

Laingsburg Municipality

Annual Report



2017/18



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CHAPTER 1: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

CHAPTER 1

COMPONENT A: MAYOR'S FOREWORD

The Annual Report is compiled in accordance with Section 46 of the Local Government: Municipal Systems Act (MSA) (No.32 of 2000) and Section 121 of the Local Government: Municipal Finance Management Act (MFMA) (No.56 of 2003).

It is with great pleasure that I submit this Annual Report for the 2017/18 financial year. This is the second Annual Report of our Council's term of office and it is a privilege to convey the Council's message on our vision and achievements of the municipal Integrated Development Plan (IDP).

This report contains valuable information on the municipal area of Laingsburg as well as the functions and operations of the Municipality. The information is valuable for government, the Municipality, businesses and organisations who want to invest and do business in Laingsburg. It also serves to inform local business and community organisations in Laingsburg.

Our vision is "A municipality of choice where people comes first". Our mission is "to function as a community focused municipality by rendering effective basic services promoting local economic development, consulting communities in the processes of the council creating a save social environment where people can thrive."

The Municipality provides quality municipal services of very good standards that can be compared with the best in South Africa. New infrastructure is still being installed, with the objective of contributing to the general welfare of all our inhabitants and also to make us proud Laingsburgers.

The strategic objectives of our Municipality as set out in our IDP ensures that the Municipality have an integrated service delivery approach which is aligned with the budget, and performance management system of the Municipality.

Strategic objective 1: "Develop a safe, clean, healthy and sustainable environment for communities" is aligned to the National Development Plan (NDP) in terms of building safer communities and the Provincial Strategic Plan (PSP) in terms of enabling a resilient, sustainable and inclusive living environment. This objective is also aligned to the district strategic objective: "prevent and minimise the impact of possible disasters and improve public safety in the region."

Strategic objective 2: "Promote local economic development" is aligned with the NDP in creating an economy that will create more jobs as well as an inclusive rural economy. In terms of the PSP, both speaks to creating opportunities for growth and jobs in the Western Cape. Strategic objective 2 aligns in terms of promoting regional economic development, tourism and growth opportunities.

Strategic objective 3: "Improve the living environment for all people in Laingsburg" by promoting social protection as per the NDP. Enable a resilient, sustainable, quality and an inclusive living environment in

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terms of the PSP. In terms of the district strategic objective the municipal strategic objective is aligned to promote a safe, healthy and socially stable community through the provision of a sustainable environmental health services.

Strategic objective 4: "Provision of infrastructure to deliver improved services to all residents and businesses" by improving infrastructure and economic infrastructure as per the NDP. In terms of the PSP by ensuring sustainable and integrated urban and rural settlements. This strategic objective is aligned to the district strategic objective that speaks to the improvement and maintenance of district roads and the promotion of safe road transport.

Strategic objective 5: "To create an institution with skilled employees to provide a professional service to its clientele guided by municipal values" by reforming public service as articulated by the NDP. The PSP is aligned by embedding good governance and integrated service delivery through partnerships and spatial alignment. In terms the district strategic objective it speaks to building a well capacitated workforce, skilled youth and communities.

Strategic objective 6: "To achieve financial viability in order to render affordable services to residents." The Municipality must be responsive, accountable and ensure an effective and efficient local government system as per the NDP. The PSP supports the strategic objective by means of integrated management and enhanced governance. The district strategic objective is to deliver a sound and effective administration and to achieve financial sustainability and viability in the region supports this strategic objective.

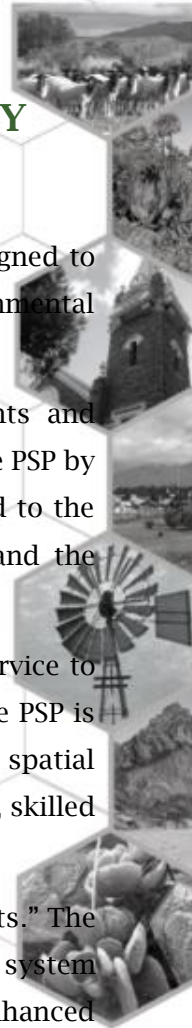
Strategic objective 7: "Effective maintenance and management of municipal assets and natural resources" is aligned to the NDP in terms of environmental sustainability and resilience. The PSP and the district Strategic objective are both aligned by means of enabling a resilient, sustainable, quality living environment and prevention and minimisation of the impact of possible disasters and improve public safety in the region.

The Municipality uses the ward committee system to facilitate public participation. However, this is not the only means of participation. The ward committee system ensures that residents are part of municipal planning and budgeting processes. Each ward committee member is assigned to a block where he or she can ensure residents are informed and participates. This is further strengthened by the ward report-back meetings where the ward councillors meet with the community of a ward. The IDP Representative Forum and the IDP Steering Committee are platforms where internal municipal stakeholders, sector departments and other stakeholders engage on municipal planning and budgeting. This is done separately from the legislative processes to ensure broad public participation from the whole community.

Laingsburg Municipality continuously pursues improvements in public participation and accountability. The IDP Representative Forum and the ward committee meetings remained the main institutional arrangements to ensure sound public participation in the review of the IDP and performance targets.

The past year we conducted monthly ward committee meeting and quarterly IDP Representative Forums.

The 2017/2018 financial year was met with drought challenges which had an impact on the community and farmers.



CHAPTER 1: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

In conclusion, I would like to express my appreciation and thanks to my fellow Councillors, the Municipal Manager and his staff for their hard work and in preparing this report, but more so for their dedication and hard work towards achieving our municipal vision. On behalf of Laingsburg Municipality, I also want to thank our ward committees, the IDP Representative Forum and all members of the public for their support and participation in the affairs of our Municipality during this year.

Councillor M Gouws

Executive Mayor



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COMPONENT B: EXECUTIVE SUMMARY

1.1 MUNICIPAL MANAGER'S OVERVIEW

In terms section 155 of the Constitution of South Africa, Laingsburg Municipality is classified as a Category B municipality, performing the functions set out in Schedule 4 B and 5 B.

Section 156 of the Constitution defines the powers and functions of municipalities. The powers and functions of municipalities are further defined in chapter 3 of the Local Government: Municipal Systems Act no. 32 of 2000.





Laingsburg Municipality does not have any short-term or long-term borrowing and is highly dependent on grants. The Municipality has a limited revenue base where most households are indigent. Although the grants assist us in fulfilling our mandate, a serious concern is the outstanding debtors which continues to grow.

The statutorily required Annual Report contains information on the achievements of a Municipal Council's adopted IDP, annual budget and its Service Delivery and Budget Implementation Plan (SDBIP).

As Acting Municipal Manager and Acting Accounting Officer of the Laingsburg Municipality, I am proud to be associated with the Municipality. It is my privilege to provide an annual account of the Laingsburg Municipality's achievements for the year under review. It is a pleasure to indicate the outcomes of the collective efforts of the council and administration to deliver services to our community in accordance with the powers and functions as defined in the Constitution. Laingsburg Municipality received a qualified audit opinion for the 2017/18 financial year. We will work towards improving the opinion to an unqualified opinion in the 2018/19 financial year.





It is our goal to provide municipal services in an equitable and sustainable manner. To achieve this, we engage with our communities and collaborate with private organisations and other spheres of government. In this regard, the Western Cape Department of Local Government, Housing and Provincial Treasury are particularly mentioned. We also collaborate with all municipalities in the Central Karoo District. These endeavours contribute to the establishment of solutions to optimise our ability to provide quality services and support to all inhabitants of the Laingsburg Municipality as well as people visiting.

The following financial and governance achievements are proudly indicated:

-  The Municipality has no external loans and was able to pay all municipal debtors.
-  Our debtors remain a challenge for the Municipality especially for debt older than 30 days, but we are constantly looking at innovative ways to improve credit control and debt collection.
-  We maintain effective, efficient and transparent systems for financial administration, risk management and internal control.
-  We managed to implement performance to all levels within the Municipality.

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We are proud to report on the following achievements that improved the quality of livelihoods in our community:

-  Housing
-  Infrastructure
-  Poverty relief
-  Sport
-  Greening
-  Recreation

I sincerely acknowledge the commitment made by the committed staff in our administration. Similarly, I wish to extend my heartfelt appreciation to the political leadership, The Mayor and Councillors for their constructive contributions and dedication in the pursuit of building a sustainable Laingsburg Municipality.

The managers have permanent employment contracts and that supports stability and attracts better skills and experience. The Council values continuity and will ensure stability in the administration for the next term. As a Municipality we do risk assessments annually and have dedicated risk meetings quarterly to develop and implement mitigating measures. Our top 4 strategic risks with the highest residual ratings include the increase in population growth threatening our sustainable development, the impact on the natural environment caused by the increasing demand in natural resources.

Laingsburg Municipality is driven by the slogan “Together we can make Laingsburg a better place”.

Again, I dedicate this Annual Report to the community of Laingsburg, with the pledge that we will in the years to come continue to search for innovative solutions to make this Municipality an attractive space to live and develop.

Ms. A. Groenewald

Acting Municipal Manager



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1.2 MUNICIPAL OVERVIEW

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

The 2017/18 Annual Report reflects on the performance of the Laingsburg Municipality for the period 1 July 2017 to 30 June 2018. 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 Laingsburg Municipality committed itself to the following vision and mission:

Vision:

"A destination of choice where people comes first"

Mission:

To function as a community-focused and sustainable municipality by:

- Rendering effective basic services
- Promoting local economic development
- Consulting communities in the processes of Council
- Creating a safe social environment where people can thrive

1.3 MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

1.3.1 POPULATION

The Municipality is estimated to have a population of 9 443 in the 2017/18 financial year. This shows a 1.9% increase against the population of 9 258 in 2016/17.

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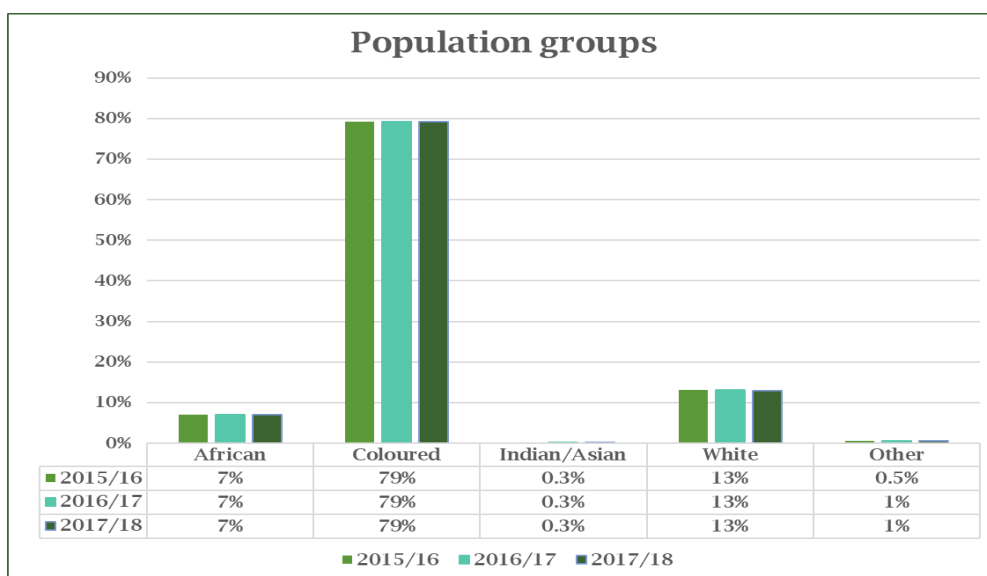
A) TOTAL POPULATION

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

Year	Number of Households	Total Population	African	Coloured	Indian	White	Other
2015/16	2 604	9 085	634	7 195	24	1 185	47
2016/17	2 862	9 258	646	7 331	25	1 208	48
2017/18	2 862	9 443	659	7 478	26	1 231	49
<i>Source: Stats SA Census, 2011</i>							

Table 1: Demographic Information of the Municipal Area - Total Population

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



Graph 1.: Total Population Growth

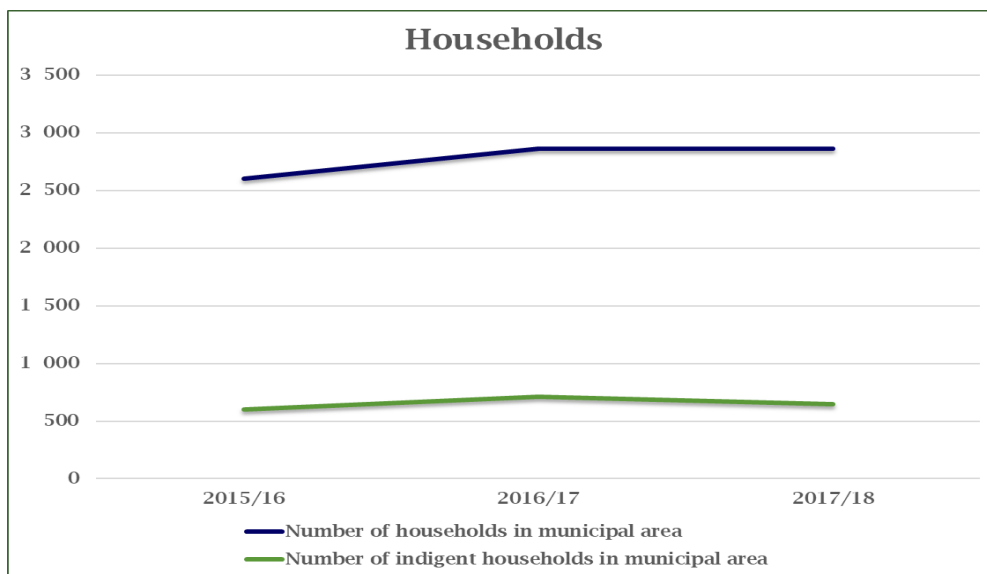
1.3.2 HOUSEHOLDS

Households	2015/16	2016/17	2017/18
Number of households in municipal area	2 604	2 862	2 862
Number of indigent households in municipal area	601	714	648

Table 2: Total Number of Households

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The graph below shows that the total number of indigent households **decreased from 714 households in 2016/17 to 648 households in the 2017/18 financial year:**



Graph 2.: Indigent Households

1.3.3 SOCIO ECONOMIC STATUS

Financial Year	Housing Backlog	Unemployment Rate	Households with no Income	HIV/AIDS Prevalence 2010	Urban/rural household split
2016/17	524	18.8%	127 HH & 25.1%	1%	91%/9%
2017/18	592	18.9%	127 HH & 25.1%	1%	91%/9%

Table 3: Socio Economic Status

1.3.4 DEMOGRAPHIC INFORMATION

A) MUNICIPAL GEOGRAPHICAL INFORMATION

Laingsburg Local Municipality (LLM) is in the Central Karoo region of the Western Cape. It is the smallest Municipality in South Africa with a total population estimate of 9 258 with 2 862 households. The Municipality's main socio-economic challenges include the municipal inability to attract investors to the town, high unemployment and a declining school enrolment. Agriculture has historically been the dominant sector in the region, but as there has been strong growth in finance, insurance, real estate and business services which is linked to various sectors within the Laingsburg Municipality environment, including wholesale and retail, trade, catering, and accommodation.

The Municipality covers an area of approximately 8 800 square kilometres and the town of Laingsburg, 276 km from Cape Town, is the main centre which straddles the N1 National Road.

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Historically, a village was established along the banks of the Buffels River in 1880, which was first called Buffalo, followed by Nassau and then Laingsburg. Thirty years ago, on Sunday 25th of January 1981, a devastating flood that laid Laingsburg waste, secured for this Karoo town a permanent place on the map and in the history of South Africa. Within a few hours the whole town was under water (the water reached heights four times greater than any other flood over the previous two centuries). 104 Inhabitants lost their lives and 184 houses were destroyed.

B) WARDS

The municipality is structured into the following 4 wards:

Ward	Areas
1	Bergsig (Laingsburg) and Bo Dorp
2	Matjiesfontein and surrounding farms
3	Central Town (Laingsburg) and until Faberskraal
4	Göldnerville (Laingsburg) and Acacia Park (Laingsburg)

Table 4: Municipal Wards

Below is a map that indicates the municipal area in the Central Karoo District area:

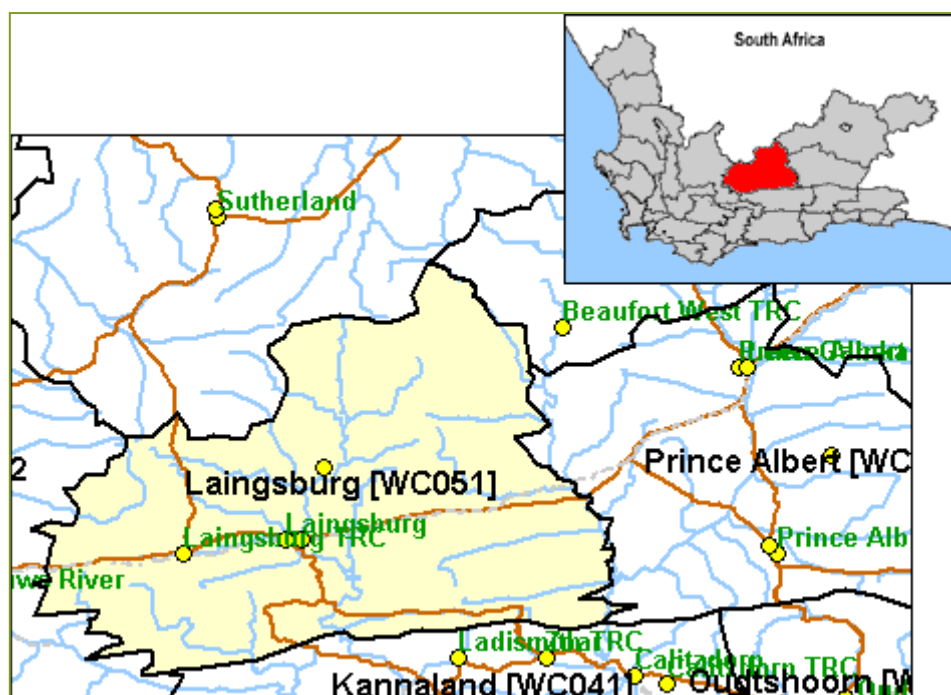


Figure 1.: Laingsburg Area Map

Laingsburg

This friendly, modern Karoo village, only 280 km from Cape Town, was almost entirely destroyed by a huge flood only a century after it started. The town lies in a geologically fascinating area, steeped in history and tradition. It's a worthwhile and hospitable stop on the busy N1 highway through the Great Karoo.

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The warm welcome that awaits tourists in Laingsburg dates back to the mid-1700's. In those years' farmers along the banks of the Buffels River offered hospitality to adventurers' brave enough to cross the mountains and venture out onto the arid plains of the Great Karoo. In exchange for news of Cape Town and the civilised world, as well as gossip garnered from other farms along the way, these isolated farmers of the interior offered accommodation, sustenance and fodder.

Many early officials and explorers, such as Barrow, Lichtenstein, De Mist and Swellengrebel, wrote of the people they met in what was later to become the district of Laingsburg. They described the Karoo as "awesome, hot, dry, and dusty. An inhospitable land peppered with friendly outspans veritable jewels in the desert."

At tiny homesteads dotted about on the vast plains travellers found fresh, drinking water, safe outspans, "a true welcome, homely hospitality and a nourishing meal." Many wrote that "such comforts were offered by God-fearing but brusque men, their shy women and hoards of children."

Matjiesfontein

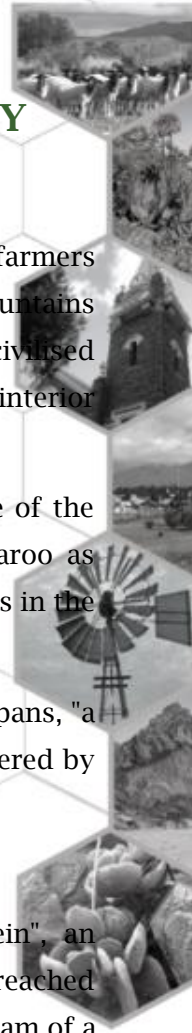
In 1884, young immigrant Scot, James Logan, purchased lands at "a place called Matjiesfontein", an insignificant railway halt in the depths of the Karoo. The Cape Government Railways had, by then, reached the Kimberley diamond fields, and - following Cecil Rhodes' vision of the "road to the North", his dream of a Cape to Cairo line - was extending into the Zambezi hinterland. Logan, whose meteoric rise was based on an energetic and meticulous efficiency, had been awarded the government catering contract at Touws River, which lies within the vast spaces of the Karoo.

In those days, dining cars were unheard of, and - aware that travelers needed sustenance on those interminable journeys to the interior - Logan saw the potential of this remote Matjiesfontein halt. He had already found the Karoo air beneficial for his weak chest; and, entranced by the lunar majesty of the landscape, resigned his post and set about creating a village, seemingly in the depths of nowhere, which would make his fortune and become for many what John Buchan (remember "Prester John" and "The 39 Steps"?) would have recognised as a "Temenos" - a special place of the spirit.

Logan purchased the farm Matjiesfontein and, with his thoroughly commercial instincts, three others which possessed plentiful water. He created what an enthusiast describes as an "Oasis"; planted trees (inevitably including the ubiquitous pepper) and a garden; built his own still-surviving residence, Tweedside Lodge; and established the famous Hotel Milner which was conveniently completed in 1899, and shortly thereafter served as the Headquarters of the Cape Western Command.

By early 1899, Matjiesfontein had become a fashionable watering place, attracting those who could afford to seek relief for chest complaints in the clear, bright air, entertaining distinguished visitors, some of whom were more parasite than patron. Lord Randolph Churchill is still remembered for "borrowing" a hunting dog which he never returned.

Olive Schreiner lived in her own cottage here for five years and published the book "Story of an African Farm", which brought her instant fame and an income to last her a lifetime. Olive later became one of the



CHAPTER 1: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

first voices of feminism in South Africa. Today her small three-roomed cottage is a landmark in the village; Logan, a cricket fanatic, entertained most of the famous early teams visiting the Colony. Rudyard Kipling, on his first call at the Cape, made a special journey inland specifically to visit her. During the Boer War, Matjesfontein supported a base hospital, and Logan offered five of his villas as convalescent homes for soldiers.

Virtually all the British Army commanders - Lord Roberts, Douglas Haig, after his post as Commander-in-Chief of the BEF in France, and Edmund Ironside (Chief of the Imperial General Staff, 1940) - stayed or were entertained in the Village. Edgar Wallace - ex-trooper, war correspondent, thriller writer - sent his superb "Unofficial Despatches" from there.

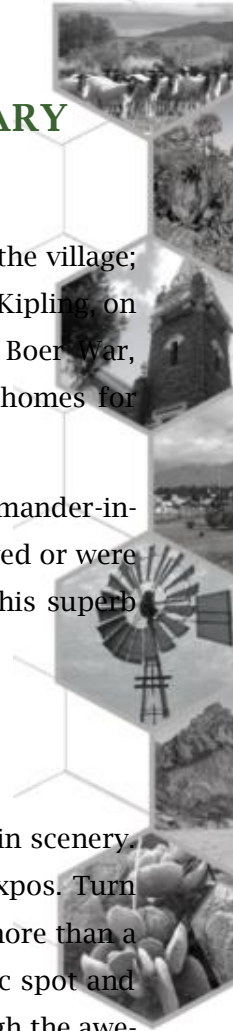
All celebrated in their time and, even now, some are still remembered.

Vleiland

There is a delightful short drive quite close to Laingsburg which offers some unbeatable mountain scenery. Follow the road past the railway bridge and drive to the small settlements of Vleiland and Rouxpos. Turn left and drive through the tiny, seemingly forgotten little village of Vleiland. It consists of little more than a post office and library which seem trapped in time. The road curves through this scenic historic spot and rejoins the main road. A little further along is a turn off to the right which takes the tourist through the awe-inspiring scenery of the Rouxpos settlement area of tiny historic thatched farms. Again the road curves along and meets the main road back to Laingsburg. This drive is truly a worthwhile experience.

If the tourist continues along the road from Vleiland he or she will reach the entrance to Seweweeks Poort. On the left the road goes down the Bosluiskloof Pass, which is in excellent condition and is a fine example of early roads in the Karoo. Breath-taking scenery causes one to climb out of the car to take it all in. Photographers will take shots of seemingly endless vistas of undulating valleys. Nature lovers will notice a variety of wildlife including antelope and baboons and birds such as Brown-hooded Kingfishers, which keep to dry areas of thorn bush and Rock Kestrels. This road ends at the Gamka Dam which is worth a visit.

If the traveller continues straight on with the gravel road into Seweweeks Poort he or she will be rewarded with 15 km of awe-inspiring mountain views. The level road winds on with high mountains towering over it, their slopes covered with indigenous trees and plants. Rock rabbits or dassies and other small game scurry over the road which crosses the Seweweeks Poort stream many times. In winter the mountain peaks may be covered with snow. Where the traveller meets the asphalt road at the tiny village of Amalienstein, he or she may turn right towards Ladismith and Montague or left to the Huis River Pass into Calitzdorp and on to Oudtshoorn.



CHAPTER 1: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

C) KEY ECONOMIC ACTIVITIES

The Municipality is dependent upon the following economic activities according to the Western Cape Government Socio-economic Profile:

Key Economic Activities	Description
Services Sector (Community)	Community services, consisting mainly of government departments, made up 16.2% of Laingsburg economic sector
Construction	The construction industry makes up 8.7% of the economic activities of Laingsburg.
Commerce	Laingsburg produces fruit and vegetables of exceptional sun ripe quality especially downstream from the Floriskraal dam. The region is known for its seasonal production of apricots, dried yellow peaches, pears, plums, quinces and tomatoes.
Manufacturing and mining	Manufacturing is the 5 th largest contributing sector to Laingsburg's Gross Domestic Product (GDPR) of Region with 13.6% in 2014. As expected, the smallest contributing sector to the GDPR is Mining and quarrying (0%)
Finance	The finance sector consists mainly of private sector business and services and is the biggest contributors to the GDPR of Laingsburg.
Wholesale and Retail	This is the third largest sector in Laingsburg which contributes approximately 13.7% of the regional GDP. This sector includes the areas of catering and accommodation and also showed a positive growth. The N1 national road running through the town is the main contributor to this growth
Agriculture	Agriculture is one of the main sectors providing employment opportunities in the Laingsburg region. Processing is seen as a major opportunity for employment creation as raw materials are currently being exported to neighbouring regions such as the Cape Winelands Districts in the Western Cape and Port Elizabeth in the Eastern Cape. Agriculture is also one of the leading economic contributors and makes up around 22.8% of the economic activities in the area. However, this sector is currently showing a decline due to the global recession, continuing drought, a shift from agriculture to game farming, and the underutilisation of agricultural land
Transport	This sector accounts for 11.1% of the regional GDPR. This is attributed to the road traffic traversing the N1 between Cape Town and Johannesburg. There is however concern that only a small portion of the population benefits from the business propelled by the traffic on the N1. This is directly related to all the current economic opportunities being concentrated on the N1. This is perceived to limit economic development in other sections of the town and thus promote skewed development

Table 5: Key Economic Activities

1.4 SERVICE DELIVERY OVERVIEW

1.4.1 BASIC SERVICES DELIVERY PERFORMANCE HIGHLIGHTS

Highlights	Description
Soutkloof Fountain Rehabilitation	Rehabilitation of the main water source
Matjiesfontein boreholes and pipeline	Equip 2 new boreholes for water supply in Matjiesfontein
Bulk water from Soutkloof fountain to main reservoir	New bulk water pipeline to ensure efficient water supply to town

Table 6: Basic Services Delivery Highlights

CHAPTER 1: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

1.4.2 BASIC SERVICES DELIVERY CHALLENGES

Service Area	Challenge	Actions to address
Water Provision	Water Treatment Works, new water sources to be established	Funding and Engineering Support
Waste Water (Sanitation)	Upgrading of Waste Water Treatment Works to comply with Department of Water and Sanitation standards	
Electricity	Funding for electrical upgrades	
Waste Management	Expansion of Landfill site to ensure efficient waste management	

Table 7: Basic Services Delivery Challenges

1.4.3 PROPORTION OF HOUSEHOLDS WITH ACCESS TO BASIC SERVICES

Description	2016/17	2017/18
	%	
Electricity service connections	100	100
Water - available within 200 m from dwelling	100	100
Sanitation - Households with at least VIP service	100	100
Waste collection - kerbside collection once a week	100	100

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	2016/17	2017/18
Financial viability measured in terms of the municipality's ability to meet its service debt obligations at 30 June 2018 {Debt to Revenue (Short Term Borrowing + Bank Overdraft + Short Term Lease + Long Term Borrowing + Long Term Lease) / Total Operating Revenue - Operating Conditional Grant}	216%	200%
Financial viability measured in % in terms of the total amount of outstanding service debtors in comparison with total revenue received for services at 30 June 2017 {Net Service debtors to revenue (Total outstanding service debtors minus provision for bad debt)/ (revenue received for services) x100}	10%	25%

CHAPTER 1: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

KPA & Indicator	2016/17	2017/18
Financial viability measured in terms of the available cash to cover fixed operating expenditure at 30 June 2017 {Cost coverage ((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))}	104	3

Table 9: National KPI's for Financial Viability and Management

1.5.2 FINANCIAL OVERVIEW

Details	Original Budget	Adjustment Budget	Actual
	R		
Income			
Grants	26 627 000	37 602 443	29 065 699
Taxes, Levies and tariffs	4 150 800	4 005 300	3 515 654
Other	53 975 900	53 990 500	51 427 920
Sub Total	84 753 700	95 598 243	84 009 273
Less Expenditure	(86 024 700)	(87 513 838)	(78 304 452)
Net surplus/(deficit)	(1 271 000)	8 084 405	5 704 821

Table 10: Financial Overview

1.5.3 TOTAL CAPITAL EXPENDITURE



Detail	2016/17	2017/18
	R'000	
Original Budget	14 703	9 115
Adjustment Budget	11 724	16 118
Actual	9 676	10 770
% Spent	83%	67%

Table 11: Total Capital Expenditure

1.6 ORGANISATIONAL DEVELOPMENT OVERVIEW

1.6.1 MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT HIGHLIGHTS

The highlights for municipal transformation and organisational development are as follows:

-  Appointment of Intern in Human Resource Unit
-  Appointment of Intern in Finance Department

CHAPTER 1: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

1.6.2 MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT CHALLENGES

Description	Actions to address
Rolling out of training Programmes	Consult with LGSETA
Budget Constraints in order to roll out programmes	Apply for grant funding

Table 12: Municipal Transformation and Organisational Development Challenges

1.7 AUDITOR-GENERAL REPORT

1.7.1 AUDITED OUTCOMES

Year	2015/16	2016/17	2017/18
Opinion received	Unqualified	Qualified	Qualified

Table 13: Audit Outcomes

1.8 2017/18 IDP/BUDGET PROCESS

The table below provides details of the key deadlines for the 2017/18 IDP/Budget process:

Activity	Responsible person	Date
IDP Time Schedule	Gwynne Harding	31 August 2017
Budget Process Plan	Alida Groenewald	31 August 2017
Approved Draft 2017/18 IDP	Gwynne Harding	29 March 2017
Approved Draft Budget 2017/18	Alida Groenewald	29 March 2017
Submission of IDP and Budget to MEC, PT and NT	Gwynne Harding and Alida Groenewald	5 April 2017
21 Days Public Comments on IDP and Budget	Gwynne Harding and Alida Groenewald	30 March 2017 - 21 April 2017
IDP & BUDGET Roadshow	Mayor Aubrey Marthinus	15 May 2017 - 23 May 2017
Approved Final 2017/18 IDP	Gwynne Harding / Mayor Aubrey Marthinus	31 May 2017
Approved Final Budget 2017/18	Alida Groenewald / Mayor Aubrey Marthinus	31 May 2017
Submission of Final IDP and Budget to MEC, PT and NT	Gwynne Harding / Alida Groenewald / Mayor Aubrey Marthinus	6 June 2017
SDBIP	Gwynne Harding and Mayor Aubrey Marthinus	19 June 2017

Table 14: 2017/18 IDP/Budget Process

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	2016/17	2017/18
The percentage of the municipal capital budget actually spent on capital projects by 30 June 2017 (Actual amount spent on capital projects /Total amount budgeted for capital projects)X100 by 30 June 2018	65.81%	81%

Table 15: National KPIs - Good Governance and Public Participation Performance

2.2 PERFORMANCE HIGHLIGHTS - GOOD GOVERNANCE AND PUBLIC PARTICIPATION

Highlight	Description
Training of Ward Committees	Municipal officials trained new members
Ward Committee participation in IDP process	Ward committees assisted in the process by prioritizing projects
Ward committees on IDP representative forum	Two to three members from different ward committees played a strategic role in the planning process
High attendance rate of ward committee members	An Annual plan has been developed in advance and high attendance of committees were recorded
Ward Committee members form part of performance monitoring of 56/57 employees	Committee members, as representatives of the community, participate in the performance evaluations

Table 16: Good Governance and Public Participation Performance Highlights

CHAPTER 2: GOOD GOVERNANCE

2.3 CHALLENGES - GOOD GOVERNANCE AND PUBLIC PARTICIPATION

Description	Actions to address
Ward Councillor report back meetings to community	Door to door campaigns by Ward Councillor
Report back to different constituencies due to poor attended meeting	Door to door engagements by Ward Councillor. Community Development Workers and Ward Committee members to mobilise community to give feedback and information

Table 17: Good Governance and Public Participation Challenges

2.4 GOVERNANCE STRUCTURE

2.4.1 POLITICAL GOVERNANCE STRUCTURE

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

A) COUNCIL

The Council comprise of 7 elected Councillors as at 30 June 2018, made up from 4 Ward Councillors and 3 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 2017/18 financial year:

Council Members	Capacity	Political Party	Ward Representing or Proportional	Number of Meetings Attended
Cllr M Gouws	Mayor	ANC	4	22
Cllr I Brown (Ms)	Deputy Mayor	ANC	PR	22
Cllr R Louw (From May 2018)	Speaker	KOP	PR	3
Cllr B Kleinbooi	Councillor	ANC	PR	18
Cllr W Theron	Councillor	DA	2	25
Cllr B Van As	Councillor	DA	1	24
Cllr L Potgieter (Ms)	Councillor	DA	3	24
Cllr A Marthinus (until Nov 2017)	Councillor	KOP	PR	6
Cllr J Mienies (Feb - Apr 2018)	Councillor	KOP	PR	7

Table 18: Council 2017/18

CHAPTER 2: GOOD GOVERNANCE

Below is a table which indicates the Council meetings attendance for the 2017/18 financial year:

Meeting Dates	Council Meetings Attendance	Apologies for Non-Attendance
19 July 2017	6	1
31 July 2017	7	0
31 Augustus 2017	7	0
06 September 2017	6	1
18 September 2017	6	1
28 September 2017	5	2
10 October 2017	7	0
21 November 2017	6	0
23 November 2017	6	0
29 November 2017	5	1
22 December 2017	6	0
25 January 2018	5	1
29 January 2018	6	0
15 February 2018	7	0
05 March 2018	5	2
12 March 2018	6	1
29 March 2018	6	1
03 April 2018	7	0
10 April 2018	4	3
25 April 2018	7	0
23 May 2018	6	0
28 May 2018	6	0
13 June 2018	7	0
28 June 2018	7	0
05 March 2018	6	1
12 March 2018	6	1
29 March 2018	7	0
03 April 2018	7	0
10 April 2018	6	1
25 April 2018	6	1
23 May 2018	5	2
28 May 2018	7	0
13 June 2018	7	0
28 June 2018	6	1

Table 19: Council Meetings

CHAPTER 2: GOOD GOVERNANCE

B) EXECUTIVE MAYORAL COMMITTEE

Due to the size of the Municipality and its Council, there is no Mayoral Committee as it would not be practical to have such a committee.

C) PORTFOLIO COMMITTEES

Below is a table which indicates the Portfolio Committee meetings attendance for the 2017/18 financial year

Portfolio Committee	Meeting Dates	Council Meetings Attendance	Apologies for Non-Attendance
Finance & Admin	27 July 2017	4	0
Technical	29 November 2017	3	1
Finance & Admin	29 November 2017	3	1
Technical	8 January 2018	6	1

Table 20: Portfolio Committee Meetings

2.4.2 ADMINISTRATIVE GOVERNANCE STRUCTURE

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

Name of Official	Department	Performance agreement signed
		Yes/No
Municipal Manager: Alida Groenewald (Acting)	Office of the Municipal Manager	Yes
Senior Manager Finance and Corporate Services: Alida Groenewald	Finance and Corporate Services	Yes
Manager Infrastructure Services: Jan Venter (until 28 February 2018)	Infrastructure Services	Yes
Manager Community Services: Neil Hendrikse	Community Services	Yes

Table 21: Administrative Governance Structure

CHAPTER 2: GOOD GOVERNANCE

COMPONENT B: INTERGOVERNMENTAL RELATIONS

2.5 INTERGOVERNMENTAL RELATIONS

2.5.1 INTERGOVERNMENTAL STRUCTURES

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

Name of Structure	Members	Outcomes of Engagements/Topics Discussed
District IDP Managers Forum	Gwynne Harding and Arthur Abrahams	IDP
Provincial IDP Managers Forum	Gwynne Harding	IDP
District Public Participation Forum	Gwynne Harding, Steven Schippers and Arthur Abrahams	Public Participation and Communication
Provincial Public Participation Forum	Gwynne Harding and Arthur Abrahams	Public Participation and Communication
District LED Forum	Gwynne Harding and Arthur Abrahams	Local Economic Development
Provincial LED Forum	Gwynne Harding and Arthur Abrahams	Local Economic Development
District Coordinating Forum	Mayor Aubrey Marthinus, Mayor Johannes Mienies, Mayor Mike Gouws, Stephanus Pieterse and Alida Groenewald	District Alignment, Programmes and Projects
Provincial Coordinating Forum	Mayor Aubrey Marthinus, Mayor Johannes Mienies, Mayor Mike Gouws, Stephanus Pieterse and Alida Groenewald	Provincial Alignment, Programmes and Projects
PCF Tech / Minmay	Stephanus Pieterse and Alida Groenewald	Planning and Development, Provincial Programmes and Projects
DCF Tech	Stephanus Pieterse and Alida Groenewald	Planning and Development, Provincial Programmes and Projects
District EPWP Forum	Jan Venter, Johan Mouton and Gwynne Harding	Progress Reports, Implementation, assistance and guidance
Municipal Managers Forum	Stephanus Pieterse and Alida Groenewald	Provincial Planning, Alignment, Assistance and buy in
CFO Forum	Alida Groenewald and Gert Bothma	Provincial Planning, Alignment, Assistance and Buy in
IDP Indaba	Ms G Harding, Mr Stephanus Pieterse, Ms A Groenewald, Mr J Venter, Mr N Hendrikse & Mr A Abrahams	IDP, Projects and Programmes
Joint Planning Initiative (JPI)	Ms G Harding, Mr S. Pieterse, Ms A Groenewald, Mr J Venter, Mr N Hendrikse & Mr A Abrahams	Joint Planning: IDP, Projects and Programmes
Municipal Governance Review and Outlook (MGRO)	Ms G Harding, Mr S. Pieterse, Ms A Groenewald, Mr J Venter, Mr N Hendrikse & Mr P Post	Identification of areas of improvement, assistance and programmes

CHAPTER 2: GOOD GOVERNANCE

Name of Structure	Members	Outcomes of Engagements/Topics Discussed
PDO Forum	Mrs G Harding and Mr P Post	Pre-determines Objective Improvement and achievements
ICT Forum	Mr R Pedro	ICT Initiatives, assistance and programmes
SCM Forum	Mr KJ Gertse, Ms O Noble and Mr. A. Quinn	SCM Practices, assistance and programmes
SDF Forum	Ms N Gouws, Ms P Buys & Mr KJ Gertse	SDF Assistance, guidance,
LGMTEC	Ms G Harding, Mr S. Pieterse, Ms A Groenewald, Mr J Venter, Mr N Hendrikse & Mr A Abrahams, Mr P Post, Ms L Matshanda	Assessment of draft IDP and Budget, Identification of areas of improvement, assistance and programmes

Table 22: Intergovernmental Structures

2.5.2 JOINT PROJECTS AND FUNCTIONS WITH SECTOR DEPARTMENTS

All the functions of government are divided between the different spheres namely national, provincial and local. The municipality therefore share their area and community with other spheres of government and their various sector departments and has to work closely with national and provincial departments to ensure the effective implementation of various projects and functions. The table below provides detail of such projects and functions:

Name of Project/Function	Expected Outcome/s of the Project	Sector Department/s Involved	Contribution of Sector Department
Community Learning Programme	<ul style="list-style-type: none"> Skills Development Training (accredited and non-accredited) 	<ul style="list-style-type: none"> Laingsburg Municipality (Leading) DoE DSD DoHE 	<ul style="list-style-type: none"> Funding Technical Assistance and Support
Improved Public Participation	<ul style="list-style-type: none"> Empowered families to participate in society and government programmes Public Participation Communication 	<ul style="list-style-type: none"> DLG(Leading) Laingsburg Municipality Government Information Systems 	<ul style="list-style-type: none"> Technical Assistance and Support Funding
Additional Access to Goldnerville	<ul style="list-style-type: none"> Approval from SANRAL Access Road from N1 national road to Goldnerville 	<ul style="list-style-type: none"> DTPW (Leading) DEDAT Laingsburg Municipality 	<ul style="list-style-type: none"> Assistance Motivation Technical Assistance and Support Funding
Afterschool care support centers	<ul style="list-style-type: none"> MOD Centre at Matjiesfontein Primary Afterschool centres / programmes Homework Hubs 	<ul style="list-style-type: none"> DCAS DoE DSD Laingsburg Municipality 	<ul style="list-style-type: none"> Funding Technical Assistance Afterschool centers and Homework Hubs
Review and Implement of Crime	<ul style="list-style-type: none"> Functional and equipped Neighborhood watch 	<ul style="list-style-type: none"> DOCs SAPS Laingsburg Municipality 	<ul style="list-style-type: none"> Funding Technical Support Training Equipment Guidance

CHAPTER 2: GOOD GOVERNANCE

Name of Project/ Function	Expected Outcome/s of the Project	Sector Department/s Involved	Contribution of Sector Department
Prevention Strategy	<ul style="list-style-type: none"> Alignment of Strategy with NDP and PSP Substance Abuse forum in place 		

Table 23: Joint Projects and Functions with Sector Departments

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

Section 16 of the 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.

2.6.1 PUBLIC MEETINGS

Nature and purpose of meeting	Date of events	Number of Community members attending
Ward 1 IDP Budget Roadshow	9 April 2018	37
Ward 2 IDP Budget Roadshow	18 April 2018	14
Ward 3 IDP Budget Roadshow	10 April 2018	40
Ward 4 IDP Budget Roadshow	24 April 2018	68

Table 24: Public Meetings

2.6.2 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 and
- IDP formulation and performance feedback to communities.

CHAPTER 2: GOOD GOVERNANCE

A) WARD 1: BERGSIG (LAINGSBURG), BO DORP

Name of representative	Capacity representing	Dates of meetings held during the year
Councillor Bertie van As	Chairperson	11 July 2017 8 August 2017 3 October 2017 7 November 2017 12 December 2017 6 February 2018 6 March 2018 8 May 2018 5 June 2018
Marlene van Wyk	Secretary	
Celeste Nel	Youth	
Francis van Wyk	Health / Deputy Chair	
Juliet Pieterse	Business	
Lea Wagenstroom	Disabled	
Lorraine Pieterse	Women	
Willem Adams	Safety	
Mervyn Coakley	Small Farmers	
Eugene Pieterse	Sport	
Riaan Carolissen	Schools	
Beverley Vorster	Community Development Worker	

Table 25: Ward 1 Committee Meetings

B) WARD 2: MATJIESFONTEIN AND SURROUNDING FARMS

Name of representative	Capacity representing	Dates of meetings held during the year
Councillor Wilhelm Theron	Chairperson	6 July 2017 3 August 2017 5 October 2017 8 November 2017 15 February 2018 1 March 2018 10 May 2018
Ben Herder	Deputy Chair	
Katie Mckeet	Secretary	
Jerome Wylbach	Sport	
Andries de Bruin	Agriculture	
Antoinette Bothma	Labour	
Eleanor du Toit	Schools	
Kerneels Solomons	Farmworkers	
Katriena Bandjies	Women	
Susanna Maritz	Disabled	
Kobus Stadler	Youth	
Gloria Coakley	Community Development Worker	

Table 26: Ward 2 Committee Meetings

CHAPTER 2: GOOD GOVERNANCE

C) WARD 3: CENTRAL TOWN UP TO FABERSKRAAL

Name of representative	Capacity representing	Dates of meetings held during the year
Councillor Lindi Potgieter	Chairperson	3 July 2017 7 August 2017 4 September 2017 2 October 2017 6 November 2017 4 December 2017 15 January 2018 5 February 2018 5 March 2018 9 April 2018 7 May 2018 4 June 2018
Eunice van der Westhuizen	Churches	
Claudia Willemse	Youth	
Leana Smith	Elderly	
Marinda le Roux	Women	
Nicolaas Kietas	Labour	
Crisjan van der Vyver	Farmworkers	
Daleen Wall	Schools	
Jacques Wall	Sport	
Rika Hendricks	Business	
Marlene Gibello	Safety	
Colleen Jantjies	Community Development Worker	

Table 27: Ward 3 Committee Meetings

D) WARD 4: GOLDNERVILLE (LAINGSBURG), ACACIA PARK (LAINGSBURG)

Name of representative	Capacity representing	Dates of meetings held during the year
Councillor Mike Gouws	Chairperson	3 July 2017 8 August 2017 9 October 2017 13 November 2017 7 December 2017 22 January 2018 19 February 2018 12 March 2018 15 May 2018 21 June 2018
Margareth Pieterse	Women	
Christiaan van der Westhuizen	Sport	
Shirley Mauries	Churches	
Fransina Noble	Business	
Lynn Anne van Schalkwyk	Disabled	
Elizabeth Louw	Labour	
Tania Klansie	Tax and Indigent	
Suzette Lackay	Health	
Alana Waldeck	Safety	
Douglas Horn	Youth	
Francina Hermanus	Community Development Worker	

Table 28: Ward 4 Committee Meetings

CHAPTER 2: GOOD GOVERNANCE

2.6.3 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)	Actions to address
1	Yes	9	Yes	<ul style="list-style-type: none"> Skills Development Housing Youth Development Job Creation
2	Yes	7	Yes	<ul style="list-style-type: none"> Stormwater Housing Infrastructure Job Creation
3	Yes	12	Yes	<ul style="list-style-type: none"> Youth Development Crime Prevention Upgrading of JJ Ellis Sportgrounds Play Parks
4.	Yes	10	Yes	<ul style="list-style-type: none"> Upgrading of Cemetry Youth Development Housing Exit Roads (Emergency) Job creation Skills Development Access of Toilets in Backyards Stormwater Play Parks (Acacia Park)

Table 29: Functioning of Ward Committees

CHAPTER 2: GOOD GOVERNANCE

2.6.4 REPRESENTATIVE FORUMS

A) IDP FORUM

The table below specifies the members of the IDP Forum for the 2016/17 financial year:

Name of representative	Capacity	Meeting dates
Mike Gouws	Ward Councillor	14 September 2017 15 November 2017 4 December 2017
Lindi Potgieter	Ward Councillor	
Wilhelm Theron	Ward Councillor	
Bertie van As	Ward Councillor	
Carol Benadie	DSD	
Juanita Matiso	EMS	
Collin Pedro	Laingsburg High School	
Shireen Gouws	LADAAG	
Francina Hermanus	CDW	
Liz Ann Schreeders	Department: Home Affairs	
Aubrey Marthinus	Mayor	
Sophia van Wyk	Churches	
Johain Rooi	SAPS	
Gwynne Harding	Planning and Development	
Barbara Brown	Central Karoo District Municipality	
Sophia Stadler	DS	

Table 30: 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.

2.7 RISK MANAGEMENT

In terms of Section 62 (1)(c)(i) of the MFMA states “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;”...

CHAPTER 2: GOOD GOVERNANCE

The table below include the top 10 risks of the Municipality:

Risk	Department	Division
1. Unauthorised, Irregular and Fruitless and Wasteful Expenditure	Laingsburg Municipality	Laingsburg Municipality
2. Service Delivery	Laingsburg Municipality	Laingsburg Municipality
3. Health and Safety	Laingsburg Municipality	Laingsburg Municipality
4. Management Style (Culture)	Laingsburg Municipality	Laingsburg Municipality
5. Natural Environment	Laingsburg Municipality	Laingsburg Municipality
6. Loss/ Theft of Assets	Laingsburg Municipality	Laingsburg Municipality
7. Fraud and Corruption	Laingsburg Municipality	Laingsburg Municipality
8. Disaster Recovery/ Business Continuity	Laingsburg Municipality	Laingsburg Municipality
9. Financial	Laingsburg Municipality	Laingsburg Municipality
10. Compliance and Regulatory	Laingsburg Municipality	Laingsburg Municipality

Table 31: Top Ten Risks

2.8 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, favouritism and unfair and irregular practices. Section 115(1) of the MFMA states that the accounting officer must take steps to ensure mechanisms and separation of duties in a supply chain management system to minimize the likelihood of corruption and fraud.

2.8.1 DEVELOPED STRATEGIES

Name of strategy	Developed Yes/No	Date Adopted
Anti-corruption Strategy	Yes	2007
Fraud Prevention Strategy	Yes	2011

Table 32: Anti-Corruption & Fraud Prevention Strategies

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2.9 AUDIT COMMITTEE

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

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

The Audit Committee have the following main functions as prescribed in Section 166 (2) (a-e) of the MFMA and the Local Government Municipal and Performance Management Regulation.

2.9.1 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.
- 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.

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2.9.2 MEMBERS OF THE AUDIT COMMITTEE

Name of representative	Capacity	Meeting dates
Raymond Walters	Audit Committee: Chairperson	6 July 2017
Helena De Villiers Thomas	Audit Committee: Member	26 August 2017
Anthony Smit	Audit Committee: Member	30 November 2017
		15 May 2018

Table 33: Members of the Audit Committee

2.10 PERFORMANCE AUDIT COMMITTEE

The Municipal Planning and Performance Management Regulation 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 Municipal Planning and Performance Management Regulation 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 whom 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.

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.

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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 -

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

B) MEMBERS OF THE PERFORMANCE AUDIT COMMITTEE

Name of representative	Capacity	Meeting dates
Raymond Walters	Audit Committee Chairperson	6 July 2017
Helena De Villiers	Audit Committee: Member	26 August 2017
Anthony Smit	Audit Committee: Member	30 November 2017
		15 May 2018

Table 34: Members of the Performance Audit Committee

2.11 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;
 - (v) performance management;
 - (vi) loss control; and
 - (vii) compliance with this Act, the annual DoRA and any other applicable legislation
- (c) perform other duties as may be assigned to it by the accounting officer.

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

Function	Date/Number
Review the Annual Financial Statements	August 2017
Risk-based Audit Plan – Strategic and Operational	November 2017
Quarterly Performance Information Assessment – Quarter 1	November 2017
Quarterly Performance Information Assessment – Quarter 2	February 2018
Expenditure Management Audit Reporting	March 2018
Grants/ DORA Audit Review	May 2018
Quarterly Performance Information Assessment – Quarter 3	June 2018

Table 35: Functions of the Internal Audit Unit

2.12 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. 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
Noise and Nuisance By-Law	25 August 2017	Yes
Town Planning: Tuck Shop By-Law	18 August 2017	Yes
Town Planning: Tavern By-Law	18 August 2017	Yes

Table 36: By-laws and Policies 2017/18

2.13 COMMUNICATION

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

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

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The table below details the communication activities of the Municipality:

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

Table 37: Communication Activities

2.14 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 Section 21A and B of the 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 of 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)	
Contact details of the Municipal Manager	Yes
Contact details of the CFO	No
Physical address of the Municipality	No
Postal address of the Municipality	Yes
Financial Information (Sections 53, 75, 79 and 81(1) of the Municipal Finance Management Act)	
Draft Budget 2017/18	Yes
Adjusted Budget 2017/18	No
SDBIP 2017/18	Yes
Budget and Treasury Office Structure	No
Budget and Treasury Office delegations	No
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 2017/18	Yes
IDP Process Plan for 2017/18	No

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Description of information and/or document	Yes/No and/or Date Published
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)	
SCM contracts above R30 000	No
Reports (Sections 52(d), 71, 72 & 75(1)(c) and 129(3) of the Municipal Finance Management Act)	
Annual Report of 2016/17	Yes
Mid-year budget and performance assessment	Yes
Quarterly Reports	Yes
Monthly Budget Statement	Yes
Local Economic Development (Section 26(c) of the Municipal Systems Act)	
Local Economic Development Strategy	No

Table 38: Website Checklist

2.15 SUPPLY CHAIN MANAGEMENT

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

2.15.1 COMPETITIVE BIDS IN EXCESS OF R200 000

A) BID COMMITTEE MEETINGS

The following table details the number of bid committee meetings held for the 2017/18 financial year:

Bid Specification Committee	Bid Evaluation Committee	Bid Adjudication Committee
3	2	2

Table 39: Bid Committee Meetings

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

Member	Percentage attendance (%)
Gwynne Harding	67
Elbenice Hermanus	67
Johan Mouton	100
Jan Venter	33
Alida Groenewald	33
Gert Bothma	33

Table 40: Attendance of Members of Bid Specification Committee

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

Member	Percentage attendance
Neil Hendrikse	100
Jan Venter	100
Antoinette van der Merwe	50
Elbenice Hermanus	50
Johan Mouton	0

Table 41: Attendance of Members of Bid Evaluation Committee

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

Member	Percentage attendance
Alida Groenewald	100
Noeline Gouws	100
Gwynne Harding	100
Gert Bothma	100

Table 42: 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.

B) AWARDS MADE BY THE BID ADJUDICATION COMMITTEE

The highest bid awarded by the bid adjudication committee is the following:

Bid number	Date of award	Title of bid	Successful Bidder	Value of bid awarded (R)
01/2017/2018	22 January 2018	Appointment of Consulting Engineers for Engineering Projects and Services	V3 Consulting Engineers (Pty) Ltd	1 197 000.00
			IX Engineers (Pty) Ltd	1 197 000.00
			EAS Infrastructure (Pty) Ltd	1 197 000.00
02/2017/2018	22 January 2018	Construction of Bulk Raw Water Pipeline from Southkloof Reservoir to Town Reservoir	Phambili Civils	9 317 220.00

Table 43: The Highest Bid Awarded by Bid Adjudication Committee

C) AWARDS MADE BY THE ACCOUNTING OFFICER

There were no bids awarded by the Accounting Officer during the 2017/18 financial year.

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D) APPEALS LODGED BY AGGRIEVED BIDDERS

Tender 01/2017/2018 the following bidders objected to the awards:

-  GLS Consulting (Pty) Ltd
-  Hamsa Consulting Engineers
-  HHO Consulting Engineers
-  Neil Lyners and Associates (RF) (Pty) Ltd
-  Shama Consultants
-  SMEC South Africa (Pty) Ltd

Only one objection was received for tender 02/2017/2018 from Murray & Dickson Construction (Pty) Ltd.

2.15.2 DEVIATION FROM NORMAL PROCUREMENT PROCESSES

Reason for Deviation	Number of Deviations	Value of deviations (R)	Percentage of total deviations value (%)
Section 36(1)(a)(i)- In an emergency which is considered an unforeseeable and sudden event with materially harmful or potentially materially harmful consequences for the municipality which requires urgent action to address	0	0	0
Section 36(1)(a)(ii)- Where it can be demonstrated that goods or services are produced or available from a single provider only	1	42 829.00	3.8
Section 36(1)(a)(v)- Exceptional case and it is impractical or impossible to follow the official procurement processes	3	1 074 203.45	96.2
Total	4	1 117 032.45	100

Table 44: Details of Deviations for Procurement Services

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

CHAPTER 3

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 targets to meet its strategic goals, set by the organisation and its employees, are met.

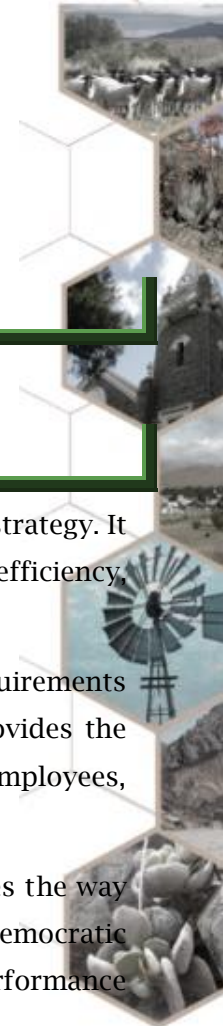
The Constitution of S.A (1996), Section 152, dealing with the objectives of local government paves the way for performance management with the requirements for an "accountable government". The democratic values and principles in terms of Section 195 (1) are also linked with the concept of performance 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, but also to the individuals employed in the organization as well as the external service providers and the Municipal Entities. This framework, inter alia, reflects the linkage between the IDP, Budget, SDBIP and individual and service provider performance.

The Municipality adopted a performance management framework that was approved by Council in 2013.



CHAPTER 3: SERVICE DELIVERY 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 highlights the strategic performance in terms of the Municipality's Top Layer SDBIP, performance on the National Key Performance Indicators prescribed in terms of Section 43 of the MSA and an overall summary of performance on municipal services.

3.1.3 THE PERFORMANCE SYSTEM FOLLOWED FOR 2017/18

A) THE IDP AND THE BUDGET

The IDP and the budget for 2017/18 was approved by Council on 31 May 2017. 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.

B) THE SERVICE DELIVERY BUDGET IMPLEMENTATION PLAN

The organisational performance is evaluated by means of a municipal scorecard (Top Layer SDBIP) at organisational level.

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 Top Layer SDBIP was approved by the Executive Mayor on 19 June 2018.

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

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 approved by the Council on 26 February 2018. 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 2016/17 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 2016/17
- The risks identified by the Internal Auditor during the municipal risk analysis

C) ACTUAL PERFORMANCE

The Municipality utilizes an electronic web-based system on which KPI owners update actual performance on a monthly basis. KPI owners report on the results of the KPI by documenting the following information on the performance system:

- the actual result in terms of the target set;
- a performance comment;
- actions to improve the performance against the target set, if the target was not achieved.

It is the responsibility of every KPI owner to maintain a portfolio of evidence to support actual performance results updated.

3.2 INTRODUCTION TO STRATEGIC AND MUNICIPAL PERFORMANCE FOR 2017/18

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.



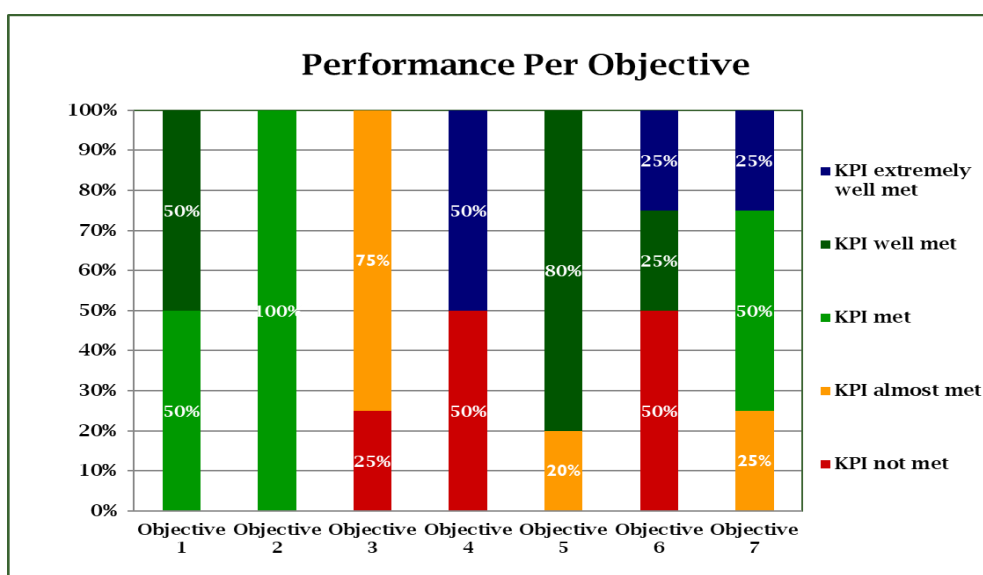
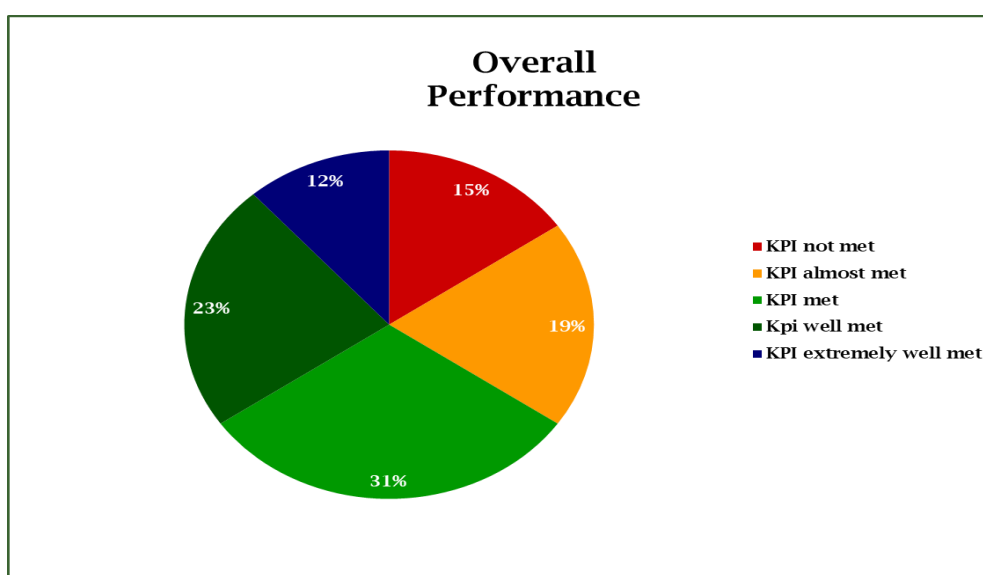
CHAPTER 3: SERVICE DELIVERY PERFORMANCE

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 2017/18:



CHAPTER 3: SERVICE DELIVERY PERFORMANCE

Measurement Category	Objective 1	Objective 2	Objective 3	Objective 4	Objective 5	Objective 6	Objective 7
	Developing a Safe, Clean, Healthy and Sustainable Environment for Communities	Effective Maintenance and Manage of Municipal Assets and Natural Resources	Improve the Standards of Living of All People in Laingsburg	Promote Local Economic Development	Provision of Infrastructure to Deliver Improved Services to All Residents and Business	To Achieve Financial Viability in order to Render Affordable Services to Residents	To Create an Institution with Skilled Employees to Provide a Professional Service to its Clientele Guided by Municipal Values
KPI Not Met	0	0	1	1	0	2	0
KPI Almost Met	0	0	3	0	1	0	1
KPI Met	1	5	0	0	0	0	2
KPI Well Met	1	0	0	0	4	1	0
KPI Extremely Well Met	0	0	0	1	0	1	1
Total	2	5	4	0	5	4	4

Graph 3.: Overall Performance Per Strategic Objective

A) TOP LAYER SDBIP - DEVELOPING A SAFE, CLEAN, HEALTHY AND SUSTAINABLE ENVIRONMENT FOR COMMUNITIES

Ref	KPI	Unit of Measurement	Wards	Actual performance of 2016/17	Target					Overall performance for 2017/18	
					Q1	Q2	Q3	Q4	Annual	Actual	R
TL19	Implement IDP-approved greening and cleaning initiatives by 30 June 2018	Number of Initiatives implemented by 30 June 2018	All	5	1	1	1	0	3	4	G2
TL23	Participate in the provincial traffic department public safety initiatives as approved in the IDP by 30 June 2018	Number of provincial traffic department public safety initiatives participated in by 30 June 2018	All	4	0	1	1	2	4	4	G

Table 45: Top Layer SDBIP - Developing a Safe, Clean, Healthy and Sustainable Environment for Communities

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B) TOP LAYER SDBIP – EFFECTIVE MAINTENANCE AND MANAGE OF MUNICIPAL ASSETS AND NATURAL RESOURCES

Ref	KPI	Unit of Measurement	Wards	Actual performance of 2016/17	Target					Overall performance for 2017/18	
					Q1	Q2	Q3	Q4	Annual	Actual	R
TL24	Percentage of the total approved repair and maintenance budget spent by 30 June 2018 [(Actual amount spent on repair and maintenance of assets/ Total amount budgeted for asset repair and maintenance)x100]	% of the total approved repair and maintenance budget spent by 30 June 2018 (Actual amount spent on repair and maintenance of assets/ Total amount budgeted for asset repair and maintenance)x100	All	65.70%	20%	40%	60%	80%	80%	80%	G
TL25	Limit the % electricity unaccounted for to less than 15% by 30 June 2018 [(Number of Electricity Units Purchased - Number of Electricity Units Sold) / Number of Electricity Units Purchased) x 100]	% electricity unaccounted for by 30 June 2018 (Number of Electricity Units Purchased - Number of Electricity Units Sold) / Number of Electricity Units Purchased) x 100	All	6%	15%	15%	15%	15%	15%	15%	G
TL26	Obtained compliance of waste water discharge quality in terms of Green Drop Requirements for Effluent Quality Compliance by 30 June 2018	% compliance of waste water discharge Lab results with Green Drop requirements by 30 June 2018	All	73%	91%	91%	91%	91%	91%	91%	G
TL27	Limit the % water unaccounted for to less than 50% by 30 June 2018 [(Number of Kilolitres Water Purchased or Purified - Number of Kilolitres Water Sold) / (Number of Kilolitres Water Purchased or Purified) i½ 100]	% water unaccounted for by 30 June 2018 (Number of Kilolitres Water Purchased or Purified - Number of Kilolitres Water Sold) / (Number of Kilolitres Water Purchased or Purified) i½ 100	All	52%	60%	55%	50%	50%	50%	50%	G
TL28	Obtain compliance of water quality in terms of SANS 241 -Water Quality criteria by 30 June 2018	% compliance of water quality lab results with SANS 241 - Water Quality criteria by 30 June 2018	All	91.70%	90%	90%	90%	90%	90%	90%	G

Table 46: Top Layer SDBIP – Effective Maintenance and Manage of Municipal Assets and Natural Resources

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C) TOP LAYER SDBIP - IMPROVE THE STANDARDS OF LIVING OF ALL PEOPLE IN LAINGSBURG

Ref	KPI	Unit of Measurement	Wards	Actual performance of 2016/17	Target					Overall performance for 2017/18	
					Q1	Q2	Q3	Q4	Annual	Actual	R
TL5	Provide 6kl free basic water to registered indigent accountholders in terms of the equitable share requirements as at 30 June 2018	Number of registered indigent accounts receiving free basic water as at 30 June 2018	All	728	0	790	0	728	728	648	O
Corrective measures			All indigent application was processed. Target will be revised in future								
TL6	Provide 50kwh free basic electricity to registered indigent accountholders in terms of the equitable share requirements (excluding Eskom area) as at 30 June 2018	Number of registered indigent accounts receiving free basic electricity as at 30 June 2018	All	825	0	790	0	825	825	435	R
Corrective measures			Eskom area not submitted but all municipal customers included in the report. Target will be revised in future								
TL7	Provide free basic sanitation to registered indigent accountholders in terms of the equitable share requirements as at 30 June 2018	Number of registered indigent accounts receiving free basic sanitation as at 30 June 2018	All	729	0	790	0	729	729	640	O
Corrective measures			All indigent application was processed. Target will be revised in future								
TL8	Provide free basic refuse removal to registered indigent accountholders in terms of the equitable share requirements as at 30 June 2018	Number of registered indigent accounts receiving free basic refuse removal as at 30 June 2018	All	731	0	790	0	731	731	658	O
Corrective measures			All indigent application was processed. Target will be revised in future								

Table 47: Top Layer SDBIP -Improve the Standards of Living of All People in Laingsburg

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D) TOP LAYER SDBIP – PROMOTE LOCAL ECONOMIC DEVELOPMENT

Ref	KPI	Unit of Measurement	Wards	Actual performance of 2016/17	Target					Overall performance for 2017/18	
					Q1	Q2	Q3	Q4	Annual	Actual	R
TL10	Create job opportunities through EPWP projects by 30 June 2018	Number of job opportunities created by 30 June 2018	All	278	0	0	0	278	278	178	R
Corrective measures			Target has been reached as per 5 year Protocol Agreement signed by the Mayor								
TL20	Host events as identified in the IDP in support of promotion of LED within the Municipal area by 30 June 2018	Number of events hosted by 30 June 2018	All	4	0	0	0	1	1	4	B

Table 48: Top Layer SDBIP – Promote Local Economic Development

E) TOP LAYER SDBIP – PROVISION OF INFRASTRUCTURE TO DELIVER IMPROVED SERVICES TO ALL RESIDENTS AND BUSINESS

Ref	KPI	Unit of Measurement	Wards	Actual performance of 2016/17	Target					Overall performance for 2017/18	
					Q1	Q2	Q3	Q4	Annual	Actual	R
TL1	Number of formal residential properties which receives piped water (Laingsburg credit and pre-paid water meters) and is connected to the municipal water infrastructure network as at 30 June 2018	Number of residential accounts which are billed/purchased water as at 30 June 2018	All	1 270	1270	1270	1270	1270	1 270	1 335	G2
TL2	Number of formal residential properties connected to the municipal electrical infrastructure network (Laingsburg credit and pre-paid electrical meters)(Excluding Eskom areas) as at 30 June 2018	Number of residential accounts which are billed/purchased electricity (Excluding Eskom areas) as at 30 June 2017 as at 30 June 2018	All	928	928	928	928	928	928	829	O
Corrective measures			The report extracted from Promun. Target will be revised in the next financial year								
TL3	Number of formal residential properties	Number of residential accounts which	All	1 256	1256	1256	1256	1256	1 256	1 279	G2

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

Ref	KPI	Unit of Measurement	Wards	Actual performance of 2016/17	Target					Overall performance for 2017/18	
					Q1	Q2	Q3	Q4	Annual	Actual	R
	connected to the municipal waste water sanitation/sewerage network for sewerage service, irrespective of the number of water closets (toilets) as at 30 June 2018	are billed for sewerage as at 30 June 2018									
TL4	Number of formal residential properties for which refuse is removed once per week as at 30 June 2018	Number of residential accounts which are billed for refuse removal as at 30 June 2018	All	1 256	1256	1256	1256	1256	1 256	1 344	G2
TL9	The percentage of the municipal capital budget actually spent on capital projects by 30 June 2017 (Actual amount spent on capital projects /Total amount budgeted for capital projects)X100 by 30 June 2018	{Actual amount spent on capital projects /Total amount budgeted for capital projects}X100 by 30 June 2018	All	59.11%	20%	45%	60%	80%	80%	81%	G2

Table 49: Top Layer SDBIP - Provision of Infrastructure to Deliver Improved Services to All Residents and Business

F) TOP LAYER SDBIP - TO ACHIEVE FINANCIAL VIABILITY IN ORDER TO RENDER AFFORDABLE SERVICES TO RESIDENTS

Ref	KPI	Unit of Measurement	Wards	Actual performance of 2016/17	Target					Overall performance for 2017/18	
					Q1	Q2	Q3	Q4	Annual	Actual	R
TL13	Financial viability measured in terms of the municipality's ability to meet its service debt obligations at 30 June 2018 {Debt to Revenue (Short Term Borrowing + Bank Overdraft + Short Term Lease + Long Term Borrowing +	Debt coverage ratio as at 30 June 2018	All	216	0%	216%	0%	0%	216%	200%	B

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

Ref	KPI	Unit of Measurement	Wards	Actual performance of 2016/17	Target					Overall performance for 2017/18	
					Q1	Q2	Q3	Q4	Annual	Actual	R
	Long Term Lease) / Total Operating Revenue - Operating Conditional Grant}										
TL14	Financial viability measured in % in terms of the total amount of outstanding service debtors in comparison with total revenue received for services at 30 June 2017 {Net Service debtors to revenue (Total outstanding service debtors minus provision for bad debt)/ (revenue received for services) x100}	% outstanding service debtors at 30 June 2017	All	10%	0%	10%	0%	0%	10%	25%	R
Corrective measures			The credit control process must improve								
TL15	Financial viability measured in terms of the available cash to cover fixed operating expenditure at 30 June 2017 {Cost coverage ((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation,	Cost coverage ratio as at 30 June 2017	All	104	0%	104%	0%	0%	104%	3%	R

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

Ref	KPI	Unit of Measurement	Wards	Actual performance of 2016/17	Target					Overall performance for 2017/18	
					Q1	Q2	Q3	Q4	Annual	Actual	R
	and Provision for Bad Debts, Impairment and Loss on Disposal of Assets))}										
Corrective measures			Target to be revised in next financial year								
TL22	Collect percentage of the 2016/17 financial years billed revenue by 30 June 2018 {Debtors payments received during period/Billed Revenue for period x 100}	% of Billed Revenue collected by 30 June 2018 {Debtors payments received during period/Billed Revenue for period x 100}	All	72%	60%	60%	60%	60%	60%	77.17%	G2

Table 50: Top Layer SDBIP – To Achieve Financial Viability in order to Render Affordable Services to Residents

G) TOP LAYER SDBIP – TO CREATE AN INSTITUTION WITH SKILLED EMPLOYEES TO PROVIDE A PROFESSIONAL SERVICE TO ITS CLIENTELE GUIDED BY MUNICIPAL VALUES

Ref	KPI	Unit of Measurement	Wards	Actual performance of 2016/17	Target					Overall performance for 2017/18	
					Q1	Q2	Q3	Q4	Annual	Actual	R
TL11	People employed from employment equity target groups in the three highest levels of management in compliance with a municipality's approved employment equity plan	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	All	8	0	0	0	8	8	6	O
Corrective measures			Speed up filling of vacancies within beginning of new year								
TL12	Percentage of municipality's personnel budget actually spent on training by 30 June 2018 ((Total Actual Training	(Total expenditure on training/total personnel budget)/100	All	10%	0%	0%	0%	1%	1%	1%	G

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

Ref	KPI	Unit of Measurement	Wards	Actual performance of 2016/17	Target					Overall performance for 2017/18	
					Q1	Q2	Q3	Q4	Annual	Actual	R
	Expenditure/ Total personnel Budget(x100))										
TL16	Limit vacancy rate to less than 5% of budgeted posts by 30 June 2018 [(Number of funded posts vacant / total number of funded posts)x100]	% vacancy rate of budgeted posts by 30 June 2018 (Number of funded posts vacant / total number of funded posts)x100	All	5%	0%	0%	0%	5%	5%	3%	B
TL17	Develop a Risk Based Audit Plan and submit to the audit committee for consideration by 30 June 2018	RBAP submitted to the audit committee by 30 June 2018	All	1	0	0	0	1	1	1	G

Table 51: Top Layer SDBIP - To Create an Institution with Skilled Employees to Provide a Professional Service to its Clientele Guided by Municipal Values

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; and

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

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 are 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
Firefighting services	Yes
Local tourism	Yes
Municipal airports	No
Municipal planning	Yes
Municipal health services	No
Municipal public transport	No
Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this Constitution or any other law	Yes
Pontoons, ferries, jetties, piers and harbours, excluding the regulation of international and national shipping and matters related thereto	No
Stormwater management systems in built-up areas	Yes
Trading regulations	Yes
Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems	Yes
Constitution Schedule 5, Part B functions:	
Beaches and amusement facilities	No
Billboards and the display of advertisements in public places	Yes
Cemeteries, funeral parlours and crematoria	Yes
Cleansing	Yes

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

Municipal Function	Municipal Function Yes / No
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	Yes
Local amenities	Yes
Local sport facilities	Yes
Markets	Yes
Municipal abattoirs	No
Municipal parks and recreation	Yes
Municipal roads	Yes
Noise pollution	Yes
Pounds	No
Public places	Yes
Refuse removal, refuse dumps and solid waste disposal	Yes
Street trading	Yes
Street lighting	Yes
Traffic and parking	Yes

Table 52: Functional Areas

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

3.3 COMPONENT A: BASIC SERVICES

3.3.1 WATER SERVICES

A) INTRODUCTION TO WATER SERVICES

Laingsburg's main water supply comes from the municipal farm Soutkloof Fountain with additional water sources of Soutkloof pit, Soutkloof borehole, 2 boreholes at Buffels River and a borehole in town.

The Municipality ensures that the groundwater sources are managed in a sustainable manner.

B) HIGHLIGHTS: WATER SERVICES

Highlights	Description
Upgrade of the bulk water supply line	The construction of a new bulk water main from Soutkloof reservoir to the town reservoir

Table 53: Water Services Highlights

C) CHALLENGES: WATER SERVICES

Description	Actions to address
Non-revenue water issue	Project plan has been developed with action items to address the non-revenue water issue

Table 54: Water Services Challenges

D) WATER SERVICE DELIVERY LEVELS

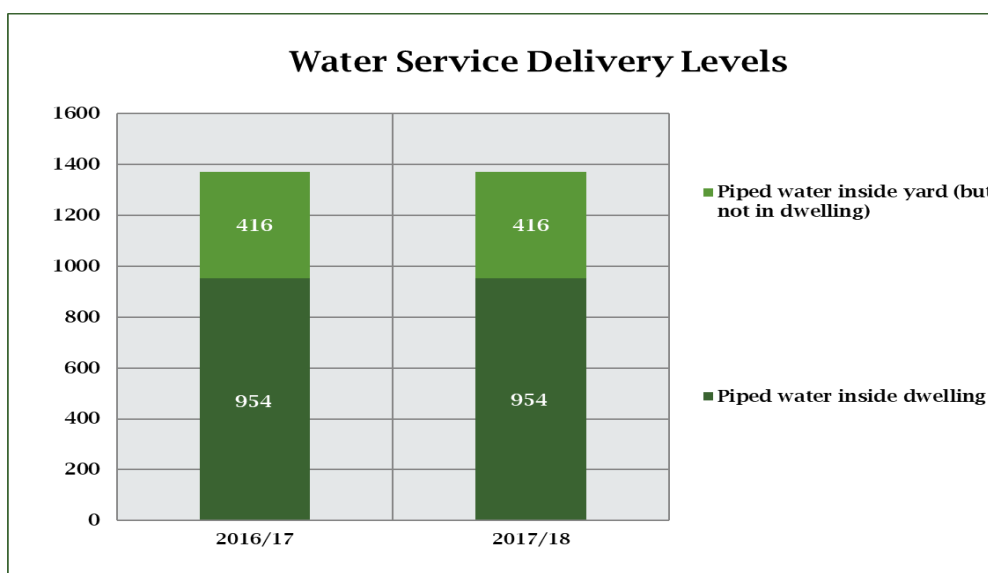
The table below specifies the different water service delivery levels per household for the financial years 2016/17 and 2017/18 in the areas in which the Municipality is responsible for the delivery of the service:

Water Service Delivery Levels		
Households		
Description	2016/17	2017/18
	Actual	Actual
	No.	No.
<u>Water: (above min level)</u>		
Piped water inside dwelling	954	954
Piped water inside yard (but not in dwelling)	416	416
Using public tap (within 200m from dwelling)	0	0
Other water supply (within 200m)	0	0
Minimum Service Level and Above sub-total	1 370	1 370
Minimum Service Level and Above Percentage	100	100
<u>Water: (below min level)</u>		

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

Water Service Delivery Levels		
Households		
Description	2016/17	2017/18
	Actual	Actual
	No.	No.
Using public tap (more than 200m from dwelling)	0	0
Other water supply (more than 200m from dwelling)	0	0
No water supply	0	0
<i>Below Minimum Service Level sub-total</i>	0	0
<i>Below Minimum Service Level Percentage</i>	0	0
Total number of households	1 370	1 370
<i>Include informal settlements</i>		

Table 55: Water Service Delivery Levels: Households



Graph 4.: Water Service Delivery Levels

E) EMPLOYEES: WATER SERVICES

Employees: Water Services					
Job Level	2016/17	2016/18			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	2	3	3	0	0
4 - 6	2	2	2	0	0
7 - 9	0	0	0	0	0
10 - 12	0	0	0	0	0

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Employees: Water Services					
Job Level	2016/17	2016/18			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
13 - 15	0	0	0	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
Total	4	5	5	0	0

Table 56: Employees: Water Services

F) CAPITAL EXPENDITURE: WATER SERVICES

Capital Expenditure: Water Services				
R'000				
Capital Projects	2017/18			
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget
Main Water Pipeline - Soutkloof	5 571 000	3 237 700	3 237 700	0
Rehabilitate Reservoir	0	1 168 151	1 168 151	0
New Water Supply - Tank	0	967 906	967 906	0

Table 57: Capital Expenditure: Water Services

3.3.2 WASTE WATER (SANITATION) PROVISION

A) INTRODUCTION TO WASTE WATER (SANITATION) PROVISION

A waterborne sewer reticulation system serves the whole of Laingsburg and each erf is connected individually to the reticulation. A waterborne sewer reticulation system and a waste water package plant were installed in Matjiesfontein and is operational since the Department of Environmental Affairs approved the waste management license in August 2013. All the newly built houses and erven in Matjiesfontein were connected to the sewer line.

B) CHALLENGES: WASTE WATER (SANITATION) PROVISION

Description	Actions to address
Septic tanks in Matjiesfontein	A project has been registered with the Municipal Infrastructure Grant (MIG) to address this challenge in Matjiesfontein

Table 58: Waste Water (Sanitation) Provision Challenges

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

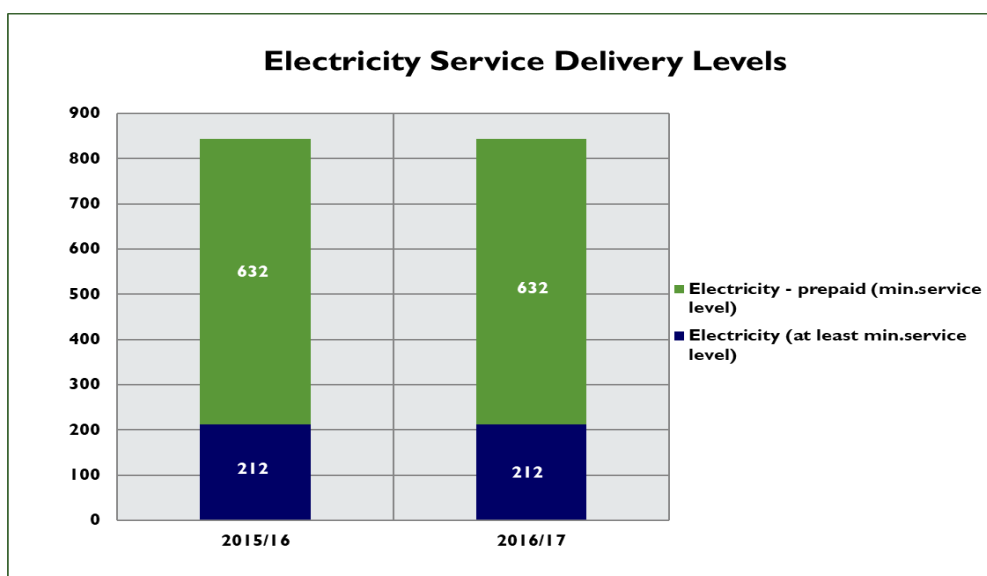
C) WASTE WATER (SANITATION) PROVISION SERVICE DELIVERY LEVELS

The table below specifies the different sanitation service delivery levels per households for the financial years 2016/17 and 2017/18 in the areas in which the Municipality is responsible for the delivery of the service:

Waste Water (Sanitation) Service Delivery Levels		
Households		
Description	2016/17	2017/18
	Actual	Actual
	No.	No.
<i>Sanitation/sewerage: (above minimum level)</i>		
Flush toilet (connected to sewerage)	1 241	1 241
Flush toilet (with septic tank)	68	68
Chemical toilet	0	0
Pit toilet (ventilated)	0	0
Other toilet provisions (above min. service level)	0	0
<i>Minimum Service Level and Above sub-total</i>	1 317	1 317
<i>Minimum Service Level and Above Percentage</i>	100	100
<i>Sanitation/sewerage: (below minimum level)</i>		
Bucket toilet	0	0
Other toilet provisions (below min. service level)	0	0
No toilet provisions	0	0
<i>Below Minimum Service Level sub-total</i>	0	0
<i>Below Minimum Service Level Percentage</i>	0	0
Total households	1 317	1 317
<i>Including informal settlements</i>		

Table 59: Waste Water (Sanitation) Provision Service Delivery Levels

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Graph 5.: Waste Water (Sanitation) Provision Service Delivery Levels

D) EMPLOYEES: WASTE WATER (SANITATION) PROVISION

Employees: Sanitation Services					
Job Level	2016/17	2017/18			
	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	1	1	1	0	0
7 - 9	0	0	0	0	0
10 - 12	0	0	0	0	0
13 - 15	0	0	0	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
Total	3	3	3	0	0

Table 60: Employees Waste Water (Sanitation) Provision

3.3.3 ELECTRICITY SERVICES

A) INTRODUCTION TO ELECTRICITY SERVICES

Laingsburg Municipality buys electricity from ESKOM and sells the electricity to the residential and business customers in Laingsburg. Households from Göldnerville in Laingsburg and Matjiesfontein buy electricity direct from ESKOM. The Municipality makes use of an electrical contractor to do all the maintenance and upgrading work on the electrical network.

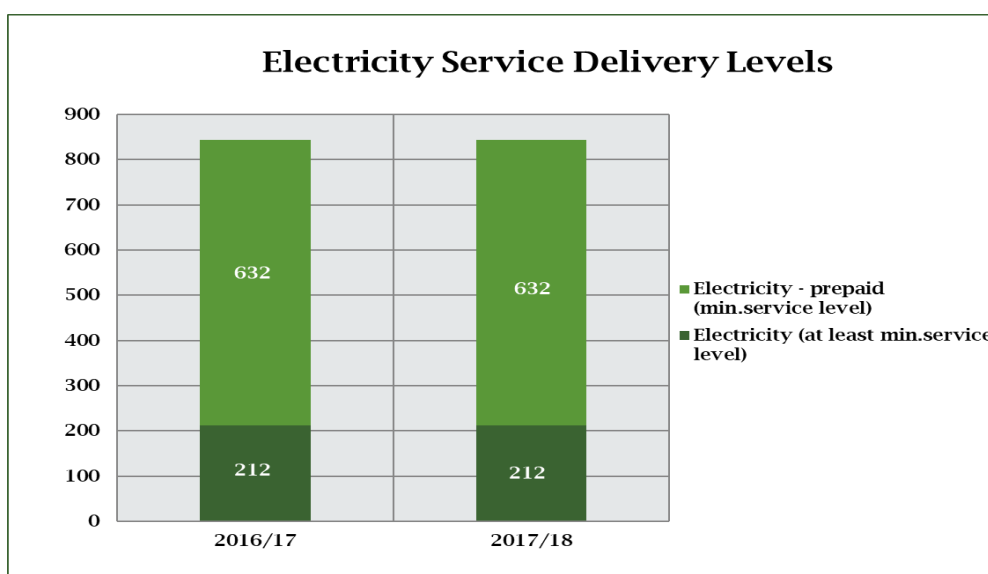
CHAPTER 3: SERVICE DELIVERY PERFORMANCE

B) ELECTRICITY SERVICE DELIVERY LEVELS

The table below indicates the different service delivery level standards for electricity in the areas in which the Municipality is responsible for the delivery of the service:

Electricity Service Delivery Levels		
Households		
Description	2016/17	2017/18
	Actual	Actual
	No.	No.
<u>Energy: (above minimum level)</u>		
Electricity (at least min.service level)	212	212
Electricity - prepaid (min.service level)	632	632
Minimum Service Level and Above sub-total	837	837
Minimum Service Level and Above Percentage	100%	100%
<u>Energy: (below minimum level)</u>		
Electricity (< min.service level)	0	0
Electricity - prepaid (< min. service level)	0	0
Other energy sources	0	0
Below Minimum Service Level sub-total	0	0
Below Minimum Service Level Percentage	0%	0%
Total number of households	837	837

Table 61: Electricity Service Delivery Levels



Graph 6.: Electricity Service Delivery Levels

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C) CAPITAL EXPENDITURE: ELECTRICITY SERVICES

Capital Expenditure: Electricity Services				
R'000				
Capital Projects	2017/18			
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget
INEP Projects	2 000 000	1 995 205	1 995 205	0

Table 62: Capital Expenditure: Electricity Services

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

A) CHALLENGES: WASTE MANAGEMENT

The Municipality makes use of a labour intensive method to do the refuse collection, waste disposal and street cleaning in Laingsburg and Matjiesfontein.

B) HIGHLIGHTS: WASTE MANAGEMENT

Highlight	Description
Upgrade of the Laingsburg Landfill Site	Upgrade of the Laingsburg Landfill Site with compost facility, recycling facility and a guard house. The project is still in construction phase

Table 63: Waste Management Highlights

C) CHALLENGES: WASTE MANAGEMENT

Description	Actions to address
The air space availability of the landfill site is nearing full capacity and extension of the site must be done urgently	Feasibility studies to be done to extend the lifespan of the landfill site

Table 64: Waste Management Challenges

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D) WASTE MANAGEMENT SERVICE DELIVERY LEVELS

The table below specifies the different refuse removal service delivery levels per household for the financial years 2016/17 and 2017/18 in the areas in which the Municipality is responsible for the delivery of the service:

Waste Management Service Delivery Levels		
Description	Households	
	2016/17	2017/18
	Actual	Actual
	No.	No.
<u>Solid Waste Removal:</u> (Minimum level)		
Removed at least once a week	1 358	1 358
<i>Minimum Service Level and Above sub-total</i>	1 358	1 358
<i>Minimum Service Level and Above percentage</i>	100%	100%
<u>Solid Waste Removal:</u> (Below minimum level)		
Removed less frequently than once a week	0	0
Using communal refuse dump	0	0
Using own refuse dump	0	0
Other rubbish disposal	0	0
No rubbish disposal	0	0
<i>Below Minimum Service Level sub-total</i>	0	0
<i>Below Minimum Service Level percentage</i>	0%	0%
Total number of households	1 358	1 358

Table 65: Waste Management Service Delivery Levels



Graph 7.: Waste Management Service Delivery Levels

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

E) EMPLOYEES: WASTE MANAGEMENT

Employees: Solid Waste Services					
Job Level	2016/17	2017/18			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	5	5	5	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	0	0	0	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
Total	6	6	6	0	0

Table 66: Employees: Solid Waste Services

3.3.5 HOUSING

A) INTRODUCTION TO HOUSING

Due to the high poverty level in Laingsburg Municipal area it is essential to provide the poor members in our community with a RDP house and as such contribute to sustainable human settlements where families can live in a safe and hygienic environment.

The following table shows the number of people on the housing waiting list. There are currently approximately 750 housing units on the waiting list.

Financial year	Number of housing units on waiting list	% Housing waiting list increase/(decrease)
2016/17	524	11.7
2017/18	750	25

Table 67: Housing Waiting List

A summary of houses built, includes:

Financial year	Allocation	Amount spent	% spent	Number of houses built	Number of sites serviced
	R'000	R'000			
2016/17	0	0	0	0	0
2017/18	0	0	0	0	0

Table 68: Houses Built in 2017/18

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

B) HIGHLIGHTS: HOUSING

Highlight	Description
Waiting list	Young people who stay in back yard dwellings with parents put their names on the waiting list

Table 69: Housing Highlights

C) CHALLENGES: HOUSING

Description	Actions to address
Amount of people of housing list	In process of submitting a new housing development plan to Provincial Government

Table 70: Housing Challenges

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 R3 500 per month will receive the free basic services as prescribed by national policy.

The table 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	%
2016/17	1 359	539	26%	724	53%	716	53%	731	54%
2017/18	1 344	435	32%	648	48%	640	48%	658	49%

Figures as at 30 June 2018

Table 71: Free Basic Services to Indigent Households

Electricity									
Financial year	Indigent Households			Non-indigent households			Households in Eskom areas		
	No. of HH	Unit per HH (kwh)	Value R'000	No. of HH	Unit per HH (kwh)	Value R'000	No. of HH	Unit per HH (kwh)	Value R'000
2016/17	539	50	0	402	0	0	418	50	0
2017/18	435	50	381	424	0	0	485	50	425

*Figures as at 30 June 2018

Table 72: Free Basic Electricity Services to Indigent Households

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Water						
Financial year	Indigent Households			Non-indigent households		
	No. of HH	Unit per HH (kl)	Value	No. of HH	Unit per HH (kl)	Value
			R'000			R'000
2016/17	731	6 kl	878	628	6 kl	754
2017/18	648	6 kl	832	696	6 kl	180
<i>*Figures as at 30 June 2018</i>						

Table 73: Free Basic Water Services to Indigent Households

Sanitation						
Financial year	Indigent Households			Non-indigent households		
	No. of HH	R value per HH	Value	No. of HH	Unit per HH per month	Value
			R'000			R'000
2016/17	716	108.90	935	643	0	0
2017/18	640	115.79	889	704	0	0
<i>*Figures as at 30 June 2018</i>						

Table 74: Free Basic Sanitation Services to Indigent Households

Refuse Removal						
Financial year	Indigent Households			Non-indigent households		
	No. of HH	Service per HH per week	Value	No. of HH	Unit per HH per month	Value
			R'000			R'000
2016/17	731	1	728	628	0	0
2017/18	658	1	713	686	0	0
<i>*Figures as at 30 June 2018</i>						

Table 75: Free Basic Refuse Removal Services to Indigent Households Per Type of Service

3.4 COMPONENT B: ROAD TRANSPORT

3.4.1 ROADS

A) INTRODUCTION TO ROADS

For optimal performance it is essential that roads are maintained to provide the road user with an acceptable level of service, to protect the structural layers of pavement from the abrasive forces of traffic, as well as from the effects of the environment.

Gravel Road Infrastructure: Kilometres				
Year	Total gravel roads	New gravel roads constructed	Gravel roads upgraded to tar	Gravel roads graded/maintained
2016/17	1.94	0	0	1.94

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

Gravel Road Infrastructure: Kilometres				
Year	Total gravel roads	New gravel roads constructed	Gravel roads upgraded to tar	Gravel roads graded/maintained
2017/18	1.94	0	0	1.94

Table 76: Gravel Road Infrastructure

Tarred Road Infrastructure: Kilometres					
Year	Total tarred roads	New tar roads	Existing tar roads re-tarred	Existing tar roads re-sheeted	Tar roads maintained
2016/17	26.7	0	0	0	26.7
2017/18	26.7	0	0	0	26.7

Table 77: 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		
2016/17	0	0	39
2017/18	0	0	0

** The cost for maintenance include stormwater*

Table 78: Cost of Construction/Maintenance of Roads

B) EMPLOYEES: ROADS

Employees: Roads					
Job Level	2016/17	2017/18			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	8	11	11	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	0	0	0	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
Total	8	11	11	0	0

Table 79: Employees: Roads

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3.4.2 WASTE WATER (STORMWATER DRAINAGE)

A) INTRODUCTION TO WASTE WATER (STORMWATER DRAINAGE)

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

B) WASTE WATER (STORMWATER DRAINAGE) MAINTAINED AND UPGRADED

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

Stormwater Infrastructure: Kilometres				
Year	Total Stormwater measures (km)	New stormwater measures (km)	Stormwater measures upgraded (km)	Stormwater measures maintained (km)
2016/17	8.03	0	0	8.03
2017/18	8.03	0	0	8.03

Table 80: Stormwater Infrastructure

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

Financial year	Stormwater Measures		
	New R'000	Upgraded R'000	Maintained R'000
2016/17	0	0	0
2017/18	0	0	0

Table 81: Cost of Construction/Maintenance of Stormwater Systems

3.5 COMPONENT C: PLANNING AND LOCAL ECONOMIC DEVELOPMENT (LED)

3.5.1 PLANNING

A) SERVICE DELIVERY STATISTICS: PLANNING

Type of service	2016/17	2017/18
Building plans application processed	7	9
Total surface (m²)	507	2 215
Residential extensions	7	9
Rural applications	0	0
Land use applications processed	3	5

Table 82: Service Delivery Statistics: Planning

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3.5.2 LED (INCLUDING TOURISM AND MARKET PLACES)

A) INTRODUCTION TO LED

The vision of the LED strategy is to create sustainable communities in the central Karoo through local economic development

B) HIGHLIGHTS: LED

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

Highlights	Description
Karoo festival	Successfully held the Karoo festival for the 3 rd year in a row
Municipal reservoir	Sealing of municipal reservoir
New business	New take aways restaurant opened in Laingsburg
Windfarm	Approval of windfarm in Roggeveld area
Laingsburg veterinary	Animal care option available in Laingsburg

Table 83: LED Highlights

C) CHALLENGES: LED

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

Description	Actions to address challenges
Lack of investment	Advertising of business opportunities
High level of unemployment	Implementation of Expanded Public Works Programme (EPWP)
Dependency on social welfare	Awareness programmes

Table 84: Challenges LED

D) LED STRATEGY

LED includes all activities associated with economic development initiatives. The Municipality has a mandate to provide strategic guidance to the Municipality's integrated development planning and economic development matters and working in partnership with the relevant stakeholders on strategic economic issues. The LED strategy identifies various issues and strategic areas for intervention such as:

Objective	Strategies
Diversifying the economy	
To develop the agricultural sector in such a way that: • Current agricultural practices are maintained and further enhanced as this forms the backbone of the local economy	• Sustain existing agricultural practices • Promoting agri-processing industries • Provide for Urban Agriculture and Small Scale Farming

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Objective	Strategies
<ul style="list-style-type: none"> Value adding practices in the form of agri-processing are initiated and become sustainable Agri-processing industries involve the large number of economically active unemployed females in the sub-region Synergies are created between the service industry and the agricultural sector, whereby tourists are attracted to local products and utilise other services 	<ul style="list-style-type: none"> Identify and support agri-tourism practices Alternative Energies Agri Tourism
Transport and service sector	
<p>To develop a sustainable transport and related services sector in the Municipality in a way that:</p> <ul style="list-style-type: none"> Supports and is aligned with the five strategic issues identified in the Central Karoo District's Integrated Transport Plan Distinguishes between the two types of travellers that are passing through the Central Karoo and Cape Town towards Johannesburg: private vehicle owners and truck drivers Promotes the image of Laingsburg as an ideal stop-over for travellers seeking good services. Focuses on projects within the Municipality that can spread the benefits equitably Creates links with the agriculture sector 	<ul style="list-style-type: none"> Align with regional transport plan Cater for the needs of long distance private travellers Capture the trucks market Facilitate creative alliances with the local agriculture and tourism sector Becoming the best Karoo Town Tarring of gravel roads Wifi Free Town Public Transportation
Human resources development	
<ul style="list-style-type: none"> To ensure that all children have access to high quality early childhood development programmes To ensure that all learners and job seekers have equal access to quality education and training To ensure that learners have safe access to learning facilities To empower residents of Laingsburg to acquire skills that will enable them to access and acquire favourable city jobs 	<ul style="list-style-type: none"> Ensure access to early childhood and school development programmes Worker Skills Development and Training Programmes Further Education and Training (FET) College School for Children with Learning Disabilities
Integrated human settlement	
<p>To establish a pattern of development that:</p> <ul style="list-style-type: none"> Improves land use integration to enhance the access of poorer communities to economic and social services Creates and ensures that housing becomes assets to the poor 	<ul style="list-style-type: none"> Improve connectivity between townships and more established parts of the town Enhance the asset value of low-income housing Gap Housing Spatial Planning and Land Use Management Act (SPLUMA)/ Land Use Planning Act (LUPA)

Table 85: LED Objectives and Strategies

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E) LED INITIATIVES

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

Job creation through Extended Public Works Programme (EPWP) projects		
Details	EPWP Projects	Jobs created through EPWP projects
	No.	No.
2016/17	8	170
2017/18	8	160

Table 86: Job Creation Through EPWP Projects

F) ADDITIONAL SERVICE DELIVERY STATISTICS: LED INITIATIVES

Type of service	2016/17	2017/18
Small businesses assisted	5	8
SMME's trained	42	20
Community members trained for tourism / PACA	120	42
Local artisans and crafters assisted	10	7
Recycling awareness programmes	20	25

Table 87: LED Initiatives

3.6 COMPONENT D: COMMUNITY AND SOCIAL SERVICES

3.6.1 LIBRARIES

A) INTRODUCTION: LIBRARIES

The Library Service of Laingsburg Municipality consists of one main library and three mini libraries. The library function promotes a reading culture and the importance of reading from a young age.

B) HIGHLIGHTS: LIBRARIES

Highlights	Description
Story reading to pre-school children (Nali Bali reading group)	Read stories to group of pre-school children once a month in Bergsig and Goldnerville
National Book Week (4-8 September 2017)	The launch of the National Book Week was hosted in Matjiesfontein. Various activities were planned for the week in Laingsburg, Matjiesfontein and Vleiland
Visits to schools during the year	The Unit wants to promote the importance of reading by explaining the procedures of becoming a library member to the school children

Table 88: Libraries Highlights

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C) CHALLENGES: LIBRARIES

Description	Actions to address
Main Library: No proper workspace for the staff	Extension and upgrade of libraries
Limited shelving in all the libraries	

Table 89: Libraries Challenges

D) SERVICE STATISTICS FOR LIBRARIES

Type of service	2016/17	2017/18
Library members	2 327	1 592 (removed members who did not take books out in three years as per instruction from Province to clean up the database)
Books circulated	29 118	26 412
Exhibitions held	16	16
Internet users	741	1 436
Children programmes	6	9
Book group meetings for adults	0	0

Table 90: Service Statistics for Libraries

E) EMPLOYEES LIBRARIES

Employees: Libraries					
Job Level	2016/17	2017/18			
	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 91: Employees: Libraries

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3.6.2 CEMETERIES

A) INTRODUCTION TO CEMETERIES

The Municipality has three cemeteries within the town of Laingsburg. The cemeteries located in Kambro Street and in Göldnerville are used for new burials, whereas the other one located in the town CBD was used to bury the victims and fatalities of the 1981 flood disaster.

B) SERVICE STATISTICS FOR CEMETERIES

Type of service	2016/17	2017/18
Pauper burials	5	2

Table 92: Service Stats for Cemeteries

3.6.3 CHILD CARE; AGED CARE; SOCIAL PROGRAMMES

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

Child care is to assist parents who cannot take care of their young children because of work or other reasons. The Social Welfare Department subsidises non-governmental organisations to provide a variety of child care services, to meet the different needs of the parents and their young children.

Aged care is the term for daily living and nursing care services provided to older citizens who either need some help at home or can no longer live independently. These services are generally divided into two categories namely residential care and home-based care.

Social programmes are welfare subsidies designed to aid the needs of the population.

B) HIGHLIGHTS: CHILD CARE; AGED CARE; SOCIAL PROGRAMMES

Highlights	Description
Youth event	Open youth day event with activities
Sport events	Sport codes held different tournaments

Table 93: Child Care; Aged Care; Social Programmes Highlights

C) CHALLENGES: CHILD CARE; AGED CARE; SOCIAL PROGRAMMES

Description	Actions to address
High teen pregnancy	Awareness programmes, aftercare programmes and after rehabilitation programmes
Drug and alcohol abuse	

Table 94: Child Care; Aged Care; Social Programmes Challenges

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D) SERVICE STATISTICS FOR CHILD CARE; AGED CARE; SOCIAL PROGRAMMES

Description	2016/17	2017/18
Trees planted	0	0
Veggie gardens established or supported	2	2
Soup kitchens established or supported	0	4
Initiatives to increase awareness on child abuse	1	1
Youngsters educated and empowered	400	210
Initiatives to increase awareness on disability	2	2
Initiatives to increase awareness on women	1	1
Women empowered	0	1
Initiatives to increase awareness on HIV/AIDS	1	1
Initiatives to increase awareness on Early Childhood Development (ECD)	1	2
Initiatives to increase awareness on substance abuse and high drug and alcohol related crimes	5	5
Special events hosted (World's Aids Day, Arbour day, World Disability Day, Youth Day, 16 Days of Activism against women abuse)	10	10

Table 95: Service Statistics for Child Care; Aged Care; Social Programmes

3.7 COMPONENT E: SECURITY AND SAFETY

3.7.1. PUBLIC SAFETY

A) INTRODUCTION TO PUBLIC SAFETY

Law Enforcement: Attends to all complaints from the public related to Laingsburg Municipality's by-laws for example exceeding prescribed number of dogs and noise control.

Traffic: Enforces all offences regarding the Road Traffic Act 93 of 1996 for example disobeying stop signs, parking on the wrong side of the road and driving a motor vehicle without driving license. Furthermore, hotspots/dangerous areas in town and manages parking bay outlays within the town.

Fire and disaster management: Attends to fire callouts within the jurisdiction of Laingsburg Municipality, as well as on the N1 for example house fires, veld fires and motor vehicle accident fires.

The Municipality has a traffic department which consists of six traffic officers, three permanent and the other three employed on an annual contract basis. Recent recruits from the Wolwekloof Academy completed

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a peace officer course which was funded by the Municipality and fourteen passed the course, qualifying them as peace officers. The Municipality appointed eight of the recruits on an annual contract basis and they are funded by the EPWP grant.

B) HIGHLIGHTS: PUBLIC SAFETY

Highlights	Description
Neighbourhood Watch safeguarding the community of Laingsburg	Neighbourhood Watch are patrolling the whole of Laingsburg. They consist of 3 teams of 12 community members. They are budgeted for within the EPWP project funding and receives a stipend

Table 96: Public Safety Services Highlights

C) CHALLENGES: PUBLIC SAFETY

Description	Actions to address
Personnel shortage	Budget allocation for all challenges listed within the next financial year
Resources	
Training	
Vehicles	

Table 97: Public Safety Services Challenges

D) SERVICE STATISTICS FOR PUBLIC SAFETY

Details	2016/17	2017/18
Motor vehicle licenses processed	1 757	1 527
Learner driver licenses processed	209	245
Driver licenses processed	491	651
Driver licenses issued	443	529
Fines issued for traffic offenses (number)	457	558
R-value of fines collected	421 350	600 700
Operational call-outs	65	59
Roadblocks held	4	8
Complaints attended to by Traffic Officers	74	86
Special Functions - Escorts	6	5
Awareness initiatives on public safety	3	4
Operational call-outs: Fire Services	41	32
Awareness initiatives on fire safety	2	2
Reservists and volunteers trained on fire fighting	2	0

Table 98: Service Statistics for Public Safety

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E) EMPLOYEES: PUBLIC SAFETY

Employees: Law Enforcement and Traffic Services					
Job Level	2016/17	2017/18			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0
4 - 6	0	0	0	0	0
7 - 9	0	0	0	0	0
10 - 12	2	2	2	0	0
13 - 15	0	0	0	0	0
16 - 18	1	1	1	0	0
19 - 20	0	0	0	0	0
Total	3	3	3	0	0

Table 99: Employees: Public Safety

3.8 COMPONENT F: SPORT AND RECREATION

3.8.1 INTRODUCTION TO SPORT AND RECREATION

The Municipality consists of three sport fields which is situated in Laingsburg, Matjiesfontein and Vleiland. Furthermore, it also has two “kickabout” mini sport fields within the suburbs of Göldnerville and Bergsig.

A) HIGHLIGHTS: SPORT AND RECREATION

Highlights	Description
Annual Karoo Marathon	Annual Ultra 80km Marathon held during the month of September

Table 100: Highlights: Sport and Recreation

B) CHALLENGES: SPORT AND RECREATION

Description	Actions to address
One sport field in Laingsburg that accommodates all sport codes	Identify vacant land and register project at MIG

Table 101: Challenges: Sport and Recreation

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C) SERVICE STATISTICS FOR SPORT AND RECREATION

Type of service	2016/17	2017/18
Community Parks		
Number of parks with play park equipment	5	5
Number of wards with community parks	4	4
Sport fields		
Number of wards with sport fields	2	2
Number of sport associations utilizing sport fields	5	5
R-value collected from utilization of sport fields	0	0
Sport halls		
Number of wards with sport halls	4	2
Number of sport associations utilizing sport halls	3	4
R-value collected from rental of sport halls (R)	16 685.16	15 668.60

Table 102: Additional Performance Information for Sport and Recreation

D) EMPLOYEES: SPORT AND RECREATION

Employees: Sport and Recreation					
Job Level	2016/17	2017/18			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	3	3	3	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	0	0	0	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
Total	3	3	3	0	0

Table 103: Employees: Sport and Recreation

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C) CAPITAL EXPENDITURE: SPORT AND RECREATION

Capital Expenditure: Sport and Recreation				
R'000				
Capital Projects	2017/18			
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget
Matjies Sportfield New Flood Lights	0	774 023	774 023	0

Table 104: Capital Expenditure: Sport and Recreation

3.9 COMPONENT G: CORPORATE POLICY OFFICES AND OTHER SERVICES

3.9.1 FINANCIAL SERVICES

A) HIGHLIGHTS: FINANCIAL SERVICES

Highlights	Description
Effective SCM processes	There were no successful appeals against bids awarded
Improve debt collection	The collection rate for rates, sewerage, refuse, water and electricity has improved
Customer care	Improved turnover rate in resolving customer enquiries

Table 105: Highlights: Financial Services

B) CHALLENGES: FINANCIAL SERVICES

Challenge	Actions to address
Financial viability	Maximising income – part of recovery plan and tighter budget control
Audit opinion	Qualified audit report
mSCOA implementation	Total alignment of mscoa coding have to be done
Lack of capacity in Budget and Treasury Office	Training and recruitment of skilled staff and capacitating personnel. Amend organogram and budget accordingly and fill vacant posts urgently

Table 106: Challenges: Financial Services

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C) EMPLOYEES: FINANCIAL SERVICES

Employees: Financial Services					
Job Level	2016/17	2017/18			
	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	5	5	5	0	0
7 - 9	1	1	1	0	0
10 - 12	3	4	3	1	25
13 - 15	1	1	1	0	0
16 - 18	2	2	2	0	0
19 - 20	0	0	0	0	0
Total	12	13	12	1	7.69

Table 107: Employees: Financial Services

3.9.2 HUMAN RESOURCES (HR)

A) HIGHLIGHTS: HR

Highlights	Description
Appointment of HR Official	The Municipality received a grant from the Department of Local Government to appoint a person to assist in the HR Unit
Wellness Day	The Municipality had a very successful Wellness Day in the month of May 2018

Table 108: Highlights: HR

B) CHALLENGES: ICT SERVICES

Description	Actions to address
HR Unit still understaffed	Housing and Records Management also resorts in the HR Unit and dedicated officials are needed to carry out the functions. The Municipality must take this in consideration when the organogram is reviewed

Table 109: Challenges: HR

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C) EMPLOYEES: HUMAN RESOURCES

Employees: Human Resources					
Job Level	2016/17	2017/18			
	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	2	2	0	0
7 - 9	0	1	1	0	0
10 - 12	1	1	1	0	0
13 - 15	0	0	0	0	0
16 - 18	1	1	1	0	0
19 - 20	0	0	0	0	0
Total	5	5	5	0	0

Table 110: Employees: HR

3.9.3 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

A) INTRODUCTION TO ICT SERVICES

Due to financial constraints, no major changes could be made. Only changes that were budgeted for in terms of normal maintenance and upgrade fixed changes. An ICT Steering Committee was established to further expand the need of ICT services.

B) HIGHLIGHTS: ICT SERVICES

Highlights	Description
ICT Steering Committee	ICT Steering Committee has been established. The first meeting was held on 1 June 2018

Table 111: Highlights: ICT Services

C) CHALLENGES: ICT SERVICES

Description	Actions to address
Financial constraints	ICT Steering Committee was created to get more members of the Municipality included in all ICT matters so that problems can be handled more efficiently

Table 112: Challenges: ICT Services

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D) EMPLOYEES: ICT SERVICES

Employees: ICT Services					
Job Level	2016/17	2017/18			
	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	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	1	1	1	0	0

Table 113: Employees: ICT Services

3.9.4 PROCUREMENT SERVICES

A) INTRODUCTION TO PROCUREMENT SERVICES

Supply Chain Management (SCM) is a crucial function within any organisation. If the SCM Unit is not functioning effectively service delivery will suffer as a result. Therefore, it is important that supply chain operates cooperatively with all departments to ensure proper planning and alignment of processes.

Section 217 of the Constitution of South Africa requires that when organs of state procure contracts it must do so with a system which is fair, equitable, transparent, competitive and cost-effective.

B) HIGHLIGHTS: PROCUREMENT SERVICES

Highlights	Description
Implementation of standardised templates	Drafting and implementation of standardised templates according to different SCM thresholds for effective procurement

Table 114: Highlights: Procurement Services

C) CHALLENGES: PROCUREMENT SERVICES

Description	Actions to address
Contract management	Drafting of an action plan to phase out all irregular contracts and appointment of new service provider through competitive bidding process. Drafting of a contract management standard operating procedure (SOP) with clear roles and responsibilities between SCM and contract owners

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Description	Actions to address
Inventory	Appointment of a dedicated Store Clerk. Implementation of a credible action plan to address all inventory gaps and findings
Implementation of an effective SCM system	Management support in implementing an effective SCM system
Segregation of duties	Review of SCM Unit's roles and responsibilities and organisation structure

Table 115: Challenges: Procurement Services

D) SERVICE STATISTICS: PROCUREMENT SERVICES

Description	Total No	Monthly Average
Orders processed	2 368	164
Extensions	0	0.3
Bids received (number of documents)	20	3
Bids awarded	1	0.5
Bids awarded ≤ R200 000	5	0.8
Appeals registered	1	0.6
Successful appeals	0	0

Table 116: Service Statistics: Procurement Services

E) DETAILS OF DEVIATIONS FOR PROCUREMENT SERVICES

Reason for Deviation	Number of Applications Considered and Approved	Value of Applications Approved (R)
Section 36(1)(a)(i)- In an emergency which is considered an unforeseeable and sudden event with materially harmful or potentially materially harmful consequences for the municipality which requires urgent action to address	0	0
Section 36(1)(a)(ii)- Where it can be demonstrated that goods or services are produced or available from a single provider only	1	42 829.00
Section 36(1)(a)(iii)- For the acquisition of special works of art or historical objects where specifications are difficult to compile	0	0
Section 36(1)(a)(v)- Exceptional case and it is impractical or impossible to follow the official procurement processes	3	1 074 203.45
Total	4	1 117 032.45

Table 117: Details of Deviations for Procurement Services

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3.10 COMPONENT H: SERVICE DELIVERY PRIORITIES FOR 2018/19

The main development and service delivery priorities for 2018/19 form part of the Municipality's Top Layer SDBIP for 2018/19 and are indicated in the table below:

3.10.1 DEVELOPING A SAFE, CLEAN, HEALTHY AND SUSTAINABLE ENVIRONMENT FOR COMMUNITIES

REF	KPI	Unit of Measurement	Wards	Annual Target
TL26	87% of water samples comply with SANS241 micro biological indicators {(Number of water samples that comply with SANS241 indicators/Number of water samples tested)x100}	% of water samples compliant	All	87%
TL27	91% of effluent samples comply with permit values in terms of SANS 242 by 30 June 2019 {(Number of effluent samples that comply with permit values/Number of effluent samples tested)x100}	% of effluent samples compliant	All	91%

Table 118: Service Delivery Priorities for 2018/19 - Developing a Safe, Clean, Healthy and Sustainable Environment for Communities

3.10.2 EFFECTIVE MAINTENANCE AND MANAGE OF MUNICIPAL ASSETS AND NATURAL RESOURCES

REF	KPI	Unit of Measurement	Wards	Annual Target
TL20	Spend 70% of the electricity maintenance budget by 30 June 2019 {(Actual expenditure on maintenance divided by the total approved maintenance budget)x100}	% of the maintenance budget spent	All	70%
TL21	Spend 70% of the water maintenance budget by 30 June 2019 {(Actual expenditure on maintenance divided by the total approved maintenance budget)x100}	% of the maintenance budget spent	All	70%
TL22	Spend 70% of the sewerage maintenance budget by 30 June 2019 {(Actual expenditure on maintenance divided by the total approved maintenance budget)x100}	% of the maintenance budget spent	All	70%
TL23	Spend 70% of the refuse removal maintenance budget by 30 June 2019 {(Actual expenditure on maintenance divided by the total approved maintenance budget)x100}	% of the maintenance budget spent	All	70%
TL24	Limit the % electricity unaccounted for to less than 10% by 30 June	% electricity unaccounted for by 30 June	All	10%

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REF	KPI	Unit of Measurement	Wards	Annual Target
	$[(\text{Number of Electricity Units Purchased} - \text{Number of Electricity Units Sold}) / \text{Number of Electricity Units Purchased}] \times 100]$			
TL25	Limit unaccounted for water to less than 50% by 30 June 2019 $\{(\text{Number of Kilolitres Water Purchased or Purified} - \text{Number of Kilolitres Water Sold}) / \text{Number of Kilolitres Water Purchased or Purified} \times 100\}$	% of water unaccounted	All	50%
TL28	The percentage of the municipal capital budget actually spent on capital projects by 30 June 2019 $[(\text{Amount actually spent on capital projects} / \text{Amount budgeted for capital projects}) \times 100]$	% of capital budget spent on capital projects	All	80%

Table 119: Services Delivery Priorities for 2018/19 – Effective Maintenance and Manage of Municipal Assets and Natural Resources

3.10.3 IMPROVE THE STANDARDS OF LIVING OF ALL PEOPLE IN LAINGSBURG

REF	KPI	Unit of Measurement	Wards	Annual Target
TL11	Provide free 6kl water to indigent households as at 30 June 2019	Number of households receiving free basic water	All	800
TL12	Provide free basic sanitation to indigent households as at 30 June 2019	Number of households receiving free basic sanitation services	All	780
TL13	Provide free basic refuse removal to indigent households as at 30 June 2019	Number of households receiving free basic refuse removal services	All	800
TL14	Financial viability measured in terms of the municipality's ability to meet it's service debt obligations at 30 June $[(\text{Short Term Borrowing} + \text{Bank Overdraft} + \text{Short Term Lease} + \text{Long Term Borrowing} + \text{Long Term Lease}) / (\text{Total Operating Revenue} - \text{Operating Conditional Grant}) \times 100]$	Debt coverage ratio as at 30 June	All	61.10%
TL17	Create job opportunities through EPWP and LED projects by 30 June 2019	Number of job opportunities created by 30 June 2019	All	150

Table 120: Services Delivery Priorities for 2018/19 – Improve the Standards of Living of All People in Laingsburg

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3.10.4 PROVISION OF INFRASTRUCTURE TO DELIVER IMPROVED SERVICES TO ALL RESIDENTS AND BUSINESS

REF	KPI	Unit of Measurement	Wards	Annual Target
TL7	Number of formal residential properties that receive piped water (credit) that is connected to the municipal water infrastructure network and billed for the service as at 30 June 2019	Number of residential properties which are billed for water	All	1 339
TL8	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) and billed for the service as at 30 June 2019	Number of residential properties which are billed for sewerage	All	1 300
TL9	Number of formal residential properties for which refuse is removed once per week and billed for the service as at 30 June 2019	Number of residential properties which are billed for refuse removal	All	1 348
TL10	Provide free 50kWh electricity to indigent households as at 30 June 2019	Number of households receiving free basic electricity	All	900

Table 121: Services Delivery Priorities for 2018/19 - Provision of Infrastructure to Deliver Improved Services to All Residents and Business

3.10.5 TO ACHIEVE FINANCIAL VIABILITY IN ORDER TO RENDER AFFORDABLE SERVICES TO RESIDENTS

REF	KPI	Unit of Measurement	Wards	Annual Target
TL5	Achieve a debtor payment percentage of 65% by 30 June 2019 {(Gross Debtors Opening Balance + Billed Revenue - Gross Debtors Closing Balance - Bad Debts Written Off)/Billed Revenue x 100}	% debtor payment achieved	All	65%
TL6	Number of formal residential properties connected to the municipal electrical infrastructure network (credit and prepaid electrical metering)(Excluding Eskom areas) and billed for the service as at 30 June 2019	Number of residential properties which are billed for electricity or have pre paid meters (Excluding Eskom areas) as at 30 June 2019	All	855
TL15	Financial viability measured in % in terms of the total amount of outstanding service debtors in comparison with total revenue received for services at 30 June 2019	% outstanding service debtors at 30 June	All	63.8

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REF	KPI	Unit of Measurement	Wards	Annual Target
	[(Total outstanding service debtors/annual revenue received for services)x 100]			
TL16	Financial viability measured in terms of the available cash to cover fixed operating expenditure at 30 June ((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))	Cost coverage ratio as at 30 June	All	1

Table 122: Services Delivery Priorities for 2018/19 – To Achieve Financial Viability in order to Render Affordable Services to Residents

3.10.6 TO CREATE AN INSTITUTION WITH SKILLED EMPLOYEES TO PROVIDE A PROFESSIONAL SERVICE TO ITS CLIENTELE GUIDED BY MUNICIPAL VALUES

REF	KPI	Unit of Measurement	Wards	Annual Target
TL1	Limit the vacancy rate to less than 10% of budgeted posts by 30 June 2019 ((Number of posts filled/Total number of budgeted posts)x100)	% vacancy rate of budgeted posts by 30 June 2019	All	10%
TL2	The number of people from employment equity target groups employed (to be appointed) by 30 June 2019 in the three highest levels of management in compliance with the equity plan	Number of people employed (to be appointed) by 30 June 2019	All	8
TL3	The percentage of the Municipality's personnel budget actually spent on implementing its workplace skills plan by 30 June 2019 [(Actual amount spent on training/total operational budget)x100]	% of the Municipality's personnel budget on implementing its workplace skills plan by 30 June 2019	All	1%
TL4	Participate in the Provincial Traffic Departments' Public Safety initiatives during the 2018/19 financial year	Number of initiatives participated in	All	4
TL18	Develop a Risk Based Audit Plan and submit to the audit committee for consideration by 30 June 2019	RBAP submitted to the audit committee by 30 June 2019	All	1
TL19	Spend 80% of the budget allocated on the INEP Programme by 30 June 2019 {(Actual expenditure divided by the total approved budget)x100} [(Actual expenditure on capital projects /Total amount budgeted for capital projects)X100]	% of project budget spent	All	80%
TL29	Spend 80% of the budget allocated on the Main Water Pipeline in Southkloof	% of project budget spent	All	80%

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

REF	KPI	Unit of Measurement	Wards	Annual Target
	by 30 June 2019 {(Actual expenditure divided by the total approved budget)x100} [(Actual expenditure on capital projects /Total amount budgeted for capital projects)X100]			
TL30	Spend 80% of the budget allocated on the 2ML Reservoir by 30 June 2019 {(Actual expenditure divided by the total approved budget)x100} [(Actual expenditure on capital projects /Total amount budgeted for capital projects)X100]	% of project budget spent	All	80%
TL31	Spend 80% of the budget allocated on the Electricity and Equipment for Boreholes by 30 June 2019 {(Actual expenditure divided by the total approved budget)x100} [(Actual expenditure on capital projects /Total amount budgeted for capital projects)X100]	% of project budget spent	All	80%
TL32	Spend 80% of the budget allocated on the Water Treatment Project by 30 June 2019 {(Actual expenditure divided by the total approved budget)x100} [(Actual expenditure on capital projects /Total amount budgeted for capital projects)X100]	% of project budget spent	All	80%

Table 123: Service Delivery Priorities for 2018/19 - To Create an Institution with Skilled Employees to Provide a Professional Service to its Clientele Guided by Municipal Values

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
	2016/17	2017/18
People employed from employment equity target groups in the three highest levels of management in compliance with a municipality's approved employment equity plan	8	6
Percentage of municipality's personnel budget actually spent on training by 30 June 2018 ((Total Actual Training Expenditure/ Total personnel Budget)x100)	10%	1%

Table 124: National KPIs– Municipal Transformation and Organisational Development

4.2 INTRODUCTION TO THE MUNICIPAL WORKFORCE

The Laingsburg Municipality currently employs 65 (excluding non-permanent positions) officials, who individually and collectively contribute to the achievement of the 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
1	1	3	32	0	0	1	1

Table 125: 2017/18 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
4	2	0	5	0	0	2	2	2

Table 126: 2017/18 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	
Top Management	0	1	0		0	0	0	1	2
Senior management	0	1	0	1	0	2	0	0	4
Professionally qualified and experienced specialists and mid-management	1	2	0	0	1	1	0	0	5
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	0	12	0	0	1	5	0	1	19
Semi-skilled and discretionary decision making	0	7	0	0	0	9	0	0	16
Unskilled and defined decision making	0	14	0	0	0	5	0	0	19
Total permanent	1	37	0	1	2	22	0	2	65
Non- permanent employees	0	3	0	0	0	8	0	0	11
Grand total	1	40	0	1	2	30	0	2	76

Table 127: Occupational Categories

C) DEPARTMENTS - RACE

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

Department	Male				Female				Total
	A	C	I	W	A	C	I	W	
Office of the Municipal Manager	1	2	0	0	1	2	0	1	7
Finance and Corporate Services	0	5	0	1	0	12	0	1	19
Community Services	0	2	0	0	0	5	0	0	7

CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE

Department	Male				Female				Total
	A	C	I	W	A	C	I	W	
Infrastructure Services	0	28	0	0	1	3	0	0	32
Total permanent	1	37	0	1	2	22	0	2	65
Non- permanent	0	3	0	0		8	0	0	11
Grand total	1	40	0	1	2	30	0	2	76

Table 128: Department – Race

4.2.2 VACANCY RATE

The approved organogram for the Municipality had 72 posts for the 2017/18 financial year. The actual positions filled are indicated in the table below by functional level. 7 posts were vacant at the end of 2017/18, resulting in a vacancy rate of 9.72%. Below is a table that indicates the vacancies within the Municipality:

Per Functional Level		
Functional area	Filled	Vacant
Office of the Municipal Manager	6	1
Finance and Administration Services	18	1
Community Services	7	0
Infrastructure Services	32	5
Total	65	7

Table 129: Vacancy Rate Per Post

The table below indicates the number of critical vacancies per salary level:

Salary Level	Number of current critical vacancies	Total posts as per organogram	Vacancy job title
Municipal Manager	1	1	Municipal Manager
Chief Financial Officer	0	0	N/A
Other Section 57 Managers	0	0	N/A
Senior management (T14-T19)	1	1	Manager: Infrastructure Services
Highly skilled supervision (T4-T13)	2	2	Accountant, Supervisor, Data Capturer
Total	4	4	N/A

Table 130: Critical Vacancies Per Salary Level

CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE

4.2.3 STAFF TURNOVER RATE

A high staff turnover may be costly to a municipality and might negatively affect productivity, service delivery and institutional memory/organisational knowledge. Below is a table that shows the staff 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
2016/17	65	1	3	4.60%
2017/18	5	0	2	3.08%

Table 131: Staff Turnover Rate

4.3 MANAGING THE MUNICIPAL WORKFORCE

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:

Directorates	2016/17	2017/18
Office of the Municipal Manager	0	0
Finance and Corporate Services	0	0
Community Services	0	0
Infrastructure Services	8	4
Total	8	4

Table 132: Injuries

CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE

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 2017/18 financial year shows an increase when comparing it with the 2016/17 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
2016/17	593
2017/18	597

Table 133: 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.

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

Approved policies	
Name of policy	Date approved/ revised
Recruitment Policy	June 2010
Disability Policy	June 2010
Overtime Policy	October 2011
Leave Policy	August 2013
Unauthorised Absenteeism from the Workplace	August 2013
Dress Code Policy	June 2016
HIV/Aids	June 2010
Study Aid for Officials	October 2010
Policies still to be developed	
Name of policy	
Human Resources Plan, Training & Development, Whistle Blowing	
Employment Equity, Attendance & Punctuality	
Occupational Health & Safety	
Human Resources Development	
Incapacity, Private Work & Declaration of Interests	

Table 134: HR Policies and Plans

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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).

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 (2017/18)	Number of Employees that received training (2017/18)
MM and S57	Female	1	0
	Male	1	0
Legislators, senior officials and managers	Female	4	2
	Male	3	4
Associate professionals and Technicians	Female	0	0
	Male	0	1
Professionals	Female	2	1
	Male	2	1
Clerks	Female	8	1
	Male	2	2
Service and sales workers	Female	3	2
	Male	2	0
Craft and related trade workers	Female	0	0
	Male	0	0
Plant and machine operators and assemblers	Female	0	0
	Male	6	2
Elementary occupations	Female	4	0
	Male	18	0
Sub total	Female	22	6
	Male	34	10
Total		56	16

Table 135: Skills Matrix

CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE

4.4.2 SKILLS DEVELOPMENT – TRAINING PROVIDED

The Skills Development Act (1998) and the MSA, require employers to supply employees with the necessary training 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.

Training provided within the reporting period 2017/18				
Management level	Gender	Total		
		Actual	Target	% Variance
MM and S57	Female	0	1	(100)
	Male	0	0	0
Legislators, senior officials and managers	Female	2	6	(33.33)
	Male	3	5	(40)
Professionals	Female	0	3	(100)
	Male	0	1	(100)
Technicians and associate professionals	Female	0	1	(100)
	Male	0	1	(100)
Clerks	Female	0	8	(100)
	Male	0	4	(100)
Service and sales workers	Female	0	2	(100)
	Male	0	2	(100)
Craft and related trade workers	Female	0	0	0
	Male	0	0	0
Plant and machine operators and assemblers	Female	0	0	0
	Male	2	2	0
Elementary occupations	Female	0	2	(100)
	Male	0	9	(100)
Sub total	Female	2	23	(91.30)
	Male	5	24	(79.17)
Total		7	47	(85.11)

Table 136: Skills Development

CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE

4.4.3 SKILLS DEVELOPMENT - BUDGET ALLOCATION

The table below indicates that a total amount of **R711 100** was allocated to the workplace skills plan and that **93.52%** of the total amount was spent in the 2017/18 financial year:

Year	Total personnel budget	Total Allocated	Total Spend	% Spent
2016/17	20 508 200	607 117	571 116	94.07%
2017/18	23 194 600	711 100	665 086	93.52%

Table 137: Budget Allocated and Spent for Skills Development

4.4.4 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 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	0	1	1
Chief financial officer	1	1	1	1
Senior managers	0	0	0	0
Any other financial officials	6	2	1	2
Supply Chain Management Officials				

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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))
Heads of supply chain management units	3	1	0	1
Supply chain management senior managers	0	0	0	0
TOTAL	11	4	3	5

Table 138: MFMA Competencies

4.5 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.

4.5.1 PERSONNEL EXPENDITURE

The percentage personnel expenditure is essential in the budgeting process as it reflects on current and future efficiency. The table below indicates the percentage of the municipal budget that was spent on salaries and allowance for the past two financial years and that the Municipality is 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	
2016/17	19 031	80 646	23.60%
2017/18	19 382	74 302	26.08%

Table 139: Personnel Expenditure

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

Financial year	2016/17	2017/18		
Description	Actual	Original Budget	Adjusted Budget	Actual
	R'000			
<u>Councillors (Political Office Bearers plus Other)</u>				
Salary	1 880	2 084	2 094	2 453
Motor vehicle allowance	510	521	523	443
Other allowances	261	185	311	148
Sub Total	2 651	2 790	2 928	3 044

CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE

Financial year	2016/17	2017/18		
Description	Actual	Original Budget	Adjusted Budget	Actual
	R'000			
% increase/ (decrease)		5.24%	4.95%	3.96%
Senior Managers of the Municipality				
Salary	1 604	2 005	1 842	934
Contributions	164	205	205	172
Allowances	453	566	679	172
Other benefits	0	0	0	0
Bonus	55	69	69	130
Sub Total	2 276	2 845	2 795	1 547
% increase/ (decrease)	N/A	(25)	(1.76)	(44.65)
Other Municipal Staff				
Basic Salaries and Wages	12 050	15 619	15 619	14 461
Contributions	2 425	3 238	2 747	2 222
Allowances	774	362	475	1 046
Housing allowance	124	153	130	120
Overtime	303	682	473	397
Other benefits or allowances	1 099	919	956	1 589
Sub Total	16 775	20 973	20 400	19 835
% increase	N/A	25.03	(2.73)	(2.77)
Total Municipality	19 051	23 818	23 195	21 382
% increase/ (decrease)	N/A	25.02	(2.62)	(7.82)

Table 140: Personnel Expenditure

CHAPTER 5: FINANCIAL PERFORMANCE

CHAPTER 5

This chapter provides details regarding the financial performance of the Municipality for the 2017/18 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 2017/18 financial year:

Financial Summary						
R'000						
Description	2016/17	2017/18			2017/18% Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
Financial Performance						
Property rates	3 258	4 151	4 005	3 516	(18.07)	(13.93)
Service charges	16 873	18 481	17 526	17 556	(5.26)	0.17
Investment revenue	818	820	799	578	(41.89)	(38.24)
Transfers recognised - operational	19 793	17 973	21 486	21 532	16.53	0.21
Other own revenue	27 076	34 676	35 666	33 294	(4.15)	(7.13)
Total Revenue (excluding capital transfers and contributions)	67 817	76 100	79 482	76 476	0.49	(3.93)
Employee costs	19 031	23 819	23 195	21 693	(9.80)	(6.92)
Remuneration of Councillors	2 651	2 790	2 928	2 753	(1.37)	(6.39)
Depreciation & asset impairment	7 889	8 114	8 116	7 153	(13.43)	(13.47)
Debt impairment	21 335	0	25 730	18 545	100.00	(38.74)
Finance charges	217	7	7	966	99.31	99.31
Materials and bulk purchases	7 460	7 806	8 392	9 564	18.38	12.25
Transfers and grants	1 874	447	311	434	(2.90)	28.31
Other expenditure	20 190	43 042	18 834	17 198	(150.28)	(9.52)
Total Expenditure	80 647	86 025	87 514	78 305	(9.86)	(11.76)

CHAPTER 5: FINANCIAL PERFORMANCE

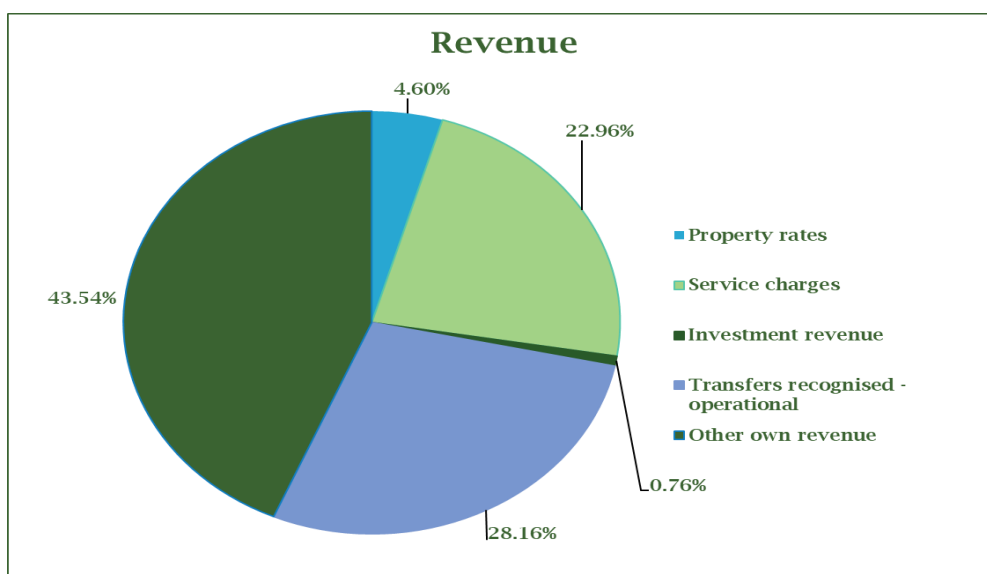
Financial Summary						
R'000						
Description	2016/17	2017/18			2017/18% Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
Surplus/(Deficit)	(12 829)	(9 925)	(8 032)	(1 829)	(442.52)	(339.05)
Transfers recognised - capital	6 776	8 654	16 117	7 534	(14.87)	(113.92)
Surplus/(Deficit) for the year	(6 053)	(1 271)	8 084	5 704	122.28	(41.72)
<u>Capital expenditure & funds sources</u>						
Capital expenditure						
Transfers recognised - capital	6 776	8 654	16 117	7 534	(14.87)	(113.92)
Public contributions & donations	1 400	0	0	0	N/A	N/A
Internally generated funds	191	794	1	10	7 840.00	90.00
Total sources of capital funds	8 367	9 115	16 118	10 770	15.37	(49.65)
<u>Financial position</u>						
Total current assets	14 599	61 057	10 022	23 864	(155.85)	58.00
Total non-current assets	163 379	178 482	171 381	181 526	1.68	5.59
Total current liabilities	13 718	73 406	7 686	20 658	(255.34)	62.80
Total non-current liabilities	8 795	0	8 795	11 988	100.00	26.64
Community wealth/Equity	155 467	166 132	164 922	172 745	3.83	4.53
<u>Cash flows</u>						
Net cash from (used) operating	2 820	6 843	11 124	15 124	54.75	26.45
Net cash from (used) investing	(6 909)	(9 115)	(15 718)	(10 623)	14.20	(47.96)
Net cash from (used) financing	48	24	24	(206)	111.65	111.65
Cash/cash equivalents at the year end	(4 041)	(2 248)	(4 570)	4 294	152.35	206.41
Cash backing/surplus reconciliation						
Cash and investments available	5 875	22 908	1 306	10 170	(125.26)	87.16
Application of cash and investments	8 094	30 454	1 142	15 160	(100.89)	92.47
Balance - surplus (shortfall)	(2 219)	(7 546)	164	(4 990)	(51.22)	103.28
<u>Asset management</u>						

CHAPTER 5: FINANCIAL PERFORMANCE

Financial Summary						
R'000						
Description	2016/17	2017/18			2017/18% Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
Asset register summary (WDV)	163 379	178 482	171 381	181 526	1.68	5.59
Depreciation & asset impairment	7 889	8 114	8 116	7 153	(13.43)	(13.47)
Repairs and Maintenance	2 104	1 978	1 884	993	(99.15)	(89.74)
Free services						
Cost of Free Basic Services provided	338	3 114	3 114	1 205	(158.42)	(158.42)
Revenue cost of free services provided	7 507	5 569	5 569	3 929	(41.74)	(41.74)
<i>Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.</i>						

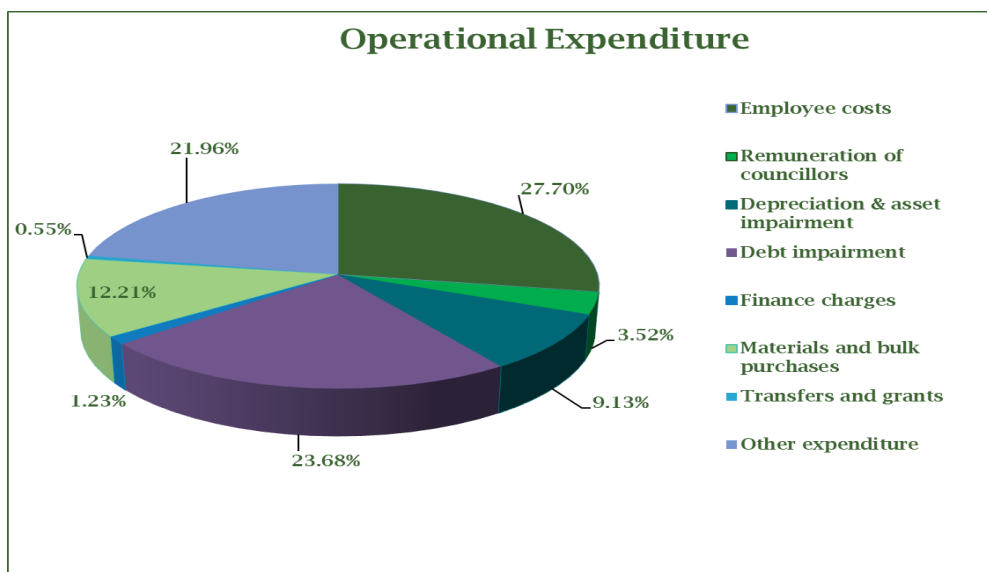
Table 141: Financial Performance 2017/18

The following graphs indicate the various types of revenue and expenditure items in the municipal budget for 2017/18:



Graph 8.: Revenue

CHAPTER 5: FINANCIAL PERFORMANCE



Graph 9.: Operating Expenditure

5.1.2 REVENUE COLLECTION BY VOTE

The table below indicates the revenue collection performance by vote:

Vote Description	2016/17	2017/18			2017/18% Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
	R'000					
Vote 1 - Mayoral & Council	20 986	1 636	3 502	11 812	86.15	70.35
Vote 2 - Municipal Manager	0	0	0	0	N/A	N/A
Vote 3 - Corporate Services	3 111	1 741	2 620	2 460	29.21	(6.53)
Vote 4 - Budget & Treasury	6 523	21 925	32 019	13 065	(67.81)	(145.07)
Vote 5 - Planning and Development	0	0	0	0	N/A	N/A
Vote 6 - Community and Social Services	995	1 078	1 071	3 830	71.86	72.05
Vote 7 - Sport and Recreation	16	24	2	2	(1 484.19)	(45.22)
Vote 8 - Housing	10	11	12	13	10.13	7.74
Vote 9 - Public Safety	22 372	33 606	33 708	29 360	(14.46)	(14.81)
Vote 10 - Road Transport	1 113	1 115	1 115	1 740	35.96	35.96
Vote 11 - Waste Management	2 097	2 066	2 225	2 398	13.86	7.22
Vote 12 - Waste Water Management	2 490	2 485	2 471	2 789	10.92	11.41
Vote 13 - Water	2 691	3 389	2 910	2 880	(17.68)	(1.06)
Vote 14 - Electricity	12 190	15 678	13 944	13 661	(14.76)	(2.07)
Total Revenue by Vote	74 594	84 754	95 598	84 009	(0.89)	(13.79)
<i>Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.</i>						

Table 142: Revenue by Vote

CHAPTER 5: FINANCIAL PERFORMANCE

5.1.3 REVENUE COLLECTION BY SOURCE

The table below indicates the revenue collection performance by source for the 2017/18 financial year:

Description	2016/17	2017/18			2017/18 % Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
	R'000					
Property rates	3 258	4 151	4 005	3 516	(18.07)	(13.93)
Service charges - electricity revenue	11 852	13 369	13 548	9 514	(40.52)	(42.40)
Service charges - water revenue	1 866	2 303	1 515	2 880	20.02	47.38
Service charges - sanitation revenue	1 661	1 511	1 218	2 788	45.80	56.31
Service charges - refuse revenue	1 441	1 297	1 244	2 375	45.38	47.60
Rentals of facilities and equipment	1 271	733	1 393	1 981	63.02	29.71
Interest earned - external investments	520	820	799	578	(41.89)	(38.24)
Interest earned - outstanding debtors	361	40	260	615	93.51	57.73
Fines	22 198	32 532	32 532	27 726	(17.33)	(17.33)
Licences and permits	176	1 077	1 178	1 354	20.50	13.01
Agency services	127	123	118	159	22.85	25.93
Transfers recognised - operational	20 205	17 973	21 486	21 532	16.53	0.21
Other revenue	3 293	172	186	1 458	88.23	87.27
Total Revenue (excluding capital transfers and contributions)	68 229	76 100	79 482	76 476	0.49	(3.93)
<i>Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.</i>						

Table 143: Revenue by Source

CHAPTER 5: FINANCIAL PERFORMANCE

5.1.4 OPERATIONAL SERVICES PERFORMANCE

The table below indicates the operational services performance for the 2017/18 financial year:

Financial Performance of Operational Services - Operating Cost						
R'000						
Description	2016/17	2017/18			2017/18 % Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
Water	2 128	2 628	2 842	3 108	15.45	8.55
Waste Water (Sanitation)	2 006	2 231	2 250	4 207	46.98	46.53
Electricity	8 446	7 503	8 269	7 856	4.50	(5.25)
Waste Management	1 671	1 354	1 481	1 535	(11.80)	3.54
Housing	171	183	184	7	(2 514.29)	(2 528.57)
Component A: sub-total	14 422	13 898	15 025	16 713	16.84	10.10
Roads	10 284	43 369	41 078	7 735	(460.69)	(431.07)
Component B: sub-total	10 284	43 369	41 078	7 735	(460.69)	(431.07)
Planning	1 077	1 241	1 227	945	(31.32)	(29.84)
Component C: sub-total	1 077	1 241	1 227	945	(31.32)	(29.84)
Libraries	984	931	931	915	(1.74)	(1.74)
Cemeteries	300	313	313	4	(7 712.50)	(7 712.50)
Child care, aged care and social programmes	3	4	4	22	83.18	83.18
Component D: sub-total	1 287	1 247	1 247	941	(32.53)	(32.53)
Public Safety	20 037	38	91	26 134	99.86	99.65
Environmental Protection (Pollution Control, Bio-Diversity, Landscape, Open Spaces, Parks, and Coastal Protection)	19	358	358	289	(23.88)	(23.88)
Component E: sub-total	20 056	396	449	26 423	98.50	98.30
Sport and Recreation	925	521	813	476	(9.45)	(70.80)
Component F: sub-total	925	521	813	476	(9.45)	(70.80)
Financial Services	32 596	25 353	27 676	25 072	(1.12)	(10.38)
Component G: sub-total	32 596	25 353	27 676	25 072	(1.12)	(10.38)
Total Expenditure	80 647	86 025	87 514	78 305	(9.86)	(11.76)
<i>Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.</i>						

Table 144: Operational Services Performance

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5.2 FINANCIAL PERFORMANCE PER MUNICIPAL FUNCTION

5.2.1 WATER SERVICES

Description	2016/17	2017/18			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue (excluding tariffs)	3 513	4 475	4 305	3 704	(20.81)
Expenditure:					
Employees	564	1 347	1 204	1 093	(23.24)
Repairs and Maintenance	100	109	137	191	42.59
Other	651	517	847	1 074	51.92
Total Operational Expenditure	1 315	1 973	2 188	2 358	16.32
Net Operational (Service) Expenditure	2 198	2 502	2 118	1 346	(85.89)
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 145: Financial Performance: Water Services

5.2.2 WASTE WATER (SANITATION) PROVISION

Description	2016/17	2017/18			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue (excluding tariffs)	3 321	3 460	3 724	3 839	9.87
Expenditure:					
Employees	574	786	789	726	(8.32)
Repairs and Maintenance	236	365	359	219	(66.57)
Other	305	235	257	222	(5.83)
Total Operational Expenditure	1 116	1 386	1 405	1 167	(18.79)
Net Operational (Service) Expenditure	2 205	2 074	2 319	2 672	22.39
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 146: Financial Performance: Waste Water (Sanitation) Services

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5.2.3 ELECTRICITY

Description	2016/17	2017/18			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue (excluding tariffs)	12 527	13 987	14 340	14 867	5.92
Expenditure:					
Employees	0	0	0	0	N/A
Repairs and Maintenance	463	357	310	242	(47.29)
Other	60	63	46	21	(200.86)
Total Operational Expenditure	523	420	356	263	(59.55)
Net Operational (Service) Expenditure	12 005	13 566	13 984	14 603	7.10
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 147: Financial Performance: Electricity

5.2.4 WASTE MANAGEMENT

Description	2016/17	2017/18			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue (excluding tariffs)	656	752	956	844	10.89
Expenditure:					
Employees	485	462	659	582	20.53
Repairs and Maintenance	314	246	209	273	9.82
Other	427	459	426	381	(20.47)
Total Operational Expenditure	1 226	1 167	1 294	1 236	5.53
Net Operational (Service) Expenditure	(571)	(415)	(338)	(391)	(6.04)
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 148: Financial Performance: Waste Management

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5.2.5 HOUSING

Description	2016/17	2017/18			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue (excluding tariffs)	10	11	12	11	1.20
Expenditure:					
Employees	0	0	0	0	N/A
Repairs and Maintenance	14	17	17	(1)	1 604.37
Other	8	3	5	7	52.29
Total Operational Expenditure	23	20	22	6	(252.90)
Net Operational (Service) Expenditure	(13)	(9)	(10)	6	260.88
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 149: Financial Performance: Housing

5.2.6 ROADS AND STORMWATER

Description	2016/17	2017/18			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue (excluding tariffs)	0	0	0	0	N/A
Expenditure:					
Employees	3 841	4 679	3 829	3 357	(39.38)
Repairs and Maintenance	226	221	168	77	(185.89)
Other	2 004	1 677	1 801	1 715	2.24
Total Operational Expenditure	6 071	6 577	5 797	5 150	(27.72)
Net Operational (Service) Expenditure	6 071	6 577	5 797	5 150	(27.72)
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 150: Financial Performance: Roads and Stormwater

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5.2.7 PLANNING AND BUILDING CONTROL

Description	2016/17	2017/18			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue (excluding tariffs)	0	0	0	0	N/A
Expenditure:					
Employees	809	831	866	869	4.38
Repairs and Maintenance	0	0	0	0	N/A
Other	268	410	361	76	(442.16)
Total Operational Expenditure	1 077	1 241	1 227	945	(31.38)
Net Operational (Service) Expenditure	(1 077)	(1 241)	(1 227)	(945)	(31.38)
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 151: Financial Performance: Planning and Building Control

5.2.8 LIBRARIES

Description	2016/17	2017/18			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue (excluding tariffs)	983	1 065	1 065	3 810	72.04
Expenditure:					
Employees	748	762	762	803	5.12
Repairs and Maintenance	13	20	20	5	(300.88)
Other	197	117	117	104	(12.44)
Total Operational Expenditure	959	900	900	913	1.45
Net Operational (Service) Expenditure	24	166	166	2 897	94.28
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 152: Financial Performance: Libraries

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5.2.9 CHILD CARE; AGED CARE; SOCIAL PROGRAMMES

Description	2016/17	2017/18			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue (excluding tariffs)	12	13	5	12	(8.57)
Expenditure:					
Employees	11	0	0	0	N/A
Repairs and Maintenance	1	3	3	0	N/A
Other	16	11	11	18	36.18
Total Operational Expenditure	29	14	14	18	21.93
Net Operational (Service) Expenditure	(17)	(1)	(8)	(6)	81.49
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 153: Financial Performance: Child Care, Aged Care, Social Programmes

5.2.10 PUBLIC SAFETY (TRAFFIC AND LAW ENFORCEMENT)

Description	2016/17	2017/18			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue (excluding tariffs)	23 323	33 606	33 708	29 342	(14.53)
Expenditure:					
Employees	1 724	2 630	2 334	2 534	(3.76)
Repairs and Maintenance	79	31	22	14	(116.01)
Other	16 272	27 084	27 069	20 909	(29.53)
Total Operational Expenditure	18 075	29 744	29 425	23 458	(26.80)
Net Operational (Service) Expenditure	5 248	3 862	4 283	5 884	34.36
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 154: Financial Performance: Public Safety (Traffic and Law Enforcement)

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5.2.11 SPORT AND RECREATION

Description	2016/17	2017/18			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue (excluding tariffs)	16	24	2	2	(1 484.19)
Expenditure:					
Employees	469	118	410	401	70.46
Repairs and Maintenance	10	8	8	18	56.47
Other	70	53	52	67	21.26
Total Operational Expenditure	550	179	470	485	63.19
Net Operational (Service) Expenditure	(534)	(155)	(468)	(484)	68.04
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 155: Financial Performance: Sport and Recreation

5.2.12 OFFICE OF THE MUNICIPAL MANAGER

Description	2016/17	2017/18			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue (excluding tariffs)	0	0	0	0	N/A
Expenditure:					
Employees	2 164	2 749	2 836	1 714	(60.41)
Repairs and Maintenance	0	0	0	0	N/A
Other	287	320	154	139	(129.41)
Total Operational Expenditure	2 451	3 069	2 990	1 853	(65.60)
Net Operational (Service) Expenditure	(2 451)	(3 069)	(2 990)	(1 853)	(65.60)
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 156: Financial Performance: Office of the Municipal Manager

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5.2.13 ADMINISTRATION

Description	2016/17	2017/18			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue (excluding tariffs)	3 103	1 741	2 620	1 929	9.72
Expenditure:					
Employees	1 640	1 888	2 289	2 285	17.39
Repairs and Maintenance	515	517	518	726	28.73
Other	3 275	3 270	3 048	3 881	15.75
Total Operational Expenditure	5 429	5 675	5 854	6 892	17.66
Net Operational (Service) Expenditure	(2 326)	(3 934)	(3 234)	(4 964)	20.74
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 157: Financial Performance: Administration

5.2.14 MAYORAL AND COUNCIL

Description	2016/17	2017/18			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue (excluding tariffs)	20 986	3 636	3 502	7 682	52.67
Expenditure:					
Employees	3 446	3 794	3 932	3 722	(1.94)
Repairs and Maintenance	22	53	53	17	(211.06)
Other	983	661	325	360	(83.66)
Total Operational Expenditure	4 452	4 508	4 309	4 099	(9.98)
Net Operational (Service) Expenditure	16 534	(872)	(807)	3 583	124.33
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 158: Financial Performance: Mayoral and Council

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5.2.15 FINANCIAL SERVICES

Description	2016/17	2017/18			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue (excluding tariffs)	6 472	21 925	32 019	16 191	(35.42)
Expenditure:					
Employees	5 156	5 445	5 341	5 641	3.49
Repairs and Maintenance	17	30	63	48	37.94
Other	3 798	2 532	5 192	2 548	0.62
Total Operational Expenditure	8 971	8 006	10 595	8237	2.81
Net Operational (Service) Expenditure	(2 499)	13 919	21 424	7 953	(75.01)
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 159: Financial Performance: Financial Services

5.3 GRANTS

5.3.1 GRANT PERFORMANCE

The Municipality had a total amount of **19.17** million for infrastructure and other projects available that was received in the form of grants from the National and Provincial Governments during the 2017/18 financial year.

The performance in the spending of these grants is summarised as follows:

Grant Performance						
R'000						
Description	2016/17	2017/18			2017/18 % Variance	
	Actual	Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
Capital Transfers and Grants						
National Government:	15 249	15 567	15 847	16 407	5.12	3.41
Equitable share	12 526	12 526	12 526	13 576	7.73	7.73
Municipal Infrastructure Grant (MIG)	0	316	316	0	N/A	N/A
Expanded Public Works Programme (EPWP)	1 000	1 000	1 000	1 031	3.01	3.01
Finance Management Grant (FMG)	1 723	1 725	2 005	1 800	4.17	(11.39)
Provincial Government:	4 490	1 226	3 023	2 349	47.80	(28.72)
Proclaimed roads	49	50	50	42	-20.38	-20.38
Community Development Workers Operating Grant	75	75	75	93	19.35	19.35

CHAPTER 5: FINANCIAL PERFORMANCE

Grant Performance						
R'000						
Description	2016/17	2017/18			2017/18 % Variance	
	Actual	Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
Drought Support	0	0	500	0	N/A	N/A
Western Cape Financial Management Capacity Building	0	120	120	0	N/A	N/A
Local Government Graduate Internship	0	0	0	11	100.00	100.00
Financial Management Support Grant	672	0	0	240	100.00	100.00
Other	3 693	0	0	0	N/A	N/A
Electrical Masterplan	0	0	250	0	N/A	N/A
Department of Sport and Recreation	0	981	981	1 063	7.71	7.71
Municipal Finance Improvement Programme	0	0	1 047	900	100.00	-16.35
Other grant providers:	54	0	300	31	100.00	(875.70)
Local Government Skills Education Training Authorities (LGSETA)	54	0	300	31	100.00	(875.70)
Total Capital Transfers and Grants	19 793	16 793	19 170	18 786	10.61	(2.04)
<i>Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.</i>						

Table 160: Grant Performance for 2017/18

5.3.2 CAPITAL GRANTS

Details	2016/17	2017/18				
	Actual (Audited Outcome)	Budget	Adjusted Budget	Actual	% Variance	
					Budget	Adjusted Budget
MIG	4 777	6 000	8 021	8 280	27.53	3.13
INEP	1 999	1 999	1 999	2 000	0.05	0.05
Human Settlement	0	160	660	0	N/A	N/A
Total	6 776	8 159	10 680	10 280	20.63	(3.89)

Table 161: Capital Grants

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5.3.3 LEVEL OF RELIANCE ON GRANTS & SUBSIDIES

Financial year	Total grants	Total	Percentage
	and subsidies received	Operating Revenue	
	R'000	R'000	
2016/17	26 569	67 817	39.18
2017/18	29 066	76 476	38.01

Table 162: Reliance on Grants

5.3.3 THREE LARGEST ASSETS

The following table indicates the details of the three largest assets within the Municipality:

Asset 1		
Name	New Bulk Watermain (197828)	
Asset Type	Water Supply Infrastructure	
Key Staff Involved	Technical Department	
Asset Value as at 30 June 2018	2016/17 R million	2017/18 R million
	0	2 748
Asset 2		
Name	INEP (ESKOM)	
Description	Shifting of Main Connection Point with ESKOM	
Asset Type	Electrical Infrastructure	
Key Staff Involved	Technical Department	
Asset Value as at 30 June 2018	2016/17 R million	2017/18 R million
	3 628	3 628
Asset 3		
Name	Pipeline to main reservoir	
Asset Type	Water Supply Infrastructure	
Key Staff Involved	Technical Department	
Asset Value as at 30 June 2018	2016/17 R million	2017/18 R million
	0	2 451

Table 163: Three Largest Assets

CHAPTER 5: FINANCIAL PERFORMANCE

5.4 ASSET MANAGEMENT

5.4.1 REPAIRS AND MAINTENANCE

Description	2016/17	2017/18			
	Actual (Audited Outcome)	Original Budget	Adjustment Budget	Actual	Budget variance
		R'000			%
Repairs & Maintenance expenditure	2 104	1 978	1 884	993	(89.74)

Table 164: Repairs & Maintenance

5.5 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

5.5.1 LIQUIDITY RATIO

Description	Basis of calculation	2016/17	2017/18
		Audited outcome	Audited outcome
Current Ratio	Current assets/current liabilities	1.06	1.16
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0.81	0.67
Liquidity Ratio	Cash and equivalents/Trade creditors and short term borrowings	0.43	0.49

Table 165: Liquidity Financial Ratio

5.5.2 IDP REGULATION FINANCIAL VIABILITY INDICATORS

Description	Basis of calculation	2016/17	2017/18
		Audited outcome	Audited outcome
Cost Coverage	(Available cash + Investments)/monthly fixed operational expenditure	0.87	1.56
Total Outstanding Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	0.21	0.57
Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year	13.72	5.50

Table 166: Financial Viability National KPAs

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5.5.3 EMPLOYEE COSTS

Description	Basis of calculation	2016/17	2017/18
		Audited outcome	Pre-audit outcome
Employee costs	Employee costs/(Total Revenue - capital revenue)	25.57%	28%

Table 167: Employee Costs

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 2017/18 financial year:

Details	2016/17	2017/18				
	Actual	Original Budget (OB)	Adjustment Budget	Actual	Adjustment to OB Variance	Actual to OB Variance
	R'000				%	
Grants and subsidies	6 364	8 321	16 117	10 760	48.37	15.13
Own funding	1 908	794	0	10	N/A	N/A
Total	8 272	9 115	16 117	10 770	43.44	10.27
<i>Percentage of finance (%)</i>						
Grants and subsidies	77	101	195	130	48.37	15.13
Own funds	23	9	0	0	N/A	N/A
<i>Capital expenditure</i>						
Water and sanitation	1 078	6 081	13 174	7 928	53.84	14.02
Electricity	3 520	2 000	1 995	1 798	(0.24)	(10.10)
	0	0	0	0	N/A	N/A
Roads and storm water	2 221	820	0	1 034	N/A	N/A
Other	1 454	214	949	0	77.44	(22.56)
Total	8 272	9 115	16 118	10 760	43.45	10.20
<i>Percentage of expenditure (%)</i>						
Water and sanitation	13	67	82	74		
Electricity	43	22	12	17		
Housing	0	0	0	0		
Roads and storm water	27	9	0	10		
Other	18	2	6	0		

Table 168: Capital Expenditure by Funding Source

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5.7 CAPITAL EXPENDITURE BY ASSET CLASS

The table below indicates the capital expenditure by asset class for the 2017/18 financial year:

Description	2016/17	2017/18			Planned Capital expenditure
	<i>Audited outcome</i>	Original Budget	Adjust-ment Budget	Actual Expenditure	2018/19
R'000					
<u>Capital expenditure by asset class</u>					
<u>Infrastructure - Total</u>	6 631	8 481	15 169	10 760	22 647
Infrastructure: Road transport - Total	6 631	750	0	1 034	0
<i>Roads, Pavements & Bridges</i>	6 631	750	0	1 034	0
Infrastructure: Electricity - Total	0	2 000	1 995	1 798	2 000
<i>Transmission & Reticulation</i>	0	2 000	1 995	1 798	2 000
Infrastructure: Water - Total	0	5 571	13 174	7 928	18 647
<i>Reticulation</i>	0	5 571	13 174	7 928	18 647
Infrastructure: Sanitation - Total	0	160	0	0	2 000
<i>Reticulation</i>	0	160	0	0	2 000
<u>Community - Total</u>	0	774	0	0	0
Sports fields& stadia	0	774	0	0	0
<u>Capital expenditure by Asset Class</u>	1 641	494	175	10	0
<u>Other assets</u>	1 641	494	175	10	
General vehicles	1 400	0	0	0	0
Plant & equipment	0	11	0	0	0
Computers hardware/equipment	0	120	0	0	0
Furniture and other office equipment	241	83	1	10	0
Other Buildings	0	280	174	0	0
Total Capital Expenditure on new assets	8 272	9 115	16 118	10 770	22 647

Table 169: Capital Expenditure by Asset Class

CHAPTER 5: FINANCIAL PERFORMANCE

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

Description	2016/17	2017/18		
	Audited Outcome	Original Budget	Adjusted Budget	Actual
	R'000			
Cash flow from operating activities				
Receipts				
Ratepayers and other	30 078	57 267	24 781	27 576
Government - operating	22 965	17 973	21 486	35 630
Government - capital	0	8 654	16 117	0
Interest	866	860	1 059	578
Payments				
Suppliers and employees	(51 088)	(77 457)	(52 001)	(48 644)
Finance charges	0	(7)	(7)	(16)
Transfers and Grants	0	(447)	(311)	0
Net cash from/(used) operating activities	2 820	6 843	11 124	15 124
Cash flows from investing activities				
Receipts				
Proceeds on disposal of PPE	(37)	0	0	0
Decrease (increase) other non-current receivables	0	0	0	1
Decrease (increase) in non-current investments	0	0	400	0
Payments				
Capital assets	(6 872)	(9 115)	(16 118)	(10 624)
Net cash from/(used) investing activities	(6 909)	(9 115)	(15 718)	(10 623)
Cash flows from financing activities				
Receipts				
Increase (decrease) in consumer deposits	0	24	24	40
Payments				
Repayment of borrowing	0	0	0	(246)
Net cash from/(used) financing activities	0	24	24	(206)
Net increase/ (decrease) in cash held	(4 089)	(2 248)	(4 570)	4 294
Cash/cash equivalents at the year begin:	9 964	5 875	5 875	5 875
Cash/cash equivalents at the year-end:	5 875	3 627	1 306	10 170

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					
2016/17	134	1 252	489	156	0	2 031
2017/18	532	1 393	505	239	0	2 669
Difference	398	141	16	83	0	638
% growth year on year	297	11	3	53	N/A	31
Note: Figures exclude provision for bad debt						

Table 171: Gross Outstanding Debtors per Service

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				
2016/17	1 098	146	243	545	2 031
2017/18	1 469	239	166	795	2 670
Difference	371	93	(76)	250	639
% growth year on year	34	64	(31)	46	31
<i>Note: Figures exclude provision for bad debt.</i>					

Table 172: Outstanding Debtor Age Analysis

CHAPTER 5: FINANCIAL PERFORMANCE

5.12 BORROWING AND INVESTMENTS

5.12.1 MUNICIPAL INVESTMENTS

Actual Investments		
R'000		
Investment type	2016/17	2017/18
	Actual	Actual
Deposits - Bank	1 845	1 538
Total	1 845	1 538

Table 173: Municipal Investments

CHAPTER 6: AUDITOR-GENERAL FINDINGS

CHAPTER 6

COMPONENT A: AUDITOR-GENERAL OPINION 2016/17

6.1 AUDITOR-GENERAL REPORT 2016/17

Details	
Audit Report Status:	Qualified
Issue raised	Corrective steps implemented
The AG was unable to obtain sufficient appropriate audit evidence relating to the completeness of irregular expenditure, as the AG could not ascertain that management had inspected the entire population. The AG could not confirm the amounts by alternative means. Consequently, The AG was unable to determine whether irregular expenditure for the current year amounting to R17 309 353, as disclosed in note 49 to the financial statements, was fairly stated	All expenditure to be reviewed and classified based on the different compliance requirements to determine whether a transaction is irregular or not. Once the draft report has been completed the report must be audited by the Internal Audit to determine whether the Irregular Expenditure is complete. The audited report must then be tabled to Audit Committee
The AG was unable to obtain sufficient appropriate audit evidence relating to the valuation of inventory. The Municipality did not value inventory as per the requirements of SA Standard of GRAP 12, Inventories in the financial statements. Consequently, The AG was unable to determine whether any adjustment was necessary relating to inventory stated at R1 377 966 (2015-16: R1 596 544) in note 8 to the financial statements. The AG was also unable to quantify the possible misstatement of inventory	The method of measuring inventory is going to be reviewed and the accounting policy to be amended accordingly. All inventory to be recounted and classified to determine whether it can still be used. The system of FIFO (First-in, First-out) to be adopted. The implementation of a proper stores system. This will be done with an action plan with deadlines that must be met. Once system is implemented and operating the inventory will be counted on a monthly basis
The Municipality's VAT receivable account is overstated by R2 213 462 as at 30 June 2017 as well as at 30 June 2016 due it not reconciling to the VAT statements of the South African Revenue Service as at 30 June 2016	Correction made (journal) and the Municipality will make sure that it will not happen in future

Table 174: AG Report 2016/17

CHAPTER 6: AUDITOR-GENERAL FINDINGS

COMPONENT B: AUDITOR-GENERAL OPINION 2017/18

6.2 AUDITOR-GENERAL REPORT 2017/18

Details	
Audit Report Status:	Qualified
Issue raised	Corrective steps implemented
The Municipality did not have an inventory management system o account for the acquisition and issuance of inventory items throughout the period under review. The AG was unable to determine whether any adjustment was necessary relating to inventory stated at R863 639 (2016-17: R1 409 983) in note 7 to the financial statements. The AG was unable to quantify the possible misstatement of inventory	The inventory module on the Promun system was purchased and will be fully implemented in the new financial year
Property, plant and equipment was identified that had not been recorded in the Municipality's financial records and the AG was not able to quantify the possible understatement. Furthermore, the AG was not able to verify the existence of property, plant and equipment to the value of R514 068. The Municipality's property, plant and equipment is therefore overstated by this amount	The Municipality is currently carrying out an intensive review and physical verification process of all its assets
The AG was unable to verify the existence, valuation, classification and rights and obligations of trade payables of R2 198 309, since no supporting schedules could be provided to substantiate this amount	The control account is analyzed in its entirety to confirm its correctness and all creditors appearing on this account are reviewed to determine whether any obligation still exists
Irregular expenditure of R2 863 462 incurred in the current year was not disclosed as irregular expenditure in note 59 to the notes to the financial statements. This irregular expenditure as disclosed in note 59 is therefore understated by this amount	The irregular expenditure will be re-stated and will include the amount of R 2 863 462, that was not disclosed. The original total of irregular expenditure in note 59 will adjusted and tabled to Council at the next available council meeting. Future irregular expenditure will be submitted to Internal Audit for verification before being tabled to Council
Revenue collected on behalf of the Department of Transport and Public Works (principal) and the related expenditure were not accounted for as required by paragraph 43 of GRAP 109, Accounting by principals and agents. Revenue from exchange transactions and expenditure are therefore both overstated by R1 135 562	Accounting procedures in terms of GRAP 109 will be applied in the new financial year

Table 175: AG Report 2017/18

LIST OF ABBREVIATIONS, TABLES AND GRAPHS

LIST OF ABBREVIATIONS

AG	Auditor-General	LASBA	Laingsburg Small Business Association
CAPEX	Capital Expenditure	LED	Local Economic Development
CBP	Community Based Planning	LGSETA	Local Government Skills Education Training Authorities
CFO	Chief Financial Officer	MAYCOM	Executive Mayoral Committee
CIDB	Construction Industry Development Board	MFMA	Municipal Finance Management Act (Act No. 56 of 2003)
DLG	Department of Local Government	MIG	Municipal Infrastructure Grant
DPLG	Department of Provincial and Local Government	MM	Municipal Manager
DoRA	Division of Revenue Act	MMC	Member of Mayoral Committee
DWAF	Department of Water Affairs and Forestry	MSA	Municipal Systems Act No. 32 of 2000
EE	Employment Equity	MSIG	Municipal Systems Improvement Grant
EPWP	Expanded Public Works Programme	MTECH	Medium Term Expenditure Committee
FET	Further Education and Training	NGO	Non-governmental organisation
FMG	Finance Management Grant	NT	National Treasury
GAMAP	Generally Accepted Municipal Accounting Practice	OPEX	Operating expenditure
GRAP	Generally Recognised Accounting Practice	PACA	Participatory Appraisal Competitive Advantage
GDPR	Gross Domestic Product of Region	PMS	Performance Management System
HR	Human Resources	PT	Provincial Treasury
IDP	Integrated Development Plan	SALGA	South African Local Government Organisation
IFRS	International Financial Reporting Standards	SAMDI	South African Management Development Institute
IMFO	Institute for Municipal Finance Officers	SANS	South African National Standards
INEP	Integrated National Electrification Programme	SCM	Supply Chain Management
KPA	Key Performance Area		
KPI	Key Performance Indicator		
LADAAG	Laingsburg Anti-Drug and Alcohol Action Group		



LIST OF ABBREVIATIONS, TABLES AND GRAPHS

SDBIP Service Delivery and Budget
Implementation Plan

SDF Spatial Development Framework

VCP Vehicle Check Point



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ANNEXURE A: ANNUAL FINANCIAL STATEMENTS



**Laingsburg Local Municipality
Annual Financial Statements
for the year ended 30 June 2018**



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Laingsburg Local Municipality

(Registration number WC051)

Annual Financial Statements for the year ended 30 June 2018

General Information

Legal form of entity	Local Municipality
Mayoral committee	
Executive Mayor	Cllr. M Gouws
Deputy Executive Mayor	Cllr. I Brown
Speaker	Cllr. RM Louw
Councillors	Cllr. B Kleinbooi Cllr. L Potgieter Cllr. W Theron du P Cllr. B van As
Grading of local authority	Grade 1
Capacity of local authority	Medium
Accounting Officers	Ms. AS Groenewald (Acting) Mr. PA Williams (Appointed 1 June 2018 - Acting)
Chief Finance Officer (CFO)	Ms. AS Groenewald
Registered office	2 Van Riebeeck Street Laingsburg 6900
Business address	2 Van Riebeeck Street Laingsburg 6900
Postal address	Private Bag X4 Laingsburg 6900
Bankers	ABSA Bank Standard Bank
Auditors	Auditor-General of South Africa
Attorneys	Wilna Roux De Vries, De Wet & Krouwkam Attorneys

Laingsburg Local Municipality

(Registration number WC051)

Annual Financial Statements for the year ended 30 June 2018

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Laingsburg Local Municipality

(Registration number WC051)

Annual Financial Statements for the year ended 30 June 2018

Accounting Officer's Responsibilities and Approval

The accounting officers are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officers to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officers acknowledge that they are ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officers to meet these responsibilities, the accounting officers sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officers are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officers have reviewed the municipality's cash flow forecast for the year to 30 June 2019 and, in the light of this review and the current financial position, they are satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 4.

The annual financial statements set out on pages 6 - 103, which have been prepared on the going concern basis, were approved by the Acting Accounting Officer on 3 May 2019 and were signed on its behalf by:



M. PA Williams
Municipal Manager

Laingsburg Local Municipality

(Registration number WC051)

Annual Financial Statements for the year ended 30 June 2018

Accounting Officer's Report

The accounting officers submit their report for the year ended 30 June 2018.

1. Review of activities

Main business and operations

The municipality is engaged in The main business operations of the municipality is to engage in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community: rates and general services - all types of services rendered by the municipality, including the following; housing services - supply housing to the community and includes the rental of units owned by the municipality to public and staff; waste management services - the collection, disposal and purifying of waste, refuse and sewerage; electricity services - electricity is bought in bulk from eskom and distributed to the consumers by the municipality; and water services - supplying water to the public and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net surplus of the municipality was R 5 704 452 (2017: deficit R 10 790 387).

2. Going concern

We draw attention to the fact that at 30 June 2018, the municipality had an accumulated surplus of R 136 224 981 and that the municipality's current assets exceed its current liabilities by R2 064 978.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the government continue to procure funding for the ongoing operations for the municipality through the provision of equitable share, and additionally the accounting officer will continue to tightly manage the cashflow of the municipality.

3. Subsequent events

The accounting officers are not aware of any significant matter or circumstance arising since the end of the financial year.

4. Accounting Officers' interest in contracts

The Accounting Officer's had no interest in any contracts.

5. Accounting policies

The annual financial statements prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP), including any interpretations issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Non-current assets

There were no significant changes in the nature of the non-current assets of the municipality during the year.

7. Corporate governance

General

The accounting officers is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officers supports the highest standards of corporate governance and the ongoing development of best practice.

8. Bankers

The municipality's bankers during the year was ABSA Bank and Standard Bank and did not change from the previous year.

Laingsburg Local Municipality

(Registration number WC051)

Annual Financial Statements for the year ended 30 June 2018

Accounting Officer's Report

9. Auditors

Auditor-General of South Africa will continue in office for the next financial period.

10. Retirement benefit obligation

Management performed an actuarial valuation of the Employee Benefits of the employer's liability arising from the post-retirement healthcare subsidy payable to current and retired employees.

The valuation is in line with the requirements of GRAP 25 and the municipality has determined the items required for disclosure in terms of this standard.

Laingsburg Local Municipality

(Registration number WC051)

Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Position as at 30 June 2018

	Note(s)	2018 R	2017 R
Assets			
Current Assets			
Inventories	7	863 630	1 409 983
Current portion of long term receivables from exchange transactions	8	1 010	763
VAT receivable	9	2 846 463	1 637 372
Receivables from exchange transactions	10	2 137 412	1 872 758
Receivables from non-exchange transactions	11	7 845 964	2 663 362
Cash and cash equivalents	12	10 169 928	5 875 467
		23 864 407	13 459 705
Non-Current Assets			
Investment property	2	25 049 551	25 107 010
Property, plant and equipment	3	155 991 628	149 737 569
Intangible assets	4	441 564	708 130
Heritage assets	5	43 354	43 354
		181 526 097	175 596 063
Total Assets		205 390 504	189 055 768
Liabilities			
Current Liabilities			
Finance lease obligation	16	66 588	100 078
Payables from exchange transactions	19	7 794 800	6 722 715
Consumer deposits	20	590 700	551 017
Employee benefit obligation	6	289 416	204 744
Unspent conditional grants and receipts	17	11 217 755	4 653 296
Provisions	18	698 781	540 381
		20 658 040	12 772 231
Non-Current Liabilities			
Finance lease obligation	16	23 197	89 785
Employee benefit obligation	6	4 213 073	4 280 656
Provisions	18	7 751 611	4 947 139
		11 987 881	9 317 580
Total Liabilities		32 645 921	22 089 811
Net Assets		172 744 583	166 965 957
Reserves			
Capital replacement reserve	13	1 844 479	1 770 303
Donations and public contribution reserve	14	32 994 672	32 994 672
Housing development fund	15	1 680 451	1 680 451
Accumulated surplus		136 224 981	130 520 531
Total Net Assets		172 744 583	166 965 957

Laingsburg Local Municipality

(Registration number WC051)

Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Performance

	Note(s)	2018 R	2017 R
Revenue			
Revenue from exchange transactions			
Sale of goods		442 373	103 985
Service charges	22	17 556 308	16 762 714
Rental of facilities and equipment	23	1 981 170	1 270 936
Interest earned - exchange transactions	21	250 827	47 959
Agency services	25	159 307	127 163
Licences and permits	26	1 353 032	1 123 781
Operational revenue	30	179 949	59 642
Interest earned - bank accounts and external investments	31	577 698	817 970
Total revenue from exchange transactions		22 500 664	20 314 150
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	32	3 515 654	3 235 105
Interest earned - non-exchange transactions	32	255 738	313 389
Licences and permits	27	1 235	2 516
Actuarial gain		836 056	-
Interest earned - current assets	29	108 565	87 079
Transfer revenue			
Government grants and subsidies	34	29 065 699	26 569 059
Public contributions and donations	35	-	2 837 891
Fines, penalties and forfeits	24	27 725 662	22 198 171
Total revenue from non-exchange transactions		61 508 609	55 243 210
Total revenue	21	84 009 273	75 557 360
Expenditure			
Employee related costs	36	(21 692 897)	(19 050 586)
Remuneration of councillors	37	(2 752 529)	(2 650 914)
Inventory consumed	38	(2 246 265)	(901 603)
Depreciation and amortisation	39	(6 537 332)	(6 139 230)
Impairment loss/ Reversal of impairments	40	(615 824)	-
Finance costs	41	(965 541)	(708 508)
Lease rentals on operating lease	28	(73 135)	(76 155)
Debt Impairment	42	(18 545 021)	(21 307 608)
Bad debts written off		(1 960 450)	-
Bulk purchases	43	(7 316 598)	(7 590 365)
Contracted services	44	(4 586 404)	(6 811 959)
Transfers and subsidies	33	(434 397)	(1 929 934)
Loss on disposal of assets and liabilities	48	-	(6 216 468)
Actuarial losses		-	(50 188)
Operational cost	45	(10 578 428)	(12 914 229)
Total expenditure		(78 304 821)	(86 347 747)
Surplus (deficit) for the year		5 704 452	(10 790 387)

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Statement of Changes in Net Assets

	Capital Replacement Reserve	Housing Development Fund	Donations and Public Contribution Reserve	Total reserves	Accumulated surplus	Total net assets
	R	R	R	R	R	R
Opening balance as previously reported	1 770 303	1 680 451	32 994 672	36 445 426	125 074 176	161 519 602
Adjustments						
Correction of errors	-	-	-	-	16 236 742	16 236 742
Balance at 01 July 2016 as restated*	1 770 303	1 680 451	32 994 672	36 445 426	141 310 918	177 756 344
Changes in net assets						
Surplus for the year	-	-	-	-	(10 790 387)	(10 790 387)
Total changes					(10 790 387)	(10 790 387)
Balance at 01 July 2017	1 770 303	1 680 451	32 994 672	36 445 426	130 520 529	166 965 955
Changes in net assets						
Surplus for the year	74 176	-	-	-	5 704 452	5 704 452
VAT on Grant Expenditure				74 176	-	74 176
Total changes	74 176	-	-	74 176	5 704 452	5 778 628
Balance at 30 June 2018	1 844 479	1 680 451	32 994 672	36 519 602	136 224 981	172 744 583

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Cash Flow Statement

	Note(s)	2018 R	2017 R
Cash flows from operating activities			
Receipts			
Taxation		2 670 369	4 234 635
Sale of goods and services		24 905 262	21 111 426
Grants		35 630 158	48 399 654
Interest income		577 698	817 970
		<u>63 783 487</u>	<u>74 563 685</u>
Payments			
Employee costs		(24 061 158)	(20 771 727)
Suppliers		(24 582 695)	(50 518 957)
Finance costs		(15 958)	(685 491)
		<u>(48 659 811)</u>	<u>(71 976 175)</u>
Net cash flows from operating activities	47	<u>15 123 676</u>	<u>2 587 510</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(10 624 351)	(6 821 095)
Proceeds from sale of property, plant and equipment	3	-	46 201
Decrease/(increase) in non-current receivables		1 215	-
Net cash flows from investing activities		<u>(10 623 136)</u>	<u>(6 774 894)</u>
Cash flows from financing activities			
Finance lease payments		(245 762)	44 179
Other cash item		39 683	54 517
Net cash flows from financing activities		<u>(206 079)</u>	<u>98 696</u>
Net increase/(decrease) in cash and cash equivalents		<u>4 294 461</u>	<u>(4 088 688)</u>
Cash and cash equivalents at the beginning of the year		5 875 467	9 964 155
Cash and cash equivalents at the end of the year	12	<u>10 169 928</u>	<u>5 875 467</u>

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	-	-	-	442 373	442 373	Note 62
Service charges	18 480 600	(954 900)	17 525 700	17 556 308	30 608	<10%
Rental of facilities and equipment	732 600	659 900	1 392 500	1 981 170	588 670	Note 62
Interest earned - exchange transactions	39 900	220 100	260 000	250 827	(9 173)	< 10%
Agency services	122 900	(4 900)	118 000	159 307	41 307	Note 62
Licences and permits	1 076 700	101 400	1 178 100	1 353 032	174 932	Note 62
Other revenue	171 600	14 100	185 700	179 949	(5 751)	< 10%
Interest earned - external investments and bank accounts	819 700	(21 100)	798 600	577 698	(220 902)	Note 62
Total revenue from exchange transactions	21 444 000	14 600	21 458 600	22 500 664	1 042 064	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	4 150 800	(145 500)	4 005 300	3 515 654	(489 646)	Note 62
Interest earned - non-exchange transactions	-	-	-	255 738	255 738	Note 62
Licences and Permits (Non-exchange)	-	-	-	1 235	1 235	Note 62
Actuarial gains	-	-	-	836 056	836 056	Note 62
Interest earned - current assets	-	-	-	108 565	108 565	Note 62
Transfer revenue						
Government grants & subsidies	17 973 000	3 512 938	21 485 938	29 065 699	7 579 761	Note 62
Fines, Penalties and Forfeits	32 531 900	-	32 531 900	27 725 662	(4 806 238)	Note 62
Total revenue from non-exchange transactions	54 655 700	3 367 438	58 023 138	61 508 609	3 485 471	
Total revenue	76 099 700	3 382 038	79 481 738	84 009 273	4 527 535	
Expenditure						
Employee related costs	(23 818 600)	624 000	(23 194 600)	(21 692 897)	1 501 703	< 10%
Remuneration of councillors	(2 790 300)	(138 000)	(2 928 300)	(2 752 529)	175 771	< 10%
Inventory consumed	(951 460)	209 460	(742 000)	(2 246 265)	(1 504 265)	Note 62
Depreciation and amortisation	(8 114 000)	(2 400)	(8 116 400)	(6 537 332)	1 579 068	Note 62
Impairment loss/ Reversal of impairments	-	-	-	(615 824)	(615 824)	Note 62
Finance costs	(6 700)	-	(6 700)	(965 541)	(958 841)	Note 62
Lease rentals on operating lease	-	-	-	(73 135)	(73 135)	Note 62
Debt Impairment	-	(25 730 000)	(25 730 000)	(18 545 021)	7 184 979	Note 62
Bad debts written off	-	-	-	(1 960 450)	(1 960 450)	Note 62
Bulk purchases	(6 854 200)	(795 800)	(7 650 000)	(7 316 598)	333 402	< 10%
Contracted Services	(5 602 700)	534 700	(5 068 000)	(4 586 404)	481 596	< 10%

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual R	Reference
	R	R	R	R		
Transfers and Subsidies	(446 990)	135 590	(311 400)	(434 397)	(122 997)	Note 62
Operational cost	(37 439 750)	23 673 312	(13 766 438)	(10 578 428)	3 188 010	Note 62
Total expenditure	(86 024 700)	(1 489 138)	(87 513 838)	(78 304 821)	9 209 017	
Operating surplus	(9 925 000)	1 892 900	(8 032 100)	5 704 452	13 736 552	
Transfers and subsidies - capital	8 654 000	7 462 505	16 116 505	-	(16 116 505)	Note 62
Surplus before taxation	(1 271 000)	9 355 405	8 084 405	5 704 452	(2 379 953)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(1 271 000)	9 355 405	8 084 405	5 704 452	(2 379 953)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Position						
Assets						
Current Assets						
Inventories	1 999 984	-	1 999 984	863 630	(1 136 354)	Note 62
Current portion of long term receivables from exchange transactions	-	-	-	1 010	1 010	< 10%
Receivables from non-exchange transactions	15 320 359	(15 320 359)	-	7 845 964	7 845 964	Note 62
VAT receivable	-	-	-	2 846 463	2 846 463	Note 62
Receivables from exchange transactions	20 827 719	(14 111 291)	6 716 428	2 137 412	(4 579 016)	Note 62
Cash and cash equivalents	22 908 489	(21 602 672)	1 305 817	10 169 928	8 864 111	Note 62
	61 056 551	(51 034 322)	10 022 229	23 864 407	13 842 178	
Non-Current Assets						
Investment property	7 444 580	(3 172 035)	4 272 545	25 049 551	20 777 006	Note 62
Property, plant and equipment	170 740 141	(4 197 131)	166 543 010	155 991 628	(10 551 382)	Note 62
Intangible assets	250 196	271 455	521 651	441 564	(80 087)	Note 62
Heritage assets	46 772	(3 418)	43 354	43 354	-	
	178 481 689	(7 101 129)	171 380 560	181 526 097	10 145 537	
Total Assets	239 538 240	(58 135 451)	181 402 789	205 390 504	23 987 715	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	-	66 588	66 588	Note 62
Payables from exchange transactions	63 811 934	(57 380 434)	6 431 500	7 794 796	1 363 296	Note 62
Consumer deposits	317 338	191 637	508 975	590 700	81 725	Note 62
Employee benefit obligation	-	-	-	289 416	289 416	Note 62
Unspent conditional grants and receipts	-	-	-	11 217 755	11 217 755	Note 62
Provisions	9 276 839	(8 531 714)	745 125	698 781	(46 344)	< 10%
	73 406 111	(65 720 511)	7 685 600	20 658 036	12 972 436	
Non-Current Liabilities						
Finance lease obligation	-	-	-	23 197	23 197	Note 62
Employee benefit obligation	-	-	-	4 213 073	4 213 073	Note 62
Provisions	-	8 794 793	8 794 793	7 751 611	(1 043 182)	Note 62
	-	8 794 793	8 794 793	11 987 881	3 193 088	
Total Liabilities	73 406 111	(56 925 718)	16 480 393	32 645 917	16 165 524	
Net Assets	166 132 129	(1 209 733)	164 922 396	172 744 587	7 822 191	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual R	Reference
	R	R	R	R	R	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Capital replacement reserve	-	-	-	1 844 479	1 844 479	
Housing development fund reserve	2 765 435	(2 765 435)	-	1 680 451	1 680 451	
Donations and public contributions reserve	-	-	-	32 994 672	32 994 672	
Accumulated surplus	163 366 694	1 555 702	164 922 396	136 224 985	(28 697 411)	Note 62
Total Net Assets	166 132 129	(1 209 733)	164 922 396	172 744 587	7 822 191	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Taxation	4 150 800	(1 387 143)	2 763 657	3 871 963	1 108 306	Note 62
Service charges	18 480 600	(6 139 007)	12 341 593	23 809 121	11 467 528	Note 62
Grants	26 627 000	10 975 443	37 602 443	33 068 704	(4 533 739)	Note 62
Interest income	859 600	199 000	1 058 600	577 698	(480 902)	Note 62
Other receipts	34 635 700	(24 959 500)	9 676 200	-	(9 676 200)	Note 62
	84 753 700	(21 311 207)	63 442 493	61 327 486	(2 115 007)	
Payments						
Suppliers and employees	(77 457 010)	25 456 472	(52 000 538)	(45 441 534)	6 559 004	Note 62
Finance costs	(6 700)	-	(6 700)	(952 585)	(945 885)	Note 62
Transfers and grants	(446 990)	135 590	(311 400)	-	311 400	Note 62
	(77 910 700)	25 592 062	(52 318 638)	(46 394 119)	5 924 519	
Net cash flows from operating activities	6 843 000	4 280 855	11 123 855	14 933 367	3 809 512	
Cash flows from investing activities						
Purchase of property, plant and equipment	(9 115 000)	(7 002 505)	(16 117 505)	(8 269 460)	7 848 045	Note 62
Decrease (increase) in non-current investments	-	400 000	400 000	-	(400 000)	Note 62
Decrease/(increase) in non-current receivables	-	-	-	(247)	(247)	< 10%
Net cash flows from investing activities	(9 115 000)	(6 602 505)	(15 717 505)	(8 269 707)	7 447 798	
Cash flows from financing activities						
Finance lease receipts	-	-	-	(100 078)	(100 078)	Note 62
Increase (decrease) in consumer deposits	24 000	-	24 000	39 683	15 683	Note 62
Net cash flows from financing activities	24 000	-	24 000	(60 395)	(84 395)	
Net increase/(decrease) in cash and cash equivalents	(2 248 000)	(2 321 650)	(4 569 650)	6 603 265	11 172 915	
Cash and cash equivalents at the beginning of the year	5 875 467	-	5 875 467	5 875 467	-	
Cash and cash equivalents at the end of the year	3 627 467	(2 321 650)	1 305 817	12 478 732	11 172 915	

Material differences between the adjustment budget and actual amounts are deemed material if it differs with more than 10%.

Refer to note 62 for these material differences explained.

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Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

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

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the annual financial statements.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

1.4 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Receivables

The municipality assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for receivables is calculated on a portfolio basis. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default payments are all considered indicators of impairment.

Allowance for slow moving, damaged and obsolete stock

An assessment is made of net realisable value at the end of each reporting period. A write down of inventory to the lower of cost or net realisable value is subsequently provided. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

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Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the recoverable amount assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

Value in use of cash generating assets:

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors such as exchange rates, inflation and interest rates.

Value in use of non-cash generating assets:

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependant on the availability of data and the nature of the impairment.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on industry norm and on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease the depreciation charge where useful lives are more than previously estimated useful lives.

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Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Post retirement and other long-term benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post retirement and longterm obligations. In determining the appropriate discount rate, the municipality considers market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for maturities by extrapolating current market rates along the yield curve.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 6.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for impairment of financial assets

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Comparative information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The municipality has realigned items in the annual financial statements with the Item Segment of mSCOA. The result of this process was a reclassification and naming of items in the annual financial statements. The reclassification of 2017 audited amounts is set out in Note 53 of the annual financial statements.

Amended disclosure policy

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the annual financial statements. The principle amendments to matters disclosed in the current annual financial statements include errors.

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) 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.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

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Accounting Policies

1.5 Investment property (continued)

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	Indefinite
Property - buildings	20 - 30 years

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

- Property that is owner-occupied, for example, a building that is occupied by the entity for administrative purposes or to supply goods and services;
- Property, i.e. housing, rented to employees, regardless of whether the rent is market related or not; and
- Property held to provide a social service and which also generates cash inflows, for example, an entity rents out one of its properties (buildings) to other properties on an ad-hoc basis. The rental revenue received is incidental to the purpose for which the property is held; therefore it is treated as property, plant and equipment and not investment property.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note).

1.6 Property, plant and equipment

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 period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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 management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

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Accounting Policies

1.6 Property, plant and equipment (continued)

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.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is measured at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life in years
Land	Straight line	Indefinite
Buildings	Straight line	10 - 100
Plant and equipment	Straight line	3 - 33
Furniture and fixtures	Straight line	1 - 40
General vehicles	Straight line	6 - 39
Specialised vehicles	Straight line	12
Computer hardware / equipment	Straight line	5 - 24
Cemeteries	Straight line	15 - 95
Sport fields and stadia	Straight line	15 - 95
Museums and art galleries	Straight line	15 - 60
Halls	Straight line	15 - 95
Libraries	Straight line	30 - 95
Parks and gardens	Straight line	20 - 50
Road transport	Straight line	10 - 60
Electricity supply	Straight line	45 - 60
Water supply	Straight line	4 - 60
Sanitation and refuse	Straight line	15 - 60
Other infrastructure	Straight line	15 - 60

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors.

Items of property, plant and equipment 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 from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

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1.6 Property, plant and equipment (continued)

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.7 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.8 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised 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.

Intangible assets are initially measured at cost.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Intangible assets are measured at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

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1.8 Intangible assets (continued)

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life in years
Computer hardware / equipment	Straight line	5 - 25

Intangible assets are 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 intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.9 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

Recognition

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

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

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

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset 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 a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

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1.10 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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1.10 Financial instruments (continued)

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments 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.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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1.10 Financial instruments (continued)

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Long-term receivables from exchange transactions	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Unspent conditional grants and subsidies	Financial liability measured at amortised cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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1.10 Financial Instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

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1.10 Financial Instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

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 are not reversed.

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1.10 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a 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, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

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Accounting Policies

1.11 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

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1.11 Statutory receivables (continued)

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.

In estimating the future cash flows, an municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
 - derecognise the receivable; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.12 Leases

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. 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.

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1.12 Leases (continued)

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. 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.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in the statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Any contingent rent is expected in the period in which they are incurred.

1.13 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

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1.13 Inventories (continued)

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.14 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. An asset generates a commercial return when it is developed in a manner consistent with that adopted by a profit-orientated entity.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash generating assets are as follow:

Cash-generating assets are assets that are held with the primary objective of generating a commercial return. Assets will generate a commercial return when the municipality intends to generate positive cash flow from the assets similar to a profit-orientated entity and not held primarily for service delivery.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

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

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

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1.14 Impairment of cash-generating assets (continued)

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

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 municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

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1.14 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. 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 (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.15 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is developed in a manner consistent with that adopted by a profit-orientated entity.

Non-cash-generating assets are assets other than cash-generating assets.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash generating assets are as follow:

Cash-generating assets are assets that are held with the primary objective of generating a commercial return. Assets will generate a commercial return when the municipality intends to generate positive cash flow from the assets similar to a profit-orientated entity and not held primarily for service delivery.

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1.15 Impairment of non-cash-generating assets (continued)

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

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

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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1.15 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. 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 (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.16 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

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Accounting Policies

1.16 Employee benefits (continued)

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Multi-employer plans and/or State plans and/or Composite social security programmes

The municipality classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the municipality accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the municipality account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the municipality account for the plan as if it was a defined contribution plan.

Insured benefits

Where the entity pays insurance premiums to fund a post-employment benefit plan, the municipality treats such a plan as a defined contribution plan unless the municipality will have (either directly or indirectly through the plan) a legal or constructive obligation to either:

- pay the employee benefits directly when they fall due; or
- pay further amounts if the insurer does not pay all future employee benefits relating to employee service in the current and prior reporting periods.

If the municipality retains such a legal or constructive obligation, the entity treats the plan as a defined benefit plan.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an municipality pays fixed contributions into a separate municipality (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

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1.16 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting municipality) that are held by an municipality (a fund) that is legally separate from the reporting municipality and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- the assets are returned to the reporting municipality to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

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Accounting Policies

1.16 Employee benefits (continued)

The municipality determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, a municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, a municipality shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

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Accounting Policies

1.16 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

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Accounting Policies

1.16 Employee benefits (continued)

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.17 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- 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 amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note .

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1.17 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.14 and 1.15.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.18 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancelable or only cancelable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.19 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

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

- the municipality has transferred to the purchaser 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; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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1.19 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- 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 stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

1.20 Revenue from non-exchange transactions

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

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1.20 Revenue from non-exchange transactions (continued)

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Property rates

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

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1.20 Revenue from non-exchange transactions (continued)

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

Concessionary loans received

A concessionary loan is a loan granted to or received by a property, plant and equipment on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

1.21 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.22 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.23 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.24 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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.

1.25 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

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Accounting Policies

1.25 Fruitless and wasteful expenditure (continued)

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.

1.26 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

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), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

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1.28 Internal reserves

Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, funds are transferred from the accumulated surplus/(deficit) to the CRR. The cash funds in the CRR can only be utilised for the purpose of purchasing / construction of items of property, plant and equipment and may not be used for the maintenance of these items. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

Government grant reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/deficit to the Government Grants Reserve equal to the Government Grant recorded as revenue in the statement of financial performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/deficit. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/deficit.

The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/deficit.

Donations and public contributions reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/deficit to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the statement of financial performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/deficit. The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/deficit.

1.29 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are debited / credited against accumulated surplus / deficit. Prior year adjustments, relating to income and expenditure, are debited / credited against accumulated surplus when retrospective adjustments are made.

1.30 Budget information

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts is disclosed as separate additional financial statements, namely Statements of Comparison of Budget and Actual Amounts.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2017/07/01 to 2018/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

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Accounting Policies

1.30 Budget information (continued)

Explanations for differences between the approved and final budget are included in the Notes to the Annual Financial Statements.

Explanations for material differences between the final budget amounts and actual amounts are included in the Notes to the Annual Financial Statements.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

1.31 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.32 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

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Notes to the Annual Financial Statements

	2018 R	2017 R
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2. Investment property

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	25 898 347	(848 796)	25 049 551	25 898 347	(791 337)	25 107 010

Reconciliation of investment property - 2018

	Opening balance	Depreciation	Total
Investment property	25 107 010	(57 459)	25 049 551

Reconciliation of investment property - 2017

	Opening balance	Depreciation	Total
Investment property	25 164 469	(57 459)	25 107 010

Pledged as security

None of the above Investment Properties have been pledged as security.

Details of property

Land

Terms and conditions

- Cost	20 328 847	20 328 847
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Buildings

Terms and conditions

- Cost	5 569 500	5 569 500
- Accumulated depreciation	(848 796)	(791 337)
	4 720 704	4 778 163

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Amounts recognised in surplus or deficit

Rental revenue from Investment property	1 261 904	907 484
From Investment property that generated rental revenue		
Direct operating expenses (excluding repairs and maintenance)		(166 645)
From Investment property that did not generate rental revenue		
Repairs and maintenance	14 936	301 942

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Figures in Rand

3. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	15 374 641	-	15 374 641	15 374 641	-	15 374 641
Buildings	9 558 460	(7 244 687)	2 313 773	9 558 460	(7 159 094)	2 399 366
Plant and machinery	3 373 063	(2 468 492)	904 571	3 373 063	(1 821 186)	1 551 877
Furniture and fixtures	2 326 881	(1 872 888)	453 993	2 316 615	(1 368 441)	948 174
Motor vehicles	5 584 792	(2 349 535)	3 235 257	5 584 792	(2 004 461)	3 580 331
Infrastructure	199 445 210	(98 583 980)	100 861 230	197 448 007	(94 116 857)	103 331 150
Community	21 866 096	(12 424 262)	9 441 834	21 866 096	(12 013 321)	9 852 775
Landfill site	8 089 975	(1 614 885)	6 475 090	5 780 930	(1 337 149)	4 443 781
Infrastructure under construction	16 771 746	-	16 771 746	8 009 421	-	8 009 421
Finance leases	454 038	(294 545)	159 493	454 038	(207 985)	246 053
Total	282 844 902	(126 853 274)	155 991 628	269 766 063	(120 028 494)	149 737 569

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Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Other changes, movements	Depreciation	Impairment loss	Total
Land	15 374 641	-	-	-	-	15 374 641
Buildings	2 399 366	-	-	(85 593)	-	2 313 773
Plant and machinery	1 551 877	-	-	(304 992)	(342 314)	904 571
Furniture and fixtures	948 174	10 266	-	(259 379)	(245 068)	453 993
Motor vehicles	3 580 331	-	-	(316 632)	(28 442)	3 235 257
Infrastructure	103 331 150	1 997 444	-	(4 467 364)	-	100 861 230
Community	9 852 775	-	-	(410 941)	-	9 441 834
Landfill site	4 443 781	-	2 309 045	(277 736)	-	6 475 090
Infrastructure under construction	8 009 421	8 762 325	-	-	-	16 771 746
Finance leases	246 053	-	-	(86 560)	-	159 493
	149 737 569	10 770 035	2 309 045	(6 209 197)	(615 824)	155 991 628

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Impairment reversal	Total
Land	21 569 471	-	(6 194 830)	-	-	-	15 374 641
Buildings	2 474 049	10 577	-	-	(85 260)	-	2 399 366
Plant and machinery	1 862 580	-	-	-	(310 703)	-	1 551 877
Furniture and fixtures	956 380	240 580	-	-	(248 786)	-	948 174
Motor vehicles	2 435 322	1 400 000	-	-	(254 991)	-	3 580 331
Infrastructure	103 416 026	4 216 302	(57 839)	-	(4 254 978)	21 639	103 331 150
Community	10 129 516	158 352	-	-	(435 093)	-	9 852 775
Landfill Site	2 714 832	-	-	1 898 626	(169 677)	-	4 443 781
Assets under construction	7 359 821	649 600	-	-	-	-	8 009 421
Finance leases	189 626	145 684	-	-	(89 257)	-	246 053
	153 107 623	6 821 095	(6 262 669)	1 898 626	(5 848 745)	21 639	149 737 569

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Notes to the Annual Financial Statements

	2018 R	2017 R
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3. Property, plant and equipment (continued)

Pledged as security

None of the above property, plant and equipment has been pledged as security.

Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Included within Community	Total
Opening balance	6 627 704	1 381 718	8 009 422
Additions/capital expenditure	8 762 325	-	8 762 325
	<u>15 390 029</u>	<u>1 381 718</u>	<u>16 771 747</u>

Reconciliation of Work-in-Progress 2017

	Included within Infrastructure	Included within Community	Total
Opening balance	5 978 103	1 381 718	7 359 821
Additions/capital expenditure	649 601	-	649 601
	<u>6 627 704</u>	<u>1 381 718</u>	<u>8 009 422</u>

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Contracted services	810 867	1 580 109
Labour	59 640	15 976
Material	122 686	205 754
	<u>993 193</u>	<u>1 801 839</u>

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

4. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1 686 053	(1 244 489)	441 564	1 686 053	(977 923)	708 130

Reconciliation of intangible assets - 2018

	Opening balance	Amortisation	Total
Computer software	708 130	(266 566)	441 564

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	2018 R	2017 R
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4. Intangible assets (continued)

Reconciliation of intangible assets - 2017

	Opening balance	Amortisation	Total
Computer software	974 696	(266 566)	708 130

Pledged as security

None of the above intangible assets have been pledged as security.

5. Heritage assets

	2018			2017		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	43 354	-	43 354	43 354	-	43 354

Reconciliation of heritage assets 2018

	Opening balance	Total
Historical monuments	43 354	43 354

Reconciliation of heritage assets 2017

	Opening balance	Total
Historical monuments	43 354	43 354

Pledged as security

None of the above heritage assets have been pledged as security.

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	2018 R	2017 R
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6. Employee benefit obligations

Defined benefit plan

Post retirement medical benefit plan

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2018 by Arch Actuarial Consulting. 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 funding method.

The plan is post employment medical aid benefit.

Long service awards

A long service award is payable after 10 years of continuous service and every 5 years thereafter to employees. Furthermore a retirement gift is payable on retirement to employees with service of 10 years or more. The provision is an estimate of the long service awards based on historical staff turnover, taking into account management's estimate of the likelihood that staff may leave before long service awards become due. No other long service benefits are provided to employees.

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(3 408 535)	(3 509 000)
Long service awards	(1 093 954)	(976 400)
	(4 502 489)	(4 485 400)
Non-current liabilities	(4 213 073)	(4 280 656)
Current liabilities	(289 416)	(204 744)
	(4 502 489)	(4 485 400)

Changes in the present value of the Post Employment Medical Aid obligation are as follows:

Opening balance	3 509 000	3 029 000
Net expense recognised in the statement of financial performance	(100 465)	480 000
	3 408 535	3 509 000

Net expense recognised in the statement of financial performance: Post Employment Medical Aid

Current service cost	137 000	120 000
Interest cost	354 000	302 000
Actuarial (gains) / losses	(833 367)	120 464
Benefits paid	(54 156)	(62 464)
Policy correction	296 058	-
	(100 465)	480 000

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Notes to the Annual Financial Statements

	2018 R	2017 R
6. Employee benefit obligations (continued)		
Changes in the present value of the Long Service Awards obligation are as follows:		
Opening balance	976 400	959 694
Net expense recognised in the statement of financial performance	117 554	16 706
	1 093 954	976 400

Net expense recognised in the statement of financial performance: Long Service Awards

Current service cost	80 954	84 299
Interest cost	81 897	79 927
Actuarial (gains)	(2 689)	(70 276)
Expected benefits investing	(42 608)	(77 244)
	117 554	16 706

Key assumptions used

Assumptions used at the reporting date:

Discount rates used (post retirement medical aid)	9,67 %	9,75 %
Health care cost inflation rate (post retirement medical aid)	7,44 %	8,04 %
Net-of-health-care-cost-inflation discount rate (post retirement medical aid)	2,08 %	1,58 %
Maximum subsidy inflation rate (post retirement medical aid)	5,21 %	3,52 %
Net-of-maximum-subsidy-inflation discount rate (post retirement medical aid)	4,24 %	6,02 %
Discount rates used (long service awards)	8,56 %	- %
General earnings inflation rate (long service awards)	6,17 %	- %
Net effective discount rate (long service awards)	2,25 %	- %

The next contribution rate increase is assumed to occur at 1 January 2019 (post retirement medical aid).

The earnings used in the valuation include an increase on 1 July 2018 of 7.00% as per the SALGBC Circular No.: 6/2018. The next earnings increase is assumed to take place on 1 July 2019 (long service awards).

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point increase
Effect on the aggregate of the service cost and interest cost		22 000
Effect on defined benefit obligation		136 000

Amounts for the current and previous four years are as follows:

	2018 R	2017 R	2016 R	2015 R	2014 R
Defined benefit obligation	3 408 537	3 509 000	3 029 000	3 877 000	3 901 000

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	2018 R	2017 R
7. Inventories		
Materials and supplies	446 205	643 453
Housing stock		8 103
Consumables	404 490	738 827
Water	12 935	19 600
	863 630	1 409 983
Inventories recognised as an expense during the year	2 246 265	901 603
Inventory pledged as security		
No inventory was pledged as security.		
8. Current portion of long term receivables from exchange transactions		
Housing - Self build	12 135	13 350
Allowance for impairment	(11 125)	(12 587)
	1 010	763
As from 1 January 2006 no loan agreements are entered into for the sale of houses. The outstanding loans will be recovered over the remaining period of the individual loan agreements entered into.		
9. VAT receivable		
VAT	2 846 463	1 637 372
The municipality is registered for VAT on the payment basis.		
10. Receivables from exchange transactions		
Gross balances		
Electricity	1 630 519	1 238 156
Water	818 997	654 388
Sewerage	922 086	733 146
Refuse	432 403	346 592
Housing rental	660 243	504 472
	4 464 248	3 476 754
Less: Allowance for impairment		
Electricity	(556 456)	(274 517)
Water	(499 606)	(374 734)
Sewerage	(624 479)	(458 600)
Refuse	(224 764)	(147 593)
Housing rental	(421 531)	(348 552)
	(2 326 836)	(1 603 996)
Net balance		
Electricity	1 074 063	963 639
Water	319 391	279 654
Sewerage	297 607	274 546
Refuse	207 639	198 999
Housing rental	238 712	155 920
	2 137 412	1 872 758

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	2018 R	2017 R
10. Receivables from exchange transactions (continued)		
Electricity		
Current (0 -30 days)	710 914	726 748
31 - 60 days	84 436	28 203
61 - 90 days	49 302	109 646
91 - 120 days	82 500	43 178
> 120 days	703 367	330 380
Less: Allowance for impairment	(556 456)	(274 516)
	1 074 063	963 639
Water		
Current (0 -30 days)	133 555	114 611
31 - 60 days	33 588	26 033
61 - 90 days	27 897	37 118
91 - 120 days	50 367	24 941
> 120 days	573 590	451 684
Less: Allowance for impairment	(499 606)	(374 733)
	319 391	279 654
Sewerage		
Current (0 -30 days)	113 047	100 281
31 - 60 days	41 017	31 099
61 - 90 days	34 352	36 550
91 - 120 days	31 329	28 117
> 120 days	702 341	537 099
Less: Allowance for impairment	(624 479)	(458 600)
	297 607	274 546
Refuse		
Current (0 -30 days)	106 339	82 197
31 - 60 days	20 045	19 762
61 - 90 days	17 263	22 528
91 - 120 days	23 402	17 969
> 120 days	265 354	204 136
Less: Allowance for impairment	(224 764)	(147 593)
	207 639	198 999
Housing rental		
Current (0 -30 days)	53 325	54 025
31 - 60 days	29 882	24 200
61 - 90 days	21 174	18 365
91 - 120 days	23 923	14 988
> 120 days	531 939	392 894
Less: Allowance for impairment	(421 531)	(348 552)
	238 712	155 920

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	2018 R	2017 R
10. Receivables from exchange transactions (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	448 998	255 315
31 - 60 days	87 818	82 877
61 - 90 days	56 822	84 562
91 - 120 days	56 725	71 075
> 120 days	1 036 564	1 349 045
	<u>1 686 927</u>	<u>1 842 874</u>
Less: Allowance for impairment	(985 228)	(1 198 550)
	<u>701 699</u>	<u>644 324</u>
Business		
Current (0 -30 days)	530 005	577 581
31 - 60 days	42 152	27 741
61 - 90 days	18 231	59 511
91 - 120 days	38 543	9 339
> 120 days	387 998	35 110
	<u>1 016 929</u>	<u>709 282</u>
Less: Allowance for impairment	(309 772)	(25 107)
	<u>707 157</u>	<u>684 175</u>
Total		
Current (0 -30 days)	1 117 180	1 077 861
31 - 60 days	208 968	129 297
61 - 90 days	149 988	224 207
91 - 120 days	211 521	129 194
> 120 days	2 776 591	1 916 195
	<u>4 464 248</u>	<u>3 476 754</u>
Less: Allowance for impairment	(2 326 836)	(1 603 996)
	<u>2 137 412</u>	<u>1 872 758</u>
Less: Allowance for Impairment		
Current (0 -30 days)	(20 119)	(18 287)
31 - 60 days	(7 763)	(7 650)
61 - 90 days	(7 127)	(6 549)
91 - 120 days	(7 578)	(7 066)
> 120 days	(2 284 249)	(1 564 444)
	<u>(2 326 836)</u>	<u>(1 603 996)</u>
Reconciliation of allowance for impairment		
Balance at beginning of the year	(1 603 996)	(1 381 639)
Contributions to allowance	(750 134)	(249 652)
Reversal of allowance	27 294	27 295
	<u>(2 326 836)</u>	<u>(1 603 996)</u>

Credit quality of receivables from exchange transactions

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

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	2018 R	2017 R
10. Receivables from exchange transactions (continued)		
Receivables from exchange transactions past due but not impaired		
Receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2018, R - (2017: R 255 370) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	-	51 169
2 months past due	-	117 110
3 months past due	-	8 791
Receivables from exchange transactions impaired		
The amount of the provision was R 2 326 836 as of 30 June 2018 (2017: R 1 603 996).		
The ageing of these loans is as follows:		
0 to 3 months	35 009	32 485
3 to 6 months	43 486	13 076
Over 6 months	2 248 341	1 558 435
11. Receivables from non-exchange transactions		
Fines	38 969 451	17 422 226
Assessment rates	3 308 043	2 462 758
Other receivables	592 847	86 735
Sundry deposits	1 808 816	1 701 193
Allowance for impairment	(36 833 193)	(19 009 550)
	7 845 964	2 663 362

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	2018 R	2017 R
11. Receivables from non-exchange transactions (continued)		
Credit quality of receivables from non-exchange transactions		
The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:		
Receivables from non-exchange transactions		
Assessment rates: Gross balance		
Current	372 096	27 772
31 - 60 days	44 339	21 184
61 - 90 days	29 018	23 666
91 - 120 days	21 510	19 952
> 120 days	2 841 080	2 370 184
	3 308 043	2 462 758
Assessment rates: Allowance for impairment		
Current	(298)	(22 125)
31 - 60 days	(6 919)	(5 692)
61 - 90 days	(5 505)	(6 794)
91 - 120 days	(4 660)	(5 008)
> 120 days	(2 759 086)	(2 294 174)
	(2 776 468)	(2 333 793)
Assessment rates: Net balance		
Current	371 798	5 647
31 - 60 days	37 420	15 492
Group 3	23 513	16 872
Other	16 850	14 944
Other	81 994	76 010
	531 575	128 965
Fines		
Gross balance	38 969 451	17 422 226
Allowance for impairment	(34 008 756)	(15 361 282)
	4 960 695	2 060 944

Impairment of fines is based on a percentage of the amounts that were recovered in the previous financial year in relation to the fines that were issued.

Fines are written off after a 24 month period after summons was issued.

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2018, R 79 971 (2017: R 13 457) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	27 027	4 141
2 months past due	16 804	4 490
3 months past due	36 140	4 826

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	2018 R	2017 R
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11. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions impaired

The amount of the provision was R 2 776 468 as of 30 June 2018 (2017: R 2 333 793).

The ageing of these loans is as follows:

0 to 3 months	17 382	39 619
3 to 6 months	27 215	26 421
Over 6 months	2 731 871	2 267 753

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(19 009 550)	(34 549 472)
Impairment loss on assessment rates	-	(637 299)
Reversal of impairment loss on assessment rates	831 921	-
Impairment loss on fines	(18 647 474)	16 167 828
Impairment loss on other receivables	(8 090)	-
Reversal of impairment loss on other receivables	-	9 393
	(36 833 193)	(19 009 550)

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2 050	2 050
Bank balances	8 630 377	4 027 992
Short-term deposits	1 537 501	1 845 425
	10 169 928	5 875 467

For the purposes of the statement of financial position and the cash flow statement, cash and cash equivalents include cash on hand.

Call deposits are investments with a maturity period of less than three months and earn interest at rates varying from 4-6% per annum and are ring fenced and attributable to the Capital Replacement Reserve.

The municipality has an ABSA account for fine receipts which are swept daily and transferred to the current account. The ABSA bank account number is 4074336029.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
ABSA Laingsburg - Current Account - 25040140874	8 621 784	571 975	1 416 546	8 549 854	898 008	1 342 657
ABSA Laingsburg - Call Account - 5064314329	386 002	362 713	3 566 402	386 002	362 713	3 566 402
Standard Bank - Money Market Account - 2887048000	1 156 048	1 087 257	5 053 046	1 156 048	1 487 257	5 053 046
Standard Bank - Current Account - 203247663000	80 523	3 856 017	-	80 523	3 129 984	-
Standard Bank - Sweeping Account - 203247671000	(165)	(4 545)	-	(4 545)	(4 545)	-
Total	10 244 192	5 873 417	10 035 994	10 167 882	5 873 417	9 962 105

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	2018 R	2017 R
13. Capital replacement reserve		
This reserve is a reserve to finance future capital and is fully invested in ring-fenced financial instruments. The Capital Replacement Reserve is included in accumulated surplus as required by GRAP 1.89.		
Balance previously reported	1 770 303	1 770 303
VAT on grant expenditure	74 176	-
	<u>1 844 479</u>	<u>1 770 303</u>
14. Donations and public contributions		
This reserve is a reserve to finance only certain approved future expenditure and is fully invested in ring-fenced financial instruments. The Donations and Public Contributions Reserve is included in accumulated surplus as required by GRAP 1.89.		
Balance previously reported	<u>32 994 672</u>	<u>32 994 672</u>
15. Housing development fund		
Loans extinguished by Government on 1 April 1998	<u>1 680 451</u>	<u>1 680 451</u>
The housing development fund is represented by the following assets and liabilities		
Revaluation of assets	<u>1 680 451</u>	<u>1 680 451</u>

The Housing Development Fund has its origin from loans extinguished by Government on 1 April 1998 and the net of housing transactions appropriated to the fund thereafter. No separate inappropriate surplus account for housing transactions was kept.

The Housing Development Fund contains all proceeds from housing developments, which include rental income and sale of houses. Monies standing to the credit of the housing development fund are used only for the funding of housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

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	2018 R	2017 R
16. Finance lease obligation		
Minimum lease payments due		
- within one year	71 503	113 034
- in second to fifth year inclusive	24 816	96 320
	96 319	209 354
less: future finance charges	(6 534)	(19 491)
Present value of minimum lease payments	89 785	189 863
Present value of minimum lease payments due		
- within one year	66 588	100 078
- in second to fifth year inclusive	23 197	89 785
	89 785	189 863
Non-current liabilities	23 197	89 785
Current liabilities	66 588	100 078
	89 785	189 863

The average lease term was 5 years.

Interest rates are fixed at the contract date. All leases escalate at 10% - 15% p.a

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Department of Environmental Affairs and Tourism	82 106	82 106
Department of Water Affairs (DWA)	336 146	336 146
Flood damage	-	(1)
Human Settlement Development Grant	198 000	-
Local Government Graduate Internship Grant	103 713	48 811
Local Government: Local Municipalities	112 140	112 140
Municipal Drought Support Grant	7 800 000	500 000
Municipal Electrical Master Plan	250 000	250 000
Municipal Infrastructure Grant (MIG)	1 120 248	2 745 600
Municipal Service Delivery and Capacity Building Grant	300 000	300 000
Overberg Water War on Leaks	165 370	-
Provincial: Municipal Finance Improvement Programme Grant	630 032	-
Western Cape Financial Management Capacity Grant	120 000	120 000
Western Cape Financial Management Support Grant	-	158 494
	11 217 755	4 653 296

Movement during the year

Balance at the beginning of the year	5 037 680	8 642 208
Additions during the year	35 788 653	22 964 531
Income recognition during the year	(29 065 702)	(26 569 059)
Repayment to Provincial Treasury	(158 492)	-
Correction of VAT	(384 384)	(384 384)
	11 217 755	4 653 296

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Notes to the Annual Financial Statements

	2018 R	2017 R
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17. Unspent conditional grants and receipts (continued)

See note for reconciliation of grants from National/Provincial Government.

18. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	4 947 139	2 309 046	495 426	7 751 611
Insurance Workmen's Compensation Act	540 381	158 400	-	698 781
	5 487 520	2 467 446	495 426	8 450 392

Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	2 854 413	188 559	194 100	1 710 067	4 947 139
Insurance Workmen's Compensation Act	402 181	138 200	-	-	540 381
	3 256 594	326 759	194 100	1 710 067	5 487 520

Non-current liabilities	7 751 611	4 947 139
Current liabilities	698 781	540 381
	8 450 392	5 487 520

Environmental rehabilitation provision

At 30 June 2018 the municipality will incur estimated rehabilitation costs amounting to R 7 751 611 (2017: R 4 947 139) to restore the landfill site at the end of its useful life, estimated to be 16 years (2017: 17 years). The amount of rehabilitation is dependent on future costs, technology, inflation and site consumption. The real rate of the provision was 5.18% (2017: discounted rate 4%).

Insurance Workmen's Compensation Act

The provision for WCA insurance is made in terms of the Workmen's Compensation Act. The amount is payable upon and based on assessment by the Workmen's Compensation Commissioner.

The provision is based on the Compensation Commissioner returns.

19. Payables from exchange transactions

Accrued leave pay	979 380	1 069 473
Advance payments	813 562	1 159 552
Bonus	506 031	480 985
Other payables	167 712	-
Payables and accruals	5 296 049	4 012 705
Salary clearing and control	32 066	-
	7 794 800	6 722 715

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	2018 R	2017 R
20. Consumer deposits		
Electricity	300 465	287 970
Hiring of decorative items	4 492	3 741
Posters	1 298	1 298
Rental properties	79 061	61 003
Water	205 384	197 005
	590 700	551 017
21. Revenue		
Actuarial gains	836 056	-
Agency services	159 307	127 163
Fines, penalties and forfeits	27 725 662	22 198 171
Government grants and subsidies	29 065 699	26 569 059
Interest earned - bank accounts and external investments	577 698	817 970
Interest earned - current assets	108 565	87 079
Interest earned - exchange transactions	250 827	47 959
Interest earned - non-exchange transactions	255 738	313 389
Licences and permits	1 353 032	1 123 781
Operational revenue	179 949	59 642
Property rates	3 515 654	3 235 105
Public contributions and donations	-	2 837 891
Rental of facilities and equipment	1 981 170	1 270 936
Sale of goods and rendering of services	442 373	103 985
Service charges	17 556 308	16 762 714
	84 008 038	75 554 844
The amount included in revenue arising from exchanges of goods or services are as follows:		
Agency services	159 307	127 163
Interest earned - bank accounts and external investments	577 698	817 970
Interest earned - exchange transactions	250 827	47 959
Licences and permits	1 353 032	1 123 781
Operational revenue	179 949	59 642
Rental of facilities and equipment	1 981 170	1 270 936
Sale of goods	442 373	103 985
Service charges	17 556 308	16 762 714
	22 500 664	20 314 150
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Actuarial gains	836 056	-
Property rates	3 515 654	3 235 105
Interest earned - current assets	108 565	87 079
Interest earned - non-exchange transactions	255 738	313 389
Licences or permits	1 235	2 516
Transfer revenue		
Fines, penalties and forfeits	27 725 662	22 198 171
Government grants and subsidies	29 065 699	26 569 059
Public contributions and donations	-	2 837 891
	61 508 609	55 243 210

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	2018 R	2017 R
21. Revenue (continued)		
Nature and type of services in-kind are as follows:		
Included in public contributions and donations is an amount of Rnil (2017: R 1 341 705) that relates to services-in-kind received from National Treasury.		
22. Service charges		
Refuse removal	2 374 504	2 067 183
Sale of electricity	13 661 473	12 185 630
Sale of water	2 879 914	2 673 053
Sewerage and sanitation charges	2 787 818	2 473 846
Revenue forgone	(4 147 401)	(2 636 998)
	17 556 308	16 762 714
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.		
23. Rental of facilities and equipment		
Premises		
Buildings	1 261 904	907 484
Operating lease - Southkloof	-	90 853
Other properties	45 571	78 425
	1 307 475	1 076 762
Land		
Commonage	1 166	6 005
Facilities and equipment		
Cutlery	2 319	845
Hawkers	12 852	10 379
Houses	15 205	12 333
Machinery and equipment	642 153	37 508
Sundry	-	127 104
	672 529	188 169
	1 981 170	1 270 936
Rental revenue earned in facilities and equipment is in respect of non-financial assets rented out.		
24. Fines, Penalties and Forfeits		
Overdue books fines		1 832
Municipal traffic fines	27 725 662	22 196 339
	27 725 662	22 198 171
25. Agency services		
Vehicle registration	14 188	127 163
Provincial department	145 119	-
	159 307	127 163

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	2018 R	2017 R
26. Licences and permits (exchange)		
Driver's licences	-	17 965
Activity public roads	1 584	-
Learner's licences	205 647	150 733
Motor vehicle licences	1 145 801	950 694
Registration certificates	-	4 389
	1 353 032	1 123 781
27. Licences and permits (non-exchange)		
Dog	1 235	20
Traffic	-	2 496
	1 235	2 516
28. Lease rentals		
Lease rentals on finance lease		
Contractual amounts	63 783	-
Lease rentals on operating lease - Library Vleiland		
Contractual amounts	9 352	76 155
	73 135	76 155
29. Interest earned on non-current assets		
Interest	108 565	87 079
30. Operational revenue		
Other income	179 949	59 642
The amount included in operational revenue arising from exchanges of goods or services are as follows:		
Request for information	588	1 426
Insurance commission	8 969	8 384
Other income	170 392	49 832
	179 949	59 642
31. Interest earned on bank accounts and external investments		
Interest revenue		
External investments	88 199	519 994
Bank	489 499	297 976
	577 698	817 970

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	2018 R	2017 R
32. Property rates		
Rates received		
Agriculture	2 043 070	5 708 875
Business	572 088	-
Industrial	10	-
Municipal	88 216	-
Public Benefit Organisations	28 392	-
Public Service Infrastructure	220	-
Residential	1 082 007	2 733 684
State-owned	688 064	-
Less: Revenue forgone	(986 413)	(5 207 454)
	3 515 654	3 235 105
Interest earned on outstanding receivables	255 738	313 389
	3 771 392	3 548 494
Valuations		
Accommodation	350 000	-
Agriculture	778 366 000	621 373 400
Agriculture - Private Nature Reserve	35 801 000	-
Business	68 683 000	-
Industrial	4 243 000	-
Laingsburg	-	267 657 500
Municipal	40 377 000	-
Public Service Infrastructure	391 000	-
Religious	11 972 000	-
Residential	123 987 000	-
School	210 000	-
State	69 749 000	-
	1 134 129 000	889 030 900

Valuations on land and buildings are performed every 4 years and the implementation thereof every 5 years. The last general valuation came into effect on 1 July 2017. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

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	2018 R	2017 R
33. Transfers and subsidies		
Other transfers and subsidies		
Acacia Primary School	15 690	6 000
Aids programme and cancer awareness	-	1 866
Area committee	-	290
Christmas for children	-	4 449
Donald Duck Pre-Primary	-	19 108
Equitable Share Households	377 323	643 602
Financial Management Grant	-	303
Housing transfers	18 308	943 701
LaDaag	-	7 149
Laingsburg High School	-	1 000
Mandela Day	-	1 754
Municipal sport	6 439	56 347
Municipal Systems Improvement grant	-	10 526
Other grants and subsidies	-	15 375
SMME Development	-	2 809
Tourism	16 637	133 132
VIP toilets	-	64 822
Youth week	-	17 701
	434 397	1 929 934

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	2018 R	2017 R
34. Government grants and subsidies		
Operating grants		
Community Workers Development (CDW)	93 000	75 000
Department of Water Affairs (DWA)	-	239 737
Energy Efficiency and Demand Side Management Grant	-	1 746 695
Equitable Share	13 576 000	12 526 165
Expanded Public Works Programme (EPWP)	1 031 000	1 000 000
Financial Management Grant (FMG)	1 800 000	1 722 523
Financial Management Support Grant	-	472 389
Human Settlement Development Grant	-	565 512
Local Government Graduate Internship Grant	11 097	11 189
Maintenance of Proclaimed Roads	41 536	49 239
Municipal Drought Support	(1)	-
Municipal Infrastructure Grant (MIG)	2 745 600	-
Overberg Municipality: Bulk water meters	-	148 799
Provincial: Library Services	1 063 000	981 000
Provincial: Municipal Finance Improvement Programme	899 968	-
Provincial: Sub-Seta	30 747	54 459
Western Cape Financial Management Capacity Grant	240 000	200 000
	21 531 947	19 792 707
Capital grants		
Integrated National Electrification Programme (INEP)	2 000 000	1 999 000
Municipal Infrastructure Grant (MIG)	5 533 752	4 777 352
	7 533 752	6 776 352
	29 065 699	26 569 059
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members and to subsidise income.		
All registered indigents receive a monthly subsidy equal to the basic monthly charges for water supply, refuse removal and sanitation based on the monthly billing towards the consumer account. The subsidy is determined annually by Council. All indigent consumers receive 6 kilolitre water and 50 kWh electricity free every month.		
The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by National Treasury.		
Current year receipts	13 576 000	12 526 165
Conditions met - transferred to revenue	(13 576 000)	(12 526 165)
	-	-

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	2018 R	2017 R
34. Government grants and subsidies (continued)		
Integrated National Electrification Program (INEP)		
Current year receipts	2 000 000	-
Conditions met - transferred to revenue	(2 000 000)	-
	<u>-</u>	<u>-</u>

The purpose of this grant is to address the electrification backlog of occupied residential dwellings and the installation of bulk infrastructure.

Human Settlement Development Grant

Current-year receipts	<u>198 000</u>	<u>-</u>
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Conditions still to be met - remain liabilities (see note 17).

The purpose of this grant is to fund housing within municipalities that demonstrated capacity to plan and deliver housing rapidly, with emphasis on rural areas.

Local Government Graduate Internship Grant

Balance unspent at beginning of year	48 811	-
Current-year receipts	66 000	60 000
Conditions met - transferred to revenue	(11 098)	(11 189)
	<u>103 713</u>	<u>48 811</u>

Conditions still to be met - remain liabilities (see note 17).

The "kick-about" is part of the youth development against violence through sport programmes with the purpose of using sport, specifically football, as a catalyst for transmitting life skills to children and youth in order to reduce violence and social skills.

The project is for the construction of a "kick-about" facility as well as to provide basic football equipment to children in poor rural areas.

Expanded Public Works Programme (EPWP)

Current-year receipts	1 031 000	1 000 000
Conditions met - transferred to revenue	(1 031 000)	(1 000 000)
	<u>-</u>	<u>-</u>

The Expanded Public Works Programme (EPWP) grant is received to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the EPWP Guidelines:

- Road maintenance and the maintenance of buildings;
- Low traffic volume roads and rural roads;
- Basic services infrastructure, including water and sewer reticulation, sanitation, pipelines and dams (excluding bulk infrastructure); and
- Other economic and social infrastructure.

Financial Management Grant (FMG)

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	2018 R	2017 R
34. Government grants and subsidies (continued)		
Current-year receipts	1 800 000	1 722 523
Conditions met - transferred to revenue	(1 800 000)	(1 722 523)
	-	-

The Financial Management Grant (FMG) is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA) 2003. The Financial Management Grant also pays for the cost of the Financial Management Internship Program (e.g. salary costs of the Financial Management Interns).

Financial Management Support Grant

Balance unspent at beginning of year	158 494	410 883
Current-year receipts	-	220 000
Conditions met - transferred to revenue	-	(472 389)
Repayment to Provincial Treasury	(158 494)	-
	-	158 494

This grant is received to provide financial assistance to improve overall financial governance within municipalities inclusive of optimising and administration of revenue, improving credibility and responsiveness of municipal budgets, improving municipal audit outcomes and addressing institutional challenges.

Municipal Finance Improvement Programme

Current-year receipts	1 530 000	-
Conditions met - transferred to revenue	(899 968)	-
	630 032	-

Conditions still to be met - remain liabilities (see note 17).

This grant is intended at assisting municipalities to regain clean financial governance abilities.

Flood Damage Grant

Balance unspent at beginning of year	(1)	3 923 164
Conditions met - transferred to revenue	1	(3 923 165)
	-	(1)

This grant was received to repair flood damage that occurred in January 2014.

Energy Efficiency and Demand Side Management Grant

Balance unspent at beginning of year	-	1 746 695
Conditions met - transferred to revenue	-	(1 746 695)
	-	-

The purpose of this grant is to reduce electricity consumption and improve electricity efficiency within municipal infrastructure.

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	2018 R	2017 R
34. Government grants and subsidies (continued)		
Department of Environmental Affairs and Tourism		
Balance unspent at beginning of year	82 106	82 106
Conditions still to be met - remain liabilities (see note 17).		
This grant was received to develop a spatial development plan.		
Department of Water Affairs (DWA)		
Balance unspent at beginning of year	336 146	575 883
Conditions met - transferred to revenue	-	(239 737)
	336 146	336 146
Conditions still to be met - remain liabilities (see note 17).		
This grant is used for water supply at Matjiesfontein, ground water investigation and the compilation of a water master plan. The water master plan needs to be drafted and submitted and the water meters needs to be installed.		
Local Government: Local Municipalities		
Balance unspent at beginning of year	112 140	112 140
Conditions still to be met - remain liabilities (see note 17).		
This grant is used for compiling a sewerage master plan and investigation of electricity tariffs.		
Library Service: Replacement funding for most vulnerable B3 Municipalities		
Current-year receipts	1 063 000	981 000
Conditions met - transferred to revenue	(1 063 000)	(981 000)
	-	-
This grant was allocated to transform urban and rural community library infrastructure, facilities and services (primarily targeting previously disadvantage communities) through a recapitalised program at provincial level in support of local government and national initiatives.		

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	2018 R	2017 R
34. Government grants and subsidies (continued)		
Municipal Drought Support		
Balance unspent at beginning of year	500 000	-
Current-year receipts	7 300 000	500 000
	7 800 000	500 000
Conditions still to be met - remain liabilities (see note 17).		
This allocation may only be utilised for the following projects:		
• R3 700 000 for the construction of the bulk pipeline between the Zoutkloof Spring and the main reservoir as well as the equipping and electricity connection and connection of two boreholes to the Zoutkloof line.		
• R1 700 000 for the Zoutkloof Spring rehabilitation.		
• R1 900 000 for the borehole pump for the existing borehole in Matjiesfontein and Eskom connection.		
Municipal Service Delivery and Capacity Building		
Balance unspent at beginning of year	300 000	-
Current-year receipts	-	300 000
	300 000	300 000
Conditions still to be met - remain liabilities (see note 17).		
This grant was received to provide financial assistance to improve infrastructure, systems, structures, corporate governance, service delivery and addressing institutional challenges.		
Western Cape Financial Management Capacity		
Balance unspent at beginning of year	120 000	-
Current-year receipts	240 000	120 000
Conditions met - transferred to revenue	(240 000)	-
	120 000	120 000
Conditions still to be met - remain liabilities (see note 17).		
The outcome of this grant is improved functioning of municipal financial management.		
Overberg Water War on Leaks		
Current-year receipts	165 370	-
Conditions still to be met - remain liabilities (see note 17).		
There was a donation from Overberg Municipality to invest in water supply infrastructure.		
Municipal Infrastructure Grant (MIG)		
Balance unspent at beginning of year	2 745 600	1 591 336
Current-year receipts	6 654 000	6 316 000
Conditions met - transferred to revenue	(8 279 352)	(4 777 352)
Correction of VAT	-	(384 384)

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	2018 R	2017 R
34. Government grants and subsidies (continued)	1 120 248	2 745 600

Conditions still to be met - remain liabilities (see note 17).

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

Municipal Electrical Master Plan

Balance unspent at beginning of year	250 000	-
Current-year receipts	-	250 000
	250 000	250 000

Conditions still to be met - remain liabilities (see note 17).

This grant was received to provide financial assistance to ensure effective functioning of municipal electrical infrastructure and to maximise the provision for basic electricity to citizens.

35. Public contributions and donations

National Treasury	-	1 341 705
Services in kind	-	1 496 186
	-	2 837 891

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	2018 R	2017 R
36. Employee related costs		
Acting allowances	187 150	-
Bargaining council levies	5 493	5 090
Basic	14 427 212	12 049 658
Bonus	1 006 677	880 568
Cell phone allowances	7 440	-
Defined contribution plans	454 537	64 591
Housing allowances	119 770	124 320
Leave pay provision charge	50 106	50 838
Long service awards	41 471	72 044
Medical aid contributions	655 451	637 471
Motor vehicle allowances	817 689	774 318
Other benefits and allowances	14 733	31 151
Overtime payments	394 709	302 987
Pension contributions	1 831 589	1 691 160
Unemployment Insurance Fund (UIF)	104 776	90 959
	20 118 803	16 775 155
Remuneration of Municipal Manager - Mr SC Pieterse		
Annual Remuneration	213 180	42 636
Acting allowance	-	98 028
Contributions to UIF, Medical and Pension Funds	16 093	9 459
Travel / motor vehicle allowance	92 344	16 912
Bargaining council	38	7
	321 655	167 042
Remuneration of Chief Finance Officer - Ms A Groenewald		
Annual Remuneration	720 564	655 416
Bonus	60 047	54 618
Acting allowance	103 963	156 677
Contributions to UIF, Medical and Pension Funds	155 705	137 941
Travel / motor vehicle allowance	203 160	172 873
Housing allowance	8 904	8 162
Bargaining council	96	87
	1 252 439	1 185 774
Remuneration of Mr PA Williams		
Annual Remuneration	-	905 904
Contributions to UIF, Medical and Pension Funds	-	16 653
Bargaining council	-	58
	-	922 615
37. Remuneration of councillors		
Executive Major	589 616	738 742
Deputy Executive Mayor	340 791	336 841
Speaker	536 039	576 436
Councillors	1 286 083	998 895
	2 752 529	2 650 914

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	2018 R	2017 R			
37. Remuneration of councillors (continued)					
In-kind benefits					
The Executive Mayor and Speaker are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Council.					
The Executive Mayor has use of a Council owned vehicles for official duties.					
2018	Annual remuneration	Travel allowance	Other allowances	Back pay	Total
Brown I - Deputy Executive Mayor / Councillor	225 841	63 887	35 400	25 119	350 247
Gouws M - Speaker / Councillor	415 306	53 484	35 400	51 844	556 034
Kleinbooi B - Councillor	175 686	53 485	35 400	15 675	280 246
Louw RM - Executive Mayor	83 746	-	5 500	-	89 246
Marthinus AA - Executive Mayor	227 186	73 934	18 791	-	319 911
Mienies J - Executive Mayor / Councillor	164 805	-	14 500	19 709	199 014
Potgieter L - Councillor	229 171	-	35 400	15 675	280 246
Theron W du P - Speaker / Councillor	256 890	53 484	35 400	29 617	375 391
Van As BJ - Deputy Executive Mayor / Councillor	197 490	53 485	31 800	19 419	302 194
	1 976 121	351 759	247 591	177 058	2 752 529
2017	Annual remuneration	Travel allowance	Other allowances	Back pay	Total
Bobbejee M - Councillor	14 595	8 410	387	-	23 392
Botes PJ - Councillor	14 595	8 410	2 631	-	25 636
Botha J - Councillor	14 595	8 410	387	-	23 392
Brown I - Deputy Executive Mayor	78 444	-	6 439	6 693	91 576
Brown I - Councillor	128 536	8 914	15 720	16 908	170 078
Gouws M - Speaker	125 357	13 371	6 600	5 291	150 619
Gouws M - Councillor	120 845	39 609	2 700	8 113	171 267
Horn H - Speaker	38 630	22 425	2 631	-	63 686
Kleinbooi B - Councillor	135 138	44 571	20 712	21 712	222 133
Marthinus AA - Executive Mayor	471 874	147 868	22 159	35 656	677 557
Potgieter L - Councillor	192 361	-	22 159	21 712	236 232
Theron W du P - Executive Mayor	45 131	14 016	2 039	-	61 186
Theron W du P - Speaker	240 618	112 127	16 312	(6 926)	362 131
Theron W du P - Councillor	41 540	13 371	6 439	2 481	63 831
Van As BJ - Deputy Executive Mayor	176 072	55 503	15 651	(1 960)	245 266
Van As BJ - Councillor	41 540	13 371	5 539	2 482	62 932
	1 879 871	510 376	148 505	112 162	2 650 914

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	2018 R	2017 R
38. Inventories recognised as an expense		
Consumables	1 381 972	72 220
Materials and supplies	864 293	829 383
	2 246 265	901 603
39. Depreciation and amortisation		
Property, plant and equipment	6 213 307	5 815 205
Investment property	57 459	57 459
Intangible assets	266 566	266 566
	6 537 332	6 139 230
40. Impairment of assets		
Impairments		
Property, plant and equipment	615 824	-
The main classes of assets affected by impairment losses are plant and equipment, furniture and computer equipment and motor vehicles.		
41. Finance costs		
Finance leases	12 956	23 017
Landfill site rehabilitation provision	495 426	194 100
Late payment of VAT (SARS)	3 002	96 221
Non-current employee benefits	454 157	381 927
Payables from exchange transactions	-	13 243
	965 541	708 508
42. Debt impairment		
Bad debts written off	-	36 550 968
Other receivables impaired	-	(9 393)
Contributions / (reversals) to allowance for impairment	18 545 021	(15 233 967)
	18 545 021	21 307 608
43. Bulk purchases		
Electricity	7 316 598	7 590 365

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.

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	2018 R	2017 R
44. Contracted services		
Outsourced Services		
Burial Services	26 638	24 701
Business and Advisory	1 434 510	210 823
Catering Services	29 625	30 332
Internal Auditors	172 187	31 928
Litter Picking and Street Cleaning	-	1 173 384
Security Services	1 174 332	1 184 058
Electrical	299 240	-
Consultants and Professional Services		
Business and Advisory	256 497	1 783 904
Infrastructure and Planning	-	25 446
Laboratory Services	11 849	9 972
Legal Cost	399 272	339 036
Contractors		
Event Promoters	3 271	-
Maintenance of Buildings and Facilities	12 068	199 129
Maintenance of Equipment	15 547	166 192
Maintenance of Unspecified Assets	751 168	1 632 335
Pest Control and Fumigation	-	719
Photographer	200	-
	4 586 404	6 811 959

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	2018 R	2017 R
45. Operational cost		
Advertising, publicity and marketing	165 447	462 482
Assets less than the capitalisation threshold	9 962	-
Audit fees	875 812	2 628 224
Bank charges, facility and card fees	474 686	411 895
Commission	2 816 507	3 084 044
Communication	584 559	965 009
Courier and delivery services	792	-
Deeds	9 147	10 905
Delegation costs	-	7 696
Entertainment	2 363	116 847
External computer service	1 618 953	225 818
Hire charges	3 330	30 010
Insurance underwriting	253 798	365 916
Learnerships and internships	3 150	223 437
Levies paid - Water Resource Management Charges	65 236	-
Licences	1 274 814	1 418 755
Management fees	-	52 549
Municipal services	514 933	522 322
Printing, publications and books	19 497	245 528
Professional bodies, membership and subscription	484 184	535
Registration fees	27 649	-
Remuneration to ward committees	220 255	-
Skills development fund levy	152 267	166 316
Sundry expenses	-	14 768
Toll gate fees	71	-
Travel and subsistence	670 963	1 181 978
Uniforms and protective clothing	163 097	76 659
Wet fuel	8 556	564 336
Workmen's compensation fund	158 400	138 200
	10 578 428	12 914 229
46. Auditors' remuneration		
Fees	875 812	2 628 224

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	2018 R	2017 R
47. Cash generated from operations		
Surplus (deficit)	5 704 452	(10 790 387)
Adjustments for:		
Depreciation and amortisation	6 533 222	6 139 230
Loss on disposal of assets and liabilities	-	6 216 468
Impairment loss/(reversal of impairment loss)	615 824	-
Bad debts written off	1 960 450	-
Government grants and subsidies received	35 788 653	22 964 532
Government grants and subsidies recognised as revenue	(29 065 702)	(26 569 059)
Contribution from/to provisions - Current employee benefits (leave and bonus)	(65 046)	42 306
Contribution from/to provisions - Non-current employee benefits (interest)	435 897	381 927
Contribution from/to provisions - Current service cost	471 404	127 055
Contribution from/to provisions - Non-current employee benefits (Actuarial gains)/losses	(836 056)	50 188
Contribution from/to provisions - Environmental rehabilitation (interest)	495 426	1 904 167
Contribution from/to provisions - Workmen's Compensation	158 400	138 200
Contribution to debt impairment	18 545 022	-
Expenditure incurred - Non-current employee benefits	(54 156)	(62 464)
VAT claimed on grants	74 176	-
Repayment of Government Grants	(158 494)	-
Interest earned on non-current assets	(108 565)	(87 079)
Changes in working capital:		
(Increase)/decrease in receivables from exchange transactions	(2 947 944)	305 058
(Increase)/decrease in receivables from non-exchange transactions	(22 897 681)	2 416 231
(Increase)/decrease in Inventory	546 353	-
Payables from exchange transactions	1 137 132	2 390 373
Increase/(decrease) in taxes	(1 209 091)	1 991 400
Unspent conditional grants and receipts	-	(5 025 152)
Consumer deposits	-	54 516
	15 123 676	2 587 510

48. Disposal of: a significant asset(s) /or a group of assets and liabilities /or a component of the entity

Description of the asset(s), group of assets and liabilities or, component

Carrying values

Carrying values of Property, Plant and Equipment Land	-	(6 194 830)
Carrying value of Infrastructure Water Supply Cost	-	(67 839)
Carrying value of Infrastructure Water Supply Accumulated Depreciation	-	46 201

Facts and circumstances of the disposal

During the audit of property, plant and equipment, it was identified that RDP land / erven was not in control of the municipality and was incorrectly included in the fixed asset register. The houses were handed over by way of a "Happy Letter" to the occupants during the prior years and the owners are billed for services and rates.

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	2018 R	2017 R
49. Financial instruments disclosure		
Categories of financial instruments		
2018		
Financial assets		
	At amortised cost	Total
Receivables from exchange transactions	2 137 412	2 137 412
Receivables from non-exchange transactions	7 845 964	7 845 964
Cash and cash equivalents	10 169 928	10 169 928
Current portion of long term receivables from exchange transactions	1 010	1 010
	20 154 314	20 154 314
Financial liabilities		
	At amortised cost	Total
Trade and other payables from exchange transactions	7 794 801	7 794 801
Finance lease obligation	89 785	89 785
	7 884 586	7 884 586
2017		
Financial assets		
	At amortised cost	Total
Receivables from exchange transactions	1 872 758	1 872 758
Receivables from non-exchange transactions	2 663 362	2 663 362
Cash and cash equivalents	5 875 467	5 875 467
Current portion of long term receivables from exchange transactions	763	763
	10 412 350	10 412 350
Financial liabilities		
	At amortised cost	Total
Trade and other payables from exchange transactions	6 722 715	6 722 715
Finance lease obligation	189 863	189 863
	6 912 578	6 912 578

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	2018 R	2017 R
50. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	16 312 954	12 567 300
Total capital commitments		
Already contracted for but not provided for	16 312 954	12 567 300
Total commitments		
Total commitments		
Authorised capital expenditure	16 312 954	12 567 300

This committed expenditure relates to infrastructure assets and will be financed through grants.

The following commitments are towards multi-year projects and will therefore last more than one year:

- Makhukane Consulting Engineers CC (National Electrification Program)
- Makhukane Consulting Engineers CC (Appointment of Consulting Engineers for Various Municipal Infrastructure and Building Projects)
- Aurecon (Water pipeline between reservoir and the Goldenville reservoir - project is on hold)
- Aurecon (Work concerning the booster pump station)
- Aurecon and P Masondo Traders CC (New Bulk Water Main)
- Phambili Civil (Construction of Bulk Raw Water Pipeline from Southkloof Reservoir to Town Reservoir)

51. Related parties

Relationships

Councillors' names

Refer to note 37

The municipality provided municipal services to all councillors, management and their family members residing within the municipal area. The municipality also charges property rates to all councillors, management and their family members who are property owners within the municipal area. These transactions were concluded on normal operating terms and are included in "service charges" and "property rates" in the statement of financial performance. Any balances due to the municipality on the reporting date are included in receivables from exchange transactions (relating to service charges) and receivables from non-exchange transactions (relating to property rates) in the statement of financial position.

52. Change in estimate

Property, plant and equipment

During the current period management have revised the useful lives of certain assets. This resulted in various assets' depreciation increasing for the 2017/18 financial year.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

This register indicates all asset types which useful lives were revised.

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Notes to the Annual Financial Statements

	2018 R	2017 R
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52. Change in estimate (continued)

Post retirement medical aid

In-service members will receive a post-employment subsidy of 60% of the contribution payable should they be a member of a medical scheme at retirement.

All current continuation members and their eligible dependants receive a 70% subsidy.

Upon a member's death-in-service or death-in-retirement the surviving dependants will continue to receive the same subsidy.

Post-employment subsidies are subject to a maximum of R4 218.17 per member per month, for the year ending 30 June 2019, except for the two current continuation members in receipt of 70% subsidies. The maximum subsidy amount has been assumed to increase in future at 75% of salary inflation.

At the last valuation, all subsidies were taken to be subject to a maximum amount. The impact of removing the maximum subsidy from the two current continuation members in receipt of 70% subsidies, is disclosed in Appendix 5 (Report on the Actuarial Valuation of Laingsburg Municipality the Post-Employment Medical Aid subsidy liability) as "Policy Correction".

The policy correction amounted to R296 058, increasing the accrued liability.

53. Prior-year adjustments and reclassifications

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

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Notes to the Annual Financial Statements

			2018 R	2017 R
53. Prior-year adjustments and reclassifications (continued)				
Assets	As previously reported	Correction of error	Re-classification	Restated
Current Assets				
Inventories	1 377 966	32 018	-	1 409 984
Receivables from exchange transactions	1 897 166	(24 408)	-	1 872 758
Receivables from non-exchange transactions	1 602 217	488 347	572 798	2 663 362
VAT Receivable	3 845 845	(2 208 472)	-	1 637 373
Current portion of longterm receivable from exchange transactions	763	-	-	763
Cash and cash equivalents	5 875 467	-	-	5 875 467
	14 599 424	(1 712 515)	572 798	13 459 707
Non-Current Assets	As previously reported	Correction of error	Re-classification	Restated
Investment property	4 272 545	20 834 464	(1)	25 107 008
Property, plant and equipment	158 541 905	(8 804 336)	1	149 737 570
Intangible assets	521 651	186 479	-	708 130
Heritage assets	43 354	-	-	43 354
	163 379 455	12 216 607	-	175 596 062
Liabilities	As previously reported	Correction of error	Re-classification	Restated
Current Liabilities				
Payables from exchange transactions	6 413 500	(197 531)	506 746	6 722 715
Consumer deposits	484 975	-	66 042	551 017
Unspent conditional grants and receipts	6 073 921	(1 420 625)	-	4 653 296
Finance lease obligation	-	100 078	-	100 078
Employee benefit obligation	204 744	-	-	204 744
Provisions	540 381	-	-	540 381
	13 717 521	(1 518 078)	572 788	12 772 231
Non-Current Liabilities	As previously reported	Correction of error	Re-classification	Restated
Employee benefit obligation	3 847 654	433 002	1	4 280 657
Provisions	4 947 139	-	-	4 947 139
Finance lease obligation	-	89 785	(1)	89 784
	8 794 793	522 787	-	9 317 580
Net Assets	As previously reported	Correction of error	Re-classification	Restated
Accumulated surplus	155 466 565	11 202 568	(36 148 602)	130 520 531
Capital replacement reserve	-	-	1 770 303	1 770 303
Housing development fund	-	-	1 680 451	1 680 451
Donations and public contributions	-	-	32 994 672	32 994 672
	155 466 565	11 202 568	296 824	166 965 957

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	2018 R	2017 R		
53. Prior-year adjustments and reclassifications (continued)				
Statement of financial performance				
Revenue	As previously reported	Correction of error	Re-classification	Restated
Revenue from exchange transactions				
Sale of goods	-	-	103 985	103 985
Service charges	16 872 724	(57 230)	(52 780)	16 762 714
Interest earned - bank accounts and external investments	817 970	-	-	817 970
Interest earned - outstanding receivables	47 959	-	-	47 959
Rental of facilities and equipment	1 271 479	(543)	-	1 270 936
Licences and permits	175 583	-	948 198	1 123 781
Agency services	127 163	-	-	127 163
Other income	104 404	-	(104 404)	-
Operational revenue	-	-	59 642	59 642
	19 417 282	(57 773)	954 641	20 314 150
Revenue from non-exchange transactions	As previously reported	Correction of error	Re-classification	Restated
Property rates	3 257 680	(22 575)	-	3 235 105
Interest earned - outstanding receivables	313 389	-	-	313 389
Licences and permits	-	-	2 516	2 516
Interest - current assets	-	87 079	-	87 079
Government grants and subsidies	26 569 059	-	-	26 569 059
Fines, penalties and forfeits	22 198 191	-	(20)	22 198 171
Donations	1 496 186	-	(1 496 186)	-
Services in kind	1 341 705	-	(1 341 705)	-
Public contributions and donations	-	-	2 837 891	2 837 891
	55 176 210	64 504	2 496	55 243 210
Expenditure	As previously reported	Correction of error	Re-classification	Restated
Employee related costs	19 030 829	7 055	12 702	19 050 586
Remuneration of councillors	2 650 914	-	-	2 650 914
Inventory consumed	-	61 032	840 571	901 603
Depreciation and amortisation	7 889 486	(1 750 256)	-	6 139 230
Finance costs	216 992	491 516	-	708 508
Lease rental on finance lease	76 155	-	-	76 155
Debt impairment	21 334 903	(27 294)	-	21 307 609
Bulk purchases	7 460 102	130 262	-	7 590 364
Contracted services	-	(49 790)	6 861 749	6 811 959
Transfers and subsidies	1 873 664	-	56 270	1 929 934
Repairs and maintenance	2 103 781	-	(2 103 781)	-
Collection costs	204 798	-	(204 798)	-
General expenses	17 767 808	-	(17 767 808)	-
Operational cost	-	69 284	12 844 945	12 914 229
Loss on disposal of assets	37 097	6 179 372	-	6 216 469
Actuarial loss	-	(70 276)	120 464	50 188
	80 646 529	5 040 905	660 314	86 347 748

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Notes to the Annual Financial Statements

	2018 R	2017 R
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53. Prior-year adjustments and reclassifications (continued)

Errors

The following prior period errors adjustments occurred:

Inventories

Stock relating to the 2016/2017 financial year was adjusted, resulting in inventory increasing by an amount of R32 018.

Receivables from exchange transactions

Various consumers were incorrectly billed for services rendered during the financial year ending 30 June 2016. It resulted in a decrease of R51 701 in the net balance.

Allowance for impairment were recalculated and resulted in a decrease of R27 294.

Receivables from non-exchange transactions

Various consumers were incorrectly billed for property rates during the financial year ending 30 June 2016. It resulted in an decrease of R4 984.

A deposit of R1 549 001 paid in respect of a deposit to Eskom, was incorrectly recorded as capital work in progress. This payment was reclassified as a sundry deposit from non-exchange transactions.

Interest on Eskom deposits were not recorded in the accounting records of the municipality. The effect of this correction resulted in an increase of R112 806 in receivables from non-exchange transactions.

During the 2016/17 financial year it was identified that debtors general were incorrectly accounted for, therefore the balance was adjusted with an amount of R1 168 476.

During the audit of comparative figures, it was identified that creditors with debit balances were incorrectly included in trade and other payables from exchange transactions instead of receivables from non-exchange transactions. This resulted in a reclassification amount of R572 798, increasing receivables from non-exchange transactions.

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Notes to the Annual Financial Statements

	2018 R	2017 R
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53. Prior-year adjustments and reclassifications (continued)

VAT receivable

Various consumers were incorrectly billed for services rendered during the financial year ending 30 June 2016. It resulted in an increase of R6 283.

Expenditure relating to Quality control and indigent support was not accrued during the financial year ending 30 June 2016. This was corrected, resulting in an increase of R896.

Interest charged by SARS on overdue VAT returns was not recorded during the financial year ending 30 June 2016. This was corrected, resulting in a decrease of R1 534.

A VAT audit was conducted by SARS, resulting in the denial of input VAT claimed by the municipality. This was not corrected on the accounting system during the 2016/17 financial year. The correction resulted in a decrease of R16 286.

Various journals were processed in the incorrect general ledger accounts. The correct allocation resulted in a decrease of R6 497.

VAT reconciliation's were not performed for the previous 2 financial years. This resulted in various misallocations not being corrected. The effect of the corrections is a decrease of R1 802 971 in VAT receivable.

VAT with respect to New Bulk Watermain infrastructure project was not accounted for during 2016/17. The correction resulted in VAT input increasing by R384 384.

VAT with respect to Sundry creditors were not accounted for during 2016/17. The correction resulted in VAT input increasing by R65 105.

Interest on SARS overdue account amounting to R86 291 not accounted for in 2016/17.

During the audit it was identified that payments made after year end were in respect of the 2016/17 financial year. Expenditure, value-added-tax and payables from exchange transactions were not recorded. Therefore the error resulted in value-added-tax increasing by R17 207.

During the audit it was identified that an amount of R384 384 was included in the Municipal Infrastructure Grant (MIG) unspent portion. This was rectified during the year.

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	2018 R	2017 R
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53. Prior-year adjustments and reclassifications (continued)

Investment properties

The fixed asset register was recompiled during the 2017/18 financial year, which resulted in various properties being included in the register, reclassified and written off. This resulted in an increase of investment property by R16 438 600.

Various errors in the calculation of depreciation relating to 2016/17 were identified during the 2017/18 financial year, resulting in an increase of R4 509 519 in investment property during 2016/17.

During completeness testing from a sample of 136 Investment properties, 8 properties were found that was incorrectly classified as investment property instead of property plant and equipment. The error amounted to R113 655, decreasing Investment Property Land.

Property, plant and equipment

The fixed asset register was recompiled during 2017/18, which resulted in various properties being included in the register, reclassified and written off. This resulted in the decrease of Property, plant and equipment by R16 438 600. Furthermore opening balances were restated which amounted to R207 985, decreasing the opening balances as at 1 July 2016.

The rental of photocopiers were recorded as rental expenses in 2016/17. This was incorrect as the rentals meet the definition of a finance lease in terms of GRAP 13. The correction resulted in the increase in property, plant and equipment by R454 038.

The fixed asset register was recompiled during 2017/18, which resulted in accumulated impairment and depreciation opening balances being adjusted. This resulted in the decrease of Property, plant and equipment by R207 985.

Repairs and maintenance expenditure was incorrectly capitalised as Property, plant and equipment during 2016/17. This was corrected, resulting in the decrease in Property, plant and equipment by R81 107.

A deposit of R1 549 001 paid in respect of a deposit to Eskom, was incorrectly recorded as capital work in progress. This payment was reclassified as a Sundry deposit from non-exchange transactions.

During the 2016/17 financial year it was identified that RDP houses were incorrectly included in the fixed asset register. This resulted in a decrease of R392 625.

The fixed asset register was recompiled during 2017/18, which resulted in opening balances of community assets being adjusted. This resulted in the increase of Property, plant and equipment by R793 896.

The fixed asset register was recompiled during 2017/18, which resulted in opening balances of motor vehicles being adjusted. This resulted in the increase of Property, plant and equipment by R1 135 627.

The fixed asset register was recompiled during 2017/18, which resulted in opening balances of furniture and office equipment being adjusted. This resulted in the increase of Property, plant and equipment by R858 819.

The fixed asset register was recompiled during 2017/18, which resulted in opening balances of infrastructure assets as well as buildings being adjusted. This resulted in the increase of Property, plant and equipment by R12 601 615.

During completeness testing from a sample of 136 Investment properties, 8 properties were found that was incorrectly classified as investment property instead of property plant and equipment. The error amounted to R113 655, increasing Property, plant and equipment land.

During the audit of property plant and equipment, it was identified that assets were included in the asset register which relates to RDP houses which the municipality did not have control over anymore. The houses were handed over by way of a "Happy letter" to the occupants during prior years and the owners are being billed for services and rates. This resulted in Property, plant and equipment decreasing by R6 194 830.

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	2018 R	2017 R
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53. Prior-year adjustments and reclassifications (continued)

A change in estimate occurred during the 2017/18 financial year, however assets' useful lives were revised for the 2016/17 financial year and adjustments were processed. During the audit, it was confirmed that these assets should only be corrected in the current financial year. Therefore the error resulted in depreciation decreasing and property, plant and equipment increasing by R130 055.

During the finalisation of Property, plant and equipment it was identified that work-in-progress was overstated with an amount of R27 893.98. The correction resulted in work-in-progress assets decreased by this amount.

Intangible assets

The fixed asset register was recompiled during 2017/18, which resulted in various assets being included in the register, reclassified and written off. This resulted in the increase in Intangible assets by R186 479.

Investment properties

The fixed asset register was recompiled during the 2017/18 financial year, which resulted in various properties being included in the register, reclassified and written off. This resulted in an increase of investment property by R16 438 600.

Various errors in the calculation of depreciation relating to 2016/17 were identified during the 2017/18 financial year, resulting in an increase of R4 509 519 in investment property during 2016/17.

During completeness testing from a sample of 136 Investment properties, 8 properties were found that was incorrectly classified as investment property instead of property plant and equipment. The error amounted to R113 655, decreasing Investment Property Land.

Payables from exchange transactions

A repayment to a creditor was incorrectly recorded as expense, resulting in the overstatement of Payables from exchange transactions by R3 532. This was corrected in 2017/18.

Various journals were processed in the incorrect general ledger accounts. The correct allocation results in the decrease in Payables from exchange transactions by R6 497.

Expenditure relating to 2016/17 was only recorded in 2017/18. The misstatement was corrected, resulting in the increase in Payables from exchange transactions by R122 541.

Salary control accounts for the 2016/17 financial year were reconciled, and resulted in the debit balance decreasing by R252 526.

During the 2017/18 financial year, it was found that transactions in 2016/17 were incorrectly recorded inclusive of VAT. The transactions were corrected, which resulted in a decrease of R96 623.

Opening balance adjustment amounting to R1 271 411 due to creditors not being accounted for on the accrual basis.

Sundry creditors were paid during the 2016/17 financial year, however the expenditure incurred were not accounted for on the accrual basis. This resulted in sundry creditors being understated by R549 709.

During the audit it was identified that payments made after year end were in respect of the 2016/17 financial year. Expenditure, value-added-tax and payables from exchange transactions were not recorded. Therefore the error resulted in payables from exchange transactions increasing by R150 088.

Finance lease obligation

The rental of photocopiers were recorded as rental expenses in 2016/17. This was incorrect as the rentals meet the definition of a finance lease in terms of GRAP 13. The correction resulted in the recognition of finance lease liability. The current portion amounted to R100 078 and the non-current portion amounted to R89 785. The total amount of the finance lease liability recognised amounted to R189 863.

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	2018 R	2017 R
53. Prior-year adjustments and reclassifications (continued)		
Employee benefit obligation		
Long service awards were restated for the 2016/17 financial year. This resulted in long service awards obligation increasing by R433 002.		
Service charges		
Various consumers were incorrectly billed for services during the 2016/17 financial year, which was discovered during the 2017/18 financial year. This was corrected in 2017/18, resulting in the decrease in service charges by R44 875.		
A VAT audit was conducted by SARS, resulting in the additional output VAT payable. This was not corrected on the accounting system during the 2016/17 financial year. The correction results in the decrease in service charges by R12 355.		
Rental from facilities and equipment		
Various consumers were incorrectly billed for rentals during the 2016/17 financial year, which was discovered during the 2017/18 financial year. This was corrected in 2017/18, resulting in the decrease in rental from facilities and equipment by R543.		
Interest, dividends and rent on land		
During the 2017/18 financial year it was identified that interest on Eskom deposits was not accounted for. This resulted in an increase amounting to R87 079.		
Property rates		
Various consumers were incorrectly billed for property rates during the 2016/17 financial year, which was discovered during the 2017/18 financial year. This was corrected in 2017/18, resulting in the decrease in property rates by R22 575.		
Employee related costs		
Long service awards were restated for the 2016/17 financial year. This resulted in an increase in employee related costs with an amount of R7 055.		
Depreciation and amortisation		
Various errors in the calculation of depreciation relating to 2016/17 were identified during 2017/18, resulting in depreciation decreasing by R1 620 201.		
A change in estimate occurred during the 2017/18 financial year, however assets' useful lives were revised for the 2016/17 financial year and adjustments were processed. During the audit, it was confirmed that these assets should only be corrected in the current financial year. Therefore the error resulted in depreciation decreasing by R130 055.		
Bulk purchases		
VAT reconciliation's were not performed for the previous 2 financial years. This resulted in various misallocations not being corrected. The effect of the corrections is an increase of R130 262.		
Finance costs		
Interest charged by SARS on overdue VAT returns was not recorded during 2016/17. This was corrected, resulting in the increase in interest on overdue accounts (finance costs) by R1 534.		
A VAT audit was conducted by SARS, resulting in the denial of input VAT claimed by the municipality. This was not corrected in the accounting system during the 2016/17 financial year. The correction resulted in the increase in finance costs of R3 931.		

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	2018 R	2017 R
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53. Prior-year adjustments and reclassifications (continued)

The rental of photocopiers were recorded as rental expenses in 2016/17. This was incorrect as the rentals meet the definition of a finance lease in terms of GRAP 13. The correction resulted in the increase in finance costs by R23 017.

Long service awards were restated for the 2016/17 financial year. This resulted in interest costs increasing by R79 927.

Interest on SARS overdue account amounting to R86 291 not accounted for in 2016/17.

Contracted services

Expenditure relating to Quality control and indigent support was not accrued during 2016/17. This was corrected, resulting in an increase in Contracted services by R5 335.

The rental of photocopiers were recorded as rental expenses in 2016/17. This was incorrect as the rentals meet the definition of a finance lease in terms of GRAP 13. The correction resulted in the decrease in Contracted services by R120 738.

Contracted services amounting to R6 400 were corrected and disclosed as inventory consumables. This resulted in contracted services decreasing.

Correction of VAT balance as a result of VAT reconciliation amounting to R740, increasing contracted services.

During the audit it was identified that payments made after year end were in respect of the 2016/17 financial year. Expenditure, value-added-tax and payables from exchange transactions were not recorded. Therefore the error resulted in contracted services increasing by R71 273.

Inventory consumed

Repairs and maintenance expenditure was incorrectly capitalised as Property, plant and equipment during 2016/17. This was corrected, resulting in the increase in Inventory consumed by R81 107.

Correction of Inventory in the 2016/2017 financial year resulted in inventory consumables decreasing.

Correction of VAT balance as a result of VAT reconciliation amounting to R5 544, increasing inventory consumed.

Loss on disposal of assets

The fixed asset register was recompiled during 2017/18, which resulted in infrastructure assets being assessed. This resulted in the decrease in loss on disposals of assets by R15 458.

During the audit of property plant and equipment, it was identified that assets are included in the asset register which relates to RDP houses which the municipality did not have control over anymore. The houses were handed over by way of a "Happy letter" to the occupants during prior years and the owners are being billed for services and rates. This resulted in loss on disposal of assets increasing by R6 194 830.

Operational cost

Expenditure relating to 2016/17 was only recorded in 2017/18. The misstatement was corrected, resulting in the increase in Operational cost by R67 918.

Correction of VAT balance as a result of VAT reconciliation increasing operational cost by R1 367.

Actuarial gains / (losses)

Long service awards (employee benefits) were valued by Actuaries during the 2017/18 financial year. This resulted that a restatement in terms of the actuarial losses amounting to R70 276, decreased during the 2016/17 financial year.

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	2018 R	2017 R
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53. Prior-year adjustments and reclassifications (continued)

Reclassifications

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The municipality has started with a process during the year to align items in the financial statements with the Item Segment of mSCOA. The result of this process was a reclassification and naming of items in the financial statements.

Over and above the mSCOA reclassifications, certain other comparative amounts have been reclassified.

The reclassification of 2017 audited amounts can be summarised as follows:

Payables from exchange transactions

Consumer deposits amounting to R66 042 were included in payables from exchange transactions for the financial year ended 30 June 2017. This amount was reclassified to consumer deposits.

During the audit of comparative figures, it was identified that creditors with debit balances were incorrectly included in trade and other payables from exchange transactions instead of receivables from non-exchange transactions. This resulted in a reclassification amount of R572 798, increasing payables from exchange transactions.

Consumer deposits

Consumer deposits amounting to R66 042 were included in payables from exchange transactions for the financial year ended 30 June 2017. This amount was reclassified to consumer deposits.

Reserves

The capital replacement reserve amounting to R1 770 303 was included in accumulated surplus in the previous year. This has been separately disclosed in the current year.

The housing development fund amounting to R1 680 451 was included in accumulated surplus in the previous year. This has been separately disclosed in the current year.

The donations and public contribution reserve amounting to R32 994 672 was included in accumulated surplus in the previous year. This has been expertly disclosed in the current year.

Sales of goods and service charges

Transactions related to sales of goods were classified as service charges during the 2016/17 financial year. Due to mSCOA implementation, sale of goods amounting to R103 985 were reclassified within other revenue and R52 780 was reclassified from service charges. This resulted in other revenue and service charges decreasing and sale of goods increasing.

Licences and permits

Licences and permits were reclassified between exchange and non-exchange transactions. This resulted in licences and permits from non-exchange transactions increasing by R2 496 and licences and permits from exchange transactions decreasing by R2 496.

During the audit it was identified that licences and permits (revenue from exchange transactions) amounting to R950 694 were netted off against operational cost. This was rectified, resulting in revenue from exchange transactions increasing by this amount.

Other income and operational revenue

Transactions related to other income amounting to R104 404 were reclassified to sales of goods and operational revenue in terms of mSCOA.

Donations and services in kind

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53. Prior-year adjustments and reclassifications (continued)

Donations amounting to R1 496 186 and services in kind amounting to R1 341 705 were reclassified to Public contributions and donations in terms of mSCOA.

Employee related costs

Employee related costs amounting to R12 703 were reclassified from other expenditure.

Finance costs

Reclassification of interest on late payments (SARS) were classified as general expenses in the 2016/17 financial year. This was corrected by reclassifying an amount of R5 184 to interest on overdue accounts (finance cost).

Post retirement medical aid - interest cost were reclassified as employee related costs in the 2016/17 financial year. This was corrected by reclassifying an amount of R302 000 to interest - employee benefits (finance cost).

Transfers and subsidies

Transfers and subsidies amounting to R56 270 were reclassified from general expenses due to mSCOA implementation.

Inventory consumed

Inventory consumed amounting to R840 571 was reclassified from general expenses due to mSCOA implementation.

Repairs and maintenance, general expenses and collection costs

Due to mSCOA implementation repairs and maintenance amounting to R2 103 781 were reclassified between inventory consumed and contracted services.

Collection costs amounting to R204 840 were reclassified to operational cost.

General expenses amounting to R17 767 808 were reclassified to various line items of expenditure in the Statement of Financial Performance.

Contracted services

Contracted services amounting to R6 855 350 was reclassified from general expenses due to mSCOA implementation.

Operational cost

An amount of R11 894 250 was reclassified from general expenses due to mSCOA implementation.

54. Comparative figures

Certain comparative figures have been reclassified. Refer to note 53.

55. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

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55. Risk management (continued)

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2018	Less than 1 year	1 - 2 years	2 - 5 years	More than 5 years	Total
Payables from exchange transactions	7 794 801	-	-	-	7 794 801
Consumer deposits	590 700	-	-	-	590 700
	8 385 501	-	-	-	8 385 501
At 30 June 2017	Less than 1 year	1 - 2 years	2 - 5 years	More than 5 years	Total
Payables from exchange transactions	6 722 715	-	-	-	6 722 715
Consumer deposits	551 017	-	-	-	551 017
	7 273 732	-	-	-	7 273 732

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2018	2017
Cash and cash equivalents	10 169 928	5 875 467
Receivables from exchange transactions	2 137 412	1 872 758
Receivables from non-exchange transactions	7 845 964	2 663 362
Current portion of long-term receivables from exchange transactions	1 010	763

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	2018 R	2017 R
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56. Going concern

We draw attention to the fact that at 30 June 2018, the municipality had an accumulated surplus of R 136 224 981 and that the municipality's current assets exceed its liabilities by R3 206 366.

The municipality had a surplus of R5 704 451 (2017: Deficit R10 790 387). A net surplus indicates that the municipality is able to reasonably contain its operating expenditure or collect its reasonably anticipated revenue.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officers continue to procure funding for the ongoing operations for the municipality through the provision of equitable share, and additionally the accounting officer will continue to tightly manage the cashflow of the municipality.

The Municipality is fully implementing the Debt Collection and Credit Control Policy. Electricity is cut off on a monthly basis due to non-payment of service accounts. Outstanding amounts in the areas where the Municipality is not the supplier of electricity are harder to collect with normal credit control processes. The Municipality has appointed a local debt collector to visit the debtors in all the supplying areas.

The payment rate for 2017/2018 financial year was 89,1%. The current payment rate is 88.93%. The total amount outstanding for services debtors and rates at 30 June 2018 was R7 065 million. The total amount outstanding for longer than 12 months was R3,818 million and this amounts to 54,04% of all the debtors outstanding. The total cash trapped in outstanding debtors older than 90 Days amount to R7,064 million.

Municipalities must surrender some unspent conditional grants to the National Treasury at year-end. It appears that the unspent conditional grants were more than the available cash, however, the municipality requests from National Treasury for these unspent grants to be rolled-over in order to spend monies on existing and new capital projects.

In many instances the real challenge faced by municipality's is a low revenue base and the tariffs are in some instances insufficient to sustain municipal functions, however in this instance, Laingsburg Municipality's revenue is seemingly within range when compared to the prior year. The only significant increase in revenue is monies received from government grants and subsidies.

The municipality will continue in operation and meet its statutory and financial obligations for the foreseeable future.

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57. Unauthorised expenditure		
Opening balance	271 147	271 147
Unauthorised expenditure - operating	3 616 194	-
Unauthorised expenditure - capital	1 033 602	-
	4 920 943	271 147

Unauthorised expenditure current year - operating	Actual	Final Budget	Variance	Unauthorised expenditure
Vote 1 - Mayoral and Council	4 239 885	4 912 100	(672 215)	-
Vote 2 - Municipal Manager	2 389 712	3 498 600	(1 108 888)	-
Vote 3 - Corporate Services	7 820 254	6 473 100	1 347 154	1 347 154
Vote 4 - Budget and Treasury	11 513 640	13 141 738	(1 627 964)	-
Vote 5 - Planning and Development	943 161	1 227 400	(284 239)	-
Vote 6 - Community and Social Services	938 716	1 247 100	(308 384)	-
Vote 7 - Sport and Recreation	486 845	820 000	(333 155)	-
Vote 8 - Housing	6 917	184 200	(177 283)	-
Vote 9 - Public Safety	25 541 077	31 224 800	(6 632 529)	-
Vote 10 - Road Transport	7 729 524	9 944 000	(2 217 239)	-
Vote 11 - Waste Management	1 531 251	1 480 600	50 651	50 651
Vote 12 - Waste Water Management	4 198 941	2 249 600	1 949 341	1 949 341
Vote 13 - Water	3 111 247	2 842 200	269 047	269 047
Vote 14 - Electricity	7 856 415	8 268 800	(412 385)	-
	78 307 585	87 514 238	(10 158 088)	3 616 193

Unauthorised expenditure current year - capital	Actual	Final Budget	Variance	Unauthorised expenditure
Vote 3 - Corporate Services	-	1 000	(1 000)	-
Vote 6 - Community and Social Services	-	173 520	(173 520)	-
Vote 7 - Sport and Recreation	-	774 023	(774 023)	-
Vote 10 - Road Transport	1 033 602	-	1 033 602	1 033 602
Vote 13 - Water	3 245 673	13 173 757	(9 928 083)	-
Vote 14 - Electricity	1 737 450	1 995 205	(12 730)	-
	6 016 725	16 117 505	(9 855 754)	1 033 602

58. Fruitless and wasteful expenditure

Opening balance	14 823	-
Fruitless and wasteful expenditure current year	28 221	30 762
Condoned or written off by Council	-	(15 939)
	43 044	14 823

Interest on late payment of suppliers was written off by Council.

59. Irregular expenditure

Opening balance	30 961 026	40 434 784
Irregular expenditure current year	10 764 301	18 008 181
Condoned or written off by Council	-	(27 481 939)
	41 725 327	30 961 026

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59. Irregular expenditure (continued)		
Analysis of expenditure awaiting condonation per age classification		
Current year	10 764 301	7 835 595
Prior years	30 961 026	23 125 431
	41 725 327	30 961 026
Details of irregular expenditure – current year		
The appointment of the previous municipal manager, Mr. SC Pieterse, was not in accordance with section 54A(2) of the Municipal Systems Act, paragraph 2 of Annexure B of the Local Government: Regulations on Appointment and Conditions of Employment of Senior Managers and paragraph 1 of Annexure B of the Local Government: Regulations on Appointment and Conditions of Employment of Senior Managers. Based on the inspection of the court order, case number 21375/17 dated 14/12/2017 made in the High court of South Africa, the appointment of Mr. SC Pieterse was unlawful and contrary to the applicable statutory and regulatory provisions, and accordingly null and void.	356 507	
Mr. KJ Gertse was promoted internally without following the municipality's official recruitment process (which involves advertising the position internally). The promotion letter, dated 7 July 2017 and approved by the then municipal manager, Mr. SC Pieterse, revealed that Mr KJ Gertse was promoted to Head of Supply Chain Management (salary scale T-13) effective from 1 July 2017. This appointment is in contravention of section 67(1)(e) of the Municipal Systems Act.	25 135	
Expenditure declared as Irregular during previous Auditor-General Compliance Audits	10 100 814	
Procurement was done without involving SCM Unit - Formal Written Price Quotations	146 268	
Procurement were done without involving SCM Unit - x3 Quotations not obtained	135 577	
	10 764 301	
60. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government - SALGA		
Opening balance	168 357	57 500
Current year subscription fee	500 000	428 357
Amount paid - current year	(320 000)	(317 500)
	348 357	168 357
Material losses		
Electricity	1 058 383	37 216
Water	3 271 132	1 971 820
	4 329 515	2 009 036

Laingsburg experienced an average electricity loss of R1 058 383.86 (2017: R37 215.63) in the 2017/2018 financial period. The percentage loss during distribution for the current year was 9.19% (2017: 3.17%).

Laingsburg experienced an average water loss of R 3 271 132.16 (2017: R1 971 820) for the 2017/2018 financial period. The percentage loss during distribution for the current year was 61.36% (2017: 51.80%).

Laingsburg Local Municipality

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Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
60. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Audit fees		
Opening balance	6 188	2 628 224
Current year subscription fee	964 810	-
Amount paid - current year	(981 310)	(1 280 331)
Amount paid - National Treasury	-	(1 341 705)
	(10 312)	6 188
PAYE, SDL and UIF		
Opening balance	117 114	122 286
Current year payroll deductions and Council Contributions	3 086 804	3 099 403
Amount paid - current year	(3 199 553)	(3 104 575)
	4 365	117 114
Pension and Medical Aid Deductions		
Opening balance	149 916	(75 395)
Current year payroll deductions and Council Contributions	4 825 279	4 242 781
Amount paid - current year	(4 231 808)	(4 017 470)
	743 387	149 916
VAT		
VAT receivable	2 846 463	1 637 372

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2018:

30 June 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
I Brown	41 271	16 289	57 560
BA Kleinbooi	3 034	36 583	39 617
	44 305	52 872	97 177

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2018	Highest outstanding amount	Aging (in days)
I Brown	10 522	120
BA Kleinbooi	34 788	120
	45 310	240

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Notes to the Annual Financial Statements

	2018 R	2017 R
61. Deviation from supply chain management regulations		
In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Accounting Officer and noted by Council. The expenses incurred as listed hereunder have been condoned.		
Type of deviation		
If such goods or services are produced or available from a single provider only (Reference to SCM Regulations 36(1)(a)(ii))	42 829	121 322
In any other exceptional case where it is impractical or impossible to follow the official procurement processes (Reference to SCM Regulations 36(1)(a)(v))	1 074 203	1 559 447
In an emergency (Reference to SCM Regulations 36(1)(a)(i))		43 786
	1 117 032	1 724 555

62. Budget differences

Material differences between budget and actual amounts

Material differences between the adjusted budget and actual amounts are deemed material if it differs with more than 10%.

Below are the reasons explained for these material differences:

Statement of Financial Position

Assets

Inventory

A proper inventory system was not setup, therefore proper budgeting could not be done.

Receivables from exchange and non-exchange transactions

During the compilation of the annual financial statements, the allowance for impairment was calculated and gave rise to a significant increase. Management assumed during the budget process that outstanding fines would be lower.

Furthermore, no separate budget was performed between receivables from exchange and non-exchange transactions, but the budget was allocated to "consumer debtors".

VAT receivable

An extensive VAT reconciliation was performed during the 2017/18 financial year which resulted in numerous VAT adjustments. Furthermore during the audit it was identified that expenditure was recorded inclusive of VAT. This was corrected, therefore increasing the amount at year end.

Cash and cash equivalents

The significant increase gave rise to more unspent conditional grants for the financial year ended 30 June 2018. The municipality did not expect that these grants would remain as "unspent" at year end.

Intangible assets

During the compilation of the annual financial statements and the fixed asset register being updated, numerous prior period errors occurred. It should be noted that even though these errors occurred, it remained within the allocated budget amount.

Heritage assets

Heritage assets were appropriately budgeted for under other non-current assets.

Investment property

Laingsburg Local Municipality

(Registration number WC051)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
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62. Budget differences (continued)

During the compilation of the annual financial statements and the fixed asset register being updated, numerous prior period errors occurred which affected the opening balances of investment properties as at 1 July 2017. Taking into consideration that these errors increased the carrying value of investment property. Therefore during the budget process, the municipality did not foresee these changes, hence the significant variance between the actual and budget amounts.

Liabilities

Finance leases

During the compilation of the annual financial statements and the fixed asset register being updated, numerous prior period errors occurred which resulted in finance lease being disclosed for the 2016/17 and 2017/18 financial year. Due to prior reporting periods, no budget was allocated for finance leases.

Trade and other payables from exchange transactions

During the compilation of the annual financial statements it was found that creditors were not accounted for on the accrual basis. Numerous transactions gave rise to an increase in payables from exchange transactions.

Consumer deposits

An increase in consumer deposits resulted due to more deposit top ups during the financial year.

Employee benefits

Actuarial Valuation of the Long Service Award liability and Post Retirement Medical Aid subsidy liability is not a funded arrangement, and the purpose of the evaluation is to enable the Municipality to make an appropriate Financial Statement provision.

Unspent conditional grants and receipts

The municipality received additional grants during the financial year which they did not budget for. The reason being that these grants were determined based on the needs and service delivery to all consumers as well as to uphold the infrastructure of Laingsburg.

Provisions

The reason for the significant variance is due to additions in provision for the rehabilitation of landfill site amounting to R2 309 046 (2017: R188 559).

Net assets

Reserves and accumulated surplus

No budget was allocated to reserves, as the balances were brought forward from previous years. Furthermore numerous prior period errors occurred which resulted in the increase in accumulated surplus which the municipality did not foresee.

Statement of Financial Performance

Revenue

Sale of goods and other income

During the 2017/18 financial year the municipality implemented the new municipal standard chart of accounts (mSCOA). This resulted in various reclassifications during the financial year. In retrospect, revenue was mainly budgeted for under service charges. The variance between actual amounts and the budget amounts is less than 10%.

Rental of facilities and equipment

Laingsburg Local Municipality

(Registration number WC051)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
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62. Budget differences (continued)

Rental of facilities amounting to R1.9m were more than budgeted for, due to increases in income received from rental of premises, land, facilities and equipment. The budget is determined using past trends as a basis, which was lower than the actual revenue realised during 2017/2018.

Agency services

More truck licences were renewed during the year compared to the previous year, which results in agency services increasing. The budget is determined using past trends as a basis, which was lower than the actual agency services received during 2017/2018.

Licences and permits

Licences and permits (exchange and non-exchange) amounted to R1 354 267 were more than the budget amount due to more licences and permits issued during the year than anticipated.

Interest earned

Interest earned was more than the budget amount due to more interest earned on external investments and bank accounts during the year. The fluctuations of interest rates can also attribute to more interest earned while the budget amount was based on a fixed interest rate.

Property rates

Property rates amounting to R3.5m was less than the budget amount due to Agricultural properties qualifying for higher rebates. Less revenue received from Agricultural properties.

Actuarial gains

Actuarial Valuation of the Long Service Award liability and Post Retirement Medical Aid subsidy liability is not a funded arrangement, and the purpose of the evaluation is to enable the Municipality to make an appropriate Financial Statement provision. Although a gain was accounted for in the current year, the prior year resulted in an actuarial loss. Based on the aforementioned, no budget can be made when valuations vary from year to year.

Government grants and subsidies

Due to the extreme weather conditions the Western Cape is facing, the municipality received additional grants for drought support which they did not anticipate to receive.

Fines, penalties and forfeits

Fines revenue is less than the budget amount due to Provincial fine revenue only recognised during the audit process finalisation.

Expenditure

Inventory consumed and operational cost

During the 2017/18 financial year the municipality implemented the new municipal standard chart of accounts (mSCOA). This resulted in various reclassifications during the financial year. The adjustment budget was approved on 28 February 2018, before the implementation of mSCOA. Expenditure relating to inventory consumed was budgeted for under general expenses / operational cost. The Municipality anticipated that expenditure for the current year will increase significantly from the previous year, and budgeted sufficiently to ensure funds are available for expenditure incurred.

Depreciation and amortisation

Laingsburg Local Municipality

(Registration number WC051)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
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62. Budget differences (continued)

During the 2017/18 financial year, the Fixed Asset Registers were updated. Depreciation was calculated accordingly. Despite the amount which was budgeted for, the depreciation charge for all assets are dependant on the outcome of the Fixed Asset Registers being updated to agree to the financial statements. Furthermore during the year, finance leases were recognised during the year, which increased the depreciation expense.

Impairment loss

Impairment loss was not budgeted for. During the audit execution phase, assets were identified which were obsolete and/or could not be verified. This resulted in the impairment of assets.

Finance costs

No provision for finance costs relating to employee benefits were made. The related expenses are dependant on the outcome of the Actuarial Valuations.

Lease rentals on operating lease

No provision for lease rentals were made.

Debt impairment and bad debts written off

Debt impairment budget relates to the (reversal) / contribution made towards bad debt provision. The budget amount is more than the actual amounts due to the reversal of impairment loss on assessment rates compared to the R16m reversal of impairment loss on fines in the prior year.

Transfers and subsidies paid

The budget amount allocated to transfers and subsidies was used to transfer equitable share to all departments within the municipality.

Cash Flow Statement

Net cash from operating activities

Sale of goods and services

Actual revenue from services were more than budgeted due to debt collection and revenue enhancement strategies. The budget was prepared on the assumption of a lower debt collection rate, than what was actual at year end.

Taxation

VAT receivable for the year increased due to numerous VAT corrections. VAT was included in revenue, expenditure and assets.

Grants and subsidies received

Capital and operating grants received were less than the budget amount. The main reason was that the municipality anticipated sufficient revenue recognition during the year. This was not the case as the balance for unspent conditional grants increased significantly compared to the prior year.

Interest

Interest income is less than the budget amount due to interest earned from outstanding receivables from exchange and non-exchange transactions (non-cash item) included in the budget amount, whereas the interest income per the cash flow statements only includes cash items.

Suppliers and employees

Laingsburg Local Municipality

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Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
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62. Budget differences (continued)

Management anticipated that creditors will be paid in due time. The variance is slightly above 10% which is in line with the budget amount.

Finance costs

The amount is incorrect. Included in the amount are non-cash items, i.e. landfill site rehabilitation provision and employee benefits. Only cash items should be included.

Net cash from investing activities

Purchase of property, plant and equipment

Management anticipated that more capital projects will be completed during the year as well as capital additions paid from grants. This was not the case as the unspent portion of the Municipal Drought Support grant amounted to R7 300 000.

Net cash from financing activities

Repayment of borrowings

Finance leases were recognised and disclosed for the 2016/17 and 2017/18 financial year. Due to prior reporting periods, no budget was allocated for finance leases nor the repayment thereof.

Consumer deposits

An increase in consumer deposits resulted due to more deposit top-ups during the financial year.

ANNEXURE B:

AG REPORT

Report of the auditor-general to the Western Cape Provincial Parliament and the council on the Laingsburg Municipality

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Laingsburg Municipality set out on pages 6 to 103, which comprise the statement of financial position as at 30 June 2018, 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 to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Laingsburg Municipality as at 30 June 2018, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA 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, 2017 (Act No. 3 of 2017) (Dora).

Basis for qualified opinion

Inventory

3. The municipality did not have an inventory management system to account for the acquisition and issuance of inventory items throughout the period under review. Consequently, I was unable to determine whether any adjustment was necessary relating to inventory stated at R863 630 (2016-17: R1 409 983) in note 7 to the financial statements. I was also unable to quantify the possible misstatement of inventory.

Property, plant and equipment

4. Property, plant and equipment was identified that had not been recorded in the municipality's financial records and I was not able to quantify the possible understatement.
5. Furthermore, I was not able to verify the existence of property, plant and equipment to the value of R514 068. The municipality's property, plant and equipment is therefore overstated by this amount.

Payables from exchange transactions

6. I was unable to verify the existence, valuation, classification and rights and obligations of trade payables of R2 198 309, since no supporting schedules could be provided to substantiate this amount.

Irregular expenditure

7. Irregular expenditure of R2 863 462 incurred in the current year was not disclosed as irregular expenditure in note 59 to the notes to the financial statements. The irregular expenditure as disclosed in note 59 to the financial statements is therefore understated by this amount.

Revenue from exchange transactions

8. Revenue collected on behalf of the Department of Transport and Public Works (principal) and the related expenditure were not accounted for as required by paragraph .43 of GRAP 109, *Accounting by principals and agents*. Revenue from exchange transactions and expenditure are therefore both overstated by R1 135 562.

Context for the opinion

9. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
10. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
11. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of matters

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

Restatement of corresponding figures

13. As disclosed in note 53 to the financial statements, the corresponding figures for 30 June 2017 have been restated as a result of errors discovered during the 2017-18 financial year in the financial statements of the municipality at, and for the year ended, 30 June 2018.

Material impairments

14. As disclosed in note 10 to the financial statements, the municipality provided for the impairment of receivables from exchange transactions (consumer debtors) amounting to R2,3 million (2016-17: R1,6 million).
15. As disclosed in note 11 to the financial statements, the municipality provided for the impairment of receivables from non-exchange transactions amounting to R36,8 million (2016-17: R19 million). This mainly related to traffic fines issued.

Material losses

16. As disclosed in note 60 to the financial statements, water losses of 61,4% amounting to R3 271 132 (2016-17: 51,8% amounting to R1 971 820) were suffered during the year.

Material underspending of conditional grants

17. As disclosed in note 17 to the financial statements, the municipality underspent its conditional grants by R11,2 million (2016-17: R4,6 million), of which R7,8 million relates to municipal drought support that was only received towards year-end. This represents 50,5% (2016-17: 33,1%) of the conditional grants received.

Other matter

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

Unaudited disclosure notes

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

Responsibilities of accounting officer for the financial statements

20. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and Dora, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
21. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

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

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

Introduction and scope

24. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for the selected strategic objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
25. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
26. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected strategic objective presented in the annual performance report of the municipality for the year ended 30 June 2018:

Strategic objective	Pages in the annual performance report
Strategic objective 5 – provision of infrastructure to deliver improved services to all residents and business	10 – 11

27. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
28. I did not raise any material findings on the usefulness and reliability of the reported performance information for this strategic objective:
- Strategic objective 5 – provision of infrastructure to deliver improved services to all residents and business

Other matter

29. I draw attention to the matter below.

Achievement of planned targets

30. Refer to the annual performance report on pages 10 to 11 for information on the achievement of planned targets for the year.

Report on the audit of compliance with legislation

Introduction and scope

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

Annual financial statements, performance report and annual report

33. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements were identified by the auditors in the submitted financial statements, which resulted in the financial statements receiving a qualified audit opinion.
34. The annual financial statements were not submitted to the auditor-general for auditing within two months after the end of the financial year, as required by section 126(1)(a) of the MFMA.
35. The council failed to adopt an oversight report containing the council's comments on the 2016-17 annual report within the prescribed timelines, as required by section 129(1) of the MFMA.

Procurement and contract management

36. Some of the goods and services with a transaction value below R200 000 were procured without obtaining the required price quotations, in contravention of supply chain management (SCM) regulation 17(a) and (c). Similar non-compliance was also reported in the prior year.
37. Some of the goods and services with a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM regulation 36(1).
38. Some of the contracts were awarded to providers whose tax matters had not been declared by the South African Revenue Service to be in order, in contravention of SCM regulation 43. Similar non-compliance was also reported in the prior year.

39. The bid documentation for procurement of commodities designated for local content and production did not stipulate the minimum threshold for local production and content. Furthermore, the supplier did not submit a declaration on local production and content and did not meet the prescribed minimum threshold for local production and content, as required by the Preferential Procurement Regulations of 2017. Similar non-compliance was also reported in the prior year.
40. The performance of some of the contractors or providers was not monitored on a monthly basis, while the contract performance and monitoring measures and methods were not sufficient to ensure effective contract management, as required by section 116(2)(b) and (c) of the MFMA, respectively. Similar non-compliance was also reported in the prior year.

Expenditure management

41. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
42. An adequate management, accounting and information system was not in place to account for creditors, as required by section 65(2)(b) of the MFMA.
43. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The majority of the disclosed irregular expenditure was caused by non-compliance with the SCM Regulations.
44. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R4 649 796, as disclosed in note 57 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by the overspending of votes.
45. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R28 221, as disclosed in note 58 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by payments made in respect of interest on late payments and bank charges for a bank account that was not fully utilised by the municipality.

Asset management

46. An adequate management, accounting and information system was not in place to account for assets and inventory, as required by section 63(2)(a) of the MFMA.

Consequence management

47. Unauthorised expenditure of R271 147 incurred by the municipality in prior years was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a) of the MFMA.
48. The authorisation of unauthorised expenditure amounting to R271 147 was not done through an adjustment budget, as required by section 32(2)(a)(i) of the MFMA.

49. Irregular expenditure of R30 961 026 incurred by the municipality in prior years was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.
50. Fruitless and wasteful expenditure of R14 823 incurred by the municipality in prior years was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

Other information

51. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected strategic objectives presented in the annual performance report that have been specifically reported in this auditor's report.
52. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
53. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected strategic objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
54. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact.
55. I have nothing to report in this regard.

Internal control deficiencies

56. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion and the findings on compliance with legislation included in this report.

Leadership

57. Leadership did not provide adequate oversight regarding the implementation of action plans to address the prior year's audit findings, which resulted in repeat findings in the areas of financial reporting and compliance with laws and regulations. Furthermore, leadership did not provide proper oversight over the preparation of the annual financial statements.
58. Leadership did not provide sufficient oversight over the implementing and monitoring of controls to prevent non-compliance. Furthermore, the municipality had capacity constraints and a shortage of skilled staff. However, management did not take initiatives or implement

processes to ensure that the municipality had an adequately skilled labour force that was sufficient to carry out the mandate and the functions of the municipality. In addition, leadership did not provide adequate oversight over the information technology environment of the municipality, which resulted in a breakdown of internal controls within the municipality.

Financial and performance management

- 59. Management did not implement proper review processes over the annual financial statements in order to ensure that the reported information was free from material misstatements, accurate and complete.
- 60. Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information was accessible and available to support financial reporting.
- 61. Deficiencies in the review processes and the ineffective implementation of compliance monitoring controls to ensure compliance with key legislation resulted in non-compliance with the MFMA and other applicable legislation.

Governance

- 62. The audit committee did not perform all of its functions as per the approved audit committee charter. The internal audit function was also not adequately resourced and equipped to carry out its functions effectively.

Auditor-General

Cape Town

06 June 2019



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

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

Financial statements

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

Communication with those charged with governance

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

