tampering with meters
- Meters not read correctly
- Faulty meters
- By-passing of meters

NERSA indicated that a 12% loss is regarded as normal.

**Water Inventory**

The following losses were calculated during the comparison of water purchases against water sales:

**Riversdale**

Kiloliters purchased	826 973	870 135
Movement in stock	-	-
Kiloliters sold	811 476	812 042
Kiloliters lost in distribution	15 497	58 093
Percentage loss in distribution	1.87%	6.68%
Cost per kiloliter	R 0.65	R 0.57
Total cost in Rand	10 073	33 113

**Heidelberg and Witsand**

Kiloliters purchased	493 190	549 901
Movement in stock	-	-
Kiloliters sold	444 842	457 668
Kiloliters lost in distribution	48 348	92 233
Percentage loss in distribution	10%	17%
Cost per kiloliter	R 9.84	R 8.08
Total cost in Rand	475 744	745 240

**Slangrivier**

Kiloliters purchased	101 231	85 689
Movement in stock	-	-
Kiloliters sold	79 566	73 272
Kiloliters lost in distribution	21 665	12 417
Percentage loss in distribution	21%	14%
Cost per kiloliter	R 8.55	R 8.69
Total cost in Rand	185 236	107 905

**Total amount of water losses**

**671 054**      **886 257**

Water losses will be considered to be distribution losses and have been written off in the Statement of Financial Performance.

Water Losses occur due to inter alia, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported. The loss of water is further indicative of ageing infrastructure assets requiring improved maintenance and upgrading. Council is however currently investigating further possibilities to reduce the loss. The water infrastructure is very old, and millions of Rands is required to finance the backlog.



**52. CONTINGENT LIABILITIES**

Save for the normal handovers of outstanding debtors accounts, litigation that Council was involved in, is as follows:

Case	Evaluation	R	R
DB Joubert v HM	Applicant claimed damages from the Municipality regarding flood damage suffered a number of years ago. The matter is still ongoing and the Municipality has appointed Attorneys in this regard. R14 708 has already been paid but further costs will be incurred.	40 000	20 000
S Pain v HM	Applicant is claiming damages from the Municipality.	40 000	30 000
Breedezicht Home Owners Association / HM	High Court Application with regards to maintenance of roads in a private estate. The legal advisors are of the view that the claim will not be successful and that damages will not be granted in favour of the Claimant.	100 000	
Minister of Water & Sanitation / HM	Dispute with regards to water sources. The legal advisors are of the view that the claim will not be successful and that damages will not be granted in favour of the Claimant.	2 541 903	
J Pieters / HM	High Court Application – Injury on Duty. We are waiting for the Executor of the estate to confirm whether he will proceed with the application. The legal advisors are of the opinion that the application will not be successful and will be dismissed by the High Court.	30 000	
Mockson v HM	Unfair dismissal claim - individual labour relations dispute awaiting final arbitration in the South African Local Government Bargaining Council (SALGBC). Partly heard. The applicant's prospect of success is unlikely.	328 307	
Flores v HM	Unfair dismissal claim - individual labour relations disputes relating to contract termination. Awaiting final arbitration in the South African Local Government Bargaining Council (SALGBC). The applicant's prospect of success is undetermined as the merits of the case is still to be heard.	78 000	
T Joubert v HM	Third parties fencing damaged during fire breakout - We are currently waiting for feedback from attorney, whether the settlement will be made out of court or not. The outcome at this stage cannot be determined.	30 000	

**53. COMPARATIVE FIGURES**

The comparative figures were restated as a result of the effect of Prior Period Errors and reclassifications (Note 46).

**54. GOING CONCERN ASSESSMENT**

Management considered the following matters relating to the Going Concern:

- On 30 May 2018 the Council adopted the 2018/19 Budget, which indicated that the Budget was cash backed for the period. Financial constraints to finance capital projects, will be resolved by selling parts of Municipalities land.
- Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by weekly and monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.
- As the municipality has the power to levy fees, tariffs and charges, this will result in an on going inflow of revenue to support the on-going delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

**55. BUDGET COMPARATIVE NOTES**

Reasons for material variances between Approved Budget and Actual Amounts on the various items disclosed in the Statement of Comparison of Budget and Actual amounts, are explained below:

**Revenue - Refer to Appendix E (1) for additional information**

- Rev1 Fines issued are less than envisaged.
- Rev2 More vehicle registrations than anticipated.
- Rev3 Unspent Grants : Library, Housing Transfer Costs, ICT project, SETA training
- Rev4 Unspent Grants: Water Meters Hessequa, Installation of Rooftop PV
- Rev5 More rentals received than anticipated.
- Rev6 Interest rates more favourable - more investment funds available because of poor capital spending.
- Rev7 Increase in outstanding debtors.
- Rev8 Main reasons for the excess revenue over budget are camping fees and development charges.
- Rev9 Business Hub Heidelberg (R1 000 000) - Project not started by donor.

**Expenditure - Refer to Appendix E (1) for additional information**

- Exp1 Vacant posts not filled (R7 mil), actuarial gain on the Retirement Benefit Liability (R8.5 mil)
- Exp2 Savings due to excessive amount of roll overs of 2018/19 capital budget to 2019/20.
- Exp3 Less spent on Water, Stationery, Fuel, Materials & Supplies and Various Materials required for Repairs & Maintenance.
- Exp4 No external loan was taken up in the 2017/18 financial year. The budget for 2018/19 provide for finance charges on the loan.
- Exp5 Overspending traffic fines management, underspending housing schemes, master planning, collection cost etc.
- Exp6 Less spent on Telephone, Insurance, SETA training & Remuneration of Ward Committes,
- Exp7 Overspending is due to an increase in consumption, which increased sales and were used internally.

**55. BUDGET COMPARATIVE NOTES (Continued)****Assets**

- Fp1 The budget schedules do not provide for exchange and non-exchange, hence the differences. The total outstanding receivables at year end is approximately R6 million less than budgeted. The main reason is due to lower than expected income from traffic fines.
- Fp2 More cash available due to underspending on the capital budget.

**Liabilities**

- Fp3 Deposits more than anticipated.
- Fp4 The budget includes conditional grants and staff leave. The latter has been reclassified to Current Employee Benefits.
- Fp5 The budget is understated because of uncertainty of the spending of the capital budget.
- Fp6 The budget is understated due to the reclassification of staff leave provision. This was done after the approval of the adjustment budget.
- Fp7 Council did not raise the full budgeted amount.
- Fp8 The actual amount is more than the budget as a result of the increase in provision for land-fill sites. Trust funds are included in the non-current provision since there is not a line item for this in the schedules.
- Fp9 Accumulated surplus is more than expected because of more revenue collected than budgeted and actual expenditure less than budgeted for.

**Cash Flow**

- Cf1 More revenue received than expected.
- Cf2 Revenue from traffic fines less than expected.
- Cf3 The budget assumed that all budgeted grant funds would be received and spent. This did not realise.
- Cf4 Expenditure less than budget.
- Cf5 More investment funds available due to poor capital spending.
- Cf6 No external loan was taken up in the 2017/2018 financial year, although anticipated finance charges was included in the budget.
- Cf7 Capital budget underspent.
- Cf8 Underspending of the capital budget, resulted in more cash available for investment.

**Capital - Refer to Appendix E (2) for additional information**

- Cap1 Underspending on Tidal pool, Office space/toilets, Budget Tool and Eating area. Donated PPE for business hub did not realise.
- Cap2 Underspending on community & social services - Thusong Centre & Slangrivier Cemetery.
- Cap3 Underspending on public conveniences and sport fields.
- Cap4 Underspending on roads and vehicles
- Cap5 Underspending on electricity projects - rooftop PV and transformer Stilbaai & cherry picker.
- Cap6 Underspending on bulk sewerage works & suction tanker.
- Cap7 Underspending on reservoir, sandfilters, water meters and boreholes.

**56. CONTRACTED SERVICES**

Outsource Services	4 397 256	2 634 048
Consultants and Professional Services	4 461 611	5 610 539
Contractors	17 431 450	23 948 070
<b>Total</b>	<b>26 290 317</b>	<b>32 192 657</b>

**57. INVENTORY CONSUMED**

Water	5 195 137	4 531 744
Fuel	7 459 583	6 189 843
Materials & Supplies	9 189 767	8 513 929
<b>Total</b>	<b>21 844 488</b>	<b>19 235 516</b>

**58. STATUTORY RECEIVABLES**

In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:

**Taxes**

VAT (Payable) / Receivable	(990 510)	1 689 073
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**Receivables from Non-Exchange Transactions**

	81 527 363	70 771 336
Rates	13 709 025	11 463 869
Fines	67 818 339	59 307 467

**Total Statutory Receivables (before provision)**

	<b>80 536 854</b>	<b>72 460 409</b>
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**Less: Provision for debt impairment**

	(60 219 352)	(51 246 014)
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**Total Statutory Receivables (after provision)**

	<b>20 317 502</b>	<b>21 214 394</b>
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**Appendix A - Unaudited**

**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2019**

<b>EXTERNAL LOANS</b>	<b>Interest Rate</b>	<b>Loan Number</b>	<b>Redeemable</b>	<b>Balance at 30-Jun-18 R</b>	<b>Received during the period R</b>	<b>Redeemed written off during the period R</b>	<b>Balance at 30-Jun-19 R</b>
<b>Annuity Loans</b>							
Development Bank	10.495%	12007420/61006812	2021	9 087 632	-	(2 723 622)	6 364 011
Absa Bank	10.20%	4068858722	2027	18 781 123	-	(1 357 725)	17 423 398
First National Bank	11.40%	4-000-019-445-833	2020	4 396 464	-	(2 076 675)	2 319 789
Development Bank	11.56%	103465	2019/06	1 494 987	-	(1 494 988)	0
Nedbank	9.01%	05/7831031707/000001	2022/06	12 430 452	-	(2 711 804)	9 718 648
Development Bank	8.90%	12007748/61007148	2023/06	9 869 391	-	(1 644 533)	8 224 858
Development Bank	9.98%	12007830/61007233	2024/06	17 791 479	-	(2 293 706)	15 497 773
Standard Bank	11.26%	280033036	2026/06	37 703 404	-	(3 126 674)	34 576 730
Development Bank	9.20%	12008175/61007562	2029/06		30 000 000	22 685	30 022 685
<b>Total External Loans</b>				<b>111 554 932</b>	<b>30 000 000</b>	<b>-17 407 041</b>	<b>124 147 891</b>

**Appendix B - Unaudited**

**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2019**

	Cost							Accumulated Depreciation and - impairments					
	Opening Balance	Additions	IGRAP 2 Adjustments	Fair Value Adjustment	Under Construction additions	Transfers due to unbundling	Disposals Transfer	Closing Balance	Opening Balance	Additions - Depreciation	Disposals - Depreciation	Closing Balance	Carrying Value
	R	R	R	R	R	R	R	R	R	R	R	R	R
<b>Land and Buildings</b>													
Land	165 394 047	168 880	-	-	-	-	-	165 562 927	18 171 940	-	-	18 171 940	147 390 986
Buildings	58 351 506	751 192	-	-	32 047	0	-	59 134 746	30 668 770	1 871 819	-	32 540 589	26 594 157
	<b>223 745 554</b>	<b>920 072</b>	<b>-</b>	<b>-</b>	<b>32 047</b>	<b>0</b>	<b>-</b>	<b>224 697 672</b>	<b>48 840 710</b>	<b>1 871 819</b>	<b>-</b>	<b>50 712 529</b>	<b>173 985 143</b>
<b>Investment Property</b>													
Land and Buildings	71 841 781	-	-	1 968 633	-	-	(204 000)	73 606 414	-	-	-	-	73 606 414
	<b>71 841 781</b>	<b>-</b>	<b>-</b>	<b>1 968 633</b>	<b>-</b>	<b>-</b>	<b>(204 000)</b>	<b>73 606 414</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>73 606 414</b>
<b>Intangible Assets</b>													
Water Rights	400 000	-	-	-	-	-	-	400 000	127 777	13 333	-	141 110	258 890
Software	57 480	-	-	-	-	-	-	57 480	30 793	8 211	-	39 004	18 476
	<b>457 480</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>457 480</b>	<b>158 570</b>	<b>21 545</b>	<b>-</b>	<b>180 115</b>	<b>277 365</b>
<b>Infrastructure</b>													
<b>Sewerage</b>													
Purification	84 167 298	2 598 972	-	-	13 994 836	(1 670 710)	-	99 090 397	12 880 062	1 921 176	-	14 801 238	84 289 159
Outfall Sewerage	6 672 963	3 368 816	-	-	-	(3 483 500)	-	6 558 280	4 788 605	229 373	-	5 017 978	1 540 302
Reticulation	38 033 953	2 906 441	-	-	5 312	7 586 976	-	48 532 683	7 824 845	792 141	-	8 616 986	39 915 697
<b>Water</b>													
Water Meters	4 360 672	0	-	-	-	-	-	4 360 672	1 447 763	145 764	-	1 593 527	2 767 144
Reticulation Network	44 573 711	5 853 204	-	-	2 846 472	(5 906 998)	(2 866)	47 363 523	8 462 686	1 514 340	(2 920)	9 974 106	37 389 417
Pump Stations	2 528 076	0	-	-	-	(183 115)	-	2 344 961	1 523 871	103 678	-	1 627 549	717 412
Purification Works	2 992 449	9 831 931	-	-	-	(875 628)	-	11 948 752	1 781 050	156 919	-	1 937 969	10 010 783
Reservoirs/Tanks	32 383 162	1 029 589	-	-	-	4 532 974	-	37 945 725	7 766 903	812 817	-	8 579 720	29 366 005
<b>Electricity</b>													
Power Stations	277 073	0	-	-	-	-	-	277 073	170 792	20 646	-	191 438	85 635
Transformer Kiosks	5 914 574	0	-	-	-	-	-	5 914 574	1 046 580	125 777	-	1 172 357	4 742 217
Substations	49 622 502	1 593 964	-	-	-	3 004 480	-	54 220 947	3 623 463	1 202 292	23	4 825 778	49 395 169
Streetlights	10 456 490	0	-	-	-	-	-	10 456 490	2 734 411	339 832	-	3 074 243	7 382 247
Electricity Meters	643 930	0	-	-	-	(342 592)	-	301 338	12 054	12 054	-	24 107	277 231
Mains	47 957 295	2 851 480	-	-	-	(2 763 864)	-	48 044 911	8 250 614	995 534	-	9 246 148	38 798 763
<b>Solid Waste</b>													
	1 450 882	91 901	-	-	81 560	-	-	1 624 343	747 241	60 904	-	808 145	816 199

Appendix B - Unaudited

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2019

	Cost							Accumulated Depreciation and - impairments					
	Opening Balance	Additions	IGRAP 2 Adjustments	Fair Value Adjustment	Under Construction additions	Transfers due to unbundling	Disposals Transfer	Closing Balance	Opening Balance	Additions - Depreciation	Disposals - Depreciation	Closing Balance	Carrying Value
	R	R	R	R	R	R	R	R	R	R	R	R	R
<b>Roads and Stormwater</b>													
Motorways	162 764 604	6 170 608	-	-	3 637 491	436 510	(163 841)	172 845 371	35 474 379	5 419 726	(18 319)	40 875 786	131 969 586
Stormwater	112 159 510	0	-	-	-	(436 510)	(326 882)	111 396 118	13 149 930	1 394 908	(37 637)	14 507 200	96 888 917
Parking Areas	822 408	0	-	-	-	-	-	822 408	83 171	21 022	-	104 193	718 215
Footpaths	4 086 383	0	-	-	-	-	-	4 086 383	173 542	51 243	-	224 785	3 861 598
	<b>611 867 935</b>	<b>36 296 906</b>	<b>-</b>	<b>-</b>	<b>20 565 671</b>	<b>(101 975)</b>	<b>(493 589)</b>	<b>668 134 948</b>	<b>111 941 960</b>	<b>15 320 146</b>	<b>(58 853)</b>	<b>127 203 253</b>	<b>540 931 695</b>
<b>Community Assets</b>													
Cemeteries	2 938 053	701 431	-	-	277 705	-	-	3 917 189	577 225	102 402	-	679 627	3 237 562
Sport Grounds	15 573 579	657 278	-	-	130 722	-	-	16 361 579	7 408 634	623 114	-	8 031 748	8 329 831
Parks	7 439 747	938 265	-	-	-	(14 080)	-	8 363 933	3 690 111	319 455	-	4 009 567	4 354 366
Public Conveniences	3 411 166	603 376	-	-	-	-	-	4 014 543	297 603	176 051	-	473 654	3 540 889
	<b>29 362 546</b>	<b>2 900 351</b>	<b>-</b>	<b>-</b>	<b>408 427</b>	<b>(14 080)</b>	<b>-</b>	<b>32 657 244</b>	<b>11 973 572</b>	<b>1 221 023</b>	<b>-</b>	<b>13 194 595</b>	<b>19 462 649</b>
<b>Heritage Assets</b>													
Mayoral chains	30 000	-	-	-	-	-	-	30 000	-	-	-	-	30 000
Art Collections, antiquities and exhibits	8 291 875	-	-	-	-	-	-	8 291 875	-	-	-	-	8 291 875
	<b>8 321 875</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8 321 875</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8 321 875</b>

**Appendix B - Unaudited**

**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2019**

	Cost							Accumulated Depreciation and - impairments					
	Opening Balance	Additions	IGRAP 2 Adjustments	Fair Value Adjustment	Under Construction additions	Transfers due to unbundling	Disposals Transfer	Closing Balance	Opening Balance	Additions - Depreciation	Disposals - Depreciation	Closing Balance	Carrying Value
	R	R	R	R	R	R	R	R	R	R	R	R	R
<b>Other Assets</b>													
<b>Emergency Equipment</b>													
Emergency	1 962 662	1 933 216	-	-	-	-	-	3 895 878	316 407	117 611	-	434 018	3 461 860
<b>Plant&amp;Equipment</b>													
Graders and Frontloaders	5 494 364	65 378	-	-	-	-	(29 396)	5 530 346	2 450 513	311 295	(22 158)	2 739 650	2 790 696
Tractors	3 101 739	-	-	-	-	-	(64 669)	3 037 070	1 401 470	219 682	(45 484)	1 575 668	1 461 401
Boats	40 000	-	-	-	-	-	-	40 000	19 978	2 667	-	22 644	17 356
Lawnmowers	1 600 876	108 595	-	-	-	2 220	-	1 711 691	672 278	90 141	-	762 419	949 273
Compressors	69 422	-	-	-	-	-	-	69 422	40 241	3 702	-	43 942	25 479
Other Plant and Equipment	11 690 253	556 498	-	-	-	8 598	(69 978)	12 185 371	3 218 455	661 920	(39 620)	3 840 755	8 344 616
<b>MotorVehicles</b>													
Sedans	1 862 164	397 803	-	-	-	-	(4 860)	2 255 107	497 928	161 345	(3 884)	655 389	1 599 718
Motor Cycles	100 421	-	-	-	-	-	-	100 421	57 266	5 251	-	62 517	37 904
Trailers	2 185 241	102 489	-	-	-	-	(999)	2 286 731	900 581	106 991	(720)	1 006 851	1 279 880
Trucks/LDV's	33 087 342	1 556 773	-	-	-	-	(671 803)	33 972 312	9 697 883	1 739 904	(502 260)	10 935 527	23 036 785
<b>Office Equipment</b>													
Computer Equipment	6 497 795	1 609 556	-	-	-	-	(117 990)	7 989 362	1 533 280	441 520	(66 770)	1 908 030	6 081 332
Other Equipment	930 623	-	-	-	-	-	(236)	930 387	312 325	46 945	(112)	359 158	571 230
Office Machines	2 996 314	-	-	-	-	-	(55 120)	2 941 195	1 111 260	174 843	(26 138)	1 259 965	1 681 229
Furniture and Fittings	7 547 712	611 380	-	-	-	3 262	(49 403)	8 112 951	1 856 383	310 211	(17 703)	2 148 891	5 964 060
<b>Security Equipment</b>													
Security	170 293	-	-	-	-	-	-	170 293	69 200	13 768	-	82 968	87 324
<b>Landfill site rehabilitation</b>													
Landfill site rehabilitation	48 607 915	-	16 854 461	-	-	-	-	65 462 376	23 127 026	4 951 879	-	28 078 905	37 383 472
	<b>127 945 135</b>	<b>6 941 688</b>	<b>16 854 461</b>	<b>-</b>	<b>-</b>	<b>14 080</b>	<b>(1 064 452)</b>	<b>150 690 912</b>	<b>47 282 472</b>	<b>9 359 675</b>	<b>(724 849)</b>	<b>55 917 298</b>	<b>94 773 615</b>
<b>TOTAL</b>	<b>1 073 542 305</b>	<b>47 059 017</b>	<b>16 854 461</b>	<b>1 968 633</b>	<b>21 006 145</b>	<b>(101 975)</b>	<b>(1 762 042)</b>	<b>1 158 566 545</b>	<b>220 197 285</b>	<b>27 794 207</b>	<b>(783 702)</b>	<b>247 207 790</b>	<b>911 358 755</b>

**Appendix C - Unaudited**

**SEGMENTAL ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2019**

									<b>Accumulated Depreciation</b>				<b>Carrying Value 30/06/2019</b>
	<b>Opening Balance 1/7/2018</b>	<b>Additions</b>	<b>Under Construction</b>	<b>IGRAP 2 Adjustment</b>	<b>Fair Value Adjustment</b>	<b>Disposals</b>	<b>Transfers due to unbundling</b>	<b>Closing Balance 30/06/2019</b>	<b>Opening Balance 1/7/2018</b>	<b>Additions</b>	<b>Disposals</b>	<b>Closing Balance 30/06/2018</b>	
	R	R	R			R		R	R	R	R	R	
Community & Social Services	26 776 176	1 612 091	282 705	-	-	(167 294)	-	28 503 678	6 911 696	632 848	(86 085)	7 458 459	21 045 220
Corporate Services	248 760 652	3 639 971	27 047	-	1 968 633	(264 112)	(14 080)	254 118 111	39 349 197	1 578 432	(31 529)	40 896 101	213 222 011
Electricity	122 144 640	5 368 040	-	-	-	(63 093)	(101 975)	127 347 611	18 243 192	2 954 825	(39 027)	21 158 990	106 188 621
Environmental Protection	83 283	24 724	-	-	-	-	-	108 007	26 833	5 765	-	32 598	75 409
Executive and Council	4 272 404	263 091	-	-	-	(85 650)	-	4 449 845	1 186 973	265 288	(47 204)	1 405 057	3 044 788
Other	364 572	-	-	-	-	(4 144)	-	360 428	142 573	16 532	(2 210)	156 895	203 533
Housing	15 512	56 925	-	-	-	-	-	72 437	958	1 874	-	2 833	69 604
Planning and Development	487 475	172 427	-	-	-	-	-	659 903	187 227	29 211	-	216 438	443 464
Public Safety	7 522 308	2 073 513	-	-	-	(13 403)	-	9 582 417	1 359 327	413 972	(6 251)	1 767 047	7 815 370
Road Transport	303 354 319	6 357 079	3 637 491	-	-	(1 067 533)	436 510	312 717 866	59 085 593	8 241 928	(519 130)	66 808 391	245 909 474
Sports and Recreation	78 339 521	3 558 285	130 722	-	-	(68 373)	14 080	81 974 235	19 248 236	2 088 937	(31 753)	21 305 420	60 668 815
Waste Management	193 178 768	6 511 247	14 081 708	16 854 461	-	(25 093)	1 996 257	232 597 349	52 944 947	8 760 149	(17 242)	61 687 853	170 909 496
Water	88 242 675	17 421 624	2 846 472	-	-	(3 670)	(2 432 767)	106 074 333	21 510 533	2 804 445	(3 294)	24 311 684	81 762 649
<b>TOTAL</b>	<b>1 073 542 305</b>	<b>47 059 017</b>	<b>21 006 145</b>	<b>16 854 461</b>	<b>1 968 633</b>	<b>(1 762 367)</b>	<b>-101 975</b>	<b>1 158 566 220</b>	<b>220 197 285</b>	<b>27 794 207</b>	<b>(783 726)</b>	<b>247 207 766</b>	<b>911 358 454</b>

**Appendix D - Unaudited**

**SEGMENTAL INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2019**

(including inter-departmental charges)

<b>2018</b>				<b>2019</b>		
<b>Actual Income</b>	<b>Actual Expenditure</b>	<b>Surplus/ (Deficit)</b>		<b>Actual Income</b>	<b>Actual Expenditure</b>	<b>Surplus/ (Deficit)</b>
<b>R</b>	<b>R</b>	<b>R</b>		<b>R</b>	<b>R</b>	<b>R</b>
38 427 893	28 428 095	9 999 798	Executive And Council	41 439 621	15 348 225	26 091 396
-	1 271 580	(1 271 580)	Internal Audit	(2 035)	1 394 350	(1 396 385)
115 037 950	48 908 923	66 129 027	Finance And Administration	128 474 189	51 726 442	76 747 747
4 757 270	9 377 432	(4 620 161)	Planning And Development	3 685 729	9 979 435	(6 293 706)
8 493 645	16 244 443	(7 750 798)	Community And Social Services	8 615 032	17 118 764	(8 503 732)
11 081 202	12 058 341	(977 138)	Housing	3 244 801	4 713 426	(1 468 626)
981 836	4 861 679	(3 879 844)	Public Safety	278 713	5 178 197	(4 899 484)
474 821	1 556 886	(1 082 066)	Environmental Protection	441 659	1 962 104	(1 520 445)
11 817 460	21 659 111	(9 841 651)	Sport And Recreation	12 258 116	23 423 180	(11 165 065)
46 850 622	79 593 024	(32 742 402)	Road Transport	63 919 648	103 655 566	(39 735 919)
11 524 617	26 224 313	(14 699 696)	Waste Water Management	35 224 426	28 374 183	6 850 243
15 613 078	29 218 052	(13 604 974)	Waste Management	19 824 944	30 096 782	(10 271 838)
36 953 819	29 419 693	7 534 126	Water Management	53 486 757	33 792 564	19 694 193
185 681 413	129 070 632	56 610 781	Energy Sources	157 740 031	134 326 543	23 413 488
19 997	1 184 364	(1 164 367)	Other	118 077	1 247 973	(1 129 896)
<b>487 715 623</b>	<b>439 076 568</b>	<b>48 639 055</b>	<b>Sub total</b>	<b>528 749 707</b>	<b>462 337 737</b>	<b>66 411 970</b>
(31 100 476)	(31 100 476)	-	Less inter-departmental charges	(32 930 900)	(32 930 900)	-
<b>456 615 148</b>	<b>407 976 092</b>	<b>48 639 055</b>	<b>Total</b>	<b>495 818 806</b>	<b>429 406 836.57</b>	<b>66 411 970</b>

**Appendix D (i) - Unaudited**

**SEGMENTAL INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2019**

(excluding inter-departmental charges)

	INCOME					EXPENDITURE				
	Approved Budget	Amendments	Final Budget	Actual	Variance	Approved Budget	Amendments	Final Budget	Actual	Variance
Executive And Council	42 199 193	-	42 199 193	41 374 021	(825 172)	25 641 270	-	25 641 270	15 348 225	(10 293 045)
Internal Audit	-	-	-	(2 035)	(2 035)	1 503 999	-	1 503 999	1 394 350	(109 649)
Finance And Administration	99 665 080	-	99 665 080	113 300 442	13 635 362	59 672 351	(2 336)	59 670 015	50 720 072	(8 949 943)
Planning And Development	4 994 982	-	4 994 982	3 751 329	(1 243 653)	11 164 017	52 500	11 216 517	9 979 435	(1 237 082)
Community And Social Services	9 720 279	-	9 720 279	8 615 032	(1 105 247)	18 333 404	5 000	18 338 404	15 923 729	(2 414 675)
Housing	6 631 630	-	6 631 630	3 244 801	(3 386 829)	8 177 015	-	8 177 015	4 713 426	(3 463 589)
Public Safety	71 875 910	-	71 875 910	62 862 260	(9 013 650)	74 663 435	120 604	74 784 039	70 022 865	(4 761 174)
Environmental Protection	537 612	-	537 612	441 659	(95 953)	1 964 463	(6 163)	1 958 300	1 962 104	3 804
Sport And Recreation	12 182 974	-	12 182 974	12 258 116	75 142	21 050 084	(55 105)	20 994 979	17 856 832	(3 138 147)
Road Transport	703 000	-	703 000	1 153 640	450 640	41 584 658	(134 248)	41 450 410	38 627 017	(2 823 393)
Waste Water Management	31 736 325	-	31 736 325	34 998 091	3 261 766	23 564 619	(106 473)	23 458 146	21 995 051	(1 463 096)
Waste Management	18 320 082	-	18 320 082	19 567 364	1 247 282	31 678 485	(33 012)	31 645 473	29 429 858	(2 215 615)
Water Management	49 584 866	-	49 584 866	50 745 257	1 160 391	31 696 310	161 753	31 858 063	28 503 659	(3 354 404)
Energy Sources	141 762 809	-	141 762 809	143 390 752	1 627 943	126 560 081	(2 520)	126 557 561	121 682 238	(4 875 323)
Other	10 000	-	10 000	118 077	108 077	1 487 654	-	1 487 654	1 247 973	(239 681)
<b>Total</b>	<b>489 924 742</b>	<b>-</b>	<b>489 924 742</b>	<b>495 818 806</b>	<b>5 894 064</b>	<b>478 741 845</b>	<b>-</b>	<b>478 741 845</b>	<b>429 406 837</b>	<b>(49 335 008)</b>

**APPENDIX E (1) - Unaudited**

**ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2019**

	<b>2019 Actual R</b>	<b>2019 Budget R</b>	<b>2019 Variance R</b>	<b>2019 Variance %</b>	<b>Explanation of Significant Variances greater than 5% versus Budget and material</b>
<b>Revenue</b>					
Property Rates	86 657 328	84 864 620	1 792 708	2.11	
Service charges	218 878 708	213 928 430	4 950 278	2.31	
Rental of facilities and equipment	2 905 927	1 951 506	954 421	48.91	Excess revenue over budget on investment property (R699 399), machinery and equipment (R188 959) & rental - residential (R98 138)
Interest earned - external investments	18 188 992	5 528 100	12 660 892	229.03	More funds available for investment due to poor capital spending & projects rolled over to the 2019/20 financial year
Interest earned - outstanding debtors	2 367 953	1 572 649	795 304	50.57	Increase in outstanding debtors year to year contribute to the higher interest income
Fines	58 699 669	67 871 713	(9 172 044)	(13.51)	Revenue is lower than expected. Council had a meeting with the service provider to clear up this decrease. The meeting was positive, and the results should improve in 2019/20.
Licences and permits	1 445 420	1 474 532	(29 112)	(1.97)	
Donated property, plant and equipment	4 722 091	5 500 000	(777 909)	(14.14)	Business Hub Heidelberg - donation by mine company not received (R1 000 000)
Income for agency services	2 408 309	2 031 680	376 629	18.54	More vehicle registrations than anticipated
Government grants and subsidies - Operational	56 568 366	62 367 617	(5 799 251)	(9.30)	1. Capacity building - ITC (R466 000) - tender for IT project not awarded by year end - application for roll over 2. Housing scheme transfer fees(R3 516 000) - transfer of title deeds will only commence in the 2019/20 financial year - application for roll over 3. Libraries (R682 219) - application for roll over 4. SETA training - will roll over to the 2019/20 financial year
Government grants and subsidies - Capital	23 703 308	24 525 743	(822 435)	(3.35)	1. Water meter (R217 310) - project not implemented - application for roll over 2. Installation of rooftop on PV municipal (R273 533) - project not implemented - application for roll over 3. Drought support boreholes Albertinia/Still Bay (R179 482 - project incomplete - application for roll over 4. MSI - budget tool (R250 000) - application for roll over
Gain on revaluation of investment property	-	-	-		
Other Income	16 916 650	15 808 152	1 108 498	7.01	1. Excess revenue collected over budget - camping fees (R1 310 082), development charges (R336 481), valuation fees (R116 996).
Gains/(Loss) on Sale of Fixed Assets	2 356 085	2 500 000	(143 915)	(5.76)	
<b>Total Income</b>	<b>495 818 806</b>	<b>489 924 742</b>	<b>5 894 064</b>	<b>1.20</b>	



**APPENDIX E (1) - Unaudited**

**ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2019**

	2019 Actual R	2019 Budget R	2019 Variance R	2019 Variance %	Explanation of Significant Variances greater than 5% versus Budget and material
<b>Expenditure</b>					
Employee related costs	149 909 821	165 475 148	(15 565 327)	(9.41)	
Remuneration of councillors	7 588 445	8 050 309	(461 864)	(5.74)	
Bad Debts	57 822 982	59 530 298	(1 707 316)	(2.87)	
Depreciation and impairment	27 794 207	35 959 608	(8 165 401)	(22.71)	Depreciation budgeted as if the full budget will be spent
Interest - External borrowings	16 899 034	21 179 799	(4 280 765)	(20.21)	No external loan was taken up in the 2017/18 financial year, although finance charges on the loan was included in the budget.
Bulk Purchases	97 204 702	94 197 457	3 007 245	3.19	Overspending is due to an increase in consumption, including internal usage.
Contracted Services	26 290 317	36 360 957	(10 070 640)	(27.70)	Savings on budget- Consultant & Professional services (R5 221 209), Housing transfer of title deeds (R3 548 000) & Contractors (R2 113 107)
Inventory Consumed	22 515 542	26 532 061	(4 016 519)	(15.14)	Savings on budget - Water (R1 961 797), Electricity (R160 605), Streets (R251 008), Municipal Buildings R67 757), Vehicle maintenance R54 662), Fuel (R803 264), Oil (R58 401), Material and supplies (R217 298) & Stationary (R258 093)
Transfers and Subsidies	1 133 147	1 206 500	(73 353)	(6.08)	
General Expenses	22 248 639	30 249 708	(8 001 069)	(26.45)	Savings on budget - telephone & postage (R1 649 442), insurance (R715 228), learnerships & SETA (R1 031 082), remuneration of ward committees (R327 410), Vehicles (R698 027), IT & Software (R948 724), advertising, bank fees and travelling & subsistence.
<b>Total Expenditure</b>	<b>429 406 837</b>	<b>478 741 845</b>	<b>(49 335 008)</b>	<b>(10.31)</b>	
<b>Operating Surplus/(Deficit) for the Year</b>	<b>66 411 970</b>	<b>11 182 897</b>	<b>55 229 073</b>	<b>493.87</b>	

APPENDIX E (2) - Unaudited

**ACTUAL VERSUS BUDGET - ACQUISITION OF PROPERTY, PLANT & EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2019**

	2019 Actual R	2019 Budget R	2019 Variance R	2019 Variance %	Explanation of <i>Significant</i> Variances greater than 5% versus Budget
<b>Land</b>					
Land & Buildings	537 916	1 156 334	(618 418)	(53.48)	(1) Upgrading of office space Riversdale (R80 409) - Project cancelled due to non-responsive tenders received (2) Eating area for workers Slangrivier (R322 953) - Project cancelled due to construction not completed by year end 3 Building of additional toilet Civic Centre Riversdale (R50 000) - Contractor cancelled due to unforeseen circumstances
	<b>537 916</b>	<b>1 156 334</b>	<b>(618 418)</b>	<b>(53.48)</b>	
<b>Infrastructure</b>					
<u>Sewerage</u>	22 874 377	28 843 213	(5 968 836)	(20.69)	(1) Upgrading of sewerage works Phase 2 Riversdale (R1 192 836) - Multi-year project where funds were made available to continue the project during the 2019/20 financial year 2. Upgrading of sewerage works Gouritsmond (R1 229 547), Service of municipal property Hessequa (R97 134), Pump for pumpstation Stilbaai (R85 852), Extension of existing sewerage Albertinia (R352 309), Extension of flow sewer Heidelberg (R168 379). Bulk sewer upgrade phase 1 Stilbaai (R1 818 246) and Bulk Sewer upgrade phase 2 Stilbaai (R975 749) was completed and the balance can be seen as a saving.
<u>Water</u>	19 561 196	22 916 345	(3 355 149)	(14.64)	(1) Water Meters Hessequa - (R217 310) & Upgrading of sandfilters Riversdale (R208 059) - Closed quotation process were followed for these projects and prices received was more than the budgeted amount 2. Boreholes Albertinia/Stilbaai (R179 482) 3. Riversdale low level reservoir rehabilitation (R1 500 000) - Multi-year project. Funds were rolled over and added to the funds available in the 2019/20 financial year 4. Sandfilters Gouritsmond (R750 000) - Technical investigation indicated that alternative technology would be more efficient. Project cancelled & funds rolled over to the 2019/20 financial year 5. Desalination plant Witsand (+ R 222 091) - Grant-in-kind by the French Government. Project completed. The capital value of the asset is more than the budgeted amount.
<u>Electricity</u>	4 445 444	5 775 033	(1 329 589)	(23.02)	1. Installation of rooftop PV on municipal (R273 533) - Tender price too high for available budget and project temporarily cancelled 2. Installation of new transformer Stilbaai (R500 000) - Due to delivery period, the transformer could not be installed before year end and project was transferred to 2019/20 budget 3. Informal settlement development Kwanokathula (R 150 000) - Funds were reallocated 4. Upgrading streetlights Jongensfontein (R13 432), Upgrading 11 KV Main sub-station Albertinia (R107 603), Upgrading & service of erven Preekstoel (R60 408), Service of municipal property Hessequa (R150 000), Electrification of low cost houses Hessequa (R176 586) was completed and the balance can be seen as savings.
<u>Solid Waste</u>	173 461	250 000	(76 539)	(30.62)	Reloading station & additional cells - Witsand (R68 440)
<u>Roads and Stormwater</u>	9 710 243	12 216 148	(2 505 905)	(20.51)	1. Westerly Road bypass Stilbaai (R2 279 736) The estimated programme for implementation will be later than originally expected. Funding for the project will be provided at a later stage according to the revised programme for implementation
<u>Information And Communication Infrastructure</u>	794 016	983 000	(188 984)	(19.23)	1. Fibre recabling Hessequa - Fibre became available via the current Wispernet agreement. Funds on the initial project was reallocated.
	<b>57 558 738</b>	<b>70 983 739</b>	<b>(13 425 001)</b>	<b>(128.71)</b>	

**APPENDIX E (2) - Unaudited**

**ACTUAL VERSUS BUDGET - ACQUISITION OF PROPERTY, PLANT & EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2019**

	<b>2019 Actual R</b>	<b>2019 Budget R</b>	<b>2019 Variance R</b>	<b>2019 Variance %</b>	<b>Explanation of <i>Significant</i> Variances greater than 5% versus Budget</b>
<b>Intangible Assets</b>					
<b>Computer Software And Applications</b>	65 600	315 600	(250 000)	(79.21)	1. Software budget tool Hessequa (R250 000) - Project cancelled. Funds provided in the 2019/20 financial year.
	<b>65 600</b>	<b>315 600</b>	<b>(250 000)</b>	<b>(79.21)</b>	
<b>Community Assets</b>					
<b>Public Convenience</b>	507 681	2 230 000	(1 722 319)	(77.23)	1. Building on Thusong Centre (R245 000) and Upgrading of tidal pool floor - Gouritsmond (R430 000) was cancelled due to non-performance of the contractors 2. Business Hub - Heidelberg - grant in kind - (R1000 000) not started by year end
<b>Sportfields</b>	2 093 691	3 097 595	(1 003 904)	(32.41)	1. Upgrading of Swimming pool - De Mist (R200 000) was advertised twice resulting in no responsive tenders, (2) Upgrading of sportfields Stilbaai (R250 000) - Tender process was cancelled due to the tender price being higher than the available budget 3. Upgrading of ablution facilities Ellensrust Camp (R211 878) - phase 1 was completed and remaining funds will be rolled over to the next financial year and used with funds allocated in 2019/20 financial year to complete phase 2 4. New toilets at tennis club - Jongensfontein (R120 000) - Budgeted funds insufficient to complete the project and will the project be put on the budget at a later stage with co-funding from the tennis club 5. New ablution facilities Heidelberg sportsgrounds (R119 278) - Project was not completed by year end due to time limitations
<b>Libraries</b>	266 535	266 535	(0)	(0.00)	
<b>Cemeteries</b>	979 136	1 270 000	(290 864)	(22.90)	1. The fencing of the Cemetery (Slangrivier), was terminated due to the contractor being unable to complete the project (R208 945) due to financial constraints 2. Wall of remembrance Heidelberg, (R18 000) - Funds was transferred to pay the reallocation of additional plants (Requirements Dept of Environmental Affairs)
	<b>3 847 043</b>	<b>6 864 130</b>	<b>(3 017 087)</b>	<b>(43.95)</b>	
<b>Other Assets</b>					
<b>Plant &amp; Equipment</b>	1 179 623	1 883 050	(703 427)	(37.36)	1. Double axle trailer with rails -public works- Riversdale (R150 000) - Tender cancelled 2. Plant & Equipment - Public Safety (R259 500) - Funds not spent
<b>Trucks</b>	1 500 000	7 300 000	(5 800 000)	(79.45)	1. Suction tanker sewerage (R1 100 000), Multi-purpose loader (R1 300 000), Double cab truck tipper (R600 000), Cherry Picker Electricity (R1 400 000), 2 x 5m3 Tippers (R1 400 000) - Tender was cancelled due to material irregularities. All the items were transferred to the 2019/20 financial year.
<b>LDV's</b>	1 556 773	1 880 000	(323 228)	(17.19)	Projects completed with savings.
<b>Computer Equipment</b>	816 504	1 006 641	(190 137)	(18.89)	Projects completed with savings.
<b>Furniture &amp; Office Equipment</b>	605 164	687 663	(82 499)	(12.00)	Projects completed with savings.
<b>Other</b>	397 803	400 000	(2 197)	(0.55)	
	<b>6 055 866</b>	<b>13 157 354</b>	<b>(7 101 488)</b>	<b>(53.97)</b>	
<b>Total</b>	<b>68 065 162</b>	<b>92 477 157</b>	<b>(24 411 995)</b>	<b>(26.40)</b>	

73.60% Of total Budget Spent

## Disclosure of Grants and Subsidies in terms of section 123 of the MFMA, 56 of 2003

Name of Grant	Funder	Opening Balance 01/07/2018 R		Quarterly Receipts					Quarterly Expenditure					Closing Balance 30/06/2019 R	
				Revert back to Department	September	December	March	June	Total	September	December	March	June		Total
					R	R	R	R	R	R	R	R	R		R
<b>National Government</b>		<b>30 907</b>	<b>-</b>	<b>25 204 000</b>	<b>16 089 000</b>	<b>18 630 000</b>	<b>-</b>	<b>59 923 000</b>	<b>10 817 246</b>	<b>17 453 606</b>	<b>14 026 232</b>	<b>17 622 142</b>	<b>59 919 226</b>	<b>34 681</b>	
Equitable Share	COGTA	-	-	17 035 000	13 628 000	10 222 000	-	40 885 000	10 221 250	10 221 250	10 221 250	10 221 250	40 885 000	-	
MIG Projects	COGTA	-	-	5 361 000	-	8 101 000	-	13 462 000	168 275	5 343 056	1 484 481	6 466 188	13 462 000	-	
Financial Management Grant	COGTA	-	-	1 550 000	-	-	-	1 550 000	253 352	413 300	588 213	295 136	1 550 000	-	
National Electricity Program	DME	-	-	1 000 000	2 000 000	-	-	3 000 000	-	991 704	1 553 186	455 109	3 000 000	-	
Expanded Public Works Programme	DPW	-	-	258 000	461 000	307 000	-	1 026 000	174 370	484 296	179 102	184 459	1 022 226	3 774	
Accelerated Community Infrastr. Programme	DWA	30 907	-	-	-	-	-	-	-	-	-	-	-	30 907	
<b>Provincial Government</b>		<b>11 108 432</b>	<b>-376 892</b>	<b>3 339 999</b>	<b>3 898 000</b>	<b>6 739 780</b>	<b>651 000</b>	<b>14 628 778</b>	<b>6 250 233</b>	<b>4 071 826</b>	<b>3 750 550</b>	<b>6 083 737</b>	<b>20 156 346</b>	<b>5 203 972</b>	
Human Settlement Development	WC: Housing	2 659 344	-	431 998	-	2 933 824	651 000	4 016 821	1 309 747	479 595	1 370 824	-	3 160 165	3 515 999.80	
Library Municipal Replacement Funding	WC: Cult. Affairs	254 961	-	1 766 667	1 766 667	1 766 666	-	5 300 000	1 051 525	1 277 642	1 142 056	1 398 058	4 869 281	685 680	
Municipal Capacity Building Grant	WC: Local Gov	360 000	(360 000)	-	360 000	-	-	360 000	-	-	-	352 903	352 903	7 097	
Library Conditional Grant	WC: Cult. Affairs	-	-	1 141 334	1 141 333	1 141 333	-	3 424 000	783 603	669 279	659 108	1 312 010	3 424 000	-	
Proclaimed Roads	WC: Transport	-	-	-	-	110 000	-	110 000	-	26 716	83 284	-	110 000	(0)	
Greenest Municipality Competition	WC: Environment	19 067	-	-	-	-	-	-	-	-	-	18 844	18 844	223	
Financial Management Support Grant	WC: Local Govt.	12 668	(12 668)	-	630 000	-	-	630 000	-	83 040	60 172	307 070	450 282	179 718	
Mun Service Delivery and Capacity Bldg	WC:Local Govt.	4 224	(4 224)	-	-	715 957	-	715 957	-	-	-	150 650	150 650	565 307	
Mun Drought Support Grant	WC:Local Govt.	7 500 000	-	-	-	-	-	-	3 072 358	1 508 054	413 246	2 326 860	7 320 518	179 482	
Fire Service Capacity Building Grant	WC:Local Govt.	262 046	-	-	-	-	-	-	-	-	16 361	217 342	233 703	28 343	
LG Graduate Internship Grant	WC:Local Govt.	36 122	-	-	-	72 000	-	72 000	33 000	27 500	5 500	-	66 000	42 122	
<b>District Municipality</b>		<b>338 388</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13 211</b>	<b>13 211</b>	<b>325 177</b>	
Vermaaklikheid Land Reform	Eden Distr. Mun.	43 787.00	-	-	-	-	-	-	-	-	-	13 211	13 211	30 576	
Alternative Electricity	Eden Distr. Mun.	273 533.00	-	-	-	-	-	-	-	-	-	-	-	273 533	
Housing Consumer Educations	Eden Distr. Mun.	21 068.00	-	-	-	-	-	-	-	-	-	-	-	21 068	
<b>Other</b>		<b>1 202 610</b>	<b>-</b>	<b>10 000</b>	<b>131 656</b>	<b>28 305</b>	<b>165 426</b>	<b>335 386</b>	<b>155 559</b>	<b>23 831</b>	<b>3 500</b>	<b>-</b>	<b>182 890</b>	<b>1 355 105</b>	
Skills Development	Seta	495 961	-	-	114 265	18 305	145 426	277 995	21 000	21 000	3 500	-	45 500	728 456	
National Lottery Fund		303 227	-	-	-	-	-	-	-	-	-	-	-	303 227	
Tourism		101 819	-	10 000	-	10 000	-	20 000	119 999	-	-	-	119 999	1 820	
Africana Centre		314	-	-	-	-	20 000	20 000	-	-	-	-	-	20 314	
Asla Devco - Water meters Slangrivier		217 310	-	-	-	-	-	-	-	-	-	-	-	217 310	
FNB - Speakers forum		-	-	-	17 391	-	-	17 391	14 560	2 831	-	-	17 391	-	
Public Participation Strategy		60 000	-	-	-	-	-	-	-	-	-	-	-	60 000	
Arbor Day Award	Total S A	23 979	-	-	-	-	-	-	-	-	-	-	-	23 979	
<b>TOTAL - CONDITIONAL GRANTS</b>		<b>12 680 337</b>	<b>-376 892</b>	<b>28 553 999</b>	<b>20 118 656</b>	<b>25 398 084</b>	<b>816 426</b>	<b>74 887 164</b>	<b>17 223 038</b>	<b>21 549 263</b>	<b>17 780 282</b>	<b>23 719 091</b>	<b>80 271 674</b>	<b>6 918 936</b>	

An amount of R376 892 for various grants from the Provincial Government were paid back during 2018/19

**1 DISCLOSURES IN TERMS OF BROAD-BASED BLACK ECONOMIC EMPOWERMENT**

*The information below, are not verified.*

**1.1 Ownership and Management Control as at 30 June 2019**

The municipality has no shareholding or directors. The categories are therefore excluded from the reporting below. There are also no dividends that were declared.

	Senior Management	Middle Management	Junior Management
<b>Race classification</b>			
African	0	0	4
Coloured	1	16	17
Indian	0	0	0
<b>Gender</b>			
Male	1	14	15
Female	0	2	6
<b>Age</b>			
Youth (Between the ages of 18 to 35)	0	6	12
Middle aged (Between the ages of 36 to 50)	1	8	8
Senior (Older than 50)	0	2	1
<b>Disability</b>			
Male	0	0	0
Female	0	0	0

	Target Score	Actual Score	Bonus Score
<b>Contribution to Scorecard</b>			

**1.2 Skills Development**

All skills developed was in the WSP period 1 May 2018 to 30 April 2019

	Black Employees	Black non-employees	Black People in Internships/ Learnerships	Unemployed Black People	Black People Absorbed
<b>Race classification</b>					
African	30	3	1	0	0
Coloured	297	4	15	0	0
Indian	0	0	0	0	0
<b>Gender</b>					
Male	294	6	9	0	0
Female	33	1	7	0	0
<b>Age</b>					
Youth (Between the ages of 18 to 35)	110	5	16	0	0
Middle aged (Between the ages of 36 to 50)	159	2	0	0	0
Senior (Older than 50)	58	0	0	0	0
<b>Disability</b>					
Male	0	0	0	0	0
Female	0	0	0	0	0

	Target Score	Actual Score	Bonus Score
<b>Contribution to Scorecard</b>			



1.3 Enterprise and Supplier Development		EME's	QSE's	Large
Enterprise Development				
Number of Beneficiaries		1	1	N/A
% Black Ownership		1	1	N/A
% Black Women Ownership		1	1	N/A
Value of Expenditure		250 000	50 000	N/A

Value of 2% of NPAT or 0.02% of Allocated Budget	6 982
--	-------

Supplier Development

Number of Beneficiaries	248	92	63
% Black Ownership	238	86	60
% Black Women Ownership	238	86	60
Value of Expenditure	29 894 801	R 19 666 556	R 11 932 476

Value of 1% of NPAT or 0.01% of Allocated Budget	1 824 367
--	-----------

**Total: Enterprise and Supplier Development**

Number of Beneficiaries			N/A
% Black Ownership	%	%	N/A
% Black Women Ownership	%	%	N/A
Value of Expenditure			N/A

Contribution to Scorecard

Target Score	Actual Score	Bonus Score

**1.4 Socio-Economic Development**

		Race Classification			Total
		African	Coloured	Indian	
Number of all Participants	7682				
Gender					
Male					
Female					
Location (number of participants per province)					
Eastern Province					
Free State					
Gauteng					
Kwazulu-Natal					
Limpopo					
Mpumalanga					
Northern Cape					
Northwest					
Western Cape	7682				
Value of Expenditure	431 754				

Value of 1% of NPAT or 0.01% of Allocated Budget	4 816
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Contribution to Scorecard

Target Score	Actual Score	Bonus Score

\* Attendance registers did not make provision for race classification but will be updated for the 2020/21 reporting year.

**Appendix H - unaudited**

**APPROPRIATION STATEMENT AT 30 JUNE 2019**

**Statement of Financial Performance**

Figures in Rand

<b>Revenue</b>	<b>Original budget</b>	<b>Budget adjustments (i.t.o. s28 and s31 of the MFMA)</b>	<b>Final adjustments budget</b>	<b>Virement (i.t.o. council approved policy)</b>	<b>Virement (not i.t.o. council approved policy)</b>	<b>Final Budget</b>	<b>Actual Outcome</b>	<b>% Variances on final budget</b>	<b>% Variances on original budget</b>
<b>Revenue from non-exchange transactions</b>	<b>229 027 345</b>	<b>20 118 560</b>	<b>249 145 905</b>	<b>-</b>	<b>-</b>	<b>249 145 905</b>	<b>234 921 899</b>		
Property Rates	84 864 620	-	84 864 620	-		84 864 620	86 657 328	2.11	2.11
Fines	67 871 713	-	67 871 713	-		67 871 713	58 699 669	(13.51)	(13.51)
Licences and permits	1 474 532	-	1 474 532	-		1 474 532	1 445 420	(1.97)	(1.97)
Income from agency services	2 031 680	-	2 031 680	-		2 031 680	2 408 309	18.54	18.54
Interest earned - outstanding receivables	510 000		510 000	-		510 000	717 408	40.67	40.67
Donated Property, Plant and Equipment	1 000 000	4 500 000	5 500 000	-		5 500 000	4 722 091	(14.14)	372.21
Transfers Recognised - Operational	55 750 900	6 616 717	62 367 617	-		62 367 617	56 568 365	(9.30)	1.47
Transfers Recognised - Capital	15 523 900	9 001 843	24 525 743	-		24 525 743	23 703 308	(3.35)	52.69
<b>Revenue from exchange transactions</b>	<b>240 778 837</b>	<b>-</b>	<b>240 778 837</b>	<b>-</b>	<b>-</b>	<b>240 778 837</b>	<b>260 896 907</b>		
Service Charges	213 928 430	-	213 928 430	-		213 928 430	218 878 708	2.31	2.31
Rental of facilities and equipment	1 951 506	-	1 951 506	-		1 951 506	2 905 927	48.91	48.91
Interest earned - external investments	5 528 100	-	5 528 100	-		5 528 100	18 188 992	229.03	229.03
Interest earned - outstanding receivables	1 062 649	-	1 062 649	-		1 062 649	1 650 545	55.32	55.32
Other Revenue	15 808 152	-	15 808 152	-		15 808 152	16 916 650	7.01	7.01
Gains/(Loss) on Sale of Fixed Assets	2 500 000	-	2 500 000	-		2 500 000	2 356 085	(5.76)	(5.76)
<b>Total Revenue</b>	<b>469 806 182</b>	<b>20 118 560</b>	<b>489 924 742</b>	<b>-</b>	<b>-</b>	<b>489 924 742</b>	<b>495 818 806</b>	<b>1.20</b>	<b>5.54</b>
<b>Expenditure</b>									
Employee related costs	166 365 251	(1 169 103)	165 196 148	15 000	264 000	165 475 148	149 909 821	(9.41)	(9.89)
Remuneration of Councillors	8 050 309	-	8 050 309	-		8 050 309	7 588 445	(5.74)	(5.74)
Bad debts	59 530 298	-	59 530 298	-		59 530 298	57 822 982	(2.87)	(2.87)
Depreciation and Asset Impairment	35 959 608	-	35 959 608	-		35 959 608	27 794 207	(22.71)	(22.71)
Finance Charges	20 698 074	481 725	21 179 799	-		21 179 799	16 899 034	(20.21)	(18.35)
Bulk purchases	102 049 357	(7 851 900)	94 197 457	-		94 197 457	97 204 702	3.19	(4.75)
Inventory Consumed	19 459 199	7 742 336	27 201 535	(669 474)		26 532 061	22 515 541	(15.14)	15.71
Transfers and Subsidies	987 100	167 500	1 154 600	51 900		1 206 500	1 133 147	(6.08)	14.80
Contracted services	29 302 507	6 569 503	35 872 010	488 947		36 360 957	26 290 317	(27.70)	(10.28)
General expenses	30 573 365	(173 284)	30 400 081	(150 373)		30 249 708	22 248 640	(26.45)	(27.23)
<b>Total Expenditure</b>	<b>472 975 068</b>	<b>5 766 777</b>	<b>478 741 845</b>	<b>(264 000)</b>	<b>264 000</b>	<b>478 741 845</b>	<b>429 406 837</b>	<b>(10.31)</b>	<b>(9.21)</b>
<b>Operating Surplus/(Deficit) for the Year</b>	<b>(3 168 886)</b>	<b>14 351 783</b>	<b>11 182 897</b>	<b>264 000</b>	<b>(264 000)</b>	<b>11 182 897</b>	<b>66 411 969.58</b>	<b>493.87</b>	<b>(2 195.75)</b>

\* Not in terms of virement policy, council however approved deviations, since the virement has no effect on the expense line



**Appendix H (i) - unaudited**

**APPROPRIATION STATEMENT AT 30 JUNE 2019**

**Capital Budget**

Figures in Rand

<b>FUNCTIONAL classification</b>	<b>Original budget</b>	<b>Budget adjustments (i.t.o. s28 and s31 of the MFMA)</b>	<b>Final adjustments budget</b>	<b>Virement (i.t.o. council approved policy)</b>	<b>Virement (not i.t.o. council approved policy)</b>	<b>Final Budget</b>	<b>Actual Outcome</b>	<b>% Variances on final budget</b>	<b>% Variances on original budget</b>	<b>Reference</b>
<b>Governance and administration</b>	<b>5 557 420</b>	<b>1 040 334</b>	<b>6 597 754</b>	<b>-</b>	<b>(1 600 000)</b>	<b>4 997 754</b>	<b>2 335 200</b>	<b>-53.28</b>	<b>-57.98</b>	
Executive And Council	40 000	-	40 000	-	-	40 000	29 443	-26.39	-26.39	
Finance And Administration	5 517 420	1 040 334	6 557 754	-	(1 600 000)	4 957 754	2 305 757	-53.49	-58.21	Cap1
<b>Community and public safety</b>	<b>9 170 660</b>	<b>327 591</b>	<b>9 498 251</b>	<b>(125 954)</b>	<b>(800 000)</b>	<b>8 572 297</b>	<b>6 618 455</b>	<b>-22.79</b>	<b>-27.83</b>	
Community And Social Services	2 508 560	29 000	2 537 560	-	-	2 537 560	1 944 948	-23.35	-22.47	Cap2
Sport And Recreation	4 496 100	(80 409)	4 415 691	-	(800 000)	3 615 691	2 543 069	-29.67	-43.44	Cap3
Public Safety	2 098 000	388 000	2 486 000	(125 954)	-	2 360 046	2 073 513	-12.14	-1.17	
Housing	68 000	(9 000)	59 000	-	-	59 000	56 925	-3.52	-16.29	
<b>Economic and environmental services</b>	<b>15 311 200</b>	<b>673 561</b>	<b>15 984 761</b>	<b>125 954</b>	<b>-</b>	<b>16 110 715</b>	<b>10 035 159</b>	<b>-37.71</b>	<b>-34.46</b>	
Planning And Development	89 200	65 600	154 800	-	-	154 800	148 366	-4.16	66.33	
Road Transport	15 209 500	588 894	15 798 394	125 954	-	15 924 348	9 857 073	-38.10	-35.19	Cap4
Environmental Protection	12 500	19 067	31 567	-	-	31 567	29 719	-5.85	137.75	
<b>Trading Services</b>	<b>70 543 050</b>	<b>(10 146 659)</b>	<b>60 396 391</b>	<b>-</b>	<b>2 400 000</b>	<b>62 796 391</b>	<b>49 076 348</b>	<b>-21.85</b>	<b>-30.43</b>	
Energy Sources	20 386 800	(12 069 967)	8 316 833	-	-	8 316 833	5 393 018	-35.16	-73.55	Cap5
Waste Management	250 000	-	250 000	-	-	250 000	173 461	-30.62	-30.62	
Waste Water Management	32 767 700	(4 758 487)	28 009 213	-	2 400 000	30 409 213	23 241 774	-23.57	-29.07	Cap6
Water Management	17 138 550	6 681 795	23 820 345	-	-	23 820 345	20 268 096	-14.91	18.26	Cap7
<b>Total</b>	<b>100 582 330</b>	<b>(8 105 173)</b>	<b>92 477 157</b>	<b>-</b>	<b>-</b>	<b>92 477 157</b>	<b>68 065 162</b>	<b>-26.40</b>	<b>-32.33</b>	

Council approved the deviations from the virement policy. The transfers were done within the GFS classification, and did not increase the budget.



**HESSEQUA MUNICIPALITY**

**AUDIT- AND PERFORMANCE  
AUDIT COMMITTEE**

**ANNUAL REPORT**

**2018/2019**

## **Audit- and Performance Audit Committee**

### **Report to the Council on activities during the 2018/2019 financial year**

#### **1. Purpose of the report**

To report to Council on the activities of the Audit- and Performance Audit Committee (APAC) during the year 1 July 2018 to 30 June 2019 as required in clause 10.4 of the APAC Charter.

#### **2. Members of the APAC**

Members of the APAC at the beginning of the financial year were as follows:

- Prof PJ du Plessis (Chairperson)
- Mr KG Herbst
- Mr FH Zietsman
- Mrs S van Jaarsveld
- Ms A Hartnick

The term of Prof du Plessis ended on August 31, 2018 and prof JA Döckel was appointed.

By the end of the financial year, the members were as follows:

- Prof JA Döckel (Chairperson)
- Mr KG Herbst
- Mr FH Zietsman
- Mrs S van Jaarsveld
- Ms A Hartnick

Qualifications of members are as follows:

- Prof JA Döckel  
B.Sc (Agric)  
Ph.D
- Mr KG Herbst  
BComm  
MBA
- Mr FH Zietsman  
B.Eng Mech  
B Comm Hons (Production Management. Project Management)  
Master of Science (Naval Architecture)
- Mrs S van Jaarsveld  
B Comm Hons (Financial Accounting)  
ACCA (The Association of Chartered Certified Accountants)
- Ms A Hartnick  
Educational Diploma 3

### **3. Meetings, attendance and participation**

During the financial year 2018/2019 the APAC held four scheduled meetings on the following dates:

- 13 September 2018
- 22 November 2018
- 21 February 2019; and
- 23 Mei 2019

The financial statements for the year ended 30 June 2018 as well as the discussion of the external audit with the Auditor General, were discussed during the quarterly meeting held on 13 September 2018.

Four official meetings were held, and attendance of these meetings were as follows:

- |                                |   |
|--------------------------------|---|
| • Prof JA Döckel (Chairperson) | 4 |
| • Mr KG Herbst                 | 4 |
| • Mr FH Zietsman               | 4 |
| • Mrs S van Jaarsveld          | 4 |
| • Ms A Hartnick                | 4 |

Mr. JC Oosthuizen, Manager: Internal Audit, attended all meetings and acted as secretary. Full minutes were held of each meeting and submitted to the Council on a regular basis (with recommendations).

#### **4. Scope and responsibilities of the APAC**

In terms of section 166 (2) (a) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003), an Audit Committee and Performance Audit Committee is an independent advisory body which, inter alia, the municipal council, the political office bearers, the accounting officer and the management staff of the municipality must advise on a wide range of financial, legal and management matters. The responsibilities and powers assigned by the Board to the Committee under this Act are as follows:

- Evaluation of the duties of the Auditor-General
- Evaluation of the mandate, audit plan and functions of Internal Audit
- Monitoring of effective systems of internal control and financial control
- Compliance with laws, rules and regulations
- Monitoring ethical conduct of board members, executive officials and management
- Analysis of financial statements
- Monitoring of performance management
- Review the risk management process
- Monitoring of Good Governance

The APAC has given all these aspects the necessary attention.

#### **5. Summary of key issues discussed during the year**

Since full minutes have been submitted regularly to the Council, only the following important issues are addressed:

- Compliance with legal requirements
- Audit planning for 2019/20, 2020/21 and 2021/22
- Non-compliance with Council decisions by directorates
- Evaluation of the Internal Audit function and the Head: Internal Audit in terms of independence and effectiveness

- Audit of general administrative matters
- Audit of internal controls on activities of the Council
- Auditing of accounting procedures and practices
- Implementation of the approved audit plan for the year
- Performance Management
- Risk Management
- Good governance

In addition to the above issues, certain other general issues have also been addressed:

### 1. Debtors

APAC regards the collection of overdue payments as an important aspect and feedback is given at each ordinary meeting of the APAC. The functions of the debt management department were of good quality throughout the year.

### 2. Risk Management

Risk Management in the municipality is not up to standard. There is, however, progress in this department.

During the year a consultant was appointed, and new Strategic Risk Registers have been completed. The committee awaits the Strategic Risk Action Plan which is set as target for 2019/2020.

### 3. Execution of Audit Plan

The implementation of the approved Audit Plan is monitored and discussed quarterly by the APAC. The 2018/2019 plan has been amended due to a change in needs at the Development Planning Directorate. The modified plan is fully implemented.

## **6. Auditor-General**

The cooperation and evaluation of the functions of the Auditor-General (AG) is one of the priorities of the Committee. The APAC met with the heads of the AG's audit team on 12 September 2018, with the start of the audit of financial statements for the year ended 30 June 2018. Aspects of the nature and extent of the audit were discussed with them and recommendations made on areas of concern that could address the audit.

In respect of the external audit findings, there is monthly progress reports to council on the progress of the matters.

There is no specific accounting and auditing concerns after consideration of external audit reports, as well as internal audit reports.

## **7. Matters that the Committee wishes to bring to the attention of the Council**

### ***7.1 Risk Management***

The Risk Management Process is not yet fully functional. As risk management and internal audit are complementary processes, Internal Audit can be more effective if the risk management process works well. Progress in risk management as mentioned in 5.2 of this report, is acknowledged.

### **7.2 Efficiency of the internal audit function**

The Committee is pleased with the independence of the internal audit function. The legal requirements for the audit function are extensive. The two skilled staff members in the department are insufficient to give due consideration to all the tasks.

However, the approved Audit Plan for 2018/2019 was carried out satisfactorily, but the Committee believes that additional staff can add an even greater value to the effectiveness of the internal audit unit.

### ***7.3 Opinion on the Annual Financial Statements of 2018/2019***

The opinion of the committee on the Annual Financial statements for the year ended 30 June 2019 is as follows:

#### **Overall view**

The annual financial statements (AFS) have been prepared in accordance with Standards of Generally Recognized Accounting Practice (GRAP). The financial



statements should therefore give a fair presentation of the financial position of the Hessequa Municipality.

Subsequently the members of the Audit Committee discussed the income and expenditure items in detail as well as the statement of the financial position as at 30 June 2019 and resolved that:

1. The review comments from the Auditor-General's Office be noted
2. The financial statements portray an authoritative and credible view of the financial position and performance of the Municipality.
3. Council must maintain and improve their internal control processes and systems to ensure a sustainable and healthy financial environment.

### General comments

The AFS reflect the soundness of the municipality's finances notwithstanding the challenging economic environment it faces.

1. Income as well as expenditure are managed effectively. This is reflected in the actual income received at 101% of budgeted income and actual expenditure at 89,7 % of the budgeted amount. Savings on budgeted expenditure resulted in the relative lower level of actual expenditure. The collection rate, levies minus receipts, is 96,7 %. This is considered an excellent outcome. Notwithstanding high levies an environment is created where the public willingly fulfill its obligations to the Municipality.
2. The soundness of the Municipal's finances is further accentuated by the cash flow position which increased by R37,6 mil to R258 mil at year end.
3. The debt position of the Municipality is sound as indicated by the annual repayment on long term debt as a percentage of operating expenditure of only 4,84% which is well below the top of the norm of 10 percent.
4. It should be noted that personnel expenditure as a percentage of total expenditure increased by 1,4 % on the previous year. It is slowly moving up to the top of the norm of 40 percent and need to be carefully managed in future.
5. Capital expenditure was 73,6 % of the budgeted amount which is lower than expected. The nature of capital expenditure and the processes involved in its execution needs constant monitoring. This outcome must however be evaluated against the special circumstances encountered.

6. Although income from traffic fines is substantial, the outstanding receivables is equally high necessitating high impairments. This is an aspect which will need further attention.

7. The trade creditors payment period improved to 63 days. It should be noted that the policy is to pay creditors within 30 days. The negative outcome is the result of a large number of creditors bunched at the end of the financial year.

#### ***7.4 Opinion on Performance Management 2018/2019***

The opinion of the committee on Performance Management for the year ended 30 June 2019 is as follows:

1. It is noted that 7% of the KPI targets are not met, 14% were almost met and 79% were either met or exceeded the targets.
2. Reasons for not achieving the performance targets are clearly motivated.
3. The targets as indicated by the % of provision of electricity, the supply of water and refuse removal were met, while sanitation / sewerage was almost met. It would appear as if the service levels reflect an increase on levels achieved the previous year. An explanation is provided in footnote 1 on p.50 of the annual report.
4. It should be noted that in the draft report of the External Auditors on the performance information there are no material findings on its usefulness and reliability.
5. The challenge to achieve the capital budget spending target needs constant attention.

### **8. Shortcomings**

#### ***8.1 Risk Management process***

The risk management process is not at the required level yet. The progress will be monitored by the APAC.

### ***8.2 Attendance of APAC meetings by Officials***

The sporadic presence of some of the municipal officials at APAC meetings is a concern.

## **9. General**

Despite the aspects mentioned in this report and especially paragraph 8, the Committee believes that it has succeeded in carrying out their responsibilities. The activities of the Committee are strongly backed by the activities of the Internal Audit function.

The activities of the internal audit department, including its annual program, coordination with external auditors, the results of significant investigations and response of management to specific recommendations can be found in the Agendas and Minutes of the meetings held throughout the year. Notification must also be made of an important component on the agenda of each meeting, i.e. the internal audit reports.

- It forms the most important source according to which the effectiveness of internal control systems is evaluated
- Risk areas of the municipality are indicated
- Compliance with legislation is being reviewed

The staff of the internal audit department are professional and independent. Their functions are set out in the internal audit mandate and function under the Chairman of the APAC, and administratively under the Municipal Manager. The Manager: Internal Audit has direct communication with the Chairperson of the Audit Committee. The Audit Committee reviews the internal audit mandate annually and it was approved again at a meeting held on 23 May 2019.

The activities of the Internal Audit unit are set out in the Internal Audit plan which is reviewed quarterly by the APAC.

There can be given reasonable assurance that the municipality comply with legal and regulatory provisions.

Brief reports on general aspects are:

- a. Reasonable assurance can be given that the effectiveness of internal control systems is on standard.
- b. The financial information provided by management is adequate, reliable and accurate.

### **10. Interaction with Council**

The interaction with Council is good. The minutes of the APAC are submitted to Council and serve at the subsequent Portfolio Committee meeting, which is referred to the Executive Mayor Committee meeting, where the resolutions of the APAC serve as recommendations to the Council. The Chairman of the APAC has a standing invitation to such meetings.

The Council and staff of the Hessequa Municipality are congratulated on a clean audit report for 2017/18, the fifth in a row.



**Chairperson: Audit- and Performance Audit Committee**