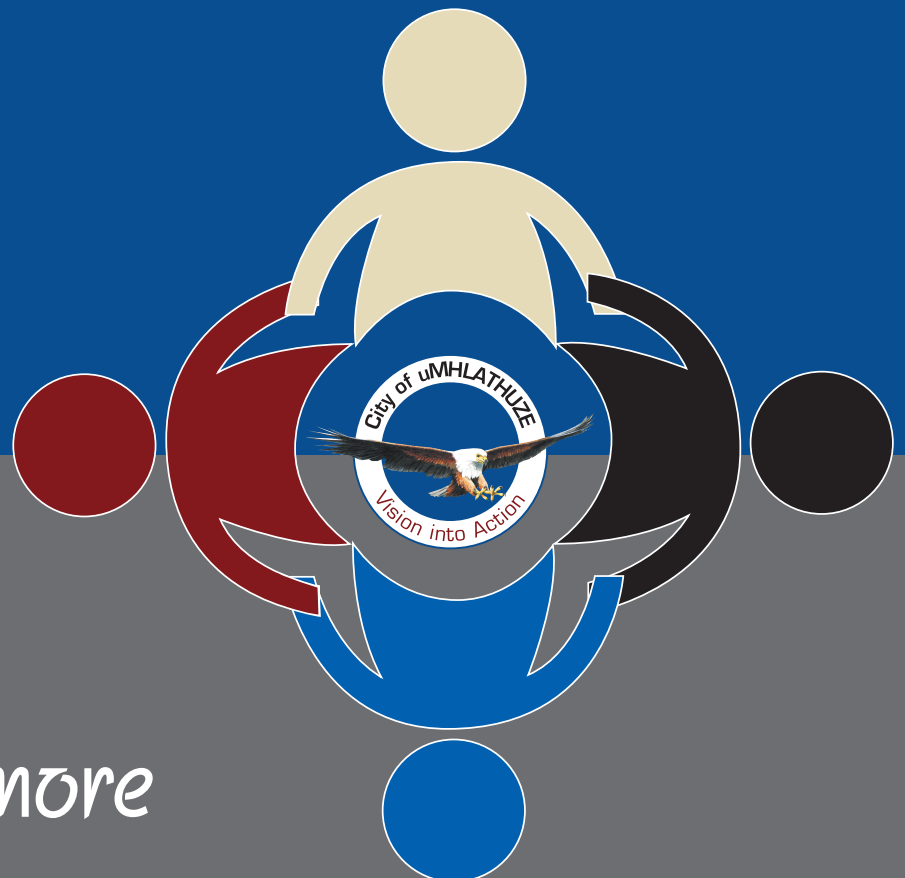


2010/2011

Annual Report



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Chapter 1

Introduction and Overview

City of uMhlathuze at a Glance

Vision

"The City of uMhlathuze, as a port city, will offer improved quality of life for all its citizens through sustainable development. It will be a renowned centre for trade, tourism and nature-lovers, coastal recreation, commerce, industry, forestry and agriculture."

Mission

"To develop uMhlathuze as the industrial, commercial and administrative centre within the natural beauty of the region, providing a range of efficient municipal services thereby ensuring economic development, dynamic growth and the improvement of the quality of life for all."

Overview of the Municipality

The City of uMhlathuze is the third largest municipality in KwaZulu-Natal. Located on the north-east coast of the province, it is a strategically placed aspirant metropol due to its close proximity to Durban. Likewise it is home to the country's largest deep-water port and an industrial development zone that enjoys the associated economic spin-offs.

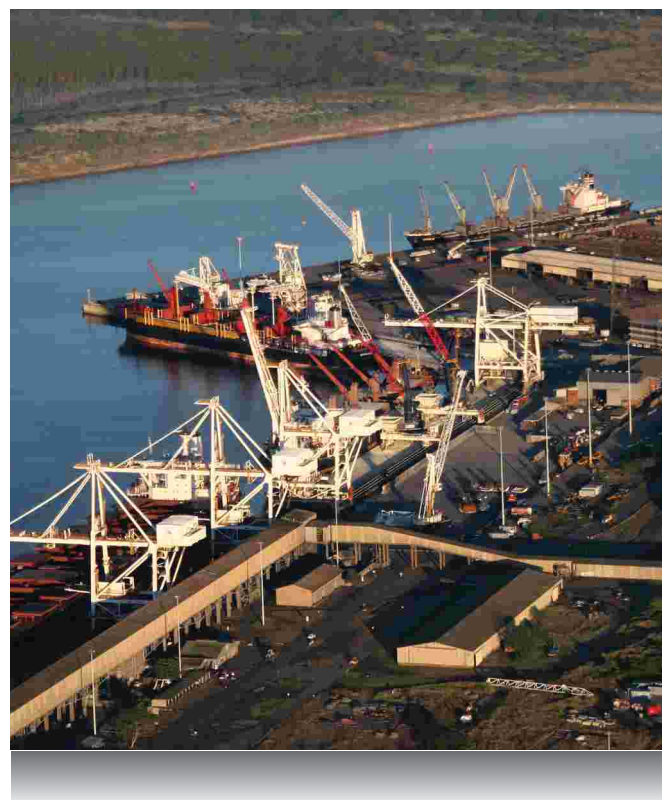
The John Ross Parkway, the major access road to the City from the inland provinces, is in the process of being upgraded and rehabilitated. The road boasts the country's longest road bridge and has been designed to meet the growing transport needs of the City in line with development plans of the CBD and harbour.

Apart from being an industrial and economic hub, the City enjoys a diverse natural environment. Importantly the City of uMhlathuze is a progressive municipality, which appreciates the need to achieve a successful balance and synergy between industry, its rich environmental assets and the community.

uMhlathuze Municipality was established on 5 December 2000 after the demarcation process and the local government elections of that date. As such it encompasses the towns of Empangeni, Richards Bay, eSikhaleni, Ngwelezane, eNseleni, Vulindlela and Felixton as well as the Traditional Authority areas under Amakhosi Dube, Mkhwanazi, Khoza, Mbuyazi and Zungu.

Richards Bay is considered to be the industrial and tourism hub, Empangeni the commercial hub and eSikhaleni the largest suburb.

The name uMhlathuze is derived from the uMhlathuze River that meanders through the municipal area and symbolically unifies the towns, suburbs and traditional areas.





According to the legend the river was strong in current and was infested with crocodiles and, therefore, could not be used by locals. The name broken up has the following meaning: Mhlati – jaw, Mthuzi – does not chew. In other words, the uMhlatuze River was like a jaw that could not chew.

The 2011 Local Government Elections resulted in the inauguration of the City's third Council. uMhlatuze Council consists of 60 councillors, of which twelve are full-time councillors. Ten of these councillors serve on the Council's Executive Committee. The Council has adopted a portfolio committee approach and interacts with its community using the Ward Committee system.

Administratively the Municipality has almost 1 900 full-time staff members led by the Municipal Manager and his team of Deputy Municipal Managers. Offices have been established in Richards Bay, Empangeni, eSikhaleni, Ngwelezane, eNseleni and Vulindlela.

This dynamic local government authority assumed City status on 21 August 2001 to place the Municipality in a stronger position to more effectively market the area – one of the country's fastest growth points.

Effective management of services and resources and the provision of services to all residents of the City, which is 796 square kilometers in extent, are challenges which the Municipality has tackled enthusiastically. Proudly, the Municipality's developments in this regard are on track and, in many instances, ahead of national government's targets.

About 96,5% of the population has access to water and those areas for which the Municipality has licence to supply electricity, receive 100% supply.

For the past two financial years the City has received an unqualified audit opinion from the Auditor General. Officials and councillors are now driven to achieve a clean audit and are working tirelessly in this regard. Furthermore the City is one of only two municipalities, among the country's 21 secondary cities, that has aligned its Integrated Development Plan with the Budget.

The City and its management live up to its motto "Vision into Action". The number of accolades, which have been bestowed on the Municipality in recent years illustrates the City's progress in this regard.

In the past year the City received Blue Drop status for its water quality management and Green Drop status for its waste water quality management. In addition Richards Bay was chosen as the KwaZulu-Natal Town of the Year for 2011 and received national media coverage.



City Mayor's Foreword

Achievements of 2010/2011

The 2010/2011 financial year commenced on a positive note, coinciding with the FIFA World Cup held in Africa and South Africa for the first time.

The City of uMhlathuze, together with provincial government, contributed R89m for the development of the soccer stadium and a synthetic athletics track at the City's Central Sports Complex. The development of this stadium made it possible for the City to host the Super Eagles of Nigeria, one of the 32 teams that participated in the soccer tournament.

Other achievements include the opening of the eSikhaleni Cemetery at a cost of R13m and the upgrade of several community halls, including Bhejane, eNseleni and Vulindlela. The eSikhaleni hostel refurbishment programme was ongoing and Council approached the Department of Human Settlement to allocate more funding to fast track the upgrade of all hostels. Council spent R1,7 billion on service delivery assets during the 2010/2011 financial year. These were financed through a combination of internal funds, loans, grants and public contributions. An amount of R347 million was spent on water, sanitation, roads and electricity.

Indeed the success of the 2010/2011 financial year has provided welcome relief on the back of what was undoubtedly one of the toughest financial years in the history of the City, when councillors and officials grappled to come to terms with cash flow problems exacerbated by the global economic crisis.

We are steadily emerging from the impacts of the recession as a stronger and more adaptable organisation. I am pleased to report that at the close of the 2010/2011 financial year in June 2011, the Municipality had a year-to-date actual surplus of R25,7 million.

While we are still experiencing cash flow challenges, it is important to note that the Municipality has identified and singled out the problems and put measures into place to turn the situation around.

Service Delivery

Importantly the City is well on its way to meeting the government mandate to eradicate basic service backlogs by 2014 and we will be continuing our efforts in this regard as a top priority.

The provision of water is well in hand and Council is now focused on the provision of sanitation as a priority.



A tender to install 8 000 VIP toilets was awarded to ROCLA for the next two years, which will accelerate the provision of toilets to communities. There are exciting prospects on the housing front with projects in excess of R400 million having been budgeted for uMhlathuze. The KwaZulu-Natal Department of Human Settlement has launched a rural housing project, which will see 1 000 houses built in each of the four traditional authority areas, namely Dube, Mkhwanazi, Khoza and Madlebe. There is also consideration of transferring existing housing stock, particularly in Brackenham and Aquadene from Province to the Municipality.

In addition the Department is very much in support of the Municipality applying for accreditation as a housing developer, which will fast-track housing delivery and eliminate confusion with regard to the housing function. The Municipality has the internal capacity and has already started the application process.

Corruption will not be tolerated at this Municipality and the Council has been quick to respond to complaints by the public about the unfair allocation of eSikhaleni hostel units as well as houses at Umhlathuze Village.





Ngubane and Associates were appointed to investigate the allegations and Council has taken action against the persons found to have acted in an improper manner.

The City is committed to rendering a positive service to its community and to ensuring that all employees conduct their business in an ethical and correct manner without any actions of bribery.

Focus into the future

The potential in our City is great. We have an enviable location next to the sea and I would like to see our long term goal focused around coastal development, within the environmental framework, so that we can move away from being a predominantly industrial town.

I believe that our coastline can be improved to make the area more tourist-friendly. Therefore I will be approaching the Industrial Development Corporation for grant funding to develop the beach area. This would be linked to the proposed waterfront development and would give a facelift to the Alkantstrand area.

A short-term goal is to approach National Minister of Transport, S'bu Ndebele to request that funding is provided in the next budget for a container terminal in Richards Bay.

During my term of office one of my short-term goals is to get the Municipality financially strong by recouping outstanding debt.

Our debt over 90 days is growing, which is of concern as some of these debtors include Government Departments who have outstanding rates accounts. Some of these sites are schools or police stations but because they are still in the name of the Municipality, for whatever reason, we are not being paid what is due to us. The Intergovernmental Relations Framework Act of 2005 allows us to take this matter to the Provincial Government because it needs to be clarified.



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We have already amended the land sale policy so that purchasers pay the Municipality before taking occupation. We have approached those developers who are trading from land for which they have not yet paid the Municipality because the land is still to be transferred and we are making progress in this regard.

uMhlathuze Municipality, in an effort to build better communities, will double its efforts to create partnerships of development between government, business and local communities. In line with Section 29 of the Municipal Systems Act of 2000, we will double our efforts of coordinating discussions between stakeholders through the Integrated Development Plan (IDP). It will assist to mobilise support for community projects identified by communities themselves. Projects that have been identified by communities themselves have a better chance of materialising.

An example is the KwaDube water reticulation project, which is a joint project between the Municipality, Trade and Investment KwaZulu-Natal, Sister Cities International and the community. This project will provide water connections to 200 homesteads.

In addition the Supply Chain Management Policy will be reviewed to fall in line with government's Black Economic Empowerment so that a certain percentage of tenders will be allocated to black entrepreneurs.

Sustainability and Future Investment

The approved budget for 2011/12 consists of a R202m capital budget and a R1,859bn operating budget. The implementation of the budget creates jobs as 547 new jobs were created during 2010 when toilets and other projects were carried out.

Capital projects for 2011/2012 include the R62m rural sanitation project, which will provide 8 000 VIP toilets. These toilets are among the best in the country and are manufactured in Port Durnford to benefit the local community.

Other projects are:

- Infill areas J2 and H2 eSikhaleni (R8m)
- Replacement of sewer pipes (R3m)
- New electricity connection at Felixton (R6m)
- Hostel upgrade programme (R20m)
- Waste removal trucks (R3,7m)
- Replacement of ride-on mowers and slashers (R1,2m)
- IT related equipment (R1,5m)
- Mandlazini town planning (R792 000)
- Mzingazi town planning (R763 000)
- Planning for various areas (R1,3m)
- Central Sports Complex (R1m)
- Electrical upgrades for various areas (R6m)

In addition R15m will be spent on the repair and maintenance of rural roads, R10m on urban roads, R12m on rural water and R22,7m on water for all areas.



The City has started the process of cancelling its shareholding in the Richards Bay Industrial Development Zone Company. However, the Municipality will remain an interested and affected stakeholder and we look forward to working with the IDZ team to attract the right type of investment to our area. Likewise we value the way in which the captains of industry work with our Municipality and support social investment for the benefit of our broader community.

In closing I would like to welcome the newly elected Council and thank them for the trust that has been bestowed on me as Mayor and for the support that I have received. We are blessed with a good balance of experience and enthusiasm, which together with our strong commitment to the community, should result in an extremely proactive and successful term of office.

I likewise commend our Acting Municipal Manager and officials on their level of professionalism and ability to get the job done. Their support and advice to Council is creating a strong teamwork ethic that is needed at local government level to best deliver to our communities.

I am optimistic about the City's prospects over the next five years and believe that we have the correct administrative procedures in place and adequate capacity to be able to take the City to new heights in terms of performance and service delivery to our community.

Mayor of the City of uMhlathuze
Cllr Elphas Mbatha





Municipal Manager's report

The much-anticipated Local Government Elections in May 2011 has seen the start of another five-year political term of office for the City of uMhlatuze. The administration of this Municipality has welcomed the new crop of councillors by extending to them the same loyal, friendly support and professional advice as was extended to their predecessors.

The Municipality is fortunate that a few stalwarts have remained in office to ensure continuity and the retention of valuable experience. However, there are many new faces on Council, some with no previous local government experience, and the administration is committed to assisting these new councillors to develop the necessary knowledge and understanding of our local municipality and its day-to-day operations.

The past two years were incredibly challenging for the Municipality as we suffered through the global economic crisis and fought to address the local impacts that the recession had on uMhlatuze.

With the support and co-operation of our employees, the Municipality has been able to put systems in place and adopt a financial turnaround strategy that will not only steer our ship, but will ensure that we emerge as a stronger organisation and will be better prepared to tackle any future hardships that may come our way.

Tightening up on our internal controls has been an area of focus and our officials and councillors are to be commended on the achievements in this regard. Our recent dashboard report from the Auditor General's office on the drivers of internal controls show that the drivers of our internal controls, namely our leadership, financial and performance management as well as governance are on the right track and performing as is expected of a well-run local government institution in terms of the assessed financial, performance and compliance targets.

According to the report uMhlatuze has only two areas in which it should improve, both related to governance compliance:

- Ensure that there is an adequately resourced and functioning internal audit unit that identifies internal control deficiencies and recommends corrective action effectively
- Ensure that the Audit Committee promotes accountability and service delivery through evaluating and monitoring responses to risks and providing oversight over the effectiveness of the internal control environment including financial and performance reporting and compliance with laws and regulations.

Since the report was received, the Municipality has already taken steps to improve on these counts with the creation of the post of Chief Audit Executive, which is soon to be filled. The key focus of this position will be to ensure that the internal audit activity is properly managed.

Management continues to monitor and manage the Municipality's financial situation and, although there is still a tough road ahead, it is noteworthy that we all share the same common goals and are moving in the right direction. The Municipality takes its mandate seriously to deliver services to the community and in spite of having to cut our capital budget for the 2010/2011 financial year we were still able to deliver to our community 5 750 VIP toilets, the expansion of East Central Arterial, agricultural materials as part of our Local Economic Development initiative, a new cemetery in eSikhaleni, pedestrian bridges in the rural areas and much more.

Other achievements include the quality of drinking water in the City of uMhlatuze, which is among the best in the country and this was acknowledged during the Municipal Water Quality Conference in June 2011 where the City received an award for second place (83.3%) in KwaZulu-Natal for Green Drop (waste water quality management) and fourth place (89.26%) for Blue Drop (drinking water quality management).



A report from National Treasury also indicates that we are one of only two municipalities of the 21 secondary cities to have our budget properly aligned to the Integrated Development Plan Strategy, which speaks volumes about our capacity, ability and commitment to future planning.

We are hopeful that Census 2011 will result in a more accurate population count for the City that will bring with it important benefits for the Municipality. We believe that the City of uMhlatuze should be rated as a Level 5 Municipality, which would impact on our equitable share allocation from National Government and assist us greatly to achieve our service delivery objectives.

In closing, I think it is important to realise that we are fortunate to be living and working in one of the major growth nodes in the country. Our City has great potential and during the next five years councillors and officials are committed to working together as a team, displaying the commitment, drive and enthusiasm to ensure that the prospects for our Municipality and our residents can be realised.

Dr Nhlanhla Sibeko
Acting Municipal Manager
(At the time of reporting)

Political Leadership



Mayor

Mbatha, Elphas Felokwakhe
– ANC (Exco)



Deputy Mayor

Gumbi, Ntombizethu Vera
– ANC (Exco)



Speaker

Mnqayi, Mvuseni Samuel
– ANC



Municipal Chief Whip

Lourens, Manie
– ANC

Section 79 Committees of Council

- **Executive Committee**
Chairperson – Cllr EF Mbatha
- **Bylaws Integration Committee**
Chairperson – Cllr SN Hlophe
- **Standing Orders and Disciplinary Committee**
Chairperson – Cllr MS Mnqayi
- **uMhlathuze Public Transport Liaison Committee**
Chairperson – Cllr SB Xaba
- **Community Safety Forum**
Chairperson – Cllr K Sukreben
- **Pubic Participation Committee**
Chairperson – Cllr MS Mnqayi
- **Standing Committee on Municipal Public Accounts (SCOPA) since replaced with Municipal Public Accounts Committee (MPAC)**
Chairperson – Cllr A S Dawood

Section 80 Committees of the Executive Committee

- **Financial Services**
Chairperson – Cllr EF Mbatha
- **Corporate Services**
Chairperson – Cllr NV Gumbi
- **Community Services**
Chairperson – Cllr AH Mthembu
- **City Development**
Chairperson – Cllr M Sookroo
- **Infrastructure and Technical Services**
Chairperson – Cllr SG Mkhize

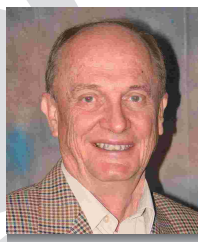
Good Governance, Performance Audit and Performance Evaluation Panels

- **Section 62 Appeals Committee**
Chairman – Cllr A Viljoen
- **Audit Committee**
Chairman – Mr JH de Wet
- **Performance Audit Committee**
Chairman – Mr S Kunene
- **Performance Evaluation Panel (Heads of Department)**
Dr NJ Sibeko, Mr S Kunene, Cllr EF Mbatha, Mr DP Lubbe and Cllr NV Gumbi
- **Performance Evaluation Panel (Municipal Manager)**
Cllr EF Mbatha, Cllr NV Gumbi, Mr S Kunene and Mrs T Mchunu

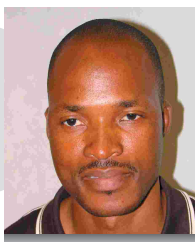


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Councillors



Frederik Bosman
DA (Ward 1)



John Cele
ANC (Ward 12)



**Nonhlanhla
Reginaldah Cele**
ANC (Ward 16)



Lindi Danisa
ANC (Ward 19)



**Ahamed Shaik
Dawood**
ANC (Ward 26)



André de Lange
DA (Ward 23)



**Emmanuel Joel
Bhekithemba Dube**
ANC (Ward 10)



Louis Fourie
DA (Exco)



**Ntombizethu Vera
Gumbi**
ANC (Exco)



**Sukanini Nicholas
Hlophe**
ANC



Mbuyiseni Khoza
IFP



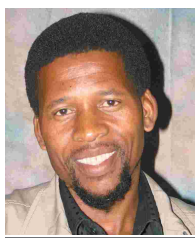
Siphwe Khoza
NFP



Mduduzi Khumalo
ANC (Ward 14)



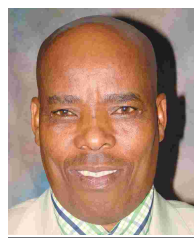
Patience Kwela
NFP (Exco)



Cyprian Kweyama
Independent
(Ward 13)



Manie Lourens
ANC



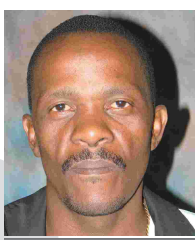
Nicholas Madondo
ANC (Ward 4)



Mandla Makatini
IFP



Prince Mathenjwa
ANC (Ward 29)



Clement Mavimbela
NFP



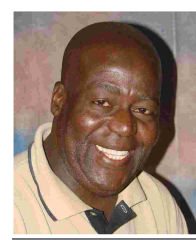
**Nontokoza 'Get'
Mbanjwa**
ANC



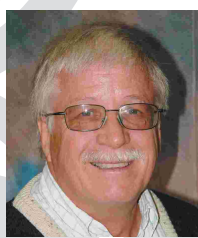
Elphas Mbatha
ANC (Exco)



Purity Mbatha
ANC



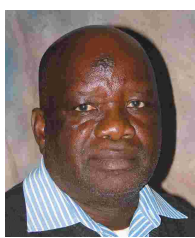
**Musawenkosi
Mbokazi**
ANC (Ward 21, Exco)



**David
Merryweather**
DA (Ward 3)



Eric Mhlongo
ANC (Ward 11)



Madina Mkhize
IFP



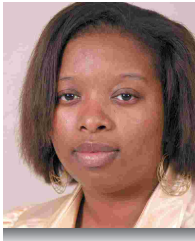
Silondile Mkhize
ANC (Exco)



Gertrude Mkize
ANC (Ward 24)



Njabulo Mlaba
NFP



**Ayanda
Mngomezulu**
IFP



Mvuseni Mqayi
ANC



Alice Mthembu
ANC (Exco)



**Babhekile
Mthembu**
ANC (Ward 20)



Mfundo Mthenjana
ANC (Ward 22)



**Khethomusha
Mthethwa**
IFP



**Bhekinkosi
Mthiyane**
ANC (Ward 25)



Sipho Mthujane
ANC (Ward 18)



Nonto Mzimela
ANC



**Dumisane
Ndimande**
ANC (Ward 6)



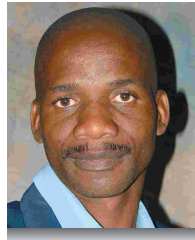
Khonzi Ndlovu
DA



**Thanduxolo
Ngcobo**
NFP



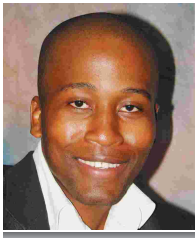
Gugulethu Nkosi
ANC (Ward 17)



Samuel Nsibande
Independent
(Ward 15)



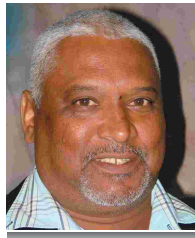
Phikelakhe Ntanzu
ANC (Ward 28)



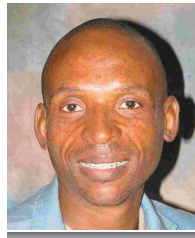
Bonga Ntuli
ANC



Dumisane Nxumalo
IFP (Exco)



Erwin Palmer
ANC (Ward 9)



Willie Radebe
ANC (Ward 7)



**Lucas Sphakanyiswa
Sabelo**
NFP



Lindiwe Shangase
ANC (Ward 27)



Beena Simmadhri
IFP (Exco)



Meera Sookroo
ANC (Exco)



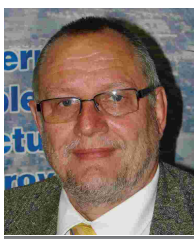
Kevin Sukreben
ANC



Nkosinathi Thusi
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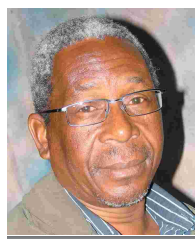
Louis van Zyl
IFP



Alen Viljoen
DA (Ward 2)



Sakhile Xaba
ANC (Ward 8)



David Xulu
ANC (Ward 30)



Shadrack Zulu
IFP (Ward 5)



Chapter 2

Annual Performance Report

Organisational Performance Management System



Legislative requirements

Outlined in Section 40 of the Municipal Systems Act of 2000 (MSA), Municipalities must establish mechanisms to monitor and review its Performance Management System (PMS) so as to measure, monitor, review, evaluate and improve performance at organisational, departmental and employee levels.

Section 34 of the MSA furthermore points out that the Integrated Development Plan (IDP) has to be reviewed on an annual basis, and that during the IDP review process the Key Performance Areas, Key Performance Indicators and Performance Targets be reviewed and this review will form the basis for the review of the Organisational Performance Management and Performance Contracts of Deputy Municipal Managers.

The Municipal Planning and Performance Management Regulations (2001) stipulates that a "municipality's performance management system entails a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role-players" (Chapter 3, Section 7, Municipal Planning and Performance Management Regulations, 2001).

Section 46 of the Municipal Systems Act (Act 32 of 2000), stipulates the following:-

"Annual performance reports

46. (1) *A municipality must prepare for each financial year a performance report reflecting -*
- (a) the performance of the municipality and of each external service provider during that financial year;*
 - (b) a comparison of the performances referred to in paragraph (a) with targets set for and performances in the previous financial year; and*
 - (c) measures taken to improve performance.*
- (2) *An annual performance report must form part of the municipality's annual report in terms of Chapter 12 of the Municipal Finance Management Act."*

Introduction

The first performance management framework was adopted by the uMhlathuze Municipality on 28 May 2002. The framework was reviewed and amended during 2006/2007 financial year to align with the best practice guidelines suggested by the then Department of Provincial and Local Government and Traditional Affairs of KwaZulu-Natal.

The Performance Management Unit of uMhlatuze Municipality was previously outsourced to an external service provider and Council resolved during the 2009/2010 financial year to create an internal Performance Management Unit within the Office of the Municipal Manager.

The Performance Management Unit was capacitated during this financial year as from 1 October 2010 by the appointment of two permanent employees, i.e. one post of Manager: Performance Management and one post of Performance Management Specialist. During the 2010/2011 financial year, the newly established Performance Management Unit prepared a new Performance Management Framework and Policy for adoption by Council. The Performance Management Framework Policy is available on Council's official website (www.richemp.org.za under the "Our Performance" tab).

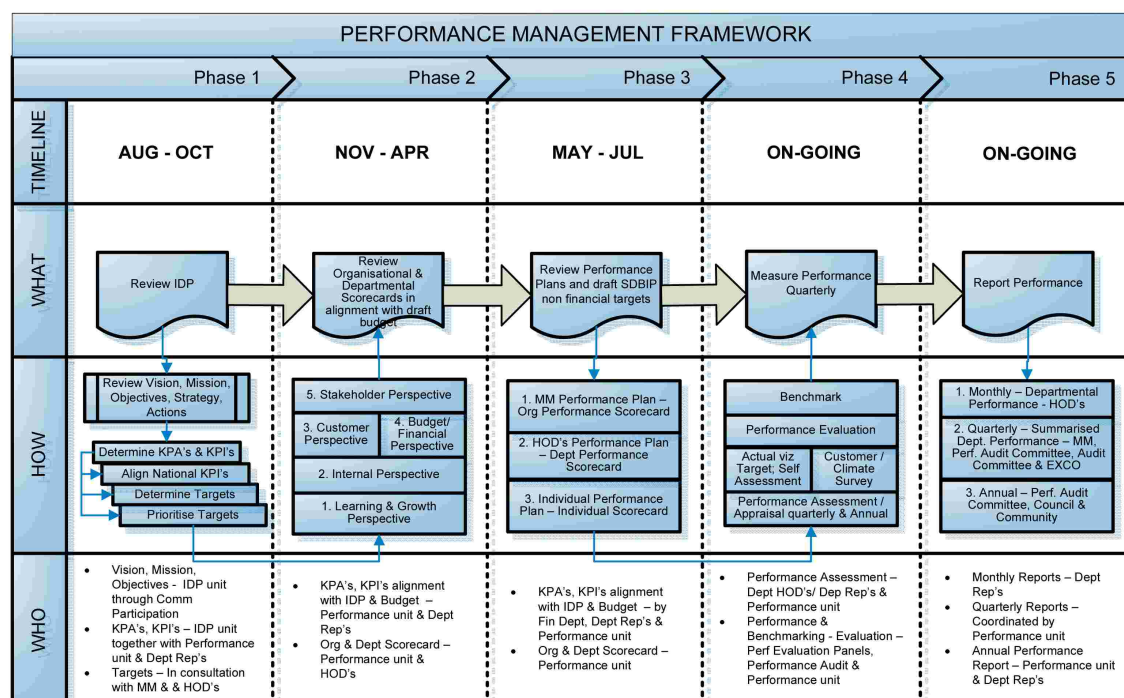
Organisational Performance Management Process

Key performance indicators have been refined in support of the municipality's development priorities and objectives as set out in the revised IDP framework and will remain for the duration of the IDP period for consistency in measuring and reporting on long term strategies and projects. Measurable performance targets with regard to each of these development priorities and objectives were established. A process to ensure regular reporting is in place and is fed back to the Council via the Performance Audit Committee.

Individual performance agreements and performance plans were prepared in line with provisions prescribed in the Performance Regulations (Notice 805, published on 1 August 2006 in the official gazette) and signed by the Acting Municipal Manager and Deputy Municipal Managers (Heads of Department). These agreements are fully implemented and aligned with the Service Delivery and Budget Implementation Plan as required in terms of the Municipal Finance Management Act.

Performance Evaluation Panels have also been established for the assessment of performance of the Acting Municipal Manager as well as Managers directly accountable to the City Manager per Council Resolution 4120 of 10 October 2006. These panels do meet quarterly to evaluate individual performance.

The following diagram illustrates a summary of the newly developed Performance Management Framework for the City of uMhlatuze for performance measurement and reporting, adhering to the guidelines suggested by the KwaZulu-Natal Department of Cooperative Governance and Traditional Affairs:





Performance Audit Committee

The Performance Audit Committee for the first 2 quarters of 2010/2011 financial year was re-affirmed and the members were as follow:

- Mr H Oosthuizen - Chairperson
- Mr S W Kunene
- Cllr A Z Mngayi (Mayor)
- Cllr C Q Madlopha (Deputy Mayor)

Since the Mayor and Deputy Mayor resigned from the Municipality, the newly elected Mayor and Deputy Mayor filled the vacancies on the Performance Audit Committee. The Chairperson also indicated to transfer the responsibility of Chairperson to another member of the committee. The Performance Audit Committee for the last 2 quarters of the 2010/2011 financial year was affirmed and the members are as follows:

- Mr S W Kunene - Chairperson
- Mr H Oosthuizen
- Cllr E F Mbatha (Mayor)
- Cllr N V Gumbi (Deputy Mayor)

The Performance Audit Committee met bi-annually as required by legislation on 29 July 2010 and on 24 March 2011. The minutes of the meetings are available on the electronic document management system.

Auditing of Performance Information

The Municipal Systems Act, 2000, Section 45 requires that the results of performance measurements in terms of section 41 (1)(c), must be audited as part of the internal auditing process and annually by the Auditor-General.

All auditing must comply with Section 14 of the Municipal Planning and Performance Management Regulations, 2001 (Regulation 796).

PricewaterhouseCoopers (PwC) has been appointed by uMhlathuze Municipality to perform the internal audit function within the municipality. As part of their scope, auditing of the Performance Management System and Audit of Performance Information was performed and reports received for each quarter in terms of the following:

- **Quarter 1**
Review the functionality of the Performance Management System and management's compliance thereto.
- **Quarter 2**
Review scorecards on a test basis to support evidence on a sample basis;

Record the system/systems (electronic and/or manual) that are used to generate the performance information and perform walkthrough testing to validate (AOPI); and

Perform detailed testing on selected performance information (AOPI).

- **Quarter 3**

Ensure compliance with the requirements of the PMS regulations for quarter 3.

- **Quarter 4**

Review scorecards on a test basis to supporting evidence on a sample basis;

Perform detailed testing on selected performance information (AOPI); and

Ensure the accuracy and validity of the information included in the annual report based on the evidence inspected, on a sample basis.

Customer Satisfaction

The last Customer Satisfaction Survey was conducted during June/July 2009 and the results were communicated to Council via the Performance Audit Committee on 26 August 2009. The comprehensive analysis feedback report is available on Council's official website (www.richemp.org.za under the "Our Performance" tab). The next Customer Satisfaction Survey will be conducted during the 2012/2013 financial year.

Annual Organisational Performance Information

The annual performance reporting on the 2010/2011 financial year has been completed and reflected in the Organisational Performance Scorecard in a table format (as prescribed by KZN COGTA). The Draft Organisational Performance report was presented to the Auditor General for auditing together with the Annual Financial Statements on 30 August 2011.

This Annual Performance Report (Tables) should be read in conjunction with the uMhlathuze Annual Report, including the Annual Financial Statements as well as the Auditor General Report on the Annual Financial Statements and Performance Information for 2010/2011.

The following table reflects the organisational performance targets and achievements as reflected in the Integrated Development Plan, in relation to the achievements of the previous financial year as well as reflecting corrective measures to be taken in the 2011/2012 financial year in cases of under achievement.

The number of households served with basic services as reflected in the table below also includes the performance of external service providers delivering basic services to the community as contemplated in Section 46(1)(a) of the Municipal Systems Act (No. 32 of 2000). Water distribution to the community by the Municipality is delivered through water purification by WSSA and through purified water purchased from the Mhlathuze Water Board. Electricity is distributed to communities by uMhlathuze Municipality through purchasing electricity from ESKOM. The remainder of basic services to communities, i.e. solid waste removal (refuse collection) and sanitation is delivered in-house by the municipality. The uMhlathuze Municipality is fortunate not to be reliant on external service providers, i.e. water, sanitation, solid waste removal services delivered by the district municipality like most other local municipalities do.

The information reflected below has been subjected to the internal auditing process (in line with the scope of PwC) and reported via the Performance Audit Committee to the Executive Committee and Council. Reports are available for inspection.



Together we can achieve more

Organisational Performance Scorecard 2010/2011

IDP Ref	National KPA	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2009/2010 Annual		2010/2011 Annual		Planned Measures for improvement / Comments
					Target	Actual	Target	Actual	
1.1	Good Governance, Community Participation and Ward Committee Systems	Public Participation	Public meetings	Number of meetings	13	13	22	32	Target exceeded
1.2		Policy Development	Compliance with all legal prescriptions	Percentage of compliance	100%	100%	100%	100%	100% Compliance to continue at all times
2.1	Basic Service Delivery and Infrastructure Development	Access to Water	Households with access to basic water	Number of Households	73542	71680	72260	72202	Dependant on customer applications.
2.1			% Households with access to basic water	% Households with access to basic water	96.5%	96.5%	97.30%	97.22%	Dependant on customer applications.
2.1			New Water Connections	Number of new connections	3259	1756	600	542	Dependant on customer applications.
2.1		Access to Sanitation	Households with access to basic sanitation	Number of Households	42806	44129	45113	44513	Target achieved
2.1			% Households with access to basic sanitation	% Households of with access to basic sanitation	57.6%	59.4%	59.93%	59.93%	Target achieved
2.1			New sanitation connections	Number of new connections	10506	5366	TBA	384	Target achieved
2.2	Access to Electricity	Households with access to electricity	Households with access to electricity	Number of Households	34388	34110	31000	30884	Dependant on customer applications.
2.2			New Electrical Connections	Number of new connections	1512	1234	TBA	361	Dependant on customer applications.
2.4		Access to Solid Waste	Households with access to waste disposal services	Number of Households	56265	56770	58673	58592	Dependent on community members applying for the service. Joint survey between Finance and Waste management services
2.4			% Households with access to waste disposal services	% Households	75%	76.44%	80.5%	79.0%	Service delivery on target
2.4	Free Basic Services		New households with access to weekly waste disposal services	Number of new households	1 600	2 100	1886	2151	Target achieved
2.1			Households with access to free basic water	Number of Households	73242	71680	72260	72202	No major water project for reducing of Backlogs
2.1			Households with access to free basic sanitation	Number of Households	10006	11524	12508	11908	Project awarded towards the end of the financial year
2.4			Households with access to free electricity	Number of Households	300	324	TBA	511	Dependent on community members applying for "the poorest of the poor" classification.
2.3	Access to roads		Kilometres of tarred roads established	Number of km	6.4	6.4	1.2	1.2	Target on Project achieved
2.3			Kilometres of gravel roads established	Number of km	36	28.2	26.5	24.2	Annual target adjusted from 16 to 26.5 Budget re-allocated Original target over achieved
2.3			Kilometres of roads maintained	Number of km	800	794	800	860	Consultant appointed to source grant funding In process to appoint contractor to assist with general maintenance in all areas

Organisational Performance Scorecard 2010/2011

IDP Ref	National KPA	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2009/2010		2010/2011		Planned Measures for Improvement / Comments
					Target	Actual	Target	Actual	
2.1.15	Basic Service Delivery and Infrastructure Development	Community and Public Facilities	New facilities provided	Number of facilities	4	3	0	0	Source sponsorship/partnership or provide budget in new financial year
2.1.15			Upgraded facilities provided	Number of facilities	6	4	0	0	Source sponsorship/partnership or provide budget in new financial year
2.1		Human Settlements	Number of Hostel units refurbished	Number of units	108	108	25	0	Source sponsorship/partnership or provide budget in new financial year
3.1.1	Local Economic Development	Development of Prioritised Groups	Capacity Building Initiatives undertaken	Number of Initiatives	3	15	12	32	Target exceeded
3.1.3			Jobs created through the municipality's LED Initiatives	Number of jobs	300	400	265	209	Figure for the first Quarter to be adjusted to 128 as per Report RPT 149593. This will mean the Annual achievement is not 296 but recalculated to 209, which is below the Annual Target. Achieving the target is dependent on the Budget available. PWC has validated the actual achievement of 210 jobs created.
3.1		Promotion of Local Economy	Jobs created through the municipality's Capital Projects	Number of jobs	500	547	750	414	Funds provided on CAPEX for municipal capital projects in the new financial year
4.6	Municipal Transformation and Institutional Development	Human Resources Management	Number of black staff employed in management	Number of black staff	72	49	78	57	Dependent on staff resignations. The EEP is adhered to at all times
4.6			Women employed by the municipality	Number of women	854	608	870	643	Dependent on staff resignations. The EEP is adhered to at all times
4.6			Youth employed by the municipality	Number of youth	0	141	TBA	192	Dependent on staff resignations. The EEP is adhered to at all times
4.6			Disabled staff employed by the municipality	Number of staff	0	1	TBA	2	Dependent on staff resignations. The EEP is adhered to at all times
4.6			Budget Spent on Workplace Skills Plan	Percentage Spent on budgeted amount	85.0%	94.64%	85.0%	93.03%	Target achieved
4.6			% Operating Budget spent on implementing Workplace Skills Plan	Skills levy / Salaries budget x 100 = percentage (Target 1.00% p.a.)	1.0%	0.84%	1.00%	0.80%	The underspend resulted from funds not being made available throughout the financial year
4.1.1		Batho Pele Principles	Community Surveys conducted	Number of surveys	0	0	0	0	Funds provided for Community Satisfaction Survey on the 2011/2012 Financial year
4.1.1		Performance Management Systems	S57 Performance Agreements	Number of agreements	7	7	6	6	Filling of vacant positions of MM and Deputy MM. Post of MM advertised in July 2011
4.5		Municipal Turn Around Strategy	Implementation of the National Municipal Turnaround Strategy	% Implemented	New	Adopted	100%	100%	Continue with focus on KPI's established in terms of MTAS

Organisational Performance Scorecard 2010/2011

IDP Ref.	National KPA	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2009/2010		2010/2011		Planned Measures for improvement / Comments
					Target	Actual	Target	Actual	
5.4	Financial Viability and Financial Management	Revenue Enhancement	Cash collected from customers	R value of revenue collected	964 000 000	952 119 367	TBA	1 177 832 738	Ongoing strict credit control procedures.
5.4			Amount invoiced/billed to customers	R value of invoices raised	985 888 926	964 699 613	1 240 000 000	1 220 762 597	Ongoing strict credit control procedures.
5.1		Financial management	Debt service payments	R value	62 527 371	62 527 371	170 205 000	165 032 000	5 Year revenue enhancement strategy in draft.
5.1			Total revenue received from grants and subsidies	R value	183 438 700	236 022 744	232 855 000	202 775 860	Non Delegated Municipalities that provide the full range of Municipal Services do not receive proportionately the correct Equitable Share allocation compared to Category A & C Municipalities. This needs to be seriously considered by Cogta
5.1			Total of grants and subsidies spent	Total grants and subsidies spent / Total grants and subsidies received x 100 = Percentage spent	100%	100%	100%	98%	Emphasis to be placed on spending according to SDBIP.
5.3	Debt Control	Debt Control	Debt coverage ratio	(Total operating revenue received - operating grants) / debts service payments (interest & redemption due for the year)	(1054914000 - 174154000) / 159737000 = 5.51	(1222132556 - 122102991) / 153946501 = 7.1	(1557757000 - 156947000) / 170205000 = 8.23	(1390447000 - 156665000) / 165034000 = 7.47	5 Year revenue enhancement strategy in draft.
5.3			Outstanding service debtors to revenue	Outstanding service debtors / revenue actually received for services	90000000 / 90000000 = 0.10	86641274 / 943186501 = 0.09	120088721 / 1271066100 = 0.09	0.04	Ongoing strict credit control procedures.
5.3			Cost coverage ratio	(Available cash at particular time + Investments) / Monthly fixed operating expenditure	76205000 / 982126000 = 0.078	41190772 / 243828000 = 0.20	(-81897000) / 116998000 = (-0.70)	(3714200 / 107923000) = 0.35	5 Year revenue enhancement strategy in draft.
5.1		Budgeting and reporting	Total operating budget	R value	1 183 579 600	1 307 384 287	1 509 509 100	1 437 580 585	No need for improvement at this stage
5.1			Total Salaries and Wages budget (Including benefits)	R value	330 254 400	322 178 326	360 814 200	361 199 470	No need for improvement at this stage

Organisational Performance Scorecard 2010/2011

IDP Ref	National KPA	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2009/2010 Annual		2010/2011 Annual		Planned Measures for improvement / Comments
					Target	Actual	Target	Actual	
5.1	Financial Viability and Financial Management		Compliance with MFMA requirements	Percentage compliance	100%	100%	100%	100%	No need for improvement at this stage. Continue to adhere to legislation
5.1		Expenditure control	Percentage Capital Budget spent on Capital project i.e. IDP	Capital Budget amount spent on Capital Projects / Total Capital Budget x 100 = Percentage spent	90.00%	115.56%	90.00%	59.20%	Creation of a Capital Replacement Reserve in order to source alternate funds for capital expenditure. Greater emphasis be placed on implementing the SDBIP instead of treating same for compliance purposes only.
5.1			Total Operating expenditure	R value	1 299 766 400	1 422 542 758	1 526 102 800	1 630 785 196	Departments need to improve financial management within their own cost centres.

KEY FOR THE MEASURABLE OBJECTIVES:

Priority

Vuna

Additional / Departmental



Together we can achieve more



Chapter 3

Human Resources & other Organisational Management

Office of the Municipal Manager

- Communications
- Integrated Development Planning
- Performance Management
- Internal Audit



Dr Nhlanhla Sibeko

Communications

State of the City Address

His Worship the Mayor Elphas Mbatha gave his first State of the City Address at the eSikhaleni campus of the Umfolozi College on 6 May 2011. The event achieved great success with a modest budget and served to inform residents of the successes and challenges faced by Council during the past year.

Importantly the address coincided with the end of the term of office for the Council, which started on 1 March 2006 and ended on 18 May 2011 with the local government elections.

The programme once again showcased exceptional talent in the form of the Zululand Gospel Choir and the energetic TWCI Dance Group, Untouchables and celebrity DJ 15.

Newsletters

The Municipality distributes 65 000 newsletters on a monthly basis to its residents to keep them informed about decisions of Council and any issues relevant in the municipal area that may impact on their lives. The Communications Section has also been instrumental in attending to press releases and coordinating media-related activities on behalf of Council.

SMS System

The inception of an SMS system to relay urgent and important information to Councillors and the community has proven to be of great benefit to those who have registered for this free service. The public is alerted to any possible interruptions of service delivery in their neighbourhoods, and Councillors are informed of any changes to scheduled meetings or of matters requiring their urgent attention. This method enhances Council's means of communication and is set to become even more popular as the number of users registered to receive community based messages increases.





Access to Information

During the period under review the Deputy Information Officer managed the following applications for information as contained in the Access to Information Act No. 22 of 2000:

- Eight applications were received for access to information
- Three requests for access to information were granted in full
- No requests were granted in terms of Section 46 of the Act
- Two requests for access to information were refused in light of the mandatory protection of third party information
- No cases in which the periods stipulated in Sections 25(1) were extended in terms of Section 26(1) of the Act
- No internal appeals were lodged
- No internal applications were made in terms of Section 27 of the Act
- No applications were lodged to a court on the ground that the internal appeal was regarded as having been dismissed in terms of Section 77(7) of the Act
- No applications were received in which the category of information was available without having to request access in terms of the Act
- No application was received in terms of Section 47(1)(e) of the Act
- One application was received in which there was no record of the document
- Two applications for access to information were refused in light of the mandatory protection of information as disclosed in Section 39 of the Act.

Integrated Development Planning (IDP)

uMhlathuze Municipality has been privileged to have a set of Councillors who involve themselves in driving the Integrated Development Plan (IDP) process and have set a high standard for public participation thus enhancing developmental local government. This action has established good and frequent communication with the local community.

There has been a constant increase in the number of people who participate during our public participation meetings. It is for this reason that we can say that our communities get all their answers in terms of developmental issues and priorities affecting their lives thus avoiding protests. We have seen Councillors dealing with different stages and understanding the role of the IDP.

In the recent past Deputy Municipal Managers, together with the Municipal Manager, have seen the importance of the IDP and therefore placed the IDP unit together with Performance Management in the Office of the Municipal Manager. This decision indicates the importance the IDP function has taken in the management of the organisation.

The procedures that are followed to produce the IDP have allowed municipal officials to see the IDP as a tool for service delivery and working towards a common vision. Officials are beginning to see that through the IDP process a strong, united team can be built to serve the needs of our community.

Together we can achieve more

The future will see a municipality that takes tough decisions about development priorities and programmes keeping in mind the long term vision the Municipality has set for itself. Engagements have encouraged employees to see themselves as important role players in the IDP process. Officials are now given an opportunity to contribute towards enhancing service delivery.

In spite of the tough economic challenges experienced in the Municipality, uMhlatuze as usual went out of its way to hold intensive public participation programmes. The community in both urban and rural areas is getting a better understanding of the role of the IDP and how it affects their livelihoods, therefore contributing enthusiastically towards the programme.

They are learning how a municipality operates and why certain decisions are taken. Council has had to take tough decisions, which have shown good leadership with our community and stakeholders by deferring some of their capital projects due to the financial crisis. Priorities identified in the public participation sessions are bearing fruit such that the IDP is now informing the budget and reflects through the municipal performance assessment.

In concluding, various stakeholders have a better understanding and now have a drive to make contributions to ensure that our 'Vision' becomes a reality.

■ Performance Management

A Performance Management Unit was established in house in the Office of the Municipal Manager during October 2010 to ensure adherence to all legislative requirements. Previously this function was outsourced to an external service provider.

Complete details of the City's performance together with the organisational scorecard is contained in Chapter 2 of the report.

■ Internal Audit

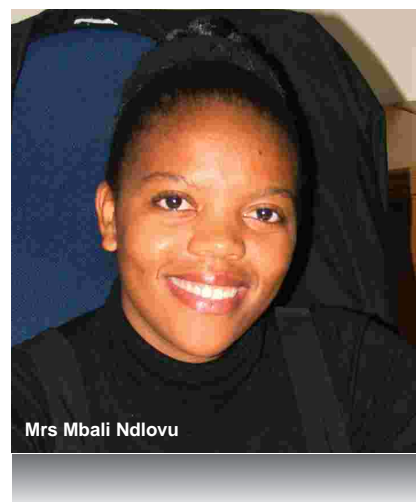
This unit will be established shortly with the focus to ensure that the internal audit activity is properly managed.





Department of Corporate Services

- Diverse Administration
- Secretariat
- Councillor Support
- Legal Services
- Human Resources
- Management Information Services



Mrs Mbali Ndlovu

Diverse Administration

Registry

Registry handles all incoming and outgoing mail and is responsible for ensuring that there is proper records management in place. Mail is received through various means, i.e. daily postal collections, via email or facsimile and hand delivered. Before any of the mail can be attended to it is circulated to the Deputy Municipal Manager: Corporate Services for allocation to various departments and also circulated to the Municipal Manager to note and comment on.

This process takes a day or two, depending on the availability of Senior Management.

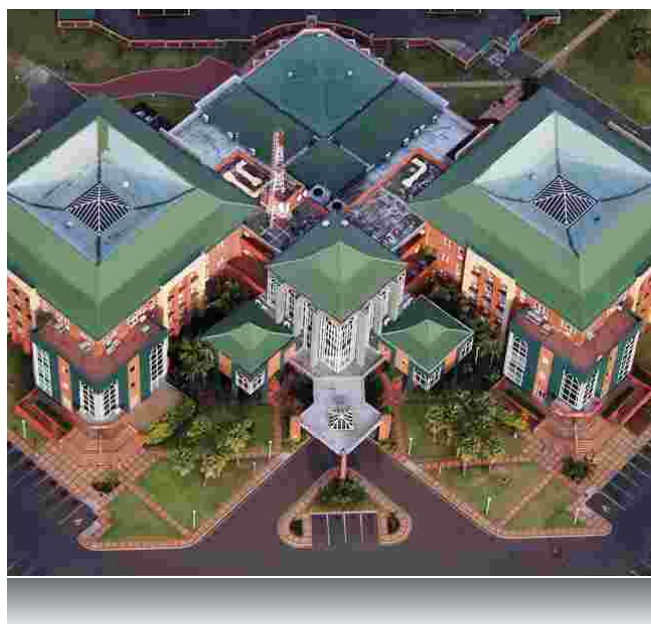
From the statistical information below it is evident that this division, manned by six personnel, is fully occupied in ensuring that the mission of the department to ensure administrative services are met.

	Jul 10 - Sep 10	Oct 10 - Dec 10	Jan 11 - Mar 11	Apr 11 - Jun 11	Total for the year
Incoming Mail	2 040	2 608	2 628	2 263	9 539
Cheques received	362	275	282	300	1 219
Outgoing Mail	8 086	6 210	9 245	9 253	32 794
E-mails	1 446	4 586	4 895	5 702	16 629
Total items handled	11 934	13 679	17 050	17 518	60 181

Telecommunications

The switchboard hub is at the reception area of the Richards Bay Civic Centre and is operational from 07:20 to 16:00 from Monday to Friday. The restrictions imposed on staff to curb excessive telephone bills have resulted in an overwhelming reduction in the number of calls that go through the switchboard. Switchboard operators are not only responsible for the large number of incoming calls, but are further burdened with the additional load of attending to the requests submitted by 957 internal and external extensions in dialling cell phones or numbers beyond the local dialling code.

The telecommunications operators as the first point of contact with the Municipality have improved their performance so much that there has been a decrease in the number of complaints from the public. During the July 2010 to June 2011 financial year the Municipality recorded 424 534 incoming calls and 656 430 outgoing calls.



Secretariat

The new financial year starting on 1 July 2010 kicked off with the usual round of Portfolio, Executive Committee and Council meetings. Meetings were well attended by all councillors resulting in reports being processed by committees at breakneck speed. The schedule below reflects the number of meetings held during the year and the number of reports that served at the various committees.

	Council	Exco	Portfolio	Bid	Mteam	Other	Total
July 10 to Sep 10							
Meetings held	3	6	36	38	7	17	107
Agenda items	220	157	175	58	174	99	883
Oct 10 to Dec 10							
Meetings held	3	5	14	25	3	11	61
Agenda items	153	114	75	57	56	57	512
Jan 11 to Mar 11							
Meetings held	2	4	22	31	4	16	79
Agenda Items	55	116	139	61	125	68	564
Apr 11 to Jun 11							
Meetings held	3	5	10	26	4	9	57
Agenda Items	167	187	83	50	103	43	633
Total for the year							
Meetings held	11	20	82	120	18	53	304
Agenda Items	595	574	472	226	458	267	2 592

The centralised bulk printing function, that is managed by this division and operated by two incumbents in the Printing Room, has worked hard during this twelve month period by ensuring that councillors and staff receive their agendas and minutes on time by executing numerous after hours deliveries to councillors' homes. The massive cost involved with printing and distribution of agendas and minutes is no simple matter and plans are underway to convert councillors to become e-councillors. The first stage has been implemented with the induction and training of full time councillors and the rest will follow as the process unfolds.

Sadly Councillor RJ van Huyssteen passed away at the age of 75 on 18 November 2010 after an extended illness. His service to Council not only as a Councillor, but in earlier days as the Financial Officer of the former Richards Bay Town Board, was greatly valued. He was replaced by Councillor Devi Moodley who, after serving as a councillor for only two months prior to the municipal elections in May 2011, also sadly passed away on 27 April 2011 following a short illness.

Councillor Moodley, although having served as a Councillor for only a very short while, was a much loved community activist whose presence will be sorely missed by all those who have benefited from her caring spirit and unconditional dedication to those less fortunate.

Vacancies on Council occurred during this period as a result of the exceptional service rendered by the former Mayor Zakhele Mnqayi and former Deputy Mayor, Celiwe Madlopha. Cllr Madlopha, having been one of the founding members of the Richards Bay Transitional Council following the onset of the transformation of Local Government in 1994, left Council in December 2010 to become a Member of Parliament. Proportional Councillor Meera Sookroo was nominated to represent the ANC in the resulting vacancy.

Councillor Zakhele Mnqayi took up the position of Chief Director with the Department of Cooperative Governance and Traditional Affairs during the first quarter of 2011. During his tenure as Mayor of uMhlathuze it was his unenviable task to lead the Municipality through an extremely difficult time following the worldwide recession and ultimately Council's own cash flow crisis.

Together we can achieve more



The positions of Mayor and Deputy Mayor were subsequently filled by Councillors Elphas Mbatha (formerly the Speaker) and Councillor Ntombizethu (Vera) Gumbi. The incumbents brought to the table a wealth of experience and years of service to Local Government, having also been part of the early days of transformational Local Government. Councillor Mvuseni Mnqayi was elected as Speaker to fill the vacancy created by the election of Cllr Mbatha as Mayor.

Despite changes in leadership, the smooth transition from one position to the next is evidence of the exceptional depth of knowledge and commitment within the ranks of Councillors serving on the uMhlatuze Municipal Council.

December 2010 saw Council enjoying a short recess and in January 2011 Councillors hit the ground running ensuring that as many pending matters would be finalised as to ensure continued service excellence even in the run up to the 2011 Municipal Elections.

The elections saw an almost 50% change in political leadership yet the core of councillors who returned after the elections is also indicative of the experience retained thereby ensuring continuity of service rendering and knowledge of local government functions. The election resulted in the majority of the sixty seats on Council being allocated to the ANC. The remaining seats on Council were allocated to the DA, IFP, NFP and 2 independent councillors.

The inaugural meeting of the new uMhlatuze Council was held on 31 May 2011 and all councillors took the Oath of Office under the auspices of Senior Magistrate AB Ntshangase.

At the inaugural meeting, which was attended by many dignitaries and members of the community and overseen by representatives from COGTA, the election of office bearers was finalised resulting in the following:

Election of Councillor Mvuseni Mnqayi as the Speaker, Cllr Manie Lourens as the Municipal Chief Whip, Cllr Elphas Mbatha as Mayor and Cllr Ntombizethu Gumbi as Deputy Mayor.

The Executive Committee was elected following the system of proportional representation with the African National Congress taking six seats, the Inkatha Freedom Party two seats, the Democratic Alliance one seat and the National Freedom Party one seat. Exco comprises Cllr EF Mbatha, Cllr NV Gumbi, Cllr M Sookroo, Cllr MM Mbokazi, Cllr SG Mkhize, Cllr AH Mthembu, Cllr DA Nxumalo, Cllr SS Simmadhri, Cllr LCM Fourie and Cllr PN Kwela.

The uMhlatuze Municipality therefore has 12 full time councillors.

The following councillors were nominated to represent uMhlatuze Municipality on the Uthungulu District Municipal Council: Cllr EF Mbatha, Cllr MS Mnqayi, Cllr NB Mzimela, Cllr NR Cele, Cllr M Lourens, Cllr FG Bosman, Cllr MT Makatini, Cllr NT Thusi and Cllr N Mlaba

With all the legislative formalities dispensed with and Council properly constituted, work in earnest was recommenced and at the Council meeting of 14 June 2011, councillors were nominated to serve on various external bodies and the Portfolio Committee system was re-established based on the realignment of the organisational structure. Councillors were also elected to serve on the Section 79 and Section 80 committees as well as the Standing Committee on Municipal Public Accounts (SCOPA now MPAC).

During the year under review former Cllr Louis Werner Fourie and Cllr Ayanda Khuboni (now Mngomezulu) respectively decided to tie the knot with their respective partners.

Support Services

As the control and usage of the various committee rooms in the Council Chambers Complex as well as the Auditorium and Restaurant at the Richards Bay Civic Centre falls under the ambit of the Secretariat Services Division, it bears noting that meetings held in these venues are coordinated by officials in this division.

Such coordination involves communication with both internal and external users of the venues and ensuring that committee rooms are always neat and tidy and ready for the hosting of any meeting scheduled not only for internal meetings but often for outside organisations. Of importance to note is the number of bookings made for the Auditorium and Restaurant by government departments, which have always been allowed to use the Auditorium free of charge in the spirit of cooperative governance.

Over and above the management and control of these venues, we have also hosted numerous internal red letter events such as the IMPSA International Conference, various departmental award ceremonies, IEC meetings, training sessions, HR relationship building programmes, sports meetings, informal trader sessions, budget meetings with the public and iziNduna, IMFO conference, debt counselling workshops, Flagship Programmes and many more.

A great number of external organisations ranging from Uthungulu District Municipality and Kwanaloga sessions, South African Road Agency, South African Police Services, Department of Tourism, South African Revenue Services, KZN Agriculture and Environmental Affairs, Arts and Culture Stakeholders meetings to the Black Management Forum, CANSA, Zululand Fever Spelling Bee, and numerous seminars and exhibitions have been hosted in this venue of choice, the Auditorium.

In all these instances and more, support from the secretariat staff has been vital in ensuring the smooth running of all these events and functions insofar as guidance in the use of electronic and audio visual equipment as well as the maintenance and upkeep of these venues is concerned.

Councillor Support

Ward Committees

Public participation saw a significant improvement, thanks to a sustained high percentage of the ward committee functionality. Credit goes to the Speaker, public participation officials, the Ward Councillors for high cooperation as well as the ward committee members for their unwavering commitment to community work.

On 16 May 2011, Council hosted a well deserved Ward Committees farewell function with the impending local government elections marking the end of term of office for Ward Committees as well. The Speaker, in his remarks, thanked the Ward Committees for the role they played in deepening democracy as well as servicing their respective Ward Committees while receiving minimum out of pocket allowances. The Ward Committees were credited for the fact that no protest marches were experienced. This indicates a healthy interaction between the Municipality and the community.

IDP and Budget Public Participation Sessions

During the year, Council as usual embarked on the IDP Public Participation Programme during which the Mayor engaged the community on their needs. This was followed by the budget public participation during the early part of 2011 to provide feedback on what people expect. During these sessions, the leadership were frank in terms of acknowledging challenges, some of which were unavoidable due to the impact of the global economic meltdown. It is encouraging that the community has faith in what is being done. This is demonstrated by the enthusiasm and improved attendance. The sessions drew wide attendance, which included women, the elderly, youth and people living with disability etc. This was indeed encouraging.

Due to Council's commitment to public participation, these sessions are now annual events.

Special Programmes

On 13 May 2011 Council hosted a historical empowering youth function at eNseleni Sports Ground.



The function became an example of how and what inter-sectoral partnerships can achieve. The youth, drawn from all wards, were exposed to wide ranging presentations and edu-tainment stage plays and musical performances.

In an effort to dissuade young people engaging in crime, sentence serving inmates were present to share their experiences with the attendees. Both the Deputy Mayor and the Speaker were in attendance along with about 3 000 people. It was encouraging to be able to reach such a sizable number of people.

Legal Services

Legal Services aims to:

- Manage the provision of comprehensive, efficient and effective legal service to the Municipality
- Safeguard the Municipality in all legal-related matters and to ensure that all the Municipality's operations are being conducted within the parameters of the law
- Strengthen the capacity of the Municipality to fulfill its mandate as stipulated in terms of the Constitution and other legislations
- Provide a supportive and advisory role to the Municipality in order to fulfil its objectives
- Enhance organisational efficiency by promoting an environment that complies with corporate governance and enables the Municipality to achieve its objectives.

Services rendered by this division include:

Legal Agreements

- Implement and manage a contracts register of all contracts drafted and vetted for safe-keeping
- Ensure that all contracts comply with relevant legislation and Council policy requirements by vetting and ensuring that contracts are in line with Council's policies as well as relevant legislation.

Drafting and managing of Council's Bylaws

- Keeping registers of all Council Bylaws
- Attend to regular updates and legal formalities in respect of promulgation of bylaws in accordance with applicable legislation

The table shows the programme for the review of Council's Bylaws for the 2010/2011 financial year.

BYLAWS	DATE OF REVIEW
Keeping of Animals Bylaws	June 2010
Solid Waste Bylaws	June 2010
Water Services Bylaws	July 2010
Advertising Sign Bylaws	July 2010
Street Trading Bylaws	August 2010
Bylaws Relating to Public Amenities	August 2010
Credit Control and Debt Collection Bylaws	September 2010
Funeral Undertakers Bylaws	September 2010
Cemetery Bylaws	October 2010
Bylaws Relating to Flammable Liquids	October 2010
Bylaws Relating to the Lease of Halls and Conference Facilities	November 2010
Bylaws Relating to the Control of Parking Attendants/Car Guards	November 2010
Bylaws Relating to Public Libraries	December 2010
Bylaws Relating to Municipal Swimming Pools	December 2010
Bylaws Relating to Childcare Services	January 2011
Electricity Supply Bylaws	January 2011
Standing Orders for the Council and its committees	February 2011
Nuisance Bylaws	February 2011
Environmental Health Bylaws	March 2011
Bed and Breakfast Bylaws	March 2011
Beach Bylaws	April 2011
Rates Bylaws	April 2011
Possession and discharge of fireworks Bylaws	May 2011
Pound Bylaws	May 2011

The following bylaws were reviewed and amended: Water Services, Environmental Health and Nuisance bylaws. In addition the Storm Water Management Bylaws were implemented during this time.

Pre-litigation Meetings and Litigation

- Convene pre-litigation meetings with parties in contravention of the uMhlatuze Town Planning Scheme and National Building Regulations and Building Standards Act to attempt to regularise transgressions and minimise cases handed to attorneys for litigation
- Institute and defend all legal action on behalf of Council
- Represent Council on arbitrations
- Deal with administrative appeals
- Represent Council on Town Planning Appeals and Tribunals
- Implement and manage registers of all cases handed to attorneys for litigation.

Meetings/Administrative Support

- Records are kept of all the applications and approvals by the Municipal Manager for all Section 4 Planning Meetings convened in terms of the Gatherings Act, Act 205 of 1993 with relevant role players, to ensure compliance with legislation. During the financial year of 2010/2011 a total of approximately 150 meetings were attended to.
- Provide legal support, advice and opinions on matters of concern to officials, to ensure compliance with relevant legislation. Approximately 13 matters were dealt with during the financial year of 2010/2011.
- Effectively manage and keep records of all tender openings.



Human Resources

Human Resources has four branches namely:

- Personnel Administration Services
- Maintenance and Development Services
- Management and Information Services
- Corporate Data Base Services



These branches are further divided into sub-sections to cover the spectrum of personnel-related functions.

Personnel Administration Services

Responsibilities of this sub-section include staff resources, control of all leave, general personnel administration as well as employment equity.

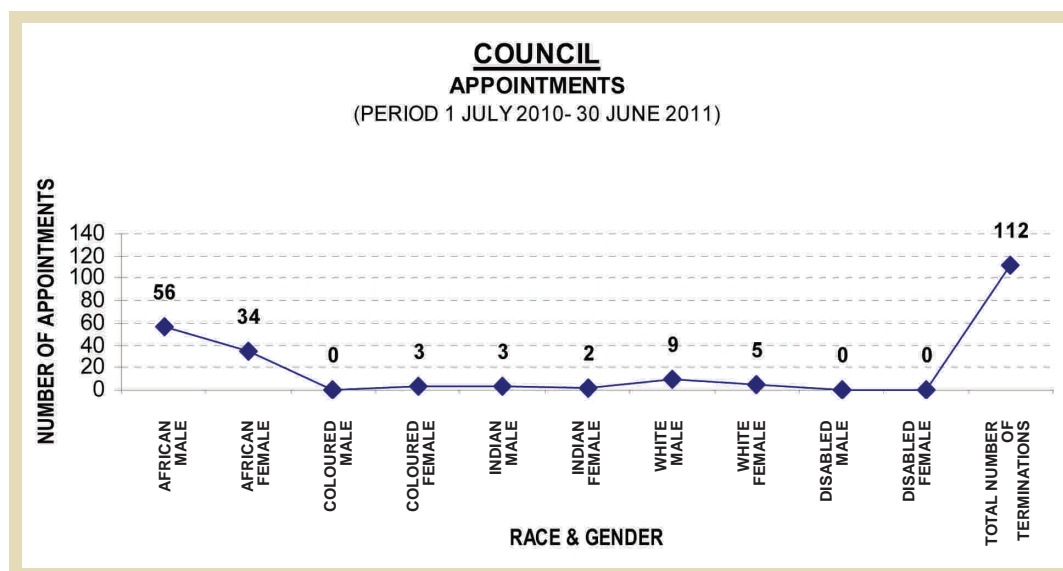
Statistics reflect Council's ongoing commitment to progressing towards its numerical goals in terms of the Employment Equity Act. The Municipal Manager is responsible for monitoring the progress of the organisation's achievement with regard to its Employment Equity Plan.

The engagement between Management and Labour on Employment Equity targets is ongoing. This engagement seeks to clarify the approach on the implementation of the targets, specifically on whether organisational or departmental equity targets are to be used for recruitment and appointment of staff. This will assist in clearing confusion in this regard.

Recruitment and Selection

APPOINTMENTS (Period 1 July 2010 – 30 June 2011)

During the said 12-month period, 112 permanent employees were appointed of which 90 are African, 3 are Coloured, 5 are Indian and 14 are White.



BREAKDOWN PER RACE AND GENDER

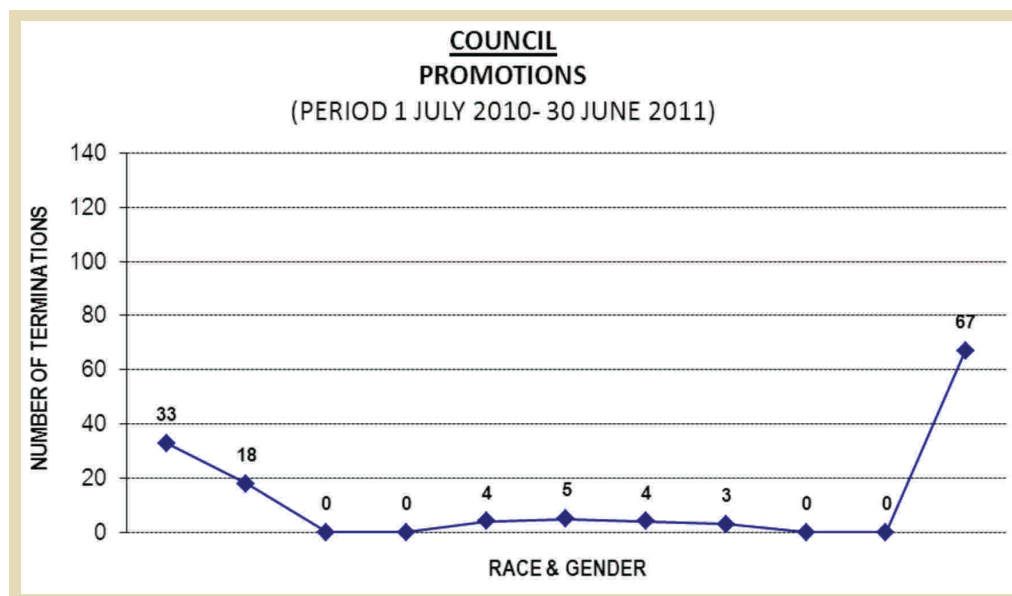
Tabled below is a breakdown of appointments made in Council per job level during the 12-month period:

JOB LEVEL	AFRICAN		COLOURED		INDIAN		WHITE		TOTAL APPOINTMENTS PER LEVEL
	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	
23									0
22									0
21									0
20									0
19							2	1	3
18									0
17									0
16	3						1		4
15	6	2					1	1	10
14									0
13								1	1
12	1								1
11	1	3		1					5
10	4	1					1	1	7
9	1								1
8	6	2		1			3	1	13
7		4		1		1			6
6	4	2			1				7
5	11	9				1	1		22
4	7	3			1				11
3	12	8			1				21
2									0
1									0
TOTAL	56	34	0	3	3	2	9	5	112

BREAKDOWN PER JOB LEVEL

PROMOTIONS (Period 1 July 2010 – 30 June 2011)

During the said 12-month period, 67 permanent employees were promoted of which 51 are African, 9 are Indian and 7 are White.

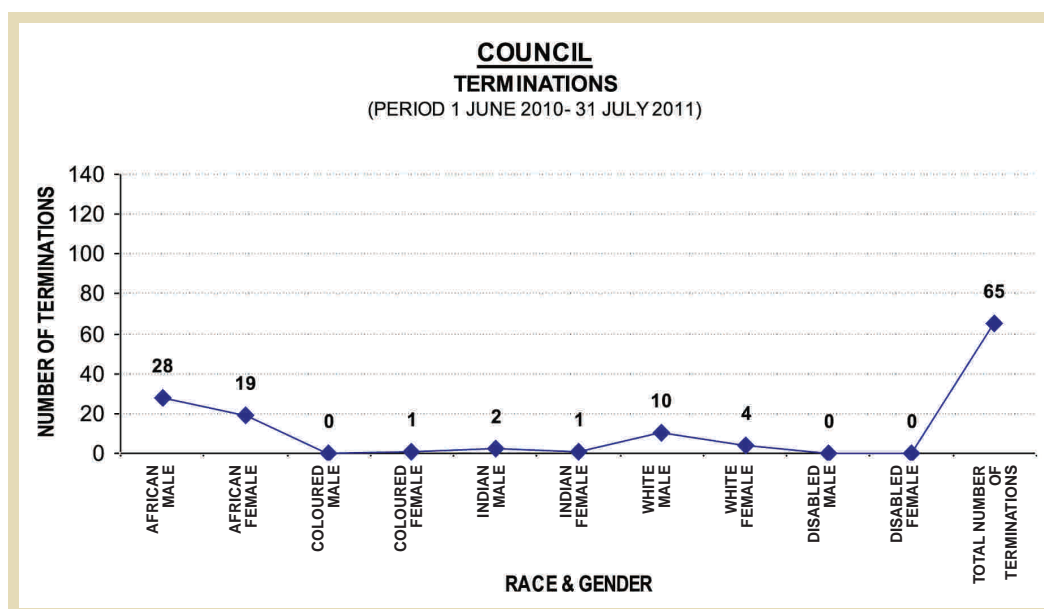


Tabled below is a breakdown of promotions in Council per job level during the 12 month period:

JOB LEVEL	AFRICAN		COLOURED		INDIAN		WHITE		TOTAL APPOINTMENTS PER LEVEL
	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	
23									0
22							1		1
21									0
20									0
19	2								2
18									0
17	1								1
16						1		1	2
15	1				1				2
14									0
13									0
12						1			1
11	2	3						2	7
10	1								1
9	6					1			7
8	6	2					1		9
7	1	3			1		1		6
6	7	5			2	1	1		16
5	5	3							8
4	1	2				1			4
3									0
2									0
1									0
TOTAL	33	18	0	0	4	5	4	3	67

TERMINATIONS (Period 1 July 2010 – 30 June 2011)

During the said 12-month period, there were 65 terminations of which 47 were African, 1 was Coloured, 3 were Indian and 14 were White.



Tabled below is a breakdown of terminations in Council per job level during the 12 month period:

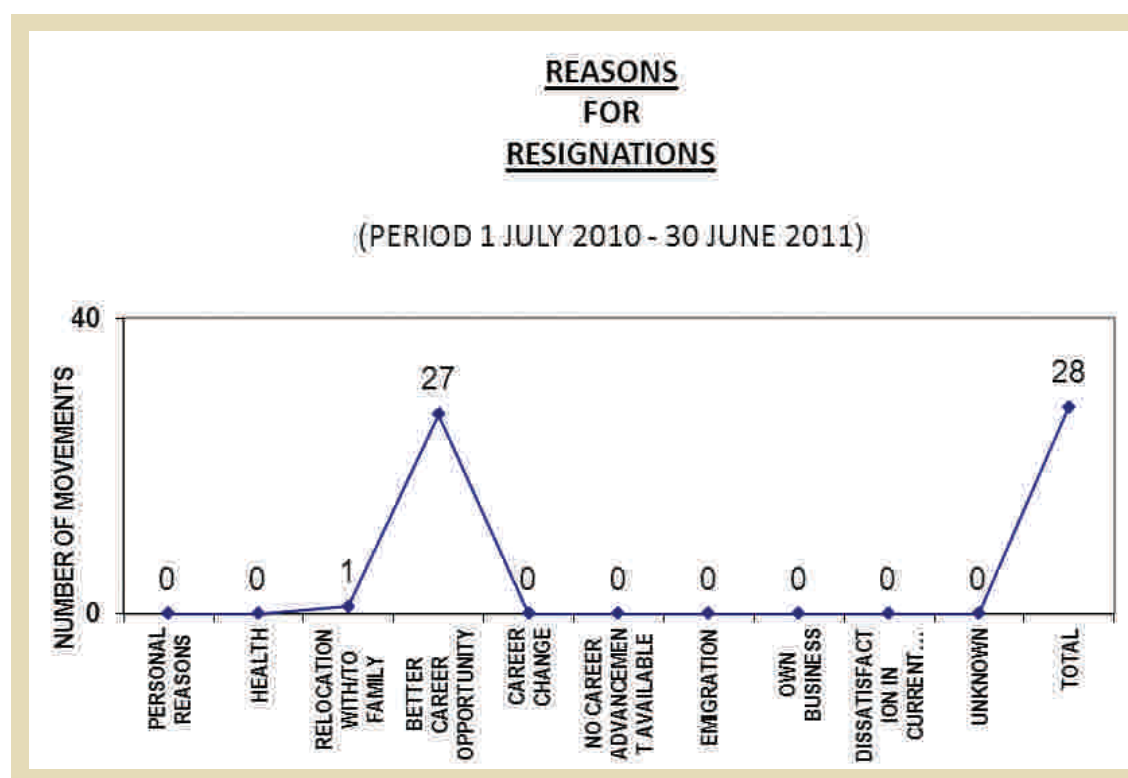
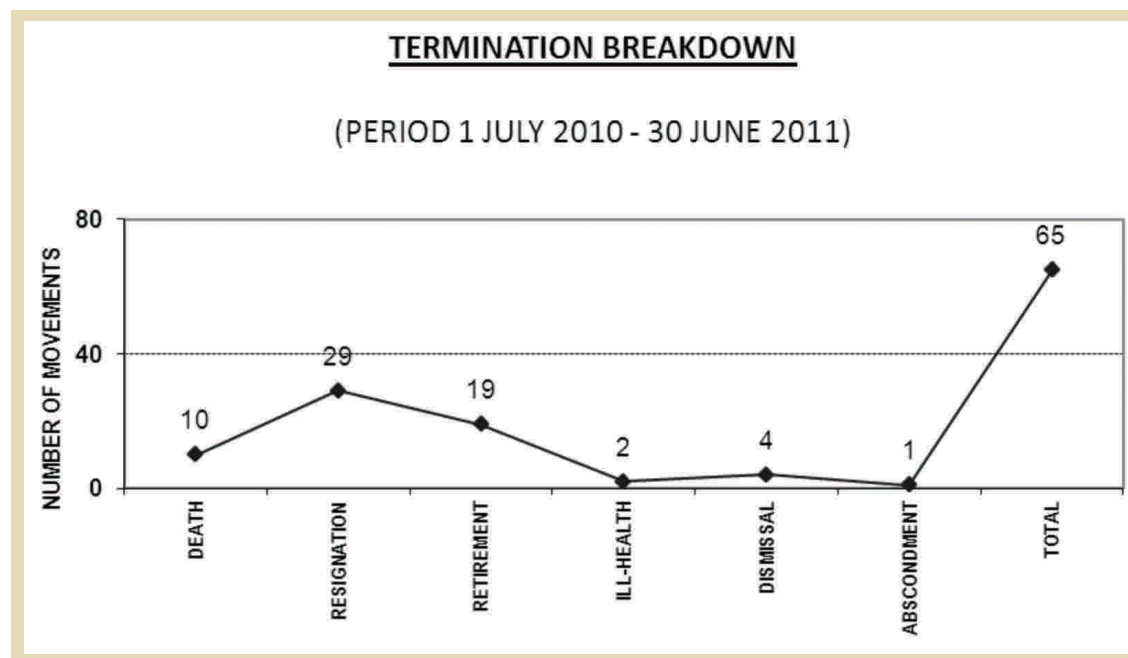
JOB LEVEL	AFRICAN		COLOURED		INDIAN		WHITE		TOTAL APPOINTMENTS PER LEVEL
	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	
23									0
22							1		1
21									0
20									0
19							1		1
18									0
17									0
16									0
15	1							1	2
14									0
13									0
12	1								1
11	2	2						1	5
10					1				1
9	2						2		4
8	3	2					2		7
7		1							1
6	2	1					3	2	8
5	5	3		1	1	1			11
4	2	5					1		8
3	10	4							14
2		1							1
1									0
TOTAL	28	19	0	1	2	1	10	4	65

BREAKDOWN PER JOB LEVEL

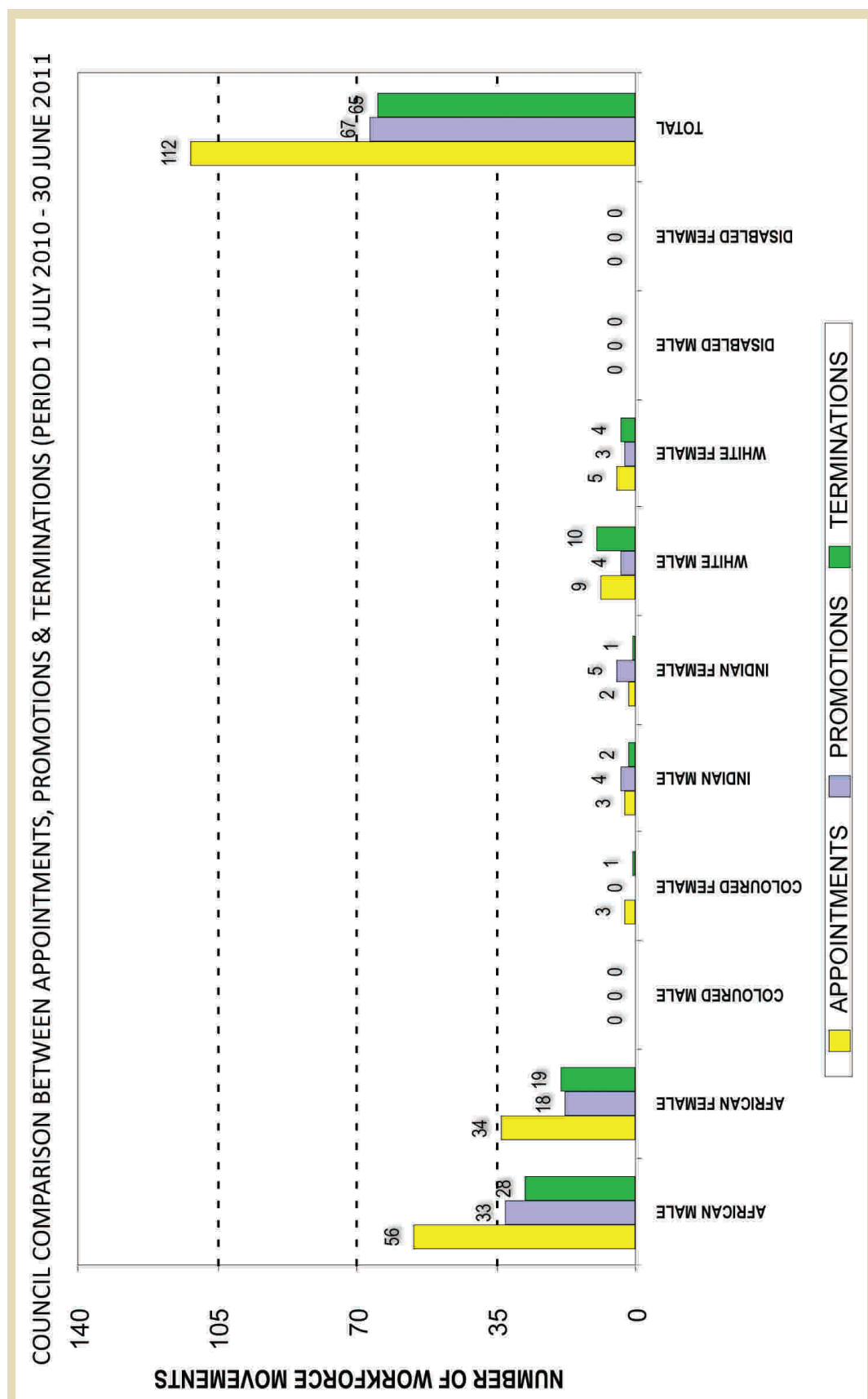
Below are graphs reflecting:

- a breakdown of terminations for the said period;
- a breakdown of the reasons for resignation; and
- a comparison between appointments made, promotions and terminations.

TERMINATION BREAKDOWN



COMPARISON BETWEEN APPOINTMENTS, PROMOTIONS & TERMINATIONS



Human Resource Maintenance & Development Services

This branch exists to ensure job satisfaction among employees and to promote a healthy working environment.

Employee Assistance Programme

The Employee Assistance Programme (EAP) aims to provide an international standard of high quality, accessible and supportive in-house employee proactive and reactive wellness programmes that will enhance employee wellbeing and improve service delivery or productivity.

During the financial year the following achievements were recorded:

- **Basic Counselling and Trauma Debriefing Sessions**

The EAP/ Employee Wellness Section worked hard and sometimes outside working hours to assist employees and their immediate family members, especially if they form part of the problem, by conducting basic counselling and trauma debriefing sessions to all who needed assistance. Likewise the EAP Section focused much energy on rendering proactive programmes, to alert employees before they encounter different problems, thereby minimising reactive interventions.

- **Wellness Workshops and Training**

The EAP Section together with a Nedbank facilitator conducted Financial Literacy training workshops to all employees.

This was a joint effort with Nedbank to assist in enlightening employees in financial management.

In June 2011 EAP together with Zululand Debt Counselors rolled-out the debt management programme (free of charge) to all employees of the council. Debt counseling was rated as a high demand from the results of the EAP Need Assessment Survey.

- **16 Days of Activism Against Women and Child Abuse**

The EAP secured funding from external sponsors to organise a comprehensive 16 Days of Activism campaign on 7 December 2010 where speakers from different provincial departments and organisations came to share with employees the importance of the campaign and actions to be taken by victims.

- **Unizul Students**

The EAP initiated a programme to assist the University of Zululand HR and Industrial Psychology students with exposure to the Employee Assistance Programme. This was a great initiative between uMhlatuze EAP and Zululand Life Line.

The EAP section is determined and working hard to achieve the main goal of enhancing employee wellbeing through developing an open mind, positive attitude and networking with other municipalities and organisations to keep in line with the new employee wellness trends in the field.



Training and Development

The focus of Training and Development is to ensure that Council has a skilled and capable workforce to support inclusive growth and development of skills within the City. This is achieved through coordinating and providing quality assured skills development and training to Council employees to ensure that they function at an optimal level, thus contributing to effective and efficient service delivery.

The Training and Development Division is positioning itself strategically to improve current training and development practices within Council by forming strategic partnerships and alliances with accredited training and development institutions, corporates as well as other entities within the local government sector to establish a standard of best practice.

Skilling of employees is achieved through relevant training interventions and sustainable development initiatives that cascade skills to all disciplines on all levels within the organisation.

The Workplace Skills Plan (WSP) serves as the strategic document that gives direction on training and development within the Municipality. The WSP is aligned to the National Skills Development Strategy, the Skills Development Act 97 of 1998 as well as the Skills Levies Act 09 of 1999. The WSP and Annual Training Report are submitted annually to the LGSETA. Submission of these reports ensure that the Municipality receives its mandatory grant.

For the 2010/2011 financial year an amount of R650 000 was allocated for the training budget due to financial constraints of the Municipality. To counteract this constraint and continue with training, there was an increase in in-house training.

For the 2010/2011 financial year the following training initiatives were conducted:

- Conflict management
- Ride-on mowers
- Safety representatives training
- First aid
- Fire extinguisher training
- Protocol and business etiquette
- Clinic dispensing
- GroupWise
- Induction

During the 2010/2011 financial year 245 employees were trained through learning/skills programmes.



A further four employees were engaged in the Occupation Directed Education Training and Development (ODETD) learnership and 10 plumbers (Section 28) were engaged with preparations for their trade tests. In total 259 employees were trained in 2010/2011 as compared to 144 in the 2009/2010 financial year.

SHE Risk Management

This section strives to ensure a work environment where hazards and associated risks are eliminated and/or mitigated through our SHE solutions, support and training, thereby ensuring that all employees are equipped to work together to achieve a safe and healthy working environment for all. This is achieved by:

- Setting and adhering to a SHE Policy
- Organising the workforce by adopting a positive health and safety culture
- Planning and setting standards
- Measuring performance; and
- Learning from experience through effective audit and review.

Labour Relations

Council makes a concerted effort to maintain a healthy relationship with its employees, priding itself on high standards of discipline and adherence to sound policies and procedures.

Sound relations are fostered with staff at both individual and collective level through their representatives and their recognised trade unions so as to achieve high standards of productivity and levels of employee participation through structured and effective engagements and training initiatives.

Focus is on strengthening of our relationship building strategies to ensure proper and effective engagement with our recognised trade unions as well as the development of a communication strategy which will provide for effective communication with staff and all other stakeholders, alongside meaningful communication and negotiations with our recognised trade unions.

Management and Information Services

The insourcing of the City's Management and Information Services was completed successfully and the alignment of the best practices as outlined in the King III Report based on COBIT (Control Objectives for Information and Related Technology) is well advanced. Below is an illustration of what measures have been put in place to attend to the findings by the Auditor-General.

Auditor General Finding	Comment	Progress August 2011
1. INFORMATION TECHNOLOGY GOVERNANCE		
1.1 INFORMATION TECHNOLOGY SERVICE PERFORMANCE	SLA's to be put in place at all SP contracts to measure performance as per AG's findings.	<p>Fujitsu SLA – The new Promis System has not been implemented in July as was previously expected. The date of the implementation is not yet available. The SLA will be obtained during the implementation.</p> <p>ITRON SLA has been received and a workshop at the Finance Department was organised to discuss and approve the SLA.</p> <p>Gijima SLA - ICT Services have been insourced but from time to time IT Section uses Gijima resources for support on Small Systems.</p>
2. SECURITY MANAGEMENT		
2.1 INFORMATION TECHNOLOGY SECURITY POLICY	Policy to be revised/ update security policy to include AG recommendations; & submitted to Council for approval and ratification	Update of ICT Security Policy (Computer Utilisation) and (Network Password) was completed
2.2 LOGICAL ACCESS CONTROLS 2.2.1 NOVELL NETWORK SERVER	To be investigated and rectified: Intruder Detection, Incorrect Login Count, Lockout Account After Detection, Intruder Lockout Reset Interval, Intruder Attempt Reset Interval, Single Login, Password Change, Password Length, Password Strength and Password reuse.	Completed
2.3 NOVELL BASELINE SECURITY STANDARDS AND PROCEDURES	Amend the baseline security standards & procedures to include AG recommendations	Baseline Security document Completed. A decision to migrate all Novell Servers to Linux has been made in order to allow virtualisation for BCP purposes. Although the document has been checked against the servers, it will in the near future no longer be applicable. Completed
2.4 MONITORING OF DATABASE ADMINISTRATORS	Recommendations will be implemented to align with segregation of duties as AG. Discussions will be held with the CFO to iron out and comply	<p>NB: Security and access levels are managed from application level (i.e. Promis) not OS (Linux). Verification of actions/ transactions is done monthly where recons and cross-referencing of transactions is performed. Also debtor recons are done to check for any changes on the debtor records. PwC our internal auditors also audit the application audit trail.</p> <p>Connections to Database is managed and restricted by the DBA. Also, no user can gain access into the system without having been created in the system.</p> <p>Segregation of duties not possible immediately, more staff and skills transfer required. Also this will impact negatively on service delivery.</p>

Together we can achieve more

Auditor General Finding	Comment	Progress August 2011
3. USER ACCOUNT MANAGEMENT: OPERATING AND APPLICATION SYSTEM LEVEL		
3.1 USER ACCOUNT MANAGEMENT STANDARDS AND PROCEDURES	ProMIS, Payday, Eclipse & GMS will be included in the update of the existing policy	Computer Utilisation & Disclaimer and eDirectory password management have been completed. NB: Number of paper forms used will be limited. Helpdesk System will be used going forward to eliminate unnecessary delays and enable efficient service delivery.
3.2 MANAGEMENT OF USER ACCOUNTS ON OPERATING SYSTEM LEVEL	Refer to 3.1 above, the HR exit form to include a list of all systems where accounts must be deactivated (e.g. ProMIS, PayDay, GMS, etc.)	HR Exit Form has been updated and completed.
3.2.1 CHANGE REQUEST FORMS	List of user accounts to be reviewed & to facilitate with HR to check & verify that all users who have left or should be inactive are identified and taken out of the system. Password reset form to be developed. ICT to standardise naming conventions & review the form for HR exit process	The users that have left the organisation and those who need de-activation are known. Due to inadequacy of archiving and backup space, these users cannot be deleted, even though they are inactive. Should these be deleted without proper backup or archiving solution, all their historical data will be lost. NB: Number of paper forms used will be limited. Helpdesk System will be used for minor changes going forward to eliminate unnecessary delays and enable efficient service. Password reset form created but not implemented at this stage as the Helpdesk system is being used for similar purpose.
3.2.2 REVIEW OF ACCESS RIGHTS AND MONITORING OF ACTIVITIES	Change request management form to be developed and formalised. The implementation procedure to address the monitoring and review of access rights and activities on OS level	Change management forms are in place and implemented. NB: Number of paper forms used will be limited. Helpdesk System will be used for minor changes going forward to eliminate unnecessary delays and enable efficient service
3.2.3 REVIEW OF ACCESS AND LOGON VIOLATIONS	ProMIS: on the Operating System level – administrator must manage and review, changes need to be recorded & approved (then placed on file)	Change Management forms are utilised when a change on the system is made. On the Operating System level, no access control is done, only on the application the access control into application and database is managed.
3.2.4 USER IDENTIFICATIONS NOT LINKED TO SPECIFIC USERS	List of users per system with associated level of access to systems eg: (ProMIS & Eclipse) etc; will be reviewed and unnecessary users deleted from the systems.	Review of users has been done.
3.3 MANAGEMENT OF USER ACCOUNTS AND APPLICATION LEVEL		
3.3.1 CHANGE REQUEST FORMS	Change request form and procedure has been developed and implemented (user access and change management)	Forms, 'New User' and 'Clearance' were updated and are implemented for this purpose. ProMIS, Payday and GMS change forms are in use.
3.3.2 REVIEW OF ACCESS RIGHTS AND MONITORING OF ACTIVITIES	Refer to comment in 3.3.4 below	Bi-annual audits on user access are performed and documented. Helpdesk and change management forms have been implemented to ensure that changes performed have been requested formally.
3.3.3 USER IDENTIFICATIONS NOT LINKED TO SPECIFIC USERS	Refer to comment in 3.3.4 below	

Auditor General Finding	Comment	Progress August 2011
3.3.4 USERS WITH ADMINISTRATOR/ CONTROLLER PRIVILEGES	All users accounts will reviewed and setup inline with their functionality as per approval of the process owners (eg: on financial system the CFO will approve all access levels assigned.	<p>Root and Admin passwords have been reset and sealed in envelope as per AG. Password envelopes kept safe by ICT Manager and Deputy Municipal Manager: Corporate Services.</p> <p>User list was inspected for redundant and unassigned usernames. It must be noted that some of the usernames in question are system related and used by system processes. Only users deleted are those that will not affect the performance of the system and service delivery to the public.</p>
4.1 PROGRAM CHANGE CONTROL PROCEDURE & PROCESSES		
	Program change procedure will be developed and approved for implementation. Recommendations of the AG will be incorporated in the developed procedure	<p>Change forms ProMIS, Payday, GMS implemented.</p> <p>NB: Helpdesk is used to handle minor changes and to improve service delivery. Major changes are handled through Change Management form ProMIS, Payday, GMS</p> <p>Segregation of duties not possible at this stage.</p>
5. FACILITIES AND PHYSICAL ENVIRONMENT		
		<p>Visitors book is being sourced and implemented.</p> <p>UPS room already cleaned of flammables. Server room cleaning in progress.</p> <p>UPS Maintenance SLA is in progress. Unfortunately the funding for this purpose was not approved for 2011/2012 financial year.</p> <p>Server room environment document is in progress through input from various sections.</p>
5.1 PHYSICAL ACCESS AND ENVIRONMENT CONTROLS	<p>(i) Visitor's book will be kept and signed by all visitors entering the server room.</p> <p>(ii) All flammable items to be removed</p>	<p>Visitors book has been implemented and is signed.</p> <p>UPS room already cleaned of flammables. Server room cleaning in progress.</p>
6. CONTINUITY OF INFORMATION TECHNOLOGY SERVICES		
6.1 BUSINESS CONTINUITY PLAN & DISASTER RECOVERY PLAN	<p>(i) BCP & DRP will be reviewed and submitted for approval by council</p> <p>(ii) Testing of the said plan will be conducted</p> <p>(iii) The Plans will also include all assimilation schedules, listing of hardware and technical specification, this will include all AG recommendations.</p>	<p>BCP - Funding for the first phase of BCP was provided. The Novell Platespin Virtualisation Server was acquired in July 2011 and implemented. Various critical systems are being virtualised to this server to allow Business Continuity. Tests have been conducted, more tests are still being conducted and will be signed off. Phase 1 complete.</p> <p>DRP - IT Critical Issues and Associated Risks refer. Due to financial constraints, there is currently no DRP in place. The detailed report dealing with the risks associated with the lack of DRP/ ITSCM is receiving attention.</p> <p>Funds are required to implement fibre between R/Bay and Emp Civic 2 Server rooms and move 2nd SAN to EMP. Implement proper backup which caters for yearly backups instead of only current daily backups. Also, a DRP/ Backup System such as SEP SESAM needs to be acquired that will ensure synchronisation and that backups take place and deviations are monitored. The budget for this is currently unavailable in the 2011/2012 financial year.</p> <p>The full mirror is done to SAN environment which needs to be moved to Empangeni DRP Centre. The move of SAN cannot be achieved without the necessary upgrade of fibre cable between Richards Bay and Empangeni.</p>

Auditor General Finding	Comment	Progress August 2011
6.2 BACKUP PROCESS	Update the existing processes, check and implement backup registers, address issues as per AG findings	Backup schedule and register are being completed for those systems that have a backup running such as ProMIS and Payday. For the existing backups, this has been completed.
7. SEGREGATION OF DUTIES BETWEEN OPERATING SYSTEM SECURITY ADMINISTRATION AND APPLICATION SYSTEM SECURITY ADMINISTRATION		
	All changes to be documented and filed, e.g. who requested & authorised the change. Due to shortage of resources it is not always possible to segregate the various duties.	Segregation of duties not possible immediately, more staff and skills transfer will be required. Also this will impact negatively on service delivery. Completion date to be advised. Review of users is done, but some of the unassigned users are System Users required to run certain system processes.
8. PROGRAM CHANGE MANAGEMENT		
PROGRAM CHANGE CONTROL PROCEDURES AND PROCESSES	Implement the revised Change Control documentation	Change forms ProMIS, Payday, GMS implemented. NB: Helpdesk is used to handle minor changes and to improve service delivery. The hardcopy forms will be limited to a minimum.
9. FACILITIES AND PHYSICAL ENVIRONMENT		
PHYSICAL ACCESS AND ENVIRONMENTAL CONTROLS	The following service/ maintenance schedules to be obtained: Aircon Smoke detectors & fire extinguishers Temperature detection & humidity control (obtain quote to have this fixed/ replaced) Implement visitors book Note: access to server room by external party must at all times be monitored by technical staff	Refer to item 5 above
10. CONTINUITY OF INFORMATION TECHNOLOGY SERVICES		
BUSINESS CONTINUITY PLAN AND DISASTER RECOVERY PLAN	Update existing BCP & DRP to include AG recommendations	Refer to 6.1 above.
BACKUP PROCESSES	Update existing processes, check. Implement backup registers, address issues as per AG findings	Refer to 6.1 above.





Department of City Development

- Land Use Management
- Property Administration
- Local Economic Development
- Development Administration
- Strategic Development, Environmental Planning and Human Settlement



Land Use Management

Land Use Management Scheme

The process whereby the formal Richards Bay and Empangeni Town Planning Schemes are to be merged has progressed well and the staff involved with the process, together with consultants financed by means of provincial grant funding, dealt with the interpretation of aspects such as definitions of land uses, densities, bulk control applicable to the various types of zonings, etc. Some legal aspects required detail attention, such as reference to environmental legislation, especially where the different categories of industries are described. The intent is to streamline the land use controls applicable to land located within the area of jurisdiction of the Municipality and to provide a workable, modern document which would be easy to interpret and apply. Although the KwaZulu-Natal Planning and Development Act No 6 of 2008 prescribes that a municipality must, within five years from the commencement of the Act, adopt a Town Planning Scheme for its whole area of jurisdiction, the level of progress made would assist the Municipality to complete the task within the 2011 calendar year.

Building Control

Despite difficult economic times experienced worldwide, there has been a constant submission of building plans for approval during the past year, which is indicative of the development thrust of the City and the economic impetus experienced over the years. The types of buildings for which building plans were submitted ranged from residential to commercial, offices, industrial as well as development within the harbour, etc.

The value of building plans approved by the Municipality's Building Inspectorate over the past five six-month periods is as follows:

January 2009 to June 2009.....	R 171 219 500
July 2009 to December 2009	R 179 348 800
January 2010 to June 2010.....	R 294 536 583
July 2010 to December 2010	R 141 878 200
January 2011 to June 2011.....	R 165 818 512

With development, however, there are also contraventions and consequently strict control had to be applied in an effort to ensure compliance with the National Building Regulations.

Outdoor Advertising

Council's Outdoor Advertising Bylaws are aligned with the South African Manual for Outdoor Advertising Control. They are designed to create opportunities for the private sector to participate in a process whereby various types of advertising media can be applied for in order to advertise, which also affords service providers an opportunity to benefit financially. The bylaws make provision for organisations to advertise their activities and to make the community aware of social, religious and sport fund raising events. This generates income for Council and allows advertising in a formal way, whereby the public can be informed of opportunities and events.

Despite the economic downturn for the financial year 2010/2011 outdoor advertising continued to grow. Council increased the various platforms of advertising in the form of City lights i.e. billboards, an LED screen and indoor television screens at various Council outlets with high traffic such as the Rates and Traffic Halls in Richards Bay, Empangeni and eSikhaleni. The LED screen will generate additional funds for Council and this shows the Municipality's drive to move with the times in pursuing additional opportunities for advertisers.

The Department is continuously moving towards establishing the same standards of management and control throughout the City in respect of outdoor advertising so as to expose more opportunities in Municipal areas outside Empangeni and Richards Bay. During the period 2010/2011 an amount of R115 487.07 was received in respect of application fees, rentals and approval fees. A further R60 575.41 was received for temporary advertising.



Property Administration

During this period property to the value of R184 000 000 was advertised for sale in terms of Council's new land sale policy. However, very few offers were received. The new policy seems to be working as only serious buyers submitted tenders and most of them paid the full purchase price up front. To further improve the policy it will be workshopped and submitted to Council shortly.

There were no cancellations of land sales as a result of the new policy. It also bears noting that the current property market is still depressed but is starting to recover.

Payment of Occupational Rental

Council recently took a decision to abolish the payment of Occupational Rental in all transactions. Instead a full purchase price is to be paid upfront should the purchaser take occupation of the property prior to transfer.

The following table illustrates Occupational Rental that Council received prior to the above decision being taken:

Purchaser	Occupational Rental
IDZ – 1A and 1F	0
Grinrod Terminals	R53 490,00
RBCD Holdings (IDZ)	R225 000, 00
Pulp United (IDZ)	R60 938,00
Coinad Property Investments (KFC)	R16 755,59
Peermont Casino, Empangeni	R28 500,00

The aforementioned companies were requested to effect payment of the full purchase price prior to transfer.

As a result of the negotiations Council received R19 million from the IDZ, R2,3 million from KFC and R4,2 million from Peermont. Grindrod Terminals requested to adhere to the terms of the signed Deed of Sale whilst Pulp United renegotiated the terms of the Sale Agreement. The addendum will be signed and the purchase price paid to Council.

Alienation of the Heritage House

Council recently took a decision to sell the Heritage House by public tender, i.e. Erven 31, 32 and 33 the Ridge. Erven 32 and 33 are in the process of being consolidated into one Erf with the intention of marketing these properties as one tender where a developer can erect upmarket units as the land is appropriately zoned General Residential 2.

Leases administered by the Property Section

An annual income of approximately R5,4 million is generated by leases:

Type of lease	Quantity
Public open space leases	188
Adopt-a-Spot leases	6
Agricultural leases	7
Arts & crafts leases	1
Encroachment leases	52
Advertising leases	18
Diverse leases – commercial	40
Diverse leases – social	28
Diverse leases – infrastructure	29
TOTAL	369

Valuation Section

Property Rates Act

In accordance with the Property Rates Act, Act No 6 of 2004, Council is responsible for the progress with the implementation of the Act with specific reference to the finalisation of the Supplementary Valuation Rolls.

The Eighth Supplementary Valuation Roll was received and dealt with 237 properties with a net effect of R608 203 000 of value added to the General Valuation Roll. Council objected to a number of leases resulting in changes to 53 lease values, the total lease value being R80 801 000.

The Ninth Supplementary Valuation Roll dealt with 240 properties excluding Sectional Titles with a net effect of R109 678 000. There are 10 Sectional Title Schemes with 139 units. During this period 19 objections were dealt with and finalised.

The following table shows all properties valued from the General Valuation phase to the Ninth Supplementary Roll:

Property Type	Number	Value
All properties excluding the Sectional Title properties	27 404	R24 756 108 799
All Sectional Title properties - schemes	494	R3 846 153 400
All Sectional Title properties – units	6 436	

Richards Bay Industrial Development Zone

Council recently reconsidered the IDZ Sale Agreement, which resulted in Phase 1A and Phase 1F being sold to the IDZ and the rest of the properties being reverted back to Council. The attorneys Sheptone and Wylie amended the Sale Agreement as well as the Shareholders Agreement accordingly. The IDZ submitted a Planning and Development Act (PDA) application for a re-layout of Phase 1A.

Township establishment procedures are now finalised. The outstanding matter is the Eskom power line servitude where a settlement agreement needs to be reached. Plans are in place to finalise this matter, and as a result the land surveyor and property valuers are attending to the matter.

The IDZ Company is to submit a guarantee in respect of bulk services contributions. The opening of the Township Register will soon take place, which will enable the transfer of other transactions, such as Grindrod Terminals, RBCD Holdings and Pulp United, to take place.



The IDZ Company is committed to payment of R34 510 000. In addition the IDZ agreed to pay Council R19 300 200 for portions 55 and 56 of Erf 5333 Richards Bay. The third addendum is to be signed for the outstanding amount.

The Department of City Development is looking at appropriate zoning for the land. Some of the properties were reserved for a truck stop while others will be sold by public tender in the near future.

Art Centre

Erven 11643 and 11644 Veldenvlei were donated to the Department of Arts and Culture for the development of an Art Centre and Erf 11642 was reserved for future expansion.

eNseleni Shopping Mall

While the Planning Development Act application is in process, Council granted the developer a final 12-month extension from April 2011 to finalise suspensive sale conditions.

Auto Motor Showrooms

Erven 16586 to 16591 Richards Bay CBD are properties zoned Special Commercial and have been earmarked for auto motor showrooms. The erven were twice put on tender where Midbay Motors (VW) managed to secure two properties, Erven 16590 and 16591.



Local Economic Development

Agricultural Support

In continuation with the implementation of Council's Agricultural Support Plan adopted in 2007, Council further supported Small Scale Farmers as follows:

Ward	Delivery Date	No. of Beneficiaries
2	1 July 2010	26
16	2 July 2010	29
5	8 July 2010	36
8	8 July 2010	11
24	21 July 2010	13
30	23 July 2010	13
13	13 April 2011	45
26	20 April 2011	36

Business Support

The Small Medium Micro Enterprises (SMMEs) within the City expressed the need for the Municipality to offer business support to start-up SMMEs and existing SMMEs. Business Support Workshops were conducted covering the following topics:

- Starting your own business
- Preparing a Business Plan – what you need to know
- Preparing Tenders, Proposals, Costing and Pricing
- Small Business Opportunities
- Understanding BEE

In addition a business advisory service was offered to SMMEs focusing on:

- Guidance with regard to market research
- The business concept (concept plan process)
- Choice of legal entity (Sole prop, Close corporation, Private, Partnership, Co-op, etc.)
- Registration of the entity with CIPRO
- Other statutory registrations: SARS (Tax, PAYE, VAT), UIF, Workmens Compensation, CIBD
- Exposure to affordable small business opportunities
- Review Business Plans and offer advice where necessary
- Linking the entrepreneurs with government assistance and other development organisations.

Workshops were conducted in eNseleni, Ngwelezane, Nhlangenyuke, Empangeni, Port Durnford, Vulindlela, eSikhaleni and Richards Bay.



Small Business Fair

The City hosted its second Small Business Fair from 29 to 30 April 2011 at the uMhlatuze Sport's Stadium. The aim of the Small Business Fair was to afford small businesses an opportunity to promote their businesses, network and learn in an environment where they will be able to get maximum exposure and value. A total number of 50 exhibitors exhibited, 80% being small businesses, 20 % being business support stakeholders.

The Small Business Fair demonstrates the Municipality's commitment in the development of small businesses and encourages small business development and entrepreneurship, as this will ensure economic growth. The event was hosted in partnership with the Department of Economic Development and Tourism, Uthungulu District Municipality, Richards Bay Minerals, First National Bank, the Department of Labour, the Small Enterprise Development Agency, ABSA Bank and Raizcorp Enterprise Development.

Skills Development of Unemployed Youth

The City offered skills development to the unemployed youth to assist them to enter the labour market or to start their own businesses:

Number of Learners	Enrolment Dates	Education Institution
Welding		
10	28/03/2011 - 20/05/2011	Umfolozi FET College
10	4/07/2011 - 19/09/2011	
Carpentry		
10	9/05/2011 - 01/07/2011	Umfolozi FET College
10	11/07/2011 - 2/09/2011	

Markets

uMhlathuze Municipality has approximately 2 000 informal traders. Informal Trading Committees have been elected in all demarcated informal trading areas within the City to improve communication between the informal traders and the Municipality. Each committee consists of a chairperson, deputy chairperson, secretary and two additional members.

Tourism

Beach festival

The uMhlathuze Beach Festival was held on 17 and 18 December 2010 targeting youth, families and visitors / tourists. The purpose of the festival was to promote beach tourism, to entertain leisure tourists visiting the area during the December school holidays and for family members to come together, have fun and relax during the festive season.

Council partnered with ABSA Bank, the Zululand Observer, CANSA, Love Life, uMhlathuze Pharmacy and ABI to ensure the success of the festival. Activities included:



- Skin Cancer Awareness – handing out sunscreen to the beachgoers
- Campaign against drugs – love life
- Flea market
- Beach Soccer
- Beach Volleyball
- Beach Touch Rugby
- Little Mr and Miss uMhlathuze Festival
- Inflatable rides and games
- Face painting

Tourism Signage Programme

The programmes objectives include:

- Provision of a major stimulus to the City of uMhlathuze's tourism industry
- Establishment of a marketing framework and identity for road-based tourism across the City's strategic tourism routes
- Enhancing the experience of the motoring tourist throughout the City.

Signage will be area specific to illustrate what tourists can expect when visiting different areas of the City.

Development Administration

The section is responsible for the administration and evaluation of applications submitted in accordance with the new KwaZulu-Natal Planning and Development Act, 2008, which commenced on 1 May 2010. Applications may include rezoning, subdivision and consolidation of land, development of land situated outside scheme areas, phasing or cancellation of approved layout plans for subdivision or development of land, the alteration/suspension/deletion of restrictions relating to land and permanent closure of municipal roads and public places.

The section attended to the following external applications during 2010/2011:

Applications Received	Richards Bay	Empangeni	Total
1 Jul to 31 Sept 2010	1	0	1
1 Oct to 31 Dec 2010	0	0	0
1 Jan to 31 Mar 2011	1	0	1
1 Aprb to 30 Jun 2011	6	0	6



The following development projects relating to Council-owned land are in the process of being finalised:

Project / Erf Description	Application for:	Status
Portion 12 of the Farm Lot 221 Empangeni No 10379	Rezoning	In process: Advertised for Public Input
Richards Bay Coastal Dunes	Rezoning and Subdivision	In process: Application drafted
Meerensee Retirement Village	Subdivision, closure, consolidation and rezoning	In process: Application drafted
The Ridge	Re-layout and Rezoning	In process: Vision document available
Erf 8511 and 8552	Rezoning	In process: Application drafted
Carina Substation	Subdivision and Rezoning	In process: Application drafted
Mzingazi Canal	Subdivision	In process: Application drafted

Portion 12 of the Farm Lot 221 Empangeni No 10379

This Council-owned property is situated adjacent to the Exxaro CPC Plant, just outside Empangeni. It is proposed to rezone the property from "Agriculture" to "General Industrial". An application in terms of the Planning and Development Act, 2008 is in process.

Richards Bay Coastal Dune Nodes

The residential components of the Soetwaterstrand, Kleiklipkloof/Two Mile Beach and Lighthouse Nodes are currently zoned "Special Residential 3". Council's in principle approval was for the rezoning of designated Portions 113, 114 and 115 of Erf 5333, Richards Bay, from "Special Residential 3" to "General Residential 1".

During February 2004, an application for township establishment was submitted to the relevant authority in terms of the KZN Town Planning Ordinance, 1949 but was never finalised by the relevant authority. As a result, the Municipality now intends to finalise the township establishment of designated Portions 113, 114 and 115 of Erf 5333, Richards Bay (the application sites) in terms of the new KZN Planning and Development Act, 2008.

As a result of the new National Environmental Management: Integrated Coastal Management Act, 2008, coastal setback lines have been taken into account.

The Ridge

"The Ridge" is approximately 10ha in extent and is situated on the only elevated area in Richards Bay with a sea and harbour view. It is located between Bayview Boulevard, the existing hotels and Meerensee residential suburb in Richards Bay.



A service provider was appointed to assist with refining a vision for the development of the Ridge, which was finalised during 2010/2011. The "vision" plan would guide Council with regards to detailed planning for township establishment, and ultimately alienation of the created erven.

Meerensee Retirement Village

The proposed Meerensee Retirement Village is to be located in Meerensee, adjacent to the LAC Centre. Historically, a tender was allocated in 2007 but the developer was not in a position to continue with the development as proposed. A concept layout and zoning is currently being developed, which will be advertised for public input during 2011/2012.

Erven 8511 and 8552, Richards Bay

Erf 8511, in extent of 23,706 m², is situated along Fish Eagle Flight in Birdwood. Erf 8552, Richards Bay, in extent of 40,166 m², is situated along Nkonging Arterial in Birdwood.

Both properties were rezoned as part of a subdivision process. The subdivision of the properties is no longer economically viable, and it is therefore proposed to rezone the properties to "Special Residential 2" for medium density housing development.

Strategic Development, Environmental Planning and Human Settlement

Richards Bay Waterfront Development Project

During July 2009 Council approved the concept plan for the Richards Bay Waterfront Development Project. At the start of 2011 a service provider was appointed to refine the conceptual layout considering the intrinsic value of the coast from a public access and recreational point of view.

The project is anticipated to be completed in the following four phases:

- Phase 1:** Consideration of Background Information and Status Quo
- Phase 2:** Stakeholder Engagement
- Phase 3:** Development Planning
- Phase 4:** Presentation of Project Outcomes

The project is anticipated to be complete by the end of September 2011.

Richards Bay Central Industrial Area

Environmental approval is being sought for the development of the Richards Bay Central Industrial Area between Dollar Drive and Ceramic Curve. An EIA process was followed and the report has been submitted to the Environmental Authorities for consideration. About 90 sites that were considered developable when the first concepts were prepared have been eliminated due to the presence of a significant wetland system.

Richards Bay CBD Extension South of Guldengracht

A team of specialists has been appointed to assist with town planning related matters for the extension of the Richards Bay CBD in a southerly direction. Additional funding support of R3 758 000 has been secured from COGTA (Department of Co-operative Governance and Traditional Affairs) for such purposes. The environmental approval process is well underway. The study area is also significantly constrained by wetland and only about 20% of the site is deemed developable.

Spatial Development Framework Review

The City Development Department is undertaking an inhouse review of its Spatial Development Framework (SDF). The SDF is being reviewed and specific attention is being given to, among others, defining the urban extent, strategic infrastructure, intervention areas and the implementation plan. As part of the process, new information is being incorporated to update the existing data sources.



Mandlazini Township Establishment

Siyazama Consulting was appointed to finalise the town planning at Mandlazini Agri-Village with a view to effecting transfer of erven to private ownership. To date, 342 of the original 570 beneficiaries have been identified while at least 67 beneficiaries have been confirmed as deceased. It is further noted that, among the 342 confirmed beneficiaries, a significant number have subdivided and sold portions of their land to different individuals and the same is anticipated with the remaining 161 sites.

The township layout and Conditions of Establishment has been approved by the Department of Rural Development and Land Reform.

Mandlazini-Airport Buffer Strip

The Mandlazini-Airport Buffer Strip measures approximately 65 hectares in extent and is currently occupied by approximately 500 households. The Mandlazini Airport Development Committee was formed as an informal forum, which represents the residents situated on the airport buffer strip. This committee is working with Siyazama Consulting in providing information regarding families in the buffer zone. The committee has also assisted by trying to prevent further allocation of land in the area.

Mandlazini Dispute Resolution

A dispute resolution mechanism has been created to deal with various cases, notably:

- Claims of ownership
- Displaced beneficiaries
- Legal succession (heir) of deceased beneficiaries
- Re-allocation of erven of untraceable beneficiaries

Such cases will be investigated and recommendations made by an appointed sub-committee to the Trust for consideration.

Human Settlement

eSikhaleni Hostels/Flats Refurbishment

Ten hostel blocks (180 units) in eSikhaleni were successfully refurbished/re-developed to benefit a total of 180 families in line with the adopted re-development approach. The refurbishment of a further five blocks at sections H395 and H862 is to commence in August/September 2011 with the aid of the Provincial Department of Human Settlements. As part of the hostel re-development programme, Council has assisted the hostel displacees with an opportunity to benefit from the low-income housing scheme at Umhlathuze Village.

By its very nature, the hostel re-development programme is a daunting exercise, given the numerous expectations and the sense of entitlement by the hostel dwellers. This requires constant consultation and communication in order to avoid opportunistic influences. Ongoing co-operation between Council's leadership and the officials has ensured proper management of such issues.

The Municipality has been inundated with requests even by non-hostel residents also seeking to benefit or buy the revamped units. This pays tribute to the significant visual improvement of the units compared to before any refurbishment had taken place.

Urban Housing Projects

Umhlathuze Village

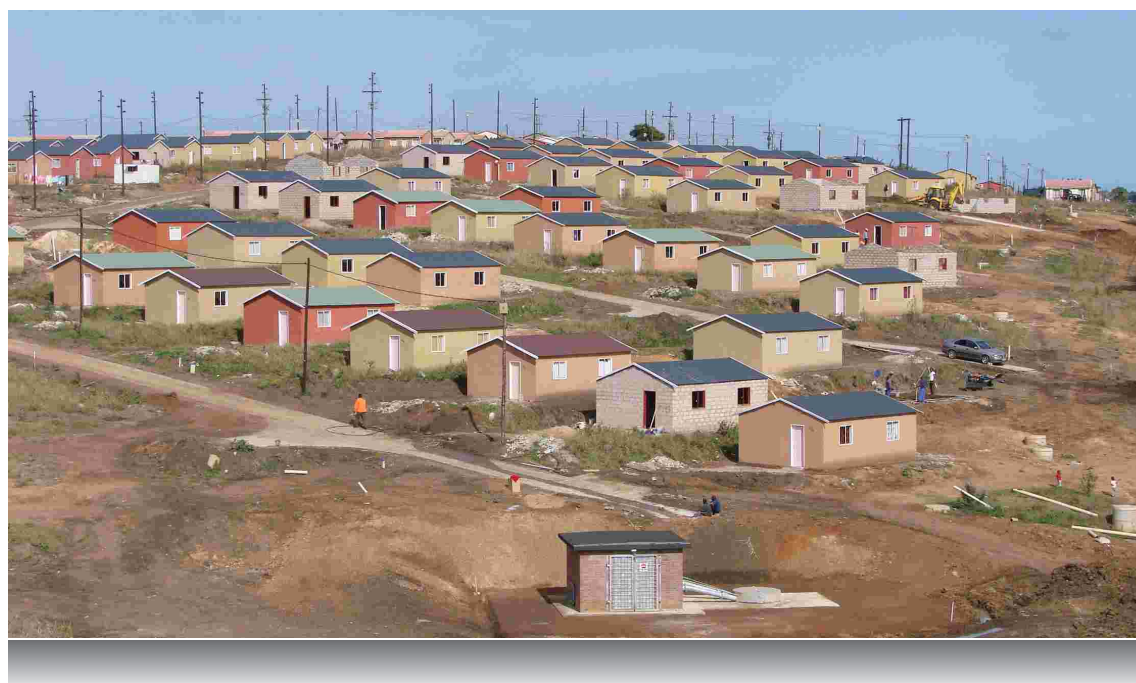
Phase 5, comprising 313 houses, is nearing completion and the civil engineering works for Phase 7 has commenced. Phase 7 is anticipated to yield 548 sites and the beneficiary identification process has been prioritised by Council. Inclusive of Phase 5, about 1 500 housing opportunities have been created at Umhlathuze Village.

Aquadene Housing

The uMhlathuze Housing Sector Plan has prioritised the Aquadene Housing Project. Aquadene is located close to employment opportunities in Richards Bay and a substantial need for housing exists in the area. The Environmental Impact Assessment process has been initiated and has been met with interest and enthusiasm. An implementing agent has been appointed for the project and cost estimates have been prepared for project implementation to inform funding requirements.

Rural Housing

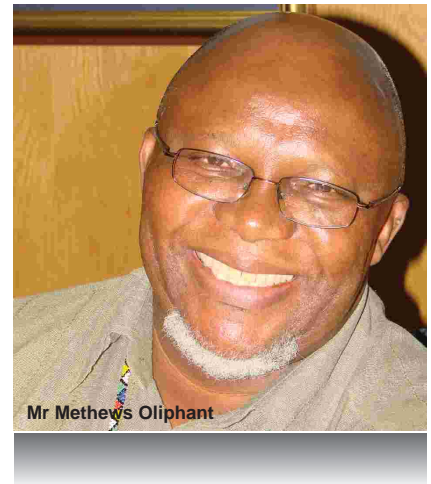
Four Rural Housing Projects are being pursued in uMhlathuze. At KwaMkhwanazi, a show house has already been erected while construction is anticipated to start at Madlebe and Bhejane before the end of 2011. Beneficiary verification is underway for KwaDube, whereafter the preparations for Tranche 2 will proceed. In total these projects are expected to yield about 5 000 houses.



Together we can achieve more

Department of Community Services

- Recreation and Environmental Services
- Clinic Services
- Traffic and Licencing
- Fire and Rescue
- Waste Management Services
- Environmental Health
- Museum
- Library and Hall Bookings



Recreation and Environmental Services

Sport and Recreation Development

Objectives

- To proactively address the promotion of sport in the rural areas through the establishment of sport and recreation structures and presentation of programmes and activities to these communities
- To establish closer links with district sport federations by means of co-operative governance, including reinforcing the existing relationship with government structures as well as federations at all levels
- To restructure several local community based structures to ensure efficiency and streamlining
- To address the promotion of recreation to all uMhlatuze citizens including children, women, senior citizens and people with disabilities
- To ensure the existence of skills development, education and training of sport administrators, technical officials and coaches by presenting courses and workshops through SETA-accredited service providers

Milestones and achievements

National Golden Games

In partnership with the Provincial Department of Sport and Recreation, the City hosted the Senior Citizens National Golden Games. More than 600 Senior Citizens from all over the country descended on our shores to compete in games such as ball relay, jukskei, rugby ball throwing, duck walk, ring the stick, dress-up and many more.



SALGA KZN Games

These games are played in all municipalities with an aim of unearthing and nurturing new talent. Athletes are selected during elimination games to represent their respective wards, clusters, local and district municipalities at provincial level.

The City successfully hosted the 2011 Games whereby 10 district municipalities and a metro competed in 15 sport codes.

Beach Sport Festival

The 2010 Beach Festival proved to be a resounding success with many beach revellers participating in codes such as touch rugby, beach volleyball, beach soccer, indigenous games and many more.

Athletics

Rapid growth was experienced in athletics with children from all wards participating in different events. In collaboration with the Department of Sport and Recreation (uThungulu District), cross country was presented at eNseleni and cross country and track and field at eSikhaleni.

Education and Training

To capacitate sport administrators, coaches and other technical officials, different workshops were presented including Events Management and Water Awareness workshops in all clusters. The KZN Academy of Sport also presented a Sport Facility Management workshop aimed at reducing the rate of vandalism to sport facilities. Rugby and cricket were some of the codes which had coaches workshops.

Aquatics

"The Learn to Swim" and "Ocean Awareness" programmes continued as part of the Departments commitment to improving the swimming skills of children, particularly those in rural areas. In partnership with SAPS, Mondi and BHP Billiton, the division presented the Zululand Water Awareness and Development Programme (ZWAD) at the Zululand Multi-Sport Club.

Amenities

Pools

The swimming pools opened on 1 September for the new season. All the swimming pools hosted regular school galas and "Learn to Swim" programmes. Schools from the outskirts of neighboring towns visited the swimming pools for an excursion.

All club level galas have moved to the Arboretum Swimming Pool due to this swimming pool being more suitable to host FINA standard swimming galas.

Beaches

The amazing weather all year round and the well-protected beaches attracted crowds of people throughout the year, including international tourists.

Due to Council having shark nets that extend for kilometers on our stretch of beach, bathers and surfers feel much safer to use the beaches. During the year the City's beaches saw three surfing competitions, a modeling contest, a surf-ski competition and several fishing competitions. The Department of Transport also hosted a major event based on the "Arrive Alive" road safety campaign. This event attracted about 160 000 people and had top South African musicians as the entertainment.

Although the Blue Flag was provisionally withdrawn, Council still strives to maintain as many Blue Flag criteria as possible to provide a well maintained beach for all. Council will be applying for Pilot Blue Flag status once again. The beach has four trained lifeguards and modern rescue equipment such as a rubber duck and quad bikes. The rehabilitation of dunes is ongoing.

The festive season averaged about 11 000 bathers daily and about 160 000 on New Year's Day. During these days a number of rescues were performed with no serious fatalities.

Along with having the most magnificent beach and waves on the north coast, Richards Bay also has the most spectacular skate park in the country. The skate park hosted many competitions that provided great entertainment for teenagers and skateboard spectators.

The beach facilities are manned 24 hours daily by uniformed security guards and the police do regular patrols mainly during weekends and public holidays. The public is being educated and is abiding by the "No Alcohol" rule at all beaches.



Sport fields

Sport fields are in demand in the City. The uMhlatuze Stadium is now home to the Thanda Royal Zulu Football Club, resulting in TV broadcasting at this stadium for some league matches. Meanwhile eSikheleni College is well utilised by the local soccer teams and will soon house the Natal Rugby Union.

The Veldenvlei Sports Complex hosted a number of korfbal tournaments during the year including junior tennis tournaments.

Sport fields in the rural areas are fully utilised by young and old on a daily basis. Events such as cluster games and company tournaments are ongoing in the township areas.

Applications for funding to develop more sport facilities is ongoing.

Horticulture (Parks and Cemeteries)

2010/2011 was a challenging year to maintain an acceptable standard of environmental services for the City's residents due to the impact of the economic slowdown. Various services had to be scaled down, as no overtime service was available for this division to improve productivity. Residents heeded the Municipality's request to assist with the maintenance of verges and with their help the City obtained an outstanding maintenance standard, which very few KwaZulu-Natal towns could achieve and boast about.

All the employees of the section worked together, under difficult conditions to achieve a good standard of service to Council and its residents.

The following projects were initially approved in the 2010/2011 Capital Budget but were deferred due to financial constraints:

Various machinery and equipment (Parks)	R 100 000
Replacement of ride-on mowers (Parks)	R 350 000
Replacement of slasher mowers (Parks)	R 50 000
Richards Bay extension/development of cemetery	R 850 000

Control alien plant invasion

The Department of Agriculture and Environmental Affairs assists Council by taking responsibility of the payment of labour utilised to control alien plant invasion. Council provides the herbicides required and a total area of 1361,32 hectares within the uMhlatuze Municipality area of jurisdiction was cleared during the 2010/2011 financial year at a total cost of R982 417,34. Alien invasion control remains an ongoing challenge, as a follow-up programme is required to maintain the treated areas.



Grass cutting

Grass cutting was performed by Council employees and completed within the 12-planned grass cutting cycles for this period.

Maintenance of grass cutting equipment totals R777 821 per annum. Maintenance of Horticulture and Environment costs R28 647 608. Twelve outsourced projects of the same nature amounted to R1 969 448. Total expenditure is R30 617 056 per annum.

Cemeteries

The Empangeni Regional Cemetery has been taken over by uThungulu District Council. Council is therefore now responsible for five cemeteries and the cost of managing and maintaining these facilities amounts to R6 718 500, of which R316 687 was incurred by outsourced projects.

The cemeteries are not a self-sustainable service. A total of 605 adults and 53 child internments were accommodated during the year generating an income of R401 600.

Tree planting programme

Six hundred indigenous trees were planted in various suburbs with a mortality rate of approximately 30%. During recent years trees were mainly planted in the suburbs eSikheleni, eNseleni, and Nqwelezane.

A new project has been initiated to plant fruit trees inside properties in uMhlatuze Village, as the sidewalk is not suitable to assist in the greening projects of the new town development areas.

A larger tree maintenance division is urgently required as the trees in the various suburbs are in desperate need of maintenance. More sophisticated equipment is required to attend to these larger trees.

Clinic Services

uMhlatuze Municipality's Primary Health Care Services are provided from two main clinics, namely Richards Bay and Empangeni with six satellite clinics as indicated in the table below:

Total attendances per primary health care facility for 2009/2010

Facility Name	Physical Address	Service Day		Total
Aquadene	Achorus Anchor	Mondays	08.00 - 15.00	3146
Baptist Church	Corner President Swart and Cassia	Tuesdays	08.00 - 15.00	3893
Brackenham	Dicksonia Drive	Thursdays	08.00 - 15.00	11 705
Civic: Empangeni	Turnbull & Pearce Crescent	Daily Monday - Friday	08.00 - 15.00 08:00 - 12:30	10 824
Civic: Richards Bay	Corner Mark Strasse and Lira Link	Daily Monday - Friday	08.00 - 15.00 08:00 - 12:30	90 651
Felixton	Thuthuka Mall, Shop No 4	Wednesdays	08.00 - 12.30	62 554
Zidedele		Mondays	08:00 - 12:30	4014
Meerensee	56 Anglers Rod	Wednesdays - Fridays	08.00 - 15.00 08.00 - 12.30	20 281
Total Attendees				23 0227

A total of 230 227 clients attended the City's Clinics (excluding clinics in eSikhaleni, Vulindlela, Ngwelezane and eNseleni) for primary health care services. Of the total, 119 911 visited Empangeni Civic and its satellite clinics (Felixton, Zidedele and Baptist Church) and 125 786 attended Richards Bay Civic and its satellite clinics (Aquadene, Brackenham and Meerensee).

Common disease conditions: 2010/2011

Disease/Condition	Total
Diabetes Mellitus (New)	187
Diabetes follow -up visits (Chronic)	13651
Diarrhoea < 5 years (New)	1353
Hypertension visits (New)	588
Hypertension follow-up visits (Chronic)	31871
Scabies (New)	148
Sexually Transmitted infections (New)	6335
Tuberculosis	10 743

Preventable disease conditions are prevalent in the City. More health information needs to reach the community in order to prevent disease conditions like Tuberculosis (10 743), Sexually Transmitted Infection (6 335), Hypertension (31 871) and Diabetes (13 651).

Mother, woman and child health service

Disease/Condition	Total
Immunisation under 5 years	14576
Total Family Planning	24446
Ante natal first visit	2118
Ante natal repeat visits	6132
HIV/AIDS	
VCT HIV Positive Females	2995
PMTCT: HIV Positive Pregnant Women	622
PMTCT: HIV Negative Pregnant Women	1177
VCT Males: Positive	1522



Out of 8 335 female clients who had a HIV test at the clinics, 2 995 tested positive as according to VCT figures. Of the 5 270 male clients who visited the clinics for a VCT/HIV test during this period, 1522 tested positive for HIV.

Chronic Care: Antiretroviral Treatment (ARV's)

Adults	Children	Total
4281	73	4354

The Clinics are initiating ARV treatment therefore the numbers are increasing monthly.

Animal Bites: Prevention and treatment programme

Animal	Total
Dog Bite	198
Cats	3

Rabies is usually transmitted through infected saliva as a result of a bite from an infected animal. It is an entirely preventable disease and the most effective way to prevent in pets is through vaccination.

Traffic and Licensing

The Traffic Division is tasked with ensuring effective flow of traffic in compliance with Road Traffic Safety and Legislation. Other responsibilities include law enforcement, road safety education, traffic control, crime prevention, scholar patrol and investigating public complaints. Functions of a technical nature include erecting road traffic signs, fixing and painting road markings and signs as well as maintenance of roads.

The main licensing functions at Motor Licensing are registration, licensing and renewal of motor vehicles within the boundaries of the uMhlatuze municipal area. Renewal of driver license cards and computerised learner license testing is also catered for.

Total number of vehicles registered	22 516
Total number of vehicles licensed	82 049
Learners license tested	9 914
Learners license issued	3 205
General offences	10 697
Child in traffic training	11
Technical roads painted	278,86km
Roadblocks	32
Total number of warrants executed	1 327
Nuisances - dog licenses checked	844
Nuisances - vendors checked	4 165
Total number of M.V.A attended	1188
Total number of fatalities	53

Fire and Rescue

The Fire and Rescue Services excelled once again in the quality and quantity of the service that it provides to the community. This included the manning of the after-hours complaints line, which provides the link between Council and the community pertaining to any after-hours complaints and enquiries. Loss of life and property has been kept to a minimum due to effective fire fighting and fire prevention activities. This is due to the dedication and loyalty of all staff that have once again gone that extra mile for the community that they serve and protect.

During the year the Fire Brigade personnel rendered the following services:

- 797 Fire related incidents, 651 Rescues, 16 Medical Emergencies, 2 Hazardous Material incidents and 141 Special Services were attended to.
- 3 130 Fire Prevention inspections were carried out.
- The Fire Brigade Control Centre processed 17 594 fire related and 25 115 non-fire related telephone calls.
- The total damage caused by fire was R35 115 600.00 whilst the estimated value of property threatened by fire was R632 332 700,00.

Operational tasks of special interest include the following:

Fires and rescues of interest

A thatched roof rondavel and its contents were destroyed by fire at Ndabayakhe. The cause of the fire is not yet known, however, the information obtained from neighbours was that the deceased was under the influence of alcohol the previous night and was preparing food on a gas cooker that exploded and caused the fire.

A Transnet heavy-duty vehicle with four passengers was washed off a bridge while trying to cross a river after heavy rain. Three patients were rescued from the river.



Training Division

Financial Year	Number of external students admitted	Number of internal students trained	Total number of students trained
2010/2011	30	10	40

Achievements

- Ten Trainee Fire Fighters successfully completed the Fire Fighter I and II course and were promoted/advanced to Senior Fire Fighters.
- Of the 30 external students who enrolled in 2010/2011, approximately 10 of the students are employed as fire fighters in various Fire Department s throughout South Africa.
- The Municipality has saved an amount of approximately R150 000.00 excluding transport, food and accommodation in comparison to the fire fighters having been trained externally.

Disaster Management

The Disaster Management Plan was developed in terms of Section 53 of the Disaster Management Act (Act 57 of 2002). The plan is reviewed and updated at least twice annually to make sure that information contained therein is correct. This review and update is in line with the Municipality's Disaster Management Framework established in terms of Chapter 5, Section 42 of the Disaster Management Act (Act 57 of 2002).

The plan consists of all the Municipality's departmental contingency plans, which are as well reviewed and updated in line with the master plan every six months.

The Disaster Management Centre ensures that any big event occurring in its area of jurisdiction regardless of who is hosting such event, an emergency evacuation plan has to be developed with layout plans indicating all the emergency exits.

Again, engineer's structural certificates for any temporary structure that accommodates more than two hundred and fifty (250) people has to be provided to make sure that, the structure is safe for utilisation.

To try and regulate the same the Municipality is in a process to develop disaster management bylaws, which will cut across many safety issues on how the Municipality will approach disasters at the time of their occurrence within the area of jurisdiction of the Municipality.

Experiences

It has been noticed that during the summer months more isolated incidences occurred due to storms and severe rain. In February 2011, 46 families were affected due to severe winds and rain.

During the year Disaster Management had to draft contingency plans for the following major events: the 2011 Local Government Elections in May, the hosting of the SA Navy World Hydrography celebrations in June and an International Youth Day celebration on 2 June, which was attended by the KwaZulu-Natal Premier. No incidences occurred during any of these events.

Annual statistics

Emergency Plans submitted by industries / institutions	13
On site emergency evacuation / drills	12
School excursions to the fire station	13
Special events / inspections conducted	44
Legislative requirements (Update of Disaster Plan)	2
Training attended / workshop provided	4
Public Awareness Initiatives	13
Meetings attended	113
Isolated incidences / Disaster assessed / investigated	103

Challenges

The challenges of human resources and finances, as experienced by Disaster Management, have a negative impact in establishing proactive projects and/or programmes that can assist in building resilience in the communities within the Municipality.

It is the belief that, in terms of budgeting, municipalities should be provided with grant funding for disaster management and in that way, all disaster management proactive projects and/or programmes will prosper.

Waste Management Services

Waste removal is a requirement in terms of the National Environmental: Waste Management Act, Act 59 of 2009. It supports the Constitution of South Africa, which requires that the environment be conducive to healthy living for all citizens of the country.

Local municipalities are tasked with the function of ensuring that waste is collected, transported and disposed off in a legally acceptable manner. In this way the environment and public health is protected and environmental pollution is prevented.

To ensure that waste handling is conducted in terms of the national standards, the City performs the following functions:

- Waste collection and disposal at a permitted landfill site
- Recovery of usable materials through a recycling project
- Collection and removal of illegally dumped waste
- Involvement in audits for the Greenest Municipality Competition

Waste Collection

About 70 000 tons of waste was removed and disposed off by the City during the financial year. The refuse removal service has been extended to incorporate the traditional authority areas, which became part of the City in terms of the new demarcation. Presently 44 500 households have access to refuse removal service, while 12 270 households receive free basic service. This includes mainly traditional authority areas, which are provided with refuse skips. There are also 6 372 indigent families receiving free services as a result of low income and unemployment.

Recycling

The Alton transfer station is engaged in recycling various materials for reuse such as metals, plastic bottles, card box paper, plastic bottles and plastic paper. Community members are doing recycling and they benefit from that as a source of income as they are unemployed. During the period under review 240 tons were recovered from waste. Currently Meerensee is the only suburb doing kerbside recycling, but it is hoped that a greater number of recyclables will be collected with establishment of transfer stations in all suburbs. An amount of R1,2 million was allocated on the budget for the eSikhaleni Transfer Station that is due to start operating during the coming financial year.

Illegal Dumping

The division collects and disposes of various types of refuse. Garden refuse accounts for 28 692 m³ while other waste consisting of building rubble amounts to 320 000 tons. This presents a problem to the City as most of this waste does not generate income as it is collected free of charge.



There is still a great need to educate the communities about illegal dumping and its impact. Perpetuating the problem is the existence of vacant land and people find it easy to dump.

A joint project with the Environmental Section will be undertaken to intensify health education thus creating environmental awareness in communities.

Greenest/Cleanest Municipality

The City still tops other municipalities in the province as a result of compliance to the required standards by the Department of Environmental Affairs.

Climate Change Strategy

The Municipality is involved in ensuring that activities taking place in the City are environmentally friendly thus avoiding pollution into the atmosphere. Greenhouse gases are a major concern in climate change. The Municipality has a methane gas extraction project running at the Alton landfill site. Ener-G-System is running the project on behalf of BHP Billiton. Methane gas extracted from the landfill is used to produce electricity, which is used by Hillside Smelter. The project successfully takes the pollutant and converts it to a usable resource to produce energy. This is a major contribution by the City towards keeping the climate change to a minimum. It may seem minor but if everyone could follow such a good practice it would make a great difference.

Expanded Service Delivery

Council has engaged the traditional authority communities in waste removal services. There are 130 refuse skips located centrally to communities in tribal areas for collecting waste. This is in line with the drive that all citizens should benefit from service delivery. With environmental awareness, more people will realise the importance of living in a clean environment. Involvement of communities in clean-up campaigns, as well as local schools, is another way of encouraging communities to take care of their environment. With the funds received from being placed first in the Greenest/Cleanest Municipality competition clean-up campaigns were arranged at eNseleni, Naval Island and Ngwelezane.

It is the intention of the division to continue to improve on service delivery in order to reach a point of an efficient and effective service delivery for all citizens of the City. The turnaround strategy will be applied to ensure such improvement is achieved. Monitoring will be intensified once the staff complement has been increased. Employment of supervisors will release Deputy Superintendents to concentrate on effective monitoring and control of activities thus ensuring that a high standard of service is maintained.

Basic service delivery is currently at 79 % which is 1 % lower than the target projected for the financial year.

■ Environmental Health Services

Environmental Health Services perform numerous functions, some of which are incorporated under Municipal Health Services, which in terms of the National Health Act No. 61 of 2003, includes:

- Water quality monitoring
- Food control
- Waste management
- Health surveillance of premises
- Surveillance and prevention of communicable diseases, excluding immunisations
- Vector control
- Environmental pollution control
- Disposal of the dead; and
- Chemical safety

Rabies Vaccinations

The State Veterinarian, with the assistance of Environmental Health Services, undertook month-end clinics and bi-annual rabies vaccination campaigns in urban areas and an annual rabies vaccination campaign in peri-urban and rural areas. The campaigns proved highly successful with a total of 3 401 animals being vaccinated against rabies.

Health Education

During the year 89 health education sessions were undertaken and 901 informal traders were educated prior to being issued with informal trading/vending permits.

A total 5 348 people and school children were educated about bilharzia, cholera, worm infestation, rabies, personal hygiene, general health and hygiene practices, food hygiene, good sanitary practices, water purification and environmental awareness.

Malaria

No local transmission of malaria occurred within the City of uMhlathuze during the period under review. Malaria continues to be closely monitored by all stakeholders and case investigations of the malaria cases revealed that the reported cases were contracted from the far northern areas of KwaZulu-Natal and neighbouring Southern African countries and were therefore classified as imported cases.

Statistics

The following Environmental Health inspections and investigations were conducted during the year under review:

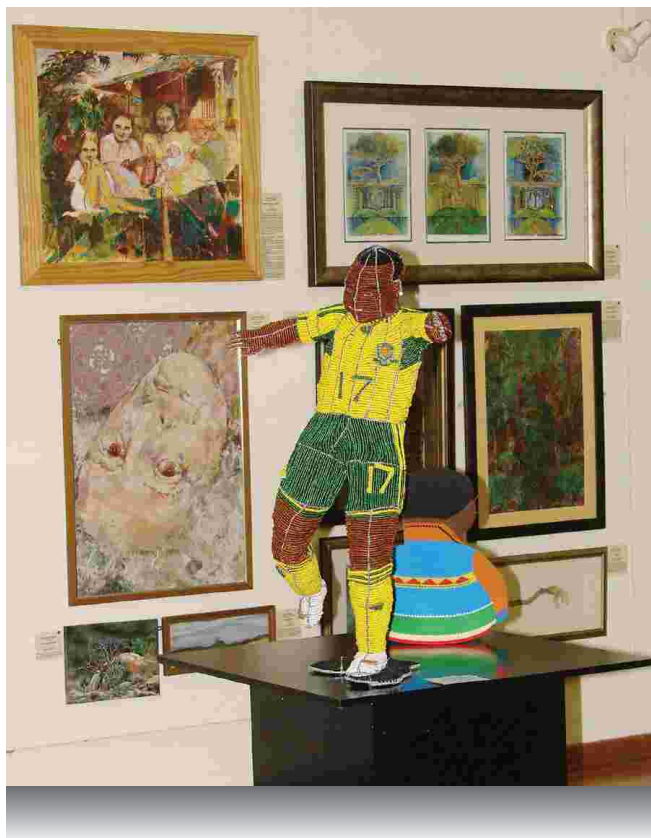
820	Complaints received and investigated
281	Air pollution complaints received and investigated
709	Vacant overgrown properties inspected
68	Private overgrown properties cleared by Council at a cost to the owner
1931	Food Hygiene inspections and re-inspections.
172	Certificates of Acceptability issued to Food Premises
166	Business licences commented on
65	Samples taken in terms of the Foodstuffs, Cosmetics and Disinfectants Act
24 799	Kilogrammes of unsound foodstuffs destroyed as unfit for human consumption.
423	Inspections carried out at the child care facilities
312	Inspections carried out at bed and breakfasts establishments
108	Building plans scrutinised from a health point of view
96	Inspections at funeral parlours
32	Pauper and destitute burial applications approved and undertaken by Council
206	Inspections were carried out at industrial premises
25	Cases of malaria classified as imported which originated from Mozambique and Ethiopia.
2687	Consultations with business and members of the public
373	Meetings and workshops attended



Museum

The past year was a busy year at the Museum, with various displays being showcased. September and October 2010 saw the exhibition of various hobbies. This included model cars, quilting, scrap booking among others. Bernina Richards Bay, Scrap Worx (a local scrap booking shop) and the Zululand Model-building Club were some of the participants in this exhibition. Various members of the public also contributed.

The last weeks of the months of October and November 2010 were dedicated to displaying art from the Empangeni High School matriculants while December 2010 and January 2011 saw the return of our annual local art exhibition. This popular exhibition was well supported by artists from Richards Bay, Empangeni and Hluhluwe. Many of the participants are "return customers" with whom we have developed a good working relationship, which should stand us in good stead for the future.



During February and March 2011 the Museum exhibited some of the works in our own collection including paintings and sculptures. This was replaced by the travelling provincial art collection, the Jabulisa Collection, which was on show during April and May. Selection for the Jabulisa Collection takes place every four years and involves the Margate Art Gallery, Tatham Art Gallery / Museum, Durban Art Gallery, Vukani Museum and Newcastle Art Gallery in addition to the Empangeni Museum.

June to August 2011 was an interesting period with traditional Zulu basketry being the main theme. Although the theme for this period stayed the same, the display was continuously changed. Vukani Museum and Ilala Weavers were the main contributors with baskets from our own collection supplementing their contribution. During July works by Durban artist, Anita Giraud were displayed with works from Council's collection rounding off the exhibition.

Looking forward into the new financial year, the Museum will again host the Empangeni High School art works and the local artists exhibition looks set to continue. In the pipeline is the possible display of Native American artworks in conjunction with the US Embassy in Durban.

Library and Hall Bookings

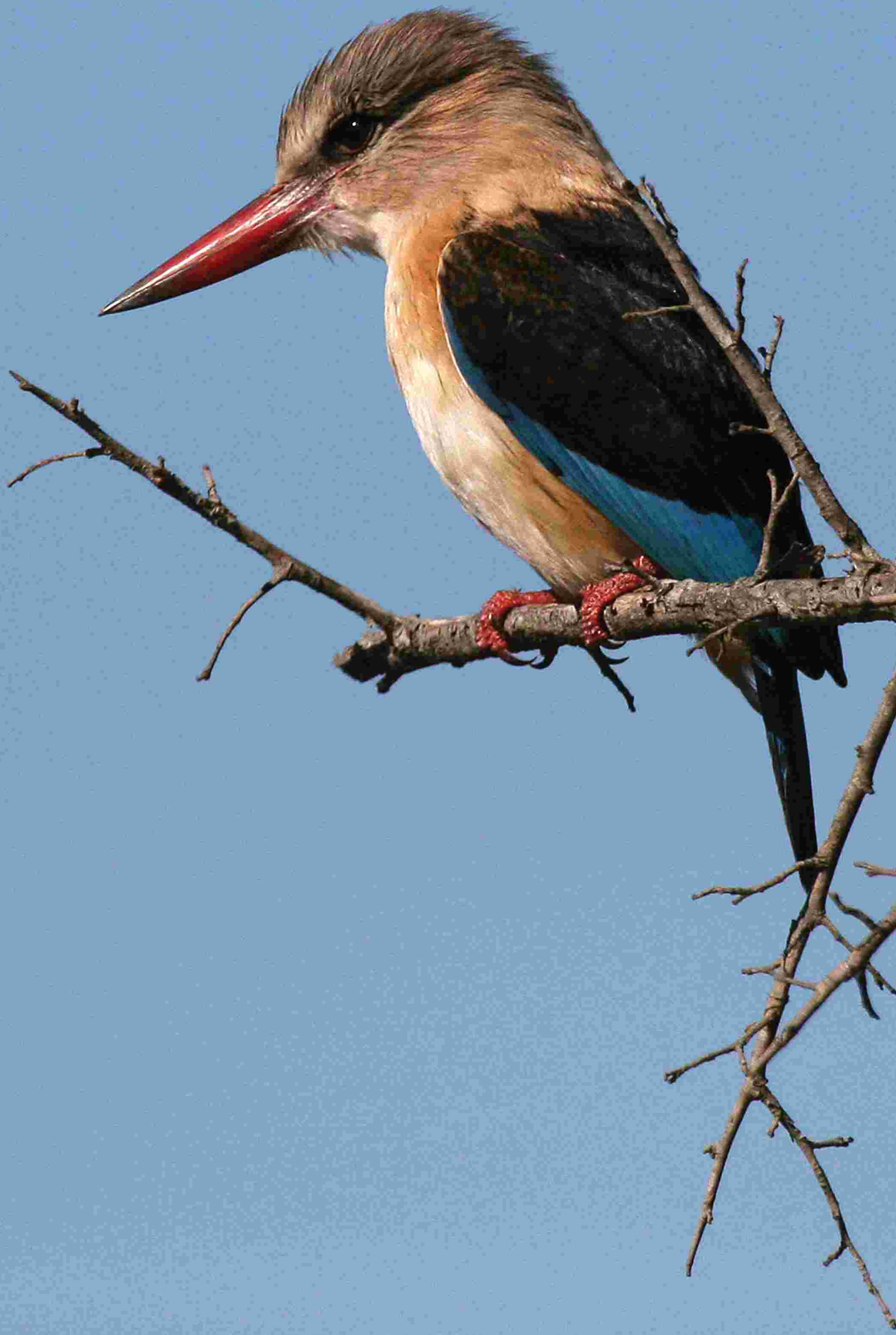
Library	Circulation	Visitors	Members
Richards Bay	152 530	224 762	7 601
Empangeni	77 175	178 972	4 831
eSikhaleni	16 581	88 104	3 686
Brackenham	12 158	30 000 (estimate)	1 966
eNseleni	5 860	85 044	2 268
Ngwelezane	6 145	132 896	2 370
Felixton	7 492	9 000 (estimate)	547
Total	277 941	748 778	23 269

Although circulation figures are not as high as previous years, the in-house use of all our libraries is on the increase. More and more people are using our services and facilities at all our libraries.

Scholars and students once again overcrowded our libraries doing research and making use of our study facilities. Library staff are also constantly assisting children and searching for information. This covers a wide spectrum of topics ranging from challenging projects such as cloning, the greenhouse effect, different cultures, diseases, political factors affecting HIV/Aids, environment, teen pregnancy, local government, poverty, the earthquake in Japan, the budget speech and computers etc.

Saturday is the busiest day of the week with thousands of people flocking to the City's libraries. The use of the popular internet and computer services for research, sending e-mails and job hunting is rapidly increasing. The cyber cadets in charge of the internet computers at the six respective libraries provide a valuable service by assisting the public on correct computer usage.

Some community members are extremely new to the world of computers and have not had the experience of working at a computer station. While the internet and computer services are for free, users pay for printouts.



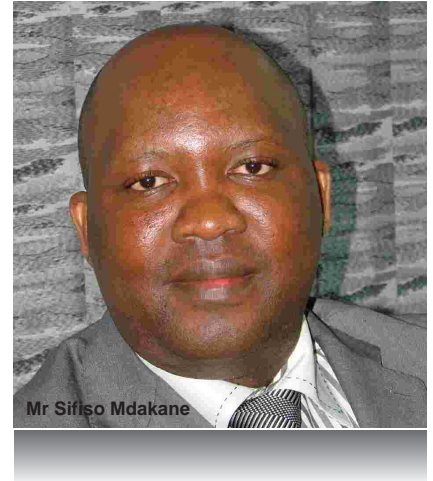
Department of Infrastructure and Technical Services

Electrical Services

- Support Services
- Planning, Development and Technical Services
- Operations and Maintenance
- Marketing, Customer Services and Revenue Protection

Civil Engineering

- Water Services Provider
- Water Services Authority
- Project Management Unit
- Roads and Storm Water, Buildings and Structures



Electrical Services

The capacity constraints Eskom currently experiences, emphasises and confirms how dependant modern society has become on electricity. Words like load shedding and solar heating were unknown to most of us, but today they are part of our daily vocabulary. This has forced us all to work smarter with our energy sources. In the light of the growing concern that electricity supply will be under serious strain for the next two to three years, the Electrical Division started to work on an energy saving strategy that will not only save energy and provide guidance on how to achieve this.

Service delivery in South African municipalities remains a burning issue and to ensure that the needs of the public are addressed in an effective manner, requires a professional approach. The registration of staff at professional institutions like the Engineering Council of South Africa (ECSA) has always been a challenge to organisations. Since there are currently no persons fully registered with ECSA in the department, this remains a challenge for the years to come.

The Electrical Division has a full staff complement of 256 and the 209 filled positions indicate that the current workforce represents 82% of full capacity.

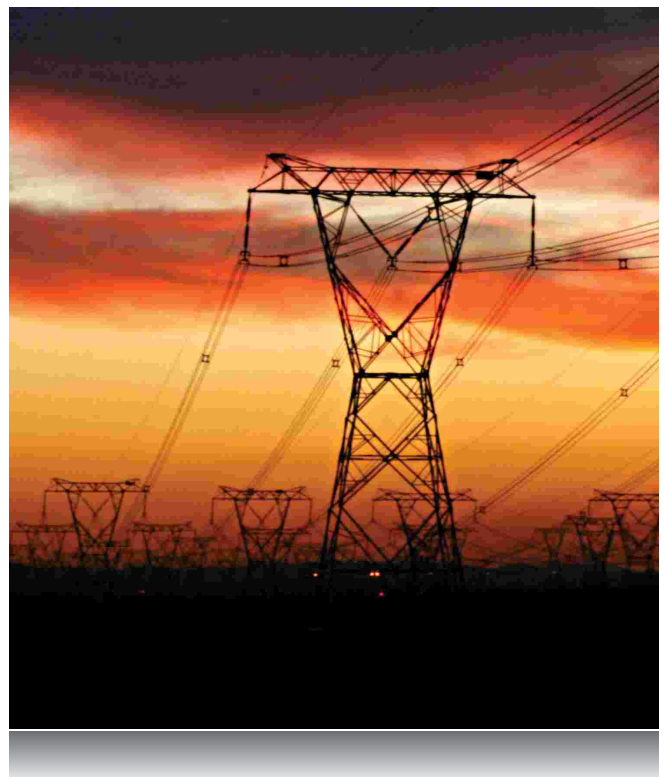
With load shedding as an ever threatening “monster” it is worth mentioning that there is a strategy in place to secure water supply to critical points as part of the master plan currently being developed. Rest assured that there is a continuous effort to improve the electrical network to the benefit of every citizen in our City.

Support Services

The street lighting call centre and system has extended the service to building and air conditioning fault logging as well. This has improved the internal

service delivery to municipal buildings. The call centre is operational 24 hours a day allowing complainants to log calls either via the website at www.richemp.org.za, via e-mail to streetlights@richemp.org.za or telephonically to 035 – 907 5566.

Due to limited funds the Electrical Support Services Section could only upgrade street lighting in Empangeni and Arboretum. Rusted poles and faulty aluminium poles were replaced to ensure that the public is not at risk. The high masts at the Veldenvlei Sport Complex needed urgent attention after failing the annual inspection. Temporary measures were put in place to guard against public injury, but these masts will need to be replaced in the near future.



Planning, Development & Technical Services

Phase two and three of Cygnus Substation in eSikhaleni did not proceed during this financial year due to lack of capital funding. Phase two comprises of a new power transformation and a new 11kV switchboard while phase three will address the construction of a new double circuit line between Felixton and Cygnus, which will be started once the EIA has been completed.



The Phoenix Project for the new single high voltage transformer bay and new 11kV switch room has also been completed. This included the installation and commissioning of a 30MVA power transformer and the 11kV switchgear. This will cater for the future developments around Alton North and surrounding areas.

uMhlathuze Village Electrification Phase 5 was started this financial year where approximately 313 low cost houses will be connected and completed by December 2011. In order to fast-track the installation of the infrastructure, which allowed the community quick access to electricity, the main electricity infrastructure was installed while houses were being built. Normally this only happens after the completion of the road works and once all houses are built and occupied. Another project completed was the installation of a second main feeder to this area to accommodate growth.

The position of a Manager: Planning, Development and Technical Services is currently vacant. This is a key position within the division as this person gives direction to the planning of the infrastructure in order to achieve the goals as set in the IDP.

Operations and Maintenance

From a maintenance perspective the 2010/2011 financial year was unique in that one of the largest maintenance projects was completed. June 2011 marked the end of a three year refurbishment project on the two high voltage overhead lines that supply the City of uMhlathuze with electricity. Due to the importance of these two lines, every effort was made to ensure that the main supply to the City is in an excellent condition. In addition a helicopter was used to conduct a line inspection on the concrete tower power lines and follow-up maintenance work started in the last quarter as a results of this.

To improve the quality of supply in residential areas such as Brackenham piercing clamps were upgraded to multi pin protruding clamps to ensure a more secure and effective connection, eliminating unnecessary breakdowns.

In areas such as eNseleni and Ngwelezane, poles were replaced to upgrade the condition of the power lines. In addition more than 3km of overhead conductor was replaced in areas such as Umhlathuze Village, Ngwelezane and eNseleni. These initiatives confirm the strong drive for service delivery in the residential areas across the City of uMhlathuze.

The rebuild of Aquila substation started in February 2011 and will be commissioned shortly. This substation is critical in the supply to the Arboretum main water treatment plant and macerator. The position of this substation in the network makes it one of the most important substations and this refurbishment will ensure that there is reliable electricity supply in the Arboretum area.

Another special milestone was reached when an internal trainee successfully completed the long road to full artisanship. Samson Zikhali qualified as electrician and progressed from artisan assistant to special workman and finally to electrician. Through self-study and the support of his colleagues he completed his training and proved that there is no substitute for hard work and dedication.

Unknown and abnormal weather conditions and high winds caused major power interruptions, damaged power lines and electrical equipment during the past year. This required staff having to sometimes work through the night to restore power. Although the electrical division also had to overcome a shortage of staff, it still managed to deal with more than 4 000 calls during the last year.

Together we can achieve more



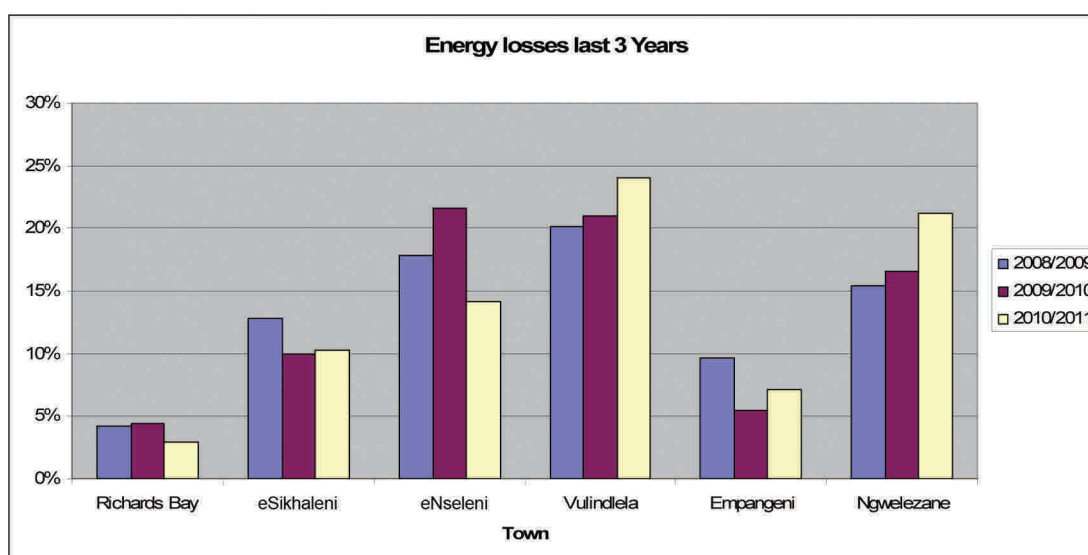
Marketing, Customer Services and Retail

The total energy consumption for the year declined during the second and third quarters as a result of the continuous economic downturn and the impact of higher tariffs. All customers consumed a total of 1 377 GWhs of electricity while 1 461 GWhs was purchased from Eskom resulting in a total energy loss of 6%. This figure includes both technical and non-technical losses. It must be mentioned that this percentage is still below the national average.

Energy losses

Areas where the energy consumption is mainly made up of residential customers appears to have increased in energy losses. This is proof that the price increase has had a serious impact on the residents of our City. The check metering programme has proven very successful in the past and will be relied on once again to address this issue.

The overall average of domestic energy losses for the City is below 10% and is still at an acceptable level when compared to the national average of 20%. It is however a concern that some areas have shown an increase in losses due to suspected tampering.



Apart for the obvious financial impact the losses have on the City, safety is also a major concern as tampered supplies are normally unsafe.

Recovery of income in respect of tampered / supplies

The increase in energy losses is confirmation that the recovery of outstanding debt remains a challenge. The rate of successful recovery of outstanding debt has reduced with 4% over the last year and this will remain a focus area to ensure that Council's income is protected.

Impact of the high tariffs

The impact of the high demand season tariffs has shown that some industrial customers have elected to reduce demand during these months (June – August) to undertake maintenance on their plants. Tata Steel is one of those customers that opted to shut down for the entire period of the High Demand Season because of the high winter tariffs. Customers who are able to generate their own electricity also purchased less from the City during the High Demand Season Period for exactly the same reason.



Civil Engineering

Water Services Provider

Operations and maintenance

The Water Services Provider (WSP) is responsible for operation and maintenance of all Water and Wastewater delivery infrastructure, including customer liaison and financial controls. The section also provides all in-house capital funded infrastructure development.

WSP provides all in-house capital funded infrastructure development. uMhlathuze Municipality owns and operates infrastructure that it has built, upgraded and inherited since its establishment.

During the financial year the Infrastructure Maintenance Section appointed 10 temporary employees for a period of three months to repair leaking joints at the water meters in the Madlebe Area by replacing the washers. This project is essential as it impacts on water losses and loss of income as customers are currently not paying for the service. It also has a potential of a severe 'knock on' effect into adjoining areas that are paying for the service.

Priorities

- Improve level of service to customers
- Eliminate a 3% backlog of water supply
- Upgrade old water network infrastructure

Achievements

For the 2010/2011 financial year the following training initiatives were conducted and attended:

- Safety Representatives Training
- Plumbers Training
- CS ICT GOV: Microsoft 2010 Suite Professional
- First Aid
- Fire Extinguisher
- Groupwise, and
- Induction
- Seminar: Introduction to Pump station Design by WISA - The seminar entailed how to design an efficient pump station with minimum losses as well as an easy to maintain system considering new technology.



The key performance areas, in terms of the Water Services Provider as prescribed in the plan, is as follows:

Water purchased from Mhlathuze Water Board

- Water:
113 985 kl/ month – R 3 680 620/ month
- Sewer:
20 000 kl/ month – R 512825 / month

Water abstracted and purified by WSSA

- Water:
2 605 510kl/month – R 1 580 000/ month
- Sewer treated by WSSA
1 483 870kl / month – R 1 578 250/ month

Operations and Maintenance

- 1 966 kilometres of Water Reticulation
- 864 kilometres of Sanitation Infrastructure Network
- 862 Sewage Pump Stations

Water infrastructure includes:

- 64 Potable water reservoirs that are either on ground level or raised steel-pressed tanks – storing up to 260 Mega litres of water
- Over 1 966 km of pipelines of varying material types and diameters with largest being 800mm
- Water valves
- Pressure reducing valves
- Air valves
- Scour valves
- 7 Pump stations
- 4 Treatment works – (uMhlathuze River, Lake Mzingazi, Lake Qubu and Lake Nsezi-Mhlathuze Water Board) treating up to 200 Megalitres per day.
- Meters – approximately 45 000 installed, and increasing into rural areas. (The WSA Branch has already begun assuming this function in a phased approach)

Waste Waste infrastructure includes:

- 864 km of sewer pipes
- 2 Macerator stations
- 5 Treatment works – (Vulindlela, Ngwelezane, eNseleni, Empangeni and eSikhaleni) treating approximately 50MI per day
- 58 Pump stations, including 136 pumps
- 2 Portable water pump stations
- 12 Swimming pool units
- 4 Ground water (pit) pump stations

Together we can achieve more

Water pump stations are fitted with emergency generators to ensure continuity of service delivery during times of load shedding. This is to be extended to sewer pump stations as well.

This and other services include unblocking of sewer mains and odour control at the macerator stations.

The WSP branch of the department provides the above main functions to residents (approximately 75 000 households) within the uMhlathuze Municipal boundaries, 24hrs a day, seven days a week and 365 days a year.

Maintenance contracts

Review of feasibility study on service delivery for water and sanitation services (Section 78 Assessment)

Management, operation and maintenance

Messrs WSSA, was re-appointed through council's competitive bidding process for a further 3-year contract to manage the bulk operations and maintenance of all nine (9) water service treatment works within the Water Services Authority area. However reticulation responsibilities still remain with the WSP.

A review study in terms of Section 78 is currently underway to investigate the options in water services delivery of the maintenance and operations of the reticulation networks by external BEE plumbing contractors.

Telemetry

A five-year maintenance lease contract with Messrs Exelcom cc was entered into for the maintenance and upgrading/repair of Council's potable water and wastewater telemetry/SCADA system, running from 2007-2011. This system provides for the online monitoring of Council's reservoir levels to maintain continuous service delivery.

Electrical and mechanical maintenance

The contract with Messrs Zululand Projects that was entered into for the maintenance and upgrade of all the electrical panels of Pump stations and Macerator Stations was further extended on a month-to-month basis.

Water meter reading

In terms of the uMhlathuze Municipality Water Services Bylaws 2010, if the water-metered account is recorded to be excessively high and the customer queries this, an investigation is done by the WSP section regarding the location of the fault on the meter.

In the case of an internal water leak (from the meter towards the customers property) the amount on the account will be due to the customer.

In the case of an external water leak (from the meter towards the main supply line) a rebate on the account of the customer will be accommodated by Council

Call Centre: Water & Sewerage

About 1 590 water and sewerage complaints are received per month. Most water leaks are service connection leaks. Members of public report the water leak to the Call Centre and are then issued with a works order number.

The Call Centre then assigns the complaint to the relevant Superintendent/Clerk of the specific depot. The Superintendent will assign the call to a plumber, who will attend to the leak.

Connections: Water Sewer: Tariff for Budget Review 2010/2011

Water Connections (Urban)- Residential areas (std cost)	R2200
Deposit	R250
Water Connections (Indigent)- residential areas (std cost)	R788
Deposit	R200
Industrial/Business/Commercial	R2000 (minimum)
No charge for sewer, as there are existing sewer lines. Plumber is sent out to locate sewer connection point for customer.	



Water Service Authority

Water Loss Management

Replacement of Old Meters

Old water meter replacement is an extremely cost effective measure to reduce non revenue water figures, that results in short cost recovery periods.

A table showing comparison for water produced and water sold in kilolitres (kl) for the period July 2009 to June 2010 and from July 2010 to June 2011 for different zones is as follows:

2009/10 Financial Year - July 2009 to June 2010

TREATMENT PLANT	Production (KL)	Water Sold (KL)	UFW %	Water Loss (KL)	Rands Loss @ R0,92
Mzingazi Water Works	20 524 689	15 294 047	25.38	5 230 642	R4 812 190,64
Esikhaleni Water Works	10 420 206	6 214 764	40.08	4 205 442	R3 869 006,64
Ngwelezane Water Works	3 676 035	2 992 049	21.12	683 986	R629 267,12
Nsezi Water Works	7 936 971	6 558 730	17.37	1 378 241	R1 267 981,72
TOTAL	42 557 901	31 059 590	25.99	11 498 311	R10 578 446,12

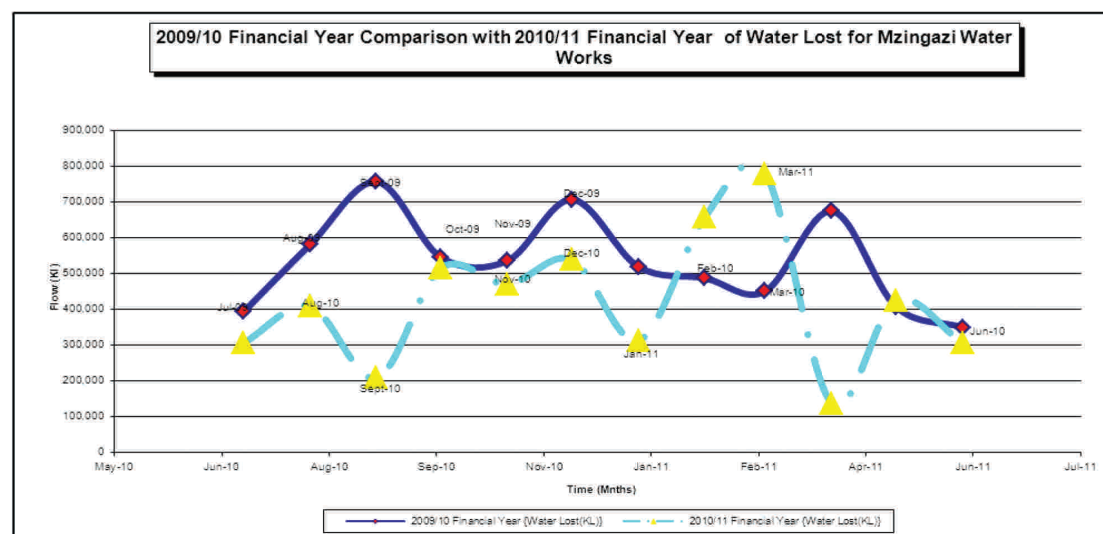
2010/11 Financial Year - July 2010 to June 2011

TREATMENT PLANT	Production (KL)	Water Sold (KL)	UFW %	Water Loss (KL)	Rand Loss @ R1,09
Mzingazi	18 629 950	13 970 860	24.77	4 659 090	R5 078 408
Chubu	9 790 718	5 826 329	40.49	3 964 389	R4 321 184
Ngwelezane	2 885 288	2 197 962	23.82	687 326	R749 185
Nsezi	7 904 995	6 127 173	22.49	1 777 822	R1 937 826
TOTAL	39 210 951	28 122 324	27.89	11 088 627	R12 086 603

In comparing the above figures it can be seen that the volume of losses has gone down by 409,684 kl and in terms of rand value it has gone up because the estimated figure for this financial year is R1,09 compared to R0,92 for the previous financial year, therefore there is a R0,17 increase and hence, the rise in the rand loss.

A graph showing unaccounted for water in kilolitres (kl) for the period July 2009 to June 2010 and from July 2010 to June 2011 for different zones is as follows:

Table 1: Richards Bay Volume of Losses

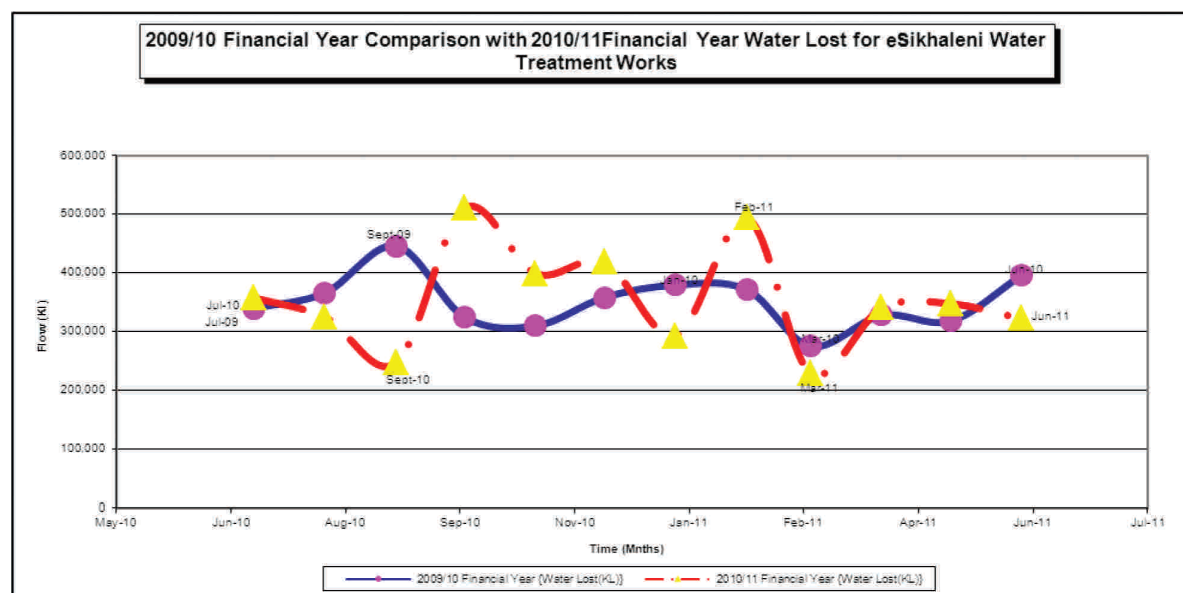


The above graph indicates the comparison of the 2009/10 financial year and 2010/11 financial year volume of losses.

In comparison it can be seen that the losses in Richards Bay and surrounding areas have decreased. The graph, however, shows that the volume of losses can be attributed to the following factors:

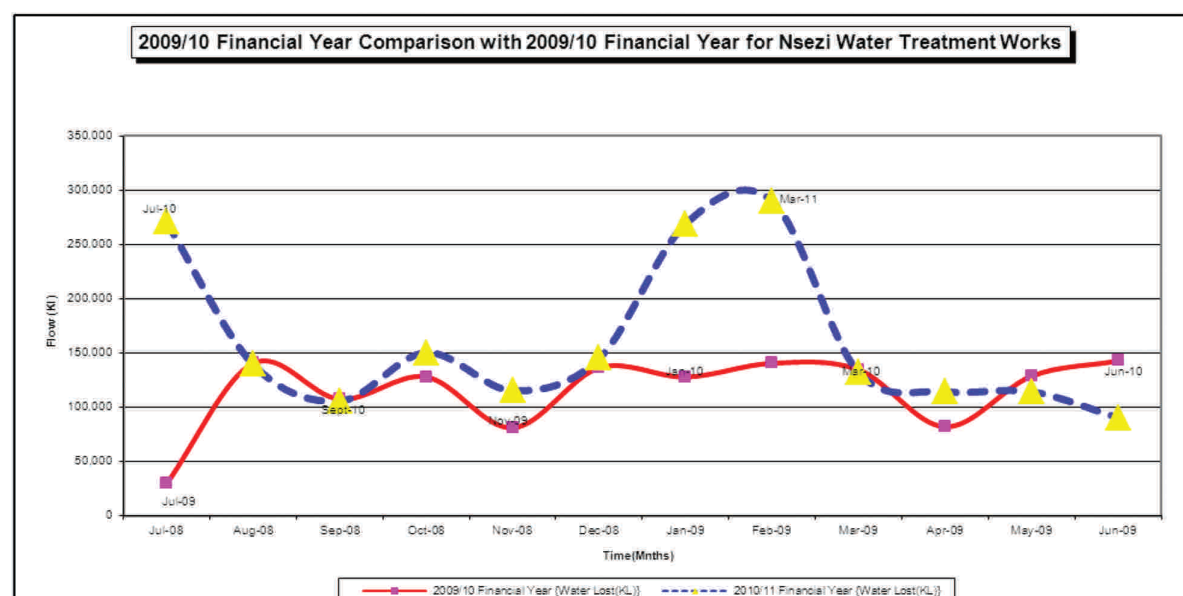
- Accuracy of Council's meter readers
- Number of meters that were inaccessible
- Underground and/or non visible meters

Table 2: eSikhaleni Volume of Losses

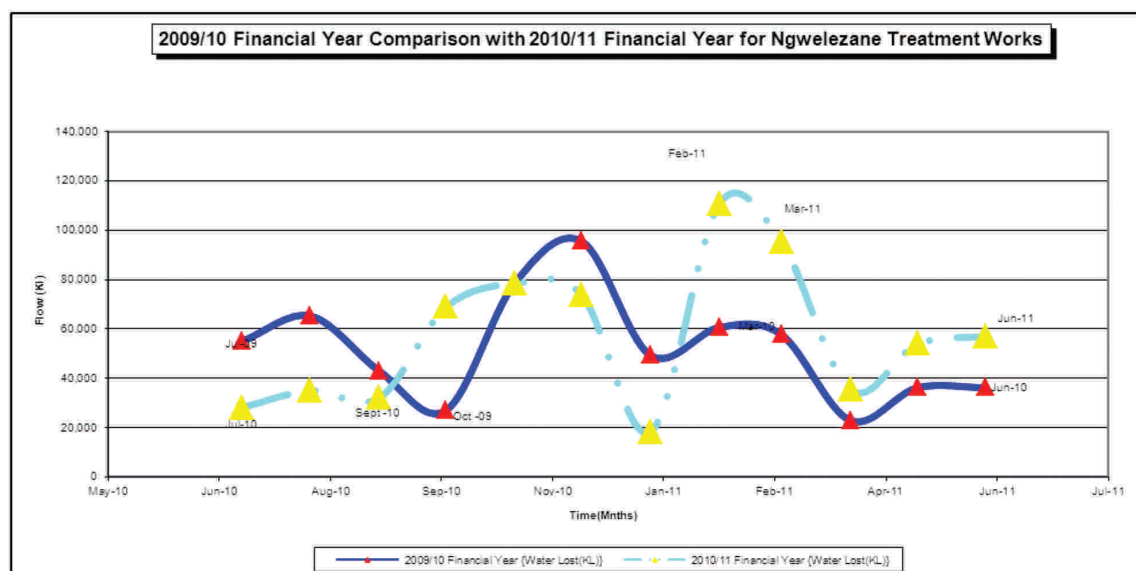


The graph above shows the comparison of water losses in the whole of the eSikhaleni area for the last financial year and the current financial year. In the last quarter of the current financial year the volume of losses has reduced which can be attributed to the fact that more domestic meters were read and having the volume of water for the town alone, has improved the reporting. Once new meters are fully functional and pressure to eSikhaleni is well managed, the volume of losses will be reduced.

Table 3: Empangeni Volume of Losses



The above graph shows that the last quarter figures stabilised when compared to the previous year's figures, it is evident that the volume of losses is reducing / decreasing.

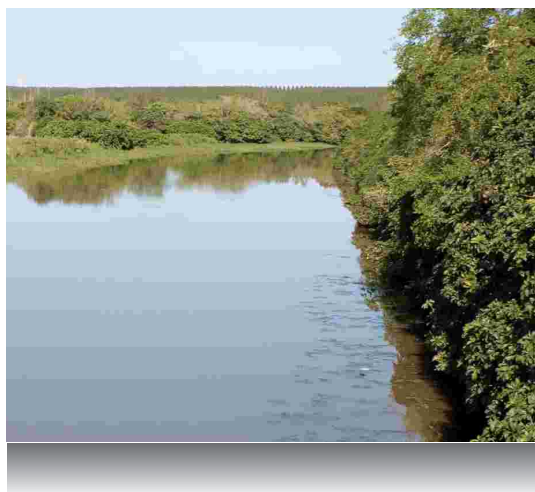
Table 4: Ngwelezane Volume of Losses

Interventions and Recommendations

WSA (Water Loss) has finished installing bulk water meters and is currently awaiting commissioning of the pressure reducing valves in three sites in Richards Bay. Currently WSA is busy with the baseline measurement whereby the logging of flow and pressure in the new system is done. Measurement before intervention will help identify the impact of the pressure reducing valves in the system. It is recommended that Council continues to invest in this type of intervention, as it is the most effective tool for managing water losses.

The areas where water meters and pressure reducing valves (PRV) have been installed are as follows:

- Mzingazi Village main meter
- Veldenvlei
- Arboretum phase 1
- Arboretum phase 2
- eSikhaleni J - Section
- eSikhaleni H - Section
- eSikhaleni Main Feed
- Felixton Off take
- Vulindlela Reservoir Inlet Meter



Water Quality Assurance

The City of uMhlatuze in its capacity as the Water Services Authority and juristic entity is compelled by the Water Services Act 107 of 1997 and National Water Act 36 of 1998 to ensure that the quality of the city's water resources, portable water and waste water systems are continually monitored in an endeavour to maintain quality and evaluate in accordance with set standards/specifications/guidelines. The Scientific Services Section is responsible for the effective management of this function within the Water Services Authority Division.

Various key functional areas within the Scientific Services contribute to the reliability and credibility of an effective water quality management system. The salient facts of sections with the Scientific Services include inter alia the following:



Together we can achieve more

Technical Services:

Sample Management

Samples from various sources are collected for analysis of key parameters to determine water quality. Onsite testing for pH, free chlorine, temperature and dissolved oxygen are conducted as per prescribed procedure.

Table 1: Total samples from July 2010 to June 2011

SOURCE	SAMPLES
Surface Water (Industrial)	228
Surface Water (Urban-Pumpstation)	270
Surface Water (Urban/Rural Suburbs)	78
Surface Water (Rivers/Streams/Canal)	100
Industrial Effluent	418
External Service Provider (Sampling Only)	468
GRAND TOTAL	1559

Online Instrumentation Management

The Technical Section also provides for the maintenance of online instrumentation at 14 sewage pumpstations, 3 water treatment plants and 1 wastewater treatment plant to effectively monitor quality of these vulnerable sites on a continual basis.



Table 2: Total Online Instrumentation

Site Location	Total Instrumentation
Waste Water Treatment Works (pH, Conductivity, Chlorine)	5
Water Treatment Works (pH, Conductivity, Chlorine And Turbidity)	12
Sewage Pump station (pH)	12

The aforementioned instrumentation records information on an on-going basis to ensure that quality standards are been maintained.

Laboratory Testing Services (Chemistry & Microbiology)

The laboratory comprises three sections namely Chemistry and Microbiology. These sections analyse samples on various water types:

Table 3: Total Number of Tests per Sample Type from July 2010 to June 2011

SAMPLE TYPE	TOTAL No. OF ANALYSIS
Lakes (Cubhu & Mzingazi)	5257
Surface Water	4242
Sewage	96
Industrial Effluent (Sewage Network)	2556
Drinking Water	27
Method Validation	25
Ground Water	1427
Adhoc Analysis	78
Grand Total of analysis per sample type	13708

Formal recognition that laboratories are competent to carry out specific tasks/tests given by the South African National Accreditation System (SANAS). Although achievable by all labs, SANAS accreditation historically believed to be a status awarded to only large laboratories (centred on the major metropolitan areas).

Response to this shortage, DWA with sector partners, developed this strategy to ensure institutions use laboratories deemed competent and produce credible results to manage and report on their drinking and wastewater quality. Strategy denotes a process whereby DWA shall approve the use of laboratories competent to analyse drinking- and wastewater samples

The laboratory is currently undergoing method development and verification as well as phased implementation of ISO 17025. The laboratory is also participating in Proficiency Testing schemes for Chemistry and Microbiology in order to continually improve accuracy and precision when compared to other laboratories.

As a prelude to ISO 17025 accreditation the municipal laboratory currently meets the requirements to register for DWA-approval per method.

Future plans for the laboratory include:

- Introduction of new methodology
- Introduction of new tests
- Inter-laboratory studies
- Accreditation to Department of Water Affairs (DWA) approved per method
- Accreditation to ISO17025
- Development of laboratory methods and method verification.

Achievements include:

- Successful implementation of the Quality Management System, the management system adopted from ISO 17025 requirements for testing laboratories.
- Second phase development of laboratory information management system (LIMS). It is a database where all laboratory information, including test results is kept.
- Participation into the Proficiency Testing Scheme. Proficiency testing is a quality procedure for monitoring the validity of the tests undertaken by the laboratory. It involves a group of laboratories or analysts performing the same analyses on the same samples and comparing results. The Scientific Services laboratory is ranked as a lab that produces accurate and precise results.

Water Quality Management**Drinking Water Quality Management Performance Assessment**

Water quality status for the City in some instances far exceeds provincial and national percentages. This is a clear indication of the status of the Water Quality Monitoring Programme in place and affirms that the operational integrity of the various systems is maintained optimally.

Department of Water Affairs' drinking water quality status for the past 12 months ending June 2011, in comparison with provincial and national statistics for the City of uMhlatuze is shown in the following table:

Table 4: Drinking Water Quality Statistics (July 2010 – June 2011)

Area	Overall Score %	Drinking Water Quality Score %	Appropriate Parameters Score %	Appropriate No. of Samples Score %	Frequency of Monitoring Score %
South Africa	24.1	32.7	15.5	24.4	24.0
KwaZulu-Natal	59.1	65.7	45.2	59.3	64.4
City of uMhlatuze	100	100	100	100	100

Water Pollution Management

The Water Quality Monitoring Programme (WQMP) has been developed and implemented, so that Council meets the statutory requirements for the sustainability of water resources within its area of jurisdiction.

Table 5: Sample types being monitored by the WQMP

SAMPLE TYPE	DESCRIPTION
Surface Water	Lakes (Cubhu & Mzingazi) Rural/Urban Suburbs (stormwater streams) Rivers/Streams/ Canals Industrial (stormwater streams) Pump-stations (streams close to pumpstations)
Coastal Water	Alkantstrand
Groundwater	Municipal Cemetery Landfill Site
Sewage	Industrial Effluent (sewage network)

Water Pollution Control

The WQMP is the monitoring programme that the laboratory follows to conduct its testing. The WQMP comprises the standards/guidelines and regulations that are required to effectively and efficiently monitor all of the City's water sources. Trend analyses will in future assist the council to detect from early on the water quality status of the water sources and timeously put in mitigation measures.

The table below provides a summary of the functions of the water pollution control section; various pollution incidents that occurred are also mentioned, also compliance notices issued in terms of contravening specific sections of the Water Services Bylaw and the permit issued in terms of the Water Services Bylaw.



Table 6: Compliance Activity of the Water Quality Section (July 2010 – June 2011)

ASPECT	AMOUNT	DESCRIPTION
Industrial inspection	20	Inspection of industries for their compliance to Water Services Bylaw requirements
Permits issued	23	Permits issued to companies as per Section 88 and 86 of Water Services Bylaw to discharge via municipal sewer system.
Water complaints	8	Consumer complaints on drinking water quality.
Tanker inspections	0	Inspection of tankers carrying and transporting drinking water to rural areas
Pollution incidents	30	Incidents that resulted in pollution of open water source or open ground areas.
Forums attended stakeholders	15	Meetings with industry in presenting their environmental performance to relevant
Internal non-conformances	968	Non-conformances generated from laboratory results, which are out of the specified range according to WQMP.
Online instrumentation non conformances	258	Non-conformances generated from online instrumentation results received via Opus reports, which are out of the specified range according to WQMP.

Blue & Green Drop Incentive Based Programmes

The Minister of Water Affairs introduced the concept of Incentive-based Regulation on 11 September 2008 to the water sector at the National Municipal Indaba held in Johannesburg. The concept was defined by two programmes: the Blue Drop Certification Programme for Drinking Water Quality Management Regulation and the Green Drop Certification Programme for Wastewater Quality Management Regulation.

Blue Drop Incentive Based Programme

The Blue Drop process measures and compares the results of the performance of Water Service Authorities and their providers, and subsequently rewards (or penalises) the municipality upon evidence of their excellence (or failures) according to the minimum standards or requirements that have been defined. Awareness of this performance is obtained by pressure through the customers, the media, political classes and Non-Government Organisations. The strategy revolves around the identification of mediocre performing municipalities who consequently correct the identified shortcomings, as well as the introduction of competitiveness amongst the municipalities, utilising benchmarking in a market where competition is difficult to implement.

The Blue Drop incentive based regulation programme endeavours to facilitate and drive this continuous improvement process, seeking sustainable improvement in service delivery, progressive improvement in drinking water quality and steadfast coverage of unserved areas. This form of incentive and risk-based regulation holds the intent to synergise with the current goodwill exhibited by municipalities and existing government support programmes to give the focus, commitment and planning needed.

Regulation is important to ensure effective and efficient delivery of sustainable water services. It clarifies the requirements and obligations placed on water service institutions, thereby protecting consumers from a potentially unsustainable and unsafe service.

Table 8: Comparative Table – Blue Drop Status (July 2010 – June 2011)

Blue Drop Systems	2010 Score	2011 Score
Mzingazi WTW	81.25%	89.28%
eSikhaleni WTW	79.75%	90.07%
Ngwelezane WTW	79.75%	91.35%
Nsezi WTW	NA	88.90%
The Average Score	80.4%	89.26%

Table 9: Comparative Table – Green Drop Status (July 2010 – June 2011)

Green Drop Systems	2010 Score	2011 Score
Empangeni WWTW	72%	82.6%
eSikhaleni WWTW	72%	84.3%
Ngwelezane WWTW	72%	83.2%
eNseleni WWTW	72%	86.1%
Vulindlela WWTW	72%	83.2%
The Average Score	72%	83.3%

Future plans for water quality include:

- Complete Lakes Cubhu and Mzingazi management plans.
- Improved efficiency of permit management system by initiating an online application process
- Initiate a risk-based approach to monitoring of wastewater systems
- Introduction of Water Safety and Risk-abatement Plans for the City

Achievements include:

- Water Pollution Control Section has managed to implement permit systems, which assist the municipality to minimise impacts to the sewage system from discharge of effluent by companies.
- The implementation of the Drinking Water and Wastewater Incident and Failure Response Management Protocols
- Improved scores for Blue and Green Drop Incentive Based Programmes

**Water Awareness and Education Campaign**

The strategic framework for Water Services, 2003 prescribes among others, that all people living in South Africa must be educated in healthy living practices (specifically with respect to the use of water and sanitation services) and the wise use of water.

The Municipality's Water Services Authority conducted a campaign on water awareness, health and hygiene user education. The campaign covered 12 municipal ward areas. The campaign was undertaken with great success with close co-ordination and co-operation between the Infrastructure Division and realised that water use, health and hygiene user education is an ongoing activity that needs to be undertaken during such campaigns.

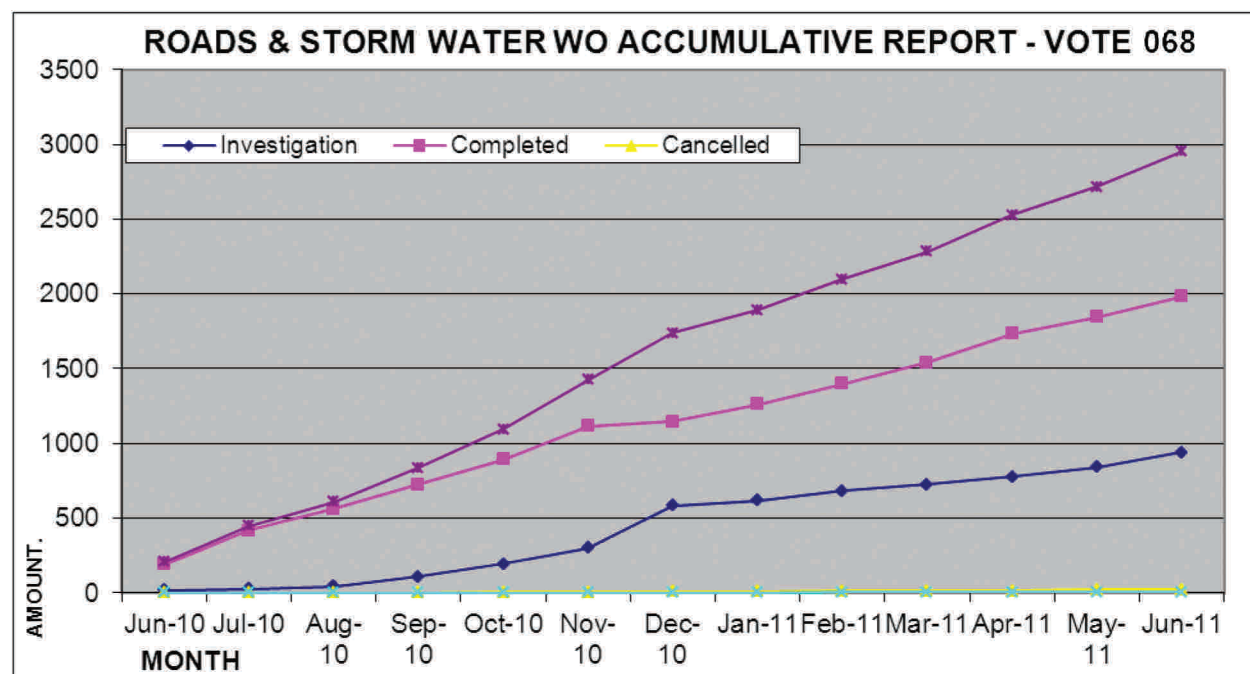
Roads, Storm Water, Buildings and Structures

Urban Roads and Storm Water

The number of works order created for the year is reflected in the table below:

Section	Roads				
	Investigation	Completed	Cancelled	Closed	Total
June 2010	19	188	1	0	208
July 2010	9	228	1	0	238
August 2010	15	147	0	2	164
September 2010	67	161	0	0	228
October 2010	82	171	2	0	255
November 2010	107	221	2	1	331
December 2010	284	28	2	0	314
January 2011	36	116	1	0	153
February 2011	64	137	3	1	205
March 2011	41	144	1	2	188
April 2011	54	191	0	0	245
May 2011	65	115	8	0	188
June 2011	99	134	1	0	234
				TOTAL	2341

The accumulative progress for the completion of Works order is indicated in the graph below:



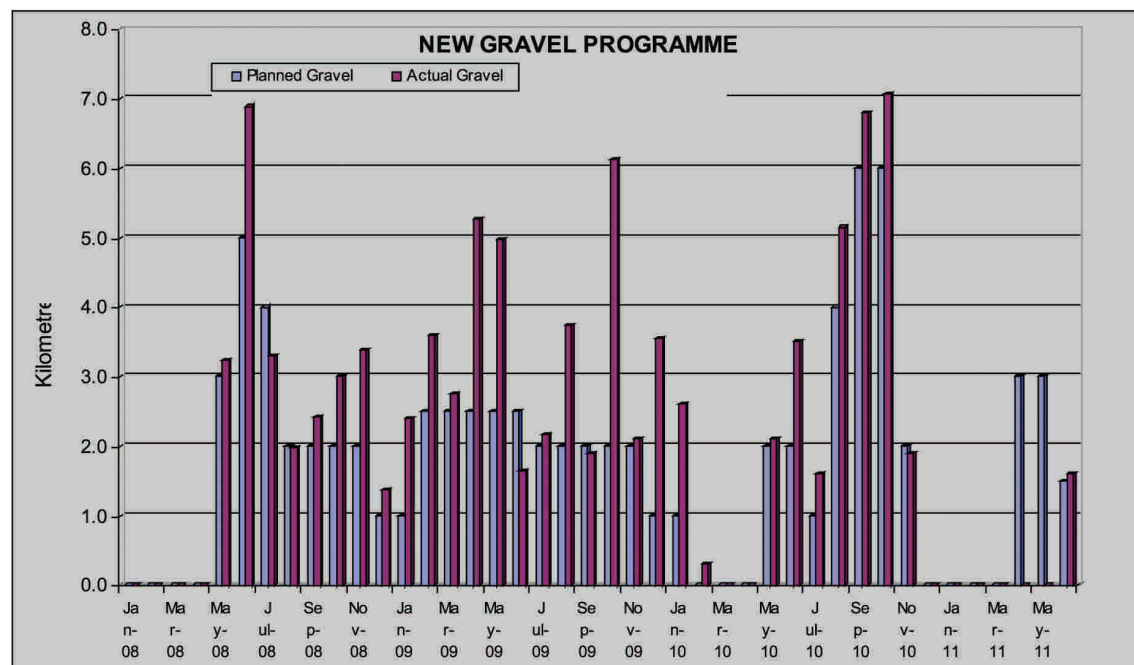
Rural Roads and Storm Water

Over 1 670km of roads were graded during the financial year. The progress achieved is reflected in the table below.

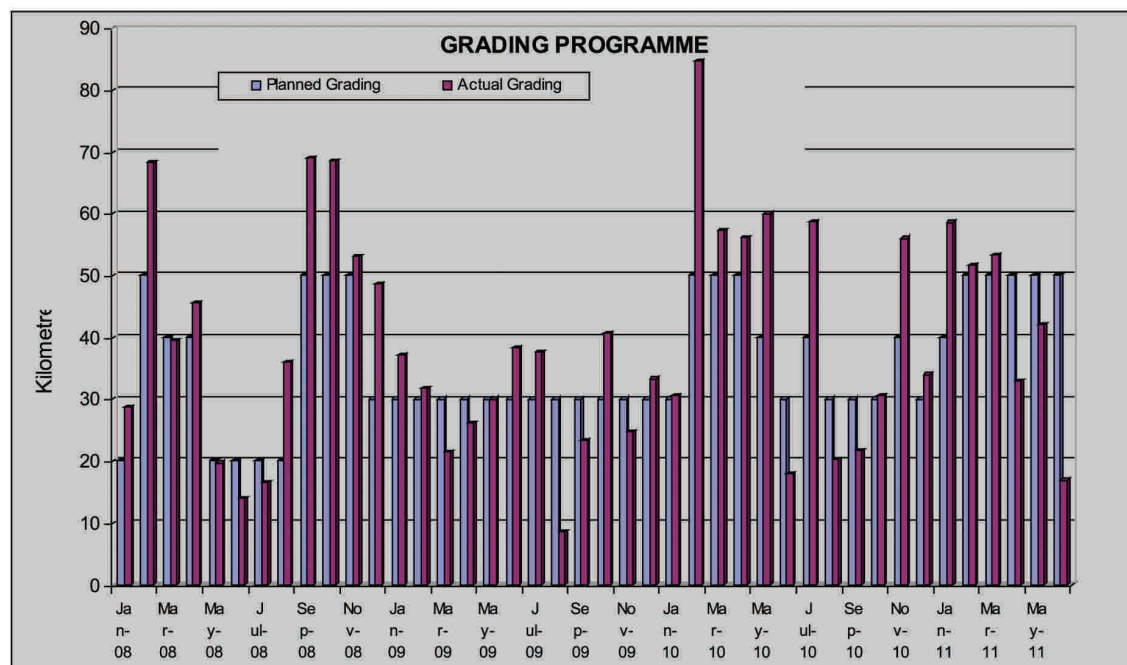
Month	Km's graded	Wards worked in	Km's New gravelled	Wards worked in	Pipe Crossings constructed	Wards worked in
July 2010	58.8	18, 22, 29, 30	3.343	18, 20, 28	3	18, 19, 20
August 2010	20.3	12, 16, 18, 22, 29	5.152	4, 19, 20, 27	12	18, 19, 20, 22, 30
September 2010	21.7	4, 15, 18, 29	6.876	5, 12, 20, 26	15	14, 18, 19
October 2010	30.6	6, 29	7.1	8, 13, 14, 15	11	14, 18, 19
November 2010	56	4, 6, 10, 22, 24, 29	1.9	18, 19	15	14, 18, 19
December 2010	34	5, 11, 15, 18	0		7	14, 18, 19
January 2011	59	10, 15, 18, 22, 24	0		6	14, 18
February 2011	52	10, 22, 24, 29, 30	0		1	19
March 2011	53	5, 13, 15, 18, 25, 30	0		0	0
April 2011	33	1, 4, 18, 25, 29	0		7	6, 13, 14, 19
May 2011	42	18, 25, 29	0		7	11, 19
June 2011	17	6, 5, 14, 22, 25, 28	1.6	16, 18, 19, 22	0	Maintenance
TOTAL	477.4		25.971		84	

From the table above it is clear that due to the financial constraints, the number of new gravelled roads was reduced and the number of graded roads increased.

The monthly progress on the gravelling of roads from the start of the project in 2008 is indicated on the graph below:



Monthly progress on the grading of roads from the start of the project in 2008 is indicated on the graph below:



Together we can achieve more

Buildings and Structures

The different types of work performed by Building and Structures is reflected in the table below:

BUILDINGS AND STRUCTURES: OPERATIONS & MAINTENANCE REPORT	2010/2011 - Annual
General maintenance work doors, garage doors	111
General maintenance door locks (May x 2)	128
Maintenance work furniture and kitchen cupboards	62
Notice boards and pictures and toilet fittings	23
Roof repairs and barge board	31
Ceiling repairs	19
Tiling and carpets	29.8
Window repairs	57
Toolboxes / shelving / benches / tables	22
Partitioning	16
Brickwork	5
Plastering x10	28.7
Concrete Work	22
Fencing and gate repairs	49.4
Furniture removals	12
Painting office and buildings x10	46.95
Bus stops shelter make, repair, paint	6
Other - paving, concrete benches	37

This section also performs maintenance related quotations. Work is done on all the municipal buildings such as offices, depots, buildings and ablutions, workshops, swimming pools, libraries, pump stations, walker facilities, bus shelters, public toilets and substations.

The Buildings and Structures Section is involved in goodwill projects. The two projects that were undertaken during this past year included the repair of a storm damaged house in the eSikhaleni area, which entailed structural repairs and materials like poles and thatch.

The second project was done in conjunction with the Department of Correctional Services in the Port Durnford Area. A house was damaged by a storm and residents were housed temporarily in tents. Correctional Services, Council and private companies assisted with materials.



Maintenance Contracts

This Section also attended to maintenance related contracts and small new works such as traffic calming, the erection of fences, storm water upgrades, large area patching, grass cutting and silt removal as needed. The work completed or that commenced during the year is indicated in the table on the following page.

MAINTENANCE CONTRACTS and QUOTATIONS			
Project	Area	Contractor	Expenditure
Painting of traffic signal poles	Richards Bay	Masiqhame Construction	R 158,118.00
Construction of speed humps on Durnford Road	Empangeni		
Construction of speed humps at Vulindlela	Vulindlela	Saneleyo Construction and Services	
Repairing of a pedestrian bridge	Rural Area	Bhadaza Construction	R 120,000.00
Re-construction of walkway at Empangeni Bus Rank A	Empangeni		R 47,027.00
Painting of traffic signal poles in Richards Bay	Richards Bay	Masiqhame Construction	R 158,118.00
Repair Storm Water canal at Empangeni High School	Empangeni		
Repair erosion near Ngwelezane robot	Ngwelezane		
Maintenance of cattle grid	Mandlazini	Saneleyo Construction and Services	R 37,000.00

Future plans

1. To implement the new structure as approved by Council.
2. To assist with new and on-going construction works like:
 - Doubling of the John Ross
 - John Ross Bridge construction at BHP
 - New BHP development
 - The new N2 / John Ross development
 - IDZ development
3. Access more funding for the rural roads through a appointed consultant to speed up the construction process.
4. Extension of ECA to the Airport
5. The doubling of NCA from ECA to Aquadene
6. Upgrading on Tanner Road in Empangeni Rail

Project Management Unit

The Project Management Unit has two main functions:

1. The Municipal Infrastructure Grant Funding, including counter funding, is spent to ensure backlog eradication in the Traditional Areas, and
2. Internal municipal funding is utilised to ensure that new water and waste water projects are built and existing infrastructure upgraded to ensure that the level of service rendered to the community can be sustained and that any new developments can be served with water and waste water services.

Municipal Infrastructure Grant Funding

Statistics

- Grant Funding spent in the 2010/ 2011 Government Financial Year (April 2010 to June 2011) = R 59 369 042
- uMhlatuze Municipality counter funding spent to augment above grant funding on both water and sanitation = R 35 141 903
- Total number of projects in various stages of completion = 32

Project overviews

Mkhwanazi North Water Supply Phase 5B

Phase 5B of the Mkhwanazi Water Supply project started in March 2008 and was completed in August 2010.

The upgrade of Mkhwanazi Water Supply Phase 5B comprised, in brief, upgrading a potable water supply pump-station, installation of 350mm (replacing 110 mm diameter) and 160mm diameter bulk water mains, construction of a new pump-station, together with valves and related fittings, in addition to the erection of two 15m high elevated pressed steel reservoirs of 250kl and 350kl respectively.



Rural Sanitation in all areas Dube/Mkhwanazi South Sanitation Project Phase 2

A total of 5 750 Ventilated Improved Pit Latrines (VIPs) were installed in Phase 2 of the Dube Mkhwanazi South Sanitation Project.

Rural Sanitation Phase 3 commenced in March 2011 in which a total of 8 000 VIP toilets were erected. This phase of the Rural Sanitation project is carried out to address the basic sanitation facilities in all traditional areas being Dube/Mkhwanazi South (1 300 toilets), Mkhwanazi North (2 300 toilets), Madlebe (2 300 toilets) and Khoza (2 100 toilets).

The top structures are manufactured at Port Dunford factory site.

Project overviews

uMhlatuze Low Cost Housing Bulk Sewer Services
The project commenced in July 2010 and was completed in May 2011. The scope of works consisted of one pump station (2 pumps), a sewer rising main approximately 300 m of 125 mm in diameter, a gravity mains approximately 2 700 m class 34 PVC and 77 manholes. This project is aimed at servicing Phase 5, 7 and 8.

eSikhaleni Water Treatment Plant

The project commenced in July 2010 and was completed in June 2011. However, the issue of Eskom dedicated power line supply remains an issue as regular power failures are being experienced. The scope of work consisted of the following:

- Replacement of pump delivery manifold
- Replacement of pump suction manifold
- Replacement of two existing pumps pipe work to suit new suction and delivery manifolds
- Modifications to existing electrical works
- Testing, commissioning, painting
- Maintenance during the defect liability period
- The pumps are new and have a bigger capacity, which will require Eskom to finalise the power line supply to the plant. Lake Cubhu plant supplies water to all areas under Mkhwanazi Traditional Authority, Dube Traditional Authority, eSikhaleni and Felixton area.

Hillview Pump Station

The Empangeni Southern Outfall Sewer starts at the Hillview Pump Station next to the Empangeni Prison and the southern suburbs of Empangeni to the Empangeni Waste Water Treatment Plant. With the envisaged growth and new developments to the south and east of Empangeni, the capacity had to be increased in the outfall sewer to cater for these increased flows. The last 2 km of the existing line runs very close to capacity and any increase in volume will result in spillages taking place.

The project commenced in June 2009 and was completed in August 2010. The scope of work for this particular portion of the project/ contract only covers the upgrade of the Hillview Sewer Pump Station. The work entailed the construction of a new sump, installation of pumps, piping and connection to the existing rising main.

Extention to Existing Undercover Parking

The project started in July 2009 and was not completed in time due to the contractor failing to expedite the works, and penalties were applied from the end of May 2010. The contract was then later cancelled with minor works done by Council i.e the electrical works etc. The project provides additional 101 parking bays that will total up to 216 parking bays.

Support Services Branch

The Support Services Branch was involved in a wide range of activities during this reporting period with the main focus being on:

Geographic Information System (GIS)

The GIS continues to expand and currently comprises of 293 data layers covering a wide spectrum of functions and deliverable responsibilities across all departments of the Municipality.

The system has been incorporated into the induction programme for new appointments thus providing both an awareness and understanding of the capabilities of the system for new staff commencing their working careers with Council.

Further to this the system is available and extensively used throughout the organisation via the ArcREADER browser and to external instances via the website.

The Corporate GIS section will shortly be holding training sessions for the newly elected councillors and will also make the GIS available to them via ArcREADER.



The GIS will also in the near future be incorporated into and form the basis of various operational processes such as the Water Loss Management System and Asset Management System.

Survey and Design

Extensive assistance was provided to all departments with regard to ad hoc surveys, draughting and designs covering a wide range of issues across the organisation. Approximately 78 such projects were attended to in this reporting period.

Of note were the infrastructure planning, designing and draughting for a cluster development of approximately 45 erven in eSikhaleni. It is anticipated that the installation of services will commence shortly in accordance with these designs.

Administration

The Administration Section continues to serve the Department in a wide range of administration areas ranging from budget compilation and expenditure monitoring, minutes of meeting, typing functions, technical library management, organising of functions and general administration and managing the departmental complaints centre.

The complaint centre receives about 2109 complaints per month namely:

Water and Sewerage	±1759
Roads and Storm Water	±261
Building and Structures	± 89

A large portion of this Municipality's service delivery responsibilities arise from the Department:

Infrastructure and Technical Services. These responsibilities are attended to by technically orientated staff requiring certain skills and competencies in order to perform their duties.

Paramount in the development of engineers is the membership to a statutory body such as the Engineering Council of South Africa (ECSA).

Registered professionals with ECSA have undergone a rigorous scrutiny of their qualifications and experience levels and as such have been declared professionally competent and responsible in terms of the law for their workplace actions. The employer (Municipality) is thus protected and guaranteed of a competent employee when appointing professionally registered staff.

However, this registration comes at a cost for the individual as he/she is faced with financial stress in that, in order to maintain this registration, annual fees and proof of continued development in the form of points (CPD) need to be submitted annually. These costs are, in most instances, the inhibiting factor for non-registration.

Council has recognised the need for ECSA registration and has resolved to assist financially with the CPD criteria and is currently also considering the annual fees component. To date there are 44 employees who could potentially register with ECSA, of which, only six are registered.



Together we can achieve more

Department of Financial Services

- Administration and Strategic Planning
- Financial Support, Budget Process Management, Budget Reporting and Expenditure Management
- Financial Accounting, Reporting and Asset Management
- Creditors, Loans, Investments and Cash Management
- Supply Chain Management
- Income Billing Management and Reporting
- Customer Relations Management and Indigent Support



Mr Mxolisi Kunene

Overview

Headed by the Chief Financial Officer, Mr Mxolisi Kunene, the strategic priority of this Department is to ensure sound financial management both departmentally and throughout the Municipality. Mr Kunene has been at the helm for two financial years and is steering the Municipality through a cash flow recovery process during a very challenging economic climate. A cash flow recovery strategy is in place and the Municipality is on the road to full recovery within the next three years.

Internship Programme

As part of the Municipality's developmental commitment, five Financial Management interns were appointed during this period for an Internship Programme, which is funded from the Financial Management Grant from National Treasury.

Rotations as well as Personal Development Plans were developed for each intern and progress on this programme is satisfactory, especially in the absence of other institutional platforms providing a suitable stepping-stone for aspirant local government financial managers.

Over and above this nationally driven initiative, the Department of Financial Services has now also engaged a further six interns from a similarly run Provincial initiative.

Administration and Strategic Planning

A five year financial plan has been completed, which includes among others an organisation structure with specialised divisions for internal and external service delivery and financial management support for the entire Municipality.

This work in progress has resulted in:

- Cash flow improvement and funded budgets
- Divisions of the Department of Financial Services working more collectively than in silos
- Quality of financial reporting among the best in the country
- Quality of debt management among the best in the country
- Quality of creditors management among the best in the country
- Quality of inventory management among the best in the country
- Providing the lowest priced basket of services to all our consumers with one of the widest range of free basic services for the poor and indigent residents of our Municipality, in the country.



■ Financial Support, Budget Process Management, Budget Reporting and Expenditure Control

Managing the budget is an on-going task. This process commences in August of each year with the approval of the budget process plan and timetable, which sets out the deadlines to be met by the administration and Council in order to comply with the requirements of the Municipal Finance Management Act, 2003.

The 2011/2012 Budget and Medium Term Revenue and expenditure Framework (MTREF) was tabled before Council on 1 March 2011. Thereafter a six-week budget participation process was undertaken with cluster meetings being held in various locations. Attendance by the community at these meetings is improving and the understanding of the municipal process by the community is also encouraging to note.

Following the budget participation process any amendments that have been identified by the community are incorporated into the Final 2011/2012 Budget and Medium Term Revenue and expenditure Framework (MTREF). Council approved the 2011/2012 MTREF on the 10 May 2011.

Besides budget management this division is also responsible for all monthly, quarterly and annual budget reporting in terms of the Municipal Budget and Reporting Regulations. This is a continuous process that ensures that the Municipality is compliant with the relevant legislation.

Another area of responsibility is expenditure control, which involves the preparation of various reports as a support department in order to assist expenditure management by the rest of the organisation.

During the past financial year a greater emphasis has been placed on Activity Job Costing by tightening the expenditure controls over individual jobs. Departmental buy-in was one of the first steps taken to ensure that the improved controls were implemented. This was achieved by holding various meetings with the departments concerned where information was shared to enable them to understand why the improvements were necessary. One of the areas that will begin to make a difference is the splitting of repairs and maintenance budgets into planned and unplanned maintenance.

On a monthly basis a selection of line items (excluding repairs and maintenance) are analysed for abnormalities. Repairs and maintenance are analysed in detail and each job number analysed is split into material, labour and transport, these abnormalities and the job numbers are forwarded to the respective departments for comments. These material differences are then reported to the relevant department's management for explanations or action.

The Financial Support Division also includes payroll administration, which ensures that 2 000 employees (including 60 councillors) are paid their monthly salaries and allowances timeously and accurately. In order to achieve this strict deadlines are required to be met.

During 2010/2011 the Payroll Administration section received about 20 new garnishing orders per month, which implies that the recession has had a negative impact on the financial viability of employees.

SARS has also placed a greater burden of responsibility on the Municipality by making the Municipality responsible for ensuring that every employee is registered with SARS for tax purposes. The Payroll Administration Division facilitated two sessions with SARS in which employees could submit the necessary documentation required for registering.

■ Financial Accounting, Reporting and Asset Management

This is a newly formed division created in terms of Council's revised organogram and the functions include ensuring that the Annual Financial Statements are completed and timeously submitted to the Auditor-General for auditing purposes.

During the 2010/2011 financial year the section submitted the Annual Financial Statements timeously to the Auditor-General and an unqualified audit opinion was obtained.

This division is also responsible for the management of the financial assets register. The Auditor-General did not raise any major findings regarding the financial assets register.

Together we can achieve more

Creditors, Loans, Investments and Cash Management

As a result of the financial interventions introduced by Council and assistance by various stakeholders, there has been a substantial reduction in expenditure compared to previous years. The following are a few examples where expenditure has been significantly reduced:

Line Item	2009/2010	2010/2011	Decrease	% Decrease
Security Costs	26,989,357.17	22,865,103.94	4,124,253.23	15.28
Research costs	860,782.00	495,058.00	365,724.00	42.49
Telephone costs	2,544,349.00	1,918,734.00	625,615.00	24.59
Rental: Equipment & Vehicles	1,672,603.00	279,568.00	1,393,035.00	83.29
Total	32,067,091.17	25,558,463.94	6,508,627.23	

Supply Chain Management

The position Manager Financial Services: Supply Chain Management was created to fulfil the additional responsibilities brought about by the Municipal Finance Management Act through Supply Chain Management Regulations. This post was filled internally with the appointment of Mr Ntokozo Khumalo.

City's Supply Chain Management Indaba

In order to interact with SMMEs and to improve on the developmental mandate, the division organised a Supply Chain Management Indaba in partnership with First National Bank, Zululand Times and the Zululand Fever newspaper. The five Constitutional pillars of procurement in South Africa, namely, fair, equitable, transparent, competitive and cost effective were highlighted at the Indaba.

The event also informed the local business community, especially SMMEs about Council's Supply Chain Management Policy and how the procurement process works. Various stakeholders, which included the CIDB, the Zululand Chamber of Commerce and Industries, SARS and First National Bank, added value to the Indaba with their presentations.

Advertising of Council's request for quotations

Even though this process is not prescriptive in terms of the law, any quotation above R2 000 is advertised on all Council's notice boards to afford all contractors the opportunity to participate in Council's SCM process. This has proven to be highly successful as several new contractors have been afforded an opportunity to perform work for Council.

Segregation of procurement functions

A system has been introduced where quotations are placed in a quotation box and opened by at least two procurement officers to segregate procurement actions. Service providers or contractors can view the opening of the quotation box if they so wish. This is also not prescriptive in terms of the law.

Controlling expenditure

The Supply Chain Management Unit (SCMU) continued to ensure that stricter control measures were put in place to manage materials and contracts. This resulted in a large saving for Council.

Report from Auditor General

Council received an unqualified audit opinion from the Auditor General. The division received a clean audit, with "no items to be reported". This confirms that Council's Supply Chain Unit is functioning effectively and efficiently.

Comparison of figures on the performance of the SCM Unit since 2002 (graph on next page)



	2002/2003	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/2011
Stock purchases	R 12,784,765.79	R 15,658,855.11	R 21,724,696.29	R 18,069,290.00	R 30,674,268.00	R 35,842,571.00	R 51,155,949.23	R 30,578,442.73	R 22,256,758.09
Stock issues	R 12,712,110.69	R 15,285,511.42	R 19,728,350.52	R 19,553,022.00	R 29,574,477.00	R 34,153,657.00	R 48,930,073.23	R 28,322,528.07	R 26,649,286.36
Total Stock Transactions	R 25,496,876.48	R 30,944,366.53	R 41,453,046.81	R 37,622,312.00	R 60,248,745.00	R 69,996,228.00	R 100,086,022.46	R 58,900,970.80	R 48,908,044.45
Shortages	R 218,765.26	R 140,120.90	R 63,345.59	R 41,456.00	R 70,860.00	R 9,627.00	R 8,112.34	R 36,980.64	R 33,616.63
Surpluses	R 397,796.62	R 157,001.92	R 54,271.31	R 56,514.00	R 22,367.00	R 14,251.00	R 55,795.68	R 23,799.47	R 51,091.98
Total Discrepancy	R 616,561.88	R 297,122.82	R 117,616.90	R 97,970.00	R 93,227.00	R 23,878.00	R 63,908.02	R 60,780.11	R 84,708.61
Error rate % (Stock)	2.42	0.96	0.28	0.26	0.15	0.03	0.06	0.10	0.17
Direct Purchases	R 28,419,515.92	R 28,411,588.17	R 41,886,628.51	R 49,141,660.00	R 77,244,248.00	R 72,331,415.00	R 133,503,820.45	R 45,320,328.68	R 108,063,019.73
Combined transaction values	R 53,916,392.40	R 59,355,954.70	R 83,339,675.32	R 86,763,972.00	R 137,492,993.00	R 142,327,643.00	R 233,589,842.91	R 104,221,299.68	R 156,969,064.18
% Combined error rate Stock and Direct	1.14	0.50	0.14	0.11	0.07	0.02	0.03	0.06	0.05

Income Billing Management and Reporting

ANNUAL TARIFF INCREASES						
Year	Rates	Water	Electricity	Refuse	Sewer	CPI
2004	10 %	13.5 %	11 %	8 %	10 %	5.1 %
2005	7.50 %	13 %	3.8 %	7.5 %	7.7 %	4.2 %
2006	8 %	0 %	4 %	0 %	0 %	3.5 %
2007	6 %	6.5 %	5.9 %	6 %	4.1 %	6.6 %
2008	8 %	10 %	28 %	6 %	6 %	14 %
2009	13.6 %	5 %	20 %	7 %	5 %	11.5 %
2010	12.8 %	11.64 %	31 %	9.8 %	9.8 %	4.2 %
2011	12.5 %	12.47 %	Separate table (left)	13 %	12.5 %	4.8 %

Electricity	Percentage
Residential – High (1500kwh)	24.16%
Residential – Medium (900kwh)	19.10%
Residential – Low (450kwh)	6.89%
High Season (June - August)	
Business – High and Medium	24.52%
Large Industry - High	26.72%
Low Season (September - May)	
Business – High and Medium	24.52%
Large Industry - High	26.72%



Tariffs

The higher than inflation increase in tariffs is brought about primarily by the following factors:

- Accommodating one of the Municipality's Turnaround Strategy objectives in the Municipality's Rates and Service Charges pricing risk
- Above inflation increases from the Municipality's bulk water service providers
- Accommodating the above inflation increase of Eskom's bulk purchase electricity tariffs.

In an attempt to cushion the impact of the above on the community, the following are the primary interventions arising from the Turnaround Strategy:

- Limiting borrowing to R100 million, which increases the Municipality's exposure to 47% of the total budget (Accepted norm is 50%). The positive point here is that finance charges remain at 10% of the Operating Budget (Acceptable norm is a maximum of 15%).
- Strategically looking at opportunity revenue sources which are foregone. Cost centres of which are financed by the ratepayer tax base support the interests of a specific sector of the community. Tariffs here need to be more cost reflective and not subsidised by the ratepayers to the extent that they currently are.

Strategically looking at the restructuring of water and electricity tariffs so as to ensure that they more equitably satisfy both the objectives of being income generating while simultaneously satisfying the role of protecting the poor. For example for the coming year a five tiered inclining block tariff is introduced for residential electricity.

These are over and above the existing relief measures employed for the indigent, handicapped and pension consumers:

- 50 KWH (units) of electricity free for applicants whose usage of electricity amounts to an average of no more than 1 800 units per annum.
- Free water for all consumers for the first 6 000 litres of water per month.
- Free rates if property value is less than R75 000.
- Free refuse charge if property is valued less than R75 000.
- Free sewer charge if property is valued less than R75 000.
- All rural communities have strategically placed refuse skips wherein refuse can be placed free of charge.
- By implication the very nature of property valuation allows rates payable by communities living in less formal areas to be minimal.
- Targeted indigent support for very poor and child run households.

Debtor Accounts

Electricity and water meters readings are performed, processed and posted monthly to ensure that all account holders receive accurate accounts and that a high payment rate is maintained.

Customer Relations Management and Indigent Support

Debt collection

The collection of monies has been very difficult. The Department however still obtained an average debt collection ratio of 100.11%, despite these difficult times.

The overall payment rate for the past seven years is illustrated below:

Year	Payment Rate
2004/2005	99.59 %
2005/2006	99.34 %
2006/2007	101.81 %
2007/2008	98.74 %
2008/2009	98.56 %
2009/2010	98.67 %
2010/2011	100.11 %

More specifically, the following is the assessment for the financial year ending 30 June 2011.

Collection Ratio / Debtors Turnover Ratio / Payment Ratio – For Consumer Debtors

Suburb	Debt Collection Ratio – In Days	Debtors Turnover Rate - %	Average Payment Rate - %
Richards Bay	31 days	8.51%	98.32 %
Vulindlela	81 days	22.20%	99.47 %
eNseleni	115 days	33.51%	98.10 %
eSikhaleni	112 days	30.72%	95.37 %
Sundry Debtors	46 days	12.56%	92.80 %
Empangeni	43 days	11.87%	100.44 %
Ngwelezane	156 days	42.75%	100.65 %
Average	39.98 days	10.95%	100.11 %

- The debt collection ratio is for the 12-month period preceding 30 June 2011.
- The debtor's turnover rate represents the outstanding debtors' amount expressed as a percentage of the last 12 months billed revenue.
- The payment rate is the average of the 12 months preceding 30 June 2011.





Chapter 4

Audit Committee Report

The Honourable Speaker
Council of the City of uMhlathuze
Civic Centre
Mark Strasse
Richards Bay
3901

12 January 2012

Dear Sir

Audit Committee's Report to Council

The Audit Committee of the City of uMhlathuze has pleasure in submitting its seventh report to the Council of the City of uMhlathuze. This report is submitted in terms of the provisions of Sections 121(3)(j), 166(2)(b) and 166(2)(c) of the Municipal Financial Management Act of 2003 ("the MFMA") and covers the financial year from 1 July 2010 to 30 June 2011 except where otherwise stated.

Members

1. The following persons served as members of the Audit Committee for the year under review:
 - JM de Wet – Chairperson
 - BB Mdletshe
 - H Oosthuizen

There is no nominated municipal employee currently serving on the Audit Committee. Mr Oosthuizen represents the Audit Committee on Council's Performance Audit Committee.

Overview of activities

2. The Audit Committee had five formal meetings during the period covered by this report. These meetings were held on:
 - 27 August 2010
 - 9 December 2010
 - 24 March 2011
 - 27 May 2011
 - 23 June 2011.

In addition, the Chairman attended a report-back meeting on the audit for the year ended 30 June 2011 presented by the Auditor-General, on 10 November 2011.

The Audit Committee therefore complied with the provisions of Section 166(4)(b) of the MFMA which requires the Audit Committee to meet at least four times per year.

3. The following matters were dealt with at these meetings:
 - The Internal Audit Plan for the 2010/2011 financial year was considered and approved;
 - At each of the meetings, a report from the internal auditors on work done by them in terms of the approved audit plan, was tabled, discussed and approved;
 - At each meeting a progress report of actual work done as measured against the Internal Audit Plan was considered;
 - Attention was given to Council's Performance Management System by considering reports from Council's Performance Management Committee;
 - Work commenced to redraft Council's Internal Audit Charter and the Audit Committee Charter.

Report

4. For purposes of executing its statutory duties as contained in section 166(2)(a) of the MFMA as well as its mandate as set out in the Audit Committee Charter, the Audit Committee relies on the work done by internal audit which has been outsourced to PricewaterhouseCoopers, a firm of professional service provider.
5. In order to be able to rely on the work performed by internal audit, the Audit Committee has to satisfy itself that the quality and scope of the work performed by internal audit is sufficient to be able to place the necessary reliance thereon, that the internal auditors could do their work without any restrictions and that the internal auditors are, at all times, fully independent. It is the view of the Audit Committee that the work performed by internal audit is of a high standard, that it is properly planned and controlled and that the reporting is detailed and comprehensive. There is also sufficient evidence that internal audit findings are discussed with the responsible officials and that implementation of corrective measures that have been agreed upon, are followed up regularly. Consequently we have no hesitation in relying on the work performed by internal audit for purposes of executing our mandate. We are therefore in a position to advise Council that as far as matters relating to internal financial control, the adequacy, reliability and accuracy of financial reporting, performance management and evaluation, effective governance and compliance with the MFMA and other relevant legislation are concerned, the internal audit reports considered by the Committee has not revealed any material issues that may compromise any of these functions or responsibilities. This comment should however be read with our concerns and recommendations, which are dealt with in paragraph 9.
6. Section 166(2)(b) of the MFMA requires the Audit Committee to “review the annual financial statements to provide the Council of the municipality with an authoritative and credible view of the financial position of the municipality, its efficiency and effectiveness and its overall level of compliance with this Act, the annual Division of Revenue Act and any other applicable legislation”. For these purposes, the Audit Committee relies on the work performed by the Auditor-General during its audit of the financial statements of the municipality.
7. The members of the Audit Committee reviewed the financial statements and the report of the Auditor-General for the year ended 30 June 2011 and can report as follows:

Auditor-General's report on the financial statements

- The Auditor-General's report on the financial statements has been noted. In this regard it is pleasing to note that the Auditor-General expressed an unqualified audit opinion on the financial statements for the year ended 30 June 2011 but with emphasis of matter items relating to significant water and electricity losses in the amount of R45 291m and the restatement of corresponding figures as a result of errors discovered during the year ended 30 June 2010.

Auditor-General's report on other legal and regulatory requirements

- The Auditor-General also reported on other legal and regulatory requirements for the year ended 30 June 2011. The Auditor-General found that, as far as procurement and contract management was concerned, persons who are in service of the state have not disclosed that they were employed by the state and have been transacting with the municipality, in contravention of Section 44 of the Supply Chain Management Regulations. The Audit Committee has been made aware of the challenges facing the Municipality in complying with these requirements. The Audit Committee recommends that the Auditor-General be engaged to provide guidance to assist the Municipality with its compliance with these regulations.

Comment on the financial statements for the year ended 30 June 2011

- Council recorded a deficit for the year in the amount of R193m (2010: R115m). However, when the effect of non-cash items charged to the Statement of Financial Performance is eliminated, Council recorded a cash surplus from operating activities in the amount of R140m (2010: R99m).
- Revenue from the main income streams namely property rates and service charges increased from R937m to R1 166m, an increase of 24.5%. Government grants and subsidies reduced from R236m to R203m, a decrease of 14.1%.

- Total expenditure for the year increased from R1 423m in 2010 to R1 631m in 2011, an increase of 14.6%. Notable increases were recorded in post employment benefit expenses which increased by 95% (primarily as a result of an actuarial loss calculated on the post medical benefit obligation) and a 22% increase in bulk purchases which correlates with the increase in revenue from the provision of services.
 - Cash and cash equivalent decreased by R21m (2010: R55m) during the year under review. The positive cash flow referred to in the first paragraph was reduced by net spending on property plant and equipment of R86m and repayments of borrowings of R75m leaving Council with cash and cash equivalents at the end of the year in the amount of R40m (2010: R60m).
 - The ratio of current assets to current liabilities deteriorated from 0.83:1 in 2010 to 0.73:1 in 2011 which continues a trend identified and reported on in 2010. As indicated in our previous report, this could be an indication that future cash flows could come under pressure.
 - Trade receivables (before provision for bad debts) increased by less than R1m during the year under review which, in our opinion, is commendable given the economic climate which prevailed during the year under review. It would therefore appear that Council's Credit Control Section is effecting proper debt management for the whole City which corresponds with a similar finding during the 2010 financial year.
8. Insofar as the provisions of Section 166(2)(c) of the MFMA are concerned, we can report that, in our opinion, there are no issues raised by the Auditor-General in the audit report which require specific response to Council.

Concerns and recommendations

9. During the course of our meetings and discussions during the period under review, a number of important issues came to light which the Audit Committee believes should be brought to Council's attention. These matters are dealt with below:

The governance of risk

- 9.1 The governance of risk is, in the view of the Audit Committee, a cornerstone of good corporate governance and Council has, in our opinion, the responsibility to ensure that the governance of risk becomes an integrated part of the day to day management of Council's affairs.
- 9.2 During the previous financial year, internal audit conducted a detailed risk review and compiled a Detailed Risk Register as well as Detailed Risk Registers per Department which the Audit Committee reported on in our 2010 report. During the latter part of the 2011 financial year, a similar review was performed and the Risk Register was updated accordingly. This updated Risk Register was tabled for consideration by the Audit Committee at a meeting held on 5 August 2011. Whilst the Audit Committee is appreciative of the work and effort that goes into the shaping of this register, the challenge remains to incorporate the risks so identified into Council's planning and strategies for the future as well as in the day-to-day decision making processes to ensure that these risks are addressed and mitigated as far as possible.

What still appears to be lacking is a mechanism which will enable Council to identify and monitor responses to these risks so as to ensure that risks are addressed and that they are adequately addressed. In this regard, we can report that we have been advised that a Risk Management Committee has recently been established with the purpose of monitoring these risks. The Audit Committee will monitor the work done by this Committee to ensure that identified risks are adequately responded to. We also recommend that the Risk Register be revisited on a regular basis to ensure that it remains relevant.

The governance of information technology

- 9.3 During the 2011 financial year, the Audit Committee placed particular emphasis on Information Technology issues. In the Detailed Risk Register referred to above, Information Technology failure is rated as a risk with catastrophic impact. Of particular concern to us are the risks associated with inadequate back-up facilities and the failure to upgrade or replace certain key network infrastructure components. Our concerns caused us to submit a special report to Council dated 10 August 2011 in which we expressed our concerns on these matters. We trust that these matters and other IT issues which are also of a critical nature, are receiving Council's urgent attention.

Reporting and disclosure

- 9.4 The preparation of Council's annual financial statements is governed by various International Financial Report Standards, Generally Recognised Accounting Standards and Generally Accepted Municipal Accounting Standards. In addition, there are a number of financial reporting requirements issued by National Treasury which have to be complied with. In spite of the substantial compliance burden which these standards require, Council's Treasury Department managed, as in the previous financial year, to comply with these standards to the satisfaction of the Auditor-General and Treasury and should, in our view, be congratulated with this achievement. Future compliance with financial reporting standards will however continue to place severe strain on existing financial capacity and infrastructure. It is therefore crucial that Council acknowledge the importance of maintaining and improving its financial capacity to meet with future challenge.

Internal Audit

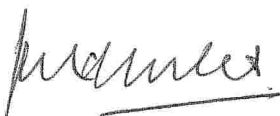
- 9.5 The internal audit contract of PricewaterhouseCoopers expired on 30 June 2010. Tenders had been called for, but a new tender was not awarded. Instead, the internal audit contract of PricewaterhouseCoopers (now PwC) was extended by one year. On 1 July 2011 PwC was informed that their contract had been extended by another year and that it would now expire on 30 June 2012. This, in our view, is not a satisfactory state of affairs. Internal audit is an integrated process that requires long term planning, normally by way of a three year rolling plan. If uncertainty exists about future re-appointments, long term forward planning cannot be done and planning becomes, to a certain extent, an ad-hoc process. The result is that some efficiency is lost. We therefore recommend that Council considers this matter and that a three year appointment be made long before the expiry of PwC's extended contract.
- 9.6 It has come to our notice that Council is again considering insourcing the internal audit function. As indicated in our report for the year ended 30 June 2010, the Audit Committee has serious reservations about this plan of action for the reasons given in that report. In our view those reservations remain applicable and relevant and it is again our recommendation to Council not to proceed with the insourcing of the internal audit function.

Conclusion

10. The implementation and maintenance of proper systems of internal control, the prevention of fraud and error, the safeguarding of the assets of the Municipality and compliance with relevant laws and regulations, are Council's responsibility. The role of the Audit Committee is to monitor the efficiency of the procedures and mechanisms which Council has put in place in order to ensure that its policies and procedures are adhered to. We can report that, taking into account the exceptions noted above and based on the reports submitted to us, that our overall impression is that the systems and procedures implemented by Council are operating efficiently.

We also wish to take the opportunity to thank the Council officials for their hard work and the dedication they display to their duties and the positive attitude that they display in their interaction with the Audit Committee.

Yours faithfully



JM de Wet
Chairman – Audit Committee





Chapter 5

Financial Reporting

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REPORT OF THE AUDITOR-GENERAL TO KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE COUNCIL ON uMHLATHUZE MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the uMhlatuze Municipality, which comprise statement of financial position as at 30 June 2011, the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 92 to 156.

Accounting officer's responsibility for the financial statements

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

Auditor-General's responsibility

3. As required by Section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), Section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and Section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I concluded my audit in accordance with International Standards on Auditing and General Notice No. 1111 of 2010 issued in Government Gazette No. 33872 of 15 December 2010. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipality's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

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

Emphasis of matters

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

Restatement of corresponding figures

9. As disclosed in note 32 to the financial statements, the corresponding figures for 30 June 2010 have been restated as a result of an error discovered during 2011 in the financial statements of the uMhlatuze Municipality.

Material losses

10. As disclosed in note 25 to the financial statements, material losses to the amount of R12,589,062 and R32,701,629 were incurred as a result of water and electricity losses.

Additional matter

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

Unaudited supplementary schedules

12. The supplementary information set out on pages 148 to 156 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

Report on other Legal and Regulatory Requirements

13. In accordance with the PAA and in terms of General Notice No. 1111 of 2010, issued in Government Gazette No. 33872 of 15 December 2010, I included below my findings on the annual performance report as set out on pages 16 to 19 and material non-compliance with laws and regulations applicable to the municipality.

Predetermined objectives

14. There are no findings on the annual performance report.

Compliance with laws and regulations

Procurement and contract management

15. Persons who are in service of the state have not disclosed that they were employed by the state and have been transacting with the municipality, in contravention with section 44 of the Supply Chain Management (SCM) Regulations.

Internal Control

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

Leadership

17. The municipality has a system of internal controls in a form of a declaration form; however, the service providers did not disclose their identity as in the service of state.

Other Reports

Investigations

18. An investigation was completed during the year that related to the cash flow problems experienced by the municipality.
19. An investigation was completed during the year that related to alleged irregularities regarding the eSikhaleni Hostel Refurbishment and uMhlathuze Village Housing.
20. An investigation is in process regarding the payments of income refunds.

Pietermaritzburg

Pietermaritzburg
30 November 2011



AUDITOR - GENERAL
SOUTH AFRICA

STATEMENT OF THE MUNICIPAL MANAGER'S RESPONSIBILITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

The uMhlatuze Municipality, situated at 5 Mark Strasse, Richards Bay is a category B municipality, established in terms of section 12 (1) of the Municipal Structures Act, No 117 of 1998 and published in terms of Provincial Government Notice 346 on the 19 September 2000. The Local Government operations of the Municipality are assigned by Section 156 and 229 of the South African Constitution and defined specifically in terms of 83 of the Municipal Structures Act.

I am responsible for the preparation of these annual financial statements, which are set out on pages 95 to 156, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 20 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



DR N. J. SIBEKO
ACTING CITY MANAGER



DATE

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011

	Notes	2011 R	RESTATED 2010 R
NET ASSETS AND LIABILITIES			
Net assets		3,552,447,044	3,745,651,659
Housing Development Fund	1	54,279,060	59,082,968
Accumulated surplus		3,498,167,984	3,686,568,691
Non-current liabilities		939,627,765	984,956,959
Long-term liabilities	2	750,236,765	834,359,959
Post employment medical aid benefits	29	189,391,000	150,597,000
Current liabilities		361,133,366	374,214,083
Consumer deposits	3	36,559,057	30,550,391
Trade and other payables	4	200,719,148	212,987,087
Provisions	30	18,328,622	16,793,680
Unspent conditional grants and receipts	5	24,321,340	41,529,959
Current portion of long-term liabilities	2	81,205,199	72,352,967
Total Net Assets and Liabilities		4,853,208,175	5,104,822,701
ASSETS			
Non-current assets		4,591,380,140	4,793,702,368
Property, plant and equipment	8	4,460,244,016	4,656,908,064
Investment property	10	123,477,094	123,616,489
Intangible assets	9	7,150,931	12,581,047
Non-current receivables	12	508,099	596,768
Current assets		261,828,035	311,120,033
Inventory	7	73,891,303	93,858,020
Trade and other receivables from exchanged transactions	11	127,853,867	128,510,329
Other receivables from non-exchanged transactions	13	15,713,609	8,155,251
VAT	6	4,559,829	19,962,672
Current portion of long-term receivables	12	250,540	391,916
Bank balances and cash	14	39,558,887	60,241,845
Total Assets		4,853,208,175	5,104,822,701

STATEMENT OF FINANCIAL PERFORMANCE AT 30 JUNE 2011

	Notes	2011 R	RESTATED 2010 R
REVENUE			
Property rates	15	178,078,013	148,561,253
Service charges	16	987,889,876	787,972,288
Rental of facilities and equipment		10,901,303	11,180,820
Interest earned - external investments		2,564,696	3,844,950
Interest earned - outstanding debtors		1,284,116	2,052,809
Fines		1,645,326	2,833,876
Licences and permits		1,867,168	1,842,247
Income for agency services		4,602,828	4,237,976
Government grants and subsidies	17	202,775,860	236,022,726
Public contributions		1,370,360	175,374
Other income	18	42,397,171	50,917,408
Gains on sale of land		2,187,405	56,578,934
Gains on disposal of property, plant and equipment		162,463	1,163,608
Total Revenue		1,437,726,585	1,307,384,269
EXPENDITURE			
Employee related costs	19	361,199,470	322,178,326
Remuneration of Councillors	20	14,587,064	14,016,382
Bad debts	11	2,310,145	227,463
Collection costs		10,132	49,079
Depreciation	8,10	284,080,136	263,449,206
Amortisation	9	3,843,092	2,465,060
Post employment benefits expenses	29	38,794,000	19,890,000
Conditional grant expenditure		5,025,682	4,274,401
Repairs and maintenance		37,078,117	32,279,896
Finance costs	21	88,507,547	83,082,037
Bulk purchases	22	649,530,822	531,622,735
Contracted services		84,678,517	87,911,873
Grants and subsidies paid	23	1,144,427	2,205,849
General expenses	35	60,142,045	58,890,433
Total Expenditure		1,630,931,196	1,422,542,740
SURPLUS/(DEFICIT) FOR THE YEAR (Refer to statement of changes in net assets)		(193,204,611)	(115,158,471)

Refer to Note 38 and Appendix E (1) for the comparison with the approved budget

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

	Note	Housing Development Fund R	Accumulated Surplus R	Total R
2010				
Balance at 30 June 2009				3,716,604,421
Investment land not brought into account previous year		57,463,621	3,659,140,800	46,102,000
Correction of transfer to the Housing Fund		(40,081)	40,081	4,783,000
Inventory land not brought into account previous year			4,783,000	389,759
Reversal of over depreciation			389,759	204,713,876
Change in accounting estimate			204,713,876	(139,427,916)
Depreciation on deemed cost of infrastructure assets			(139,427,916)	3,833,165,140
Restated balance		57,423,540	3,775,741,601	3,833,165,140
Surplus / (deficit) for the year		1,659,427	(115,158,471)	-
Transfer from Housing Development Fund		59,082,967	3,658,923,699	3,718,006,667
Balance at 30 June 2010				
2011				
Balance at 30 June 2010				3,718,006,667
Correction of inventory water opening balance		59,082,967	3,658,923,699	(527,880)
Inventory land not brought into account previous year			(527,880)	14,940,150
Correction of accumulated depreciation			14,940,150	(317,444,013)
Change in accounting estimate			(317,444,013)	46,431,141
Correction of cost recognised in prior periods			46,431,141	284,245,594
Restated balance		59,082,967	3,686,568,691	3,745,651,658
Surplus / (deficit) for the year		(4,803,907)	(193,204,611)	-
Transfer to Housing Development Fund		54,279,060	3,498,167,984	3,552,447,048

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CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 R	2010 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		1,416,751,039	1,218,528,767
Cash paid to suppliers and employees		(1,190,717,167)	(1,040,507,883)
Cash generated from operations	24	226,033,872	178,020,884
Interest received		2,564,696	3,844,950
Interest paid		(88,507,547)	(83,082,037)
NET CASH FLOW FROM OPERATING ACTIVITIES		140,091,021	98,783,797
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(85,895,525)	(280,783,962)
Proceeds on disposal of property, plant and equipment		162,463	1,196,021
Decrease in non-current receivables		230,045	145,480
NET CASH UTILISED FROM INVESTING ACTIVITIES		(85,503,017)	(279,442,461)
CASH FLOWS UTILISED FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	188,000,000
Repayment of borrowings		(75,270,962)	(62,527,370)
NET CASH FLOW FROM FINANCING ACTIVITIES		(75,270,962)	125,472,630
Net increase/(decrease) in cash and cash equivalents		(20,682,958)	(55,186,034)
Cash and cash equivalents at the beginning of the year		60,241,845	115,427,879
Cash and cash equivalents at the end of the year	14	39,558,887	60,241,845

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

1. BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention.

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

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

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 9	Revenue from Exchange Transactions
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the Reporting Date
GRAP 16	Investment property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GAMAP 9	Paragraphs relating to Revenue from Non-Exchange Transactions
GRAP 100	Non-Current Assets Held for Sale and Discontinued Operations
GRAP 102	Intangible Assets
IPSAS 20	Related Party Disclosure
IPSAS 21	Impairment of Non Cash-Generating Assets
IFRS 7	Financial Instruments: Disclosures
IAS 19	Employee Benefits
IAS 32	Financial Instruments: Presentation
IAS 36	Impairment of Assets
IAS 39	Financial Instruments: Recognition and Measurement
IFRIC 4	Determining whether an arrangement contains a lease

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

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

3. GOING CONCERN ASSUMPTION

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

4. OFFSETTING

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

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

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

- GRAP 18 Segment Reporting - issued March 2005
- GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
- GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
- GRAP 103 Heritage Assets - issued July 2008

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

The following amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the Municipality:

- IAS 19 Employee Benefits - effective 1 January 2009
- IFRIC 17 Distribution of Non-cash Assets to Owners - effective 1 July 2009
- IAS 39 Financial Instruments: Recognition and Measurement - portions of standard effective 1 July 2009

Management has considered all the 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.



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

6. PROPERTY, PLANT AND EQUIPMENT

6.1 INITIAL RECOGNITION

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

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

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

6.2 SUBSEQUENT MEASUREMENT

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

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



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

6.2 SUBSEQUENT MEASUREMENT (continued)

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

6.3 DEPRECIATION

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

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

	Years		Years
Infrastructure		Other	
Roads and Paving	15-65	Buildings	30
Pedestrian Malls	30	Specialised vehicles	10
Electricity	20-30	Other vehicles	3-7
Water	15-65	Office equipment	3-5
Sewerage	15-50	Furniture and fittings	7
Housing	30	Watercraft	15
Community		Bins and containers	5-10
Buildings	30	Specialised plant and equipment	10-15
Recreational Facilities	20-30	Other items of plant and equipment	2-5
Security	5	Landfill sites	15

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

7. LEASES

The Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. 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.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease expenses are recognised on a straight-line basis over the lease term.

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

7. LEASES (continued)

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.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

8. IMPAIRMENT OF NON-FINANCIAL ASSETS

Impairment of Cash generating assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying amount exceeds the recoverable amount.

The recoverable amount is the higher of the assets Fair Value less cost to sell, or its value in use.

Impairment of Non-cash generating assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or circumstances indicate that the serviceable amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying amount exceeds the serviceable amount.

The serviceable amount is the higher of the assets Fair Value less cost to sell, or its value in use.

9. INTANGIBLE ASSETS

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Internally generated intangible assets are subject to strict recognition criteria before they are capitalised.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired. The cost of an intangible asset is amortised over the useful life of 3 years.

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

10. INVESTMENT PROPERTIES

Investment property, which is property held to earn rental revenue or for capital appreciation, is, stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property.

11. INVENTORIES

Consumable stores, raw materials, work-in-progress and finished goods and land held for sale are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the first-in, first-out method.

Unsold water at year-end is valued at the lower of cost and net realisable value.

For the land component recognised in terms of GRAP 12 land is recognised at cost with the cost based on fair value at date of recognition. Assessing historical cost of land and then breaking it down into individual was impractical and inaccurate. The 2007/8 valuation of land in terms of the MPRA, which is very reliable, was used to determine cost.

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.

12. REVENUE RECOGNITION

12.1 REVENUE FROM EXCHANGE TRANSACTIONS

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue in the period of consumption. Where meters cannot be read during a particular month, they are provisionally billed with the necessary adjustments made in the month in which they were read. Revenue from the sale of electricity prepaid meter cards is deferred and recognised as revenue on the consumption basis, commencing on date of purchase.

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.

Service charges from sewerage are based on the water consumption on each developed property using the tariffs approved from Council and are levied monthly.

Interest and rentals are recognised on a time apportionment basis. Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariffs. This includes the issuing of licences and permits.

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

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

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

12.1 REVENUE FROM EXCHANGE TRANSACTIONS (continued)

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

12.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

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.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received.

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 brought into use.

Contributed property, plant and equipment are recognised when such items or property, plant and equipment are brought into use. Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

13. CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

14. PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate.

15. HOUSING DEVELOPMENT FUND

Housing selling schemes, both complete and in progress at 1 April 1998, were also transferred to the Housing Development Fund. All proceeds from housing developments, which include rental income and sales of houses, is paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund are used to finance housing developments within the municipal area.

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

16. RETIREMENT BENEFITS

The Municipality provides post retirement medical aid benefits to retired employees. The entitlement to these benefits is usually conditional on the employee remaining in employment up to retirement age.

The expected costs of these benefits are accrued of the period of employment. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in the statement of financial performance for the reporting period.

The defined benefit obligations are valued annually by independent qualified actuaries.

17. BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance in accordance with the requirements of GRAP 5 and ASB Directive 3.

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

18. FINANCIAL INSTRUMENTS

18.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

18.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

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

18.2 SUBSEQUENT MEASUREMENT (continued)

18.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

18.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probabilities that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off.

18.2.3 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest. Amounts that are payable within 12 months from the reporting date are classified as current.

18.2.4 CASH AND CASH EQUIVALENTS

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 overdraft.

Bank overdrafts are recorded based on the facility used. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities.

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

19. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003).

Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

20. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

21. FRUITLESS AND WASTEFUL EXPENDITURE

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

22. RELATED PARTIES

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

23. COMPARATIVE INFORMATION

23.1 Current year comparatives:

Budgeted amounts have been included in the annual financial statements for the current financial year only.

23.2 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 reason for the reclassification is disclosed.

NOTES 1 – 2 TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	R	R
1 HOUSING DEVELOPMENT FUND		
The Housing Development Fund is represented by the following assets		
Fixed Assets	49,447,755	57,556,908
Bank and cash	8,704,146	6,245,433
Accumulated Surplus	(3,872,842)	(4,719,373)
Total Housing Development Fund Assets and Liabilities	54,279,060	59,082,968

2 LONG-TERM LIABILITIES

Annuity Loans	831,441,964	906,712,926
Less: Current portion transferred to current liabilities	(81,205,199)	(72,352,967)
Total External Loans	750,236,765	834,359,959

Refer to Appendix A for more detail on long-term liabilities

NOTE 2 (CONTINUED) TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED

30 JUNE 2011

2 LONG-TERM LIABILITIES (continued)

External Loans repayments- Future years

	DBSA	DBSA	INCA	Standard Bank	Nedbank	INCA	DBSA	DBSA	DBSA	NEDBANK	Totals
	23,554,009 12.00%	6,259,692 14.50%	11,722,512 13.95%	51,444,043 7.43%	52,943,526 5.75%	189,644,525 8.75%	206,816,865 11.70%	29,723,157 6.75%	87,851,757 11.57%	171,481,878 11.26%	831,441,964
2012	5,347,477	1,403,464	2,570,621	13,868,896	12,337,728	33,473,084	42,207,733	4,871,725	17,142,868	31,894,160	165,117,756
2013	5,347,477	1,403,464	2,570,621	13,868,896	12,337,728	33,473,084	42,207,733	4,871,725	17,142,868	31,894,160	165,117,756
2014	5,347,477	1,403,464	2,570,621	13,868,896	12,337,728	33,473,084	42,207,733	4,871,725	17,142,868	31,894,160	165,117,756
2015	5,347,477	1,403,464	2,570,621	13,868,896	12,337,728	33,473,084	42,207,733	4,871,725	17,142,868	31,894,160	165,117,756
2016	5,347,477	1,403,464	2,570,621	6,934,448	6,168,864	33,473,084	42,207,733	4,871,725	17,142,868	31,894,160	152,014,444
2017	5,347,477	1,403,464	2,570,621			33,473,084	42,207,733	4,871,725	17,142,868	31,894,160	138,911,132
2018	5,347,477	1,403,464	2,570,621			33,473,084	42,207,733	4,871,725	17,142,868	31,894,160	138,911,132
2019	5,347,477		1,298,842			33,473,084	21,103,724	4,871,725	17,142,868	31,894,160	109,784,403
2020										15,947,080	15,947,080

Disclosure about the Terms and Conditions of Financial Instruments-Borrowings

Future payments are based on the balances at 30 June 2011

(i) The interest rate applicable to the Standard Bank & Nedbank loan is variable and yearly instalments are therefore subject to interest rate risk

(ii) Lease liability has been settled in full

(iii) Yearly instalments payable bi-annually, consist of capital redemption and interest due and no other requirements are attached

No early settlement options are profitable to Council

Conversion options are not applicable

There is no security given against the loans

Receipts or payments of the loans are in South African currency

NOTES 3 - 5 TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
3 CONSUMER DEPOSITS		
Electricity and Water	33,278,066	29,852,782
Other	3,280,991	697,609
Total Deposits	36,559,057	30,550,391
Guarantees held in lieu of Electricity and Water Deposits	50,923,403	48,405,239
4 TRADE AND OTHER PAYABLES		
Trade payables	52,914,466	57,343,132
Other payables	97,333,290	89,777,804
Retentions	18,259,747	32,910,492
Amounts Received in Advance	32,211,645	32,955,660
Total Creditors	200,719,148	212,987,088
5 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
Conditional Grants from other spheres of Government		
National Conditional Grants	2,802,880	3,063,701
Provincial Local Government Grants	4,425,862	1,012,164
Provincial Development Planning Grants	54,849	109,827
Provincial Housing Grants	12,429,820	6,180,262
Provincial Library Services Subsidies	133,991	156,064
Provincial Community Development Workers Programme	19,038	19,269
Provincial Department of Transport Subsidy	167,279	167,279
Department of Sport & Recreation	12,666	69,156
Department of Water Affairs (DWAF) Cleanest Town Award	41,109	41,519
Department of Water Affairs (DWAF) Water Services Programme	205,307	231,855
Department of Water Affairs (DWAF) Refurbishment Grant	70	3,743,670
Department of Water Affairs (DWAF) Institutional Support Programme Grant	82,398	283,578
Department of Water Affairs (DWAF) Water Conservation and Demand Management Grant	1,325,834	1,105,002
Department of Minerals and Energy	1,174,678	3,950,000
Department of Agriculture and Environmental Affairs	1,235,555	790,953
Municipal Infrastructure Grant (MIG)	-	20,439,959
uThungulu District Municipality Capacity Building Grant	134,652	134,652
uThungulu District Municipality Museum Operating Subsidy	11,849	31,049
uThungulu District Municipality Hosting of Annual SMME Fair	43,503	-
uThungulu District Municipality Zulu Dance Competition	20,000	-
	24,321,340	41,529,959

See Note 17 for reconciliation of grants from other spheres of government.

NOTES 6 – 7 TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011	2010
R	R

6 VAT

Output Suspense	6,115,429	3,353,669
Input Suspense	(14,346,014)	(13,257,912)
Output Payable	3,670,756	(10,058,429)
VAT (claimable)	(4,559,829)	(19,962,672)

VAT is payable on the payment basis. Only once payment is made or received is VAT claimed or paid over to SARS. All VAT returns have been submitted by the due date throughout the year.

2011	2010
R	R
	RESTATED

7 INVENTORY

Closing balance of inventories	73,891,303	93,858,020
Consumable stores - at cost	11,484,135	14,403,830
Water - at cost	249,168	195,040
Land	62,158,000	79,259,150

NOTE 8 TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

8 Property, Plant and Equipment

30 June 2011

Reconciliation Of Carrying Values		Land		Housing		Infrastructure		Community		Heritage		Other		Total	
	R		R		R		R		R		R		R		R
Carrying Values At 1 July 2010	558,844,950		56,367,704		3,587,896,296		221,607,723		49,502		232,141,889		4,656,908,064		
Cost	(94,205,857)		73,481,811		2,004,839,490		286,211,449		49,502		422,330,378		2,692,706,773		
Revaluation	653,050,807		-		-		-		-		-		653,050,807		
Deemed cost	-		-		7,356,245,978		-		-		-		7,356,245,978		
Accumulated Depreciation	-		(17,114,107)		(5,773,189,172)		(64,603,726)		-		(190,188,489)		(6,045,095,494)		
Acquisitions	-		-		23,883,791		990,751		19,200		2,508,104		27,401,846		
Capital under construction	-		1,418,776		54,153,346		-		-		1,331,886		56,904,008		
Transfer to inventory land	(11,000)		(264,000)		-		(63,000)		-		-		(338,000)		
Transfer of immovable assets	-		(2,600,000)		2,600,000		-		-		-		-		
Transfer (to)/from intangibles	-		-		(14,690)		(54,141)		-		3,387,919		3,319,088		
Transfer of accumulated depreciation	-		-		12,488		52,982		-		(75,718)		(10,248)		
Depreciation	-		(5,474,725)		(238,968,835)		(9,831,930)		-		(29,665,252)		(283,940,742)		
Based on cost	-		(5,474,725)		(238,968,835)		(9,831,930)		-		(29,665,252)		(283,940,742)		
Based on revaluation	-		-		-		-		-		-		-		
Carrying Value Of Disposals	-		-		-		-		-		(781,259)		(781,259)		
Cost	-		-		-		-		-		-		-		
Revaluation	-		-		-		-		-		781,259		781,259		
Accumulated Depreciation	-		-		-		-		-		-		-		
Carrying Values At 30 June 2011	558,833,950		49,447,755		3,429,562,396		212,702,385		68,702		209,628,828		4,460,244,016		
Cost	(94,205,857)		72,036,587		2,085,461,937		287,085,059		68,702		428,777,028		2,779,223,456		
Revaluation	653,039,807		-		-		-		-		-		653,039,807		
Deemed Cost	-		-		7,356,245,978		-		-		-		7,356,245,978		
Accumulated Depreciation	-		(22,588,832)		(6,012,145,519)		(74,382,674)		-		(219,148,200)		(6,328,265,225)		
Cost	-		(22,588,832)		(6,012,145,519)		(74,382,674)		-		(219,148,200)		(6,328,265,225)		
Revaluation	-		-		-		-		-		-		-		

NOTE 8 (CONTINUED) TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED

30 JUNE 2011

Property, Plant and Equipment (continued)

30 June 2010 (Restated)		Reconciliation Of Carrying Values						Total	
	Land	Housing	Infrastructure	Community	Heritage	Other			
	R	R	R	R	R	R	R	R	R
Carrying Values									
At 1 July 2009	559,339,950	50,810,501	3,543,999,593	154,450,648	49,502	237,087,746		4,545,737,940	
Cost	(94,205,857)	62,433,342	1,778,822,279	212,380,023	49,502	402,851,121		2,362,330,410	
Revaluation	653,545,807	-	7,356,245,978					653,545,807	
Deemed Cost	-	(11,622,841)	(5,591,068,664)	(57,929,375)	-	(165,763,375)		7,356,245,978	
Accumulated Depreciation								(5,826,384,255)	
Acquisitions	-	192,632	134,888,745	15,950,792	-	8,127,786		159,159,955	
Granted asset				56,466,566				56,466,566	
Capital Under Construction		10,855,837	91,128,466	1,414,068	-	16,315,535		119,713,906	
Donation given	(495,000)	-	-	-	-	-		(495,000)	
Transfer	-	-	-	-	-	(35,798)		(35,798)	
Transfer from Investment Properties	-	-	-	-	-	(14,700)		(14,700)	
Transfer of Accumulated Depreciation			40,848,364	-	-			40,848,364	
Reversal of depreciation prior years	-	(5,491,266)	(222,968,872)	(6,674,353)	-	(28,620,992)		(263,755,483)	
Depreciation	-	(5,491,266)	(222,968,872)	(6,674,353)	-	(28,620,992)		(263,755,483)	
Based on cost									
Based on revaluation									
Carrying Value Of Disposals	-	-	-	-	-	(717,688)		(717,688)	
Cost	-	-	-	-	-	(4,928,266)		(4,928,266)	
Revaluation	-	-	-	-	-	-		-	
Accumulated Depreciation	-	-	-	-	-	4,210,578		4,210,578	
Carrying Values									
At 30 June 2010	558,844,950	56,367,704	3,587,896,296	221,607,723	49,502	232,141,889		4,656,908,064	
Cost	(94,205,857)	73,481,811	2,004,839,490	286,211,449	49,502	422,330,378		2,692,706,773	
Revaluation	653,050,807		7,356,245,978					653,050,807	
Deemed Cost	-	(17,114,107)	(5,773,189,172)	(64,603,726)	-	(190,188,489)		7,356,245,978	
Accumulated Depreciation	-	(17,114,107)	(5,773,189,172)	(64,603,726)	-	(190,188,489)		(6,045,095,494)	
Cost								(6,045,095,494)	

NOTE 9 TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**9 Intangible Asset****30 June 2011**

Reconciliation Of Carrying Values	Total
	R
Carrying Values	
At 1 July 2010	12,581,047
Cost	17,080,534
Accumulated Amortisation	(4,499,487)
Acquisitions	134,054
Work in progress	1,587,762
Transfer to PPE	(3,319,088)
Transfer of Accumulated depreciation to PPE	10,247
Amortisation	(3,843,092)
Carrying Values	
At 30 June 2011	7,150,930
Cost	15,483,262
Accumulated Amortisation	(8,332,332)

30 June 2010

Reconciliation Of Carrying Values	Total
	R
Carrying Values	
At 1 July 2009	5,520,882
Cost	13,138,086
Accumulated Amortisation	(7,617,204)
Acquisitions	699,600
Work in progress	3,242,848
Amortisation	(2,465,060)
Reversal of depreciation prior years	5,582,777
Carrying Values	
At 30 June 2010	12,581,047
Cost	17,080,534
Accumulated Amortisation	(4,499,487)

NOTE 10 TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

10 INVESTMENT PROPERTY

30 June 2011

TOWN	STAND NO	DEEDS NO	NAME	CARRYING VALUES			CARRYING			ACCUMULATED DEPRECIATION
				AS AT 01 JULY 2010	COST	ACCUMULATED DEPRECIATION	DEPRECIATION	VALUES AS AT 30 JUNE 2011	COST	
RICHARDS BAY	33	T40385/2001	Harvey J R	1,500,000	1,500,000	-	-	1,500,000	1,500,000	-
EMPANGENI	45	T29874/1996	Zululand Built-It	1,000	1,000	-	-	1,000	1,000	-
EMPANGENI	56	T2643/1933	Manilali A	4,300,000	4,300,000	-	-	4,300,000	4,300,000	-
EMPANGENI	63	T2437/1970	Y S Cellular CC	2,000,000	2,000,000	-	-	2,000,000	2,000,000	-
RICHARDS BAY	67	T40386/2001	Van Rooyen K M	1,350,000	1,350,000	-	-	1,350,000	1,350,000	-
RICHARDS BAY	GV15825	T12114/1976	Richards Bay Airport Company (PTY)	9,781,218	14,749,162	(4,967,944)	(116,418)	9,664,800	14,749,162	(5,084,362)
EMPANGENI	246	G93/1960	Emanzini Leisure Resort	1,100,000	1,100,000	-	-	1,100,000	1,100,000	-
RICHARDS BAY	617	T22887/2000	Meerensee Mall Scoonies Vier	3,683,658	6,663,646	(2,979,988)	(7,975)	3,675,683	6,663,646	(2,987,963)
RICHARDS BAY	620	T15638/1978	Schoonies Vier (PTY) LTD	4,500,000	4,500,000	-	-	4,500,000	4,500,000	-
NGWELEZANE	752	T64286/2000	Biyela A S	47,000	47,000	-	-	47,000	47,000	-
NSELENI	1,342	TG65440/2003	Gumede S M	40,000	40,000	-	-	40,000	40,000	-
EMPANGENI	2,015	T5367/1980	Mtshali D	680,000	680,000	-	-	680,000	680,000	-
RICHARDS BAY	2,305	G128/1973	Bundu Nursery	250,000	250,000	-	-	250,000	250,000	-
RICHARDS BAY	5,333	T14569/1979	Grindrod Terminals	9,000,000	9,000,000	-	-	9,000,000	9,000,000	-
RICHARDS BAY	5,333	T6915/1993	Benians B S Construction	1,000,000	1,000,000	-	-	1,000,000	1,000,000	-
RICHARDS BAY	5,333	T6915/1993	Benians B S Construction	700,000	700,000	-	-	700,000	700,000	-
RICHARDS BAY	5,333	T6915/1993	Lease Group 5 Civils	860,000	860,000	-	-	860,000	860,000	-
RICHARDS BAY	5,333	T6915/1993	Morganite SA (PTY) LTD	180,000	180,000	-	-	180,000	180,000	-
RICHARDS BAY	5,333	T4097/2006	Lease Foskor (Gypsum Dam)	70,000	70,000	-	-	70,000	70,000	-
RICHARDS BAY	5,333	T4097/2006	Lease Foskor (Retention Dam)	250,000	250,000	-	-	250,000	250,000	-
RICHARDS BAY	5,333	T4097/2006	Lease Foskor (Conveyer Beld)	75,000	75,000	-	-	75,000	75,000	-
RICHARDS BAY	5,333	T4097/2006	Lease Foskor (Conveyer Beld)	500,000	500,000	-	-	500,000	500,000	-
RICHARDS BAY	5,333	T4097/2006	Waste Site	1,500,000	1,500,000	-	-	1,500,000	1,500,000	-
RICHARDS BAY	5,333	T19417/2001	Lease Grindrod Terminals	1,500,000	1,500,000	-	-	1,500,000	1,500,000	-
RICHARDS BAY	5,333	T19417/2001	Green Africa Nursery	150,000	150,000	-	-	150,000	150,000	-
RICHARDS BAY	5,333	T19417/2001	Ribeiro L M R	4,500,000	4,500,000	-	-	4,500,000	4,500,000	-
RICHARDS BAY	6,364	T4199/1980	Checkers	240,000	240,000	-	-	240,000	240,000	-
EMPANGENI	8,436	T37193/1995	Neliswa Eating House	6,100,000	6,100,000	-	-	6,100,000	6,100,000	-
RICHARDS BAY	9,893	T26939/1988	Naicker V	380,000	380,000	-	-	380,000	380,000	-
RICHARDS BAY	10,033	T28872/1991	LOT 11161 (PTY) LTD	530,000	530,000	-	-	530,000	530,000	-
RICHARDS BAY	11,376	T34219/1993	Pulp United (PTY) LTD	56,000,000	56,000,000	-	-	56,000,000	56,000,000	-
RICHARDS BAY	11,377	T21885/1993	Mantis Properties CC	1,600,000	1,600,000	-	-	1,600,000	1,600,000	-
RICHARDS BAY	2,627	T16212/1978	Ferreira M S	1,200,000	1,200,000	-	-	1,200,000	1,200,000	-
RICHARDS BAY	GV16990	T789/1999	Imvubu Lodge/River Rock	8,048,611	9,448,505	(1,399,894)	(15,001)	8,033,610	9,448,505	(1,414,895)
				123,616,488	132,964,314	(9,347,825)	(139,394)	123,477,094	132,964,314	(9,487,219)

NOTE 10 (CONTINUED) TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED

30 JUNE 2011

30 June 2010 (Restated)													
TRANSFER ACCUMULATE D													
TOWN	STAND NO	DEEDS NO	NAME	CARRYING VALUES AS AT 01 JULY 2009	COST	ACCUMULATED DEPRECIATION	TRANSFER TO INVESTMENTS	PPE	TRANSFER TO DEPRECIATION TO PPE	DEPRECIATION	CARRYING VALUES AS AT 30 JUNE 2010	COST	ACCUMULATED DEPRECIATION
RICHARDS BAY	33	T40385/2001	Harvey J R	1,500,000	1,500,000	-	-	-	-	-	1,500,000	1,500,000	-
EMPANGENI	45	T29874/1996	Zululand Built-It	-	-	-	1,000	-	-	-	1,000	1,000	-
EMPANGENI	56	T2643/1933	Manilali A	4,300,000	4,300,000	-	-	-	-	-	4,300,000	4,300,000	-
EMPANGENI	63	T2437/1970	Y S Cellular CC	2,000,000	2,000,000	-	-	-	-	-	2,000,000	2,000,000	-
RICHARDS BAY	67	T40386/2001	Van Rooyen K M	1,350,000	1,350,000	-	-	-	-	-	1,350,000	1,350,000	-
RICHARDS BAY	GV15825	T12114/1976	Richards Bay Airport Company (PTY) LTD	9,897,636	14,763,862	(4,866,226)	-	(14,700)	14,700	(116,418)	9,781,218	14,749,162	(4,967,944)
EMPANGENI	246	G93/1960	Emanzini Leisure Resort	1,100,000	1,100,000	-	-	-	-	-	1,100,000	1,100,000	-
RICHARDS BAY	617	T22887/2000	Meerensee Mall Scoonies Vier	3,695,846	6,663,646	(2,967,801)	-	-	-	(12,187)	3,683,658	6,663,646	(2,979,988)
RICHARDS BAY	620	T15638/1978	Schoonies Vier (PTY) LTD	4,500,000	4,500,000	-	-	-	-	-	4,500,000	4,500,000	-
NGWELEZANE	752	T64286/2000	Biyela A S	47,000	47,000	-	-	-	-	-	47,000	47,000	-
NSELENI	1,342	T655440/2003	Gumede S M	40,000	40,000	-	-	-	-	-	40,000	40,000	-
EMPANGENI	2,015	T5367/1980	Mishali D	680,000	680,000	-	-	-	-	-	680,000	680,000	-
RICHARDS BAY	2,305	G128/1973	Bundu Nursery	250,000	250,000	-	-	-	-	-	250,000	250,000	-
RICHARDS BAY	5,333	T14569/1979	Grindrod Terminals	9,000,000	9,000,000	-	-	-	-	-	9,000,000	9,000,000	-
RICHARDS BAY	5,333	T6915/1993	Benlans B S Construction	1,000,000	1,000,000	-	-	-	-	-	1,000,000	1,000,000	-
RICHARDS BAY	5,333	T6915/1993	Benlans B S Construction	700,000	700,000	-	-	-	-	-	700,000	700,000	-
RICHARDS BAY	5,333	T6915/1993	Lease Group 5 Civils	860,000	860,000	-	-	-	-	-	860,000	860,000	-
RICHARDS BAY	5,333	T6915/1993	Morganrite SA (PTY) LTD	180,000	180,000	-	-	-	-	-	180,000	180,000	-
RICHARDS BAY	5,333	T4097/2006	Lease Foskor (Gypsum Dam)	70,000	70,000	-	-	-	-	-	70,000	70,000	-
RICHARDS BAY	5,333	T4097/2006	Lease Foskor (Retention Dam)	250,000	250,000	-	-	-	-	-	250,000	250,000	-
RICHARDS BAY	5,333	T4097/2006	Lease Foskor (Conveyer Beld)	75,000	75,000	-	-	-	-	-	75,000	75,000	-
RICHARDS BAY	5,333	T4097/2006	Lease Foskor (Conveyer Beld)	500,000	500,000	-	-	-	-	-	500,000	500,000	-
RICHARDS BAY	5,333	T4097/2006	Waste Site	1,500,000	1,500,000	-	-	-	-	-	1,500,000	1,500,000	-
RICHARDS BAY	5,333	T19417/2001	Lease Grindrod Terminals	1,500,000	1,500,000	-	-	-	-	-	1,500,000	1,500,000	-
RICHARDS BAY	5,333	T19417/2001	Green Africa Nursery	150,000	150,000	-	-	-	-	-	150,000	150,000	-
RICHARDS BAY	5,333	T19417/2001	Ribeiro L M R	4,500,000	4,500,000	-	-	-	-	-	4,500,000	4,500,000	-
RICHARDS BAY	6,364	T4199/1980	Checkers	240,000	240,000	-	-	-	-	-	240,000	240,000	-
EMPANGENI	8,436	T37193/1995	Neliswa Eating House	6,100,000	6,100,000	-	-	-	-	-	6,100,000	6,100,000	-
RICHARDS BAY	9,893	T26939/1988	Naicker V	380,000	380,000	-	-	-	-	-	380,000	380,000	-
RICHARDS BAY	10,033	T28872/1991	LOT 11161 (PTY) LTD	530,000	530,000	-	-	-	-	-	530,000	530,000	-
RICHARDS BAY	11,376	T34219/1993	Pulp United (PTY) LTD	56,001,000	56,001,000	-	(1,000)	-	-	-	56,000,000	56,000,000	-
RICHARDS BAY	11,377	T21885/1993	Manitis Properties CC	1,600,000	1,600,000	-	-	-	-	-	1,600,000	1,600,000	-
RICHARDS BAY	2,627	T16212/1978	Ferreira M S	1,200,000	1,200,000	-	-	-	-	-	1,200,000	1,200,000	-
RICHARDS BAY	GV16990	T789/1999	Imvubu Lodge/River Rock	8,067,602	9,448,505	(1,380,903)	-	(14,700)	14,700	(18,991)	8,048,611	9,448,505	(1,399,894)
				123,764,084	132,979,014	(9,214,930)	-	(14,700)	14,700	(147,596)	123,616,489	132,964,314	(9,347,825)

NOTE 11 TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**11 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS****As at 30 June 2011**

	R	R
Service Debtors		129,683,262
Rates		19,124,627
Electricity	31,574,356	
June consumption billed in July	40,703,753	72,278,109
Water	16,500,253	
June consumption billed in July	10,297,302	
June water surcharge billed in July	224,015	27,021,570
Sewerage	7,104,962	
Special Sewer charges	249,072	
June sewer surcharge billed in July	156,285	7,510,318
Refuse		3,748,638
Rental		3,433,827
Sundry		11,236,778
Gross Balance		144,353,867
Less: Provision for Bad Debts		(16,500,000)
Net Balance		127,853,867

As at 30 June 2010

Service Debtors		131,905,490
Rates		21,756,259
Electricity	23,821,082	
June consumption billed in July	47,286,141	71,107,223
Water	17,749,462	
June consumption billed in July	8,556,869	
June water surcharge billed in July	196,628	26,502,959
Sewerage	7,797,994	
Special Sewer charges	171,543	
June sewer surcharge billed in July	72,209	8,041,746
Refuse		4,497,303
Rental		3,714,275
Sundry		7,890,564
Gross Balance		143,510,329
Less: Provision for Bad Debts		(15,000,000)
Net Balance		128,510,329

NOTE 11 (CONTINUED) TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2011

	2011	2010
	R	R
11 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)		
Rates Ageing		
Current (0 - 30) days	8,668,651	10,163,392
31 - 60 days	1,743,839	2,150,587
61- 90 days	824,990	863,920
91 - 120 days	771,913	747,789
121-360 days	4,078,901	4,971,075
361 + days	3,036,333	2,859,496
Total	19,124,627	21,756,259
Electricity, Water, Sewerage and Refuse: Ageing		
Current (0 - 30) days	88,451,480	94,146,216
31 - 60 days	3,964,954	2,665,059
61- 90 days	2,270,309	1,293,300
91 - 120 days	1,819,335	1,030,472
121-360 days	6,886,540	5,605,966
361+ days	7,166,018	5,408,218
Total	110,558,636	110,149,231
Rental		
Current (0 - 30) days	(418,698)	498,643
31 - 60 days	181,728	173,773
61- 90 days	168,945	152,296
91 - 120 days	412,770	150,933
121-360 days	1,174,772	934,621
361+ days	1,914,310	1,804,009
Total	3,433,827	3,714,275
Sundry		
Current (0 - 30) days	3,737,122	1,059,400
31 - 60 days	394,174	1,196,425
61- 90 days	(59,947)	196,086
91 - 120 days	55,259	164,966
121-360 days	2,674,610	1,433,566
361+ days	4,435,559	3,840,121
Total	11,236,777	7,890,564
IFRS 7 Disclosure		
	2011	2010
	R	R
Neither passed due nor impaired	109,927,548	114,559,098
Past due and impaired	16,500,000	15,000,000
Past due not impaired	17,926,319	13,951,231
	144,353,867	143,510,329

NOTE 11 (CONTINUED) - 12 TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

11 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)

Summary of Debtors by Customer classification

	Domestic consumers R	Industry/ commercial R	Nat / Provincial Government R	Total R
30 June 2011				
Current (0 - 30) days	22,019,531	75,269,705	5,805,226	103,094,462
31 - 60 days	1,248,315	1,863,038	178,494	3,289,846
61- 90 days	1,175,211	1,800,387	201,083	3,176,681
91 - 120 days	1,041,197	1,344,739	113,755	2,499,691
121+days	18,026,925	9,826,902	4,439,360	32,293,188
Sub-total	43,511,180	90,104,770	10,737,917	144,353,867
Less provision for bad debt	(10,678,758)	(5,821,242)	-	(16,500,000)
Total debtors by customer classification	32,832,422	84,283,528	10,737,917	127,853,867
30 June 2010				
Current (0 - 30) days	26,939,851	77,138,573	4,395,231	108,473,655
31 - 60 days	1,344,653	1,631,054	76,667	3,052,375
61- 90 days	1,191,489	1,065,570	80,945	2,338,004
91 - 120 days	1,115,592	853,154	51,037	2,019,783
121+days	14,534,977	9,144,152	3,947,383	27,626,512
Sub-total	45,126,562	89,832,504	8,551,264	143,510,329
Less provision for bad debt	(9,207,461)	(5,792,539)	-	(15,000,000)
Total debtors by customer classification	35,919,101	84,039,965	8,551,264	128,510,329

	2011 R	2010 R
Reconciliation of the bad debt provision		
Balance at beginning of the year	15,000,000	14,800,000
Contributions to provision	2,310,145	227,463
Bad debts written off against provision	(810,145)	(27,463)
Balance at end of year	16,500,000	15,000,000

12 NON-CURRENT RECEIVABLES

Housing loans to Staff	306,535	325,535
Study loans	452,104	663,149
Bursaries	-	-
	758,639	988,684
Less: Current portion transferred to Current Assets	(250,540)	(391,916)
Total Receivables	508,099	596,768

Housing Loans, car loans and bursaries were made in terms of council policies on these schemes. No new housing or car loans have been granted since the effective implementation date of the Municipal Finance Management Act of 2003. There are no significant terms or conditions that will affect the timeous recovery of these amounts.

NOTES 13 - 14 TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
13 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Payments made in advance	380,493	256,575
Other receivables	15,333,116	7,898,676
Total Other Debtors	15,713,609	8,155,251

14 BANK, CASH AND OVERDRAFT BALANCES

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts

Bank balances and cash	39,558,887	60,241,845
Total bank balances and cash	39,558,887	60,241,845

Bank accounts

The municipality has the following bank accounts:

Current Account (Primary Account)

ABSA Bank - Richards Bay

Current /Cheque Account number 2150000028

Cash book balance at beginning of year	4,146,118	16,025,986
Cash book balance at end of year	3,703,818	4,146,118

Bank statement balance at beginning of year	4,126,202	16,279,815
Bank statement balance at end of year	3,667,775	4,126,202

Deposit Account

ABSA Bank - Richards Bay

Current/Deposit Account number 2150000095

Cash book balance at beginning of year	2,436,117	28,417,922
Cash book balance at end of year	5,176,832	2,436,117

Bank statement balance at beginning of year	50,000	25,351,662
Bank statement balance at end of year	2,827,652	50,000

Hostel Account

ABSA Bank - Richards Bay

Current/Deposit Account number 90 8291 6767

Cash book balance at beginning of year	6,463,949	18,424,804
Cash book balance at end of year	4,614,109	6,463,949

Bank statement balance at beginning of year	6,463,949	18,424,804
Bank statement balance at end of year	4,614,109	6,463,949

Hostel Account - Phase 2

ABSA Bank - Richards Bay

Current/Deposit Account number 92 3367 4990

Cash book balance at beginning of year	-	-
Cash book balance at end of year	8,132,035	-

Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	8,132,035	-

NOTE 14 TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
14 BANK, CASH AND OVERDRAFT BALANCES (continued)		
Housing Account - Brackenham		
ABSA Bank - Richards Bay		
Current/Deposit Account number 91 2361 5121		
Cash book balance at beginning of year	4,331,147	3,840,230
Cash book balance at end of year	4,535,630	4,331,147
Bank statement balance at beginning of year	4,331,147	3,840,230
Bank statement balance at end of year	4,535,630	4,331,147
Housing Account - Ngwelezane		
ABSA Bank - Richards Bay		
Current /Cheque Account number 91 7137 3496		
Cash book balance at beginning of year	1,822,445	1,719,526
Cash book balance at end of year	1,909,786	1,822,445
Bank statement balance at beginning of year	1,822,445	1,719,523
Bank statement balance at end of year	1,909,786	1,822,445
Housing Account - Pionierhof		
ABSA Bank - Richards Bay		
Current/Deposit Account number 90 9224 7889		
Cash book balance at beginning of year	91,841	11,460,333
Cash book balance at end of year	2,258,731	91,841
Bank statement balance at beginning of year	91,841	11,460,333
Bank statement balance at end of year	2,258,731	91,841
Conditional Grants		
ABSA Bank - Richards Bay		
Current/Deposit Account number 91 7137 3917		
Cash book balance at beginning of year	40,121,116	35,505,732
Cash book balance at end of year	9,196,097	40,121,116
Bank statement balance at beginning of year	40,121,116	35,505,732
Bank statement balance at end of year	9,196,097	40,121,116
Carnegie Funding - Libraries		
ABSA Bank - Richards Bay		
Current/Deposit Account number 92 3367 4990		
Cash book balance at beginning of year	795,262	-
Cash book balance at end of year	-	795,262
Bank statement balance at beginning of year	795,262	-
Bank statement balance at end of year	-	795,262
Petty Cash		
Balance at beginning of year	33,850	33,350
Balance at end of year	31,850	33,850

NOTE 15 TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
15 PROPERTY RATES		
Actual		
Residential	73,134,671	54,204,377
Commercial	96,727,452	83,640,827
State	8,215,890	10,716,049
Total Assessment Rates	178,078,013	148,561,253
Property Valuations		
Residential	15,983,511,099	15,197,944,199
Commercial	9,484,780,500	9,116,344,000
State	1,670,829,900	2,212,926,900
Municipal	1,529,755,700	1,425,396,700
Total Property Valuations	28,668,877,199	27,952,611,799

The first valuation in terms of the Property Rates Act No 6 of 2004 came into effect on 01 July 2008. Valuations were performed on land and buildings together. Three supplementary valuations and objections in terms of the new Act were processed during the financial year. The following rate randage and ratio to residential tariff were applied:

Predominant Use	Rate Randage	Ratio to Residential Tariff
Residential Properties	0,00468	1:1
Business, Commercial and Industrial Properties and Agricultural Properties	0,00936	1:2
Agricultural Properties (business)	0,00117	1:0,25
State Trust land	0,00936	1:2
State Owned Properties	0,00468	1:1
Public Service Infrastructure	0,00468	1:1
	0,00117	1:0,25

NOTES 15 (CONTINUED) – 17 TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

15 PROPERTY RATES (continued)

Subject to the provisions contained in the Rate Policy and upon application the following rebates were applied:

Agricultural Properties - 5%
Public Benefit Organisations - 100%
Sporting Bodies - 100%
Pensioners - R100 000 Valuation Reduction on primary developed property

In addition to the statutory R15 000 reduction in the valuation on residential properties, a further reduction of R85 000 of the valuation on all developed residential properties was made.

Rates are levied on a monthly basis but upon request can be levied annually. The final date for payment of rates that are levied on an annual basis, is 30 September of each year and 30 June for monthly rate payers. Interest of prime plus 1% per annum is levied on outstanding rates.

	2011 R	2010 R
16 SERVICE CHARGES		
Sale of electricity	765,730,718	591,913,146
Sale of water	123,848,457	110,469,209
Surcharge on water	4,511,328	3,610,954
Refuse removal	39,043,949	34,876,753
Sewerage and sanitation charges	54,755,424	47,102,226
Total Service Charges	987,889,876	787,972,288

An amount of R6 870 725.17 received in respect of prepaid electricity sales has been deferred and transferred to amounts received in advance.

17 GOVERNMENT GRANTS AND SUBSIDIES

Equitable Share	145,628,619	115,127,180
National Conditional Grants	2,210,821	2,052,101
Provincial Health Subsidies	4,527,000	4,348,000
Provincial Local Government Grants	344,302	760,810
Provincial Development Planning Grants	54,978	27,374
Provincial Housing Grants	2,132,636	8,376,146
Provincial Library Service Subsidies	726,611	482,215
Provincial Museum Services Subsidies	74,000	76,198
Provincial Community Development Workers Programme	231	10,442
Department of Sport and Recreation	56,490	3,988
Department of Water Affairs - Cleanest Town Award	410	27,709
Department of Water Affairs - Water Services Programme	26,548	23,452
Department of Water Affairs - Refurbishment Grant	3,743,600	1,585,370
Department of Water Affairs (DWAF) Water Conservation and Demand	779,168	241
Department of Water Affairs - Institutional Support Programme Grant	201,180	-
Department of Agriculture and Environmental Affairs	70,399	-
Department of Minerals and Energy	2,775,320	(1,421,437)
Municipal Infrastructure Grant (incl SMIF allocation)	38,084,382	45,940,948

NOTES 17 (CONTINUED) TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
17 GOVERNMENT GRANTS AND SUBSIDIES (continued)		
uThungulu District Municipality Environmental Health service	1,319,418	1,319,418
uThungulu District Municipality Capacity Building Grants	-	(3,675)
uThungulu District Municipality Management of Cemeteries	-	813,973
uThungulu District Municipality Museum Operating Subsidy	19,200	5,707
uThungulu District Municipality Hosting of Annual SMME Fair	547	-
uThungulu District Municipality Infrastructure Grant (2010 Stadium)	-	56,466,566
Total Government Grants and Subsidies	202,775,860	236,022,726

17.1 Equitable Share

In terms of the Constitution, this allocation is to provide for an equitable sharing of National Revenue. It is primarily for the provision of Basic Services

17.2 National Conditional Grants

Balance unspent at beginning of year	3,063,701	3,965,802
Current year receipts	1,950,000	1,150,000
Conditions met - transferred to revenue	(2,210,821)	(2,052,101)
Conditions still to be met - transferred to liabilities	2,802,880	3,063,701

National Conditional Grants are allocated in terms of the Division of Revenue Act. The Financial Management Grant is used to promote support reforms to financial management and the implementation of the Municipal Finance Management Act. The Restructuring Grant received in 2002, 2003, 2004 from National Treasury has been earmarked for certain projects that will improve the local economy. The Municipal Systems Improvement Grant is used to assist in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act.

17.3 Provincial Health Subsidies

Balance unspent at beginning of year	-	-
Current year receipts	4,527,000	4,348,000
Conditions met - transferred to revenue	(4,527,000)	(4,348,000)
Conditions still to be met - transferred to liabilities	-	-

The municipality renders health services on behalf of the Provincial Government and is refunded approximately 35% of total expenditure incurred. This grant has been used exclusively to fund clinic services. The conditions of the grant have been met. There were no delay or withholding of the subsidy.

NOTES 17 (CONTINUED) TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
17 GOVERNMENT GRANTS AND SUBSIDIES (continued)		
17.4 Provincial Local Government Grants		
Balance unspent at beginning of year	1,012,164	772,974
Current year receipts	3,758,000	1,000,000
Conditions met - transferred to revenue	(344,302)	(760,810)
Conditions still to be met - transferred to liabilities	<u>4,425,862</u>	<u>1,012,164</u>

Provincial Local Government grants are used to implement, administrative and financial municipal framework and to provide a municipal infrastructure framework. The grants are spent in accordance with a business plan approved by the Provincial Government.

17.5 Provincial Development Planning Grants

Balance unspent at beginning of year	109,827	137,201
Current year receipts	-	-
Conditions met - transferred to revenue	(54,978)	(27,374)
Conditions still to be met - transferred to liabilities	<u>54,849</u>	<u>109,827</u>

Provincial Local Government grants are used to implement, administrative and financial municipal framework and to provide a municipal infrastructure framework. The grants are spent in accordance with a business plan approved by the Provincial Government.

17.6 Provincial Housing Grants

Balance unspent at beginning of year	6,180,261	13,735,275
Current year receipts	8,000,000	-
Conditions met - transferred to revenue	(2,132,636)	(8,376,146)
Interest Received	382,194	821,132
Conditions still to be met - transferred to liabilities	<u>12,429,819</u>	<u>6,180,261</u>

Provincial Housing grants were allocated to assist in the refurbishment of various hostels. The grants are spent in accordance with a business plan approved by the Provincial Government. Funds were also provided for the Municipality to implement the Enhanced Extended Discount Benefit Scheme. No funds have been withheld.

NOTES 17 (CONTINUED) TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
17 GOVERNMENT GRANTS AND SUBSIDIES (continued)		
17.7 Provincial Library Services Subsidies		
Balance unspent at beginning of year	156,064	278,279
Current year receipts	558,000	360,000
Conditions met - transferred to revenue	(580,073)	(482,215)
Conditions still to be met - transferred to liabilities	<u>133,991</u>	<u>156,064</u>

Provincial Library Grants were allocated to subsidise the purchase of equipment for various libraries. A subsidy was also received to assist in the construction of the Empangeni Library Study Hall. Funds were also provided to refurbish the old community hall at Felixton into a library. Further funding was also received for the installation of computer hardware and software for public internet access, the cost of the internet connectivity, furniture to house these computers and salaries for the employment of "cyber-cadets". The subsidies are spent in accordance with a business plan approved by the Provincial Government. No funds have been withheld.

17.8 Provincial Library Services Subsidies

Balance unspent at beginning of year	-	-
Current year receipts	146,538	-
Conditions met - transferred to revenue	(146,538)	-
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>

Provincial Library Services donated assets to Council

17.9 Provincial Museum Services Subsidies

Balance unspent at beginning of year	-	-
Current year receipts	74,000	76,198
Conditions met - transferred to revenue	(74,000)	(76,198)
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>

Department of the Premier allocates a subsidy to assist in the daily running of the Empangeni Museum. No funds have been withheld.

17.10 Provincial Community Development Workers Programme

Balance unspent at beginning of year	19,269	29,711
Current year receipts	-	-
Conditions met - transferred to revenue	(231)	(10,442)
Conditions still to be met - transferred to liabilities	<u>19,038</u>	<u>19,269</u>

Department of Local Government and Traditional Affairs allocated funds to Council for the administration the Community Development Workers Programme. No funds have been withheld.

**NOTES 17 (CONTINUED) TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2011**

	2011 R	2010 R
17 GOVERNMENT GRANTS AND SUBSIDIES (continued)		
17.11 Provincial Department of Transport Subsidy		
Balance unspent at beginning of year	167,279	167,279
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	<u>167,279</u>	<u>167,279</u>

Provincial Department of Transport provided for a subsidy for Pedestrian Safety Project. Provincial Department of Transport Subsidy for the reimbursement of expenses paid for the relocation of the Empangeni Licensing Offices. No funds have been withheld.

17.12 Department of Water Affairs (DWA) Cleanest Town Award

Balance unspent at beginning of year	41,519	69,228
Current year receipts	-	-
Conditions met - transferred to revenue	(410)	(27,709)
Conditions still to be met - transferred to liabilities	<u>41,109</u>	<u>41,519</u>

Department of Water Affairs Cleanest Town Award. Funds will be used on a recycling project. No funds have been withheld.

17.13 Department of Water Affairs (DWA) Water Services Programme

Balance unspent at beginning of year	231,855	255,307
Current year receipts	-	-
Conditions met - transferred to revenue	(26,548)	(23,452)
Conditions still to be met - transferred to liabilities	<u>205,307</u>	<u>231,855</u>

Department of Water Affairs Sector Institutional Support and Capacity Building Initiatives in support of Water Services Authority and Water Service Provider functions. The grants are spent in accordance with an approved business proposal.

17.14 Department of Water Affairs (DWA) Refurbishment Grant

Balance unspent at beginning of year	3,743,670	5,329,040
Current year receipts	-	-
Conditions met - transferred to revenue	(3,743,600)	(1,585,370)
Conditions still to be met - transferred to liabilities	<u>70</u>	<u>3,743,670</u>

Department of Water Affairs Refurbishment Grant and Subsidy for Water Services Works. The grant is spent in accordance with an approved business plan.

NOTES 17 (CONTINUED) TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
17 GOVERNMENT GRANTS AND SUBSIDIES (continued)		
17.15 Department of Water Affairs (DWAF) Institutional Support Programme Grant		
Balance unspent at beginning of year	283,578	283,578
Current year receipts	-	-
Conditions met - transferred to revenue	(201,180)	-
Conditions still to be met - transferred to liabilities	<u>82,398</u>	<u>283,578</u>

Department of Water Affairs Support Project Grant for Institutional Support and Capacity Building.
The grant is spent in accordance with an approved business plan.

17.16 Department of Water Affairs (DWAF) Water Conservation and Demand Management Grant

Balance unspent at beginning of year	1,105,002	105,243
Current year receipts	1,000,000	1,000,000
Conditions met - transferred to revenue	(779,168)	(241)
Conditions still to be met - transferred to liabilities	<u>1,325,834</u>	<u>1,105,002</u>

Department of Water Affairs Water Conservation and Demand Management grant in support of capacity building and institutional support. The grant is spent in accordance with an approved business plan.

17.17 Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	20,439,958	18,100,061
Current year receipts	22,809,000	70,448,000
Conditions met - transferred to revenue	(38,084,382)	(45,940,948)
Conditions met - transferred to own revenue (ex migtat)	(5,164,576)	(22,167,155)
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>20,439,958</u>

This grant was used to construct water and sewerage infrastructure as part of the upgrading of informal settlement areas. No funds have been withheld.

17.18 uThungulu District Municipality Environmental Health Costs

Balance unspent at beginning of year	-	-
Current year receipts	1,319,418	1,319,418
Conditions met - transferred to revenue	(1,319,418)	(1,319,418)
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>

The function to provide environmental health services was transferred to the District Municipality. Council is still performing this function on behalf of the District Municipality. In terms of a service level agreement the District Municipality allocates a portion of their Equitable Share allocation.

NOTES 17 (CONTINUED) TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
17 GOVERNMENT GRANTS AND SUBSIDIES (continued)		
17.19 uThungulu District Municipality Capacity Building Grant		
Balance unspent at beginning of year	134,652	130,977
Current year receipts	-	-
Conditions met - transferred to revenue	-	3,675
Conditions still to be met - transferred to liabilities	<u>134,652</u>	<u>134,652</u>
uThungulu District Council allocated funds for capacity building grants. No funds have been withheld.		
17.20 uThungulu District Municipality Administration of Regional Cemeteries		
Balance unspent at beginning of year	-	-
Current year receipts	-	813,973
Conditions met - transferred to revenue	-	(813,973)
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>
Council administers the Regional Cemetery on behalf of uThungulu District Council in terms of a service level agreement. No funds have been withheld.		
17.21 uThungulu District Municipality Museum Operating Subsidy		
Balance unspent at beginning of year	31,049	36,756
Current year receipts	-	-
Conditions met - transferred to revenue	(19,200)	(5,707)
Conditions still to be met - transferred to liabilities	<u>11,849</u>	<u>31,049</u>
uThungulu District Council allocated a subsidy to assist in the daily running of the Empangeni Museum. No funds have been withheld.		
17.22 uThungulu District Council Infrastructure Grant (2010 Stadium)		
Balance unspent at beginning of year	-	-
Current year receipts	-	56,466,566
Conditions met - transferred to revenue	-	(56,466,566)
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>
uThungulu District Council facilitated the construction of the 2010 Stadium.		
17.23 uThungulu District Council - Hosting of Annual SMME Fair		
Balance unspent at beginning of year	-	-
Current year receipts	44,050	-
Conditions met - transferred to revenue	(547)	-
Conditions still to be met - transferred to liabilities	<u>43,503</u>	<u>-</u>
uThungulu District Council donated assets inherited from United Nations Development Programme.		

NOTES 17 (CONTINUED) TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2011

	2011	2010
	R	R
17 GOVERNMENT GRANTS AND SUBSIDIES (continued)		
17.24 uThungulu District Council - Zulu Dance Competition		
Balance unspent at beginning of year	-	-
Current year receipts	20,000	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	<u>20,000</u>	<u>-</u>

uThungulu District Council donated assets inherited from United Nations Development Programme.

17.25 Department of Agriculture and Environmental Affairs

Balance unspent at beginning of year	790,953	290,953
Current year receipts	515,000	500,000
Conditions met - transferred to revenue	(70,399)	-
Conditions still to be met - transferred to liabilities	<u>1,235,554</u>	<u>790,953</u>

Department of Agriculture and Environmental affairs provided a subsidy for a recycling project. The grants are spent in accordance with an approved business proposal.

17.26 Department of Minerals & Energy

Balance unspent at beginning of year	3,950,000	-
Current year receipts	-	3,950,000
Conditions met - transferred to revenue	(2,775,322)	-
Conditions still to be met - transferred to liabilities	<u>1,174,678</u>	<u>3,950,000</u>

Department of Minerals and Energy in support of Electrification Projects. The grants are spent in accordance with an approved business proposal.

17.27 Department of Sport and Recreation

Balance unspent at beginning of year	69,156	73,144
Current year receipts	-	-
Conditions met - transferred to revenue	(56,490)	(3,988)
Conditions still to be met - transferred to liabilities	<u>12,666</u>	<u>69,156</u>

Funds were received for the upgrade of the Vulindlela Sports Facility. The grants are spent in accordance with an approved business proposal.

**NOTES 17 (CONTINUED) – 19 TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2011**

	2011 R	2010 R
17 GOVERNMENT GRANTS AND SUBSIDIES (continued)		
17.26 Changes in levels of government grants		
Based on the allocations set out in the Division of Revenue Act, (Act No.2 of 2007), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years. The Provincial Department of Health plans to take over the Municipal Primary Health care services. A Service Level Agreement has been signed with Province so that service delivery can be maintained.		
18 OTHER INCOME		
Building Plans	996,841	1,072,831
Extension Fees	13,034,734	11,672,888
Connection Fees	6,439,014	1,528,211
MIG Vat Revenue	5,164,576	22,167,156
Reconnection Fees	3,053,789	1,866,914
Licence Drivers	1,399,508	1,288,070
Sundries	12,257,617	11,297,539
Stock Surplus	51,092	23,799
Total Other Income	42,397,171	50,917,408
19 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	219,352,957	199,529,837
Employee related costs - Contributions for UIF, pensions and medical aids	58,880,829	52,209,902
Travel, motor car, accommodation, subsistence and other allowances	40,255,332	34,039,275
Housing benefits and allowances	4,148,476	5,394,120
Overtime payments	29,865,127	25,242,488
Performance bonus	-	333,778
Leave Payments	6,429,546	7,622,908
Cellphone allowance	800,804	-
Pensioners medical aid contributions	2,123,854	1,960,636
Less: Employee costs capitalised to Property, Plant and Equipment	(657,455)	(4,154,618)
Total Employee Related Costs	361,199,470	322,178,326

There were no advances to employees. Loans to employees are set out in note 13.

NOTES 19 (CONTINUED) TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

19 EMPLOYEE RELATED COSTS (continued)

Remuneration of Senior Managers and Managers

	Deputy Municipal Manager R	Snr Manager Community Services R	Snr Manager Technical Services R
30 June 2011			
Annual Remuneration	398,990	663,305	628,714
Annual Bonus	-	55,275	-
Entertainment	-	-	-
Performance Bonuses	-	-	-
Housing Subsidy	-	-	-
Travel Allowance	71,985	109,565	231,692
Contributions to UIF, Medical and Pension Funds	111,343	159,803	127,541
Total	582,318	987,948	987,947

	Deputy Municipal Manager R	Snr Manager Community Services R	Snr Manager Technical Services R
30 June 2010			
Annual Remuneration	745,775	619,911	587,583
Annual Bonus	-	-	-
Entertainment	-	-	-
Performance Bonuses	-	-	-
Housing Subsidy	-	-	-
Travel Allowance	134,552	154,056	218,694
Contributions to UIF, Medical and Pension Funds	74,255	145,738	113,429
Total	954,582	919,705	919,706

	Snr Manager Financial Services R	Snr Manager Corporate Services R	Snr Manager City Development R
30 June 2011			
Annual Remuneration	705,383	692,782	576,259
Annual Bonus	58,782	-	-
Entertainment	-	-	-
Performance Bonuses	-	-	-
Housing Subsidy	-	-	-
Travel Allowance	204,600	157,637	342,217
Contributions to UIF, Medical and Pension Funds	19,182	134,589	69,472
Total	987,947	985,008	987,948

	Snr Manager Financial Services R	Snr Manager Corporate Services R	Snr Manager City Development R
30 June 2010			
Annual Remuneration	627,834	647,460	538,560
Annual Bonus	54,536	-	-
Entertainment	-	-	-
Performance Bonuses	-	-	65,867
Housing Subsidy	-	-	-
Travel Allowance	199,309	154,228	321,403
Contributions to UIF, Medical and Pension Funds	14,125	105,243	59,743
Total	895,804	906,931	985,573

NOTES 19 (CONTINUED) TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

19 EMPLOYEE RELATED COSTS (continued)

	Manager Financial Services R	Manager Civil Engineering R	Manager Electrical Engineering R
30 June 2011			
Annual Remuneration	407,366	564,960	481,662
Annual Bonus	35,952	-	-
Entertainment	1,283	-	-
Performance Bonuses	-	-	-
Housing Subsidy	4,038	-	61,117
Travel Allowance	163,231	253,055	244,638
Contributions to UIF, Medical and Pension Funds	150,415	147,262	104,984
Total	762,285	965,277	892,401

30 June 2010			
Annual Remuneration	47,307	528,000	450,151
Annual Bonus	-	-	-
Entertainment	-	-	-
Performance Bonuses	-	55,013	65,867
Housing Subsidy	-	-	57,118
Travel Allowance	17,145	236,500	230,642
Contributions to UIF, Medical and Pension Funds	-	133,542	91,623
Total	64,452	953,055	895,401

	Manager Management Services R	Manager Corporate Services R	Manager City Development R
30 June 2011			
Annual Remuneration	431,419	-	-
Annual Bonus	35,952	-	-
Entertainment	1,517	-	-
Performance Bonuses	-	-	-
Housing Subsidy	-	-	-
Travel Allowance	178,009	-	-
Contributions to UIF, Medical and Pension Funds	85,342	-	-
Total	732,239	-	-

30 June 2010			
Annual Remuneration	36,509	3,368	-
Annual Bonus	-	-	-
Entertainment	-	-	-
Performance Bonuses	-	-	-
Housing Subsidy	-	-	-
Travel Allowance	17,255	2,480	-
Contributions to UIF, Medical and Pension Funds	6,468	-	-
Total	60,232	5,848	-

NOTES 19 (CONTINUED) – 20 TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

19 EMPLOYEE RELATED COSTS (continued)

	Manager Facilitation and Marketing R	Manager Community Serv and Health R	Manager Parks, Sports and Recreation R
30 June 2011			
Annual Remuneration	432,153	432,586	432,716
Annual Bonus	35,952	35,952	35,952
Entertainment	1,400	1,400	1,400
Performance Bonuses	-	-	-
Housing Subsidy	4,506	-	715
Travel Allowance	176,463	178,009	178,009
Contributions to UIF, Medical and Pension Funds	226,488	139,058	168,631
Total	876,962	787,005	817,423
30 June 2010			
Annual Remuneration	351,942	351,942	351,942
Annual Bonus	29,329	29,329	29,329
Entertainment	1,400	1,400	1,400
Performance Bonuses	94,715	55,320	91,460
Housing Subsidy	44,728	5,183	26,880
Travel Allowance	176,840	157,416	176,729
Contributions to UIF, Medical and Pension Funds	137,682	116,482	133,272
Total	836,636	717,072	811,012

Special Advisor Air Pollution

	2011 R	2010 R
Annual Remuneration	72,637	397,695
Annual Bonus	-	32,408
Entertainment	233	1,400
Performance Bonuses	-	-
Housing Subsidy	1,004	6,624
Travel Allowance	29,573	196,337
Contributions to UIF, Medical and Pension Funds	592,873	133,208
Total	696,320	767,672

20 REMUNERATION OF COUNCILLORS

	2011 R	2010 R
Mayor	538,303	539,254
Deputy Mayor	415,946	438,845
Speaker	463,459	438,834
Executive Committee Members	3,390,028	3,200,038
Councillors	8,471,830	8,159,783
Councillors pension contribution	1,307,498	1,239,628
Total Councillors Remuneration	14,587,064	14,016,382

The Speaker, Chief Whip and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council. The Mayor is also provided with a vehicle for business use at the cost of the Council.

NOTES 21 - 24 TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
21 FINANCE COSTS		
Long-term liabilities	88,507,547	83,082,037
Total Interest on External Borrowings	88,507,547	83,082,037
An amount of R1 232 173.12 relating to finance costs was capitalised to work in progress with 11.4% being the weighted average cost of funds borrowed by the municipality.		
22 BULK PURCHASES		
Electricity	578,673,988	487,932,120
Water	70,856,834	43,690,615
Total Bulk Purchases	649,530,822	531,622,735
23 GRANTS AND SUBSIDIES PAID		
Richards Bay Country Club	-	409,747
S P C A	239,200	261,500
uMhlatuze Tourism Association	322,114	282,433
Richards Bay Bowling Club	-	51,619
Zululand Expo	22,100	20,800
Sundries	65,400	67,294
Property Rates Relief	480,277	617,456
Suid-Afrikaanse Vrouefederasie (SAVF): Aged Care	-	495,000
Port Dunford Flagship Programme	15,336	-
Total Grants and Subsidies	1,144,427	2,205,849
24 CASH GENERATED FROM OPERATIONS		
Surplus/(Deficit) for the year	(193,204,611)	(115,158,471)
Adjustment for:		
Depreciation	284,080,136	263,449,206
Amortisation	3,843,092	2,465,060
Post employment benefit expenses	38,794,000	19,890,000
Other grants received (excluded as non cash)	(146,538)	(56,466,566)
(Gain)/Loss on disposal of property, plant and equipment	(162,463)	(1,163,608)
Grant in aid (excluded as non cash)	352,693	495,000
Movement in bad debt provision	1,500,000	200,000
Investment income	(2,564,696)	(3,844,950)
Interest paid	88,507,547	83,082,037
Operating surplus before working capital changes:	220,999,160	192,947,708
(Increase)/ Decrease in inventories	19,966,717	5,992,220
(Increase) in debtors	(843,538)	(32,902,107)
Decrease/ (Increase) in other debtors	(7,558,358)	8,223,947
(Decrease)/ Increase/ in unspent conditional grants and receipts	(17,208,619)	(2,230,849)
(Decrease)/ Increase/ (Decrease) in creditors	(10,732,999)	6,227,003
(Increase)/ Decrease in VAT claimable	15,402,843	434,350
(Decrease) in consumer deposits	6,008,666	(671,385)
Cash generated from operations	226,033,872	178,020,887

NOTES 25 - 26 TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
25 ELECTRICITY AND WATER LOSSES		
		RESTATED
Water losses for the City of uMhlathuze calculated at a variable cost per kilolitre amounts to:		
Total Produced & Purchased (KL)	39,210,951	42,557,901
Total Sold (KL)	28,122,324	31,059,590
Water Loss in KL	11,088,627	11,498,311
% Loss	28.28%	27.02%
Variable Cost/Kl	R 1.16	R 0.92
Water loss in Rands	12,859,062	10,578,446

Losses can be accounted for primarily through: illegal connections, rural areas not yet connected to billing system and operational usage through new reticulation systems.

Electricity losses for the City of uMhlathuze calculated at a unit cost per kilowatt amounts to:

Total Purchased (KW)	1,460,959,032	1,590,907,358
Total Sold (KW)	1,377,108,701	1,510,517,045
Electricity Loss in KW	83,850,331	80,390,313
% Loss	5.74%	5.05%
Unit cost /KW	R 0.39	R 0.31
Electricity loss in Rands	32,701,629	24,920,997

26 ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT**26.1 Contributions to SALGA**

Council subscriptions	1,723,098	1,214,664
Amount paid	(1,723,098)	(1,214,664)

26.2 Audit fees

Amount paid - current year	1,656,852	1,914,807
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26.3 PAYE and UIF

Opening balance	3,877,660	2,712,605
Current year payroll deductions	53,901,773	40,987,231
Amount paid - current year	(49,617,855)	(37,109,571)
Amount paid - previous year	(3,877,660)	(2,712,605)
Balance unpaid (included in creditors)	4,283,918	3,877,660

The balance represents June's contribution paid over in July.

NOTE 26 (CONTINUED) TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2011

	2011	2010
	R	R
26 ADDITIONAL DISCLOSURE (continued)		
26.4 Pension and Medical Aid Deductions		
Opening balance	3,864,983	3,347,354
Current year payroll deductions	85,524,104	76,308,159
Amount paid - current year	(78,300,118)	(72,443,176)
Amount paid - previous year	(3,864,983)	(3,347,354)
Balance unpaid (included in creditors)	7,223,986	3,864,983

The balance represents continued members contributions received in advance.

26.5 Councillor's Arrear Consumer Accounts

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

	Total	Outstanding Less Than 90 Days	Outstanding More Than 90 Days
Councillor Shangase LB	1,758	1,624	134
Total Councillor Arrear Consumer Account	1,758	1,624	134

30 June 2010

Councillor Gumede TN	676	310	366
Councillor Mngayi MS	2,141	596	1,545
Councillor Mtshali D	11,202	8,127	3,075
Councillor Tshabalala NC	14	4	10
Total Councillor Arrear Consumer Account	14,033	9,037	4,996

During the year the following Councillor's had arrears accounts outstanding for more than 90 days.
The following represents the highest amount outstanding:

30 June 2011	Highest Amount Outstanding	Ageing
Councillor Shangase LB	134	90

NOTES 27 - 29 TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
27 CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure:		
Approved and contracted for	105,214,081	140,418,182
Approved but not yet contracted for	115,520,119	94,409,218
Total capital commitments	220,734,200	234,827,400

This expenditure will be financed from:

Internal Sources	18,152,200	8,903,900
External Loans	100,000,000	119,592,000
Grants	102,582,000	106,331,500
	220,734,200	234,827,400

28 CONTINGENT LIABILITIES AND CONTRACTUAL OBLIGATIONS

Guarantees by City of uMhlathuze in respect of building society and commercial bank housing loans to officials.

43,500	8,354
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Guarantee by City of uMhlathuze in respect of Postal services.

200,000	200,000
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There is a dispute between the City of uMhlathuze and Mechlift (Pty) Ltd for the payment of the ML220 bin lifter. Mechlift has indicated that should the payment not be received by 10 August 2010 they will institute proceedings

29 POST EMPLOYMENT MEDICAL BENEFITS (Defined benefit obligation)

The Municipality operates on 5 accredited medical aid schemes, namely:

Bonitas, Hosmed, Keyhealth, LA Health and Samwumed.

Pensioners continue on the option they belonged to on the day of their retirement. The independent valuers, IAC, carried out a statutory valuation for the year ended 30 June 2011.

The principal actuarial assumptions used were as follows:

Discount rate per annum	9%	9%
Health care cost inflation rate	7%	8%
Net effective discount rate	1%	1%
Benchmark inflation (equal to salary inflation)	6%	8%
Average retirement age	55	65
Proportion continuing membership at retirement	95%	95%
Proportion of retiring members who are married	90%	90%

The amounts recognised in the Statements of Financial Position were determined as follows:

Present Value of the obligation	189,391,000	150,597,000
Unrecognised actuarial gain / (loss)	-	-
Liability in the Balance Sheet	189,391,000	150,597,000

NOTES 29 (CONTINUED) - 32 TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
29 POST EMPLOYMENT MEDICAL BENEFITS (continued)		
Movements in the defined benefit obligation is as follows:		
Balance at the beginning of the year	150,597,000	130,707,000
Current service cost	13,724,000	10,291,000
Interest cost	14,307,000	12,285,000
Benefits paid	(2,126,000)	(2,686,000)
Actuarial (gain) loss on obligation	12,889,000	-
	189,391,000	150,597,000

The amounts recognised in the Statement of Financial Performance were as follows:

Current service cost	13,724,000	10,291,000
Interest cost	14,307,000	12,285,000
Actuarial gain loss recognised during the year	12,889,000	-
Benefit paid	(2,126,000)	(2,686,000)
Net amount recognised in the Statement of Financial Performance	38,794,000	19,890,000

30 PROVISIONS

30 June 2011

	Staff Leave	Staff Bonuses
Carrying amount at the beginning of the year	9,561,973	7,231,707
Increase/(decrease) during the year	420,159	1,114,783
Carrying amount at the end of the year	9,982,132	8,346,490

30 June 2010

Carrying amount at the beginning of the year	9,196,951	6,760,832
Increase/(decrease) during the year	365,022	470,875
Carrying amount at the end of the year	9,561,973	7,231,707

31 EVENTS AFTER THE REPORTING DATE

No material facts and circumstances have occurred between the accounting date and the date of this report that would have an impact on the financial statements.

32 PRIOR PERIOD ADJUSTMENT

Restatement of Property, plant and equipment (cost)

During the year, the municipality brought in infrastructure assets that were not accounted for as historical cost was unavailable as guided by Directive 7 and also infrastructure, housing, community and other assets cost that was overstated. Also an amount included as acquisitions in the prior year was reversed in the current year for housing and infrastructure assets.

The impact of this adjustment is as follows:

Amount as previously stated in the Financial statements	10,417,757,907
Correction of infrastructure assets	283,137,825
Correction of community assets	112,673
Correction of other assets	995,096
Restated Property, plant and equipment (cost) at 30 June 2010	10,702,003,501

NOTE 32 (CONTINUED) TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2011

2011 **2010**
R **R**

32 PRIOR PERIOD ADJUSTMENT (continued)

Restatement of Investment Properties (Accumulated depreciation)

The accumulated depreciation for investment properties was overstated by an amount of an asset transferred to property, plant and equipment

Balance as previously stated in the Financial statements	9,362,525
Transfer of accumulated depreciation to property, plant and equipment	(14,700)
Restated Investment Properties (Accumulated depreciation)	9,347,825

Restatement of Property, plant and equipment (Accumulated Depreciation)

During the year, the municipality discovered that depreciation for infrastructure, community, housing and other assets in the prior years was undercharged/overcharged due to errors on cost that was not recognised .

The impact of this adjustment is as follows:

Amount as previously stated in the Financial statements	5,768,484,786
Correction of infrastructure assets accumulated depreciation	316,545,335
Correction of housing assets accumulated depreciation	1,189,206
Correction of community assets accumulated depreciation	3,111
Correction of other assets accumulated depreciation	(278,941)
Restated Property, plant and equipment (accumulated depreciation) at 30 June 2010	6,085,943,497

Restatement of Inventory Land

During the year, the municipality discovered inventory land previously not accounted for in the accounting records.

The impact of this error is as follows:

Balance as previously stated in the Financial statements	64,319,000
Inventory land not previously recognised	14,940,150
Restated Inventory Land at 30 June 2010	79,259,150

Restatement of Accumulated Surplus

Balance as previously stated in the Financial statements	3,658,923,699
Correction of inventory land	(527,880)
Inventory land not previously recognised	14,940,150
Correction of accumulated depreciation	(317,444,013)
Correction of property, plant and equipment cost	284,245,594
Change in accounting estimate	46,431,141
Restated Accumulated Surplus Balance at 30 June 2010	3,686,568,691

NOTES 32 (CONTINUED) - 35 TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
32 PRIOR PERIOD ADJUSTMENT (continued)		
Restatement of Inventory water		
During the year the municipality discovered that the closing balance of inventory was overstated in the prior year.		
The impact of this error is as follows:		
Amount previously recognised in the financial statements	722,920	
Correction of priory year amount	(527,880)	
Restated closing balance of inventory water	<u>195,040</u>	
33 CHANGE IN ACCOUNTING ESTIMATE		
A change in the estimated useful live of certain infrastructure assets and intangible assets with zero book values has resulted in the following change in accumulated depreciation:		
Accumulated depreciation on infrastructure assets according to initial estimated useful life	122,516,331	
According to re-estimated useful life	<u>81,667,967</u>	
Depreciation reversed	<u>40,848,364</u>	
Accumulated depreciation on intangible assets assets according to initial estimated useful life	7,815,888	
According to re-estimated useful life	<u>2,233,111</u>	
Depreciation reversed	<u>5,582,777</u>	
34 DEVIATIONS FROM PROCUREMENT PROCESSES		
Section 37(2) of Supply Chain Management Policy has been complied with.		
35 GENERAL EXPENSES		
Included as part of general expenses are the following:		
Uniforms	1,595,702	1,728,694
Bank charges	1,041,258	921,470
Community facilitation	1,894,154	1,235,300
External audit fees	1,656,852	1,914,807
Fuel and oil	10,269,586	8,705,770
Insurances	4,518,628	4,359,083
Indigent services rendered	5,156,356	5,145,962
Legal fees	2,456,355	3,049,180
Licences and permits	1,125,084	998,667
Membership fees	1,910,770	1,348,468
Postage	1,083,563	1,037,577
Printing and Stationery	2,380,605	1,984,059
Programming material	3,733,810	3,797,576
Publicity	1,096,926	1,109,552
Rent equipment and vehicles	279,568	1,672,603
Waste disposal	2,071,574	1,793,726
Skills levy	2,894,384	2,759,714
Telephone	1,918,734	2,544,349
Environmental projects	131,244	475,949
Research fund	495,058	860,782
Sport development	930,224	830,237
Marketing projects and social development	287,344	349,332
Stores and materials	942,079	918,560
Subsistence and travelling	754,298	617,357
Valuation roll	1,101,569	547,612
Sundries	8,416,320	8,184,048
Total	<u>60,142,045</u>	<u>58,890,433</u>

NOTE 36 TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**36 RELATED PARTY TRANSACTIONS**
36.1 KEY PERSONNEL EMPLOYEE BENEFIT

		BENEFIT	THIRD PARTY
		R	TRANSACTION
		R	R
Nhleko	NP	582,318.35	-
Sibeko	NJ	987,947.52	8,698.88
Mdakane	S	987,947.52	5,387.05
Khoza	EL	987,947.52	12,153.51
Kunene	M	987,947.52	13,289.88
Ndlovu	MBT	985,008.22	5,013.06
Renald	H D	821,922.82	9,659.99
Baker	DL	892,400.60	8,885.79
Naidoo	JK	965,276.84	-
Oliphant	MT	732,238.03	-
Phillips	F	696,320.60	-
Diadla	HR	787,004.91	-
van Biljon	EH	817,422.25	11,190.06
Odendaal	P E	876,960.34	14,834.13
Nel	MJ	717,238.16	9,085.90
Moss	AF	716,908.54	17,082.14
Mulder	OJH	728,338.57	18,874.22
van Roojen	M	718,535.06	9,300.28
Pullen	WNS	634,322.65	15,544.52
Koekemoer	CM	730,842.20	11,856.24
Mathenjwa	CM	671,049.77	-
Mbatha	SM	687,053.80	6,990.08
Vumba	AP	642,877.54	7,269.66
Cronje	G P	685,583.14	6,531.89
Schutte	J J	740,485.88	8,950.43
Poswa	ZN	647,535.58	-
Hlela	SN	700,353.36	6,894.33
Ngidi	PD	666,888.59	5,285.82
Ngwira	SN	627,637.74	-
Mbhamali	BS	662,172.68	8,452.70
Buthelezi	L	664,991.03	-
Phahla	TM	709,770.41	2,991.03
Khumalo	NH	621,104.59	11,413.84
Marais	RM	693,830.41	11,642.32
Kanyile	B	654,463.69	-
Myburgh	DS	476,132.96	6,002.32
Strachan	B	332,616.80	8,853.61
Jordan	T	663,694.78	-
Khumalo	RB	699,124.65	7,844.38
		28,602,215.62	269,978.06

**NOTE 36 (CONTINUED) TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2011**

36 RELATED PARTY TRANSACTIONS (continued)
36.2 COUNCILLORS

		BENEFIT	THIRD PARTY
		R	TRANSACTION
			R
Mnqayi	AZ	415,360.64	4,293.52
Mbatha	EF	526,709.94	13,775.73
Madlopha	CQ	198,020.18	2,093.18
Gumbi	NV	364,001.11	2,790.50
Mnqayi	MS	279,192.45	-
Nxumalo	DA	463,516.60	4,720.72
Mbokazi	MM	215,974.88	3,173.23
Lourens	M	463,516.60	9,224.12
Mthembu	AH	215,974.88	3,543.35
Fourie	LCM	215,974.88	27,568.10
Mkhize	SG	215,974.88	3,855.76
Simmadhri	SS	215,974.88	13,795.45
Sookroo	M	110,289.20	-
Kwela	PN	45,012.73	-
Zikhali	RM	418,503.87	-
Donda (dr)	NG	418,503.87	2,664.87
Harvey	JR	418,503.87	104,272.53
Hlophe	NS	192,720.96	-
Mthiyane	BM	170,962.15	-
Mzimela	NB	440,262.68	-
Ngobese	ND	170,962.15	5,088.08
van Huyssteen	RJ	73,876.37	4,920.19
Van zyl	JL	440,262.68	9,441.73
Zulu	SM	170,962.15	-
Ndwandwe	GB	170,962.15	-
Khoza	FG	170,962.15	-
Mbanjwa	NC	440,262.68	8,952.16
Viljoen	A	192,720.96	8,558.82
Mngomezulu	LP	128,480.64	1,302.64
Makatini	MT	192,720.96	-
Ntanzi	PM	192,720.96	5,596.74
Mthembu	BM	170,962.15	-
Sukreben	K	192,720.96	17,469.65
Zulu	SH	192,720.96	-
Mtshali	D	170,962.15	4,342.49
Dube	EJB	192,720.96	62.95
Mpungose	VRT	170,962.15	-
Mbatha	PT	192,720.96	-
Mthembu	BC	192,720.96	2,738.13
Gumede	T N	170,962.15	3,860.88
Van der westhuizen	JC	170,962.15	21,376.42
Shandu	MF	170,962.15	-
Khumalo	LM	170,962.15	-
Cele	NR	192,720.96	2,965.03
Tshabalala	CN	170,962.15	1,618.66

NOTE 36 (CONTINUED) TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**2011****36 RELATED PARTY TRANSACTIONS (continued)****36.2 COUNCILLORS**

		BENEFIT	THIRD PARTY
		R	TRANSACTION
			R
Bissoondial	R	170,962.15	-
Herbert	DM	170,962.15	-
Mthethwa	KN	192,720.96	-
Zulu	TL	170,962.15	7,611.85
Thusi	NT	192,720.96	2,051.18
Ntetha	FF	170,962.15	4,478.38
Mngomezulu	AP	192,720.96	1,302.64
Myeni	MB	129,421.96	-
Gumede	BD	170,962.15	-
Calitz	CF	170,962.15	13,764.49
Buthelezi	MJ	170,962.15	-
Madonsela	NE	170,962.15	-
Dawood	AS	192,720.96	5,052.07
Nkwanyana	RZ	170,962.15	-
Fourie (jnr)	LW	170,962.15	-
Mlaba	N	150,239.45	-
Mthujane	SS	181,841.55	-
Moodley	DR	59,007.84	-
Mpanza	JB	27,057.91	-
Chili	FB	27,057.91	-
Mkhulise	CG	27,057.91	-
Bosman	FG	21,758.81	-
Cele	JN	21,758.81	-
Danisa	LM	21,758.81	-
De lange	BJ	21,758.81	-
Khoza	SP	21,758.81	-
Khumalo	MR	21,758.81	-
Kweyama	CS	21,758.81	-
Madondo	NM	21,758.81	-
Mathenjwa	PM	21,758.81	-
Mavimbela	CP	21,758.81	-
Merryweather	DJ	21,758.81	-
Mhlongo	ME	21,758.81	-
Mkhize	MR	21,758.81	-
Mthenjana	MW	21,758.81	-
Mthiyane	BT	21,758.81	-
Ngcobo	TB	21,758.81	-
Ndimande	DJ	21,758.81	-
Ndlou	KE	21,758.81	-
Nkosi	GA	21,758.81	-

**NOTE 36 (CONTINUED) - 37 TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2011**

36 RELATED PARTY TRANSACTIONS (continued)

36.2 COUNCILLORS

		BENEFIT	THIRD PARTY
		R	TRANSACTION
			R
Nsibande	SM	21,758.81	-
Ntuli	BR	21,758.81	-
Palmer	EA	21,758.81	-
Radebe	WM	21,758.81	-
Sabelo	LS	21,758.81	-
Shangese	LB	21,758.81	-
Xaba	SB	21,758.81	-
Xulu	DJ	21,758.81	-
Khoza	M	21,758.81	-
Mkhize	GM	21,758.81	-
		14,108,369.60	328,326.24

36.3 SCM EMPLOYEES

		BENEFIT	THIRD PARTY
		R	TRANSACTION
			R
van der Westhuizen	JD	394,969.53	4,360.57
de Jager	E	553,065.70	7,087.39
Singh	V	411,294.82	3,397.36
Kluckow	N	532,172.50	1,780.44
Nzimande	SP	620,914.01	6,622.01
Grobler	AS	157,548.86	-
Qulu	S	495,559.85	4,699.25
Mashita	T	514,030.07	-
Thusini	PST	486,764.71	-
Mthethwa	H	284,385.57	3,443.42
Madlala	TB	481,288.99	-
		4,931,994.61	31,390.44

37 Operating leases

	2011	2010
	R	R

At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:

Within one year	2,400
In the second to fifth year inclusive	9,600
After five years	-
Total	12,000

Operating lease payments represent rentals payable by the municipality for certain of its office properties. No contingent rent is payable.

NOTE 38 TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

38 COMPARISON OF ACTUAL WITH BUDGET

	2011			2011 VARIANCE (%)	Explanation of significant variance greater than 10% versus budget
	2011 ACTUAL	ADJUSTED BUDGET	2011 VARIANCE		
REVENUE					
Property Rates	178,078,013	177,000,000	1,078,013	1	
Service Charges	987,889,876	1,048,337,000	(60,447,124)	(6)	Budgeted revenue from rental was adjusted downwards due to the uncertainty of continuation of leases as the was a plan for disposing properties that were rented out. The sales didn't materialise and hence the leases were continued.
Rental of Facilities and Equipment	10,901,303	8,554,000	2,347,303	27	Increase in funds available for investments during the year.
Interest Earned-External Investments	2,564,696	567,000	1,997,696	352	
Interest Earned-Outstanding Debtors	1,284,116	1,428,000	(143,884)	(10)	
Fines	1,645,326	2,155,000	(509,674)	(24)	
Licences and Permits	1,867,168	1,859,000	8,168	0	There was undercollection of income from agency fees at adjustment budget stage and the budget was adjusted down. The revenue increased in the last quarter of the financial year.
Income For Agency Services	4,602,828	3,860,000	742,828	19	
Government Grants and Subsidies	202,775,860	232,855,000	(30,079,140)	(13)	
Public Contributions	1,370,360	37,421,400	(36,051,040)	(96)	
Other Income	42,397,171	38,543,400	3,853,771	10	Increased revenue on extension fees, connection fees and other sundries during the year.
Gains on Sale Of Land	2,187,405	-	2,187,405	-	
Gains on Disposal of Property, Plant and Equipment	162,463	-	162,463	-	
Inter-Departmental Charges	-	-	-	-	
Total Revenue	1,437,726,585	1,552,579,800	(114,853,215)	(7)	
EXPENDITURE					
Employee related costs	361,199,470	363,028,900	(1,829,430)	(1)	
Remuneration of Councillors	14,587,064	15,198,300	(611,236)	(4)	
Bad debts	2,310,145	934,000	1,376,145	147	Amount includes the provision for doubtful debts which was increased during the year.
Collection costs	10,132	106,000	(95,868)	(90)	
Depreciation and amortisation	287,923,228	283,259,700	4,663,528	2	
Post employment benefits expenses	38,794,000	-	38,794,000	-	Spending on conditional grants improved to reduce the unspent conditional grants.
Conditional grant expenditure	5,025,682	4,546,800	478,882	11	
Repairs and maintenance	37,078,117	42,779,500	(5,701,383)	(13)	
Finance costs	88,507,547	91,407,000	(2,899,453)	(3)	
Bulk purchases	649,530,822	664,352,000	(14,821,178)	(2)	
Contracted services	84,678,517	89,502,500	(4,823,983)	(5)	
Grants and subsidies paid	1,144,427	2,215,300	(1,070,873)	(48)	
General expenses	60,142,045	140,919,600	(80,777,555)	(57)	
Inter-Departmental Charges	-	-	-	-	
Total Expenditure	1,630,931,196	1,698,249,600	(67,318,404)	(4)	
NET SURPLUS/(DEFICIT) FOR THE YEAR	(193,204,611)	(145,669,800)	(47,534,811)	(3)	

APPENDIX A - SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011

EXTERNAL LOANS	Interest Rate	Loan Number	Redeemable	Balance at 30/06/2010	Received during the period	Redeemed/ written off during the period	Balance at 30/06/2011	Carrying Value Property, Plant & Equipment	Other costs in accordance with MFMA
LONG-TERM LOANS									
Development Bank of SA	12.00%	10593	2018/03/31	5,332,293	-	428,388	4,903,905	499,645	
Development Bank of SA	12.00%	10594	2017/03/31	2,404,200	-	235,881	2,168,319	677,468	
Development Bank of SA	12.00%	10595	2017/03/31	9,026,665	-	885,625	8,141,040	2,228,940	
Development Bank of SA	12.00%	10596	2017/03/31	2,100,534	-	206,087	1,894,447	915,334	
Development Bank of SA	14.50%	10597	2018/03/31	6,751,942	-	492,250	6,259,692	1,317,558	
Development Bank of SA	12.00%	10600	2017/03/31	4,096,663	-	401,932	3,694,731	1,021,699	
Development Bank of SA	12.00%	10601	2017/03/31	2,434,965	-	238,900	2,196,065	67,926	
Development Bank of SA	12.00%	10602	2017/03/31	615,931	-	60,429	555,502	151,265	
				32,763,193	-	2,949,492	29,813,701	6,879,834	-
INCA	13.95%	UMHL	2019/06/30	12,568,079	-	845,567	11,722,512	15,922,602	
Development Bank of SA	16.16%	11665	2010/12/31	248,243	-	248,243	(0)	-	
Standard Bank	*1	357636	31/03/2015	60,811,445	-	9,367,402	51,444,043	56,782,341	
Nedbank	*2	05/7831	30/06/2016	61,656,038	-	8,712,512	52,943,527	22,281,849	
INCA	8.75%		28/06/2019	205,471,775	-	15,827,250	189,644,526	139,655,624	
Development Bank of SA	11.70%	103170	31/12/2018	223,352,458	-	16,535,593	206,816,865	76,073,505	
Development Bank of SA	6.75%	103494	30/06/2019	32,449,105	-	2,725,948	29,723,157	10,867,644	
Development Bank of SA	11.57%	103494	30/06/2019	94,266,944	-	6,415,187	87,851,757	31,050,410	
Nedbank	11.26%	05/7831/2	31/12/2019	183,125,645	-	11,643,767	171,481,878	160,728,911	
TOTAL EXTERNAL LOANS				906,712,926	-	75,270,962	831,441,965	520,242,720	-

*1 = JIBAR plus 1.218%

*2 = Prime less 3.249%

APPENDIX B - ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2011

CITY OF uMHLATHUZE : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2011

	Cost/Revaluation				Accumulated Depreciation									
	Opening Balance	Transfers	Additions		Under Construction	Disposals	Closing Balance	Opening Balance		Transfers	Disposals	Closing Balance	Carrying Value	
			R	R				R	R					R
Land	558,844,950	(11,000)	-	-	-	-	558,833,950	-	-	-	-	-	558,833,950	
	558,844,950	(11,000)	-	-	-	-	558,833,950	-	-	-	-	-	558,833,950	
Infrastructure	520,101,394	-	9,279,945	7,693,505	-	-	537,074,844	180,375,157	24,801,285	(886)	-	205,175,556	331,899,288	
	3,237,607,880	-	5,828,043	2,939,908	-	-	3,246,375,831	1,881,449,283	84,181,548	(954)	-	1,965,629,876	1,280,745,955	
	1,275,555,108	-	5,037,259	32,326,041	-	-	1,312,918,408	697,088,097	31,507,468	(7,332)	-	728,588,233	584,330,176	
	4,290,877,956	-	3,282,690	13,776,858	-	-	4,307,937,504	2,994,081,971	93,932,474	-	-	3,088,014,445	1,219,923,059	
	14,903,429	(14,690)	9,500	-	-	-	14,898,239	4,152,079	3,605,013	-	-	7,757,092	7,141,147	
	21,679,108	-	446,353	17,033	-	-	22,142,495	15,861,351	923,636	-	-	16,784,987	5,357,507	
	360,591	-	-	-	-	-	360,591	181,235	17,783	-	-	199,017	161,574	
	9,361,085,467	(14,690)	23,883,791	56,753,346	-	-	9,441,707,914	5,773,189,172	238,969,206	(9,173)	-	6,012,149,206	3,429,558,708	
	Community Assets	32,292,287	-	-	-	-	-	32,292,287	8,570,508	1,243,071	-	-	9,813,579	22,478,707
		16,783,509	-	29,949	-	-	-	16,813,458	1,896,327	1,331,607	-	-	3,227,933	13,585,525
253,214		-	-	-	-	-	253,214	57,155	12,266	-	-	69,421	183,793	
11,839,791		-	38,000	-	-	-	11,877,791	5,061,322	626,936	-	-	5,688,258	6,189,533	
2,583,881		-	-	-	-	-	2,583,881	590,606	86,774	(46,983)	-	630,397	1,953,485	
54,604,111		(63,000)	-	-	-	-	54,541,111	8,369,063	-	-	-	8,369,063	46,172,048	
9,729,109		-	-	-	-	-	9,729,109	5,537,108	370,469	-	-	5,907,577	3,821,532	
2,221,571		-	-	-	-	-	2,221,571	921,948	109,557	-	-	1,031,505	1,190,066	
11,130,149		(54,141)	-	-	-	-	11,076,008	10,886,581	151,057	(6,049)	-	11,031,589	44,420	
8,057,133		-	-	-	-	-	8,057,133	3,460,113	737,525	-	-	4,197,637	3,859,496	
51,471,346	-	377,087	-	-	-	51,848,433	18,829,835	2,805,815	-	-	21,635,650	30,212,783		
85,245,348	-	545,715	-	-	-	85,791,063	423,163	2,356,905	-	-	2,780,067	83,010,996		
286,211,449	(117,141)	990,751	-	-	-	287,085,059	64,603,728	9,831,980	(53,032)	-	74,382,676	212,702,383		

APPENDIX B (CONTINUED) - ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2011

	Cost/Revaluation				Accumulated Depreciation						
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Carrying Value
	R	R	R	R	R	R	R	R	R	R	R
Heritage Assets	49,502	-	19,200	-	-	68,702	-	-	-	-	68,702
	49,502	-	19,200	-	-	68,702	-	-	-	-	68,702
Other Assets	4,832,401	-	-	-	-	4,832,401	2,579,097	489,500	-	3,068,597	1,763,804
	168,088,244	-	1,938,693	1,334,091	-	171,341,028	50,015,880	7,676,232	-	57,692,112	113,648,916
	305,561	-	-	-	-	305,561	78,834	27,616	-	106,450	199,111
	9,205,255	-	12,227	-	-	9,217,482	5,452,862	1,083,157	-	6,536,020	2,681,463
	73,481,810	(264,000)	-	(1,181,224)	-	72,036,586	17,114,107	5,474,725	-	22,588,832	49,447,754
	69,169,075	-	-	-	-	69,169,075	50,093,252	-	-	50,093,252	19,075,823
	93,761,280	-	-	-	-	93,761,280	43,353,487	9,858,443	-	53,211,930	40,549,350
	20,456,845	363,330	-	-	-	24,139,263	14,023,023	3,210,617	674,065	17,907,704	6,231,559
	56,179,111	56,699	203,480	-	781,259	55,658,031	24,528,847	6,631,948	62,205	30,441,741	25,216,289
	352,552	-	-	-	-	352,552	62,843	23,503	-	86,346	266,206
	495,812,133	3,111,787	2,517,730	152,867	781,259	500,813,259	207,302,233	34,475,741	736,270	241,732,985	259,080,274
	Total	10,702,003,501	2,968,956	27,411,472	56,906,213	781,259	10,788,508,884	6,045,095,134	283,276,928	674,065	6,328,264,868

APPENDIX C - SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2011

	Cost				Accumulated Depreciation							Carrying Value
	Opening Balance	Transfers	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R		R	R	R	R	R	R		R	R	R
Budget & Treasury Office	1,580,703	-	151,747	-	-	1,732,450	1,310,878	116,524	-	-	1,427,402	305,048
Community & Social Services	254,461,885	-	2,483,735	570,595	-	257,516,215	86,713,002	12,041,254	-	-	98,754,256	158,761,959
Corporate Services	752,813,434	3,242,135	208,792	865,233	781,259	756,348,392	78,576,021	18,324,789	671,111	781,259	96,790,662	659,557,730
Electricity	494,988,348	-	9,325,025	7,693,505	-	512,006,878	162,492,142	23,888,387	-	-	186,380,529	325,626,349
Executive & Council	5,629,523	-	19,602	-	-	5,649,125	844,748	239,988	-	-	1,084,736	4,564,389
Health	934,304	-	-	-	-	934,304	733,377	64,114	-	-	797,491	136,813
Housing	73,481,810	(264,000)	-	(1,181,224)	-	72,036,586	17,114,107	5,474,725	-	-	22,588,832	49,447,754
Other	14,700	-	-	-	-	14,700	14,700	-	-	-	14,700	-
Planning & Development	5,214,036	-	179,223	-	-	5,393,259	4,500,619	63,911	-	-	4,564,530	828,729
Public Safety	28,220,068	-	-	19,732	-	28,239,800	11,436,921	2,026,007	-	-	13,462,928	14,776,872
Road Transport	3,246,973,777	-	5,733,577	2,835,472	-	3,255,542,826	1,911,606,748	83,567,784	-	-	1,995,174,532	1,260,368,294
Sport & Recreation	194,012,601	2,954	922,802	-	-	194,938,357	42,588,809	7,749,628	2,954	-	50,341,391	144,596,966
Waste Management	13,290,708	-	-	-	-	13,290,708	4,266,592	787,149	-	-	5,053,741	8,236,967
Waste Water Management	1,212,408,396	-	5,176,936	32,823,826	-	1,250,409,158	679,753,469	29,244,289	-	-	708,997,758	541,411,400
Water	4,417,979,260	-	3,210,288	13,279,073	-	4,434,468,621	3,043,143,366	99,688,377	-	-	3,142,831,743	1,291,636,878
Total	10,702,003,553	2,981,089	27,411,727	56,906,212	781,259	10,788,521,379	6,045,095,499	283,276,926	674,065	781,259	6,328,265,231	4,460,256,148

APPENDIX D - SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED

30 JUNE 2011

	2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/(Deficit) R		2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/(Deficit) R
	275,649	40,401,506	(40,125,857)	Executive & Council	-	43,112,374	(43,112,374)
	64,820,836	137,491,003	(72,670,167)	Corporate Services	9,758,423	145,475,565	(135,717,142)
	242,875,976	46,700,476	196,175,500	Budget & Treasury Office	275,913,270	48,543,983	227,369,287
	1,303,369	14,772,358	(13,468,989)	Planning & Development	2,057,955	17,580,424	(15,522,469)
	5,757,495	21,370,766	(15,613,271)	Health	5,854,325	23,867,267	(18,012,942)
	4,280,063	52,246,787	(47,966,724)	Community & Social Services	3,649,940	61,852,145	(58,202,205)
	10,125,071	8,465,644	1,659,427	Housing	3,499,267	8,303,174	(4,803,907)
	4,077,977	63,220,386	(59,142,409)	Public Safety	3,637,664	72,661,149	(69,023,485)
	59,948,622	94,095,248	(34,146,626)	Sport & Recreation	4,141,393	104,326,166	(100,184,773)
	45,261,579	60,629,021	(15,367,442)	Waste Management	52,481,681	85,773,101	(33,291,420)
	88,373,222	129,205,381	(40,832,159)	Waste Water Management	106,924,670	120,449,333	(13,524,663)
	7,364,508	164,169,589	(156,805,081)	Road Transport	7,742,687	181,069,818	(173,327,131)
	234,859,287	281,692,876	(46,833,589)	Water	272,817,896	343,750,867	(70,932,971)
	628,435,058	708,824,234	(80,389,176)	Electricity	800,427,973	828,059,705	(27,631,732)
	504,212	132,453	371,759	Other	438,582	133,997	304,585
	1,398,262,924	1,823,417,728	(425,154,804)	Sub Total	1,549,345,726	2,084,959,068	(535,613,342)
	(90,878,639)	(400,874,972)	309,996,333	Less: Inter-Dep Charges	(111,619,142)	(454,027,873)	342,408,731
	1,307,384,285	1,422,542,756	(115,158,471)	Total	1,437,726,584	1,630,931,195	(193,204,611)

APPENDIX E(1) - ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED

30 JUNE 2011

	2011		2011	2011	
REVENUE	2011 ACTUAL	ADJUSTED BUDGET	VARIANCE	VARIANCE (%)	Explanation of significant variance greater than 10% versus budget
Property Rates	178,078,013	177,000,000	1,078,013	1	
Service Charges	987,889,876	1,048,337,000	(60,447,124)	(6)	
Rental of Facilities and Equipment	10,901,303	8,554,000	2,347,303	27	Budgeted revenue from rental was adjusted downwards due to the uncertainty of continuation of leases as the was a plan for disposing properties that were rented out. The sales didn't materialise and hence the leases were continued.
Interest Earned-External Investments	2,564,696	567,000	1,997,696	352	Increase in funds available for investments during the year.
Interest Earned-Outstanding Debtors	1,284,116	1,428,000	(143,884)	(10)	
Fines	1,645,326	2,155,000	(509,674)	(24)	
Licences and Permits	1,867,168	1,859,000	8,168	0	
Income For Agency Services	4,602,828	3,860,000	742,828	19	There was undercollection of income from agency fees at adjustment budget stage and the budget was adjusted down. The revenue increased in the last quarter of the financial year.
Government Grants and Subsidies	202,775,860	232,855,000	(30,079,140)	(13)	
Public Contributions	1,370,360	37,421,400	(36,051,040)	(96)	
Other Income	42,251,171	38,543,400	3,707,771	10	Increased revenue on extension fees, connection fees and other sundries during the year.
Gains on Sale Of Land	2,187,405	-	2,187,405	-	
Gains on Disposal of Property, Plant and Equipment	162,463	-	162,463	-	
Inter-Departmental Charges	-	-	-	-	
Total Revenue	1,437,580,585	1,552,579,800	(114,999,215)	(7)	
EXPENDITURE					
Employee related costs	361,199,470	363,028,900	(1,829,430)	(1)	
Remuneration of Councillors	14,587,064	15,198,300	(611,236)	(4)	
Bad debts	2,310,145	934,000	1,376,145	147	Amount includes the provision for doubtful debts which was increased during the year.
Collection costs	10,132	106,000	(95,868)	(90)	
Depreciation and amortisation	287,923,228	283,259,700	4,663,528	2	
Post employment benefits expenses	38,794,000	-	38,794,000	-	
Conditional grant expenditure	5,025,682	4,546,800	478,882	11	Spending on conditional grants improved to reduce the unspent conditional grants.
Repairs and maintenance	36,932,117	42,779,500	(5,847,383)	(14)	
Finance costs	88,507,547	91,407,000	(2,899,453)	(3)	
Bulk purchases	649,530,822	664,352,000	(14,821,178)	(2)	
Contracted services	84,678,517	89,502,500	(4,823,983)	(5)	
Grants and subsidies paid	1,144,427	2,215,300	(1,070,873)	(48)	
General expenses	60,142,045	140,919,600	(80,777,555)	(57)	
Inter-Departmental Charges	-	-	-	-	
Total Expenditure	1,630,785,196	1,698,249,600	(67,464,404)	(4)	
NET SURPLUS/(DEFICIT) FOR THE YEAR	(193,204,611)	(145,669,800)	(47,534,811)	(3)	

**APPENDIX E(2) - ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR
THE YEAR ENDED 30 JUNE 2011**

	<u>2011 ACTUAL</u> R	<u>2011 UNDER CONSTRUCTION</u> R	<u>2011 TOTAL ADDITIONS</u> R	<u>2011 ADJUSTED BUDGET</u> R	<u>2011 VARIANCE</u> R	<u>2011 VARIANCE</u> %	<u>Explanation of significant variances greater than 5% versus budget (Explanations To Be Recorded)</u>
Budget & Treasury Office	151,747	-	151,747	716,600	(564,853)	-	
Community & Social Service	2,620,095	570,595	3,190,690	4,385,800	(1,195,110)	(27)	
Corporate Services	330,658	2,452,996	2,783,654	3,535,600	(751,946)	(21)	
Electricity	9,325,025	7,693,505	17,018,530	56,679,300	(39,660,770)	(70)	
Executive & Council	19,602	-	19,602	-	19,602	-	
Health	-	-	-	-	-	-	
Housing	-	1,418,776	1,418,776	11,240,000	(9,821,224)	(87)	
Other	-	-	-	-	-	-	
Planning & Development	191,411	-	191,411	-	191,411	-	
Public Safety	-	19,732	19,732	20,000	(268)	(1)	
Road Transport	5,733,577	2,835,472	8,569,049	11,467,700	(2,898,651)	(25)	
Sport & Recreation	922,802	-	922,802	1,118,100	(195,298)	(17)	
Waste Management	-	-	-	-	-	-	
Waste Water Management	5,176,936	32,823,826	38,000,762	57,889,000	(19,888,238)	(34)	
Water	3,210,288	24,817,223	28,027,511	22,389,300	5,638,211	25	
Total	27,682,141	72,632,125	100,314,266	169,441,400	(69,127,134)	(41)	

APPENDIX F - DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA,

56 OF 2003

Grants and Subsidies Received																	
Name of Grants	Name of organ of state	Quarterly Receipts				Quarterly Expenditure				Total 2010/2011 as per AFs	Grants and Subsidies delayed/withheld				Reason for delay/ withholding of funds	Reason for non-compliance	Bid year municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
		Sept 2010	Dec 2010	Mar 2011	June 2011	Sept 2010	Dec 2010	Mar 2011	June 2011		Sept 2010	Dec 2010	Mar 2011	June 2011			
Museum Subsidy	KZN - Dept of Education and Culture	-	74,000	-	-	213,713	228,736	248,356	355,186	1,045,990	-	-	-	-	Yes		
Primary Health Subsidy	KZN - Dept of Health	1,021,500	-	1,021,500	2,304,500	3,572,430	3,781,328	3,795,775	5,013,423	16,162,966	-	-	-	-	Yes		
Esikhawini Hostel Refurbishment	KZN - Dept of Housing	84,141	64,330	8,094,335	139,388	1,161,750	506,436	112,306	352,144	2,132,636	-	-	-	-	Yes		
Infrastructure Grants	KZN - Dept of Library Services	-	-	-	-	-	-	-	18,200	18,200	-	-	-	-	Yes		
Public Internet access - libraries	KZN - Dept of Library Services	-	558,000	-	-	129,282	148,254	141,972	142,364	561,873	-	-	-	-	Yes		
Donation of assets	KZN - Dept of Library Services	-	-	-	146,538	-	-	-	146,538	146,538	-	-	-	-	Yes		
Community Development Workers Programme	KZN - Dept of Local Gov and Trad Affairs	-	-	-	-	-	-	-	231	231	-	-	-	-	Yes		
Remote Water Reading System	KZN - Dept of Local Gov and Trad Affairs	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes		
Technical Support Grant	KZN - Dept of Local Gov and Trad Affairs	-	-	-	-	26,712	19,853	8,168	-	54,733	-	-	-	-	Yes		
GIS Support	KZN - Dept of Local Gov and Trad Affairs	-	-	-	-	-	-	19,500	-	19,500	-	-	-	-	Yes		
Corridor Development	KZN - Dept of Co-Operative Governance and Traditional Affairs	-	-	-	-	-	-	-	187,831	187,831	-	-	-	-	Yes		
Urban Development Framework Plan	KZN - Dept of Co-Operative Governance and Traditional Affairs	-	-	3,788,000	-	-	-	-	101,738	101,738	-	-	-	-	Yes		
Upgrade of Vukindlela Sports Facility	KZN - Dept of Sport and Recreation	-	-	-	-	15,500	40,980	-	-	56,490	-	-	-	-	Yes		
Land Use Management	KZN - Dept of Local Gov and Trad Affairs	-	-	-	-	-	-	18,370	17,108	35,478	-	-	-	-	Yes		

APPENDIX F (CONTINUED)- DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grants and Subsidies Received														
Name of Grants	Name of organ of state	Quarterly Receipts				Quarterly Expenditure				Grants and subsidies delayed/withheld				Reason for delay/ withholding of funds
		Sept 2010	Dec 2010	Mar 2011	June 2011	Sept 2010	Dec 2010	Mar 2011	June 2011	Sept 2010	Dec 2010	Mar 2011	June 2011	
					Total 2010/2011 as per AFs					Total 2010/2011 as per AFs				Reason for non-compliance
Refurbishment of Pumpstation	Nat - Dept of Water Affairs	-	-	-	-	-	-	-	-	-	-	-	-	Yes
Institutional Support	Nat - Dept of Water Affairs	-	-	-	-	787,886	68,000	55,374	2,900,540	3,743,600	-	-	-	Yes
Institutional Support (Water conservation and demand management project)	Nat - Dept of Water Affairs	-	-	-	-	26,548	-	110,900	22,280	227,728	-	-	-	Yes
Recycling Project	Nat - Dept of Water Affairs	-	-	1,000,000	-	239,938	5,550	127,758	405,923	779,168	-	-	-	Yes
Cleanest Town Award	KZN - Dept of Agriculture and Environmental Affairs	-	-	-	-	-	3,470	2,637	-	6,107	-	-	-	Yes
Municipal Infrastructure Grant	Nat - Dept of Water Affairs	-	-	500,000	-	-	11,629	1,235	51,838	64,702	-	-	-	Yes
Financial Management Grant	National Treasury	-	15,480,000	7,349,000	-	16,334,909	492,267	-	26,421,783	43,248,968	-	-	-	Yes
Restructuring Grant	National Treasury	1,200,000	-	-	-	306,889	348,113	307,101	410,988	1,373,091.30	-	-	-	Yes
Municipal Systems Improvement Grant (MSG)	National Treasury	-	-	-	-	39,036	72,748	1,760	452,907	566,450.56	-	-	-	Yes
Equitable Share	National Treasury	750,000	-	-	-	-	103,163	13,885	154,232	271,279	-	-	-	Yes
Electricity	Nat - Dept of Minerals and Energy	60,678,591	48,542,873	36,407,155	-	-	-	832,000	-	-	-	-	-	Yes
Museum Subsidy	uThungulu District Municipality	-	-	-	-	-	539,000	-	1,404,322	2,775,322	-	-	-	Yes
Zulu Dance Competition	uThungulu District Municipality	-	20,000	-	-	-	-	-	19,200	19,200	-	-	-	Yes
Hosting of SMME Fair	uThungulu District Municipality	-	-	-	44,050	-	-	-	-	547	-	-	-	Yes
Environmental Health Services	uThungulu District Municipality	-	-	-	1,319,418	1,688,939	1,837,576	1,834,240	2,262,145	7,622,901	-	-	-	Yes

MANAGEMENT COMMENTS ON AUDIT REPORT

Management comments and corrective action to be instituted on the matters raised in the report of the Auditor General to the Council on the Financial Statements of the City of uMhlathuze for the year ended 30 June 2011 in terms of Section 123(3)(g) of the Municipal Finance Management Act, no 56 of 2003.

The unqualified audit report contains certain issues for which comments are provided below, where relevant. The paragraph references correspond with the reference in the Audit Report. Paragraphs, for which no comments required, were noted.

PARAGRAPH 9: RESTATEMENT OF CORRESPONDING FIGURES

This matter was as a result of changes in accounting estimates and correction of amounts which affected the prior year results.

PARAGRAPH 10: MATERIAL LOSSES

Water losses

The water losses in actual kilometers have reduced in comparison to the previous year (2009/2010). The only factor that needs to be borne in mind is that even though the losses have been reduced in kilometers, the cost has increased resulting in an increased rand value.

The Water Services Authority section has finished installing bulk water meters and has commissioned the pressure reducing valves in three sites in Richards Bay to reduce water losses. Council will continue to invest in this type of intervention, as a tool for managing water losses.

Electricity losses

It must also be noted that the electricity losses are at an acceptable level in terms of industry or norm. However we agree that we need to continue monitoring these losses. The percentage of the electricity losses is only 5.74% of the total electricity purchased.

PARAGRAPH 12: UNAUDITED SUPPLEMENTARY SCHEDULES

Comments are noted

PARAGRAPH 15: PROCUREMENT AND CONTRACT MANAGEMENT

Council did receive declaration forms which indicate no interest in the service of the state from the companies highlighted by the Auditor General.

There was only one oversight where the supplier was appointed and did not declare that they were in the service of the state.

PARAGRAPH 20: INVESTIGATIONS

Comment is noted, the investigation is ongoing.



Chapter 6

Key Information and Demographic Data

The City of uMhlatuze is one of six local municipalities situated within the uThungulu District Council area in KwaZulu-Natal. The area comprises urban settlements, rural settlements, rural areas, farms and nature reserves. The majority of rural settlements are located within Tribal Authority areas. The area has a deep-water port, which is connected by national roads and a railway line to the economic heartland of South Africa.

Empangeni and Richards Bay are the largest towns forming part of the municipal area and are surrounded by sugar cane fields, timber plantations, wetlands and fresh water lakes.

As the last Census was conducted in 2001, and we are eagerly awaiting the results of the 2011 Census, users should note that attempts were made to adjust the measurements to a best estimate using information and precisions provided by Statistics South Africa.

Municipal Land area

Area	Km	%
Richards Bay	289, 9966	36.5
eNseleni	1,3325	0.2
Empangeni	28,9386	3.6
Felixton	2,7835	0.3
eSikhaleni	6,2304	0.8
Vulindlela	0,8464	0.1
Ngwelezane	3,7001	0.5
5 Tribal Authority areas, 21 rural settlements and 61 farms	462,1426	58.0
Total municipal land area	795,9707	100

Population

The City of uMhlatuze has an estimated 81 008 households and a total population of about 349 576.

During the past year 21 127 births were registered in the area of which 10 242 were males and 10 885 were females. Females account for 51% of the total population. The estimated population growth rate is 1,20% for males and 1% for females.

Life expectancy at birth is estimated at 48,4 years for males and 52,8 years for females. Infant mortality is estimated at 38 per 1 000 live births. The average fertility rate is estimated at 2,81%.

More than 40% of the residents in the municipal area reside in the non-urban (rural and Tribal Authority) areas outside Empangeni and Richards Bay, which is indicative of a densely populated rural area. More people reside in Richards Bay than Empangeni, although Richards Bay is a younger town.

Level of education

Highest level of education attained by over 20 year olds	Persons
No schooling	32 921
Some schooling	34 207
Complete primary	9 075
Some secondary	60 258
Grade 12 / Standard 10	44 238
Higher / Tertiary education	16 681
Total	197 380



Percentage distribution of households by type of main dwelling

House or brick structure on a separate stand or yard	66.4
Traditional dwelling / hut / structure made of traditional materials	15.2
Flat in block of flats	9.1
Town / cluster / semi-detached house (simplex: duplex: triplex)	1.9
House / flat / room in backyard	1.3
Informal dwelling / shack	
• in backyard	1.4
• not in backyard e.g. in an informal / squatter settlement	2.4
Room / flatlet not in backyard but on a shared property	2.2
Caravan or tent	-
Private ship / boat	-
Workers' hostel (bed / room)	0.1
Other	-
Total	100

**Households**

- There are about 81 008 households within the municipal area.
- The number of houses per geographic area are: Richards Bay 12 433, Empangeni 6 046, eSikhaleni 6 363, eNseleni 1 439, Ngwelezane 2 775 and Vulindlela 588.
- The respective numbers of houses in each of the other areas are unknown.
- There are 202 indigent households.
- 80,9% of the total dwellings are of formal type, with 15,3% being traditional type and 3,8% informal type.

**Population groups**

	Richards Bay	Empangeni	eSikhaleni	eNseleni	Other areas	Total
Black African	20 429	13 754	73 138	14 814	180 678	302 813
Coloured	2 106	476	73	29	301	2 985
Indian / Asian	10 569	1 068	121	0	72	11 830
White	22 047	9 748	8	0	145	31 948
Total	55 151	25 046	73 340	14 843	181 196	349 576

Population by gender and age group

Age	Female	Male	Population (N)	Population (%)
0 - 4 years	18 226	18 226	36 452	10,43
5 - 14 years	37 802	37 128	74 930	21,43
15 - 34 years	77 030	70 939	147 969	42,33
35 - 64 years	41 187	39 471	80 658	23,07
Over 65 years	6 150	3 417	9 567	2,74
Total (N)	180 395	169 181	349 576	

Together we can achieve more

Household income

The comparison between annual household income is done according to typical rural, peri-urban and urban areas. Analysis of the overall average annual household income will be misleading as it is directly related to the geographical position and developmental level of a particular area.

- The annual household income in the eNseleni rural area is the lowest as over 40% of all households have no income.
- Close to 20% of households in the Ngwelezane, eSikhaleni and eNseleni rural areas earn between R9 601 and R19 200 per annum.
- 27% of households in Mzingazi Village and 29% of those in Mandlazini earn no income. A large portion of the households in these areas earn between R4 801 and R38 400 per annum.
- On average, the income distribution between households in Mzingazi Village and Mandlazini is similar between the R4 801 and R76 800 income brackets.
- The comparison of annual household income between typical urban areas reveals that whereas 47% of households in Meerensee and 23% of households in Empangeni earn more than R153 601 per annum, only 2% of households in eNseleni earn this annual income.
- 23% of households in eNseleni do not earn any income.
- Overall, annual household income is the highest in Meerensee, although some 8% of households in this area earn no annual income.
- Individual monthly income is, on average, higher in Richards Bay than in Empangeni, eNseleni or eSikhaleni.
- A large number of individuals in eNseleni and eSikhaleni earn less than R800 per month.

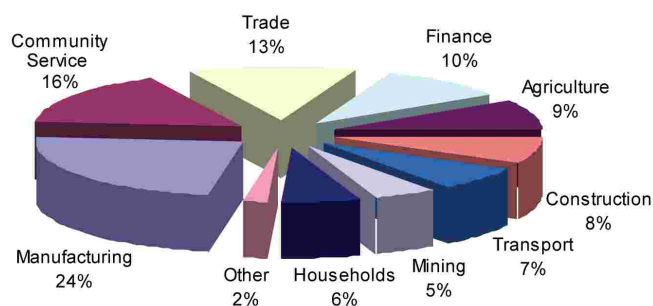
Labour Market Status

The unemployment level in the area is high at 36.28% in comparison to world standards. However, the unemployment levels relate to employment in the formal sector and do not reflect the true situation. For instance, economic activity in tribal areas such as production for own use, arts and crafts, and informal sales are generally disregarded and creates the impression that tribal folk are without a source of income and the means to survive from day to day.

This is not the case as the quality of life experienced in tribal areas are preferred by many people provided that the amenities associated with urban areas such as water, electricity, schools and clinics, are available.

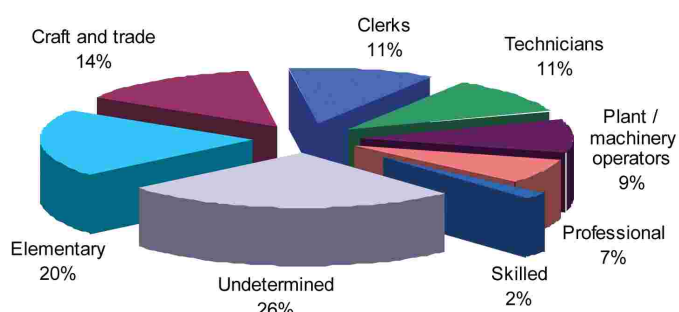
There are still very few economic opportunities and formal employment in the former township areas.

Distribution of Formal Employment by Economic Activity:



The manufacturing sector is the largest employer, employing 24% of the formally employed, followed by community services at 16% and trade at 13%.

Percentage of employable workforce with skills:



The dominance of the manufacturing sector in the municipal economy can be clearly seen from the chart above indicating the skills of the employable workforce – a large percentage of the employable workforce has elementary, craft and trade and technical skills.

Professional skills also feature, which is reflective of the function of the municipal area as a service centre to the surrounding rural region.



Business

- The population is served by five business districts with 23 shopping centres and a combined total of above 265 000m² commercial floor space.
- There are about 5 000 businesses in the municipal area.
- The area has 8 post offices, 30 bank branches, 35 government organisations and offices, 5 cinemas, 14 hotels and 129 registered bed and breakfast establishments / guesthouses.
- Industrial floor space totals 558 927m².

Energy sources

- 84,9% of all households use electricity as an energy source for cooking, 91,8% use it as a lighting source and 82,3% use it as a source for heating. 18,9% of households use gas or paraffin for cooking. Solar power is used by 0,3% of all households for cooking and lighting.
- An average of 31 903 498 kilowatt electricity is used per day within the municipal area.
- The Municipality has a customer base of 30 884 and 3 000 customers receive 50kWh free every month.

Water and Sanitation

- 97,22% of households have access to running water; and 93% of households have piped water to the dwelling or inside the yard.
- The length of water pipes in the Municipality adds up to 1 700km. The reservoir capacities add up to 260 mega-litres.
- The length of sewer pipes in the municipal area adds up to 623 km.
- 72 202 of all households have access to free basic water services.
- 59,93% of all households have a flush or chemical toilet on the premises.
- There are 37 884 water meters for households, and 1 326 for businesses.
- There are 58 562 waste collection points plus 130 skips placed in various wards.

Telecommunication

- 42,5% of all households have a normal telephone or cellular telephone in the dwelling.
- Only 4,4% of all households do not have access to a telephone near the dwelling.



Transport

- It is estimated that some 250 000 persons commute daily within the municipal area; close to 40 000 of these commuters are from outside the municipal boundary.
- The number of minibus taxis is estimated at 3 900 and the number of buses at 130. During 2007, 33 582 light passenger vehicles, 2 687 motorcycles and 1 953 minibuses were registered within the municipal area.
- There are 733 bus routes and 142 800 bus commuters.
- On average 400 freight trucks enter and exit the municipal area on a weekly basis.
- Spoornet provides a freight service of almost 750 trains per week, linking the City to Durban and Gauteng; there are 320 km of railway track.
- There are 128 km of tarred national roads and 850 km of tarred secondary roads in the municipal area. The Municipality maintains 554 km of tarred roads and streets.
- The Port of Richards Bay consists of 2 157 hectares of land and 1 495 hectares of water area.
- Distance to closest international ports: Maputo – 465km and Durban 160km.
- The average monthly passenger departure is 3 694 at the Richards Bay Airport.
- The number of vessels in the harbour averages 308.

Together we can achieve more

Community Facilities

- Municipal sport and recreation facilities include: two athletic fields, 15 basketball courts, one baseball field, five cricket fields (two floodlit), four hockey fields (2 floodlit), 10 volleyball courts, 74 soccer fields (9 floodlit), four rugby fields, four korfbal courts, seven tennis courts, 10 netball courts (8 floodlit), two polo fields, five squash courts, 16 jukskei pitches, two golf courses, two bowling greens, 15 combi courts, nine swimming pools.
- There are 809 sport clubs with specific facilities for inter alia equestrian sport, polocrosse, aerolites, angling, yachting, paddling and radio flyers.
- Within the municipal area there are four hospitals and 23 health clinics, four cemeteries, seven public libraries, 15 community halls, 102 schools and three tertiary education institutions, including a university in Richards Bay.
- There are 1,7 police officers per 1 000 persons of the population, five police stations and four law courts.

Climate

- An idyllic subtropical, maritime climate prevails throughout the year at the coast, seldom lower than 12° to 14°C in winter and reaching 32° to 35°C during summer months. Summers are hot and humid with the majority of annual rainfall during this season, while winters are warm and dry with occasional frost in the interior.
- Average daily temperature is 28°C in summer and 22°C in winter.
- Prevailing winds are north-easterly and south-westerly.

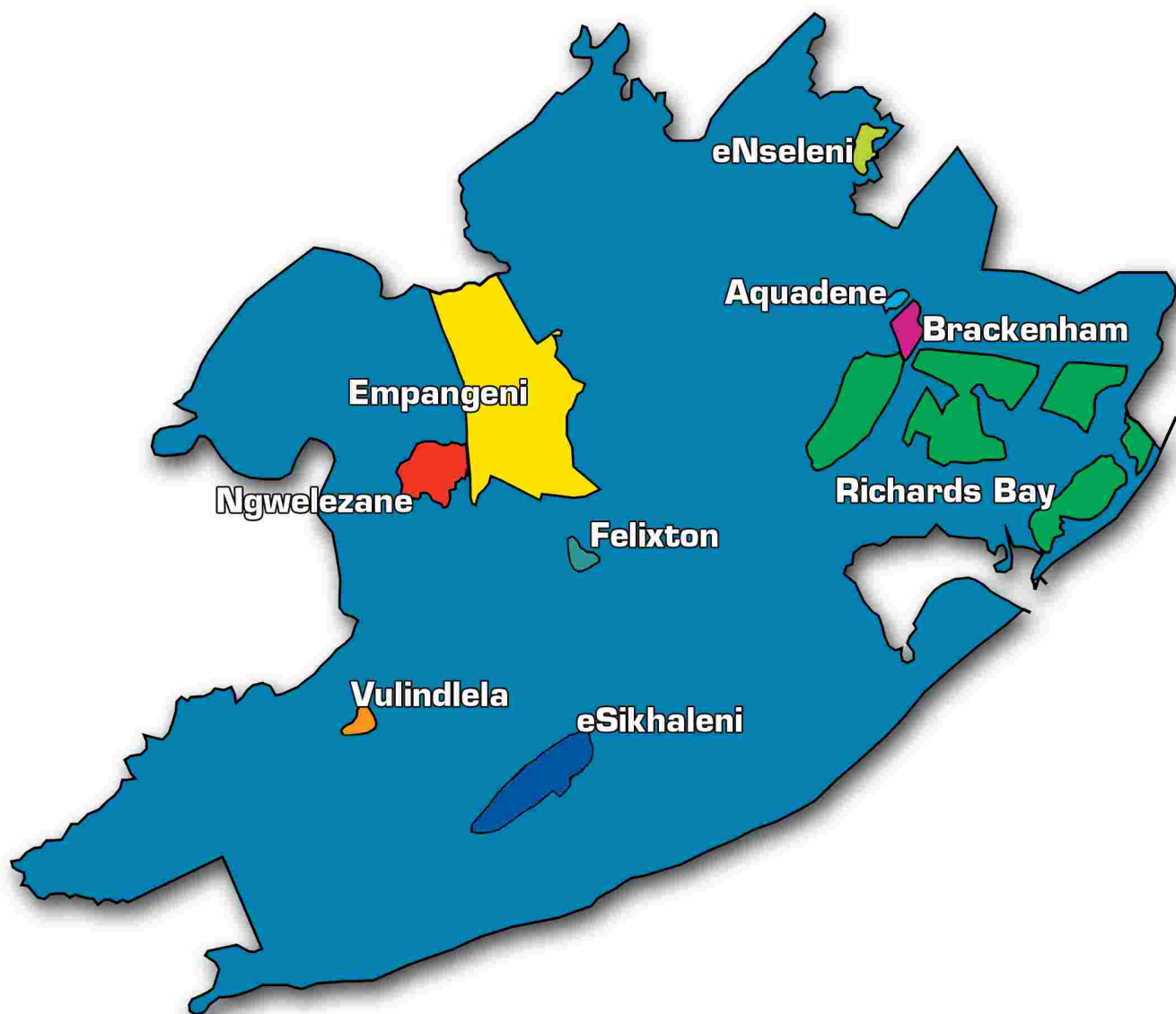


- The long term average rainfall for the Richards Bay area is about 1 200mm decreasing to about 1 000mm inland towards Empangeni with most of the rainfall occurring between January and May.
- The area experienced two periods of prolonged drought (1981 – 1983 and 1992 – 1994) during the past 30 years, and has been subjected to destruction by extreme floods generated by the cyclones Demoina and Mboa in 1984 followed by flood disasters in 1987 and 2000.
- Man-made features of the area include dams and canals (189,1 ha) and the Richards Bay Harbour (2 353 ha). Some 25,76% of all urban land in Richards Bay is zoned either Public Open Space or Conservation Amenity. There are two nature reserves within the municipal area.





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