

Umsobomvu Municipality
Continuously Rising

ANNUAL REPORT 2014/15

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CHAPTER 1: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

CHAPTER 1

COMPONENT A: MAYOR'S FOREWORD

VISION

To be the fastest economically developing municipality in South Africa.

MISSION

To uplift our community socially and economically, by delivering quality services and customer care through our dedicated staff.

VALUES

- * Respect;
- * Responsiveness;
- * Integrity;
- * Dedication;
- * Accountability.

SLOGAN

South Africa's halfway house with great possibilities.

KEY SERVICE DELIVERY IMPROVEMENTS

During the oversight period the municipality succeeded to implement various projects listed in the 2014/15 Integrated Development Plan (IDP). The following projects were implemented:

WATER & SANITATION

Noupoort Bulk Water Supply, Noupoort Bulk Water Supply LLC, Colesberg Storm Water project, Norvalspont Storm Water project and Norvalspont Bulk Water and Internal Sewerage project.

ROADS

Paving of Louisa Street in Noupoort, paving of access road in Kwazamuxolo Noupoort to the N 9, paving of Bali Street in Norvalspont and paving of Ring road in Colesberg.

ELECTRICITY

Energy Efficiency-Retro-fitting and Electrification of New Ouboks Phase 3. A total of 100 housing units still needed to be completed.



CHAPTER 1: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

Of the abovementioned these projects the following projects were completed: Colesberg Storm Water project, Norvalspont Storm Water project and Bali paving in Norvalspont.

LOCAL ECONOMIC DEVELOPMENT

Various Local Economic Development projects were initiated to enhance job creation. The following LED projects were completed: Stone pitching of storm-water channels in Colesberg and Norvalspont.

MUNICIPAL AMENITIES

The Norvalspont Community Hall and a new library has been completed. The municipality is awaiting ESKOM to provide an electricity connection to supply the buildings with electricity.

HOUSING

The construction of the 49 Housing Project in Noupoort started which entails the total re-building of 33 houses that were build pre-1994 which was damaged extensively due to foundation failure. The project was scaled down to 33 houses due to a number of inhabitants failed to qualify.

COMMUNITY WORKS PROGRAMME

The municipality signed an agreement with the national government to implementation of the Community Works Program (CWP) has since employed 250 community member. The programme will run over in the 2015/16 financial year and 350 community members will ultimately be employed.

PUBLIC PARTICIPATION

Umsobomvu Municipality is committed to the development of a culture of community participation. The municipality encourages and creates conditions for the local community to participate in the affairs of the municipality through the following processes;

- The preparation, implementation and review of its integrated development plan.
- The establishment, implementation and review of its performance management system.
- Determination, consideration and adoption of by-laws.
- The monitoring and review of its performance, including the outcome and impact of such performance.
- The preparation of its budget.
- Strategic decisions relating to the provision of services.

CHAPTER 1: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

WARD COMMITTEES

All Ward Committees are established and function properly. Ward Committee members are elected from various sectors of the community.

Ward Committees assist the Ward Councillor and the municipality in the following areas:

1. Consulting the community and identifying of problems with service delivery;
2. Assessing community needs;
3. Building partnerships
4. Dissemination of information.

FUTURE ACTIONS

The municipality embarked on a process to ultimately survey 410 erven in Norvalspont. The first phase of the project is to do a geotechnical study where-after the town planning, surveying, registration in the Surveyor General Office and the Deeds Office will follow. The Noupoot community will be benefited with a new sport stadium with funds that have been donated by the Lotto. Noupoot will also benefit with 50 houses in Tyoksville that has been approved by COGHSTA. The paving of Voortrekker Street in Noupoot will also start soon.

In Colesberg the project to replace the old asbestos internal water network project is awaiting approval of funding from the Accelerated Community Infra- Structure Projects (ACIP). The paving of Kemper Street in Colesberg will also start soon.

The Umsobomvu Industrial Development City is at a developmental stage and it is envisaged that investors would support this initiative because this project would be able to unlock business opportunities and thereby create sustainable jobs in Umsobomvu.

AGREEMENTS/PARTNERSHIPS

The municipality a partner in a Shared Service Agreement with the Pixley Ka Seme District Municipality to render internal audit and Land Use Management services to Umsobomvu.

BUDGETS

Due to irregular expenditure (proper procurement processes not followed) that occurred at year end I submitted an Adjustments Budget in terms of the MFMA and Budget Circular 74 for approval by Council. As required by legislation the Adjustment Budget with detailed explanations is included as an addendum to this report and all figures and tables submitted in this report represent the adjusted figures.

CHAPTER 1: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

CONCLUSION

I want to rededicate the combined efforts of the political leadership and management of Umsobomvu Municipality to the task of fulfilling the mandate given to the ruling party to manage the affairs of Umsobomvu municipality on behalf of the local community within the policy priorities set by the national government to create a better life for all our people.

.....

N L HERMANS

MAYOR

DRAFT

CHAPTER 1: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

COMPONENT B: EXECUTIVE SUMMARY

1.1 MUNICIPAL MANAGER'S OVERVIEW

As 2015 comes to the end, it means that 2014/15 financial year performance has to be reported. As the laws governing Local Government stipulates that 90 days after the end of the financial an annual report must be prepared and tabled to the Council, one cannot help then but reflect on achievements and challenges of the year passing.

I am sure like me you are in a position to take stock of the accomplishments of 2014/15 financial year. As a municipality through our I.D.P. processes, we have set ourselves a number of ambitious targets/goals for 2014/15 and many of which, we have achieved and some did not quite go according to the plan. Nevertheless, I can safely say that as I reflect on 2014/15 financial year, I do so with tremendous pride and heartfelt gratitude.



The details of the municipal performance is sufficiently and clearly captured in the Annexures which deals with performances of various departments and units within the report, safe to raise some keys achievements and challenges during the year.

Key Challenges

The 2014/15 financial year was marked by major labour instability which manifested itself through one of the longest strike just towards the end of 2014 and beginning of 2015. The strike action by municipal employees did have a formidable impact on service delivery during the year under review.

The other matter which attributed to lack of excellence in service delivery was the lack of funds to undertake some of the programs and projects that communities wanted during the year under review.

Key Achievements

The municipality has managed to build a clinic, community hall, libraries and upgraded some gravel roads etc. in our area of jurisdiction. Not to forget that in terms of financial management, the municipality has been doing very well as it was able to meet its financial obligations monthly and secured a third "Unqualified Audit Report" with some matters of emphasis.

As a municipality, our commitment has been to provide exceptional provision of services and customer care package to our community members.

We also appreciate the compliments and support that we get from our communities as the municipality is tri-pot. Lastly, I would like to thank the political leadership of the municipality for their unwavering administrative support they have given the administration and the municipal employees who have taken the task of service delivery into their hearts once again thank you very much.

CHAPTER 1: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

.....

A MPELA

MUNICIPAL MANAGER

DRAFT

CHAPTER 1: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

1.2 MUNICIPAL OVERVIEW

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

The 2014/15 Annual Report reflects on the performance of the Umsobomvu Municipality for the period 1 July 2014 to 30 June 2015. The Annual Report is prepared in terms of Section 121(1) of the Municipal Finance Management Act (MFMA), in terms of which the Municipality must prepare an Annual Report for each financial year.

1.2.1 VISION AND MISSION

The Umsobomvu Municipality committed itself to the following vision and mission:

Vision:

“Our Vision is to be the Fastest Economically Developing Municipality in South Africa.”

Mission:

“Our Mission is to serve our community by delivering quality services and customer care through dedicated staff for the upliftment of our community socially and economically.”

1.3 MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

1.3.1 POPULATION

The municipality is estimated to have a population of 23 809 in the 2014/15 financial year. This shows a 0.70% increase against the population of 23 643 in 2013/14.

A) TOTAL POPULATION

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

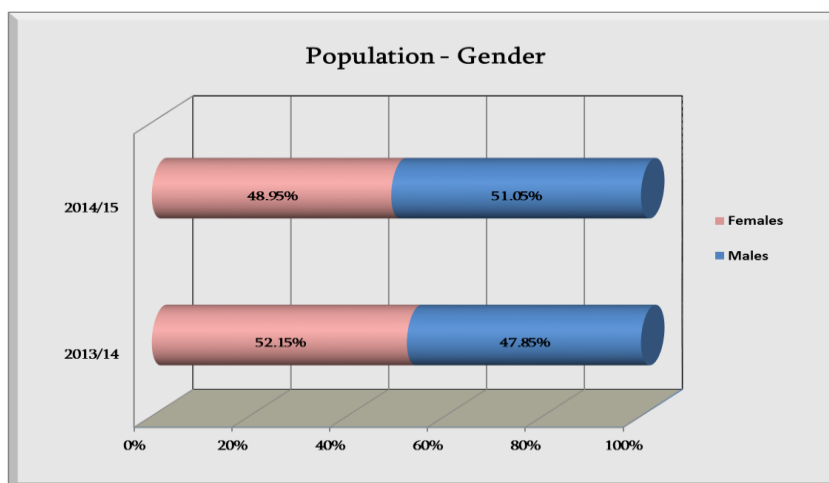
Year	Total Population	Male	Female
2013/14	23 643	11 313	12 330
2014/15	23 809	11 879	11 930

Source: Annual Report 2013/14

Table 1.: Demographic information of the municipal area – Total population

CHAPTER 1: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

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



Graph 1.: Total Population Growth

1.3.2 HOUSEHOLDS

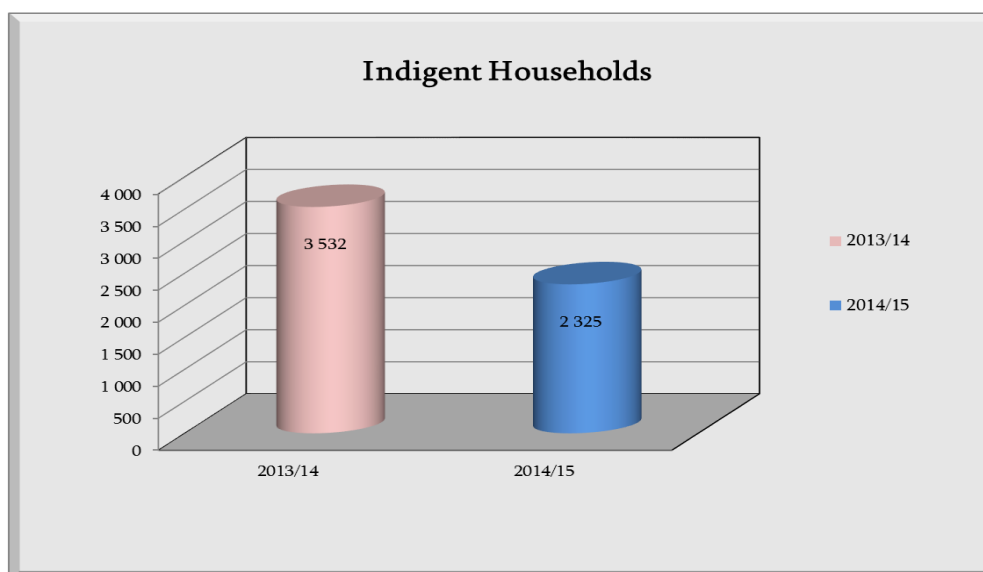
The total number of households within the municipal area decreased from 7 841 households in the 2013/14 financial year to a total of 6 274 households in the 2014/15 financial year.

Households	2013/14	2014/15
Number of households in municipal area	7 841	8 806
Number of indigent households in municipal area	3 532	2 325

Table 2.: Total number of households

CHAPTER 1: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

The graph below shows that the total number of indigent households decreased from 3 532 households in 2013/14 to 2 325 households in the 2014/15 financial year.



Graph 2.: Indigent households

1.3.3 SOCIO ECONOMIC STATUS

Financial year	Housing Backlog as a proportion of current demand	Unemployment rate	Proportion of Households with no Income	Proportion of Low-skilled Employment	HIV/AIDS Prevalence	People older than 14 years illiterate
2013/14	21%	33%	26%	52%	20%	16%
2014/15	22%	34%	27%	49%	19%	15%

Source: Annual Report 2013/14

Table 3.: Socio Economic Status

1.3.4 DEMOGRAPHIC INFORMATION

MUNICIPAL GEOGRAPHICAL INFORMATION

Umsobomvu Local Municipality was established to manage and provide services to the local management area NC 072 which is 6 819 square km in size. The Umsobomvu Municipality forms part of the Pixley Ka Seme District Municipality which is located in the south-eastern part of the Northern Cape Province and is a Category B Municipality. It is made up of three main entities, namely Colesberg, Noupoort, and Norvalspont, which is also called Kwa-Masizakhe.

Colesberg is the “capital” of Umsobomvu Local Municipality and was named after Sir Lowry Cole - governor of the Cape of Good Hope 1828 - 1833. The town of Colesberg is situated in the Great Karoo in the Northern Cape. It is on the N1 approximately halfway between Johannesburg and Cape Town at the foot of Coleskop. This makes it the ideal

CHAPTER 1: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

stop over place when travelling between Cape Town and Johannesburg. Colesberg is also situated on the N9 on the Port Elizabeth Road.

The other two components of this municipality are Noupoot, a town facing dramatic economic decline after the virtual closure of the Spoornet station, and Norvalspont, a small black settlement located near the Gariep Dam.

Farming in the area is dedicated almost entirely to horses and merino sheep, while in a sheep-farming area spread over half-a-million hectares, greater Colesberg breeds many of the country's top merinos. It is also renowned for producing high-quality racehorses and many stud farms, including one owned by legendary golfer, Gary Player, are nearby. The ostrich-feather boom of the early 1900s, which left many farmers rich, is forgotten.

The District Municipality is neighboured by 3 provinces, namely Free State on the northern side, Eastern Cape on the eastern side and the Western Cape on the southern side. Within the Northern Cape the district is neighboured by Frances Baard, Siyanda and the Namakwa Districts. Umsobomvu Local Municipality's economical activities are dominated by agricultural, services and tourism. The locality of Umsobomvu Local Municipality in relation to other municipalities and provinces in the region is depicted in Figure 1. Major road transport corridors are within the boundaries of Umsobomvu municipality for example the N1 that links Cape Town in the south with Johannesburg/Pretoria in the north, the N9 which links Port Elizabeth and the Eastern Cape with Johannesburg/Pretoria in the north.

WARDS

The municipality is structured into the following 5 wards:

Ward	Areas
1	Kwazamuxolo and Noupoot
2	Eurekaville and Norvalspont
3	Bongweni, Kayalitha, Masiphakame, New Ouboks
4	Lowryville Towervallei and Operation Vula
5	Colesberg town and Ouboks

Table 4: Municipal Wards

CHAPTER 1: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

Below is a map that indicates the Municipal Area in the Pixley Ka Seme District Area:

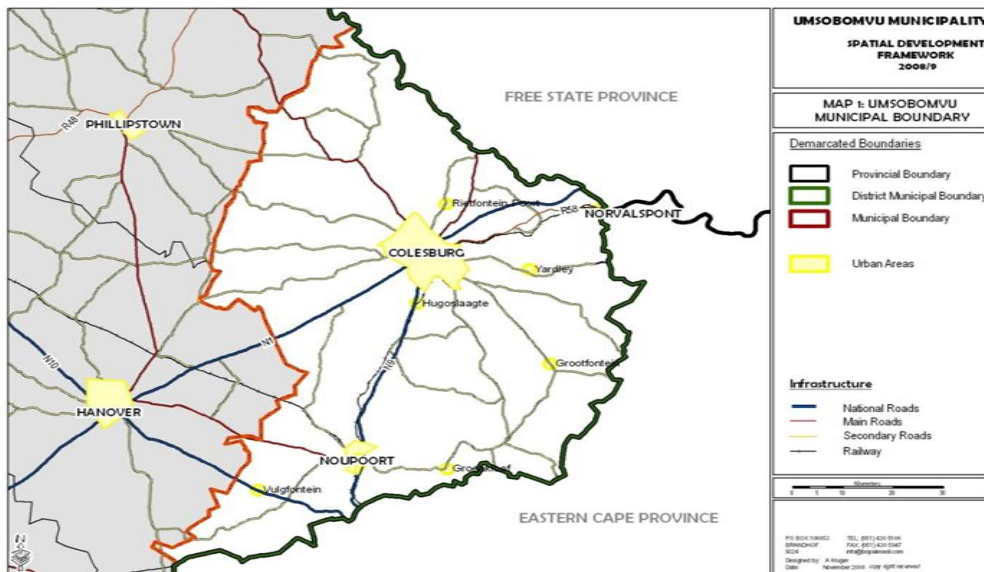


Figure 1.: Umsobomvu Area map

COLESBERG

Colesberg is the main centre of Umsobomvu Municipality. It is located at the junction of the national roads from Johannesburg to Cape Town and Port Elizabeth in the south. It is approximately 25 kilometres south of the Orange River and 284 kilometres southeast of Kimberley, the provincial capital. Colesberg is situated approximately halfway between Johannesburg and Cape Town and makes it the ideal stop-over when travelling between Cape Town and Johannesburg.

NOUPOORT

Noupoort is situated along the N9 route from Colesberg to Middelburg on the way to Cradock and Port Elizabeth. It is 56 kilometres south of Colesberg. Noupoort experienced dramatic economic decline after the closure of the Spoornet station.

NORVALSPONT

The smallest of the three entities, Norvalspont is a settlement situated 40 kilometres east of Colesberg on the way to the Gariep Dam. It rests on the banks of the Orange River and is a small black settlement, also called Kwa-Masizakhe.

NATURAL RESOURCES

The following table shows the natural resources within the Umsobomvu Local Municipality

Major Natural Resource	Relevance to Community
Orange River	Water source for human consumption, agriculture, recreation, industries and businesses, electricity generation
Abundance of land	Housing and business development

CHAPTER 1: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

Major Natural Resource	Relevance to Community
Major transport routes	Business opportunities, effective and efficient marketing of area
Unpolluted areas	Healthy population, attractive to metropolitan residents
Doornkloof Nature Reserve	Recreation and tourist attraction

Table 5.: Natural Resources

1.4 SERVICE DELIVERY OVERVIEW

1.4.1 BASIC SERVICES DELIVERY PERFORMANCE HIGHLIGHTS

Highlight	Description
New water connections	9 new water connections to Households have been done
New sewer connections	4 new sewer connections have been done
Training of youth to work on waste	Some of the youth within the Umsobomvu area have been trained. The aim behind the training is to one day absorb some of these youths into the Municipal organisation.

Table 6.: Basic Services Delivery Highlights

1.4.2 BASIC SERVICES DELIVERY CHALLENGES

Service Area	Challenge	Actions to address
Water	We have consumer water meters that are clogged and meters that are underground, broken, non-existent or unreadable.	We are currently in the process of purchasing 800 meters; 305 meters for Norvalspont, 420 for New Ouboks and the 75 will be used to replace water meters in the Town Area and Lowryville.
Sanitation	Households are not using the drains properly (throwing anything in) and some of the septic tanks get full very quickly due to leaking toilets/basin taps and the capacity is too small. We therefore have to empty some septic drains three times a month.	We are planning on rolling out a health and hygiene awareness campaign in August 2015. This will teach households how to properly utilize the drains.
Electricity	Determination of electrical network losses	We plan on appointing a service provider to determine the network losses. We will also approach the Department of Electricity for funding.
Refuse Removal	Machinery needed for compaction of waste	We will budget and apply for funds to buy the machinery needed

Table 7.: Basic Services Delivery Challenges

CHAPTER 1: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

1.4.3 PROPORTION OF HOUSEHOLDS WITH ACCESS TO BASIC SERVICES

Description	2013/14	2014/15
	%	
Electricity service connections	7 616	8 076
Water - available within 200 m from dwelling	8 797	8 806
Sanitation - Households with at least VIP service	7 905	7 904
Waste collection - kerbside collection once a week	7 454	7 454

Table 8.: Households with minimum level of Basic Services

1.5 FINANCIAL HEALTH OVERVIEW

1.5.1 NATIONAL KEY PERFORMANCE INDICATORS – MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT (RATIOS)

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

KPA & Indicator	2014/15
Financial viability measured in terms of the municipality's ability to meet its service debt obligations ((Total operating revenue-operating grants received)/debt service payments due within the year)	28.46
Financial viability measured in terms of the outstanding service debtors [(Total outstanding service debtors/ revenue received for services)X100]	46%
Financial viability measured in terms of the available cash to cover fixed operating expenditure ((Available cash+ investments)/ Monthly fixed operating expenditure)	2.29

Table 9.: National KPI's for financial viability and management

1.5.2 FINANCIAL OVERVIEW

Details	Original budget	Adjustment Budget	Actual
	R'000		
Income	144 391	159 957	148 783
Less Expenditure	126 029	130 553	129 310
Net surplus/(deficit)	18 362	29 404	19 473

Table 10.: Financial Overview

CHAPTER 1: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

1.5.3 TOTAL CAPITAL EXPENDITURE

Detail	2014/15
	R'000
Original Budget	39 050
Adjustment Budget	45 341
Actual	39 695
% Spent	87.55

Table 11.: Total Capital Expenditure

1.6 ORGANISATIONAL DEVELOPMENT OVERVIEW

1.6.1 MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT HIGHLIGHTS

Highlights	Description
Training received	2 personnel members received training on Human Resource Management NQF Level 5

Table 12.: Municipal Transformation and Organisational Development Highlights

1.6.2 MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT CHALLENGES

Description	Actions to address
Training and capacitation of staff	We will budget for training as well as apply for funding for training

Table 13.: Municipal Transformation and Organisational Development Challenges

1.7 AUDITOR GENERAL REPORT

1.7.1 AUDITED OUTCOMES

Year	2012/13	2013/14	2014/15
Opinion received	Unqualified with matters	Unqualified with matters	Unqualified with matters

Table 14.: Audit Outcomes

1.8 2014/15 IDP/BUDGET PROCESS

The table below provides details of the key deadlines for the 2014/15 IDP/Budget process:

Activity	Responsible person	Date
IDP Time Schedule	Dionne Visagie	18 September 2014
Budget Process Plan	Dionne Visagie	18 September 2014
Approved Draft 2015/16 IDP	Birtus Kapp	31 March 2015
Approved Draft Budget 2015/16	Dionne Visagie	31 March 2015

CHAPTER 1: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

Activity	Responsible person	Date
21 Days Public Comments on IDP and Budget	Birtus Kapp	21 April 2015
IDP & Budget Roadshow	Dionne Visagie	13, 14 May 2015
Approved Final 2015/16 IDP	Birtus Kapp	26 May 2015
Approved Final Budget 2015/16	Dionne Visagie	26 May 2015
SDBIP 2015/16	Dionne Visagie	26 May 2015

Table 15.: 2014/15 IDP/Budget Process

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CHAPTER 2: GOOD GOVERNANCE

CHAPTER 2

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

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

2.1 NATIONAL KEY PERFORMANCE INDICATORS - GOOD GOVERNANCE AND PUBLIC PARTICIPATION

The following table indicates the municipality's performance in terms of the National Key Performance Indicators required in terms of the Local Government: Municipal Planning and the Performance Management Regulations 796 of 2001 and section 43 of the MSA. This key performance indicator is linked to the National Key Performance Area - Good Governance and Public Participation.

KPA & Indicators	Municipal Achievement
	2014/15
The percentage of a municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan (After roll over projects)	84.70%

Table 16.: National KPIs - Good Governance and Public Participation Performance

2.2 INTRODUCTION TO GOOD GOVERNANCE

The Political Leadership of the Municipality comprises of elected Councillors through both the Ward System and Proportional Representation, is led by the Mayor. On the other side the Administration of the Municipality is composed of Executive Management appointed in terms of Sections 54 A and 56 of the Municipal Systems Act as amended. The Municipal Manager is the head of Administration. In order to realise the Constitutional mandate of the Municipality these two components, including the Community have to work together.

2.3 GOVERNANCE STRUCTURE

2.3.1 POLITICAL GOVERNANCE STRUCTURE

The council performs both legislative and executive functions. They focus on legislative, oversight and participatory roles, and have delegated its executive function to the Executive Mayor. Their primary role is to debate issues publicly and to facilitate political debate and discussion. Apart from their functions as decision

CHAPTER 2: GOOD GOVERNANCE

makers, Councillors are also actively involved in community work and the various social programmes in the municipal area.

A) COUNCIL

The Council comprise of 10 elected Councillors as at 30 June 2015, made up from 5 Ward Councillors and 5 Proportional Representation (PR) Councillors. The portfolio committees are made up of Councillors drawn from all political parties. Below is a table that categorized the Councillors within their specific political parties and wards for the 2014/15 financial year:

Council Members	Capacity	Political Party	Ward representing or proportional	Number of meetings attended
N.L. Hermans	Mayor	ANC	Proportional	12
N.B. Mdala	Councillor	ANC	Ward Councillor	11
E. Humphries	Councillor	ANC	Ward Councillor	12
M.A. Sestile	Councillor	ANC	Proportional	12
S. Ngalimani	Councillor	ANC	Ward Councillor	12
S.G. Mlenzana	Councillor	ANC	Ward Councillor	12
A. Fritz	Councillor	ANC	Ward Councillor	9
S. Siko	Councillor	COPE	Proportional	11
N. Reyners	Councillor	COPE	Proportional	12
C. Gronum	Councillor	DA	Proportional	9

Table 17.: Council

Below is a table which indicates the Council meetings attendance for the 2014/15 financial year:

Meeting dates	Council Meetings Attendance	Apologies for non-attendance
14 July 2014	9	1
29 July 2014	10	0
26 August 2014	10	0
23 September 2014	10	0
12 November 2014	8	1
4 December 2014	10	0
12 December 2014	9	0
30 January 2015	8	1
24 February 2015	9	1
31 March 2015	10	1
31 March 2015	10	0
26 May 2015	10	0

Table 18.: Council meetings

CHAPTER 2: GOOD GOVERNANCE

B) PORTFOLIO COMMITTEES

The Council of the Umsobomvu Local Municipality has established Portfolio Committees. Each of these committees is chaired by a member of Council, and the allocation is as follows:

Name of member	Capacity
E. Humphries	Chairperson Finance
S. Ngalimani	Deputy Chairperson: Finance
S.G. Mlenzana	Chairperson Corporate Services
N. Reyners	Deputy Chairperson Corporate Services
N.B. Mdala	Chairperson Technical Services
M.A. Sestile	Deputy Chairperson Technical Services

Table 19.: Executive Mayoral Committee

2.3.2 ADMINISTRATIVE GOVERNANCE STRUCTURE

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

Name of Official	Department	Performance agreement signed
		Yes/No
Amos China Mpela	Office of the Municipal Manager	Yes
Dionne Timotheus Visagie	Financial Services	Yes
Birtus Jacobus Kapp	Corporate Services	Yes
Phillip Themba Reentseng Mosompha	Technical Services	Yes

Table 20.: Administrative Governance Structure

COMPONENT B: INTERGOVERNMENTAL RELATIONS

2.4 INTERGOVERNMENTAL RELATIONS

In terms of the Constitution of South Africa, all spheres of government and all organs of state within each sphere must co-operate with one another in mutual trust and good faith fostering friendly relations. They must assist and support one another; inform and consult one another on matters of common interest; coordinate their actions, adhering to agreed procedures and avoid legal proceedings against one another.

A) INTERGOVERNMENTAL STRUCTURES

To adhere to the principles of the Constitution as mentioned above the municipality participates in the following intergovernmental structures:

CHAPTER 2: GOOD GOVERNANCE

Name of Structure	Outcomes of Engagements/Topics Discussed
Local Intergovernmental Relations Forum	Intergovernmental Relations Framework Act
	The establishment of committees from participants per joint programmes
	Schedule of Local Intergovernmental Relations meetings
	Schedule of programme co-ordinating committees

Table 21.: Intergovernmental Structures

B) INTERGOVERNMENTAL RELATIONS FORUM

Member	Department Name
Mayor's Office	Mr S. Smith
Umsobomvu Municipality	Mr A Mpela
Love Life Centre	Mr A Xhashimba
Department of Social Development - Colesberg	Ms N Selani
Department of Social Development – Noupoort	Ms G Lotriet
Department of Home Affairs	Mr P Nikani
Department of Correctional Services	Mrs VB Mashego
Department of Agriculture	Mrs Mkhontwana
SASSA - Colesberg	Mrs D Mentoor
SASSA – Noupoort	Ms B Mekile
Government Communication and Information System (GCIS)	Ms T Konono
Independent Electoral Committee (IEC)	Mr Loko
Colesberg South African Police Service	Mr Veli
Kuyasa South African Police Service	Ms Bolintaba
Noupoort South African Police Service	Warrant Officer Stander
Norvalspont	Mr Thibane
Provincial Traffic	Mr F Malgas
Manne Dipico Hospital	Mr Links
Noupoort Hospital	Ms Grobbelaar

Table 22.: Members of the IGR Forum

C) INTERGOVERNMENTAL RELATIONS STEERING COMMITTEE

Member	Department Name
Mayor's Office	Mr S. Smith
Umsobomvu Municipality	Mr G Mgcineni

CHAPTER 2: GOOD GOVERNANCE

Member	Department Name
Department of Social Development - Colesberg	Ms N Selani / Ms Z Ndumiso
Department of Social Development – Noupoot	Ms G Lotriet / Ms N Tutuse (Ms Nomawonga Magadla)
Department of Justice - Colesberg	Mr Z Matebese
Department of Justice - Noupoot	Mr S Mamkili
Department of Home Affairs	Mrs P Nikani
Department of Correctional Services	Mrs VB Mashego / Masuku
Department of Agriculture	Mrs Mkhontwana
SASSA - Colesberg	Mrs D Mentoer / A Solani
SASSA – Noupoot	Ms B Mekile / IE Lukas
Government Communication and Information System (GCIS)	Ms T Konono
Independent Electoral Committee (IEC)	Mr Loko
Colesberg South African Police Service	Mr R Van Heerden / Ms Mkhontwana
Kuyasa South African Police Service	Mr H Dyantyi / Mr SG Lubaxa
Noupoot South African Police Service	Warrant Officer Stander
Norvalspont South African Police Service	Mr TR Maliti
Provincial Traffic	Mr X Lubaxa
Manne Dipico Hospital	Ms J Alexander / Ms UE Keet
Noupoot Hospital	Ms Grobbelaar
Legal Aid Board	Ms L Du Toit

Table 23: Members of the IGR Steering Committee

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

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

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

2.5.1 PUBLIC MEETINGS

CHAPTER 2: GOOD GOVERNANCE

Nature and purpose of meeting	Date of events	Number of Community members attending
Council Meets the People	3 March 2015	50
Council Meets the People	4 March 2015	90
Council Meets the People	5 March 2015	61

Table 24.: Public Meetings

2.5.2 WARD COMMITTEES

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

A) WARD 1: KWAZAMUXOLO AND NOUPOORT COUNCILLOR: MZIMKHULU SESTILE

Name of representative	Capacity representing	Dates of meetings held during the year
D. Bokland	Community	23 July 2014
M. Kei	Health	29 August 2014
A. Barendse	Disable	29 September 2014
M. maseti	CDW	7 October 2014
T. Thibane	Sports	31 October 2014
N. Ngwatyu	Women Empowerment	4 November 2014
N. Kula	Youth	5 December 2014
		11 December 2014
		23 January 2015
		20 February 2015
		18 March 2015
		16 April 2015
		16 May 2015
		23 June 2015

Table 25.: Ward 1 Committee Meetings

B) WARD 2: EUREKAVILLE AND NORVALSPONT COUNCILLOR: ANNIE FRITZ

Name of representative	Capacity representing	Dates of meetings held during the year
Lindelwa Bebeza	Health	16 July 2014
Bukelwa Khetwa	Women	20 July 2014
Mthetho Gontsana	Farmers	23 July 2014
Lucas Dyonkile	Business	22 August 2014
Matthews Afrika	Disability	29 August 2014

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Name of representative	Capacity representing	Dates of meetings held during the year
Noxolo Mduyvelwa	CDW	3 October 2014
Bongelwa Bikland	Youth	30 October 2014
Thandiwe Nofemele	Women	4 November 2014
Reginald Rudi Reed	Sport	5 December 2014
Moyeni Stofile	Farmers	27 January 2015
Willem Mieni	Church	20 February 2015
Hazel van Mbilo	CDW	18 March 2015
		20 May 2015
		23 June 2015

Table 26.: Ward 2 Committee Meetings

C) WARD 3: BONGWENI, KAYALITHA, MASIPHAKAME, NEW OUBOKS COUNCILLOR: SABELO MLENZANA

Name of representative	Capacity representing	Dates of meetings held during the year
Thandiswa Tshabalala	NGO	27 July 2014
James Konono	Farmers	30 July 2014
Mzukiso Nyekendala	Sports	19 August 2014
Andile Phololo	Youth Forum	28 September 2014
Sindiswa Charlie	Sports	15 October 2014
		20 November 2014
		10 December 2014
Lungisa Gusha	Youth Forum	20 January 2015
		18 February 2015
		14 March 2015
		21 April 2015
		27 May 2015

Table 27.: Ward 3 Committee Meetings

D) WARD 4: LOWRYVILLE TOWERVALLEI AND OPERATION VULA

Name of representative	Capacity representing	Dates of meetings held during the year
Nenekazi Manoto	Women	
Griet Louw	Community Member	
Veronica Benade Trooi	Youth	10 July 2014
Jackson Nazo	Farmer	23 September 2014
Wilby Pienaar	Religious	29 October 2014
Siphiwo Sydney Booi	Community Member	4 November 2014
Tuleka Gonondo	Women	19 January 2015
Eunice Julia Reed	Health	6 February 2015
Miriam Jane Steenbok	Education	3 March 2015

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Name of representative	Capacity representing	Dates of meetings held during the year
Frances Hazel Minnar	Business	

Table 28.: Ward 4 Committee Meetings

E) WARD 5: COLESBERG TOWN AND OUBOKS COUNCILLOR N.B. MLENZANA

Name of representative	Capacity representing	Dates of meetings held during the year
Kholeka Mayekiso	Women	
Thobeka Retyu	Sport	24 July 2014
Bulelani Retyu	Youth	14 August 2014
Japie Talyaard	Churches	14 September 2014
Jane Le Roux	Business	20 January 2015
Angelinah Badenhorst	Women	15 February 2015
Johan Mathee	CBO	20 March 2015
Asanda Alberto Kula	Churches (secretary)	26 May 2015
Lize Mynhardt	Women	30 June 2015

Table 29.: Ward 5 Committee Meetings

2.5.3 FUNCTIONALITY OF WARD COMMITTEE

The purpose of a Ward Committee is:

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

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

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

Ward Number	Committee established Yes / No	Number meetings held during the year	Committee functioning effectively (Yes / No)
1	Yes	14	Yes
2	Yes	14	Yes
3	Yes	12	Yes

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Ward Number	Committee established Yes / No	Number meetings held during the year	Committee functioning effectively (Yes / No)
4	Yes	7	Yes
5	Yes	8	Yes

Table 30.: Functioning of Ward Committees

2.5.4 REPRESENTATIVE FORUMS

A) LABOUR FORUM

The table below specifies the members of the Labour Forum for the 2014/15 financial year:

Name of representative	Capacity	Meeting dates
M.A. Sestile	Councillor – Employer Representative	3 November 2014 16 September 2014
A. Fritz	Councillor – Employer Representative	
S. Siko	Councillor – Employer Representative	
A.A. Mpela	Municipal Manager – Employer Representative	
D.T. Visagie	CFO – Employer Representative	
M.R. Chenge	SAMWU	
L.P. Gedezana	SAMWU	
T.G. Ntoni	SAMWU	
A. Poni	SAMWU	
M. Booï	IMATU	

Table 31.: Labour Forum

B) IDP FORUM

The table below specifies the members of the IDP Forum for the 2014/15 financial year:

Name of representative	Capacity	Meeting dates
A.C. Mpela	Municipal Manager	9 December 2014
D.T. Visgie	Chief Financial Officer	
B.J. Kapp	Manager Corporate Services	
P.T.R. Mosompha	Manager Technical Services	
N. Thiso	Deputy Chief Financial Officer	
S. Diokpala	Snr. Manager Shared Services	
N.B. Mdala	Portfolio Chair Technical Services	
E. Humphries	Portfolio Chair Finance	
S.G. Mlenzana	Portfolio Chair Corporate Services	
M.A. Sestile	Chairperson MPAC	

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Name of representative	Capacity	Meeting dates
N.L. Hermans	Mayor	

Table 32.: IDP Forum

COMPONENT D: CORPORATE GOVERNANCE

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

2.6 RISK MANAGEMENT

In terms of section 62 (1)(c)(i) *“the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems – of financial and risk management and internal control;”...*

The table below include the top 5 risks of the municipality:

Risk	Department
1. Delay in infrastructural development	Technical Services
2. Unavailability of operations and maintenance plan.	Technical Services
3. Failure to attract and retain staff.	Corporate Services
4. Apathy on a side of community members.	Corporate Services
5. High expectations on service delivery	Corporate Services

Table 33.: Top five risks

2.7 ANTI-CORRUPTION AND ANTI-FRAUD

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

Umsobomvu Local Municipality has the following strategies in place to prevent corruption, fraud and theft:

- * Presidential Hotline on Fraud Prevention and Corruption, and Service delivery matters.
- * Risk Management Policy.
- * Internal Audit Unit reviews the effectiveness of the systems of internal control, governance and risk management on a continuous basis.

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A Risk Management Committee is also in place to assist the Accounting Officer in addressing oversight requirements of risk management and evaluating and monitoring the municipality's performance with regards to Risk Management, Fraud Prevention and Corruption.

2.8 AUDIT COMMITTEE

Section 166(2) of the MFMA states that an audit committee is an independent advisory body which must –

- (a) advise the municipal council, the political office-bearers, the accounting officer and the management staff of the municipality, on matters relating to –
- * internal financial control;
 - * risk management;
 - * performance Management; and
 - * effective Governance.

The Audit Committee have the following main functions as prescribed in section 166 (2) (a-e) of the Municipal Finance Management Act, 2003 and the Local Government Municipal and Performance Management Regulation:

A) FUNCTIONS OF THE AUDIT COMMITTEE

- * To advise the Council on all matters related to compliance and effective governance.
- * To review the annual financial statements to provide Council with an authoritative and credible view of the financial position of the municipality, its efficiency and its overall level of compliance with the MFMA, the annual Division of Revenue Act (DoRA) and other applicable legislation.
- * Respond to the council on any issues raised by the Auditor-General in the audit report.
- * To review the quarterly reports submitted to it by the internal audit.
- * To evaluate audit reports pertaining to financial, administrative and technical systems.
- * The compilation of reports to Council, at least twice during a financial year.
- * To review the performance management system and make recommendations in this regard to Council.
- * To identify major risks to which Council is exposed and determine the extent to which risks have been minimised.
- * To review the annual report of the municipality.

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- * Review the plans of the Internal Audit function and in so doing; ensure that the plan addresses the high-risk areas and ensure that adequate resources are available.
- * Provide support to the Internal Audit function.
- * Ensure that no restrictions or limitations are placed on the Internal Audit section.
- * Evaluate the activities of the Internal Audit function in terms of their role as prescribed by legislation.

B) MEMBERS OF THE AUDIT COMMITTEE

Name of representative	Capacity	Meeting dates
John Blair	Chairperson	31 October 2014
M Mnyamana	Member	21 April 2015
M Puley	Member	29 June 2015

Table 34.: Members of the Audit Committee

2.9 PERFORMANCE AUDIT COMMITTEE

The Regulations require that the performance audit committee is comprised of a minimum of three members, the majority of whom are external (neither a councillor nor an employee) of the municipality. Section 14(2) (b) of the Regulations further stipulates that the performance audit committee must include at least one person who has expertise in performance management. It is also a requirement of the Regulations in Section 14(2)(d) that the Council of a municipality designate neither a member of the performance audit committee who is neither a councillor nor an employee of the municipality as the chairperson of the committee.

In terms of Section 166(4) (a) of the MFMA, an audit committee must consist of at least three persons with appropriate experience, of who the majority may not be in the employ of the municipality.

Section 166(5) of the MFMA, requires that the members of an audit committee must be appointed by the council of the municipality. One of the members, not in the employ of the municipality, must be appointed as the chairperson of the committee. No councillor may be a member of an audit committee.

Both the Regulations and the MFMA, indicate that three is the minimum number of members needed to comprise a performance audit committee. While the regulations preclude the appointment of a councillor as chairperson of the performance audit committee, the MFMA excludes the involvement of a councillor in the composition of a performance audit committee entirely.

In accordance with the requirements of Section 14(2)(e) of the Regulations, if the chairperson is absent from a specific meeting of the committee, the members present must elect a chairperson from those present to act as chairperson for that meeting.

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Further, Section 14(2) (f) of the Regulations provides that, in the event of a vacancy occurring amongst the members of the performance audit committee, the municipality concerned must fill that vacancy for the unexpired portion of the vacating member's term of appointment.

Section 14(3) (a) of the Regulations requires that the performance audit committee of a municipality must meet at least twice during each financial year. However, additional special meetings of the performance audit committee may be called for by any member of the committee, where sufficient justification exists in terms of Section 14(3) (b) of the Regulations.

A) FUNCTIONS OF THE PERFORMANCE AUDIT COMMITTEE

In terms of Section 14(4) (a) of the Regulations the performance audit committee has the responsibility to -

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

B) MEMBERS OF THE PERFORMANCE AUDIT COMMITTEE

Name of representative	Capacity
A Mpela	Chairperson
I Visser	Member
M Puley	Member

Table 35.: Members of the Performance Audit Committee

2.10 INTERNAL AUDITING

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

The internal audit unit of a municipality must –

- (a) prepare a risk based audit plan and an internal audit program for each financial year; and
- (b) advise the accounting officer and report to the audit committee on the implementation on the internal audit plan and matters relating to:
 - (i) internal audit;
 - (ii) internal controls;
 - (iii) accounting procedures and practices;
 - (iv) (iv) risk and risk management;

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- (v) performance management;
 - (vi) loss control; and
 - (vii) compliance with this Act, the annual Division of Revenue Act and any other applicable legislation
- (c) perform other duties as may be assigned to it by the accounting officer.

The municipality concluded a Shared Service Agreement with the Pixley ka Seme District Municipality to render legal, planning and internal audit services.

2.11 BY-LAWS AND POLICIES

Section 11 of the MSA gives a Council the executive and legislative authority to pass and implement by-laws and policies. No by-laws were developed and/or reviewed during the year under review. Below is a list of all the policies developed and reviewed during the financial year:

Policies developed/ revised	Date adopted	Public Participation Conducted Prior to adoption of policy Yes/No
Tariff Policy	26 May 2015	Yes
Credit Control, Customer Care and Revenue Management Policy	26 May 2015	Yes
Rates Policy	26 May 2015	Yes
Indigent Policy	26 May 2015	Yes
Virement Policy	26 May 2015	Yes
Bad Debt Write Off Policy	26 May 2015	Yes
MFMA Delegations	26 May 2015	Yes
Unauthorised, Irregular, Fruitless and Wasteful Expenditure Policy	26 May 2015	Yes
Supply Chain Management Policy	26 May 2015	Yes
Travel and Subsistence Policy	26 May 2015	Yes
Cash and Investment Policy	26 May 2015	Yes
Brick Making Land Allocation Policy	4 December 2014	Yes
Commonage Land Allocation Policy	4 December 2014	Yes
Naming and Re-Naming Policy	4 December 2014	Yes
Policy on Management and Administration of Immovable Property	12 December 2014	Yes

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Policies developed/ revised	Date adopted	Public Participation Conducted Prior to adoption of policy Yes/No
Performance Management Policy Framework: 2014/15	23 September 2014	Yes
House Shop Policy	19 July 2014	Yes
Leasing of Halls and Facilities and	19 July 2014	Yes
Customer Care, Credit Control and Revenue Management Final Adoption of New By-Laws: Indigent By-Law and Tariff By-Law	19 July 2014	Yes

Table 36.: Policies developed and reviewed

2.12 COMMUNICATION

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

Good customer care is clearly of fundamental importance to any organisation. A successful communication strategy therefore links the people to the municipality's programme for the year.

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

Communication activities	Yes/No
Communication strategy	Yes
Communication Policy	No
Functional complaint management systems	Yes
Customer satisfaction surveys	Yes

Table 37.: Communication Activities

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2.13 WEBSITE

Municipalities are required to develop and maintain a functional website that displays relevant information as per the requirements of Section 75 of the MFMA and S21A and B of the Municipal Systems Act (“MSA”) as amended.

The website should serve as a mechanism to promote accountability and transparency to communities and therefore information posted should be accurate and timeously updated.

The municipal website is a key communication mechanism in terms of service offering, information sharing and public participation. It is a communication tool that should allow easy and convenient access to relevant information. The municipal website should serve as an integral part of the municipality’s communication strategy.

The table below gives an indication about the information and documents that are published on our website

Description of information and/or document	Yes/No and/or Date Published
Municipal contact details (Section 14 of the Promotion of Access to Information Act)	
Full Council details	Yes
Contact details of the Municipal Manager	Yes
Contact details of the CFO	Yes
Physical address of the Municipality	Yes
Postal address of the Municipality	Yes
Financial Information (Sections 53, 75, 79 and 81(1) of the Municipal Finance Management Act)	
Draft Budget 2014/15	1 April 2014
Adjusted Budget 2014/15	12 March 2015
Asset Management Policy	27 May 2015
Customer Care, Credit control & Debt collection Policy	27 May 2015
Indigent Policy	27 May 2015
Unauthorised, Irregular, Fruitless and Wasteful Expenditure Policy	27 May 2015
Cash and Investment Policy	27 May 2015
Rates Policy	27 May 2015
Supply Chain Management Policy	27 May 2015
Tariff Policy	27 May 2015
Virement Policy	27 May 2015
Travel and Subsistence Policy	27 May 2015
SDBIP 2014/15	10/06/2014
Budget and Treasury Office Structure	No
MFMA Delegations	27 May 2015

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Description of information and/or document	Yes/No and/or Date Published
Integrated Development Plan and Public Participation (Section 25(4)(b) of the Municipal Systems Act and Section 21(1)(b) of the Municipal Finance Management Act)	
Reviewed IDP for 2014/15	10 June 2014
IDP Process Plan for 2014/15	10 October 2013
Supply Chain Management (Sections 14(2), 33, 37 & 75(1)(e)&(f) and 120(6)(b) of the Municipal Finance Management Act and Section 18(a) of the National SCM Regulation)	
List of capital assets that have been disposed	No
Long Term borrowing contracts	30 August 2014
SCM contracts above R30 000	No
Contracts which impose a financial obligation on the municipality beyond 3 years	No
Section 37 of the MFMA; No 56 of 2003 (Unsolicited Bids/Contracts)	No
Public-Private Partnership agreement	No
Service delivery agreements	No
Public invitations for formal price quotations	17
Reports (Sections 52(d), 71, 72 & 75(1)(c) and 129(3) of the Municipal Finance Management Act)	
Annual Report of 2013/14	12 March 2015
Oversight reports	31 March 2015
Mid-year budget and performance assessment	23 January 2015; 31 March 2015
Quarterly Reports	12 October 2014; 23 January 2015; 01 June 2015; 29 July 2015
Monthly Budget Statement	14 August 2014; 12 September 2014; 14 October 2014; 13 November 2014; 08 December 2014; 12 January 2015; 13 February 2015; 13 March 2015; 24 April 2015; 15 May 2015; 12 June 2015; 16 July 2015
Local Economic Development (Section 26(c) of the Municipal Systems Act)	
Local Economic Development Strategy	No
LED Policy Framework	No
Economic Profile	No
LED Projects	No
Performance Management (Section 75(1)(d) of the Municipal Finance Management Act)	
Performance Agreements for employees appointed as per S57 of Municipal Systems Act	19 August 2015
Assurance Functions (Sections 62(1), 165 & 166 of the Municipal Finance Management Act)	
Internal Audit charter	No
Audit Committee charter	No
Risk Management Policy	5 August 2014
Municipal Finance Management Internship Programme (Schedule 5B Vote 10(b) of the division of Revenue Act)	

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Description of information and/or document	Yes/No and/or Date Published
Internship Programme Policy	No
Internship Programme Framework	No

Table 38.: Website Checklist

2.14 SUPPLY CHAIN MANAGEMENT

The Supply Chain Management Policy of the Umsobomvu Local Municipality is deemed to be fair, equitable, transparent, competitive and cost-effective as required by Section 217 of the Constitution.

2.14.1 COMPETITIVE BIDS IN EXCESS OF R200 000

A) BID COMMITTEE MEETINGS

The following table details the number of bid committee meetings held for the 2014/15 financial year:

Bid Evaluation Committee	Bid Adjudication Committee
4	4

Table 39.: Bid Committee Meetings

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

Member	Percentage attendance
Simphiwe Nkcithiso	100%
Ntoyakhe George Mgcineni	75%
Mzwandile Simon Toto	100%
Magdalena Charmaine Mostert	75%
Ntsikelelo Hermanus	75%

Table 40.: Attendance of members of bid evaluation committee

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

Member	Percentage attendance
Dionne Timotheus Visagie	100%
Birtus Jacobus Kapp	100%
Themba Phillip Reentseng Mosompha	100%
Nomandithini Selina Khapha	100%

Table 41.: Attendance of members of bid adjudication committee

The percentages as indicated above include the attendance of those officials acting in the position of a bid committee member.

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B) AWARDS MADE BY THE BID ADJUDICATION COMMITTEE

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

Bid number	Date of award	Title of bid	Successful Bidder	Value of bid awarded (R)
1/11/2014	20/05/2015	Upgrading of Norvalspont: Bulk Water Supply	HT Pelatona Projects made by AO	14 354 536.08
02/06/2014	11/05/2014	Upgrading of Kuyasa Ring Road From Gravel to Concrete Block Paving	Faku Mphumzi Civils	9 476 525.42

Table 42.: Ten highest bids awarded by bid adjudication committee

D) AWARDS MADE BY THE ACCOUNTING OFFICER

Bid number	Title of bid	Directorate	Value of bid awarded
			R
1/11/2014	Upgrading of Norvalspont: Bulk Water Supply	Technical Services	14 354 536.08

Table 43.: Awards made by the Accounting Officer

D) APPEALS LODGED BY AGGRIEVED BIDDERS

There were no appeals lodged by aggrieved bidders in the 2014/15 financial year

2.14.2 DEVIATION FROM NORMAL PROCUREMENT PROCESSES

The following table provides a summary of deviations approved for the financial year 2014/15:

Type of deviation	Value of deviations	Percentage of total deviations value
Emergency	745 368.73	16.62%
Sole Supplier	1 848 682.16	41.23%
Exceptional Cases	1 890 087.35	42.15%
Total	4 484 138.24	100%

Table 44.: Deviations approved for the year 2014/15

2.15 DISCLOSURES OF FINANCIAL INTERESTS

Schedule 1, Section 7 as well as Schedule 2, Section 5A of the Municipal Systems Act states that when a councillor is elected or appointed or a person appointed in terms of section 56 or a municipal manager, he or she must within 60 days declare in writing to the municipal manager or the chairperson of the municipal council the following financial interests held:

- * shares and securities in any company;
- * membership of any close corporation;

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- * interest in any trust;
- * directorships;
- * partnerships;
- * other financial interests in any business undertaking;
- * employment and remuneration;
- * interest in property;
- * pension; and
- * subsidies, grants and sponsorships by any organisation.

Any change in the nature or detail of the financial interests of any councillor or official must be declared in writing to the municipal manager or to the chairperson of the municipal council annually. The municipal council must determine which of the financial interests referred in the abovementioned list must be made public, having regard to the need for confidentiality and the public interest for disclosure.

The following table lists the disclosure of financial interests of the administrative and strategic role players of the municipality which were deemed to be disclosed for public interest:

Disclosures of Financial Interests	
2014/2015	
Name	Description of Financial interests*
Executive Mayor	
N.L Hermanus	Member of Woman in Property and Facilities Management cc
Councillors	
S Ngalimani	Member of Vukuzenzele Tuck Shop cc
M.A Sestile	Member of Kwazamuxolo Building and Maintenance Construction cc
S.G Mlenzana	Member of Amachule Akwantu Art and Craft
Municipal Manager	
A.C Mpela	Director of Mthombo Sediba Development Agency (Article 21) and Member of Pride and Grace Trading and Projects cc
Directors	
P.T.R Mosompha	Member of World Focus 684 cc
B.J Kapp	Birtus Kapp Beleggings CC; Kapp Family Trust
<i>* Financial interests to be disclosed even if they incurred for only part of the year.</i>	

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

CHAPTER 3

This chapter provides an overview of the key service achievements of the municipality that came to fruition during 2014/15 in terms of the deliverables achieved compared to the key performance objectives and indicators in the IDP. It furthermore, includes an overview on achievement in 2014/15 compared to actual performance in 2013/14.

3.1 OVERVIEW OF PERFORMANCE WITHIN THE ORGANISATION

Performance management is a process which measures the implementation of the organisation's strategy. It is also a management tool to plan, monitor, measure and review performance indicators to ensure efficiency, effectiveness and the impact of service delivery by the municipality.

At local government level performance management is institutionalized through the legislative requirements on the performance management process for Local Government. Performance management provides the mechanism to measure whether the strategic goals, set by the organisation and its employees, are met.

The constitution of S.A (1996), section 152, dealing with the objectives of local government paves the way for performance management with the requirements for an "accountable government". The democratic values and principles in terms of section 195 (1) are also linked with the concept of performance management, with reference to the principles of inter alia:

- * the promotion of efficient, economic and effective use of resources,
- * accountable public administration
- * to be transparent by providing information,
- * to be responsive to the needs of the community,
- * and to facilitate a culture of public service and accountability amongst staff.

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

In addition, Regulation 7 (1) of the Local Government: Municipal Planning and Performance Management Regulations, 2001 states 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." Performance management is not only relevant to the organisation as a whole, but also to the individuals employed in the organization as well as the external service

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

providers and the Municipal Entities. This framework, inter alia, reflects the linkage between the IDP, Budget, SDBIP and individual and service provider performance.

3.1.1 LEGISLATIVE REQUIREMENTS

In terms of section 46(1)(a) a municipality must prepare for each financial year a performance report reflecting the municipality's and any service provider's performance during the financial year, including comparison with targets of and with performance in the previous financial year. The report must, furthermore, indicate the development and service delivery priorities and the performance targets set by the municipality for the following financial year and measures that were or are to be taken to improve performance.

3.1.2 ORGANISATION PERFORMANCE

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

This report highlight the strategic performance in terms of the municipality's Top Layer Service Delivery Budget Implementation Plan (SDBIP), high level performance in terms of the IDP Strategic objectives, performance on the National Key Performance Indicators prescribed in terms of Regulation 796. Details regarding specific basic service delivery targets, achievements and challenges will be included in the Annual Report of the municipality.

3.1.3 THE PERFORMANCE SYSTEM FOLLOWED FOR 2014/15

A) ADOPTION OF A PERFORMANCE MANAGEMENT FRAMEWORK

Performance management is prescribed by chapter of the Municipal Systems Act, Act 32 of 2000 and the Municipal Planning and Performance Management Regulations, 796 of August 2001. Section 7 (1) of the aforementioned regulation states 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, organized and managed, including determining the responsibilities of the different role players." This framework, inter alia, reflects the linkage between the IDP, Budget, SDBIP and individual and service provider performance.

B) THE IDP AND THE BUDGET

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

The reviewed IDP and the budget for 2014/15 was approved by Council on 30 May 2014. The IDP process and the performance management process are integrated. The IDP fulfils the planning stage of performance management. Performance management in turn, fulfils the implementation management, monitoring and evaluation of the IDP.

C) THE SERVICE DELIVERY BUDGET IMPLEMENTATION PLAN

The organisational performance is evaluated by means of a municipal scorecard (Top Layer SDBIP) at organisational level and through the service delivery budget implementation plan (SDBIP) at directorate levels.

The SDBIP is a plan that converts the IDP and budget into measurable criteria on how, where and when the strategies, objectives and normal business process of the municipality is implemented. It also allocates responsibility to directorates to deliver the services in terms of the IDP and budget.

- * The MFMA Circular No.13 prescribes that:
- * The IDP and budget must be aligned
- * The budget must address the strategic priorities
- * The SDBIP should indicate what the municipality is going to do during next 12 months
- * The SDBIP should form the basis for measuring the performance against goals set during the budget / IDP processes.

The SDBIP was prepared as described in the paragraphs below and approved by the Mayor.

The Top Layer SDBIP was revised with the Adjustments Budget in terms of section 26 (2)(c) of the Municipal Budget and Reporting Regulations and an amended Top Layer SDBIP was approved by the Council on the 31 March 2015. The following were considered in the development of the amended Top Layer SDBIP:

- * Areas to be addressed and root causes of the Auditor-General management letter, as well as the risks identified during the 2013/14 audit
- * Alignment with the IDP, National KPA's, Municipal KPA's and IDP objectives
- * Alignment with the Adjustments Budget
- * Oversight Committee Report on the Annual Report of 2013/14
- * The risks identified by the Internal Auditor during the municipal risk analysis

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D) THE MUNICIPAL SCORECARD (TOP LAYER SDBIP)

The municipal scorecard (Top Layer SDBIP) consolidate service delivery targets set by Council / senior management and provide an overall picture of performance for the municipality as a whole, reflecting performance on its strategic priorities. Components of the Top Layer SDBIP include:

- * One-year detailed plan, but should include a three-year capital plan
- * The 5 necessary components includes:
- * Monthly projections of revenue to be collected for each source
- * Expected revenue to be collected NOT billed
- * Monthly projections of expenditure (operating and capital) and revenue for each vote
- * Section 71 format (Monthly budget statements)
- * Quarterly projections of service delivery targets and performance indicators for each vote
- * Non-financial measurable performance objectives in the form of targets and indicators
- * Output NOT input / internal management objectives
- * Level and standard of service being provided to the community
- * Ward information for expenditure and service delivery
- * Detailed capital project plan broken down by ward over three years

Top Layer KPI's were aligned with the IDP that was prepared based on the following:

- * Key performance indicators (KPI's) for the programmes / activities identified to address the strategic objectives as documented in the IDP.
- * KPI's that need to be reported to key municipal stakeholders.
- * KPI's to address the required national reporting requirements.

It is important to note that the municipal manager needs to implement the necessary systems and processes to provide the Portfolio of Evidence's for reporting and auditing purposes.

E) ACTUAL PERFORMANCE

The performance is monitored and evaluated via the SDBIP system. The web based system sent automated e-mails to the users of the system as a reminder to all staff responsible for updating their actual performance against key performance indicator targets every month for the previous month's performance.

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3.2 INTRODUCTION TO STRATEGIC AND MUNICIPAL PERFORMANCE FOR 2014/15

3.2.1 STRATEGIC SERVICE DELIVERY BUDGET IMPLEMENTATION PLAN (TOP LAYER)

The purpose of strategic performance reporting is to report specifically on the implementation and achievement of IDP outcomes. This section provides an overview on the strategic achievement of the municipality in terms of the strategic intent and deliverables achieved as stated in the IDP. The Top Layer (strategic) SDBIP is the municipality’s strategic plan and shows the strategic alignment between the different documents. (IDP, Budget and Performance Agreements.

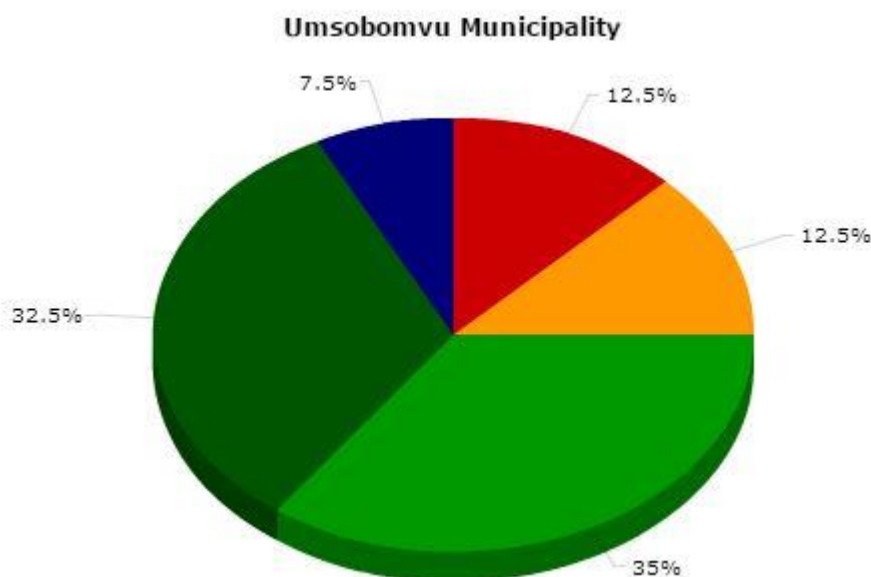
In the paragraphs below the performance achieved is illustrated against the Top Layer SDBIP according to the IDP (strategic) objectives.

The following table explains the method by which the overall assessment of actual performance against targets set for the key performance indicators (KPI’s) of the SDBIP is measured:

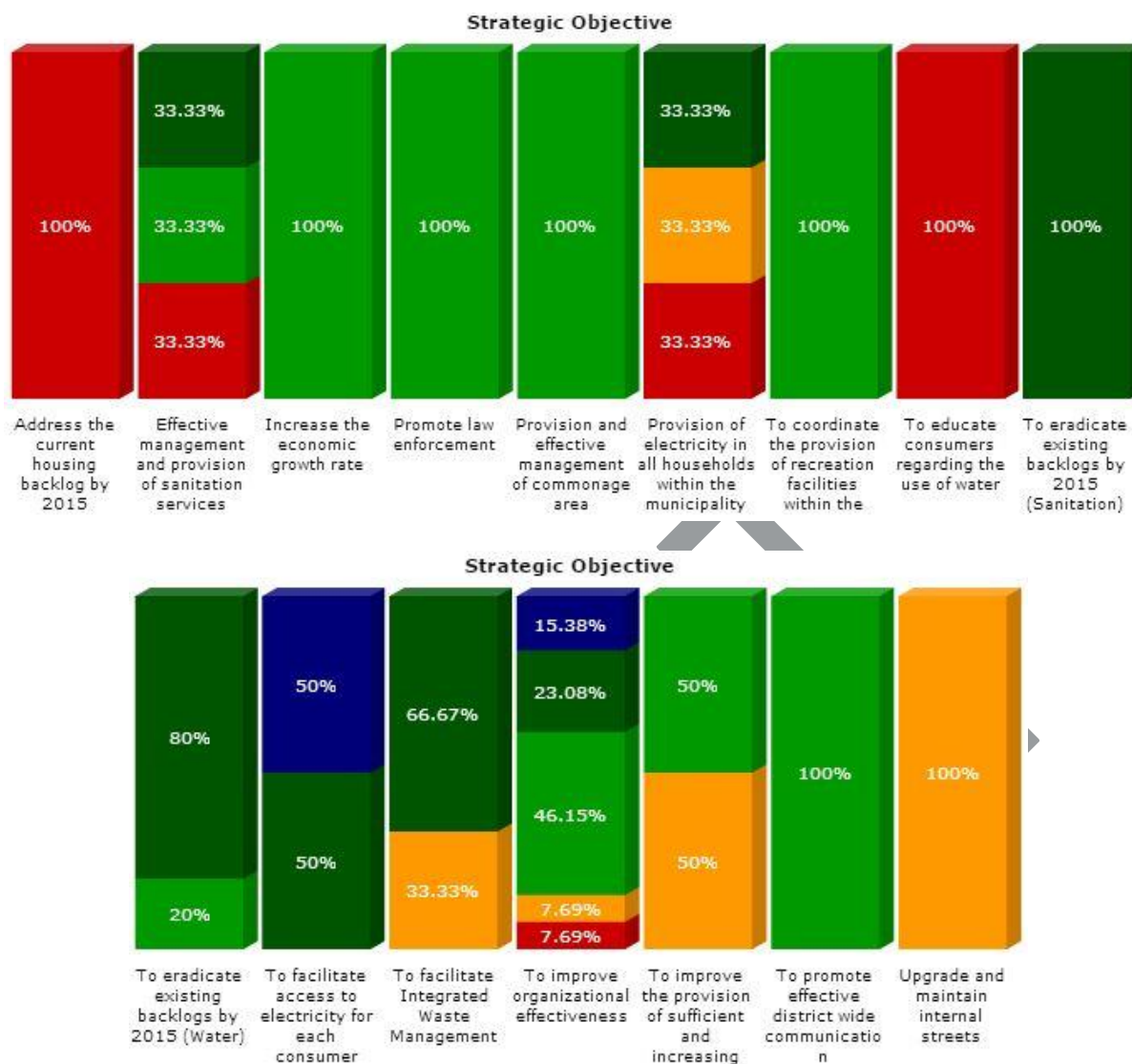
Category	Colour	Explanation
KPI Not Yet Measured	N/A	KPI’s with no targets or actuals in the selected period
KPI Not Met	R	0% > = Actual/Target < 75%
KPI Almost Met	O	75% > = Actual/Target < 100%
KPI Met	G	Actual/Target = 100%
KPI Well Met	G2	100% > Actual/Target < 150%
KPI Extremely Well Met	B	Actual/Target > = 150%

Figure 2.: SDBIP Measurement Categories

The graph below displays the overall performance per Strategic Objective for 2014/15:



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Graph 3.: Overall performance per Strategic objective

A) TOP LAYER SDBIP – ADDRESS THE CURRENT HOUSING BACKLOG BY 2015

Ref	KPI	Unit of Measurement	Wards	Target					Overall performance for 2014/15	
				Q1	Q2	Q3	Q4	Annual	Actual	R
TL40	Develop a Housing Register and submit to Council by end June	Housing Register submitted to Council by end June	All	0	0	0	1	1	0	R
Corrective Measures		No budget provided for target. A budget for the expenditure will be made available in the 2015/16 financial year to contract casuals to do the work.								

Table 45.: Top Layer SDBIP – Address the current housing backlog by 2015

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B) TOP LAYER SDBIP – EFFECTIVE MANAGEMENT AND PROVISION OF SANITATION SERVICES

Ref	KPI	Unit of Measurement	Wards	Target					Overall performance for 2014/15	
				Q1	Q2	Q3	Q4	Annual	Actual	R
TL12	Provide free basic sanitation to indigent households	Number of households receiving free basic sanitation	All	0	0	0	2 000	2 000	2 325	G2
TL27	100% of the sewerage maintenance budget spent by the end of June {(Actual expenditure on maintenance divided by the total approved maintenance budget)x100}	% of the maintenance budget spent	All	25%	50%	75%	100%	100%	100%	G
TL28	Achieve an average 70% green drop status in terms of SANS 242	% status in terms of SANS 242	All	70%	70%	70%	70%	70%	43.62%	R
Corrective Measures		We are in the process of dealing with this matter. We are also still awaiting the latest results from Department of Water and Sanitation.								

Table 46.: Top Layer SDBIP – Effective management and provision of sanitation services

C) TOP LAYER SDBIP – INCREASE THE ECONOMIC GROWTH RATE

Ref	KPI	Unit of Measurement	Wards	Target					Overall performance for 2014/15	
				Q1	Q2	Q3	Q4	Annual	Actual	R
TL34	Establish a LED Forum by end December	LED Forum established by end December	All	0	1	0	0	1	1	G

Table 47.: Top Layer SDBIP – Increase the economic growth rate

D) TOP LAYER SDBIP – PROMOTE LAW ENFORCEMENT

Ref	KPI	Unit of Measurement	Wards	Target					Overall performance for 2014/15	
				Q1	Q2	Q3	Q4	Annual	Actual	R
TL33	Develop a Law Enforcement Strategy and submit to	Law Enforcement Strategy developed	All	0	0	0	1	1	1	G

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Ref	KPI	Unit of Measurement	Wards	Target					Overall performance for 2014/15	
				Q1	Q2	Q3	Q4	Annual	Actual	R
	Council by end June	and submitted to Council by the end June								

Table 48.: Top Layer SDBIP – Promote law enforcement

E) TOP LAYER SDBIP – PROVISION AND EFFECTIVE MANAGEMENT OF COMMONAGE AREA

Ref	KPI	Unit of Measurement	Wards	Target					Overall performance for 2014/15	
				Q1	Q2	Q3	Q4	Annual	Actual	R
TL39	Develop Commonage Management Plan and submit to Council end June	Commonage Management Plan submitted to Council end June	All	0	0	0	1	1	1	G

Table 49.: Top Layer SDBIP – Provision and effective management of commonage area

F) TOP LAYER SDBIP – PROVISION OF ELECTRICITY IN ALL HOUSEHOLDS WITHIN THE MUNICIPALITY

Ref	KPI	Unit of Measurement	Wards	Target					Overall performance for 2014/15	
				Q1	Q2	Q3	Q4	Annual	Actual	R
TL10	Provide free basic electricity to indigent households	Number of households receiving free basic electricity	All	0	0	0	2 000	2 000	2 752	G2
TL20	Limit unaccounted for electricity to less than 25% {(Number of Electricity Units Purchased and/or Generated - Number of Electricity Units Sold) / Number of Electricity Units Purchased and/or	% of unaccounted electricity	All	0%	0%	0%	25%	25%	27%	R

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Ref	KPI	Unit of Measurement	Wards	Target					Overall performance for 2014/15	
				Q1	Q2	Q3	Q4	Annual	Actual	R
	Generated) × 100}									
Corrective Measures		We will do an installation at strategic points on the network of bulk metering and appoint an Electrical Manager to curb the electricity water losses								
TL21	100% of the electricity maintenance budget spent by the end of June {(Actual expenditure on maintenance divided by the total approved maintenance budget)x100}	% of the maintenance budget spent	All	25%	50%	75%	100%	100%	92%	O
Corrective Measures		Insurance was over budgeted, but all items dealing with actual maintenance, the allocation was 100% spent. That was on internal network and street lights were handled under the EEDSM project of which 100% of the budget was also spent. In essence, if your vehicles do not break as much it is good.								

Table 50.: Top Layer SDBIP – Provision of electricity in all households within the municipality

G) TOP LAYER SDBIP – TO COORDINATE THE PROVISION OF RECREATION FACILITIES WITHIN THE MUNICIPALITY

Ref	KPI	Unit of Measurement	Wards	Target					Overall performance for 2014/15	
				Q1	Q2	Q3	Q4	Annual	Actual	R
TL19	Complete the construction of a community hall by the end of June 2015	Community hall completed	1	0	0	0	1	1	1	G

Table 51.: Top Layer SDBIP – To coordinate the provision of recreation facilities within the municipality

H) TOP LAYER SDBIP – TO EDUCATE CONSUMERS REGARDING THE USE OF WATER

Ref	KPI	Unit of Measurement	Wards	Target					Overall performance for 2014/15	
				Q1	Q2	Q3	Q4	Annual	Actual	R
TL30	Limit unaccounted for water to less than 40% {(Number of Kilotres Water Purchased or Purified -	% of water unaccounted	All	0%	0%	0%	40%	40%	43%	R

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Ref	KPI	Unit of Measurement	Wards	Target					Overall performance for 2014/15	
				Q1	Q2	Q3	Q4	Annual	Actual	R
	Number of Kilolitres Water Sold) / Number of Kilolitres Water Purchased or Purified × 100}									
Corrective Measures		We are fixing water leaks as it is reported and we are replacing all the leaking meters and stopcocks								

Table 52.: Top Layer SDBIP – To educate consumers regarding the use of water

I) TOP LAYER SDBIP – TO ERADICATE EXISTING BACKLOGS BY 2015 (SANITATION)

Ref	KPI	Unit of Measurement	Wards	Target					Overall performance for 2014/15	
				Q1	Q2	Q3	Q4	Annual	Actual	R
TL16	Number of formal residential properties connected to the municipal waste water sanitation/sewerage network for sewerage service, irrespective of the number of water closets (toilets)	Number of residential properties which are billed for sewerage	All	0	0	0	5 344	5 344	5 530	G2

Table 53.: Top Layer SDBIP – To eradicate existing backlogs by 2015 (Sanitation)

J) TOP LAYER SDBIP – TO ERADICATE EXISTING BACKLOGS BY 2015 (WATER)

Ref	KPI	Unit of Measurement	Wards	Target					Overall performance for 2014/15	
				Q1	Q2	Q3	Q4	Annual	Actual	R
TL11	Provide free basic water to indigent households	Number of households receiving free basic water	All	0	0	0	2 000	2 000	2 325	G2
TL14	Number of formal residential properties that receive piped water (credit) that is connected to the municipal water infrastructure network	Number of residential properties which are billed for water	All	0	0	0	6 114	6 114	6 274	G2

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Ref	KPI	Unit of Measurement	Wards	Target					Overall performance for 2014/15	
				Q1	Q2	Q3	Q4	Annual	Actual	R
TL29	100% of the water maintenance budget spent by the end of June {(Actual expenditure on maintenance divided by the total approved maintenance budget)x100}	% of the maintenance budget spent	All	25%	50%	75%	100%	100%	100%	G
TL31	30% spent of the total approved budget for the Noupooort Bulk Water supply Upgrade by the end of June 2015 {(Actual expenditure on project divided by the total approved budget for the project)x100}	% of the total approved budget spent {(Actual expenditure on project divided by the total approved budget for the project)x100}	2	0%	0%	0%	30%	30%	0%	G2
TL32	Achieve an average 95% water quality as per SANS 241 criteria	% water quality level	All	95%	95%	95%	95%	95%	100%	G2

Table 54.: Top Layer SDBIP – To eradicate existing backlogs by 2015 (Water)

K) TOP LAYER SDBIP – TO FACILITATE ACCESS TO ELECTRICITY FOR EACH CONSUMER WITHIN THE MUNICIPALITY

Ref	KPI	Unit of Measurement	Wards	Target					Overall performance for 2014/15	
				Q1	Q2	Q3	Q4	Annual	Actual	R
TL15	Number of formal residential properties connected to the municipal electrical infrastructure network (credit and prepaid electrical metering)(Excluding Eskom areas)	Number of residential properties which are billed for electricity or have pre-paid meters (Excluding Eskom areas)	All	0	0	0	1 944	1 944	2 784	G2
TL22	Provide 126 houses with electrical connections by the end of June 2015	Number of houses provided with electrical connections	3	0	0	0	126	126	300	B

Table 55.: Top Layer SDBIP – To facilitate access to electricity for each consumer within the Municipality

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L) TOP LAYER SDBIP – TO FACILITATE INTEGRATED WASTE MANAGEMENT

Ref	KPI	Unit of Measurement	Wards	Target					Overall performance for 2014/15	
				Q1	Q2	Q3	Q4	Annual	Actual	R
TL13	Provide free basic refuse removal to indigent households	Number of households receiving free basic refuse removal	All	0	0	0	2 000	2 000	2 325	G2
TL17	Number of formal residential properties for which refuse is removed once per week	Number of residential properties which are billed for refuse removal	All	0	0	0	6 054	6 054	6 223	G2
TL26	100% of the solid waste maintenance budget spent by the end of June {(Actual expenditure on maintenance divided by the total approved maintenance budget)x100}	% of the maintenance budget spent	All	25%	50%	75%	100%	100%	76%	O
Corrective Measures		R1.2m contribution for upgrading was allowed in the budget. If the municipality cannot get grants the allocation cannot be used. Currently the solid waste has relatively new fleet and spending on maintaining the fleet is low.								

Table 56: Top Layer SDBIP – To facilitate Integrated Waste Management

M) TOP LAYER SDBIP – TO IMPROVE ORGANIZATIONAL EFFECTIVENESS

Ref	KPI	Unit of Measurement	Wards	Target					Overall performance for 2014/15	
				Q1	Q2	Q3	Q4	Annual	Actual	R
TL1	Compile and submit the Risk Based Audit Plan (RBAP) to the Audit committee by end June	Compile and submit the Risk Based Audit Plan (RBAP) to the Audit committee by end June	All	0	0	0	1	1	1	G
TL2	The percentage of the municipal capital budget actually spent on capital projects [(Actual amount spent on capital projects /Total amount budgeted for capital projects)X100	(Actual amount spent on capital projects /Total amount budgeted for capital projects)X100	All	0%	0%	0%	70%	70%	84.70%	G2

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Ref	KPI	Unit of Measure-ment	Wards	Target					Overall performance for 2014/15	
				Q1	Q2	Q3	Q4	Annual	Actual	R
	for capital projects)X100]									
TL3	Submit the annual financial statements to AGSA by 31 August	Annual financial statements submitted by 31 August to AGSA	All	1	0	0	0	1	1	G
TL4	Compile Plan to address audit findings and submit to MM by end January 2014	Plan completed and submitted to MM by end January 2014	All	0	0	1	0	1	1	G
TL5	Submit the main budget to Council for consideration by end March	Main budget submitted to Council by end March	All	0	0	1	0	1	1	G
TL6	Financial viability measured in terms of the outstanding service debtors [(Total outstanding service debtors/ revenue received for services)X100]	(Total outstanding service debtors/ revenue received for services)X100	All	0%	0%	0%	28%	28%	46%	R
Corrective Measures		Ensure that the target set is realistic and that the outstanding debts reflected on the Financial Position in the Budget. Also be realistic and achievable as the baseline that was set for 2014-15 was not achievable. Though the revenue received for services is 8% more than the target which resulted a small positive influence on the 46% outcome. The outstanding debtors are 74% more as when the target was determined (R28 974 897.27 increased to R50 420 021.00) which is impossible.								
TL7	Financial viability measured in terms of the available cash to cover fixed operating expenditure ((Available cash+ investments)/ Monthly fixed operating expenditure)	((Available cash+ investments)/ Monthly fixed operating expenditure)	All	0	0	0	2.8	2.8	2.29	O
Corrective Measures		An increase in certain monthly overhead's resulted in a lower rate as expected. Budget control will be controlled better in the future.								
TL8	Financial viability measured in terms of the municipality's ability to meet its service debt obligations ((Total operating revenue- operating grants received)/debt service payments due within the year))	((Total operating revenue- operating grants received)/debt service payments due within the year))	All	0	0	0	24.6	24.6	28.46	G2

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Ref	KPI	Unit of Measurement	Wards	Target					Overall performance for 2014/15	
				Q1	Q2	Q3	Q4	Annual	Actual	R
	due within the year))									
TL9	Achieve a debtor payment percentage of 85% ((Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance + Bad Debts Written Off)/Billed Revenue) x 100	((Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance + Bad Debts Written Off)/Billed Revenue) x 100	All	75%	75%	75%	75%	75%	112%	G2
TL36	Limit the vacancy rate to less than 10% of budgeted posts ((Number of posts filled/Total number of budgeted posts)x100)	(Number of posts filled/Total number of budgeted posts)x100	All	10%	10%	10%	10%	10%	8.08%	B
TL37	Appointments in 3 highest levels of management that comply with the Employment Equity Plan	Number of appointments made	All	0	0	0	1	1	1	G
TL38	Percentage of municipality's budget actually spent on implementing its workplace skills plan measured as ((Total Actual Training Expenditure/ Total Operational Budget)x100))	(Total expenditure on training/total operational budget)/100	All	0%	0%	0%	0.50%	0.50%	1.26%	B
TL41	Review the Performance Management Framework and submit to Council by the end December	Reviewed framework submitted to Council by the end December	All	0	1	0	0	1	1	G

Table 57.: Top Layer SDBIP – To improve organizational effectiveness

N) TOP LAYER SDBIP – TO IMPROVE THE PROVISION OF SUFFICIENT AND INCREASING AVAILABILITY OF PUBLIC TRANSPORT FACILITIES

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Ref	KPI	Unit of Measurement	Wards	Target					Overall performance for 2014/15	
				Q1	Q2	Q3	Q4	Annual	Actual	R
TL24	Complete the design for the Kuyasa ring road and obtain Council approval by the end of March 2015	Design approved by Council by the end of March 2015	3	0	0	1	0	1	1	G
TL25	Upgrade 500 meters of gravel road to blocked paved road in Norvalspont by the end of June 2015	Meters of road paved	1	0	0	0	500	500	465	O
Corrective Measures		Mbali Street was upgraded to block paved. The total length was around 465m.								

Table 58.: Top Layer SDBIP – To improve the provision of sufficient and increasing availability of public transport facilities

O) TOP LAYER SDBIP – TO PROMOTE EFFECTIVE DISTRICT WIDE COMMUNICATION INFRASTRUCTURE

Ref	KPI	Unit of Measurement	Wards	Target					Overall performance for 2014/15	
				Q1	Q2	Q3	Q4	Annual	Actual	R
TL35	Compile a Public Participation Policy and submit to Council by end June	Public Participation Policy submitted to Council by end June	All	0	0	0	1	1	1	G

Table 59.: Top Layer SDBIP – To promote effective district wide communication infrastructure

P) TOP LAYER SDBIP – UPGRADE AND MAINTAIN INTERNAL STREETS

Ref	KPI	Unit of Measurement	Wards	Target					Overall performance for 2014/15	
				Q1	Q2	Q3	Q4	Annual	Actual	R
TL23	100% of the roads and Storm Water maintenance budget spent by the end of June {(Actual expenditure on maintenance divided by the total approved maintenance budget)x100}	% of the maintenance budget spent	All	25%	50%	75%	100%	100%	98%	O
Corrective Measures		We will in future try to spend 100% of the allocated budget.								

Table 60.: Top Layer SDBIP – Upgrade and maintain internal streets

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3.2.2 SERVICE PROVIDERS STRATEGIC PERFORMANCE

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

Service provider means a person or institution or any combination of persons and institutions which provide a municipal service

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

Section 121(b) of the MFMA and Section 46 of the MSA further state that a municipality should include the following related to service providers in its annual report:

- * The performance of each service provider
- * a comparison of the performance with targets set for and performances in the previous financial year
- * measures taken to improve performance
- * measures taken to improve performance

During the year under review the municipality did not appoint any service providers who provided municipal services to or for the benefit of the local community on behalf of the municipality and therefore this report contains no such details. All other contract appointments are regularly monitored and ensured, that the requirements of the contract is complied with.

3.2.3 MUNICIPAL FUNCTIONS

A) ANALYSIS OF FUNCTIONS

The municipal functional areas are as indicated below:

Municipal Function	Municipal Function Yes / No
Constitution Schedule 4, Part B functions:	
Air pollution	No
Building regulations	Yes
Child care facilities	No
Electricity and gas reticulation	Yes

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Municipal Function	Municipal Function Yes / No
Firefighting services	Yes
Local tourism	Yes
Municipal airports	Yes
Municipal planning	Yes
Municipal health services	No
Municipal public transport	Yes
Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this Constitution or any other law	Yes
Pontoons, ferries, jetties, piers and harbours, excluding the regulation of international and national shipping and matters related thereto	No
Storm Water management systems in built-up areas	Yes
Trading regulations	No
Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems	Yes
Constitution Schedule 5, Part B functions:	
Beaches and amusement facilities	No
Billboards and the display of advertisements in public places	Yes
Cemeteries, funeral parlours and crematoria	Yes
Cleansing	Yes
Control of public nuisances	Yes
Control of undertakings that sell liquor to the public	Yes
Facilities for the accommodation, care and burial of animals	Yes
Fencing and fences	Yes
Licensing of dogs	Yes
Licensing and control of undertakings that sell food to the public	No
Local amenities	Yes
Local sport facilities	Yes
Markets	Yes
Municipal abattoirs	Yes
Municipal parks and recreation	Yes
Municipal roads	Yes
Noise pollution	Yes
Pounds	Yes
Public places	Yes
Refuse removal, refuse dumps and solid waste disposal	Yes
Street trading	Yes

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Municipal Function	Municipal Function Yes / No
Street lighting	Yes
Traffic and parking	Yes

Table 61.: Functional Areas

3.3 COMPONENT A: BASIC SERVICES

This component includes basic service delivery highlights and challenges, includes details of services provided for water, waste water (sanitation), electricity, waste management, housing services and a summary of free basic services.

3.3.1 WATER PROVISION

A) INTRODUCTION TO WATER SERVICES

The constitution of the South Africa assigns the responsibility of ensuring access to water services to Local Government. Furthermore the Water Services Act entrust the local municipality with provision of affordable, efficient, effective on-going water services which is sustainable.

The Water Section within Technical Services Department of Umsobomvu Local Municipality is tasked and responsible for potable drinking water distribution, wastewater collection and treatment, water quality management, water and sewer infrastructure maintenance and upgrade and water conservation and demand management. Recent legislation includes the Water Services Act 1997 and the General Enabling Act 2005

Water provisioning is about providing quality water supply to consumers sustainably and affordable. There are seven pump stations working around the clock to pump water to four reservoirs. These pump stations forms part of municipal assets to be maintained to work properly. There are 8 076 house connections in the municipality requiring maintenance and pipe network totaling around 182 kilometers.

B) HIGHLIGHTS: WATER SERVICES

Highlights	Actions to address
New water connections	9 new water connections to households have been done.

Table 62.: Water Services Highlights

C) CHALLENGES: WATER SERVICES

Description	Actions to address
Old Asbestos pipes are bursting especially in the town Area	We have replaced the problematic section of Asbestos Pipe in Campbell Street with Unplasticized Polyvinyl Chloride (uPVC) pipe (90mm diameter).

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Description	Actions to address
	We have also replaced the Asbestos Pipe in Bell Street with uPVC (75mm diameter), since we have replaced the pipes the pipe breakages stopped.
We have Consumer Water Meters that are clogged and meters that are underground, broken, non-existent or unreadable	We are currently in the process of purchasing 800 meters, 305 meters for Norvalspont, 420 for New Ouboks and the 75 will be used to replace water meters in Town Area and Lowryville
Isolation Valves on the network are not working, have been taken out or are non-existent, we have to close water unnecessary to households that could have had water while we do maintenance in certain areas.	We are currently replacing valves on the asbestos pipes that we are replacing with uPVC pipes and as we are doing maintenance work. We are in the process of compiling the ACIP Business plan to source funding to replace water meters, valves and asbestos pipes.
Pressure Reducing Valve (PRV) required at New Ouboks (water pressure too high)	Installation of PRV is needed
Overflowing of Reservoir	Telemetry system problematic, it is however fixed now
Leaking elevated storage tank in Norvalspont	The tank will be upgraded during the Bulk Water Supply Project currently in progress.
Low pressure in Khayelitsha and Masiphakame	Replace the existing 75 mm diameter pipe with at least 100 mm diameter to lower friction around Khayelitsha and Masiphakame.

Table 63.: Water Services Challenges

D) WATER SERVICE DELIVERY LEVELS

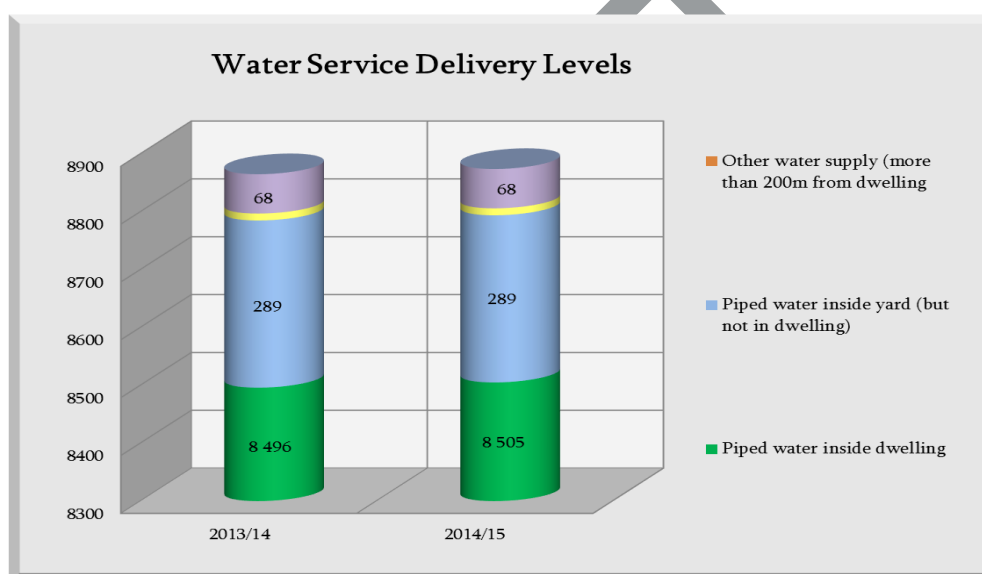
The table below specifies the different water service delivery levels per households for the financial years 2013/14 and 2014/15 in the areas in which the municipality is responsible for the delivery of the service:

Water Service Delivery Levels		
Households		
Description	2013/14	2014/15
	Actual	Actual
	No.	No.
<i>Water: (above min level)</i>		
Piped water inside dwelling	8 496	8 505
Piped water inside yard (but not in dwelling)	289	289
Using public tap (within 200m from dwelling)	12	12
Other water supply (within 200m)	0	0
<i>Minimum Service Level and Above sub-total</i>	8 797	8 806
<i>Minimum Service Level and Above Percentage</i>	99.23%	99.23%
<i>Water: (below min level)</i>		
Using public tap (more than 200m from dwelling)	0	0
Other water supply (more than 200m from dwelling)	0	0

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Water Service Delivery Levels		
Households		
Description	2013/14	2014/15
	Actual	Actual
	No.	No.
No water supply	0	0
<i>Below Minimum Service Level sub-total</i>	0	0
<i>Below Minimum Service Level Percentage</i>	0%	0%
Total number of households	8 797	8 806
<i>Include informal settlements</i>		

Table 64.: Water service delivery levels: Households



Graph 4.: Water Service Delivery levels

E) EMPLOYEES: WATER SERVICES

Employees: Water Services					
Post Level	2013/14	2014/15			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	0	1	1	0	0
4 – 6	0	0	0	0	0
7 – 9	4	4	3	1	25
10 – 12	0	0	0	0	0
13 – 15	14	14	14	0	0
16 – 18	0	0	0	0	0

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

Employees: Water Services					
Post Level	2013/14	2014/15			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
19 - 20	0	0	0	0	0
Total	18	19	18	1	5.26

Table 65.: Employees: Water Services

F) CAPITAL EXPENDITURE: WATER SERVICES

Capital Expenditure 2014/15: Water Services					
R'000					
Capital Projects	2014/15				
	Budget	Adjustment Budget	Actual Expenditure	Variance from adjustment budget	Total Project Value
Umsobomvu Bulk Water supply Upgrade	31 500	33 600	32 822	(778)	35 000
<i>Total project value represents the estimated cost of the project on approval by Council</i>					

Table 66.: Capital Expenditure 2014/15: Water Services

3.3.2 WASTE WATER (SANITATION) SERVICES

A) INTRODUCTION TO WASTE WATER (SANITATION) SERVICES

Just like the rest of the towns in the country all municipalities has two tales to tell. The appropriate level of service verses basic level of service. In the municipality all four types of sanitation are present.

The only challenge regarding the basic service in Colesberg is the hard rock and the shallow excavated pit latrines. These toilets are filled in short space of time. The municipal strategy is to give all the residence an appropriate level of service; that is full waterborne toilets. The shortfall in the basic service is the only 10 buckets in the Old Ouboks area where few houses holds refused to accept the VIP toilets. The municipal top priority is to upgrade the Waste Water Treatment works in Colesberg. The project was implemented within the financial year. The impact was the total elimination in polluting the natural stream passing through the town and the farm downstream. The second priority is the upgrading of the sewer pump station in Norvalspont and the replacement of internal sewer network. The jet vacuum truck is procured to deal with the 794 VIPs currently in the municipality and before the end of the year at least more than hundred unusable VIP toilets were cleaned. The municipality does not use any entity in the provision of sanitation services. Sanitation trends in the municipality ranges from the VIPs, septic tanks, French drains and below service bucket system.

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

The Umsobomvu Local Municipality policies provide for waterborne (full) sanitation services to all formal urban settlements. However the policies are not explicit on the level of sanitation service to be provided in informal settlements.

The municipality is currently providing limited sanitation services (VIP toilets) in some of the formal settlements, however the ultimate goal is to provide these households with full water borne sewerage systems. In agricultural holdings the owners are responsible for providing their own sanitation services. This is due to the fact that the Municipality's bulk infrastructure does not reach those areas.

The section deals with sanitation provisioning, unblocking of sewer lines, emptying of buckets and VIP toilets, new connections and bulk sewer services. There are also sewer pump stations to be maintained in the three towns and cleaning of the oxidation ponds.

B) HIGHLIGHTS: WASTE WATER (SANITATION) SERVICES

Highlights	Description
New sewer connections	4 new sewer connections have been done.

Table 67.: Waste Water (Sanitation) Provision Highlights

C) CHALLENGES: WASTE WATER (SANITATION) SERVICES

Description	Actions to address
Households are not using the drains properly (throwing anything in) and some of the septic tanks get full very quickly due to leaking toilets/basin taps and the capacity is too small. We therefore have to empty some septic drains three times a month	We are planning on rolling out a health and hygiene awareness campaign in August 2015. This will teach households how to properly utilize the drains.
Two Pump stations are not functioning properly, Reguit Street (Noupoort) and New Ouboks (Colesberg)	We have to lay a new overflow pipe and enlarge the overflow pipe between the sump and the holding chamber in Reguit Street. New Ouboks pump station requires a standby pump and a macerator (cutter to cut the solids before being pumped to the treatment works) pump at the inlet
Norvalspont sewer pump station	The pump station needs upgrading
Sludge pump 2 at the CWWTW is faulty	We are in the process of procuring a new pump and to investigate the cause of the damage to the pump
Filtration pump 1 is not functioning properly (chlorination room)	We have received a quotation to replace the pump
Baffle plates are loose on the Activation Pond	The Contractor have been notified and will fix the plates in July 2015
The chlorination system is not functioning properly	The Contractor will investigate when they fix the baffle plates
Steel manholes covers are being stolen	We have replaced ten with concrete lids, we are in the process of procuring another seventeen that was also stolen

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

Description	Actions to address
Truck to empty the Buckets and Septic Drains is not working, we need to purchase an engine and a chassis	A new truck is needed and will be budgeted for as soon as funds become available

Table 68.: Waste Water (Sanitation) Provision Challenges

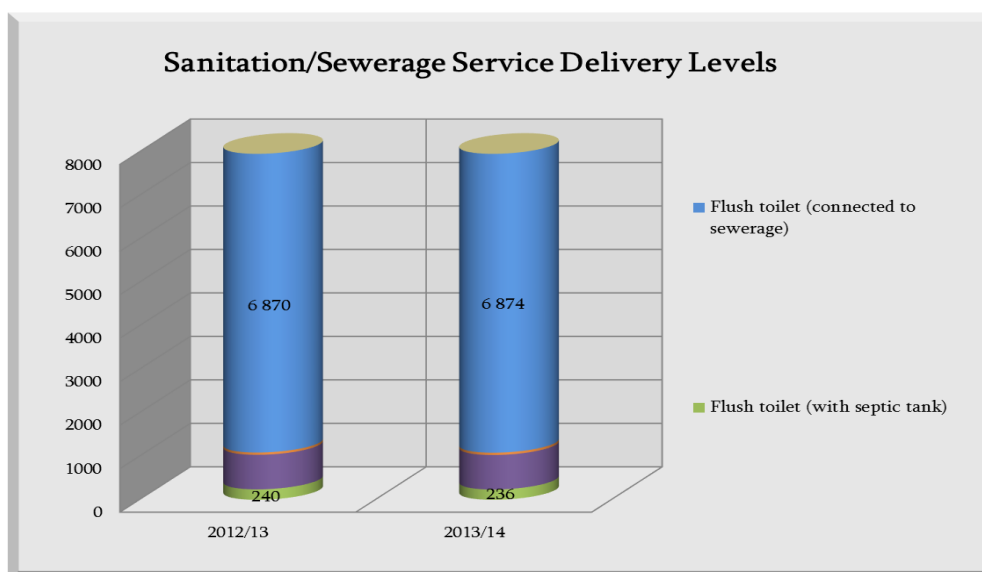
D) WASTE WATER (SANITATION) SERVICE DELIVERY LEVELS

The table below specifies the different sanitation service delivery levels per households for the financial years 2013/14 and 2014/15 in the areas in which the municipality is responsible for the delivery of the service:

Sanitation Service Delivery Levels		
Households		
Description	2013/14	2014/15
	Actual	Actual
	No.	No.
<i>Sanitation/sewerage: (above minimum level)</i>		
Flush toilet (connected to sewerage)	6 870	6 874
Flush toilet (with septic tank)	240	236
Chemical toilet	0	0
Pit toilet (ventilated)	795	794
Other toilet provisions (above min. service level)	0	0
<i>Minimum Service Level and Above sub-total</i>	7 905	7 904
<i>Minimum Service Level and Above Percentage</i>	99.33%	99.32%
<i>Sanitation/sewerage: (below minimum level)</i>		
Bucket toilet	53	54
Other toilet provisions (below min. service level)	0	0
No toilet provisions	0	0
<i>Below Minimum Service Level sub-total</i>	53	54
<i>Below Minimum Service Level Percentage</i>	0.67%	0.68%
Total households	7 958	7 958
<i>Including informal settlements</i>		

Table 69.: Sanitation service delivery levels

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Graph 5.: Sanitation/Sewerage Service Delivery Levels

E) EMPLOYEES: WASTE WATER (SANITATION) SERVICES

Employees: Sanitation Services					
Post Level	2013/14	2014/15			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 – 3	0	1	1	0	0
4 – 6	1	1	1	0	0
7 – 9	0	0	0	0	0
10 - 12	0	0	0	0	0
13 - 15	12	12	12	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
Total	13	14	14	0	0

Table 70.: Employees Waste Water (Sanitation) Provision

F) CAPITAL EXPENDITURE: SANITATION SERVICES

No Capital Expenditure took place within the 2014/15 financial year.

3.3.3 ELECTRICITY

A) INTRODUCTION TO ELECTRICITY SERVICES

The Electrical Section within the department Technical Services is responsible for the provision of quality and sustainable electrical services to all customers within the Umsobomvu electrical distribution area. Some

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areas, for example Kuyasa in Colesberg, Masizakhe in Norvalspont and Kwazamuxolo and EurekaVille in Noupoot are supplied by Eskom.

Umsobomvu Local Municipality is supplied with electricity by Eskom via 2 main intake substations on an eleven kV network.

Formal Houses

Umsobomvu Local Municipality supplies electricity to domestic and business consumers in the greater Umsobomvu area consisting of Colesberg, Noupoot and Agricultural holdings in Noupoot. There are limited backlogs within the Umsobomvu Local Municipality electrical distribution area.

The Electrical Department of Umsobomvu Local Municipality is guided by the following Act. /Standards:

- * Electricity Regulation Act. 4 of 2006
- * Eskom Standards
- * National Energy Regulator Regulations
- * Electrical By-Laws
- * Municipal Finance Act.
- * Occupational Health and Safety Act. (Act.85 of 1993).

The section deals with maintenance of electrical infrastructure and construction. There are **20** mini-sub and **28** transformers with varying capacity in the network. New electrical connections and upgrading of existing ones to three phases are handled in this section.

B) CHALLENGES: ELECTRICITY SERVICES

Description	Actions to address
The lack of a Qualified Electrical Engineer, Technologist or Electrician with Government Certificate of Competency (GCC)	Create a post on the Organogram
Determination of electrical network losses	To appoint of a service provider to determine the network losses. We will also approach the Department of Electricity for funding
Upgrading of Noupoot electrical network to 11 kV capacity	To be budgeted for as well as look for funding

Table 71.: Electricity Challenges

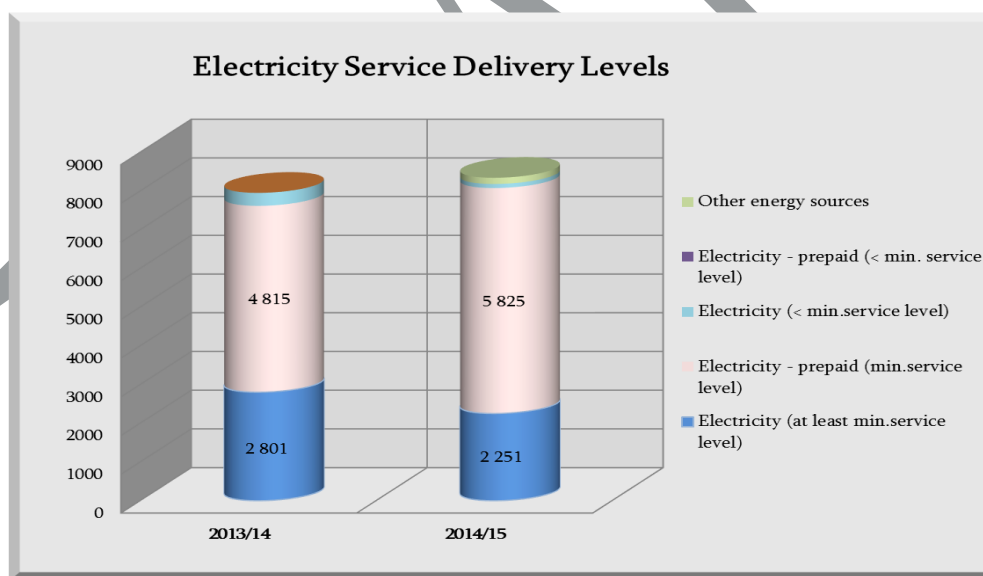
C) ELECTRICITY SERVICE DELIVERY LEVELS

The following indicates the different service delivery level standards for electricity in the areas in which the municipality is responsible for the delivery of the service:

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Electricity Service Delivery Levels		
Households		
Description	2013/14	2014/15
	Actual	Actual
	No.	No.
<i>Energy: (above minimum level)</i>		
Electricity (at least min.service level)	2 801	2 251
Electricity - prepaid (min.service level)	4 815	5 825
<i>Minimum Service Level and Above sub-total</i>	7 616	8 076
<i>Minimum Service Level and Above Percentage</i>	95.79%	96.82%
<i>Energy: (below minimum level)</i>		
Electricity (< min.service level)	335	105
Electricity - prepaid (< min. service level)	0	0
Other energy sources	0	160
<i>Below Minimum Service Level sub-total</i>	335	265
<i>Below Minimum Service Level Percentage</i>	4.21%	3.18%
Total number of households	7 951	8 341

Table 72.: Electricity service delivery levels



Graph 6.: Electricity service delivery levels

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D) EMPLOYEES: ELECTRICITY SERVICES

Employees: Electricity Services					
Post Level	2013/14	2014/15			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	0	0	0	0	0
4 – 6	2	2	2	0	0
7 – 9	1	2	2	0	0
10 - 12	0	0	0	0	0
13 - 15	2	2	2	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
Total	5	6	6	0	0

Table 73.: Capital Expenditure 2014/15: Electricity Services

E) CAPITAL EXPENDITURE: ELECTRICITY SERVICES

Capital Expenditure 2014/15: Electricity Services					
R' 000					
Capital Projects	2014/15				
	Budget	Adjustment Budget	Actual Expenditure	Variance from adjustment budget	Total Project Value
Electrification Ouboks	1 500	1 500	1 431	(69)	4 500
<i>Total project value represents the estimated cost of the project on approval by Council</i>					

Table 74.: Capital Expenditure 2014/15: Electricity Services

3.3.4 WASTE MANAGEMENT (REFUSE COLLECTIONS, WASTE DISPOSAL, STREET CLEANING AND RECYCLING)

A) INTRODUCTION TO WASTE MANAGEMENT

Section 84(1)(e) of the Municipal Structures Act (Act 117 of 1998) mandate the Waste Management section of Umsobomvu Local Municipality to make provision for in so far it relates to the disposal of waste and this includes; determining and implementing its waste management strategy i.e. refuse collection, waste recycling, transportation, disposal etc.; regulating the disposal of waste within its area of jurisdiction; establishing, operating and controlling waste disposal facilities including waste transfer station. In order to achieve its legislative mandate, the section is subdivided into the following functional sub-units, namely:

- * Refuse removal services;

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- * Street Cleaning & litter-picking;
- * Illegal Dumping Removal;
- * Waste Minimization; and
- * Landfill Operations & Management Sub-Units.

Umsobomvu Local Municipality in terms of the constitution is the authority in providing solid waste services. The service is not rendered to farmers but only to households within the municipality. Solid waste is collected from households on a weekly basis and buried at the land fill site. There are currently three land fill sites of which two are licensed and one is not.

B) HIGHLIGHTS: WASTE MANAGEMENT

Description	Actions to address
Training of youth to work on waste	Some of the youth within the Umsobomvu area have been trained. The aim behind the training is to one day absorb some of these youths into the Municipal organisation.

Table 75.: Waste Management Highlights

C) CHALLENGES: WASTE MANAGEMENT

Description	Actions to address
Inadequate infrastructure (weigh bridge and shelter)	We will budget and apply for funding for a weighbridge and shelter
Machinery needed for compaction of waste	We will budget and apply for funds to buy the machinery needed
Recycling or separation not effectively taking place at the source	Awareness campaigns required to inform community to recycle

Table 76.: Waste Management Challenges

D) WASTE MANAGEMENT SERVICE DELIVERY LEVELS

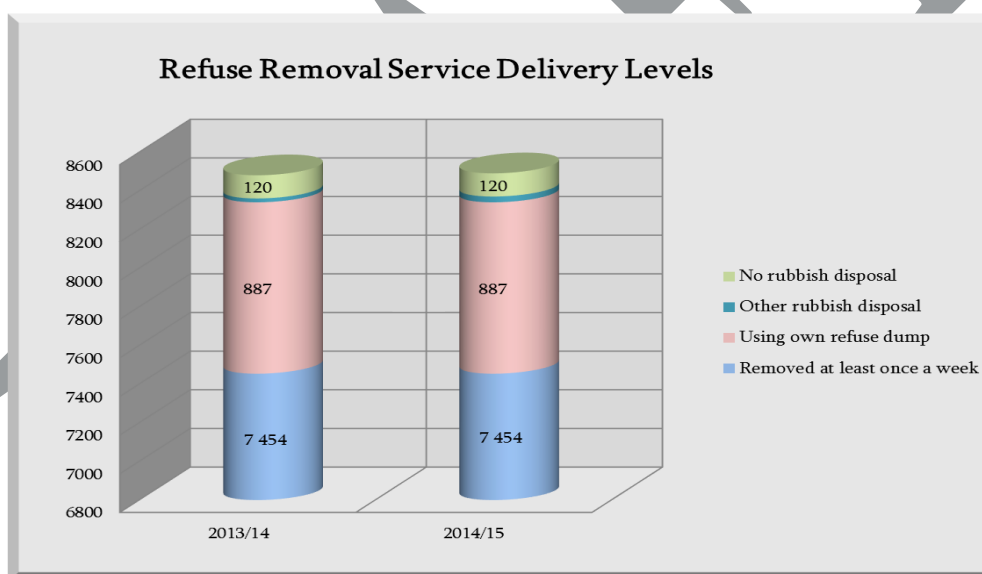
The table below specifies the different refuse removal service delivery levels per households for the financial years 2013/14 and 2014/15 in the areas in which the municipality is responsible for the delivery of the service:

Solid Waste Service Delivery Levels		
Description	Households	
	2013/14	2014/15
	Actual	Actual
	No.	No.
<i>Solid Waste Removal: (Minimum level)</i>		
Removed at least once a week	7 454	7 454
<i>Minimum Service Level and Above sub-total</i>	7 454	7 454

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Solid Waste Service Delivery Levels		
Description	Households	
	2013/14	2014/15
	Actual	Actual
	No.	No.
<i>Minimum Service Level and Above percentage</i>	100%	100%
<i>Solid Waste Removal: (Below minimum level)</i>		
Removed less frequently than once a week	0	0
Using communal refuse dump	0	0
Using own refuse dump	887	887
Other rubbish disposal	20	30
No rubbish disposal	120	120
<i>Below Minimum Service Level sub-total</i>	1 027	1 027
<i>Below Minimum Service Level percentage</i>	12.11%	12.21%
Total number of households	8 481	8 491

Table 77.: Solid Waste Service Delivery Levels



Graph 7.: Refuse Removal Service Delivery Levels

E) EMPLOYEES: WASTE MANAGEMENT

Employees: Solid Waste Services					
Post Level	2013/14	2014/15			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	1	1	1	0	0

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Employees: Solid Waste Services					
Post Level	2013/14	2014/15			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
4 – 6	0	0	0	0	0
7 – 9	2	2	2	0	0
10 - 12	0	0	0	0	0
13 - 15	13	15	13	2	13.33
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
Total	16	18	16	2	9

Table 78.: Employees: Solid Waste Services

F) CAPITAL EXPENDITURE: WASTE MANAGEMENT

No Capital Expenditure took place within the 2014/15 financial year.

3.3.5 HOUSING

A) INTRODUCTION TO HOUSING

The housing and Property Administration Section of the Umsobomvu Local Municipality is entrusted with overseeing facilitation of integrated human settlements, managements of Council owned property, management of informal settlements and ensuring security of tenure through issuing of title deeds.

The following housing programmes are currently being prioritised by the Umsobomvu Local Municipality:

- * Sustainable Human Settlements
- * Formalisation/ of Informal Settlements
- * Essential services/consolidation
- * Urban Renewal
- * Social Housing
- * Land Reform Projects
- * Rural Developments

The municipality's housing initiatives are aligned with the Provincial Agenda which is in turn based on the sustainable Human Settlement Plan adopted by National Government in 2004. The plan has the following objectives:

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- * Progressive Informal Settlement Upgrading: This ranges from the provision of basic services to the development of formal housing. The main focus of this programme is on in situ upgrading. (Ouboks In-Situ Upgrading Programme);
- * Promoting Densification and integration: Preventing urban sprawl by locating housing within the urban core;
- * Enhancing the Location of New Housing Projects: Well-located land owned by the municipality will be identified for housing;
- * Urban renewal programmes (eg Ouboks ISUP)
- * Developing Social and Economic infrastructure: This intervention is aimed at facilitating the provision of community facilities such as crèches, community halls, taxi ranks, hawker stalls etc
- * Promoting Rental Housing: After 1994 the development of public Rental Stock was not regarded as a high priority for government. The Directorate has discovered that there are people who come to Umsobomvu to work who are not interested in home ownership.

B) HIGHLIGHTS: HOUSING

Highlights	Description
Noupoort 87 and Ou Boks Project	Building of Noupoort and Colesberg Housing projects
Approval of a new housing project for Noupoort	Noupoort 164 (50 approved for Tjoksville)
Approval to develop new sites in Norvalspont	Development of new sites (410)
Demolishing and Re-building of the Noupoort 49 houses	Dilapidated houses demolished and new houses are built

Table 79.: Housing Highlights

C) CHALLENGES: HOUSING

Description	Actions to address
Unfinished project of Noupoort (87 housing project)	COGHSTA is dealing with the Noupoort 87 housing problem
Ou Boks Project not finished yet due to a contractor problem.	A new contractor will be appointed to continue with the project

Table 80.: Housing Challenges

The following table shows the increase in the number of people on the housing waiting list. There are currently approximately 1 376 housing units on the waiting list.

Financial year	Number of housing units on waiting list	% Housing waiting list increase/(decrease)
2013/14	747	-
2014/15	1 376	84.20

Table 81.: Housing waiting list

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A summary of houses built, includes:

Financial year	Allocation	Amount spent	% spent	Number of houses built	Number of sites serviced
	R'000	R'000			
2013/14	18 750	18 750	100	250	250
2014/15	25 415	20 145	79	279	279

Table 82.: Houses built in 2014/15

3.3.6 FREE BASIC SERVICES AND INDIGENT SUPPORT

A) INTRODUCTION

The table indicates the percentage of indigent households that have access to free basic municipal services. In accordance with the approved indigent policy of the municipality, all households earning less than **R2 000** per month will receive the free basic services as prescribed by national policy.

The table below indicates that **30%** of the total number of households received free basic services in 2014/15 if compared to **.45%** in 2013/14.

The table, furthermore, indicates the total number of indigent households and other households that received free basic services in the past two financial years:

Financial year	Number of households								
	Total no of HH	Free Basic Electricity		Free Basic Water		Free Basic Sanitation		Free Basic Refuse Removal	
		No. Access	%	No. Access	%	No. Access	%	No. Access	%
2013/14	3 532	3 532	100	3 532	100	3 532	100	3 532	100
2014/15	2 752	2 325	100	2 325	100	2 325	100	2 325	100

Figures as at 30 June 2015

Table 83.: Free basic services to indigent households

Electricity			
Financial year	Indigent Households		
	No. of HH	Unit per HH (kwh)	Value R'000
2013/14	3 532	50	1 691
2014/15	2 325	50	1 191

**Figures as at 30 June 2015*

Table 84.: Free basic Water services to indigent households

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Water			
Financial year	Indigent Households		
	No. of HH	Unit per HH (kwh)	Value
			R'000
2013/14	3 532	6	1 209
2014/15	2 325	6	847
<i>*Figures as at 30 June 2015</i>			

Table 85.: Free basic Water services to indigent households

Sanitation			
Financial year	Indigent Households		
	No. of HH	Unit per HH (kwh)	Value
			R'000
2013/14	3 532	85.02	4 108
2014/15	2 325	92.68	2 948
<i>*Figures as at 30 June 2015</i>			

Table 86.: Free basic Water services to indigent households

Refuse Removal			
Financial year	Indigent Households		
	No. of HH	Unit per HH (kwh)	Value
			R'000
2013/14	3 532	67.40	3 257
2014/15	2 325	71.44	2 272
<i>*Figures as at 30 June 2015</i>			

Table 87.: Free basic Refuse Removal services to indigent households per type of service

3.4 COMPONENT B: ROAD TRANSPORT

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

3.4.1 ROADS

A) INTRODUCTION TO ROADS

The core function of the Roads section is:

- * Re-gravelling and blading of the unpaved roads/streets.
- * Construction, maintenance and rehabilitation of roads/streets.
- * Installing and upgrading of storm water.
- * Maintenance of surfaced and un-surfaced roads/streets in general.

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The main challenges faced are the aged infrastructure and the inadequate budget for both capital projects and the maintenance of existing infrastructure.

The Roads section also handles:

- * The maintenance of roads infrastructure, both gravel and surface, within the Umsobomvu Local Municipality
- * Cleaning of storm water channels and opening of the inlets
- * Reconstruction of damaged inlets by trucks and constructing new storm water where needed.

B) CHALLENGES: ROADS

Description	Actions to address
Potholing of old road infrastructure and inaccessibility of Storm Water underground drainage.	Resealing or paving of old infrastructure
Damage of Storm Water inlets and kerbs by trucks	Erection of height restriction

Table 88.: Roads Challenges

Gravel Road Infrastructure: Kilometres				
Year	Total gravel roads	New gravel roads constructed	Gravel roads upgraded to tar	Gravel roads graded/maintained
2013/14	38.263	0	0	38.263
2014/15	38.263	0	1	37.263

Table 89.: Gravel road infrastructure

Tarred Road Infrastructure: Kilometres					
Year	Total tarred roads	New tar roads	Existing tar roads re-tarred	Existing tar roads re-sheeted	Tar roads maintained
2013/14	27.518	0	0	0	27.518
2014/15	27.518	1	0	0	28.518

Table 90.: Tarred road infrastructure

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

Financial year	New & Replacements	Resealed	Maintained
	R'000		
2013/14	420	171	915
2014/15	596	157	1 348

** The cost for maintenance include Storm Water*

Table 91.: Cost of construction/maintenance of roads

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C) EMPLOYEES: ROADS

Employees: Roads					
Post Level	2013/14	2014/15			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	1	1	1	0	0
4 – 6	0	0	0	0	0
7 – 9	5	7	6	1	14.29%
10 – 12	0	0	0	0	0
13 – 15	24	24	23	1	4.17%
16 – 18	0	0	0	0	0
19 – 20	0	0	0	0	0
Total	30	32	30	2	6.25%

Table 92.: Employees: Roads

D) CAPITAL EXPENDITURE: ROADS

Capital Expenditure 2014/15: Roads					
R' 000					
Capital Projects	2014/15				
	Budget	Adjustment Budget	Actual Expenditure	Variance from adjustment budget	Total Project Value
Road Transport	5 000	6 641	5 505	(1 136)	-
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate.</i>					

Table 93.: Capital Expenditure 2014/15: Roads

3.4.2 WASTE WATER (STORM WATER DRAINAGE)

A) INTRODUCTION TO WASTE WATER (STORM WATER DRAINAGE)

It is common practice to provide a formal drainage system of pipes or channels to convey Storm Water away from erven and streets and to discharge this water into natural watercourses. The Storm Water system must be cleaned and maintained on a regular basis to ensure a proper working drainage system.

B) WASTE WATER (STORM WATER DRAINAGE) MAINTAINED AND UPGRADED

The following table shows the total kilometres of Storm Water maintained and upgraded as well as the kilometres of new Storm Water pipes installed:

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Storm Water Infrastructure: Kilometres				
Year	Total Storm Water measures (km)	New Storm Water measures (km)	Storm Water measures upgraded (km)	Storm Water measures maintained (km)
2013/14	20	0	0	2
2014/15	23.7	0	1	22.7

Table 94.: Storm water infrastructure

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

Financial year	Storm Water Measures		
	New R'000	Upgraded R'000	Maintained R'000
2013/14	0	600	1 079
2014/15	0	1 000	1 602

Table 95.: Cost of construction/maintenance of storm water systems

C) CAPITAL EXPENDITURE: WASTE WATER (STORM WATER DRAINAGE)

Capital Expenditure 2014/15: Waste Water (Storm Water drainage)					
R'000					
Capital Projects	2014/15				
	Budget	Adjustment Budget	Actual Expenditure	Variance from adjustment budget	Total Project Value
Storm Water	1 000	1 000	1 000	0	1 000
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate.</i>					

Table 96.: Capital Expenditure 2014/15: Waste water (Storm Water drainage)

3.5 COMPONENT C: PLANNING AND LOCAL ECONOMIC DEVELOPMENT

3.5.1 PLANNING

A) INTRODUCTION TO PLANNING

The Town Planning section renders a strategic spatial planning and economic area regeneration programmes for the municipality with its focus on the following development aspects as part of its key performance area:

- * Development of a Spatial Planning and Land Use By-Law in terms of the approved Spatial Planning and Land Use Act.
- * Land Use Scheme where the municipality is compiling a new Land Use Scheme to incorporate all areas into one scheme as part of an updated Land Use Management System.

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- * Development facilitation which facilitates and encourage residential, business and industrial development.

Over the last two years Umsobomvu municipality has experienced enormous growth with the approval of Ouboks ISUP township establishment. The integration of our previously distorted spatial settlement patterns is still an enormous challenge due to the physical geography of the areas. Special focus has also been redirected to the rural communities where the Municipality has also facilitated the development of a residential township known as Ouboks which its target is to provide housing to our displaced rural community as well as informal settlements and backyard dwellers.

The Planning section also handles the Building Control function, which includes regulation of all building control activities within the municipal area of jurisdiction and undertaking of inspections for new buildings and alternations and drainage inspections.

B) SERVICE DELIVERY STATISTICS: PLANNING

Type of service	2013/14	2014/15
Building plans application processed	23	17
Total surface (m2)	2 131	3 151
Residential extensions (m2)	1 900	287
Business extensions	231	281
Land use applications processed	11	7

Table 97.: Service Delivery statistics: Planning

3.5.2 LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKET PLACES)

A) INTRODUCTION TO LED

The economy of Umsobomvu Local Municipality relies to a great extent on the performance of agriculture, trade, financial services, hospitality industry and transport. Sectors that can provide future growth include:

- * Construction - Infrastructure investment by government in terms of transport and electricity as well as the provision of houses and services to rural areas are the main potential for local residents to benefit.
- * Trade - An important sector that is currently showing signs of increasing in the economy of Umsobomvu and pro-active measures have to be implemented in order to retain the stability and future growth of the sector.
- * Transport and Business & Financial Services - These essential service providers are becoming increasingly important for this service orientated economy.
- * Tourism - This sector's influence spans over a multitude of economic sectors and has a significantly important multiplier effect.
- * Agriculture - This sector has a comparative advantage as well as the potential to expand into more niche markets like essential oils, aquaculture and horticulture.

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Sectoral Employment

The recent growth in the South African economy has direct implications for formal employment levels. While informal or second economy employment also plays an important role in providing access to household income, accurate data only exists for the trends in the formal employment levels.

B) HIGHLIGHTS: LED

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

Highlights	Description
The establishment of a Youth Information Centre	Youth Skills Development Centre – a Centre that will train young people on the variety of technical skills; ranging from business management; carpentry; boilermaking; welding etc.
The establishment of Laundry and Dry Cleaning Services	Laundry and Dry Cleaning Services – project of washing laundry starting from shirts; blankets; trousers; garments etc.
Establishment of Vegetable project (Umsobomvu Fresh Produce)	Vegetable project to plant and sell vegetables to potential markets.
Establishment of a recycling project	Recycling Project - project of recycling of various waste material such as bottles; papers; plastics etc.

Table 98.: LED Highlights

B) CHALLENGES: LED

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

Description	Actions to address challenges
Staffing of the office of LED	Increase the current budget provision
Funding for projects to be implemented	Capacitate the office of LED

Table 99.: Challenges LED

C) LED STRATEGY

Local Economic Development (LED) includes all activities associated with economic development initiatives.:

Objectives	Strategies
To build up the economic capacity of the local area to improve its economic future and the quality of life for all	<ul style="list-style-type: none"> * Agriculture and Agro-processing * Tourism Development * Enterprise Development * Infrastructure & Industrial Development
It is a process by which public; business and Non-governmental sector partners work collectively to create better conditions for economic growth and employment generation to advance the economic Identity; based on a local competitive and comparative economic profile.	

Table 100.:LED Objectives and Strategies

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D) LED INITIATIVES

Within a limited budget for LED projects and one official to assist with LED implementation the following initiatives have been initiated in the municipal area:

Job creation through EPWP projects		
Details	EPWP Projects	Jobs created through EPWP projects
	No.	No.
2013/14	3	180
2014/15	3	210
<i>*Extended Public Works Programme</i>		

Table 101.:Job creation through EPWP projects

3.6 COMPONENT D: COMMUNITY AND SOCIAL SERVICES

3.6.1 LIBRARIES AND MUSEUMS

A) INTRODUCTION TO LIBRARIES & MUSEUMS

The Libraries Section focus on the following areas:

- * To provide accelerated, effective, efficient, quality social development services for the community of Umsobomvu through sport, recreation, arts and culture and library and information programs.
- * To ensure the community have access to information as prescribed by the South African Constitution.
- * To promote employment equity and skills development, therefore effecting efficiency and effectiveness to clientele
- * To position libraries as centres for the dissemination of information and knowledge
- * To position libraries as places where people from all backgrounds can find each other (promoting social cohesion)

The museum in Colesberg is quite a popular destination for tourists looking for information on establishment and rich history of the region, especially the displays on the Khoisan, Karretjie People and the Anglo Boer War. The museum in Noupoort is not staffed permanently and visitors are accommodated upon appointments.

B) HIGHLIGHTS: LIBRARIES

Highlights	Description
Building of two new libraries in Noupoort and Norvalspont	Two new libraries have been built and completed in the two towns

Table 102.:Libraries Highlights

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C) CHALLENGES: LIBRARIES

Description	Actions to address
Lack of interest from the public in visiting libraries especially older people	Establishment of Book Clubs and awareness programmes

Table 103.:Libraries Challenges

D) EMPLOYEES LIBRARIES

Employees: Libraries					
Post Level	2013/14	2014/15			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	2	2	2	0	0
4 – 6	0	0	0	0	0
7 – 9	0	0	0	0	0
10 – 12	0	0	0	0	0
13 – 15	1	1	1	0	0
16 – 18	0	0	0	0	0
19 – 20	0	0	0	0	0
Total	3	3	3	0	0

Employees and Posts numbers are as at 30 June

Table 104.:Employees: Libraries

E) CAPITAL EXPENDITURE: LIBRARIES

Capital Expenditure 2014/15: Libraries Services					
R' 000					
Capital Projects	2014/15				
	Budget	Adjustment Budget	Actual Expenditure	Variance from adjustment budget	Total Project Value
Computer Equipment	1 550	100	102	2	-

Total project value represents the estimated cost of the project on approval by Council

3.6.2 CEMETERIES

A) INTRODUCTION TO CEMETERIES

The Community Development Section is the custodian for cemeteries management within the municipality. The Section provides to the public burial services and cemeteries maintenance. The department manages and maintains twelve municipal owned cemeteries within municipal boundaries. Out of the twelve cemeteries,

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only five cemeteries are still active and the rest are passive. The passive cemeteries are currently maintained on as need basis. Umsobomvu Local Municipality is currently faced with a challenge of shortage of burial space and the Colesberg cemeteries are already running out of space for new burials.

3.6.3 CHILD CARE; AGED CARE; SOCIAL PROGRAMMES

A) INTRODUCTION TO CHILD CARE; AGED CARE; SOCIAL PROGRAMMES

The Special Programmes Section in the Mayor's Office focuses mainly on community awareness and outreach programmes. Social development unit focus on promotion of social wellness and implementation of programme to prevent social illness.

Three main priority service delivery

- * Poverty alleviation programme, implement training programme and substance abuse programme;
- * Implementation of training programmes
- * The Social Children, woman, disable and elderly programmes

Child and Aged Care are predominantly run by private institutions and governed by the municipality. HIV/AIDS, Woman and Youth programmes are initiated by the municipality through the Office of the Mayor. These include:

- * Social Programmes;
- * Elderly Programmes;
- * Children's Programmes;
- * HIV/AIDS: Door to Door Educational Programme;
- * Health Programmes;
- * 16 Days of Activism and awareness on World Aids Day.

3.7 COMPONENT E: SECURITY AND SAFETY

This component includes: traffic; law enforcement; fire and disaster management.

3.7.1. PUBLIC SAFETY

A) INTRODUCTION TO PUBLIC SAFETY

Roads in Umsobomvu are becoming safer and this has been confirmed by many motorists from other parts of the province using our route. In partnership with the South African Police Service and community members through community policing forums, crime was reduced. Umsobomvu Local Municipality has successfully conducted arrive alive campaigns during December holidays.

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Zero-tolerance approach towards transgressors of laws.

In reducing the rate of accidents on our roads, municipality has replaced road signs, erected speed humps in various communities and re- painted road marks.

In promotion of legal trading and enforcement of our by-laws, municipality has issued trading licences to hawkers and are in a process of identifying adequate space for trading.

B) HIGHLIGHTS: PUBLIC SAFETY

Highlights	Description
Public Safety awareness programme at schools	Talking to school children on road safety; assisting children of Toto Mayaba to cross road R58 every morning

Table 105.:Public Safety Services Highlights

C) CHALLENGES: PUBLIC SAFETY

Description	Actions to address
Shortage of traffic officers	Post for 3 officers has been advertised

Table 106.:Public Safety Services Challenges

D) SERVICE STATISTICS FOR PUBLIC SAFETY

Details	2013/14	2014/15
Motor vehicle licenses processed	2 820	3 210
Learner driver licenses processed	739	1 180
Driver licenses processed	277	690
Driver licenses issued	223	473
Fines issued for traffic offenses (number)	647	1 254
Operational call-outs	3	6
Roadblocks held	8	15
Complaints attended to by Traffic Officers	8	18
Awareness initiatives on public safety	8	6
Operational call-outs: Fire Services	54	101
Awareness initiatives on fire safety	4	4
Reservists and volunteers trained on fire fighting	0	0

Table 107.:Service Statistics for Public Safety

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E) EMPLOYEES: PUBLIC SAFETY

Employees: Law Enforcement and Traffic Services					
Post Level	2013/14	2014/15			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	0	0	0	0	0
4 – 6	3	3	3	0	0
7 – 9	1	1	1	0	0
10 – 12	0	0	0	0	0
13 – 15	1	1	1	0	0
16 – 18	0	0	0	0	0
19 – 20	0	0	0	0	0
Total	5	5	5	0	0

Employees and Posts numbers are as at 30 June

Table 108.:Employees: Public Safety

3.8 COMPONENT F: SPORT AND RECREATION

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

3.9.1 INTRODUCTION TO SPORT AND RECREATION

A) SERVICE STATISTICS FOR SPORT AND RECREATION

Type of service	2013/14	2014/15
Community Parks		
Number of parks with play park equipment	0	0
Number of wards with community parks	3	3
Sport fields		
Number of wards with sport fields	4	4
Number of sport associations utilizing sport fields	2	2
R-value collected from utilization of sport fields	R5 985.91	R6 185.06
Sport halls		
Number of wards with sport halls	2	2

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Type of service	2013/14	2014/15
Number of sport associations utilizing sport halls	2	2
R-value collected from rental of sport halls (R)	R0	R0

Table 109.:Additional performance information for Sport and Recreation

B) EMPLOYEES: SPORT AND RECREATION

Employees: Sport and Recreation					
Post Level	2013/14	2014/15			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	0	0	0	0	0
4 – 6	0	0	0	0	0
7 – 9	0	0	0	0	0
10 – 12	0	0	0	0	0
13 – 15	1	1	1	0	0
16 – 18	0	0	0	0	0
19 – 20	0	0	0	0	0
Total	1	1	1	0	0

Employees and Posts numbers are as at 30 June

Table 110.:Employees: Sport and Recreation

C) CAPITAL EXPENDITURE: SPORT AND RECREATION

Capital Expenditure 2014/15: Sport and Recreation					
R'000					
Capital Projects	2014/15				
	Budget	Adjustment Budget	Actual Expenditure	Variance from adjustment budget	Total Project Value
Community hall Norvalspont	0	5 000	5 343	343	-

Total project value represents the estimated cost of the project on approval by Council

Table 111.:Capital Expenditure 2014/15: Sport and Recreation

3.10 COMPONENT G: CORPORATE POLICY OFFICES AND OTHER SERVICES

This component includes financial services; human resource services; ICT services and procurement services.

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3.10.1 FINANCIAL SERVICES

A) DEBT RECOVERY

Details of the types of account raised and recovered	Debt Recovery						
	R'000						
	y2013/14		2014/15			2015/16	
	Billed In Year	Actual for accounts billed in year	Billed in Year	Actual for accounts billed in year	Pro-portion of accounts value billed that were collected %	To be billed in Year	Estimated turnout for accounts to be billed in year
Property Rates	4 632	4 632	8 313	8 313	98,65	8 313	8 313
Electricity	22 240	22 240	23 156	23 156	71,28	31 258	31 258
Water	11 030	11 030	12 259	12 259	71,28	13 128	13 128
Sanitation	7 017	7 017	7 816	7 816	71,28	8 259	8 259
Refuse	5 447	5 447	5 974	5 974	71,28	6 333	6 333

Table 112.:Debt recovery

B) EMPLOYEES: FINANCIAL SERVICES

Employees: Financial Services					
Post Level	2013/14		2014/15		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	4	5	4	1	20
4 – 6	0	0	0	0	0
7 – 9	19	19	19	0	0
10 – 12	6	6	6	0	0
13 – 15	0	0	0	0	0
16 – 18	0	0	0	0	0
19 – 20	0	0	0	0	0
Total	29	30	29	1	3.33

Table 113.:Employees: Financial services

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3.10.2 HUMAN RESOURCES

A) HIGHLIGHTS: HUMAN RESOURCES

Highlights	Description
Human Resource Management NQF LEVEL 5	Two personnel were trained in NQF Level 5

Table 114.:Human Resources Highlights

B) CHALLENGES: HUMAN RESOURCES

Description	Actions to address
Training the capacitation of HR STAFF	Budget for training

Table 115.:Human Resources Challenges

C) EMPLOYEES: HUMAN RESOURCES

Employees: Human Resource Services					
Post Level	2013/14	2014/15			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	0	0	0	0	0
4 – 6	0	0	0	0	0
7 – 9	1	1	1	0	0
10 - 12	1	1	1	0	0
13 - 15	0	0	0	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
Total	2	2	2	0	0

Table 116.:Employees: Human Resource services

3.10.3 PROCUREMENT SERVICES

A) CHALLENGES: PROCUREMENT SERVICES

Description	Actions to address
Training needed for SCM staff as well as SCM practioners within the municipality	Budget for SCM Training

Table 117.:Procurement Services Challenges

B) SERVICE STATISTICS FOR PROCUREMENT SERVICES

Description	Total No	Monthly Average
Orders processed	R7 116 794.05	R593 066.17
Bids received (number of documents)	287	23.92

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Description	Total No	Monthly Average
Bids awarded	8	0.67
Bids awarded ≤ R200 000	6	0.5
Appeals registered	0	0
Successful Appeals	0	0

Table 118.:Service Statistics for Procurement Division

C) DETAILS OF DEVIATIONS FOR PROCUREMENT SERVICES

The following table provides a summary of deviations approved on an annual and monthly basis respectively:

Type of deviation	Value of deviations	Percentage of total deviations value
Emergency	R745 368.73	16.62%
Sole Supplier	R1 848 682.16	41.23%
Exceptional Cases	R1 890 087.35	42.15%
Total	R4 484 138.24	100%

Table 119.:Deviations for Procurement Services

3.11 COMPONENT H: SERVICE DELIVERY PRIORITIES FOR 2015/16

The main development and service delivery priorities for 2015/16 forms part of the Municipality's top layer SDBIP for 2015/16 and are indicated in the table below:

3.11.1 DEVELOP A CAPABLE AND CAPACITATED INSTITUTION TO RESPOND TO COMMUNITY NEEDS

REF	KPI	Unit of Measurement	Wards	Annual Target
TL11	The number of people from employment equity target groups employed in the three highest levels of management in compliance with the equity plan	Number of people employed	All	1
TL12	The percentage of the municipality's personnel budget actually spent on implementing its workplace skills plan by 30 June 2016 [(Actual amount spent on training/total operational budget)x100]	(Actual amount spent on training/total operational budget)x100	All	0.50%
TL17	Limit the vacancy rate to less than 10% of budgeted posts by 30 June 2016 ((Number of posts filled/Total number of budgeted posts)x100)	(Number of posts filled/Total number of budgeted posts)x100	All	10%

Table 120.:Service Delivery Priorities for 2015/16 – Develop a capable and capacitated institution to respond to community needs

3.11.2 ENSURE THAT THE MUNICIPALITY IS FINANCIALLY VIABLE

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

REF	KPI	Unit of Measurement	Wards	Annual Target
TL13	Financial viability measured in terms of the municipality's ability to meet its service debt obligations as at 30 June 2016	Debt to Revenue as at 30 June 2016 (Short Term Borrowing + Bank Overdraft + Short Term Lease + Long Term Borrowing + Long Term Lease) / Total Operating Revenue - Operating Conditional Grant	All	24.6
TL14	Financial viability measured in terms of the outstanding service debtors as at 30 June 2016	Service debtors to revenue as at 30 June 2016 – (Total outstanding service debtors/ revenue received for services)	All	28%
TL15	Financial viability measured in terms of the available cash to cover fixed operating expenditure as at 30 June 2016	Cost coverage as at 30 June 2016 ((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, and Provision for Bad Debts, Impairment and Loss on Disposal of Assets)).	All	2.8
TL19	Submit the annual financial statements to AGSA by 31 August 2015	Annual financial statements submitted by 31 August 2015 to AGSA	All	1
TL20	Compile Plan to address audit findings and submit to MM by 31 January 2016	Plan completed and submitted to MM by 31 January 2016	All	1
TL21	Submit the main budget to Council for consideration by 31 March 2016	Main budget submitted to Council by 31 March 2016	All	1
TL22	Achieve a debtor payment percentage of 75% ((Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance + Bad Debts Written Off)/Billed Revenue) x 100	((Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance + Bad Debts Written Off)/Billed Revenue) x 100	All	75%
TL23	Purchase a new financial system by 31 March 2016	New financial system purchased by 31 March 2016	All	1

Table 121.:Services Delivery Priorities for 2015/16 – Ensure that the municipality is financially viable

3.11.3 ESTABLISH AND STRENGTHEN GOVERNANCE STRUCTURES

REF	KPI	Unit of Measurement	Wards	Annual Target
TL16	Compile and submit the Risk Based Audit Plan (RBAP) to the Audit committee by 30 June 2016	Compile and submit the Risk Based Audit Plan (RBAP) to the Audit committee by end June	All	1

Table 122.:Services Delivery Priorities for 2015/16 – Establish and strengthen governance structures

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

3.11.4 FACILITATE ECONOMIC GROWTH IN THE MUNICIPAL AREA

REF	KPI	Unit of Measurement	Wards	Annual Target
TL10	Create temporary jobs - FTE's in terms of EPWP by 30 June 2016	Number of FTE's created by 30 June 2016	All	28

Table 123.:Services Delivery Priorities for 2015/16 – Facilitate economic growth in the municipal area

3.11.5 ONGOING MAINTENANCE OF MUNICIPAL INFRASTRUCTURE

REF	KPI	Unit of Measurement	Wards	Annual Target
TL24	Limit unaccounted for electricity to less than 25% by 30 June 2016 {(Number of Electricity Units Purchased and/or Generated - Number of Electricity Units Sold) / Number of Electricity Units Purchased and/or Generated} × 100}	% of unaccounted electricity	All	25%
TL25	90% of the electricity maintenance budget spent by 30 June 2016 {(Actual expenditure on maintenance divided by the total approved maintenance budget)×100}	% of the maintenance budget spent	All	90%
TL26	90% of the roads and Storm Water maintenance budget spent by 30 June 2016 {(Actual expenditure on maintenance divided by the total approved maintenance budget)×100}	% of the maintenance budget spent	All	90%
TL27	90% of the solid waste maintenance budget spent by 30 June 2016 {(Actual expenditure on maintenance divided by the total approved maintenance budget)×100}	% of the maintenance budget spent	All	90%
TL28	90% of the sewerage maintenance budget spent by 30 June 2016 {(Actual expenditure on maintenance divided by the total approved maintenance budget)×100}	% of the maintenance budget spent	All	90%
TL30	90% of the water maintenance budget spent by 30 June 2016 {(Actual expenditure on maintenance divided by the total approved maintenance budget)×100}	% of the maintenance budget spent	All	90%
TL31	Limit unaccounted for water to less than 40% by 30 June 2016 {(Number of Kilotres Water Purchased or Purified - Number of Kilotres Water Sold) / Number of Kilotres Water Purchased or Purified × 100}	% of water unaccounted	All	40%

Table 124.:Services Delivery Priorities for 2015/16 – Ongoing maintenance of municipal infrastructure

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3.11.6 PROVIDE APPROPRIATE SERVICES TO ALL HOUSEHOLDS

REF	KPI	Unit of Measurement	Wards	Annual Target
TL1	Number of formal residential properties that receive piped water (credit) that is connected to the municipal water infrastructure network as at 30 June 2016	Number of residential properties which are billed for water	All	6 900
TL2	Number of formal residential properties connected to the municipal waste water sanitation/sewerage network for sewerage service, irrespective of the number of water closets (toilets) as at 30 June 2016	Number of residential properties which are billed for sewerage	All	5 608
TL3	Number of formal residential properties connected to the municipal electrical infrastructure network (credit and prepaid electrical metering)(Excluding Eskom areas) as at 30 June 2016	Number of residential properties which are billed for electricity or have pre-paid meters (Excluding Eskom areas) as at 30 June 2016	All	2 557
TL4	Number of formal residential properties for which refuse is removed once per week as at 30 June 2016	Number of residential properties which are billed for refuse removal as at 30 June 2016	All	6 192
TL5	Provide free basic water to indigent households as at 30 June 2016	Number of households receiving free basic water as at 30 June 2016	All	2 600
TL6	Provide free basic sanitation to indigent households as at 30 June 2016	Number of households receiving free basic sanitation as at 30 June 2016	All	2 600
TL7	Provide free basic electricity to indigent households as at 30 June 2016	Number of households receiving free basic electricity as at 30 June 2016	All	2 600
TL8	Provide free basic refuse removal to indigent households as at 30 June 2016	Number of households receiving free basic refuse removal as at 30 June 2016	All	2 600
TL9	The percentage of the municipal capital budget actually spent on capital projects by 30 June 2016 [(Actual amount spent on capital projects /Total amount budgeted for capital projects)X100]	(Actual amount spent on capital projects /Total amount budgeted for capital projects)X100	All	70%

Table 125.:Service Delivery Priorities for 2015/16 - Provide appropriate services to all households

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3.11.7 PROVIDE QUALITY AND SUSTAINABLE MUNICIPAL INFRASTRUCTURE

REF	KPI	Unit of Measurement	Wards	Annual Target
TL18	Develop a policy on the contribution of developers towards bulk services and submit to Council by 31 December 2015	Policy on the contribution of developers towards bulk services and submitted to Council by 31 December 2015	All	1
TL29	Achieve an average 70% green drop status in terms of SANS 242	% status in terms of SANS 242	All	70%
TL32	90% spent of the approved budget for the Noupoort Bulk Water supply Upgrade by 30 June 2016 {(Actual expenditure divided by the total approved project budget)x100}	% of total approved project budget spent	2	90%
TL33	90% spent of the approved budget for the Norvalspont Bulk Water supply Upgrade by 30 June 2016 {(Actual expenditure divided by the total approved project budget)x100}	% of total approved project budget spent	1	90%
TL34	90% spent of the approved budget for the upgrading of Norvalspont Sewer Network by 30 June 2016 {(Actual expenditure divided by the total approved project budget)x100}	% of total approved project budget spent	1	90%
TL35	90% spent of the approved budget for the retrofitting of street lights with energy saving technology by 30 June 2016 {(Actual expenditure divided by the total approved project budget)x100}	% of total approved project budget spent	All	90%
TL36	90% spent of the approved budget for the Rooting Out the Dust and Storm water Projects by 30 June 2016 {(Actual expenditure divided by the total approved project budget)x100}	% of total approved project budget spent	All	90%
TL37	Achieve an average 95% water quality as per SANS 241 criteria	% water quality level	All	95%

Table 126.:Service Delivery Priorities for 2015/16 - Provide quality and sustainable municipal infrastructure

CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE

CHAPTER 4

4.1 NATIONAL KEY PERFORMANCE INDICATORS – MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

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

KPA & Indicators	Municipal Achievement	Municipal Achievement
	2013/14	2014/15
The number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan	0	1
The percentage of a municipality's budget actually spent on implementing its workplace skills plan	1%	1.26%

Table 127.:National KPIs– Municipal Transformation and Organisational Development

4.2 INTRODUCTION TO THE MUNICIPAL WORKFORCE

The Umsobomvu Municipality currently employs 203 (excluding non-permanent positions) officials, who individually and collectively contribute to the achievement of Municipality's objectives. The primary objective of Human Resource Management is to render an innovative HR service that addresses both skills development and an administrative function.

4.2.1 EMPLOYMENT EQUITY

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

CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE

A) EMPLOYMENT EQUITY TARGETS/ACTUAL

African		Coloured		Indian		White	
Target June	Actual June	Target June	Actual June	Target June	Actual June	Target June	Actual June
54.40%	50.60%	34.27%	11.85%	0.16%	0%	7.67%	4.67%

Table 128.:2014/15 EE targets/Actual by racial classification

Male			Female			Disability		
Target June	Actual June	Target reach	Target June	Actual June	Target reach	Target June	Actual June	Target reach
96.18%	69.08%	69.08%	106.84%	55.76%	55.76%	10%	-0.10	0%

Table 129.:2014/15 EE targets/actual by gender classification

B) SPECIFIC OCCUPATIONAL CATEGORIES - RACE

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

Occupational Levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Legislators, senior officials and managers	2	1	0	1	0	0	0	0	4
Professionals	4	1	0	0	3	0	0	1	9
Technicians and associate professionals	10	1	0	1	1	0	0	1	14
Clerks	9	1	0	0	2	4	0	1	17
Service and sales workers	6	8	0	0	11	4	0	0	29
Craft and related trades workers	9	3	0	0	0	0	0	0	12
Plant and machine operators and assemblers	10	5	0	0	0	0	0	0	15
Elementary Occupations	55	25	0	0	21	2	0	0	103
Grand total	105	45	0	2	38	10	0	3	203

Table 130.:Occupational Categories

C) SPECIFIC OCCUPATIONAL LEVELS - RACE

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

Occupational Levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top Management	2	1	0	1		0	0	0	4
Senior Management	3	1	0		1	0	0	0	5
Professionally qualified and experienced specialists and mid-management	15	2	0	1	3	0	0	2	23

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Occupational Levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	12	6	0	0	2	5	0	1	26
Semi-skilled and discretionary decision making	18	10	0	0	11	3	0	0	42
Unskilled and defined decision making	55	25	0	0	21	2	0	0	103
Grand total	105	45	0	2	38	10	0	3	203

Table 131.:Occupational Levels

D) DEPARTMENTS - RACE

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

Department	Male				Female				Total
	A	C	I	W	A	C	I	W	
Municipal Manager	4	2	0	0	1	0	0	0	7
Corporate Services	30	7	0	2	17	5	0	2	63
Financial Services	12	7	0	0	8	4	0	1	32
Technical Services/Electricity	59	29	0	0	12	1		0	101
Grand total	105	45	0	2	38	10	0	3	203

Table 132.:Department – Race

4.2.2 VACANCY RATE

The approved organogram for the municipality had 213 posts for the 2014/15 financial year. The actual positions filled are indicated in the tables below by post level and by functional level. Six posts were vacant at the end of 2014/15, resulting in a vacancy rate of 2.8%.

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

Per Post Level		
Post level	Filled	Vacant
MM & MSA section 57 & 56	4	0
Middle management (T14-T19)	14	3
Admin Officers (T4-T13)	75	8
General Workers (T3)	101	2
Total	203	6
Per Functional Level		
Functional area	Filled	Vacant

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Per Post Level		
Post level	Filled	Vacant
Executive and Council	21	0
Finance and Administration	83	2
Technical Services	109	4
Total	213	6

Table 133.:Vacancy rate per post and functional level

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

Salary Level	Number of current critical vacancies	Total posts as per organogram	Vacancy job title	Vacancies (as a proportion of total posts per category)
Municipal Manager	0	1	Municipal Manager	0
Chief Financial Officer	0	1	Chief Financial Officer	0
Other Section 57 Managers	0	2	Corporate Service Manager, Technical Services Manager	0
Senior management (T14-T19)	0	0	-	0
Highly skilled supervision (T4-T13)	0	0	-	0
Total	0	4	-	0

Table 134.:Vacancy rate per salary level

4.2.3 TURNOVER RATE

A high turnover may be costly to a municipality and might negatively affect productivity, service delivery and institutional memory/organizational knowledge. Below is a table that shows the turnover rate within the municipality.

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

Financial year	Total no appointments at the end of each Financial Year	New appointments	No Terminations during the year	Turn-over Rate
2013/14	18	12	14	23.1%
2014/15	41	32	12	30%

Table 135.:Turnover Rate

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4.3 MANAGING THE MUNICIPAL WORKFORCE

Managing the municipal workforce refers to analysing and coordinating employee behaviour.

4.3.1 INJURIES

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

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

Functional Area	2013/14	2014/15
Executive and Council	1	0
Finance and Administration	0	1
Public Safety	1	0
Technical Services	0	1
Total	2	2

Table 136.:Injuries

4.3.2 SICK LEAVE

The number of day's sick leave taken by employees has service delivery and cost implications. The monitoring of sick leave identifies certain patterns or trends. Once these patterns are identified, corrective action can be taken. The total number of employees that have taken sick leave during the 2014/15 financial year shows an increase when comparing it with the 2013/14 financial year.

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

Year	Total number of sick leave days taken within the year
2013/14	1 064
2014/15	1 098

Table 137.:Sick Leave

4.3.3 HR POLICIES AND PLANS

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

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The table below shows the HR policies and plans that are approved:

Approved policies	
Name of policy	Date approved/ revised
Recruitment, Selection and Appointment	27 September 2007
Leave Policy	27 September 2007
Study Assistance Policy	27 September 2007
Employee Wellness Policy	27 September 2007
Staff performance Policy	27 September 2007
Health and Safety Policy	27 September 2007
Union Support and Facilities Policy	27 September 2007
Sexual Harassment Policy	27 September 2007
Attendance and Punctuality Policy	27 September 2007
Termination of Contract Policy	27 September 2007
Training and skills development Policy	27 September 2007
Retrenchment Policy	27 September 2007
Management and Use of Internet Policy	27 September 2007
Bonus Policy	27 September 2007
Private Work Policy	27 September 2007
Family Responsibility Leave	27 September 2007

Table 138: HR policies and plans

4.4 CAPACITATING THE MUNICIPAL WORKFORCE

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

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4.4.1 SKILLS MATRIX

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

Management level	Gender	Number of employees identified for training at start of the year (2014/15)	Number of Employees that received training (2014/15)
MM and S56	Female	0	0
	Male	4	4
Legislators, senior officials and managers	Female	5	5
	Male	5	5
Associate professionals and Technicians	Female	15	1
	Male	10	10
Professionals	Female	7	7
	Male	16	16
Clerks	Female	11	11
	Male	10	10
Service and sales workers	Female	4	4
	Male	6	6
Craft and related trade workers	Female	4	4
	Male	6	6
Plant and machine operators and assemblers	Female	0	0
	Male	10	5
Elementary occupations	Female	12	6
	Male	12	8
Sub total	Female	48	37
	Male	89	70
Total		137	107

Table 139: Skills Matrix

4.4.2 SKILLS DEVELOPMENT – TRAINING PROVIDED

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

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Occupational categories	Gender	Training provided within the reporting period 2013/14						
		Learnerships		Skills programmes & other short courses		Total		
		Actual	Target	Actual	Target	Actual	Target	% Variance
MM and S56	Female	0	0	0	0	0	0	0
	Male	0	0	4	4	4	4	0
Legislators, senior officials and managers	Female	0	0	5	5	5	5	0
	Male	0	0	11	11	11	11	0
Professionals	Female	4	4	4	4	8	8	0
	Male	1	1	10	10	11	11	0
Technicians and associate professionals	Female	0	0	1	1	1	1	0
	Male	0	0	10	10	10	10	0
Clerks	Female	0	0	8	8	8	8	0
	Male	0	0	10	10	10	10	0
Service and sales workers	Female	0	0	3	3	3	3	0
	Male	0	0	4	4	4	4	0
Craft and related trade workers	Female	0	0	0	0	0	0	0
	Male	0	0	1	1	1	1	0
Plant and machine operators and assemblers	Female	0	0	0	0	0	0	0
	Male	0	0	13	13	13	13	0
Elementary occupations	Female	0	0	9	9	9	9	0
	Male	0	0	13	13	13	13	0
Sub total	Female	4	4	30	30	34	34	0
	Male	1	1	77	77	78	78	0
Total		5	5	107	107	112	112	0

Table 140.:Skills Development

4.4.3 MFMA COMPETENCIES

In terms of Section 83 (1) of the MFMA, the accounting officer, senior managers, the chief financial officer, non-financial managers and other financial officials of a municipality must meet the prescribed financial management competency levels that are key to the successful implementation of the Municipal Finance Management Act. National Treasury has prescribed such financial management competencies in Government Notice 493 dated 15 June 2007.

To assist the above-mentioned officials to acquire the prescribed financial competencies, National Treasury, with the collaboration of various stakeholders and role players in the local government sphere, developed an

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outcomes-based NQF Level 6 qualification in municipal finance management. In terms of the Government Notice 493 of 15 June 2007, “(1) No municipality or municipal entity may, with effect 1 January 2013 (exempted until 30 September 2015 as per Government Notice No. 179 of 14 March 2014), employ a person as a financial official if that person does not meet the competency levels prescribed for the relevant position in terms of these Regulations.”

The table below provides details of the financial competency development progress as required by the regulation:

Description	Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	Competency assessments completed (Regulation 14(4)(b) and (d))	Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
Financial Officials				
Accounting officer	1	1	1	1
Chief financial officer	1	1	1	1
Senior managers	2	2	2	2
Any other financial officials	31	8	0	8
Supply Chain Management Officials				
Heads of supply chain management units	1	0	0	0
Supply chain management senior managers	0	0	0	0
TOTAL	35	12	4	12

Table 141.:MFMA Competencies

4.4 MANAGING THE MUNICIPAL WORKFORCE EXPENDITURE

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

4.4.1 PERSONNEL EXPENDITURE

The percentage personnel expenditure is essential in the budgeting process as it reflects on current and future efficiency. The table below indicates the percentage of the municipal budget that was spent on salaries and

CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE

allowance for the past two financial years and that the municipality is well within the national norm of between 35 to 40%:

Financial year	Total Expenditure salary and allowances	Total Operating Expenditure	Percentage
	R'000	R'000	
2013/14	33 695	124 780	27.0%
2014/15	34 412	129 321	26.6%

Table 142.:Personnel Expenditure

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

Financial year	2013/14	2014/15		
	Actual	Original Budget	Adjusted Budget	Actual
R				
Councillors (Political Office Bearers plus Other)				
Salary	2 459	2 945	2 945	2 563
Pension Contributions	0	0	0	0
Medical Aid Contributions	0	0	0	0
Motor vehicle allowance	324	0	0	224
Cell phone allowance	209	0	0	209
Housing allowance	0	0	0	0
Other benefits or allowances	0	0	0	0
In-kind benefits	0	0	0	0
Sub Total	2 992	2 945	2 945	2 996
% increase/ (decrease)	-	(1.57)	0	1.73
Senior Managers of the Municipality				
Salary	2 709	3 084	3 084	3 179
Pension Contributions	0	0	0	0
Medical Aid Contributions	0	0	0	0
Motor vehicle allowance	653	401	556	445
Cell phone allowance	0	0	0	0
Housing allowance	36	11	12	12
Performance Bonus	257	348	348	292
Other benefits or allowances	88	0	0	7
Payments in lieu of leave	214	0	0	0
Sub Total	3 957	3 844	4 000	3 935
% increase/ (decrease)	-	(2.86)	4.06	(1.63)
Other Municipal Staff				

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Financial year	2013/14	2014/15		
Description	Actual	Original Budget	Adjusted Budget	Actual
R				
Basic Salaries and Wages	21 868	22 885	22 868	21 809
Pension Contributions	3 384	4 492	4 088	3 668
Medical Aid Contributions	737	758	828	736
Motor vehicle allowance	123	0	0	904
Cell phone allowance	0	0	0	0
Housing allowance	9	0	0	48
Overtime	1 298	1 060	1 217	1 307
Other benefits or allowances	2 319	6 018	6 082	2 005
Sub Total	29 738	35 213	35 084	30 477
% increase	-	18.41	(0.37)	(13.13)
Total Municipality	33 695	39 057	39 084	34 412
% increase/ (decrease)	-	15.91	0.06	(11.95)

Table 143.: Personnel Expenditure

CHAPTER 5: FINANCIAL PERFORMANCE

CHAPTER 5

This chapter provides details regarding the financial performance of the municipality for the 2013/14 financial year.

COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

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

5.1 FINANCIAL SUMMARY

5.1.1 OVERALL FINANCIAL SUMMARY

The table below indicates the summary of the financial performance for the 2014/15 financial year:

Financial Summary						
R'000						
Description	2013/14	2014/15			2014/15 %Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
Financial Performance						
Property rates	4 802	5 199	8 295	8 521	38.98	2.65
Service charges	45 734	50 828	54 011	49 213	(3.28)	(9.75)
Investment revenue	693	312	422	532	41.32	20.63
Transfers recognised - operational	33 932	36 107	36 107	35 708	(1.12)	(1.12)
Other own revenue	9 932	8 297	9 732	16 573	49.93	41.28
Total Revenue (excluding capital transfers and contributions)	95 093	100 743	108 568	110 547	8.87	1.79
Employee costs	33 695	39 057	39 084	34 412	(13.50)	(13.58)
Remuneration of Councillors	2 992	2 945	2 945	2 996	1.72	1.72
Depreciation & asset impairment	27 923	23 834	23 834	28 622	16.73	16.73
Finance charges	466	296	360	384	22.85	6.17
Materials and bulk purchases	18 410	18 670	18 670	18 731	0.33	0.33
Transfers and grants	0	0	0	0	0	0
Other expenditure	41 323	41 228	45 660	44 165	6.65	(3.39)
Total Expenditure	124 810	126 029	130 553	129 310	2.54	(0.96)
Surplus/(Deficit)	(29 717)	(25 285)	(21 985)	(18 763)	(34.76)	(17.17)
Transfers recognised - capital	52 349	43 648	51 389	38 236	(14.15)	(34.40)
Contributions recognised - capital & contributed assets	0	0	0	0	0	0

CHAPTER 5: FINANCIAL PERFORMANCE

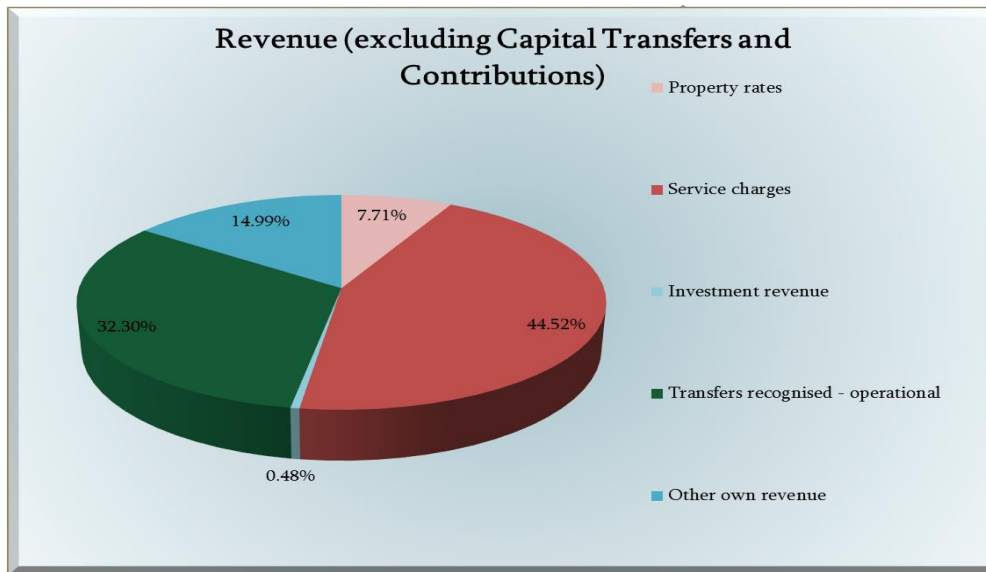
Financial Summary						
R'000						
Description	2013/14	2014/15			2014/15 %Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
Surplus/(Deficit) for the year	22 632	18 363	29 404	19 473	5.70	(51.00)
Capital expenditure & funds sources						
Capital expenditure						
Transfers recognised – capital	47 725	39 000	46 741	38 938	(0.16)	(20.04)
Public contributions & donations	5 100	0	0	50	100.00	100.00
Borrowing	629	0	0	0	0	0
Internally generated funds	3 339	1 550	100	707	(119.17)	85.86
Total sources of capital funds	56 792	40 550	46 841	39 695	(2.15)	(18.00)
Financial position						
Total current assets	57 409	36 291	68 499	69 265	47.61	1.11
Total non-current assets	504 334	549 826	602 823	515 047	(6.75)	(17.04)
Total current liabilities	33 212	0	800	36 329	100.00	97.80
Total non-current liabilities	26 209	4 374	36 893	26 188	83.30	(40.88)
Community wealth/Equity	502 322	581 743	633 628	521 795	(11.49)	(21.43)
Cash flows						
Net cash from (used) operating	36 296	52 182	42 204	38 833	(34.37)	(8.68)
Net cash from (used) investing	(50 429)	(47 898)	(47 898)	(39 289)	(21.91)	(21.91)
Net cash from (used) financing	(330)	(728)	(608)	(1 043)	30.22	41.72
Cash/cash equivalents at the year end	19 947	19 168	9 310	18 448	(3.91)	49.53
Cash backing/surplus reconciliation						
Cash and investments available	19 947	19 168	9 310	18 448	(3.91)	49.53
Application of cash and investments	0	0	0	0	0	0
Balance - surplus (shortfall)	19 947	19 168	9 310	18 448	(3.91)	49.53
Asset management						
Asset register summary (WDV)	504 334	602 823	609 014	515 047	(17.04)	(18.24)
Depreciation & asset impairment	27 893	23 834	23 834	28 622	16.73	16.73
Renewal of Existing Assets	0	0	0	0	0	0
Repairs and Maintenance	2 486	2 275	3 678	3 932	42.14	6.46
Free services						
Cost of Free Basic Services provided	8 329	8 967	8 967	6 771	(32.43)	(32.43)
Revenue cost of free services provided	859	910	910	670	(35.89)	(35.89)

CHAPTER 5: FINANCIAL PERFORMANCE

Financial Summary						
R'000						
Description	2013/14	2014/15			2014/15 %Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
<i>Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.</i>						

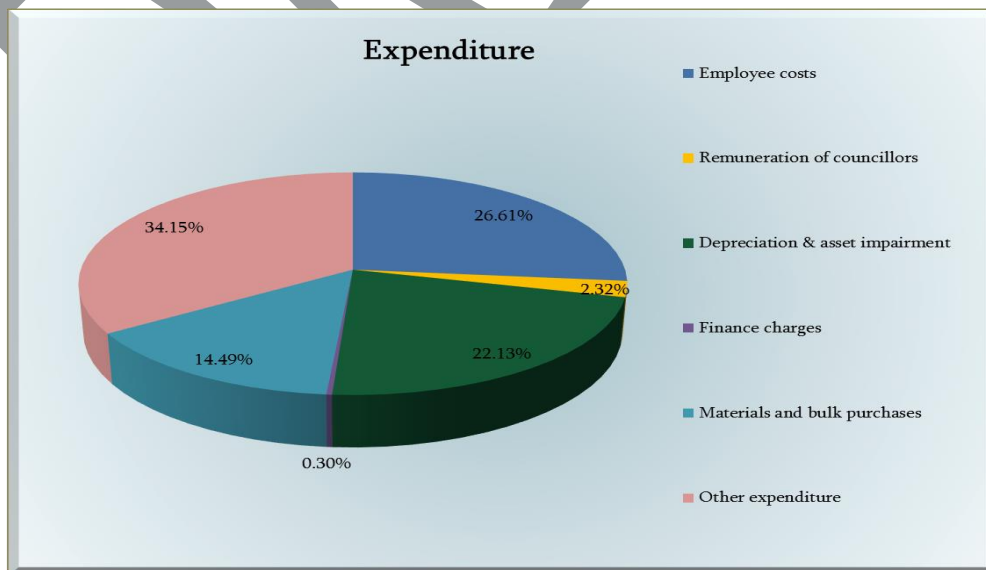
Table 144.: Financial Performance 2014/15

The following graph indicates the various types of revenue items in the municipal budget for 2014/15



Graph 8.: Revenue

The following graph indicates the various types of expenditure items in the municipal budget for 2014/15



Graph 9.: Operating expenditure

5.1.2 REVENUE COLLECTION BY VOTE

CHAPTER 5: FINANCIAL PERFORMANCE

The table below indicates the Revenue collection performance by Vote:

Vote Description	2013/14	2014/15			2014/15 % Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
	R'000					
Executive & Council	30 684	32 382	32 382	32 382	0.00	0.00
Finance & Admin	9 175	12 763	21 719	19 923	35.94	(9.02)
Community Services	1 934	3 298	3 726	8 849	62.73	57.89
Technical Services	105 650	95 948	102 129	87 629	(9.49)	(16.55)
Total Revenue by Vote	147 442	144 391	159 957	148 783	2.95	(7.51)

Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.

Table 145.:Revenue by Vote

5.1.3 REVENUE COLLECTION BY SOURCE

The table below indicates the revenue collection performance by source for the 2014/15 financial year:

Description	2013/14	2014/15			2014/15 % Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
	R'000					
Property rates	4 632	5 031	8 117	8 313	39.48	2.37
Property rates - penalties & collection charges	170	169	179	208	18.83	13.96
Service Charges - electricity revenue	22 230	27 770	27 876	23 163	(19.89)	(20.35)
Service Charges - water revenue	11 040	9 914	12 368	12 260	19.13	(0.88)
Service Charges - sanitation revenue	7 009	7 418	7 792	7 816	5.09	0.31
Service Charges - refuse revenue	5 455	5 726	5 975	5 974	4.16	(0.01)
Service Charges - other	0	0	0	0	0	0
Rentals of facilities and equipment	407	396	1 042	1 046	62.18	0.39
Interest earned - external investments	693	312	422	532	41.32	20.63
Interest earned - outstanding debtors	1 634	1 427	1 672	1 980	27.95	15.57
Dividends received	0	0	0	0	0	0
Fines	684	1 575	2 019	4 685	66.38	56.90
Licences and permits	531	710	714	2 774	74.39	74.24
Agency services	0	0	0	0	0	0
Transfers recognised - operational	33 932	36 107	36 107	35 708	(1.12)	(1.12)
Other revenue	6 675	4 190	4 285	6 089	31.19	29.62
Gains on disposal of PPE	0	0	0	0	0	0
Total Revenue (excluding capital transfers and contributions)	95 093	100 743	108 568	110 547	8.87	1.79

CHAPTER 5: FINANCIAL PERFORMANCE

Description	2013/14	2014/15			2014/15 % Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
	R'000					
<i>Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.</i>						

Table 146.:Revenue by Source

5.1.4 OPERATIONAL SERVICES PERFORMANCE

The table below indicates the Operational services performance for the 2014/15 financial year:

Financial Performance of Operational Services						
R'000						
Description	2013/14	2014/15			2014/15 % Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
Operating Cost						
Water	26 800	21 289	21 830	23 604	9.81	7.51
Waste Water (Sanitation)	8 809	9 236	9 460	8 935	(3.37)	(5.87)
Electricity	26 589	24 705	25 619	23 576	(4.79)	(8.67)
Waste Management	(417)	6 336	6 312	6 130	(3.36)	(2.96)
Component A: sub-total	61 782	61 566	63 221	62 245	1.09	(1.57)
Roads	0	0	0	0	0	0
Transport	15 015	11 111	11 452	16 286	31.78	29.68
Component B: sub-total	15 015	11 111	11 452	16 286	31.78	29.68
Planning	0	0	0	0	0	0
Local Economic Development	0	0	0	0	0	0
Component C: sub-total	0	0	0	0	0	0
Housing	533	473	482	518	8.81	7.03
Social services & community development	0	0	0	0	0	0
Component D: sub-total	533	473	482	518	8.81	7.03
Environmental Protection (Pollution Control, Bio(Diversity, Landscape, Open Spaces, Parks, And Coastal Protection)	0	0	0	0	0	0
Component E: sub(total)	0	0	0	0	0	0
Traffic & licensing	2 442	2 511	3 844	7 034	64.30	45.34
Fire Serices and Disaster Management	0	0	0	0	0	0
Component F: sub(total)	2 442	2 511	3 844	7 034	64.30	45.34
Sport and Recreation	1 130	1 338	1 299	925	(44.55)	(40.41)
Cemeteries	2 183	298	299	1 242	76.01	75.97

CHAPTER 5: FINANCIAL PERFORMANCE

Financial Performance of Operational Services						
R'000						
Description	2013/14	2014/15			2014/15 % Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
Operating Cost						
Libraries	1 074	1 880	1 860	1 044	(80.03)	(78.12)
Museum	556	723	696	482	(49.96)	(44.24)
Community halls, facilities, Thusong centres	2 116	1 627	2 300	2 717	40.12	15.37
Component G: sub(total)	7 059	5 866	6 453	6 411	8.51	(0.65)
Budget and Treasury Office	13 878	19 315	19 336	13 658	(41.42)	(41.58)
Executive and Council	19 423	19 628	20 025	17 470	(12.35)	(14.63)
Corporate Services	4 679	5 544	5 725	5 687	2.52	(0.65)
Component H: sub(total)	37 979	44 488	45 086	36 815	(20.84)	(22.47)
Total Expenditure	124 810	126 014	130 538	129 310	2.55	(0.95)

Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.

Table 147.:Operational Services Performance

5.2 FINANCIAL PERFORMANCE PER MUNICIPAL FUNCTION

5.2.1 WATER SERVICES

Description	2013/14	2014/15			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue (excluding tariffs)	57 738	51 499	56 283	39 977	(28.82)
Expenditure:					
Employees	2 784	3 701	3 705	3 109	(19.02)
Repairs and Maintenance	641	396	398	413	4.14
Other	23 372	17 193	17 848	20 082	14.39
Total Operational Expenditure	26 800	21 289	21 950	23 604	9.81
Net Operational (Service) Expenditure	30 938	30 210	34 333	16 373	(84.51)

Variances are calculated by dividing the difference between the actual and original budget by the actual.

Table 148.:Financial Performance: Water services

5.2.2 WASTE WATER (SANITATION)

CHAPTER 5: FINANCIAL PERFORMANCE

Description	2013/14	2014/15			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue (excluding tariffs)	7 472	7 662	8 036	8 599	10.90
Expenditure:					
Employees	2 710	3 405	4 111	3 301	(3.15)
Repairs and Maintenance	115	192	397	291	33.83
Other	5 984	5 638	4 951	5 318	(6.02)
Total Operational Expenditure	8 809	9 236	9 460	8 910	(3.66)
Net Operational (Service) Expenditure	(1 337)	(1 574)	(1 424)	(311)	(406.44)
<i>Variations are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 149.:Financial Performance: Waste Water (Sanitation) services

5.2.3 ELECTRICITY

Description	2013/14	2014/15			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue (excluding tariffs)	29 471	29 831	29 957	25 025	(19.20)
Expenditure:					
Employees	1 393	1 524	1 624	1 255	(21.49)
Repairs and Maintenance	683	486	505	758	35.91
Other	24 512	22 695	23 490	21 563	(5.25)
Total Operational Expenditure	26 588	24 705	25 619	23 576	(4.79)
Net Operational (Service) Expenditure	2 909	5 125	4 338	1 449	(253.71)
<i>Variations are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 150.:Financial Performance: Electricity

5.2.4 WASTE MANAGEMENT

CHAPTER 5: FINANCIAL PERFORMANCE

Description	2013/14	2014/15			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue (excluding tariffs)	5 747	5 896	6 152	6 309	6.55
Expenditure:					
Employees	2 603	2 964	3 806	3 166	6.38
Repairs and Maintenance	114	267	127	58	(358.03)
Other	(3 134)	3 105	2 379	2 905	(6.88)
Total Operational Expenditure	(417)	6 336	6 312	6 129	(3.37)
Net Operational (Service) Expenditure	(6 164)	(440)	(160)	180	344.66

Variances are calculated by dividing the difference between the actual and original budget by the actual.

Table 151.:Financial Performance: Waste Management

5.2.5 HOUSING

Description	2013/14	2014/15			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue (excluding tariffs)	0	0	0	406	100
Expenditure:					
Employees	448	451	453	483	6.67
Repairs and Maintenance		2	2	0	0
Other	85	21	27	36	42.16
Total Operational Expenditure	533	473	482	518	8.81
Net Operational (Service) Expenditure	(533)	(473)	(482)	(112)	(320.65)

Variances are calculated by dividing the difference between the actual and original budget by the actual.

Table 152.:Financial Performance: Housing

5.2.6 ROADS AND STORMWATER

CHAPTER 5: FINANCIAL PERFORMANCE

Description	2013/14	2014/15			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue (excluding tariffs)	5 222	1 060	1 701	7 719	86.26
Expenditure:					
Employees	4 239	4 501	4 995	4 092	(9.98)
Repairs and Maintenance	493	550	639	1 335	58.78
Other	9 878	5 652	5 406	10 472	46.03
Total Operational Expenditure	14 610	10 703	11 039	15 899	32.68
Net Operational (Service) Expenditure	(9 387)	(9 643)	(9 338)	(8 180)	(17.88)

Variances are calculated by dividing the difference between the actual and original budget by the actual.

Table 153.:Financial Performance: Waste Water (Stormwater)

5.2.7 IDP, LOCAL ECONOMIC DEVELOPMENT AND SOCIAL

Description	2013/14	2014/15			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue (excluding tariffs)	0	0	1	0	0
Expenditure:					
Employees	0	0	0	0	
Repairs and Maintenance	0	0	0	0	
Other	0	0	15	0	0
Total Operational Expenditure	0	0	15	0	0
Net Operational (Service) Expenditure	0	0	(14)	0	0

Variances are calculated by dividing the difference between the actual and original budget by the actual.

Table 154.:Financial Performance: IDP, Local Economic Development and Social

5.2.9 LIBRARIES

CHAPTER 5: FINANCIAL PERFORMANCE

Description	2013/14	2014/15			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue (excluding tariffs)	710	991	991	992	0.11
Expenditure:					
Employees	486	988	969	508	(94.54)
Repairs and Maintenance	4	4	4	2	(163.33)
Other	584	888	887	535	(66.05)
Total Operational Expenditure	1 074	1 880	1 860	1 044	(80.05)
Net Operational (Service) Expenditure	(364)	(889)	(869)	(52)	(1 610.51)
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 155.:Financial Performance: Libraries

5.2.10 TRAFFIC AND LAW ENFORCEMENT

Description	2013/14	2014/15			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue (excluding tariffs)	1 198	2 283	2 710	7 441	69.32
Expenditure:					
Employees	1 597	1 912	2 166	1 907	(0.23)
Repairs and Maintenance	46	78	76	179	56.25
Other	799	521	1 602	4 899	89.36
Total Operational Expenditure	2 442	2 511	3 844	6 985	64.05
Net Operational (Service) Expenditure	(1 244)	(228)	(1 134)	455	150.10
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 156.:Financial Performance: Traffic and Law enforcement

5.2.11 OFFICE OF THE MUNICIPAL MANAGER

CHAPTER 5: FINANCIAL PERFORMANCE

Description	2013/14	2014/15			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue (excluding tariffs)	0	0	0	0	0
Expenditure:					
Employees	1 144	1 950	1 950	1 179	(65.39)
Repairs and Maintenance		0	0	0	0
Other	682	762	834	778	2.04
Total Operational Expenditure	1 826	2 711	2 783	1 956	(38.59)
Net Operational (Service) Expenditure	(1 826)	(2 711)	(2 783)	(1 956)	(38.59)
<i>Variations are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 157.:Financial Performance: Office of the Municipal Manager

5.2.12 ADMINISTRATION

Description	2013/14	2014/15			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue (excluding tariffs)	20	19	19	12	(65.89)
Expenditure:					
Employees	3 713	4 916	4 917	4 846	(1.43)
Repairs and Maintenance	29	10	42	23	55.26
Other	937	618	766	818	24.41
Total Operational Expenditure	4 679	5 544	5 725	5 687	2.52
Net Operational (Service) Expenditure	(4 659)	(5 525)	(5 706)	(5 676)	2.65
<i>Variations are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 158.:Financial Performance: Administration

5.2.13 FINANCE

CHAPTER 5: FINANCIAL PERFORMANCE

Description	2013/14	2014/15			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue (excluding tariffs)	3 924	7 146	7 348	6 603	(8.23)
Expenditure:					
Employees	5 701	7 187	7 145	6 279	(14.46)
Repairs and Maintenance	10 169	23	18	16	(39.64)
Other	2 944	9 409	9 440	6 589	(42.80)
Total Operational Expenditure	12 926	16 619	16 603	12 884	(28.99)
Net Operational (Service) Expenditure	(9 002)	(9 472)	(9 255)	(6 281)	(50.80)
<i>Variations are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 159: Financial Performance: Finance

CHAPTER 5: FINANCIAL PERFORMANCE

5.3 GRANTS

5.3.1 GRANT PERFORMANCE

The municipality had a total amount of **R41** million for infrastructure and other projects available that was received in the form of grants from the National and Provincial Governments during the 2014/15 financial year. The performance in the spending of these grants is summarised as follows:

Grant Performance						
R'000						
Description	2013/14	2014/15			2014/15 % Variance	
	Actual	Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
Capital Transfers and Grants						
National Government:	51 624	49 764	39 814	35 498	(40.19)	(12.16)
Equitable share	30 684	32 382	32 382	31 655	(2.30)	(2.30)
Municipal Systems Improvement	890	934	934	618	(51.21)	(51.21)
INEP	2 600	1 500	1 500	0	0	0
Expanded Public Works Programme	1 000	1 000	1 000	1 000	0	0
EPWP: ROADS	1 000	1 000	1 641	0	0	0
MIG - Project Management Unit	13 550	11 148	557	557	(1 900)	0
Electricity Demand Side Grant	250	0	0	0	0	0
Finance Management Grant	1 650	1 800	1 800	1 668	(7.94)	(7.94)
Provincial Government:	0	991	991	991	0.00	0.00
Library Grant	0	991	991	991	0.00	0.00
Total Capital Transfers and Grants	51 624	50 755	40 805	36 489	(39.10)	(11.83)

Variations are calculated by dividing the difference between actual and original/adjustments budget by the actual.

Table 160: Grant Performance for 2014/15

5.3.2 CONDITIONAL GRANTS (EXCLUDING MIG)

Details	2013/14	Budget	Adjusted Budget	Actual	% Variance	
	Actual				Budget	Adjusted Budget
	Actual (Audited Outcome)	R'000				
Financial Management Grant (FMG)	1 650	1 800	1 800	1 668	(7.94)	(7.94)
Municipal Systems Improvement Grant	890	934	934	618	(51.21)	(51.21)
Municipal Infrastructure Grant (MIG)	13 126	11 148	18 251	11 306	1.40	(61.42)
Integrated National Electrification Programme	2 281	1 500	1 500	1 415	(5.99)	(5.99)
Expanded Public Works Program (EPWP)	0	1 000	1 641	4 508	77.82	63.60

CHAPTER 5: FINANCIAL PERFORMANCE

Details	2013/14	Budget	Adjusted Budget	Actual	% Variance	
	Actual				Budget	Adjusted Budget
	Actual (Audited Outcome)	R'000				
Library Grant	708	991	991	991	0.00	0.00
Regional Bulk Infrastructure Grant: Water Affairs	28 040	30 000	30 000	25 849	(16.06)	(16.06)
Equitable share	30 684	32 382	32 382	32 382	0.00	0.00
Electricity Demand Side Management Grant	0	0	0	0	0	0
Total	77 379	79 755	87 499	78 737	(1.29)	(11.13)

Table 161.: Conditional Grant (excl. MIG)

5.3.3 LEVEL OF RELIANCE ON GRANTS & SUBSIDIES

Financial year	Total grants	Total	Percentage
	and subsidies received	Operating Revenue	
	R'000	R'000	%
2013/14	86 281	147 442	58.52
2014/15	73 894	148 783	49.67

Table 162.: Reliance on grants

5.4 ASSET MANAGEMENT

5.4.1 REPAIRS AND MAINTENANCE

Description	Basis of calculation	2013/14	2014/15
		<i>Audited outcome</i>	<i>Pre-audit outcome</i>
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	0.02	0.04

Table 163.: Repairs & maintenance as % of Total revenue

CHAPTER 5: FINANCIAL PERFORMANCE

5.5 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

5.5.1 LIQUIDITY RATIO

Description	Basis of calculation	2013/14	2014/15
		Audited outcome	Pre-audit outcome
Current Ratio	Current assets/current liabilities	1.91	1.73
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0.51	0.6
Liquidity Ratio	Cash and equivalents/Trade creditors and short term borrowings	0.51	0.6

Table 164.:Liquidity Financial Ratio

5.5.2 IDP REGULATION FINANCIAL VIABILITY INDICATORS

Description	Basis of calculation	2013/14	2014/15
		Audited outcome	Pre-audit outcome
Cost Coverage	(Available cash + Investments)/monthly fixed operational expenditure	0.18	0.21
Total Outstanding Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	0.83	0.70
Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	21.05	59.77

Table 165.:Financial Viability National KPAs

5.5.3 BORROWING MANAGEMENT

Description	Basis of calculation	2013/14	2014/15
		Audited outcome	Pre-audit outcome
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0.3%	0.4%

Table 166.:Borrowing Management

5.5.4 EMPLOYEE COSTS

Description	Basis of calculation	2013/14	2014/15
		Audited outcome	Pre-audit outcome
Employee costs	Employee costs/(Total Revenue - capital revenue)	26.61%	27%

Table 167.:Employee Costs

CHAPTER 5: FINANCIAL PERFORMANCE

COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

5.6 CAPITAL EXPENDITURE: SOURCES OF FINANCE

The table below indicates the capital expenditure by funding source for the 2014/15 financial year:

Details	2013/14	2014/15				
	Actual	Original Budget (OB)	Adjustment Budget	Actual	Adjustment to OB Variance	Actual to OB Variance
	R'000				%	
External loans	717	0	0	0	0	0
Public contributions and donations	0	0	0	50	0	0
Grants and subsidies	49 235	39 000	46 741	38 938	19.85	(20.01)
Own funding	477	1 550	100	707	(93.55)	39.17
Total	50 429	40 550	46 841	39 695	15.51	(17.62)
<i>Percentage of finance (%)</i>						
External loans	1	0	0	0	0	0
Public contributions and donations	0	0	0	0	0	0
Grants and subsidies	98	77	93	77	19.85	(20.01)
Own funding	1	3	0	1	(93.55)	39.17
<i>Capital expenditure</i>						
Water and sanitation	43 264	31 500	33 600	28 791	6.67	(15.27)
Electricity	2 447	0	0	1 298	0	0
Housing	0	0	0	0	0	0
Roads and stormwater	0	0	0	0	0	0
Other	4 718	7 550	11 741	9 606	55.51	(28.28)
Total	50 429	39 050	45 341	39 695	16.11	(14.46)
<i>Percentage of expenditure (%)</i>						
Water and sanitation	86	81	74	73	(8.13)	(1.95)
Electricity	5	0	0	3	0	0
Housing	0	0	0	0	0	0
Roads and stormwater	0	0	0	0	0	0
Other	9	19	26	24	33.93	(8.77)

Table 168.:Capital Expenditure by funding source

CHAPTER 5: FINANCIAL PERFORMANCE

5.7 MUNICIPAL INFRASTRUCTURE GRANT (MIG)

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

Municipal Infrastructure Grant (MIG)* Expenditure 2014/15					
R					
Details	Original Budget	Adjustments Budget	Actual	% Variance	
				Original Budget	Adjust-ments Budget
Infrastructure - Water	0	0	3 007	100	100
Water purification	0	0	3 007	100	100
Infrastructure – Roads	0	0	3 596	100	100
Roads	0	0	3 596	100	100
Other Specify: Recreational Facilities	0	0	4 146	100	100
Norvalspont Community Hall	0	0	4 146	100	100
Total	0	0	10 749	100	100

* MIG is a government grant program designed to fund a reduction in service backlogs, mainly: Water; Sanitation; Roads; Electricity. Expenditure on new, upgraded and renewed infrastructure is set out at Appendix M; note also the calculation of the variation. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.

Table 169.:Municipal Infrastructure Grant (MIG)

COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

Cash flow management is critical to the municipality as it enables the organisation to assess whether enough cash is available at any point in time to cover the council's commitments. Cash flow is rigorously managed and monitored on a regular basis.

5.8 CASH FLOW

Cash Flow Outcomes				
R'000				
Description	2013/14	2014/15		
	Audited Outcome	Original Budget	Adjusted Budget	Actual
Cash flow from operating activities				
Receipts				
Ratepayers and other	55 258	59 480	54 258	55 747
Government - operating	73 444	36 664	36 664	34 264
Government - capital	0	43 091	46 841	38 942
Interest	693	1 739	5 289	2 512

CHAPTER 5: FINANCIAL PERFORMANCE

Cash Flow Outcomes				
R'000				
Description	2013/14	2014/15		
	Audited Outcome	Original Budget	Adjusted Budget	Actual
Dividends	0	0	0	50
Payments				
Suppliers and employees	(92 633)	(88 438)	(100 488)	(91 962)
Finance charges	(466)	(354)	(360)	(384)
Transfers and Grants	0	0	0	(336)
Net cash from/(used) operating activities	36 296	52 182	42 204	38 833
Cash flows from investing activities				
Receipts				
Proceeds on disposal of PPE	0	0	0	0
Decrease (Increase) in non-current debtors	0	0	0	0
Decrease (increase) other non-current receivables	0	0	0	0
Decrease (increase) in non-current investments	0	0	0	0
Payments				
Capital assets	(50 429)	(47 898)	(47 898)	(39 289)
Net cash from/(used) investing activities	(50 429)	(47 898)	(47 898)	(39 289)
Cash flows from financing activities				
Receipts				
Short term loans	0	0	0	0
Borrowing long term/refinancing	0	0	0	0
Increase (decrease) in consumer deposits	0	0	0	0
Payments				
Repayment of borrowing	(330)	(728)	(728)	(1 043)
Net cash from/(used) financing activities	(330)	(728)	(728)	(1 043)
Net increase/ (decrease) in cash held	(14 463)	3 556	(6 422)	(1 499)
Cash/cash equivalents at the year begin:	34 410	15 612	15 612	19 947
Cash/cash equivalents at the year-end:	19 947	19 168	9 190	18 448

Table 170.:Cash flow

CHAPTER 5: FINANCIAL PERFORMANCE

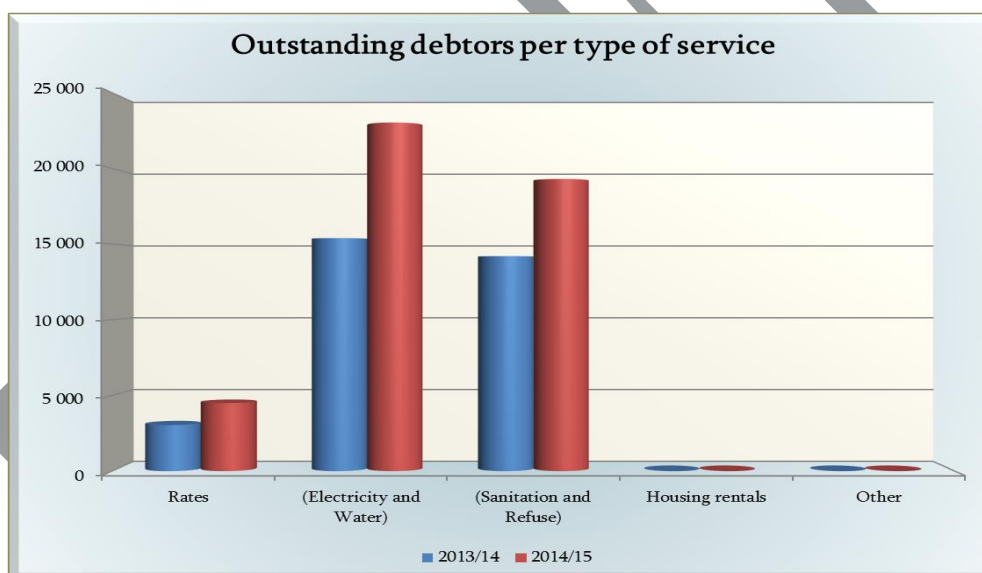
5.9 GROSS OUTSTANDING DEBTORS PER SERVICE

Financial year	Rates	Trading services	Economic services	Housing rentals	Other	Total
		(Electricity and Water)	(Sanitation and Refuse)			
R'000						
2013/14	3 038	15 393	14 201	0	0	32 633
2014/15	4 492	23023	19 299	0	0	46 814
Difference	1 454	7 630	5 097	0	0	14 181
% growth year on year	48	50	36	0	0	43

Note: Figures exclude provision for bad debt

Table 171.:Gross outstanding debtors per service

The following graph indicates the total outstanding debt per type of service for 2014/15



Graph 10.: Outstanding debt per type of service

CHAPTER 5: FINANCIAL PERFORMANCE

5.10 TOTAL DEBTORS AGE ANALYSIS

Financial year	Less than 30 days	Between 30-60 days	Between 60-90 days	More than 90 days	Total
	R'000	R'000	R'000	R'000	R'000
2013/14	2 809	820	666	25 906	30 201
2014/15	3 271	1 344	1 201	37 529	43 345
Difference	462	524	535	11 623	13 144
% growth year on year	16	64	80	45	44

Note: Figures exclude provision for bad debt.

Table 172.:Outstanding debtor age analysis

5.11 BORROWING AND INVESTMENTS

Infrastructure needs to be replaced and therefore borrowings for periods of 15 years are taken up to lessen the impact on consumers.

5.11.1 ACTUAL BORROWINGS

Actual Borrowings		
R' 000		
Instrument	2013/14	2014/15
Long-Term Loans (annuity/reducing balance)	3 272	2 279
Long-Term Loans (non-annuity)	0	0
Local registered stock	0	0
Instalment Credit	0	0
Financial Leases	28	0
PPP liabilities	0	0
Finance Granted By Cap Equipment Supplier	0	0
Marketable Bonds	0	0
Non-Marketable Bonds	0	0
Bankers Acceptances	0	0
Financial derivatives	0	0
Other Securities	0	0
Total	3 300	2 279

Table 173.:Actual Borrowings

CHAPTER 5: FINANCIAL PERFORMANCE

5.11.2 MUNICIPAL INVESTMENTS

Actual Investments		
R'000		
Investment type	2013/14	2014/15
	Actual	Actual
Deposits - Bank	9 507	5 943
Total	9 507	5 943

Table 174.:Municipal Investments

DRAFT

CHAPTER 6: AUDITOR-GENERAL FINDINGS

CHAPTER 6

COMPONENT A: AUDITOR-GENERAL OPINION 2013/14

6.1 AUDITOR GENERAL REPORT 2013/14

Details	
Audit Report Status:	Unqualified with other matters
Issue raised	Corrective steps implemented
Procurement	Prevent irregular expenditure by implementing the SCM regulations
Expenditure Management	Prevent irregular expenditure
Predetermined objectives	Aligned IDP with the SDBIP and Performance Plan

Table 175.:AG Report 2013/14

COMPONENT B: AUDITOR-GENERAL OPINION 2014/15

6.2 AUDITOR GENERAL REPORT 2014/15

Details	
Audit Report Status:	Unqualified with other matters
Issue raised	Corrective steps implemented
Expenditure Management	Prevent irregular and unauthorised expenditure by implementing the SCM policy and -regulation strictly
Procurement	Prevent irregular and unauthorised expenditure by implementing the SCM policy and -regulation strictly
Predetermined objectives	Ensure the alignment of the IDP, Budget, SDBIP and the Annual Performance Report

Table 1.: AG Report 2014/15

ABBREVIATIONS

LIST OF ABBREVIATIONS

AG	Auditor-General
CAPEX	Capital Expenditure
CBP	Community Based Planning
CFO	Chief Financial Officer
CIDB	Construction Industry Development Board
DPLG	Department of Provincial and Local Government
DWAF	Department of Water Affairs and Forestry
EE	Employment Equity
FET	Further Education and Training
GAMAP	Generally Accepted Municipal Accounting Practice
GRAP	Generally Recognised Accounting Practice
GDPR	Growth Domestic Product of Region
HR	Human Resources
IDP	Integrated Development Plan
IFRS	International Financial Reporting Standards
IMFO	Institute for Municipal Finance Officers
KPA	Key Performance Area
KPI	Key Performance Indicator
LADAAG	Umsobomvu Anti-Drug and Alcohol Action Group
LASBA	Umsobomvu Small Business Association
LED	Local Economic Development
MAYCOM	Executive Mayoral Committee
MFMA	Municipal Finance Management Act (Act No. 56 of 2003)
MIG	Municipal Infrastructure Grant
MM	Municipal Manager
MMC	Member of Mayoral Committee
MSA	Municipal Systems Act No. 32 of 2000

ABBREVIATIONS

MTECH	Medium Term Expenditure Committee
NGO	Non-governmental organisation
NT	National Treasury
OPEX	Operating expenditure
PACA	Participatory Appraisal Competitive Advantage
PMS	Performance Management System
PRV	Pressure Reducing Valve
PT	Provincial Treasury
PVC	Polyvinyl Chloride
SALGA	South African Local Government Organisation
SAMDI	South African Management Development Institute
SCM	Supply Chain Management
SDBIP	Service Delivery and Budget Implementation Plan
SDF	Spatial Development Framework
uPVC	Unplasticised Polyvinyl Chloride
VCP	Vehicle Check Point

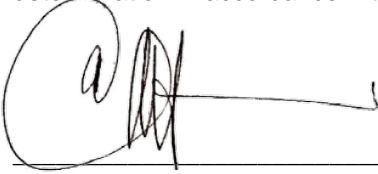
ANNEXURE A: AUDITED
FINANCIAL STATEMENTS
2014-15

UMSOBOMVU LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 8 to 87, 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, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in Note 27 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 Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Municipal Manager:

31 August 2015

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for the year ended 30 June 2015

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UMSOBOMVU LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the Annual Financial Statements of Umsobomvu Local Municipality at 30 June 2015.

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 standards and pronouncements that form the GRAP Reporting Framework for the 2011/12 financial period is set out in Directive 5 issued by the ASB on 11 March 2009.

The Statement of Financial Position at 30 June 2015 indicates an increase in Net Assets, and an increase in both Non-current Liabilities and Current Liabilities.

The increase in Net Assets is ascribed primarily to the increase in Accumulated Surplus as a result of the surplus generated on the operating account. The increase in Non-current Liabilities is primarily as a result of the increases in Retirement Benefit Liabilities and Long-service Benefits. The increase in Current Liabilities is primarily as a result of the increase in Creditors and Unspent Conditional Grants.

2. KEY FINANCIAL INDICATORS

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the municipality.

2.1 Financial Statement Ratios:

INDICATOR	2015	2014
Surplus / (Deficit) before Appropriations	19,473,252	22,632,128
Surplus / (Deficit) at the end of the Year	521,794,913	502,321,660
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	26.61%	27.00%
Remuneration of Councillors	2.32%	2.40%
Depreciation and Amortisation	22.13%	22.37%
Impairment Losses	2.93%	6.90%
Repairs and Maintenance	3.04%	1.99%
Interest Paid	0.30%	0.37%
Bulk Purchases	14.49%	14.75%
General Expenses	28.10%	24.20%
Current Ratio:		
Trade Creditors Days	72	69
Debtors from Exchange Transactions Days	275	219

2. KEY FINANCIAL INDICATORS (Continued)

2.2 Performance Indicators:

INDICATOR	2015	2014
Borrowing Management:		
Capital Charges to Operating Expenditure	1.10%	0.64%
Capital Charges to Own Revenue	1.91%	1.30%
Borrowing to Total Capital Assets	0.44%	0.65%
Safety of Capital:		
Gearing	0.44%	0.66%
Liquidity:		
Current Ratio	1.91	1.73
Liquidity Ratio	0.51	0.60
Capital Expenditure Management:		
Capital Expenditure on Infrastructure to Total Capital Expenditure	87.85%	91.75%
Capital Funding from Borrowings to Capital Grants, Subsidies & Donations	0.00%	1.56%
Revenue Management:		
Current Debtors Collection Rate	66.31%	76.26%
Outstanding Debtors to Revenue	67.33%	60.59%
Creditors Management:		
Creditors to Cash and Investments	103.49%	79.68%
Financial Viability:		
Debt Coverage	21.05	59.77
Outstanding Service Debtors to Revenue	82.98%	70.48%
Cost Coverage	0.18	0.21

For detailed ratio analysis and explanation regarding these refer to appendix H attached.

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D".

The services offered by Umsobomvu Municipality can generally be classified as Rates and General, Economic and Trading Services and are discussed in more detail below.

The overall operating results for the year ended 30 June 2015 are as follows:

DETAILS	Actual 2014/15 R	Actual 2013/14 R	Percentage Variance %	Budgeted 2014/15 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	502,128,317	479,155,014	4.79	-	100.00
Operating income for the year	148,783,072	147,442,084	0.91	159,956,911	(6.99)
Appropriations for the year	-	-	-	-	-
	650,911,388	626,597,098	3.88	159,956,911	306.93
Expenditure:					
Operating expenditure for the year	129,309,820	124,809,956	3.61	130,553,135	(0.95)
Closing surplus / (deficit)	521,601,568	502,128,317	3.88	29,403,776	1,673.93
	650,911,388	626,597,098	3.88	159,956,911	306.93

3. OPERATING RESULTS (Continued)

3.1 Rates and General Services:

Rates and General Services are all types of services rendered by the municipality, excluding those listed below. The main income sources are Assessment Rates and Sundry Fees levied.

DETAILS	Actual 2014/15 R	Actual 2013/14 R	Percentage Variance %	Budgeted 2014/15 R	Variance actual/ budgeted %
Income	68,469,686	46,988,484	45.72	59,528,952	15.02
Expenditure	66,547,092	62,465,010	6.53	66,850,519	(0.45)
Surplus / (Deficit)	1,922,594	(15,476,526)	(112.42)	(7,321,566)	(126.26)
Surplus / (Deficit) as % of total income	2.81%	(32.94)%		(12.30)%	

3.2 Housing Services:

Housing Services are services rendered by the municipality to supply housing to the community and includes the rental of units owned by the municipality to public and staff. The main income source is the levying of Housing Rentals.

DETAILS	Actual 2014/15 R	Actual 2013/14 R	Percentage Variance %	Budgeted 2014/15 R	Variance actual/ budgeted %
Income	406,088	-	100.00	-	100.00
Expenditure	518,484	533,482	(2.81)	482,026	7.56
Surplus / (Deficit)	(112,396)	(533,482)	(78.93)	(482,026)	(76.68)
Surplus / (Deficit) as % of total income	(27.68)%	(100.00)%		(100.00)%	

3.3 Waste Management Services:

Waste Management Services are services rendered by the municipality for the collection, disposal and purifying of waste (refuse and sewerage). Income is mainly generated from the levying of fees and tariffs determined by the council.

DETAILS	Actual 2014/15 R	Actual 2013/14 R	Percentage Variance %	Budgeted 2014/15 R	Variance actual/ budgeted %
Income	14,908,202	13,218,473	12.78	14,187,585	5.08
Expenditure	15,064,448	8,392,469	79.50	15,771,189	(4.48)
Surplus / (Deficit)	(156,246)	4,826,004	(103.24)	(1,583,604)	(90.13)
Surplus / (Deficit) as % of total income	(1.05)%	36.51%		(11.16)%	

3.4 Electricity Services:

Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R18,253,729 (2014: R18,138,569). Tariffs levied for electricity are subject to administered adjustments.

DETAILS	Actual 2014/15 R	Actual 2013/14 R	Percentage Variance %	Budgeted 2014/15 R	Variance actual/ budgeted %
Income	25,024,885	29,497,322	(15.16)	29,957,300	(16.46)
Expenditure	23,575,811	26,588,384	(11.33)	25,619,132	(7.98)
Surplus / (Deficit)	1,449,074	2,908,938	(50.19)	4,338,168	(66.60)
Surplus / (Deficit) as % of total income	5.79%	9.86%		14.48%	

3. OPERATING RESULTS (Continued)

3.5 Water Services:

Water is bought in bulk from Lepelle Northern Water and "Uitloop Water Beleggings" and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R477,554 (2014: R271,917). Tariffs levied for water are subject to administered adjustments.

DETAILS	Actual 2014/15 R	Actual 2013/14 R	Percentage Variance %	Budgeted 2014/15 R	Variance actual/ budgeted %
Income	39,974,210	57,737,804	(30.77)	56,283,074	(28.98)
Expenditure	23,603,985	26,830,610	(12.03)	21,830,269	8.13
Surplus / (Deficit)	16,370,225	30,907,194	(47.03)	34,452,805	(52.49)
Surplus / (Deficit) as % of total income	40.95%	53.53%		61.21%	

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Assets during the year amounted to R39,289,064 (2013/14: R50,429,037). Full details of Assets are disclosed in Notes 7, 8, 9 and Appendices "B, C and E (2)" to the Annual Financial Statements.

The capital expenditure of R39,289,064 was financed as follows:

DETAILS	Actual 2014/15 R	Actual 2013/14 R	Percentage Variance %	Budgeted 2014/15 R	Variance actual/ budgeted %
External Loans	-	716,588	(100.00)	-	-
Grants and Subsidies	38,938,443	45,859,018	(15.09)	46,741,000	(16.69)
Public Contributions	49,500	-	100.00	-	100.00
Own Funds (Accumulated Surplus)	707,210	3,853,431	(81.65)	100,000	607.21
	39,695,153	50,429,037	(21.29)	46,841,000	(15.26)

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2015	2014
External Loans	-	1.42%
Grants and Subsidies	98.09%	90.94%
Public Contributions	0.12%	-
Own Funds (Accumulated Surplus)	1.78%	7.64%
	100.00%	100.00%

5. RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

DETAILS	2015	2014
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	29,403,776	36,136,780
Revenue variances	(11,173,840)	(17,948,911)
Expenditure variances:		
Employee Related Costs	4,671,854	914,701
Remuneration of Councillors	(51,456)	47,213
Collection Costs	-	50,000
Depreciation and Amortisation	(4,787,516)	(1,151,450)
Impairment Losses	1,451,577	(3,757,182)
Repairs and Maintenance	(234,312)	(319,437)
Interest Paid	(23,690)	(123,601)
Bulk Purchases	(61,283)	(1,100,486)
General Expenses	392,383	9,911,754
Loss on disposal of Property, Plant and Equipment	(114,243)	(27,254)
Actual surplus before appropriations	19,473,252	22,632,128

DETAILS	2015	2014
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	29,403,776	36,136,780
Executive and Council	2,554,285	1,196,589
Finance and Administration	3,502,006	(1,228,208)
Community and Social Services	2,531,156	(2,422,917)
Technical Services	(18,517,971)	(11,050,117)
Actual surplus before appropriations	19,473,252	22,632,128

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with a cryptic explanation of significant variances of more than 10% from budget, are included in Appendix "E (1)".

5.2 Capital Budget:

DETAILS	Actual 2014/15 R	Actual 2013/14 R	Variance actual 2014/15 / 2013/14 R	Budgeted 2014/15 R	Variance actual/ budgeted R
Executive and Council	34,387	661,384	(626,997)		34,387
Finance and Administration	4,690,530	333,936	4,356,594	100,000	4,590,530
Community and Social Services	52,028	59,670	(7,642)	5,000,000	(4,947,972)
Technical Services	34,918,209	49,374,047	(14,455,839)	41,741,000	(6,822,792)
	39,695,153	50,429,037	(10,733,884)	46,841,000	(7,145,847)

Details of the results per segmental classification of capital expenditure are included in Appendix "C", together with a cryptic explanation of significant variances of more than 10% from budget, are included in Appendix "E (2)".

6. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2015 amounted to R521,794,913 (30 June 2014: R502,321,660) and is made up as follows:

Capital Replacement Reserve	193,344
Accumulated Surplus	<u>521,601,568</u>
	<u>521,794,913</u>

The Capital Replacement Reserve replaces the previous statutory funds, like the Capital Development Fund, and is a cash-backed reserve established to enable the municipality to finance future capital expenditure. Cash contributions, depending on the availability of cash, is made annually to the reserve.

The municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

Refer to Note 19 and the Statement of Change in Net Assets for more detail.

7. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2015 was R2,279,397 (30 June 2014: R3,300,120).

Refer to Note 16 and Appendix "A" for more detail.

8. EMPLOYEE BENEFIT LIABILITIES

Employee Benefit Liabilities amounted R12,015,345 as at 30 June 2015 (30 June 2014: R11,592,172) and is made up as follows:

Post-retirement Health Care Benefits Liability	10,774,837
Provision for Long Service Awards	<u>1,240,508</u>
	<u>12,015,345</u>

The Post-retirement Health Care Benefits Liability is in respect of continued Health Care Benefits for employees of the municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

The Long Service liability is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees. This liability is unfunded.

Refer to Note 17 for more detail.

9. NON-CURRENT PROVISIONS

Non-current Provisions amounted R11,893,290 as at 30 June 2015 (30 June 2014: R11,316,739) and is made up as follows:

Provision for Rehabilitation of Land-fill Sites	<u>11,893,290</u>
	<u>11,893,290</u>

These provisions are made in order to enable the municipality to be in a position to fulfil its known legal obligations when they become due and payable.

Refer to Note 18 for more detail.

10. CURRENT LIABILITIES

Current Liabilities amounted R33,489,449 as at 30 June 2015 (30 June 2014: R33,212,309) and is made up as follows:

Consumer Deposits	Note 10	741,885
Provisions	Note 11	941,006
Payables	Note 12	19,091,186
Unspent Conditional Grants and Receipts	Note 14	9,715,039
VAT Payable	Note 15	2,089,516
Current Portion of Long-term Liabilities	Note 16	<u>910,816</u>
		<u>33,489,449</u>

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

11. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R512,926,949 as at 30 June 2015 (30 June 2014: R502,606,097).

Refer to Note 7 and Appendices "B, C and E (2)" for more detail.

12. INTANGIBLE ASSETS

The net value of Intangible Assets were R58,739 as at 30 June 2015 (30 June 2014: R72,886).

Intangible Assets are assets which cannot physically be identified and verified and are in respect of computer software obtained by the municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 8 and Appendix "B" for more detail.

13. INVESTMENT PROPERTY

The net value of Investment Properties were R2,060,899 as at 30 June 2015 (30 June 2014: R1,654,811).

Investment Property is property held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of operations.

Refer to Note 9 and Appendix "B" for more detail.

14. CURRENT ASSETS

Current Assets amounted R69,264,964 as at 30 June 2015 (30 June 2014: R57,409,206) and is made up as follows:

Inventories	Note 2	394,029
Receivables from Exchange Transactions	Note 3	43,344,679
Receivables from Non-exchange Transactions	Note 4	7,075,342
Cash and Cash Equivalents	Note 5	18,447,777
Operating Lease Assets	Note 6	3,137
		<u>69,264,964</u>

The increase in the amount for Current Assets is mainly due to the increased amount held in Bank and Cash Equivalents.

Refer to the indicated Notes for more detail.

15. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 48.

16. EXPRESSION OF APPRECIATION

We are grateful to the Mayor, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.



CHIEF FINANCIAL OFFICER

31 August 2015

UMSOBOMVU LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015

2014 R	Budget 2015 Original R	2015 Adjusted R		Note	Actual 2015 R	2014 R
ASSETS						
36,291,000	68,498,691	68,498,691	Current Assets		69,264,964	57,409,206
-	-	-	Inventories	2	394,029	398,196
24,291,000	28,974,897	28,974,897	Receivables from Exchange Transactions	3	43,344,679	30,201,130
-	-	-	Receivables from Non-exchange Transactions	4	7,075,342	6,856,039
12,000,000	39,523,794	39,523,794	Cash and Cash Equivalents	5	18,447,777	19,946,722
-	-	-	Operating Lease Receivables	6	3,137	7,119
549,826,000	602,822,987	602,822,987	Non-Current Assets		515,046,587	504,333,794
546,621,000	599,618,176	599,618,176	Property, Plant and Equipment	7	512,926,949	502,606,097
1,550,000	1,550,000	1,550,000	Intangible Assets	8	58,739	72,886
1,655,000	1,654,811	1,654,811	Investment Property	9	2,060,899	1,654,811
586,117,000	671,321,678	671,321,678	Total Assets		584,311,551	561,743,000
LIABILITIES						
-	800,139	800,139	Current Liabilities		36,328,606	33,212,309
-	-	-	Consumer Deposits	10	741,885	697,140
-	-	-	Provisions	11	941,006	925,105
-	-	-	Payables from Exchange Transactions	12	19,091,186	15,892,685
-	-	-	Payables from Non-exchange Transactions	13	2,839,158	2,386,212
-	-	-	Unspent Conditional Grants and Receipts	14	9,715,039	11,164,521
-	-	-	VAT Payable	15	2,089,516	1,213,335
-	800,139	800,139	Current Portion of Long-term Liabilities	16	910,816	933,312
4,374,000	36,893,258	36,893,258	Non-Current Liabilities		26,188,032	26,209,031
4,374,000	3,585,314	3,585,314	Long-term Liabilities	16	2,279,397	3,300,120
-	16,653,972	16,653,972	Employee Benefit Liability	17	12,015,345	11,592,172
-	16,653,972	16,653,972	Non-current Provisions	18	11,893,290	11,316,739
4,374,000	37,693,397	37,693,397	Total Liabilities		62,516,638	59,421,340
581,743,000	633,628,282	633,628,282	Total Assets and Liabilities		521,794,913	502,321,660
581,743,000	633,628,282	633,628,282	NET ASSETS		521,794,913	502,321,660
581,743,000	633,628,282	633,628,282	Accumulated Surplus / (Deficit)	19	521,794,913	502,321,660
581,743,000	633,628,282	633,628,282	Total Net Assets		521,794,913	502,321,660

UMSOBOMVU LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

Budget				Actual		
2014 R	2015 Original R	2015 Adjusted R		Note	2015 R	2014 R
REVENUE						
Revenue from Non-exchange Transactions						
4,746,080	5,030,845	8,116,592	Property Rates	20	8,313,287	4,631,572
159,000	168,540	178,652	Property Rates - Penalties imposed and collection charges		207,645	170,266
1,500,000	1,575,000	2,019,124	Fines		4,684,675	684,469
676,568	710,282	714,462	Licences and Permits		2,773,666	531,236
104,514,000	79,755,000	87,496,000	Government Grants and Subsidies Received	21	73,894,289	86,281,106
-	-	-	Public Contributions and Donations	22	49,500	-
Revenue from Exchange Transactions						
47,397,552	50,827,681	54,011,234	Service Charges	23	49,213,471	45,734,153
374,694	395,540	1,041,720	Rental of Facilities and Equipment	24	1,045,750	406,805
512,000	312,000	422,000	Interest Earned - External Investments	25	531,703	692,873
1,325,000	1,426,994	1,672,090	Interest Earned - Outstanding Debtors	25	1,980,484	1,634,305
4,186,100	4,189,589	4,285,037	Other Revenue	26	5,682,513	6,675,300
-	-	-	Other Gains on Continued Operations		406,088	-
165,390,995	144,391,470	159,956,911	Total Revenue		148,783,072	147,442,084
EXPENDITURE						
34,609,951	39,056,527	39,084,059	Employee Related Costs	27	34,412,205	33,695,250
3,039,304	2,944,519	2,944,519	Remuneration of Councillors	28	2,995,975	2,992,090
26,772,008	23,834,140	23,834,140	Depreciation and Amortisation	29	28,621,656	27,923,458
4,848,980	5,238,063	5,238,063	Impairment Losses	30	3,786,487	8,606,162
2,167,040	2,469,010	3,697,855	Repairs and Maintenance		3,932,167	2,486,477
342,000	296,000	360,000	Finance Costs	31	383,690	465,601
17,310,000	18,670,000	18,670,000	Bulk Purchases	32	18,731,283	18,410,486
40,113,703	33,519,298	36,723,271	General Expenses	33	36,330,887	30,201,949
1,228	1,228	1,228	Loss on Disposal of Property, Plant and Equipment		115,471	28,482
129,254,214	126,028,784	130,553,135	Total Expenditure		129,309,820	124,809,956
36,136,780	18,362,686	29,403,776	SURPLUS / (DEFICIT) FOR THE YEAR		19,473,252	22,632,128

Refer to Appendix E(1) for explanation of budget variances

UMSOBOMVU LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2015

Description	Accumulated Surplus / (Deficit) Account		Total for Accumulated Surplus/(Deficit) Account	Total
	Capital Replacement Reserve	Accumulated Surplus / (Deficit)		
	R	R	R	R
2014				
Balance at 30 June 2013	193,344	479,155,014	479,348,358	479,348,357
Correction of Error (Note 34)	-	341,174	341,174	341,174
Restated Balance	193,344	479,496,189	479,689,532	479,689,531
Surplus / (Deficit) for the year	-	22,632,128	22,632,128	22,632,128
Balance at 30 June 2014	193,344	502,128,317	502,321,660	502,321,659
2015				
Restated Balance	193,344	502,128,317	502,321,660	502,321,660
Surplus / (Deficit) for the year	-	19,473,252	19,473,252	19,473,252
Balance at 30 June 2015	193,344	521,601,568	521,794,912	521,794,913
	-			-

Details on the movement of the Funds and Reserves are set out in Note 19.

UMSOBOMVU LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

2014 R	Budget		Note	Actual	
	2015 Original R	2015 Adjusted R		2015 R	2014 R
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts					
4,445,640	4,158,589	4,158,589	Property Rates	6,357,988	4,102,456
104,514,000	79,755,000	83,505,400	Government Grant and Subsidies	73,206,669	73,443,986
-	-	-	Public Contributions and Donations	49,500	-
47,467,806	55,321,288	50,099,216	Service Charges	33,237,258	35,682,260
1,349,800	1,738,994	5,289,090	Interest Received	2,512,187	692,873
			Other Receipts	16,151,309	15,473,637
Payments					
(34,620,236)	(37,490,302)	(37,490,302)	Employee Related Costs	(33,549,062)	(31,341,414)
(2,804,304)	(2,915,026)	(2,915,026)	Remuneration of Councillors	(2,995,975)	(2,992,090)
(364,322)	(354,149)	(360,000)	Interest Paid	(383,690)	(465,601)
(44,031,969)	(48,032,696)	(60,083,073)	Suppliers Paid	(55,416,494)	(56,310,337)
	-		Other Payments	(336,320)	(1,989,480)
75,956,416	52,181,698	42,203,894	NET CASH FLOWS FROM OPERATING ACTIVITIES	36	38,833,369
					36,296,290
CASH FLOWS FROM INVESTING ACTIVITIES					
(61,792,420)	(47,898,000)	(47,898,000)	Purchase of Property, Plant and Equipment	(39,265,366)	(50,412,247)
			Purchase of Intangible Assets	(23,698)	(16,790)
			Decrease / (Increase) in Operating Lease Asset	-	(23)
(61,792,420)	(47,898,000)	(47,898,000)	NET CASH FLOWS FROM INVESTING ACTIVITIES	(39,289,064)	(50,429,060)
CASH FLOWS FROM FINANCING ACTIVITIES					
-	-	120,000	Proceeds from Borrowings	-	-
(451,671)	(727,924)	(727,924)	Repayment of Borrowings	(1,043,249)	(330,405)
(451,671)	(727,924)	(607,924)	NET CASH FLOWS FROM FINANCING ACTIVITIES	(1,043,249)	(330,405)
13,712,324	3,555,774	(6,302,030)	NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,498,944)	(14,463,176)
25,595,620	15,612,433	15,612,433	Cash and Cash Equivalents at Beginning of Period	19,946,722	34,409,897
39,307,944	19,168,207	9,310,403	Cash and Cash Equivalents at End of Period	18,447,777	19,946,722

UMSOBOMVU LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2015

30 June 2015

Description	2014/2015							
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
FINANCIAL POSITION								
Current Assets								
Inventories	-	-	-	-	394,029	394,029	0.00	0.00
Receivables from Exchange Transactions	28,974,897	-	28,974,897	28,974,897	43,344,679	14,369,782	149.59	149.59
Receivables from Non-exchange Transactions	-	-	-	-	7,075,342	7,075,342	0.00	0.00
Cash and Cash Equivalents	39,523,794	-	39,523,794	39,523,794	18,447,777	(21,076,017)	46.68	46.68
Operating Lease Receivables	-	-	-	-	3,137	3,137	0.00	0.00
Non-Current Assets								
Property, Plant and Equipment	599,618,176	-	599,618,176	599,618,176	512,926,949	(86,691,228)	85.54	85.54
Intangible Assets	1,550,000	-	1,550,000	1,550,000	58,739	(1,491,261)	3.79	3.79
Investment Property	1,654,811	-	1,654,811	1,654,811	2,060,899	406,088	124.54	124.54
Total Assets	671,321,678	-	671,321,678	671,321,678	584,311,551	(87,010,127)	87.04	87.04
Current Liabilities								
Consumer Deposits	-	-	-	-	741,885	741,885	0.00	0.00
Provisions	-	-	-	-	941,006	941,006	0.00	0.00
Payables	-	-	-	-	21,930,344	21,930,344	0.00	0.00
Unspent Conditional Grants and Receipts	-	-	-	-	9,715,039	9,715,039	0.00	0.00
VAT Payable	-	-	-	-	2,089,516	2,089,516	0.00	0.00
Current Portion of Long-term Liabilities	800,139	-	800,139	800,139	910,816	110,677	113.83	113.83
Non-Current Liabilities								
Long-term Liabilities	3,585,314	-	3,585,314	3,585,314	2,279,397	(1,305,917)	63.58	63.58
Employee Benefit Liability	16,653,972	-	16,653,972	16,653,972	12,015,345	(4,638,627)	72.15	72.15
Non-current Provisions	16,653,972	-	16,653,972	16,653,972	11,893,290	(4,760,682)	71.41	71.41
Total Liabilities	37,693,397	-	37,693,397	37,693,397	62,516,638	24,823,242	165.86	165.86
Total Assets and Liabilities	633,628,282	-	633,628,282	633,628,282	521,794,913	(111,833,369)	82.35	82.35
Net Assets (Equity)								
Accumulated Surplus / (Deficit)	633,628,282	-	633,628,282	633,628,282	521,794,913	(111,833,368)	82.35	82.35
Total Net Assets	633,628,282	-	633,628,282	633,628,282	521,794,913	(111,833,368)	82.35	82.35

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE								
Revenue from Non-exchange Transactions								
Property Rates	5,030,845	3,085,747	8,116,592	8,116,592	8,313,287	196,695	102.42	165.25
Property Rates - Penalties imposed and collection charges	168,540	10,112	178,652	178,652	207,645	28,993	116.23	123.20
Fines	1,575,000	444,124	2,019,124	2,019,124	4,684,675	2,665,551	232.02	297.44
Licences and Permits	710,282	4,181	714,462	714,462	2,773,666	2,059,203	388.22	390.50
Government Grants and Subsidies Received	36,664,400	-	36,664,400	36,664,400	38,035,883	1,371,483	103.74	103.74
Revenue from Exchange Transactions								
Service Charges	50,827,681	3,183,553	54,011,234	54,011,234	49,213,471	(4,797,764)	91.12	96.82
Rental of Facilities and Equipment	395,540	646,180	1,041,720	1,041,720	1,045,750	4,030	100.39	264.39
Interest Earned - External Investments	312,000	110,000	422,000	422,000	531,703	109,703	126.00	170.42
Interest Earned - Outstanding Debtors	1,426,994	245,096	1,672,090	1,672,090	1,980,484	308,394	118.44	138.79
Other Income	4,189,589	95,448	4,285,037	4,285,037	5,682,513	1,397,477	132.61	135.63
Total Revenue	101,300,870	7,824,442	109,125,311	109,125,311	112,924,666	3,799,354	103.48	111.47
Expenditure								
Employee Related Costs	39,056,527	27,532	39,084,059	39,084,059	34,412,205	(4,671,854)	88.05	88.11
Remuneration of Councillors	2,944,519	-	2,944,519	2,944,519	2,995,975	51,456	101.75	101.75
Depreciation and Amortisation	23,834,140	-	23,834,140	23,834,140	28,621,656	4,787,516	120.09	120.09
Impairment Losses	5,238,063	-	5,238,063	5,238,063	3,786,487	(1,451,577)	72.29	72.29
Repairs and Maintenance	2,469,010	1,228,845	3,697,855	3,697,855	3,932,167	234,312	106.34	159.26
Finance Costs	296,000	64,000	360,000	360,000	383,690	23,690	106.58	129.62
Bulk Purchases	18,670,000	-	18,670,000	18,670,000	18,731,283	61,283	100.33	100.33
General Expenses	33,519,298	3,203,973	36,723,271	36,723,271	36,330,887	(392,383)	98.93	108.39
Loss on Disposal of Property, Plant and Equipment	1,228	-	1,228	1,228	115,471	114,243	9,402.18	9,402.18
Total Expenditure	126,028,784	4,524,351	130,553,135	130,553,135	129,309,820	(1,243,315)	99.05	102.60
Surplus/(Deficit)	(24,727,914)	3,300,091	(21,427,824)	(21,427,824)	(16,385,154)	5,042,670	0.00	0.00
Transfers Recognised - Capital	43,090,600	7,741,000	50,831,600	50,831,600	35,858,406	(14,973,194)	70.54	83.22
Surplus/(Deficit) after Capital Transfers and Contributions	18,362,686	11,041,091	29,403,776	29,403,776	19,473,252	(9,930,524)	66.23	106.05
Surplus/(Deficit for the Year)	18,362,686	11,041,091	29,403,776	29,403,776	19,473,252	(9,930,524)	66.23	106.05
CAPITAL EXPENDITURE PER FUNCTION								
Executive and Council	-	-	-	-	34,387	34,387	0.00	0.00
Finance and Administration	1,550,000	3,550,000	5,100,000	5,100,000	4,690,530	(409,470)	91.97	302.61
Community and Social Services	-	-	-	-	52,028	52,028	0.00	0.00
Technical Services	39,000,000	2,741,000	41,741,000	41,741,000	34,918,208	(6,822,792)	83.65	89.53
Total Sources of Capital Funds	40,550,000	6,291,000	46,841,000	46,841,000	39,695,153	(7,145,847)	84.74	97.89

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R		R	R	R	R	R
CASH FLOW								
Cash Flows from/(used in) Operating Activities								
Property Rates	4,158,589	-	4,158,589	4,158,589	6,357,988	2,199,399	152.89	152.89
Grants	79,755,000	3,750,400	83,505,400	83,505,400	73,206,669	(10,298,731)	87.67	91.79
Service Charges	55,321,288	(5,222,072)	50,099,216	50,099,216	33,237,258	(16,861,958)	66.34	60.08
Interest Received	1,738,994	3,550,096	5,289,090	5,289,090	2,512,187	(2,776,903)	47.50	144.46
Other Receipts	-	-	-	-	16,151,309	16,151,309	0.00	0.00
Employee Related Costs	(37,490,302)	-	(37,490,302)	(37,490,302)	(33,549,062)	3,941,240	89.49	0.00
Remuneration of Councillors	(2,915,026)	-	(2,915,026)	(2,915,026)	(2,995,975)	(80,949)	102.78	0.00
Interest Paid	(354,149)	(5,851)	(360,000)	(360,000)	(383,690)	(23,690)	106.58	0.00
Suppliers Paid	(48,032,696)	(12,050,377)	(60,083,073)	(60,083,073)	(55,416,494)	4,666,579	92.23	0.00
Other Payments	-	-	-	-	(336,320)	(336,320)	0.00	0.00
Cash Flows from/(used in) Investing Activities								
Purchase of Property, Plant and Equipment	(47,898,000)	-	(47,898,000)	(47,898,000)	(39,265,366)	8,632,634	81.98	0.00
Cash Flows from/(used in) Financing Activities								
Increase (decrease) in consumer deposits	-	120,000	120,000	120,000	-	(120,000)	0.00	0.00
Loans repaid	(727,924)	-	(727,924)	(727,924)	(1,043,249)	(315,325)	0.00	0.00
Cash and Cash Equivalents at End of the Year	3,555,774	(9,857,804)	(6,302,030)	(6,302,030)	(1,498,944)	4,803,086	0.00	0.00

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Receivables from Exchange Transactions:

Since the resignation of Miss Manzi who was the Chief Clerk: Budget and Credit Control, our credit control rate dropped. We have not disconnected consumer debtors since March 2015. One of the problems which related to this has been that the updating of the receipts on the system has not been performed on time which makes it difficult to disconnect.

Cash and Cash Equivalents:

We made a withdrawal of R 9,000,869.19 during the financial year and the decrease in the collection rate also played a roll in the decrease of the cash and cash equivalents.

Property, Plant and Equipment

The projects on upgrading our infrastructure will carry over to the new financial year.

Intangible Assets:

We are still waiting for the finalization of SCOA before purchasing a new financial system. The increase is due to the valuation of properties that was performed during the financial year.

Long-term Liabilities

We over estimated our budget for this line item.

Employee Benefit Liability

A number of employees retired and some got promotions during the financial year therefore there were a number of leave payouts.

Non-Current Provisions

This also due to the leave payouts made during the financial year.

Financial Performance: Explanation of Variances between Approved Budget and Actual

For reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance, are as follow:

Property Rates - Penalties imposed and collection charges: This is a result of the increase in property values which led to consumers paying their accounts late.

Interest earned - external investment: We underbudgeted for this line item.

Interest earned - outstanding debtors: This is a result of the decrease in the debt collection rate.

Other income: We have underbudgeted for this line item.

Fines: The speed camera systems were in full operation for the whole financial year which yielded more income.

Licenses and permits: The net income was budgeted which was not accounting correct as the revenue for licences and permits should be reflected as income in the Income Statement.

Depreciation and Amortisation: Depreciation on infrastructure increased as we have upgraded our infrastructure.

Impairment Losses: The indigent households decreased.

Loss on Disposal of Property, Plant and Equipment: Some assets couldn't be verified during the verification process.

Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual

For reasons for Variances greater than 10% between Approved Budget and Actual Amount, are as follow:

Technical Services: The first contractor that was appointed for the Kuyasa Ring road could not finish the project, we had to appoint a new contractor. This had an influence on the underspending.

Cash Flow: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:

Proper procedures to budget for Cash Flow have not been developed and implemented. Furthermore, the system utilised does not carry budget for Cash Flow and no budgetary control can be performed.

Grants

The funds that are not spent yet are committed for the Annual report which is due on the 31st of August 2015 which is being implemented.

Service Charges

This is a result of the decrease in the debt collection rate.

Interest Received

We overbudgeted for this line item.

Purchase of Property, Plant and Equipment:

The first contractor that was appointed for the Kuyasa Ring road could not finish the project, we had to appoint a new contractor. This had an influence on the underspending.

Purchase of Intangible Assets:

Due to the purchase of computers which was unforeseen, we had to purchase computer software as well.

UMSOBOMVU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

1. BASIS OF PRESENTATION

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

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

1. 1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

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

For the years ended 30 June 2014 and 30 June 2015 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only if the following instances:

- (a) is required by a Standard of GRAP; or
- (b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

1. 2 CRITICAL JUDGMENTS, ESTIMATIONS AND ASSUMPTIONS

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

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

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

1. 2. 1 Revenue Recognition

Accounting Policy 11.2 on *Revenue from Exchange Transactions* and Accounting Policy 11.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgment, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from non-exchange transactions. In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1. 2. 2 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgment by management. Accounting Policy 8.1 on *Financial Assets Classification* and Accounting Policy 8.2 on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgment, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: *Financial Instruments*.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

1. BASIS OF PRESENTATION (continued)

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

1. 2. 3 Impairment of Financial Assets

Accounting Policy 8.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: *Financial Instruments* and used its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors. The total increase in estimation of the impairment of trade and other receivables from exchange transactions amounted to R7 133 065 and that of trade and other receivable from non exchange transactions to R219 047.

1. 2. 4 Useful lives of Property, Plant and Equipment, Intangible assets and Investment property

As described in Accounting Policies 3.3, 5 and 6 the municipality depreciates / amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgment as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

1. 2. 5 Impairment: Write down of Property, Plant and Equipment, Investment property, Intangible assets, Heritage assets and Inventories

Accounting Policy 7 on *Impairment of assets* and Accounting Policy 5.2 on *Intangible assets - Subsequent Measurement, Amortisation and Impairment* and Accounting Policy 9.2 on *Inventory - Subsequent measurement* describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgments are made relating to PPE impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

In making the above-mentioned estimates and judgment, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: *Impairment of Cash generating Assets* and GRAP 26: *Impairment of non-Cash generating Assets*. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the NRV for inventories involves significant judgment by management. During the year the estimated impairments to Property, plant and equipment amounted to R150 834, whilst no impairments were made to intangible assets or inventory.

1. 2. 6 Water inventory

The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, where the level indicates the depth of the water in the reservoir, which is then converted into volumes based on the total capacity of the relevant reservoir. Furthermore the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end. Refer to Note 9.2 of the accounting policy to the Annual Financial Statements.

1. 2. 7 Defined Benefit Plan Liabilities

As described in Accounting Policy 13, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Notes 17 and 18 to the Annual Financial Statements.

UMSOBOMVU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

1. BASIS OF PRESENTATION (continued)

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

1. 2. 8 Provisions and contingent liabilities

Provision for Rehabilitation of Refuse Landfill Sites

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost. The cost factors as determined have been applied and projected at an inflation rate of 5% (2012: 5.5%) and discounted to the present value:

- a) For landfill sites with a remaining operating life of less than 5 years, at the average short term borrowing cost of 11.14% (2012: 11.3475%).
- b) For landfill sites with a remaining operating life of greater than 5 years, at the average long-term treasury bond rate 4.09% (2012: 11.3475%).

1. 2. 9 Budget information

Deviations between budget and actual amounts are regarded as material differences when a 5% deviation exists. All material differences are explained in the notes to the annual financial statements

1. 3 PRESENTATION CURRENCY

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

1. 4 GOING CONCERN ASSUMPTION

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

1. 5 OFFSETTING

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

1. 6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

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

- GRAP 18 Segment Reporting - issued March 2005
- GRAP 20 Related Party Disclosures (Revised)
- GRAP 25 Employee Benefits - issued December 2009
- GRAP 105 Transfers between entities under common control - issued November 2010
- GRAP 106 Transfers between entities not under common control - issued November 2010
- GRAP 107 Mergers - issued November 2010

The Minister of Finance announced that the application of GRAP 21, GRAP 23, GRAP 24, GRAP 26, GRAP 103 and GRAP 104 will be effective for period starting after 1 April 2012. All other standards as listed above will only be effective when a date is announced by the Minister of Finance.

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

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

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

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

UMSOBOMVU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

1. BASIS OF PRESENTATION (continued)

1. 6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)

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

GRAP 18 - Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management. Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

Requires additional disclosures on the various segments of the business in a manner that is consistent with the information reported internally to management of the entity. The precise impact of this on the financial statements of the Municipality is still being assessed but it is expected that this will only result in additional disclosures without affecting the underlying accounting. This standard does not yet have an effective date.

GRAP 20 – Related party disclosures

The effective date of the standard has not been determined yet. The standard of GRAP on related parties will replace the IPSAS 20 standard on related party disclosure currently used. No significant impact on the financial statements of the Municipality is expected.

GRAP 25 – Employee Benefits

This standard prescribes similar requirements to those in terms of IAS 19: Employee Benefits. Since IAS 19 has been applied in developing the current accounting policy, no significant impact on the financial statements of the Municipality is expected. This standard does not yet have an effective date.

GRAP 105 – Transfer of Function Between Entities Under common Control

This standard provides the accounting treatment for transfers of functions between entities under common control. However the impact on the Municipality's financial statements is not expected to be significant due to the fact that the Municipality rarely enters into such transactions. The standard is only expected to have an impact on the Municipality in respect of any future transfers of functions. This standard does not yet have an effective date.

GRAP 106 – Transfer of Function Between Entities Not Under common Control

This standard deals with other transfers of functions (i.e. between entities not under common control) and requires the entity to measure transferred assets and liabilities at fair value. It is unlikely that the Municipality will enter into any such transactions in the near future. This standard does not yet have an effective date.

GRAP 107 – Mergers

This standard deals with requirements for accounting for a merger between two or more entities, and is unlikely to have an impact on the financial statements of the Municipality in the foreseeable future. This standard does not yet have an effective date.

2. ACCUMULATED SURPLUS

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

2. 1. 1 Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR in terms of delegated powers.

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

- The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the investment policy of the Entity.
- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment, and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR, and the accumulated surplus is credited by a corresponding amount.
- If a profit is made on the sale of assets other than land, the profit on these assets is reflected in the Statement of Financial Performance, and is then transferred via the Statement of Changes in Net Assets to the CRR, provided that it is cash backed.

Profit on the sale of land is not transferred to the CRR, as it is regarded as revenue.

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3. PROPERTY, PLANT AND EQUIPMENT

3. 1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used 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 assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

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

3. 2 Subsequent Measurement

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

Subsequently all property plant and equipment, excluding land and building and including for Infrastructure Assets, are measured at cost, less accumulated depreciation and accumulated impairment losses.

Subsequent to initial recognition, land and buildings are carried at a revalued amount based on municipal valuations, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed by external independent valuers with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Previously, land and buildings were carried at cost less accumulated depreciation and impairment losses. These changes are recorded as a change in accounting policy in the Statement of Financial Performance.

An increase in the carrying amount of land and buildings as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation.

When revalued assets are sold or retired, the amounts included in the revaluation reserve in respect of that assets, are transferred to accumulated surplus or deficit.

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3. PROPERTY, PLANT AND EQUIPMENT (continued)

3. 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.

3. 3 Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be 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
<i>Infrastructure</i>		<i>Buildings</i>	<i>20 - 25</i>
Roads and Paving	10 - 15		
Electricity	5 - 50	<i>Other</i>	
Water	15 - 100	Specialist Vehicles	1 - 5
Sewerage	15 - 60	Other Vehicles	1 - 5
Landfill Sites	10 - 55	Office Equipment	3 - 7
		Furniture and Fittings	7 - 10
<i>Community</i>		Plant and Equipment	2 - 10
Recreational Facilities	20 - 25		

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

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

3. 4 Incomplete Construction Work

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

3. 5 Finance Leases

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

3. 6 Land

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

3. 7 Infrastructure Assets

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

3. 8 Derecognition of property, plant and equipment

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

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised.

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

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4. Heritage Assets

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

4. 1 Initial Recognition

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

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

The cost of an item of heritage assets acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

4. 2 Subsequent Measurement

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

Subsequently all heritage assets are measured at cost, less accumulated impairment losses. Heritage assets are not depreciated.

4. 3 Derecognition of Heritage assets

The carrying amount of an item of heritage assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of heritage assets is included in surplus or deficit when the item is derecognised.

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

Transitional provisions

The municipality utilised the transitional provisions under Directive 4, which allows 3 year for the measurement of heritage assets.

5. INTANGIBLE ASSETS

5. 1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

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5. INTANGIBLE ASSETS (Continued)

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

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

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with GRAP 21 / GRAP 26.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

5. 2 Subsequent Measurement, Amortisation and Impairment

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

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.

In terms of GRAP 102, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives (when the intangible asset is available for use), which are estimated to be between 3 to 5 years, the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, however such intangible assets are subject to an annual impairment test. The useful lives per category of intangible assets are detailed below:

	Years
<i>Intangible asset</i>	
Software	3-5
Website	5

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

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

5. 3 Derecognition

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

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5. INTANGIBLE ASSETS (continued)

Transitional provisions

Intangible assets recognised in terms of GRAP 102 have been presented for the financial year ended 30 June 2013 (and retrospectively where practicable) in accordance with the requirements of GRAP 102, GRAP 3 and ASB Directive 4.

6. INVESTMENT PROPERTY

6. 1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

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

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

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

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

6. 2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined by external valuers at the date of the last general valuation (30 July 2013). Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the period in which it arises.

6. 3 Derecognition

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

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7. IMPAIRMENT OF ASSETS

The entity classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

7. 1. Impairment of Cash generating assets

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

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

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arms length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset"

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

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

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

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

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

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

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

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

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

7. 2 Impairment of Non-Cash generating assets

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

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

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

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

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

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

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

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

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7. IMPAIRMENT OF ASSETS (continued)

7. 2 Impairment of Non-Cash generating assets (continued)

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

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

8. FINANCIAL INSTRUMENTS

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

Initial recognition

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

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

Fair value methods and assumptions

The fair values of financial instruments are determined as follows:

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

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

The effective interest rate method

Amortised cost

8. 1 Financial Assets - Classification

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

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

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

Financial assets measured at fair value are financial assets that meet either of the following conditions:

- (a) derivatives;
- (b) combined instruments that are designated at fair value
- (c) instruments held for trading.
- (d) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
- (e) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Financial assets measured at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

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**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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8. FINANCIAL INSTRUMENTS (continued)

8. 1 Financial Assets - Classification (continued)

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

Type of Financial Asset	Classification in terms of GRAP 104
Short-term Investment Deposits – Call	Financial asset at amortised cost
Bank Balances and Cash	Financial asset at amortised cost
Long-term Receivables	Financial asset at amortised cost
Consumer Debtors	Financial asset at amortised cost
Other Debtors	Financial asset at amortised cost
Investments in Fixed Deposits	Financial asset at amortised cost

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

8. 2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

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

- (i) Financial liabilities measured at fair value or
- (ii) Financial liabilities measured at amortised cost
- (iii) Financial liabilities measured at cost

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

Type of Financial Liabilities	Classification in terms of GRAP 104
Long term Liabilities	Financial liability at amortised cost
Other Creditors	Financial liability at amortised cost
Bank overdraft	Financial liability at amortised cost
Short-term Loans	Financial liability at amortised cost
Current portion of Long-Term Liabilities	Financial liability at amortised cost

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

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

8. 3 Initial and Subsequent Measurement

8. 3. 1 Financial Assets:

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

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

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8. FINANCIAL INSTRUMENTS (continued)

8. 3 Initial and Subsequent Measurement (continued)

8. 3. 2 Financial Liabilities:

Financial liabilities measured at fair value

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

Financial Liabilities measured at amortised cost

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

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

Prepayments are carried at cost less any accumulated impairment losses.

8. 4 Impairment of Financial Assets

Financial assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Financial assets carried at amortised cost

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

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

A provision for impairment of accounts receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

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

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

Impairment of Financial Assets measured at cost

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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8. FINANCIAL INSTRUMENTS (continued)

8. 5 Derecognition of Financial Assets

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

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

8. 6 Derecognition of Financial Liabilities

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

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

9. INVENTORIES

9. 1 Initial Recognition

Inventories comprise current assets held for sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

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

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

9. 2 Subsequent Measurement

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

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

Water inventory

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

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

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

Unsold properties

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

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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9. INVENTORIES (continued)

9. 2 Subsequent Measurement (continued)

Redundant and slow-moving inventories

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

10. NON-CURRENT ASSETS HELD-FOR-SALE

10. 1 Initial Recognition

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

10. 2 Subsequent Measurement

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

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

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

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

11. REVENUE RECOGNITION

11. 1 General

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

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

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

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

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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11. REVENUE RECOGNITION (continued)

11. 2 Revenue from Exchange Transactions

11. 2. 1 Service Charges

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

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

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

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

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

11. 2. 2 Pre-paid Electricity

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards made in the last month of the financial year are recognised as an unutilised portion based on an estimate of the prepaid electricity consumed as at the reporting date.

11. 2. 3 Finance income

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

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

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

11. 2. 4 Tariff Charges

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

11. 2. 5 Income from Agency Services

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

11. 2. 6 Sale of Goods (including Houses)

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

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

11. 2. 7 Rentals

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

11. 2. 8 Dividends

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

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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11. REVENUE RECOGNITION (continued)

11. 3 Revenue from Non-exchange Transactions

An inflow of resources from a non-exchange transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

11. 3. 1 Rates and Taxes

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

11. 3. 2 Fines

Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the entity and the amount of the revenue can be measured reliably.

Fines consist of spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

An estimate is made for revenue from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue is recognised when the public prosecutor pays the cash collected over to the entity.

11. 3. 3 Public contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired in non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

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11. REVENUE RECOGNITION (continued)

11. 3 Revenue from Non-exchange Transactions (continued)

11. 3. 4 Government Grants and receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional Grants and receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

11. 3. 5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

12. PROVISIONS

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

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

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

13. EMPLOYEE BENEFITS

13. 1 Short-term Employee Benefits

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

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

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

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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13. EMPLOYEE BENEFITS (continued)

13. 2 Post employment benefits

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

13. 2 1 Defined Contribution Plans

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

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

13. 3 Defined Benefit Plans

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

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

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

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

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

13. 3. 2 Long-service Allowance

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

13. 3. 3 Provincially-administered Defined Benefit Plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 47 of the Annual Financial Statements for details). The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

13. 3. 4 Defined benefit pension plans

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

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

Actuarial gains or losses are accounted for using the "corridor method". Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

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

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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14. LEASES

Lease Classification

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

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

14. 1 The Municipality as Lessee

Finance leases

Where the Municipality enters into a finance lease, Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

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

Operating leases

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

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

14. 2 The Municipality as Lessor

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

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

14. 3 Determining whether an arrangement contains a lease

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

15. BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance for the financial year ending 30 June 2013 in accordance with the requirements of GRAP 5. To the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

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

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16. GRANTS-IN-AID

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

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

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

17. VALUE ADDED TAX

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

18. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

19. IRREGULAR EXPENDITURE

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

20. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

21. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 35 for details of changes in accounting policies.

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

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 36 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

22. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

23. EVENTS AFTER THE REPORTING DATE

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

UMSOBOMVU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

24. FOREIGN CURRENCIES

Transactions in foreign currencies are translated to the functional currency of the entity at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost or fair value in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in surplus or deficit.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Cash flows arising from transactions in a foreign currency are recorded in Rand's by applying, to the foreign currency amount, the exchange rate between the Rand and the foreign currency at the date of the cash flow.

25. COMPARATIVE INFORMATION

25. 1 Prior year comparatives

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

25. 2 Budget Information

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or underspending on line items. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2012 to 30 June 2013.

26. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

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

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

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

27. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

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

28. CAPITAL COMMITMENTS

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

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

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015
R

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R

1. GENERAL INFORMATION

Umsobomvu Local Municipality (the municipality) is a local government institution in Colesberg, Noupoort and Norvalspont, Northern Cape Province, and is one of eight local municipalities under the jurisdiction of the Pixley ka Seme District Municipality. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

2. INVENTORIES

Property Stock	370,300	370,300
Water - at cost	23,729	27,896
Total Inventories	394,029	398,196

Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost. No write downs of Inventory to Net Realisable Value were required.

The cost of water production for the year amounted to R3,55 per kilolitre (2014: R4,19 per kilolitre).

No Inventories have been pledged as collateral for Liabilities of the municipality.

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2015			
Service Debtors:	74,618,244	32,296,570	42,321,674
Electricity	6,029,561	1,850,932	4,178,629
Refuse	19,824,584	9,038,633	10,785,951
Sewerage	15,535,128	7,022,476	8,512,651
Water	33,228,972	14,384,529	18,844,443
Other Receivables	1,999,524	976,519	1,023,005
Other Consumer Services	1,999,524	976,519	1,023,005
Total Receivables from Exchange Transactions	76,617,769	33,273,089	43,344,679
As at 30 June 2014			
Service Debtors:	59,317,124	29,722,243	29,594,881
Electricity	4,934,840	1,653,328	3,281,511
Refuse	16,342,909	8,045,743	8,297,166
Sewerage	12,056,438	6,152,158	5,904,280
Water	25,982,938	13,871,014	12,111,924
Other Receivables	1,279,254	673,005	606,250
Other Debtors	1,279,254	673,005	606,250
Total Receivables from Exchange Transactions	60,596,378	30,395,248	30,201,130

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and Receivables as well as the current payment ratios of the municipality's Receivables.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)

Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on Receivables until the end of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Receivables.

Other Receivables include outstanding debtors for various other services, e.g. Arrangements, Deposits, Housing, Interest, Rentals and Sundry Services like Garden Refuse, Sanitation Bags, etc.

Before accepting any new consumer, the municipality uses an external credit scoring system to assess the potential consumer's credit quality and defines credit limits by consumer. Limits and scoring attributed to consumers are reviewed twice a year. 80% of the Receivables that are neither past due nor impaired have the best credit scoring attributable under the external credit scoring system used by the municipality.

The municipality receives applications that it processes. Deposits are required to be paid for all electricity and water accounts opened. There are no consumers who represent more than 5% of the total balance of Receivables.

At 30 June 2015, the municipality is owed R4,336,357 (30 June 2014: R1,281,419) by National and Provincial Government.

The municipality did not pledge any of its Receivables as security for borrowing purposes.

3.1 Ageing of Receivables from Exchange Transactions

As at 30 June 2015

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Electricity:					
Gross Balances	1,897,843	411,456	319,976	3,400,285	6,029,561
Less: Provision for Impairment	52,344	55,792	64,286	1,678,510	1,850,932
Net Balances	1,845,499	355,664	255,690	1,721,775	4,178,629
Refuse:					
Gross Balances	344,033	302,712	293,052	18,884,787	19,824,584
Less: Provision for Impairment	124,486	125,774	126,131	8,662,242	9,038,633
Net Balances	219,547	176,938	166,921	10,222,545	10,785,951
Sewerage:					
Gross Balances	517,033	395,230	359,187	14,263,678	15,535,128
Less: Provision for Impairment	127,585	128,303	128,746	6,637,842	7,022,476
Net Balances	389,447	266,927	230,440	7,625,836	8,512,651
Water:					
Gross Balances	846,897	750,250	775,303	30,856,521	33,228,972
Less: Provision for Impairment	64,809	241,357	262,135	13,816,227	14,384,529
Net Balances	782,088	508,893	513,168	17,040,294	18,844,443
Other Receivables:					
Gross Balances	60,577	62,015	60,912	1,816,021	1,999,524
Less: Provision for Impairment	26,351	26,406	26,351	897,410	976,519
Net Balances	34,226	35,609	34,560	918,611	1,023,005

As at 30 June Receivables of R40,073,872 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	1,921,663	1,808,430	69,221,293	72,951,386
Less: Provision for Impairment	577,633	607,649	31,692,231	32,877,513
Net Balances	1,344,030	1,200,781	37,529,062	40,073,872

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)
As at 30 June 2014

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Electricity:					
Gross Balances	1,780,962	270,807	180,021	2,703,049	4,934,840
Less: Provision for Impairment	58,400	62,911	60,072	1,471,946	1,653,328
Net Balances	1,722,562	207,897	119,949	1,231,103	3,281,511
Refuse:					
Gross Balances	312,935	284,096	267,469	15,478,409	16,342,909
Less: Provision for Impairment	138,301	137,317	135,680	7,634,445	8,045,743
Net Balances	174,634	146,779	131,789	7,843,964	8,297,166
Sewerage:					
Gross Balances	464,619	325,817	298,636	10,967,366	12,056,438
Less: Provision for Impairment	141,249	138,752	136,775	5,735,382	6,152,158
Net Balances	323,370	187,065	161,861	5,231,984	5,904,280
Water:					
Gross Balances	754,724	607,639	574,255	24,046,320	25,982,938
Less: Provision for Impairment	185,433	339,424	330,512	13,015,645	13,871,014
Net Balances	569,291	268,214	243,744	11,030,675	12,111,924
Other Receivables:					
Gross Balances	31,237	21,397	19,380	1,207,241	1,279,254
Less: Provision for Impairment	12,028	11,007	10,613	639,356	673,005
Net Balances	19,209	10,389	8,767	567,884	606,250

As at 30 June Receivables of R27,392,065 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	1,509,755	1,339,762	54,402,384	57,251,901
Less: Provision for Impairment	689,411	673,652	28,496,774	29,859,837
Net Balances	820,344	666,110	25,905,610	27,392,065

3.2 Summary of Receivables from Exchange Transactions by Customer Classification

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2015				
Current:				
0 - 30 days	2,609,507	808,199	248,676	-
Past Due:				
31 - 60 Days	1,383,127	174,431	364,105	-
61 - 90 Days	1,378,702	157,291	272,436	-
+ 90 Days	66,368,661	2,213,525	639,107	-
Sub-total	71,739,997	3,353,446	1,524,325	-
Less: Provision for Impairment	32,596,620	676,469	-	-
Total Trade Receivables by Customer Classification	39,143,377	2,676,977	1,524,325	-

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R		
3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)				
	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2014				
<i>Current:</i>				
0 - 30 days	2,353,196	752,176	239,105	
<i>Past Due:</i>				
31 - 60 Days	1,228,856	182,700	98,199	
61 - 90 Days	1,135,875	131,950	71,937	
+ 90 Days	<u>52,117,724</u>	<u>1,832,414</u>	<u>452,246</u>	
Sub-total	56,835,651	2,899,241	861,487	-
Less: Provision for Impairment	29,718,779	676,469	-	-
Total Trade Receivables by Customer Classification	<u>27,116,872</u>	<u>2,222,772</u>	<u>861,487</u>	-

3.3 Reconciliation of the Provision for Impairment

Balance at beginning of year	30,395,248	21,352,441	
<i>All Consumer Debtors</i>	30,395,248	21,330,556	
Impairment Losses recognised	3,229,237	9,042,807	
<i>All Consumer Debtors</i>	3,229,237	9,042,807	
Amounts written off as uncollectable	(351,396)	-	
<i>All Consumer Debtors</i>	(351,396)	-	
Balance at end of year	33,273,089	30,395,248	

In determining the recoverability of Receivables, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Consumer Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

3.4 Ageing of impaired Receivables from Exchange Transactions

<i>Current:</i>			
0 - 30 Days		395,576	535,411
<i>Past Due:</i>			
31 - 60 Days		577,633	689,411
61 - 90 Days		607,649	673,652
+ 90 Days		31,692,231	28,496,774
Total		33,273,089	30,395,248

3.5 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R	
4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS			
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2015			
Assessment Rates Debtors	7,180,122	2,687,783	4,492,339
Payments Made In Advance	7,828	-	7,828
Sundry Debtors	871,945	419,771	452,175
Government Subsidies	2,123,001	-	2,123,001
Total Receivables from Non-exchange Transactions	10,182,896	3,107,553	7,075,342
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2014			
Assessment Rates Debtors	5,037,149	1,999,199	3,037,950
Payments Made In Advance	31,328	-	31,328
Sundry Debtors	1,251,703	349,805	901,898
Government Subsidies	2,884,863	-	2,884,863
Total Receivables from Non-exchange Transactions	9,205,043	2,349,004	6,856,039

The municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the municipality's financial liabilities.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and National / Provincial Departments as well as Other Debtors. The current payment ratios of Other Debtors were also taken into account for fair value determination.

4.1 Ageing of Receivables from Non-exchange Transactions

As at 30 June 2015

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Assessment Rates:					
Gross Balances	372,896	247,161	201,390	6,358,674	7,180,122
Less: Provision for Impairment	59,411	60,118	59,378	2,508,876	2,687,783
Net Balances	313,485	187,044	142,012	3,849,798	4,492,339
Payments Made In Advance:					
Gross Balances	7,828	-	-	-	7,828
Less: Provision for Impairment	-	-	-	-	-
Net Balances	7,828	-	-	-	7,828
Government Subsidy Claims:					
Gross Balances	2,123,001	-	-	-	2,123,001
Less: Provision for Impairment	-	-	-	-	-
Net Balances	2,123,001	-	-	-	2,123,001
Sundry Debtors:					
Gross Balances	(31,926)	23,237	21,587	859,047	871,945
Less: Provision for Impairment	(11,749)	9,348	8,955	413,216	419,771
Net Balances	(20,177)	13,889	12,632	445,831	452,175

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015
R 2014
R

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (Continued)

As at 30 June Receivables of R4,651,205 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	270,398	222,977	7,217,721	7,711,097
Less: Provision for Impairment	69,466	68,333	2,922,092	3,059,892
Net Balances	200,932	154,644	4,295,629	4,651,205

As at 30 June 2014

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Assessment Rates:					
Gross Balances	15,756	113,161	97,586	4,810,646	5,037,149
Less: Provision for Impairment	43,559	41,590	41,410	1,872,641	1,999,199
Net Balances	(27,803)	71,571	56,176	2,938,006	3,037,950

Payments made in Advance:

Gross Balances	31,328	-	-	-	31,328
Less: Provision for Impairment	-	-	-	-	-
Net Balances	31,328	-	-	-	31,328

Government Subsidy Claims:

Gross Balances	2,884,863	-	-	-	2,884,863
Less: Provision for Impairment	-	-	-	-	-
Net Balances	2,884,863	-	-	-	2,884,863

Sundry Debtors:

Gross Balances	568,340	26,905	20,709	635,748	1,251,703
Less: Provision for Impairment	(24,263)	10,299	8,415	355,354	349,805
Net Balances	592,603	16,607	12,294	280,394	901,898

As at 30 June Receivables of R3,375,047 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	140,067	118,295	5,446,394	5,704,756
Less: Provision for Impairment	51,889	49,825	2,227,995	2,329,708
Net Balances	88,178	68,470	3,218,400	3,375,047

4.2 Summary of Assessment Rates Debtors by Customer Classification

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2015				
<u>Current:</u>				
0 - 30 days	73,671	(22,910)	2,421,038	
<u>Past Due:</u>				
31 - 60 Days	234,570	35,829	-	
61 - 90 Days	196,777	26,200	-	
+ 90 Days	6,006,529	820,198	390,994	
Sub-total	6,511,547	859,317	2,812,031	-
Less: Provision for Impairment	2,864,403	243,150	-	-
Total Rates Debtors by Customer Classification	3,647,143	616,167	2,812,031	-

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R		
4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (Continued)				
	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2014				
<i>Current:</i>				
0 - 30 days	609,396	(22,910)	28,938	
<i>Past Due:</i>				
31 - 60 Days	104,238	35,829	-	
61 - 90 Days	92,095	26,200	-	
+ 90 Days	4,235,202	820,198	390,994	
Sub-total	5,040,931	859,317	419,932	-
Less: Provision for Impairment	2,105,855	243,150	-	-
Total Rates Debtors by Customer Classification	2,935,077	616,167	419,932	-

4.3 Reconciliation of Provision for Impairment

Balance at beginning of year	2,349,005	1,974,394
<i>Other Debtors</i>	295,517	211,769
<i>Assessment Rates Debtors</i>	2,053,487	1,762,625
Impairment Losses recognised	758,549	374,610
<i>Other Debtors</i>	69,965	83,748
<i>Assessment Rates Debtors</i>	688,583	290,862
Balance at end of year	3,107,554	2,349,005

The Provision for Impairment on Receivables exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios would be similar to the historical payment ratios.

In determining the recoverability of a Rates Assessment Debtor and Receivables from Non-exchange Transactions, the municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

No Provision for Impairment has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Rates Assessment Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

The following Loans and Receivables are included in the total amount of the Provision for Impairment:

Assessment Rates	2,687,783	1,999,199
Sundry Debtors	419,771	349,805
Total Provision for Impairment on Receivables from Non-exchange Transactions	3,107,553	2,349,004

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
5. CASH AND CASH EQUIVALENTS		
Current Investments	5,943,179	9,506,601
Bank Accounts	12,500,898	10,436,420
Cash and Cash Equivalents	3,700	3,700
Total Bank, Cash and Cash Equivalents	18,447,777	19,946,722

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

5.1 Current Investment Deposits

Notice Deposits	5,943,179	9,506,601
Total Current Investment Deposits	5,943,179	9,506,601

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 5.10 % to 5,75 % (2011: 5% to 7,50%) per annum.

Deposits attributable to Unspent Conditional Grants	5,943,179	9,506,601
Total Deposits attributable to Commitments of the Municipality	5,943,179	9,506,601

INSTITUTION	ACCOUNT NUMBER	ACCOUNT TYPE		
STANDARD BANK	2889-016-06-001	Notice Deposit	83,637	83,637
STANDARD BANK	2889-053-93-001	Notice Deposit	-	8,752,417
STANDARD BANK	2889-015-41-001	Notice Deposit	151,485	151,485
			235,123	8,987,540
FIRST NATIONAL BANK	74107-295-062	Notice Deposit	24,356	24,356
			24,356	24,356
ABSA	2063-506-922	Notice Deposit	386,696	367,919
ABSA	2069-495-799	Notice Deposit	122,476	116,442
ABSA	2072-027-769	Notice Deposit	10,841	10,345
ABSA	20-7482-3674	Notice Deposit	5,163,687	-
			5,683,701	494,705
			5,943,179	9,506,601

5.2 Bank Accounts

Cash in Bank	12,500,898	10,436,420
Total Bank Accounts	12,500,898	10,436,420

The Municipality has the following bank accounts:

Primary Bank Account

ABSA Bank - Colesberg - Account Number: 2440000005

Cash book balance at beginning of year	6,622,034	23,760,879
Cash book balance at end of year	1,260,098	6,622,034
Bank statement balance at beginning of year	7,639,329	8,550,925
Bank statement balance at end of year	1,894,658	7,639,329

ABSA Bank - Colesberg - Account Number: 4052875289

Cash book balance at beginning of year	1,442,879	6,842,348
Cash book balance at end of year	5,406,915	1,442,879
Bank statement balance at beginning of year	1,498,297	7,033,752
Bank statement balance at end of year	5,406,915	1,498,297

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
5. CASH AND CASH EQUIVALENTS (Continued)		
<i>Standard Bank - Noupoot - Account Number: 280412835</i>		
Cash book balance at beginning of year	1,771,670	7,310,057
Cash book balance at end of year	3,822,972	1,771,670
Bank statement balance at beginning of year	1,752,490	7,310,394
Bank statement balance at end of year	3,805,526	1,752,490
<i>ABSA Bank - Colesberg - Account Number : 4061642031</i>		
Cash book balance at beginning of year	599,837	1,468,760
Cash book balance at end of year	2,010,913	599,837
Bank statement balance at beginning of year	599,837	1,468,760
Bank statement balance at end of year	2,010,913	599,837

An amount of R14 696 619.89 (2014: R11 164 521) is attributable to Unspent Conditional Grants.

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

5.1 Cash and Cash Equivalents

Cash Floats and Advances	3,700	3,700
Total Cash on hand in Cash Floats, Advances and Equivalents	3,700	3,700

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

The management of the municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

6. OPERATING LEASE RECEIVABLES

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

Balance at beginning of year	7,119	7,096
Operating Lease Revenue recorded	-	23
Operating Lease Revenue effected	(3,983)	-
Total Operating Lease Receivables	3,137	7,119

6.1 Leasing Arrangements

The Municipality as Lessor:

Operating Leases relate to Property owned by the municipality with lease terms of between 1 to 10 (2014: 1 to 10) years, with an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

6.2 Amounts receivable under Operating Leases

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	1,624	5,199
2 to 5 years	1,750	5,359
More than 5 years	407	779
Total Operating Lease Arrangements	3,782	11,337

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an decrease of R3,983 (2014: increase of R23) in current year income.

No restrictions have been imposed by the municipality in terms of the operating lease agreements.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

7 PROPERTY, PLANT AND EQUIPMENT

30 June 2015

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Rehabilitation Landfill Site	Other	Total
	R	R	R	R	R
Carrying values at 01 July 2014	40,749,392	441,867,250	7,910,510	12,078,945	502,606,097
Cost	48,356,792	865,412,407	10,079,874	21,361,326	945,210,400
- Completed Assets	44,530,149	723,383,212	10,079,874	21,361,326	799,354,560
- Under Construction	3,826,644	142,029,196	-	-	145,855,839
Accumulated Impairment Losses	-	-	-	(409,557)	(409,557)
Accumulated Depreciation:	(7,607,400)	(423,545,158)	(2,169,364)	(8,872,823)	(442,194,745)
- Cost	(7,607,400)	(423,545,158)	(2,169,364)	(8,872,823)	(442,194,745)
Acquisitions	-	3,797,754	-	301,122	4,098,876
Capital under Construction - Additions:	4,091,787	31,074,703	-	-	35,166,490
- Cost	4,091,787	31,074,703	-	-	35,166,490
Additions	4,091,787	31,074,703	-	-	35,166,490
Depreciation:	(712,534)	(25,541,726)	(416,343)	(1,913,175)	(28,583,777)
- Based on Cost	(712,534)	(25,541,726)	(416,343)	(1,913,175)	(28,583,777)
Carrying value of Disposals:	-	-	-	(115,471)	(115,471)
- Cost	-	-	-	(414,567)	(414,567)
- Accumulated Impairment Losses	-	-	-	933	933
- Accumulated Depreciation	-	-	-	298,162	298,162
Based on Cost	-	-	-	298,162	298,162
Impairment Losses	-	-	-	(245,267)	(245,267)
Carrying values at 30 June 2015	44,128,646	451,197,981	7,494,167	10,106,154	512,926,949
Cost	52,448,579	900,284,865	10,079,874	21,247,881	984,061,199
- Completed Assets	44,530,149	727,180,966	10,079,874	21,247,881	803,038,870
- Under Construction	7,918,431	173,103,899	-	-	181,022,329
Accumulated Impairment Losses	-	-	-	(653,891)	(653,891)
Accumulated Depreciation:	(8,319,934)	(449,086,883)	(2,585,707)	(10,487,836)	(470,480,360)
- Cost	(8,319,934)	(449,086,883)	(2,585,707)	(10,487,836)	(470,480,360)

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2014

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Rehabilitation Landfill Site	Other	Total
	R	R	R	R	R
Carrying values at 01 July 2013	41,206,598	420,451,985	8,326,852	10,081,420	480,066,855
Cost	48,297,122	819,144,287	10,079,874	17,377,619	894,898,902
- Completed Assets	44,530,149	722,914,439	10,079,874	17,377,619	794,902,081
- Under Construction	3,766,973	96,229,848	-	-	99,996,821
Accumulated Impairment Losses	-	-	-	(378,183)	(378,183)
Accumulated Depreciation:	(7,090,524)	(398,692,302)	(1,753,022)	(6,918,016)	(414,453,864)
- Cost	(7,090,524)	(398,692,302)	(1,753,022)	(6,918,016)	(414,453,864)
Acquisitions	-	468,773	-	4,084,456	4,553,229
Capital under Construction - Additions:	59,670	45,799,348	-	-	45,859,018
- Cost	59,670	45,799,348	-	-	45,859,018
Additions	59,670	45,799,348	-	-	45,859,018
Depreciation:	(516,876)	(24,852,856)	(416,343)	(2,026,990)	(27,813,064)
- Based on Cost	(516,876)	(24,852,856)	(416,343)	(2,026,990)	(27,813,064)
Carrying value of Disposals:	-	-	-	(28,482)	(28,482)
- Cost	-	-	-	(100,750)	(100,750)
- Accumulated Impairment Losses	-	-	-	85	85
- Accumulated Depreciation	-	-	-	72,183	72,183
Based on Cost	-	-	-	72,183	72,183
Impairment Losses	-	-	-	(31,459)	(31,459)
Carrying values at 30 June 2014	40,749,392	441,867,250	7,910,510	12,078,945	502,606,097
Cost	48,356,792	865,412,407	10,079,874	21,361,326	945,210,400
- Completed Assets	44,530,149	723,383,212	10,079,874	21,361,326	799,354,560
- Under Construction	3,826,644	142,029,196	-	-	145,855,839
Accumulated Impairment Losses	-	-	-	(409,557)	(409,557)
Accumulated Depreciation:	(7,607,400)	(423,545,158)	(2,169,364)	(8,872,823)	(442,194,745)
- Cost	(7,607,400)	(423,545,158)	(2,169,364)	(8,872,823)	(442,194,745)

The leased Property, Plant and Equipment is secured as set out in Note 16.

Refer to Appendices "B, C and E (2)" for more detail on Property, Plant and Equipment, including those in the course of construction.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
7 PROPERTY, PLANT AND EQUIPMENT (Continued)		
7.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use		
There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the municipality.		
7.2 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal		
No Property, Plant and Equipment were retired from active use and held for disposal during the financial year.		
7.3 Assets pledged as security		
The municipality did not pledge any of its assets as security.		
7.4 Impairment of Property, Plant and Equipment		
Impairment Losses on Property, Plant and Equipment to the amount of R245,267 (2014: R150,832) has been recognised in operating surplus and are included in Impairment Losses in the Statement of Financial Performance as indicated in Note 30.		
During the period, the municipality carried out a review of the recoverable amount of its infrastructure property, plant and equipment, having regard to its ongoing programme of modernisation and the extension of its services. These assets are used in the municipality's basic services delivery reportable segments. The review led to the recognition of an impairment loss of R245 267 (2014: R150 832), which has been recognised in the Statement of Financial Performance.		
Other Assets: Computer Equipment	16,082	3,610
Other Assets: Furniture and Office Equipment	6,791	12,039
Other Assets: Motor Vehicles	198,978	126,504
Other Assets: Machinery and Equipment	23,416	8,679
Total Impairment of Property, Plant and Equipment	<u>245,267</u>	<u>150,832</u>
Impairment losses on Property, Plant and Equipment exist predominantly due to technological obsolescence of information technology equipment. The remainder of impaired items of Property, Plant and Equipment have been physically damaged, stolen or have become redundant and idle.		
7.5 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed		
A change in the estimated useful life of various assets of the municipality has resulted in the following decreases in depreciation for the mentioned departments for the financial year:		
Executive and Council	(74,922)	-
Corporate Services	(4,242)	-
Finance and Administration	(350,085)	-
Community and Social Services	(148,152)	-
Roads and Transport	(543,883)	-
Water	(51,691)	-
Electricity	(833,248)	-
Total Change in Estimate for Useful Life of Property, Plant and Equipment	<u>(2,006,224)</u>	<u>-</u>
7.6 Land and Buildings carried at Fair Value		
The municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.		
8 INTANGIBLE ASSETS		
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	<u>58,739</u>	<u>72,886</u>
The movement in Intangible Assets is reconciled as follows:		
	Computer Software	Total
Carrying values at 01 July 2014	72,886	72,886
Cost	1,675,451	1,675,451
Accumulated Amortisation	(1,602,565)	(1,602,565)
Acquisitions:	23,698	23,698
Purchased	23,698	23,698

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	R	R
8 INTANGIBLE ASSETS (Continued)		
Amortisation:	(37,844)	(37,844)
Purchased	(37,844)	(37,844)
Carrying values at 30 June 2015	58,739	58,739
Cost	1,699,149	1,699,149
Accumulated Amortisation	(1,640,410)	(1,640,410)
	Computer	Total
	Software	
Carrying values at 01 July 2013	165,995	165,995
Cost	1,658,661	1,658,661
Accumulated Amortisation	(1,492,666)	(1,492,666)
Acquisitions:	16,790	16,790
Purchased	16,790	16,790
Amortisation:	(109,899)	(109,899)
Purchased	(109,899)	(109,899)
Carrying values at 30 June 2014	72,886	72,886
Cost	1,675,451	1,675,451
Accumulated Amortisation	(1,602,565)	(1,602,565)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 29).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

8.1 Significant Intangible Assets

The municipality has a Financial Accounting System, Abakus, which is material in relation to other intangibles assets recognised. The carrying amount of the software of R12 755 (2012: R29 761). Management is in the process of changing Financial Accounting System.

8.2 Intangible Assets with Indefinite Useful Lives

The municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.

Amortisation is charged on a straight-line basis over the Intangible Assets' useful lives.

8.3 Impairment of Intangible Assets

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

9 INVESTMENT PROPERTY

At Fair Value	2,060,899	1,654,811
The movement in Investment Property is reconciled as follows:		
Carrying values at 1 July	1,654,811	1,654,811
Fair Value	1,654,811	1,654,811
Net Gains / (Losses) from Fair Value Adjustments	406,088	-
Carrying values at 30 June	2,060,899	1,654,811
Fair Value	2,060,899	1,654,811
Estimated Fair Value of Investment Property at 30 June	2,060,899	1,654,811

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
9 INVESTMENT PROPERTY (Continued)		
Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:		
Rental Revenue earned from Investment Property	882,844	269,489

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the reliability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

Refer to Appendix "B" for more detail on Investment Property.

9.1 Investment Property carried at Fair Value

The municipality's Investment Property is valued annually at 30 June at fair value by an independent, professionally qualified, evaluator DCR Consultants. The valuation, which conforms to International Valuation Standards, is arrived at by reference to market evidence of transaction prices for similar properties. The evaluator is of the opinion that less or no change occurred to the values of these properties because of the slow property mark.

The following assumptions were used:

Discount Rate	7.80%	6.74%
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9.2 Impairment of Investment Property

No impairment losses have been recognised on Investment Property of the municipality at the reporting date.

10 CONSUMER DEPOSITS

Electricity and Water	741,885	697,140
Total Consumer Deposits	741,885	697,140
Guarantees held in lieu of Electricity and Water Deposits	1,775,596	1,775,596

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

The management of the municipality is of the opinion that the carrying value of Consumer Deposits approximates their fair values.

The fair value of Consumer Deposits was determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.

11 PROVISIONS

Current Portion of Post-retirement Medical Aid Benefits Liability	199,716	141,564
Current Portion of Long-term Service:	110,054	182,905
Current Portion of Non-Current Provisions:	631,236	600,636
Rehabilitation of Land-fill Sites	631,236	600,636
Total Provisions	941,006	925,105

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
11 PROVISIONS (Continued)		
	Rehabilitation of Land-fill Sites	Long-term Service
	R	R
30 June 2015		Post-retirement R
Balance at beginning of year	600,636	182,905
Transfer from non-current	30,600	(72,851)
Balance at end of year	<u>631,236</u>	<u>110,054</u>
	Rehabilitation of Land-fill Sites	Long-term Service
	R	R
30 June 2014		Post-retirement R
Balance at beginning of year	571,816	205,777
Transfer from non-current	28,820	(22,872)
Balance at end of year	<u>600,636</u>	<u>182,905</u>

12 PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Creditors	11,591,744	9,622,177
Retentions	5,347,080	3,738,804
Other Creditors	2,152,362	2,531,703
Total Payables	<u>19,091,186</u>	<u>15,892,685</u>

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA, except when the liability is disputed. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has policies in place to ensure that all payables are paid within the credit timeframe.

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

The management of the municipality is of the opinion that the carrying value of Creditors approximates their fair values.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	R	R
13 PAYABLES FROM NON-EXCHANGE TRANSACTIONS		
Staff Bonuses	670,928	606,833
Staff Leave Accrued	2,168,229	1,777,655
Sundry Deposits	-	1,724
Total Payables	<u>2,839,158</u>	<u>2,386,212</u>

Staff Leave accrues to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

The management of the municipality is of the opinion that the carrying value of Creditors approximates their fair values.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

14 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

14.1 Conditional Grants from Government

	9,715,039	11,164,521
National Government Grants	8,187,885	7,897,405
Provincial Government Grants	1,527,154	3,267,115
Total Conditional Grants and Receipts	<u>9,715,039</u>	<u>11,164,521</u>

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 21 for the reconciliation of Grants from Government. The Unspent Grants are cash backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

15 VAT PAYABLE

Vat Payable	2,089,516	1,213,335
	<u>2,089,516</u>	<u>1,213,335</u>

Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	R	R
16 LONG-TERM LIABILITIES		
Annuity Loans	3,162,454	4,072,743
Finance Lease Liabilities	27,760	160,689
Sub-total	3,190,213	4,233,432
Less: Current Portion transferred to Current Liabilities:-	910,816	933,312
Annuity Loans	883,057	801,010
Finance Lease Liabilities	27,760	132,301
Total Long-term Liabilities (Neither past due, nor impaired)	2,279,397	3,300,120

16.1 Summary of Arrangements

Annuity Loans are repaid over periods varying from 2 to 11 (2014: 1 to 12) years and at interest rates varying from 9,25% to 16,50% (2014: 9,25% to 16,50%) per annum. Annuity Loans are not secured.

Finance Lease Liabilities relates to IT Equipment with lease terms of 5 (2014: 5) years. The effective interest rate on Finance Leases is between 13,21% and 48,13% (2014: 13,21 to 48,13%).

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Refer to Appendix "A" for more detail on Long-term Liabilities.

16.2 Obligations under Finance Lease Liabilities

The Municipality as Lessee:

Finance Leases relate to Property, Plant and Equipment with lease terms not more than 5 years (2013: 5 years). The effective interest rate on Finance Leases is between 9.00% and 15.00% (2011: 9.00% and 15.00%).

The municipality does not have an option to purchase the leased Property, Plant and Equipment at the conclusion of the lease agreements. The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The risks and rewards of ownership in respect of the Property, Plant and Equipment will transfer to the municipality at the conclusion of the agreement.

The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The obligations under Finance Leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2015	2014	2015	2014
	R	R	R	R
Amounts payable under finance leases:				
Within one year	28,387	141,597	28,387	141,597
In the second to fifth years, inclusive	-	28,387	-	28,387
Over five years	-	-	-	-
	28,387	169,984	28,387	169,984
Less: Future Finance Obligations	628	9,295	628	9,295
Present Value of Minimum Lease Obligations	27,760	160,689	27,760	160,689
Less: Amounts due for settlement within 12 months (Current Portion)			27,760	132,301
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)			55,519	292,990

The municipality has finance lease agreements for the following significant classes of assets:

- Office Equipment
- Vehicles

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	R	R
16 LONG-TERM LIABILITIES (Continued)		
Included in these classes are the following significant leases:		
(i) Printers	R 27,760	R 273,403
- Instalments are payable Monthly in advance		
- Average period outstanding	30 months	30 months
- Average effective interest rate	10.00%	10.00%
- Average quarterly instalment	R 22,935.63	R 22,935.63
17 EMPLOYEE BENEFIT LIABILITY		
Post-retirement Health Care Benefits Liability	10,774,837	10,534,737
Provision for Long Service Awards	1,240,508	1,057,435
Total Employee Benefits	<u>12,015,345</u>	<u>11,592,172</u>
17.1 Post-retirement Health Care Benefits Liability		
Balance at beginning of Year	10,676,301	8,336,604
Expected Employer Benefit Payments	891,070	(129,264)
Current-service Cost	983,342	585,305
Interest Cost	(1,434,596)	765,648
Actuarial (Gain)/Loss Recognised in P&L	(141,564)	1,118,008
Balance at end of Year	<u>10,974,553</u>	<u>10,676,301</u>
Transfer to Current Provisions	(199,716)	(141,564)
Total Post-retirement Health Care Benefits Liability	<u>10,774,837</u>	<u>10,534,737</u>
<p>The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.</p>		
<p>The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2014 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.</p>		
<p>The members of the Post-employment Health Care Benefit Plan are made up as follows:</p>		
In-service Members (Employees)	40	47
In-service Non-members (Employees)	133	128
Continuation Members (Retirees, widowers and orphans)	4	3
Total Members	<u>177</u>	<u>178</u>
<p>The liability in respect of past service has been estimated as follows:</p>		
In-service Members	5,200,311	5,708,579
Continuation Members	2,497,024	2,351,726
Total Liability	<u>7,697,335</u>	<u>8,060,305</u>

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R			
17 EMPLOYEE BENEFIT LIABILITY (Continued)					
The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:					
- Bonitas					
- Hosmed					
- Keyhealth					
- LA Health					
- Samwumed					
The Current-service Cost for the year ending 30 June 2015 is estimated to be R983,342, whereas the cost for the ensuing year is estimated to be R 891,070 (30 June 2014: R585,305 and R983,342 respectively).					
The principal assumptions used for the purposes of the actuarial valuations were as follows:					
Discount Rate	9.07%	9.27%			
Health Care Cost Inflation Rate	817.00%	8.37%			
Net Effective Discount Rate	0.83%	0.83%			
Expected Retirement Age - Females	60	60			
Expected Retirement Age - Males	60	60			
Movements in the present value of the Defined Benefit Obligation were as follows:					
Balance at the beginning of the year	10,676,301	8,336,604			
Current service costs	983,342	585,305			
Interest cost	(1,434,596)	765,648			
Benefits paid	891,070	(129,264)			
Actuarial losses / (gains)	(141,564)	1,118,008			
Present Value of Fund Obligation at the end of the Year	10,974,553	10,676,301			
Total Recognised Benefit Liability	10,974,553	10,676,301			
The amounts recognised in the Statement of Financial Position are as follows:					
Present value of fund obligations	10,974,553	10,676,301			
Unfunded Accrued Liability	10,974,553	10,676,301			
Total Benefit Liability	10,974,553	10,676,301			
The amounts recognised in the Statement of Financial Performance are as follows:					
Current service cost	891,070	585,305			
Interest cost	983,342	765,648			
Actuarial losses / (gains)	(1,576,160)	988,744			
Total Post-retirement Benefit included in Employee Related Costs (Note 27)	298,252	2,339,697			
The history of experienced adjustments is as follows:					
	2015 R	2014 R	2013 R	2012 R	2011 R
Present Value of Defined Benefit Obligation	10,974,553	10,676,301	8,336,604	6,980,619	5,912,204
Deficit	10,974,553	10,676,301	8,336,604	6,980,619	5,912,204

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	R	R
17 EMPLOYEE BENEFIT LIABILITY (Continued)		
In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2009 reporting period.		
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost	2,948,000	1,629,700
Effect on the defined benefit obligation	3,670,000	1,130,100
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	3,671,000	1,394,200
Effect on the defined benefit obligation	2,943,000	1,468,000

The municipality expects to make a contribution of R841 893 (2014: R891 070) to the Defined Benefit Plans during the next financial year.

Refer to Note 44, "Multi-employer Retirement Benefit Information", to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

	2015	2014
	R	R
17.2 Provision for Long Service Awards		
Balance at beginning of year	1,240,340	1,225,105
Contributions to provision	146,810	(205,777)
Increase due to discounting	90,127	79,953
Expenditure incurred	56,190	157,432
Reduction due to re-measurement	(182,905)	(16,373)
	1,350,562	1,240,340
Transfer to current provisions	(110,054)	(182,905)
Balance at end of year	1,240,508	1,057,435

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2015 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 173 (2014: 175) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2015 is estimated to be R56,190, whereas the cost for the ensuing year is estimated to be R164 394 (30 June 2014: R157,432 and R56,190 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	7.97%	7.83%
Net Effective Discount Rate	0.84%	0.73%
Expected Rate of Salary Increase	7.06%	7.05%
Expected Retirement Age - Females	60	60
Expected Retirement Age - Males	60	60

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
17 EMPLOYEE BENEFIT LIABILITY (Continued)		
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	1,240,340	1,225,105
Current service costs	56,190	157,432
Interest cost	90,127	79,953
Benefits paid	146,810	(205,777)
Actuarial losses / (gains)	(182,905)	(16,373)
Present Value of Fund Obligation at the end of the Year	1,350,562	1,240,340
Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	1,350,562	1,240,340
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	1,350,562	1,240,340
Unfunded Accrued Liability	1,350,562	1,240,340
Actuarial gains / (losses) not recognised	-	-
Total Benefit Liability	1,350,562	1,240,340
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	56,190	157,432
Interest cost	90,127	79,953
Actuarial losses / (gains)	(36,095)	(222,150)
Total Post-retirement Benefit included in Employee Related Costs (Note 27)	110,222	15,235

The history of experienced adjustments is as follows:

	2015 R	2014 R	2013 R	2012 R	2011 R
Present Value of Defined Benefit Obligation	1,350,562	1,240,340	1,225,105	1,050,699	750,586
Deficit	1,350,562	1,240,340	1,225,105	1,050,699	750,586

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2009 reporting period.

The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

Increase:		
Effect on the aggregate of the current service cost and the interest cost	1,273,000	254,100
Effect on the defined benefit obligation	1,430,000	231,200
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	1,437,000	221,400
Effect on the defined benefit obligation	1,278,000	243,200

The municipality expects to make a contribution of R164 394 (2014: R157 432) to the defined benefit plans during the next financial year.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	R	R
18 NON-CURRENT PROVISIONS		
Provision for Rehabilitation of Land-fill Sites	11,893,290	11,316,739
Total Non-current Provisions	<u>11,893,290</u>	<u>11,316,739</u>

The movement in Non-current Provisions are reconciled as follows:

		Land-fill Sites
		R
30 June 2015		
Balance at beginning of year		11,917,375
Contributions to provision		607,151
		<u>12,524,526</u>
Transfer to current provisions		(631,236)
Balance at end of year	-	<u>11,893,290</u>

		Land-fill Sites
		R
30 June 2014		
Balance at beginning of year		18,325,921
Contributions to provision		(6,408,547)
		<u>11,917,375</u>
Transfer to current provisions		(600,636)
Balance at end of year		<u>11,316,739</u>

18.1 Rehabilitation of Land-fill Sites

In terms of the licencing of the landfill refuse sites, the municipality will incur licencing and rehabilitation costs of R11,893,290 (2014: R11,316,739) to restore the site at the end of its useful life, estimated to be in 2015. Provision has been made for the net present value of this cost, using the average cost of borrowing interest rate.

The provision for rehabilitation are reconciled as follows :

The movement in Non-current Provisions are reconciled as follows:

Landfill site		
Balance at beginning of year	11,917,375	18,325,921
Contributions in current year	607,151	(6,408,547)
Less: Transfer to Current Provisions	(631,236)	(600,636)
Balance of landfill site	<u>11,893,290</u>	<u>11,316,739</u>

The council will incur rehabilitation cost on its seven dumping/landfill sites over the period 2012/13 up to 2018/19. Provision has been made for the net present value of this cost.

	Proposed rehabilitation	2015	2014
Noupoort	2032/2033	3,964,067	3,771,854
Norvalspont	2032/2033	4,138,585	3,938,032
Colesberg	2032/2033	4,421,874	4,207,489
		<u>12,524,526</u>	<u>11,917,375</u>

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	R	R
19 ACCUMULATED SURPLUS		
The Accumulated Surplus consists of the following Internal Funds and Reserves:		
Capital Replacement Reserve (CRR)	193,344	193,344
Accumulated Surplus / (Deficit) due to the results of Operations	521,601,568	502,128,317
Total Accumulated Surplus	<u>521,794,913</u>	<u>502,321,660</u>

The **Capital Replacement Reserve** is a reserve to finance future capital expenditure and is fully invested in ring-fenced Financial Instrument Investments.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

20 PROPERTY RATES

	Property Valuations		Actual Levies	
	July 2015	July 2014		
Agricultural	1,194,457,940	625,274,331	487,339	272,815
Commercial	164,591,400	71,464,536	2,122,371	1,104,554
Residential	450,581,000	440,038,005	4,467,222	3,213,006
State	70,533,500	15,673,609	1,236,356	41,197
Total Property Rates	<u>1,880,163,840</u>	<u>1,152,450,480</u>	<u>8,313,287</u>	<u>4,631,572</u>

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2014.

Interim valuations are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions.

An general rate is applied as follows to property valuations to determine property rates:

- Residential Properties: 1.0879 c/R (2013/14: 1.1573 c/R)
- Business Properties: 1.287 c/R (2013/14: 1.369 c/R)
- Agricultural Properties: 0.2720 c/R (2013/14: 0.2894 c/R)
- State Properties: 1.754 c/R (2013/14: 1.866 c/R)

A discount of 20,00% (2013/2014: 20,00%) was granted on properties owned by the State and a discount of 85% on all Agricultural

Rates are levied monthly on property owners and are payable the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	R	R
21 GOVERNMENT GRANTS AND SUBSIDIES		
National Equitable Share	32,382,000	30,684,000
Operational Grants	<u>32,382,000</u>	<u>30,684,000</u>
Conditional Grants	73,894,290	86,281,106
National Government: EQUITABLE SHARE	32,382,000	30,684,000
National Government: FINANCE MANAGEMENT GRANT	1,667,615	1,650,000
National Government: MIG	9,987,400	13,125,968
National Government: MSIG	617,672	890,000
National Government: DWAF	22,683,973	28,040,056
National Government: EEDG	-	3,782,881
National Government: INEP	1,241,395	2,280,702
Provincial Government: DEPT. PUBLIC WORKS	3,273,687	3,249,545
Provincial Government: DEPT. SPORT, ARTS AND CULTURE	991,000	708,000
Provincial Government: DEPT. PUBLIC WORKS - Kgotso Pula Nala	1,049,549	1,869,954
Total Government Grants and Subsidies	<u><u>73,894,290</u></u>	<u><u>86,281,106</u></u>

Operational Grants:

21.1 National: Equitable Share	<u><u>32,382,000</u></u>	<u><u>30,684,000</u></u>
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In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy up to R166 (2014: R156), based on the monthly billing, towards the consumer account, which subsidy is determined annually by council. All residential households receive 6 kl water and 50 kWh electricity (indigents only) free every month. No funds have been withheld.

Conditional Grants:

21.2 National: Equitable Share

Balance unspent at beginning of year	-	-
Current year receipts	31,655,000	23,593,000
Conditions met - transferred to Revenue: Operating Expenses	(32,382,000)	(30,684,000)
Other Adjustments/Refunds	727,000	7,091,000
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>-</u>	<u>-</u>

In terms of the Constitution, this grant is used to subsidise the provision of basic services to community members. In terms of the allocation made by National Treasury the funds are also utilized to enable the municipality to execute its functions as the local authority. Unspent portion of the Electricity Demand Side Management Grant from the 2013 financial year was deducted from the Equitable Share, total amount of R727 000.

21.3 National: Financial Management Grant

Balance unspent at beginning of year	-	-
Current year receipts	1,800,000	1,650,000
Conditions met - transferred to Revenue: Operating Expenses	(1,667,615)	(1,650,000)
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>132,385</u>	<u>-</u>

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance management Act (MFMA), 2003. No funds have been withheld.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	R	R
21 GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
21.4 National: Municipal Infrastructure Grant		
Balance unspent at beginning of year	7,102,507	8,011,916
Current year receipts	11,148,000	13,550,000
Conditions met - transferred to Revenue: Operating Expenses	(557,400)	(764,422)
Conditions met - transferred to Revenue: Capital Expenses	(9,430,000)	(12,361,546)
Conditions met - transferred to Revenue: VAT portion released	(1,318,834)	(1,333,441)
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>6,944,274</u>	<u>7,102,507</u>

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure.

21.5 National: Municipal Systems Improvement Grant

Balance unspent at beginning of year	-	-
Current year receipts	934,000	890,000
Conditions met - transferred to Revenue: Operating Expenses	(617,672)	(890,000)
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>316,328</u>	<u>-</u>

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.

21.6 National: Department Water Affairs and Forestry (DWAF)

Balance unspent at beginning of year	(2,841,482)	(8,822,905)
Current year receipts	26,611,208	37,723,600
Conditions met - transferred to Revenue: Operating Expenses	(1,022,581)	-
Conditions met - transferred to Revenue: Capital Expenses	(21,661,458)	(28,040,055)
Conditions met - transferred to Revenue: VAT portion released	(3,165,307)	(3,702,121)
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>(2,079,620)</u>	<u>(2,841,482)</u>

This grant was used for the operation and maintenance of sewerage and water schemes transferred from DWA to the municipality, the refurbishment of water infrastructure, the Olifants River Water Resource project and the payment of salaries of staff transferred from DWA. No funds have been withheld.

21.7 National: Electricity Demand Side Management Grant

Balance unspent at beginning of year	727,617	12,071,020
Conditions met - transferred to Revenue: Operating Expenses	-	(3,782,881)
Conditions met - transferred to Revenue: VAT portion released	-	(469,522)
Other Adjustments/Refunds	(727,000)	(7,091,000)
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>617</u>	<u>727,617</u>

Expenses were incurred to promote rural development and upgrade electricity infrastructure. An unspent amount of R727 000 (2014: R7 091 000) has been withheld.

21.8 National: Integrated National Electrification Programme

Balance unspent at beginning of year	-	-
Current year receipts	1,500,000	2,600,000
Conditions met - transferred to Revenue: Capital Expenses	(1,241,394)	(2,280,702)
Conditions met - transferred to Revenue: VAT portion released	(173,795)	(319,298)
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>84,811</u>	<u>-</u>

Expenses were incurred to promote rural development and upgrade electricity infrastructure. No funds have been withheld.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	R	R
21 GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
21.9 Provincial: Expanded Public Works Programme Integrated Grant for Municipalities		
Balance unspent at beginning of year	641,050	2,955,506
Current year receipts	3,410,240	1,000,000
Conditions met - transferred to Revenue: Operating Expenses	(597,293)	(419,770)
Conditions met - transferred to Revenue: Capital Expenses	(2,676,394)	(2,829,774)
Conditions met - transferred to Revenue: VAT portion released	(101,752)	(64,912)
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>675,851</u>	<u>641,050</u>
Expenses were incurred to promote rural development and upgrade of road infrastructure. No funds have been withheld.		
21.10 Provincial: Department of Arts and Culture		
Balance unspent at beginning of year	-	-
Current year receipts	991,000	708,000
Conditions met - transferred to Revenue: Operating Expenses	(991,000)	(708,000)
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>-</u>	<u>-</u>
This grant was received for the building and maintenance of libraries in the district. No funds have been withheld.		
21.11 Provincial: Department of Housing		
Balance unspent at beginning of year	130,852	130,852
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>130,852</u>	<u>130,852</u>
This grant was received for the building and maintenance of low costs housing in the district. No funds have been withheld.		
21.12 Provincial: Department of Safety		
Balance unspent at beginning of year	124,919	124,919
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>124,919</u>	<u>124,919</u>
No funds have been withheld.		
21.13 Other Government: DBSA		
Balance unspent at beginning of year	664,046	664,046
Current year receipts	-	-
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>664,046</u>	<u>664,046</u>
No funds have been withheld.		
21.14 Provincial: Expanded Public Works Programme Integrated Grant for Municipalities - Kgotso Pula Nala		
Balance unspent at beginning of year	1,730,130	-
Current year receipts	-	3,600,000
Conditions met - transferred to Revenue: Operating Expenses	(200,303)	(1,869,870)
Conditions met - transferred to Revenue: Capital Expenses	(849,161)	-
Conditions met - transferred to Revenue: VAT portion released	(83,090)	-
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>597,575</u>	<u>1,730,130</u>
The municipality received this grant from the Department of Public Works for cleaning the grave sites in the municipal area. The grant was utilised for this purpose. No funds have been withheld.		
21.15 Changes in levels of Government Grants		
Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2015), government grant funding is expected to increase over the forthcoming three financial years.		
22 PUBLIC CONTRIBUTIONS AND DONATIONS		
Other Donations	49,500	-
Total Public Contributions and Donations	<u>49,500</u>	<u>-</u>
Attributable to:		
Continuing Operations	49,500	-
	<u>49,500</u>	<u>-</u>
The municipality received chairs from SSASSA. The donation was utilised for this purpose. No funds have been withheld.		

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	R	R
23 SERVICE CHARGES		
Sale of Electricity	23,163,034	22,239,871
Sale of Water	12,260,395	11,030,306
Refuse Removal	5,974,139	5,446,927
Sewerage and Sanitation Charges	7,815,903	7,017,048
Total Service Charges	<u>49,213,471</u>	<u>45,734,153</u>
Attributable to:		
Continuing Operations	49,213,471	45,734,153
	<u>49,213,471</u>	<u>45,734,153</u>

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

24 RENTAL OF FACILITIES AND EQUIPMENT

Operating Lease Rental Revenue:		
- Investment Property	883,055	269,489
Rental Revenue from Buildings	12,842	8,143
Rental Revenue from Halls	59,184	46,447
Rental Revenue from Land	82,013	67,368
Rental Revenue from Machinery	8,656	15,359
Total Rental of Facilities and Equipment	<u>1,045,750</u>	<u>406,805</u>
Attributable to:		
Continuing Operations	1,045,750	406,805
	<u>1,045,750</u>	<u>406,805</u>

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

25 INTEREST EARNED

Property Rates:		
Penalties imposed and Collection Charges	207,645	170,266
	<u>207,645</u>	<u>170,266</u>
External Investments:		
Bank Account	83,281	45,378
Investments	448,422	647,495
	<u>531,703</u>	<u>692,873</u>
Outstanding Debtors:		
Outstanding Billing Debtors	1,980,484	1,634,305
	<u>1,980,484</u>	<u>1,634,305</u>
Total Interest Earned	<u>2,719,833</u>	<u>2,497,443</u>
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Available-for-Sale Financial Assets	531,703	692,873
Loans and Receivables	2,188,129	1,804,571
	2,719,833	2,497,443
	<u>2,719,833</u>	<u>2,497,443</u>

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
26 OTHER REVENUE		
Advertising Boards	5,493	3,600
Brick Oven	14,552	15,436
Building Plan Fees	18,624	13,492
Cemetery Fees	21,197	22,270
Commission On Collections	75,625	64,458
Dumping Fees	6,635	6,214
Guest House	789	3,597
Insurance Claims	73,495	158,737
Other Income	419,088	310,712
Photocopies	2,607	2,200
Re-Zone	7,745	16,590
Sand, Gravel & Soil	26,904	8,812
Sdl Claims	159,298	150,325
Tender Documents	7,683	9,561
Vat Income	4,842,778	5,889,296
Total Other Revenue	5,682,513	6,675,300
Attributable to:		
Continuing Operations	5,682,513	6,675,300
	5,682,513	6,675,300

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 20 to 25, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

27 EMPLOYEE RELATED COSTS

Employee Related Costs - Salaries and Wages	26,946,074	24,576,575
Basic Salaries and Wages	24,987,639	22,872,816
Long Service Bonuses	110,222	15,235
Service Bonuses	1,848,213	1,688,524
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	4,908,808	4,660,934
Group Life	6,401	5,263
Medical	736,072	737,412
Pension	3,667,652	3,384,045
Skills Development Levy	277,574	321,488
UIF	221,110	212,726
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	903,703	775,752
Allowances	903,703	775,752
Housing Benefits and Allowances	48,000	44,654
Overtime Payments	1,307,368	1,297,638
Defined Benefit Plan Expense:	298,252	2,339,697
Current Service Cost	891,070	585,305
Interest Cost	983,342	765,648
Expected Return on Plan Assets	(141,564)	(129,264)
Net Actuarial (gains)/losses recognised	(1,434,596)	1,118,008
Total Employee Related Costs	34,412,205	33,695,250
Attributable to:		
Continuing Operations	34,412,205	33,695,250
	34,412,205	33,695,250

Advances are made to employees in terms of the municipality's policy to assist them in the event of the death of a dependant.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
27 EMPLOYEE RELATED COSTS (Continued)		
Remuneration of Section 57 Employees:		
<i>Remuneration of the Municipal Manager</i>		
Annual Remuneration	890,005	824,880
Annual Bonus	105,504	150,515
Car and Other Allowances	134,250	134,250
Company Contributions to UIF, Medical and Pension Funds	1,866	1,856
Total	1,131,625	1,111,501
<i>Remuneration of the Chief Financial Officer</i>		
Annual Remuneration	734,023	622,675
Annual Bonus	89,679	53,076
Leave Pay-out	-	45,251
Car and Other Allowances	136,594	136,594
Company Contributions to UIF, Medical and Pension Funds	1,866	1,856
Total	962,161	859,451
<i>Remuneration of the Manager: Corporate Manager</i>		
Annual Remuneration	768,174	568,548
Annual Bonus	14,946	-
Leave Pay-out	-	120,669
Car and Other Allowances	102,443	102,443
Company Contributions to UIF, Medical and Pension Funds	1,866	1,856
Total	887,429	793,516
<i>Remuneration of the Manager: Technical Services</i>		
Annual Remuneration	798,617	693,260
Annual Bonus	81,526	53,076
Leave Pay-out	-	47,866
Car and Other Allowances	72,000	72,000
Company Contributions to UIF, Medical and Pension Funds	1,866	1,856
Total	954,009	868,059

28 REMUNERATION OF COUNCILLORS

Mayor	504,572	476,012
Councillors	2,058,688	1,983,385
Other Allowances (Cellular Phones, Housing, Transport, etc.)	432,715	532,693
Telephone Allowance	208,680	208,680
Travelling Allowance	224,035	324,013
Total Councillors' Remuneration	2,995,975	2,992,090

Remuneration of Councillors:

Councillors may utilise official Council transportation when engaged in official duties.

The Mayor has use of a Council owned vehicle for official duties.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
29 DEPRECIATION AND AMORTISATION		
Depreciation: Property, Plant and Equipment	28,583,812	27,813,558
Amortisation: Intangible Assets	37,844	109,899
Total Depreciation and Amortisation	28,621,656	27,923,458
Attributable to:		
Continuing Operations	28,621,656	27,923,458
	28,621,656	27,923,458

Depreciation and Amortisation have been restated to correctly disclose the expense on correction of opening balance and 2013 balance terms in terms of GRAP 17. Refer to Note 34.3 on "Correction of Error" for details of the restatement.

30 IMPAIRMENT LOSSES

30.1 Impairment Losses on Fixed Assets

Impairment Losses Recognised:

Property, Plant and Equipment	245,267	31,459
	245,267	31,459
	245,267	31,459

30.2 Impairment Losses on Financial Assets

Impairment Losses Recognised:

Receivables from Exchange Transactions	3,541,219	8,574,703
Receivables from Non-exchange Transactions	2,832,664	8,246,098
	708,555	328,605
	3,541,219	8,574,703
Total Impairment Losses	3,786,487	8,606,162

Attributable to:
 Continuing Operations

	3,786,487	8,606,162
	3,786,487	8,606,162

31 FINANCE COSTS

Finance Leases	9,295	22,999
Loans and Payables at amortised cost	374,394	442,602
Total Interest Expense	383,690	465,601
Total Interest Paid on External Borrowings	383,690	465,601
Attributable to:		
Continuing Operations	383,690	465,601
	383,690	465,601

The weighted average capitalisation rate on funds borrowed generally is 5,27% per annum (2014: 5,24% per annum).

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	R	R
32 BULK PURCHASES		
Electricity	18,253,729	18,138,569
Water	477,554	271,917
Total Bulk Purchases	18,731,283	18,410,486

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst Water is purchased from DWAF and "Boreholes".

33 GENERAL EXPENSES

Included in General Expenses are the following:

Advertising	113,002	142,911
Audit Fees	2,085,991	1,941,312
Bank Charges	302,208	235,872
Branding Of The Municipality	546,368	350,339
Cleaning Costs	37,334	25,596
Consumer Debtors	5,658,779	6,379,605
Entertainment	84,262	35,025
EPWP Grave Cleaning Project	200,303	1,869,495
EPWP Stormwater Project	595,724	419,770
Fuel And Oil	1,357,944	1,374,454
Indigent Support	6,771,061	6,214,468
Insurance	487,126	470,980
Landfill Sites Expenses	607,151	(6,408,547)
Lease Charges	290,576	254,969
Legal Cost	54,620	288,864
Library Costs	481,067	539,070
Licences	109,729	65,079
Local Economical Development	444,751	1,379,405
Material	172,733	93,956
Membership Fees	533,439	458,000
Other General Expenses	1,456,416	1,390,369
Postage And Telegrams	206,089	199,679
Printing And Stationery	250,823	195,662
Project - Solar Geysers	-	3,100,172
Special Programme - Learnerships	119,846	181,250
Special Programme - IT Support	690,579	583,161
Special Programme - M S I G	535,892	1,149,141
Special Programme - M F M A	1,422,349	1,544,216
Special Programme - Aids Day	-	4,640
Special Programme - EEDMS	836,019	432,710
Special Programme - Norval Water Feasibility	1,069,047	118,231
Special Programme - Community Participation	62,711	54,065
Subsistence And Travelling	2,194,031	1,647,402
Telephone Cost	693,934	694,243
Traffic	2,544,759	515,602
License and Permits	2,190,583	-
Training Cost	444,459	358,436
Uniforms And Protective Clothing	57,001	88,514
Valuation	150,220	796,275
Ward Committee Meeting Costs	265,500	241,134
Workmen's Compensation	206,461	776,426
Total General Expenses	36,330,887	30,201,949

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense. Inter-departmental Charges are charged to other trading and economic services for support services rendered.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	R	R
33 GENERAL EXPENSES (Continued)		
33.1 Material Losses	4,672,477	6,669,519
Distribution Losses:		
Electricity Losses	238,581	3,581,170
Water Losses	4,433,896	3,088,349

The amounts disclosed above for **Electricity and Water Losses** are in respect of costs incurred in the general management of the municipality and not directly attributable to a specific service or class of expense (See Note 48.9).

No other extra-ordinary expenses were incurred.

34 CORRECTION OF ERROR

Corrections were made during the previous financial years. Details of the corrections are described below:

Details of the appropriations are as follows:

Statement of Financial Position:

Property, Plant and Equipment	310,750	310,750
Accumulated Surplus / (Deficit) - Prior Year Adjustments	(341,174)	(341,174)
Accumulated Surplus / (Deficit) - (Surplus) / Deficit for the Year	30,424	30,424
	-	-
	-	-

Statement of Financial Performance:

Depreciation and Amortisation		30,424
		30,424
		30,424

34.1 Reclassification of Statement of Financial Performance:

No prior year figures of Revenue Classes have been restated.

34.2 Reclassification of Statement of Financial Position:

No prior year figures in the Financial Position have been restated to correctly classify the nature.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	R	R
34 CORRECTION OF ERROR (Continued)		
<u>34.3 Misstatement of Property, Plant and Equipment</u>		
During the financial year management discovered that a formula error occurred with the calculation of depreciation of Intangible Assets. Furthermore, management accounted incorrectly of pre-paid electricity meters as an asset. Furthermore, management corrected the incorrectly write-off's of movable assets that was found during the 2015 verification. All of the above was corrected retrospectively		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(310,750)	(341,174)
Increase / (decrease) in Property, Plant and Equipment	310,750	310,750
Statement of Financial Performance:		
(Increase) / decrease in Depreciation and		30,424
	<u>-</u>	<u>-</u>
35 CHANGE IN ACCOUNTING ESTIMATES		
<u>35.1 Depreciation Expenditure:</u>		
The residual values, estimated useful lives were reviewed at 30 June 2015. Adjustments to the residual values and useful lives affect the amount of provision for the current year and is expected to affect future periods as well. The adjustments are as follows:		
Increase / (Decrease) in Depreciation due to adjustments to Useful Lives of PPE	(2,006,224)	-
Increase / (Decrease) in Depreciation of PPE	<u>(2,006,224)</u>	<u>-</u>
Depreciation as previously stated	30,627,880	-
Adjustment due to Change in Accounting Estimate	(2,006,224)	-
Depreciation as per Note 29	<u>28,621,656</u>	<u>27,923,458</u>
<u>35.2 Rehabilitation of Land-fill Sites:</u>		
The residual values, estimated useful lives were reviewed at 30 June 2014. Adjustments to the residual values and useful lives affect the amount of provision for the current year and is expected to affect future periods as well. The adjustments are as follows:		
Increase / (Decrease) in General Expenses due to adjustments to Present value as on 2013	-	6,980,363
Increase / (Decrease) in Depreciation of PPE	<u>-</u>	<u>6,980,363</u>
Depreciation as previously stated	-	1,856
Adjustment due to Change in Accounting Estimate	-	-
General Expenses as per Note 33	<u>-</u>	<u>1,856</u>

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
36 CASH GENERATED BY OPERATIONS		
Surplus / (Deficit) for the Year	19,473,252	22,632,128
Adjustment for:		
Depreciation and Amortisation	28,621,656	27,923,458
Impairment Losses on Property, Plant and Equipment	245,267	31,459
Losses / (Gains) on Disposal of Property, Plant and Equipment	115,471	28,482
Contribution to Retirement Benefit Liabilities	298,252	2,365,504
Contribution to Long Service Awards Liability	110,222	-
Contribution to Provisions - Current	30,600	18,248
Contribution to Provisions - Non-current	576,551	(6,437,332)
Gains on Other Operations (Fair Value Adjustment on IP)	(406,088)	-
Contribution to Impairment Provision	3,541,219	8,574,703
Operating surplus before working capital changes	52,606,402	55,136,650
Decrease/(Increase) in Inventories	4,167	14,948
Decrease/(Increase) in Receivables from Exchange Transactions	(15,976,213)	(11,716,667)
Decrease/(Increase) in Receivables from Non-exchange Transactions	(927,858)	5,564,536
Decrease/(Increase) in Operating Lease Assets	3,980	-
Increase/(Decrease) in Consumer Deposits	44,745	23,251
Increase/(Decrease) in Payables from Exchange Transactions	3,198,501	(787,168)
Increase/(Decrease) in Payables from Non-exchange Transactions	452,946	(29,571)
Increase/(Decrease) in Conditional Grants and Receipts	(1,449,482)	(12,837,120)
Increase/(Decrease) in VAT Payable	876,182	927,431
Cash generated by / (utilised in) Operations	38,833,370	36,296,290

37 NON-CASH INVESTING AND FINANCING TRANSACTIONS

The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2014/15 financial year.

38 FINANCING FACILITIES

The municipality did not have any Financing Facilities available at any time during the two financial years.

39 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities (See Note 16)	3,190,213	4,233,432
Used to finance Property, Plant and Equipment - at cost	(3,190,213)	(4,233,432)
Sub-total	-	-
Cash set aside for the Repayment of Long-term Liabilities (See Notes 5)	-	-
Cash invested for Repayment of Long-term Liabilities	-	-

Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash is available to ensure that Long-term Liabilities can be repaid on the scheduled redemption dates.

40 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

40.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:

Opening balance	1,586,014	89,960
Unauthorised Expenditure current year	7,145,759	1,496,054
Approved by Council or condoned on 01 July 2015	(1,586,014)	-
Unauthorised Expenditure awaiting authorisation	7,145,759	1,586,014

Incident	Disciplinary Steps / Criminal Proceedings
<i>Budgeted votes exceeded:-</i>	<i>To be condoned by Council</i>
- Executive and Council - R34,387 (2014: R661,384)	
- Finance and Administration - R498,743 (2014: R0)	
- Community and Social Services - R2,754,094 (2014: R0)	
- Technical Services - R3,858,535 (2014: R834,670)	

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
40 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (Continued)		
40.2 Fruitless and Wasteful Expenditure		
Reconciliation of Fruitless and Wasteful expenditure:		
Opening balance	35	35
Fruitless and Wasteful Expenditure current year	-	-
Approved by Council or condoned on 01 July 2015	(35)	-
Fruitless and Wasteful Expenditure awaiting condonement	<u>-</u>	<u>35</u>

Incident	Disciplinary Steps / Criminal Proceedings
<i>Interest on late payment - Various Creditors - R0 (2014: R0)</i>	<i>None</i>

40.3 Irregular Expenditure

Reconciliation of Irregular Expenditure:		
Opening balance	6,376,384	2,903,885
Irregular Expenditure current year	2,268,090	3,472,499
Approved by Council or condoned	(802,679)	-
Approved by Council or condoned on 01 July 2015	(6,376,384)	-
Irregular Expenditure awaiting condonement	<u>1,465,411</u>	<u>6,376,384</u>

Incident	Disciplinary Steps / Criminal Proceedings
<i>During the year management identified purchases where the SCM procedures were not followed as to no Tax Clearance Certificates were obtained from the suppliers</i>	<i>These matter are being investigated and further communication will be addressed at the next council meeting.</i>
<i>Deviations from SCM procedures not regarded as Irregular Expenditure</i>	<i>During the year deviations amounting to R4 589 593 (2014: R 7 119 189) were identified relating less than the minimum quotations obtained. These items were identified in the current year after a detailed investigation by management. The register containing the detail of the total balance is available for inspection, based on the discretion of management. No disciplinary steps have been taken to date and no formal investigation into the matters have been launched. A report relating the deviations was adopted by the council and approved by the Municipal Manger.</i>

41 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

41.1 Contributions to organised local government - SALGA

Opening Balance	-	-
Council Subscriptions	528,000	450,000
Amount Paid - current year	(528,000)	(450,000)
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

41.2 Audit Fees

Opening Balance	-	-
Current year Audit Fee	2,084,611	1,926,125
Council Subscriptions - VAT Portion	291,846	269,657
Amount Paid - current year	(2,376,456)	(2,195,782)
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

41.3 VAT

The net of VAT input payables and VAT output receivables are shown in Note N/A. All VAT returns have been submitted by the due date throughout the year.

41.4 PAYE, Skills Development Levy and UIF

Opening Balance	-	-
Current year Payroll Deductions	4,913,918	4,251,055
Amount Paid - current year	(4,913,918)	(4,251,055)
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

41.5 Pension and Medical Aid Deductions

Opening Balance	-	-
Current year Payroll Deductions and Council Contributions	6,845,287	6,326,134
Amount Paid - current year	(6,845,287)	(6,326,134)
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R	
41 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)			
41.6 Councillor's arrear Consumer Accounts			
The following Councillors had arrear accounts outstanding for more than 90 days as at:			
30 June 2015	Total	Outstanding up to 90 days	Outstanding more than 90 days
Councillor FRITZ ANNIE	345	345	-
Councillor H.C. GRONUM	15,656	15,656	-
Councillor NL. HERMANS	(399)	(399)	-
Councillor E. HUMPHRIES	354	354	-
Councillor N.B. MDALA	(676)	(676)	-
Councillor S.G. MLENZANA	1,278	1,278	-
Councillor S. NGALIMANI	333	333	-
Councillor N. REYNERS	430	430	-
Councillor SESTILE M ALBERT	332	332	-
Councillor N.B. SIKO	24	24	-
Total Councillor Arrear Consumer Accounts	17,678	17,678	-
30 June 2014	Total	Outstanding up to 90 days	Outstanding more than 90 days
Councillor FRITZ ANNIE	691	691	-
Councillor H.C. GRONUM	14,912	14,912	-
Councillor NL. HERMANS	1,773	1,773	-
Councillor E. HUMPHRIES	903	901	2
Councillor N.B. MDALA	423	423	-
Councillor S.G. MLENZANA	463	463	-
Councillor S. NGALIMANI	192	192	-
Councillor N. REYNERS	704	704	-
Councillor SESTILE M ALBERT	912	912	-
Councillor N.B. SIKO	573	573	-
Total Councillor Arrear Consumer Accounts	21,546	21,544	2

During the year the following Councillors had arrear accounts outstanding for more than 90 days:

	Highest amount outstanding	Ageing
30 June 2015		
Councillor FRITZ ANNIE	345	< 90 Days
Councillor H.C. GRONUM	15,656	< 90 Days
Councillor NL. HERMANS	(399)	< 90 Days
Councillor E. HUMPHRIES	354	< 90 Days
Councillor N.B. MDALA	(676)	< 90 Days
Councillor S.G. MLENZANA	1,278	< 90 Days
Councillor S. NGALIMANI	333	< 90 Days
Councillor N. REYNERS	430	< 90 Days
Councillor SESTILE M ALBERT	332	< 90 Days
Councillor N.B. SIKO	24	< 90 Days
30 June 2014		
Councillor FRITZ ANNIE	691	< 90 Days
Councillor H.C. GRONUM	14,912	< 90 Days
Councillor NL. HERMANS	1,773	< 90 Days
Councillor E. HUMPHRIES	903	> 90 Days
Councillor N.B. MDALA	423	< 90 Days
Councillor S.G. MLENZANA	463	< 90 Days
Councillor S. NGALIMANI	192	< 90 Days
Councillor N. REYNERS	704	< 90 Days
Councillor SESTILE M ALBERT	912	< 90 Days
Councillor N.B. SIKO	577	< 90 Days

41.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

No known matters existed at reporting date.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
41 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)		
41.8 Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA		
Material Electricity and Water Losses were as follows and are not recoverable:		

Electricity:

		Lost Units	Tariff	Value
30 June 2015	Unaccounted Electricity Losses	<u>312,115</u>	<u>0.7644</u>	<u>238,581</u>
30 June 2014	Unaccounted Electricity Losses	<u>4,858,329</u>	<u>0.7371</u>	<u>3,581,170</u>

Electricity Losses occur due to *inter alia*, technical and non-technical losses (Technical losses - inherent resistance of conductors, transformers and other electrical equipment; Non-technical losses - the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections). The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported.

	2015 R	2014 R
Volumes in kWh/year:		
System Input Volume	23,879,009	24,607,361
Billed Consumption	23,566,894	19,749,032
Distribution Loss	312,115	4,858,329
Percentage Distribution Loss	1.31%	19.74%

Water:

		Lost Units	Tariff	Value
30 June 2015	Unaccounted Water Losses	<u>1,321,986</u>	<u>3.3540</u>	<u>4,433,896</u>
30 June 2014	Unaccounted Water Losses	<u>737,326</u>	<u>4.1886</u>	<u>3,088,349</u>

Water Losses occur due to *inter alia*, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported.

	2015 R	2014 R
Volumes in Kl/year:		
System Input Volume	2,567,742	1,848,433
Billed Consumption	1,245,756	1,111,107
Distribution Loss	1,321,986	737,326
Percentage Distribution Loss	51.48%	39.89%

42 COMMITMENTS FOR EXPENDITURE

42.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-

Infrastructure
Other

	96,064,567	14,751,977
Infrastructure	<u>88,160,194</u>	<u>3,810,798</u>
Other	<u>7,904,373</u>	<u>10,941,179</u>
Total Capital Commitments	<u>96,064,567</u>	<u>14,751,977</u>
This expenditure will be financed from:		
Government Grants	96,064,567	14,751,977
	<u>96,064,567</u>	<u>14,751,977</u>
Commitments for the acquisition of Property, Plant and Equipment	<u>88,160,194</u>	<u>3,810,798</u>

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

		2015	2014
		R	R
43 FINANCIAL INSTRUMENTS			
43.1 Classification			
FINANCIAL ASSETS:			
In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:			
<u>Financial Assets</u>	<u>Classification</u>		
Receivables from Exchange Transactions			
Electricity	Amortised cost	4,178,629	3,281,511
Refuse	Amortised cost	10,785,951	8,297,166
Sewerage	Amortised cost	8,512,651	5,904,280
Water	Amortised cost	18,844,443	12,111,924
Other Receivables	Amortised cost	1,023,005	606,250
Receivables from Non-exchange Transactions			
Assessment Rates Debtors	Amortised cost	4,492,339	3,037,950
Payments made in Advance	Amortised cost	7,828	31,328
Sundry Debtors	Amortised cost	452,175	901,898
Cash and Cash Equivalents			
Notice Deposits	Amortised cost	5,943,179	9,506,601
Bank Balances	Amortised cost	12,500,898	10,436,420
Cash Floats and Advances	Fair value	3,700	3,700
SUMMARY OF FINANCIAL ASSETS			
Financial Assets at Amortised Cost:			
Receivables from Exchange Transactions	Electricity	4,178,629	3,281,511
Receivables from Exchange Transactions	Refuse	10,785,951	8,297,166
Receivables from Exchange Transactions	Sewerage	8,512,651	5,904,280
Receivables from Exchange Transactions	Water	18,844,443	12,111,924
Receivables from Exchange Transactions	Other Debtors	1,023,005	606,250
Receivables from Non-exchange Transactions	Assessment Rates Debtors	4,492,339	3,037,950
Receivables from Non-exchange Transactions	Payments made in Advance	7,828	31,328
Receivables from Non-exchange Transactions	Sundry Debtors	452,175	901,898
Cash and Cash Equivalents	Bank Balances	12,500,898	10,436,420
Cash and Cash Equivalents	Notice Deposits	5,943,179	9,506,601
		66,741,098	54,115,328
Financial Assets at Fair Value:			
Cash and Cash Equivalents	Cash Floats and Advances	3,700	3,700
		3,700	3,700
Total Financial Assets		66,744,798	54,119,028

FINANCIAL LIABILITIES:

In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:

<u>Financial Liabilities</u>	<u>Classification</u>		
Annuity Loans	Amortised cost	2,279,397	3,271,733
Finance Lease Liabilities	Amortised cost	-	28,387
Payables from Exchange Transactions			
Trade Creditors	Amortised cost	11,591,744	9,622,177
Retentions	Amortised cost	5,347,080	3,738,804
Payables from Non-exchange Transactions			
Staff Bonuses	Amortised cost	670,928	606,833
Staff Leave Accrued	Amortised cost	2,168,229	1,777,655
Sundry Deposits	Amortised cost	-	1,724
Annuity Loans	Amortised cost	883,057	801,010
Finance Lease Liabilities	Amortised cost	27,760	132,301

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	R	R
43 FINANCIAL INSTRUMENTS (Continued)		
SUMMARY OF FINANCIAL LIABILITIES		
Financial Liabilities at Amortised Cost:		
Long-term Liabilities	2,279,397	3,271,733
Long-term Liabilities	-	28,387
Payables from Exchange Transactions	11,591,744	9,622,177
Payables from Exchange Transactions	5,347,080	3,738,804
Payables from Non-exchange Transactions	670,928	606,833
Payables from Non-exchange Transactions	2,168,229	1,777,655
Payables from Non-exchange Transactions	-	1,724
Current Portion of Long-term Liabilities	883,057	801,010
Current Portion of Long-term Liabilities	27,760	132,301
	22,968,195	19,980,625
Total Financial Liabilities	22,968,195	19,980,625

43.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate

Long-term Investments

The Fair Value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

Loan Receivables/Payables

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's debtors.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2015, as a result of the short-term maturity of these assets and liabilities.

The Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

	30 June 2015		30 June 2014	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
FINANCIAL ASSETS				
Measured at Amortised Cost:	66,741,098	66,741,098	54,115,328	54,115,328
Notice Deposits	5,943,179	5,943,179	9,506,601	9,506,601
Trade Receivables from Exchange Transactions	43,344,679	43,344,679	30,201,130	30,201,130
Trade Receivables from Non-exchange Transactions	4,952,342	4,952,342	3,971,176	3,971,176
Bank Balances and Cash	12,500,898	12,500,898	10,436,420	10,436,420
Measured at Fair Value	3,700	3,700	3,700	3,700
Bank Balances and Cash	3,700	3,700	3,700	3,700
Total Financial Assets	66,744,798	66,744,798	54,119,028	54,119,028

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014	2015	2014
	R	R	R	R
43 FINANCIAL INSTRUMENTS (Continued)				
FINANCIAL LIABILITIES				
Measured at Amortised Cost:	22,968,195	22,968,195	19,980,625	19,980,625
Annuity Loans	2,279,397	2,279,397	3,271,733	3,271,733
Finance Lease Liabilities	-	-	28,387	28,387
Trade and Other Payables:				
- Payables from Exchange Transactions	16,938,824	16,938,824	13,360,981	13,360,981
- Payables from Non-exchange Transactions	2,839,158	2,839,158	2,386,212	2,386,212
- Current Portion of Long-term Liabilities	910,816	910,816	933,312	933,312
Total Financial Liabilities	<u>22,968,195</u>	<u>22,968,195</u>	<u>19,980,625</u>	<u>19,980,625</u>
Total Financial Instruments	<u>43,776,603</u>	<u>43,776,603</u>	<u>34,138,403</u>	<u>34,138,403</u>
Unrecognised Gain / (Loss)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

No Financial Instruments of the municipality have been reclassified during the year.

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

30 June 2015

	Level 1	Level 2	Level 3	Total
	R	R	R	R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Bank Balances and Cash	-	12,504,598	-	12,504,598
Total Financial Assets	<u>-</u>	<u>12,504,598</u>	<u>-</u>	<u>12,504,598</u>
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
Other Loans	-	-	-	-
Total Financial Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Financial Instruments	<u>-</u>	<u>12,504,598</u>	<u>-</u>	<u>12,504,598</u>

30 June 2014

	Level 1	Level 2	Level 3	Total
	R	R	R	R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Bank Balances and Cash	-	10,440,120	-	10,440,120
Total Financial Assets	<u>-</u>	<u>10,440,120</u>	<u>-</u>	<u>10,440,120</u>
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
Other Loans	-	-	-	-
Total Financial Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Financial Instruments	<u>-</u>	<u>10,440,120</u>	<u>-</u>	<u>10,440,120</u>

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015 2014
R R

43 FINANCIAL INSTRUMENTS (Continued)

43.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 16, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 19 and the Statement of Changes in Net Assets.

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 19 and the Statement of Changes in Net Assets.

Gearing Ratio

In terms of the municipality's five year financial plan, financial benchmarks, year-on-year in respect of the debt-to-equity ratio, is reflected at 95,00%, reducing 90,00%. This aggressive ratio is as a result of the development challenges faced by the municipality. The rate of borrowing is well below market related rates.

The municipality's risk management committee reviews the capital structure on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The municipality has a target gearing ratio of 20-25% determined as the proportion of net debt to equity. Based on the committee's recommendations, the municipality expects to increase its gearing ratio closer to 25% through the issue of new debt.

The gearing ratio at the year-end was as follows:

Debt	6,029,371	6,619,644
Cash and Cash Equivalents	(3,700)	(3,700)
Net Debt	6,025,671	6,615,944
Equity	521,794,913	502,321,660
Net debt to equity ratio	1.15%	1.32%

Debt is defined as Long- and Short-term Liabilities, as detailed in Notes 16 and 16.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

43.4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The municipality's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the municipality through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

43.5 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015	2014
R	R

43 FINANCIAL INSTRUMENTS (Continued)

Market Risk

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

Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Liquidity Risk

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

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

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Notes 51.8 and 51.9 to the Annual Financial Statements.

43.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 51.7 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

43.6.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest

43.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Financial Assets and Liabilities that are sensitive to interest rate risk are cash and cash equivalents, investments, and loan payables. The municipality is not exposed to interest rate risk on these financial instruments as the rates applicable are fixed interest rates.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is exposed to interest rate risk as the municipality borrows funds at both fixed and floating interest rates. The risk is managed by the municipality by maintaining an appropriate mix between fixed and floating rate borrowings, such borrowing being below market related rates.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Note 51.9 below:

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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R R

43 FINANCIAL INSTRUMENTS (Continued)

Cash and Cash Equivalents:

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:

- Surplus for the year ended 30 June 2015 would have increased / decreased by R114,687 (30 June 2014: increased / decreased by R57,043). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

The municipality's sensitivity to interest rates has increased during the current period mainly due to the increase in variable rate debt instruments.

Finance Lease Liabilities:

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:

- Surplus for the year ended 30 June 2015 would have decreased / increased by R6,037 (30 June 2014: decreased / increased by R6,300). This is mainly attributable to the municipality's exposure to interest rates on its variable rate borrowings; and

The municipality's sensitivity to interest rates has increased during the current period mainly due to the increase in variable rate debt instruments.

43.7 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

Trade Receivables consist of a large number of customers, spread across diverse industries in the geographical area of the municipality. Periodic credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee is increased accordingly.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Consumer Debtors	76,617,769	60,596,378
Other Debtors	10,182,896	9,205,043
Bank, Cash and Cash Equivalents	18,447,777	19,946,722
Maximum Credit and Interest Risk Exposure	105,248,441	89,748,143

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
43 FINANCIAL INSTRUMENTS (Continued)		
The major concentrations of credit risk that arise from the municipality's receivables in relation to customer	%	%
Consumer Debtors:		
- Household	90.15%	88.65%
- Industrial / Commercial	4.85%	5.38%
- National and Provincial Government	5.00%	1.84%
Other Debtors:		
- Other not Classified	3.46%	5.97%
Total Credit Risk	103.46%	101.84%
Bank and Cash Balances		
ABSA Bank Ltd	14,361,627	494,705
First National Bank	24,356	24,356
Standard Bank	4,058,094	19,423,960
Cash Equivalents	3,700	3,700
Total Bank and Cash Balances	18,447,777	19,946,722
Credit quality of Financial Assets:		
The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to		
Receivables from Exchange Transactions		
Counterparties without external credit rating:-		
Group 1	3,549,340	3,246,037
Group 2	512,619	633,851
	4,061,959	3,879,888
Total Receivables from Exchange Transactions	4,061,959	3,879,888
Receivables from Non-exchange Transactions		
Group 1	2,519,460	3,480,991
Total Receivables from Non-exchange Transactions	2,519,460	3,480,991

Credit quality Groupings:

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

None of the financial assets that are fully performing have been renegotiated in the last year.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

43 FINANCIAL INSTRUMENTS (Continued)

43.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 46 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2015								
Non-interest Bearing		0.00%	19,777,981	19,777,981	-	-	-	-
- Payables from Exchange transactions			16,938,824	16,938,824	-	-	-	-
- Payables from Non-exchange transactions			2,839,158	2,839,158	-	-	-	-
			-	-	-	-	-	-
Variable Interest Rate Instruments		8.08%	-	-	-	-	-	-
- Bank Overdraft			-	-	-	-	-	-
			-	-	-	-	-	-
Fixed Interest Rate Instruments		5.00%	3,190,213	910,816	-	-	2,279,397	-
- ABSA		5.00%	3,190,213	910,816	-	-	2,279,397	-
			22,968,195	20,688,798	-	-	2,279,397	-
30 June 2014								
Non-interest Bearing		0.00%	15,747,193	15,747,193	-	-	-	-
- Payables from Exchange transactions			13,360,981	13,360,981	-	-	-	-
- Payables from Exchange transactions			2,386,212	2,386,212	-	-	-	-
			-	-	-	-	-	-
Fixed Interest Rate Instruments		5.00%	4,233,432	933,312	-	-	3,300,120	-
- ABSA		5.00%	4,233,432	933,312	-	-	3,300,120	-
			19,980,625	16,680,505	-	-	3,300,120	-

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

43 FINANCIAL INSTRUMENTS (Continued)

At the year-end it was not probable that the counterparty to the financial guarantee contract will claim under the contract. Consequently, the amount included above is nil.

The following table details the municipality's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows/(outflows) on the derivative instrument that settle on a net basis and the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

Description	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	R	R	R	R		R
30 June 2015						
Net Settled:						
Interest Rate Swaps	689	11	50	205	302	121
Foreign Exchange Forward Contracts	(13)	(5)	(21)	13	-	-
Gross Settled:						
Foreign Exchange Forward Contracts	47	12	35	-	-	-
	723	18	64	218	302	121
30 June 2014						
Net Settled:						
Interest Rate Swaps	289	7	18	22	160	82
Foreign Exchange Forward Contracts	34	10	15	9	-	-
Gross Settled:						
Foreign Exchange Forward Contracts	218	65	132	21	-	-
	541	82	165	52	160	82

43.9 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015	2014
R	R

44 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R3,667,652 (2014: R3,384,045) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The total expense recognised in the Statement of Financial Performance of R3,667,652 (2014: R3,384,045) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. As at 30 June 2015, contributions of R8 000 (30 June 2014: R8 000) due in respect of the 2014/15 (2013/14) reporting period had not been paid over to the plans. The amounts were paid over subsequent to the reporting date (see Note 45.5).

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

DEFINED BENEFIT SCHEMES

Government Employees Pension Fund (GEPF):

The scheme is subject to an tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2006.

The statutory valuation performed as at 30 June 2006 revealed that the fund had a surplus of R0,0 (30 June 2004: deficit of R12,8) million, with a funding level of 100,0% (30 June 2004: 96,5%). The contribution rate paid by the members (7,00%) and the municipalities (13,00%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Employees Pension Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 28 February 2008.

The net assets available for benefits were R5 715 557 193.

The fund is closed for membership and no new members are allowed to join the fund.

No further information could be obtained.

National Fund for Municipal Workers - Pension Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2006.

The fund does not have any reserves or surpluses which can be allocated to members' fund records.

The last valuation performed for the period ended 31 March 2006 revealed that the fund had a shortfall of R205 million, with a funding level of 83%. This will be taken into account in determining future surcharges, to be met by increased employer contributions. These surcharges are as follows:

- From 1 July 2006 14%
- From 1 July 2007 17%

The above-mentioned surcharge is payable until 1 July 2010. This position will be monitored on an annual basis.

The statutory valuation performed as at 1 July 2008 revealed that the fund had a deficit of 6,3 (1 July 2007: surplus R9,5) million, with a funding level of 99,83% (1 July 2007: 100,26%). The contribution rate paid by the members (2,00% to 5,00%) and the municipalities (2,00% to 7,00%) is sufficient to fund the benefits accruing from the fund in the future.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015	2014
R	R

44 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION (Continued)

No further information could be obtained.

Joint Municipal Pension Fund (previously Transvaal Municipal Pension Fund):

The scheme is subject to a bi-annual actuarial valuation. The last statutory valuation was performed as at 30 September 2007.

The statutory valuation performed as at 30 September 2007 revealed that the fund had a surplus of R82,1 (31 December 2005: shortfall of R44,2) million, with a funding level of 123,7% (31 December 2005: unknown). The contribution rate paid by the members (9,00%) and municipalities (22,00%) has a shortfall of 0,90%, but can be covered by the available margin in the fund.

The last valuation performed for the period ended 31 March 2006 revealed that the fund had a shortfall of R205 million, with a funding level of 83%. This will be taken into account in determining future surcharges, to be met by increased employer contributions. These surcharges are as follows:

- From 1 July 2006 14%
- From 1 July 2007 17%

The above-mentioned surcharge is payable until 1 July 2010. This position will be monitored on an annual basis.

The fund is closed for membership and no new members are allowed to join the fund.

No information could be obtained.

DEFINED CONTRIBUTION SCHEMES

Municipal Councillors Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2010.

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future. The actuarial valuation of the fund was undertaken at 30 June 2005 and reported a funding ratio of 147,3%.

The statutory valuation performed as at 30 June 2010 revealed that the market value of the fund was R1 446,8 (30 June 2009: R1 223,7) million. The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

The next statutory valuation was due at 30 June 2009, but an extension has been granted until 31 December 2010.

As reported by the Actuaries, the Fund was in a sound financial condition as at 30 June 2010.

Municipal Employees Gratuity Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2010.

The valuation performed as at 30 June 2010 revealed that the market value of the fund was R9 774 (30 June 2009: 8 249) million. The contribution rate payable (7,50% by the member and 22,00% by the employer), is 0,10% lower than the 5,00% available to cover the cost of benefits and expenses, but can be absorbed by the current balance in the Risk reserve. The fund was certified to be in sound financial condition as at 30 June 2007.

The valuation performed as at 30 June 2010 revealed that the market value of the fund was R9 774 (30 June 2009: 8 249) million. The contribution rate payable (7,50% by the member and 22,00% by the employer), is sufficient to fund the benefits accruing from the fund in the future. The fund was certified to be in sound financial condition as at 30 June 2010.

National Fund for Municipal Workers - Provident Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 01 July 2008.

The net assets available for benefits were R3 617 (2007: R3 696) million.

The statutory valuation performed as at 1 July 2008 revealed that the fund had a deficit of 6,3 (1 July 2007: surplus R9,5) million, with a funding level of 99,83% (1 July 2007: 100,26%). The contribution rate paid by the members (2,00% to 5,00%) and the municipalities (2,00% to 7,00%) is sufficient to fund the benefits accruing from the fund in the future.

None of the above mentioned plans are State Plans.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015
R 2014
R

45 RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

45.1 Interest of Related Parties

Councillors and/or management of the municipality have relationships with businesses as indicated below:

Name of Related Person	Designation	Description of Related Party Relationship
AC Mpela	Municipal Manger	Director of Mthombo Sediba Development Agency (Article 21) and Member of Pride and Grace Trading and Projects cc
P Mosompha	Manger	Member of World Focus 684 cc
NS. Ntshudu	Official (SCM)	Member of Ntsukaze Trading cc
NL. Hermans	Councillor	Member of Woman in Property and Facilities Management cc
SG Mlenzana	Councillor	Member of Amachule Akwantu Art and Craft
S Ngalimani	Councillor	Member of Vukuzenzele Tuck Shop cc
MA Sestile	Councillor	Member of Kwazamuxolo Building and Maintenance Construction cc

45.2 Services rendered to Related Parties

During the year the municipality rendered services to the following related parties that are related to the municipality as indicated:

	Rates Charges R	Service Charges R	Sundry Charges R	Outstanding Balances R
For the Year ended 30 June 2015				
Councillors	20,580	84,101	5,266	17,678
Municipal Manager and Section 57 Personnel	19,419	63,461	42	924
Total Services	<u>39,999</u>	<u>147,563</u>	<u>5,308</u>	<u>18,602</u>
For the Year ended 30 June 2014				
Councillors	13,993	82,297	2,723	6,243
Municipal Manager and Section 57 Personnel	14,449	58,985	33	10,896
Total Services	<u>28,441</u>	<u>141,282</u>	<u>2,756</u>	<u>17,139</u>

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 57 Personnel. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

45.3 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004.

45.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Appendix G, Statement of Remuneration of Management, to the Annual Financial Statements.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
45 RELATED PARTY TRANSACTIONS (Continued)		
45.5 Purchases from Related Parties		
The municipality did not buy goods from any companies which can be considered to be Related Parties.		
46 CONTINGENT LIABILITIES		
46.1 Guarantees:	6,000	6,000
(i) ABSA Bank: A bank guarantee in the amount of R6 000 was issued in favour of Eskom	6,000	6,000
(ii) Eskom: The municipality issued a bank guarantee in favour of Eskom to increase its electricity demand to 40 MVA to be able to meet the increasing demand for electricity supply from consumers.		
46.2 Court Proceedings:	7,070,000	6,100,000
(i) Komanisie Development is claiming loss of income and stock on a housing project to the amount of R7 070 000 (2014: R6,000,000)	7,070,000	6,000,000
46.3 Insurance Claims:	5,268,315	5,268,315
(i) One of the farmers in the municipal area put claim in against the municipality for fire damage on his farm. According to the farmer, the municipality was negligent.	4,953,413	4,953,413
(ii) Street light pole falls over – The Insurer attorney is busy negotiate with the T/P for settlement	18,248	18,248
(iii) T/P falls in manhole - Still waiting for excess from the Municipality	296,654	296,654
46.4 Landfill sites:	-	-
(i) Currently the municipality is not complying with the National Environmental Management: Waste Act as the municipality is operating the landfill site of Norvalspont without a license as required by section 68(1) of the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008).		
In terms of section 68(1) of the Waste Management Act the municipality might receive a penalty of R10 million for not having a license to operate a landfill site. As per pervious guidance it was decided not to disclose an amount as this fines was not allocated to any municipality in the past		
In accordance with section 68(1) of the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008), a person convicted of an offence referred to in section 67(1)(a), (g) or (h) is liable to a fine not exceeding R10 000 000 or to imprisonment for a period not exceeding 10 years, or to both such fine and such imprisonment, in addition to any other penalty or award that may be imposed or made.		
47 CONTINGENT ASSETS		
Reporting of possible fraudulent action. The matter has been reported to the SAPS (Case No 39/6/2015) and internal disciplinary steps have been instituted. Four officials are allegedly involved of which one official has been suspended. The date of the hearing was set for 31 July 2015 and it has been postponed by mutual agreement between the employer and the unions involved. The dates of 9, 10 and 11 September 2015 has been for the start of the hearings. The alleged theft took place over a period of 16 months and the value of the funds missing amounts to R 119 842.65. The report is submitted to your office in terms of Section 171(4) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003).		
	119,843	119,843
Mr. Percy Mugwedi was charged with fraud for the estimate amount of R100 000 at the beginning of the 2012/2013 financial year, but relates to the current financial year. An investigation is still underway.		
	100,000	100,000

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015
R

2014
R

48 EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2015.

49 COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 34).

50 GOING CONCERN ASSESSMENT

Management considered the following matters relating to the Going Concern:

(i) On 26 May 2015 Council adopted the 2015/16 to 2017/18 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services reflected that the Budget was cash-backed over the three-year period.

(ii) The municipality's budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.

(iii) Strictly cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly and quarterly reporting highlighting the actual cash position including the associated risk and remedial actions to be instituted

(iv) As the municipality has the power to levy fees, tariffs and charges this will result in an ongoing in flow of revenue to support the continuing delivery of municipal services. Certain key financial ratios such as liquidity, cost recovery, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

APPENDIX A
UMSOBOMVU LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2015

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2014	Received during the Period	Ineterst Charged during period	Redeemed/ Written Off during Period	Balance at 30 June 2015
	R				R	R		R	R
ANNUITY LOANS									
ABSA Bank Ltd									
Account 83517250	447,137	9.50%	83517250	2018-02-01	348,466	-	31,808	(114,347)	265,927
Account 83528279	993,106	9.50%	83528279	2018-02-01	773,954	-	70,647	(253,969)	590,632
Account 83527833	993,106	9.50%	83527833	2018-02-01	773,954	-	70,647	(253,969)	590,632
Account 84008046	1,951,765	9.50%	84008046	2018-06-01	1,636,928	-	151,200	(500,249)	1,287,879
Account 84215231	724,608	9.50%	84215231	2018-07-01	539,547	-	50,093	(162,255)	427,384
Total Annuity Loans	5,109,721				4,072,848	-	374,394	(1,284,789)	3,162,454
TOTAL EXTERNAL LOANS	5,109,721				4,072,848	-	374,396	(1,284,789)	3,162,454

ANNUITY LOANS:

Absa:

Structured unsecured 5 year loan for purchase of Motor Vehicles.

This appendix does not form part of the annual financial statements.

APPENDIX B
UMSOBOMVU LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2015

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Value
	R	R	R	R	R	R	R	R	R	R
Land and Buildings										
<i>Land:</i>										
Land: Developed	4,628,392	-	-	-	4,628,392	-	-	-	-	4,628,392
Land: Undeveloped	21,464,565	-	-	-	21,464,565	-	-	-	-	21,464,565
Farms	4,284,900	-	-	-	4,284,900	-	-	-	-	4,284,900
<i>Buildings:</i>										
Office Buildings	5,790,448	-	-	-	5,790,448	3,875,168	232,660	-	4,107,828	1,682,620
	36,168,305	-	-	-	36,168,305	3,875,168	232,660	-	4,107,828	32,060,477
Infrastructure										
<i>Electricity:</i>										
Credit Meters	706,801	-	-	-	706,801	445,285	28,272	-	473,557	233,244
Ground Transformer	2,645,284	-	-	-	2,645,284	1,572,475	58,784	-	1,631,259	1,014,025
High Mast Light	6,678,938	-	-	-	6,678,938	5,009,204	303,588	-	5,312,792	1,366,146
Mini Substation	4,970,240	-	-	-	4,970,240	2,115,003	124,256	-	2,239,259	2,730,981
Overhead Lines	22,515,074	-	-	-	22,515,074	9,949,298	565,625	-	10,514,923	12,000,151
Pole Transformer	367,812	-	-	-	367,812	220,687	9,195	-	229,882	137,929
Service Connection	260,845	-	-	-	260,845	159,900	8,695	-	168,595	92,250
Street Lights	3,143,443	-	-	-	3,143,443	1,869,786	78,542	-	1,948,328	1,195,115
Switch Box	139,740	-	-	-	139,740	86,794	3,105	-	89,899	49,841
Underground Cables	4,422,802	-	-	-	4,422,802	2,609,453	88,456	-	2,697,909	1,724,893
WIP Projects	2,524,989	-	1,297,882	-	3,822,871	-	-	-	-	3,822,871
<i>Roads and Transport:</i>										
Bridge Pedestrian	1,366,360	-	-	-	1,366,360	785,657	17,080	-	802,737	563,624
Bridge Vehicle	25,153,743	-	-	-	25,153,743	14,778,257	314,422	-	15,092,679	10,061,064
Building	115,609	-	-	-	115,609	855	1,927	-	2,782	112,827
Concrete Slab	1,970,010	-	-	-	1,970,010	1,192,515	32,833	-	1,225,348	744,661
Field Catch Pit	67,798	-	-	-	67,798	45,199	1,695	-	46,894	20,904
Grid Inlet	789,724	-	-	-	789,724	478,103	19,743	-	497,846	291,878
Ground Transformer	117,149	-	-	-	117,149	538	2,929	-	3,467	113,682
Guard Rails	103,724	-	-	-	103,724	82,855	4,189	-	87,044	16,680
High Mast Light	236,015	-	-	-	236,015	9,311	23,601	-	32,912	203,103
Kerbing	17,306,178	-	-	-	17,306,178	10,541,376	346,124	-	10,887,500	6,418,679
Outfall Structures	248,593	-	-	-	248,593	149,156	6,215	-	155,371	93,223
Parking Bays	1,072,943	-	-	-	1,072,943	668,357	26,824	-	695,181	377,762
Pavement	2,450,665	-	-	-	2,450,665	1,474,548	49,013	-	1,523,561	927,103
Road Signs	684,636	-	-	-	684,636	569,324	34,741	-	604,065	80,571
Road Surface	47,716,174	-	-	-	47,716,174	32,054,107	1,391,046	-	33,445,153	14,271,021
Roads Base Structure	212,770,154	-	-	-	212,770,154	127,711,631	4,255,403	-	131,967,034	80,803,120
Speed Bump	6,027	-	-	-	6,027	3,616	151	-	3,767	2,260
Speed Hump	181,699	-	-	-	181,699	109,743	4,542	-	114,285	67,414
Steel Rail	26,682	-	-	-	26,682	20,012	1,213	-	21,225	5,457

APPENDIX B
UMSOBOMVU LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2015

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Value
	R	R	R	R	R	R	R	R	R	R
Storm Water Culvert	347,308	-	-	-	347,308	220,684	5,887	-	226,571	120,737
Storm Water Pipes	914,060	-	-	-	914,060	533,202	15,234	-	548,436	365,624
Stormwater Channel	1,767,036	-	-	-	1,767,036	1,050,753	29,451	-	1,080,204	686,832
Stormwater Drain (Catch Pit)	67,798	-	-	-	67,798	46,329	1,130	-	47,459	20,339
Traffic Circle	132,991	-	-	-	132,991	79,795	3,325	-	83,120	49,871
Traffic Island	178,540	-	-	-	178,540	107,339	4,464	-	111,803	66,738
Waste Bin	152,546	-	-	-	152,546	99,854	3,732	-	103,586	48,960
WIP Projects	-	-	3,273,948	-	3,273,948	-	-	-	-	3,273,948
<i>Sanitation:</i>										
Anaerobic Ponds	3,243,611	-	-	-	3,243,611	164,847	162,181	-	327,028	2,916,584
Biological Reactor	5,833,779	-	-	-	5,833,779	324,147	318,905	-	643,052	5,190,727
Chlorination	1,107,710	-	-	-	1,107,710	62,427	61,418	-	123,845	983,866
Clarifier	1,960,039	-	-	-	1,960,039	104,549	102,858	-	207,407	1,752,632
Control Room	433,112	-	-	-	433,112	24,126	23,736	-	47,862	385,250
Inlet Works	300,685	-	-	-	300,685	15,281	15,034	-	30,315	270,370
Ponds	4,903,938	-	-	-	4,903,938	249,228	245,197	-	494,425	4,409,513
Pump Stations	1,748,483	-	-	-	1,748,483	106,315	104,596	-	210,911	1,537,572
Site Works	2,782,113	-	-	-	2,782,113	158,521	155,957	-	314,478	2,467,635
Landfill sites	10,079,874	-	-	-	10,079,874	2,169,364	416,343	-	2,585,707	7,494,167
<i>Sewerage:</i>										
Buildings	562,612	-	-	-	562,612	39,028	11,252	-	50,280	512,332
Civils Structures	7,847,016	-	-	-	7,847,016	2,877,239	261,567	-	3,138,806	4,708,210
Electrical Plant	837,244	-	-	-	837,244	218,531	72,844	-	291,375	545,870
Inlet Works Structures	264,547	-	-	-	264,547	15,873	5,291	-	21,164	243,383
Lighting	107,912	-	-	-	107,912	21,582	7,194	-	28,776	79,135
Oxidation Ponds	5,232,077	-	-	-	5,232,077	523,208	174,403	-	697,611	4,534,467
Perimeter Protection	2,671,535	-	-	-	2,671,535	806,289	267,153	-	1,073,442	1,598,092
Sewer Gravity Pipes	64,972,302	-	-	-	64,972,302	38,983,381	1,624,308	-	40,607,689	24,364,613
Sewer Pump	718,159	-	-	-	718,159	143,632	47,877	-	191,509	526,650
Sewer Rising Mains	1,002,960	-	-	-	1,002,960	601,776	25,074	-	626,850	376,110
Structures	57,978	-	-	-	57,978	3,479	1,160	-	4,639	53,339

APPENDIX B
UMSOBOMVU LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2015

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Value
	R	R	R	R	R	R	R	R	R	R
<i>Water:</i>										
Buildings	6,288,769	-	-	-	6,288,769	3,669,597	125,775	-	3,795,372	2,493,396
Bulk Water Meters	1,411,065	-	-	-	1,411,065	834,485	70,520	-	905,005	506,060
Civils Structures	6,883,020	-	-	-	6,883,020	2,542,275	229,263	-	2,771,538	4,111,481
Electrical Plant	731,859	-	-	-	731,859	413,958	41,087	-	455,045	276,814
Elevated Storage	281,641	-	-	-	281,641	122,045	18,776	-	140,821	140,820
Lighting	10,358	-	-	-	10,358	4,488	691	-	5,179	5,180
Meter Chambers	51,476	-	-	-	51,476	30,371	1,030	-	31,401	20,076
Perimeter Protection	320,148	-	-	-	320,148	194,944	20,617	-	215,561	104,587
Reservoirs	16,979,392	-	-	-	16,979,392	3,538,041	565,980	-	4,104,021	12,875,371
Storage	600,318	-	-	-	600,318	362,775	21,360	-	384,135	216,183
Structures	8,904	-	-	-	8,904	7,034	178	-	7,212	1,692
Telemetry	1,353,824	-	-	-	1,353,824	763,897	102,281	-	866,178	487,646
Valve Chambers	472,077	-	-	-	472,077	187,847	15,736	-	203,583	268,494
Valves	1,032,640	71,476	-	-	1,104,116	88,263	67,255	-	155,518	948,598
Waste Water Treatment Works (Plant)	15,694,033	-	-	-	15,694,033	9,677,987	523,134	-	10,201,121	5,492,911
Water Meters	13,299,299	-	-	-	13,299,299	8,644,544	664,965	-	9,309,509	3,989,790
Water Pipes	167,879,994	-	-	-	167,879,994	109,118,852	8,394,000	-	117,512,852	50,367,142
Water Pump	9,074,899	-	-	-	9,074,899	3,233,825	585,196	-	3,819,021	5,255,878
Water Treatment Works	28,889,575	-	-	-	28,889,575	17,815,238	962,986	-	18,778,224	10,111,352
WIP Projects	84,263,959	-	26,502,874	-	110,766,833	-	-	-	-	110,766,833
Other	38,976,983	3,726,279	-	-	42,703,262	-	1,577,462	-	1,577,462	41,125,800
	875,492,052	3,797,755	31,074,703	-	910,364,511	425,714,290	25,958,069	-	451,672,359	458,692,152
Community Assets										
<i>Recreational Facilities:</i>										
Museums and Art Galleries	364,160	-	-	-	364,160	196,175	10,668	-	206,843	157,317
Town Halls	3,087,961	-	4,091,787	-	7,179,748	1,596,645	95,322	-	1,691,967	5,487,781
Parks	99,400	-	-	-	99,400	-	-	-	-	99,400
<i>Sports Facilities:</i>										
Stadiums	1,223,588	-	-	-	1,223,588	330,086	80,111	-	410,197	813,391
Golf Courses	592,500	-	-	-	592,500	-	-	-	-	592,500
Tennis Courts	154,800	-	-	-	154,800	86,688	6,192	-	92,880	61,920
<i>Other Facilities:</i>										
Churches	481,700	-	-	-	481,700	258,191	15,414	-	273,605	208,095
Cemeteries	106,000	-	-	-	106,000	-	-	-	-	106,000
Clinics and Hospitals	70,000	-	-	-	70,000	37,520	2,240	-	39,760	30,240
Libraries	1,850,880	-	-	-	1,850,880	992,072	59,228	-	1,051,300	799,580
Schools	440,000	-	-	-	440,000	235,840	14,080	-	249,920	190,080
Taxi Rank	3,717,498	-	-	-	3,717,498	-	195,658	-	195,658	3,521,840
	12,188,487	-	4,091,787	-	16,280,274	3,733,217	478,913	-	4,212,130	12,068,144

APPENDIX B
UMSOBOMVU LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2015

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Value
	R	R	R	R	R	R	R	R	R	R
Other Assets										
<i>Computer Equipment:</i>										
Computer Hardware	1,867,708	120,859	-	(24,234)	1,964,333	1,520,903	128,768	(18,332)	1,631,338	332,995
<i>Furniture and Fittings:</i>										
Air Conditioners Individual Fixed And Movable	290,054	23,045	-	(3,241)	309,858	190,667	29,667	(2,882)	217,452	92,406
Computer Hardware Including Operating Systems	3,325	-	-	-	3,325	2,494	831	-	3,325	-
Domestic And Hostel Furniture	117,027	-	-	(720)	116,307	68,248	8,958	(522)	76,684	39,623
Fixtures & Fittings	149,408	-	-	(1,906)	147,502	91,464	12,285	(1,682)	102,067	45,435
Office Equipment Including Fax Machines	332,873	1,990	-	(81,463)	253,400	220,922	34,032	(69,060)	185,894	67,506
Office Furniture	3,170,802	83,939	-	(152,768)	3,101,973	2,197,166	213,913	(115,318)	2,295,761	806,212
<i>Motor Vehicles:</i>										
Bakkies	2,014,255	-	-	(68,508)	1,945,747	536,486	295,537	(29,089)	802,934	1,142,813
Emergency Vehicles	490,022	-	-	-	490,022	202,912	9,750	-	212,662	277,360
Motor Vehicles	641,665	-	-	-	641,665	173,040	51,054	-	224,094	417,571
Trailer	3,850	-	-	-	3,850	554	370	-	924	2,926
Trailers And Accessories	957,962	1,109	-	-	959,071	175,761	71,358	-	247,119	711,952
Trucks	3,434,946	-	-	-	3,434,946	1,292,319	471,067	-	1,763,386	1,671,560
<i>Plant and Equipment:</i>										
Air Conditioners Individual Fixed And Movable	7,140	-	-	-	7,140	3,742	1,278	-	5,020	2,120
Audiovisual Equipment	183,411	12,263	-	(37,086)	158,588	115,986	24,149	(27,069)	113,066	45,522
Domestic Equipment (Non Kitchen Appliances)	59,198	13,194	-	(4,105)	68,287	48,539	4,576	(3,658)	49,457	18,830
Electric Wire And Power Distribution Equipment (Com	48,955	11,224	-	-	60,179	31,247	6,032	-	37,279	22,900
Fire Fighting Equipment	49,220	-	-	(7,296)	41,924	27,854	6,673	(6,422)	28,105	13,819
Gardening Equipment	107,604	-	-	(2,899)	104,705	69,448	17,249	(2,609)	84,088	20,617
Kitchen Appliances	89,033	-	-	-	89,033	63,299	5,855	-	69,154	19,879
Machinery And Equipment	4,518	-	-	(4,518)	-	732	732	(1,464)	0	(0)
Medical And Allied Equipment	8,621	-	-	-	8,621	8,033	122	-	8,155	466
Music Instruments	84,608	-	-	-	84,608	57,261	3,535	-	60,796	23,812
Office Furniture	5,685	-	-	(5,685)	-	5,019	73	(5,092)	(0)	0
Pumps Plumbing Purification Sanitation And Allied Eq	185,991	-	-	-	185,991	41,073	28,932	-	70,005	115,986
Radio Equipment	39,502	2,660	-	(9,584)	32,578	21,893	5,349	(6,674)	20,568	12,010
Road Construction And Maintenance Equipment	4,674,688	-	-	-	4,674,688	1,244,136	424,425	-	1,668,561	3,006,127
Survey Equipment	3,891	-	-	-	3,891	2,685	233	-	2,918	973
Tractors	1,546,260	-	-	-	1,546,260	278,796	247,953	-	526,749	1,019,511
Workshop Equipment And Loose Tools Fixed	9,020	-	-	-	9,020	4,273	1,129	-	5,402	3,618
Workshop Equipment And Loose Tools Movable	780,083	30,839	-	(10,555)	800,367	584,442	53,552	(9,223)	628,771	171,596
	21,361,325	301,122	-	(414,568)	21,247,879	9,281,394	2,159,437	(299,096)	11,141,735	10,106,144
Total	945,210,170	4,098,877	35,166,490	(414,568)	984,060,969	442,604,069	28,829,079	(299,096)	471,134,052	512,926,917

APPENDIX B
UMSOBOMVU LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2015

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R

UMSOBOMVU LOCAL MUNICIPALITY
ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2015

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R
Investment Properties										
Residential Buildings	1,654,812	406,088	-	-	2,060,900	-	-	-	-	2,060,900
	1,654,812	406,088	-	-	2,060,900	-	-	-	-	2,060,900

UMSOBOMVU LOCAL MUNICIPALITY
ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2015

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R
Intangible Assets										
Computer Software	1,675,451	23,698	-	-	1,699,149	1,602,566	37,844	-	1,640,410	58,739
	1,675,451	23,698	-	-	1,699,149	1,602,566	37,844	-	1,640,410	58,739
Total Asset Register	948,540,432	4,528,663	35,166,490	(414,568)	987,821,018	444,206,635	28,866,923	(299,096)	472,774,462	515,046,556

This appendix does not form part of the annual financial statements.

APPENDIX C
UMSOBOMVU LOCAL MUNICIPALITY
SEGMENTAL ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2015

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R
Executive and Council	2,891,082	34,387	-	(94,499)	2,830,971	1,549,108	249,156	(79,901)	1,718,363	1,112,608
Finance and Administration	53,829,594	598,743	4,091,787	(65,242)	58,454,881	10,411,954	986,617	(47,059)	11,351,511	47,103,370
Community and Social Services	4,998,711	52,028	-	(119,828)	4,930,911	2,445,394	367,059	(89,016)	2,723,438	2,207,473
Technical Services	886,821,046	3,843,505	31,074,703	(134,999)	921,604,256	429,800,179	27,264,091	(83,119)	456,981,151	464,623,106
Total	948,540,434	4,528,663	35,166,490	(414,568)	987,821,019	444,206,635	28,866,923	(299,095)	472,774,463	515,046,556
This appendix does not form part of the annual financial statements.										

APPENDIX D
UMSOBOMVU LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

2014 Actual Income	2014 Budgeted Income	2014 Actual Expenditure	2014 Budgeted Expenditure	2014 Surplus/ (Deficit)	Description	2015 Actual Income	2015 Budgeted Income	2015 Actual Expenditure	2015 Budgeted Expenditure	2015 Surplus/ (Deficit)
R	R	R	R	R		R	R	R	R	R
30,684,000	30,684,000	19,422,513	20,619,103	11,261,487	Executive and Council	32,382,000	32,382,000	17,470,835	20,025,120	14,911,165
9,174,729	12,451,243	20,642,381	22,690,687	(11,467,652)	Finance and Administration	19,923,341	21,719,483	22,062,415	27,360,562	(2,139,074)
7,680,616	12,167,990	7,918,396	9,982,853	(237,779)	Community and Social Services	15,160,469	9,877,857	11,246,148	8,494,692	3,914,321
99,902,738	110,087,761	76,826,665	75,961,572	23,106,497	Technical Services	81,317,261	95,977,572	78,530,421	74,672,761	2,786,840
147,442,084	165,390,995	124,809,956	129,254,214	22,662,552	Total	148,783,072	159,956,911	129,309,820	130,553,135	19,473,252
This appendix does not form part of the annual financial statements.										

APPENDIX E(1)
UMSOBOMVU LOCAL MUNICIPALITY

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2015

Description	2014/15							
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
REVENUE - STANDARD								
Governance and Administration:								
Executive and Council	32,382,000	-	32,382,000	32,382,000	32,382,000	-	100.00	100.00
Budget and Treasury Office	12,345,485	3,297,503	15,642,987	15,642,987	15,123,579	(519,408)	96.68	122.50
Corporate Services	19,101	-	19,101	19,101	11,514	(7,587)	60.28	60.28
Community and Public Safety:								
Community and Social Services	1,413,966	5,659,174	7,073,140	7,073,140	5,802,331	(1,270,809)	82.03	410.36
Public Safety	2,282,982	427,481	2,710,462	2,710,462	7,428,622	4,718,160	274.07	325.39
Housing	-	-	-	-	406,088	406,088	0.00	0.00
Road Transport	1,060,261	641,000	1,701,261	1,701,261	7,719,109	6,017,848	453.73	728.04
Trading Services:								
Electricity	29,830,612	126,688	29,957,300	29,957,300	25,024,885	(4,932,415)	83.54	83.89
Water	51,499,158	4,783,916	56,283,074	56,283,074	39,976,741	(16,306,333)	71.03	77.63
Waste Water Management	7,661,981	373,956	8,035,937	8,035,937	8,599,057	563,120	107.01	112.23
Waste Management	5,895,924	255,724	6,151,648	6,151,648	6,309,145	157,497	102.56	107.01
Total Revenue - Standard	144,391,470	15,565,442	159,956,911	159,956,911	148,783,072	(11,173,840)	93.01	103.04
EXPENDITURE - STANDARD								
Governance and Administration:								
Executive and Council	19,628,122	396,998	20,025,120	20,025,120	17,469,843	(2,555,277)	87.24	89.00
Budget and Treasury Office	19,315,267	21,155	19,336,422	19,336,422	13,657,798	(5,678,624)	70.63	70.71
Corporate Services	5,544,314	180,294	5,724,608	5,724,608	5,687,407	(37,201)	99.35	102.58
Community and Public Safety:								
Community and Social Services	4,542,935	625,559	5,168,493	5,168,493	5,486,061	317,567	106.14	120.76
Sport and Recreation	1,337,573	(38,267)	1,299,306	1,299,306	925,358	(373,948)	71.22	69.18
Public Safety	2,510,658	1,333,740	3,844,398	3,844,398	7,033,573	3,189,175	182.96	280.15
Housing	472,784	9,242	482,026	482,026	518,484	36,458	107.56	109.67
Economic and Environmental Services:								
Road Transport	11,110,870	341,301	11,452,171	11,452,171	16,286,068	4,833,897	142.21	146.58
Trading Services:								
Electricity	24,705,157	913,975	25,619,132	25,619,132	23,575,811	(2,043,321)	92.02	95.43
Water	21,289,377	540,892	21,830,269	21,830,269	23,603,978	1,773,709	108.12	110.87
Waste Water Management	9,235,690	223,870	9,459,560	9,459,560	8,935,188	(524,372)	94.46	96.75
Waste Management	6,336,037	(24,408)	6,311,629	6,311,629	6,130,252	(181,378)	97.13	96.75
Total Expenditure - Standard	126,028,784	4,524,351	130,553,135	130,553,135	129,309,820	(1,243,315)	99.05	102.60
Surplus/(Deficit) for the year	18,362,686	11,041,091	29,403,776	29,403,776	19,473,252	(9,930,524)	66.23	106.05

This appendix does not form part of the annual financial statements.

APPENDIX E (2)
UMSOBOMVU LOCAL MUNICIPALITY

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2015

Description	2014/15								
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R
REVENUE BY VOTE									
Vote 1 - EXECUTIVE & COUNCIL	32,382,000	-	32,382,000	32,382,000	32,382,000	-	-	100.00	100.00
Vote 2 - FINANCE & ADMIN	12,763,192	8,956,291	21,719,483	21,719,483	19,923,341	-	(1,796,141)	91.73	156.10
Vote 3 - COMMUNITY SERVICES	3,298,342	427,867	3,726,209	3,726,209	8,848,794	-	5,122,585	237.47	268.28
Vote 4 - TECHNICAL SERVICES	95,947,936	6,181,284	102,129,220	102,129,220	87,628,937	-	(14,500,283)	85.80	91.33
Total Revenue by Vote	144,391,470	15,565,442	159,956,911	159,956,911	148,783,072	-	(11,173,840)	93.01	103.04
EXPENDITURE BY VOTE									
Vote 1 - EXECUTIVE & COUNCIL	19,628,122	396,998	20,025,120	20,025,120	17,469,843	-	(2,555,277)	87.24	89.00
Vote 2 - FINANCE & ADMIN	26,486,543	874,019	27,360,562	27,360,562	22,062,422	-	(5,298,139)	80.64	83.30
Vote 3 - COMMUNITY SERVICES	7,236,988	1,257,704	8,494,692	8,494,692	11,246,258	2,751,566	2,751,566	132.39	155.40
Vote 4 - TECHNICAL SERVICES	72,677,132	1,995,630	74,672,761	74,672,761	78,531,296	3,858,535	3,858,535	105.17	108.06
Total Expenditure by Vote	126,028,784	4,524,351	130,553,135	130,553,135	129,309,820	6,610,101	(1,243,315)	99.05	102.60
Surplus/(Deficit) for the year	18,362,686	11,041,091	29,403,776	29,403,776	19,473,252	(6,610,101)	(9,930,524)	66.23	106.05

This appendix does not form part of the annual financial statements.

APPENDIX E (3)
UMSOBOMVU LOCAL MUNICIPALITY

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

Description	2014/15							2013/14	
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R
Revenue by Source									
Property Rates	5,030,845	3,085,747	8,116,592	8,116,592	8,313,287	196,695	102.42	165.25	4,631,572
Property Rates - Penalties & Collection Charges	168,540	10,112	178,652	178,652	207,645	28,993	116.23	123.20	170,266
Service Charges - Electricity	27,769,666	106,688	27,876,354	27,876,354	23,163,034	(4,713,320)	83.09	83.41	22,239,871
Service Charges - Water	9,914,400	2,453,820	12,368,220	12,368,220	12,260,395	(107,825)	99.13	123.66	11,030,306
Service Charges - Sanitation	7,417,821	373,956	7,791,777	7,791,777	7,815,903	24,126	100.31	105.37	7,017,048
Service Charges - Refuse	5,725,794	249,089	5,974,883	5,974,883	5,974,139	(744)	99.99	104.34	5,446,927
Service Charges - Other	-	-	-	-	-	-	0.00	0.00	-
Rental of Facilities and Equipment	395,540	646,180	1,041,720	1,041,720	1,045,750	4,030	100.39	264.39	406,805
Interest Earned - External Investments	312,000	110,000	422,000	422,000	531,703	109,703	126.00	170.42	692,873
Interest Earned - Outstanding Debtors	1,426,994	245,096	1,672,090	1,672,090	1,980,484	308,394	118.44	138.79	1,634,305
Dividends Received	-	-	-	-	-	-	0.00	0.00	-
Fines	1,575,000	444,124	2,019,124	2,019,124	4,684,675	2,665,551	232.02	297.44	684,469
Licences and Permits	710,282	4,181	714,462	714,462	2,773,666	2,059,203	388.22	390.50	531,236
Agency Services	-	-	-	-	-	-	0.00	0.00	-
Transfers Recognised - Operational	36,664,400	(13,752,900)	22,911,500	36,664,400	35,001,387	(1,663,013)	95.46	95.46	86,281,106
Other Revenue	4,189,589	95,448	4,285,037	4,285,037	6,088,602	1,803,565	142.09	145.33	6,675,300
Gains on Disposal of PPE	-	-	-	-	-	-	0.00	0.00	-
Total Revenue (excluding Capital Transfers & Contributions)	101,300,870	(5,928,458)	95,372,411	109,125,311	109,840,670	715,358	100.66	108.43	147,442,084
Expenditure									
Employee Related Costs	39,056,527	27,532	39,084,059	39,084,059	34,412,205	(4,671,854)	88.05	88.11	33,695,250
Remuneration of Councillors	2,944,519	-	2,944,519	2,944,519	2,995,975	51,456	101.75	101.75	2,992,090
Debt Impairment	-	-	-	-	-	-	0.00	0.00	-
Depreciation and Asset Impairment	29,072,203	-	29,072,203	29,072,203	32,408,143	3,335,939	111.47	111.47	36,529,620
Finance Charges	296,000	64,000	360,000	360,000	383,690	23,690	106.58	129.62	465,601
Bulk Purchases	18,670,000	-	18,670,000	18,670,000	18,731,283	61,283	100.33	100.33	18,410,486
Other Materials	2,469,010	1,228,845	3,697,855	3,697,855	3,932,167	234,312	106.34	159.26	2,486,477
Contracted Services	-	-	-	-	-	-	0.00	0.00	-
Transfers and Grants	-	-	-	-	-	-	0.00	0.00	-
Other Expenditure	33,519,298	3,203,973	36,723,271	36,723,271	36,330,887	(392,383)	98.93	108.39	30,201,949
Loss on Disposal of PPE	1,228	-	1,228	1,228	115,471	114,243	9,402.18	9,402.18	28,482
Total Expenditure	126,028,784	4,524,351	130,553,135	130,553,135	129,309,820	(1,243,315)	99.05	102.60	124,809,956
Surplus/(Deficit)	(24,727,914)	(10,452,809)	(35,180,724)	(21,427,824)	(19,469,150)	1,958,674	0.00	0.00	22,632,128
Transfers Recognised - Capital	43,090,600	21,493,900	64,584,500	50,831,600	38,942,402	(11,889,198)	76.61	90.37	-
Surplus/(Deficit) after Capital Transfers and	18,362,686	11,041,091	29,403,776	29,403,776	19,473,252	(9,930,524)	66.23	106.05	22,632,128
Surplus/(Deficit) for the Year	18,362,686	11,041,091	29,403,776	29,403,776	19,473,252	(9,930,524)	66.23	106.05	22,632,128

This appendix does not form part of the annual financial statements.

APPENDIX E(4)
UMSOBOMVU LOCAL MUNICIPALITY
RECONCILIATION OF BUDGETED CAPITAL EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2015

Description	2014/15								
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE - VOTE									
Multi-year Expenditure									
Vote 2 - FINANCE & ADMIN	-	5,000,000	5,000,000	5,000,000	4,091,787	-	(908,213)	81.84	0.00
Vote 4 - TECHNICAL SERVICES	31,500,000	2,100,000	33,600,000	33,600,000	33,600,000	-	-	100.00	106.67
Total Capital Expenditure - Multi-year	31,500,000	7,100,000	38,600,000	38,600,000	37,691,787	-	(908,213)	97.65	119.66
Single-year Expenditure									
Vote 1 - EXECUTIVE & COUNCIL	-	-	-	-	34,387	34,387	34,387	0.00	0.00
Vote 2 - FINANCE & ADMIN	1,550,000	(1,450,000)	100,000	100,000	598,743	498,743	498,743	598.74	38.63
Vote 3 - COMMUNITY SERVICES	-	-	-	-	52,028	52,028	52,028	0.00	0.00
Vote 4 - TECHNICAL SERVICES	7,500,000	641,000	8,141,000	8,141,000	1,318,208	-	(6,822,792)	16.19	17.58
Total Capital Expenditure - Single-year	9,050,000	(809,000)	8,241,000	8,241,000	2,003,366	585,158	(6,237,634)	24.31	22.14
Total Capital Expenditure - Vote	40,550,000	6,291,000	46,841,000	46,841,000	39,695,153	585,158	(7,145,847)	84.74	97.89
CAPITAL EXPENDITURE - STANDARD									
Governance and Administration:									
Executive and Council	-	-	-	-	34,387	-	34,387	0.00	0.00
Budget and Treasury Office	1,550,000	(1,450,000)	100,000	100,000	4,690,530	-	4,590,530	4,690.53	302.61
Community and Public Safety:									
Community and Social Services	-	5,000,000	5,000,000	5,000,000	52,028	-	(4,947,972)	1.04	0.00
Economic and Environmental Services:									
Road Transport	6,000,000	641,000	6,641,000	6,641,000	4,829,046	-	(1,811,954)	72.72	80.48
Trading Services:									
Electricity	1,500,000	-	1,500,000	1,500,000	1,297,882	-	(202,118)	86.53	86.53
Water	31,500,000	2,100,000	33,600,000	33,600,000	28,791,281	-	(4,808,719)	85.69	91.40
Waste Water Management	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	40,550,000	6,291,000	46,841,000	46,841,000	39,695,153	-	(7,145,847)	84.74	97.89
FUNDED BY:									
National Government	39,000,000	7,741,000	46,741,000	46,741,000	38,938,443	-	(7,802,557)	83.31	99.84
Provincial Government	-	-	-	-	-	-	-	0.00	0.00
Transfers Recognised - Capital	39,000,000	7,741,000	46,741,000	46,741,000	38,938,443	-	(7,802,557)	83.31	99.84
Public Contributions & Donations	-	-	-	-	49,500	-	49,500	0.00	0.00
Internally Generated Funds	1,550,000	(1,450,000)	100,000	100,000	707,210	-	607,210	707.21	45.63
Total Capital Funding	40,550,000	6,291,000	46,841,000	46,841,000	39,695,153	-	(7,145,847)	84.74	97.89

This appendix does not form part of the annual financial statements.

APPENDIX E(5)
UMSOBOMVU LOCAL MUNICIPALITY
RECONCILIATION OF BUDGETED CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2015

Description	2014/15							
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Ratepayers and Other	59,479,877	(5,222,072)	54,257,805	54,257,805	6,357,988	(47,899,817)	11.72	10.69
Government - Operating	36,664,400	-	36,664,400	36,664,400	34,264,267	(2,400,133)	93.45	93.45
Government - Capital	43,090,600	3,750,400	46,841,000	46,841,000	38,942,402	(7,898,598)	83.14	90.37
Public Contributions and Donations	-	-	-	-	49,500	49,500	0.00	0.00
Service Charges	-	-	-	-	33,237,258	33,237,258	0.00	0.00
Interest	1,738,994	3,550,096	5,289,090	5,289,090	2,512,187	(2,776,903)	47.50	144.46
Other Receipts	-	-	-	-	16,151,309	16,151,309	0.00	0.00
Payments								
Suppliers and Employees	(88,437,922)	(12,050,377)	(100,488,299)	(100,488,299)	(91,961,531)	8,526,768	0.00	0.00
Finance Charges	(354,149)	(5,851)	(360,000)	(360,000)	(383,690)	(23,690)	0.00	0.00
Other payments	-	-	-	-	(336,320)	(336,320)	0.00	0.00
NET CASH FROM / (USED) OPERATING ACTIVITIES	52,181,800	(9,977,804)	42,203,996	42,203,996	38,833,369	(3,370,627)	92.01	74.42
CASH FLOWS FROM INVESTING ACTIVITIES								
Payments								
Capital Assets	(47,898,000)	-	(47,898,000)	(47,898,000)	(39,289,064)	8,608,936	0.00	0.00
NET CASH FROM / (USED) INVESTING ACTIVITIES	(47,898,000)	-	(47,898,000)	(47,898,000)	(39,289,064)	8,608,936	0.00	0.00
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
New Loans raised	-	120,000	120,000	120,000	-	(120,000)	0.00	0.00
Payments								
Loans repaid	(728,026)	-	(728,026)	(728,026)	(1,043,249)	(315,223)	0.00	0.00
NET CASH FROM / (USED) FINANCING ACTIVITIES	(728,026)	120,000	(608,026)	(608,026)	(1,043,249)	(435,223)	0.00	0.00
NET INCREASE / (DECREASE) IN CASH HELD	(3,555,774)	9,857,804	6,302,030	6,302,030	1,498,944	(4,803,086)	23.79	0.00
Cash / Cash Equivalents at the Year begin:	15,612,433	-	15,612,433	15,612,433	19,946,722	4,334,288	127.76	127.76
Cash / Cash Equivalents at the Year end:	19,168,207	(9,857,804)	9,310,403	9,310,403	18,447,777	9,137,374	198.14	96.24

This appendix does not form part of the annual financial statements.

APPENDIX F
UMSOBOMVU LOCAL MUNICIPALITY

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts				Quarterly Expenses				Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below	Reason for Non-compliance
		Sept	Dec	March	June	Sept	Dec	March	June			
Equitable Share	Nat Treasury	12,817,000	10,067,000	8,771,000	-	8,095,500	8,095,500	8,095,500	8,095,500	N/A	Yes	N/A
FMG	Nat Treasury	1,800,000	-	-	-	416,904	416,904	416,904	416,904	N/A	Yes	N/A
INEP	Nat Treasury	-	1,500,000	-	-	1,230,560	-	-	184,629	N/A	Yes	N/A
MIG Projects	MIG	4,451,000	-	6,697,000	-	2,489,967	2,003,539	1,802,625	5,010,102	N/A	Yes	N/A
Bulk Infrastructure Grant	DWAF	2,850,517	5,973,474	12,628,041	5,697,196	1,466,364	6,434,358	10,390,055	7,558,570	N/A	Yes	N/A
EDSMG	Province	-	-	-	-	-	-	-	-	N/A	Yes	N/A
MSIG	DPLG	934,000	-	-	-	154,418	154,418	154,418	154,418	N/A	Yes	N/A
EPWP Incentive Grant	Province	2,810,240	300,000	300,000	-	3,332,956	602,793	386,133	186,111	N/A	Yes	N/A
Library Grant	Province	495,500	-	495,500	-	247,750	247,750	247,750	247,750	N/A	Yes	N/A
Total Grants and Subsidies Received		26,158,257	17,840,474	28,891,541	5,697,196	17,434,418	17,955,261	21,493,385	21,853,984			

This appendix does not form part of the annual financial statements.

(*) Did your municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act

APPENDIX G
UMSOBOMVU LOCAL MUNICIPALITY
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2015

Incumbent	Basic Salaries	Bonuses	Allowances	Total Remuneration
	R	R	R	R
Mayor				
Hermans N.L	504,572	-	189,059	693,631
Other Councillors				
Mdala N.B	259,014	-	20,868	279,882
Reyners N	201,829	-	20,868	222,697
Mlenzana S.G	259,014	-	20,868	279,882
Gronum C.F	215,316	-	20,868	236,184
Ngaliman S	201,829	-	20,868	222,697
Humphries S.E	259,014	-	20,868	279,882
Fritz S.A	201,829	-	20,868	222,697
Siko S	215,316	-	20,868	236,184
Sestile M.A	245,527	-	20,868	266,395
Total for Councillors	2,563,260	-	376,871	2,940,131
Municipal Manager				
Mplea A.C	890,005	105,504	134,250	1,129,759
Chief Financial Officer				
Visagie D.T	734,023	89,679	136,594	960,296
Manager: Technical Services				
Mosompha P	798,617	81,526	72,000	952,143
Manager: Corporate Services				
Kapp B	768,174	14,946	102,443	885,563
Total for Senior Managers	2,300,814	186,151	311,037	2,798,002
Total for Management	4,864,074	186,151	687,908	5,738,133

Incumbent	Basic	Bonuses	Allowances	Total
	Salaries			Remuneration
	R	R	R	R
Mayor				
Hermans N.L	476,012	-	119,474	595,486
Other Councillors				
Mdala N.B	229,242	-	22,707	251,949
Reyners N	190,405	-	20,868	211,273
Mlenzana S.G	244,353	-	21,652	266,005
Gronum C.F	244,353	-	20,868	265,221
Ngaliman S	190,405	-	21,456	211,861
Humphries S.E	244,353	-	22,119	266,472
Fritz S.A	190,405	-	21,456	211,861
Siko S	244,353		21,064	265,417
Sestile M.A	190,405		21,260	211,665
Total for Councillors	2,444,286	-	312,924	2,757,209
Municipal Manager				
Mplea A.C	824,880	150,515	331,347	1,306,741
Chief Financial Officer				
Visagie D.T	622,675	53,076	19,104	694,855
Manager: Community Services				
Rossouw B.D	693,260	53,076	151,509	897,845
Manager: Technical Services				
Mosompha P	568,548	-	150,599	719,147
Total for Senior Managers	1,884,483	106,152	321,212	2,311,848
Total for Management	4,328,768	106,152	634,136	5,069,057

This appendix does not form part of the annual financial statements.

APPENDIX H UMSOBOMVU LOCAL MUNICIPALITY RATIO ANALYSIS

30 June 2015

RATIO	NORM/RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	
" R 000 "				
1. FINANCIAL POSITION				
A. Asset Management/Utilisation				
1	Capital Expenditure to Total Expenditure	10% - 20%	23%	
			Total Operating Expenditure	129,309,820
			Taxation Expense	-
			Total Capital Expenditure	39,289,064
2	Impairment of Property, Plant and Equipment, Investment Property and Intangible assets (Carrying Value)	0%	1%	
			PPE, Investment Property and Intangible Impairment	3,786,487
			PPE at carrying value	512,926,949
			IP at carrying value	2,060,899
			Intangible Assets at carrying value	58,739
3	Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value)	8%	1%	
			Total Repairs and Maintenance Expenditure	3,932,167
			PPE at carrying value	512,926,949
			Investment Property at Carrying value	2,060,899
B. Debtors Management				
1	Collection Rate	95%	68%	
			Gross Debtors closing balance	76,617,769
			Gross Debtors opening balance	60,596,378
			Bad debts written Off	-351,396
			Billed Revenue	49,213,471
2	Bad Debts Written-off as % of Provision for Bad Debt	100%	-1%	
			Consumer Debtors Bad debts written off	-351,396
			Consumer Debtors Current bad debt Provision	33,273,089
3	Net Debtors Days	30 days	321 days	
			Gross debtors	76,617,769
			Bad debts Provision	33,273,089
			Billed Revenue	49,213,471
C. Liquidity Management				
1	Cash / Cost Coverage Ratio (Excl. Unspent Conditional Grants)	1 - 3 Months	1 Month	
			Cash and cash equivalents	18,447,777
			Unspent Conditional Grants	9,715,039
			Overdraft	-
			Short Term Investments	-
			Total Annual Operational Expenditure	93,908,365
2	Current Ratio	1.5 - 2:1	1.91	
			Current Assets	69,264,964
			Current Liabilities	36,328,606

APPENDIX H UMSOBOMVU LOCAL MUNICIPALITY RATIO ANALYSIS

D. Liability Management

1	Capital Cost(Interest Paid and Redemption) as a % of Total Operating Expenditure	6% - 8%		0%
			Interest Paid	383,690
			Redemption	-
			Total Operating Expenditure	93,908,365
			Taxation Expense	-

2	Debt (Total Borrowings) / Revenue	45%		3%
			Total Debt	2,279,397
			Total Operating Revenue	148,783,072
			Operational Conditional Grants	73,894,289

E. Sustainability

1	Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	100%		870428424%
			Cash and cash Equivalents	18,447,777
			Unspent Grants	9,715,039
			Net Assets	521,794,913
			Accumulated Surplus	521,794,912

2. FINANCIAL PERFORMANCE

A. Efficiency

1	Net Operating Surplus Margin	= or > 0%		13%
			Total Operating Revenue	148,783,072
			Depreciation - Revalued Portion <i>(Only populate if depreciation line item in</i>	
			Total Operating Expenditure	129,309,820
			Taxation Expense	-

2	Net Surplus /Deficit Electricity	0% - 15%		21%
			Total Electricity Revenue	23,163,034
			Total Electricity Expenditure	18,253,729

3	Net Surplus /Deficit Water	= or > 0%		96%
			Total Water Revenue	12,260,395
			Total Water Expenditure	477,554

4	Net Surplus /Deficit Refuse	= or > 0%		100%
			Total Refuse Revenue	5,974,139
			Total Refuse Expenditure	

5	Net Surplus /Deficit Sanitation and Waste Water	= or > 0%		100%
			Total Sanitation and Water Waste Revenue	7,815,903
			Total Sanitation and Water Waste Expenditure	

B. Distribution Losses

1	Electricity Distribution Losses (Percentage)	7% - 10%		1%
			Number of units purchased and/or generated	23,879,009
			Number of units sold	23,566,894

2	Water Distribution Losses (Percentage)	15% - 30%		51%
			Number of kilolitres purchased and/or purified	2,567,742
			Number of kilolitres sold	1,245,756

APPENDIX H UMSOBOMVU LOCAL MUNICIPALITY RATIO ANALYSIS

C. Revenue Management

1	Revenue Growth (%)	= CPI		1%
			CPI	7%
			Total Revenue (Previous)	147,442,084
			Total Revenue (Current)	148,783,072

3	Revenue Growth (%) - Excluding capital grants	= CPI		22%
			CPI	6%
			Total Revenue Exl.Capital (Previous)	61,160,978
			Total Revenue Exl.Capital (Current)	74,888,782

D. Expenditure Management

1	Creditors Payment Period (Trade Creditors)	30 days		43 days
			Trade Creditors	11,591,744
			Contracted Services	-
			Repairs and Maintenance	3,932,167
			General expenses	36,330,887
			Bulk Purchases	18,731,283
			Capital Credit Purchases (<i>Capital Credit Purchases refers to additions of Investment Property and Property, Plant and Equipment</i>)	39,289,064

2	Irregular, Fruitless and Wasteful and Unauthorised Expenditure / Total Operating Expenditure	0%		6%
			Irregular, Fruitless and Wasteful and Unauthorised Expenditure	7,145,759
			Total Operating Expenditure	129,309,820
			Taxation Expense	-

3	Remuneration as % of Total Operating Expenditure	25% - 40%		29%
			Employee/personnel related cost	34,412,205
			Councillors Remuneration	2,995,975
			Total Operating Expenditure	129,309,820
Taxation Expense	-			

4	Contracted Services % of Total Operating Expenditure	2% - 5%		0%
			Contracted Services	-
			Total Operating Expenditure	129,309,820
			Taxation Expense	-

E. Grant Dependency

1	Own funded Capital Expenditure (Internally generated funds + Borrowings) to Total Capital Expenditure	None		176%
			Internally generated funds	66,030,848
			Borrowings	3,190,213
			Total Capital Expenditure	39,289,064

2	Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure	None		168%
			Internally generated funds	66,030,848
			Total Capital Expenditure	39,289,064

3	Own Source Revenue to Total Operating Revenue(Including Agency Revenue)	None		50%
			Total Revenue	148,783,072
			Government grant and subsidies	73,894,289
			Public contributions and Donations	49,500
Capital Grants	-			

3. BUDGET IMPLEMENTATION

1	Capital Expenditure Budget Implementation Indicator	95% - 100%		84%
			Actual Capital Expenditure	39,289,064
			Budget Capital Expenditure	46,841,000

APPENDIX H UMSOBOMVU LOCAL MUNICIPALITY RATIO ANALYSIS

2	Operating Expenditure Budget Implementation Indicator	95% - 100%		99%
			Actual Operating Expenditure	129,309,820
			Budget Operating Expenditure	130,553,135
3	Operating Revenue Budget Implementation Indicator	95% - 100%		103%
			Actual Operating Revenue	112,924,666
			Budget Operating Revenue	109,125,311
4	Service Charges and Property Rates Revenue Budget Implementation Indicator	95% - 100%		93%
			Actual Service Charges and Property Rates Revenue	57,526,758
			Budget Service Charges and Property Rates Revenue	62,127,826

Interpretation of results

	The green colour indicates that the result is within the norm and is acceptable
	The red colour indicates that the result is not acceptable and corrective actions/plans should be put in place to improve the results.
	Data should be captured in the blue colour cell to calculate a ratio.
#	In situations where the results are not within the acceptable norm, corrective actions/plans should be taken and referenced

This appendix does not form part of the annual financial statements.

ANNEXURE B: AUDITOR
GENERAL'S REPORT 2014-

15

Final Report of the Auditor-General to the Northern Cape provincial legislature and the council on Umsobomvu Local Municipality

Report on the financial statements

Introduction

1. I have audited the financial statements of the Umsobomvu Local Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2015, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as 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 South African Standards of Generally Recognised Accounting Practice (SA standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA), and the Division of Revenue Act of South Africa, 2014 (Act No. 10 of 2014) (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 these financial statements based on my audit. I conducted my audit in accordance with 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 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 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 Umsobomvu local municipality as at 30 June 2015 and its financial performance and cash flows for the year then ended, in accordance with SA standards of GRAP and the requirements of the MFMA, and DoRA.

Emphasis of matters

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

Irregular expenditure

8. Irregular expenditure of R1 465 411 (2014: R3 472 499) incurred during 2014-15 was disclosed in note 40.3 to the financial statements. This irregular expenditure is still being investigated and will be addressed at the next council meeting.

Unauthorised expenditure

9. Expenditure amounting to R7 145 759 (2014: R1 496 054) was incurred in excess of the limits of the amounts provided for in the votes of the approved budget, in contravention of section 87(8) of the Municipal Finance Management Act.

Material losses and impairment

10. As disclosed in note 33.1 to the financial statements, material losses to the amount of R4 672 477 (2014: R6 669 519) was incurred as a result of water and electricity losses.
11. As disclosed in note 30.2 to the financial statements, material impairment to the amount of R3 541 219 (2014: R8 574 703) was incurred as a result of impairment of trade debtors.

Restatement of corresponding figures

12. As disclosed in note 34 to the financial statements, the corresponding figures for 30 June 2014 have been restated as a result of an error discovered during 2015 in the financial statements of the Umsobomvu local municipality at, and for the year ended, 30 June 2015.

Additional matter

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

Unaudited supplementary schedules

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

Report on other legal and regulatory requirements

15. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading, but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

16. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the annual performance report of the municipality for the year ended 30 June 2015:
 - Basic services: Chapter 3 of Annual Report: Page 10
17. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
18. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information* (FMPPI).
19. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
20. The material findings in respect of the selected objectives are as follows:

Basic services

Usefulness of objectives

21. Section 41(c) of the Municipal Systems Act requires the integrated development plan to form the basis for the annual report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents. 25% of the reported objectives were not consistent with those in the approved integrated development plan. This was due to a lack of review of consistency between planning and reporting documents by management.

Reliability of reported performance information

22. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. I was unable to obtain the information and explanations I considered necessary to satisfy myself as to the reliability of the reported performance information. This was due to the fact that the

auditee could not provide sufficient appropriate evidence in support of the reported performance information.

Additional matters

23. I draw attention to the following matters

Achievement of planned targets

24. Refer to the annual performance report on chapter 3 for information on the achievement of the planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information for the selected objectives reported in paragraphs 21 to 22 of this report.

Compliance with legislation

25. I performed procedures to obtain evidence that the municipality had complied with applicable legislation regarding financial matters, financial management and other related matter. My material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

Expenditure management

26. Reasonable steps were not taken to prevent unauthorised expenditure and irregular expenditure, as required by section 62(1)(d) and 95(d) of the Municipal Finance Management Act.

Procurement

27. Sufficient appropriate audit evidence could not be obtained that bid specifications for the procurement of goods and services through competitive bids were drafted in an unbiased manner that allowed all potential suppliers to offer their goods or services, as per required by SCM regulation 27(2)(a).

28. Contract was awarded to a bidder based on points given for criteria that differed from those stipulated in the original invitation for bidding, in contravention of SCM Regulations 21(b) and 28(1)(a) and the Preferential Procurement Regulations.

Predetermined objectives

29. The Municipality did not conduct its affairs in manner which was consistent with its integrated development plan and the annual budget is not aligned to the integrated development plan of the municipality as required by Section 36 of the Municipal System Act.

30. The annual report for the year under review does not include particulars of any corrective action taken or to be taken in response to issues raised in the audit report, as required by section 121(3)(g) of the Municipal Finance Management Act.

Internal control

31. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the findings on the annual performance report and the findings on compliance with legislation included in this report.

Leadership

32. Management did not exercise adequate oversight responsibility regarding performance reporting, compliance and related internal controls.
33. Management has failed to implement adequate controls to ensure goods and services are procured in accordance with the minimum requirements as set by the supply chain management regulations. This puts the municipality at an increased risk with regards to fraud.

Financial and performance management

34. There are deficiencies in the design and implementation of internal controls in respect of compliance with applicable laws and regulations, and the collation and reporting of performance information.

Auditor-General

30 November 2015



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence