



Gearing up for economic growth

2011/2012

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 City

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 metropolitan due to its close proximity to Durban. Likewise it is home to the country's largest deep-water port and an industrial development zone and 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: Mhlathi – jaw, Mthuzi – does not chew. In other words, the uMhlathuze River was like a jaw that could not chew.



About 96,5% of the population has access to water and the Municipality has 100% supply of electricity to those areas for which it has licence to supply. This excludes the Eskom area of 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 on Kyknet Kwela.

The 2011 Local Government Elections resulted in the inauguration of the City's third Council. uMhlathuze 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 with 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.



City Mayor's Foreword

It has been more than a year since the 2011 Local Government Elections wherein this magnificent collective of Councillors were elected. They took an oath vouching to be loyal to the entire community of the City of uMhlathuze and the Republic of South Africa and I'm proud to report that they have obeyed the oath they took. They fully understand the plight of our people and they have worked tirelessly to achieve a total national democratic society.

There have been several exciting 'developments' for Council during the year. For the first time the Office of the Mayor and Office of the Speaker have each appointed managers to assist in the day to day administration and execution of duties in the respective offices, providing invaluable support to the office bearers and the organisation.

Another new milestone for the City of uMhlathuze was the introduction of the "Taking Council to the Community" programme, which saw Council sitting outside of the Civic Centre Council Chambers for the first time in the history of the Municipality. The programme seeks to encourage healthy community relations and give the community an opportunity to develop an understanding of how Council conducts its business and also to understand Council's challenges of social transformation.

It was encouraging to see the public support and interest when Council held its meeting at the eSikhaleni FET College and earlier in the day when councillors and officials interacted with the community on service delivery issues, handed out food hampers to victims of Cyclone Irina and presented wheelchairs to disabled members of the community.

Service delivery

Waste removal

Having noted that waste management had become a huge problem for the City and residents Council took a bold decision to purchase 10 waste removal trucks. I am therefore pleased to report that the decision we took is now bearing fruits and while we might not eradicate the problem of backlogs overnight, we are one step in the right direction.

Water

Water losses remain a major cause for concern for Council precisely because we are cognisant of the fact that our people deserve a supply of reliable water and we are enjoined to provide that service without fail, for over the years the community of eSikhaleni and KwaDube have experienced water outages and again we took a conscious decision to went on a fact finding mission to establish the actual cause of this challenge thus we visited Lake Cubhu.

It was established that a number of households have illegally connected themselves to the water network resulting in high water losses. The Auditor General has advised Council to curb these losses and, therefore, Council has requested ward committee members and the community to report water leaks.

We have also set aside R40 million to address the crisis of the edging pipes at eSikhaleni, which we believe will assist in curbing the water losses.

Electricity

About 80% of the City's residents have electricity and Eskom has committed to accelerating electricity connections to households. During 2012/2013 Eskom will connect 700 houses with electricity at Ntuzi area while a further 145 houses will be connected at KwaDlangezwa and 108 at Mkhoma and Mampolwane.

Furthermore 96,49% of the City's households have access to water while more than 60,42% of households have access to decent sanitation.

During the period under review 200 families in the KwaDube area were given access to water thanks to a grant received through our twinning arrangement with Milwaukee City in the United States of America.



Housing provision

The Municipality received accreditation as a housing developer from the Department of Human Settlements, which will fast-track the housing delivery process and eliminate confusion with regard to the housing function.

Several rural housing projects are underway in KwaMadlebe, KwaDube, KwaBhejane and KwaMkhwanazi, although there have been challenges due to lack of co-operation between the implementing agents and communities in some areas. At the beginning of April 30 houses were handed over to families at KwaMkhwanazi.

The eSikhaleni Hostel Refurbishment Programme experienced a setback with allegations by the community of irregularities relating to the allocation of units at eSikhaleni and at uMhlathuze Village in Empangeni. I hope that the swift and decisive way in which we dealt with this matter, by appointing Ngubane and Associates to conduct an immediate and thorough investigation and taking action against those implicated, will send a strong message that this Council is committed to transparency and that fraud and corruption will not be tolerated at the City of uMhlathuze.

Infrastructure development

We have set aside a budget to revamp our existing sports fields in townships and multi-purpose centres, but because the Richards Bay sports field is a home ground for Thanda Royal Zulu, it is imperative that this sports field complies with the Premier League's requirements. For this reason we have requested funding for this development from government departments and the private sector.

The City's soccer team narrowly missed promotion to the PSL this past season but we support the decision by the Club's owners to give opportunity to local soccer talent and hope that they can shine at a national level and do the City proud.

Perhaps the most significant project completed during this year was the upgrade of the Richards Bay Airport. The KwaZulu-Natal Provincial Treasury provided R11,5 million to fund the Airport upgrade, which included increasing the turning circle to accommodate new, bigger planes introduced by SA Express on the Richards Bay/Johannesburg route. The terminal building, car park and emergency facilities were also upgraded as part of the project and we are hopeful that Treasury will provide additional funding in the future for further airport developments.



The new-look airport was showcased during the Winter Air Tour, co-hosted by Treasury and the Department of Economic Affairs and Tourism, which provided wonderful entertainment to residents, who attended in their numbers in spite of the inclement weather.

Economic development

This year the City hosted a Local Economic Development Summit where we were pleased to hear that Provincial Treasury will be motivating to Cabinet for the Richards Bay Airport to be granted international status. As a City we have been calling for international status to unlock our economic potential due to our close proximity to Mozambique.

We were likewise encouraged that Treasury is keen to support and take ownership of the Richards Bay Industrial Development Zone. Their lobbying for rail and port developments to support the IDZ in terms of freight is necessary to ensure that the IDZ becomes an asset for the City and the region rather than a liability.

We are excited by the close relationship that we have with Treasury and look forward to working with the department on various projects to realise economic growth and job creation goals.

Tourism

It is common cause that the City of uMhlathuze is a gateway to neighbouring countries such as Swaziland and Mozambique therefore we cannot be passive role players in the tourism economy of this country particularly because we are not just an industrial hub but a coastal City rich in minerals and nature.

To that end we have set aside funds to develop our beach area so that it can be user friendly to the hundreds and thousands of tourists who frequent our City annually.

Education

The Government of South Africa has identified education as one of its five key priorities and therefore as local government being at the coal face of service delivery we have taken an initiative to enter into a memorandum of understanding with the FET College wherein young people with N6 will be absorbed by the Municipality for experiential learning and then be trade tested to get a national diploma which will enable them to get employment.





During 2012 we launched the annual Matriculants' Excellency Awards, wherein we honour the Grade 12 graduates who excelled in their matric exams. We are proud to say that some of them have been adopted by companies who will fund their studies and employ them after the completion of their academic programmes.

Sukuma Sakhe

The government of KwaZulu-Natal has established Sukuma Sakhe, which shall be used as a vehicle to fight poverty, crime, unemployment, the high mortality rate and many other social ills which have over the years been haunting our society. We have established structures to fight such social ills in our Municipality e.g. the Launch of the local Aids Council.



We have also launched the annual Mayoral Charity Golf Day which shall be used to raise funds to be used to help academically and financially disadvantaged learners who intend furthering their studies.

Focus into the future

I have previously said that the potential in our City is great and that I would like us to develop our tourism potential. In this regard our Department of City Development has conceptualised plans to develop the waterfront area and extend Alkantstrand Beach to better cope with the influx of guests we experience in the holiday periods. We are hopeful that our efforts to secure funding for this worthwhile project will soon be realised.

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.

I would like to express my gratitude and appreciation to the captains of industry for the way in which they work and partner with our Municipality and support social investment for the benefit of our broader community. Worth special mention is the Foskor uMhlathuze Community Development Trust, which provided three tractors to agricultural co-operatives in the City. The Trust is an initiative of Foskor stemming from a Black Economic Empowerment transaction in 2009, in which the community surrounding the Richards Bay plant were given a stake in the business.

I also thank Council for their support, hard work and teamwork. It is a pleasure to be surrounded and assisted by a strong team, which has the necessary understanding, experience and enthusiasm to ensure that we can deliver on our mandates.

I likewise commend Dr Sibeko, the 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.

Mayor of the City of uMhlathuze
Cllr Elphas Mbatha

Municipal Manager's Report

I am pleased to report that the administration of the City of uMhlathuze is in the strongest position it has been in for a while. Our focus and commitment to our responsibilities, together with the spirit of teamwork that we strive to encourage, has promoted the growth and progression of the City.

Other municipalities now see us as a benchmark and approach us for advice and guidance on various municipal matters. We recently hosted Speakers from the Ugu District on a learning visit. Discussions included the Rules of Order and issues of protocol, the roles and responsibilities of the Speaker, the types of resources and facilities available in the Office of the Speaker and the City's Public Participation programmes.

Our realignment has put focus on areas that needed attention and the implementation of our Turnaround Strategy is yielding real progress. All departments are focused on working as a collective to ensure that we work within our budgets and that we are able to spend our capital budget to truly deliver to our communities. The Turnaround Strategy has also been revised to address the changing dynamics of our growing Municipality and ensure the Strategy's relevance going forward.

As part of our service delivery drive we celebrated the arrival of ten new refuse trucks. This is an exciting achievement for the City; one which we are hopeful will assist in improving our waste collection. Our residents have been complaining bitterly about our lack of service delivery regarding waste collection and the time has come where now we have the correct tools at our disposal and we need to make a difference in the lives of our community.

As a Municipality we need to ensure that we live by our principle of integrity. We need to make promises about what we plan to deliver and we have an obligation to deliver on these promises. Our community is within their right to expect this of us and I have every trust that our councillors and officials will be able to deliver to their expectations.

Management continues to monitor and manage the Municipality's financial situation and it is noteworthy that we all share the same common goals and are moving in the right direction.

Financially speaking it is rewarding to see that the tightening up of our internal controls has paid

dividends. According to a report released by the Department of National Treasury our outstanding debtors longer than ninety days, expressed as a percentage of total debt, is the lowest in the country compared with the other twenty secondary municipalities.



uMhlathuze's total consumer debtors are R216,4 million of which R150,6 million are current debtors that are currently billed. The debtors schedule shows that uMhlathuze debtors over 90 days are 22,40% of its total debtors while the average of the other 20 secondary municipalities is 80,6%.

Meanwhile the City's total budget expenditure as at 31 March 2012 was 71,4%, which is above the aggregate spending of 60,8% by the secondary cities.

Due to our good financial management National Treasury selected uMhlathuze Municipality as a pilot site for the Standard Chart of Accounting (SCOA) for Local Government, which will soon be rolled out across the whole country. This is an important achievement for us because not only does it recognise our efforts in financial management but it also means that we will already be a step ahead when the project is implemented.

We eagerly await the results of Census 2011 and hope that it 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 uMhlathuze 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.

Regarding service delivery, we have already started working in alignment with the provincial programme, Operation Sakuma Sakhe (formerly the Premier's Flagship Programme). However in the coming financial year we will be spending more energy on creating a greater understanding of Operation

Sakuma Sakhe, which is a government service delivery model.

In addition the new financial year will also see the introduction of a 24-hour contact centre with a toll free 0800 number, which promise to provide a more professional and efficient interface with our community. Together with a planned Technical Control Room, the two facilities will dovetail to revolutionise our handling of public complaints.

Another exciting project planned to commence in 2012/2013 is a pipe replacement project in the former R293 towns to address the challenge of water losses in these areas. A reasonable budget has been channelled to give this project much-needed impetus.

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 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 J. Sibeko
Municipal Manager



Political Leadership



Mayor
Mbatha, Elphas Felokwakhe
ANC (Exco)



Deputy Mayor
Gumbi, Ntombizethu Vera
ANC (Exco)



Speaker
Mnqayi, Mvuseni Samuel
ANC



Chief Whip
Lourens, Manie
ANC

Section 79 Committees of Council

Executive Committee

Cllr EF Mbatha

Bylaws Integration Committee

Cllr SN Hlope

Standing Orders and Disciplinary Committee

Cllr MS Mnqayi

uMhlathuze Public Transport Liaison Committee

uMhlathuze Transport and Taxi Liaison Forum
Cllr SB Xaba

Community Safety Forum

Cllr K Sukreben

Pubic Participation Committee

Cllr MS Mnqayi

Municipal Public Accounts Committee (MPAC)

Cllr AS Dawood

Section 80 Committees of the Executive Committee

Financial Services

Cllr EF Mbatha

Corporate Services

Cllr NV Gumbi

Community Services

Cllr AH Mthembu

City Development

Cllr M Sookroo

Infrastructure and Technical Services

Cllr SG Mkhize

Good Governance, Performance Audit and Performance Evaluation Panels

Section 62 Appeals Committee

Cllr A Viljoen

Audit Committee

Mr JH de Wet

Performance Audit Committee

Mr S Kunene

Performance Evaluation Panel (Heads of Department)

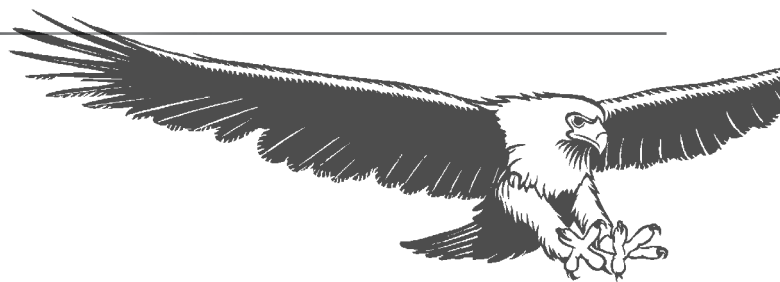
Dr NJ Sibeko, Mr S Kunene, Cllr EF Mbatha, C Reddy and Cllr NV Gumbi

Performance Evaluation Panel (Municipal Manager)

Cllr EF Mbatha, Cllr NV Gumbi, Mr S Kunene, Mrs T Mchunu and a member of a ward committee



Political Leadership



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



Sipiwe 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 Mnqayi
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 Nsibandé
Independent
(Ward 15)



Phikelakhe Ntanzu
ANC (Ward 28)



Bonga Ntuli
ANC
(Resigned)



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
IFP



Louis van Zyl
IFP



Alen Viljoen
DA (Ward 2)



Sakhile Xaba
ANC (Ward 8)



David Xulu
ANC (Ward 30)



Raphael Zikhali
ANC



Shadrack Zulu
IFP (Ward 5)



Chapter 2

Annual Performance Report

Legislative requirements

Outlined in Section 40 of the Municipal Systems Act of 2000 (MSA), municipalities must establish mechanisms to monitor and review their 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) stipulate 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 the 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 function of uMhlathuze 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 the 2010/2011 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 which was adopted by Council (item RPT 150202 and policy on DMS 692062). The Performance Management Framework Policy is available on Council's official website (www.richemp.org.za under the "Our Performance" tab).

The Performance Management Framework and Policy for 2012/2013 review is in process and will be submitted to Council for adoption before 30 September 2012.

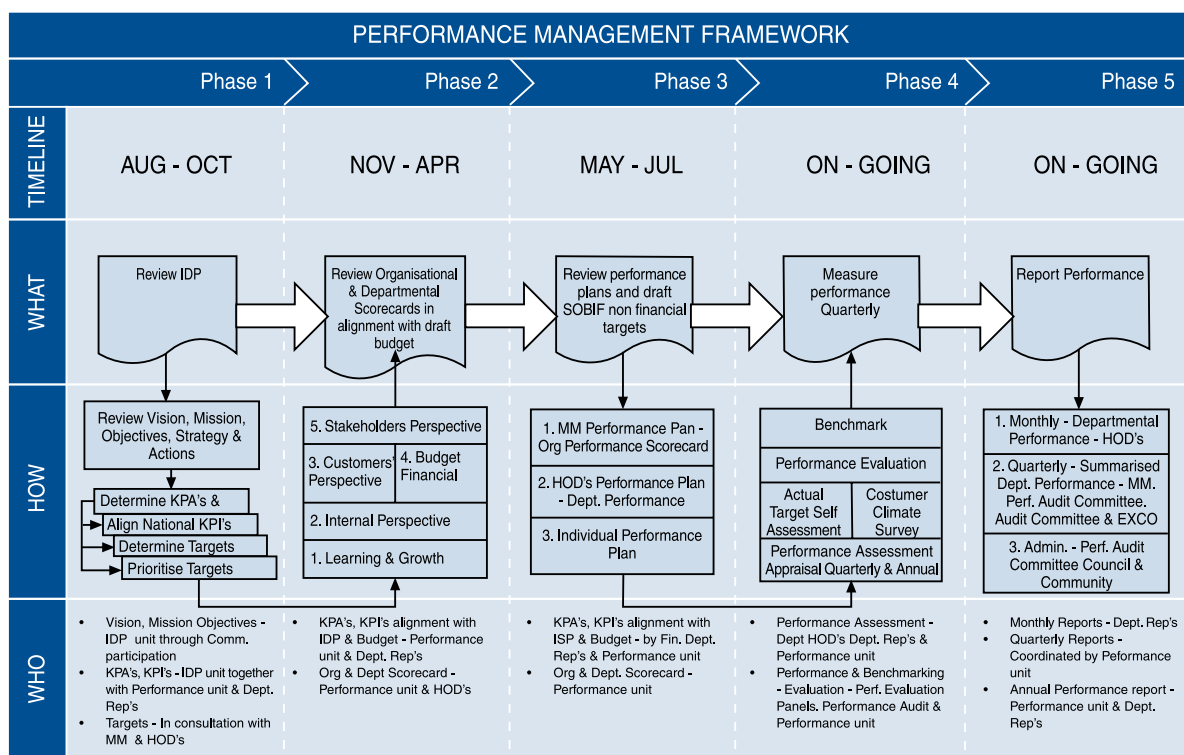
Organisational Performance Management Process

Key performance indicators have been refined in support of the Municipality's development priorities and objectives as set out in the revised IDP framework (aligned with the organisational structure and Council's priorities) for the new five year IDP period to ensure 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 and are reflected on the 2012/2013 OPMS Scorecard. A process to ensure regular reporting is in place and gets reported quarterly 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 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.

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

uMhlathuze Performance Management Framework diagram



Performance Audit Committee

The Performance Audit Committee for the 2011/2012 financial year was re-affirmed in terms of of Section 14(2) (a) of the Local Government: Municipal Planning and Performance Management Regulations of 2001 per Council item RPT 152029, Resolution 8010 and the members were as follows:

- **Mr S W Kunene**
Chairperson (external member)
- **Dr E M S Ntombela**
(external member)
- **Ms J J Sithole**
(external member)
- **Cllr E F Mbatha**
(Mayor)
- **Cllr N V Gumbi**
(Deputy Mayor)
- **Mr D Govender**
(PWC observer)

The Performance Audit Committee has met quarterly on 5 August 2011, 12 December 2011, 16 February 2012 and 17 May 2012 and again on 16 August 2012 to consider the reported annual performance results of the 2011/2012 financial year. The minutes of meetings are available on the electronic document management system.

Performance Evaluation Panels

Performance Evaluation Panels were initially established to assess performance of the Municipal Manager as well as managers directly accountable to the Municipal Manager per Council Resolution 4120 of 10 October 2006. The Performance Evaluation Panels were again confirmed by the newly appointed Council per item RPT 150133, Resolution 7331 on 14 June 2011.

Performance Assessment Panels for the assessment of Section 57 employees were established as follows:

1. For purposes of evaluating the annual performance of the Municipal Manager, an evaluation panel constituted of the following persons was established -
 - (i) Executive Mayor or Mayor;
 - (ii) Chairperson of the Performance Audit Committee or the Audit Committee in the absence of a Performance Audit Committee;
 - (iii) Member of the Mayoral or Executive Committee or in respect of a plenary type Municipality, another member of Council;
 - (iv) Mayor and/or Municipal Manager from another Municipality; and
 - (v) Member of a Ward Committee as nominated by the Executive Mayor or Mayor."
- **Cllr E F Mbatha**
Mayor/Chairperson
- **Cllr N V Gumbi**
Deputy Mayor
- **Mr S Kunene**
Chairman of the Performance Audit Committee
- **Cllr T Mchunu**
A Mayor from another Municipality (uThungulu)
- **To be announced**
Ward Committee member
- **D Govender**
Observer (Internal Audit - PWC)
2. the nomination of a member representing Ward Committees be dealt with by the Mayor / Speaker;
3. For purposes of evaluating the annual performance of managers directly accountable to the Municipal Manager, an Evaluation Panel constituted of the following persons was established -
 - (i) Municipal Manager;
 - (ii) Chairperson of the Performance Audit Committee or the Audit Committee in the absence of a Performance Audit Committee;



- (iii) Member of the Mayoral or Executive Committee or in respect of a plenary type Municipality, another member of Council; and
- (iv) Municipal Manager from another Municipality.”

- **Municipal Manager / Acting**
Chairperson
- **Cllr E F Mbatha**
Mayor
- **Cllr N V Gumbi**
Deputy Mayor
- **Mr S Kunene**
Chairman of the Performance Audit Committee
- **Mr B B Biyela (Mr M Khosi)**
A Municipal Manager from another Municipality (uThungulu)
- **D Govender**
Observer (Internal Audit - PWC)

Performance Evaluation sessions were performed on 17 November 2011 covering the first quarter of the 2011/2012 financial year on progress over the first three months from 1 July 2011 to 30 September 2011. Formal evaluation sessions covering the first six month period of the covering the period 1 July 2011 to 31 December 2011 were held on 2, 3 and 14 February 2012.

An informal performance evaluation was again performed on 4 May 2012 on progress on performance over the third quarter covering the period 1 July 2011 to 31 March 2012 of the 2011/2012 financial year. The final performance evaluation sessions of the Municipal Manager and managers directly accountable to the Municipal Manager covering the completed 2011/2012 financial year were held on 02 and 03 August 2012. The minutes of all meetings are available on the electronic document management system. The final results and scores were reported to the Performance Audit Committee on 16 August 2012 and the Executive Committee, item RPT 152389.

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 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 supporting 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.

The Auditor General has performed a complete audit of information submitted in this report, together with all achievements reported in the Organisational Performance Management System Scorecard attached.

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 as provision of funds was made on the 2012/2013 financial year's budget.

Annual Organisational Performance Information

The annual performance reporting on the 2011/2012 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 is herewith presented to the Auditor General for auditing together with the Annual Financial Statements on 30 August 2012.

This Annual Performance Report (Tables) once finalised and approved should be read in conjunction with the uMhlathuze Annual Report, including the Annual Financial Statements as well as Auditor General Report on the Annual Financial Statements and Performance Information for 2011/2012.

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 2012/2013 financial year in cases of under achievement:

The number of households served with basic services as reflected in the table 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 uMhlathuze 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 uMhlathuze. 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) as well as Audited by the Auditor General and reported via the Performance Audit Committee to the Executive Committee and Council. Reports are available for inspection.

ORGANISATIONAL PERFORMANCE SCORECARD 2011/2012

REVISED UMHLATHULZE ORGANISATIONAL PERFORMANCE SCORECARD 2011/2012												
IDP Ref	National KPA	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2010/2011		2011/2012			Planned Measures for Improvement	2012/2013	
					Target	Actual	Original Target	Revised Target	Actual (June 2012)		Annual	
1.1	Good Governance, Community Participation and Ward Committee Systems	Public Participation	Public meetings (IDP and Budget)	Number of meetings	22	32	22	330	341	Ward Committee system is in place and Committee members are being capacitated	147	Target
1.1		Public Participation	Number of ward committee management meetings	Number of meetings				-	-	New Target for 2012/2013 public meetings and Ward Committee management meetings split	330	
1.1		Stakeholder Liaison	Stakeholder meetings	Number of meetings	3	3	3	3	3	The target was achieved. New target increased to 17 meetings	17	
1.2		Basic Service Delivery and Infrastructure Development	Policy Development	Compliance with all legal prescriptions	Percentage of compliance	100%	100%	100%	100%	100%	The target was achieved and all policies in place	100%
2.1	Access to Water		Households with access to basic water	Number of Households 2011 / 2012 total number 82972	72260	71660	72660	72660	71660	Total of 74296 households amended to 82972 as per WSA 2010 stats New connections contributed to upgrade of service and not additional households served	72660	
			% Households with access to basic water	% Households with access to basic water 2011 / 2012 total number 82972 revised	97.30%	96.49%	88%	87.57%	86.37%	Total of 74296 households amended to 82972 as per WSA 2010 stats New connections contributed to upgrade of service and not additional households served	87.57%	
			New Water Connections	Number of new connections	600	542	400	458	569	New connections contributed to upgrade of service and not additional households served Communal supply (588 households) upgraded to yard connections	1000	
2.1	Access to Sanitation		Households with access to basic sanitation	Number of Households 2011 / 2012 total number 82972 revised	48113	44513	45133	48913	48950	Project awarded towards the end of the financial year and 2009 VP's will be constructed in first quarter of 2012/2013	52050	
2.1			% Households with access to basic sanitation	% Households of with access to basic sanitation 2011 / 2012 total number 82972 revised	59.93%	59.93%	54%	59.87%	57.91%	Project awarded towards the end of the financial year and 2009 VP's will be constructed in first quarter of 2012/2013	62.73%	
			New sanitation connections	Number of new connections	TBA	384	620	4500	3537	Project awarded towards the end of the financial year and 2009 VP's will be constructed in first quarter of 2012/2013 Additional 2000 VP's planned together with the 2009 carry over from 2011/2012	4000	
2.2		Access to Electricity		Households with access to electricity	Number of Households	31000	30884	29609	31004	31049	Connections are dependent on applications received. Infrastructure is in place.	31617
2.2	Access to Solid Waste		New Electrical Connections	Number of new connections	TBA	391	120	120	609	Connections dependent on applications received. Infrastructure is in place to deal with applications received.	134	
2.4			Households with access to waste disposal services	Number of Households / 2012 total number 82972 revised	58673	58562	59412	59762	58894 (29447)	Roll-out of additional skips in 2012/2013 to increase service delivery to additional 2008 households in the rural areas. (figure in brackets - AG report to be verified in 2013)	60894	
2.4			% Households with access to waste disposal services	% Households / 2012 total number 82972 revised	79%	79.6%	72%	72%	71% (35.5%)	Total of 74296 households amended to 82972 as per WSA 2010 stats, resulting in lower percentage of households served as additional number of households is regarded as backlog (figure in brackets - AG report to be verified in 2013)	73.46%	
2.4			New households with access to weekly waste disposal services	Number of new households	1696	2151	1200	1200	166	Roll-out of additional skips in 2012/2013 to increase service delivery to additional 2008 households in the rural areas.	2000	

REVISED UMHLATHUZE ORGANISATIONAL PERFORMANCE SCORECARD 2011/2012											
IDP Ref	National KPA	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2010/2011		2011/2012			Planned Measures for improvement	
					Target	Actual	Original Target	Revised Target	Actual (June 2012)		
2.1	Basic Service Delivery and Infrastructure Development	Free Basic Services	Households with access to free basic water	Number of Households	72260	72262	72660	72660	71669	Total of 74296 households amended to 82072 as per WSA 2010 starts Additional 1000 new connections planned for 2012/2013	72660
2.1			Households with access to free basic sanitation	Number of Households	12208	11908	19908	19908	15445	Project awarded towards the end of the financial year Roll-out of additional skips in 2012/2013 to increase service delivery to additional 2000 households in the rural areas.	19445
2.4			Households with access to free electricity	Number of Households	TBA	511	570	570	692	The Target was achieved	632
2.3		Access to roads	Kilometres of tarred roads established	Number of km	1.2	1.2	0	0	0	Dependant on applications received from the community No funds on the 2011/2012 budget. No funds provided on the 2012/2013 budget. No projects planned	0
2.3			Kilometres of gravel roads established	Number of km	16	24.2	25	24	3.6	Hiring of additional machinery	12
2.3			Kilometres of roads maintained	Number of km	890	866	950	800	995	The target was achieved	600
2.115		Community and Public Facilities	New facilities provided	Number of facilities	0	0	3	3	1	New facilities dependant on external funding. 1 Project in progress (Sportfield KwaMedunbe Tribal area) 3 x other sportfields to be constructed at ukhalel (ward 7), Mandankula (ward 13) and Bomvini (ward 28)	0
2.115			Upgraded facilities provided	Number of facilities	0	0	0	0	2	Not completed yet, ongoing due to delays in sponsor funding. Upgrade of 10 public facilities planned for 2012/2013 (3 sports facilities, 1 beach facility, 1 Training center and 5 halls)	10
3.1	Local Economic Development	Human Settlements	Number of Hotel units refurbished	Number of units	45	0	90	90	0	Hotel projects delayed due to human settlement forensic investigation. Contract for refurbishment of H395 delayed due to occupants refusing to move to transit village. Resolved but contract now delayed. (RPT 152028)	90
3.1			Number of low-cost houses built	Number of units			TBA	TBA	New	New Target for 2012/2013	300
3.1.1		Development of Prioritised Groups	Capacity Building Initiatives	Number of initiatives	12	32	4	4	9	The target was achieved and exceeded	2
3.1		Special Projects	Special projects planned	Number of projects	0	0	6	6	1	No funding provided on the 2011/2012 budget. Await approval of policies dealing with gender, youth and people with disability	2
3.1.3		Promotion of Local Economy	Jobs created through the municipality's LED initiatives	Number of jobs	265	209	265	265	119	Awaiting the approval of the amended Supply Chain Management Policy for guidelines in terms of dealing with LED initiatives	120
3.1			Jobs created through the municipality's Capital Projects	Number of jobs	750	414	750	750	238	Implement as from 2012/2013 an accurate record keeping system to record number of job created through capital projects	520
4.6	Municipal Transformation and Institutional Development	Human Resources Management	Number of black staff employed in management (level 15 +)	Number of black staff	78	57	79	79	77	EE target to be stated on the advert Dependant on incumbents vacating posts	85
4.6			Women employed by the municipality	Number of women	870	643	881	881	656	EE target to be stated on the advert Dependant on incumbents vacating posts	659
4.6			Youth employed by the municipality	Number of youth	TBA	192 only level >15	TBA	TBA	558	EE target to be stated on the advert Dependant on incumbents vacating posts	598
4.6			Disabled staff employed by the municipality	Number of staff	TBA	2	40	40	3	EE target to be stated on the advert Dependant on incumbents vacating posts	5
4.6			Budget Spent on Workplace Skills Plan	Percentage Spent on budgeted amount	85.0%	93.03%	100%	100%	59.32%	Target no met as result of funds removed during mid-year budget review and target was not reviewed. Target to be aligned to available funds	100%
4.6			% Operating Budget spent on implementing Workplace Skills Plan	Skills levy / Salaries budget x 100 = percentage (Target 1.00% p.a.)	1.00%	0.86%	1.00%	1.00%	0.79%	Target no met as result of funds removed during mid-year budget review and target was not reviewed. Target to be aligned to available funds 0.74%	3324150 44046500 ~0.74%
4.1.1	Municipal Transformation and Institutional Development	Batho Pele Principles	Community Surveys conducted	Number of surveys	0	0	1	0	0	Provision of funds made on the 2012/2013 Financial year's budget to conduct a customer satisfaction survey	1

REVISED UMHLATHUZE ORGANISATIONAL PERFORMANCE SCORECARD 2011/2012												
IDP Ref	National KPA	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2010/2011		2011/2012			Planned Measures for improvement	2012/2013	
					Target	Actual	Original Target	Revised Target	Actual (June 2012)		Annual	Target
4.1.1	Development	Performance Management Systems	S57 Performance Agreements	Number of agreements	6	6	7	6	6	The revised target was achieved. Vacant position of Chief Operations Officer converted to Head of Section post.	6	
4.5		Municipal Turn Around Strategy	Implementation of the National Municipal Turnaround Strategy	% Implemented	100%	100%	100%	100%	100%	New MTAS for 2012/2013 drafted and included in the 2012/2013 IDP Document (DMS 814766 and on Council's web-site)	100%	
5.4	Financial Viability and Financial Management	Revenue Enhancement	Cash collected from customers	R value of revenue collected	1 192 000 000	1 177 832 738	1 500 000 000	1 500 000 000	#REF!	Collection rate is above target of 98% of debtors billed. There are no measures to improve target, but only new measures adopted to accommodate the dynamics of the debt environment (Rural and Residential debt) plus maintaining the status quo.	1 544 088 000	
5.4			Amount Invoiced/billed to customers	R value of invoices raised	1 240 000 000	1 220 762 597	1 550 000 000	1 550 000 000	#REF!	Areas of Improvement required here are: 1) Improved evaluation on non technical losses to identify extent of service theft; 2) Improved evaluation of extent to which private sector is taking of refuse service income.	1 575 200 000	
5.1		Financial management	Debt service payments	R value (cumulative)	165 475 430	165 032 000	182 648 857	182 648 857	164 515 632	No improvements required	177 232 000	
5.1			Total revenue received from grants and subsidies	R value	232 855 060	236 918 837	266 465 000	266 465 000	256 277 639	No improvements required in terms of receipt.	305 434 300	
5.1			Total of grants and subsidies spent	Total grants and subsidies spent / Total grants and subsidies received x 100 = Percentage spent	100%	86%	100%	100%	107%	Service Depths need to ensure Capital Grants are spent timorously to mitigate risk of losing such grants in the future. SDBIP Component 5 will be monitored more strictly in future	100%	
5.3		Debt Control	Debt coverage ratio	(Total operating revenue received - operating grants) / debts service payments (interest & redemption due for the year)	(155757060-156847000) / 170205000 = 8.23	(1481825000-154495000) / 165032000 = 8.05	9.26	9.26 adjustments budget to (1332384000 - 180433000) / 171806000 = 8.84%	(1773193000-167258000) / 164515632 = 9.77%	No improvements required at this stage	1838000 - 20489117232 = 9.22%	
5.3			Outstanding service debtors to revenue	Outstanding service debtors / revenue actually received for services	126088721 / 1271046160 = 0.09	0.04	0.09	0.09	0.09	No improvements required at this stage	0.09	
5.3			Cost coverage ratio	(Available cash at particular time + Investments) / Monthly fixed operating expenditure	(-81897000) / 110956000 = (-0.74)	0.3675	0.62	0.36 Full year revised to 0.23	188716000 / (1563953000/12) = 1.45	From the CFO's perspective this area of the Municipality's financial status that has received the most attention in the last three years. Measures: 1) Revision of current Working Capital Policy to include Reserves Section; 2) Ensuring internal capex and opex is cash backed before spending - Funded Budget; 3) Interim target 1 x by 30/06/2013, Long Term Target - 1.5 x	150800000 / 150000000 = 1 x	

REVISED UMLATHUZE ORGANISATIONAL PERFORMANCE SCORECARD 2011/2012											
ICP Ref	National KPA	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2010/2011			2011/2012 Annual 2011/2012			2012/2013 Annual Target
					Target	Actual	Original Target	Revised Target	Actual (June 2012)	Planned Measures for improvement	
S.1	Financial Viability and Financial Management	Budgeting and reporting	Total operating budget (revenue)	R value YTD	155 787 100	1 512 553 393	1 861 289 600	1 691 259 600 adjustments budget to 1772594100	1 773 193 429	Figures subject to change once AFS Finalized. 1) Improved communication with large customers to more accurately assess usage (e.g. Total)	193 611 100
S.1			Total Salaries and Wages budget (including benefits)	R value YTD	369 814 200	359 781 990	407 860 500	407 860 500 adjustments budget to 407 860 500	391 065 574	Figures subject to change once AFS finalized. No improvements required	448 485 000
S.1			Compliance with MFMA requirements	Percentage compliance	100%	100%	100%	100%	100%	No improvements required	100%
S.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 YTD	96.00%	47.00%	90%	90%	23852298 178773300 = 41.33%	Service Departments need to ensure Capital Grants are spent timely to mitigate risk of: 1) losing such grants in the future. S0889 Component 5 will be monitored more strictly in future; 2) Not meeting the objectives as identified in the IDP	100%
S.1			Total Operating expenditure	R value YTD	1 526 102 800	1 486 773 443	1 859 685 200	1 747 653	1 785 072 917	Figures subject to change once AFS finalized. Due to salary increases in excess of budgeted by R8m in 2012/13, expenditure will need to be monitored very closely to identify savings.	1 812 293 800

Key for the measurable objectives:**Priority****Vuna****Additional /Departmental****Comments:**

Access to electricity(New connections): The quarterly targets and achievements for this KPI are dependent on the number on applications received.

Free basic Service (households with access to free electricity): The quarterly targets and achievements for this KPI are dependent on the number on applications received.

Total number of households: The annual targets as reflected in the original 2011/2013 IDP have been revised to adjust the total number of households previously reported from 74 269 to the total of 82 972 aligned with KZN CoGTA statistics.

Achievements: The annual achievements as reported in the Actual (June 2012) column were audited by the Internal Auditors (PWC) and the Auditor General and final adjustments made together with the Annual Financial Statements and AG Report to KPI's reflected in lighter shaded background in the Final Annual Report that is submitted to Council.





Chapter 3

Human Resources & other Organisational Management

Department of the Municipal Manager

Communications

The City of uMhlathuze has increased the profile of the Communications Section by re-organising the Section to encourage more effective communication both internally and externally as well as give renewed focus to the branding of our City.

Apart from coordinating media-related activities for other departments when they host events, the Section has also hosted its own successful functions. A Media Breakfast was hosted early in the financial year to strengthen partnerships with our media partners. Ongoing work has been done to further build on these relationships and ensure that the positive achievements of the Municipality are conveyed to residents and that any negative issues are reported in a balanced manner.

This breakfast was followed by a breakfast at the Zululand Yacht Club with our business partners.



Dr Nhlanhla Sibeko

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



A highlight of the year was the visit by the Jimmy Manyi, the former government spokesperson and Chief Executive of the Department: Government Communication and Information Systems. He met with the City's leadership to discuss ways in which to improve communication within the organisation, particularly how to link the Municipality's communication efforts with the GCIS in a strategic effort to leverage all spheres of government to better profile the region to attract investment and promote job creation.

Stemming from this visit the Section hosted several key ministers to highlight strategic issues for the City, including the need for a container handling facility at the Port of Richards Bay and the need to improve rail infrastructure.

The publication of the Municipality's own official newsletter for residents has been ongoing. Each month 65 000 copies of uMhlathuze News are distributed to residents to inform them about decisions of Council and any issues in the municipal area that may impact on their lives.

However, recognising the growing popularity of social media the Section also launched the City's own Facebook page to support the existing SMS system in providing residents with urgent and important information. A more modern and professional website has also been developed, which is due to be launched in the next financial year.

Integrated Development Planning (IDP)

uMhlathuze commenced the 2011 – 2012 IDP Review with a process plan to guide and manage the development of this principle strategic plan which guides and informs all planning and development and all decisions with regard to planning, management and development of the Municipality.

One of the key objectives of Developmental Local Government is that local government be committed to working with the local communities and citizens to find sustainable ways to meet their social, economic and material needs and to improve the quality of their lives. As such uMhlathuze Municipality takes public participation very seriously by having councillors committed to the process. This interaction between councillors and the public allows communities and various stakeholders to

better understand local government's functions, responsibilities and strengths as well as the difficulties under which municipalities operate.

Commencement and progress on various projects affecting the sustainability of the City and the livelihoods of the citizens were evaluated and some new projects were prioritised and appropriate budgets allocated as a result severe circumstances. The current economic circumstances affecting the City and country have not allowed the Municipality to meet the many needs and changes required to their immediate environments as the citizens would have liked to see. Projects have been put on hold pending a more favourable situation.

In spite of the difficult times ahead the Municipality is endeavoring through Integrated Development Planning to create a better place for all to work, live and play in a sustainable and responsible manner.

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 and organisational performance reporting to organs of state. Previously this function was outsourced to an external service provider. The functioning of this unit is outlined and 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.

The idea going forward is to establish a co-sourced relationship by appointing, on a permanent basis, a Chief Internal Audit Executive who will manage and oversee the functions of internal audit on a co-sourced basis with an external audit firm who will perform the duties and functions of internal audit.

This, however, is a three year phase-in plan where the unit will thereafter be fully in-sourced. During this phase-in plan, we would effectively facilitate a skill transfer to our internal resources. That way we are able to obtain and retain the skills on a going concern basis.

Department of Corporate Services

Diverse Administration

Secretariat

The new financial year started on 1 July 2011 with the usual round of Portfolio, Executive Committee and Council meetings but with a twist. For the first time Council embarked on *“Taking Council to the Community”*, which culminated in a very successful Council meeting held on Tuesday, 17 April 2012 at the eSikhaleni FET College. It was a week of intense community programmes in which Councillors as well as the Administration re-affirmed their commitment to the people, which was well received by positive responses from the residents.

All meetings of Council 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	M Team	Other	Total
<i>Jul 11 - Sep 11</i>							
Meetings held	3	6	22	25	6	6	68
Agenda Items	118	159	165	49	87	50	628
<i>Oct 11 - Dec 11</i>							
Meetings held	3	5	13	28	4	10	63
Agenda items	274	215	153	53	81	62	838
<i>Jan 12 -Mar 12</i>							
Meetings held	2	5	11	26	5	20	69
Agenda items	69	128	94	51	101	83	526
<i>Apr 12 - Jun 12</i>							
Meetings held	3	6	15	26	5	9	64
Agenda items	136	128	130	64	113	45	616
Total for the year							
Meetings held	11	22	61	105	20	45	264
Agenda items	597	630	542	217	382	240	2608



Mrs Mbali Ndlovu

- Diverse Administration
- Human Resources
- Management Information Systems

Councillor BR Ntuli resigned from Council in February 2012. Proportional Councillor RM Zikhali was nominated to represent the ANC in the resulting vacancy and took the Oath of Office of Council in March 2012 under the auspices of Senior Magistrate AB Ntshangase.

Printing and distribution functions

The centralised bulk printing function that is managed by this division and operated by two incumbents in the Printing Room has worked hard during the period under review by ensuring that Councillors and staff receive their agendas and minutes on time by executing numerous after hours deliveries to Councillors' residences.

The massive cost involved with printing and distribution of agendas and minutes is no simple matter and plans are underway to minimise the use of paper through E-Councillor to be implemented in the near future.

Support services

The control and usage of the various Committee Rooms in the Council Chamber complex as well as the Auditorium and Restaurant at the Richards Bay Civic Centre falls under the ambit of the Secretariat Services Unit.

These venues have hosted numerous departmental award ceremonies, Independent Electoral Commission meetings and training sessions, Human Resources Relationship Building Programmes, sports meetings, budget meetings with the public and iziNduna and many more.

A great number of events by external organisations ranging from the Youth Ambassador Conference by the Premiers Office, the Women's Day Summit, Statistics South Africa Census Programme, Uthungulu District Municipality sessions, Small Town Rehabilitation and Corridor Development Programme by the Department of Cooperative Governance and Traditional Affairs, BEE Training Workshop as well as various Tourism Workshops by the Department of Economic Affairs and Tourism, Hospice, National Prosecution Authority Workshop, Annual Spelling Bee and numerous seminars and exhibitions have been hosted in 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.

Telecommunications

Telecommunications of the Municipality is manned by three (3) staff members. Restrictions imposed on staff to reduce the telephone account to the minimum, has increased the number of outgoing calls handled by the switchboard in addition to an already large number of incoming calls.

The telecommunications operators are the first point of contact with the Municipality and they render a sterling service to the public and the staff. Figures below are an indication of how occupied these operators in a day.

July 2011 – June 2012

Incoming calls: 400 491
Outgoing calls: 718 551

Plans are at an advanced stage to turn the Switchboard into a Call Centre and introduce a toll free number for ease of handling of complaints thereby relieving the Fire Brigade from attending normal service delivery complaints to focus on emergencies calls only.

Airport

The municipal-owned Richards Bay Airport was upgraded through funding received from the KwaZulu-Natal Treasury Department. A new bypass was laid and the taxiways and aprons widened to allow for easy landing, turning and taxing of the newly acquired SA Express Dash Q400.

In addition maintenance work was carried out to replace air conditioners and flooring. A screening area was built for privacy when searching passengers. The entrance doors were automated and the municipal logo placed at the entrance. The leaking roof would be attended to before the end of November 2012

Registry

The post of Records Manager was created in the Administration Branch to ensure that the management of all municipal records are in accordance with the records management principles contained in the National Archives and Records Service Act 196.

The Records Section 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 section, manned by six personnel, is fully occupied in ensuring that the mission of the department to ensure efficient and effective records management services are met.

	Jul 11 - Sep 11	Oct 11 - Dec 11	Jan 12 - Mar 12	Apr 12 - Jun 12	Total for the year
Incoming Mail	2 715	2583	2 592	1 835	9 725
Cheques received	263	233	258	243	997
Outgoing Mail	7 182	6 225	6 587	5 698	25 692
E-mails	7 511	7 759	7 554	8 643	31 467
Total items handled	17 671	16 800	16 991	16 419	67 881

A new filing system was recently approved for the uMhlathuze Municipality by the Provincial Archivist and implementation has run smoothly.

Councillor Support

Promotion of the Ward Committee System

From July 2011 until September 2011, Council vigorously drove the establishment of Ward Committees in its thirty wards. This was necessitated by the fact that Local Government elections had been held in May 2011 resulting in the swearing in of a new Council. Officials were deployed to assist Ward Councillors in work-shopping communities about ward committees particularly the role they play in giving the community a voice. The newly elected Ward Committees were inaugurated during a function held on 21 November 2011 at Veldenvlei Hall. During the inauguration presentations were made on the roles and responsibilities of various departments.

Subsequent to the inauguration, a series of capacity building programmes were rolled out. Training targeted secretaries on minute taking etc. Council further appointed a consultant that conducted further training equivalent to NQF 2. Statistics gathered every month indicate a high level of enthusiasm and dedication by the ward committee members towards their work despite various challenges including financial constraints.

Council values the role fulfilled by ward committees in ensuring a link between the Municipality and the community.



Taking Council to the Community

In ensuring an unfading sense of connection with its community, the Municipality staged an unprecedented “Taking Council to the Community Programme” on 17 April 2012 at Umfolozi FET College at eSikhaleni. This initiative involved taking both the Executive Committee as well as Council meetings to the said venue and thus providing the community with an opportunity to witness how such meetings are conducted. About 1 700 members of the public were present.

The meetings followed a series of preceding activities which, amongst others, saw the handing over of wheelchairs, school visits, clean-up campaigns, repainting of roads etc. Councillors led by His Worship the Mayor took part throughout these activities thus demonstrating Council’s seriousness about service delivery and being closer to the community in achieving developmental objectives.



State of the City Address

His Worship the Mayor, Councillor EF Mbatha hosted the State of the City Address on 21 June 2012 at the Richards Bay Sport Complex. This event has become a highly anticipated annual event used to reflect on successes and challenges relevant to the applicable financial year. It is also an important platform for the Mayor to layout programmes the community can expect during the ensuing financial year.

Dignitaries present included Mayors, business leaders, church ministers and senior government officials. Plenty of musical talent by local artists was on display keeping the masses entertained. About 2 000 people, representing various ages and races, came to listen to the Mayor’s message.



Mayoral breakfast with 2011 Matric Achievers

The Mayor hosted those matric students who excelled during the 2011 academic year. The occasion was used to congratulate the learners and also to call on companies and business to pledge financial support towards the students in order to enable them to continue with their studies.



Special Programmes/Operation Sukuma Sakhe

Programme	Date	Objective	Brief Description	Impact
Youth Entrepreneurship Awareness workshop	14 July 2011	To develop entrepreneurial skills among young people in business and enhance their business management ability	A workshop was conducted by National Youth Development Agencies and attended by local young people in business	It has assisted young people within the Municipality to develop necessary confidence and the know-how in the management of business. It has also assisted them in identifying business opportunities
Inter Cultural & Intergenerational Dialogue	10 August 2011	To develop an understanding amongst people of different generational groups on how each generation view certain moral topical issues	The dialogue was conducted in partnership with the Department of Arts and Culture. It was held at Richards Bay Auditorium and was attended by 150 school children and 50 adults	It managed to create an understanding of how different generations view different moral topical issues and encourage tolerance for the views of other generations
Women in Local Government Leadership Conference	7 October 2011	To create a platform where women in management could share their experiences with an intention to enhance their work performance	The conference was attended by 86 women leaders from level 11 upwards and Women Councillors, who received presentations on women related topical issues	It boosted the morale of the women leaders and it managed to come up with a programme for women empowerment
Launch of People Living with Disability Forum	26 May 2012	To create a platform where people living with disabilities can sit and share their experiences with an intention to develop a programme and structure that will deal with their issues	The launch was held at Hlanganani Hall and it was attended by 40 people living with disabilities representing different organisations	Through presentations people living with disabilities were informed about their rights and the government programmes available to them. They also developed a programme and a structure
Multi-stakeholder HIV/AIDS workshop	1 June 2012	To discuss and adopt a five year draft strategy for HIV/AIDS to pave the way forward to establish a Local AIDS Council	The event was attended by Councillors led by the Mayor, business, traditional healers, civil society, academics and labour	The workshop managed to effect some changes on the draft strategy and paved the way forward for the establishment of a Local AIDS Council

Legal Services

Legal Services is one of the most essential units in the Municipality, providing support to both the Administration and Council. The key functions and responsibilities of Legal Services are as follows:

- Ensuring legal compliance by Council
- Giving advice and opinions
- Labour Law services
- Draft Municipal Bylaws
- Instituting and defending actions for the Municipality
- Providing a contracts management service
- Land ownership and transfer

Below is the list of drafting and vetting of documents and other legal services performed:

Item	Total for financial year
Lease agreements	33
Encroachments/Indemnities	12
Sale Agreements	25
Other	33
Pre-litigation meetings (land use issues: City Development)	9
Litigation instituted against Council	9
Litigation instituted by Council	7



- Solid Waste Bylaws
- Advertising Sign Bylaws
- Street Trading Bylaws
- Credit Control and Debt Collection Bylaws
- Funeral Undertakers Bylaws
- Cemetery Bylaws
- Bylaws relating to Flammable Liquids
- Bylaws relating to the lease of Halls and Conference Facilities
- Bylaws relating to the Control of Parking Attendants / Car Guards
- Bylaws relating to Public Libraries
- Bylaws relating to Municipal Swimming Pools
- Bylaws relating to Childcare Services
- Electricity Supply Bylaws
- Standing Orders for Council and its Committees
- Nuisance Bylaws
- Bed & Breakfast Bylaws

Business Licences

Business Licences issued for the financial year of 2011 / 2012

Licence Category	Total
Licences issued item 1	79
Licences issued item 2	5
Copy Licences issued	6
Temporary Licences issued	6

Human Resources

- Human Resource Administration;
- Human Resource Maintenance and Development, and;
- Organisational Development and Change Management.

Human Resource Administration

Statistics reflect Council's ongoing commitment working towards achieving its numerical goals in terms of the Employment Equity Act.

Recruitment, Selection and Placement

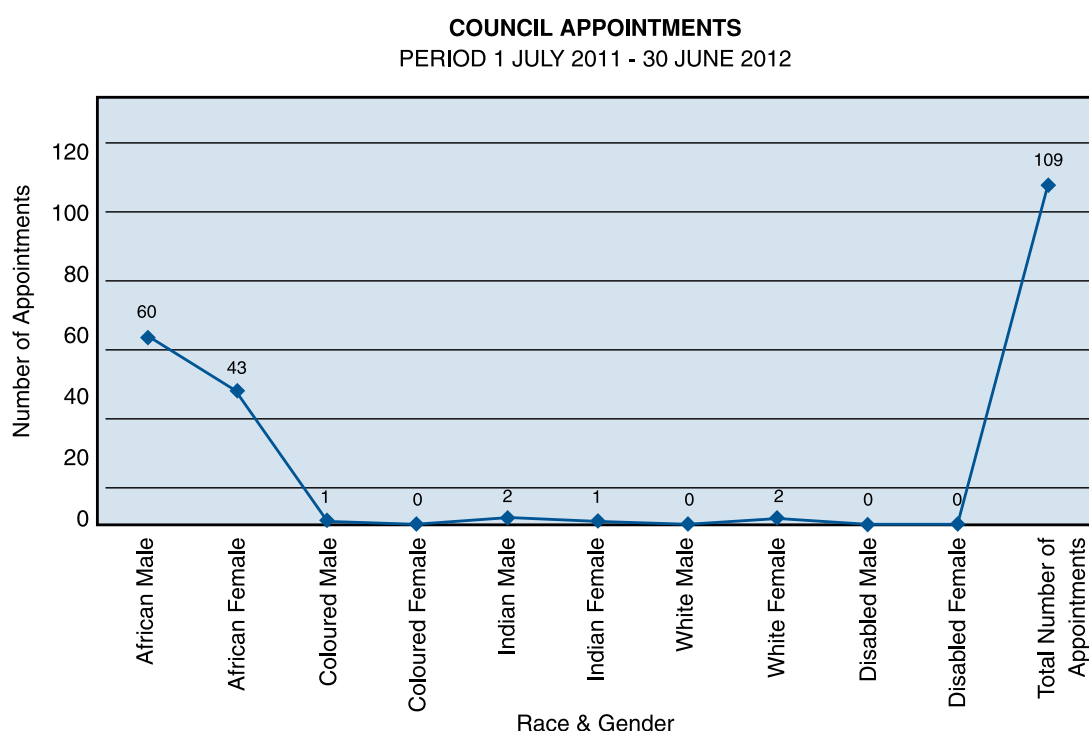
Appointments (Period 1 JULY 2011 – 30 JUNE 2012)

A comparison in the number of appointments made over the four quarters is tabled below:

	1st Quarter 1 July 2011 - 30 September 2011	2nd Quarter 01 October 2011 - 31 December 2011	3rd Quarter 01 January 2012 - 31 March 2012	4th Quarter 01 April 2012 - 30 June 2012
Total Promotions	31	32	19	27

During the year 2011/2012, 109 permanent employees were appointed of which 103 were African, 1 was Coloured, 3 were Indian and 2 were White.

Breakdown per Race and Gender



Tabled below is a breakdown of appointments made in Council per job level during the 2011/2012 period:

Breakdown per Job Level

Job Level	African		Coloured		Indian		White		Total Appointments Per Level
	Male	Female	Male	Female	Male	Female	Male	Female	
23	0	0	0	0	0	0	0	0	0
22	0	1	0	0	0	0	0	0	1
21	0	0	0	0	0	0	0	0	0
20	0	0	0	0	0	0	0	0	0
19	4	1	0	0	0	0	0	0	5
18	0	0	0	0	0	0	0	0	0
17	1	0	0	0	0	0	0	0	1
16	0	0	0	0	0	0	0	0	0
15	5	2	0	0	0	0	0	0	7
14	0	0	0	0	0	0	0	0	0
13	1	0	0	0	0	0	0	0	1
12	3	1	0	0	0	0	0	0	4
11	2	6	0	0	0	0	0	0	8
10	3	2	0	0	0	0	0	0	5
9	5	2	0	0	0	0	0	0	7
8	0	2	1	0	0	0	0	0	3
7	2	0	0	0	1	0	0	0	3
6	5	8	0	0	0	0	0	0	13
5	6	4	0	0	0	0	1	0	11
4	7	1	0	0	0	1	1	0	10
3	16	12	0	0	0	1	0	0	29
2	0	0	0	0	0	0	0	0	0
1	0	1	0	0	0	0	0	0	1
Total	60	43	1	0	1	2	2	0	109

Promotions (Period 1 JULY 2011 – 30 JUNE 2012)

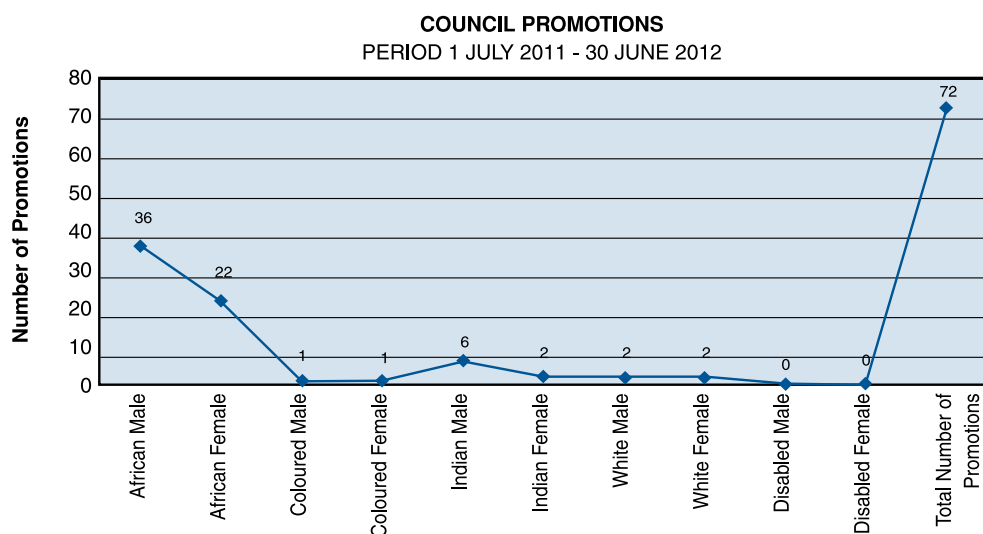
A comparison in the number of promotions made over the four quarters is tabled below:

During the year 2011/2012, 72 permanent employees were promoted of which 58 were African, 2 were Coloured, 8 were Indian and 4 were White.

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	1 July 2011 - 30 September 2011	01 October 2011 - 31 December 2011	01 January 2012 - 31 March 2012	01 April 2012 - 30 June 2012
Total Promotions	20	19	5	28



Tabled below is a breakdown of promotions in Council per job level during the 2011/2012 period:



Breakdown per Job Level

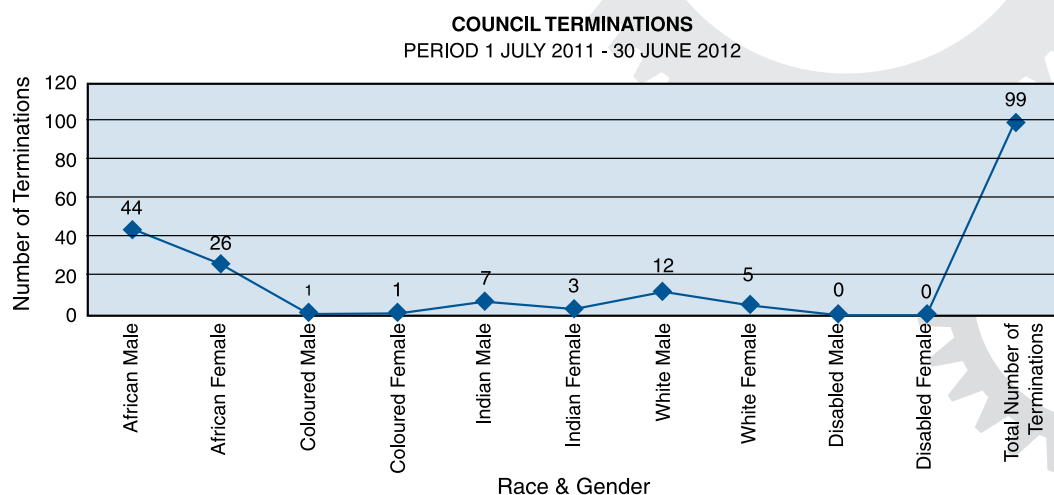
Job Level	African		Coloured		Indian		White		Total Appointments Per Level
	Male	Female	Male	Female	Male	Female	Male	Female	
23	1	0	0	0	0	0	0	0	1
22	0	0	0	0	0	0	0	0	0
21	0	0	0	0	0	0	0	0	0
20	0	0	0	0	0	0	0	0	0
19	0	0	0	0	0	0	1	0	1
18	0	0	0	0	0	0	0	0	0
17	2	1	0	0	1	0	1	0	5
16	0	0	0	0	0	0	0	0	0
15	2	1	0	1	0	0	0	1	5
14	0	0	0	0	0	0	0	0	0
13	0	0	0	0	0	0	0	0	0
12	2	1	0	0	0	0	0	0	3
11	3	1	1	0	1	0	0	0	6
10	0	3	0	0	0	1	0	0	4
9	3	7	0	0	2	0	0	1	13
8	0	0	0	0	0	0	0	0	0
7	2	1	0	0	0	1	0	0	4
6	11	4	0	0	2	0	0	0	17
5	9	0	0	0	0	0	0	0	9
4	1	3	0	0	0	0	0	0	4
3	0	0	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0	0	0
1	0	0	0	0	0	0	0	0	0
Total	36	22	1	1	6	2	2	2	72

Terminations (Period 1 April – 30 June 2012)

A comparison in the number of terminations made over the 4 quarters is tabled below:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	01 July 2011 - 30 September 2011	01 October 2011 - 31 December 2011	01 January 2011 - 31 March 2012	01 April 2012 - June 2012
Total Promotions	17	21	40	21

During the 2011/2012 period, there were 99 terminations of which 70 were African, 2 were Coloured, 10 were Indian and 17 were White.



Tabled below is a breakdown of terminations in Council per job level during 2011/2012 period:

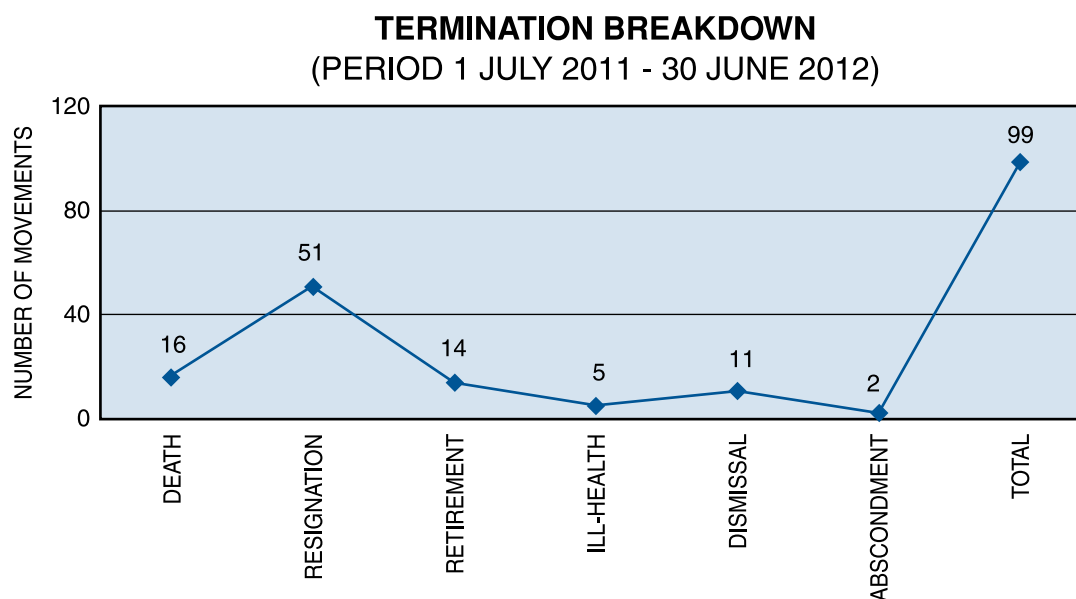
Breakdown per Job Level

Job Level	African		Coloured		Indian		White		Total Appointments Per Level
	Male	Female	Male	Female	Male	Female	Male	Female	
23	0	0	0	0	0	0	0	0	0
22	0	0	0	0	0	0	1	0	1
21	0	0	0	0	0	0	0	0	0
20	0	0	0	0	0	0	0	0	0
19	1	1	0	0	0	0	0	0	2
18	0	0	0	0	0	0	0	0	0
17	0	0	0	0	0	0	0	0	0
16	0	0	0	0	0	0	0	0	0
15	1	0	0	0	0	0	1	1	3
14	0	0	0	0	0	0	0	0	0
13	0	0	0	0	0	0	0	0	0
12	1	0	0	0	0	0	0	0	1
11	2	3	0	0	1	0	3	0	9
10	0	0	0	0	1	0	0	0	1
9	1	0	1	0	1	1	4	0	8
8	5	0	0	0	0	0	0	0	5
7	0	1	0	0	0	0	0	2	3
6	8	2	0	1	1	2	1	1	16
5	5	4	0	0	2	0	1	1	13
4	4	5	0	0	0	0	1	0	10
3	15	8	0	0	1	0	0	0	24
2	1	1	0	0	0	0	0	0	2
1	0	1	0	0	0	0	0	0	1
Total	44	26	1	1	7	3	12	5	99

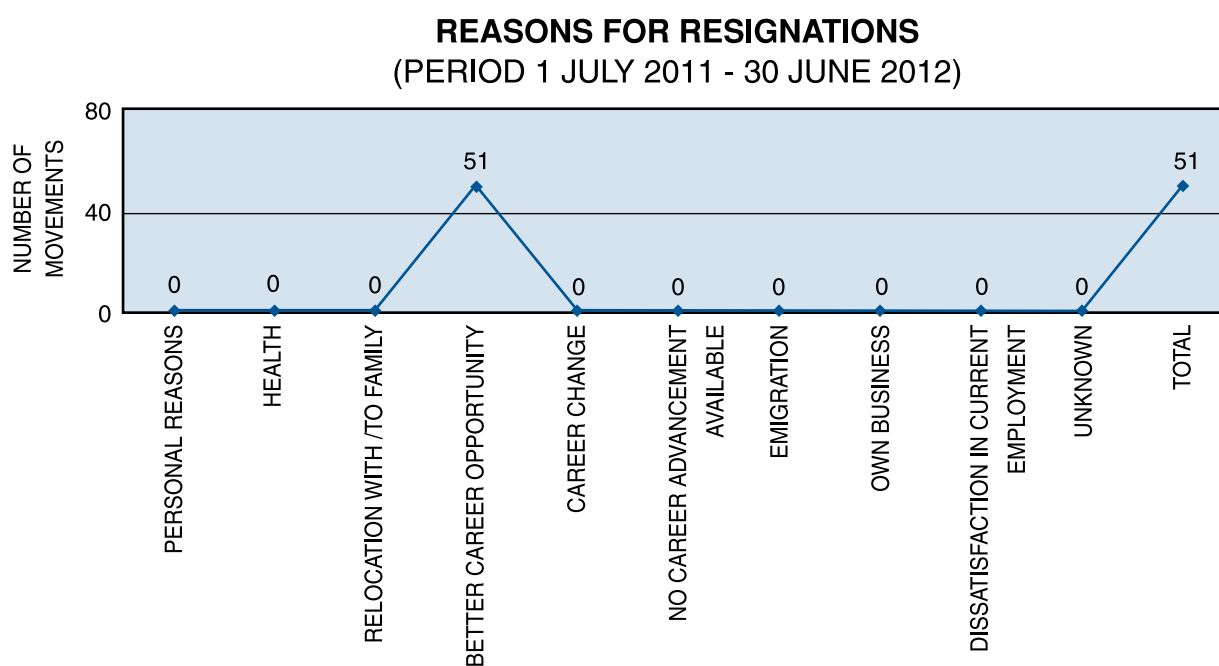
Below are graphs reflecting:

- a breakdown of terminations for the 2011/2012 period;
- a breakdown of the reasons for resignation; and
- a comparison between appointments made, promotions and terminations.

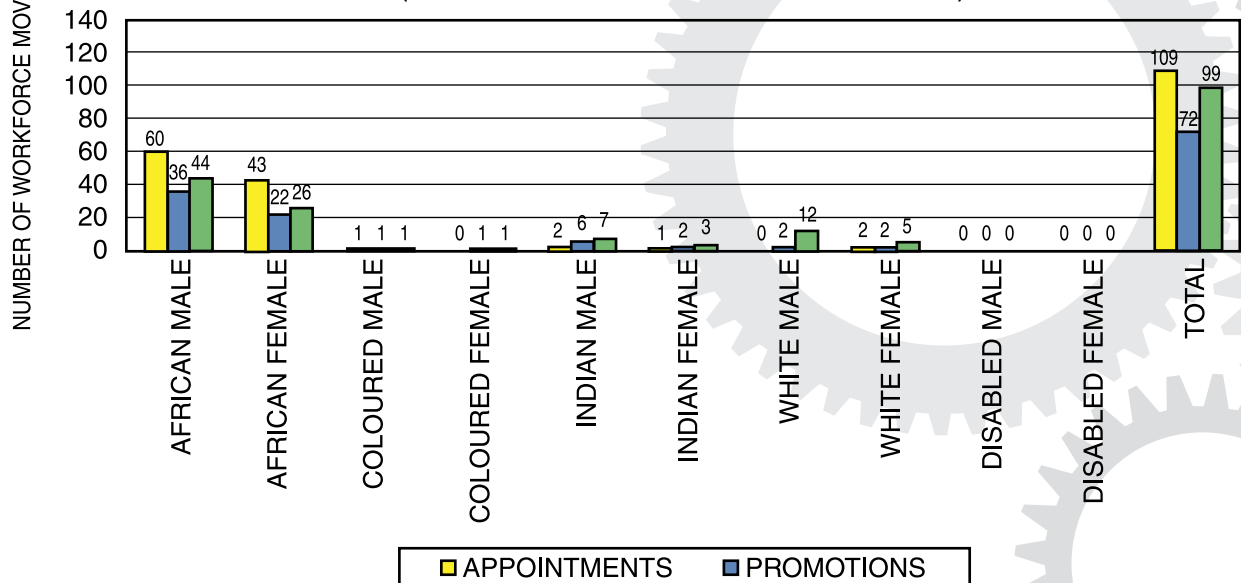
Termination Breakdown



Resignation Breakdown



COUNCIL COMPARISON BETWEEN APPOINTMENTS, PROMOTIONS & TERMINATIONS (PERIOD 1 JULY 2012 - 30 JUNE 2012)



Human Resource Maintenance and Development

Training and Development

Training and Development has positioned itself to improve current training and development practices within Council by forming strategic partnerships with accredited Training and Development institutions, local businesses as well as other entities within the Local Government sector to establish a standard of best practice.

During the 2011/2012 financial year some of the following training initiatives were conducted;

- High performance supervisory training;
- Induction training for councillors;
- Minimum competency training for designated officials as per the minimum competency regulations;
- Ride-on mowers;
- Safety representatives training;
- Fire extinguisher;
- ODETDL learnerships;
- GroupWise; and
- Induction training



Training and development highlights for the 2011/2012 financial year

1. Signing of the Memorandum of Agreement (MOA) between the City of uMhlathuze and the Umfolozi FET College

Council as well as the LGSETA had identified artisans as being a scarce skill for the local government sector. The Umfolozi FET College on the other hand has found it difficult for its artisan graduates to get workplace experience and be absorbed in the formal employment sector. The MOA was thus an ideal opportunity for the Umfolozi FET College to provide the off-the-job training and Council to provide the workplace experience.



Present at the signing ceremony of the Memorandum of Agreement between the City and the Umfolozi FET College were Mayor Elphas Mbatha, Rector of the College Sam Zungu, Speaker Mvuseni Mnyayi, Minister of Labour Mildred Oliphant, KZN Education MEC Senzo Mchunu, FET College Chairperson Themba Fakazi, uMhlathuze Exco Councillors, representatives from LGSETA as well as COGTA and the business sector.

2. Report back on the Workplace Skills Plan (WSP) 2011/2012

LGSETA reported that Council's Workplace Skill Plan (WSP) for 2011/2012 was "a well planned WSP". The Annual WSP details the training that is planned for the following financial year whilst the Annual Training Report details the training conducted in the current financial year.

3. Bursaries

On the 29th November 2011, Council approved the amended bursary policy. Council approved the applications for bursaries for 32 employees and 64 bursaries for children of officials.

4. Community Achievement Bursaries

Council partnered with two private education and training providers and awarded bursaries to the value of R56 000 to three learners from the community.

5. Supervisor Development Programme

Council embarked on a process of empowering newly appointed / promoted Supervisors with supervisory/management skills. During the 2011/2012 financial year 74 officials participated in this programme. Training on the first day was conducted by an external training provider and day two covered internal supervisory procedures i.e. human resource related issues eg. policies and procedures.

Employee Assistance Programme (EAP)

Basic Counselling and Trauma Debriefing Sessions

The Employee Assistance Programme (EAP) section works tirelessly to assist employees and their family members in need of assistance. This year EAP conducted 267 basic counselling and trauma debriefing sessions and assisted 117 employees.

Workshops and Marketing (Financial Education)

In addition the section co-ordinated financial literacy education training workshops facilitated by Liberty Life facilitators. A total of 614 employees attended the workshops to gain a better understanding of financial management issues. All depots were covered by the 35 sessions that were held.

Sixty-six supervisors attended two EAP supervisory workshops, facilitated by SANCA, to equip managers and supervisors for their role and advise them on EAP referrals.

Alcohol and drug abuse awareness sessions were held throughout the Municipality in collaboration with other HR sections (Labour Relations and SHE Risk) and SANCA to alert employees about the dangers of alcohol abuse and the consequences of drinking on duty.

Spiritual Upliftment Programmes (EAP Section highlight)

The EAP section and peer educators organised a Prayer Day by inviting pastors from the different denominations to pray for all employees before the Easter holidays. The main objective was to revive our employees' spirituality and request God through the higher power to protect our employees during the holidays.

EAP Motivational Corner

The EAP section is continually motivating staff through The EAP Motivational Corner, an informative and topical column in the organisation's internal newsletter.

Unizul Students (EAP initiative to give back to the community)

For the second year the EAP section arranged sessions for the University of Zululand HR / Industrial Psychology students who requested exposure in the Employee Assistance Programme and Human Resources fields for three consecutive days in October 2011.

uMhlathuze's EAP section coordinated this initiative, while the HR sections (Training, Safety, Labour Relations and Human Resource Administration) were also part of the initiative and Zululand Life Line presenters were guest facilitators for Basic Counselling.

Student numbers increased from 20 in 2010 to 53 in 2011 and those who attended said that the letters by the Deputy Municipal Manager: Corporate Services confirming their workshop attendance played a huge role in them being appointed to relevant jobs.

Ndabayakhe Project (Corporate Social Responsibility Initiative)

The EAP section is the champion of the Ndabayakhe Project. On Mandela Day (July 2011) the EAP Section and other officials assisted the Ndabayakhe Community Care Centre by establishing a vegetable garden, as well as preparing food for children of the Community Centre.

In December 2011, the EAP section through the DMM: Corporate Services coordinated a Christmas drive (corporate initiative) to the Centre where toys, clothes and food parcels were handed over to the Ndabayakhe Community Centre by City Mayor Elphas Mbatha.



Labour Relations

The main focus of Labour Relations is to manage and strengthen relations between Organised Labour and Management. Council is currently engaged in a facilitation process under the auspices of the South African Local Government Bargaining Council (SALGBC). Labour relations also provides sound and effective, day to day advisory services to all supervisors and managers.

Disciplinary Procedures

All disciplinary processes and grievance processes are dealt with in terms of the Collective Agreements as agreed upon by SALGA and Organised Labour. Appeals are also dealt with in terms of the same Collective Agreement until cases are referred to the Bargaining Council.

Management is always kept abreast of the labour related developments as clearly stipulated in Collective Agreements, Organisational Rights Agreement, BCEA and LRA by means of workshops with Supervisors which are conducted on a quarterly basis.

Safety Health and Environmental (SHE) Risk Management

A new SHE Committee structure was adopted in July 2011 in order to improve the management of Safety, Health and Environmental risks in the workplace throughout the organisation. Four Safety Officers were appointed to the section to assist departments and the organisation as a whole to ensure compliance with the OHS Act and other safety standards and regulations.

In house safety workshops / training during the 2011/2012 year, included;

- Contractor safety induction;
- Employee safety induction;
- Incident investigation;
- Portable fire extinguisher training;
- SHE Representative workshops;
- Demarcation and signage workshops;
- Property damage workshops;
- SHE committee workshops; and
- Alcohol and drugs awareness road show;

Training delivered by external providers during the 2011/2012 year, included;

- Root Cause Analysis Technique (RCAT);
- Legal Liability for Executives;
- Compensation for Occupational Injuries and Diseases Act (COIDA) ;
- First Aider level 1 and level 2; and
- SHE Representative training.

Weekly safety messages are disseminated to all employees via the GroupWise system to foster the ideology of "Safety being a Way of Life". These topics are utilised by SHE Reps and Supervisors in sections as toolbox talk topics, ensuring ongoing awareness and communication in health and safety.

The following policies were approved during the period:

- Personal Protective Equipment/ Clothing (PPE/C);
- Intoxication on Duty.

A comprehensive Hazard Identification Risk Assessment (HIRA) exercise commenced during the latter part of year. The aim of this exercise was to identify each section's top five risks and establish control measures to reduce or eliminate the risk levels, and thereafter to be communicated to all employees.

The Chief HR Officer is a founding member of the Zululand Health and Safety Forum, representing the City of uMhlathuze as one of the sponsors of the forum. The deliverables of the forum are as follows:

- Sharing best practice within the Zululand region in respect of:
 - Legal compliance
 - System compliance and application
 - Management systems compliance and application
 - Behavioural change and company culture change
 - External best practice - promoting good initiatives identified nationally and internationally
 - Shaping safety culture
 - Building the capacity of Health and Safety Practitioners

Quarterly forum meetings are convened, and attended by members, sponsors and exhibitors in the field of Health and Safety.

Bi-annual SHE Representative elections took place in January 2012, followed by a successful SHE Rep Orientation day in March. The organisation boasts a team of 100 SHE Representatives whose role it is to identify and report any health and safety hazards and risks, thereby acting as a representative of their immediate workplace as well as the eyes and ears of Management in respect of Occupational Health and Safety.

Organisational Development and Change Management

This unit aims at improving the overall effectiveness of the organisation through planned, comprehensive and systematic processes. It involves intervening in the processes, structure and culture of the organisation. There is a strong emphasis on organisational behaviour, human resource development and organisational change.

1. Organisational design

Organisational design refers to the process of aligning the structure of the organisation with its objectives, with the ultimate aim of improving the efficiency and effectiveness of the organisation.

2. Change Management

Managing change and transition cuts across all the phases of the organisational structuring process. It includes communication and consultation with staff and key stakeholders. How effectively change and transition are managed has a major impact on the final outcome of the organisational structuring processes or any other changes the organisation has to deal with.



3. Other functions include;

- Productivity and continuous improvement
- Efficiency studies;
- Utilisation studies;
- Feasibility studies.
- Business process re-engineering
- Cause and effect studies;
- Process analysis;
- Process improvement and workflow analysis.
- Job evaluation facilitation.

ICT

ICT Overview

ICT is at the core of the municipal operations and is therefore viewed as an important strategic partner to ensuring efficient service delivery. ICT must be seen as an integral part of any well functioning municipality to further ensure effective administration and socio-economic development.

ICT Service In-sourcing

uMhlathuze Municipality recognises the strategic importance and the required positioning of the ICT Section as per COBIT ICT Governance Framework, ITIL Service Delivery Framework and Chapter 5 of the King III Report on ICT Governance. ICT frameworks ensure that the ICT services are aligned with the IDP objectives, the investment in ICT is maximised, the risks are properly managed and all the ICT resources are appropriately utilised.

In January 2011 the ICT Section was in-sourced giving effect to the Council resolution taken the previous year. During the same period, Council formally adopted and aligned the ICT Services with COBIT ICT Governance Framework. It was also during this time that the ICT Steering Committee was reconstituted to ensure legitimacy and effectiveness of its decisions.

ICT Performance Monitoring

ICT Section performance is continuously assessed on a monthly, quarterly and yearly basis by various structures as follows:

- **ICT Steering Committee:** The committee meets monthly to assess the performance of the ICT Section and discuss the reports submitted. The members of the committee are the Municipal Manager, Deputy Municipal Managers and the ICT Manager. Officials representing various departments with ICT interests sit on the committee but do not take part in decision making.
- **Corporate Services Portfolio:** The ICT Section also submits performance and progress reports to the Corporate Services Portfolio Committee.
- **Audit Committee:** On a quarterly basis, the ICT Section submits progress reports to the Audit Committee with special focus on the progress in addressing the critical issues listed in the ICT Risk register.
- **Auditor General:** The ICT Section is audited annually by the Auditor General to ensure compliance with relevant legislation, frameworks and performance targets thereof.

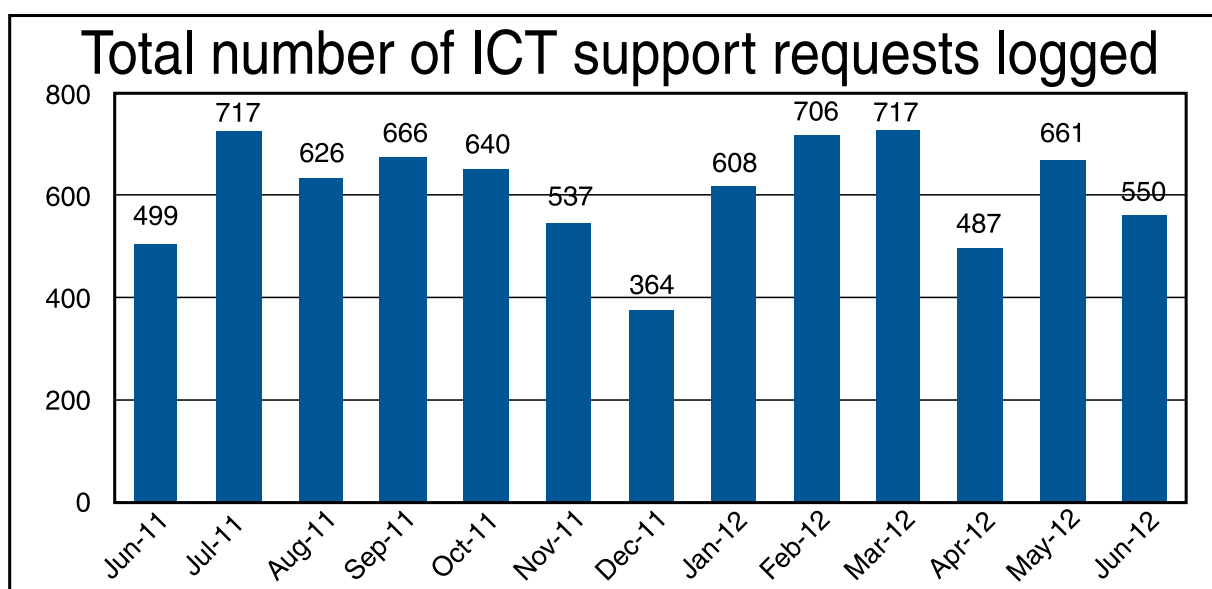
ICT Service Delivery

The Service Delivery sub-section of ICT is responsible for the following:

- Establishment, management and maintenance of a functional and effective ICT Service Desk.
- Provision of ICT support services to the end-users as per logged support requests.
- Reporting on logged, resolved and closed support requests.
- Planning, installation, upgrade and relocation of end-user equipment including office automation.
- Planning, installation and upgrade of end-user software.
- Maintenance of the ICT Asset Register



The graph below shows the number of requests logged with the ICT Service Desk for the reporting period by month.

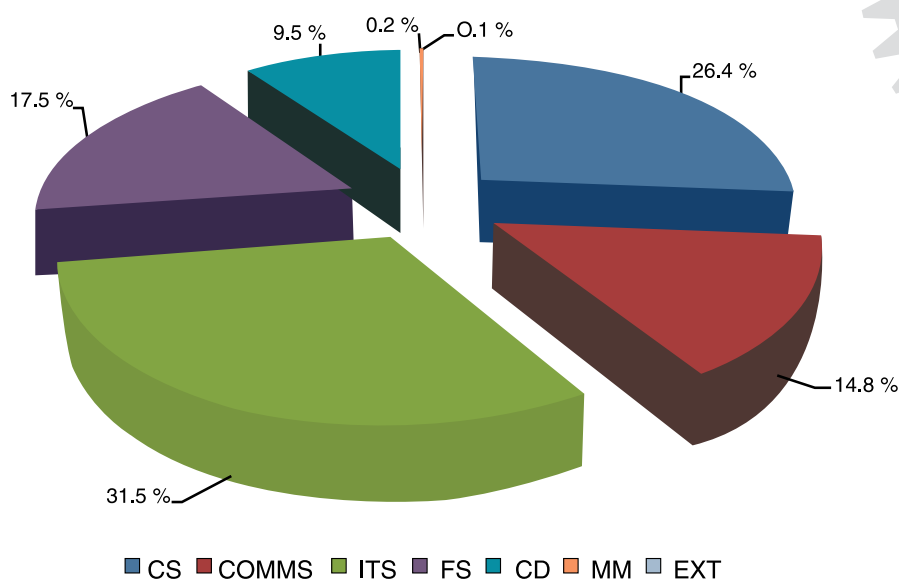


The following statistics show the number of calls opened and closed by the ICT Service Desk for the reporting period.

STATUS	Jun 12	May 12	Apr 12	Mar 12	Feb 12	Jan 12	Dec 11	Nov 11	Oct 11	Sep 11	Aug 11	Jul 11
OPEN	9	0	14	15	14	3	5	9	2	2	6	6
CLOSED	541	661	473	702	692	605	359	528	638	664	620	711
TOTAL	550	661	487	717	706	608	364	537	640	666	626	717

The following chart shows the number of calls opened with the ICT Service Desk for the reporting period per department.

City of uMhlathuze: Total ICT support requests per Department (July 2011 to June 2012)



ICT Infrastructure

There are two focus areas of the ICT Infrastructure sub-section:

- **Network Connectivity Infrastructure** that entails planning, installation, configuration, support, maintenance and management of all voice and data network devices including access control and CCTV cameras. This sub-section is also responsible for cabling including fibre and wireless radio network infrastructure.
- **Server Infrastructure** including planning, installation, configuration, support, maintenance and management of all servers within the City of uMhlathuze, including backup, DRP (Disaster Recovery Plan) and ICT Service Continuity planning, implementation, testing, and maintenance.

It is imperative that the Municipality is able to continue servicing the public during times of disaster hence the implementation of effective DRP and ICT Continuity Plans.

ICT Governance and Projects

This sub-section exists to assist the ICT Manager in providing strategic direction for the entire ICT Section, ensure ICT goals are aligned with business objectives and are achieved, risks are managed appropriately, and resources are allocated and used responsibly. It also ensures proper planning and management of all ICT related projects for the City of uMhlathuze. Key activities include:

- Assisting and supporting the ICT Manager in the provision of strategic direction for the ICT Section
- Establishing and documenting acceptable Information Technology policies, procedures and standards
- Capacity planning, risk assessment, management and mitigation including DRP (Disaster Recovery Planning) and the ICTSCM (ICT Service Continuity Management)
- Conducting compliance audits, coordinating all internal and external ICT audit requirements and formalising corrective action plans and management responses
- Preparation and coordination of all ICT reports.
- Continual improvement and change management
- Planning, coordination and management of all ICT projects

The following ICT policies were approved and implemented by Council during the reporting period in compliance with the adopted ICT Governance Framework.

- ICT Security Policy
- ICT Network Password Security Policy
- ICT Computer Utilisation Policy

The following are registered projects owned by the ICT Section. The Section also fulfils a support role on additional projects.

Completed Projects

- Scientific Laboratory Information Management System Phase I
- Telephone Management with speed dials and codes

- Microsoft Office 2010 Deployment
- Internet Fibre Link Implementation
- Backup System implementation including offsite backup storage
- Server Infrastructure Upgrade Phase I
- Eclipse 3E Itron Project (ICT provided support)

Projects In Progress

- PC Replacement Project (by 30 June 2013)
- Systems Migration to new hardware infrastructure (by 31 March 2013)
- Internal CCTV implementation (by 30 June 2013)
- Managed Print Solution (by 30 April 2013)
- Fund Sourcing for Infrastructure Upgrade (2013/2014)
- Internships Partnership with BITF (by 31 January 2013)
- PBX Telephone System with Call Centre (by 30 June 2013)

Projects by other departments where ICT provides support

- Asset Management System
- Valuation Roll Management System
- Water Loss Management System
- Online Instrumentation Management System
- GIS Upgrade Project
- Payday ESS Project

Planned and Future Projects

- DR (Disaster Recovery) Centre activation (starts on 01 March 2013 to 30 June 2013)
- Time and Attendance System
- Electronic Performance Management System
- Mobile GIS
- Internships continuation (2013/2014)



Department of Financial Services

Strategic priority: Sound Financial Management both departmentally and throughout the Municipality.

Overview of the Municipality's financial results

The Municipality performed reasonably well over the past year amid the prevailing economic and market conditions. The Municipality's Finance Department continued to monitor the impact of the economic conditions on its finances and ensured that even under such conditions we respond appropriately.

The Municipality comes from a very tight cash flow challenge which existed from the year 2008/09.

What is pleasing though is that the Municipality's cash flow problems are slowly changing to positives, and from the onset it should be acknowledged that there were very good lessons learned from this experience, by the whole Municipality. Therefore it can safely be said for the 2011/12 financial year that the cash flow of the Municipality is healthy.

The financial results have shown that the Municipality was and still is committed to supporting infrastructure investment even though the demands far outweigh the Municipality's resources.

We do recognise the need to do more with less and to maximise the value of every cent spent. In the same breath the financial indicators were within what was anticipated during the formulation of the budget, which also proves good financial management.



Mr Mxolisi Kunene

- 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



The overall summarised operating results for the Municipality in comparison to the approved budget are shown below. The statement of financial performance reflects a summary of income and expenditure.

Actual versus Budget R'000	2012 Actual R'000	2012 Budget R'000	2011 Actual R'000	Growth %
Net operating deficit	(147 281)	(162 764)	(193 205)	90.4
Operating Revenue	1 713 572	1 728 871	1 437 727	99.1
Property rates and service charges	1 411 374	1 415 490	1 165 968	99.7
Grants and Public contributions	232 187	270 039	204 146	85.9
Other	70 011	43 343	67 613	161.5
Operating Expenditure	1 860 854	1 891 636	1 630 931	98.3
Employee Benefits	393 065	410 247	361 199	95.6
Finance costs and depreciation	383 382	391 689	376 431	97.8
Bulk purchases	834 000	784 613	649 531	106.2
Other	250 407	305 086	243 770	82

Although the statement of financial performance shows a deficit of R147,281 million against a budgeted deficit of R162,764 million, the main reason is depreciation charges on re-valued assets, depreciation costs which are not funded from income but from equity.



Other revenue and expenditure performances are as follows:

Revenue

Improved revenue performance due to:

- Rental of facilities exceeding budget by R3m
- Interest on investments exceeding budget by R2,8m
- Increases in extension and connection fees
- Electricity revenue exceeding budget by R34,6m

Under performance of revenue attributable to:

- Conditional grants from the State unspent by R47,5m

Expenditure

- Employee cost savings of more than R17m
- Finance costs savings of R7,9m
- Bulk purchases exceeding budget by R49m
- Provision for bad debts exceeding budget by R2,2m

The budgeted repairs and maintenance for the Municipality were R 205,4m for the year (2011:R191,7m) and we remain committed in ensuring that our infrastructure is well maintained, and do not intend cutting back on repairs and maintenance.

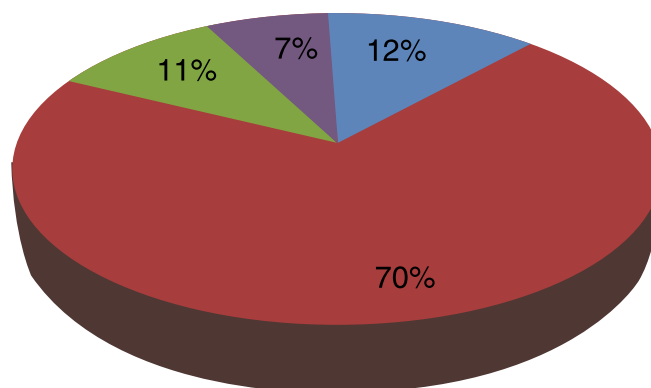
Operating revenue

The major operating revenue streams that supported the Municipality's programmes and activities were:

- Property Rates
- Services charges which are made up of
 - Electricity sales;
 - Water sales;
 - Wastewater management (sewage and sanitation); and

- Government operating grants
- Other

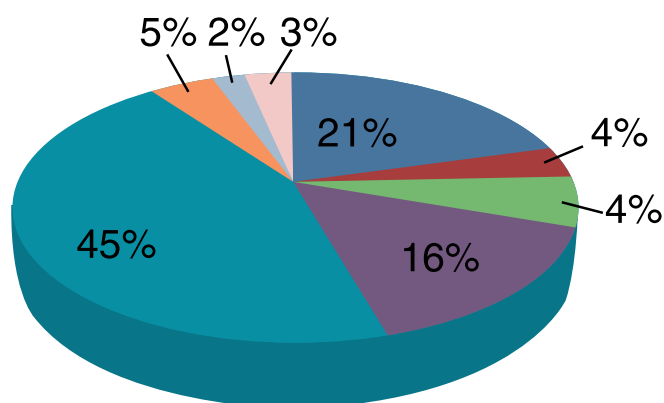
■ Property Rates ■ Service Charges
■ Government Operating Grant ■ Other



Operating expenditure

The graph below indicates the main categories of expenditure for the year under review. The cash flow recovery plan put forward to Council by the Finance Department supported by the entire municipal administration has managed to yield good results in the control and containment of costs. The reduction of finance costs was as a result of Council not taking up any further loan but reducing the existing debt that the Municipality has.

■ Employee costs ■ General Expenses
■ Finance Costs ■ Depreciation
■ Bulk Purchases ■ Contracted Services
■ Repairs & Maintenance ■ Other



Capital Expenditure and Financing

Capital expenditure incurred during the year amounted to R88 million which represents 49% (2011: 51%) of the approved capital budget. It is clear that there has been a decrease in capital spending. Below is the funding mix of capital expenditure.

Capital Investments R'000	2012	2011	2010
Own Funds	4 971	34 115	34 710
Loan Funding	78 000	16 147	188 000
Grant Funding	95 806	119 180	63 600
Total CAPEX	178 777	169 442	286 310
% Spent	49%	51%	118%

Capital expenditure per service

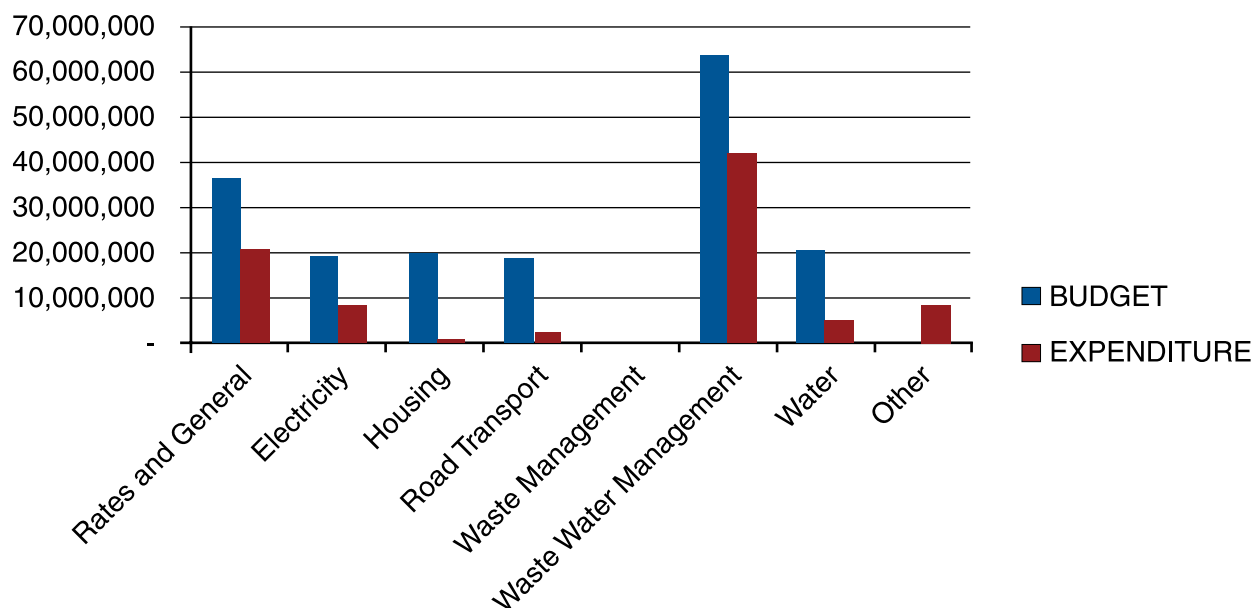
2012

SERVICE	BUDGET	EXPENDITURE	VARIANCE	VARIANCE %
Rates and General	36,453,700	20,773,423	(15,680,277)	-43%
Electricity	19,269,900	8,277,228	(10,992,672)	-57%
Housing	20,000,000	622,772	(19,377,228)	-97%
Road Transport	18,781,400	2,237,245	(16,544,155)	-88%
Waste Management	-	52,500	(52,500)	-
Waste Water Management	63,793,100	42,022,806	(21,770,294)	-34%
Water	20,479,200	4,747,307	(15,731,893)	-77%
Other	-	8,308,779	8,308,779	-
TOTAL	178,777,300	87,042,060	91,735,240	

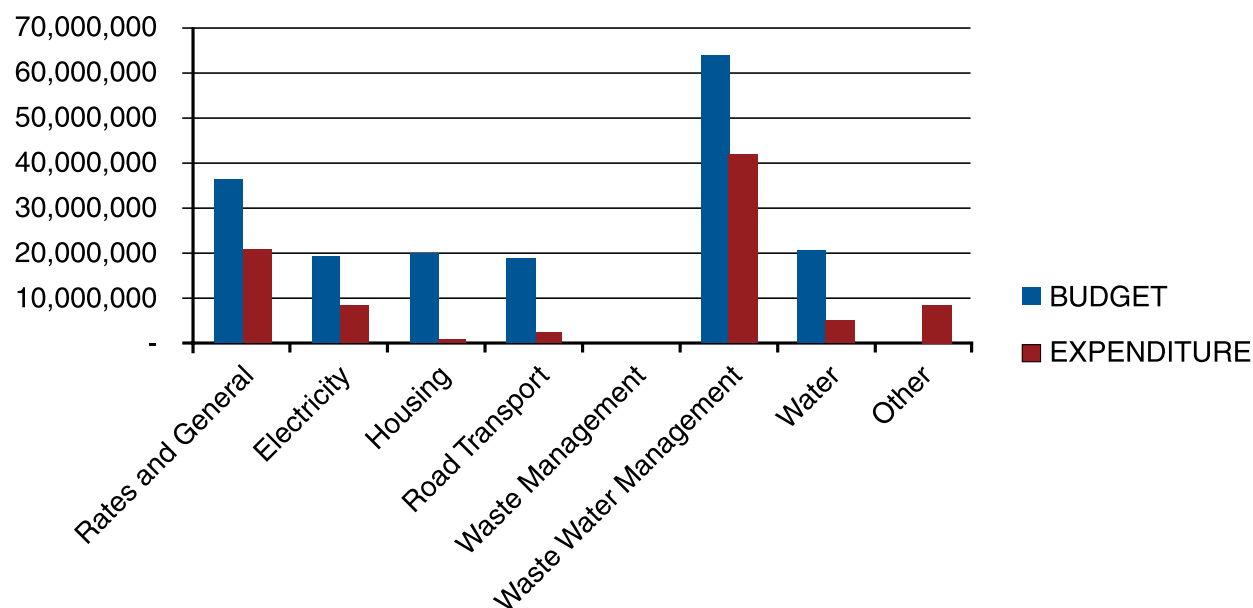
2011

SERVICE	BUDGET	EXPENDITURE	VARIANCE	VARIANCE %
Rates and General	9,776,100	7,279,638	(2,496,462)	-26%
Electricity	56,679,300	17,018,530	(39,660,770)	-70%
Housing	11,240,000	1,418,776	(9,821,224)	-87%
Road Transport	11,467,700	8,569,049	(2,898,651)	-25%
Waste Management	-	-	-	-
Waste Water Management	57,889,000	38,000,762	(19,888,238)	-34%
Water	22,389,300	28,027,511	5,638,211	-25%
Other	-	-	-	-
TOTAL	169,441,400	100,314,266	(69,127,134)	

Graph - Capital Expenditure versus Budget for 2012



Graph - Capital Expenditure versus Budget for 2012



Income billing management and reporting

Annual Tariffs

ANNUAL TARIFF INCREASES						
Year	Rates	Water	Electricity	Refuse	Sewer	CPI
2004	10.00%	13.50%	11.00%	8.00%	10.00%	5.10%
2005	7.50%	13.00%	3.80%	7.50%	7.70%	4.20%
2006	8.00%	0.00%	4.00%	0.00%	0.00%	3.50%
2007	6.00%	6.50%	5.90%	6.00%	4.10%	6.60%
2008	8.00%	10.00%	28.00%	6.00%	6.00%	14.00%
2009	13.60%	5.00%	20.00%	7.00%	5.00%	11.50%
2010	12.80%	11.64%	31.00%	9.80%	9.80%	4.20%
2011	12.50%	12.47%	<i>Separate Table Below</i>	13.00%	12.50%	4.80%
2012	13.50%	13.00%	<i>Separate Table Below</i>	13.00%	13.00%	5.00%

ELECTRICITY		Increase as per Nersa instruction
		Percentage
Environmental Levy (From 2 cent to 3.5cent)		75.00%
Electrification & Rural Subsidy		10.95%
Administration and Service Charges		5.00%
Electricity Energy Tariffs - (Including Environmental Levy)		
Domestic Prepaid (Average)		8.76%
Domestic Maximum increase		10.85%
Electricity ENERGY Tariff - (Excluding Levies, Admin - Service Charges)		
Comflex prepaid		11.03%
Comflex Conventional (Exclude monthly service charge)		11.03%
Demflex		11.03%
Enerflex		11.03%

Material losses

Material losses incurred during the year by the municipality were written off.

Non-compliance with MFMA

The Municipality complied with all the provision of the Municipal Finance Management Act.

Unauthorised, irregular, fruitless and wasteful expenditure

No unauthorised, irregular, fruitless and wasteful expenditure was incurred by the municipality during the year.

Tariffs

The higher than inflation increase was brought about primarily by the following factors:

- Accommodating one of the Turnaround Strategy objectives is 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.
- 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.

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.

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. The collection of monies has been very difficult. The department however still obtained an average debt collection ratio of 99.49%, despite these difficult times.

Outstanding consumer debtors as at 30 June 2012 were R 205 million. The total provision for impairment increased from R16.5 million to R19.5 million. The amounts included in the consumer debtor balances considered to be doubtful are covered by a provision for impairment of R19.5 million, which represents 9.5% of the total outstanding consumer debtors.

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

Year	Payment Rate
2005/2006	99.34%
2006/2007	101.81%
2007/2008	98.74%
2008/2009	98.56%
2009/2010	98.67%
2010/2011	100.11%
2011/2012	99.49%



More specifically, the following is the assessment for the financial year ending 30 June 2012.

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

Suburb	Debt Collection Ratio - Days	Debtors Turnover Rate -%	Average Payment Rate -%
Richards Bay	28 days	8.00%	100.36
Vulindlela	85 days	23.18%	117.75
eNseleni	92 days	25.27%	97.19
eSikhaleni	112 days	30.61%	96.24
Sundry Debtors	35 days	9.70%	94.54
Empangeni	39 days	10.65%	98.94
Ngwelezane	99 days	27.16%	77.80
Average	36.79 days	10.08%	99.49

- 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 2012.

Cash flow analysis

The following information shows the Municipality's cash flows for the year under review.

	2012 R' million	2011 R' million
Cash from operating activities	195,373	140,091
Cash from investing activities	(155,156)	(85,503)
Cash from financing activities	(2,563)	(75,271)

Cash flow from operating activities

The Municipality's sources of liquidity are cash flow from operating activities and borrowings. Cash flow from operating activities increased from R140 million to R195 million, primarily due to an increase in cash receipts from ratepayers.

Cash flow from investing activities

Cash flow from investing activities relates primarily to investments in capital expenditure and short term investments of longer than three months.

Cash flow from financing activities

Cash flow from financing activities is primarily the loan which the Municipality took from Nedbank of R78 million and the repayment of other loans.

Internship programme

As part of the Municipality's developmental commitment, six Financial Management interns were appointed during the reporting period. This programme is funded from the Financial Management Grant from National Treasury. In 2011/2012, five interns including Provincial/Deloitte interns completed their contracts and were permanently absorbed.

Rotations as well as Personal Development Plans were developed for every one of them. The progress with this programme is satisfactory, especially in the absence of other institutional platforms providing a suitable stepping-stone for aspirant local government financial managers.

Achievements of the year under review

The leadership of the CFO together with immediate management has now completed a five year financial plan which includes amongst others an organisation structure with specialised divisions in internal and external service delivery and financial management support for the Municipality as a whole.

Evidence of very good work in progress as at the end of 2011/12 is clearly visible by:

- Unqualified Audit opinion
- Cash flow improvement and funded budgets;
- Finance Department divisions working more in cooperation than in silo's;
- Quality of Financial Reporting among the best in the country;
- Quality of debt management among the best in the country;
- Quality of creditors management being among the best in the country;
- Quality of inventory management being among the best in the country; and
- 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

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 required to be met by the administration and Council in order to comply with the requirements of the Municipal Finance Management Act, 2003.

The 2012/2013 Budget and Medium Term Revenue and expenditure Framework (MTREF) was tabled before Council on 28 March 2012. Thereafter a six-week budget participation process was undertaken with cluster meetings at 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 2012/2013 Budget and Medium Term Revenue and expenditure Framework (MTREF). Council adopted the 2012/2013 MTREF on 30 May 2012.

Besides Budget management this section 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 the rest of organisation with expenditure management.

During the past few financial years greater emphasis has been placed on Activity Job Costing by tightening the expenditure controls over individual jobs.

One of the areas that will begin to make a difference is the splitting of the repairs and maintenance budgets into planned and unplanned maintenance. This has contributed to greater controls in ensuring that the maintenance budget is managed.

On a monthly basis, a selection of line items are analysed for abnormalities. Repairs and maintenance are analysed in detail and each job number is split into material, labour and transport.

These abnormalities and the job numbers are forwarded to the respective departments for comments and action thereon.

The financial support section also includes payroll administration. The payroll administration section 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.

SARS is placing a greater burden of responsibility on employers by making employers responsible to submit their PAYE reconciliations bi-annually. This ensures that the Annual PAYE reconciliation is submitted within 60 days after the end of the tax year.

Financial Accounting, Reporting and Asset Management

The functions of this section include ensuring that the Annual Financial Statements are completed and timeously submitted to the Auditor General for auditing purposes.

Council strives to ensure that the financial assets register is GRAP compliant and that all GRAP standards related to assets have been taken into account during the preparation of Financial Statements.

The Financial Assets Register has been produced using an electronic database. The system has come into use during this financial year.

The Asset Management section has embarked on a physical asset verification and has successfully completed the exercise utilising Council's own resources. The section has commenced with creating awareness surrounding "Management of Assets" throughout the organisation via the induction process for new employees. We strive to empower new colleagues entering into the organisation with the concept of Asset Management.

The next phase will be to roll out this initiative to the whole organisation in order to familiarise the existing employees. Creating awareness of Asset Management throughout the organisation benefits Council from making policies and procedures surrounding asset management effective thus reducing misuse and losses of Council owned assets.

Creditors

Greater emphasis is being placed on maintaining a healthy and positive relationship with Council's suppliers.

Stricter controls are being implemented in the payment/procurement process between Municipal user departments and suppliers in ensuring Supply Chain Management processes are followed.

The section is also concerned with ensuring that available Municipal funds are invested with financial institutions over a longer period to attain greater returns. The balance of funds invested as at 30 June 2012 is R80 million. This is a great improvement in comparison to prior years.

A loan of R78 million was sourced from Nedbank to fund approved critical capital projects.

Supply chain management

The new organogram was approved by Council in terms of Section 8 of Supply Chain Management policy in order to fulfill the additional responsibilities brought about by Supply Chain Management Act.

In line with the approved organogram, several positions were advertised and appointments were made:

- Deputy Manager: Supply Chain Logistics and Contract Management
- Deputy Manager: Supply Chain Demand and Acquisitions
- Administrative Officer BBBEE
- Stores Assistants (3 positions)
- Driver/Delivery clerk (2 positions)
- Accountant Logistics

Due to budget constraints other approved positions will be filled in progression.



Statutory Reporting and Compliance

Monthly reports have been submitted in respect of procurement of goods and services in terms of each required regulation of the Supply Chain Management Policy of the Council. Bid committee meetings have been recorded and submitted on a monthly basis.

All awards made above R100 000 have been submitted up to December 2011 due to the amendment of the Preferential Procurement Policy Framework Regulations. However National Treasury was still busy developing a new reporting tool to capture all awards in terms of the BBBEE codes.

Appointment letters were served to all members of the different bid committees stating their roles and responsibilities and their acceptance as member on the respective committees.

Training of all bid committee members on their roles and responsibilities was done by Provincial Treasury. Training on the oversight role of Council was conducted with councillors by Provincial Treasury.

Amendment of the Preferential Procurement Regulations

In terms of Government Gazette No 34350, the Preferential Procurement Regulations 2001 was repealed and replaced with the Preferential Procurement Regulations 2011 and the Preferential Procurement Policy was amended and approved by Council.

Advertising of Quotations Under R30 000,00

To ensure that all contractors are afforded the opportunity to participate in Council's SCM process, all works related orders in excess of R2 000 are advertised on all Council notice boards around the City (even though this process is not prescriptive in terms of the law).

This has proven to be highly successful as several new contractors are now afforded an opportunity to perform work for Council.

All quotations from R30 000 and above are advertised on Council's website.

Controlling Expenditure

The Supply Chain Management Unit (SCMU) continued to ensure that stricter control measures were put in place to manage materials. This did not stop with materials as some of the contracts were also scrutinised and Council realised huge savings as a result of this exercise. It will be noticed that compared to previous years, the value of orders placed by the Supply Chain Management Unit has increased substantially which indicates growth in the orders handled by SCMU.

- 2009/2010 total transactions: R104 221 294.00
- 2010/2011 total transactions: R166 969 064.00
- 2011/2012 total transactions: R256 852 052.24





City Development

Land Use Management

During the year the normal work responsibilities were maintained and accordingly the necessary attention was given to development applications, as primary right, or as secondary right, where due process had to be followed. In many instances, these procedures entailed detailed communication with applicants and quite often, objectors opposed applications, in which case detailed reports had to be prepared for Council's consideration, addressing the merits of the application as well as the objections. Often, either the applicants or objectors followed the prescribed procedures to appeal decisions taken by Council in favour, or against the applications, in which case representatives of the Department had to advise Council's Appeal Committee objectively, to reach a decision.

Apart from normal day-to-day responsibilities, the following number of applications were dealt with during the 2011/2012 financial year by staff located in the Richards Bay and Empangeni offices:

- Building plans received and assessed from a Land Use Management point of view: **694**
- Building line relaxation applications: **290**
- Rezoning applications: **16**
- Special Consent applications: **53**

Street naming

The responsibility to administer the street naming process vests in this section and reports were prepared for consideration by Council to allocate names to streets within proclaimed areas, where certain streets have not been named yet, due to historical events, or where further development has occurred. In addition to this, streets within other areas such as uMhlathuze Village, Mzingazi Agri-Village and Mandlazini Agri-Village also had to be named and a process was set in motion to propose themes and suggested names to Council and to also inform the public of the suggested themes, in order to ensure public participation.

Building Control

Although there has been no major expansion in the City, such as the development of huge industry or new residential suburbs, there has been a steady trend among local land owners to effect alterations and additions to their premises, being of a residential, commercial, or industrial nature. The constant submission of building plans for approval during the past year, kept the construction industry going and contributed to the growth of the economy.



Mr Lindani Khoza

- Land Use Management
- Property Administration
- Local Economic Development
- Development Administration
- Spatial and Environmental Planning
- Human Settlements

The value of building plans approved by the Municipality's Building Inspectorate since 2009, is as follows:

From January 2009 to June 2009:..... R171 219 500;

From July 2009 to December 2009:..... R179 348 800;

From January 2010 to June 2010:..... R294 536 583;

From July 2010 to December 2010:..... R141 878 200;

From January 2011 to June 2011:..... R165 818 512;

From July 2011 to December 2011:..... R176 447 264;

From January 2012 to June 2012:..... R143 836 400.

The above figures reflect a constant stream of submissions, more or less the same as previous six month intervals.

Legal action again had to be instituted against transgressors of the National Building Regulations and the Town Planning Schemes. Together with Council's Legal Section, a process was followed whereby transgressors were invited to attend pre-litigation meetings, where the co-operation of the land owners was encouraged, in an attempt to limit legal expenses for Council and eventually for the property owners as transgressors, in the long run.

Outdoor Advertising

Council's Outdoor Advertising Bylaws are aligned with the South African Manual for Outdoor Advertising Control (SAMOAC) because, if not managed correctly, outdoor advertising may have a major impact on the environment.



It may also contribute to environment problems such as sound and light pollution and may influence road safety negatively. Outdoor Advertising fulfils an important role in present-day life and provides Council with various benefits including financial. It also opens up 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 gives service providers an opportunity to benefit financially.

The Advertising Signs Bylaws makes provision for organisations to advertise their activities and to make the community aware of social, religious and sport fund raising events. The various platforms of advertising i.e. billboards, LED screens, indoor television screens at various Council outlets with high clientele such as the rates and traffic halls in Richards Bay, Empangeni and eSikhaleni, have enveloped our landscape and have unique visual appeal.

The City Development 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 to the outlying suburbs outside Empangeni and Richards Bay such as eNseleni, Ngwelezane, Vulindlela, Felixton and Mandlazini.

During the period 2011/2012 the amount of R2 933 492.00 was received in respect of application fees, rentals and approval fees. A further R5 9421.00 was received for temporary advertising.

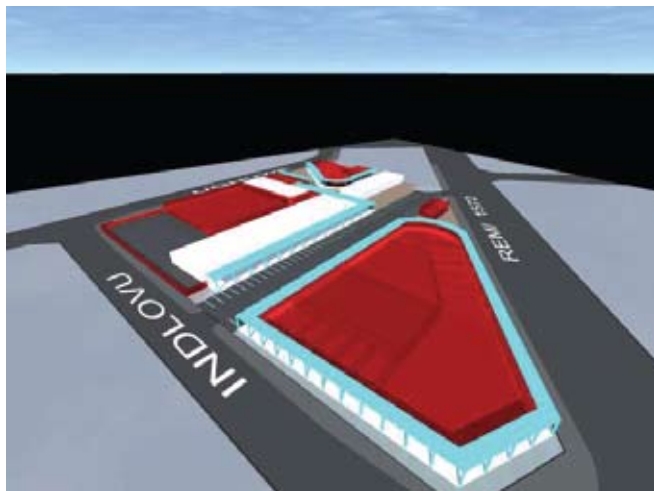
Property Administration

eNseleni Shopping Mall

The proposed development of eNseleni Mall is delayed by the acquisition of privately owned properties by the developer, LST Investments. Some of the properties are deceased estates which need to be wound up. To finalise this process Council granted a further extension of 24 months, which will lapse in April 2014.

Negotiations are underway with the developer to start developing phase one, which will involve the following properties: Erven 1415,1416,1417,1418,1563,1564 and Rem 1572.

Erven 1565,1566,1570,1493 and 1567 will be developed during phase two.



Alienation of a General Industrial Portion 12 of Farm lot 221 Empangeni, no 10379 Empangeni (44,8085 hectares in extent)



The Bid Adjudication Committee awarded this tender on 26 October 2011 to Osho SA Cement (Pty) Ltd. In terms of job opportunities being created, there would be in the region of 290 permanent employees and 145 contract workers. This farm is next to Exxarro.

Income received through land sales between July 2011 and August 2012

QUARTER	INCOME (VAT EXCL.)
Jul - Sep 2011	4, 393, 500.00
Oct - Dec 2011	4, 280, 000.00
Jan - Mar 2012	19, 305, 700.00
Apr - Jun 2012	4, 491, 415.00
Jul - Aug 2012	1, 595, 000.00
TOTAL	R34, 065, 615.80

The total income above excludes the R7 655 121,00 which will be received upon transfer of the Portion 12 of Farm Lot 221 Empangeni, No 10379 Empangeni to Osho SA Cement Company.

Leasing Section

A wide range of services are provided by the Leasing Section to assist the public to utilise Council owned land subject to various conditions. A total of 410 various types of leases are administered that generate a total income in the order of R10 096 841 per annum.

The leases are broadly categorised into social leases where the focus is on the use of land for sporting and community related purposes. A large number of sports clubs and community organisations therefore provide the benefit of subsidised lower rental levels to their members and this encourages recreational and community upliftment activities. However such lessees are charged for the use of municipal services and also for assessment rates in instances where some commercial components are applicable.

The backbone of the leasing income is derived from commercial leases that are based on the current market related value of the land. The payment of assessment rates and services are also applicable. Such longer term leases include large shopping centres, businesses as well hospitality and accommodation establishments.

The continuous growth of the leasing portfolio is envisaged as it creates a stable and important source of income and the ownership of the land remains with Council thereby ensuring its future long time beneficial use under Council's control.

Valuation Section

The Consolidated General Valuation Roll contains the detailed market related information in respect of 33 500 properties that are located within the City. The Roll has continuously been updated by means of the incorporation of information that was obtained from 11 Supplementary Valuation Rolls. The objections that have been raised in respect of SV 11 have been finalised. Such updating is an on-going process and the SV 12 Roll will be finalised and advertised during October 2012.

The legally prescribed 10% review procedure, which is essentially an independent audit of the values as contained in the Roll, has been completed by the Uthungulu Valuation Appeal Board. The Board reviewed the values of some 2 300 properties in detail and affirmed the correctness of 98% of the values. In some cases the values were adjusted upward or downward. The relevant owners were advised accordingly and the relevant accounts were adjusted.

The Uthungulu Valuation Appeal Board also completed hearings in respect of 43 valuation appeals and the rulings have been implemented.

The preparation in respect of the Second Cycle General Valuation Roll that is to be implemented on 1 July 2013 will commence in October 2012. The new Roll will be effective for the period up to 30 June 2017. All the properties within the City will therefor be re-valued and the prescribed processes will be followed whereby owners will be informed of determined values and opportunity will be provided for information to be checked and feedback to be provided.

More information will be provided as the processes unfold, beginning with the appointment of the Professional Valuation Contractor following an open tender process.

Local Economic Development

Agricultural Support

The small scale farmers participating in Council's Agricultural Support Programme received training on Organic Farming from 18 July 2011 to 14 October 2011. The training was conducted in partnership with the Department of Agriculture, Environmental Affairs and Rural Development. A total number of 203 small scale farmers benefitted from the programme.

Below: A handover of certificates to those small scale farmers who completed the Organic Farming training was held in the Empangeni Town Hall on 25 November 2011.





Certificates were handed to youths who had successfully completed training in one or more of the following skills: carpentry, electrical skills, computer skills and business management. The training was provided on behalf of the City by the Umfolozi FET College and was funded for the first time by the Department of Economic Development and Tourism (DEDT) in the amount of R440 000.

Business Support

The Small Medium Micro Enterprises (SMMEs) were offered the opportunity of advertising their businesses on the electronic screens in all satellite offices and the LED screen in Empangeni.

The twenty eight (28) small businesses were clustered into six groups, each with five small businesses. Each group received advertised for a month commencing from 1 October 2011 to June 2012.

Skills Development of Unemployed Youth

The City offered skills development to the unemployed, matriculated youth to assist them to enter labour market or start their own businesses. Twenty youths attended a welding course and 20 attended a carpentry course. All courses were provided by the uMfolozi FET College.

In addition the City collaborated with the Department of Economic Development and Tourism to provide technical and soft skills training to 113 youths through the Umfolozi FET College. Nine attended carpentry training while 46 received business management training, 39 received computer skills training and 19 received electrical skills training.

A Review of the Local Economic Development Strategy and the hosting of the LED Summit

The City reviewed its Local Economic Development Strategy and hosted the Local Economic Development Summit on 23 and 24 May 2012.

A review of the LED strategy is the process that occurs every five years to refocus the strategy and align it to the City's Integrated Development Plan.

Local Economic Development (LED) stakeholders were consulted in the form of interviews to provide their inputs on the Draft LED Strategy. Further consultation, which is part of public participation, was conducted during the hosting of the LED Summit at the Tusk uMfolozi Casino.



Three hundred (300) delegates representing different organisations that contribute and participate in the economic development of the City were invited to the LED Summit and included:

1. Government departments
2. Government agencies
3. Private companies
4. Business people (including Small Medium Micro Enterprises)
5. Informal traders
6. Tourism
7. Small scale farmers
8. Financial institutions
9. Education institutions
10. Non-Governmental Organisations

A review of the LED Strategy and the hosting of the LED Summit was conducted in partnership with the Department of Cooperative Governance and Traditional Affairs and Standard Bank.

Informal Trading Administration and Development

Capacity building

The Business Support, Market and Tourism Unit planned and conducted a capacity building pilot project in partnership with ABSA Bank. Thirty informal traders (15 in Empangeni and 15 in Richards Bay) were given Financial Literacy training focusing on the following topics:

- Budgeting – budgeting skills
- Everyday banking – (Transactional)
- Growth and wealth creation – the importance of saving and investing
- Access to credit – basic understanding of the various elements within lending. (Secured and unsecured)
- Planning and protection – information about short term and life insurance, estate planning etc. (AFS).
- Channels – promote a clear understanding of the various channels and services available.

Following the success of the initial project the Municipality further collaborated with ABSA Bank to provide financial literacy training to an additional 83 informal traders.

Tourism

A safety monitor project is being implemented by the City in partnership with the Department of Economic Development and Tourism through the Extended Public Works Programme.

The main objectives of the project, which began on 1 April 2012, are to create job opportunities and skills development. Thirty-two participants within the City were trained in tourism guiding and safety, customer care, first aid and basic self defence for a period of three months and will subsequently be placed in prominent tourism sites across the province. The participants will each receive a wage of R120 per day for a maximum of 24 days per month for a period of 12 months.

Beach Festival



The uMhlathuze Beach festival was held on 16 and 17 December 2011 at Alkantstrand Beach to:

- Promote Beach Tourism
- Entertain leisure tourists visiting the area during the December school holidays
- Allow family members to come together, have fun and relax during the festive season.

The festival was hosted in partnership with ABI and activities included live music performances, inflatable rides for the children, poetry and face painting.

The event was a success and uMhlathuze Municipality was showcased as a tourist destination for families during the December holidays.



A signage programme aims to enhance the experience of the motoring tourist throughout the City of uMhlathuze and provide encouragement to the City's tourism industry.

The programme's objectives are:

- To provide a major stimulus to the City of uMhlathuze's tourism industry;
- To establish a marketing framework and identify road-based tourism across the City's strategic tourism routes;
- To enhance the experience of the motoring tourist throughout the City.

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



Signage



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 2011/2012:

	Richards Bay			Empangeni			TOTAL
	Rezoning	Subdivision/ Consolidation	Combined Application (e.g. rezoning and subdivision)	Rezoning	Subdivision/ Consolidation	Combined Application (e.g. rezoning and subdivision)	
01/04/2012 to 30/06/2012	1	2	0	1	2	1	7
01/01/2012 to 31/03/2012	0	3	0	0	3	1	7
01/10/2011 to 31/12/2011	0	5	0	2	1	0	8
01/07/2011 to 30/09/2011	2	3	3	0	0	0	8
01/04/2011 to 30/06/2011	1	4	1	0	0	0	6
01/01/2011 to 31/03/2011	0	0	1	0	0	0	1
01/10/2011 to 31/12/2011	0	0	0	0	0	0	0
01/07/2011 to 30/09/2011	0	0	0	1	0	0	1

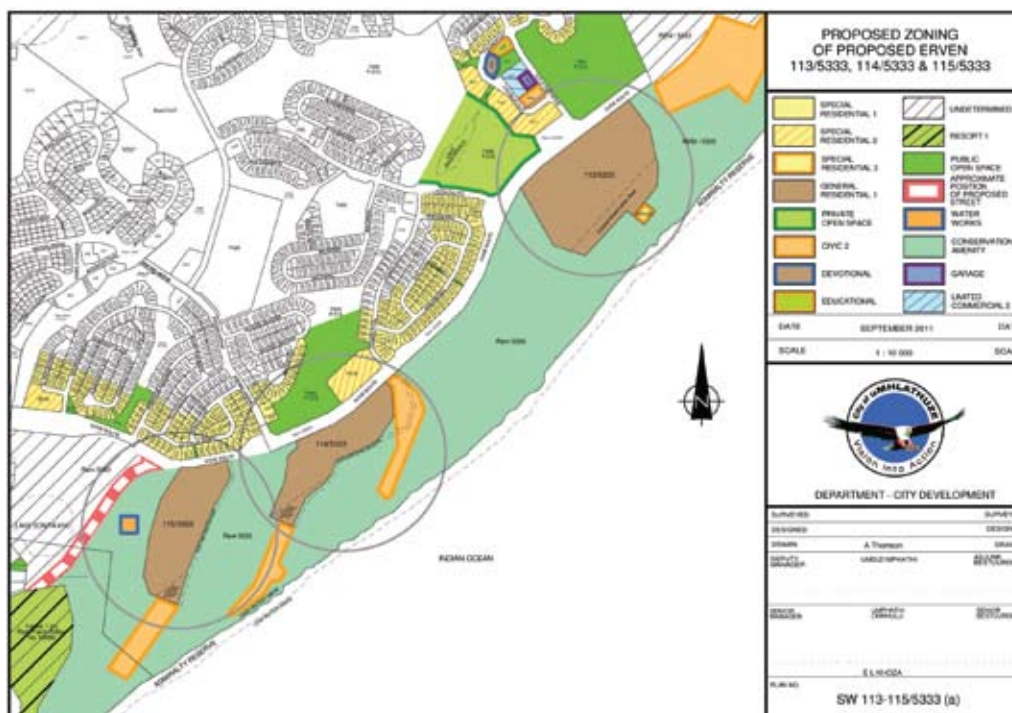
The following development projects relating to Council-owned land have been or are in the process of being finalised:

The Ridge

“The Ridge”, approximately 10ha in extent, 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 the Meerensee residential suburb in Richards Bay.



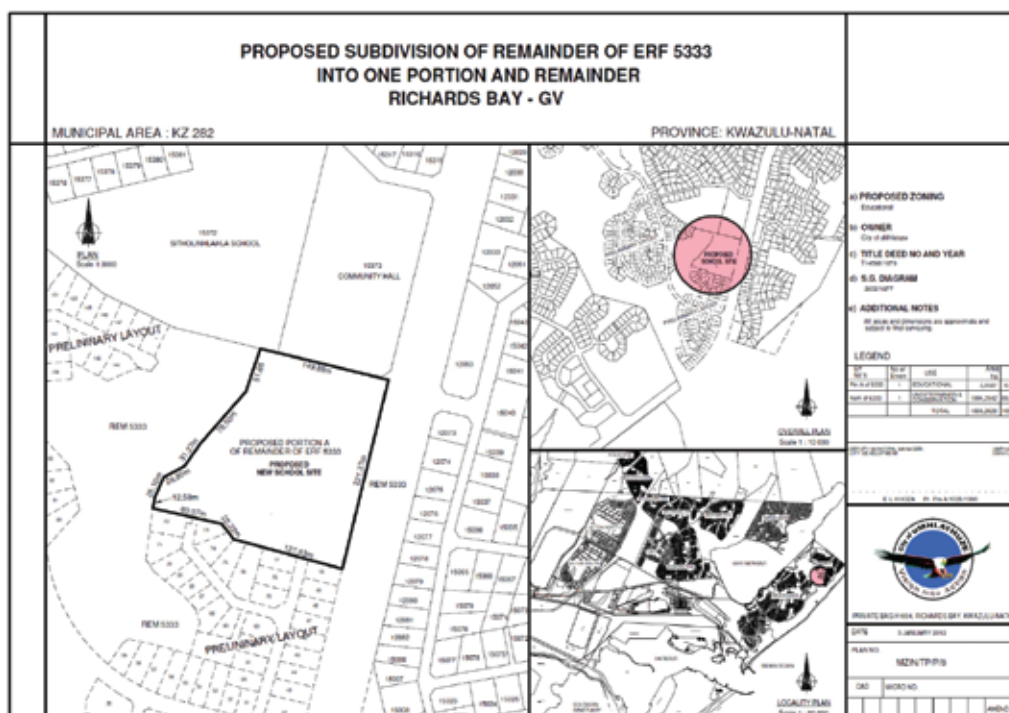


School site in Meerensee 5, adjacent to Mzingazi Village

A letter was received from the Department of Education on 25 February 2010 to enquire about the possibility of acquiring a 4ha site for the construction of a Secondary School in Mzingazi Village.

Council during 2010 resolved to donate such a site to the Department, and finalised the subdivision and rezoning of the school site during 2012.

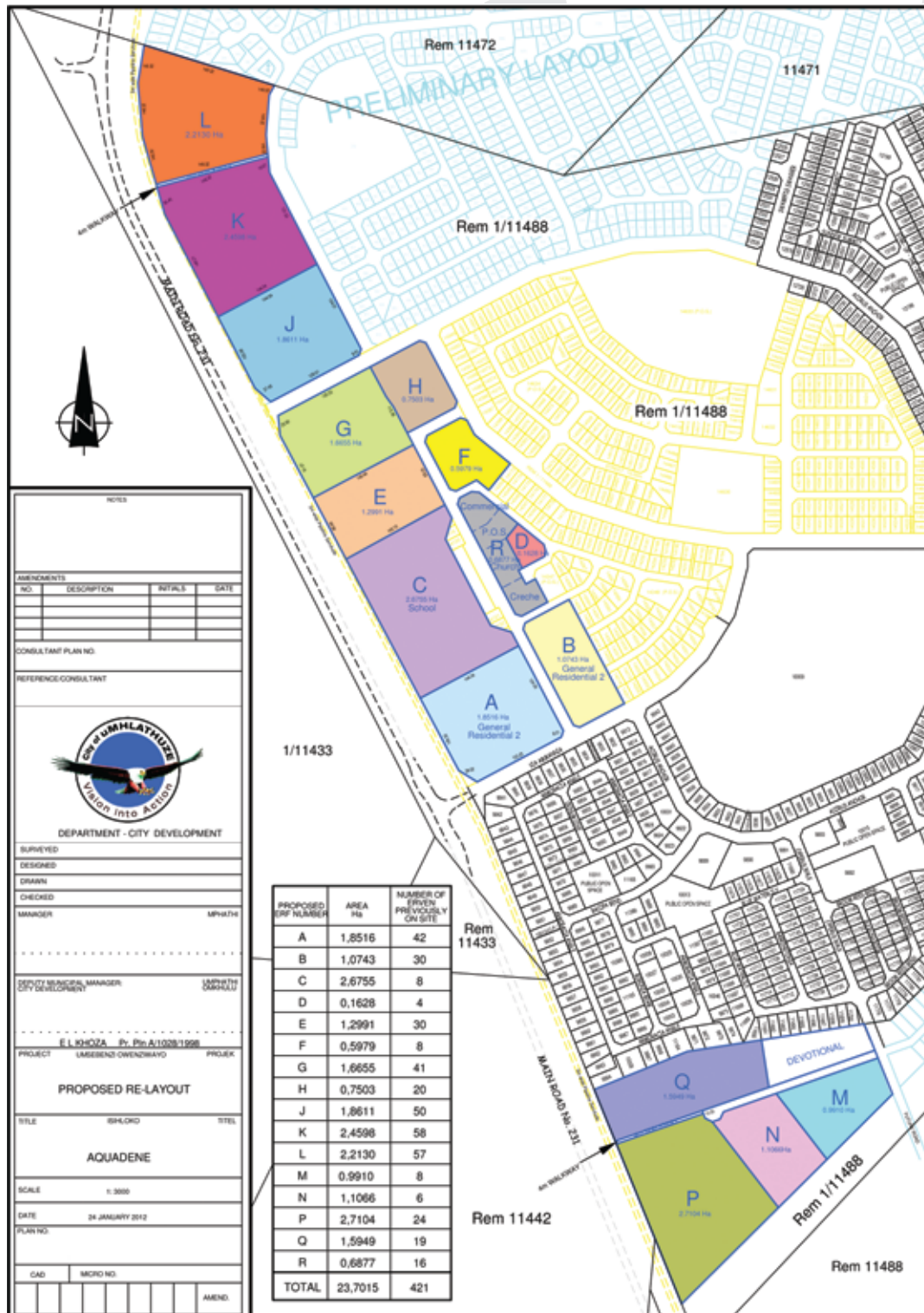
It is now the responsibility of the Department of Education to comply with the conditions of establishment.



Aquadene Social Housing (Phase 1)

As a result of the possibility to tap into a different funding stream through the Provincial Department of Human Settlements, should Council be able to create opportunities for Social Housing and Community Residential Units (CRU's), Council amended the existing layout for Aquadene Phases 1, 3 and 4 to create larger sites that can accommodate high density residential housing developments.

The proposed social housing "blocks" are indicated below (note that Block C is proposed as a school site, and Blocks D and R are proposed for crèche, devotional, public open space and commercial land uses).



**PROPOSED SUBDIVISION OF THE REMAINDER OF PORTION 1 OF ERF 11488
INTO PORTION A, PORTION B AND REMAINDER
SITUATED IN THE CITY OF UMHLATHUZE, REGISTRATION DIVISION GV.**

MUNICIPAL AREA : KZ 262

PROVINCE: KWAZULU-NATAL



Human Settlement

eSikhaleni Hostels/Flats Refurbishment

Ten hostel blocks (180 units) in eSikhaleni have been successfully refurbished/re-developed since the onset of the Hostel Re-development Programme. This has seen a total number of 180 families benefiting in line with the adopted re-development approach. The refurbishment of a further three blocks at H395 has commenced with a completion date of January 2013 while the tender for the refurbishment of two blocks at H862 has been awarded. As part of the hostel re-development programme, Council has assisted hostel displacees with an opportunity to benefit from the low-income housing scheme at Umhlathuze Village, Phase 7.

The Municipality is 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 7, comprising 548 sites, has commenced and the identification, signing and approval of beneficiaries by the Department of Human Settlements is progressing well. Excluding the current work on Phase 7, at least 1 500 housing opportunities have been created at Umhlathuze Village.



Rural Housing

Four Rural Housing Projects are being pursued in uMhlathuze. Below left is an example of a beneficiary's house prior to the construction of her new house (pictured right) for the Mkhwanazi Rural Housing Project that is currently under construction.



Construction has also commenced on the Madlebe Rural Housing Project. The Dube and Khoza/Bhejane Rural Housing Project Tranche 2 applications are with the Department of Human Settlements for approval. Only after such approval can construction commence.

These four rural housing projects are anticipated to yield about 5 000 houses in the rural areas of the Municipality.

Municipal Accreditation

uMhlathuze Municipality received Level II Accreditation by the National Department of Human Settlements (NDHS) in August 2012 after being identified by the NDHS as a priority municipality.

In order to be accredited municipalities have to apply for accreditation and demonstrate their capacity to plan, implement and maintain both housing projects and programmes that are well integrated within their Integrated Development Plans (IDP) and three-year rolling operational and capital investment programmes.

Furthermore, municipalities need to demonstrate sound financial management and accountability through compliance with the Municipal Finance Management Act (MFMA) and Annual Audit reports.

Spatial and Environmental Planning

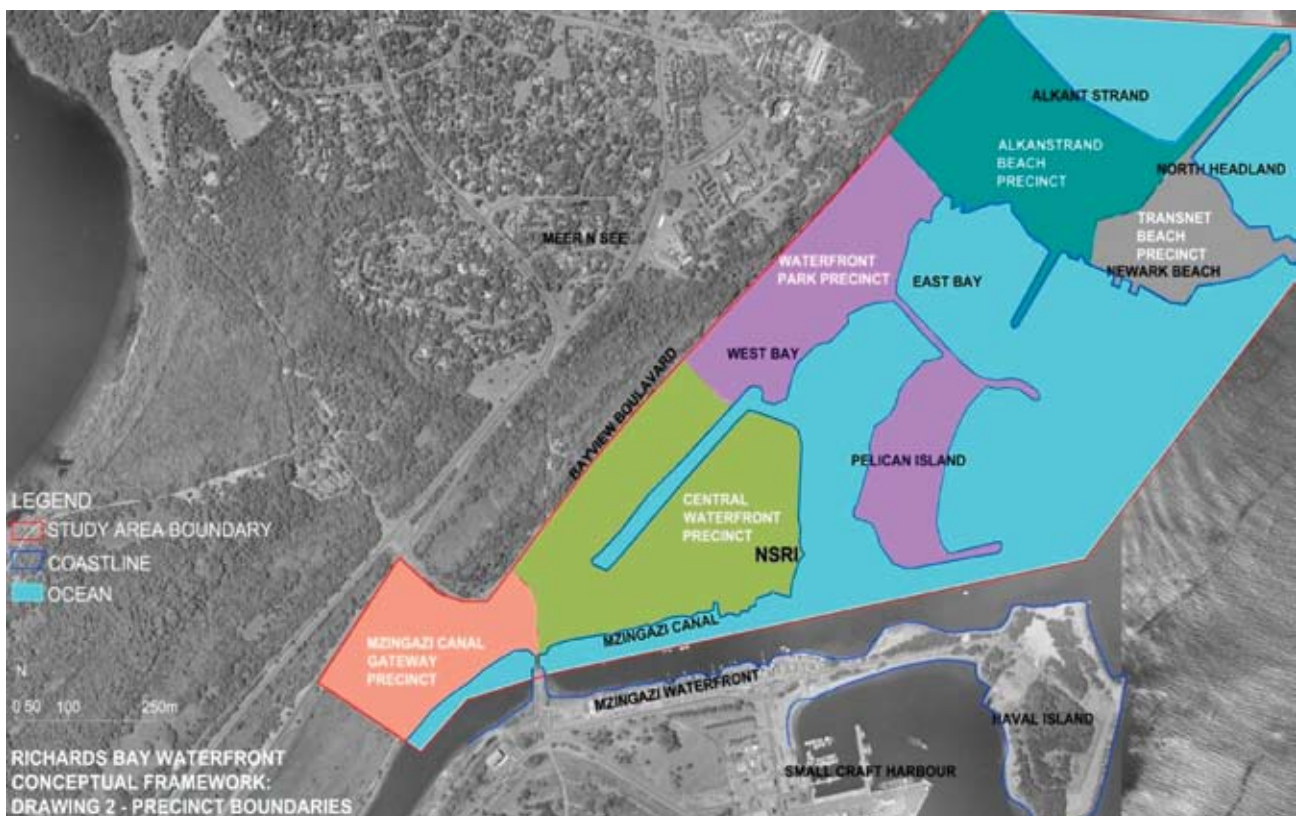
Richards Bay Waterfront Development Project

During 2011 Council appointed a service provider to refine the conceptual layout for the Richards Bay Waterfront giving due consideration to the intrinsic value of the coast from a public access and recreational point of view.

The project was structured according to 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

One of the project outcomes was the refinement of precinct boundaries as indicated herewith:



In addition, a set of development guidelines for each precinct, detailing proposed land uses was also prepared. Planning for the implementation of the Richards Bay Waterfront is underway and applications for funding upgrades at Newark Beach and Alkantstrand have been prepared and submitted.

From an infrastructure perspective, the re-design and upgrading of the steel bridge has been identified as a priority intervention.

Richards Bay Central Industrial Area

Environmental approval has been obtained for the development of the Richards Bay Central Industrial Area, located between Dollar Drive and Ceramic Curve. The site is severely constrained from a developmental perspective by wetlands and environmental sensitivities. The proposed layout has been amended to comply with the requirements of the environmental authorisation.



The proposed Richards Bay Central Industrial Area, which will provide a spatial link between the CBD and Alton.

Richards Bay CBD Extension South of Guldengracht

A team of specialists has been appointed to assist Council with all 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 Cooperative Governance and Traditional Affairs) for this purpose. The application for environmental authorisation has been submitted and a team of specialists has been appointed to prepare 3D Massing and an aesthetics perspective for the study area.

The study area is also significantly constrained by wetland and only about 20% of the site is deemed developable as can be seen from the concept inset.



The project boundary for the Richards Bay CBD South Expansion Project.

uMhlathuze Spatial Development Framework Review

The City Development Department is undertaking the review of its Spatial Development Framework (SDF) in-house. The review of the SDF is giving specific attention to, amongst others:

- Defining the urban extent
- Strategic infrastructure
- Intervention areas
- Implementation plan
- Alignment with the Municipal LED Strategy
- Alignment with the Provincial Growth and Development Strategy



As part of the process, new information is being incorporated to update the existing data sources.

Container Handling Terminal investigation

During November 2011 uMhlathuze Municipality appointed a service provider to source and collate information relating to the development of a container terminal at the Port of Richards Bay. The purpose of the investigation is to actively engage the Department of Public Enterprise to further encourage the prioritisation of container handling facilities at the Richards Bay Port.

During a workshop held with interested industry stakeholders to present preliminary findings of the above investigation, the following three main scenarios were presented:

- **Scenario 1: Public Private Partnership**
The large liner companies have established container terminals in many ports for their own use and that of other liner companies in their conferences or alliances.
- **Scenario 2: Increasing local demand**
This needs a very careful analysis of the plans for the Industrial Development Zone and revisiting the Local Economic Development Strategy.
- **Scenario 3: To lobby for a rephrasing of the Transnet Plan**
It is clear that the capacity at Durban will be under pressure by 2013 and that there might be a window period between 2013 and 2020. However, this needs to be considered with road and rail development issues.

Given the above, the appointment of the service provider was extended to also investigate the following:

- The specification of a practical technical and commercial basis for a Public Private Partnership; and
- A preliminary list of key global partners.

The final outcomes of the above investigation is expected and will be reported at the end of September 2012.



Department of Infrastructure and Technical Services

Electrical Services

- L V Operations and Maintenance : Street and Public Lighting
- Planning, Development and Technical Services
- Operations and Maintenance
- Marketing, Customer Services and Revenue Protection

The fact that our residents did not experience any load shedding during the last year might have given our communities a false impression that electricity is a commodity that is available in abundance again. The reality is that Eskom is still working hard to mitigate capacity constraints and will probably find itself in this situation for at least another year or two. Energy saving in businesses and government organisations has taken off well and it is of paramount importance that every citizen in South Africa plays their part to support an energy saving culture. There is no better place to start than at home.

The dire need for services in our communities, and specifically the neglected communities of the past, were clearly seen in the strike actions in other parts of the country during the past year and this raises alarms on issues like reaction time during breakdowns, enough trained staff, adequate equipment, effective maintenance programmes and capital investment to accommodate the increasing load on the City's electrical network.

The retention of staff in the Electrical Section remains a concern and impacts negatively on maintaining momentum when dealing with challenges such as breakdowns and projects.

Staff members of the Electrical Section have proven again during major breakdowns and long power outages that they are committed to deliver a service of a high standard to our community by working extended hours in harsh conditions. Numerous comments of appreciation received from residents after some of these incidents confirms that communities do notice the effort being made to deliver a good service.

L V Operations and Maintenance: Street and Public Lighting

The street lighting call centre has attended to 753 streetlight fitting failures, four cable failures and for cable thefts. This call centre and fault logging system has proven itself to be very successful to restore faulty streetlights on very short notice, averaging two days to restore faulty lights. Routine maintenance saw 954 streetlights repaired, 161 streetlight poles replaced and 166 streetlight cable faults repaired.



Mr Sifiso Mdakane

- **Electrical Services**
- **Civil Engineering**
- **Water and Sanitation**
- **Transport, Roads, Storm Water and Coastal Management**

The total number of lamps replaced amounted to 3 809 while 303 fittings were also replaced. The total amount of street lights that were serviced in the area is 16 700. The call centre is operational 24 hours a day allowing complainants to log calls either via the website at www.richemp.org.za, or via e-mail to streetlights@richemp.org.za or telephonically to 035 – 907 5566.

Due to limited funds the Public Lighting section could only replace unsafe street lighting in Empangeni. Forty four rusted poles were replaced to ensure that the public is not at risk.

Planning, Development & Technical Services

Another Phase in the uMhlathuze Village Electrification project was completed where approximately 300 low cost houses were connected. Phase 7 is currently in the planning stage, and the application for DOE funding has been initiated.

The positions of Manager and Deputy Manager: Electricity Planning and Strategy are currently vacant. These are key positions within the division giving direction to the planning of the infrastructure in order to achieve the goals as set in the IDP.

Substations HV and MV Networks (Operations and Maintenance)

The Maintenance Summit held way back in May 2008 at Gallagher Estate in Midrand was a clear indication by the Minister as well as Government of the importance to return to good maintenance practices to ensure there is an improvement on service delivery.

With this in mind the maintenance section started to intensify the maintenance on the more than 9 000 cubicles in the City of uMhlathuze which is the nearest point of supply to almost 300 000 residents. Vandalism and saline weather conditions are the two major contributing factors that pose challenges in this area of the network.

Areas like Brackenham, parts of Empangeni and some sections in eSikhaleni were completed during the first year where cubicles were repaired and even replaced to ensure that public safety is maintained.

The rebuild of Aquila substation is one of the important capital projects that was completed towards the last quarter of 2011 and the fact that this critical substation has been restored to new will certainly prevent long duration outages to the Arboretum main water treatment plant and macerator.



Previous outages proved to have a severe impact, but with Aquila being refurbished completely it should be something of the past.

As the electrification of networks in the City progresses the number of calls also increases. With calls exceeding the 6 000 mark, staff sometimes find themselves struggling to attend to calls within the expected time. The Electrical Section Staff is however still committed to react to outages and no power calls without delay to ensure that service delivery is not compromised.

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 1 395 GWhs of electricity while 1 548 GWhs were purchased from Eskom resulting in a total energy loss of 10%. This figure includes both technical and non-technical losses. It must be mentioned that this percentage is still below the national average of 20%.

Energy losses

The escalating energy losses are a huge concern. It is becoming clear that areas where the majority of customers are domestic, energy losses are ever increasing. It is only the suburb of Nseleni which has shown a decrease in energy losses.

In an attempt to identify specific areas within suburbs where the losses originate the Department has requested funding to install bulk metering in substations and mini-substations. The check metering method has also proven very effective in the past and contracts dealing with the reading of check meters on a quarterly basis are in the process of being allocated.

Apart from 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

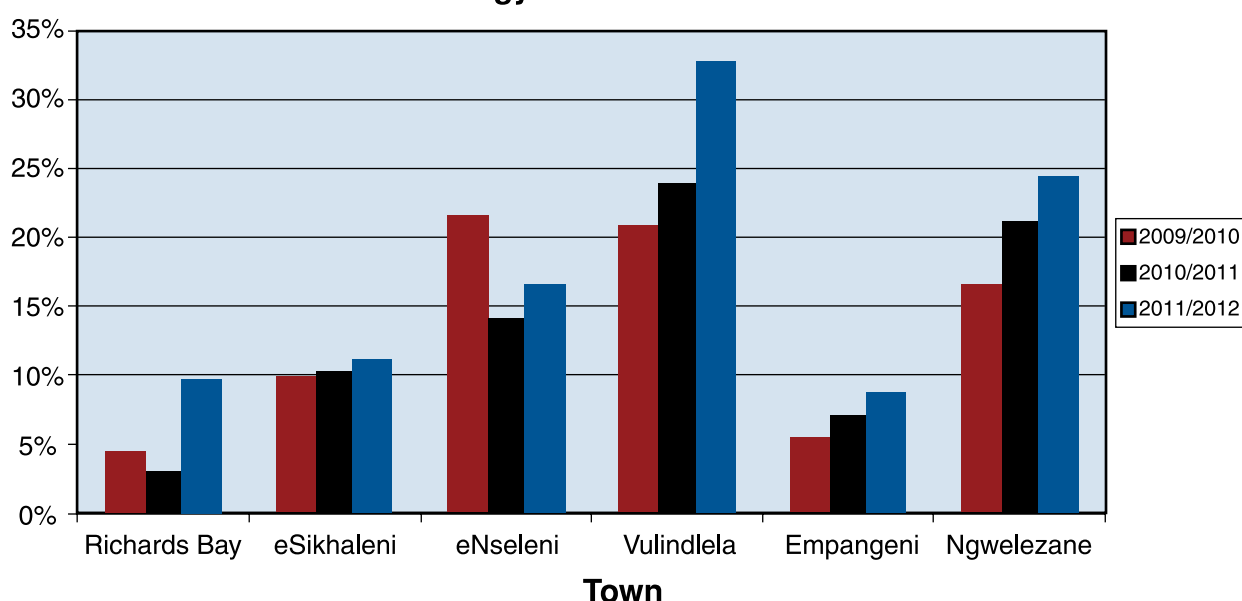
The increase in energy losses is a confirmation that the successful recovery of outstanding debt remains a challenge. The rate of successful recovery of outstanding debt from customers who had tampered with their electricity supply is at 63% and this will remain a focus area to ensure that Council income 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.

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.

Energy losses last 3 Years





Civil Engineering

- Water and Sanitation
- Transport, Roads, Storm Water and Coastal Management
- Infrastructure and Asset Management
- Project Management Services

Water and Sanitation

- Infrastructure Maintenance
- Water and Waste Water Operations
- Water Demand Management Planning and Strategy
- Scientific Services

Four systems supply potable water within the City. The Mzingazi, Ngwelezane and eSikhaleni systems are all operated by WSSA (Water Solutions Southern Africa) and provide 66,8 and 36MI/day respectively. Mhlathuze Water operates the Nsezi system, which provides 37MI/day.

The City has over 1 966km of pipelines of varying material types and diameters with the largest being 800mm. In addition 64 potable water reservoirs - either on ground level or raised steel-pressed tanks - store up to 260MI of water.

Infrastructure Maintenance

The Section is responsible for operation and maintenance of all water and waste water delivery infrastructure, including customer liaison and financial controls.

It operates and maintains infrastructure that it has built, upgraded and inherited since its establishment, including 64 sewer pump stations.

Zufi Energy was appointed on 1 March 2012, through Council's competitive bidding process, to manage the electrical portion of the sewerage pump stations and two fresh water pump stations, including all municipal swimming pools for a three year period. However, the mechanical portion still remains with Water and Sanitation.

Water and Waste Water Operations

The City has three water treatment works situated at eSikhaleni, Mzingazi and Ngwelezane as well as five waste water treatment works at eNseleni, eSikhaleni, Empangeni, Ngwelezane and Vulindlela.

The Section is responsible for monitoring the Water Service Providers, namely Mhlathuze Water and WSSA, and managing the bulk water operations of all the above mentioned water/waste water treatment works.

Water Demand Management Planning and Strategy

The City is increasingly aware that water is not an infinite natural resource. The Water Demand Management Planning and Strategy deals with:

- The minimisation of water loss or waste, care and protection of water resources and the efficient and effective use of water as one of the key factors in water conservation and water demand management.
- Pressure management control, leak detection, pipe replacement programmes, household connections, community awareness and education as interventions to reduce water loss.
- Future water projection demand for the City to develop strategies.



Scientific Services

Scientific Services is tasked with water quality management and monitoring, drinking water quality with 100% compliance on South African National Standards as well as Blue Drop (drinking water) and Green Drop (waste water) assessments.

Strict adherence to these functions and controls contributes to the reliability and credibility of effective water quality management systems and ensures that the quality of the City's water resources, potable water and waste water systems are continually monitored to maintain quality and to evaluate against set standards, specifications and guidelines.

Future planning

Future planning for the Section is geared towards:

- Eliminating the 3% backlog of water supply by 2014
- Eradicating the sanitation backlog of 36% by 2015
- Reviewing the Water Service Developmental Plan
- Developing the Bulk Water Master Plan
- Improving the level of services to customers, such as household meter installations
- Replacement of infrastructure (eg. AC piping upgrade due to community development) to reduce water losses and leaks
- Upgrading of water and sewer pump stations
- Installation of electricity backup for water supply at strategic areas
- Eradicating illegal connections
- Installation of pressure releasing valves and water saving devices to reduce water losses
- Industrial permit management
- Accreditation to ISO 17025
- Information systems to manage water quality related data
- Reviewing the Hazard Identification and Risk Assessment (HIRA) document
- Reviewing Water Safety Plan and Risk Abatement Plan.

Transport, Roads, Storm Water and Coastal Management

The section is responsible for:

- Transport Planning and Strategy
- Urban Roads and Rail
- Rural Roads
- Storm Water and Coastal Management System

Transport Planning and Strategy

This sub-section is responsible for:

- Planning the upgrade of existing road infrastructure as well as new road infrastructure to ensure that the City remains up-to-date with development and can provide sufficient modern roads infrastructure as it is needed.
- Maintenance, improvements and modernisations required on the 89 signalised intersections within the municipal area to ensure efficient traffic flow patterns through the highways, arterials and main collectors.
- Future road infrastructure planning, namely updating the Arterial Framework Plan, Integrated Transportation Plan, Rural Roads Network Planning, Road Classification, Airport Development Plan, New Developments Access, Request and Assessment of Traffic Impact Assessments and Signalised Intersection Control and Development.

UWP Consulting was appointed in July 2011 to develop a business plan for the Upgrade of Municipal Rural Roads to source funding to assist Council to develop these roads as well as involve other role players. The business plan was presented to Council and approved in August 2012. The business plan can now be used to source funding from MIG and to involve the Provincial and National Departments of Transport in the development project.

Delca Systems was appointed in February 2012 to compile an Integrated Transport Implementation Programme for the City of uMhlathuze.

The upgrade of the John Ross Highway from North Central Arterial to Grantham Highway is still underway. The last major section of road to be constructed is between the cemetery intersection and Grantham Highway. Africon Construction has the R132 million contract to undertake the construction of the 1,6km section of road. Work is scheduled for completion in February 2014.

Urban Roads and Rail

The City maintains 17,2km of rail sidings including 38 turnouts and over the past years there has not been any injury or fatality as a result of an accident or derailment on these rails.

This sub-section is also responsible for road markings and traffic sign boards. The following table shows some of the maintenance work performed during the past year:

Rural Roads

The Rural Roads Section constructs all rural roads, access roads and bridges for the citizens of uMhlathuze Municipality. This section has achieved all its goals in the previous financial years. In the 2011/2012 financial year Rural Roads graded 431,3km of road, gravelled 12,7km and installed 52 pipe culverts, thereby assisting hundreds of residents and ensuring service delivery.

Roads and Storm Water Operations and Maintenance	Unit	Total
Street cleaning - street length	km	477
Storm water catch pit/kerb inlet - cleaned	-	1 753
Storm water catch pit/kerb inlet - repaired	-	94
Concrete storm water drains - silt removed	m	1 844
Open storm water drains - grass cut, clean	m	3 355
Walkways - cleaned	m ²	808
Walkways replaced/repared	m ²	1 495
Potholes repair/preparation	m ²	6 280
Patching/resurfacing repair/preparation	m ²	10 221
Thesen - repaired/replaced	-	66
Boilards - repaired/replaced	-	878
Precast yard - concrete slabs	-	44
Speedhumps	-	32
Driveways repaired	m ²	164
Precast yard slabs and others manufactured		166



Storm Water and Coastal Management

The Storm Water Systems and Coastal Planning Section deals with the overall storm water management and operations functions throughout the City as well as the coastal management functions through liaison and coordination of meetings with various stakeholders involved in all activities and functions along the City's coastline.

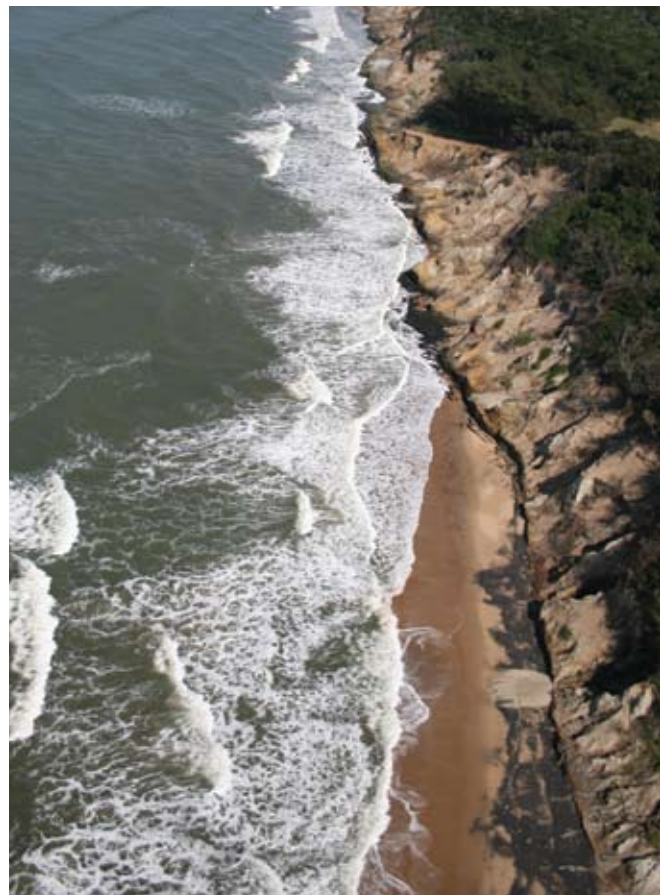
The maintenance and cleaning of all storm water facilities throughout the City is a top priority and for this reason a two year storm water cleaning tender has been implemented to address overgrown open drains and storm water servitudes.

The tender also addresses street cleaning because waste from streets collects within the storm water services and causes blockages.

The local community is employed to clean storm water facilities and carry out routine maintenance to create social upliftment. The above mentioned tender addresses unemployment in the City by creating employment opportunities through the Expanded Public Works Programme (EPWP).

Key functions of Coastal Management include dune stabilisation, protection of the coastline, sand bypass, beach protection, setback lines, approval of coastal developments and maintenance of Naval and Pelican islands, such as gabions, wave protection and jetties. In addition Coastal Management provides the link between Council and the Port as well as between Council's coastal responsibilities and those of uThungulu Coastal Management.

Future plans for the section include increasing the permanent staff compliment to undertake the day-to-day operations and maintenance functions, stricter enforcement of Storm Water Management Bylaws and expanding the Coastal Management Section to have a greater influence and responsibility.



Infrastructure and Asset Management

Geographic Information System (GIS) and Survey and Design

The Phase 4 component of the GIS Upgrade project was successfully completed during this report period and comprised of the following activities:

- Establishment of a GUI Tool to be utilised in the tracking of “history” for captured data on the system.
- Incorporation of a unique identifier (UID) for every data record, which is an essential “connector” between various systems i.e. Promis, GMS etc and will play a vital role in the envisaged Asset Management System.
- Further updating of farm cadastral data.

The following datasets and their respective departments received continued attention, namely:

Corporate

- Alien Plant Eradication (Community Services)
- Meter installations and respective route books (Corporate Services)
- Disaster Risk Assessment (Community Services)
- Integration GIS and GEOTAB (Fleet Management Tracking System) (Infrastructure & Technical Services (Electrical Services))
- Business Licences (Corporate Services)
- Cemetery facilities (Community Services)
- Community facilities, i.e. schools, clinics, waste drop-off points, skips, etc. (Community Services)
- Maintenance of the GIS organisational website (uMhlathuze)
- Maintenance of the organisation’s ArcReader project (uMhlathuze)
- Tourism datasets, i.e. B&B’s, tourism routes, birding hides, etc. (City Development)

Departmental

- Infrastructure updating for both urban and rural areas.
- MSE Survey (Rural Counts).
- Hyperlinking GIS with departmental electronic plan filing system.

Electronic Plan Filing System

- Finalisation of installation of entire system.
- Introducing ArcReader as part of information dissemination.
- Updating and applying of tariffs.

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.

Worth special mention is 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, see figs 8 and 9 below.

Administration

The Administration Section of Support Services continues to serve the department in a wide range of administration areas ranging from budget compilation and expenditure monitoring, minutes of meetings, typing functions, technical library management, organising of functions and general administration and managing of the departmental Complaints Centre.

The Complaint Centre receives in the order of ± 1 915 complaints per month namely:

- Water and Sewerage - ± 1 590
- Roads and Storm water - ± 245
- Building and Structures - ± 80



Technical Operations Centre

The Department has undertaken extensive planning for a Technical Operations Centre, which will come into operation during the next financial year. The Centre will provide a more efficient and professional response to service complaints received by the Municipality's Call Centre about the Department and the services for which it is responsible.



Infrastructure Asset Management

The tender for the Provision of Professional Consulting Services for the City's Infrastructure Asset Management is being evaluated.

The successful service provider will be required to develop and implement a comprehensive integrated infrastructure asset management strategy, including all elements of the asset portfolio for which the Municipality is responsible for i.e. electricity, solid waste, water, sewage, roads, storm water and buildings/facilities etc.

In addition the service provider will be required to carry out an assessment of the Municipality's current asset management practices and propose an improvement plan to the Municipality that will focus on the asset management enabling processes and systems.

The assessment will form a basis for the asset management strategy at the Municipality for the next five to ten years.



Project Management Services

This section is tasked with project management and takes responsibility for the implementation, execution, supervision and management of all engineering related works on municipal infrastructure projects.

The section ensures that Municipal Infrastructure Grant Funding, including counter funding, is spent to eradicate the service backlog in the Traditional Authority areas. Simultaneously it utilises internal municipal funding to build new water and waste water projects and ensure that existing infrastructure is upgraded to deliver a sustainable level of service to the community and ensure that new developments can be serviced with water and waste water services.

Municipal Infrastructure Grant Funding

Statistics

Grant Funding spent in the 2011/ 2012 Government Financial Year (July 2011 to June 2012) = R71 404 000

uMhlathuze Municipality Counter funding spent to augment above grant funding on both water and sanitation = R 10 343 500

Total Number of projects in various stages of completion = 41

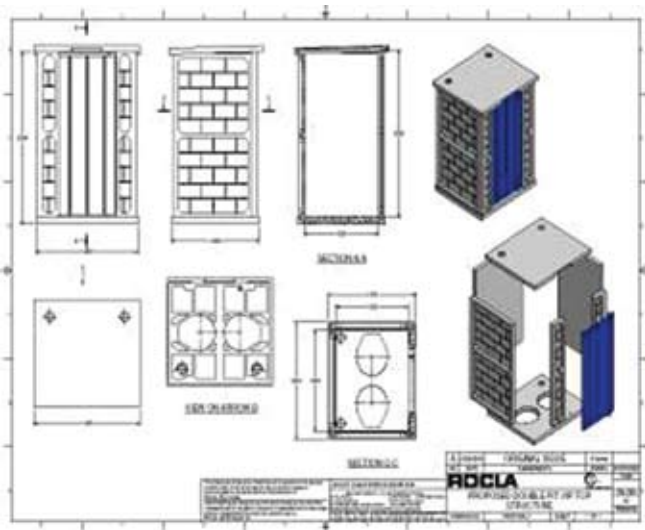
Project Overviews

Rural Sanitation Project in all Traditional Authority Areas (Phase 3)

To date 6 200 toilets have been completed in Phase 3 of the Rural Sanitation Project, which commenced in March 2011. A total of 8 000 VIP toilets will be erected by mid-November 2012. Phase 3 addresses the basic sanitation facilities in all traditional areas, namely Dube/ Mkhwanazi South (1 300 toilets), Mkhwanazi North (2 300 toilets), Madlebe (2 300) and Khoza (2 100).

The top structures are manufactured at the Port Dunford factory site.





uMhlathuze Low Cost Housing Civil Services Provision (Phase 7)

The project is carried out jointly by Council and the Department of Human Settlements and consists of water and sewerage reticulation as well as roads. Infrastructure is provided before the houses are built in order to ensure that municipal services are in place when the beneficiaries occupy their houses, to avoid vandalism when houses are not occupied and no one takes ownership of the infrastructure.

Richards Bay Airport Upgrade

Council undertook the project with funding from Provincial Treasury of R11,5 million. The project consisted of the bypass, fencing, providing storm water drains, aprons and refurbishing of the airport terminal building. The contract is now complete in terms of the civil works. The building works are being carried out by various contractors in different contracts namely air conditioning, tiling, painting of walls and roofing.



Fleet Transport Services

The management of the municipal fleet is an enabling force in the provision of services and sits at the core of infrastructure service delivery in particular. Going beyond the traditional maintenance and repairs of vehicles, the section provides fleet management services as a total package including needs analysis, acquisition, maintenance and economical retiring of assets.

Importantly new additions to the fleet are bought with full maintenance plans, which is cost effective and frees internal capacity for other critical areas.

The Vehicle Optimisation Committee has been revived to remind all vehicle custodians and users to take extra care when handling municipal vehicles.

Short term goals of the section are to fill critical vacancies, skill staff in the field of electronic diagnosis and create a dynamic structure to capitalise on the abilities of our strategic partners. In the longer term the section is looking to replace the aging fleet tracking system and brand Fleet Transport Services as a solution provider other than being a maintenance workshop.

New refuse compactors

Ten refuse compactor trucks were procured for the Solid Waste Management section in March 2012 to provide the solution to waste management service delivery issues and confirm the Municipality's commitment to serve the community better and to improve their standard of living.

The trucks, with a combined value of R20.2 million, were purchased by means of two public tenders, both of which were awarded to Provincial Delta.

Five of the vehicles are Isuzu FVZ1600 chassis cabs fitted with a 600 SA Delta 19.2 cubic metre compactor bodies fitted with top reefing system and container handling equipment.

The remaining five vehicles are Isuzu FVZ1600 chassis cabs fitted with 600 SA Delta 19.2 cubic metre compactor bodies fitted with high lift container handling equipment.

Process Control Systems

This section concentrates on the efficient and effective management of engineering services to:



Councillors and officials celebrate the arrival of the new fleet of refuse removal trucks.

- Support opportunities to reduce the cost of occupancy across the estate, driving out inefficiencies by implementation of energy efficiency measures, reducing costs on new projects/upgrades, implementing cost effective maintenance solutions.
- Mitigate water/waste and their network risk and manage the associated reputational risk exposure.
- Ensure an effective balance between control system technology and provision of a flexible solution to avoid long term commitments to single supplier leading business change restriction.
- Ensure an effective balance between design, procurement and maintenance of the portfolio to manage risk and minimise costs on a through product life cycle.
- Deliver well designed engineering solutions at the right standard to maximise business productivity, working with other Municipality departments to develop innovative workspace design that increases building efficiency.
- Create a culture of radio usage to speed up communication.
- Implement or design new repeater stations in order to improve radio coverage and communication efficiency.
- Create redundancy systems for water, waste and electrical services and also implement the historian device for all engineering systems.

Process Control Systems have discovered that public protests regarding service delivery issues are caused by a lack of engineering systems that could assist municipal officials to more easily achieve their respective mandate.

Building and Structures

During the 2011/2012 financial year the section had a R2 million budget to maintain and improve Council's buildings and structures. Among the most significant projects completed were:

- Repairs and maintenance to the Township Manager's Office in Ngwelezane to the value of R50 000.
- Renovations to the Township Manager's Office in eNseleni to the value of R30 000.
- Repairs and maintenance to the Services Centre in Alton to the value of R30 000.
- Various office amendments to the Procurement Section in Alton to the value of R91 000.
- Repairs to the roof of the Richards Bay Civic Centre to the value of R30 000.
- Pest Control treatment to the Empangeni Civic 1 and Civic 2 buildings to the value of R7 000.
- Repairs to the Empangeni depot ablution facilities to the value of R200 000.

Department of Community Services

Clinic Services

uMhlathuze Municipality Primary Health Care Services are provided from two main Clinics, being Richards Bay and Empangeni with six satellite clinics.

The table below shows total attendances at the clinics from 1 July 2011 to 30 June 2012.

Facility Name	Physical Address	Total
Aquadene	Achorus Anchor	3414
Baptist Church	Corner President Swart and Cassia	3765
Brackenham	Dicksonia Drive	12066
Civic: Empangeni	Turnbull and Pearce Crescent	117695
Civic: Richards Bay	Corner Mark Strasse and Lira Link	95480
Felixton	Thuthuka Mall, Shop No 4	2255
Zidedele		1711
Meerensee	56 Anglers Rod	18761
Total Attendees		255147



Mr Methews Oliphant

The Richards Bay Civic Clinic celebrates World Aids Day with a theatre production for patients.



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

Common Disease Conditions: 1 July 2011 to 30 June 2012

No	Disease/Conditions	Total
1	Diabetes Mellitus (New)	532
2	Diabetes follow-up visits (Chronic)	22 059
3	Diarrhoea <5 years - (New)	1 993
4	Hypertension visits (New)	800
5	Hypertension follow-up visits (Chronic)	53 523
6	Scabies (New)	411
7	Sexually Transmitted infections (New)	12 222
8	Tuberculosis	19 604

The chronic conditions as shown above highlight the amount of visits per disease. Sexually Transmitted Infections (STIs) are still a growing concern, because they lead to HIV/Aids.

Mother, Woman and Child Health Service

No	Disease/Conditions	Total
1	Immunisation under 5 years	37 990
2	Family planning	41 280
3	Ante natal first visit	7 074
4	Ante natal repeat visits	10 176
5	HIV/AIDS	
5.1	VCT HIV Positive Females	5 474
5.2	PMTCT HIV Positive Pregnant Women	965
5.3	PMTCT HIV Negative Pregnant Women	2 292
6	VCT Male: Positive -	2 965

In total 37 990 immunisations were given to protect children against disease. The aim is to eradicate polio. The clinics participate in the following Immunisation campaigns: PCV (Pneumococcal Conjugate Vaccine) catch-up and H1N1 (flu vaccine). Staff visited pre-schools and crèches to immunise children.

To promote the early detection of cancer, the clinics and CANSA worked together to reach more women and perform Pap smears.

CANSA utilises a mobile unit to go to areas for Pap smears. They also attended to high numbers of patients in the clinics.

The ARV clinics are growing rapidly with the two main clinics currently serving 4 000 patients collecting treatment. HIV/Aids is still a major concern in uMhlathuze.

All HIV positive patients are started on INH to prevent them from developing TB. During the financial year 959 patients were started on INH. TB screening was done beforehand to exclude TB.

Waste Management

Waste removal is a function and responsibility of all local municipalities. Collection, transportation and proper disposal of waste on an approved landfill site is a legal mandate of the City of uMhlathuze in terms of the National Environment: Waste Management Act, Act 59 of 2009. Further to this, the Constitution of South Africa of 1996 Section 24 calls for an environment which is conducive to living for all citizens of the country. Therefore uMhlathuze has a moral obligation to prevent environmental pollution thus ensuring the protection of public health.

The following are the core functions of the section:

- Weekly waste collection and disposal thereof at Uthungulu Regional Landfill site
- Recovery of reusable material by separation at source and directing usable waste to the recycling project at Alton Resource Centre
- Collection, removal and disposal of illegally dumped waste
- Taking part in Greenest Municipality Competition run by the Department of Agriculture and Environmental Affairs



Waste Collection

The following quantities of waste were collected and disposed of at Uthungulu Regional Landfill site:

- 76 023 tons of domestic refuse
- 4 831cm³ of garden refuse
- 1 434 tons of mixed waste from illegal dumps, consisting of domestic waste, garden refuse builders rubble.

Illegal dumping is problematic due to the indiscriminate dumping by residents. Waste and Environmental Health are continuously engaging communities on environmental awareness by attending ward meetings and through clean up campaigns with an aim of getting communities to take responsibility of their actions. The tonnage disposed increased as a result of various clean-up campaigns such as during COP17, the State of the City Annual Address, communities volunteering to do clean ups in their wards and municipal Operation Khanyisa by staff of various departments that targeted different areas.

The acquiring of 10 new refuse trucks by the Municipality improved service delivery to its citizens. Interruptions to the waste removal service due to truck breakdowns have been reduced. Public complaints have decreased as daily schedules are now adhered to. Therefore clients who pulled out of this affordable service can be assured of good service and they are welcome to return to the service rendered by their Municipality.

Besides industries and commercial businesses, the Municipality services 58 894 households, emptying 61 924 trolley bins. Free basic service is also rendered to 12 633 households with low income who otherwise would not have access to the service. The service alone cost Council a total of R11 944 248.00 to achieve.



Therefore service delivery is accessible to at least more than 71% when communal skips servicing rural communities and rural schools are considered. There are 130 skips currently dedicated to rural communities under the City of uMhlathuze. More skips are being repaired in order to increase the number of households with access to the service in tribal areas.

Recycling

The City is running a recycling project with the goal of increasing recyclable materials recovered from the suburbs.

Presently only Meerensee suburb is involved in curb recycling. Reusable waste is put into yellow refuse bags supplied by the Municipality. The refuse bags containing reusable materials are collected weekly on Wednesday and Thursday and delivered to the Alton Transfer Station for sorting into various usable items by unemployed members of the Mandlazini and Mzingazi communities. There are 13 members of the community involved at present.

The recycling team at Alton together with Mlambo Recycling collected 337,5 tons of recyclable material. A total of 4 543cm³ of wood pallets were received from EnviroServ, which generated R24 380,77 in income to Council.

Wood pallets are used by the recycling team in making different items which they sell for their own good. All recovered materials are sold by the recycling team and they share the money amongst themselves. Therefore, they make a living out of this project while the Municipality is achieving its target of increasing recycling and reducing waste being landfilled.

uMhlathuze has put aside R1,2 million to establish a second transfer station at eSikhaleni. This project is presently at the design stage and an EIA application is being handled by City Development. Construction has been delayed due to unfinished EIA processes; and the planned deadline of December 2012 cannot be met. The eSikhaleni Transfer Station will increase recyclable waste tonnage as well as reducing waste tonnage to be landfilled.

The Municipality had set itself a yearly target of 6% for recyclable waste and 3% on waste reduction. Only 4% was achieved on recyclable waste and 4% on reduced waste. As mentioned above, there was an increase in waste landfilled as a result of additional clean up campaigns.

This should be welcome as cleanliness of the City was also achieved. The Waste Management Officer of uMhlathuze is busy identifying private recycling companies in order to have them registered. These companies will then be required to submit data regarding quantities they collect. This will no doubt increase the recyclable component, thus increasing the percentage of reduced waste being disposed at the landfill site.

Community Outreach Programmes

Waste Management Services achieved 83,3% of its target in school clean-up campaigns.

Ten school clean-up campaigns were conducted during this financial year involving more than 3 000 pupils from various schools along with educators and community members. Therefore, these people received education regarding environmental awareness. An increase in the number of community members volunteering to clean their wards and requesting assistance in the form of refuse bags and collection of waste thereafter is seen as an indication that residents are becoming conscious of their environment.



Disaster Management, Fire and Rescue Services

The Disaster Management Section was very active in the last year considering that there is only one person in the Section and that the Chief Disaster Manager relies on the assistance of the Fire and Rescue Services.

There were 11 Emergency plans submitted by Industries / Organisations that were scrutinised and 15 On-site Emergency Evacuation Drills were attended to by the Disaster Manager.

Fifteen schools visited the fire station and the fire department and disaster management section conducted 28 awareness initiatives which mainly focused on schools. Seventy-two isolated incidences and disasters were assessed and assistance was rendered where possible.

The major incidences included a residential fire affecting 17 households and a fire above a premises in Ngwelezane Road, which was used as flats and resulted in the tenants having to be evacuated to the Ngwelezane Community Hall. The City had contingency plans in place for Cyclone Irina and was applauded by the Provincial MEC applauded for these plans.

The Fire and Rescue Services excelled once again with minimum resources in the quality and quantity of the service delivery that it provides to the community. This included the manning of the after-hours complaints line, which provides the link between other Council departments 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:

- 795 Fire related incidents, 575 rescues, 40 medical emergencies, 3 hazardous material incidents and 123 special services were attended to.
- 2 619 Fire prevention inspections were carried out.
- The Fire Brigade Control Centre processed 13 994 fire related and 15 649 non-fire related telephone calls.
- The total damage caused by fire was R38 533 240,00 whilst the estimated value of property threatened by fire was R498 166 200,00.

Operational tasks of special interest performed during this year include:

- A female child lost her life in a formal dwelling fire near Kwangobese Store, Mevamhlope. The dwelling and its contents were destroyed by fire.
- 10 People lost their lives and 9 people were injured in a motor vehicle accident involving a heavy duty motor vehicle, taxi and light motor vehicle on the N2 at Nseleni Game Reserve. Patients were entrapped and had to be extricated from the vehicle wreckages.
- An adult male drowned in the Mhlathuze River after attempting to swim to a floating dredging pump. His body was recovered by the divers of uMhlathuze Fire and Rescue Services.
- A 5-year old boy and a 3-year old female girl lost their lives in fire at an informal dwelling in eNseleni. It is alleged that both children were left alone at home by their mother.
- An adult male who was asleep on the first floor of a two storey building in Ngwelezane Road, Empangeni Rail, died when the building was engulfed by fire.
- A 3-year boy drowned in a swimming pool in a residential area in Empangeni.

Training Division

Final assessments for the Fire Fighter I and II Course commenced in December 2011 and June 2012 and all students were found competent by moderators from Ethekewini Fire and Emergency Services.

Fourteen students enrolled in a Fire Fighter I and Hazmat Awareness Challenge Course and were found competent by moderators from Ethekewini Fire and Emergency Services.

The above students were unknowingly enrolled with a Service Provider that was not legally accredited with LGSETA and SAESI. uMhlathuze Fire and Rescue Services Training Centre presented the Challenge Course and assisted the students accordingly.

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:

- (a) Water quality monitoring;
- (b) Food control;
- (c) Waste management;
- (d) Health surveillance of premises;
- (e) Surveillance and prevention of communicable diseases;
- (f) Vector control;
- (g) Environmental pollution control;
- (h) Disposal of the dead; and
- (i) Chemical safety,

Health Education

Bilharzia survey and awareness

Considering the reported cases of bilharzia and concern within the communities, the Environmental Health Section conducted a survey of about 61 schools to ascertain the prevalence of bilharzia.

General Health Education Results of the survey indicated that approximately 5,5% of the pupils at the primary schools were suspected to have bilharzia. It was also evident from the survey that the historically disadvantaged schools in rural areas have a higher number of suspected cases of bilharzia with Nkosazana Primary School in the Hlanzeni area (Ward 25) reporting that 66,6% of their pupils were suspected of having bilharzia.



Subsequently, health education about signs, symptoms and prevention of bilharzia was conducted in schools reaching about 22 933 learners.

Communicable Disease education and training

Some 230 health education sessions were undertaken in which total of 19 140 were educated on Cholera, worm infestation, health and hygiene, good sanitary practice and safe food handling. Safe food handling was extended to food handlers employed by the Department of Education to prepare food for school children.

In addition 949 informal traders were educated prior to issuing them with informal trading/vending permits.

Rabies vaccinations

Due to the increase in number of rabies cases the City of uMhlathuze Environmental Health section worked with DAEARD: Veterinary Services to vaccinate 4 563 animals within the jurisdictions of the City.

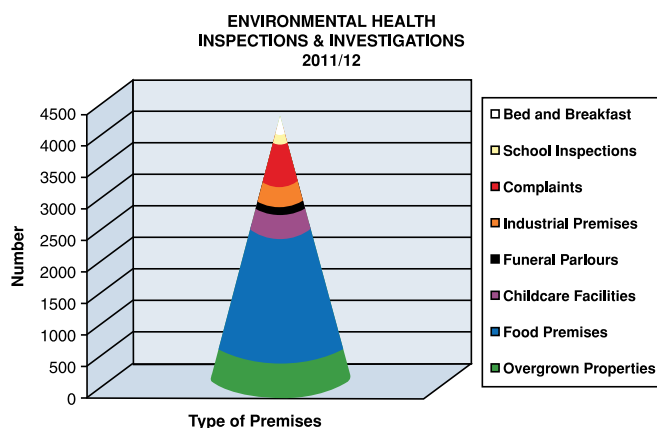
Malaria

No local transmissions of malaria occurred within the City of uMhlathuze during the period under review. Investigation of the 27 malaria cases reported revealed that they were contracted from the far northern areas of KwaZulu-Natal and neighbouring Southern African countries and were therefore classified as imported cases. There were no malaria-related deaths.

Statistics

The following number of inspections and investigations pertaining to Environmental Health were conducted during the year under review:

647 =	Complaints received and investigated
72 =	Air pollution complaints received and investigated
547 =	Vacant overgrown properties inspected
45 =	Private overgrown properties cleared by Council at the owner's cost
1873 =	Food hygiene inspections and re-inspections.
112 =	Certificates of Acceptability issued to food premises
247 =	Business licences commented on
113 =	Samples taken in terms of the Foodstuffs, Cosmetics and Disinfectants Act
168 =	Schools inspected and education centres
24 524 =	Kilograms of unsound foodstuffs destroyed as unfit for human consumption.
386 =	Inspections carried out at child care facilities
275 =	Inspections carried out at bed and breakfast establishments
128 =	Building plans scrutinised from a health point of view
73 =	Inspections at funeral parlours
96 =	Pauper and destitute burial applications approved and undertaken by Council
298 =	Inspections carried out at industrial premises
27 =	Cases of Malaria classified as imported which originated from Mozambique and Ethiopia
3366 =	Consultations with business and members of the public
336 =	Meetings and workshops attended



Safety and Security

In an attempt to reduce motor vehicle accidents within uMhlathuze boundaries through effective law enforcement, special emphasis was placed on high visibility patrols, traffic controls, roadblocks and speed prosecutions.

Statistics for the Traffic Section for the period June 2011 to July 2012.

- Executed 2 315 warrants and stopped 27 236 motor vehicles during warrant roadblocks,
- 5 545 Learners and 156 educators were educated about road safety via the Child in Traffic programme (commonly known as Danny Cat)
- From September 2011 to June 2012: 606 accidents were reported with 46 blue (fatal), 96 red (very serious injuries - life threatening), 226 yellow (serious injuries - not life threatening) and 129 green (minor) injuries.
- 49 Uniform staff members were trained in the latest amendments of the National Road Traffic Act and eight members in the use of pepper spray.
- Eight Traffic officers and six Supervisors were trained in the use of the SafeTcam and Radar speed measuring equipment.



Environmental and Recreational Services

Libraries

Libraries are the centres of knowledge and are vital for community upliftment. Our libraries are contributing to quality of life with the provision of opportunities to access information through books and now also the Internet.

All the internet computers at the various libraries are still a draw card for people. This service is provided for free and users only pay for printouts.

The study facilities at all our libraries are always overcrowded. Students come in large numbers to use expensive tertiary books as they can not afford to buy these books.

Projects are still a huge challenge for library staff. Examples of topics on which people require information include the following:

- Medicinal plants
- Energy resources
- Xenophobia
- Government Gazette
- Aids
- Technology
- Diseases
- Pollution
- Planets
- Disasters
- Health
- History of sport
- Global warming
- Poverty
- Different Cultures

The Toy Library and Gaming at eSikhaleni library are extremely popular and have proven to be huge drawcards for children who would have otherwise not have visited the library.



Statistics reflected in the table below reflect the usage of the various Libraries within uMhlathuze:

Museum

During the past year the Museum hosted several different art displays.

New artwork is displayed every alternate month. Some of the highlights include the following displays:

Empangeni High School Artwork

The Museum annually displays artwork completed by matric students from Empangeni High School for moderation towards their final exams. Artwork on display consisted of work from 15 students in the following mediums: pastel drawings, pen/pencil on paper, printing, collage, and acrylic paintings.

Local Artist Displays

Our Local Artist Displays have become a highlight of every year, and participating artists as far afield as Nongoma, Pongola and Hluhluwe have been supporting the Museum's efforts in exposing local talent to the community. The exhibition has also achieved some coverage in the local press.

The Museum invests in purchasing local KwaZulu-Natal art to add to the collection. This display takes place at least once a year to ensure that no damage occurs to the works.

Mondi Eisteddfod

Once again the Museum hosted the Mondi Eisteddfod's art section at the Museum this year. The first works displayed was from the participating High Schools in the Northern Coastal area and was on display from May until the end of July. The Junior School works followed and were on display until the end of September.



Environmental Services

Alien/invaser plant eradication and tree planting

A total of 4113,42 hectares were cleared of invader and alien plants during the period 1 July 2011 to 30 June 2012 in a continued effort to conserve the magnificent diversity of fauna and flora in our unique coastal environment.

A total of 996 indigenous trees were planted within the boundaries of uMhlathuze Municipality during the same period.

Local gardeners are urged to cultivate our indigenous flora which will in turn not only ensure beautiful and healthy plants suited to our conditions but also the satisfaction of knowing that they are helping in the conservation of a precious heritage.

Interments in Council's Cemeteries

Cemeteries under uMhlathuze Municipality's control accommodated 714 interments. Plans are currently underway to extend the cemetery at Richards Bay to provide additional space.



Sport and Recreation

Various events and programmes were successfully hosted by the Sport and Recreation sub-section during the 2011/2012 period, which are indicative of the Municipality's dedication to the development and promotion of sport and recreation in all areas under its jurisdiction.

During the period 1 July to 30 June 2012 the City presented 21 recreational programmes and included the following:

- Indigenous Games
- Mini Olympics
- Women's Sport Festivals
- Fun Days
- Golden Games
- Healthy Lifestyle Programmes
- Councillors in Action

A total of 33 sport development programmes were hosted between July 2011 and June 2012 and covered:

- Talent Identification Events
- Various Sport Tournaments
- Learn to Swim Programmes
- KWANALOGA Games

Eight Sport Skills Development and Capacity Building workshops were successfully presented during the last financial year.

Sports facilities and amenities

A new sports facility was provided in Ward 13 and a further two existing facilities in Wards 11 and 18 were upgraded in partnership with Richards Bay Minerals.

Work is currently underway to establish the Madlebe Sports Facility. The development will utilise lotto funding.



TOBACCO PRODUCTS
AMENDMENT ACT, 12 OF 1999
AND AS A RESULT SMOKING IS
STRICTLY PROHIBITED.
ANY PERSON WHO FAILS TO
COMPLY WITH THIS NOTICE
SHALL BE PROSECUTED
AND MAY BE LIABLE TO A FINE.



Chapter 4



Audit Committee Report

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

18 December 2012

Dear Sir

REPORT OF THE AUDIT COMMITTEE TO COUNCIL

The Audit Committee of the City of uMhlathuze has pleasure in submitting its eighth report to the Council of the City of uMhlathuze. This report is submitted in terms of the provisions of sections 121(3)(b), 166(2)(b) and 166(2)(c) of the Municipal Finance Management Act of 2003 ("the MFMA") and covers the financial year from 1 July 2011 to 30 June 2012 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 (resigned 20 January 2012)

S W Kunene (appointed 1 April 2012)

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

Overview of activities

2. The Audit Committee had four formal meetings during the period covered by this report. These meetings were held on:
 - 5 August 2011;
 - 12 December 2011;
 - 16 February 2012;
 - 17 May 2012.

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. Set out below is a summary of the matters which were dealt with at the Audit Committee meetings:

- The Internal Audit Plan for the 2012/2012 financial year was considered and approved;
- A Risk Assessment and Control Mapping Update Report compiled by the internal auditors as well as their internal audit response thereto was tabled and discussed;
- At each of the meetings, reports 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;
- At each meeting feedback was received and considered relating to critical ICT issues and related risks;
- Attention was given to Council's Performance Management System by considering reports from Council's Performance Management Committee.

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 services providers.
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, is 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 have 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 2012 and can report as follows: Auditor General's report on the financial statements

7.1 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 2012 but with emphasis of matter items relating to significant water and electricity losses in the amount of R139 533m and the restatement of corresponding figures as a result of errors discovered during the audit relating to the year ended 30 June 2011.

Auditor General's report on other legal and regulatory requirements

7.2 The Auditor General also reported on other legal and regulatory requirements for the year ended 30 June 2012. The Auditor General reported the following:

- As far as procurement and contract management was concerned, it was found that awards have been made to persons who are in service of other state institutions 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.
- Inconsistencies were identified between the targets reported in the annual performance report and the targets approved in the Integrated Development Plan. The Auditor General identified a lack of oversight responsibility to ensure that these changes were properly approved.

7.3 The matters raised by the Auditor General as set out above caused Council not to receive a "clean" audit report (as opposed to an unqualified audit report). Council should consider developing a clean audit strategic and operational plan that will guide the entire organisation towards a clean audit for 2013 and beyond.

Comment on the financial statements for the year ended 30 June 2012

7.4 An overview of the financial performance of Council for the year ended 30 June 2012, is set out in the table below.

Financial performance for the year ended 30 June 2012

	Comment	2012 R'000	2011 R'000
1	Financial performance Total income Total expenditure Deficit for the year <i>Deficit for the year decreased as a result of an increase in total revenue of 19% vs an increase in expenditure of 14%</i>	1 713 573 1 860 854 (147 281)	1 437 727 1 630 931 (193 205)
2	Positive cash flow from operating activities <i>In spite of the deficit recorded for the year, Council achieved positive cash generation from operating activities after the removal of non-cash items (primarily depreciation).</i>	195 373	140 091
3	Revenue from property rates and service charges Percentage increase	1 411 373 22%	987 890
4	Revenue from government grants Percentage increase	231 543 14%	202 776
5	Employee costs Percentage increase	393 065 9%	361 199
6	Bulk purchases Percentage increase	28% 834 001	649 531

Financial Position at 30 June 2012

	Comment	2012 R'000	2011 R'000
1	Net assets <i>Reduction as a result of the deficit for the year</i>	3 425 301	3 572 582
2	Cash and cash equivalents <i>Increase primarily due to positive cash flow from operating activities</i>	157 214	39 559
3	Trade receivables before provision for bad debts Percentage increase	205 250 42%	144 354
4	Provision for bad debts <i>There seems to have been a deterioration in collections which is evidenced by the increase in trade receivables (see 3 above) which required an increase in the bad debt provision</i>	(1 9 500)	(1 6 500)
5	Ratio of current assets to current liabilities <i>This ratio, which is an indicator of liquidity, has improved from the previous year which indicates that Council has made good progress in overcoming the cash flow challenges experienced previously</i>	1:1	0.75:1

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 Council's specific attention.

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 As reported previously, Internal Audit conducted a detailed risk review during the 2011 year financial with the purpose of updating the Risk Register and reported thereon at the Audit Committee meeting held on 5 August 2011. At the Audit Committee meeting held on 12 December 2011, Internal Audit tabled a report in which their internal audit response was mapped against this Risk Register. The main 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. An important issue that was highlighted during the mapping process referred to, is the fact that many risks exist for which no effective internal audit response exists. These risks therefore remain within the realm of management to manage and control. It is therefore important that mechanisms be developed which will enable Council to identify and monitor responses to these risks so as to ensure the 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 been established with the purpose of monitoring these risks and that management has attended workshops conducted by Treasury in this regard. 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 started a process in which particular emphasis on Information Technology issues was placed. This process continued during the 2012 financial year. At each Audit Committee meeting the Audit Committee is provided with a matrix of critical issues and the progress made with managements' response thereto. Although it is pleasing to note that good progress has been made by November 2012 in addressing a number of these issues, a particular concern relating to the failure to upgrade or replace certain key network infrastructure components, remains. It is our recommendation that Council develop and approve a strategic and operational plan to address IT related issues to ensure that IT issues are addressed in a structured manner over a period of time.

Reporting and disclosure

- 9.4 The preparation of Council's annual financial statements is governed by various International Financial Reporting 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 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 this ongoing challenge.

Internal audit

9.5 After a number of extensions to their contract, the internal audit contract of PricewaterhouseCoopers finally expired on 30 June 2012. The internal audit contract was put out to tender and a new service provider was appointed during the last month. This means that since 1 July 2012, for approximately five months, Council has been without an internal audit function. This, in our view, is not a satisfactory state of affairs. It should be borne in mind that internal audit is an integrated process that requires long term planning, normally by way of a three year rolling plan. The new internal auditors would therefore only be able to make any meaningful impact towards the latter part of the 2012/2013 financial year.

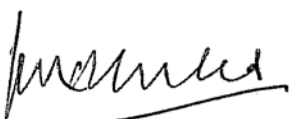
9.6 We acknowledge that Council has appointed a dedicated inhouse internal audit resource during this period. It was however impossible for this resource to have any meaningful impact on the work that was required to be done. In principle, the Audit Committee has no objection to the establishment of an internally resourced internal audit function provided that proper guidelines are established relating to cooperation between the internal resource and the external service provider and provided the independence of the internal resource can be assured at all times.

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.

11. We also wish to take the opportunity to thank the Municipal Manager and his officials for their hard work and the dedication they display to their duties and their positive interaction with the Audit Committee.

Yours faithfully



JM de Wet
Chairman – Audit Committee

Chapter 4



Financial Reporting

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

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the uMhlathuze Municipality set out on pages 108 to 165, which comprise the statement of financial position as at 30 June 2012, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2011 (Act No. 6 of 2011) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor General's responsibility

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

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the uMhlathuze Municipality as at 30 June 2012, and its financial performance and cash flows for the year then ended in accordance with the SA Standards of GRAP and the requirements of the MFMA and DoRA.

Emphasis of matters

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

Restatement of corresponding figures

8. As disclosed in note 32 to the financial statements, the corresponding figures for 30 June 2011 have been restated as a result of an error discovered during 2012 in the financial statements of the uMhlathuze Municipality at, and for the year ended, 30 June 2011.

Material losses

9. As disclosed in note 25 to the financial statements, the municipality has incurred material losses relating to water and electricity amounting to R16, 047 million and R123, 486 million, respectively.

Additional matter

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

Unaudited supplementary schedules

11. The supplementary schedules set out on pages 159 to 165 do not form part of the financial statements and are 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

12. In accordance with the PAA and the General Notice issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

13. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages 14 to 22 of the annual report.
14. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information*.

The reliability of the information in respect of the selected programmes is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

Usefulness of information

Consistency

Changes to targets not approved

15. A total of 33% of targets reported in the annual performance report were inconsistent with the targets as per the approved Integrated Development Plan due to the significant changes in budgeted figures which were presented to council in February 2012.

Compliance with laws and regulations

16. I performed procedures to obtain evidence that the municipality has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the General Notice issued in terms of the PAA are as follows:

Procurement and contract management

17. Awards were made to suppliers whose members were persons in service of other state institutions, contrary to the requirements of regulation 44 of the Municipal Supply Chain Management Regulations of 30 May 2005 (MSCM).

Internal control

18. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

Leadership

19. The accounting officer did not exercise effective oversight responsibility to ensure that the municipality complies with laws and regulations applicable to the approval of the changes in the Integrated Development Plan.

Financial and performance management

20. Systems and controls were not designed in a manner to prevent, detect and address risks that impact on the performance reporting and compliance with the Municipal SCM regulations.

Auditor - General

Pietermaritzburg

30 November 2012



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

STATEMENT OF THE MUNICIPAL MANAGERS RESPONSIBILITY

City of uMhlathuze ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

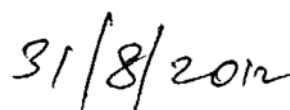
The uMhlathuze Municipality situated at 5 Mark Strasse, Richards Bay is a category B municipality, established in terms of section 12 (1) of the Municipal Structures Act, No 117 of 1998 and published in terms of Provincial Government Notice 346 on the 19 September 2000. The Local Government operations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

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 62, 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 NJ SIBEKO
CITY MANAGER**



DATE

CITY OF uMHLATHUZE

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012

	Notes	2012 R	RESTATED 2011 R
NET ASSETS AND LIABILITIES			
Net assets		3 425 300 921	3 572 582 129
Housing Development Fund	1	56 847 524	54 279 060
Accumulated surplus		3 368 453 397	3 518 303 069
Non-current liabilities		950 853 599	939 627 765
Long-term liabilities	2	732 521 599	750 236 765
Post employment medical aid benefits	29	218 332 000	189 391 000
Current liabilities		439 206 671	361 281 804
Consumer deposits	3	38 919 254	36 559 057
Trade and other payables	4	237 710 786	200 719 148
Provisions	30	20 270 069	18 328 622
Unspent conditional grants and receipts	5	47 515 600	24 469 778
Current portion of long-term liabilities	2	94 790 962	81 205 199
Total Net Assets and Liabilities		4 815 361 190	4 873 491 698
ASSETS			
Non-current assets		4 376 821 862	4 604 291 733
Property, plant and equipment	8	4 235 833 820	4 472 356 581
Investment property	10	131 801 849	123 516 467
Intangible assets	9	8 671 607	7 841 884
Heritage assets	8	68 702	68 702
Non-current receivables	12	445 884	508 099
Current assets		438 539 328	269 199 965
Inventory	7	65 424 644	81 263 233
Trade receivables	11	185 750 252	127 853 867
Other receivables	13	22 276 719	15 713 609
VAT	6	7 716 708	4 559 829
Call investment deposits	14	80 000 000	-
Current portion of long-term receivables	12	157 272	250 540
Bank balances and cash	14	77 213 733	39 558 887
Total Assets		4 815 361 190	4 873 491 698

CITY OF uMHLATHUZE

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 R	2011 R
REVENUE			
Property rates	15	204 613 796	178 078 013
Service charges	16	1 206 759 627	987 889 876
Rental of facilities and equipment		16 132 869	10 901 303
Interest earned - external investments		4 012 177	2 564 696
Interest earned - outstanding debtors		1 639 381	1 284 116
Fines		3 004 784	1 645 326
Licences and permits		1 831 263	1 867 168
Income for agency services		5 922 207	4 602 828
Government grants and subsidies	17	231 543 392	202 775 860
Public contributions		644 188	1 370 360
Other income	18	31 611 923	42 397 171
Gains on sale of land		5 857 088	2 187 405
Gains on disposal of property, plant and equipment		-	162 463
Total Revenue		<u>1 713 572 695</u>	<u>1 437 726 585</u>
EXPENDITURE			
Employee related costs	19	393 064 515	361 199 470
Remuneration of Councillors	20	15 863 285	14 587 064
Bad debts	11	3 000 000	2 310 145
Collection costs		56 956	10 132
Depreciation	8,10	299 567 639	284 080 136
Amortisation	9	1 333 078	3 843 092
Post employment benefits expenses	29	28 941 000	38 794 000
Conditional grant expenditure		7 744 926	5 025 682
Repairs and maintenance		40 270 918	37 078 117
Finance costs	21	82 480 951	88 507 547
Bulk purchases	22	834 000 556	649 530 822
Contracted services		83 808 772	84 678 517
Grants and subsidies paid	23	1 177 025	1 144 427
General expenses	35	69 544 278	60 142 045
Total Expenditure		<u>1 860 853 900</u>	<u>1 630 931 196</u>
SURPLUS/(DEFICIT) FOR THE YEAR (Refer to statement of changes in net assets)		<u>(147 281 205)</u>	<u>(193 204 611)</u>

Refer to Note 39 and Appendix E (1) for the comparison with the approved budget

CITY OF uMHLATHUZE

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

	Note	Housing Development Fund R	Accumulated Surplus R	Total R
2011				
Balance at 30 June 2010		59 082 967	3 658 923 699	3 718 006 667
Inventory land not brought in previous year			-	-
Correction of inventory water opening balance			(527 880)	(527 880)
Inventory land not brought into account previous year			14 940 150	14 940 150
Correction of accumulated depreciation			(317 444 013)	(317 444 013)
Change in accounting estimate			46 431 141	46 431 141
Correction of cost recognised in prior periods			284 245 594	284 245 594
Restated balance		59 082 967	3 686 568 691	3 745 651 659
Surplus / (deficit) for the year		(4 803 907)	(193 204 611)	(193 204 611)
Transfer to Housing Development Fund			4 803 907	-
Balance at 30 June 2011		54 279 060	3 498 167 984	3 552 447 049
2012				
Balance at 30 June 2011		54 279 060	3 498 167 984	3 552 447 049
Inventory land not brought into account previous year	32		7 371 930	7 371 930
Correction of depreciation	32		12 763 155	12 763 155
Restated balance		54 279 060	3 518 303 069	3 572 582 133
Surplus / (deficit) for the year			(147 281 205)	(147 281 205)
Transfer to Housing Development Fund		2 568 465	(2 568 465)	-
Balance at 30 June 2012		56 847 524	3 368 453 397	3 425 300 921

CITY OF uMHLATHUZE

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 R	2011 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		1 670 364 645	1 416 751 039
Cash paid to suppliers and employees		(1 396 522 437)	(1 190 717 167)
Cash generated from operations	24	273 842 208	226 033 872
Interest received		4 012 177	2 564 696
Interest paid		(82 480 951)	(88 507 547)
NET CASH FLOW FROM OPERATING ACTIVITIES		<u>195 373 434</u>	<u>140 091 021</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(75 311 486)	(85 895 525)
Proceeds on disposal of property, plant and equipment		-	162 463
Increase in current investments		(80 000 000)	-
Decrease in non-current receivables		155 483	230 045
NET CASH UTILISED FROM INVESTING ACTIVITIES		<u>(155 156 003)</u>	<u>(85 503 017)</u>
CASH FLOWS UTILISED FROM FINANCING ACTIVITIES			
Proceeds from borrowings		78 000 000	-
Repayment of borrowings		(80 562 587)	(75 270 962)
NET CASH FLOW FROM FINANCING ACTIVITIES		<u>(2 562 587)</u>	<u>(75 270 962)</u>
Net increase/(decrease) in cash and cash equivalents		37 654 845	(20 682 958)
Cash and cash equivalents at the beginning of the year		39 558 887	60 241 845
Cash and cash equivalents at the end of the year	14	<u>77 213 733</u>	<u>39 558 887</u>

**CITY OF uMHLATHUZE
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

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

**CITY OF uMHLATHUZE
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)**

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand. The figures are rounded off to the nearest thousand.

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) – effective 01 April 2012
- ☐ GRAP 24 Presentation of Budget Information in Financial Statements – effective 01 April 2012
- ☐ GRAP 103 Heritage Assets – effective 01 April 2012

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.

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.

CITY OF uMHLATHUZE
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (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.

CITY OF uMHLATHUZE
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (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. Heritage assets are also not depreciated. 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		

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.

**CITY OF uMHLATHUZE
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (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.

CITY OF uMHLATHUZE
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

9. INTANGIBLE ASSETS (continued)

An intangible asset is derecognised when it is permanently withdrawn from use and no future economic benefit or service potential is derived from it.

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. Vacant land held under investment properties is not depreciated.

An investment property is derecognised upon disposal, or when it is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. Any gain or loss arising from the retirement or disposal of investment property is included in surplus or deficit in the period of the retirement or disposal.

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 realizable 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.

CITY OF uMHLATHUZE
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

1.1 REVENUE FROM EXCHANGE TRANSACTIONS (continued)

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.

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 unauthorized, 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.

CITY OF uMHLATHUZE
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

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.

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 recognized 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. The municipality recognises a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument.

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.

CITY OF uMHLATHUZE
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (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 categorized as either held-to-maturity where the criteria for that categorization 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 categorized 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 reorganization, 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.

1.1.4 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.

**CITY OF uMHLATHUZE
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)**

19. UNAUTHORISED EXPENDITURE

Unauthorized 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).

Unauthorized 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. COMPARATIVE INFORMATION

22.1 *Current year comparatives:*

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

22.2 *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.

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
1 HOUSING DEVELOPMENT FUND		
The Housing Development Fund is represented by the following assets		
Fixed Assets	48 327 919	49 447 755
Bank and cash	19 162 487	8 704 146
Accumulated Surplus	(10 642 882)	(3 872 841)
Total Housing Development Fund Assets and Liabilities	56 847 524	54 279 060
2 LONG-TERM LIABILITIES		
Annuity Loans	827 312 561	831 441 964
Less: Current portion transferred to current liabilities	(94 790 962)	(81 205 199)
Total External Loans	732 521 599	750 236 765
Refer to Appendix A for more detail on long-term liabilities		

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2 LONG-TERM LIABILITIES (continued)

External Loans repayments- Future years

	DBSA	DBSA	INCA	Standard Bank	Nedbank	INCA	DBSA	DBSA	DBSA	DBSA	NEDBANK	NEDBANK	Totals
	20 802 113	5 696 415	10 759 207	41 372 085	43 518 286	172 445 554	188 371 768	26 816 567	80 707 200	158 556 948	78 266 418	827 312 561	
	12.00%	14.50%	13.95%	7.43%	5.75%	8.75%	11.70%	6.75%	11.57%	11.26%	9.59%		
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	12 302 863	177 420 619	
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	12 302 863	177 420 619	
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	12 302 863	177 420 619	
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	12 302 863	164 317 307	
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	12 302 863	151 213 995	
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	12 302 863	151 213 995	
2019			1 298 842			33 473 084	21 103 724	4 871 725	17 142 868	31 894 160	12 302 863	122 087 266	
2020										15 947 080	12 302 863	28 249 943	
2021											12 302 863	12 302 863	
2022											12 302 863	12 302 863	

Disclosure about the Terms and Conditions of Financial Instruments-Borrowings

Future payments are based on the balances at 30 June 2012

(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

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
3 CONSUMER DEPOSITS		
Electricity and Water	33 906 336	33 278 066
Other	5 012 918	3 280 991
Total Deposits	38 919 254	36 559 057
Guarantees held in lieu of Electricity and Water Deposits	52 001 278	48 405 239
4 TRADE AND OTHER PAYABLES		
Trade payables	53 048 035	52 914 464
Other payables	140 260 968	97 333 290
Retentions	8 563 273	18 259 747
Amounts Received in Advance	35 838 509	32 211 645
Total Creditors	237 710 786	200 719 147
5 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
Conditional Grants from other spheres of Government		
National Conditional Grants	2 665 831	2 802 880
Provincial Local Government Grants	5 143 536	4 425 862
Provincial Development Planning Grants	54 849	54 849
Provincial Housing Grants	12 080 063	12 578 258
Provincial Library Services Subsidies	126 688	133 991
Provincial Community Development Workers Programme	19 038	19 038
Provincial Department of Transport Subsidy	167 279	167 279
Department of Sport & Recreation	12 666	12 666
Department of Water Affairs (DWAf) Cleanest Town Award	-	41 109
Department of Water Affairs (DWAf) Water Services Programme	205 307	205 307
Department of Water Affairs (DWAf) Refurbishment Grant	70	70
Department of Water Affairs (DWAf) Institutional Support Programme Grant	-	82 398
Department of Water Affairs (DWAf) Water Conservation and Demand Management Grant	1 725 893	1 325 834
Department of Water Affairs (DWAf) Accelerated Infrastructure Programme	75 700	-
Department of Water Affairs (DWAf) Regional Bulk Water Project	1 500 000	-
Department of Minerals and Energy	-	1 174 678
Department of Agriculture and Environmental Affairs	750 691	1 235 555
Municipal Infrastructure Grant (MIG)	22 800 333	-
uThungulu District Municipality Capacity Building Grant	125 285	134 652
uThungulu District Municipality Museum Operating Subsidy	11 849	11 849
uThungulu District Municipality Hosting of Annual SMME Fair	50 522	43 503
uThungulu District Municipality Zulu Dance Competition	-	20 000
	47 515 600	24 469 778

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

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
6 VAT		
Output Suspense	8 247 508	6 115 429
Input Suspense	(16 885 002)	(14 346 014)
Output Payable	920 786	3 670 756
VAT (claimable)	(7 716 708)	(4 559 829)

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.

	2012 R	2011 R RESTATED
7 INVENTORY		
Closing balance of inventories	65 424 644	81 263 233
Consumable stores - at cost	10 409 034	11 484 135
Water - at cost	260 610	249 168
Land	54 755 000	69 529 930

CITY OF UMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

8 Property, Plant and Equipment

30 June 2012									
Reconciliation Of Carrying Values									
	Land	Housing	Infrastructure	Community	Heritage	Other	Total		
	R	R	R	R	R	R	R		
Carrying Values									
At 1 July 2011	558 833 950	49 447 754	3 439 449 413	214 844 508	68 702	209 780 956	4 472 425 283		
Cost	(94 205 857)	72 036 586	2 085 461 937	287 085 059	68 702	428 925 473	2 779 371 900		
Revaluation	653 039 807	-	-	-	-	-	653 039 807		
Deemed cost	-	-	7 356 245 978	-	-	-	7 356 245 978		
Accumulated Depreciation	-	(22 588 832)	(6 002 258 502)	(72 240 551)	-	(219 144 517)	(6 316 232 402)		
Acquisitions	-	-	13 541 804	173 460	-	16 902 735	30 617 999		
Capital under construction	-	622 772	43 836 536	1 066 678	-	426 496	45 952 482		
Transfer to inventory land	(13 503 000)	(46 000)	-	-	-	-	(13 549 000)		
Transfer	-	-	14 572 483	(2 505 140)	-	(12 067 343)	-		
Transfer of accumulated depreciation	-	-	(3 257 825)	501 536	-	2 756 289	-		
Depreciation	-	(1 696 607)	(254 755 712)	(12 006 388)	-	(31 085 535)	(299 544 242)		
Based on cost	-	(1 696 607)	(254 755 712)	(12 006 388)	-	(31 085 535)	(299 544 242)		
Based on revaluation	-	-	-	-	-	-	-		
Carrying Value Of Disposals	-	-	-	-	-	(3 475)	(3 475)		
Cost	-	-	-	-	-	-	-		
Revaluation	-	-	-	-	-	3 475	3 475		
Accumulated Depreciation	-	-	-	-	-	-	-		
Carrying Values									
At 30 June 2012	545 330 950	48 327 919	3 253 386 699	202 074 654	68 702	186 713 598	4 235 902 522		
Cost	(94 205 857)	72 613 358	2 157 412 760	285 820 057	68 702	434 183 886	2 855 892 906		
Revaluation	639 536 807	-	-	-	-	-	639 536 807		
Deemed Cost	-	(24 285 439)	7 356 245 978	(83 745 403)	-	(247 470 288)	7 356 245 978		
Accumulated Depreciation	-	(24 285 439)	(6 260 272 039)	(83 745 403)	-	(247 470 288)	(6 615 773 169)		
Cost	-	-	(6 260 272 039)	(83 745 403)	-	(247 470 288)	(6 615 773 169)		
Revaluation	-	-	-	-	-	-	-		

CITY OF UMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Property, Plant and Equipment (continued)

30 June 2011 (Restated)									
Reconciliation Of Carrying Values									
	Land	Housing	Infrastructure	Community	Heritage	Other	Total		
	R	R	R	R	R	R	R		
Carrying Values									
At 1 July 2010	558 844 950	56 367 703	3 587 896 296	221 607 721	49 502	232 141 888	4 656 908 060		
Cost	(94 205 857)	73 481 810	2 004 839 490	286 211 449	49 502	422 330 377	2 692 706 771		
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)	(64 603 728)	-	(190 188 489)	(6 045 095 496)		
Acquisitions	-	-	23 883 791	990 751	19 200	2 654 345	27 548 087		
Capital Under Construction	-	1 418 776	54 153 346	-	-	1 334 091	56 906 213		
Transfer	-	(2 600 000)	2 585 310	(54 141)	-	3 387 919	3 319 088		
Transfer to land inventory	(11 000)	(264 000)	-	(63 000)	-	-	(338 000)		
Transfer from Investment Properties	-	-	8 802	52 982	-	(72 035)	(10 251)		
Transfer of Accumulated Depreciation	-	-	9 890 703	2 142 125	-	-	12 032 828		
Depreciation written back	-	(5 474 725)	(238 968 835)	(9 831 930)	-	(29 665 252)	(283 940 742)		
Depreciation	-	(5 474 725)	(238 968 835)	(9 831 930)	-	(29 665 252)	(283 940 742)		
Based on cost	-	-	-	-	-	-	-		
Based on revaluation	-	-	-	-	-	-	-		
Carrying Value Of Disposals	-	-	-	-	-	(781 259)	(781 259)		
Cost	-	-	-	-	-	-	-		
Revaluation	-	-	-	-	-	-	-		
Accumulated Depreciation	-	-	-	-	-	781 259	781 259		
Carrying Values									
At 30 June 2011	558 833 950	49 447 754	3 439 449 413	214 844 508	68 702	209 780 956	4 472 425 283		
Cost	(94 205 857)	72 036 586	2 085 461 937	287 085 059	68 702	428 925 473	2 779 371 900		
Revaluation	653 039 807	-	-	-	-	-	653 039 807		
Deemed Cost	-	-	7 356 245 978	-	-	-	7 356 245 978		
Accumulated Depreciation	-	(22 588 832)	(6 002 258 502)	(72 240 551)	-	(219 144 517)	(6 316 232 402)		
Cost	-	(22 588 832)	(6 002 258 502)	(72 240 551)	-	(219 144 517)	(6 316 232 402)		

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

9 Intangible Asset

30 June 2012

Reconciliation Of Carrying Values	Total
	R
Carrying Values	
At 1 July 2011	7 841 884
Cost	15 483 262
Accumulated Amortisation	(7 641 378)
Acquisitions	48 264
Work in progress	2 114 537
Amortisation	(1 333 078)
Carrying Values	
At 30 June 2012	8 671 607
Cost	17 646 063
Accumulated Amortisation	(8 974 456)

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
Amortisation	(3 843 092)
Transfer to PPE - cost	(3 319 088)
Transfer to PPE - accumulated depreciation	10 247
Reversal of depreciation prior years	690 954
Carrying Values	
At 30 June 2011	7 841 884
Cost	15 483 262
Accumulated Amortisation	(7 641 378)

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

INVESTMENT PROPERTY

30 June 2012

TOWN	STAND NO	DEEDS NO	NAME	USEFUL LIFE	CARRYING VALUES AS AT 01 JULY 2011	COST	ACCUMULATED DEPRECIATION	DEPRECIATION	WORK IN PROGRESS	CARRYING VALUES AS AT 30 JUNE 2012	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	Zuluand 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) LTD	25	9 680 036	14 749 162	(5 069 126)	(7 628)	8 308 779	17 981 187	23 057 941	(5 076 754)
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	25	3 675 684	6 663 646	(2 987 962)	-	-	3 675 684	6 663 646	(2 987 962)
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	T65544/2003	Gumede S M	-	40 000	40 000	-	-	-	40 000	40 000	-
EMPANGENI	2 015	T5367/1980	Mshali 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	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 Belt)	-	75 000	75 000	-	-	-	75 000	75 000	-
RICHARDS BAY	5 333	T4097/2006	Lease Foskor (Conveyer Belt)	-	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	-
EMPANGENI	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	25	8 057 747	9 448 505	(1 390 758)	(15 769)	-	8 041 978	9 448 505	(1 406 527)
					123 516 467	132 964 313	(9 447 846)	(23 397)	8 308 779	131 801 849	141 273 092	(9 471 243)

Land held under investment propertyless is not depreciated and thus no useful lives provided.

CITY OF UMHLATHUZE

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

Investment Property (continued)

30 June 2011 (Restated)

TOWN	STAND NO	DEEDS NO	NAME	USEFUL LIFE	CARRYING VALUES AS AT 01 JULY 2010	COST	ACCUMULATED DEPRECIATION	DEPRECIATION WRITTEN BACK (prior years)	DEPRECIATION 30 JUNE 2011	CARRYING VALUES AS AT 30 JUNE 2011	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	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	25	9 781 218	14 749 162	(4 967 944)	15 236	(116 418)	9 680 036	14 749 162	(5 069 126)
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 Vler	25	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	Scoonies Vler (PTY) LTD	-	4 500 000	4 500 000	-	-	-	4 500 000	4 500 000	-
NGWELEZANE	752	T64286/2000	Buyela 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	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	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	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	-	56 000 000	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	Invubu Lodge/River Rock	25	8 048 611	9 448 505	(1 399 894)	24 137	(15 001)	8 057 747	9 448 505	(1 390 758)
					123 616 487	132 964 313	(9 347 826)	39 373	(139 394)	123 516 467	132 964 313	(9 447 847)

Land held under investment property is not depreciated and thus no useful lives provided.

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

11 TRADE RECEIVABLES

As at 30 June 2012

	R	R
From exchange transactions		159 174 715
Electricity	38 590 718	
June consumption billed in July	78 820 247	117 410 965
Water	21 986 917	
June consumption billed in July	2 764 052	
June water surcharge billed in July	234 897	24 985 865
Sewerage	10 469 714	
Special Sewer charges	237 686	
June sewer surcharge billed in July	127 966	10 835 366
Refuse		5 942 519
Rental		5 553 751
Sundry		15 653 371
From non-exchange transactions		
Rates		24 868 415
Gross Balance		205 250 252
Less: Provision for Bad Debts		(19 500 000)
Net Balance		<u>185 750 252</u>

As at 30 June 2011

From exchange transactions		110 558 636
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
From non-exchange transactions		
Rates		19 124 627
Gross Balance		144 353 867
Less: Provision for Bad Debts		(16 500 000)
Net Balance		<u>127 853 867</u>

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
11 TRADE RECEIVABLES (Continued)		
Rates Ageing		
Current (0 - 30) days	13 958 686	8 668 651
31 - 60 days	1 754 547	1 743 839
61- 90 days	998 638	824 990
91 - 120 days	659 212	771 913
121-360 days	4 105 197	4 078 901
361 + days	3 392 135	3 036 333
Total	24 868 415	19 124 627
Electricity, Water, Sewerage and Refuse: Ageing		
Current (0 - 30) days	128 448 870	88 451 480
31 - 60 days	6 353 563	3 964 954
61- 90 days	3 633 751	2 270 309
91 - 120 days	2 333 601	1 819 335
121-360 days	8 324 785	6 886 540
361+ days	10 080 146	7 166 018
Total	159 174 715	110 558 636
Rental		
Current (0 - 30) days	770 313	(418 698)
31 - 60 days	182 960	181 728
61- 90 days	170 391	168 945
91 - 120 days	176 732	412 770
121-360 days	1 330 165	1 174 772
361+ days	2 923 190	1 914 310
Total	5 553 751	3 433 827
Sundry		
Current (0 - 30) days	1 967 590	3 737 122
31 - 60 days	2 501 988	394 174
61- 90 days	639 998	(59 947)
91 - 120 days	(348 584)	55 259
121-360 days	5 555 143	2 674 610
361+ days	5 337 236	4 435 559
Total	15 653 370	11 236 778
IFRS 7 Disclosure		
	2012 R	2011 R
Neither passed due nor impaired	161 381 294	109 927 548
Past due and impaired	19 500 000	16 500 000
Past due not impaired	24 368 957	17 926 319
	205 250 252	144 353 867

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

11 TRADE RECEIVABLES (Continued)

Summary of Debtors by Customer classification

	Residential R	Industry/ commercial R	State R	Total R
30 June 2012				
Current (0 - 30) days	40 374 412	100 011 256	8 059 236	148 444 904
31 - 60 days	1 629 913	3 695 823	835 339	6 161 075
61- 90 days	1 270 004	2 075 558	668 269	4 013 832
91 - 120 days	1 284 953	923 445	148 967	2 357 366
121+days	22 488 548	18 259 675	3 524 853	44 273 076
Sub-total	67 047 830	124 965 757	13 236 665	205 250 252
Less provision for bad debt	(6 367 720)	(11 875 157)	(1 257 123)	(19 500 000)
Total debtors by customer classification	60 680 109	113 090 601	11 979 542	185 750 252
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

	2012 R	2011 R
Reconciliation of the bad debt provision		
Balance at beginning of the year	16 500 000	15 000 000
Contributions to provision	3 000 000	2 310 145
Bad debts written off against provision	-	(810 145)
Balance at end of year	19 500 000	16 500 000

12 NON-CURRENT RECEIVABLES

Housing loans to Staff	286 563	306 535
Study loans	316 593	452 104
Bursaries	-	-
	603 156	758 639
Less: Current portion transferred to Current Assets	(157 272)	(250 540)
Total Receivables	445 884	508 099

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.

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
13 OTHER RECEIVABLES		
Payments made in advance	477 504	380 493
Other receivables	21 799 215	15 333 116
Total Other Debtors	22 276 719	15 713 609

14 BANK, CASH, CALL INVESTMENTS AND OVERDRAFT BALANCE

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

Bank balances and cash	77 213 733	39 558 887
Total bank balances and cash	77 213 733	39 558 887

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	3 703 818	4 146 118
Cash book balance at end of year	(30 057 643)	3 703 818

Bank statement balance at beginning of year	3 667 775	4 126 202
Bank statement balance at end of year	2 563 073	3 667 775

Deposit Account

ABSA Bank - Richards Bay

Current/Deposit Account number 2150000095

Cash book balance at beginning of year	5 176 832	2 436 117
Cash book balance at end of year	6 825 965	5 176 832

Bank statement balance at beginning of year	2 827 652	50 000
Bank statement balance at end of year	5 673 566	2 827 652

Hostel Account

ABSA Bank - Richards Bay

Current/Deposit Account number 90 8291 6767

Cash book balance at beginning of year	4 614 109	6 463 949
Cash book balance at end of year	4 007 144	4 614 109

Bank statement balance at beginning of year	4 614 109	6 463 949
Bank statement balance at end of year	4 007 144	4 614 109

Hostel Account - Phase 2

ABSA Bank - Richards Bay

Current/Deposit Account number 92 3367 4990

Cash book balance at beginning of year	8 132 035	-
Cash book balance at end of year	8 501 419	8 132 035

Bank statement balance at beginning of year	8 132 035	-
Bank statement balance at end of year	8 501 419	8 132 035

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
14 BANK, CASH, CALL INVESTMENTS 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	4 535 630	4 331 147
Cash book balance at end of year	4 741 652	4 535 630
Bank statement balance at beginning of year	4 535 630	4 331 147
Bank statement balance at end of year	4 741 652	4 535 630
Housing Account - Ngwelezane		
ABSA Bank - Richards Bay		
Current /Cheque Account number 91 7137 3496		
Cash book balance at beginning of year	1 909 786	1 822 445
Cash book balance at end of year	1 996 534	1 909 786
Bank statement balance at beginning of year	1 909 786	1 822 445
Bank statement balance at end of year	1 996 534	1 909 786
Housing Account - Pionierhof		
ABSA Bank - Richards Bay		
Current/Deposit Account number 90 9224 7889		
Cash book balance at beginning of year	2 258 731	91 841
Cash book balance at end of year	12 424 301	2 258 731
Bank statement balance at beginning of year	2 258 731	91 841
Bank statement balance at end of year	12 424 301	2 258 731
Conditional Grants		
ABSA Bank - Richards Bay		
Current/Deposit Account number 91 7137 3917		
Cash book balance at beginning of year	9 196 097	40 121 116
Cash book balance at end of year	38 350 228	9 196 097
Bank statement balance at beginning of year	9 196 097	40 121 116
Bank statement balance at end of year	38 350 228	9 196 097
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	-	-
Bank statement balance at beginning of year	-	795 262
Bank statement balance at end of year	-	-
Capital Replacement Reserve		
ABSA Bank - Richards Bay		
Current/Deposit Account number 92 7206 8005		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	30 386 158	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	30 386 158	-
Petty Cash		
Balance at beginning of year	31 850	33 850
Balance at end of year	32 550	31 850

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
14 BANK, CASH, CALL INVESTMENTS AND OVERDRAFT BALANCES (continued)		
Deposit account		
ABSA Bank - Richards Bay		
Current/Deposit Account number 40 7928 6548		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	5 425	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	5 425	-
Call Investment deposits		
Short-term deposits	80 000 000	-
15 PROPERTY RATES		
Actual		
Residential	86 014 039	73 134 671
Commercial	109 186 304	96 727 452
State	9 413 453	8 215 890
Total Assessment Rates	204 613 796	178 078 013
Property Valuations		
Residential	16 095 913 599	15 983 511 099
Commercial	9 808 656 000	9 484 780 500
State	1 688 788 900	1 670 829 900
Municipal	1 482 899 700	1 529 755 700
Total Property Valuations	29 076 258 199	28 668 877 199

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	0.00674	1:1
Business, Commercial and Industrial Properties and Agricultural Properties	0.01348	1:2
Agricultural Properties (business)	0.00169	1:0,25
State Trust land	0.01348	1:2
State Owned Properties	0.00674	1:1
Public Service Infrastructure	0.00674	1:1
	0.00169	1:0,25

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
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 R60 000 of the valuation on all developed residential properties with < R375 000 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.		
16 SERVICE CHARGES		
Sale of electricity	966 962 029	765 730 718
Sale of water	129 263 197	123 848 457
Surcharge on water	4 744 805	4 511 328
Refuse removal	46 088 020	39 043 949
Sewerage and sanitation charges	59 701 576	54 755 424
Total Service Charges	1 206 759 627	987 889 876

An amount of R7 519 048.52 received in respect of prepaid electricity sales has been deferred and transferred to amounts received in advance.

17 GOVERNMENT GRANTS AND SUBSIDIES

Equitable Share	161 782 000	145 628 619
National Conditional Grants	2 249 050	2 210 821
Provincial Health Subsidies	4 804 000	4 527 000
Provincial Local Government Grants	8 754 334	344 302
Provincial Development Planning Grants	-	54 978
Provincial Housing Grants	912 177	2 132 636
Provincial Library Service Subsidies	3 389 504	726 611
Provincial Museum Services Subsidies	125 000	74 000
Provincial Community Development Workers Programme	-	231
Department of Sport and Recreation	-	56 490
Department of Water Affairs - Cleanest Town Award	41 109	410
Department of Water Affairs - Water Services Programme	-	26 548
Department of Water Affairs - Refurbishment Grant	-	3 743 600
Department of Water Affairs (DWAF) Water Conservation and Demand	599 941	779 168
Department of Water Affairs - Institutional Support Programme Grant	(200 602)	201 180
Department of Water Affairs - Accelerated Infrastructure Programme	4 134 300	-
Department of Agriculture and Environmental Affairs	484 863	70 399
Department of Minerals and Energy	(2 775 322)	2 775 320
Municipal Infrastructure Grant	42 870 972	38 084 382

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
17 GOVERNMENT GRANTS AND SUBSIDIES (continued)		
uThungulu District Municipality Environmental Health service	4 342 698	1 319 418
uThungulu District Municipality Capacity Building Grants	9 367	-
uThungulu District Municipality Museum Operating Subsidy	-	19 200
uThungulu District Municipality Hosting of Annual SMME Fair	-	547
uThungulu District Municipality Zulu Dance Competition	20 000	-
Total Government Grants and Subsidies	231 543 391	202 775 860

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	2 802 880	3 063 701
Current year receipts	2 112 000	1 950 000
Conditions met - transferred to revenue	(2 249 050)	(2 210 821)
Conditions still to be met - transferred to liabilities	2 665 830	2 802 880

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	4 804 000	4 527 000
Conditions met - transferred to revenue	(4 804 000)	(4 527 000)
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.

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
17 GOVERNMENT GRANTS AND SUBSIDIES (continued)		
17.4 Provincial Local Government Grants		
Balance unspent at beginning of year	4 425 862	1 012 164
Current year receipts	9 472 008	3 758 000
Conditions met - transferred to revenue	(8 754 334)	(344 302)
Conditions still to be met - transferred to liabilities	5 143 536	4 425 862

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	54 849	109 827
Current year receipts	-	-
Conditions met - transferred to revenue	-	(54 978)
Conditions still to be met - transferred to liabilities	54 849	54 849

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	12 429 819	6 180 261
Current year receipts	-	8 000 000
Conditions met - transferred to revenue	(912 177)	(2 132 636)
Interest Received	562 420	382 194
Conditions still to be met - transferred to liabilities	12 080 062	12 429 819

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.

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
17 GOVERNMENT GRANTS AND SUBSIDIES (continued)		
17.7 Provincial Library Services Subsidies		
Balance unspent at beginning of year	133 991	156 064
Current year receipts	3 246 604	558 000
Conditions met - transferred to revenue	(3 253 907)	(580 073)
Conditions still to be met - transferred to liabilities	<u>126 688</u>	<u>133 991</u>
<p>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.</p>		
17.8 Provincial Library Services Subsidies		
Balance unspent at beginning of year	-	-
Current year receipts	135 597	146 538
Conditions met - transferred to revenue	(135 597)	(146 538)
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>
<p>Provincial Library Services donated assets to Council</p>		
17.9 Provincial Museum Services Subsidies		
Balance unspent at beginning of year	-	-
Current year receipts	125 000	74 000
Conditions met - transferred to revenue	(125 000)	(74 000)
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>
<p>Department of the Premier allocates a subsidy to assist in the daily running of the Empangeni Museum. No funds have been withheld.</p>		
17.10 Provincial Community Development Workers Programme		
Balance unspent at beginning of year	19 038	19 269
Current year receipts	-	-
Conditions met - transferred to revenue	-	(231)
Conditions still to be met - transferred to liabilities	<u>19 038</u>	<u>19 038</u>
<p>Department of Local Government and Traditional Affairs allocated funds to Council for the administration the Community Development Workers Programme. No funds have been withheld.</p>		

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 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 (DWAF) Cleanest Town Award		
Balance unspent at beginning of year	41 109	41 519
Current year receipts	-	-
Conditions met - transferred to revenue	(41 109)	(410)
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>41 109</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 (DWAF) Water Services Programme		
Balance unspent at beginning of year	205 307	231 855
Current year receipts	-	-
Conditions met - transferred to revenue	-	(26 548)
Conditions still to be met - transferred to liabilities	<u>205 307</u>	<u>205 307</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 (DWAF) Refurbishment Grant		
Balance unspent at beginning of year	70	3 743 670
Current year receipts	-	-
Conditions met - transferred to revenue	-	(3 743 600)
Conditions still to be met - transferred to liabilities	<u>70</u>	<u>70</u>
Department of Water Affairs Refurbishment Grant and Subsidy for Water Services Works. The grant is spent in accordance with an approved business plan.		

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
17 GOVERNMENT GRANTS AND SUBSIDIES (continued)		
17.15 Department of Water Affairs (DWAF) Institutional Support Programme Grant		
Balance unspent at beginning of year	82 398	283 578
Current year receipts	-283 000	-
Conditions met - transferred to revenue	200 602	(201 180)
Conditions still to be met - transferred to liabilities	-	82 398

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	1 325 834	1 105 002
Current year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(599 941)	(779 168)
Conditions still to be met - transferred to liabilities	1 725 893	1 325 834

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 Department of Water Affairs (DWAF) Accelerated Infrastructure Programme

Balance unspent at beginning of year	-	-
Current year receipts	4 210 000	-
Conditions met - transferred to revenue	(4 134 300)	-
Conditions still to be met - transferred to liabilities	75 700	-

Department of Water Affairs Accelerated Infrastructure Programme grant in support of the refurbishment and upgrade at the Esikhaleni Waste Water Treatment plant. The grant is spent in accordance with an approved business plan.

17.18 Department of Water Affairs (DWAF) Regional Bulk Water Projects

Balance unspent at beginning of year	-	-
Current year receipts	1 500 000	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	1 500 000	-

Department of Water Affairs Regional Bulk Water Projects grant in support of the installation of bulk pipelines to supply areas where there is a lack of water supply.

17.19 uThungulu District Municipality Environmental Health Costs

Balance unspent at beginning of year	-	-
Current year receipts	4 342 698	1 319 418
Conditions met - transferred to revenue	(4 342 698)	(1 319 418)
Conditions still to be met - transferred to liabilities	-	-

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.

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
17 GOVERNMENT GRANTS AND SUBSIDIES (continued)		
17.20 uThungulu District Municipality Capacity Building Grant		
Balance unspent at beginning of year	134 652	134 652
Current year receipts	-	-
Conditions met - transferred to revenue	(9 367)	-
Conditions still to be met - transferred to liabilities	<u>125 285</u>	<u>134 652</u>

uThungulu District Council allocated funds for capacity building grants. No funds have been withheld.

17.21 uThungulu District Municipality Museum Operating Subsidy

Balance unspent at beginning of year	11 849	31 049
Current year receipts	-	-
Conditions met - transferred to revenue	-	(19 200)
Conditions still to be met - transferred to liabilities	<u>11 849</u>	<u>11 849</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 - Hosting of Annual SMME Fair

Balance unspent at beginning of year	43 503	-
Current year receipts	5 000	44 050
Conditions met - transferred to revenue	-	(547)
Conditions still to be met - transferred to liabilities	<u>48 503</u>	<u>43 503</u>

uThungulu District Council donated assets inherited from United Nations Development Programme.

17.23 uThungulu District Council - Zulu Dance Competition

Balance unspent at beginning of year	20 000	-
Current year receipts	-	20 000
Conditions met - transferred to revenue	(20 000)	-
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>20 000</u>

uThungulu District Council donated assets inherited from United Nations Development Programme.

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
17 GOVERNMENT GRANTS AND SUBSIDIES (continued)		

17.24 Department of Agriculture and Environmental Affairs

Balance unspent at beginning of year	1 235 554	790 953
Current year receipts	-	515 000
Conditions met - transferred to revenue	(484 863)	(70 399)
Conditions still to be met - transferred to liabilities	<u>750 691</u>	<u>1 235 554</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.

17.25 Department of Minerals & Energy

Balance unspent at beginning of year	1 174 678	3 950 000
Current year receipts	(3 950 000)	-
Conditions met - transferred to revenue	2 775 322	(2 775 322)
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>1 174 678</u>

Department of Minerals and Energy in support of Electrification Projects. The grants are spent in accordance with an approved business proposal.

17.26 Department of Sport and Recreation

Balance unspent at beginning of year	12 666	69 156
Current year receipts	-	-
Conditions met - transferred to revenue	-	(56 490)
Conditions still to be met - transferred to liabilities	<u>12 666</u>	<u>12 666</u>

Funds were received for the upgrade of the Vulindlela Sports Facility. The grants are spent in accordance with an approved business proposal.

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
17 GOVERNMENT GRANTS AND SUBSIDIES (continued)		
17.27 Municipal Infrastructure Grant (MIG)		
Balance unspent at beginning of year	-	20 439 958
Current year receipts	71 404 000	22 809 000
Conditions met - transferred to revenue	(42 870 972)	(38 084 382)
Conditions met - transferred to own revenue (ex migvat)	(5 732 695)	(5 164 576)
Conditions still to be met - transferred to liabilities	22 800 333	-

This grant was used to construct water and sewerage infrastructure as part of the upgrading of informal settlement areas. No funds have been withheld.

17.26 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	1 175 896	996 841
Extension Fees	10 098 444	13 034 734
Connection Fees	2 091 619	6 439 014
MIG Vat Revenue	5 732 695	5 164 576
Reconnection Fees	3 829 998	3 053 789
Licence Drivers	1 851 892	1 399 508
Sundries	6 825 180	12 257 617
Stock Surplus	6 200	51 092
Total Other Income	31 611 923	42 397 171

19 EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages	238 576 663	219 352 957
Employee related costs - Contributions for UIF, pensions and medical aids	65 246 008	58 880 829
Travel, motor car, accommodation, subsistence and other allowances	44 172 431	40 255 332
Housing benefits and allowances	3 755 078	4 148 476
Overtime payments	31 214 678	29 865 127
Leave Payments	9 196 022	6 429 546
Cellphone allowance	1 024 864	800 804
Pensioners medical aid contributions	2 519 795	2 123 854
Less: Employee costs capitalised to Property, Plant and Equipment	(2 641 024)	(657 455)
Total Employee Related Costs	393 064 515	361 199 470

There were no advances to employees. Loans to employees are set out in note 13.

Remuneration of the Municipal Manager

Annual Remuneration	518 290	591 436
Annual Bonus	39 000	-
Performance Bonuses	-	-
Housing Subsidy	-	-
Travel Allowance	171 412	-
Contributions to UIF, Medical and Pension Funds	107 325	-
Total	836 027	591 436

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

19 EMPLOYEE RELATED COSTS (continued)

Remuneration of Senior Managers and Managers

	Deputy Municipal Manager R	Dep M Manager Community Services R	Dep M Manager Technical Services R
30 June 2012			
Annual Remuneration	-	691 382	707 626
Annual Bonus	-	18 425	-
Performance Bonuses	-	58 126	67 814
Housing Subsidy	-	-	-
Travel Allowance	-	137 210	254 289
Contributions to UIF, Medical and Pension Funds	-	97 485	158 437
Total	-	1 002 628	1 188 166

	Deputy Municipal Manager R	Dep M Manager Community Services R	Dep M Manager Technical Services R
30 June 2011			
Annual Remuneration	398 990	663 305	628 714
Annual Bonus	-	55 275	-
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

	Dep M Manager Financial Services R	Dep M Manager Corporate Services R	Dep M Manager City Development R
30 June 2012			
Annual Remuneration	811 946	779 736	648 588
Annual Bonus	61 287	-	-
Performance Bonuses	67 814	67 814	48 438
Travel Allowance	204 600	176 927	384 894
Contributions to UIF, Medical and Pension Funds	31 347	163 826	87 586
Total	1 176 994	1 188 303	1 169 506

	Dep M Manager Financial Services R	Dep M Manager Corporate Services R	D M 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

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

19 EMPLOYEE RELATED COSTS (continued)

	Head Financial Services R	Head Civil Engineering R	Head Electrical Engineering R
30 June 2012			
Annual Remuneration	457 650	611 510	572 246
Annual Bonus	38 137	-	-
Entertainment	1 400	-	-
Housing Subsidy	851	-	-
Travel Allowance	200 483	253 191	-
Contributions to UIF, Medical and Pension Funds	181 646	168 516	-
Total	880 167	1 033 217	572 246
30 June 2011			
Annual Remuneration	407 366	564 960	481 662
Annual Bonus	35 952	-	-
Entertainment	1 283	-	-
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

	Head Management Services R	Head Water & Sanitation R
30 June 2012		
Annual Remuneration	305 100	266 962
Annual Bonus	38 137	-
Entertainment	933	817
Housing Subsidy	-	-
Travel Allowance	133 384	117 150
Contributions to UIF, Medical and Pension Funds	66 212	65 277
Total	543 766	450 206
30 June 2011		
Annual Remuneration	36 509	-
Annual Bonus	-	-
Entertainment	-	-
Housing Subsidy	-	-
Travel Allowance	17 255	-
Contributions to UIF, Medical and Pension Funds	6 468	-
Total	60 232	-

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

19 EMPLOYEE RELATED COSTS (continued)

	Head Community & Public Participation R	Head Health & Public Safety R	Head Parks, Sports & Recreation R
30 June 2012			
Annual Remuneration	266 962	457 650	457 650
Annual Bonus	54 124	38 137	38 137
Entertainment	817	1 400	1 400
Housing Subsidy	-	-	-
Travel Allowance	115 530	200 483	200 483
Contributions to UIF, Medical and Pension Funds	162 176	160 084	185 786
Total	599 609	857 754	883 456
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
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

Special Advisor Air Pollution

	2012 R	2011 R
Annual Remuneration	-	72 637
Annual Bonus	-	-
Entertainment	-	233
Performance Bonuses	-	-
Housing Subsidy	-	1 004
Travel Allowance	-	29 573
Contributions to UIF, Medical and Pension Funds	-	592 873
Total	-	696 320

20 REMUNERATION OF COUNCILLORS

	2012 R	2011 R
Mayor	594 284	538 303
Deputy Mayor	479 635	415 946
Speaker	479 458	463 459
Executive Committee Members	4 048 392	3 390 028
Councillors	8 794 155	8 471 830
Councillors pension contribution	1 467 362	1 307 498
Total Councillors Remuneration	15 863 286	14 587 064

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.

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
21 FINANCE COSTS		
Long-term liabilities	82 480 951	88 507 547
Total Interest on External Borrowings	82 480 951	88 507 547
An amount of R22 563.77 relating to finance costs was capitalised to work in progress with 9.59% being the weighted average cost of funds borrowed by the municipality.		
22 BULK PURCHASES		
Electricity	756 049 083	578 673 988
Water	77 951 473	70 856 834
Total Bulk Purchases	834 000 556	649 530 822
23 GRANTS AND SUBSIDIES PAID		
Richards Bay Country Club	-	-
S P C A	293 800	239 200
uMhlathuze Tourism Association	241 877	322 114
Schools and uThungulu Community Forum	39 743	-
Zululand Expo	23 400	22 100
Sundries	184 205	65 400
Property Rates Relief	394 000	480 277
Port Dunford Flagship Programme	-	15 336
Total Grants and Subsidies	1 177 025	1 144 427
24 CASH GENERATED FROM OPERATIONS		
Surplus/(Deficit) for the year	(147 281 205)	(193 204 611)
Adjustment for:		
Depreciation	299 567 639	284 080 136
Amortisation	1 333 078	3 843 092
Post employment benefit expenses	28 941 000	38 794 000
Other grants received (excluded as non cash)	(142 397)	(146 538)
(Gain)/Loss on disposal of property, plant and equipment	-	(162 463)
Grant in aid (excluded as non cash)	394 000	352 693
Movement in bad debt provision	3 000 000	1 500 000
Investment income	(4 012 177)	(2 564 696)
Interest paid	82 480 951	88 507 547
Operating surplus before working capital changes:	264 280 889	220 999 160
(Increase)/ Decrease in inventories	15 838 589	19 966 717
(Increase) in debtors	(60 896 385)	(843 538)
Decrease/ (Increase) in other debtors	(6 563 110)	(7 558 358)
(Decrease)/ Increase/ in unspent conditional grants and receipts	23 045 822	(17 208 619)
(Decrease)/ Increase in creditors	38 933 085	(10 732 999)
(Increase)/ Decrease in VAT claimable	(3 156 879)	15 402 843
Increase in consumer deposits	2 360 197	6 008 666
Cash generated from operations	273 842 208	226 033 872

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
25 ELECTRICITY AND WATER LOSSES		
Water losses for the City of uMhlathuze calculated at a variable cost per kilolitre amounts to:		
Total Produced & Purchased (KL)	40 594 032	39 210 951
Total Sold (KL)	27 109 525	28 122 324
Water Loss in KL	13 484 507	11 088 627
% Loss	33.22%	28.28%
Variable Cost/Kl	R 1.19	R 1.16
	16 046 563	12 862 807

Water losses are attributable to the following reasons:

Non-technical reasons

Included in these losses is measured water through bulk meters supplying the Traditional Areas of Mkhwanazi South, North and Dube; however individual households are not metered yet hence not billed and therefore recorded as lost at this stage.

Bulk Measured but not billed - Traditional Rural Areas

Loss in Kilolitres	3 089 597	3 304 569
Loss in Rands	3 676 620	3 833 300

Technical reasons

Aged reticulation without sufficient replacement, refurbishment and maintenance.
Incorrectly calibrated meters.

Electricity losses for the City of uMhlathuze calculated at a unit cost per kilowatt amounts to:

Total Purchased (KW)	1 545 187 297	1 460 959 032
Total Sold (KW)	1 287 817 498	1 377 108 701
Electricity Loss in KW	257 369 799	83 850 331
% Loss	16.66%	5.74%
Unit cost /KW	R 0.48	R 0.39
	123 537 504	32 701 629

Electricity losses are attributable to the following reasons:

Technical reasons

Electrical resistivity in the network
Ageing of network without sufficient equipment replacement, refurbishment and maintenance
Incorrect meter calibration and monitoring

Non-technical reasons

Theft, unmetered supply and error in metering

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
26 ADDITIONAL DISCLOSURE		
26.1 Contributions to SALGA		
Council subscriptions	1 871 555	1 723 098
Amount paid	(1 871 555)	(1 723 098)
26.2 Audit fees		
Amount paid - current year	2 019 699	1 656 852
26.3 PAYE and UIF		
Opening balance	4 283 918	3 877 660
Current year payroll deductions	54 708 055	53 901 773
Amount paid - current year	(50 484 704)	(49 617 855)
Amount paid - previous year	(4 283 918)	(3 877 660)
Balance unpaid (included in creditors)	4 223 351	4 283 918

The balance represents June's contribution paid over in July.

26.4 Pension and Medical Aid Deductions		
Opening balance	7 223 986	3 864 983
Current year payroll deductions	90 261 239	85 524 104
Amount paid - current year	(85 442 105)	(78 300 118)
Amount paid - previous year	(7 223 986)	(3 864 983)
Balance unpaid (included in creditors)	4 819 134	7 223 986

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 2012**

	Total	Outstanding Less Than 90 Days	Outstanding More Than 90 Days
None	-	-	-
Total Councillor Arrear Consumer Account	-	-	-
30 June 2011			
Councillor Shangase LB	1 758	1 624	134
Total Councillor Arrear Consumer Account	1 758	1 624	134

During the year the following Councillor's had arrears accounts outstanding for more than 90 days.
The following represents the highest amount outstanding:

	Highest Amount Outstanding	Ageing
30 June 2012		
None	-	-

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
27 CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure:		
Approved and contracted for	26 557 237	105 214 081
Approved but not yet contracted for	179 925 863	115 520 119
Total capital commitments	206 483 100	220 734 200
This expenditure will be financed from:		
Internal Sources	46 567 500	18 152 200
External Loans	58 372 100	100 000 000
Grants	101 543 500	102 582 000
	206 483 100	220 734 200
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	43 500
Guarantee by City of uMhlathuze in respect of Postal services.	200 000	200 000
There is a dispute between Council and WJ Building and Civil Engineering CC regarding a variation incurred in a contract awarded for the Widening of Main Road Empangeni - contract 222/672/28. As to whether Council will be absolved of any liability is not known at this stage as such matter will server in the High Court shortly.		
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 independant valuers, IAC, carried out a statutory valuation for the year ended 30 June 2012.		
There are no planned assets.		
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	218 332 000	189 391 000
Unrecognised actuarial gain / (loss)	-	-
Liability in the Balance Sheet	218 332 000	189 391 000

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
29 POST EMPLOYMENT MEDICAL BENEFITS (continued)		
Movements in the defined benefit obligation is as follows:		
Balance at the beginning of the year	189 391 000	150 597 000
Current service cost	14 904 000	13 724 000
Interest cost	16 288 000	14 307 000
Benefits paid	(2 251 000)	(2 126 000)
Actuarial (gain) loss on obligation	-	12 889 000
	218 332 000	189 391 000

The amounts recognised in the Statement of Financial Performance were as follows:

Current service cost	14 904 000	13 724 000
Interest cost	16 288 000	14 307 000
Actuarial gain loss recognised during the year	-	12 889 000
Benefit paid	(2 251 000)	(2 126 000)
Net amount recognised in the Statement of Financial Performance	28 941 000	38 794 000

30 PROVISIONS**30 June 2012**

	Staff Leave	Staff Bonuses
Carrying amount at the beginning of the year	9 982 132	8 346 490
Increase/(decrease) during the year	1 118 642	822 805
Carrying amount at the end of the year	11 100 774	9 169 295

30 June 2011

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

Staff leave

Annual leave accrues to employees on a monthly basis, subject to certain conditions. The provision is an estimate of the amount due to staff as at financial year-end, based on the value of statutory and non-statutory leave.

Staff bonuses

Bonuses accrue to staff on an annual basis based on their anniversary month. The provision is an estimate of the amount due to staff as at the financial year-end.

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 ERROR**Restatement of Property, plant and equipment (accumulated depreciation)**

During the year the municipality discovered that the depreciation on infrastructure and community assets was overcharged.

The impact of this adjustment is as follows:

Amount as previously stated in the Financial statements	6 328 265 231
Correction of accumulated depreciation	(12 032 828)
Restated Property, plant and equipment (accumulated depreciation) at 30 June 2011	6 316 232 403

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
32 PRIOR PERIOD ERROR (continued)		
Restatement of Investment Properties (Accumulated depreciation)		
During the year, the municipality discovered that the depreciation on investment properties was overcharged.		
Amount as previously stated in the Financial statements		9 487 219
Correction of accumulated depreciation		(39 373)
Restated Investment Properties (Accumulated depreciation) at 30 June 2011		9 447 846
Restatement of Intangible assets (Accumulated Depreciation)		
During the year, the municipality discovered that the depreciation on intangible assets was overcharged.		
The impact of this adjustment is as follows:		
Amount as previously stated in the Financial statements		8 332 332
Correction of accumulated depreciation		(690 954)
Restated Intangible assets (accumulated depreciation) at 30 June 2011		7 641 378
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		62 158 000
Inventory land not previously recognised		7 371 930
Restated Inventory Land at 30 June 2011		69 529 930
Restatement of Accumulated Surplus		
Balance as previously stated in the Financial statements		3 498 167 984
Inventory land not previously recognised		7 371 930
Correction of accumulated depreciation		12 763 155
Restated Accumulated Surplus Balance at 30 June 2011		3 518 303 069

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

			2012 R	2011 R
33 SECTION 45 OF SUPPLY CHAIN MANAGEMENT REGULATIONS DISCLOSURE				
The municipality did business with the following companies who has members/directors who are in the service of the state:				
Company	Person	Service Department	Amount	
UWP Consulting (Pty) Ltd	RR Sumbana	Limpopo Province: Local Government	80 000	-
Bigen Africa (Pty) Ltd	I Abedian	Department Mineral Resources	149 318	-
Protea Coin Group (Pty) Ltd	DM Moisi	Department of Housing	15 176	-
Zanele Building & Civil Construction	RZ Buthelezi	Kwazulu Natal: Education	59 114	-
Premier Hotels & Resorts	JE Smith	National Department of Justice	3 750	-
Bikwayo Trading CC	CL Xaba	Kwazulu Natal: Education	16 117	-
RB Blinds	R Boshoff	Gauteng : Education	22 287	-
Philisanani Trading Enterprise	TL Mkhize	Kwazulu Natal: Health	119 208	-
Bongamagugu Multi Services	RG Hlongwane	Kwazulu Natal: Education	15 000	-
Isipho Samabomvu Construction	NG Ngubane	Kwazulu Natal: Education	29 400	-
Amouti Trading CC	L Augustine	Kwazulu Natal: Health	245 414	-
Nashua Mobile	D Nchoba	National Department Arts & Culture	22 368	-
			777 152	

The municipality does not have the facility of verifying members/directors of companies who are in the service of the state at the date of award of contracts. It be noted that only the office of the auditor general has access to such facility. This matter has been raised with the National, Provincial Treasury and the auditor general with a view of finding a solution.

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	1 684 379	1 595 702
Bank charges	1 189 739	1 041 258
Community facilitation	2 228 899	1 894 154
External audit fees	2 019 699	1 656 852
Fuel and oil	12 447 969	10 269 586
Insurances	4 711 802	4 518 628
Indigent services rendered	4 183 083	5 156 356
Legal fees	2 375 278	2 456 355
Licences and permits	1 405 198	1 125 084
Membership fees	2 063 563	1 910 770
Postage	1 133 786	1 083 563
Printing and Stationery	2 671 513	2 380 605
Programming material	4 365 331	3 733 810
Publicity	1 132 157	1 096 926
Rent equipment and vehicles	2 870 708	279 568
Waste disposal	2 529 023	2 071 574
Skills levy	3 219 604	2 894 384
Telephone	1 586 333	1 918 734
Research fund	621 766	495 058
Sport development	1 069 355	930 224
Stores and materials	902 526	942 079
Subsistence and travelling	1 225 429	754 298
Valuation roll	1 268 781	1 101 569
Sundries	10 638 357	8 834 908
Total	69 544 278	60 142 045

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
36 OPERATING LEASES		
	2012 R	2011 R

At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:

Within one year	2 400	2 400
In the second to fifth year inclusive	9 600	9 600
After five years	-	-
Total	12 000	12 000

Operating lease payments represent rentals payable by the municipality for certain of its office properties. No contingent rent is payable.

37 RELATED PARTY TRANSACTIONS

There were no related party transactions that occurred during the financial year.

38 CHANGE IN ACCOUNTING ESTIMATE

A change in the estimated useful lives of certain infrastructure assets and community assets with that were reaching their estimated useful lives has resulted in the following change in depreciation.

Depreciation according to initial estimated useful lives	64 872 651
Depreciation according to re-estimated useful lives	33 778 665
Reduction in depreciation	<u>31 093 986</u>

CITY OF UMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

39 COMPARISON OF ACTUAL WITH BUDGET

REVENUE	2012		2011		VARIANCE (%)	Explanation of significant variance greater than 10% versus budget
	2012 ACTUAL	ADJUSTED BUDGET	2012 VARIANCE	2011 VARIANCE		
Property Rates	204 613 796	204 650 000	(36 204)	(0)	(0)	
Service Charges	1 206 759 627	1 210 840 000	(4 080 373)	(0)	(0)	
Rental of Facilities and Equipment	16 132 869	13 096 000	3 036 869	23	23	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	4 012 177	1 200 000	2 812 177	234	234	Increase in funds available for investments during the year.
Interest Earned-Outstanding Debtors	1 639 381	1 359 800	279 581	21	21	Increase in amounts outstanding by debtors
Fines	3 004 784	2 046 600	958 184	47	47	Greater emphasis placed on the recovery of fines
Licences and Permits	1 831 263	1 638 600	192 663	12	12	
Income For Agency Services	5 922 207	5 300 000	622 207	12	12	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	231 543 392	269 269 100	(37 725 708)	(14)	(14)	
Public Contributions	644 188	770 000	(125 812)	(16)	(16)	
Other Income	31 611 923	18 701 200	12 910 723	69	69	Increased revenue on extension fees, connection fees and other sundries during the year.
Gains on Sale Of Land	5 857 088	-	5 857 088	-	-	
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	-	
Inter-Departmental Charges	-	-	-	-	-	
Total Revenue	1 713 572 695	1 728 871 300	(15 298 605)	(1)	(1)	
EXPENDITURE						
Employee related costs	393 064 515	410 246 900	(17 182 385)	(4)	(4)	
Remuneration of Councillors	15 863 285	16 551 200	(687 915)	(4)	(4)	
Bad debts	3 000 000	745 000	2 255 000	303	303	Amount includes the provision for doubtful debts which was increased during the year.
Collection costs	56 956	112 000	(55 044)	(49)	(49)	
Depreciation and amortisation	300 900 717	301 275 900	(375 183)	(0)	(0)	
Post employment benefits expenses	28 941 000	-	28 941 000	-	-	
Conditional grant expenditure	7 744 926	6 731 100	1 013 826	15	15	Spending on conditional grants improved to reduce the unspent conditional grants.
Repairs and maintenance	40 270 918	57 158 700	(16 887 782)	(30)	(30)	
Finance costs	82 480 951	90 412 700	(7 931 749)	(9)	(9)	
Bulk purchases	834 000 556	784 613 300	49 387 256	6	6	
Contracted services	83 808 772	80 654 200	3 154 572	4	4	
Grants and subsidies paid	1 177 025	2 215 300	(1 038 275)	(47)	(47)	
General expenses	69 544 278	140 919 600	(71 375 322)	(51)	(51)	
Inter-Departmental Charges	-	-	-	-	-	
Total Expenditure	1 860 853 899	1 891 635 900	(30 782 001)	(2)	(2)	
NET SURPLUS/(DEFICIT) FOR THE YEAR	(147 281 205)	(162 764 600)	15 483 396	1	1	

APPENDIX A
CITY OF uMHLATHUZE : SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012

EXTERNAL LOANS	Interest Rate	Loan Number	Redeemable	Balance at 30/06/2011 R	Received during the period R	Redeemed/ written off during the period R	Balance at 30/06/2012 R	Carrying Value Property, Plant & Equipment R	Other costs in accordance with MFMA
LONG-TERM LOANS									
Development Bank of SA	12.00%	10593	2018/03/31	4 903 905	-	479 464	4 424 441	229 925	
Development Bank of SA	12.00%	10594	2017/03/31	2 168 319	-	264 200	1 904 119	540 699	
Development Bank of SA	12.00%	10595	2017/03/31	8 141 040	-	991 949	7 149 091	2 005 619	
Development Bank of SA	12.00%	10596	2017/03/31	1 894 447	-	230 830	1 663 617	823 625	
Development Bank of SA	14.50%	10597	2018/03/31	6 259 692	-	563 277	5 696 415	880 610	
Development Bank of SA	12.00%	10600	2017/03/31	3 694 731	-	450 187	3 244 544	725 076	
Development Bank of SA	12.00%	10601	2017/03/31	2 196 065	-	267 580	1 928 485	53 904	
Development Bank of SA	12.00%	10602	2017/03/31	555 502	-	67 686	487 816	120 039	
				29 813 701	-	3 315 173	26 498 528	5 379 497	-
INCA	13.95%	UMHL	2019/06/30	11 722 512	-	963 305	10 759 207	15 036 937	
Development Bank of SA	16.16%	11665	2010/12/31	-	-	-	-	-	
Standard Bank	*1	357636	2015/03/31	51 444 043	-	10 071 958	41 372 085	53 833 891	
Nedbank	*2	05/7831	2016/06/30	52 943 526	-	9 425 240	43 518 286	24 780 845	
INCA	8.75%		2019/06/28	189 644 525	-	17 198 971	172 445 554	120 432 947	
Development Bank of SA	11.70%	103170	2018/12/31	206 816 865	-	18 445 097	188 371 768	76 869 745	
Development Bank of SA	6.75%	103494	2019/06/30	29 723 157	-	2 906 590	26 816 567	10 981 392	
Development Bank of SA	11.57%	103494	2019/06/30	87 851 757	-	7 144 557	80 707 200	31 375 406	
Nedbank	11.26%	05/7831/2	2019/12/31	171 481 878	-	12 924 930	158 556 948	142 384 697	
Nedbank	9.59%	131003878/3	2022/06/17	-	78 000	(266 418)	78 266 418	22 209 177	
TOTAL EXTERNAL LOANS				831 441 964	78 000	82 129 403	827 312 561	503 284 534	-

*1 = JIBAR plus 1.218%
*2 = Prime less 3.249%

APPENDIX B

CITY OF uMHLATHUZE : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2012

	Cost/Revaluation				Accumulated Depreciation				Transfers	Disposals	Closing Balance	Carrying Value
	Opening Balance	Transfers	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions				
	R		R	R	R	R	R	R	R	R	R	R
Land	558 833 950	13 503 000	-	-	-	545 330 950	-	-	-	-	-	545 330 950
	558 833 950	13 503 000	-	-	-	545 330 950	-	-	-	-	-	545 330 950
Infrastructure												
Electricity	537 073 367	561 891	7 764 586	493 627	-	545 893 470	200 446 194	-	212 878	23 841 470	-	224 500 543
Roads	3 246 374 240	2 501 355	2 486 045	50 436	-	3 251 412 077	1 971 968 554	-	500 271	88 375 613	-	2 060 844 438
Sewerage	1 312 906 786	118 541	1 228 988	40 549 406	-	1 354 803 721	718 260 782	-	21 007	36 817 396	-	755 069 185
Water	4 307 937 505	9 279 946	946 888	2 743 067	-	4 320 907 405	3 067 986 456	-	1 984 453	100 609 668	-	3 190 326 828
Security Measures	14 912 929	2 110 751	-	-	-	17 023 680	6 726 204	-	539 215	3 955 489	-	11 220 908
Pedestrian Malls	22 142 494	-	1 115 296	-	-	23 257 790	16 671 295	-	-	1 137 980	-	17 809 276
Airport - Taxiways	360 591	-	-	-	-	360 591	199 017	-	-	18 095	-	217 112
	9 441 707 912	14 572 483	13 541 804	43 836 536	-	9 513 658 735	6 002 258 502	-	3 257 825	254 755 712	-	6 260 272 039
Community Assets												
Beach Development	32 292 287	-	-	-	-	32 292 287	9 813 579	-	-	1 067 130	-	10 880 709
Cemeteries	16 813 458	-	3 450	-	-	16 816 908	3 159 237	-	-	527 309	-	3 686 546
Clinics	253 214	-	5 998	-	-	259 212	69 421	-	-	12 712	-	82 133
Community Centres	11 877 791	-	-	422 613	-	12 300 404	5 650 846	-	-	701 747	-	6 352 383
Fire Stations	2 535 790	-3 785	-	-	-	2 532 005	84 597	-	-	624 874	-	709 271
Land Main Investments	54 541 111	-	-	-	-	54 541 111	5 152 775	-	-	1 431 154	-	9 583 929
Libraries	9 729 109	-	-	-	-	9 729 109	462 881	-	(1 265)	5 907 577	-	6 369 193
Museum	2 221 571	-	-	-	-	2 221 571	-195 893	-	-	111 551	-	-84 142
Parks & Gardens	11 124 100	-	-	-	-	11 124 100	10 956 972	-	-	688 673	-	11 645 644
Public Conveniences	8 057 133	-	-	-	-	8 057 133	4 197 637	-	-	787 841	-	4 985 478
Recreation Facilities	51 848 433	-2 501 355	164 012	644 065	-	50 155 155	21 123 958	-	(500 271)	2 570 220	-	23 193 607
Stadiums	85 791 063	-	-	-	-	85 791 063	2 780 067	-	-	3 560 573	-	6 340 640
	287 085 060	(2 505 140)	173 460	1 066 678	-	285 820 058	72 240 551	-	(501 536)	12 006 368	-	83 745 402
Heritage Assets												
Painting & Art Galleries	68 702	-	-	-	-	68 702	-	-	-	-	-	68 702
	68 702	-	-	-	-	68 702	-	-	-	-	-	68 702
Other Assets												
Bins & Containers	4 832 401	-	56 296	-	-	4 888 697	3 068 597	-	-	478 338	-	3 546 935
Buildings	171 477 643	-	64 211	426 496	-	171 968 350	57 682 112	-	-	8 167 343	-	65 859 455
Emergency Equipment	305 561	-	-	-	-	305 561	106 450	-	-	27 548	-	133 969
Furniture & Fittings	9 217 482	-	171 600	-	-	9 389 082	6 530 576	-	-	854 823	-	7 385 399
Housing	72 036 586	(46 000)	-	622 772	-	72 613 358	22 588 832	-	-	1 696 607	-	24 285 439
Land Main Investments	69 169 075	-	-	-	-	69 169 075	50 063 252	-	-	-	-	50 093 252
Motor Vehicles	92 994 953	-	15 455 579	-	-	108 450 532	52 445 603	-	1 265	13 776 348	-	66 221 953
Office Equipment	24 139 263	3 785	739 614	-	-	24 879 187	17 907 704	-	(3 475)	2 489 748	-	20 395 242
Plant And Equipment	56 436 540	(12 071 128)	415 435	-	-	44 780 847	31 213 874	-	(2 757 554)	5 204 219	-	33 660 539
Water/Craft	352 552	-	-	-	-	352 552	86 346	-	-	87 168	-	179 038
	500 962 057	(12 113 343)	16 902 735	1 049 268	-	506 797 241	241 733 348	-	(2 756 289)	32 782 142	-	271 755 728
Total	10 788 657 681	(13 549 000)	30 617 998	45 952 482	(3 475)	10 851 675 685	6 316 232 401	(3 475)	-	299 544 242	-	6 615 773 169
												4 235 902 517

APPENDIX C

APPENDIX C

CITY OF uMHLATHUZE : SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2012

	Cost				Accumulated Depreciation				Carrying Value	
	Opening Balance	Transfers	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Closing Balance
	R		R	R	R	R	R	R	R	R
Budget & Treasury Office	1 732 450	-	57 665	-	-	1 790 115	1 427 401	107 342	-	1 534 743
Community & Social Services	257 652 588	-	204 841	387 996	-	258 245 425	97 873 875	13 146 313	-	111 020 188
Corporate Services	756 336 291	(13 503 000)	16 176 577	511 549	-	759 521 418	96 549 935	22 538 585	-	119 088 520
Electricity	512 019 989	-	7 783 601	493 627	-	520 297 217	181 616 526	24 431 264	-	206 047 790
Executive & Council	5 649 125	-	-	-	-	5 649 125	1 084 735	170 342	-	1 255 077
Health	934 304	-	17 128	-	-	951 431	797 490	48 588	-	846 079
Housing	72 036 586	(46 000)	-	622 772	-	72 613 358	22 588 832	1 696 607	-	24 285 439
Other	14 700	-	-	-	-	14 700	14 700	-	-	14 700
Planning & Development	5 405 447	-	271 361	-	-	5 676 807	4 200 927	250 185	-	4 451 112
Public Safety	30 743 087	(2 501 355)	88 525	-	-	28 330 257	13 537 987	2 219 403	(500 271)	15 257 119
Road Transport	3 253 067 953	2 501 355	2 237 245	-	-	3 257 806 553	2 001 443 860	83 035 774	500 271	2 084 979 903
Sport & Recreation	194 898 167	-	250 914	644 065	-	195 793 146	49 053 501	8 853 471	-	57 906 972
Waste Management	13 290 708	-	52 500	-	(2 566)	13 340 641	5 019 647	979 447	-	5 996 528
Waste Water Management	1 250 444 522	-	1 437 291	40 549 406	(455)	1 292 430 764	698 813 312	34 069 700	-	732 882 557
Water	4 434 431 764	-	2 040 351	2 743 067	(455)	4 439 214 728	3 142 209 676	107 997 221	-	3 250 206 443
Total	10 788 657 681	(13 549 000)	30 617 998	45 952 482	(3 475)	10 851 675 685	6 316 232 404	299 544 242	-	6 615 773 169
										4 235 902 522

APPENDIX D

CITY OF uMHLATHUZE: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

	2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/(Deficit) R		2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/(Deficit) R
	-	43 112 374	(43 112 374)	Executive & Council	268 113	51 002 613	(50 734 500)
9 758 423	145 475 565	(135 717 142)	Corporate Services		26 651 607	153 560 684	(126 909 077)
275 913 270	48 543 983	227 369 287	Budget & Treasury Office		317 957 748	50 116 555	267 841 193
2 057 955	17 580 424	(15 522 469)	Planning & Development		1 981 226	19 529 903	(17 548 677)
5 854 325	23 867 267	(18 012 942)	Health		9 164 208	25 455 316	(16 291 108)
3 649 940	61 852 145	(58 202 205)	Community & Social Services		6 226 360	64 037 783	(57 811 423)
3 499 267	8 303 174	(4 803 907)	Housing		2 908 541	5 477 006	(2 568 465)
3 637 664	72 661 149	(69 023 485)	Public Safety		4 970 998	75 833 837	(70 862 839)
4 141 393	104 326 166	(100 184 773)	Sport & Recreation		4 389 931	113 330 515	(108 940 584)
52 481 681	85 773 101	(33 291 420)	Waste Management		61 322 236	78 007 846	(16 685 610)
106 924 670	120 449 333	(13 524 663)	Waste Water Management		131 652 479	153 634 961	(21 982 482)
7 742 687	181 069 818	(173 327 131)	Road Transport		9 491 647	189 460 627	(179 968 980)
272 817 896	343 750 867	(70 932 971)	Water		262 552 924	357 130 583	(94 577 659)
800 427 973	828 059 705	(27 631 732)	Electricity		997 655 968	1 026 099 372	(28 443 404)
438 582	133 997	304 585	Other		8 850 855	79 932	8 770 923
1 549 345 726	2 084 959 068	(535 613 342)	Sub Total		1 846 044 841	2 362 757 533	(516 712 692)
(111 619 142)	(454 027 873)	342 408 731	Less: Inter- Dep Charges		(132 472 164)	(501 903 651)	369 431 487
1 437 726 584	1 630 931 195	(193 204 611)	Total		1 713 572 677	1 860 853 882	(147 281 205)

APPENDIX E(1)

CITY OF uMHLATHUZE : ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2012

	2012					
REVENUE	2012 ACTUAL	ADJUSTED		2011 VARIANCE	2011 VARIANCE (%)	Explanation of significant variance greater than 10% versus budget
		BUDGET	VARIANCE			
Property Rates	204 613 796	204 650 000	(36 204)		(0)	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.
Service Charges	1 206 759 627	1 210 840 000	(4 080 373)		(0)	
Rental of Facilities and Equipment	16 132 869	13 096 000	3 036 869		23	Increase in funds available for investments during the year.
Interest Earned-External Investments	4 012 177	1 200 000	2 812 177		234	
Interest Earned-Outstanding Debtors	1 639 381	1 359 800	279 581		21	
Fines	3 004 784	2 046 600	958 184		47	
Licences and Permits	1 831 263	1 638 600	192 663		12	
Income For Agency Services	5 922 207	5 300 000	622 207		12	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	231 543 392	269 269 100	(37 725 708)		(14)	
Public Contributions	644 188	770 000	(125 812)		(16)	
Other Income	31 611 923	18 701 200	12 910 723		69	Increased revenue on extension fees, connection fees and other sundries during the year.
Gains on Sale Of Land	5 857 088	-	5 857 088		-	
Gains on Disposal of Property, Plant and Equipment	-	-	-		-	
Inter-Departmental Charges	-	-	-		-	
Total Revenue	1 713 572 695	1 728 871 300	(15 298 605)		(1)	
EXPENDITURE						
Employee related costs	393 064 515	410 246 900	(17 182 385)		(4)	Amount includes the provision for doubtful debts which was increased during the year.
Remuneration of Councillors	15 863 285	16 551 200	(687 915)		(4)	
Bad debts	3 000 000	745 000	2 255 000		303	
Collection costs	56 956	112 000	(55 044)		(49)	
Depreciation and amortisation	300 900 717	301 275 900	(375 183)		(0)	
Post employment benefits expenses	28 941 000	-	28 941 000		-	Spending on conditional grants improved to reduce the unspent conditional grants.
Conditional grant expenditure	7 744 926	6 731 100	1 013 826		15	
Repairs and maintenance	40 270 918	57 158 700	(16 887 782)		(30)	
Finance costs	82 480 951	90 412 700	(7 931 749)		(9)	
Bulk purchases	834 000 556	784 613 300	49 387 256		6	
Contracted services	83 808 772	80 654 200	3 154 572		4	
Grants and subsidies paid	1 177 025	2 215 300	(1 038 275)		(47)	
General expenses	69 544 278	140 919 600	(71 375 322)		(51)	
Inter-Departmental Charges	-	-	-		-	
Total Expenditure	1 860 853 899	1 891 635 900	(30 782 001)		(2)	
NET SURPLUS/(DEFICIT) FOR THE YEAR	(147 281 205)	(162 764 600)	15 483 396		1	

APPENDIX E(2)
CITY OF UMHLATHUZE : ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2012

	<u>2012 ACTUAL</u> R	<u>2012 UNDER CONSTRUCTION</u> R	<u>2012 TOTAL ADDITIONS</u> R	<u>2012 ADJUSTED BUDGET</u> R	<u>2012 VARIANCE</u> R	<u>2012 VARIANCE</u> %	<u>Explanation of significant variances greater than 5% versus budget (Explanations To Be Recorded)</u>
Budget & Treasury Office	268 767	211 102	57 665	-	268 767	-	
Community & Social Services	592 837	387 996	204 841	2 040 900	(1 448 063)	(71)	
Corporate Services	18 639 826	2 414 984	16 224 842	30 503 300	11 863 474	(39)	
Electricity	8 277 228	493 627	7 783 601	19 269 900	(10 992 672)	(57)	
Health	17 128	-	17 128	-	17 128	-	
Housing	622 772	622 772	-	20 000 000	(19 377 228)	(97)	
Other	8 308 779	8 308 779	-	-	8 308 779	-	
Planning & Development	271 361	-	271 361	34 300	237 061	-	
Public Safety	88 525	-	88 525	1 564 900	(1 476 375)	(94)	
Road Transport	2 237 245	-	2 237 245	18 781 400	(16 544 155)	(88)	
Sport & Recreation	894 979	644 065	250 914	2 310 300	(1 415 321)	(61)	
Waste Management	52 500	-	52 500	-	52 500	-	
Waste Water Management	42 022 806	40 549 406	1 473 400	63 793 100	(21 770 294)	(34)	
Water	4 747 307	2 743 067	2 004 240	20 479 200	(15 731 893)	(77)	
Total	87 042 060	56 375 798	30 666 262	178 777 300	(68 008 292)	(38)	

APPENDIX F CITY OF uMHLATHUZE DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 (continued)																
Name of Grants	Name of organ of state	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed/withheld				
		Sept 2011	Dec 2011	Mar 2012	June 2012	Total 2011/2012 as per MFMA	Sept 2011	Dec 2011	Mar 2012	June 2012	Total 2011/2012 as per MFMA	Sept 2011	Dec 2011	Mar 2012	June 2012	Total 2011/2012 as per MFMA
Museum Subsidy	KZN - Dept of Education and Culture	-	2 123 000	1 201 000	1 201 000	4 524 000	552 000	3 570 000	4 150 000	5 305 300	10 025 300	-	-	-	-	-
Library Subsidy	KZN - Dept of Education and Culture	-	2 123 000	1 201 000	1 201 000	4 524 000	552 000	3 570 000	4 150 000	5 305 300	10 025 300	-	-	-	-	-
Exhibition Subsidy	KZN - Dept of Education and Culture	-	2 123 000	1 201 000	1 201 000	4 524 000	552 000	3 570 000	4 150 000	5 305 300	10 025 300	-	-	-	-	-
Infrastructure Grants	KZN - Dept of Housing	148 792	-	138 214	132 863	562 400	108 514	94 156	119 191	598 316	912 177	-	-	-	-	-
Public Internet access - libraries	KZN - Dept of Library Services	-	-	-	-	595 200	142 384	158 888	150 026	150 026	602 503	-	-	-	-	-
Library Subsidy	KZN - Dept of Library Services	-	2 851 404	-	-	2 851 404	2 409 167	2 387 516	2 378 023	3 903 604	11 278 309	-	-	-	-	-
Donation of assets	KZN - Dept of Local Gov and Trad Affairs	-	-	-	135 597	135 597	-	-	-	-	135 597	-	-	-	-	-
Community Development Workers Programme	KZN - Dept of Local Gov and Trad Affairs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Preventive Health Screening System	KZN - Dept of Local Gov and Trad Affairs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
GIS Support	KZN - Dept of Local Gov and Trad Affairs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corridor Development	KZN - Dept of Co-Operative Governance and Traditional Affairs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Urban Development Framework Plan	KZN - Dept of Co-Operative Governance and Traditional Affairs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Extension to Richards Bay Airport	KZN - Dept of Co-Operative Governance and Traditional Affairs	-	-	3 066 823	6 405 185	9 472 008	-	-	-	-	-	-	-	-	-	-
Upgrade of Vukile Sports Facility	KZN - Dept of Sport and Recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land Use Management	KZN - Dept of Local Gov and Trad Affairs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
APPENDIX F CITY OF uMHLATHUZE DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 (continued)																
Name of Grants	Name of organ of state	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed/withheld				
		Sept 2011	Dec 2011	Mar 2012	June 2012	Total 2011/2012 as per MFMA	Sept 2011	Dec 2011	Mar 2012	June 2012	Total 2011/2012 as per MFMA	Sept 2011	Dec 2011	Mar 2012	June 2012	Total 2011/2012 as per MFMA
Redevelopment of Pumpation Grant	Nat - Dept of Water Affairs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutional Support	Nat - Dept of Water Affairs	-	-	-	(283 000)	(283 000)	-	-	-	(200 602)	(200 602)	-	-	-	(283 000)	(283 000)
Institutional Support (Water conservation and demand management project)	Nat - Dept of Water Affairs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accelerated Infrastructure programme	Nat - Dept of Water Affairs	-	1 000 000	-	-	1 000 000	77 220	87 669	4 161	430 842	595 842	-	-	-	-	-
Regional Bulk Water Project	Nat - Dept of Water Affairs	-	4 200 000	1 500 000	-	5 700 000	-	-	-	4 134 300	4 134 300	-	-	-	-	-
Recycling Project	KZN - Dept of Agriculture and Environmental Affairs	-	-	-	-	-	-	-	-	2 786	2 786	-	-	-	-	-
Cleanest Town Award	Nat - Dept of Water Affairs	-	-	-	-	-	80 749	167 351	49 900	225 195	523 186	-	-	-	-	-
Municipal Infrastructure Grant	National Treasury	24 500 000	46 904 000	-	-	71 404 000	15 266 915	15 867 677	17 439 075	48 603 667	134 495 667	-	-	-	-	-
Financial Management Grant	National Treasury	1 450 000	-	-	-	1 450 000	463 020	232 070	196 026	453 842	1 344 958	-	-	-	-	-
Municipal Systems Improvement Grant (MSIG)	National Treasury	-	790 000	-	(128 000)	662 000	90 591	81 569	446 721	285 190	904 091	-	-	-	(128 000)	(128 000)
Equitable Share	National Treasury	67 073 000	29 367 000	60 981 000	4 361 000	161 782 000	-	-	-	-	-	-	-	-	-	-
Electrification	Nat - Dept of Minerals and Energy	-	-	-	(3 950 000)	(3 950 000)	-	-	-	(2 775 322)	(2 775 322)	-	-	-	(3 950 000)	(3 950 000)
Capacity Building	uThungulu District Municipality	-	-	-	-	-	708	8 560	-	-	9 268	-	-	-	-	-
Water Supply	uThungulu District Municipality	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Zulu Dance Competition	uThungulu District Municipality	-	-	-	-	-	20 000	-	-	-	20 000	-	-	-	-	-
Holding of S.M.E. Fair	uThungulu District Municipality	-	5 000	-	-	5 000	-	-	-	-	-	-	-	-	-	-
Environmental Health Services	uThungulu District Municipality	-	-	3 257 027	1 065 671	4 342 698	1 905 705	1 997 002	2 019 577	2 401 820	8 324 194	-	-	-	-	-

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 2012 in terms of Section 121(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 8: RESTATEMENT OF CORRESPONDING FIGURES

This matter was as a result of correction of amounts which affected the prior year results.

PARAGRAPH 9: MATERIAL LOSSES

Water losses

JOAT consultants appointed to do a 5 year strategic plan for the reduction of non- revenue water. A presentation was done by JOAT to EXCO on 6 November 2012. About R36 million is needed in 5 years to reduce non-revenue water. Other actions to be taken include:

- ☐ Installation of meters in rural areas - 7 contractors appointed to install 1600 meter installations
- ☐ Pressure management at strategic areas to reduce pipe burst and leaks.
- ☐ Water education programs in schools

Electricity losses

The Electricity Services Supply Section has embarked on the following initiatives to try and establish the sources for losses, as well as to eventually be able to classify them accurately.

- ☐ The installation of meters on all LV sides of mini sub-stations.
- ☐ The installation of meters on all HV sides of mini sub-stations and associated RMU's, along the ring network.
- ☐ The installation of meters on all 11kV feeders, which are incomers into other secondary sub-stations, as well as incomers into the mini sub stations.
- ☐ The installation of meters on all 132kV feeders that feed into all the secondary sub-stations, usually with transformation.
- ☐ By metering at all points across the network, as outlined above, the abovementioned losses will be detected very accurately

PARAGRAPH 11: UNAUDITED SUPPLEMENTARY SCHEDULES

Comments are noted

PARAGRAPH 15: CHANGES TO TARGETS NOT APPROVED

The approach going forward is that in February during an adjustment budget stage the entire OPMS will be submitted to Council as part of the amendments irrespective whether there are changes or not.

PARAGRAPH 17: 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. Council also did comply with section 45 of the SCM regulations which requires disclosure on the financial statements of any awards made to persons in the service of the state. The challenge around this issue is currently being discussed by both Provincial and National Treasuries.

The challenge is national wide where by Municipalities don't have the facility of checking companies whether they have members in the service of the State. Over and above this only the auditor general can check because they have access to the persal system which contain information of all government officials.

Chapter 6



Key information and Demographic Data

The City of uMhlathuze is one of six local municipalities situated within the uThungulu District Council area in KwaZulu-Natal. The area comprises urban settlement, 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 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, users should note that attempts were made to adjust the measurements to a best estimate using information and predictions 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 uMhlathuze 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 1000 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, and 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 a total of 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, 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.
- 64% of households own their dwelling, while 17,8% rent



	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

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	

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 Nseleni rural area is the lowest as over 40% of all households have no income.
- Close to 20% of households in the Ngwelezane, Esikhwini and Nseleni rural areas earn between R9601 and R19200 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 R4801 and R38400 per annum.
- On average, the income distribution between households in Mzingazi Village and Mandlazini is between the R4801 and R76800 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 R153601 per annum, only 2% of households in Nseleni Urban earn this annual income.
- 23% of households in Nseleni Urban 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, Nseleni or Esikhwini.
- A large number of individuals in Nseleni and Esikhwini earn less than R400 per month.

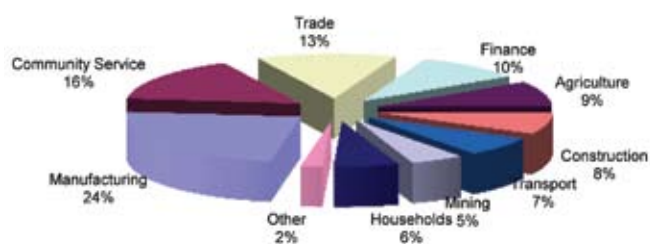
Labour Market Status

The unemployment levels in the area are high at 36,28% 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 is preferred by many people provided that the amenities associated with urban areas such as water, electricity, schools and clinics, are available.

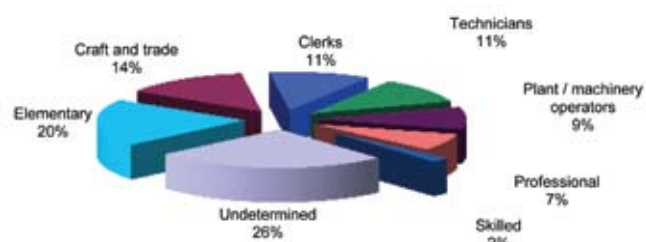
There are still very few economic opportunities and formal employment in the former township areas.

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.

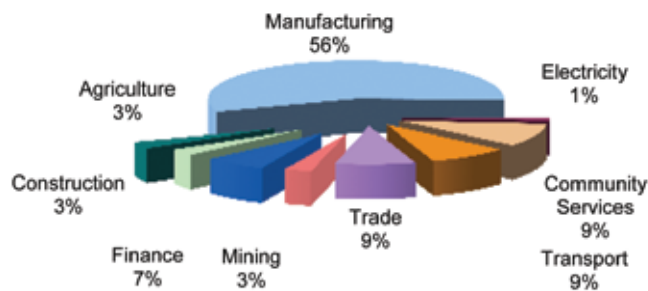
Economic performance

The local economy forms an integral part of the international and national economies. The presence of a number of huge exporting and importing industries, notably Billiton's aluminium smelters, Richards Bay Minerals, Mondi Kraft, Foskor, Bell Equipment, Ticor, Exxaro KZN Sands, Richards Bay Coal Terminal, agricultural activity (sugar cane and timber) and the port of Richards Bay, means that the welfare of the region is influenced by international and national market movements.



- 95% of economic activity is vested in Richards Bay, Empangeni and Felixton.
- The area is 3rd most important in the province of KwaZulu Natal in terms of economic production, contributes 7,6% of the total Gross Geographic Product and 5,5 % of total formal employment.
- Year on year economical activity expanded by 14,09%.

Percentage Sectoral Contribution to GGP



Business

- The population is served by 5 business districts with 23 shopping centres and a combined total of 265 000m² commercial floor space.
- There are ± 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 energy source for cooking and 91,8% use it as a lighting source. 82,3% use it as a source of heating. 18,9% of households uses 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 electricity every month.

Water, sanitation and waste removal

- 97,22 of households have access to running water; and 93% of households has 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 623km.
- 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 for households and 1 326 for businesses.
- 58% of the population has access to waste removal services; approximately 2 500 tons of waste is collected on a weekly basis. 47,6% of waste collected is domestic waste and 12,3% is garden waste.

Telecommunication

- 42,5% of all households has 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 minibuses 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 close to 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 – 465 km and Durban 160 km.
- The average monthly passenger departure in 2007 was 3694 at the Richards Bay Airport
- The number of vessels in the harbour averaged 308

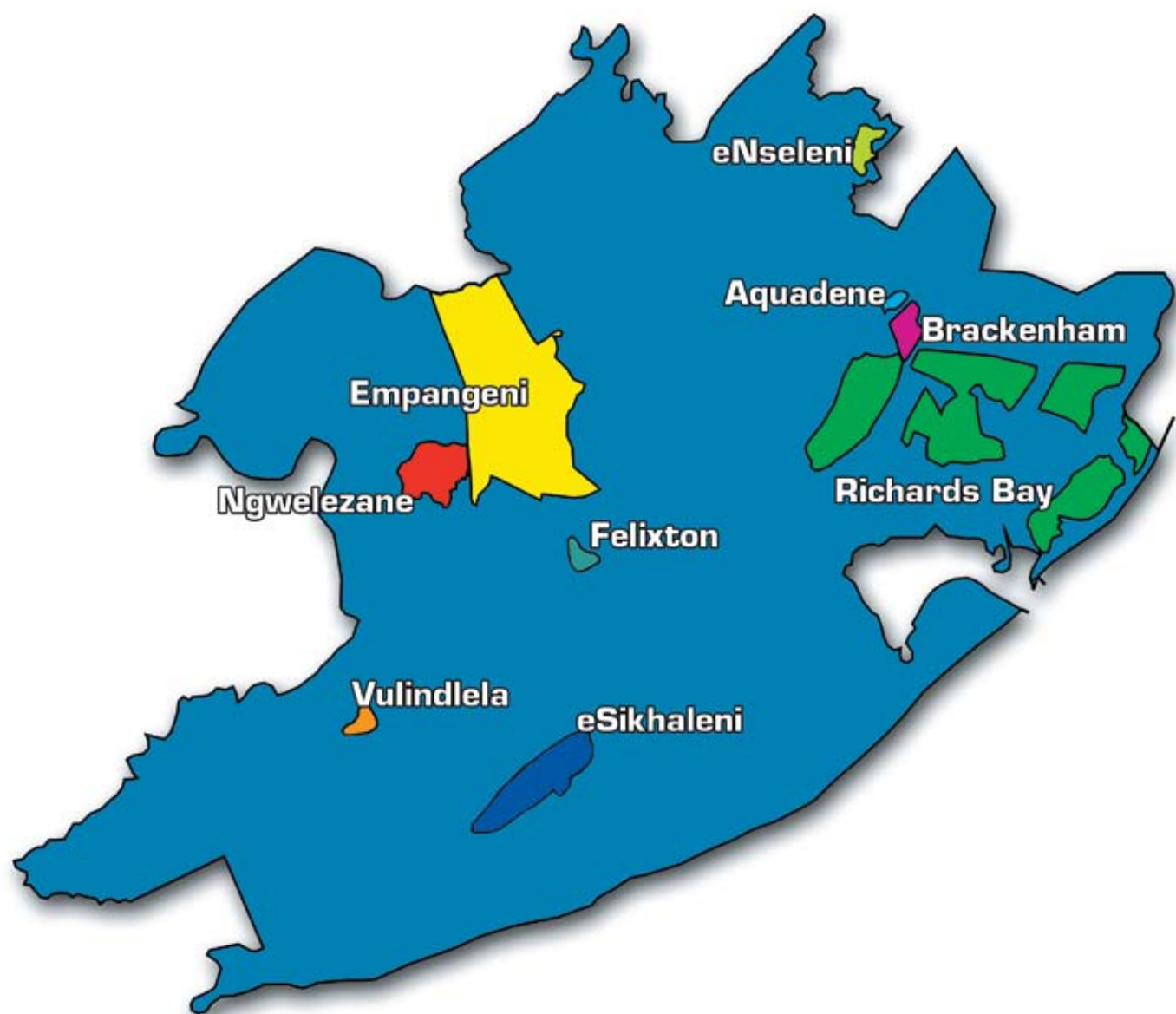
Community Facilities

- Municipal sport 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, two golf courses, two bowling greens, 15 combi courts, nine swimming pools.
- There are 809 sports 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.
- 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°-14°C in winter and reaching 32°-35°C during summer months. Average daily temperature is 28°C in summer and 22°C in winter.
- Summers are hot and humid, and experience majority of annual rainfall, while winters are warm and dry with occasional frost in the interior.
- Prevailing winds are north-easterly and southwesterly.
- The long term average annual rainfall for Richards Bay area is about 1200mm decreasing to about 1000mm 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 (189,1ha) and the Richards Bay Harbour (2 353 ha) 25,76% of all urban land in Richards Bay is zoned either as Public Open space or Conservation Amenity. There are two nature reserves within the municipal area.





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