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CHAPTER 1

MAYOR'S FOREWORD
AND EXECUTIVE SUMMARY

COMPONENT A:

MAYOR'S FOREWORD

It is my privilege to present the George Municipal Annual Report, for the 2017/2018 financial year.

In my inauguration speech in August 2016, I prioritised job creation, small business support and community empowerment as part of the economic development milestone during my term of office as Executive Mayor. The high rate of unemployment within the Municipality is a concern. Therefore, when we developed our 2017 – 2022 Integrated Development Plan in 2017, we embarked on an assignment to implement initiatives to address key challenges, following from extensive public participation in all 27 wards.

I am pleased to announce that we have received several accolades over the past two years:

- Awards for the Best Wastewater Pond System, for the Herolds Bay Wastewater Treatment Works, in 2017;
- Runner up Award in 2017: Best Water Treatment Works for Wilderness Water Treatment Works;
- Western Cape Govan Mbeki Award in 2016: Best Enhanced People's Housing Process Project Uniondale Housing Project – George – 1st runner up;
- Western Cape Govan Mbeki Award in 2016: Best Rural Housing Programme ERF 304 Haarlem Farm; Worker Housing Project – George 1st runner up.

I am proud of every single staff member who has worked to make these incredible achievements possible. The progress and achievements presented in this report represent their competence, professionalism, determination and dedication.

The content of this Annual Report also confirms the commitment with which this administration serves the residents within the George area. Accountability is fundamental to building a city with a purpose for the future. It requires all of us to be transparent and encourages constructive criticism of the work that we do. The development of this Annual Report offers us an opportunity to reflect on our failures, and turn challenges into lessons for the future. In order to continue to improve our service delivery to the greater George community.

I trust that all stakeholders in George will find the information in this report valuable and will use it to engage with us on our developmental agenda, thus ensuring that our strategies to deliver services remain relevant to community priorities.

It is a great privilege to lead the team. I am looking forward to implementing the lessons learnt and to collaborate with all stakeholders ensuring that George becomes "a City with a promising future".

Alderman M Naik
EXECUTIVE MAYOR

COMPONENT B:

EXECUTIVE SUMMARY

1.1. MUNICIPAL MANAGER'S OVERVIEW

The 2017/2018 Annual Report is more than just the progress made during the past financial year. It also presents an overview of municipal governance in George over the past financial year. This report also records the significant progress made in delivering basic services, initiatives introduced by the DA-led government in its third year in office, following the local government elections held in August 2016.

The Constitution of the Republic of South Africa, states that every citizen has the right to access adequate housing and that the state must take reasonable legislative and other measures within its available resources to achieve the progressive realisation of this right. Access to housing also includes access to services such as potable water, basic sanitation, safe energy sources and refuse removal services, to ensure that households enjoy a decent standard of living.

The City has made incremental progress within the last decade which can be summarised as follows:

- In terms of access to formal housing and services, the City recorded an average annual growth of 3.2%, which translates into approximately 1 533 additional formal dwellings per year over this period. The proportion of formal households has remained the same at 83.9%, which translates to 16.1% of households of informal dwellings;
- Access to piped water is keeping pace with the growth in the total number of households: 98.7% in 2016 to 98.13% in 2018;
- In terms of access to acceptable standards of sanitation services, the City was able to provide an additional 2 479 households with access annually; access growing at an average annual rate of 4.8%;
- As it stands, the annual growth of 2 515 in household access to electricity outstripped the total household growth of approximately 1 834 on average per annum. This coincides with an increase in the proportion of households with access to electricity, increasing from 91% in 2012 to 100% in 2018; and
- Lastly, access to refuse removal services increased from 88.1% in 2012 to 100% in 2018. Household access to this service is increasing faster (additional 11 317 households) than the growth in formal households (7 666 annually).

Infrastructure investment remains an important focus for the City. This includes, determining investment and growth trends to ensure that adequate infrastructure is provided in areas of high growth. The City continues to act as a catalyst; by investing in suitable economic and social infrastructure to stimulate and support any further economic development. We have put various controls in place to ensure that service delivery and good governance practices are accelerated across the institution. This Annual Report again demonstrates this commitment. George Municipality received its 6th consecutive clean audit, from the Auditor-General of South Africa, for the 2016/2017 financial year respectively.

Broadband connectivity is fundamental to create an enabling environment for economic growth, development and inclusion. The City is fully aligned with South Africa's vision, as outlined in the National Development Plan, to provide seamless information infrastructure that will underpin a dynamic and connected information society, as well as a knowledge economy that is more inclusive, equitable and prosperous. Almost 60km of fibre-optic cable has been installed across the City.

The following is of note regarding the latter:

- Re-establishment of the Garden Route ICT Incubator – underway;
- Identification of possible sites for the Innovation hub;
- Smart City Indaba in September 2018.

The George Integrated Public Transport Network (GIPTN), is a project aimed at launching a new and improved public transport system for George and its surrounding areas. "GO GEORGE," is operated by the public transport operators with existing services in the George area, with an average total number of passengers of 341 253 for the 2017/2018 financial year, equating between 13 000 and 14 000 passengers per week.

The City of George acknowledges its obligation to optimally preserve its extended asset base and recognises current inherent backlogs in this regard. To this end, the City gives priority to investing in repairs and maintenance, which makes a visible difference to the City and its people, primarily in terms of roads and utilities infrastructure:

- Spent 77% (R269,1 million) of our capital budget as at 30 June 2018.
- Record spend of 95,84% on repairs and maintenance.

The growth areas identified by the City require capital investment in infrastructure, while densification, as a future spatial strategy (SDF under review) is provided for in the design of long-term capacity upgrades, increasing the overall system capacity and boosting supply to developing areas. The City has undertaken an accelerated programme to improve the replacement of water distribution network mains, focusing on areas with a higher incidence of pipe bursts:

- A 12.5 Ml reservoir was constructed and telemetric systems were expanded;
- The construction procurement process of Garden Route Dam wall and spillway rising has commenced;
- 1562 additional water service points (taps) were provided;
- Water network losses limited from 29.0% to 27.30%;
- Outeniqua Wastewater Treatment Works (WWTW) settling tank construction completed; and
- 2042 additional sanitation service points (toilets) provided.

The City of George works to ensure that its electricity infrastructure is as reliable as possible, while also implementing measures to keep up with growth:

- 550 informal homes were supplied with electricity and 2704 new prepaid residential customers connected;
- 25 MVA transformers for George sub-station commissioned;
- 2333 additional subsidised electricity connections provided; and
- Electricity losses limited from 7.65% to 7.59%.

As a contributor to the Strategic Goal: Safe, Clean and Green, solid waste's goal is to improve access to basic waste management services, cleaning, collection and disposal, while significantly diverting waste from landfill.

- Environmental Impact Assessment (EIA) for the construction of a refuse transfer station was completed.
- War on Waste Project launched, dealing with illegal dumping areas.
- The City also continues to focus on replacing ageing waste collection vehicles (spend R3,3 million) with the aim of ensuring long-term service delivery improvements.

Addressing the challenge of landfill space:

- The rehabilitation of the City's full landfills and dumps continues, as required by the MFMA and operating permit conditions;
- The process of identifying a new regional landfill site has been successful;
- Provision has been made in 2018/2019 budget for a contribution towards the new regional landfill near Petro SA; and
- Site handover for the construction phase commenced in December 2018.

The City remains committed to facilitating redress through the development of sustainable, integrated human settlements, addressing the needs of communities in informal settlements, and improving the plight of backyard dwellers by providing access to basic services and housing opportunities:

- Construction of 49 top structures in Protea Park completed;
- Construction of 197 top structures within the Thembaletu UISP project;
- Provision of 456 enhanced serviced sites in process in Thembaletu;
- Commenced with 700 top structures in Phase 1 of the UISP; and
- Phase 1: 32 GAP housing units completed, 8 units in Phase 2.

The Extended Public Works Programme (EPWP) is designed to provide temporary employment opportunities to as many unemployed residents as possible. In this regard, the EPWP continues to deliver positive change for the City and its residents. The City's EPWP has exceeded all targets set for the 2017/2018 financial year namely:

- 550 (2017/2018) Expanded Public Works Programme job opportunities created.

The City must also maintain the highest level of efficiency. In this regard, the City has put in place a set of human resources development processes including performance management, personal development plans and workplace skills planning – which facilitate staff training and development.

Finally, it is further worth mentioning that the service delivery progress reported in this Annual Report would not have been possible without the commitment, hard work and dedication of municipal staff, sometimes under extremely difficult circumstances. I would like to express my sincere appreciation to them.

T BOTHA
MUNICIPAL MANAGER

1.2. MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

1.2.1 Introduction

The 2017/2018 Annual Report reflects the performance of the George Municipality, for the period of 1 July 2017 to June 2018. The Annual Report is prepared in terms of Section 121(1) of the Local Government: Municipal Finance Management Act, No. 56 of 2003, which mandates each municipality to prepare the Annual Report for each financial year.

1.2.2 Population

According to the Census 2011 data, the population of George increased from 135 045 in 2001 to 193 672 in 2011. This shows an increase of 43% (58 267) over 10 years. This growth is significantly higher than South Africa's average annual population growth of 2%, and can largely be attributed to an influx of individuals from other provinces that move to the Western Cape, in search of job opportunities.

From this strong base, the Western Cape Department of Social Development could make population growth estimates for each Municipality for the period 2018-2023. These projections can assist municipalities to align their budget allocations with basic service delivery demands and priorities.

1.2.3 Population Characteristics

Population Size	2001	2011	Projected Population Estimates					
			2018	2019	2020	2021	2022	2023
Population Growth	135 045	193 672	212 120	214 613	217 057	219 452	221 798	224 095

Population

According to the population estimates of 2018 as projected by the Western Cape Department of Social Development, the population of George Municipality is expected to increase from 212 120 in 2018 to 224 095 in 2023. This translates to an estimated growth rate in this time span of 5.65%. The estimated growth rate of George is therefore 1.06% points higher than the estimated population growth of Garden Route District which is 4.59%.

1.2.4 Population: Age Cohorts

The table below depicts the population composition regarding the age cohorts. The total population is broken down into three different groups: 0-14: children; Age 15-65: working age population; Age 65+: senior citizens. A comparison of the base year (2011) to the estimated numbers for 2023 displays a sharp rise in the working age group (15-65) relative to other age cohorts.

The dependency ratio is expected to decrease from 48.6 percent in 2011 to an estimated 47.6 percent in 2023. This dependency ratio expresses the dependency of people who are part of the workforce (age 15-65) and those who are depending on them (children and seniors). A higher dependency ratio means a higher pressure on social systems and the delivery of basic services.

Year	Children: 0-14 Years	Working Age: 15 – 65 Years	Aged: 65+	Dependency Ratio
2011	50 953	130 348	12 371	48.6
2018	53 302	142 468	16 348	48.9
2023	52 972	151 788	19 334	47.6

Age Cohorts

1.2.5 Overview of the George Municipal Wards

Ward	Areas
Ward 1	Blanco: Die Rus, Golden Valley, Heather Park (Portion), Houtbosch, Riverlea
Ward 2	Denneoord (Portion), Fernridge
Ward 3	Die Bult, Glen Barrie, Heather Park (Portion), Heatherlands, King George Park, Kingswood Golf Estate Phase 1, Sport Park
Ward 4	Hoekwil, Kleinkrantz, Kleinkrantz Farms, Pine Dew, Touwsranten, Wilderness, Wilderness Heights, The Dunes, Drie Valleyen (Portion)
Ward 5	Le Vallia, Protea Park (Portion), Bergsig (George East, Bo-dorp (Portion), Loerie Park)
Ward 6	Protea Park (Portion), Rosemoore, Urbansville
Ward 7	Ballotsview (Portion), Lawaaiikamp, Maraikamp
Ward 8	Ballotsview, Parkdene
Ward 9	Thembalethu: Zone 4, Zone 7, Zone 8 (Portion)
Ward 10	Thembalethu: Zone 6
Ward 11	Thembalethu: Zone 3 (Portion), Zone 5 (Portion), Zone 4 (Portion), Garden Route East, Glenwood, Kaaimans, Kraaibosch 195, Kraaibosch Manor and Estate, Saasveld, Victoria Bay, Blue Mountain, Boven Lange Valley 189 (Portion), Duiwerivier, Outeniqua Berg (East) and West, Dieprivier 178, New Melsetter 178, Avontuur 166, Woodville Farms, Barbiers Kraal 156, Kaaimans, Far Hills Hotel, Ballots Bay (Portion), Garden Route Mall, Drie Valleyen 186 (Portion), Sandkraal 197 (Portion)
Ward 12	Thembalethu: Zone 8 (Portion), Zone 9 (Portion)
Ward 13	Thembalethu: Zones 1,2 and 3, Zone 4 (Portion), Zone 8 (Portion), Zone 9 (Portion)
Ward 14	Rosedale, Ou Pacaltsdorp (Portion)
Ward 15	Thembalethu: Zone 9 (Portion), whole of Nompumelelo
Ward 16	Andersonville, New Dawn Park, Smartie Town
Ward 17	Convent Gardens, Conville, George Industrial (Portion), Mollenrivierrif, Rosemoore (Portion), Tamsui
Ward 18	Denneoord (Portion), Denver, Eden, Genevafontein, Loerie Park, Outeniqua Berge (West), Panorama, Tweerivieren
Ward 19	Central Business District, Dormehlsdrift, George South
Ward 20	Borchards, Steinhoff Industrial Park
Ward 21	Thembalethu: Zone 6, Ramaphosa, Silvertown, Asazani, Ballots Bay (Portion)
Ward 22	Afgunst River, Buffelsdrift 227, Camfer Kloof 96, Camphersdrift, Croxden 90, Die Oude Uitsyk 225, Diepe Kloof 226, Doornrivier/Herold, Dwarsweg 260, Geelhoutboom 217, Gwayang 208 (Portion), Herold, Houtbosch, Klyne Fontyn 218, Kouwdouw 88, Malgaskraal, Modder-aas Kloof 133, Modderivier 209, Moerasrivier 233, Outeniqua Berge (West), Platteklouf 131, Smutskloof 94, Waboomskraal Noord 87, Bo-dorp (Portion)
Ward 23	Bos en Dal, Breakwater Bay, CPA Area, Groeneweide Park, Herolds Bay, Le Grand, Monate Resort, Oubaai Golf Estate, Pacaltsdorp Industria, Rooirivierrif, Toeriste Gebied, Delville Park, Syferfontein, Hansmoeskraal, Gwaing Farm Areas, Gwaingrivierrif
Ward 24	Haarlem and surrounding areas
Ward 25	Uniondale and surrounding areas
Ward 26	Blanco (Portion), Cherry Creek, Fancourt Gardens, Fancourt South, Heather Park (Portion), Kerriwood Hill, Kingswood Golf Estate, Mount Fleur Mountain Estate, Oaklands, Soeteweide, Fancourt
Ward 27	Europe, Harmony Park, Ou Pacaltsdorp (Portion), Protea Estate, Seaview, Uitbreiding 11, See-sight

Municipal Wards

1.3. SERVICE DELIVERY OVERVIEW

1.3.1 Proportion of Households with Access to Basic Services

Proportion of Households with minimum level of Basic services				
	2014/15	2015/16	2016/17	2017/18
Electricity service connections	60%	70%	80%	90%
Water - available within 200m from dwelling	55%	60%	65%	75%
Sanitation - Households with at least VIP service	48%	53%	58%	63%
Waste collection - kerbside collection once a week	25%	30%	35%	40%

The above table provides an overview of services that are rendered to both formal and informal households. In many cases, informal settlements have prepaid electricity meters in their unit, while others make use of shared water and other services. The backlogs will only be eradicated with the provision of formal housing to all the people to which services are rendered.

1.3.2 Basic Services Delivery Performance Highlights

The table below provides the highlight(s) for the 2017/2018 financial year:

Highlight(s)	Description
War on Waste Project	The War on Waste Project was launched which entails the clearing of illegal dumping in all residential areas.
Old refuse compactors	Two new refuse compactors were procured.
Establishment of regional landfill site	The necessary budgetary provision must be made to participate in this project.

Highlights: Basic Service Delivery

1.3.3 Basic Service Delivery Challenges

The table below provides the challenges for the 2017/2018 financial year:

Challenges	Description
War on Waste	War on waste remains a problem with illegal dumping taking place as well as the budget shortages with regards to the clean-up programs. More infrastructure i.e. JCBs and tipper trucks needed to address this social problem.
Appointment of qualified staff in critical vacant posts	Critical vacant posts must be filled to preserve service levels and comply with legislation.
Vandalism and theft	The security systems must be upgraded, and security measures must be implemented to protect valuable and critical infrastructure.
Vandalism of water and sewage pump station	A reward system whereby R2 500 is paid to any person who offers information on vandalism and theft of municipal assets, which leads to the successful conviction of the perpetrator, has been introduced.
Maintenance	The lack of maintenance on the electrical plant is a critical challenge. This holds an immense risk to security of supply, and the safety to the staff and public. Budgetary provision must be made available for maintenance.

Challenges	Description
Street lights	The backlog to street light repairs remains a huge challenge due to staff shortages. Vacancies must be filled.
Staff quota still inadequate and in need of training	Insufficient appointments particularly to capacitate the Vegetation Control Section. Too few electrical assistants were employed. The latter posts were re-advertised and appointments are pending. Serious consideration must be given to properly capacitating the Vegetation Control Team. Two of the Senior Superintendent positions become vacant and the Senior Manager: Distribution position remains vacant. Vacancies must be filled.
Shortage of vehicles	Due to the additional staff employed there is a shortage of municipal vehicles to provide service delivery and vehicles had to be hired to meet the immediate need. Additional budget must be provided to procure additional vehicles.
Water, Sanitation and Roads	Department Civil Engineering Services has an approximate 50% vacancy rate. Scarce skills and inadequate annual prioritisation of technical positions are resulting in serious infrastructure service delivery management challenges.

Challenges: Basic Service Delivery

1.4. FINANCIAL HEALTH OVERVIEW

1.4.1 Financial Overview 2017/2018

Financial Overview: 2017/2018			
Details	Original budget	Adjustment Budget	Actual
Income:			
Grants	620 733 348	680 445 402	605 407 392
Taxes, Levies and tariffs	1 105 208 224	1 114 393 224	1 113 771 898
Other	224 287 199	207 202 616	243 488 687
Sub Total	1 950 228 771	2 002 041 242	1 962 667 977
Less: Expenditure	1 808 887 578	1 798 068 225	1 787 936 853
Net Total*	141 341 193	203 973 017	174 731 124
* Note: surplus/(deficit)			

Financial Overview 2017/2018

1.4.2 Operating Ratios

Operating Ratios	
Detail	%
Employee Cost	26.35%
Repairs & Maintenance	7.38%
Finance Charges & Impairment	2.48%

Operating Ratios

Employee costs constitute 26.54% of total operating expenditure in 2017/2018, which is within the norm of 25-40%. The repairs and maintenance to total operating expenditure is 7.43%, which is lower than the norm of 20%. The Municipality should strive to spend more on repairs and maintenance to improve the ageing municipal infrastructure. Finance charges and impairment to total operating expenditure norm is 10%, the Municipality is at 2.50%, which is much lower than the norm.

1.4.3 Liquidity Ratios

Description	Basis of Calculation	Norm	2016/17	2017/18
Current Ratio	Current Assets/ Current Liabilities	1.5:2	1.93	2.04

This ratio indicates the Municipality's ability to pay its debts due within a year out of the current assets. The ratio of 1.5 : 2 is considered to be acceptable.

1.4.4 Total Capital Expenditures 2015 - 2018

Total Capital Expenditure: Year 2015 to Year 2018			
	R'000	R'000	R'000
Detail	2015/16	2016/17	2017/18
Original Budget	244 338	221 795	340 932
Adjustments Budget	258 236	317 022	350 685
Actual	218 381	213 537	269 131

Total Capital Expenditure

Over the three-year period, the Municipality is planning to spend R925.9m on capital infrastructure investment. In 2017/2018 the capital budget was R350.6 million; an 11% growth from that of the 2016/2017 budget year. Capital expenditure was 77% to budgeted expenditure in 2017/2018, which is an improvement from 2016/2017 where spending was 67%.

1.4.5 Highlights: Financial Viability

Highlights	Description
Financial Statements submitted on 31 August 2018	MFMA compliance to submit financial statements on 31 August 2018.
Clean Audit 2016/17	Unqualified audit report with clean audit status was obtained.
Municipal Standard Chart of Accounts (MSCOA)	Early adoption and implementation on 1 July 2016 - version 5.4. Version 6.1 was implemented on 1 July 2017. The 2018/2019 budget was created in Version 6.2.

Highlights: Financial Viability

1.4.6 Challenges: Financial Viability

Challenges	Description
MSCOA	Implementation of version 6.1 from 1 July 2017
Increasing Outstanding Debt: The Municipality's outstanding debt for the period 1 July 2017 to 30 June 2018 increased from R200.7m to R214.2m. The biggest increase is in the debt of the indigent households and is in respect of excess water usage above 6kl water. This excess is mainly due to water leakages at the indigent households.	Council has appointed teams of plumbers and support staff to fix the water leakages, and to minimize water losses. The teams that fix the water leakages repairs were moved to the Human Settlements Department for better control and performance. However, there are some challenges, because indigent consumers do not always report water leakages immediately and huge water losses are still incurred. This still results in higher accounts in arrears.

Challenges: Financial Viability

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

The following tables display the Municipality's performance in terms of the National Key Performance Indicator, as stipulated in the Local Government: Municipal Planning and the Performance Management Regulations, of 2001 and Section 43 of the Local Government: Municipal Systems Act (MSA), 2000 (Act 32 of 2000).

These key performance indicators are linked to the National Key Performance Area (KPA), namely Municipal Financial Viability and Management:

		2016/17	2017/18
Description	Basis of calculation	Audited outcome	Pre-audit outcome
Cost Coverage	(Available cash + Investments - Unspent Grants)/monthly fixed operational expenditure	3.52 months	4.34 months
The norm is 1-3 months. This ratio gives an indication on the Municipality's ability to meet at least its monthly fixed operating commitments from cash and short-term investment without collecting any additional revenue during that month. It will take 4 months for George Municipality to cover expenditure out of available cash and liquid assets.			
Total Outstanding Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	10.11%	9.56%
Measures how much money is still owed by the community for water, electricity, waste removal and sanitation compared to how much money has been paid for these services. A lower score is better in 2017/2018.			
Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year	29.46 times	24.90 times
The number of times debt payments can be accommodated within Operating revenue (excluding grants). This in turn represents the ease with which debt payments can be accommodated by the Municipality.			

Municipal KPIs for Financial Viability and Management

1.5. ORGANISATIONAL DEVELOPMENT OVERVIEW

1.5.1 Municipal Transformation and Organisational Development Highlights

The table below indicates the highlights for the year

Highlights	Description
Approval of Organisational Performance Framework	Council approved the Organisational Performance Framework which includes the implementation of individual performance on the 17 February 2018.
Individual Performance	Cascading of individual performance to task grading T12

1.6. AUDITED OUTCOMES

Year	2015/16	2016/17	2017/18
Status	Clean	Clean	Qualified

1.7. STATUTORY ANNUAL REPORT PROCESS

PROCESS	DATE
ANNUAL REPORT AND FINANCIAL STATEMENTS • Submit 2017/2018 Draft Annual Performance Report and Financial Statements to the Auditor General	31 August 2018
Table Draft Annual Report and Annual Financial Statements • Mayor tables draft Annual Report at Council	January 2019
Advertise Tabled Annual Report for public input	February 2019
Advertise Municipal Public Accounts Committee (MPAC) Schedule Inviting the Public to make representations on the Tabled Annual Report	February 2019
1st MPAC Meeting: MPAC pose questions to Management to get clarity on the contents of the Tabled Annual Report	February 2019
2nd MPAC Meeting: Public hearings – The local community and any organ of state will be allowed to make representations on the Tabled Annual Report	March 2019
3rd MPAC Meeting: Preparation of the draft oversight report, taking into consideration the views and inputs of the public, representatives of the Auditor General, organ of states, Councils Audit Committee and Councillors	March 2019
Oversight and Annual Report: Adoption of the Oversight Report on the Annual Report by Council	March 2019
Advertise and Publish Annual Report: Advertise the approved Annual Report & Publish on Municipal Website	April 2019
Submission of Oversight and Annual Report to Provincial Treasury, Department of Local Government, Office of the Premier and Auditor General's Office	April 2019



CHAPTER 2

GOVERNANCE

2. INTRODUCTION TO GOVERNANCE

Good governance has 8 major characteristics namely:

- Participation;
- Consensus oriented;
- Accountability;
- Transparency;
- Responsiveness;
- Efficiency and effectiveness;
- Equity;
- Inclusiveness which follows rule of law

In ensuring the above, corruption is minimised, the views of minorities are considered and 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.

NATIONAL KEY PERFORMANCE INDICATOR: GOOD GOVERNANCE AND PUBLIC PARTICIPATION

This key performance indicator is linked to the National Key Performance Area - Good Governance and Public Participation:

Indicator	2016/17	2017/18
The percentage of a Municipality's capital budget spent on capital projects identified for a particular financial year in terms of the Municipality's Integrated Development Plan.	67.2%	77%

COMPONENT A:

Section 151 (3) of the Constitution states among other things, that the Council of a Municipality has the right to govern on its own initiative, the local government affairs of its local community.

2.1 POLITICAL GOVERNANCE

Section 52 (a) of the Local Government: Municipal Finance Management Act, No, 56 of 2003, stipulates that the Mayor must provide general political guidance over the fiscal and financial affairs of the Municipality.

The Council performs both legislative and executive functions, focusing on legislative, oversight and participatory roles, and has delegated its executive function to the Executive Mayor and the Mayoral Committee. Council's 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 as well as various social programmes in the municipal area.

The political governance structure with respect to key committees is well established and functional.

2.1.1 Political Structure

The Council has 53 seats (27 Ward Councillors and 26 Proportional Representative (PR) Councillors). The Speaker, Alderman G Pretorius is the Chairperson of the Council. The Party Political and demographic representation of Councillors is reflected in the table below:

Political Party	Allocation of Seats	Gender	
		Male	Female
Democratic Alliance (DA)	28	20	8
African National Congress (ANC)	17	7	10
Economic Freedom Fighters (EFF)	1	-	1
PBI	2	2	-
African Christian Democratic Party (ACDP)	1	1	-
African Independent Congress (AIC)	1	1	-
Independent Civic Organisation of South Africa (ICOSA)	1	1	-
South Africa Civics (SAC)	1	1	-
Vryheid's Front Plus (VF+)	1	1	-
Total	53	34	19

2.1.1.1 Executive Mayoral Committee and Members

George Municipality is governed in terms of an Executive Mayoral Committee system. The Executive Mayor, Alderman M Naik, governs together with the Deputy Executive Mayor, Councillor C Clarke and a team of Portfolio Committee Chairpersons.



Ald Melvin Naik
Executive Mayor



Cllr Charlotte Clarke
Deputy Executive Mayor &
Chairperson: Community
Service Committee



Cllr Gerrit Pretorius
Speaker



Cllr Marlene Barnardt
Chief Whip



Cllr Edmund Bussack
Chairperson:
Electrotechnical
Services Committee



Cllr Daniel Cronje
Chairperson:
Finance Committee



Cllr Erasmus De Villiers
Chairperson: Human
Resources Committee



Cllr Raybin Figland
Chairperson: Planning &
Development Committee



Cllr Iona Kritzing
Chairperson: Strategic
Services Committee



Cllr Michael Nyakathi
Chairperson: Civil
Engineering Services
Committee



Cllr Cecil Noble
Chairperson: Protection
Services Committee



Cllr Sean Snyman
Chairperson: Community
& Social Development
Services Committee



Cllr Jacquique Von Brandis
Chairperson: Corporate
Services Committee



Cllr David Willems
Chairperson: Human
Settlements Committee

The table below shows the dates of the Executive Mayor in Committee meetings and the number/items submitted for the financial year 2017/2018:

Meeting Date	Meeting	Number of items submitted
14 August 2017	Executive Mayoral Committee	19
07 September 2017		12
12 October 2017		26
09 November 2017		24
07 December 2017		19
08 February 2018		13
08 March 2018		13
12 April 2018		11
10 May 2018		8
07 June 2018		14

2.1.1.3 Portfolio Committees

In terms of Section 80 of the Local Government: Municipal Structures Act, 1998 (Act 117 of 1998), if a Council has an executive committee it may appoint in terms of Section 79, Committees of Councillors to assist the Executive Committee or Executive Mayor. Section 80 committees are permanent committees that specialise in a specific functional area of the Municipality and may in some instances, make decisions on specific functional issues. They advise the executive committee on policy matters and make recommendations to Council.

The table below provides a list of portfolio committees, its members and meeting dates for the 2017/2018 financial year:

Corporate Service Committee

Name of Member	Meeting Dates
J Von Brandis (Chairperson from 12 Feb 2018)	26 July 2017
G Pretorius (Chairperson & Committee Member until 12 Feb 2018)	23 August 2017
EP De Villiers (Vice Chairperson)	13 September 2017
RS Figland	18 October 2017
HH Ingo (until 12 March 2018)	15 November 2017
M Draghoender (until 12 March 2018)	14 February 2018
I Stemela	13 March 2018
P Louw	11 April 2018
IC Kritzing (from 12 March 2018)	15 May 2018
LD van Wyk (from 12 March 2018)	15 June 2018
CI Lesele	
GN Jantjies (until 12 March 2018)	
WT Harris (from 12 March 2018)	
T Teyisi	

Community and Social Development Services Committee

Community and Social Development Committee	Meeting Dates
S Snyman (Chairperson)	
M Draghoender (Vice Chairperson)	17 July 2017
BM Cornelius	05 September 2017
E Bussack (from March 2018)	10 October 2017
M Barnardt (from March 2018)	24 October 2017
HH Ingo	07 November 2017
N Bungane	06 February 2018
M Daniels	10 April 2018
BH Mooi	08 May 2018
WT Harris	14 June 2018
AD Willemse (until Feb 2018)	
EH Stroebe (until Feb 2018)	

Human Resources Committee

Name of Member	Meeting Dates
EP De Villiers (Chairperson)	
V Muller (Vice Chairperson & Committee Member from 12 March 2018)	26 July 2017
J Von Brandis (from 12 March 2018)	23 August 2017
DJ Wessels (until 12 March 2018)	13 September 2017
S Snyman (until 12 March 2018)	18 October 2017
P Louw (until 12 March 2018)	15 November 2017
N Bungane (from 12 March 2018)	06 December 2017 (Special HR)
HH Ingo (from 12 March 2018)	16 February 2018
GJ Stander	13 March 2018
M Draghoender (Committee Member from 25 October 2017) (Vice Chairperson from 25 October 2017 until 12 March 2018)	11 April 2018
L Langa	15 May 2018
PP Nosana	15 June 2018
A Kiwit	

Planning and Development Committee

Name of Member	Meeting Dates
RS Figland (Chairperson) (from 12 Feb 2018)	
DL Cronje (Vice Chairperson)	27 July 2017
J Säfers	30 August 2017
IC Kritzinger (from 12 Feb 2018 until March 2018)	19 September 2017
AD Willemse	17 October 2017
C Clarke (from 12 Feb 2018)	16 November 2017
MM Nyakathi	15 March 18
J Ncamazana	19 April 2018
H Loff	14 May 2018
A Kiwit	14 June 2018
G Pretorius (until 12 Feb 2018)	
BM Cornelius (from 12 March 2018)	

Human Settlements Committee

Name of Member	Meeting Dates
AD Willemse (Chairperson) (from 12 Feb 2018)	
BM Cornelius (Vice Chairperson)	24 July 2017
J Fry	22 August 2017
J Säfers	12 September 2017
J von Brandis (from 12 Feb 2018 until 12 March 2018)	17 October 2017
HH Ingo	14 November 2017
I Stemela (from 12 March 2018)	13 February 2018
N Jantjies	13 March 2018
WT Harris	14 April 2018
B Petrus	17 May 2018
GJ Stander	12 June 2018
MM Nyakathi	
M Barnardt	

Finance Committee

Name of Member	Meeting Dates
DL Cronje (Chairperson)	28 July 2017
M Draghoender (Vice Chairperson)	31 August 2017
DJ Wessels	26 September 2017
BM Cornelius	27 November 2017
C Clarke (from 12 March 2018)	25 January 2018
P Louw	26 February 2018
M Nyakathi	29 March 2018
PJ Van der Hoven	24 April 2018
L Langa (from 12 March 2018)	01 June 2018
L Arries	28 June 2018
RS Figland (until 12 February 2018)	
N Jantjies (until 12 February 2018)	

Civil Engineering Committee

Name of Member	Meeting Dates
MM Nyakathi (Chairperson) (from 12 Feb 2018)	
GJ Stander (Vice Chairperson) (from 12 Feb 2018)	
RS Figland	19 July 2017
I Stemela (until 12 March 2018)	16 August 2017
J Säfers	11 October 2017
BM Cornelius (until 12 Feb 2018)	08 November 2017
EH Stroebeel (until 12 March 2018)	07 February 2018
PP Nosana (from 12 Feb 2018 until 12 March 2018)	06 March 2018
GJ van Niekerk	24 May 2018
B Petrus	21 June 2018
CH Noble	
S Dlikili	
BM Cornelius	
AD Willemse	

Electrotechnical Services Committee

Name of Member	Meeting Dates
E Bussack (Chairperson)	
CH Noble (Vice Chairperson) (from 12 Feb 2018 until 12 March 2018)	27 July 2017
S Snyman	30 August 2017
CI Lesele	20 September 2017
GJ Stander	30 October 2017
P Louw	22 November 2017
N Bungane	20 February 2018
N Jantjies (from 12 Feb 2018 until 12 March 2018)	22 March 2018
T Teyisi	24 May 2018
J du Toit	20 June 2018
RS Figland (Vice Chairperson until 12 Feb 2018)	
NR James	

Community Services Committee

Name of Member	Meeting Dates
C Clarke (Chairperson) (from 20 Feb 2018)	
EH Stroebe (Vice Chairperson)	18 July 17 (Environmental Affairs)
M Draghoender (from 20 March 2018)	08 August 2017 (Environmental Affairs)
JD Esau	05 September 2017 (Environmental Affairs)
M Barnardt (from 20 March 2018)	10 October 2017 (Environmental Affairs)
V Muller (from 20 March 2018)	09 November 2017
P Louw	20 February 2018
M Daniels	20 March 2018
F Mdaka	18 April 2018
JP Buys	22 May 2018
DL Cronje (until 20 Feb 18)	19 June 2018
GJ Stander (until 20 Feb 18)	
J Von Brandis (until 20 Feb 18)	

Protection Services Committee

Name of Member	Meeting Dates
CH Noble (Chairperson)	20 July 2017 (Community Safety)
LD Van Wyk (Vice Chairperson) (from 10 April 2018)	31 August 2017 (Community Safety)
C Clarke	21 September 2017 (Community Safety)
J Säfers	26 October 2017 (Community Safety)
S Snyman	22 November 2017
EP De Villiers	06 February 2018
I Stemela (from 10 April 2018)	06 March 2018
H Loff	10 April 2018
S Rooiland	08 May 2018
J du Toit	18 June 2018
M Barnardt (until 06 March 2018)	
GC Niehaus (until 06 March 2018)	

Strategic Services Committee

Name of Member	Meeting Dates
IC Kritzing (Chairperson)	22 August 2017 17 October 2017 14 November 2017 15 March 2018 17 April 2018 08 May 2018 12 June 2018
AD Willemse (Vice Chairperson) (from 12 Feb 2018) (Chairperson until 12 Feb 2018)	
LD Van Wyk	
DJ Wessels	
CH Noble (from 12 Feb 2018 until 12 March 2018)	
E Bussack	
S Dlikili (from 12 Feb 2018 until 12 March 2018)	
B Plata	
V Gericke	

2.1.1.4 Ad Hoc Committees

Urban Development Committee

Name of Member	Meeting Dates
RS Figland (Chairperson)	No meetings were held during the Financial Year 2017/2018
BM Cornelius (Vice Chairperson)	
P Louw	
S Snyman	
M Barnard	
LD van Wyk	
GJ Stander	
J Ncamazana	
NF Mdaka	
B Petrus	

International Relations Committee

Name of Member	Meeting Dates
M Naik (Chairperson)	No meetings were held in the 2017/2018 Financial Year
G Pretorius (Vice Chairperson)	
J Von Brandis	
S Snyman	
EH Stroebe	
C Clarke	
DJ Wessels	
NF Mdaka	
CI Lesele	
GJ van Niekerk	

Homage Committee

Name of Member	Meeting Dates
CH Noble (Chairperson)	31 October 2017
HH Ingo (Vice Chairperson)	
J Fry	
LD van Wyk	
J Von Brandis	
JD Esau	
S Snyman	
NR James	
J Ncamazana	
WT Harris	

Name Changes Committee

Name of Member	Meeting Dates
IC Kritzinger (Chairperson)	No meetings took place during the Financial Year 2017/2018
EP De Villiers (Vice Chairperson)	
N Bungane	
MM Nyakathi	
M Draghoender	
L Langa	
PJ Van der Hoven	
J du Toit	
BM Cornelius	
DL Cronje	

Training Committee

Name of Member	Meeting Dates
DL Cronje (Chairperson) (from 12 Feb 2018 until 12 March 2018)	18 October 2017 15 November 2017 17 January 2018 26 April 2018 (Special)
I Stemela (Vice Chairperson) (from 12 Feb 2018 until 12 March 2018)	
EP De Villiers	
S Snyman (from 12 Feb 2018 until 12 March 2018)	
PJ Van der Hoven	
CT Williams	
JP Buys	
AD Willemse	
CH Noble (from 12 Feb 2018 until 12 March 2018)	
IC Kritzinger (from 12 Feb 2018 until 12 March 2018)	
LD Van Wyk	
MM Nyakathi	

2.1.1.5 Statutory Committees

Local Labour Forum (LLF)

Name of Member	Meeting Dates
EP De Villiers	11 October 2017 25 January 2018 02 May 2018
MM Nyakathi	
RS Figland	
S Rooiland	
PP Nosana	

Municipal Public Accounts Committee (MPAC)

Name of Member	Meeting Dates
L Arries (Chairperson)	01 August 2017
WT Harris (Vice Chairperson)	31 October 2017
J Säfers	30 November 2017 (Special MPAC)
EH Stroebe	01 March 2018
M Draghoender	02 May 2018
V Muller	05 June 2018
J du Toit	22 February 2018 (Special MPAC)
A Kiwit	26 February 2018 (Special MPAC)
GJ van Niekerk	20 March 2018 (Special MPAC)
HH Ingo	

Employment Equity Consultation Forum (EECF)

Name of Member	Meeting Dates
V Muller (Chairperson)	
N Bungane (Vice Chairperson)	
RS Figland	15 February 2018
PJ Van der Hoven	22 March 2018
L Langa	20 April 2018
A Kiwit	24 May 2018
I Stemela (from March 2018)	28 June 2018
J Fry (from March 2018)	
DJ Wessels (from March 2018)	
J Von Brandis (from March 2018)	

Budget Committee

Name of Member	Meeting Dates
MG Naik (Chairperson)	15 August 2017
DL Cronje (Vice Chairperson)	10 October 2017
M Draghoender	20 October 2017
E Bussack	01 December 2017
C Clarke	26 January 2018
MM Nyakathi	02 February 2018
CH Noble	13 February 2018
PJ Van der Hoven	13 March 2018
L Langa	16 March 2018
A Kiwit	23 March 2018
	07 May 2018
	16 May 2018

Appeals Committee

Name of Member	Meeting Dates
V Muller	No meeting held during the 2017/2018 financial year
D Willemse	
P Louw	

2.1.2 Councillor Profile

Council Members	Full Time/ Part Time FT/PT	Ward and/ or Party Represented
Arries, Letitia	FT	PR: EFF
Barnardt, Marlene	FT	Ward 4: DA
Bungane, Nosiselo	PT	PR: ANC
Bussack, Edmund	FT	Ward 14: DA
Buys, John-Patrick	PT	PR: PBI
Clarke, Charlotte Mary-Ann	FT	PR: DA
Cornelius, Belrina Magdalena	PT	Ward 27: DA
Cronje, Daniel Lodevicus	FT	Ward 2: DA
Daniels, Micheal	PT	Ward 24: ANC
De Villiers, Erasmus Petrus	FT	Ward 3: DA
Dlikilili, Sivuyile	PT	Ward 9: ANC
Draghoender, Mercia	PT	Ward 20: DA
Du Toit, Johan	PT	PR: ACDP
Esau, Jarques Denvar	PT	Ward 25: ANC
Figland, Raybin-Gibb Sylvester	FT	PR: DA
Fry, Justin	PT	PR: DA
Gericke, Virgill	PT	PR: PBI
Harris, Wilbert Terence	PT	PR: ICOSA
Ingo, Hendrik Hermanus	PT	Ward 6: DA
James, Ntombi Rosy	PT	Ward 21: ANC
Kiwit, Abel	PT	PR: AIC
Kritzinger, Iona Christina	FT	PR: DA
Langa, Langa	PT	Ward 13: ANC
Lesele, Cokiswa Iris	PT	Ward 11: ANC
Loff, Helen	PT	PR: ANC
Louw, Peter	PT	Ward 5: DA
Mdaka, Nontembeko Faith	PT	Ward 15: ANC
Mooi, Buyiswa Henge	PT	Ward 10: ANC
Muller, Vicentius	PT	Ward 17: DA
Naik, Melvin George	FT	PR: DA
Ncamazana, Julia	PT	PR: ANC
Noble, Cecil Henry	FT	Ward 16: DA
Nosana, Phumela Pamela	PT	PR: ANC
Nyakathi, Mxolisi Micheal	FT	PR: DA
Petrus, Bazil	FT	PR: SAC
Plata, Bulelwa	PT	Ward 12: ANC
Pretorius, Gerrit	FT	Ward 22: DA
Rooiland, Shaheed	PT	Ward 7: ANC
Säfers, Jean	PT	Ward 1: DA
Sixolo, Nomawethu	PT	PR: ANC
Snyman, Sean	FT	Ward 19: DA
Stander, Gideon Johannes	PT	Ward 23: DA
Stemela, Isaya	PT	PR: DA
Stroebel, Elizabeth	PT	PR: DA
Teyisi, Tobeka	PT	PR: ANC

Van Der Hoven, Pieter Jacobus	PT	PR: ANC
Van Der Westhuizen, Jannie	PT	Ward 18: DA
Van Niekerk, Gert Johannes	PT	PR: FF PLUS
Van Wyk, Leon David	PT	PR: DA
Von Brandis, Jacquiline	FT	Ward 26: DA
Wessels, Dirk Johannes	PT	PR: DA
Willemse, Anthony David	FT	Ward 8: DA
Williams, Charlie Thamsaqa	PT	PR: ANC

2.2 ADMINISTRATIVE GOVERNANCE

2.2.1 Introduction to Administrative Governance

According to Section 60 (b) of the MFMA, the Municipal Manager as the accounting officer of the Municipality must provide guidance and advice on compliance with this Act to political structures, political office bearers and officials of the Municipality and any entity under the sole or shared control of the Municipality.

The Municipal Manager is the head of the administration, and primarily serves as the chief custodian of service delivery and the implementation agent of political priorities. He is assisted by his management team.

A key priority of the Management Team is to establish a solid leadership core within the organisation which permeates through to middle and supervisory management levels. The Management Team Structure is outlined in the table below:

Name of Official	Department/Directorate	Performance Agreements Signed (Yes/No)
T Botha	Municipal Manager	Yes
R Wesso	Director: Civil Engineering Services	Yes
W Hendricks	Director: Community Services	Yes
K Jordaan	Director: Financial Services	Yes
C Lubbe	Director: Human Settlements	Yes
S Erasmus	Director: Protection Services	Yes
The following positions remain vacant for the 2017/2018 financial year: <ul style="list-style-type: none"> • Director: Corporate Services • Director: Electro-Technical Services • Director: Planning and Development 		

Administrative Governance Structure

COMPONENT B:

INTERGOVERNMENTAL RELATIONS

Section 3 of the MSA requires that municipalities must exercise their executive and legislative authority within the constitutional system of co-operative government envisaged in Section 41 of the Constitution.

2.3 INTERGOVERNMENTAL RELATIONS

In terms of the Constitution of South Africa, 1996, all spheres of government and all organs of state within each sphere, must cooperate with one another in mutual trust and good faith fostering friendly relations. They must assist and support one another, inform and consult one another on matters of common interest, coordinate their actions, adhering to agreed procedures and avoid legal proceedings against one another.

2.3.1 Intergovernmental Structures

The Municipality fosters relations with other spheres of government and participates in various intergovernmental activities to promote a closer working relationship between the various spheres of government. These relationships assist in enhancing government's services to the communities of George and promote a more efficient use of resources and sharing of knowledge.

Transversal partnering

These partnerships exist between line function departments within the Municipality. The prevailing partnerships include:

- IDP and Budget Steering Committee.
- Project Committees in respect of drafting and amendment of the municipal Spatial Development Framework (SDF) restructuring and urban upgrade projects; and George Integrated Public Transport Network (GIPTN).

Intergovernmental partnering

The Municipality partners with other spheres of government to leverage financing and to mandate and facilitate decision making. The existing partnerships include:

- Human Settlements Department partnerships with the Western Cape Provincial Government and National Human Settlements authorities to collaborate on delivery and funding for subsidised housing projects and development of restructuring zones aimed at spearheading spatial transformation,
- Civil Engineering Services has ongoing partnerships with state and provincial authorities to leverage funding for upgrades of infrastructure to sustain economic growth.
- Protection Services: The development and roll-out of the George Integrated Public Transport Network is a result of a continuing partnership with the Western Cape Provincial Government, with significant funding from National Government.
- Local Economic Development actively participates in collaboration with the National Department of Rural Development in an initiative to establish Farmer Production Support Units within the municipal area, these projects are funded by the National Department.
- Information, Communication & Technology partners with the Garden Route District Municipality and the Western Cape Provincial Government on implementing good governance as well as knowledge sharing.

Cross-boundary partnering

Partnerships with other municipalities in the Garden Route District facilitates decision-making and serves as a valuable means for exchange of knowledge and learning best practices. Prevailing partnerships include:

- Participation in IDP processes of neighbouring municipalities.
- Active participation in Intergovernmental Steering Committees formed in lieu of drafting Municipal Spatial Development Framework (MSDFs) for neighbouring municipalities.
- Memorandum of agreement with four other municipalities whereby a Joint Municipal Tribunal has been established to leverage decision making capacity and expertise in respect of land development applications.

The Municipality has delegated officials and councillors to the following forums

Forum	Frequency	Responsibility
Municipal Managers Forum	Quarterly	Municipal Manager
South African Local Government Association (SALGA) Working Groups	Quarterly	Director and portfolio councillor specific to working group
District Coordinating Forum	Quarterly	Mayor
Premiers Coordinating Forum	Bi-annually	Mayor
Provincial and District Managers IDP Forums	Quarterly	IDP/PMS & Public Participation Office
Disaster Management Forum	Quarterly	Community Services
Human Resources Forum	Quarterly	Corporate Services
Legal Advisors Forum	Quarterly	Corporate Services
Environmental Health Forum	Quarterly	Community Services
Local Economic Development Forum	Quarterly	Economic Development
Southern Cape Planners Forum	Quarterly	Spatial Planning and Land Use Management
Garden Route District Municipality Infrastructure Forum	Quarterly	Infrastructure
Provincial Public Participation and Communication Forum	Quarterly	IDP/PMS & Public Participation Office
Eden ICT Managers Forum	Quarterly	Information, Communication and Technology
Western Cape ICT Managers Strategic Forum	Quarterly	Information, Communication and Technology
District Chief Risk Officers Forum	Quarterly	Chief Risk Officer
District Chief Audit Executive Forum	Quarterly	Chief Audit Executive
Provincial Chief Risk Officers Forum	Quarterly	Chief Risk Officer
Provincial Chief Audit Executive Forum	Quarterly	Chief Audit Executive

COMPONENT C:

PUBLIC ACCOUNTABILITY AND PARTICIPATION

2.4 WARD COMMITTEES

A Ward Committee is a representative body made up of community members in a local municipal ward, or within a local or metro Municipality. They assist the Ward Councillor in organising community consultation, and conveying information between the Council, the Councillor and the community. Ward Committees are advisory committees that can make recommendations on any matter affecting their ward.

The purpose of a ward committee is:

- To ensure better participation from community to inform Council decisions.
- To ensure effective communication between the Council and the community.
- To assist the Ward Councillor with consultation and feedbacks 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 acts as the chairperson. Although Ward Committees have no formal powers, they advise the Ward Councillor who makes specific submissions directly to the Council. These committees play a very important role in the development and annual revision of the IDP of the area.

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

2.4.1 Functionality of Ward Committees

A Ward Committee is put in place to enhance participatory democracy in local government and in terms of that mandate the committee is required to:

- Advise Council on matters affecting the ward.
- Represent the people in the ward in a transparent and democratic way.
- Act independently of Council.
- Be impartial and perform its functions without fear, favour or prejudice.
- Ensure ward residents have a say in decisions, planning and projects that the Council or Municipality undertakes which have an impact on the ward.
- Assist the Ward Councillor in understanding the needs and the views of the community.

The following tables indicate the names of the Ward Councillors and their Committees:

Functionality of Ward Committees					
Ward Name (Number)	Name of Ward Councillor and elected Ward committee members	Committee established (Yes / No)	Number of Ward Committee Meetings	Councillor Ward Feedback Meetings	Other Meetings
Ward 1	Cllr J Säfers	Yes	5	2	3
	S Crowley				
	C Laws				
	A Kaffoen				
	C Ahrends				
	J Williams				
	S Erasmus				
	C Ryland				
	L Mentoer				
	F Solomons				
Ward 2	Cllr DL Cronje	Yes	4	2	1
	C Ralston				
	D Labuschagne				
	E Cronje				
	T Gilliomee				
	G Theron				
	W Barkhuysen				
Ward 3	Cllr EP De Villiers	Yes	4	4	1
	E Dreyer				
	G de Necker				
	S Thwaites				
	D Calitz				
	A Willemse				
	M Mackenzie				
	J Barnard				
	A van Zyl				
	J Wessels				
	N Dold-Chapman				

Functionality of Ward Committees					
Ward Name (Number)	Name of Ward Councillor and elected Ward committee members	Committee established (Yes / No)	Number of Ward Committee Meetings	Councillor Ward Feedback Meetings	Other Meetings
Ward 4	Cllr M Barnardt	Yes	4	8	6
	C Buys				
	Q Simons				
	D Goldfain				
	E Titus				
	S Jumat				
	R Trembath				
	R Sedi				
	E Stoffels				
	E Gibson				
	N Ewing				
Ward 5	Cllr P Louw	Yes	4	1	2
	C Linford				
	C Donson				
	S Matiwane				
	F De Koker				
	C Neethling				
	J A Burger				
	L Lodewyk				
Ward 6	Cllr HH Ingo	Yes	4	1	1
	K Louw				
	A King				
	C Williams				
	M Petersen				
	C Mathyse				
	A Petersen				
	E Xolilizwe				
	H Scott				
	T Windvoel				
Ward 7	Cllr S Rooiland	Yes	4	2	2
	M Dyasi				
	J Laws				
	J Bruce				
	C Appolis				
	N Jola				
	S Madayi				
	M Ningi				
	M Geduld				
	L Lee				
	J Josephs				

Functionality of Ward Committees					
Ward Name (Number)	Name of Ward Councillor and elected Ward committee members	Committee established (Yes / No)	Number of Ward Committee Meetings	Councillor Ward Feedback Meetings	Other Meetings
Ward 8	Cllr AD Willemse	Yes	4	2	1
	D Jaftha-Booyesen				
	J Leonard				
	A Amas				
	M Petersen				
	S Laws-Klaasen				
	S Vorster				
	M Maneville				
	E Kuboni				
	C Swartbooi				
	C Spires				
	M Adams				
Ward 9	Cllr S Dlikili	Yes	4	6	4
	N Mangunyana				
	S September				
	S Mali				
	M Ntsendwana				
	Z Tyida				
	M Sapho				
	P Mbi				
	N Khiva				
	N Gobisiba				
	C Diamond				
Ward 10	Cllr B Mooi	Yes	5	12	21
	S Dayimani				
	S Msutu				
	V Dywili				
	B Jara				
	Z Blau				
	C Qhayi				
	M Mngoma				
	T Kutala				
	M Mathiso				
	A Xelegu				
Ward 11	Cllr C I Lesele	Yes	4	11	1
	S Mahali				
	N Mathanzima				
	T Dukumbana				
	C Malobola				
	S Ntondini				
	L Ncamile				
	D Thetho				
	N Tyhawana				

Functionality of Ward Committees					
Ward Name (Number)	Name of Ward Councillor and elected Ward committee members	Committee established (Yes / No)	Number of Ward Committee Meetings	Councillor Ward Feedback Meetings	Other Meetings
Ward 12	Cllr B Plata	Yes	4	3	5
	W Muteyi				
	L Pieters				
	O Gwangqa				
	X Qunuza				
	T Rala				
	N Mani				
	Z Schaap				
	M Matseke				
	L Xhaso				
	N Phuza				
Ward 13	Cllr L Langa	Yes	5	3	6
	G Makinana				
	C Sitshetshe				
	S Dyantyi				
	B Zintwana				
	A Matolengwe				
	M Bekwa				
	M Dyantysi				
	T Booï				
	X Cola				
	N Somatamba				
	M Maweni				
Ward 14	Cllr E Bussack	Yes	4	2	2
	E America				
	B Klassen				
	J Klassen				
	J April				
	C Titus				
	S Rhode				
	R Deyce				
	J Pato				
	S Yazo				
	G Olivier				
Ward 15	Cllr NF Mdaka	Yes	4	11	1
	N Stefanus				
	C Ngethu				
	M Kalipa				
	N Kweta				
	N Toto				
	Z Matwa				
	V Mtwecu				
	G Nombengu				
	Z Mhlambiso				

Functionality of Ward Committees					
Ward Name (Number)	Name of Ward Councillor and elected Ward committee members	Committee established (Yes / No)	Number of Ward Committee Meetings	Councillor Ward Feedback Meetings	Other Meetings
Ward 16	Cllr CH Noble	Yes	4	3	2
	A Heynes				
	R Philander				
	C Muller				
	O Matholla				
	C Daman				
	P Jaffa				
	M April				
	R Kemp				
	J Cornelius				
Ward 17	Cllr V Muller	Yes	3	2	5
	B Schoeman				
	P Foster				
	R Brinkhuys				
	R Lewis				
	F Weyers				
	P Lottering				
	A Ambraal				
	N Joseph				
Ward 18	Cllr J van der Westhuizen	Yes	4	-	2
	A Joubert				
	A Storm				
	P Truter				
	C Nieuhoff				
	H Koegelenberg				
	H Hill				
	J Truter				
	E Rautenbach				
	S Mocke				
Ward 19	S Snyman	Yes	4	3	3
	J Jacobs				
	P Nel				
	B Redelinghuys				
	D Hattingh				
	E Prinsloo				
	F Faro				
	S Habbet				

Functionality of Ward Committees					
Ward Name (Number)	Name of Ward Councillor and elected Ward committee members	Committee established (Yes / No)	Number of Ward Committee Meetings	Councillor Ward Feedback Meetings	Other Meetings
Ward 20	Ald M Draghoender	Yes	5	1	3
	J October				
	J Muller				
	M Boezak				
	B Jansen				
	G Carolus				
	I Scheepers				
	L Smit				
	R Fischer				
	P Moolman				
Ward 21	Cllr NR James	Yes	4	2	13
	K George				
	B Yanda				
	L Mavela				
	N Malgas				
	S Mdladlamba				
	F Dyani				
	R Olifant				
	A Yalolo				
	J Gubula				
Ward 22	Cllr G Pretorius	Yes	4	4	20
	P de Swardt				
	C Barnard				
	J Jansen				
	P Khumalo				
	G Brits				
	P Fourie				
	J Du Preez				
	M Mei				
Ward 23	Cllr GJ Stander	Yes	4	3	3
	S Gericke				
	J Smith				
	F Joseph				
	G Hamel				
	P Juter				
	C van Niekerk				
	H du Plessis				
	B Johnson				

Functionality of Ward Committees					
Ward Name (Number)	Name of Ward Councillor and elected Ward committee members	Committee established (Yes / No)	Number of Ward Committee Meetings	Councillor Ward Feedback Meetings	Other Meetings
Ward 24	Cllr M Daniels	Yes	4	17	1
	G Lourens				
	P Abrahams				
	S Abrahams				
	J Louw				
	A Boom				
	M Du Preez				
	N Du Preez				
Ward 25	Cllr JD Esau	Yes	5	4	1
	E Smith				
	C Mongo				
	A Blaauw				
	C Adolph				
	H Metik				
	W Decelly				
	G Claassen				
	K Prins				
	M Windvogel				
	S Arends				
Ward 26	Cllr J Von Brandis	Yes	5	1	3
	D Gultig				
	D van der Rijst				
	C Hulme				
	T Forsberg				
	B Muller				
	L van der Rijst				
Ward 27	Cllr B M Cornelius	Yes	4	0	1
	G Felix				
	E Heynes				
	P McCarthy				
	J Gordon				
	H Ceasar				
	G Sharp				

Functionality of Ward Committees

2.4.2 Public Meetings

Nature & Purpose of Meetings	Date of Events	Number of Participating Municipal Councillors	Number of Participating Municipal Officials	Manner of feedback given to community
Ward Councillor Report Back Meeting	12 July 2017 – September 2017	21	11	Councillor feed-back meetings on various community issues including report back on service delivery matters.
	October 2017 – December 2017	25	39	
	January 2018 – March 2018	31	34	
	April 2018 – June 2018	43	24	
IDP/Budget Public Meetings: Clustered Ward Committee Meetings	17 April 2018	4	14	To get input from the community regarding the 2018/19 IDP review
	24 April 2018	8	21	
	8 May 2018	1	13	
	10 May 2018	1	14	
	14 May 2018	9	13	
CWP: Information Session	30 August 2017	2	2	Information session on the Community Work Programme
MPAC: Annual Report Process with Ward Committees	1 March 2018	12	28	Soliciting input from ward committees on the draft Annual Report
IDP/Budget Public Meetings	23 October 2017	4	15	To provide feed-back/responses to ward priorities
	26 October 2017	7	10	
	30 October 2017	8	15	
	01 November 2017	3	13	
	15 November 2017	1	15	
LRC Meeting: CWP	19 June 2018	1	3	Meeting on progress of the Community Work Programme

Public Meetings

COMPONENT D:

CORPORATE GOVERNANCE

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

2.5 RISK MANAGEMENT

The Municipality has a Risk Management Policy Framework and Implementation Plan, which was approved by Council during January 2018.

The risk management function is facilitated internally by the Internal Audit Section, to ensure the following functions are performed:

- Assisting Management to develop the risk management policy, strategy and implementation plan.
- Coordinate risk management activities.
- Facilitating identification and assessment of risks.
- Recommending risk responses to management.
- Facilitating risk reporting.

2.5.1 Risk Management Process

The Risk Management Toolkits underwent the following process:

- Restructured in order to incorporate the new organisational structure.
- Updated with a Risk Appetite factor of 35%.
- Realigned to the 2017/2018 Strategic Goals of the Integrated Development Plan (IDP) and Top Layer Service Delivery and Budget Implementation Plan (SDBIP) Key Performance Indicators (KPIs).
- Updated with a list of KPIs to which no risks were assigned in order to enable management to identify potential additional risks to be added to the risk register.
- Updated with a list of typical risks, as well as typical fraud risks, in order to enable management to identify potential additional risks to be added to the risk register.

Risk owners have updated the risk registers and reported on, amongst others:

- Additional risks added to the risk register.
- Risks deleted from the risk registers.
- Risks assigned to relevant Directorates.
- Changes processed relating to risks.
- Risks exceeding the risk appetite.
- Risks that materialised.
- Risks that should be escalated to the Municipal Manager, Audit Committee and Council.
- Top risks.

Quarterly/Six Monthly Risk Reports (which incorporate the above-mentioned aspects) are compiled by the Risk Champions for discussion, review and approval.

The Risk Reports and Risk Management Toolkits are submitted to Internal Audit for review and reporting.

Six Monthly Risk Reporting Internal Audit reports have been issued or are in the process for the following periods:

- Quarters 1 & 2 (July 2017 – December 2017)
- Quarters 3 & 4 (January 2018 – June 2018)

The risks identified were classified into high, medium and low risks to determine the inherent risks (impact risk has taken controls into consideration). The risk rating is determined by a 5 X 5 risk matrix. The following illustration represents the Municipality's risk matrix:

Likelihood	Impact				
	Insignificant	Minor	Moderate	Major	Critical
Common	Low	Medium	High	High	High
Likely	Low	Medium	Medium	High	High
Moderate	Low	Low	Medium	Medium	High
Unlikely	Low	Low	Low	Medium	Medium
Rare	Low	Low	Low	Low	Low

Risk Matrix

The following detail can also, amongst others, be extracted from the Risk Management Toolkit and is reported quarterly/bi-annually:

Comparison between current and previous risk profile:

- Inherent and residual risks;
- Implementation status of controls/action plans.

Changes in risk profile

- Number of risks;
- Identification of new risks;
- Identification of risks no longer applicable;
- Changes according to monitoring fields.

Current risk profile

- Inherent and residual risks;
- Risks linked to IDP Objectives;
- Risk categories;
- Risk strategies;
- Control types;
- Implementation status;
- Perceived control effectiveness.

Materialisation and escalation of risks

- Risks that materialised;
- Risks that should be escalated.

Top risks

- Risks exceeding the risk appetite.

2.5.2 Top Strategic Risks for the Municipality

As part of the risk assessment management process current controls area identified to mitigate the inherent risk. After considering controls, the identified risks will receive a residual risk.

After the residual risks have been determined they are categorised according to high, medium and low risks, where management determined which of the residual risks require further actions to mitigate/lessen the severity of the risk identified.

The risk profile, relating to the number of inherent and residual risks (in comparison with the previous year) is reflected below:

2016/2017					2017/2018				
Risk Categories	Inherent	Inherent	Residual	Residual	Risk Categories	Inherent	Inherent	Residual	Residual
High Rated	233	50%	27	6%	High Rated	174	39%	26	6%
Medium Rated	206	44%	153	33%	Medium Rated	186	41%	121	27%
Low Rated	26	6%	285	61%	Low Rated	88	20%	301	67%
Total	465	100%	465	100%	Total	448	100%	448	100%

Risk Profile: Inherent and residual risks

The total number of risks decreased by 4% from 465 (2016/2017) to 448 (2017/2018).



2.5.3 Top Ten Risks

The 2016/17 Top 10 Institutional Risks were not reviewed or updated due to the implementation of a revised macro-structure. The risk registers were amended, and the current top ten institutional risks are as follows:

Ranking	Description
1	Inadequate standard of service delivery
2	Maintaining infrastructure
3	Dissatisfaction of the community
4	Financial Viability
5	Weaknesses in governance and accountability
6	Deficiencies in staff skills and capacity
7	Inefficient investment in Capex
8	Poor level of compliance
9	Safety and security
10	Increasing indigents and poverty

Top Ten Risks

2.6 ANTI-CORRUPTION AND FRAUD

Section 83(1) (c) of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) emphasises the implementation of competitive bidding to minimise the possibility of fraud and corruption. Furthermore, Section 112(1) (m) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) identifies supply chain measures to be enforced to combat fraud, corruption, favouritism, unfair and irregular practices. Section 115(1) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) stipulates that the accounting officer must take all reasonable steps to ensure that proper mechanisms and separation of duties in the supply chain management system are in place to minimise the likelihood of fraud, corruption, favouritism, unfair and irregular practices.

2.6.1 Developed Strategies

Name of strategy	Developed Yes/No	Date Reviewed
Anti-Corruption and Anti-Fraud Strategy	Yes	25 February 2015
Whistle blowing policy	Yes	23 June 2017

Strategies: Anti-corruption and Anti-fraud

The structural strategies according to the Anti-Fraud and Anti-Corruption Strategy and Implementation Plan, include the establishment of an Anti-Fraud and Anti-Corruption Committee that will oversee the approach of the Municipality to fraud prevention, fraud detection strategies and response to fraud and corruption incidents reported by employees or other external parties. The Section 80 Finance Committee fulfils this role.

2.7 AUDIT COMMITTEE

The Municipality Audit Committee, appointed in terms of Section 166(1) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003), has also been appointed to also fulfil the role of the Performance Audit Committee.

Section 166(2) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) 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 controls and internal audit.
- Risk management.
- Accounting policies.
- The adequacy, reliability and accuracy of financial reporting information.
- Performance management.
- Effective governance.
- Compliance with this Act, the annual Division of Revenue Act and any other applicable legislation.
- Performance evaluation.
- Any other issues referred to it by the Municipality.

2.7.1 Functions of the Audit Committee

The Audit Committee have the following main functions as prescribed in Section 166 (2) (a-e) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) which is further supplemented by the Local Government Municipal and Performance Management Regulation, 2001, as well as the approved Audit Committee Charter:

- 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 carry out such investigations into the financial affairs of the Municipality as the council may request.
- Perform such other functions as may be prescribed.
- To review the quarterly reports submitted to it by the internal audit.
- To evaluate audit reports pertaining to financial, administrative and technical systems.
- 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.
- 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.

2.7.2 Members of the Audit Committee

Name of representative	Capacity	Meeting dates (And members in attendance)
J Stoffels (JS)	Chairperson (resigned April 2018)	25 August 2017 (JS, AP, CK) 27 October 2017 (JS, AP, CK) 21 November 2017 (JS, AP) 26 January 2018 (JS, AP, CK) 20 April 2018 (AP, JC, FB, FdS, RS) 25 May 2018 (AP, JC, FB, FdS, RS)
A Potgieter (AP)	Member / Chairperson	
C Kritzing (CK)	Member (resigned February 2018)	
J Carstens (JC)	Member	
F Barnard (FB)	Member (resigned June 2018)	
PH de Swart (FdS)	Member	
R Saptoe (RS)	Member	

Members of the Audit Committee

2.7.3 Municipal Audit Committee Recommendations

Formal reports containing recommendations to address control weaknesses are submitted to Council, and the Audit Committee regularly follow-up with Internal Audit and Management on the state of corrective action implemented. Furthermore, the Audit Committee also provides comments on various internal and external reports.

The following recommendations by the Committee were approved by the Council.

Date of meeting	Committee recommendations during 2017/18
25 August 2017	<p>Municipal Court:</p> <ul style="list-style-type: none"> Council to take note of the discussion points addressed during the discussion of the Municipal Court. <p>Review of Draft Budget 2017/2018:</p> <ul style="list-style-type: none"> Council to take note that the budget was distributed to the Audit Committee. <p>Municipal Standard Chart of Accounts (mSCOA):</p> <ul style="list-style-type: none"> Council to take note of the discussion points addressed during the discussion of mSCOA. <p>Draft Annual Financial Statements (AFS):</p> <ul style="list-style-type: none"> Council to take note of the discussion points addressed during the discussion and review of the draft AFS. <p>Municipal reporting in terms of Section 72 of the MFMA:</p> <ul style="list-style-type: none"> Council to take note of the Audit Committee's concern relating to the reported performance (only 55% of the KPIs reported as achieved). <p>Internal Audit:</p> <ul style="list-style-type: none"> Management should provide Internal Audit with all requested supporting documentation/ feedback within five (5) working days of being requested. The Internal Audit champions assigned to each directorate should actively follow up on the status of implementation of all internal and external audit recommendations pertaining to their respective Directorates. The Internal Audit Champions should actively update the status of implementation of the above recommendations on the Ignite Audit Query Assist module.

Date of meeting	Committee recommendations during 2017/18
25 August 2017	<ul style="list-style-type: none"> Monthly Reports should be generated by each Directorate from the Ignite Audit Query Assist Module to monitor management's level of implementation of Internal Audit and External Audit findings and feedback should be provided to the Municipal Manager and Deputy Director: Internal Audit. These reports should be utilised during the year-end performance reviews and ratings of the Section 56 appointees. <p>Performance Management:</p> <ul style="list-style-type: none"> Council to take note of the discussion points addressed during the discussion of Performance Management.
27 October 2017	<p>Communication by the Chairperson:</p> <ul style="list-style-type: none"> Council to take note of all the concerns raised by the Audit Committee and arrange the discussion with the Committee and the Mayoral Committee. <p>Municipal reporting in terms of Section 72 of the MFMA:</p> <ul style="list-style-type: none"> Council to take note of the Audit Committee's concern relating to the high level of deviations reported and the reasons given for the reported deviations. <p>Audit Committee Self-Assessment and Work Plan & assessment of effectiveness of Internal Audit:</p> <ul style="list-style-type: none"> Council to take note that the Audit Committee Self-Assessment, Work Plan and assessment of the effectiveness of Internal Audit is in the process of being finalised. <p>Internal Audit:</p> <ul style="list-style-type: none"> Management should provide Internal Audit with all requested supporting documentation/feedback within 5 working days of being requested. The Internal Audit champions assigned in each Directorate should actively follow up on the status of implementation of all internal and external audit recommendations pertaining to their respective directorates. The Internal Audit Champions should actively update the status of implementation of the above recommendations on the Ignite Audit Query Assist module. Monthly Reports should be generated by each Directorate from the Ignite Audit Query Assist Module to monitor management's level of implementation of Internal Audit and External Audit findings and feedback should be provided to the Municipal Manager and Deputy Director: Internal Audit. These reports should be utilised in the year-end performance reviews and ratings of the Section 56 appointees. <p>Auditor-General:</p> <ul style="list-style-type: none"> Council to take note of the discussion points addressed during the discussion of the audit. <p>Performance Management:</p> <ul style="list-style-type: none"> Council to take note of the discussion points addressed during the discussion of Performance Management, as well as the Audit Committee's concern relating to the way the performance evaluations were conducted in the past.

Date of meeting	Committee recommendations during 2017/18
27 October 2017	<p>Risk Management:</p> <ul style="list-style-type: none"> • Council to take note of the discussion points addressed during the discussion of Risk Management, as well as the Audit Committee's concern relating to the lack of appointment of a Chief Risk Officer (CRO). <p>Information Technology:</p> <ul style="list-style-type: none"> • Council to take note of the discussion points addressed during the discussion of Information Technology as well as the concerns raised relating to the lack of capacity and the lack of the service provider to provide third (3rd) party integration. <p>Human Resources:</p> <ul style="list-style-type: none"> • Council to take note of the discussion points addressed during the discussion of Human Resources as well as the concerns raised relating to the challenges experienced with reference to the training and skills development processes.
21 November 2017	<p>Communication by the Chairperson:</p> <ul style="list-style-type: none"> • Council to take note of all the concerns raised by the Audit Committee and arrange the discussion with the Committee and the Mayoral Committee. <p>Audit Committee Self-Assessment and & Assessment of effectiveness of Internal Audit:</p> <ul style="list-style-type: none"> • Council to take note of the Audit Committee Self-Assessment. • Council to take note of the Assessment of the effectiveness of Internal Audit. <p>Audit Committee Charter:</p> <ul style="list-style-type: none"> • Council approved the Audit Committee Charter. <p>Internal Audit:</p> <ul style="list-style-type: none"> • Management should provide Internal Audit with all requested supporting documentation/feedback within 5 working days of being requested. • The Internal Audit champions assigned to each Directorate should actively follow up on the status of implementation of all internal and external audit recommendations pertaining to their respective Directorates. The Internal Audit Champions should actively update the status of implementation of the above recommendations on the Ignite Audit Query Assist module. <p>Auditor-General:</p> <ul style="list-style-type: none"> • Council to take note of the discussion points addressed during the discussion of the audit. <p>Risk Management:</p> <ul style="list-style-type: none"> • Council to take note of the discussion points and the related Internal Audit report issued. <p>Information Technology:</p> <ul style="list-style-type: none"> • Council to take note of the discussion points addressed during the discussion of Information Technology as well as the concerns raised. <p>Human Resources:</p> <ul style="list-style-type: none"> • Council to take note of the discussion points addressed during the discussion of Human Resources as well as the concerns raised.

Date of meeting	Committee recommendations during 2017/18
26 January 2018	<p>Communication by the Chairperson:</p> <ul style="list-style-type: none"> • Council to take note of all the concerns raised by the Audit Committee and arrange the discussion with the Audit Committee and the Mayoral Committee. <p>Internal Audit:</p> <ul style="list-style-type: none"> • Management should provide Internal Audit with all requested supporting documentation/feedback within 5 working days of being requested. • The Internal Audit champions assigned to each Directorate should actively follow up on the status of implementation of all internal and external audit recommendations pertaining to their respective Directorates. The Internal Audit Champions should actively update the status of implementation of the above recommendations on the Ignite Audit Query Assist module. <p>Auditor-General (AG):</p> <ul style="list-style-type: none"> • Council to take note of the discussion points addressed during the discussion of the AG Report. <p>Performance Management:</p> <ul style="list-style-type: none"> • Council to take note of the discussion points addressed during the discussion of Performance Management. <p>Risk Management:</p> <ul style="list-style-type: none"> • Council to take note of the discussion points and the related Internal Audit report issued. <p>Information Technology:</p> <ul style="list-style-type: none"> • Council to take note of the discussion points addressed during the discussion of Information Technology. <p>Human Resources:</p> <ul style="list-style-type: none"> • Council to take note of the discussion points addressed during the discussion of Human Resources as well as the concerns rose.
20 April 2018	<p>Communication by the Chairperson:</p> <ul style="list-style-type: none"> • Council to take note of all the concerns raised by the Audit Committee and arrange the discussion with the Audit Committee and the Mayoral Planning Committee. <p>Municipal reporting in terms of Section 71 of the MFMA:</p> <ul style="list-style-type: none"> • Council to take note of the discussion points and action items. <p>Internal Audit:</p> <ul style="list-style-type: none"> • Management should provide Internal Audit with all requested supporting documentation/feedback within 5 working days of being requested. • The Internal Audit champions assigned to each Directorate should actively follow-up on the status of implementation of all internal and external audit recommendations pertaining to their respective directorates. The Internal Audit Champions should actively update the status of implementation of the above recommendations on the Ignite Audit Query Assist module.

Date of meeting	Committee recommendations during 2017/18
20 April 2018	<p>Auditor-General:</p> <ul style="list-style-type: none"> • Council to take note that the staff from the AG's Office will be at the Municipality for two weeks. <p>Performance Management:</p> <ul style="list-style-type: none"> • Council to take note of the discussion points addressed during the discussion of Performance Management. <p>Risk Management:</p> <ul style="list-style-type: none"> • Council to take note of the discussion points. <p>Information Technology:</p> <ul style="list-style-type: none"> • Council to take note of the discussion points addressed during the discussion of Information Technology. <p>Human Resources:</p> <ul style="list-style-type: none"> • Council to take note of the discussion points.
25 May 2018	<p>Communication by the Chairperson:</p> <ul style="list-style-type: none"> • Council to take note of all the concerns rose by the Audit Committee and arrange the discussion with the Audit Committee and the Mayoral Planning Committee. <p>Municipal reporting in terms of Section 71 of the MFMA:</p> <ul style="list-style-type: none"> • Council to take note of the discussion points and action items. <p>Review of draft Budget (2018/2019):</p> <ul style="list-style-type: none"> • Council to take note that the Audit Committee will discuss the draft budget during the next Audit Committee meeting. <p>Audit Committee Work Plan:</p> <ul style="list-style-type: none"> • Council to take note of the discussion points and action items. <p>Internal Audit:</p> <ul style="list-style-type: none"> • Management should provide Internal Audit with all requested supporting documentation/feedback within 5 working days of being requested. • The Internal Audit champions assigned to each Directorate should actively follow up on the status of implementation of all internal and external audit recommendations pertaining to their respective Directorates. The Internal Audit Champions should actively update the status of implementation of the above recommendations on the Ignite Audit Query Assist module. • Council to take note of the concerns relating to the capacitating of the Internal Audit Department. <p>Management Letter Point (MLP) Implementation:</p> <ul style="list-style-type: none"> • Council to take note of the discussion points and action items. <p>Internal Audit Plan:</p> <ul style="list-style-type: none"> • Council to take note of the discussion points and action items. <p>Auditor-General:</p> <ul style="list-style-type: none"> • Council to take note that the staff from the AG's Office will be requested to present the external audit plan and the audit fees to the Audit Committee, the Chief Financial Officer (CFO) and the Chief Audit Executive (CAE).

Date of meeting	Committee recommendations during 2017/18
25 May 2018	<p>Performance Management:</p> <ul style="list-style-type: none"> • Council to take note of the concerns raised relating to the integrity of performance reporting. • Council to take note of the discussion points and action items addressed during the discussion of Performance Management. <p>Risk Management:</p> <ul style="list-style-type: none"> • Council to take note of the discussion points and action items. <p>Information Technology:</p> <ul style="list-style-type: none"> • Council to take note of the discussion points addressed during the discussion of Information Technology. <p>Human Resources:</p> <ul style="list-style-type: none"> • Council to take note of the discussion points and action items. <p>Municipal Standard Chart of Accounts (mSCOA):</p> <ul style="list-style-type: none"> • Council to take note that until mSCOA is fully implemented, including fully integrated financial systems, it remains a critical risk to the Municipality.

2.7.4 Report of the Audit and Performance Audit Committee George Municipality for the year ended 30 June 2018

The Audit Committee presents its report for the financial year ended 30 June 2018.

Responsibility

The GEORGE MUNICIPALITY (hereinafter referred to as GM) has constituted its Audit- and Performance Audit Committee (hereinafter referred to as the Audit Committee) to function in terms of the provisions of Section 166 of the Municipal Finance Management Act, 2003 (MFMA).

The audit committee is an independent advisory body to the Council, Accounting Officer and the management and staff of the municipality on matters relating to internal financial control and internal audits; risk management; accounting policies; the adequacy, reliability and accuracy of financial reporting and information; performance management; effective governance; the MFMA and any other applicable legislation; performance evaluation; and any other issues.

The role of the audit committee is to promote accountability and service delivery through evaluating and monitoring responses to risks and overseeing the effectiveness of the internal control environment, including financial and performance reporting and compliance with legislation.

The audit committee is also expected to review the annual financial statements to provide an authoritative and credible view of the municipality, its efficiency and effectiveness and its overall level of compliance with applicable legislation.

Terms of Reference

The Audit Committee is constituted in terms of the requirements of sound corporate governance practices and operates in accordance with a written charter that incorporates the specific requirements of section 166 of the MFMA.

The Committee, on its meeting held on 21 November 2017, amended the charter to reflect the revised membership composition as approved by the Council as well as other recommended amendments.

Council approved the charter at its meeting held in January 2018.

Composition of the Audit Committee

At the end of the financial year ended 30 June 2018, the Audit Committee should have comprised of five independent members. There was a vacancy on the committee as at 30 June 2018.

An independent member appointed by Council is the chairperson of the committee. Both the internal and external auditors had unrestricted access to the Audit Committee during the year under review.

Members of the Audit Committee as at 30 June 2018 were:

- | | |
|----------------|-------------|
| • A Potgieter | Chairperson |
| • J Carstens | Member |
| • PH de Swardt | Member |
| • R Saptoe | Member |

Members whose terms were terminated from the committee during 2017/2018:

- | | |
|----------------|------------------------|
| • J Stoffels | Resigned April 2018 |
| • C Kritzinger | Resigned February 2018 |
| • F Barnard | Resigned June 2018 |

It need to be noted that due to the resignation of Mr F Barnard during June 2018, Council appointed Mr C Lamprecht as member with effect from 1 September 2018.

This fact is mentioned due to the fact that this member was involved in the meetings held after 30 June 2018 where the review of the annual financial statements was dealt with.

Activities

The Audit Committee met 6 times during the financial year ended 30 June 2018.

- 25 August 2017
- 27 October 2017
- 21 November 2017
- 26 January 2018
- 20 April 2018
- 25 May 2018

The committee subsequently met on the following dated to fulfill its obligation to review the 2017/2018 financial statements and audit report:

- 23 August 2018
- 14 September 2018; and
- 23 November 2018.

The committee, inter alia, carried out the following functions in terms of the amended charter:

- Reviewed and amended the Audit Committee Charter and referred it to Council for approval.
- Reviewed and approved the rolling and annual internal audit plans including the definition of audit units, audit universe, and prioritisation of audit coverage taking into account the outputs of the risk assessments performed.
- Reviewed executive summaries of all internal audit reports issued.
- Reviewed the reporting by internal audit on performance management and performance information.
- Issued reports and recommendations to Council on performance management and performance information.
- Reviewed the annual financial statements as at 30 June 2018, the Final Management Report of the Auditor-General (hereinafter referred to as the A-G), as well as the Report of the A-G on the annual financial statements and the findings of the A-G on predetermined objectives and compliance with certain laws and regulations, and their detailed management letter.

- Performed assessments on the effectiveness of the Committee for review and comment by the Municipal Manager and for presentation to Council.
- Deliberated on the implementation of mSCOA
- Considered other matters as deemed appropriate.

Relating to and during the 2017/18 financial year the following main Internal Audit reports were issued:

- Termination of employment -16 reports
- Annual Cash Count FY17
- Report: Presentation and Disclosure Review on the draft financial statements template of George Local Municipality for the year ended 30 June 2017
- Annual Stock Count FY17
- Risk Assessment Reporting Quarters 1 to 4 of 2016/2017
- Performance Management System Quarterly Reporting - Quarter 4 of FY17 (including reliability of Directors' Portfolios of Evidence)
- Tariff Listing FY18
- Rates Clearance Certificate Review FY 18
- Performance Management System Quarterly Reporting FY18 (Quarters 1&2)
- Performance Management System Quarterly Reporting FY18 (Quarter 3)

The Audit Committee, as prescribed in the charter, submitted reports to Council subsequent to the meetings of the committee. Specific recommendations were made to Council for consideration.

These recommendations are included in the Annual Report in Chapter 2 and are not repeated in this report:

Chapter 2 – Governance

Component D: Corporate Governance

2.7 Audit Committee

THE AUDITOR GENERAL'S ASSESSMENT OF THE AUDIT COMMITTEE

The A-G's assessment of the work performed by the Audit Committee is reflected on pages 20-21, section 3 of the Final Management Report (hereinafter referred to as the A-G Report). In this section, the A-G reports as follows:

SECTION 3: Assurance providers and status of implementation of commitments and recommendations

Audit committee: provides some assurance

100. *The audit committee must be an independent advisory body to the council and the management and staff of the municipality on matters relating to internal financial control and internal audits; risk management; accounting policies; the adequacy, reliability and accuracy of financial reporting and information; performance management; effective governance; the MFMA and any other applicable legislation; performance evaluation and any other issues.*
101. *The audit committee is also expected to review the annual financial statements to provide an authoritative and credible view of the municipality, its efficiency and effectiveness and its overall level of compliance with the applicable legislation.*
102. *The audit committee is in place and has carried out their functions in accordance with their mandate. The committee meets on a quarterly basis to evaluate internal audit work and the risks affecting the municipality. The audit committee did not ensure that the internal audit plan includes work to be performed on supply chain management which is in contradiction to the prescripts.*

From the above the Audit Committee responds as follows on the main matter mentioned:

The aspect regarding not including SCM in the internal audit plan cannot be supported by the committee and this fact was brought under the attention of the officials of the A-G at the meeting held on 23 November 2018.

The audit committee support the response rendered by management on the specific Communication of audit finding (COMAF):

Management takes note of the finding and comment as follows:

The following information was, *inter alia*, submitted to the Auditor-General on 17 September 2018:

“Regarding Supply Chain Management:

Historically there were constant communication with the Senior Management of the office of the Auditor-General. It was “agreed” that due to the detailed testing of SCM done by the A-G, as well as with the application of “Combined Assurance” in mind, Internal Audit will not include specific audits on supply chain management. The request still remains for the A-G to indicate where reliance will be placed on any internal audits of SCM to minimise costs.

Internal Audit are nevertheless focussing on Ad Hoc requests regarding SCM.

Currently internal audit included a detailed contract management project in the current internal audit workplan.”

Management is of the opinion that the intention of combined assurance between amongst others external and internal audit is to have a coordinated approach in order to avoid unnecessary duplication of efforts (i.e. where both internal and external audit would audit the same areas) – one example is where the AG is placing reliance on the work Internal Audit does in relation to the attendance of the Annual Stock counts and Annual Cash Counts. Similarly, discussions were held with the AG's senior management previously regarding Supply Chain Management, the approach to Combined Assurance and the required coverage on the Internal Audit plan.

The AG's view at the time was that due to their extensive coverage of Supply Chain Management during the external audit process, it was not necessary for Internal Audit to also conduct such extensive testing on Supply Chain Management as it would result in unnecessary duplication of efforts (and duplicated cost for the municipality). It was therefore agreed that Internal Audit's efforts would be focussed on other high-risk areas.

It is also noted that specific Supply Chain Management audits were previously conducted by Internal Audit and that following the above discussions and consensus with the AG, the agreed approach was that Supply Chain Management would be audited by Internal Audit on an ad hoc basis. Subsequently Internal Audit has been approached by management to assist with reviews where Supply Chain Management concerns were raised. The Chief Audit Executive (CAE) has conducted internal Supply Chain Management reviews (with specific scoping) as well as the consortium rendering Internal Audit services.

The most recent Supply Chain Management related report issued by the Consortium is dated 12 August 2015 and forms part of the reports currently included in the Management Letter Points follow up register (this register is updated when / with the issuing of each Internal Audit report). Self -assessment feedback obtained recently from management regarding the status of implementation of Internal Audit's findings relating to the most Supply Chain Management audit indicates that the majority of the findings have been implemented and management is focussing on the implementation of the remainder of the recommendations.

The above is also reported to the Audit Committee on a continuous basis.

Another Supply Chain related project currently underway is the “Contract Management” project that commenced during the latter part of the 2017/2018 financial year.

Management undertakes to revise the three-year internal audit plan together with the co-sourced service provider once the tender is awarded in the next few months.

Based on the finding of the A-G the Audit Committee support management and undertakes to revise the three-year internal audit plan to include the internal auditing of SCM matters.

In the same section under point 104 the following was mentioned:

THIRD LEVEL OF ASSURANCE

Municipal council: provides some assurance

104. Our assessment is that the council is providing some assurance as the council perform statutory responsibilities assigned to it. The municipal council met regularly to consider matters in terms of its mandate and functions. However, during the audit it was identified that there is involvement by council members serving on section 80 committees relating to procurement of goods and services. It was identified that an audit committee member appointed by council has a family interest at the municipality. This is in contradiction of the principles of King and the audit committee charter. The audit committee should be and be seen as an independent oversight body that is impartial and free of bias in order to enhance good corporate governance within an organisation.

The Audit Committee members are appointed by Council and therefore the Council will have to address the matter of the audit finding regarding the independence of members appointed.

Council will however have to resolve this matter as it will affect future audit findings.

THE A-G REPORT

Report on the Annual Financial Statements

The municipality achieved a qualified outcome for the first time in 7 years

The A-G as well as Internal Audit raised certain concerns in their respective reports. The Audit Committee recommends continued focus on the implementation of all the recommendations of the A-G and Internal Audit in this regard.

The Audit Committee do not want to restate the pertinent issues highlighted in the A-G Report for the year 2017/2018. These are detailed in the Report of the A-G included in the Annual Report.

However, we want to draw Council's attention to the following issues of concern highlighted in these documents.

BASIS FOR QUALIFIED OPINION

Irregular expenses

In the Audit Committee meeting held on 23 November 2018, where officials of the A-G were present, it was evident that the A-G mainly questioned the following two aspects regarding SCM which resulted in the occurrence of irregular expenditure:

Firstly. The A-G is of the opinion that the implementation of Council of the approved PPPFA policy where the Section 80 committees approve tender conditions, is in contravention with section 117 of the MFMA. In this section Councillors are barred from serving on municipal tender committees.

This matter will have to be urgently addressed by Council as this will influence all current and future tenders awarded and expenditure incurred based on the current PPPFA policy. It will also influence the final amount for irregular expenditure.

Secondly. The audit finding of the A-G regarding the treatment of deviations cannot be supported in many of the instances as the "general" finding that the deviation is invalid cannot be supported.

The fact that deviations must be limited is supported and therefore the Audit Committee requested the internal audit unit to include the audit of deviations on the three-year internal audit plan.

EMPHASIS OF MATTER

Material losses/Impairments Trade debtors

Material losses amounted to R112m vs R89m (2016/17).

The treatment of traffic fine revenue was a problem with most municipalities in the Western Cape during this audit. This resulted in increased disclosure and the subsequent increase in impairment. The increase in trade debtors also affected the impairment increase. This highlights debt management in total.

AUDIT OF THE ANNUAL PERFORMANCE REPORT (SECTIONS 17 TO 25)

The findings of the A-G in this section will have to be urgently addressed by management and Council as the evaluation of the usefulness and reliability of the reported performance information will have a direct implication on the process for the 2018/2019 financial year. A matter mentioned in previous audit committee reports submitted to Council.

The 2018/2019 Top Layer Service Delivery and Budget Implementation Plan (TL SDBIP) will have to be adjusted to address the audit findings.

Reporting on the TL SDBIP will also have to be improved by the various directorates.

AUDIT OF THE ANNUAL PERFORMANCE REPORT

The A-G's findings on their audit of the municipality's Annual Performance Report are detailed on pages 10-11 of the Final Management Report,

The committee do however want to highlight the paragraph relating to the significant lapses that occurred in the leadership's oversight responsibility over financial reporting, predetermined objectives, compliance as well as related internal controls, which resulted in material misstatements of predetermined objectives in the annual performance report and material non-compliance with regulations and regulations.

AUDIT OF COMPLIANCE WITH LEGISLATION

Asset Management

The audit finding that "All investments were not made in accordance with the requirements on the investment policy, as required by the Municipal Investment Regulations, 2005, regulation 3(3)" is noted.

Resulting from this finding, the current investment policy must be evaluated and amended accordingly.

Procurement and contract management

The audit committee noted that there was some documentation that could not be submitted to the A-G seeing that the documentation was provided to, for example the HAWKS investigation authority.

The matter of deviations is addressed earlier in this report.

Consequence Management

The committee noted the audit finding and recommend that irregular expenditure as well as fruitless and wasteful expenditure incurred by the municipality be investigated to determine if any person is liable for expenditure as required by Section 32(2)(b) of the MFMA.

The treatment must further be in accordance with the current approved policy of Council in this regard.

INTERNAL CONTROL DEFICIENCIES

The matters mentioned in this section was addressed earlier in the report.

- Policies and procedures

According to the A-G Report, management did not ensure that policies and procedures governing overtime and leave administration are in place to effectively manage these two critical HR functions. The Audit Committee has on numerous occasions highlighted these matters in our meetings as well as in internal audit steering committee meetings. It appears as if management do not want to take responsibility for what we regard as a huge risk of fraud and corruption for the organization. We again urge Council to give this matter priority attention.

RISK MANAGEMENT

To maintain an overall positive perception of the municipality and confidence in the municipality from the public and other stakeholders, well planned goals and objectives should be coordinated and achieved

within the municipality. Section 62(1) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) stipulates that the Accounting Officer must take all reasonable steps to ensure that the municipality has, and maintains, an effective, efficient and transparent system of financial- and risk management and internal control as well as the effective, efficient and economical use of the resources of the municipality.

The municipality has instituted such a systematic and formalised process in order to identify, assess, manage and monitor risks which effectively ensures achievement of those planned goals and objectives. Thus, risk management is essentially a good governance measure instituted to ensure the municipality accomplish its vision, mission and strategic plans.

The municipality has an approved risk management policy, framework and implementation plan as approved by council. The policy is reviewed annually.

Event after year-end: A Chief Risk Officer (CRO) was appointed on 1 September 2018. This will assist with the management of this function.

Planning is already in progress to address matters of concern of the committee regarding risk management.

SPECIFIC FOCUS AREAS

Financial Viability

The A-G's audit included a high-level overview of the financial viability of George Municipality as at 30 June 2018. This financial viability assessment provides management with useful information for accountability and decision-making purposes and complements the financial statements by providing insights and perspectives thereon.

The A-G looked at Expenditure management, Revenue Management, Asset and Liability Management as well as Cash Management. According to the A-G Management Report in Note 108 on page 28:

Overall the financial viability is assessed as:

Good

Given the financial constraints of municipalities, this is a commendable achievement. There are however some of the ratios that indicated that management and Council will have to implement measures to manage the financial viability even more vigorously.

COMPOSITION OF BID COMMITTEES

The committee reported and recommended to Council at its meeting held on 25 August and 14 September 2018:

That the request to the Municipal Manager to consider the amendment of the SCM policy regarding the composition of the Bid Evaluation Committee be forwarded to Council.

The committee would like to take this opportunity to urge Council to give priority attention to the complete restructuring/re-composition of the Bid Committees.

EMERGING RISKS

• GIPTN

The GIPTN roll-out programme has been fraught with ongoing challenges since its inception. Continued focus by the municipality on capacitation of its internal resources to facilitate adherence to all contractual requirements is necessary.

Event after yearend: The audit committee received a detailed risk register on this project and included it in the risk registers for urgent attention by management and Council.

- **Environmental Issues**

The finalization of the following aspects require urgent attention/implementation:

- Regional waste disposal site; and
- Composting facility.

- **Unemployment, homelessness**

The constant influx of the unemployed and the homeless into the Municipality and the consequent influence on rendering services, must constantly be considered and inclusion on the IDP be ensured.

- **Roles and responsibilities**

The committee would also like to urge the various role-players to adhere to the roles and responsibilities as outlined in the various applicable legislation.

CONCLUSION

The Audit Committee acknowledges that the environment within which management is operating is difficult given the many challenges.

The Audit Committee remains concerned about the exorbitant costs involved in external audits.

In conclusion, it is our wish that all stakeholders will work harder in future in order to improve the quality of the lives of the people we serve.

The committee appreciate the effort of all role-players in the organization striving towards this goal.

Dr A POTGIETER – MEMBER AND CHAIRPERSON
(On behalf of the Audit Committee)
JANUARY 2019.

2.8 INTERNAL AUDIT

Section 165 (2) (a), (b) and (c) 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.
- (b) Advise the accounting officer and report to the Audit Committee on the implementation on the internal audit plan and matter relating to:
 - (i) Internal audit;
 - (ii) Internal controls;
 - (iii) Accounting procedures and practices;
 - (iv) Risk and risk management;
 - (v) Performance management;
 - (vi) Loss control;
 - (vii) Compliance with this Act, the annual Division of Revenue Act and another applicable legislation; and
- (c) Perform such other duties as may be assigned to it by the Accounting Officer.

The Internal Audit (IA) function was initially outsourced to Ernst & Young. With the appointment of the Internal Audit Manager in the later part of 2011, George Municipality's IA function has effectively changed to a co-sourced function. Risk assessments are conducted on a regular basis and inform the compilation of the three (3) year rolling internal audit plan.

The results of the approved 3-year rolling internal audit plan (after amendments were processed relating to the 2017/2018 financial year) are included below:

Audit unit ref.	Audit Activity	Audit unit type	Initial Risk Assessment	Coverage by Auditor-General	2017/2018
1	Planning, reporting and quality				
1.1	Three year rolling Strategic and Operational Internal Audit Plan and costing (refer Project Management and Administration below)	MP	H	No	4
1.2	Project Management and Administration	MP	H	No	4
1.3	Audit Committee meetings (Attendance, Secretariat function and reporting)	MP	H	Yes	4
1.4	Internal Audit Steering Committee meetings (Attendance, Secretariat function and Reporting)	MP	H	No	4
1.7	Audit Quality Control (IIASA standard compliance)	MP	H	No	4
1.8	External Audit Liaison	MP	H	Yes	4
2	Risk Management and Risk Assessments				
2.1	Risk Management and Risk Assessments (Assistance) (Risk Management Plan & Fraud Prevention Plan) Including Risk Universe and Review of Risk Treatment Plans	TS	H	Yes	4
2.2	Risk Universe (Assistance) (Refer Risk Management and Risk Assessments (Assistance) above)	TS	H	Yes	4
3	Routine transversal projects				
3.1	Performance Management System and Organisational Structure	TS	H	Yes	4
3.2	Management Letter Point Follow-up (To be done as separate project, however also done as part of recurring projects in the meantime)	RPI	H	No	4
3.3	Relevant Legislation (MSA, MFMA, DoRA, etc.) (To be done Internally, Relevant legislation also considered during each Internal Audit project)	TS	H	Yes	4
3.4	Annual Cash Count (Including Revenue collection by Council and Petty Cash)	RPI	H	Yes	4
3.5	Annual Stock Count	BP	H	Yes	4
3.6	Proclaimed Roads (LHF)	TS		No	4
4	Divisions				
4.1	Civil Engineering Services				
4.1.3	George Integrated Public Transport Network (GIPTN)	BP	H	Yes	4
	Risk Management related				
4.1.7	Enterprise Risk Management workshops (Attendance) (Refer Enterprise Risk Management Steering Committee meetings above)	TS	H	No	4
4.1.8	Review of Risk Treatment Plans (Refer Risk Management and Risk Assessments (Assistance) above)	TS	H	No	4

4.2	Community Services, Corporate Services, Municipal Manager, Executive Mayor and Human Settlements, Land Affairs and Planning						
4.2.1	Risk Management related						
4.2.1.1	Enterprise Risk Management workshops (Attendance) (Refer Enterprise Risk Management Steering Committee meetings above)	TS	H	No	4		
4.2.1.2	Review of Risk Treatment Plans (Refer Risk Management and Risk Assessments (Assistance) above)	TS	H	No	4		
4.2.3	Corporate Services						
4.2.3.3	Leave Terminations	TS	H	Yes	4		
4.2.4	Office of Municipal Manager & Executive Mayor						
4.2.4.1	Performance Management System - Directors' POE testing (Incorporated into PMS Quarter 4)	TS	H	Yes	4		
4.2.4.2	IDP, SDBIP and Strategic Planning (Refer Performance Management System and Organisational Structure above)	TS	H	Yes	4		
4.2.4.4	Policies and Procedures (Considered as part of each area audited)	TS	H	Yes	4		
4.2.5	Human Settlements, Land Affairs and Planning						
4.2.5.1	Building Control and Illegal Structures	BP	H	No	4		
4.3	Electro Technical Services						
4.3.3	Mechanical Division (Including Fleet Management)	BP	H	No	4		
	Risk Management related						
4.3.5	Enterprise Risk Management workshops (Attendance) (Refer Enterprise Risk Management Steering Committee meetings above)	TS	H	No	4		
4.3.6	Review of Risk Treatment Plans (Refer Risk Management and Risk Assessments (Assistance) above)	TS	H	No	4		
4.4	Financial Services						
4.4.2	Financial Statement Review	BP	H	Yes	4		
4.4.5	Cash Management (Refer Annual Cash Counts)	BP	H	No	4		
4.4.7	Billing System (Including Meter reading, invoicing & billing)	BP	H	Yes	4		
4.4.8	Tariff Listing (Including Assessment rates & valuations)	BP	H	Yes	4		
4.4.14	Assessment Rates and Valuations (Refer Tariff Listing above)	BP	H	Yes	4		
4.4.18	Stock Management (Refer Annual Stock count under Routine Transversal Projects)	BP	H	No	4		
4.4.23	Contract Management		H	Yes	4		
4.4.24	mSCOA		H	Yes	4		
	Risk Management related						
4.4.26	Enterprise Risk Management workshops (Attendance) (Refer Enterprise Risk Management Steering Committee meetings above)	TS	H	No	4		
4.4.27	Review of Risk Treatment Plans (Refer Risk Management and Risk Assessments (Assistance) above)	TS	H	No	4		
5	Skills transfer workshop and manuals						

5.1	Internal Audit - Policies and Procedures Manual (IIA Compliant)	TS	N/A	N/A	4
5.2	Workshops (IIA/CIA aligned and related) (If and when required)				
5.2.1	IIA Standard 1000 - Purpose, authority and responsibility	TS	N/A	N/A	4
5.2.2	IIA Standard 1100 - Independence and objectivity	TS	N/A	N/A	4
5.2.3	IIA Standard 1200 - Proficiency and Due Professional Care	TS	N/A	N/A	4
5.2.4	IIA Standard 1300 - Quality Assurance and Improvement Program	TS	N/A	N/A	4
5.2.5	IIA Standard 2000 - Managing the Internal Audit Activity	TS	N/A	N/A	4
5.2.6	IIA Standard 2100 - Nature of Work	TS	N/A	N/A	4
5.2.7	IIA Standard 2200 - Engagement Planning	TS	N/A	N/A	4
5.2.8	IIA Standard 2300 - Performing the engagement	TS	N/A	N/A	4
5.2.9	IIA Standard 2400 - Communicating Results	TS	N/A	N/A	4
5.2.10	IIA Standard 2500 - Monitoring progress	TS	N/A	N/A	4
5.2.11	IIA Standard 2600 - Resolution of senior management's acceptance of risks	TS	N/A	N/A	4
5.2.12	Control Knowledge Elements	TS	N/A	N/A	4
5.2.13	Internal Audit Ethics	TS	N/A	N/A	4
5.2.14	Internal Audit Responsibilities for Fraud	TS	N/A	N/A	4
5.2.15	Audit Sampling / Sampling methodology	TS	N/A	N/A	4
5.2.16	Financial Accounting (Basic)	TS	N/A	N/A	4
5.2.17	Audit evidence	TS	N/A	N/A	4
5.2.18	Combined Assurance	TS	N/A	N/A	4
5.2.19	Risk Assessment Part 1	TS	N/A	N/A	4
5.2.20	Risk Assessment Part 2	TS	N/A	N/A	4
5.3	Workshops (Other - If and when required)				
5.3.1	Annual MFMA update	TS	N/A	N/A	4
5.3.2	Annual GRAP update	TS	N/A	N/A	4
5.3.3	Supply Chain Management	TS	N/A	N/A	4
5.3.4	Division of Revenue Act (DoRA)	TS	N/A	N/A	4
5.3.5	Enterprise Risk Management Workshops	TS	N/A	N/A	4
5.3.6	Performance and Management Systems Workshop	TS	N/A	N/A	4
6	Ad hoc projects / Special investigations				
6.1	Ad hoc assignments (To be negotiated when need arises)	TS	N/A	N/A	4
6.1.3	GIPTN Ticket Inventory	TS	N/A	N/A	4
6.2	Special investigations (To be negotiated when need arises)	TS	N/A	N/A	4

During the 2017/2018 financial year the following Internal Audit reports were issued:

No	Internal Audit Reports issued
1	Termination of employment 222
2	Termination of employment 223
3	Annual Cash Count FY17
4	Report: Presentation and Disclosure Review on the draft financial statements template of George Local Municipality for the year ended 30 June 2017
5	Termination of employment 224
6	Confirmation of Leave Balance (Mr S Erasmus)
7	Confirmation of Leave Balance (Mr K Jordaan)
8	Confirmation of Leave Balance (Mr T Botha)
9	Termination of employment 225
10	Annual Stock Count FY17
11	Risk Assessment Reporting Quarters 1 to 4 of 2016/2017
12	Termination of employment 226
13	Termination of employment 227
14	Performance Management System Quarterly Reporting - Quarter 4 of FY17 (including reliability of Directors' Portfolios of Evidence)
15	Termination of employment 228
16	Tariff Listing FY18
17	Confirmation of Leave Balance (Mr CP Lubbe)
18	Confirmation of Leave Balance (Mr MM Cupido)
19	Termination of employment 229
20	Termination of employment 230
21	Termination of employment 231
22	Rates Clearance Certificate Review FY18
23	Performance Management System Quarterly Reporting FY18 (Quarters 1&2)
24	Termination of employment 232
25	Performance Management System Quarterly Reporting FY18 (Quarter 3)

Internal Audit Reports issued

2.9 SUPPLY CHAIN MANAGEMENT

2.9.1 Overview Supply Chain Management

The overall objective of the George Municipality's Supply Chain Management Policy is to:

- Ensure the efficient, effective and uniform planning for a procurement of all services and goods required for the proper functioning of the Municipality, as well as the sale and letting of assets that conform to constitutional and legislative principles whilst developing, supporting and promoting historically disadvantaged individuals, black economic empowerment, small, medium and micro enterprises (SMMEs) and preferential goals.
- Ensure the efficient, effective and uniform management and disposal, of goods and assets.
- Ensure good governance through its SCM processes.
- Prevent SCM System abuse and resultant irregular expenditure.

The Municipality complies with the implementation of Section 112 of the Municipal Finance Management Act, No 56 of 2003 (MFMA). With the implementation of the said Section, some of the cost effective and value for money bids fail to comply with the Department of Trade and Industry (DTI) Local Content Threshold and thus pose a challenge as the Municipality must pay higher premiums to cancel bids.

2.9.2 Competitive Bids exceeding R200 000

a) Bid Committee Meetings

- The following table details the number of bid committee meetings held for the 2017/2018 financial year:

Bid Specification Committee	Bid Evaluation Committee	Bid Adjudication Committee
71	81	16

b) Awards made by the Bid Adjudication Committee

- The bid adjudication committee awarded 10 bids with an estimated value of R48 million (excluding annual store stock bids, technical annual bids and other as and when required.)
- The ten highest bids awarded by the bid adjudication committee are as follows:

Bid Number	Title of Bid	Directors and Section	Successful Bidder	Value of bid awarded R
ENG011/2018	Upgrading of 11 KV Bulk Service in Thembaletu	Electro-Technical Services	MDL Engineering Company	R9 456 826.93
TI/ING007/2018	GIPTN: Reconstruction of Mission Street	Civil Engineering	WTW Civil	R7 936 364.30
T/ING005/2018	GIPTN: Reconstruction of Park, Mall and Servitude Roads	Civil Engineering	WTW Civil	R7 625 053.39
ENG009/2018	Ballots Bay to Glenwood Substation 66KV overhead line	Electro-Technical Services	VE Reticulation	R7 167 708.00
T/ING035/2016	Upgrading of the Gwaiing WWTW Biofilter	Civil Engineering	Khanya Engineered Projects	R6 840 000.00
T/ING016/2017	Upgrading of Protea Park Roads	Civil Engineering	Loyiso Civil Construction	R2 996 052.63
ENG015/2017	Agricultural Equipment for Parks	Electro-Technical Services	Tumelo Fleet Ramcom Trucks Triple Peaks Commodities	R2 016 883.26
PS001/2018	Supply and delivery of 500l drain cleaning trailers	Protection Services	Ian Dikie & Co	R1 353 383.25
FIN021/2018	Supply and delivery of ICT Equipment	Financial Services	CHM Vuwani Compute Solutions	R1 263 776.99
ENG036/2018	Implementation of energy saving measurements	Electro-Technical Services	Izasi Technologies	R1 082 857.35

c) Awards made by the Accounting Officer

In terms of paragraph 5(2) of Council's Supply Chain Management Policy, only the Accounting Officer may award a bid which is more than R10 million. The power to make such an award may not be sub-delegated by the Accounting Officer. The bids awarded by the Accounting Officer is as follows:

The bids awarded by the Accounting Officer are as follows:

Bid Number	Title of Bid	Directors and Section	Successful Bidder	Value of bid awarded
T/ING030/2016	Upgrading of the Outeniqua WWTW	Civil Engineering	ICON Construction	R74 725 963.45
T/ING012/2017	Raising of Garden Route Dam Spillway	Civil Engineering	Westland Civils CC	R24 535 765.25
T/ING008/2018	GIPTN: Upgrading of Caledon Street	Civil Engineering	WTW Civil	R11 263 582.31
T/ING023/2016	Maintenance of various George Municipal Water and Sanitation Infrastructure	Civil Engineering	<ul style="list-style-type: none"> • Jirah Construction • SA Kraai Projects • Mega Volt Electrical • Delacom 	Rates
T/ING022/2016	Consulting Engineers for professional services for the design and supervision of Bus stops, Shelters, Embayment's and associated minor civil works for the GIPTN	Civil Engineering	<ul style="list-style-type: none"> • Charles Rowe and Ass. • Nadeson Consulting Services • SMEC South Africa • Uhambiso Consult • V3 Consulting 	Rates
T/ING033/2016	Consulting Engineers for professional services in the 2017/2018, 3 years multiyear budget	Civil Engineering	<ul style="list-style-type: none"> • African National Consult • Aurecon KCS JV • Charles Rowe and Ass. • Clinkscals M – B • CSM Consulting • EOH Industrial Tech • IX Engineers • Kantley & Templer • MWB Consulting • Nadeson Consulting • Nakolliso – Sonqua JV • Neil Lyners • Quantra Consulting • Royal Haskoning DHV • Sky High WML Coasts • SME South Africa • Tuiniqua • Uhambiso Consulting • V3 Consulting Engineers 	Rates
ENG014/2017	Supply and delivery of bulk fuel and oil	Electro-Technical Services	Reddy Fuels	Rates

Bid Number	Title of Bid	Directors and Section	Successful Bidder	Value of bid awarded
MM012/2017	Municipal Panel of Attorneys	Office of the Municipal Manager	<ul style="list-style-type: none"> • Stadler & Swart • Bruwer Reynolds • Jennifer Brands • Goussard Attorneys • Le Roux Lamprecht Attorneys • Raubenheimers Attorneys • Schrotter & Associates • DP Bezuidenhout Attorneys • Liezel Venter Attorneys • Liesel Scholtz Inc. • Nico Smit Attorneys • Regan Brown Inc. 	
FIN013/2017	Debt Collection Litigation for a period of three years	Financial Services	Nico Smit Incorporated	Rates
FIN001/2016	Store stock for a period of three years	Financial Services	Various Supplies	Rates
FIN012/2017	Long Term Loan	Financial Services	Nedbank	R19 900 000.00

d) Appeals lodged by Aggrieved Bidders

DATE	TENDER NO	DESCRIPTION	COMPLAINANT	NATURE OF COMPLAINT	OUTCOME
11 July 2017	ENG 013/2016	Service and maintenance of municipal vehicles and equipment	WS Forestry Equipment and Repairs CC	Complained that the tender was awarded to a truck shop and requested reasons why they were not successful. Did not submit a formal objection.	The successful tender complied with all the specifications and obtained the highest points. WS Forestry was furnished with reasons why they were not successful, and they accepted the explanation.
14 July 2017	T/ING/034/2016	Minor civil works Ad hoc engineering contractors	Vuka Maintenance	Complained that the awarding of this tender is not helping emerging companies and therefore objected to appointment.	Unsuccessful – the tender process was open, fair and any tendered, who met the requirements could have tendered. Vuko Maintenance was third highest in price and was therefore not considered.

DATE	TENDER NO	DESCRIPTION	COMPLAINANT	NATURE OF COMPLAINT	OUTCOME
19 July 2017	T/ING/022/2016	Appointing of consulting engineers for professional engineering services for design of bus stops	Nadeson Consulting Services (Pty) Ltd	Objected that the Municipality declare their bid unsuccessful. Calculation errors in pre-qualification phase resulted in them not being evaluated.	Successful – Calculation errors occurred and were rectified, and tender referred back to the BAC.
2 October 2017	T/ING/011/2017	Purchase of 2 specialised trailers	PNB Civils	Objected to appointment of Bred and Asia Trading, as they did not score the highest points.	Unsuccessful – did not have the compulsory previous experience and was therefore not appointed.
9 October 2017	ENG 014/2017	Supply and delivery of bulk fields and oil	Reddy Fuels CC	Objected that they were appointed to supply petrol and oil and not diesel	Unsuccessful – Diesel and petrol were line items and could be awarded per price, per tendered.
10 October 2017	ENG 032/2016	Electrical Contracting Services	Mickeys Electrical Pty (Ltd)	Objected to the appointment of Masikhululane, as they do not have the experience and knowledge to execute the work	Unsuccessful – Masikhululane did comply with all the specifications and had the highest points.
13 October 2017	ENG 027/2017	Supply and delivery of trailer	PNB Civils	Objected to appointment of Ramcon Trucks and Load Bodies, as they did not score the highest points	Unsuccessful – was not registered for VAT and could therefore not claim VAT on the tendered amount and had therefore not the cheapest price.
13 November 2017	T/ING/023/2016	Maintenance of water and sanitation infrastructure	SA Kraai Projects (SA Kraai presented by Danster Attorneys)	Objected to not being appointed on a full-time basis	Unsuccessful – tendered was appointed on an "ad hoc" basis, as per the tender specifications.
16 November 2017	MM 012 of 2017	Appointment of attorneys on panel for conveyance	Le Roux Lamprecht Attorneys	Objected that they were not considered as conveyance attorneys	Objection withdrawn

DATE	TENDER NO	DESCRIPTION	COMPLAINANT	NATURE OF COMPLAINT	OUTCOME
20 November 2017	FIN 016/2017	Supply and Delivery of Groceries	PJ Scheepers Enterprises (Pty) Ltd	Against awarding to Bid food (Pty) Ltd	Unsuccessful – PJ Scheepers Enterprises had the highest price of all tenders and Bid food scored the highest points
27 November 2017	T/ING/033/2016	Appointment of consulting engineers for professional engineering services	BVI – Consulting Engineering Eastern Cape (Pty) Ltd	Objected against the tender restrictions	Unsuccessful – BVI used the wrong percentages and their calculated price was therefore too high
27 November 2017	T/ING/033/2016	Appointment of consulting engineers for professional engineering services	Bosch Projects (Pty) Ltd	Requested breakdown of the scoring sheets and questioned project 18	Information was provided and established that they failed the pre-qualification phase of project 18 and could therefore not be evaluated any further
8 December 2017	ENG 021/2017	Ad hoc hire of vehicles, plant and equipment	Lecta Vervoer (Pty) Ltd	Objected that the tender was awarded to companies outside of George area	The tender for the cleaning of residential areas was awarded to contractors of the community, by means of a quotation process. This tender was open to all tenders. Objection unsuccessful
8 December 2017	ENG 021/2017	Ad hoc hire of vehicles, plant and equipment	Eco Car and Van Hire	Objected to formula used to award the tender and reason why the tender was previously cancelled	Objection withdrawn
11 December 2017	ENG 028/2016	Supply and delivery of electrical stock	Polybox (PBE) Enterprises (Pty) Ltd	Objected against the fact that other companies did not submit samples and were still appointed	Tender specifications stated "if so required, samples must be submitted"- it was not a compulsory requirement. The successful tender scored the highest points and the objection was therefore unsuccessful

DATE	TENDER NO	DESCRIPTION	COMPLAINANT	NATURE OF COMPLAINT	OUTCOME
12 December 2017	T 023/2016 (B7)	Maintenance of various water and sanitation	Coastal Armature Winders and Supplies (CC) Cilliers Odendaal	Objected that successful tender did not comply with the specifications	Successful tender did comply with the specifications. Objection was therefore unsuccessful
15 December 2017	ENG 025/2016	Installation of Led street lights and Posts Tops	Genlux Lighting (ACTOM)	Requesting info why they were not successful	Information provided, satisfied with explanation
8 January 2018	ENG 021/2017	Ad hoc hire of vehicles, plant and equipment	Loyiso CC	Requesting info why they were not successful	Information provided, satisfied with explanation
23 January 2018	ENG 021/2017	Ad hoc hire of vehicles, plant and equipment	Terblanche Transport	Objected that the successful tender does not comply to all the specifications of the equipment	Successful tender did comply with the specifications. Objection was therefore unsuccessful
24 January 2018	BA 032/2017	Provision of Code 14 Learners and Driver's license	Victoria Driving School	Objected that the successful tender is not accredited with any SETA	Pending
15 February 2018	ENG 021/2017	Ad hoc hire of vehicles, plant and equipment.	Terblanche Transport	Reported that a grader working at the cemetery did not comply with the specifications	Complaint not valid. The grader was hired on an old ad hoc tender until the new appointment started
22 February 2018	COM 001/2018	Appointment of service provider for provision of labour for the planting of grass at 2 sports fields in Thembaletu.	Vuko Maintenance	Objected that they did comply with the technical specifications and that their tax matters were in order	Unsuccessful. They did not comply with the technical specifications, as they could not submit proof of similar projects completed
26 February 2018	COM 002/2018	Maintenance of parks and open spaces with manual machines.	Marcell Kleynhans, Lester Jansen and 19 others.	Objected to PPPFA condition that tender only be awarded to one contractor	Unsuccessful. The PPPFA conditions were approved by the Section 80 and the Mayco Committee. Tender did allow for the appointment of 5 Supervisors, one for each area

DATE	TENDER NO	DESCRIPTION	COMPLAINANT	NATURE OF COMPLAINT	OUTCOME
28 March 2018	ENG 009 of 2018	Ballots Bay to Glenwood Substation 66kv overhead line	Ndumiso Langa Electrical cc	Objected to the appointment of V.E. Reticulation (Pty) Ltd, based on procurement points	Not successful - Two other companies also scored 20 BBEE points, but Ndumiso's price was too high, which influenced their total procurement points
21 May 2018	ENG 011/2018	Upgrading of 11kV Bulk Services to Thembaletu	Ndumiso Langa - Electrical	Lodged a dispute against the appointment, with no reasons provided	The objector failed to provide further details and this matter was therefore considered resolved
24 May 2018	FIN 013/2017	Debt Collection	Carl John Inc. Attorneys	Objected to awarding the tender to Nico Smit Attorneys	Not successful - The objector did not submit his BBEE certificate for the joint venture and therefore scored 0 points for preference, resulting in a lower total score than the successful tender
21 June 2018	COM 003/2018	Maintenance: Lawns, Parks and Public Open Spaces with Tractor and Blower Mower	Silver Solutions 1815cc	Objected to the tender process and functionality criteria	Not successful. Only one tender did not qualify for the pre-qualification. Silver Solutions had the third highest points
28 June 2018	PS 005/2018	Provision of Security Services, for 3 years.	General Security	Objected why their tender was not considered	Not successful. They did not write the tender number on the tender documents, which is a pre-requisite for submitting the tender documents

2.9.3 Awards made to Enterprises within the George Municipal Area

The following tables outlines the value of formal written price quotations between R30 000 and R200 000 awarded during the 2017/2018 financial year.

Number of contracts awarded	Value of contractors awarded
90	R 8 049 759.99

2.9.4 Deviation from Normal Procurement Processes

Paragraph 36 of the Council's Supply Chain Management (SCM) Policy allows the Accounting Officer to deviate with the official procurement process. Deviations amounting to R44 951 967 were approved. The following table provides a summary of deviations approved for 2017/2018 respectively.

Directorate	Less than R30 000	Between R30 001 and R200 000	Between R200 001 and R2 000 000	More than R2 000 000
Office of the Municipal Manager	R554 395.36	R1 907 705.29	R805 392.36	
Corporate Services	R155 465.57	R294 670.00	R1 343 988.72	R2 223 988.65
Civil Engineering Services	R510 326.06	R6 363 727.33	R13 009 524.42	
Electro-Technical Services	R491 255.74	R919 750.52	R1 056 742.79	R2 300 000.00
Community Services	R802 880.67	R1 923 357.45	R4 849 325.00	
Human Settlements	R18 607.58	R94 034.00		
Planning and Development	R190 555.78	R200 084.14	R500 000.00	
Protection Services	R185 782.76	R796 793.01	R387 780.00	
Financial Services	R72 913.48	R955 003.06	R2 037 918.00	
Total	R2 982 183.00	R13 455 124.80	R23 990 671.29	R4 523 988.65

2.9.5 Logistics Management

The system of logistics management must ensure the following:

- The setting of inventory levels that includes minimum and maximum levels as well as lead times wherever goods are placed in stock.
- The placing of manual or electronic orders for all acquisitions other than those from petty cash.
- Before payment is approved, certification by the responsible officer that the goods and services are received or rendered on time and are in accordance with the order, the general conditions of contract and specifications where applicable and that the price charged, is as quoted in terms of a contract;
- Appropriate standards of internal control and warehouse management to ensure that goods placed in stores are secure and only used for the purpose for which they were purchased.
- Regular checking to ensure that all assets including official vehicles are properly managed, appropriately maintained and only used for official purposes
- Monitoring and review of the supply vendor performance to ensure compliance with specifications and contract conditions for particular goods or services.
- Each stock item at the municipal stores, Mitchell Street, is coded and listed on the financial system. Monthly monitoring of patterns of issues and receipts is performed by the Storekeeper.
- Inventory levels are set at the start of each financial year. These levels are set for normal operations. If special projects are being launched by departments, this information is communicated timeously to the Stores section to accommodate the additional stock required above the normal levels.
- Internal controls are in place to ensure that goods and service received are certified by the responsible person which is in line with the general conditions of contract.
- Regular checking of the condition of stock is performed.

At 30 June 2018 the value of stock at the municipal stores amounted to R5 880 570.75. For the 2017/2018 financial year, stock to the value of only R 5 014.25 was accounted for as surpluses and R 34 775.36 as shortages.

2.9.6 Performance Management

Three of the most important key performance indicators in the SCM Unit, relate to the turnaround time from the date that requests are received from departments until bids are adjudicated and awarded. The following table details the performance for each of the key performance indicators:

Key performance indicator	2016/17	2017/18
Ensure that tenders are successfully finalized and awarded within the validity period of the tender to enhance effective delivery of services.	95%	95%
Submit within 10 days of each quarter a report on the implementation of the SCM Policy.	4 reports	4 reports
Compliance with the SCM Policy measured by the limitation of successful appeals against the Municipality.	3 Successful appeals	1 Successful appeal

2.9.7 Findings of the Auditor-General on Procurement and Contract Management

Progress has been made with regards to the 2016/17 Auditor-General's audit findings on SCM. With regards to the finding on "Contract Management", monthly evaluation forms are completed, and quarterly reports are prepared.

2.10 BY-LAWS AND POLICIES

Section 11(3) of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) empowers Municipal Councils to exercise executive and legislative authority to pass and implement by-laws and policies.

The following by-laws were revised during the 2017/2018 financial year:

- Property Rates By-law (revised)

Below is a list of all the policies developed and reviewed during 2017/2018:

- Customer Care, Credit Control and Debt Collection Policy
- Property Rates Policy and Integrated George Zoning Scheme By-law
- Tariff Policy
- Unauthorized, Irregular and Fruitless and Wasteful Expenditure Policy
- Indigent Policy
- Virement Policy
- Cash Management and Investment Policy
- Travel & Subsistence Policy
- Supply Chain Management Policy
- PPPFA Policy
- Asset Management Policy
- Funding Borrowing & Reserve Policy
- Long Term Financial Plan
- Liquidity Policy
- Bursary Policy
- Training and Development Policy
- Delegation of Powers
- Acting allowance Policy
- Task Job Evaluation Policy
- Risk Management Policy and Risk Management Strategy and Implementation Plan

2.11 WEBSITE

Municipalities are required to develop and maintain a functional website that displays relevant information, as per the requirements of Section 75 of the Local Government: Municipal Finance Management Act, No 56 of 2003 and S21A and B of the Municipal Systems Act ("MSA") as amended.

The website should serve as a mechanism to promote accountability and transparency to communities and therefore information 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.

Below is a website checklist to indicate the compliance to Section 75 of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003):

Description of information and/or document	Yes/No
Municipal contact details (Section 14 of the Promotion of Access to Information Act)	
Full Council details	Yes
Contact details of the Municipal Manager	Yes
Contact details of the CFO	Yes
Financial Information (Sections 53, 75, 79 and 81(1) of the Municipal Finance Management Act)	
Adjusted Budget	Yes
Asset Management Policy	Yes
Borrowing Policy	Yes
Customer Care, Credit Control and Debt Collection Policy	Yes
Delegations	n/a
Draft and Final Budget	Yes
Funds and Reserves Policy	Yes
Grants-In-Aid Policy	Yes
Indigent Policy	Yes
Investment and Cash Management Policy	Yes
Long Term Financial Policy	Yes
Petty Cash Policy	Yes
Rates Policy	Yes
SDBIP	Yes
Supply Chain Management Policy	Yes
Tariff Policy	Yes
Travel and Subsistence Policy	Yes
Virement Policy	Yes
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)	
IDP Process Plan	Yes
Reviewed IDP	Yes
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)	
Long Term borrowing contracts	Yes
Reports (Sections 52(d), 71, 72 & 75(1)(c) and 129(3) of the Municipal Finance Management Act)	
Annual Report	Yes
Mid-year budget and performance assessment	Yes
Monthly Budget Statement	Yes
Oversight reports	Yes
Quarterly Reports	Yes

Description of information and/or document	Yes/No
Local Economic Development (Section 26(c) of the Municipal Systems Act)	
Economic Profile (Captured in IDP)	Yes
LED Projects – (Under News)	Yes
Local Economic Development Strategy	Yes
Assurance Functions (Sections 62(1), 165 & 166 of the Municipal Finance Management Act)	
Audit Committee Charter	Yes
Internal Audit Charter	Yes
Risk Management Policy	Yes

Website Checklist

The George Municipal website formed part of a Western Cape Provincial Government website initiative, which allowed for the new websites to be standardised on a single platform thereby enhancing service delivery using technology for all communities. The new website was launched in February 2016 and is compliant with legislative requirements, has a user-friendly interface and incorporates functionality and standards for municipal sites.

Key features include:

- An alert tab which will inform citizens of urgent information which the Municipality wishes to communicate.
- General information about the municipal area.
- Key information about the Executive Mayor, Councillors, and administrative leadership.

Approximately 8136 users per month are recorded with 50.3% of these being return users. The content of the website is monitored and updated daily by the George Municipal Communications Unit. The eleven (11) libraries in George form part of the ICT Rural Connectivity programme which offers free internet access to all users who register on the system. A second programme is being run by Cape Access which provides Internet access and computer training at Conville and Thembaletu Libraries, and Waboomskraal Thusong Centre.

2.12 COMMUNICATION

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

Good customer care is clearly of fundamental importance to any organisation. A successful communication strategy therefore links the people to the Municipality's programme for the year. Below is a communication checklist of the compliance to the communication requirements:

Communication activities	Yes/No	Date Approved/Completed
Communication strategy	Yes	June 2015
Communication policy	Yes	June 2015

Communication Activities

2.12.1 Communication Unit

Communication Unit	Yes/No	Number of people in the Unit	Job titles
	Yes	3	Communications Manager Media Liaison Official / Assistant Media Liaison Official

Communication Unit

2.12.2 Newsletters

Type of Newsletter	Issues distributed	Circulation number	Date distributed
Internal – The Hub	4	± 1600 employees	August 2017 / December 2017 / March 2018 / June 2018
External – Municipal Newspaper (Tabloid)	3	Print 20 000/30 000	September 2017 / December 2017 / June 2018
External - Municipal Newsletter (2 page)	7	Printed 45 000 / Email 10 000	July 2017 / August 2017 / October 2017 / November 2017 / February 2018 / March 2018 / June 2018

Newsletters

2.12.3 Awareness Campaigns

George Municipality embarked on the following awareness campaigns during the 2017/2018 financial year:

- Water Security Campaign;
- Budget 2017/2018;
- Valuation Roll 2018;
- Building Plan Amnesty;
- Ward Committee Awareness;
- Indigent Registration / Road show 2018;
- Festive Season Safety;
- Summer Fire Safety;
- Adjustment Budget 2017/2018;
- Budget 2018/19 – Tariff Increases;
- Energy Saving.

2.12.4 Additional Communication Channels Utilised

Channel	Yes/No	Number of People Reached / Followers
Facebook	Yes	11 106
Twitter	Yes	2 251
SMS System	Yes	Limited to Council / Ward Committee Members
Municipal App	Yes	Launched September 2017, 1566 subscribers
Website	Yes	± 9500 daily users
WhatsApp Groups	Yes	Council, Media, Directorates
Weekly Water Block - Advert George Herald (July 2017 – June 2018)	Yes	± 20 000 readers
Community Newspaper George Herald (Bi-monthly Column called Focus ON)	Yes	± 20 000 readers
Commercial Radio Station – Algoa FM (News Sponsorship / Radio Adverts)	Yes	± 84 000 listeners
Community Radio Station – Heartbeat FM (Weekly Radio Slot / 5 x 30 sec adverts per day)	Yes	± 95 000 listeners
Community Radio Station – Heartbeat FM (Weekly Radio Slot / 5 x 30 sec adverts per day)	Yes	± 95 000 listeners
SMS Campaign (Vodacom)	Yes	± 350 000 Subscribers



CHAPTER 3

SERVICE DELIVERY PERFORMANCE
(PERFORMANCE REPORT PART I)

3.1 OVERVIEW OF PERFORMANCE WITHIN THE ORGANISATION

Performance management is a strategic approach to management. It equips leaders, managers, staff and stakeholders at different levels with a set of tools and techniques to regularly plan, continuously monitor, periodically measure and review performance of the organisation in terms of indicators and targets for efficiency, effectiveness and impact.

Within the local sphere of government, performance management is institutionalised through legislative requirements. Performance management provides the mechanism to measure whether set targets against strategic goals are met.

3.1.1 Legislative Requirements

The objectives of local government as enshrined in Section 152 of the Constitution of the Republic of South Africa, 1996, pave the way for performance management. The democratic values and principles in terms of Section 195 (1) of the Constitution of the Republic of South Africa are also linked with the concept of performance management, regarding the following:

- 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;
- to facilitate a culture of public service and accountability amongst staff;

The Local Government: Municipal Systems Act, No. 32 of 2000 (MSA) requires each Municipality to establish a performance management system. Furthermore, the MSA and the Local Government: Municipal Finance Management Act, No. 56 of 2003 (MFMA) require the municipal budget to be aligned to the Integrated Development Plan (IDP) and create a mechanism for the implementation of the budget against the IDP, using the Service Delivery and Budget Implementation Plan (SDBIP).

In terms of Section 46(1) of the MSA, a Municipality must prepare for each financial year a performance report reflecting:

- The performance of the Municipality and of each external service provider during that financial year.
- A comparison of the performance referred to above with targets set for and performance in the previous financial year.
- Measures taken to improve performance.

3.1.2 Organisational Performance

Strategic Performance indicates how well the Municipality is meeting its objectives (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 a strategic plan and allocate resources for 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 Service Delivery Budget Implementation Plan (SDBIP), performance on the National Key Performance Indicators as prescribed in Section 43 of the MSA and an overall summary of performance on municipal services.

3.1.3 Performance System Followed for the Financial Year 2017/2018

i. The IDP and the Budget

The reviewed IDP and Budget for the financial year 2017/2018 were approved by Council on 31 May 2017. The IDP 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.

ii. Service Delivery and 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 strategies, objectives and business processes of the Municipality are implemented. It also assigns the responsibility to Directorates for the delivery of municipal services in terms of the IDP and budget.

The Top Layer SDBIP was approved by the Executive Mayor on 23 June 2017.

The following were considered in the development of the Top Layer SDBIP:

- Areas to be addressed and the root causes contained in Management Letter of the Auditor-General, as well as the risks identified during the 2016/17 audit;
- Alignment with the IDP, National Key Performance Areas (KPA's), Municipal KPA's and IDP objectives;
- The report of the Municipal Public Accounts Committee's Report on the 2016/2017 Annual Report;
- The risks identified by the Internal Auditor during the municipal risk analysis.
- The report of the Performance and Audit Committee on the 2016/2017 Annual Report.

iii. Actual Performance

The Municipality utilises an electronic web-based system on which Key Performance Indicator (KPI) owners update actual performance monthly. 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 the KPI owner to maintain a portfolio of evidence to support the actual performance results.

3.1.4 Performance Management

Performance management is prescribed by the MSA, Municipal Planning and Performance Management Regulations, (796 of August 2001). Regulation 7 of the latter states that "A Municipality's Performance Management System entails a framework that describes and represents how the Municipality's cycle and process of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the responsibilities of the different role players." This framework; *inter alia*; reflects the linkage between the IDP, Budget, SDBIP, individual and service provider performance. The Municipal Council reviewed and approved the Organisational Performance Framework on 12 February 2018.

i. Organisational Performance

The organisational performance is monitored and evaluated through the SDBIP. The performance process can be summarised as follows:

- The Top Layer SDBIP was approved by the Executive Mayor on 23 June 2017;
- The web-based system sends automated e-mails to the users of the system as a reminder to all staff responsible for updating their actual performance against key performance indicator targets every month for the previous month's performance;
- A mid-year budget and performance (Section 72) report was compiled within the legislative timeframes, tabled to Council and approved and thereafter submitted to Provincial Treasury;
- Roll-out of performance agreements for other levels of management other than Senior Management (Section 57 appointees) is ongoing;
- Internal Audit conducted an audit on the Top Layer SDBIP for all quarters and reported to the Performance Audit Committee on a quarterly basis;
- The Audit Committee also acts as the Performance Audit Committee and is fully functional.

ii. Individual Performance

Senior Management

The MSA prescribes that the Municipality must enter into performance-based agreements with all Section 57 employees and that performance agreements must be reviewed annually. The Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers (Regulation 805, August 2006) explain this process in detail.

The 2017/2018 performance agreements for the Section 57 appointments were signed as indicated in the table below:

Position	Name	Date Signed
Municipal Manager	Mr T. Botha	28 June 2017
Director: Community Services	Mr W. Hendricks	28 June 2017
Director: Human Settlements	Mr C. Lubbe	28 June 2017
Director: Financial Services	Mr K. Jordaan	29 September 2017
Director: Civil Engineering	Mr R. Wesso	31 October 2017
Director: Protection Services	Mr S. Erasmus	04 January 2018

Performance Agreements

3.2 STRATEGIC SERVICE DELIVERY BUDGET IMPLEMENTATION PLAN (TOP LAYER)

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

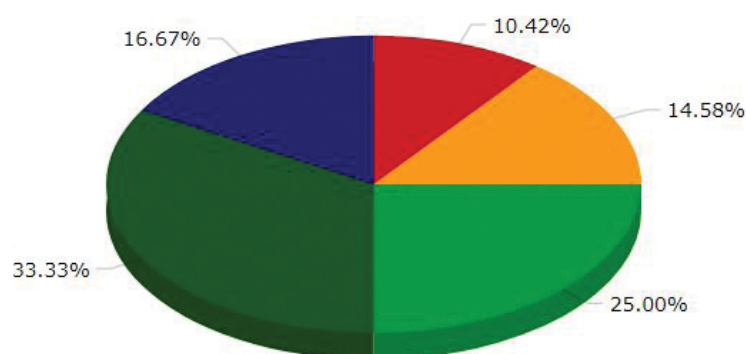
The following table explains the method by which the overall assessment of actual performance against targets set for the key performance indicators (KPIs) of the SDBIP is measured:

Category	Colour	Explanation
KPI Not Yet Measured		KPIs with no targets or actual in the selected period.
KPI Not Met		0% <= Actual/Target <= 74.999%
KPI Almost Met		75.000% <= Actual/Target <= 99.999%
KPI Met		Actual meets Target (Actual/Target = 100%)
KPI Well Met		100.001% <= Actual/Target <= 149.999%
KPI Extremely Well Met		150.000% <= Actual/Target

Table: SDBIP Measurement Categories

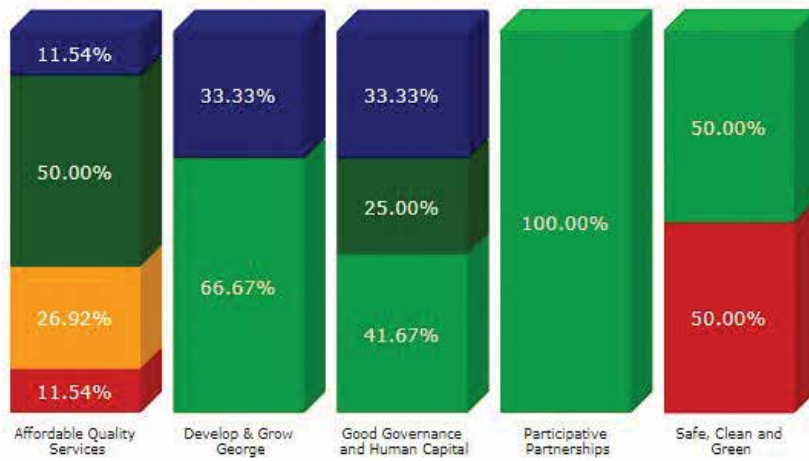
3.2.1 Overall Performance

The graph below displays the overall performance for 2017/2018 per Strategic Objective:



KPI Not Met	5 (10.42%)
KPI Almost Met	7 (14.58%)
KPI Met	12 (25.00%)
KPI Well Met	16 (33.33%)
KPI Extremely Well Met	8 (16.67%)
Total:	48 (100%)

Strategic Objective



	Affordable Quality Services	Develop & Grow George	Good Governance and Human Capital	Participative Partnerships	Safe, Clean and Green
KPI Not Met	3 (11.54%)	-	-	-	2 (50.00%)
KPI Almost Met	7 (26.92%)	-	-	-	-
KPI Met	-	2 (66.67%)	5 (41.67%)	3 (100.00%)	2 (50.00%)
KPI Well Met	3 (11.54%)	-	3 (25.00%)	-	-
KPI Extremely Well Met	0	1 (33.33%)	4 (33.33%)	-	-
Total:	26 (54.17%)	3 (6.25%)	12 (25.00%)	3 (6.25%)	4 (8.33%)

3.2.2 Actual Performance against KPIs Set in Terms of the Top Layer SDBIP

a) Affordable Quality Service

Ref	Pre-determined Objectives	KPI	Unit of Measurement	Wards	Previous Year Performance	Q1	Q2	Q3	Q4	Overall Performance 2017/2018	
										Target	Actual R
TL9	To explore and implement measures to preserve resources and ensure sustainable development	Limit electricity losses to less than 10% by 30 June 2018 (Number of Electricity Units Purchased and/or Generated - Number of Electricity Units Sold) / Number of Electricity Units Purchased and/or Generated) x100	% of electricity losses by 30 June 2018 (Number of Electricity Units Purchased and/or Generated - Number of Electricity Units Sold) / Number of Electricity Units Purchased and/or Generated) x 100	All	7.65%	8.92%	8.38%	8.33%	7.59%	10%	7.59%
TL10	To provide enough electricity for basic needs	85% of the electricity capital budget spent by 30 June 2018 {(Actual capital expenditure divided by the total approved capital budget) x100}	% of the capital budget spent by 30 June 2018 {(Actual capital expenditure divided by the total approved capital budget) x100}	All	79.65%	0%	3%	16%	72.40%	85%	72.40%
Corrective Action Major underspending was experienced in the Electro-Technical Services Department. Investment in engineering capacity must be prioritized within the Department											
TL16	To promote George as a sport, tourism and business destination	90% of the MIG funding for sports projects spent by 30 June 2018 {(actual expenditure/total allocation received) x100}	% of budget spend	All	100%	0%	1%	9.70%	99.30%	90%	99.30%
TL20	To provide world class water services in George to promote development and fulfil basic needs	Limit water network losses to less than 25% or less by 30 June 2018	% Water network losses by 30 June 2018	All	29%	0%	21.19%	0%	27.30%	25%	27.30%
Corrective Action The transfer of the UIS stands will have to be sped up. Maintenance programs on infrastructure need to be expanded.											

Ref	Pre-determined Objectives	KPI	Unit of Measurement	Wards	Previous Year Performance	Q1	Q2	Q3	Q4	Overall Performance 2017/2018		
										Target	Actual	R
TL21	To provide world class water services in George to promote development and fulfil basic needs	Complete the construction of a 12.5 mega litre reservoir at the George Water Works by 30 June 2018	Reservoir construction completed	All	New KPI for 2017/18	0	0	0	0	1	0	R
Corrective Action												
Reservoir was completed. Minor adjustments to filters to be finalised. R 18.9 million spent.												
TL22	To provide world class water services in George to promote development and fulfil basic needs	Commence with the construction of the Garden Route Dam wall and spillway raising and spend budget by 30 June 2018	% spending of approved budget	All	New KPI for 2017/18	0%	0%	0%	9.56%	95%	9.56%	R
Corrective Action												
Project to commence - new procurement had to commence as contractor appointed was liquidated.												
TL23	To endeavour to improve the seal of roads such as an extent that potholes are prevented altogether	Rehabilitate and upgrade Streets and Stormwater in terms of the approved capital budget by 30 June 2018 {(Actual expenditure divided by the total approved budget) x 100}	% of budget spend at 30 June 2018 {(Actual expenditure divided by the total approved budget) x 100}	All	45.62%	0%	21.19%	59%	74.30%	85%	74.30%	O
Corrective Action												
26% was rolled over to the next financial year, due to various reasons. Appointment of contractors was finalised late in the financial year.												
TL24	To endeavour to improve the rescaling of roads to such an extent that potholes are prevented altogether	Rehabilitate and upgrade the proclaimed roads in terms of the approved capital budget by 30 June 2018 {(Actual expenditure divided by the total approved budget) x 100}	% of budget spend at 30 June 2018 {(Actual expenditure divided by the total approved budget) x 100}	All	100%	0%	10.64%	30%	93.60%	85%	93.60%	G2

Ref	Pre-determined Objectives	KPI	Unit of Measurement	Wards	Previous Year Performance	Q1	Q2	Q3	Q4	Overall Performance 2017/2018		
										Target	Actual	R
TL25	To implement an Integrated Public Transport Network that will serve the communities of George	Rehabilitate and upgrade the public transport infrastructure in terms of the approved capital budget by 30 June 2018 {(Actual expenditure divided by total approved budget) x 100}	% of budget spend at 30 June 2018 {(Actual expenditure divided by the total approved budget) x 100}	All	New KPI for 2017/18	0%	13.20%	27.48%	85.50%	85%	85.50%	G2
TL26	To provide world class water services in George to promote development and fulfil basic needs	Rehabilitate and upgrade Water Networks in terms of the approved capital budget by 30 June 2018 {(Actual expenditure divided by the total approved budget) x 100}	% of budget spend at 30 June 2018 {(Actual expenditure divided by the total approved budget) x 100}	All	61.43%	0%	16.19%	57%	87.50%	85%	87.50%	G2
TL27	To provide world class water services in George to promote development and fulfil basic needs	Rehabilitate and upgrade Water-Purification in terms of the approved capital budget by 30 June 2018 {(Actual expenditure divided by the total approved budget) x 100}	% of budget spend at 30 June 2018 {(Actual expenditure divided by the total approved budget) x 100}	All	92.63%	0%	29.67%	46%	85.20%	85%	85.20%	G2
TL28	To provide and maintain safe and sustainable sanitation management and infrastructure	Rehabilitate and upgrade the Sewerage Networks in terms of the approved capital budget by 30 June 2018 {(Actual expenditure divided by the total approved budget) x 100}	% of budget spend at 30 June 2018 {(Actual expenditure divided by the total approved budget) x 100}	All	48.22%	0%	47.26%	67%	84.70%	85%	84.70%	O
Corrective Action		The implementation of the sewerage master plan must be managed more effectively. The procurement process will be shortened.										

Ref	Pre-determined Objectives	KPI	Unit of Measurement	Wards	Previous Year Performance	Q1	Q2	Q3	Q4	Overall Performance 2017/2018		
										Target	Actual	R
TL29	To provide and maintain safe and sustainable sanitation management and infrastructure	Rehabilitate and upgrade the Sewerage Treatment Works in terms of the approved capital budget by 30 June 2018 {(Actual expenditure divided by the total approved budget) x 100}	% of budget spend at 30 June 2018 {(Actual expenditure divided by the total approved budget) x 100}	All	84.47%	0%	6.81%	21%	77.70%	85%	77.70%	O
Corrective Action												
Delay in implementation of Housing project especially Outeniqua project. To be finalised in 2018/2019												
TL30	To provide and maintain safe and sustainable sanitation management and infrastructure	90% compliance to general standards regarding wastewater outflow by 30 June 2018	% compliance to general standards by 30 June 2018	All	93%	88%	90%	90%	88%	90%	88%	O
Corrective Action												
Will be rectified - aerators will be repaired, as well as replaced.												
TL31	To provide world class water services in George to promote development and fulfil basic needs	95% water quality level obtained as per SANS 241 physical and micro parameters by 30 June 2018	% water quality level by 30 June 2018	All	98.5%	98.10%	92.10%	93%	97.80%	95%	97.80%	G2
TL32	To accelerate delivery in addressing housing	Construct 21 top structures in Protea Park by 30 June 2018	21 Top structures constructed by 30 June 2018	5	20	11	0	31	7	21	49	B
TL34	To accelerate delivery in addressing housing	Construct 80 top structures within the Thembalethu UIISP project by 30 June 2018	80 Top structures constructed by 30 June 2018	11; 12; 13	New KPI for 2017/18	50	0	114	33	80	197	B

Ref	Pre-determined Objectives	KPI	Unit of Measurement	Wards	Previous Year Performance	Q1	Q2	Q3	Q4	Overall Performance 2017/2018		
										Target	Actual	R
TL38	To provide world class water services in George to promote development and fulfil basic needs	Number of formal residential properties that receive piped water (credit and prepaid water) that is connected to the municipal water infrastructure network and billed for the service as at 30 June 2018	Number of residential properties which are billed for water or have pre-paid meters as at 30 June 2018	All	33 259	0	34,074	0	34,402	34,300	34,402	G2
TL39	To provide enough electricity for basic needs	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 2018	Number of residential properties which are billed for electricity or have pre-paid meters (Excluding Eskom areas) as at 30 June 2018	All	42 313	0	42,933	0	43,229	43,000	43,229	G2
TL40	To provide and maintain safe and sustainable sanitation management and infrastructure	Number of formal residential properties connected to the municipal wastewater sanitation/sewerage network for sewerage service, irrespective of the number of water closets (toilets) and billed for the service as at 30 June 2018	Number of residential properties which are billed for sewerage as at 30 June 2018	All	36 831	0	39,418	0	39,124	37,500	39,124	G2
TL41	To provide integrated waste management services for the entire municipal area	Number of formal residential properties for which refuse is removed once per week and billed for the service as at 30 June 2018	Number of residential properties which are billed for refuse removal as at 30 June 2018	All	35 600	0	37,380	0	37,980	37,500	37,980	G2

Ref	Pre-determined Objectives	KPI	Unit of Measurement	Wards	Previous Year Performance	Q1	Q2	Q3	Q4	Overall Performance 2017/2018		
										Target	Actual	R
TL42	To provide world class water services in George to promote development and fulfill basic needs	Provide free basic water to indigent households	Number of indigent households receiving free basic water as at 30 June 2018	All	14 635	0	15,219	0	15,532	15,500	15,532	G2
TL43	To provide enough electricity for basic needs	Provide free basic electricity to indigent households	Number of indigent households receiving free basic electricity as at 30 June 2018	All	19 083	0	19,311	0	19,376	19,500	19,376	O
Corrective Action												
The estimated number of indigents didn't apply for free basic electricity.												
TL44	To provide and maintain safe and sustainable sanitation management and infrastructure	Provide free basic sanitation to indigent households	Number of indigent households receiving free basic sanitation as at 30 June 2018	All	14 413	0	14,998	0	15,213	15,000	15,213	G2
TL45	To provide integrated waste management services for the entire municipal area	Provide free basic refuse removal to indigent households	Number of indigent households receiving free basic refuse removal as at 30 June 2018	All	14 482	0	15,075	0	15,298	15,000	15,298	G2
TL49	To manage the municipal finances according to the Municipal Management Act in an effective and efficient manner	The percentage of the municipal capital budget spent on capital projects by 30 June 2018 {(Actual amount spent on projects/Total amount budgeted for capital projects) X100}	% of capital budget spent by 30 June 2018 {(Actual amount spent on projects/Total amount budgeted for capital projects) X100}	All	67.2%	0%	15%	38%	77%	85%	77%	O
Corrective Action												
Due to the delays in Housing Projects approved, contractor liquidation for the Dam wall projects, and other projects some projects will be transferred to 2018/2019 for completion.												

b) Develop and Grow George

Ref	Pre-determined Objectives	KPI	Unit of Measurement	Wards	Previous Year Performance	Q1	Q2	Q3	Q4	Overall Performance 2017/2018		
										Target	Actual	R
TL1	To maximise job creation opportunities through government expenditure	Create Full Time Equivalents (FTEs) through government expenditure with EPWP by 30 June 2018	Number of FTEs created by 30 June 2018 consisting of all communities	All	503	0	0	0	550	294	550	B
TL19	To revitalise the current community facilities to increase the access to services for the public	Upgrade the Pacaltsdorp Library by 30 June 2018	Library upgraded	14	New KPI for 2017/18	0	0	0	1	1	1	G
TL36	To ensure that Spatial Development Framework encourages sustainable development	Submit Integrated Zoning Scheme By-Law to Council for adoption by 30 September 2017	Integrated Zoning Scheme By-Law submitted for adoption by 30 September 2017	All	New KPI for 2017/18	1	0	0	0	1	1	G

c) Good Governance and Human Capital

Ref	Pre-determined Objectives	KPI	Unit of Measurement	Wards	Previous Year Performance	Q1	Q2	Q3	Q4	Overall Performance 2017/2018		
										Target	Actual	R
TL2	To realign the organisational structure to be more responsive to community needs, more service and efficiency orientated and to fulfil goals identified in the 5-year plan	The number of people from employment equity target groups employed (newly appointed) in the three highest levels of management in compliance with the Municipality's approved the Municipality's approved Employment Equity Plan by 30 June 2018	Number of people employed (newly appointed)	All	0	0	0	0	4	1	4	B
TL3	To evaluate the effectiveness of risk management, control and governance processes and develop actions to address key risks identified	Review the 3-year Internal Audit Plan based on the risk assessment and submit to Audit Committee by 30 September 2017	RBAP (Risk Based Audit Plan) submitted to Audit Committee by 30 September 2017	All	New KPI for 2017/18	1	0	0	0	1	1	G
TL4	To conduct a full audit of operations, processes, duties and service delivery standards of departments to address risk areas and promote effectiveness	Execution of Internal Plan and issuing of Internal Audit Reports based on Internal Audit Plan by 30 June 2018 ((Actual hours completed/ Planned hours to be completed) x100)	% of target hours completed by 30 June 2018{(Actual hours completed/ Planned hours to be completed) x100}	All	100%	0%	25%	0%	148%	100%	148%	G2

Ref	Pre-determined Objectives	KPI	Unit of Measurement	Wards	Previous Year Performance	Q1	Q2	Q3	Q4	Overall Performance 2017/2018		
										Target	Actual	R
TL8	To implement Performance Management System with realistic stretch target setting in each department	Review the Performance Management Framework and submit to Council by 31 March 2018	Performance Management Framework submitted to Council by 31 March 2018	All	0	0	0	1	0	1	1	G
TL46	To develop mechanisms to ensure viable financial management and control	Financial viability measured in terms of the Municipality's ability to meet its service debt obligations as at 30 June (Borrowing + Long Term Lease) / (Total Operating Revenue - Operating Conditional Grant)	% Debt to Revenue as at 30 June 2018	All	29.46%	0%	0%	0%	24.88%	45%	24.90%	B
TL47	To maintain effective credit control in the Municipality and enhance and maximise revenue base through improved collection rate	Financial viability measured in terms of the outstanding service debtors as at 30 June 2018 (Total outstanding service debtors/ revenue received for services)	% Service debtors to revenue as at 30 June 2018	All	10.11%	0%	0%	0%	9.56%	15.60%	9.56%	B

Ref	Pre-determined Objectives	KPI	Unit of Measurement	Wards	Previous Year Performance	Q1	Q2	Q3	Q4	Overall Performance 2017/2018		
										Target	Actual	R
TL48	To manage the municipal finances according to the Municipal Management Act in an effective and efficient manner	Financial viability measured in terms of the available cash to cover fixed operating expenditure as at 30 June 2018 ((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 as at 30 June 2018	All	3.52%	0	0	0	4.30%	2	4.34%	B
TL50	To manage the municipal finances according to the Municipal Management Act in an effective and efficient manner	Achieve a payment percentage of 96% {(Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance + Bad Debts Written Off) / Billed Revenue x 100}	Payment % as at 30 June 2018 {(Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance + Bad Debts Written Off) / Billed Revenue x 100}	All	104.96%	94%	0%	101%	97%	96%	97%	G2
TL51	To develop mechanisms to ensure viable financial management and control	Review the Long-Term Financial Plan and submit to Council for approval by 31 March 2018	Reviewed Long Term Financial Plan submitted to Council by 31 March 2018	All	1	0	0	1	0	1	1	G

Ref	Pre-determined Objectives	KPI	Unit of Measurement	Wards	Previous Year Performance	Q1	Q2	Q3	Q4	Overall Performance 2017/2018		
										Target	Actual	R
TL52	To develop mechanisms to ensure viable financial management and control	Maintain an unqualified audit opinion for the 2016/17 financial year	Unqualified audit opinion achieved for the 2016/17 financial year	All	1	0	1	0	0	1	1	G
TL53	To undertake regular human resource audits to determine skills gaps, staff diversity and develop skills programmes	The percentage of a Municipality's budget spent on implementing its workplace skills plan	{(Actual total training expenditure divided by total personnel budget) x100} by 30 June 2018	All	15%	0%	0%	50%	0.51%	0.50%	0.51%	G2
TL54	To undertake regular human resource audits to determine skills gaps, staff diversity and develop skills programmes	Finalise the Workplace Skills Plan and submit to the LGSETA by 30 April 2018	Workplace Skills Plan submitted to the LGSETA by 30 April 2018	All	1	0	0	0	1	1	1	G

d) Participative Partnerships

Ref	Pre-determined Objectives	KPI	Unit of Measurement	Wards	Previous Year Performance	Q1	Q2	Q3	Q4	Overall Performance 2017/2018		
										Target	Actual	R
TL5	To undertake strategic planning in order to address service delivery challenges in coordinated manner	Submit the IDP/budget time schedule to Council by 31 August 2017	Time schedule submitted to Council	All	1	1	0	0	0	1	1	G
TL6	To undertake strategic planning in order to address service delivery challenges in coordinated manner	Submit the draft IDP to Council by 31 March 2018 to ensure compliance with legislation	Draft IDP submitted to Council	All	1	0	0	1	0	1	1	G
TL7	To undertake strategic planning in order to address service delivery challenges in coordinated manner	Submit the IDP to Council by 31 May 2018 to ensure compliance with legislation	IDP submitted to Council	All	1	0	0	0	1	1	1	G

e) Safe, Clean and Green

Ref	Pre-determined Objectives	KPI	Unit of Measurement	Wards	Previous Year Performance	Q1	Q2	Q3	Q4	Overall Performance 2017/2018		
										Target	Actual	R
TL14	To provide an effective and efficient law-enforcement and emergency services to all the communities of George in our quest to protect and promote the fundamental rights of life	Complete the Environmental Impact Assessment (EIA) for the construction of a refuse transfer station in Uniondale by 30 June 2018	EIA obtained by 30 June 2018	25	New KPI for 2017/18	0	0	0	1	1	1	G
TL15	To provide an effective and efficient law-enforcement and emergency services to all the communities of George in our quest to protect and promote the fundamental rights of life	Purchase 2 refuse compactors for trucks by 30 June 2018	Number of refuse compactors purchased by 30 June 2018	25	New KPI for 2017/18	0	0	0	2	2	2	G
TL17	To provide integrated waste management services for the entire municipal area	Spend 95% of the approved project budget for the up-grading of the solid waste transfer station in George by 30 June 2018	% of budget spend	23	New KPI for 2017/18	0%	1%	8%	19.70%	95%	19.70%	R
Corrective action												
TL18	To provide integrated waste management services for the entire municipal area	Spend 95% of the approved project budget for the rehabilitation of the George landfill site by 30 June 2018	% of budget spend	23	New KPI for 2017/18	0%	5%	34%	58%	95%	58%	R
Corrective action												
Roll over of funds to 2018/2019 has been requested.												

3.2.3 Service Providers Performance

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

- A service provider means a person or institution or any combination of persons and institutions which provide to or for the benefit of the local community.
- External service provider means an external mechanism referred to in Section 76(b) which provides municipal service for a Municipality
- Service delivery agreement means an agreement between the municipalities and institutions or persons 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.

The table below provides information related to the performance of identified external service providers:

Name of service provider	Ernst & Young	Ikapa Reficulation and Flow	Rode Valuations Knysna	CDV Property Values Pty Ltd	Nico Smit Attorneys	Cab Holdings Pty Ltd	EnviroSource	Inter-waste Recycling	Syntel Pty (Ltd)
Directorate	Municipal Manager	Finance	Finance	Finance	Finance	Finance	Community Services	Community Services	Community Services
Type of services required	Internal Audit Services	Reading of meters and meter related services	Compilation and maintenance of supplementary valuation rolls	Compilation and Maintenance of General Valuation Roll, Supplementary valuations and supplementary valuation rolls	Litigation: Credit Control and Debt Collection	Printing and Distribution of monthly municipal accounts and newsletters	Transportation of waste from George to Petro SA Land-fill site	Collection of recyclable waste from households by means of blue bags	Supply, maintenance, repair and calibration of digital Speed and red-light violation cameras and the administration of back office for a period of three years.
Supply Chain Contract No	MM 007/2014	FIN 0001/2015	FIN007/2015	FIN10/2016	n/a	FIN12/2014	COM018/2015	n/a	COM017/2015
Available Budget (R'000)	3 920 000	2 006 947	15 846	15 849	4 080 000	1 600 283	3 850 000	3 944 200	3 000 000
Actual Spending (R'000)	2 850 000	1 908 000			4 052 869	1 600 000	Ongoing	Ongoing	Ongoing
Grading of service rendered									
1 Poor / 2 Unsatisfactory / 3 Satisfactory / 4 Good / 5 Excellent									
Contract work to specification	5	3	3	3	4	4	2	3	3
Contract work within budget	5	3	4	4	4	4	2	4	4
Contract within time frame	4	2	3	3	3	3	2	2	4
Contract Administration	5	3	n/a	n/a	3	3	n/a	n/a	n/a

Name of service provider	Ernst & Young	Ikapa Reliculation and Flow	Rode Valuations Knysna	CDV Property Values Pty Ltd	Nico Smit Attorney	Cab Holdings Pty Ltd	EnviroSource	Inter-waste Recycling	Syntel Pty (Ltd)
Compliance with contract requirement	5	3	3	4	4	4	2	3	3
Claims	n/a	3	4	4	n/a	3	2	5	n/a
Incidents on site	n/a	2	4	4	n/a	3	2	5	n/a
Suitably qualified/experienced personnel	5	3	4	3	4	4	2	5	4
Job creation/training	n/a	3	4	4	3	n/a	3	5	5
Other comments	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	None
Overall rating	5	3	4	4	4	3	2	4	4
Action taken regarding poor and unsatisfactory service providers	n/a	Monthly meeting readings are held with the contractor to point out weak or bad service. Contractor are being handled in terms of the signed SLA	Regular meetings and good communication help to overcome problems	Regular meetings and good communication help to overcome problems	Monthly and weekly meetings are held with contractor to point out weak or bad service. Contractor is being handled in terms of signed SLA	Regular communication through email. Quarterly Visits	None	Contract terminated	None
Overall recommendation and comments	Delivered successfully on contract commitments	None	None	None	None	None	None	None	None

3.2.4 Municipal Functions

The municipal functional areas are as indicated below:

Municipal Function	Municipal Function
Constitution Schedule 4, Part B functions:	Yes / No
Air pollution	Yes
Building regulations	Yes
Child care facilities	Yes
Electricity and gas reticulation	Only electricity
Firefighting services	Yes
Local tourism	Yes
Municipal airports	No
Municipal planning	Yes
Municipal health services	No
Municipal public transport	Yes
Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this Constitution or any other law	Yes
Pontoons, ferries, jetties, piers and harbours, excluding the regulation of international and national shipping and matters related thereto	No
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	Yes
Billboards and the display of advertisements in public places	Yes
Cemeteries, funeral parlours and crematoria	Yes
Cleansing	Yes
Control of public nuisances	Yes
Control of undertakings that sell liquor to the public	Yes from 2013
Facilities for the accommodation, care and burial of animals	Yes
Fencing and fences	Yes
Licensing of dogs	No
Licensing and control of undertakings that sell food to the public	Yes
Local amenities	Yes
Local sport facilities	Yes
Markets	No
Municipal abattoirs	No
Municipal parks and recreation	Yes
Municipal roads	Yes
Noise pollution	Yes
Pounds	Yes
Public places	Yes
Refuse removal, refuse dumps and solid waste disposal	Yes
Street trading	Yes
Street lighting	Yes
Traffic and parking	Yes

COMPONENT A:

BASIC SERVICES

This component includes: water, wastewater (sanitation), electricity, waste management, housing services and a summary of free basic services.

NATIONAL KEY PERFORMANCE INDICATORS: BASIC SERVICE DELIVERY AND LOCAL ECONOMIC DEVELOPMENT

The table below shows the key performance indicators linked to the following two National Key Performance Areas: Basic Service Delivery and Local Economic Development.

National Key Performance Area	Indicators	2016/17	2017/18
Basic Service Delivery (BSD)	The percentage of households with access to basic level of water	98.13%	98.13%
	The percentage of households with access to basic level of sanitation	97.85%	97.85%
	The percentage of households with access to basic level of electricity	100%	100%
	The percentage of households with access to basic level of solid waste removal	100%	100%
Local Economic Development (LED)	Create Full Time Equivalents (FTEs) through government expenditure with EPWP	503	550

3.3 WATER PROVISION

3.3.1 Introduction to Water Provision

George Municipality's raw water sources are the Garden Route, and Swart River dams, the Touw, Kaa-imans and Malgas Rivers, the Ultra Filtration Plant situated at the Outeniqua Waste Water Treatment and Works (WWTW), boreholes as well as the Haarlem Dam and the Kamanassie River. The water is treated according to South African National Standards (SANS) 241: 2015 at the Old and New George Water Treatment Works (WTW), Wilderness WTW, Uniondale WTW and Haarlem WTW.

The water distribution systems consist of 999 km of pipeline, varying from 50mm to 1000 mm in diameter, 31 water pump stations, 44 reservoirs and 3 towers.

The master plans for the Municipality's water supply systems are updated on a quarterly basis and all upgrades planned are in line with the current master planning. The bulk resources are sufficient and purification capacity is adequate, to ensure that growth and development can be accommodated.

3.3.2 Total Use of Water by Sector

Total Use of Water by Sector (cubic meters)					
	Community	Other	Industrial	Domestic	Unaccountable water losses
2016/17	1601511	656751	446629	6566021	3096236
2017/18	1518702	675140	435038	6592460	3909356

3.3.3 Service Delivery Levels: Water

The table below specifies the different water service delivery levels per household for the financial years 2016/17 and 2017/18:

Water Service Delivery Levels		
Households		
Description	2016/17 Actual No.	2017/18 Actual No.
Water: (above min level)		
Piped water inside dwelling	36 385	37 799
Piped water inside yard (but not in dwelling)	19 317	20 626
Using public tap (within 200m from dwelling)	3 362	3 277
Other water supply (within 200m)	0	0
Minimum Service Level and Above sub-total	59 064	61 702
Minimum Service Level and Above Percentage	98%	98,2%
Water: (below min level)		
Using public tap (more than 200m from dwelling)	74	74
Other water supply (more than 200m from dwelling)	46	46
No water supply	995	995
Below Minimum Service Level sub-total	1 115	1 115
Below Minimum Service Level Percentage	2%	1,8%
Total number of households (formal and informal)	60,179	62,817

3.3.4 Access to Water

Access to Water			
	Proportion of households with access to water points*	Proportion of households with access to piped water	Proportion of households receiving 6 kl free#
2015/16	6%	92%	100%
2016/17	6%	92%	100%
2017/18	5,2%	93%	100%
* Means access to 25 litres of potable water per day supplied within 200m of a household and with a minimum flow of 10 litres per minute			
# 6,000 litres of potable water supplied per formal connection per month			

3.3.5 Highlights: Water Services

The table below specifies the highlights for the 2017/2018 financial year:

Highlight	Description
Purchased a JCB	To assist with maintenance work
Purchased two water trucks	For delivery of water in rural areas
SAICE Award for the "Most Outstanding Civil Achievement 2018: Institutional Project – Structural Engineering Project".	New 12.5 Ml Reservoir at the George Old Water Treatment Works.

3.3.6 Challenges: Water Services

The table below specifies the challenges for the 2017/2018 financial year:

Description	Actions to address
Staff Shortage	More funding must be provided to fill vacancies

3.3.7 Total Employees: Water Services

The following table indicates the staff composition for this Division:

Employees: Water Services				
Job Level	2017/2018			
	Posts No.	Employees No.	Vacancies (full-time equivalents) No.	Vacancies (as a % of total posts) %
1 - 3	5	4	1	20%
4 - 8	91	79	12	13%
9 - 13	23	21	2	8%
14 - 18	3	3	0	0
19 - 21	0	0	0	0
Total	122	107	15	12%

Employees and post numbers at 30 June 2018

3.3.8 Capital Expenditure: Water Provision

Capital Expenditure 2017/2018: Water Provision			
Capital Projects	Original Budget	Amended Budget	Actuals Expenditure
WATER TREATMENT WORKS - RESERVOIRS	0,00	2 900 000,00	241 556,75
THEMBALETHU UISP - WATER	1 507 500,00	1 507 500,00	962 469,47
INSTALLATION OF WATER METERS	500 000,00	400 000,00	339 108,22
PROVISION OF WATER TANKS	100 000,00	51 024,00	50 872,57
NETWORK REHABILITATION - WATER	2 315 580,00	2 572 849,00	2 653 937,47
TELEMETRY & LOGGERS - WATER DISTRIBUTION	200 000,00	153 360,00	153 320,00
GOLDEN VALLEY 165 UNITS - WATER	644 600,00	644 600,00	641 698,65
TLB CATERPILLAR (REPLACEMENT) - WATER	1 350 000,00	1 200 000,00	792 608,98
WATER TRUCKS	660 000,00	810 000,00	778 165,37
ISUZU WATER TANKER TRUCK (REPLACEMENT)	770 000,00	770 000,00	753 529,37
TOOLS & EQUIPMENT - WATER	20 000,00	58 347,00	20 427,50
RAISING GARDEN ROUTE DAM - RBIG	9 416 000,00	7 816 000,00	747 118,43
RAISING GARDEN ROUTE DAM - RBIG	3 400 000,00	0,00	0,00
WATER TREATMENT WORKS - RESERVOIRS	19 000 000,00	19 000 000,00	18 949 773,36
WATER TREATMENT WORKS - RESERVOIRS	3 000 000,00	0,00	0,00
REHABILITATION OF OLD WTW (6ML MODULE)	3 000 000,00	0,00	0,00
INSTRUMENTATION	200 000,00	200 000,00	68 100,00
TELEMETRY - WATER PURIFICATION	200 000,00	200 000,00	65 958,73
TOOLS & EQUIPMENT - WATER PURIFICATION	30 000,00	30 000,00	10 849,58
AIR CONDITIONING AT PUMP STATIONS - WATER PURIFICATION	200 000,00	200 000,00	44 900,00
HAARLEM WATERWORKS OFFICE BUILDING	500 000,00	500 000,00	3 500,00
UNIONDALE/HAARLEM: RESERVOIR FENCING	500 000,00	500 000,00	0,00

Capital Expenditure 2017/2018: Water Provision			
Capital Projects	Original Budget	Amended Budget	Actuals Expenditure
MALGAS WATER PUMP STATION REHABILITATION	0,00	1 966 000,00	1 889 961,88
UNIONDALE: PROVISION OF SERVICED SITES	350 000,00	0,00	0,00
TOTAL	47 863 680,00	41 479 680,00	29 167 856,33

3.3.9 Overall Performance: Water Services

The targets set out in the 2018/19 MTEF can be provided that the funding as indicated is secured – EFF, CRR funding mix, together with the Municipal Infrastructure Grant (MIG). Applications for additional funding are submitted as and when opportunities arise.

Performance targets were met with regards to the provision of water services for large projects. Currently, the six largest priority projects are the raising of the Garden Route Dam Spillway, the extension of the water purification capacity by an additional 20ML, an additional 12,5ML reservoir and water tower to provide for low cost housing opportunities on Erf 325 East and West, an additional reservoir in Thembaletu to accommodate growth and low-cost housing opportunities, an additional 30ML raw water balancing dam.

3.4 WASTEWATER (SANITATION) PROVISION

3.4.1 Introduction to Wastewater (Sanitation) Provision

The master plans for the Municipality's wastewater systems are updated on a quarterly basis and all upgrades planned are in line with the current master planning. The sewer reticulation system consists of 890km of pipeline varying from 50mm to 2000mm in diameter and 139 sewer pump stations.

Wastewater is treated at the Outeniqua, Gwaiing, Herolds Bay, Breakwater Bay, Kleinkrantz, Uniondale and Haarlem Wastewater Treatment Works (WWTW). The Uniondale WWTW was upgraded to address future growth needs, including the 184 low cost housing units and to improve the quality of effluent discharged to comply with DWA standards. Bulk sewer upgrades and new infrastructure are currently under construction to accommodate the approximately 5000 new Upgrading of Informal Settlements Programme (UISP) including Thembaletu.

3.4.2 Service Delivery Levels: Wastewater (Sanitation)

The table below provides a comparison between the different sanitation service delivery levels per household for the financial years 2016/17 and 2017/18:

Sanitation Service Delivery Levels		
Households		
Description	2016/17 Actual No.	2017/18 Actual No.
Sanitation/Sewerage: (above minimum level)		
Flush toilet (connected to sewerage)	49 339	51 825
Flush toilet (with septic tank)	5 231	5 468
Chemical toilet	18	18
Pit toilet (ventilated)	811	811
Other toilet provisions (above minimum service level)	3 488	3 403
Minimum Service Level and Above sub-total	58 887	61 525
Minimum Service Level and Above Percentage	97,9%	97,9%
Sanitation/Sewerage: (below minimum level)		
Bucket toilet	155	155
Other toilet provisions (below minimum service level)	812	812
No toilet provisions	325	325
Below Minimum Service Level sub-total	1 292	1 292
Below Minimum Service Level Percentage	2,1%	2,1%
Total households	60 179	62 817

3.4.3 Highlights: Wastewater (Sanitation) Provision

The table below specifies the highlights for the 2017/2018 financial year:

Highlight	Description
Purchasing of Super sucker truck and 2 Jet Machines	To do Pump station maintenance in-house and improve clearance of mains
Purchasing of Inspection Camera	Utilised for inspection of mains.
Filling of crucial vacant positions	4 Supervisory positions were filled, 3 Handymen (Plumbers), a Store-man, a Data Capturer as well as 8 General Assistants
Refurbishment of Gwaing WWTP (Bio-filter System)	Extend Gwaing WWTW Treatment Capacity
Received SAICE Award for "Most Outstanding Civil Achievement 2018: Community Based Project"	Thembaletu Pipe Bridge No. 5 project

3.4.4 Challenges: Wastewater (Sanitation) Provision

The table below specifies the challenges for the 2017/2018 financial year:

Description	Actions to address
Deteriorating infrastructure	More funding must be provided
Further Staff shortages	More funding must be provided to fill vacancies
Financial Shortfalls	Further funding must be provided
Sludge Management of the Water Pollution Control Section	Apply for more capital funds
Insufficient oxygen supply at Outeniqua WWTP due to major break-downs	Applied for funding to address this problem
The upgrading of Outeniqua WWTP to increase the capacity	Current Capital Project underway

3.4.5 Total Employees: Sanitation Services

Employees: Sanitation Services				
Job Level	2017/2018			
	Posts No.	Employees No.	Vacancies (full-time equivalents) No.	Vacancies (as a % of total posts) %
1 - 3	4	4	0	0
4 - 8	54	43	11	20%
9 - 13	5	4	1	20%
14 - 18	1	1	0	0
19 - 21	0	0	0	0
Total	64	52	12	18%

Employees and post numbers at 30 June 2018

3.4.6 Capital Expenditure: Sanitation

Capital Expenditure 2017/2018: Sanitation			
Capital Projects	Original Budget	Amended Budget	Actuals Expenditure
PROTEA PARK SEWERAGE LINE	0,00	230 000,00	0,00
JETTING MACHINE - SEWERAGE	0,00	784 700,00	784 570,00
OUTENIQUA 10ML ADDITION - WWTW	0,00	1 500 000,00	0,00
GWAIING SEWER TREATMENT - REINSTATE 3.5ML	0,00	2 986 300,00	2 821 938,17
TOOLS & EQUIPMENT - SEWER NETWORK	10 000,00	10 000,00	5 763,56
UPGRADE LABORATORY - WWTW	500 000,00	500 000,00	0,00
GULLEYS - SEWER	250 000,00	0,00	0,00
THEMBALETHU UISP - SEWER	4 449 400,00	4 409 400,00	2 818 440,45
NETWORK REHAB - SEWERAGE	1 400 000,00	1 460 000,00	1 455 814,53
FENCING AT SEWER PUMP STATIONS	400 000,00	475 000,00	474 468,00
UPGRADE PUMP STATIONS - SEWER	800 000,00	2 024 200,00	1 601 972,51
UPGRADE ELECTRICAL SWITCHGEAR AT SEWER PUMP STATION	800 000,00	185 000,00	182 553,13
SUPER SUCKER - SEWER	2 500 000,00	2 500 000,00	1 933 974,90
ROSEDALE SEWER	3 000 000,00	0,00	0,00
THEMBALETHU BULK SEWER	3 874 500,00	6 000 000,00	5 796 739,67
THEMBALETHU BULK SEWER	2 125 500,00	0,00	0,00
TOOLS & EQUIPMENT - SEWER NETWORK	20 000,00	92 000,00	48 112,63

GOLDEN VALLEY 165 UNITS: SEWER	1 902 700,00	1 942 700,00	1 915 114,58
OUTENIQUA 10ML ADDITION - WWTW	30 000 000,00	30 000 000,00	23 775 579,06
CASE TRACTOR (REPLACEMENT) - WWTW	660 000,00	660 000,00	0,00
GWAIING SEWER TREATMENT - REINSTATE 3.5ML	6 000 000,00	4 513 700,00	4 513 700,00
LABORATORY INSTRUMENTS - WWTW	250 000,00	250 000,00	207 636,70
TELEMATRY - WWTW	200 000,00	200 000,00	193 400,00
REFURBISHMENT OF BELT-PRESS AT GWAIING WWTW	200 000,00	200 000,00	188 300,00
INSPECTION CAMERA - SEWER	0,00	145 000,00	145 000,00
ACCESS TO BASIC SERVICES: RURAL AREAS (ABLUTION)	171 000,00	0,00	0,00
PURCHASE OF TOILETS - INDIGENTS	250 000,00	0,00	0,00
TOTAL	59 763 100,00	61 068 000,00	48 863 077,89

3.4.7 Sanitation: Overall Performance Comment

The targets set out in the 2018/19 MTEF can be achieved provided that the funding as indicated is secured – EFF, CRR funding mix, together with MIG grant. Applications for additional funding are submitted as and when opportunities arise.

Performance targets were met with regards to the provision of wastewater services for large projects. Currently the four largest priority projects are the 10ML Outeniqua WWTW extension, odour control at the Outeniqua WWTW inlet to accommodate the surrounding low-cost housing developments, Schaapkop and Meul pump station and connecting sewer network upgrades, the provision of bulk sewer services to low cost housing developments in Pacaltsdorp (Erf 325 East and West) and Thembaletu. The Gwaiing WWTW capacity also needs to be prioritised for an additional 5ML extension.

3.5 ELECTRICITY

3.5.1 Introduction to Electricity

Electricity is acknowledged worldwide as the single most important commodity that could assist in improving the socio-economic standard of people. It should therefore be more than just a duty to make electricity, or at least a similar form of energy, available to all. The irony though, is that it is often more difficult to provide energy to communities of a lower socio-economic standard. Illegal connections, riots and a low short-term rate of return on capital investments are all factors hindering the delivery of an effective service in such areas. In return, the safety of the public and staff is often at risk. The challenge is to remain focused on the long-term advantages of these projects and services.

The Electro-Technical Directorate is determined to service the public well, as some of the highlights below illustrate. Attempts will continuously be made to overcome stumbling blocks thus creating a safe environment where all will have access to electricity.

3.5.2 Highlights: Electricity

Highlight	Description
Electrification	902 new prepaid residential customers of which, 190 are for informal houses Electrified (50 – TRA area 4 Thembaletu; 52 - Nyamaland Thembaletu, 30 - Area 27 Thembaletu and 8 - Syferfontein)
George Substation	10 MVA transformer for Herolds Bay was refurbished
Medium Voltage Projects	Contractors was appointed for the 11kV upgrade of SS George to SS Industries as well as the 11kV reinforcement of Thembaletu
New appointments	The major vacant critical posts had been filled by internal staff and can be viewed as promotional appointments, while certain posts were filled by some external candidates. These posts included Electrical Assistants, Senior Supervisors and Specialised Electricians.

Training	The 2nd phase of the ISDG Internship program commenced in March 2018. 5 Electrical Engineering interns were appointed. A mentor was also appointed. The training of these Interns is progressing well. The training is towards professional registration with ECSA
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3.5.3 Challenges: Electricity

Description	Actions to address
Streetlights	The backlog to street lights repairs remain a huge challenge. There are two types of streetlights in our system, 45 V / 75 V which are discontinued.
Staff quota still inadequate and in need of training	Three of the senior superintendent positions have become vacant with the Senior Manager of Distribution position which is in the process of being advertised.
Unfortunately, all the appointees need additional training before they can be authorised to work independently on electrical networks. Training is being provided but takes time.	Specialised training required for all relevant employees.
Shortage of vehicles	Due to additional staff employed there is a shortage of municipal vehicles to provide service delivery and vehicles must be hired. Additional budget to purchase additional municipal vehicles must be provided to curtail the cost of hiring.
Maintenance	The lack of maintenance on electrical plant is a critical challenge, especially to aged oil-filled equipment. This holds an immense risk to security of supply and the safety of the staff as well as the public.

3.5.4 Service Delivery Levels: Electricity

Households		
Description	2016/17 Actual No.	2017/18 Actual No.
Energy: (above minimum level)		
Electricity (at least minimum service level)	3213	1055
Electricity - prepaid (minimum service level)	41588	42490
Minimum Service Level and Above sub-total	44801	43545
Minimum Service Level and Above Percentage	98,9%	94.9%
Energy: (below minimum level)		
Electricity (< minimum service level)	None	None
Electricity- prepaid (< minimum service level)	500	2300
Other energy sources	None	None
Below Minimum Service Level sub-total	500	2300
Below Minimum Service Level Percentage	1.10%	5.02%
Total number of households	45301	45845

3.5.5 Total Employees: Electricity Services

Employees: Electricity Services				
Job Level	2017/2018			
	Posts No.	Employees No.	Vacancies (full-time equivalents) No.	Vacancies (as a % of total posts) %
1 - 3	4	3	1	25%
4 - 8	53	46	7	13%
9 - 13	76	69	7	9%
14 - 18	11	8	3	27%
19 - 21	1	1	0	0
Total	145	127	18	12%

Employees and post numbers at 30 June 2018

3.5.6 Capital Expenditure: Electricity Services

Capital Expenditure 2017/2018: Electricity Services			
Capital Projects	Original Budget	Amended Budget	Actuals Expenditure
STREET LIGHTING: KNYSNA ROAD (PHASE3)	400 000,00	400 000,00	416 435,79
LIGHTING INFORMAL AREAS	200 000,00	200 000,00	175 256,08
LIGHTING REQUESTS	300 000,00	150 000,00	149 262,31
HIGH MAST LIGHTING	1 500 000,00	1 500 000,00	1 499 663,95
UPGRADE OF OBSOLETE STREET LIGHT NETWORK	800 000,00	950 000,00	945 836,46
STREET LIGHTS: UNIONDALE	400 000,00	400 000,00	427 986,90
THEMBALETHU GLENWOOD 66KV OVERHEAD LINE	8 000 000,00	5 798 000,00	3 510 864,63
THEMBALETHU 66/11 SUBSTATION	4 322 807,00	5 024 807,00	2 045 289,37

Capital Expenditure 2017/2018: Electricity Services			
Capital Projects	Original Budget	Amended Budget	Actuals Expenditure
THEMBALETHU 66/11 SUBSTATION	10 000 000,00	0,00	0,00
REBUILD HEROLDS BAY 66KV LINE	750 000,00	1 717 300,00	829 616,91
NEW 20MVA TRANSFORMERS - GEORGE	50 000,00	50 000,00	0,00
REFURBISH EXISTING 10MVA TRANSFORMERS	50 000,00	2 587 300,00	1 766 472,48
NEW 20MVA TRANSFORMERS - GLENWOOD	2 000 000,00	260 000,00	160 000,00
REPLACE REDUNDANT 66KV SWITCH GEAR	1 700 000,00	1 700 000,00	1 556 602,52
LOAD CONTROL AND POWER FACTOR	200 000,00	200 000,00	196 291,30
REPLACE BULK METERS	50 000,00	50 000,00	45 290,00
ENERGY EFFICIENT LIGHTING	6 140 351,00	6 140 351,00	5 127 349,42
COMMUNICATION SYSTEM	100 000,00	300 000,00	298 198,75
CONTROL CENTRE: 11KV SAFETY	100 000,00	100 000,00	80 647,50
PROTECTION SYSTEM	200 000,00	400 000,00	398 697,19
EXTENSION OF 11KV NETWORK - GEORGE INNER CITY	1 500 000,00	1 967 000,00	1 981 892,70
EXTENSION OF 11KV NETWORK - UNIONDALE	200 000,00	52 000,00	16 006,10
EXTENSION OF 11KV NETWORK - THEMBALETHU	100 000,00	100 000,00	88 498,53
EXTENSION OF 11KV NETWORK - WILDERNESS	200 000,00	89 000,00	88 501,26
EXTENSION OF 11KV NETWORK - PACALTSORP	200 000,00	132 000,00	131 988,90
EXTENSION OF 11KV NETWORK - LAWAAIKAMP	500 000,00	550 000,00	544 135,17
OVERLOADED NETWORKS: REPLACEMENT - ELEC	1 000 000,00	220 000,00	217 294,90
REPLACE OVERLOADED 11KV SWITCHGEAR	1 500 000,00	959 700,00	808 437,48
L/T LINES - GEORGE	400 000,00	400 000,00	393 083,48
L/T LINES - PACALTSORP	400 000,00	400 000,00	371 599,02
L/T LINES - UNIONDALE	100 000,00	104 900,00	104 867,57
L/T LINES - WILDERNIS	100 000,00	115 100,00	115 149,37
RETICULATION FILL IN SCHEMES	100 000,00	100 000,00	58 242,84
RETICULATION SCHEMES BULK SERVICES	3 508 772,00	4 439 772,00	2 967 623,61
RETICULATION SCHEMES BULK SERVICES	4 000 000,00	0,00	0,00
RETICULATION SCHEMES - PACS (EAST)	1 349 700,00	0,00	0,00
RETICULATION SCHEMES - PACS (EAST)	0,00	69 000,00	69 000,00
UNIONDALE ELECTRIFICATION	30 000,00	30 000,00	0,00
INFORMAL AREAS UNDERGROUND CONNECTION - USIP AREA	2 000 000,00	2 000 000,00	1 869 503,95
INFORMAL AREAS UNDERGROUND CONNECTION - USIP AREA	0,00	500 000,00	471 034,47
INFORMAL AREAS UNDERGROUND CONNECTION - USIP AREA	10 000 000,00	0,00	0,00
PRT GOLDEN VALLEY	2 928 000,00	0,00	0,00
PRT PROTEA PARK	1 200 000,00	0,00	0,00
COMPUTER HARDWARE - ELEC	130 000,00	94 000,00	98 234,73
PC SOFTWARE - ELEC	500 000,00	500 000,00	0,00
FURNITURE & FITTINGS - ELEC	80 000,00	80 000,00	68 338,76
ENTRANCE CONTROL & SECURITY MEASURES - ELEC	200 000,00	150 000,00	71 141,25

Capital Expenditure 2017/2018: Electricity Services			
Capital Projects	Original Budget	Amended Budget	Actuals Expenditure
MOBILE RADIOS - ELEC	100 000,00	100 000,00	98 305,00
INFRASTRUCTURE SKILLS DEVELOPMENT EQUIPMENT - ELEC	300 000,00	100 000,00	84 100,00
SAFETY EQUIPMENT - ELEC	200 000,00	200 000,00	76 413,18
CLOCKING SYSTEM - ELEC	150 000,00	186 000,00	185 185,00
TOOLS & EQUIPMENT - ELEC	200 000,00	200 000,00	144 867,98
TESTING EQUIPMENT - ELEC	750 000,00	750 000,00	319 660,00
UPGRADING OF BUILDINGS - ELEC	200 000,00	135 000,00	125 432,33
SAFETY ADDITIONS TO ELEC BUILDING (OHSA)	60 000,00	60 000,00	0,00
SECURITY WALL AT MAJOR SUBSTATION	400 000,00	0,00	0,00
TRAINING CENTRE ESTABLISHMENT - ELEC	200 000,00	200 000,00	197 611,78
INFORMAL AREAS UNDERGROUND CONNECTION - UISP	0,00	811 400,00	172 396,20
LIGHTING INFORMAL AREAS	0,00	151 000,00	172 979,35
ELEC - 2x4 BAKKIE DOUBLE CAB	0,00	132 000,00	132 000,00
ELECTRIFICATION OF STRUCTURES	250 000,00	0,00	0,00
TOTAL	72 299 630,00	44 005 630,00	31 873 286,47

3.6 WASTE MANAGEMENT (Refuse collections, waste disposal, street cleaning and recycling)

3.6.1 Introduction to Waste Management

The strategic goal of the Solid Waste Management Section is to Keep George Clean, Green and Safe. Waste minimisation is encouraged through the blue bag recycling project that involves households.

As part of Council's Integrated Waste Management Plan, education and awareness programmes are carried out in the communities. This involves schools and radio talks educating about waste avoidance, waste reduction, recycling, recovery and disposal. This is done on a monthly basis. Plans for the establishment of a composting facility has been finalised and authorised by Council. Work on this project will commence shortly.

3.6.2 Highlights: Waste Management

The table below specifies the highlight(s) for the 2017/2018 financial year:

Highlight	Description
Daily cleaning of all illegal dumping	Using 6 x JCBs and 14 Tipper trucks to clean illegal dumps daily in the greater George area.

3.6.3 Challenges: Waste Management

Description	Actions to address
Illegal dumping in residential areas	Extra machinery and vehicles hired- not sustainable
Continuous breakdowns of refuse removal truck	2 New refuse trucks purchased

3.6.4 Waste Management Service Delivery Levels

The table below indicates the different refuse removal service delivery standards within the urban edge area of the Municipality:

Households		
Description	2016/17 Actual No.	2017/18 Actual No.
Refuse Removal: (Minimum level)		
Removed at least once a week	53 200	62 722
Minimum Service Level and Above Sub-total	52300	62 722
Minimum Service Level and Above Percentage	100	100
Refuse Removal: (Below minimum level)		
Removed less frequently than once a week	N/A	N/A
Using communal refuse dump	N/A	N/A
Using own refuse dump	N/A	N/A
Other rubbish disposal	N/A	N/A
No rubbish disposal	N/A	N/A
Below Minimum Service Level Sub-total	0	0
Below Minimum Service Level percentage		
Total number of households	52 300	62 722

3.6.5 Total Employees: Solid Waste Services

Employees: Solid Waste Services				
Job Level	2017/2018			
	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
1 - 3	14	14	0	0
4 - 8	68	65	3	4%
9 - 13	5	1	4	80%
14 - 18	3	3	0	0
19 - 21	0	0	0	0
Total	90	83	7	7%

Employees and post numbers at 30 June 2018

3.6.6 Capital Expenditure 2017/2018: Waste Management Services

Capital Expenditure 2017/2018: Waste Management Services			
Capital Projects	Original Budget	Amended Budget	Actuals Expenditure
BULK REFUSE CONTAINERS	50 000,00	181 100,00	162 590,00
UPGRADE TOILETS - BEACH AREAS	300 000,00	295 000,00	242 652,66
BUILDING OF COMPOST PLANT	1 750 000,00	1 267 000,00	0,00
REHABILITATION OF LANDFILL SITE	1 750 000,00	2 927 500,00	1 077 350,38
EXTENSION OF TRANSFER STATION	500 000,00	1 475 000,00	107 690,11
REHABILITATION OF UNIONDALE LANDFILL SITE	500 000,00	0,00	1 209 016,78
TRANSFER FACILITY UNIONDALE	500 000,00	868 400,00	212 523,00
REPLACE REFUSE TRUCK1	1 950 000,00	1 950 000,00	1 682 141,64
REPLACE REFUSE TRUCK2	1 950 000,00	1 950 000,00	1 716 058,89
JCB - WAR ON WASTE	900 000,00	900 000,00	793 163,25
TRUCKS - CLEANSING	1 500 000,00	1 500 000,00	1 439 198,00
Total	11 650 000,00	13 314 000,00	8 642 384,71

3.7 HOUSING

3.7.1 Introduction to Housing

Since the 1990's there has been a significant influx of people to the Southern Cape and specifically to George. The number of beneficiaries on the housing demand database is 18620 (as at 30 June 2018).

During the year under review, the Protea Park housing project which consists of 71 units has been completed. The Thembalethu Upgrading of Informal Settlements Programme (UISP) Housing project delivered 164 housing units. Phase 1 of 150 units were completed, and Phase 2 of 251 units and a total of 14 units completed and handed over. Although Phase 2 of the UISP project is underway, the contractor is currently behind schedule due to service delivery protests and beneficiaries who are not willing to move.

A total of 29 GAP Housing units have been completed in Phase 2 of the Le Vallia Housing Project.

In terms of the Winter Readiness programme, where a 4m x 5m structure and a paved floor is provided in cases of emergency, 341 emergency structures have been erected in terms of the roof replacement programme during the 2017/2018 financial year.

Housing need:

The need for an integrated residential development approach that addresses the whole spectrum of residential needs has been identified and the following main income categories have been considered:

- Subsidy housing R0 - R3 500 per month
- Gap housing R3 500-R15 000 per month
-

The following table indicates the prioritised housing sites:

Site	Property	Units
Subsidy: Priority 1		
Thembaletu UISP	Thembaletu	700
Extension 42 & 58	Thembaletu	100
Metro Grounds	Borchards	671
Erf 325 East	Pacaltsdorp	2000
Wilderness Heights	Wilderness	130
Golden Valley	Blanco	165
Thembaletu N2	Thembaletu	325
Kleinkrantz (GAP Housing)	Kleinkrantz	13
Delville Park (GAP Housing)	Delville Park	159
Europe (GAP Housing)	Europe (Pacaltsdorp)	505
Blanco (GAP Housing)	Blanco	76
Haarlem	Haarlem	50
Uniondale	Uniondale	
Pacaltsdorp Bungalow Houses	Pacaltsdorp	
Thembaletu Bungalow Houses	Thembaletu	
Total		4844
Subsidy Priority 2 –Serviced sites		
Erf 325 East & West	Pacaltsdorp	± 5700 sites
Thembaletu UISP	Thembaletu	2604 sites
Total		9604
Subsidy Grand Total		14448

Table 1: Prioritised Housing Sites

3.7.2 Highlights: Housing

The table below specifies the highlight for the 2017/2018 financial year:

Highlights	Description
Thembaletu UISP 150 Top Structures	Completion of Phase 1 of the project

Table 2: Housing Highlights

3.7.3 Challenges: Housing

The table below specifies the challenges for the 2017/2018 financial year:

Description	Actions to address
Ongoing service delivery protests	Liaison with committees to address service delivery issues
Ongoing land invasions on land identified for housing development	Constant monitoring of land to prevent further land invasions

Table 3: Housing Challenges

3.7.4 Housing Service Delivery Levels

The following table shows an increase in the number of people on the housing waiting list. There is approximately 18 620 housing units on the waiting list.

Financial year	Number of housing units on waiting list	% Housing waiting list increase/(decrease)
2016/17	17 650	(0.54)
2017/18	18 620	5.2

3.7.5 Total Employees: Housing

Employees: Housing				
Job Level	2017/2018			
	Posts No.	Employees No.	Vacancies (full-time equivalents) No.	Vacancies (as a % of total posts) %
1 - 3	2	0	2	100%
4 - 8	29	28	1	3%
9 - 13	5	4	1	20%
14 - 18	4	2	2	50%
19 - 21	0	0	0	0
Total	40	34	6	15%

Employees and post numbers at 30 June 2018

3.7.6 Capital Expenditure 2017/2018: Housing

Capital Expenditure 2017/2018: Housing			
Capital Projects	Original Budget	Amended Budget	Actuals Expenditure
THOMPSON GROUNDS - RE-APPROPRIATION OF FARM 194 PA	0,00	1 131 066,00	1 131 066,00
SIEMBAMBA CRECHE: SECURITY LIGHTS	0,00	30 000,00	30 465,26
GRINDER - HOUSING	0,00	5 000,00	4 100,21
LADDERS (X4)- HOUSING	0,00	4 000,00	3 837,00
DRILL (X2) - HOUSING	0,00	8 000,00	7 949,00
PLAINER (X2) - HOUSING	0,00	5 000,00	2 688,87
JIG SAW (X2) - HOUSING	0,00	2 600,00	2 599,00
SKILL SAW (X2) - HOUSING	0,00	7 000,00	6 458,00
SIEMBAMBA CRECHE: BURGLAR BARS	0,00	53 000,00	52 660,00
ADDITIONAL OFFICE SPACE 4TH FLOOR	100 000,00	68 000,00	62 536,36
SANDANEZWE CRECHE: BURGLAR BARS & SOLAR SEC LIGHTI	100 000,00	93 000,00	92 946,36
KEKKEL EN KRAAI CRECHE: BURGLAR PROOFING (WINDOWNS	80 000,00	60 000,00	60 000,00
TOUWSRANTEN CRECHE: PALISADE FENCE	200 000,00	126 000,00	126 000,00
FURNITURE: INFORMAL HOUSING	50 000,00	97 757,00	87 857,85
FURNITURE: HOUSING (NEW)	15 000,00	0,00	0,00
FURNITURE: HOUSING (EXISTING)	15 000,00	12 000,00	11 947,82
ILINGELETHU CRECHE: BURGLAR BARS & EXT SECURITY L	75 000,00	41 712,00	41 711,39
MZOMHLE CRECHE: BURGLAR BARS & SO-LAR LIGHTING	100 000,00	13 216,00	13 215,68
CONTAINERS: TEMPORARY CRECHES	0,00	148 400,00	148 305,29
4X4 BAKKIE: LAND MANAGEMENT	0,00	76 000,00	52 709,90
TRAILERS - LAND MANAGEMENT	0,00	70 000,00	69 900,00
TOTAL	735 000,00	2 051 751,00	2 008 953,99

3.8 FREE BASIC SERVICES AND INDIGENT SUPPORT

3.8.1 Introduction to Free Basic Services and Indigent Support

George Municipality has an Indigent Policy in place to ensure that all the indigent households have access to free basic services. The Indigent Policy is reviewed on an annual basis during the budget process to devise mechanisms to improve the indigent support. The Indigent Policy of George Municipality is pro-poor making provision for backyard dwellers.

Indigent awareness campaigns, door to door campaigns and other media platforms are used to encourage qualifying people to apply for the indigent subsidy, enabling them to gain access to free basic services. A third of the population of George currently receive the indigent subsidy and have access to free basic services. The Indigent Policy also makes provision for Indigent Churches, Old Age Homes and Health Care facilities to apply for the indigent subsidy. This ensures that a larger group of people enjoy the benefits of free basic services.

3.8.2 Free Basic Services to Low Income Households

The tables below provide a comparison between the households that received free basic services in the 2016/17 and financial year under review:

Number of households									
Financial year	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	46 004	19 083	40,13	14 635	31,82	14 413	31,33	14 484	31,49
2017/18	43 229	19 376	44,82	15 532	35,93	15 213	35,19	15 298	35,39

Free Basic Services to 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	18 461	70	1 447	0	0	0	737	50	28,9
2017/18	19 376	70	1,548	0	0	0	736	50	35,80

Free Basic Electricity Services to Indigent Households

Water						
Financial year	Indigent households			Non-indigent households		
	No of HH	Unit per HH (kl)	Value R'000	No of HH	Unit per HH (kl)	Value R'000
2016/17	14 635	6	1 116,9	24 491	6	1 869
2017/18	15 532	6	1,280	23 545	6	1 795

Free Basic Water Services to Indigent Households

3.8.3 Financial Performance 2017/2018: Cost to Municipality FBS Delivered

Financial Performance 2017/18: Cost to Municipality of Free Basic Services Delivered		
Services Delivered	2016/17 Actual	2017/18 Actual
	R'000	
Water	13 295 768,41	24,488 397,36
Electricity	19 456 284,33	17 853 796,94
Sanitation	30 754 677,05	34 518 874,50
Refuse removal	23 405 776,07	26 067 069,79
Total	86 912 505,86	102 928 138,59

Financial Performance 2017/18: Cost to The Municipality of Free Basic Services Delivered

The Municipality subsidises indigent households with the following basic charges on their municipal accounts, namely: Basic water charges and the first 6kl water is free. Basic charges for sewerage, refuse and 70kwh units of electricity is free. Indigents households who use less than 450kwh of electricity per month, are charged at a lower electricity tariff. Council also assist with the writing-off of arrears, with the repairs of water leakages and faulty electricity pre-paid meters. Properties with a municipal value of less than R150 000 are also exempted from the levying of rates.

Churches, Crèches, Old Ages Homes and Frail Care Units receive a monthly allowance on their municipal accounts, depending on the number of indigent people that make use of the facilities. Indigents that live on farms, receive 50kwh of electricity as per agreement with Eskom. These expenses are funded mainly from the equitable share funds received after funds from National Treasury. An amount of R122m was allocated to George Municipality for the 2017/2018 financial year.

The Credit Control Department has already performed indigent awareness campaigns in various wards in George, promoting the indigent subsidy.

COMPONENT B:

ROAD TRANSPORT

3.9 ROADS AND STORMWATER

This component includes: roads; transport; and wastewater (stormwater drainage).

George Municipality is responsible for the planning and maintenance of proclaimed main roads, municipal streets and the establishment of infrastructure for the transportation of goods and commuters. The National Land Transport Act 5 of 2009 (NLTA) places the responsibility for the provision of public transport with the local municipalities.

Roads

Maintenance and rehabilitation priorities are determined by means of a Pavement Management System, based on the condition of the road as well as the functionality in terms of the roads hierarchy. The implementation of these priorities are subject to adequate funding and Council approval. The main challenges are the difficulties in procurement of services and adequate funding which, if addressed, could significantly improve service delivery.

3.9.1 Highlights: Roads

The table below specifies the highlights for the 2017/2018 financial year:

Highlight	Description
Purchasing of a grader	To assist with the maintenance of the roads network
Purchasing of two walk behind rollers	To assist with the maintenance of the roads network
Purchasing of various tools and equipment	To assist with the maintenance of the roads network

3.9.2 Challenges: Roads

The table below specifies the challenge(s) for the 2017/2018 financial year:

Description	Actions to address
Staff shortage	Supplementary allowance on the salary budget to be made from the maintenance budget due to minimum salary budget allowances for new posts in the 2017/2018 financial year

3.9.3 Gravel Roads

The table below specify the service delivery levels for the 2017/2018

Gravel Road Infrastructure: Kilometres				
Year	Total gravel roads	New gravel roads constructed	Gravel roads upgraded to tar	Gravel roads graded/maintained
2016/17	109	0	2,2	107,0
2017/18	107	1	0	108,0

3.9.4 Tarred (Asphalted) Roads

Tarred Road Infrastructure: Kilometres				
Year	Total tarred roads	New tar roads	Existing tar roads re-tarred	Existing tar roads re-sheeted
2016/17	428,6	0	17,0	445,6
2017/18	445,6	0	3	448,6

Tar roads are being maintained as reports of problems are received or as maintenance is required.

3.9.5 Cost of Construction/Maintenance

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

Cost of Construction/Maintenance						
	Gravel			Tar		
	New	Gravel - Tar	Maintained	New	Re-worked	Maintained
2016/17	475 000	1 800 000	260 000	2 020 000	1 220 000	500 000
2017/18	490 000	1 900 000	280 000	2 300 000	1 300 000	600 000

Cost of Construction/Maintenance of Roads

3.9.6 Total Employees: Roads and Stormwater

Employees: Roads & Stormwater				
Job Level	2017/2018			
	Posts No.	Employees No.	Vacancies (full-time equivalents) No.	Vacancies (as a % of total posts) %
1 - 3	16	11	5	31%
4 - 8	47	39	8	17%
9 - 13	5	5	0	0
14 - 18	1	1	0	0
19 - 21	0	0	0	0
Total	69	56	13	18%

Employees and post numbers at 30 June 2018

Employees: Roads and Stormwater

Employees: Mechanical Workshop				
Job Level	2017/2018			
	Posts No.	Employees No.	Vacancies (full-time equivalents) No.	Vacancies (as a % of total posts) %
1 - 3	0	0	0	0
4 - 8	4	4	0	0
9 - 13	2	1	1	50%
14 - 18	0	0	0	0
19 - 21	0	0	0	0
Total	6	5	1	16%

Employees and post numbers at 30 June 2018

Employees: Mechanical workshop

3.9.7 Capital Expenditure: Roads

Capital Expenditure 2017/2018: Roads			
Capital Projects	Original Budget	Amended Budget	Actuals Expenditure
PURCHASE PORTION ERF 2353 WILDERNESS - ROADS	0,00	40 000,00	32 900,00
REBUILDING OF STREETS: GREATER GEORGE	5 000 000,00	500 000,00	165 026,90
THEMBALETHU UISP - ROADS	11 430 400,00	11 255 400,00	7 565 828,10
GOLDEN VALLEY 165 UNITS - STREET	4 888 000,00	5 063 000,00	4 954 860,72
SPECIALISED TRAILER x5	240 000,00	216 000,00	188 349,92
WALK BEHIND ROLLER (x3) - STREETS	120 000,00	293 200,00	289 591,57
JETTING MACHINE - STREETS	350 000,00	402 300,00	392 285,00
CRANE TRUCK - STREETS	660 000,00	1 265 800,00	1 265 770,62
ISUZU WATER TANKER TRUCK - STREETS	660 000,00	757 400,00	757 390,37
GRADER CATERPILLAR (REPLACEMENT) - STREETS	3 000 000,00	2 682 300,00	2 682 210,17
TLB JCB (REPLACEMENT) - STREETS	1 350 000,00	763 000,00	762 155,88
TOOLS & EQUIPMENT - STREETS	20 000,00	195 900,00	115 194,30
WATER PUMP X 1 - STREETS	100 000,00	9 100,00	9 096,48
PUBLIC WORKS PROGRAMME: PAVING OF STREETS	4 000 000,00	250 000,00	115 212,90
GIPTN: TRAFFIC SIGNALS	2 500 000,00	10 950 000,00	11 675 339,60
STREET RESEALING: GREATER GEORGE	4 500 000,00	4 500 000,00	4 432 767,35
BUILDING ROADS: PROTEA PARK HOUSING PROJECT	3 426 643,00	3 426 643,00	841 776,62
TOTAL	42 245 043,00	42 570 043,00	36 245 756,50

3.9.8 Overall Performance Comment: Roads

Courtney, Park, Knysna and Caledon Streets serve as major collector roads promoting flow of traffic. The Municipality's 5-year IDP schedule identifies these streets as targeted for upgrading.

The backlog in terms of road maintenance/upgrading is overwhelming and the Municipality will not be able to budget for this. Hence, the emphasis will be on roads regarded as "very poor".

In terms of street resealing, a -1% variance exists. This was due to a difference in actual costs versus estimated costs. The Courtney, Park and Caledon Street projects reflect no variances, as the full budget was spent. However, this can be regarded as work in progress as it spans over two financial years.

3.10 PUBLIC TRANSPORT

3.10.1 Introduction to Public Transport

The George Integrated Public Transport Network (GIPTN) is a flagship model for the provision of public transport in South Africa's emerging cities. The objective of the GIPTN is to provide the citizens of George with access to social, education, and economic opportunities within the City. This is facilitated by providing a public transport service that is safer, more affordable, accessible and reliable than the minibus taxi industry. This is being established through the transformation of the existing local bus and minibus taxi industries into an integrated bus operator, including the provision of universal accessibility and non-motorised transport.

The GIPTN is implemented by George Municipality in partnership with and supported by the Western Cape Government's Department of Transport and Public Works. The intention is to expand to the towns of Oudtshoorn, Knysna and Mossel Bay in the future.

3.10.2 Highlights: Public Transport

Highlight	Description
Automated Fare Collection (AFC) progress	Substantial progress made with regards to the IFM system, although roll-out currently delayed.
Vehicle Operating Company (VOC) fleet purchase process	Council approved the go-ahead for the VOC to purchase their first 10 vehicles.
Infrastructure Expansion	Numerous upgrades including to Nelson Mandela Boulevard, the Provincial York Street Depot, and other upgrades, including the Go George office.
Additional bus stops were introduced	
Intelligent Transport System (ITS)	ITS system audited, with some results being included in initial reporting.
Mercedes Benz South Africa (MBSA) maintenance and warrantee agreement extended	MBSA Maintenance and warrantee agreement amended to ensure improved contract compliance.
Affected Persons Register (APR) process	Substantial strides made to conclude the APR process.

Highlights: Public Transport

3.10.3 Challenges: Public Transport

Challenges	Actions to Address
Safety and Security concerns linked to industry, cash on board vehicles and community risks	Safety and Security standards, policy and plan being prepared, CCTV systems being upgraded, on board tech with alarms and panic buttons in place, and ITS tracking.
Intergovernmental relations	Management Committee (ManCo) in place. A facilitation team was brought on board to help aid a mediation process, with three task teams having been established.
Procurement of Contracts	Procurement of contracts such as Field Monitoring Facilities Management not secured, and likewise, marketing and communications tender ceased, and needs to be re-tendered.
High Bus Out of Service Ratio	MBSA maintenance and warrantee agreement extended.
Financial	Rush to spend, under-spending and pre-payment issues results on inability to agree on budget.
National Drivers Strike	Resolved through the unions, however, had negative impact on increased competition.
Inability to land with the VOC on key items such as payment for driver training, etc.	Western Cape Government and George Municipality in process to find a solution on these matters in conjunction with the VOC.

Challenges: Public Transport

3.10.4 Capital Expenditure: Public Transport

Capital Expenditure 2017/2018: Public Transport			
Capital Projects	Original Budget	Amended Budget	Actuals Expenditure
GIPTN ROAD REHAB	0,00	2 325 308,00	0,00
GIPTN ROAD REHAB	0,00	3 000 000,00	2 998 870,65
UPGRADE NELSON MANDELA BOULEVARD	0,00	47 264 174,00	47 285 917,06
OFFICE EQUIPMENT - PUBLIC TRANSPORT OFFICE	0,00	115 000,00	98 947,42
COMPUTER EQUIPMENT - PUBLIC TRANSPORT	0,00	91 350,00	89 980,00
GIPTN - CCTV CAMERAS	10 000 000,00	9 826 500,00	9 524 998,23
GIPTN ROAD REHAB	31 050 119,00	30 834 382,00	16 249 727,24
GIPTN: BUS SHELTERS	20 000 000,00	12 600 000,00	13 246 353,19
GIPTN - INTER BUS TERMINAL	5 000 000,00	461 926,00	435 473,46
REMOTE BUS DEPOT	4 000 000,00	30 000,00	0,00
GIPTN: OFFICE EQUIPMENT	600 000,00	564 500,00	526 128,10
CAMERA EQUIPMENT ON BUSES	480 000,00	108 650,00	107 617,53
Total	71 130 119,00	107 221 790,00	90 564 012,88

3.11 STORMWATER DRAINAGE REMOVE WASTE WATER

3.11.1 Introduction to Stormwater Drainage

The Department is in the process of updating the Stormwater Master Plan. The operation of the stormwater network is conducted with the use of a management system which enables the Planning and Maintenance Section to locate shortcomings. It also enables this section to perform efficient maintenance on the stormwater network.

There were no stormwater projects for the year under review.

3.11.2 Highlights: Stormwater Drainage

The table below specifies the highlights for the 2017/2018 year:

Highlight	Description
Purchasing of a crane truck	To assist with the maintenance of the Stormwater network
Purchasing of a jetting machine	To assist with the maintenance of the Stormwater network
Purchasing of various tools and equipment	To assist with the maintenance of the Stormwater network

3.11.3 Challenges: Stormwater Drainage Remove Waste Water

The table below specifies the challenges for the 2017/2018 year:

Description	Actions to Address
Staff shortage	Supplementary allowance on the salary budget to be made from the maintenance budget due to minimum salary budget allowance for new posts in this financial year.

3.11.4 Stormwater Infrastructure

Year	Total km Stormwater measures	Km new Stormwater measures	Km Stormwater measures upgraded	Km Stormwater measures maintained
2016/17	397,5	1,2	0,5	399,2
2017/18	399,2	0	0,5	399,7

3.11.5 Employees: Stormwater Drainage

Employees: Wastewater (Stormwater)				
Job Level	2017/2018			
	Posts No.	Employees No.	Vacancies (full-time equivalents) No.	Vacancies (as a % of total posts) %
1 - 3	3	3	0	0
4 - 8	40	39	1	2%
9 - 13	5	4	1	20%
14 - 18	1	1	0	0
19 - 21	0	0	0	0
Total	49	47	2	4%

Employees and post numbers at 30 June 2018

3.11.6 Cost of Construction/Maintenance: Stormwater

Stormwater Measures			
Year	New	Upgraded	Maintained
2016/17	1700	1100	7500
2017/18	0	0	3200

3.11.7 Capital Expenditure: Stormwater

Capital Expenditure 2017/2018: Roads			
Capital Projects	Original Budget	Amended Budget	Actuals Expenditure
BUILDING OF CONCRETE CANALS & DRAINS	200 000,00	115 000,00	114 988,54
STORMWATER WALLS: BORCHERDS	1 500 000,00	1 500 000,00	3 500,00
Total	1 700 000,00	1 615 000,00	118 488,54

COMPONENT C:

PLANNING AND DEVELOPMENT

3.12.1 Introduction to Planning and Development

At the start of the 2017/2018 financial year, organisational restructuring led to the Planning, Building Control and Land Affairs Departments being separated from the Human Settlements Department. These were grouped with the IDP, PMS, Economic Development and Tourism Departments to form the Directorate: Planning and Development.

The Planning Department also comprises of Land Use Management, Spatial Planning, Geographic Information Systems, Environmental Management (which includes management of heritage assets) and Outdoor Advertising. The Department is presently under-capacitated as it has operated for more than 2 years without incumbents appointed in top management positions. The challenge is to fill scarce skill posts which have been budgeted for. Senior staff are performing multiple functions outside of their post designations since the Deputy Director vacated in April 2016.

The roles and functions to be performed in these posts must be absorbed by other staff members over and above their normal duties which depletes and strains the current capacity even further. The latter has a direct impact on service delivery and development facilitation as the ability to meet deadlines and Key Performance Indicators (KPIs) are severely challenged.

To date, the Directorate has been unsuccessful in securing funding to fill critical posts in order to fulfil its mandate in respect of spatial planning, environmental management, heritage asset management and outdoor advertising departments. The result is that certain statutory functions related to these functions are not being adhered to. Land Use Management and Spatial Planning are heavily reliant on internships to build capacity. However, the skills and experience of these incumbents are limited and the need for training and mentoring of these incumbents places more strain on the current capacity.

The restructuring of the Directorate has brought about the need for appointment of support staff for the Director. This has not been budgeted for and cannot be accommodated in the current office space. Hence, critical posts cannot be filled unless the employer secures additional office space for the Directorate.

3.12.2 Highlights: Planning

The table below specifies the highlights for the 2017/2018 financial year:

Highlight	Description
George Integrated Zoning Scheme By-law, 2017	Integrated Zoning Scheme Bylaw implemented on 1 September 2017 following implementation of the Land Use Planning By-Law for George Municipality on 1 September 2015.
Building Plan Amnesty Campaign	Amnesty campaign implemented in 2015 was extended to end 2017 due to demand. The campaign has been successful, resulting in higher public awareness for the need to submit building plans.
Planning Internships	The George Municipality was selected in 2016 by South African Institution of Civil Engineering (SAICE) (National Treasury) to train Town Planning graduates. Three (3) graduates are presently undertaking an internship to be completed in 2018/2019.
Spatial Planning	A revision of the George Spatial Development Framework is being undertaken which will align the spatial planning for George with the Spatial Planning and Land Use Management Act.

3.12.3 Challenges: Planning

The table below specifies the challenges for the 2017/2018 financial year:

Description	Description
Attracting scarce skilled workers/employees within designated equity groups	The Department is unable to attract planners and building inspectors in designated groups causing delays in the filling of posts. Part of the issue is lack of market-related salary levels. Building Control has implemented a scarce skills allowance but still failed to attract competent officials. Planning has created assistant planner posts to train young planners, but this does not enable them to address the need for experienced officials.
Statutory functions not performed due to lack of capacity	<p>Department is unable to perform heritage, outdoor advertising and environmental management functions, including enforcement as funding has not been provided for these posts.</p> <p>Due to the above, the Department is unable to update its heritage inventory and facilitate the production of a heritage register. This poses the risk of heritage buildings and sites not being recorded.</p> <p>These posts were placed on the draft 2017/2018 budget but were not approved.</p>

Description	Description
Lack of office space	<p>Available office space is fully occupied at present. There is currently no space available to accommodate new incumbents in the budgeted posts. Even if funding for filling critical positions is approved, these posts cannot be filled unless adequate office space has been secured by the employer.</p> <p>It is essential that the Town Planning, Spatial Planning, Property Management and Building Control Sections are accommodated in one building thus ensuring efficiency and good administration, as well as catering for customer convenience and satisfaction.</p>
Director and Deputy Director positions vacant	<p>The Director's post has been vacant for almost 12 months, resulting in the vision and strategic goals for the Directorate not fully carried out. George is a member of the Eden Joint Municipal Planning Tribunal (JMPT) and in terms of the memorandum of agreement the JMPT Chairperson and Deputy Chairperson will be appointed on a pre-determined rotational basis from the participating municipalities.</p> <p>The JMPT Chairperson and Deputy Chairperson must:</p> <ul style="list-style-type: none"> a) be registered as a Professional Planner with the South African Council for Planners (SACPLAN); b) have a minimum of five (5) years experience in town and regional planning; c) be employed in a senior capacity with proven managerial experience in a Municipality. <p>George must chair the EJMPT from November 2018, and the appointment of a suitably qualified and experienced Director and Deputy Director is of critical importance. It is furthermore crucial that these incumbents are provided with the support staff to assist them in executing the administrative tasks associated with their duties as officials and tribunal members.</p> <p>Senior staff members fulfilled multiple functions outside of their post designations as the post of the Deputy Director has been vacant since April 2016 and not yet filled.</p>

3.12.4 Statistics on Land Use Applications

The tables below specifies the service delivery levels for the 2017/2018 financial year:

Application Type	2016/2017	2017/2018
Rezoning	24	33
Subdivision	32	29
Departures	430	350
Consent Use	24	42
Removal of Restrictions	29	25
Amendment of Conditions of Approval	10	5
Other	84	90
TOTAL	633	574

Number of land use applications finalised in reporting year

Applications	2016/2017	2017/2018
Applications received in reporting period	688	369
Applications still in process at end of reporting period	372 (205*)	189 (96*)
Applications still in process 186 days or more	41 (19*)	5 (2*)
Applications still in process at 156 to 185 days	6 (1*)	3
Applications still in process at 126 to 155 days	8	3
Applications finalised in reporting period	633	574
Applications finalised 186 days and older	90	78
KPI calculation	85.78%	86.41%

Summary of land use applications

(* Denotes the number of applications referred to the applicant)

Applications	2016/2017	2017/2018
Delegated applications finalised – 4 months	591	534
Non-delegated applications overtime limit	209	116
Compliance Level	64.64%	78.28%

Summary of applications decided on by the Authorised Official

Applications	2016/2017	2017/2018
Non-Delegated applications finalised – 7 months	42	40
No Non-Delegated applications overtime limit	14	16
Compliance Level	66.67%	60%

Outeniqua Sensitive Coastal Areas Act (OSCA) PERMITS: 34

Summary of applications decided on by the Eden Joint Planning Tribunal

3.12.5 Total Employees

Employees: Planning				
Job Level	2017/2018			
	Posts No.	Employees No.	Vacancies (full-time equivalents) No.	Vacancies (as a % of total posts) %
1 - 3	0	0	0	0
4 - 8	6	6	0	0
9 - 13	18	17	1	5%
14 - 18	8	7	1	12%
19 - 21	1	0	1	100%
Total	33	30	3	9%

Employees and post numbers at 30 June 2018

3.13 ECONOMIC DEVELOPMENT

3.13.1 Economic Development

A key assignment of the City of George is to encourage an environment where investment can grow, and jobs are created resulting to the combating of poverty, unemployment and inequality. This requires a multi-pronged strategy which includes:

- Attracting investments.
- Encouraging enterprise/entrepreneurship development.
- Accelerated local economic growth and development through a co-ordinated organisational wide effort.

The above will contribute towards the City's appeal as an educational hub in the Garden Route. This will further maximise the value of its geographic location with increased investment in infrastructure (strategic), utilities and services.

The table below identifies the economic activities within the different sectors:

George GDPR performance per sector, 2012-2017										
Sector	Contribution to GDPR (%) 2016	R million value 2016	Trend		Real GDPR growth (%)					
			2006-2016	2013 – 2017 e	2012	2013	2014	2015	2016	2017e
Primary Sector	4.3	680.6	1.8	0.3	1.2	1.8	6.9	-2.6	-7.7	3.0
Agriculture, forestry and fishing	4.1	652.9	1.8	0.2	1.2	1.7	6.9	-2.7	-7.9	2.8
Mining and quarrying	0.2	27.7	1.2	4.4	2.0	3.9	7.9	0.5	1.2	8.5
Secondary Sector	24.1	3 858.8	2.0	1.1	2.1	2.0	1.1	0.7	1.2	0.4
Manufacturing	15.0	2 391.2	2.4	1.5	2.8	2.0	1.2	1.0	2.1	1.1
Electricity, gas and water	3.5	554.0	-1.7	-1.7	-0.9	-1.7	-1.7	-2.5	-2.7	-0.1
Construction	5.7	913.6	3.5	1.3	1.7	3.9	2.4	1.5	0.2	-1.4
Tertiary Sector	71.6	11 448.7	3.7	2.7	3.9	3.6	3.1	2.8	2.5	1.6
Wholesale and retail trade, catering and accommodation	18.3	2 920.2	2.7	1.6	4.2	2.6	1.7	2.1	2.1	-0.6
Transport, storage and communication	11.5	1 845.1	4.1	3.1	3.5	3.9	4.7	2.3	2.2	2.7
Finance, insurance,										
Real estate and business services	26.7	4 275.5	4.9	4.0	4.7	4.4	4.0	4.6	3.7	3.2
General government	8.9	1 425.4	2.5	1.0	2.3	3.3	2.3	0.1	0.2	-0.7
Community, social and personal services	6.1	982.5	2.0	1.5	2.3	2.2	1.6	1.0	1.5	1.1
Total George	100	15 988.1	3.2	2.3	3.4	3.1	2.9	2.1	1.7	1.4

GDPR and economic activity performance by sector (e denotes estimate)

George employment growth per sector, 2012-2017

Sector	Contribu- tion to employ- ment (%)	Number of jobs	Trend		Employment (net change)					
	2016	2016	2006- 2016	2013 – 2017 e	2012	2013	2014	2015	2016	2017e
Primary Sector	10.7	8 463	-4 117	1 089	423	437	-353	1 578	-357	-216
Agriculture, forestry and fishing	10.7	8 425	-4 122	1 086	421	437	-354	1 576	-357	-216
Mining and quarrying	0.0	38	5	3	2	0	1	2	0	0
Secondary Sector	16.1	12 695	299	955	199	297	231	100	167	160
Manufacturing	9.5	7 525	-31	578	-82	230	48	115	-22	207
Electricity, gas and water	0.5	374	129	46	10	5	9	9	15	8
Construction	6.1	4 796	201	331	271	62	174	-24	174	-55
Tertiary Sector	73.2	57 887	13 851	7 361	1 341	1 705	1 426	1 906	399	1 925
Wholesale and retail trade, catering and accommodation	24.4	19 251	3 502	2 419	384	354	185	763	83	1 034
Transport, storage and communication	4.7	3 729	1 305	527	242	248	110	235	-231	165
Finance, insurance, real estate and business services	20.3	16 027	5 915	3 277	623	727	624	862	567	497
General government	9.9	7 860	1 547	-134	102	-109	344	-185	110	-294
Community, social and personal services	13.9	11 020	1 582	1 272	-10	485	163	231	-130	523
Total George	100	79 045	10 033	9 405	1 963	2 439	1 304	3 584	209	1 869

Economic Employment by Sector (e denotes estimate)

The 2017-2022 IDP identifies thirteen departmental objectives as catalysts to achieve the "Develop and Grow George" strategic goal. This section offers an overview of the progress made against each of these objectives and related programmes as set out below, in the 2017/18 financial year.

Objectives	Programmes
To create and facilitate an enabling environment for economic development in George	<ul style="list-style-type: none"> Investment Promotion programme. Investment Facilitation and Aftercare. South Cape Economic Partnership (SCEP) programme. Wesgro Support Service Partnership programme.
To ensure the development of participatory, practically implementable economic development and business retention and expansion strategies	<ul style="list-style-type: none"> Enterprise/ Small Medium Micro Enterprise (SMME)/ Entrepreneurship Development programme. Appointed as George Business Chamber Executive Committee Member. George Business Forum Established. Investigated the establishment of the City Improvement District (CID) project i.e. Revitalise the Central Business District ; Clean up Crime and Social Development; Resolve Parking Issues.
To ensure that industry support is focused on high growth potential areas, with high job absorption ratios	Identification and promotion of catalytic sectors.
To leverage construction industry potential through strategic housing related projects	<ul style="list-style-type: none"> Emerging Contractor and Supplier Development Programme. Smart Procurement Programme.
To focus on building a revitalised and interactive Central Business District through a City Improvement District	Central Business District Revitalisation programme.
To establish incubators, clusters, and centres of excellence to contribute meaningfully to the demands of a growing economy	<ul style="list-style-type: none"> Small Enterprise Development Agency (SEDA) co-location programme. George Business development programme.
Red-tape reduction at all administrative levels	<ul style="list-style-type: none"> Ease of Doing Business programme. Business Process Assessment Initiative.
To maximise job creation opportunities through government expenditure (e.g. EPWP)	Expanded Public Works Programme (EPWP).
To establish a Science Park	Investment Promotion Strategy implementation.
To swap strategic land and buildings with other government departments to unlock economic potential	Investigate and leverage all the strategic assets.
To promote George as a sports tourism and business destination	Events and Festival programme.
To identify an educational and research hub and to facilitate the continued growth of Nelson Mandela University (NMU) in George	<ul style="list-style-type: none"> Implementation of the Skills Mega Resolution (Garden Route). Implementation of the Nelson Mandela University (NMU) Collaboration Agreement 2014-2018.
To improve planning and regulatory frameworks to encourage job creation	Planning and regulation programme.

3.13.2 Highlights: Economic Development

Below are the performance highlights which represent progress towards the implementation of the Economic Development Strategy (EDS):

Key Programme Highlights	Description
Investment Promotion Investment Facilitation and Aftercare	<ul style="list-style-type: none"> • #InvestGeorge business brand is a demonstration of the City's commitment to creating a platform that contributes to the increased awareness, attractiveness and competitiveness of the City, as a place open for business. • City developed its marketing collateral - #InvestGeorge. • Garden Route Investment Conference and others; <ul style="list-style-type: none"> o 7-8 March, 300 attendees per day, 49 projects shared with 47 investors / funders. Post conference funding opportunities still ongoing; o Business Sweden and Garden Route District Municipality signed LOI, had 4 separate Swedish delegations visited the region, as well as two from China and an Indonesian delegation. • Represented the City at the Investment Conference – National Department of Public Works: Operations Phakisa - pitch deck (industry specific and generic) presented to investors.
South Cape Economic Partnership (SCEP) as an enabler	<p>To give effect to this commitment, the City and the SCEP continued working on several initiatives which include:</p> <ul style="list-style-type: none"> • Identification and prioritising projects in line with Western Cape Provincial Government (WCPG) Khulisa and National Development Plan (NDP, as well as flowing from the SDF visioning process; • Investigate feasibility and sustainability of projects over longer term; • Design project business plans which contribute to the overall objectives of the partnership.
Wesgro Support Service Partnership programme	<ul style="list-style-type: none"> • Wesgro road show took place from 16-19 April 2018 as a follow-up from previous engagements. • Recordable signed for the last 6 months to Market. Promote all catalytic projects to potential investors (domestic and foreign). • Belt and Road summit – Wide interest in project opportunities with respect to renewables.
Enterprise/ SMME/ Entrepreneurship Development programme Improving the business environment and helping to develop small, medium and micro-enterprises	<ul style="list-style-type: none"> • Signed a co-location agreement with SEDA to work together to support small businesses by building partnerships in co-locating SEDA to our Pacaltsdorp and Thembaletu Tourism Offices. • First Annual Smart Procurement and Enterprise Development Workshop took place on 19 April 2018. • Entrepreneurship – preliminary investigations to provide support structures, training, mentorship and incubation programme completed. • Hotbox Manufacturing Project phase 1, successfully completed. • Arts & Crafts; Annual Edenfm Women on Fleek - Arts & Crafts/ Entrepreneurship Expo; Elroy Gelant Night Race; Patat Competition Recipe; George Lights Festival.

Key Programme Highlights	Description
	<ul style="list-style-type: none"> • The Initiative on the development of Township Tourism attractions commenced - Sedgefield Township Tour completed. • Workshop with informal traders (spaza shops, street hawkers, we partnered with the Wholesale and Retail Sector Education and Training Authority (W&RSETA). Took place on 29 January 2018; Craft Route Initiative completed. • Initiated an information session held on the 29th of March 2018 facilitated by the National Empowerment Fund w.r.t benefits offered to; Communities; Students; SMME; Organised Businesses and Labour. • A series of Business Stakeholder Breakfast Workshops were held from the 24 April 2018 in association with the George Business Chamber (GBC) and the Southern Cape Economic Partnership (SCEP), aimed at establishing the need and climate for building an inclusive business entity for the greater George area. • Street Trading: 94 Stalls occupied by stall owners, who must comply with the terms and conditions, support programme commenced. • Co-funded programmes: Annual Tacoma Visit & Ladies Conference Community Markets days held 2016/17 were 9 and during 2017/18, 18 community markets. <p>The Emerging Contractor Development Programme;</p> <ul style="list-style-type: none"> o Steering Committee has been established; o Draft Emerging Contractor Development Policy <ul style="list-style-type: none"> • Signed a five-year partnership with the NDPW in terms of a Memorandum of Agreement, to jointly ensure the sustainability & success with implementation of the Emerging Contractor Learnership Programme.
Business retention and expansion strategies and partnerships	<ul style="list-style-type: none"> • Appointed as George Business Chamber Executive Committee Member. • George Business Forum Established. • Investigated the establishment of the City Improvement District (CID) project i.e. Revitalise the CBD; clean up crime and social development; resolve parking issues
Industry support: High-growth Sectorial Support programme	<ul style="list-style-type: none"> • Creative Industries - GRKK Film Office NPC formed. • Funding applications in process. Membership confirmed. • Timber Economy - jobs fund application through Deloitte and supported, NMU Partnership Research Proposal commenced. • Agriculture: Farmer Production Support Units (FPSU's) allocated to George (Honey Bush in Haarlem area and vegetables around George). • Agri Processing: <p>Honey Bush Tea and Essential Oils main commodities – merged task team with SAHTA and Honey Bush CoP groups to avoid duplication. Preliminary discussions with mid-east country on supply of fruit, vegetables, lucerne and meat.</p>

Key Programme Highlights	Description
	<ul style="list-style-type: none"> • Agro-Processing Incentive Support Scheme Workshop successfully took place on the 3 May 2018 • Waste beneficiation, energy and water - Green Energy workshop 11 and 12 April. Draft characterisation study completed. Swedish and local projects pending. • Integrated transport - Positive meetings with ACSA and TNPA on air cargo, freight rail.
Red-tape Reduction	<ul style="list-style-type: none"> • Completed the Business Process Assessment Initiative, link to an As-Is mapping. • 15 Improvement strategies for implementation identified – 85% completed. • Implemented Project Simplify as an intervention to address red tape and improve the ease of doing business through process optimisation.
Job opportunities:	
Expanded Public Works Programme (EPWP)	<ul style="list-style-type: none"> • Created 1 524 jobs in 2016/17 and 1 431 jobs in the current IDP five-year cycle.
Workers Collection Point	<ul style="list-style-type: none"> • Facilitated 1 426 work opportunities in 2016/17 and 1 645 in the current IDP five-year cycle.
ICT - Fibre-Optic Installation programme	<ul style="list-style-type: none"> • Almost 52 km of fibre-optic cable installed across the City. • Investigations into Garden Route ICT Incubator completed.

3.13.3 Challenges: Economic Development

The table below reflects in the implementation of the Economic Development Strategy (EDS):

Description	Actions to address
Outdated Economic Development Strategy (2012)	Reviewing the current EDS to sharpen its focus on developing and promoting competitive advantage in the current economic eco-system.
The Economic Development Division remains constrained in its execution of projects by a very small staff contingent, as a result of an unfunded salary budget for the past 4 years	The appointment of Senior: Economic Development Officers (albeit on a temporary basis) will create much needed operational capacity to execute the Enterprise Development & Business Support Programmes and the Event & Festivals Planning/ Management functions.
Unstable economic climate	Support and focus on key economic sectors through partnerships. Ensure ease of doing business in the area is improved to attract investment.
High levels of unemployment and poverty	Implement municipal capital projects through EPWP principles and facilitate an environment that attracts sectors with high value and support industries that yield employment opportunities. Ensure quick response to proposals and cut red tape.
Co-operation with the private sector	<ul style="list-style-type: none"> Identify joint initiatives for leveraging each other. Expand the Municipal to Business (M2B) initiative by identifying areas inhibiting (red tape) the ease of doing business. Introduce a Mayoral award and incentives for sustainable (green) and responsible projects initiated by the private sector through CSI.
Widening gap between the rich and the poor measured the Gini co-efficiency/inequality	<ul style="list-style-type: none"> Introduce learnerships and apprenticeships for the youth. Promote entrepreneurship and social cohesion in communities. Implementation and monitoring of the densification and infill spatial strategies.
Economy not growing in sectors with high employment consumption	<p>Special focus should be made to supporting sectors in manufacturing and agriculture with potential of mass employment creation.</p> <p>The issue of agricultural practices within the urban area needs to be addressed within the principles of the Spatial Development Framework (SDF).</p>

Description	Actions to address
Lack of transformation in tourism business ownership/opportunities	Access to training and opportunities for the previously disadvantaged communities. Working with Provincial and National role-players to introduce strategies to transform the sector.
Financial and investment support programmes	Understanding the eco-system of entrepreneurs and financiers to better understand the types of companies suitable for the area. Tapping into government development incentives. Host investment seminars to attract investment including financing houses. Review of the Incentives Scheme Policy - from geographically bound to sectoral growth focus in the revised incentives policy.

3.13.4 Total Employees: Economic Development

Employees: Economic Development				
Job Level	2017/2018			
	Posts No.	Employees No.	Vacancies (full-time equivalents) No.	Vacancies (as a % of total posts) %
1 - 3	0	0	0	0
4 - 8	2	2	0	0
9 - 13	2	2	0	0
14 - 18	1	1	0	0
19 - 21	0	0	0	0
Total	5	5	0	0

Employees and post numbers at 30 June 2018

3.13.5 Capital Expenditure: Economic Development

Capital Expenditure 2017/2018: Economic Development			
Capital Projects	Original Budget	Amended Budget	Actuals Expenditure
FURNITURE & FITTINGS - LED	40 000,00	81 861,00	70 736,01
MICROWAVE - LED	2 500,00	1 314,00	788,60
BAR FREEZER - LED	4 000,00	1 623,00	1 622,81
PRINTER - LED	5 000,00	4 472,00	4 471,93
CAMERA - LED	20 000,00	15 788,00	15 787,72
Total	71 500,00	105 058,00	93 407,07

3.14 Tourism

3.14.1 Introduction to Tourism

"Tourism is an area which provides our country with incredible opportunities to, quite literally, shine" (President Cyril Ramaphosa) State of the Nation Address (SONA 2018).

Tourism sustains numerous jobs in the greater George area. The development of new tourism products and expanding on existing products will encourage further employment. The suburbs of George are perfect incubators for tourism products with many residents displaying talents and passions that they can easily share with tourists, while making a living as either service providers or entrepreneurs. George is one of the most diversely beautiful areas in the country, with locals who are friendly and hospitable. However, the Municipality cannot implement tourism in communities, as this is the responsibility of the community.

The Municipality's Tourism Department is setting up a structure where such communities can be supported and nurtured to develop their own successful tourism business.

Tourism Development

In 2017/18 the Tourism Department focussed on engaging members from selected communities in a few identified projects. This was implemented with ease and showed a favourable outcome in the transfer of skills and job creation.

It is anticipated that 6 new tourism businesses will be operating with success in the greater George area within the next 18 months. The following projects were actioned in 2017/18, with possible roll-out in every community, should the necessary staff compliment and budget for Tourism Development be in place.

Dine with a Local

The concept of opening your home and sharing a meal with a tourist is practiced all over the world and will now be available in George. Six host families have been identified and trained and will soon be inviting tourists to dine with them. However, they do not solely benefit from the project, as each host is required to work with local entertainers and artists ensuring an authentic, quality experience for their guests.

Pacaltsdorp Historical Walk

On asking why the existing historical walk in Pacaltsdorp is not as popular as it could be, it was realised that tourists lacked information about the Pacaltsdorp area and history. The existing brochure gives historic information of each building, but leave tourists feeling that they did not get 'the whole story'. George Tourism is in the process of appointing a historian to develop the information around Pacaltsdorp.

An attractive product is to be established which includes expanding the existing facilities with more interpretive signage. Training of site guides, as well as establishing a café/coffee shop to attract visitors to the Tourism Office where further information about Pacaltsdorp can be accessed, is on the cards.

Arts & Craft Routes

Starting at the Thembaletu Tourism Office, George Tourism will be developing an Arts & Craft Route through Thembaletu and the surrounding areas. The guided tour will take visitors through the community to see the talented artists displaying their craft from traditional arts and crafts to hair art at local salons.

Tour Guide Training

To offer easy and organised access to the products above, George Tourism will be training several local site guides to work as tour guides for the above activities. This will give visitors the freedom to explore the local townships and previously unexplored community tourism areas. These guided tours will be informative referring to the traditions and customs of the local communities, offering the tourist a rewarding experience.

Tourism Marketing

While new product development is a critical part of the Tourism Bureau's function, more vital is the marketing of these products.

As part of a generic destination marketing plan, that attracts both domestic and international tourists to make use of the products, to not just make them sustainable, but to make them thrive, as fully-fledged members of the tourism community.

To this end, the Tourism Department is working on a new tourism brand for George and will be instantly

recognisable to the rest of the country and the world what George has to offer. The focus will be on what is unique to George, as well as its unique location, making the Garden Route and Klein Karoo uniquely accessible from George.

It is important that the Tourism Office implements the Look & Feel through all the marketing channels and then launch it to the traditional markets as well as developing new markets, in association with South African Tourism, Wesgro and Garden Route & Klein Karoo Tourism.

3.14.2 Highlights: Tourism

Highlight	Description
Employment of Senior Tourism Officer - Marketing	Post eventually filled after 18 months. The Tourism Department is thrilled with the appointment and hope to see a much improved service delivery of Tourism Marketing in the coming year.
New website approved	After a 10 month struggle a new Tourism website was finally approved – it is anticipated that the launch will be within the next 4 months.
New 'Look & Feel' approved	The Tourism Department worked with an agency to create new Tourism Branding for George. Currently busy implementing this into all the marketing materials and will launch by the end of the 2017/18 financial year.
Community Tourism projects implemented	Community tourism projects initiated as per the items above.

3.14.3 Challenges: Tourism

Challenges	Actions to address
Department under-staffed	The Tourism Department has a very small staff allocation, and struggle to get into all the communities to do more tourism awareness and planning. Limited marketing and administrative staff, resulting in own high expectations not met.
Purchasing & Supply Chain	The Tourism Department has specific needs and purchases and the processes of getting suppliers on the database is time-consuming. It is suggested that consideration be given to the fact that the Tourism function be performed by a special purpose vehicle rather than a municipal department, to circumvent these ongoing issues.
Lack of interest & non-attendance of public meetings in Thembaletu	The community has more pressing issues and do not really understand what tourism can do to create jobs and uplift the communities. More staff is required to do outreach programmes in the townships.

The Tourism Department is committed to responding to enquiries within 24 hours and have reached a 100% success rate in this regard, with no service complaints received during in 2017/18.

3.14.4 Capital Expenditure: Tourism

Capital Expenditure 2017/2018: Tourism			
Capital Projects	Original Budget	Amended Budget	Actuals Expenditure
WEBSITE FOR TOURISM	0,00	50 000,00	0,00
FURNITURE & FITTINGS - TOURISM OFFICES	50 000,00	50 000,00	26 557,06
LADIES BATHROOM - TOURISM OFFICE YORK ST	50 000,00	0,00	0,00
LAPTOP SENIOR OFFICER - TOURISM	16 000,00	16 000,00	9 314,93
UPGRADE MARKET - UNIONDALE	50 000,00	50 000,00	49 503,63
Total	166 000,00	166 000,00	85 375,62

COMPONENT D:

COMMUNITY & SOCIAL SERVICES

This component includes: libraries, community halls, cemeteries and crematoria, child care, aged care, social programmes.

3.15 LIBRARIES

3.15.1 Introduction to Libraries

The quality of life of all citizens was improved in tangible ways by the provision of services that were inclusive, and which addressed the needs of all communities. The door of knowledge and information for visually impaired people was opened by means of the provision of a Mini Library for the Blind. Learning opportunities were thus created. The primary objective of this project was to provide access to reading materials through assistive devices and the provision of the necessary technology. In pursuit of a knowledge society, programmes were rolled-out focussing on the eradication of information poverty, whilst cultural diversity and active citizenship were encouraged and emphasised.

3.15.2 Highlights: Libraries

The table below specifies the highlights for the 2017/2018 financial year:

Highlight	Description
Funda Mzantsi Reading Championship (1-5 October 2017)	This is a reading festival that ensures that the South African nation becomes a reading nation.
50th Anniversary of Blanco Library – 14 December 2017	This was celebrated by means of a Children's Writing Workshop and a High Tea for the elderly of Blanco.
Library Week: 19 – 25 March 2018	The theme for this year was: Libraries: Heart of the Community. This theme re-emphasises the idea that libraries belong to the community and are central to it.
2nd Disability Workshop – Tuesday, 20 March 2018	The George Library Services had as special workshop for people that are disabled. This includes all sorts of disabilities, i.e. the visually, intellectually, physically impaired and deaf or hard of hearing persons.

3.15.3 Challenges: Libraries

The table below specifies the challenges for the 2017/2018 financial year:

Description	Actions to address
Transportation	There is a desperate need for a dedicated vehicle for Libraries to ensure that the rural areas as well as special services like the hospital, correctional services, crèches and schools are reached by means of outreach programmes.
Lack of space for staff and the public	Upgrade and extension of libraries; Offices for the Management Team and administration officers at any Municipal building.
Staff Development and Training	Need for accredited Library and Information Science (LIS) Training.

3.15.4 Service Delivery Levels

The table below specifies the service delivery levels for the 2017/2018 financial year:

Type of service	2016/17	2017/18
Library members	47 288	49 630
Books circulated	428 142	412 973
Exhibitions held	311	420
Internet users	28 820	28 191
Children programmes	182	451
Visits by school groups	53	88

3.15.5 Total Employees: Libraries

Employees: Libraries				
Job Level	2017/2018			
	Posts No.	Employees No.	Vacancies (full-time equivalents) No.	Vacancies (as a % of total posts) %
1 - 3	0	0	0	0
4 - 8	28	27	1	3%
9 - 13	4	3	1	25%
14 - 18	1	1	0	0
19 - 21	0	0	0	0
Total	33	31	2	6%

Employees and post numbers at 30 June 2018

3.15.6 Capital Expenditure: Libraries

Capital Expenditure 2017/2018: Libraries			
Capital Projects	Original Budget	Amended Budget	Actuals Expenditure
UPGRADING AND EXTENTION OF CONVILLE LIBRARY	0,00	741 422,00	690 410,80
LAPTOP FOR CO-ORDINATOR: LED	32 000,00	18 630,00	18 629,84
LAMINATING MACHINES	3 600,00	2 550,00	2 547,19
FOLDING NOSE TROLLEY	3 000,00	1 640,00	1 631,58
NOTICE BOARD	3 000,00	2 000,00	1 958,77
STEP LADDER x 4 - LIBRARY	5 100,00	5 100,00	2 280,70
MICROWAVE OVENS - LIBRARY	2 000,00	1 810,00	1 805,27
DATA PROJECTORS - LIBRARY	4 800,00	3 950,00	3 946,49
PALLISADE FENCE - LIBRARY	50 000,00	143 400,00	0,00
LAPTOPS - LIBRARY	40 000,00	110 000,00	99 259,60
RENEW WORK ARE IN MAIN LIBRARY	50 000,00	141 060,00	55 976,81
FURNITURE & OFFICE EQUIPMENT - LIBRARY	80 000,00	85 790,00	80 965,66
SAFETY GATES - LIBRARY	15 000,00	0,00	0,00
BLINDS - PACS LIBRARY	10 000,00	4 300,00	4 296,49
WORK SPACE - BLANCO LIBRARY	50 000,00	45 600,00	45 507,77

Capital Expenditure 2017/2018: Libraries			
Capital Projects	Original Budget	Amended Budget	Actuals Expenditure
REPLACE CARPET FLOORING AT WABOOMSKRAAL	2 500,00	2 500,00	0,00
UPGRADE PACS LIBRARY	500 000,00	249 300,00	215 104,87
MOBILE LIBRARY	250 000,00	30 000,00	29 269,95
Total	1 105 500,00	1 593 552,00	1 257 868,11

3.16 COMMUNITY HALLS, FACILITIES AND THUSONG CENTRES

3.16.1 Highlights: Community Halls, Facilities and Thusong Centres

The table below specifies the highlights for the 2017/2018 financial year:

Highlight	Description
Public Gallery	Council meetings to be live streamed, this will accommodate 80 people that will view Council meetings.
Upgrade Touwsrante Community Hall	Facelift, painting of interior and exterior walls

3.16.2 Challenges: Community Halls, Facilities and Thusong Centres

The table below specifies the challenge(s) for the 2017/2018 financial year:

Challenge(s)	Action to address
Parkdene Community Hall – The palisade fence is vandalised	Beta fencing will be installed in the new financial year

3.16.3 Capital Expenditure: Community Halls and Facilities

Capital Expenditure 2017/2018: Community Halls and Facilities			
Capital Projects	Original Budget	Amended Budget	Actuals Expenditure
TABLES & CHAIRS - TOUWSRANTEN HALL	50 000,00	50 000,00	49 725,00
UPGRADE AREA OFFICES - CLIENT SERVICES	50 000,00	50 000,00	32 690,00
REPLACE 2 STOVES: CIVIC CENTRE	60 000,00	43 120,00	43 119,32
TABLES & CHAIRS: CIVIC CENTRE	80 000,00	80 000,00	79 545,00
3 x PODIUMS FOR COMMUNITY HALLS	15 000,00	15 000,00	11 564,85
FURNITURE FOR AREA OFFICES AT: 4 NEW HALLS	40 000,00	25 530,00	29 520,22
EXTENSION OF 4 NEW HALLS - AREA OFFICES	80 000,00	85 000,00	36 550,00
COMPUTER HARDWARE - AREA OFFICES	40 000,00	28 610,00	28 602,25
WIRELESS CONNECTION TO 4 NEW HALLS	20 000,00	0,00	0,00
TABLES & CHAIRS - BLANCO HALL	50 000,00	50 000,00	49 725,00
TABLES & CHAIRS - THEMBALETHU HALL	50 000,00	50 000,00	49 725,00
TABLES & CHAIRS - LAWAAIKAMP HALL	50 000,00	50 000,00	49 725,00
STORE ROOM & OFFICE - ROSEMORE	85 000,00	0,00	0,00
REPAIR FLOOR - PACS HALL	500 000,00	12 800,00	12 800,00

Capital Expenditure 2017/2018: Community Halls and Facilities

Capital Projects	Original Budget	Amended Budget	Actuals Expenditure
UPGRADING SOUND SYSTEM - HAARLEM HALL	50 000,00	32 000,00	31 854,49
PAVE PARKING - HAARLEM HALL	50 000,00	68 000,00	67 751,83
UNIONDALE COMMUNITY HALL UPGRADE	150 000,00	150 000,00	26 853,44
TOOLS - COMMUNITY HALLS	20 000,00	20 000,00	19 529,80
PALLISADE FENCE - UNIONDALE COMMUNITY HALL	0,00	196 400,00	0,00
REPLACE ROOF: CONVILLE COMMUNITY HALL	0,00	28 045,00	28 044,00
NEW DAWN PARK COMMUNITY HALL	0,00	438 690,00	438 687,45
TRACTOR - HAARLEM	0,00	300 000,00	0,00
Total	1 440 000,00	107 761 850,00	91 037 304,52

3.17 CEMETERIES AND CREMATORIUMS

3.17.1 Introduction to Cemeteries

George Municipality manages 13 cemeteries on 46.3 hectares with most of the cemeteries (nine) situated in George with four in Uniondale being 110 km away.

At present, seven of the cemeteries are operational while the other 6 are maintained to keep them in working order with the maintenance carried out by four community contractors. The combined capacity allows for a window of about 5 years. The possible expansion of the current cemeteries is reflected in the structural plan for George and new areas are being investigated in George and Uniondale.

There is a privately-owned cremation facility in George and it is found that there is an increase in the number of cremations each year.

All cemeteries are running out of space. George Municipality is currently involved in discussions with the Provincial Department of Public Works and the Garden Route District Municipality to secure additional space for this purpose.

3.17.2 Highlights: Cemeteries

Highlight	Description
York Street expanded	Three new blocks introduced.

3.17.3 Challenges: Cemeteries

Challenge(s)	Action to address
Extreme vandalism	Consider high mast lighting.

3.17.4 Services Statistics: Cemeteries

Type of service	2016/17	2017/18
Inhumations	750	900
Pauper burials	26	25

3.17.5 Capital Expenditure: Cemeteries

Capital Expenditure 2017/2018: Cemeteries			
Capital Projects	Original Budget	Amended Budget	Actuals Expenditure
MOBILE TOILET - CEMETERIES	300 000,00	160 000,00	122 089,03
TOILET FACILITIES - UNIONDALE CEMETERY	0,00	340 000,00	340 205,71
Total	300 000,00	500 000,00	462 294,74

3.18 SOCIAL DEVELOPMENT

3.18.1 Introduction to Social Development

Social Development includes the development and implementation of effective community-based projects and programmes that address social needs within the greater George and its surrounding areas, including the Uniondale and Haarlem areas.

3.18.2 Gender and Disability

The Gender and Disability is all about social responsibility. The main role and nature of this Sub-Section is based on community development, ensuring that every operation taking place in this Office is focused on uplifting and helping the communities in George.

3.18.3 Highlights: Social Development

Highlight	Description
Project Hope	<ul style="list-style-type: none">42 Persons living on the streets received identity documents, 55 persons were successfully reunified with their families.33 Persons gained their own accommodation.40 Persons received employment opportunities.4 Persons received leadership training as well as project management and computer training.

3.18.4 Challenges: Social Development

Challenge(s)	Action to address
Funding	Increase budgets/funding.
Networking	More workshops with role players.
Not enough training provided	Ensure more training opportunities to staff.
Transport	Provide proper transport.
Training	To make training opportunities more available.

3.18.5 Delivery of Services: Social Development

Type of service	2017/2018
Vegetable gardens established	145 Established nutritional centres in the different communities, requested seeds from Men on the side of the road (MSR).
Soup kitchens established or supported	145 Established nutritional centres in the different communities.
Initiatives to increase awareness on child abuse	<ul style="list-style-type: none">Holiday programmes - 151 children reached.Child Protection Week Awareness sessions and programmes – reached 2980 learners.25 Municipal Early Childhood Development (ECD) be monitored.

Type of service	2017/2018
Youth education and empowerment	<ul style="list-style-type: none"> • Information sessions (includes Bursary, Learner ships, Employment. Opportunities, Career Guidance, Expos, Life skills Training, Environmental awareness Training, Peer Educator Outreaches): 5103. • Total trained and up-skilled: 216. • Career Exhibition: 444. • Holiday Programmes: 1115. • Youth Office Walk-ins: 2795. • Weekend Programmes. • Youth and Children reached: 122. • Awareness and Outreach programmes in and out of schools, Children and Youth reached: 1460.
Initiatives to increase awareness on disability and Gender/ Women empowerment	<ul style="list-style-type: none"> • Female, Male and Elderly Support groups. • Skills training for PLWD. • Human trafficking sessions – 556 Youth reached. • OCC schools' event – 18 Schools and 472 Learners targeted. • Wellness for PLWD - 771 people reached. • Dissemination of information. • 20 000 Brochures were distributed. • Award ceremony – 100 People were reached. • Home Based Care programme – 3523 households were reached. <p>Treatment and Care</p> <ul style="list-style-type: none"> • ARV Care programme – 360 people received food parcels. • Clothing Bank – 150 people received clothing, toiletries and blankets. • Support group – 307 adults and OVC were reached.
Initiatives to increase awareness on substance abuse and high drug and alcohol related crimes	<ul style="list-style-type: none"> • Process of established LDAC. • Awareness sessions are ongoing.

Type of service	2017/2018
Special events hosted (World's Aids Day, World Arbour day, World Disability Day, Youth Day, 16 Days of activism against women abuse)	<ul style="list-style-type: none"> • World AIDS Day - 500. • Khomanani Day - 100. • World TB Day – 200. • OCC school events - 18 Schools and 472 learners reached. • 16 Days of Activism – 474 people reached. • International Day PLWD – 120. • World Elderly abuse day - 146 People. • Human Rights Day – 100 people reached. • Youth day + - 800 youth reached. • International Children's Day.
Mandela Day	<ul style="list-style-type: none"> • Painted 2 houses, one in Borchards and one in Touwsrante.

COMPONENT E:

ENVIRONMENTAL PROTECTION

This component includes: pollution control; biodiversity and landscape; and coastal protection.

3.19 ENVIRONMENTAL PROTECTION

3.19.1 Introduction to Environmental Protection

Coastal Management is currently a new concept in the country with which the Municipality must still engage with. Beaches are only cleaned in a reactive manner as and when needed. The Directorate Protection Services is then required to ensure discipline, but due to low capacity this cannot be done on a full-time basis. Visits are seasonal and weather permitting. The Garden Route District Municipality, in cooperation with the Provincial Government, is in a process of developing a Coastal Management Plan in terms of the Integrated Coastal Management Act. This Act also refers to a set of standard by-laws and possible Scheme Regulations. The Provincial Government has also appointed a service provider in terms of the Act to deal with the setback of lines.

Coastal Management will have an impact on various functions within the Municipality and there is currently no staff member dedicated to this responsibility.

Regarding biodiversity, the Provincial Government is also in process to finalise the Environmental Management Plan for the George area.

3.19.2 Highlights: Environmental Protection

Highlight	Description
Staff compliment	An Environmental Health Practitioner was appointed in September 2017.
Awareness and education	Full-time Project Coordinator and Educators doing programmes and schools, businesses and radio talks on protection on the environment by combating illegal dumping.

3.19.3 Challenges: Environmental Protection

Challenges	Description
Human resources	Vacant positions on the current organogram are a challenge. As a result, no proper Education and Awareness can be done in the municipal jurisdiction.
Illegal dumping	Illegal dumping in all wards is a great challenge.

3.19.4 Service Delivery Statistics: Environmental Protection

Performance indicators	2016/17	2017/18
Noise nuisance complaints	10	10
Air pollution complaints	13	15
Complaints regarding overgrown erven	215	168
Number of complaints received	274	223
Number of complaints resolved	99%	99%
Number of environmental sessions held	10	8
Issuing of business & entertainment licenses	30	19
Keeping of animal complaints	28	30

COMPONENT F:

SECURITY AND SAFETY

This component includes: Traffic, Fire, Disaster Management, Licensing and Control of Animals and Control of Public Nuisances, etc.

3.20 TRAFFIC AND LICENSING

The Municipal Council aims to ensure the safety of all residents and visitors in the municipal area through law enforcement. Currently, the Municipal Law Enforcement Officers work closely with the South African Police Services (SAPS) to combat crime, while the Traffic Law Enforcement Officers are also assisting those agencies. Integrated operations are held to prevent the increase of crime in this municipal area through proper planning. The willingness of the community to report crime assists the different law enforcement agencies in the fight against crime.

3.20.1 Introduction to Traffic and Licensing Services

Traffic and Licensing Services aim to provide a professional service to all road users and the community of George by promoting road safety and creating a safe road environment through effective management, education, protection and law enforcement.

3.20.2 Highlights: Traffic and Licensing Services

The table below specifies the highlights for the 2017/2018 financial year:

Highlight	Description
17 Trainee traffic officers sent for traffic officers training	All training to be finalised by December 2018.
Successful completion of major events (no incidents)	Major road race event - no incidents.
Opening of motor vehicle testing station	To be opened after being closed for several years.
Opening of both driver's license and motor vehicle registration sections on Saturdays	To enhance service delivery and respond to public demand.

3.20.3 Challenges: Traffic and Licensing Services

The table below specifies the challenges for the 2017/2018 financial year:

Challenges	Description
Number of patrol vehicles not enough	Demand to maintain traffic visibility is growing.
Number of traffic officers for a growing town	Needs to be addressed as a matter of urgency.
GIPTN routes and obstructions	Continuous education and assistance to the public to understand the system from a traffic perspective.
Illegal taxis and increase violent action against traffic officers	Continuous training and resources to be allocated to operational staff.

3.20.4 Service Statistics: Traffic and Licensing Services

The table below specifies the service delivery levels for the 2017/2018 financial year:

Service	2016/17	2017/18
Motor vehicle licenses processed	78 492	80 135
Learner driver licenses processed	5 048	5 276
Driver licenses processed	3 277	4 617
Driver licenses issued	1 202	1 753
Fines issued for traffic offenses	5 034	9 436
R-value of fines collected	R7 951 110	R10 227 200
Roadblocks held	228	1052
Complaints attended to by Traffic Officers	1 039	1001
Number of officers in the field on an average day	12	13
Number of officers on duty on an average day	12	16

3.20.5 Total Employees: Traffic Services and Law Enforcement Services

The following table indicates the staff composition for this Division:

Employees: Traffic Services				
	2017/2018			
Job Level	Posts No.	Employees No.	Vacancies (full-time equivalents) No.	Vacancies (as a % of total posts) %
1 - 3	5	4	1	20%
4 - 8	41	38	3	7%
9 - 13	44	40	4	9%
14 - 18	1	1	0	0
19 - 21	0	0	0	0
Total	91	83	8	8%
Employees and post numbers at 30 June 2018				

Employees: Law Enforcement				
	2017/2018			
Job Level	Posts No.	Employees No.	Vacancies (full-time equivalents) No.	Vacancies (as a % of total posts) %
1 - 3	10	9	1	10%
4 - 8	23	12	11	47%
9 - 13	28	25	3	10%
14 - 18	2	2	0	0
19 - 21	0	0	0	0
Total	63	48	15	23%
Employees and post numbers at 30 June 2018				

3.20.6 Capital Expenditure: Traffic Services and Law Enforcement Services

Capital Expenditure 2017/2018: Traffic Services and Law Enforcement Services			
Capital Projects	Original Budget	Amended Budget	Actuals Expenditure
OFFICE FURNITURE - LAND MANAGEMENT	0,00	40 000,00	34 489,00
UPGRADE VEHICLE REGISTRATION OFFICES	0,00	81 000,00	0,00
INSTALLATION OF CAMERA SYSTEM -VEH REG	70 000,00	70 000,00	0,00
FURNITURE - VEH REG	100 000,00	219 000,00	215 874,75
BATTERY PACK - VEH REG	4 500,00	14 500,00	9 247,50
PLAY DETECTOR - VEHICLE REG	25 000,00	0,00	0,00
FLOODLIGHTS - VEH REG	30 000,00	30 000,00	6 052,56
PUBLIC SEATING - VEHICLE REG	40 000,00	40 000,00	34 144,08
QUEUE MANAGEMENT SYSTEM	50 000,00	50 000,00	0,00
VACUUM CLEANER (INDUSTRIAL) - VEH REG	7 000,00	7 000,00	6 300,00
REPLACEMENT OF CARPETS WITH TILES - VEH REG	100 000,00	60 300,00	60 242,21
LAPTOPS (4) - VEH REG	50 000,00	40 000,00	37 273,71
VEHICLE WASH BAY - TRAFFIC	50 000,00	75 000,00	58 809,47
FENCING AT BACK OF TRAFFIC OFFICE	100 000,00	188 000,00	163 497,17
SAFETY EQUIPMENT	100 000,00	92 000,00	80 612,15
RADIOS - TRAFFIC	100 000,00	100 000,00	99 750,00
SECURITY CAMERAS - TRAFFIC OFFICES	100 000,00	100 000,00	0,00
TRAINING FACILITY: TRAFFIC	100 000,00	100 000,00	99 446,01
LAPTOPS - TRAFFIC	50 000,00	50 000,00	41 168,45
FURNITURE - TRAFFIC	50 000,00	65 000,00	63 888,09
PAVING AT TRAFFIC	100 000,00	100 000,00	140 432,69
FENCING AT DRIVERS LICENSES	50 000,00	0,00	0,00
ROAD SAFETY PORTABLE MAT	50 000,00	50 000,00	43 000,00
QUEUE MANAGEMENT SYSTEM - TRAFFIC	50 000,00	50 000,00	12 555,00
PUBLIC SEATING - TRAFFIC	30 000,00	30 000,00	29 579,42
LAZER PRINTERS - TRAFFIC	12 000,00	12 000,00	8 516,40
AIR CONDITIONING - TRAFFIC	50 000,00	50 000,00	41 916,50
FLOODLIGHTS - TRAFFIC	30 000,00	2 510,00	0,00
UPGRADING OF RADIO COMMUNICATION - TRAFFIC	50 000,00	50 000,00	47 180,00
OFFICE FURNITURE - LAW ENFORCEMENT	50 000,00	51 600,00	46 631,85
RADIOS - LAW ENFORCEMENT	80 000,00	80 000,00	70 096,00
SAFETY EQUIPMENT	70 000,00	70 000,00	0,00
CCTV: FURNITURE	30 000,00	10 400,00	10 340,00
CCTV: PC MONITORS (42 INCH)	40 000,00	40 000,00	38 580,00
CCTV: OPTIC FIBRE	400 000,00	400 000,00	347 826,09
CCTV: EXTENSION OF CAMERA SYSTEM	230 000,00	230 000,00	204 860,53
CCTV: ACCESS CONTROL UPGRADE GATE	5 000,00	5 000,00	0,00

Capital Expenditure 2017/2018: Traffic Services and Law Enforcement Services			
Capital Projects	Original Budget	Amended Budget	Actuals Expenditure
FIREARMS	50 000,00	50 000,00	0,00
LAPTOPS (x4) - LAW ENFORCEMENT	30 000,00	30 000,00	23 939,46
AIR CONS - LAW ENFORCEMENT	25 000,00	43 000,00	37 612,00
VEHICLE TESTING STATION UPGRADING	0,00	597 900,00	585 658,27
Total	2 558 500,00	3 374 210,00	2 699 519,36

3.21 FIRE SERVICES

3.21.1 Introduction to Fire Services

The function of this Section is to save lives and to protect property. Awareness campaigns in informal areas decreased the number of fires as well as the restructuring of shacks to ensure that fire fighting vehicles and fire fighters can reach those in need. Immediate relief is provided to victims of fires in the form of food parcels, blankets and emergency housing kits.

The Fire Services has identified the need to conduct more fire prevention inspections to make George a safer City and to effectively train all fire personnel to a minimum qualification of Fire Fighter 2.

3.21.2 Highlights: Fire Services

The table below specifies the highlight(s) for the 2017/2018 financial year:

Highlight	Description
Runaway fires during June/July	Lessons learnt during these disastrous fires.

3.21.2 Highlights: Fire Services

The table below specifies the highlight(s) for the 2017/2018 financial year:

Challenge(s)	Actions to overcome
Fire Prevention/Training	More fire fighters trained in fire prevention to adhere to fire safety by-laws, additional training to keep fire fighters up to date with new technology.

3.21.3 Service Statistics: Fire Services

The table below specifies the service delivery levels for the 2017/2018 financial year:

Details	2016/17	2017/18
Total fires attended in the year	1 110	1 653
Awareness Initiatives on Fire Safety	4 040	7 117
Average turnout time – urban areas	8 minutes	8 min
Average turnout time – rural areas	18 minutes	18 min

3.21.4 Capital Expenditure: Fire Services

Capital Expenditure 2017/2018: Fire Services			
Capital Projects	Original Budget	Amended Budget	Actuals Expenditure
BAKKIE - FIRE SERVICES	0,00	800 000,00	611 470,91
UPGRADE RADIO COMMUNICATION - UNIONDALE	40 000,00	40 000,00	38 650,00
FURNITURE & OFFICE EQUIPMENT - FS (KLEINKRANTZ)	45 000,00	0,00	2 717,54
UPGRADE LIFEGUARD TOWERS	120 000,00	120 000,00	100 490,00
CAR PORTS - FIRES (UNIONDALE)	150 000,00	325 990,00	83 375,68
TOYOTA LAND CRUISER	0,00	133 700,00	29 382,50
Total	355 000,00	1 419 690,00	866 086,63

COMPONENT G:

SPORT AND RECREATION

This component includes: community parks, sports fields, sports halls, stadiums, swimming pools and campsites.

3.22 HOLIDAY RESORTS AND CAMPSITES

3.22.1 Holiday Resorts and Campsites

The George Municipality is responsible for the management and maintenance of one holiday resort in the municipal area, which is Herolds Bay.

The main priority of the caravan park is for the guests to experience true hospitality and efficient client services. The resort is next to the beach, where the sheer natural beauty of the sea can be experienced. Braai facilities, water taps and refuse bins are positioned at regular intervals at the campsite. On arrival at the park, the necessary information including the rules and safety evacuation plan is provided. George manages four beaches; namely: Herolds Bay, Gwaiing, Victoria Bay and Leentjiesklip in Wilderness. Beaches east of the Touw River are managed by Sanparks.

3.23 SPORT AND RECREATION

3.23.1 Introduction to Sport and Recreation

The George Municipality is responsible for the management and maintenance of 14 sport grounds in the municipal area. It is the Municipality's goal to create a healthy lifestyle for all our residents, by offering a wide range of well-maintained and managed sport facilities.

The Sport Development Section aims to deliver sustainable and affordable sport services to contribute to the reconstruction and development of the George community.

3.23.2 Highlights: Sport and Recreation

The table below specifies the highlights for the 2017/2018 financial year:

Highlight	Description
Building a foundation in Sport Project	<ul style="list-style-type: none">• Aims to give pre-school children from the disadvantaged areas exposure to physical education.• Nine (9) Early Childhood Development Centres supported by George Municipality are targeted.• Activities include small motor neuron exercises, formal sports (cricket, rugby, netball) as well as indigenous games.
Southern Kings vs Munster Ireland (Pro 14 Rugby)	<ul style="list-style-type: none">• Round robin fixture as part of the Guinness Pro 14 Rugby Competition.• Local clubs formed part of the programme.• Included information sharing sessions with the sport clubs.
Infrastructure upgrading at three (3) Sports grounds: Thembaletu, Pacaltsdorp, Maraikamp	<ul style="list-style-type: none">• Included 2 additional playing surfaces, new tennis/netball lighting. Expansion on perimeter fencing.

3.23.3 Challenges: Sport and Recreation

The table below specifies the challenges for the 2017/2018 financial year:

Description	Actions to address
Insufficient funding	<ul style="list-style-type: none"> • Draw detailed project plans for set projects. • Partner with other sections where desired outcomes overlap. • Partner with other institutions.
Inadequate community participation	<ul style="list-style-type: none"> • Facilitate the establishment of Community Based Sport Committees. • Aim to help manage usage of facilities. • Help foster community ownership.
Vandalism	<ul style="list-style-type: none"> • Warm body security – budget permitting. • Regular Stakeholder engagement.

3.23.4 Service Statistics: Sport and Recreation

Type of service	2017/2018
Number of sports grounds/fields	14
Number of events hosted on fields	199
Number of swimming pools	2
Number of visitors at swimming pools	7252
Number of stadiums	3
Number of events hosted in stadiums (sport and entertainment)	102
Community parks	
Number of parks with play park equipment	55
Number of wards with community parks	22
Swimming pools	
Rand value collected from entrance fees	R19340.00
Sports fields/Sports Halls	
Number of wards with sport fields/sports halls	10
Rand value collected from utilisation of sports fields/sports halls	R28345.71
Number of sport associations utilising sports halls	25

3.23.5 Total Employees: Parks and Recreation

Employees: Parks & Recreation				
	2017/2018			
Job Level	Posts No.	Employees No.	Vacancies (full-time equivalents) No.	Vacancies (as a % of total posts)
1 - 3	26	16	10	38%
4 - 8	7	4	3	42%
9 - 13	4	2	2	50%
14 - 18	1	1	0	0
19 - 21	0	0	0	0
Total	38	23	15	39%
Employees and post numbers at 30 June 2018				

3.23.6 Capital Expenditure 2017/2018: Sport and Recreation

Capital Expenditure 2017/2018: Sport and Recreation			
Capital Projects	Original Budget	Amended Budget	Actuals Expenditure
THEMBALETHU: NEW SPORT FIELD LIGHTING	0,00	829 000,00	891 044,90
PACALTS DORP: NEW SPORT FIELD LIGHTING	0,00	638 695,00	647 908,86
THEMBALETHU UPGRADE SPORT FACILITIES	0,00	3 072 358,00	3 029 805,95
UPGRADE PARKDENE SPORT FACILITIES	0,00	459 821,00	420 825,20
UPGRADE BLANCO SPORT FACILITIES	0,00	95 626,00	69 018,17
UPGRADE SWIMMING POOL - UNIONDALE	50 000,00	50 000,00	43 465,64
DEVELOP & UPGRADE FACILITIES AT GWAING RIVER MOUTH	500 000,00	600 000,00	590 371,58
RIDE-ON LAWNMOWER	60 000,00	51 000,00	51 000,00
FENCE - LAWAAIKAMP SPORT GROUND	70 000,00	27 800,00	27 506,56
UPGRADING HOSPITALITY SUITES - OUTENIQUA PARK	200 000,00	200 000,00	184 544,10
MIG SPORT PROJECTS	5 095 500,00	0,00	0,00
FLOODLIGHTS AT PACALTS DORP SPORT GROUND	300 000,00	300 000,00	252 861,62
LAPTOPS (x2) - SPORT	25 000,00	19 000,00	18 636,84
AIR CONS - SPORT	15 000,00	16 000,00	14 668,43
UPGRADE ABLUTION FACILITY: DENNEOORD	70 000,00	70 000,00	54 722,55
BRUSHCUTTER - SPORT	7 000,00	5 000,00	4 999,12
ELECTRIC DRILL (x2) - SPORT	7 000,00	14 000,00	11 508,52
LADDER - SPORT	4 000,00	4 000,00	2 648,24
GRINDER - SPORT	5 000,00	6 500,00	2 334,49
TOOLS - SPORT	4 000,00	38 200,00	1 822,84
LAPTOP - SPORT	12 500,00	11 000,00	9 318,43
OFFICE FURNITURE - SPORT	20 000,00	55 000,00	43 551,06
GENERATOR - SPORT	7 000,00	0,00	0,00
WELDER - SPORT	5 000,00	0,00	0,00
TRAILER x2 - SPORT	50 000,00	49 000,00	36 420,34
UPGRADE TENNIS & NETBALL COURTS	200 000,00	400 000,00	368 867,78
FLOOD LIGHTS - GEORGE SPORT CLUB	0,00	134 300,00	124 476,00
Total	6 707 000,00	7 146 300,00	6 902 327,22

COMPONENT H:

CORPORATE POLICY OFFICES AND OTHER SERVICES

This component includes: corporate policy offices, financial services, human resource services, ICT services, property services.

3.24 OFFICE OF THE MUNICIPAL MANAGER

The Office of the Municipal Manager includes the following functions:

- Communications
- Risk and Internal Audit
- Legal Services

3.24.1 Highlights: Office of the Municipal Manager

The table below specifies the highlights for the 2017/2018 financial year:

Highlight	Description
Clean audit received for the 2016/2017 Financial year.	Receiving an unqualified audit outcome.
Appointed a "new" Audit and Performance Audit Committee.	Four new members were appointed to the audit Committee during 2017/2018.
Municipal Court	The Municipal Court was initiated during the previous financial year and is proving its worth, not only from a financial point of view, but also from a law enforcement point of view.
Successful use of Social Media for Online Communication Campaigns	Ongoing online communication campaigns include information relating to illegal dumping, recycling, using the Municipal App, Water Security and Shothole Borer Beetle. Increasing targeted information has led to an increase in subscribers to the various social media channels.
Municipal App functionality improved	As of February 2018, subscribers can access their Services Account figures via the George Municipal App. Sustained marketing campaign has led to subscriber numbers doubling over a 6-month period.
Commissioned Corporate Identity Manual for George Municipality	In progress and will be implemented with a phased approach. Required to ensure consistent branding used throughout the organisation.

3.24.2 Challenges: Office of the Municipal Manager

The table below indicates the challenges for the 2017/2018 financial year:

Challenges	Action to address
Establishment of a fully capacitated Risk Management Section.	Approval of job descriptions and the appointment of a Chief Risk Officer.
Additional capacity to undertake a comprehensive Leave Audit.	Leave audit to be conducted in 2018/2019.
Serving of Warrants of arrest.	Dedicated officials must be appointed to serve warrants of arrest issued by the Municipal Court. The Traffic Section is paying specific attention to this important matter.
Staff capacity in the Communication Unit	George Municipality services a growing area. Communications makes use of online technology for continual growth of the citizen base it communicates with, however additional skilled staff capacity is required to enable future growth.

3.24.3 Total Employees: Executive and Council

Employees: Executive and Council				
	2017/2018			
Job Level	Posts No.	Employees No.	Vacancies (full-time equivalents) No.	Vacancies (as a % of total posts) %
1 - 3	0	0	0	0
4 - 8	1	1	0	0
9 - 13	6	6	0	0
14 - 18	0	0	0	0
19 - 21	0	0	0	0
P.T. I	53	53	0	0
MM & Directors	9	6	3	33%
Total	69	66	3	4%

Employees and post numbers at 30 June 2018

3.24.4 Capital Expenditure 2017/2018: Office of the Municipal Manager

Capital Expenditure 2017/2018: Office of the Municipal Manager			
Capital Projects	Original Budget	Amended Budget	Actuals Expenditure
FURNITURE & FITTINGS - MAYOR	111 000,00	111 000,00	65 800,14
MICROWAVE - 3rd FLOOR	1 500,00	1 500,00	0,00
FURNITURE & FITTINGS - INTERNAL AUDIT	156 000,00	36 000,00	1 299,00
PURCHASE OF BUILDING FOR OFFICE SPACE	10 000 000,00	10 000 000,00	0,00
LAPTOPS & PCs - MM	60 000,00	49 000,00	48 734,69
OFFICE FURNITURE - PUBLIC TRANSPORT OFFICE	15 000,00	0,00	0,00
OFFICE EQUIPMENT - PUBLIC TRANSPORT OFFICE	100 000,00	0,00	0,00
CAMERA - COMMUNICATION UNIT	10 000,00	10 300,00	10 279,00
REVAMP RECEPTION AREA - MM	150 000,00	230 000,00	191 921,24
Total	10 603 500,00	10 437 800,00	318 034,07

3.25 ADMINISTRATION (Committee Services, Records Management and Telecommunications)

Administration (Committee Services, Records Management and Telecommunication) aims to provide effective records management and telecommunication throughout the entire Municipality and to ensure adherence to all relevant legislation coupled to the function.

3.25.1 Highlights: Administration (Committee Services)

The table below provides the highlight(s) for the 2017/2018 financial year:

Highlight	Description
All (3) three Key Performance Indicators of the relevant Section were met despite severe pressure from Council's programme	Committee Services performed well and went the extra mile in carrying out their duties despite the fact the Council's programme put a lot of pressure on this Section. An additional increase of pressure was experienced due to numerous requests for special committee meetings.

3.25.2 Challenges: Administration

The table below provides the challenge(s) for the 2017/2018 financial year:

Challenges	Action to address
Printing of hard copies for all meetings of Council	<ul style="list-style-type: none"> In the process of implementing the Collaborator System that will enable the electronic distribution of agendas via such a system. Agendas are also distributed by means of One Drive whereby a link is emailed to all Councillors where they can download the relevant agenda, but not all the Councillors make use of the said method.

3.25.3 Capital Expenditure: Administration

Capital Expenditure 2017/2018: Administration			
Capital Projects	Original Budget	Amended Budget	Actuals Expenditure
VACUUM CLEANERS - CORP ADMIN	20 000,00	20 000,00	18 692,33
FURNITURE & FITTINGS - CORP ADMIN	50 000,00	104 100,00	88 859,31
COMPUTER HARDWARE - CORP ADMIN	50 000,00	0,00	0,00
BULK FILERS FOR CENTRAL REGISTRY - CORP ADMIN	30 000,00	30 000,00	14 483,06
FILING UNITS FOR BUILDING PLANS - CORP ADMIN	50 000,00	44 700,00	27 853,12
MOBILE SHELVING - PLANNING	50 000,00	55 300,00	55 264,84
URNS - CORP ADMIN	5 000,00	5 000,00	4 010,12
FIRE DETECTION SYSTEM: OLD CIVIC BUILDING	50 000,00	210 000,00	0,00
UPGRADE MAIN SERVER ROOM: CIVIC	50 000,00	10 000,00	0,00
UPGRADE CCTV: MAIN BUILDING	100 000,00	100 000,00	11 020,85
3X ROAMING PA SYSTEMS	20 000,00	17 090,00	17 088,04
3X PROJECTORS & SCREENS	10 000,00	7 860,00	7 856,92
COMPUTERS - COMS ADMIN	20 000,00	20 000,00	9 427,13
FURNITURE & OFFICE EQUIPMENT - COMS ADMIN	20 000,00	25 000,00	19 856,72
EXTENSION OF RECEPTION AREA - COMS ADMIN	200 000,00	350 000,00	9 890,35
TABLET - DIRECTOR	5 000,00	0,00	0,00
FURNITURE & FITTINGS - CIVIL ADMIN	70 000,00	70 000,00	51 224,05
ISDG EQUIPMENT - CIVIL	300 000,00	100 000,00	97 480,00
Total	1 100 000,00	1 169 050,00	433 006,84

3.26 FINANCIAL SERVICES

3.26.1 Introduction to Financial Services

During the current financial year, Council accepted and reviewed the Long-Term Financial Plan and all budget related policies. The Long-Term Financial Plan of the Municipality does not only highlight some of the material, financial and other issues identified, but makes very specific proposals and recommendations regarding the future financial management. Additional capacity for the establishment of the procurement of all goods < R30 000 was obtained. The mSCOA project version 5.4 was early adopted and was implemented on 1 July 2016 and transactions were successfully done during 2016/17.

Version 6.1 was adopted on 1 July 2017 and the 2018/19 budget was done on version 6.2.

3.26.2 Total Employees: Financial Services

Employees: Finance				
2017/2018				
Job Level	Posts No.	Employees No.	Vacancies (full-time equivalents) No.	Vacancies (as a % of total posts) %
1 - 3	0	0	0	0
4 - 8	81	66	15	18%
9 - 13	54	49	5	9%
14 - 18	8	7	1	12%
19 - 21	3	2	1	33%
Total	146	124	22	15%

Employees and post numbers at 30 June 2018

3.26.3 Capital Expenditure 2017/2018: Financial Services

Capital Expenditure 2017/2018: Financial Services			
Capital Projects	Original Budget	Amended Budget	Actuals Expenditure
2 CALCULATORS - WATER & ELECTRICITY SECTION	2 000,00	2 000,00	1 372,45
GLASS SEPARATOR - CLIENT SERVICES	55 000,00	37 800,00	31 845,46
FURNITURE - CLIENT SERVICES	15 000,00	9 000,00	9 839,01
4-SEAT CHAIRS FOR CLIENTS - CLIENT SERVICES	5 000,00	5 000,00	3 380,47
CHAIRS FOR CLIENTS AT CHIEF CLERKS - CLIENT SERVICES	17 900,00	17 900,00	14 810,82
8 RECEIPTS PRINTERS - CLIENT SERVICES	12 000,00	15 500,00	13 703,28
SAFETY GATES AT HOEKWIL POST OFFICE - CLIENT SERVICES	8 000,00	12 000,00	11 999,37
LOCKER AT CASHIERS - CLIENT SERVICES	3 000,00	3 000,00	2 636,83
MICROWAVE HOEKWIL - CLIENT SERVICES	1 500,00	1 500,00	1 075,93
SAFETY TROLLEY FOR CASH - CLIENT SERVICES	3 000,00	830,00	823,78
NOTE COUNTER - CLIENT SERVICES	12 000,00	26 170,00	25 738,71
5 CALCULATORS - CLIENT SERVICES	5 000,00	8 200,00	7 776,69
BLINDS - CLIENT SERVICES	15 000,00	15 000,00	13 966,01
9 CHAIRS - RATES SECTION	18 000,00	16 000,00	15 459,21
2 CALCULATORS - RATES SECTION	2 000,00	2 000,00	1 372,46
DESK AND CHAIRS - INCOME SECTION	8 000,00	5 500,00	4 976,79
SHREDDER - INCOME SECTION	3 500,00	8 500,00	7 415,90
SCREEN X8 (DESKTOP BIG)	24 000,00	0,00	0,00
DESKTOP X3 - SALARY	25 000,00	19 200,00	19 151,22
CALCULATORS X5 - CREDITORS & SALARIES	7 500,00	2 100,00	2 058,68
CHAIRS X5 - SALARIES	6 500,00	23 470,00	21 000,33
UPGRADING OF TOILETS AT FINANCE AND STORES	50 000,00	45 000,00	42 071,74
Total	298 900,00	275 670,00	252 475,14

3.27 HUMAN RESOURCE SERVICES

3.27.1 Introduction to Human Resource Services

The Human Resources Section is responsible for ensuring the organisation's most valuable assets and its employees are taken care of.

Enhanced staff performance is fundamentally part of the Municipality's primary service delivery objectives. The Municipality continually strives to promote a culture of good governance and an environment where the needs of employees can be addressed in a manner that is conducive for persistent advancement of the interests of local communities.

The Human Resources functions include, but are not limited to, administration of employee benefits, recruitment and selection of competent staff, organisational efficiency improvement, employment equity, training and development of staff, sound labour relations, occupational health and safety and general support services to enhance staff capacity in the process of realising organisational strategic objectives of service delivery to the community.

3.27.2 Highlight: Human Resource Services

Highlights	Description
Successful enrollment and pass rate for Municipal Governance, Public Accountability Diploma and Occupational Directed Education Training and Development Practices	Internal employees attended the Training with training interventions for about 233 in line with the WSP.
Wellness Day for employees	Wellness Day for employees was successfully held during 17 April 2018, in conjunction with the special Women's Day.
Process for implementation of individual performance management system	Internal Training was given to employees within Human Resources in order to build in-house capacity for the implementation of individual performance management system which is currently in process.

3.27.3 Challenges: Human Resource Services

Challenges	Action to address
Electronic Time and Attendance/Overtime System	The procurement of an integrated electronic time and attendance system/overtime system in order to enhance the management of time/attendance/overtime and leave.
Integrated Human Resource System	Procurement of an electronic integrated Human Resources System which caters for all Human Resources functions, linked to other relevant systems.
Vacancy rate in line with Organisational Structure	Provision to be made in the budget for the filling of vacancies, in line with the long-term Financial Plan.

3.27.4 Total Employees: Human Resource Services

Employees: Human Resource Services				
	2017/2018			
Job Level	Posts No.	Employees No.	Vacancies (full-time equivalents) No.	Vacancies (as a % of total posts) %
1 - 3	1	1	0	0
4 - 8	5	5	0	0
9 - 13	15	15	0	0
14 - 18	6	6	0	0
19 - 21	0	0	0	0
P.T.I	2	2	0	0
Total	29	29	0	0

P.T.I – personal to incumbent
Employees and post numbers at 30 June 2018

3.28 LEGAL SERVICES

3.28.1 Introduction to Legal Services

Legal Services resorts administratively under the Office of the Municipal Manager. During the applicable period the municipal court became fully operational.

3.28.2 Service Statistics: Legal Services

CASES	STATUS/OUTCOME/PROCESS
Reigate vs. George Municipality (Arbitration)	Arbitration proceedings in terms of the Service Level Agreement. If an order is obtained against the Municipality, the possible claim amount will be approximately R1 500 000.
Greyling vs. George Link and George Municipality	Claim amount is R752 000.00. This is a claim for an injury that Mr Greyling allegedly sustained when he fell off a bus at a bus stop. His claim is against George Link as the first respondent, but George Link made exception, as the Operator Agreement determines that the Municipality is responsible for third party claims. The claim was referred to the insurers.
George Municipality vs. Southern Cape Brick	This is an application against Southern Cape Brick for illegal mining operations at Thembaletu. The possible legal costs, if the claim is not successful, can amount to approximately R1 000 000.00
J Barnard vs. George Municipality	This case is closed, and Ms Barnard was paid by the insurance company
Expropriation - Part 4 of Farm Sandkraal No. 197	During arbitration, Advocate Breytenbach decided that the Municipality should pay the amount for expropriation, as well as legal costs
Ms N Landu, on behalf of a minor, vs. George Municipality	This is a claim of R2 307 000.00 for injuries sustained. This matter was referred to the Municipality's insurers
ACME Tool Hire vs. George Municipality	This is a claim for the loss of equipment and amount to R528 437.88. Summons was issued. This case was handed over to Goussard Attorneys

3.28.3 Service Statistics: Legal Services

Capital Expenditure 2017/2018: Legal Services			
Capital Projects	Original Budget	Amended Budget	Actuals Expenditure
OFFICE SPACE - LEGAL SERVICES	0,00	28 000,00	25 000,00
FURNITURE & FITTINGS - LEGAL SERVICES	110 000,00	175 800,00	119 752,05
FURNITURE & FITTINGS - LEGAL SERVICES	0,00	0,00	0,00
LAPTOPS - LEGAL SERVICES	48 000,00	38 400,00	38 302,41
Total	158 000,00	242 200,00	183 054,46

COMPONENT I:

ORGANISATIONAL PERFORMANCE SCORECARD

This component includes: Annual Performance Scorecard Report for the 2018/2019.

3.29 Development and Service Delivery Priorities for 2018/2019

The main development and service delivery priorities for 2018/2019 are captured in the Municipality's Top Layer SDBIP and are shown in the table below:

3.29.1 Affordable Quality Services

Ref	Pre-determined Objectives	KPI	Unit of Measurement	Wards	Annual Target
TL1	To provide world class water services in George to promote development and fulfil basic needs	Limit water network losses to 25% or less by 30 June 2019	% water network losses by 30 June 2019	All	25%
TL2	To provide world class water services in George to promote development and fulfil basic needs	95% spent by 30 June 2019 of the budget amount for the construction of the Garden Route Dam wall and spillway raising {(Actual expenditure divided by the total approved budget) x 100}	% of approved budget spend at 30 June 2019	All	95%
TL10	To provide and maintain safe and sustainable sanitation management and infrastructure	90% compliance to general standards regarding wastewater outflow by 30 June 2019	% compliance to general standards by 30 June 2019	All	90%
TL11	To provide world class water services in George to promote development and fulfil basic needs	95% water quality level obtained as per SANS 241 physical and micro parameters by 30 June 2019	% water quality level by 30 June 2019	All	95%
TL12	To explore and implement measures to preserve resources and ensure sustainable development	Limit electricity losses to less than 10% by 30 June 2019 (Number of Electricity Units Purchased and/or Generated - Number of Electricity Units Sold) / Number of Electricity Units Purchased and/or Generated) x 100	% electricity losses by 30 June 2019	All	10%

Ref	Pre-determined Objectives	KPI	Unit of Measurement	Wards	Annual Target
TL13	To provide sufficient electricity for basic needs	85% of the electricity capital budget spent by 30 June 2019 {(Actual capital expenditure divided by the total approved capital budget) x100}	% of the capital budget spent by 30 June 2019	All	85%
TL14	To accelerate delivery in addressing housing	Construct 53 top structures in Extension 42 & 58 Thembaletu by 30 June 2019	53 Top structures constructed by 30 June 2019	9; 10; 11; 12; 13; 15; 21	53
TL15	To accelerate delivery in addressing housing	Construct 251 top structures within the Thembaletu UISP project by 30 June 2019	251 Top structures constructed by 30 June 2019	9; 10; 11; 12; 13; 15; 21	251
TL16	To accelerate delivery in addressing housing	Review the Human Settlement Master Plan and submit to the Portfolio Committee by 30 June 2019	Reviewed Human Settlement Master Plan submitted to the Portfolio Committee by 30 June 2019	All	1
TL31	To revitalise the current community facilities increasing the access to services for the public	Upgrade the Pacaltsdorp, Blanco and Thembaletu libraries by 30 June 2019	Number of libraries upgraded by 30 June 2019	1; 15; 16	3
TL35	To provide world class water services in George to promote development and fulfil basic needs	Number of formal residential properties that receive piped water (credit and prepaid water) connected to the municipal water infrastructure network were billed for the service as at 30 June 2019	Number of residential properties which are billed for water or have pre-paid meters as at 30 June 2019	All	34,300
TL36	To provide enough electricity for basic needs	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	43,000
TL37	To provide and maintain safe and sustainable sanitation management and infrastructure	Number of formal residential properties connected to the municipal wastewater 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 as at 30 June 2019	All	37,500

Ref	Pre-determined Objectives	KPI	Unit of Measurement	Wards	Annual Target
TL38	To provide integrated waste management services for the entire municipal area	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 as at 30 June 2019	All	37,500
TL39	To provide world class water services in George to promote development and fulfil basic needs	Provide free basic water to indigent households	Number of indigent households receiving free basic water as at 30 June 2019	All	15,500
TL40	To provide enough electricity for basic needs	Provide free basic electricity to indigent households	Number of indigent households receiving free basic electricity as at 30 June 2019	All	19,500
TL41	To provide and maintain safe and sustainable sanitation management and infrastructure	Provide free basic sanitation to indigent households	Number of indigent households receiving free basic sanitation as at 30 June 2019	All	15,000
TL42	To provide an effective and efficient law-enforcement and emergency services to all the communities of George in our quest to protect and promote the fundamental rights of life	Provide free basic refuse removal to indigent households	Number of indigent households receiving free basic refuse removal as at 30 June 2019	All	15,000
TL46	To manage the municipal finances according to the Municipal Management Act in an effective and efficient manner	The percentage of the municipal capital budget spent on capital projects by 30 June 2019 {(Actual amount spent on projects/ Total amount budgeted for capital projects) X100} as at 30 June 2018	% of capital budget spent by 30 June 2019	All	85%

3.29.2 Develop and Grow George

Ref	Pre-determined Objectives	KPI	Unit of Measurement	Wards	Annual Target
TL20	To ensure that Spatial Development Framework encourages sustainable development	Review the Spatial Development Framework (SDF) and submit to Council by 31 May 2019	Reviewed SDF submitted to Council by 31 May 2019	All	1
TL21	To maximise job creation opportunities through government expenditure	Create Full-Time Equivalents (FTE's) through government expenditure with EPWP by 30 June 2019	Number of FTE's created by 30 June 2019	All	500

3.29.3 Good Governance and Human Capital

Ref	Pre-determined Objectives	KPI	Unit of Measurement	Wards	Annual Target
TL22	To undertake regular human resource audits to determine skills gaps, staff diversity and develop skills programmes	The percentage of a Municipality's personnel budget spent on implementing its workplace skills plan by 30 June 2019 {(Actual total training expenditure divided by total personnel budget) x100}	% of Municipality's personnel budget spent on implementing its workplace skills plan as at 30 June 2019	All	0.50%
TL23	To undertake regular human resource audits to determine skills gaps, staff diversity and develop skills programmes	Submit the Workplace Skills Plan to the LGSETA by 30 April 2019	Workplace Skills Plan submitted to the LGSETA by 30 April 2019	All	1
TL24	To realign the organisational structure to be more responsive to community needs, more service and efficiency orientated and to fulfil goals identified in the 5-year plan	The number of people from employment equity target groups employed (newly appointed) in the three highest levels of management in compliance with the Municipality's approved Employment Equity Plan by 30 June 2019	Number of people employed (newly appointed)	All	1
TL25	To evaluate the effectiveness of risk management, control and governance processes and develop actions to address key risks identified	Review the 3-year Internal Audit Plan based on the risk assessment and submit to Audit Committee by 30 September 2018	RBAP (Risk Based Audit Plan) submitted to Audit Committee by 30 September 2018	All	1

Ref	Pre-determined Objectives	KPI	Unit of Measurement	Wards	Annual Target
TL26	To conduct a full audit of operations, processes, duties and service delivery standards of departments to address risk areas and promote effectiveness	Execution of Internal Plan and issuing of Internal Audit Reports based on Internal Audit Plan by 30 June 2019 ((Actual hours completed/ Planned hours to be completed) x100)	% of target hours completed by 30 June 2019 ((Actual hours completed/ Planned hours to be completed) x100)	All	100%
TL43	To develop mechanisms to ensure viable financial management and control	Financial viability measured in terms of the Municipality's ability to meet its service debt obligations as at 30 June 2019 (Short Term Borrowing + Bank Overdraft + Short Term Lease + Long Term Borrowing + Long Term Lease) / Total Operating Revenue - Operating Conditional Grant)	% Debt to Revenue as at 30 June 2019	All	45%
TL44	To maintain effective credit control in the Municipality and enhance and maximise revenue base through improved collection rate	Financial viability measured in terms of the outstanding service debtors as at 30 June 2019 (Total outstanding service debtors/ revenue received for services)	% Service debtors to revenue as at 30 June 2019	All	15.60%
TL45	To manage the municipal finances according to the Municipal Management Act in an effective and efficient manner	Financial viability measured in terms of the available cash to cover fixed operating expenditure as at 30 June 2019 ((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 as at 30 June 2019	All	2
TL47	To manage the municipal finances according to the Municipal Management Act in an effective and efficient manner	Achieve a payment percentage of 95% by 30 June 2019 {(Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance + Bad Debts Written Off)/Billed Revenue x 100}	Payment % as at 30 June 2019	All	95%

Ref	Pre-determined Objectives	KPI	Unit of Measurement	Wards	Annual Target
TL48	To develop mechanisms to ensure viable financial management and control	Review the Long-Term Financial Plan and submit to Council by 31 March 2019	Reviewed Long Term Financial Plan submitted to Council by 31 March 2019	All	1
TL49	To develop mechanisms to ensure viable financial management and control	Maintain an unqualified audit opinion for the 2017/2018 financial year	Unqualified audit opinion achieved for the 2017/2018 financial year	All	1

3.29.4 Participative Partnerships

Ref	Pre-determined Objectives	KPI	Unit of Measurement	Wards	Annual Target
TL17	To undertake strategic planning in order to address service delivery challenges in coordinated manner	Submit the IDP/budget time schedule to Council by 31 August 2018	Time schedule submitted to Council	All	1
TL18	To undertake strategic planning in order to address service delivery challenges in coordinated manner	Submit the draft IDP to Council by 31 March 2019 to ensure compliance with legislation	Draft IDP submitted to Council	All	1
TL19	To undertake strategic planning in order to address service delivery challenges in coordinated manner	Submit the IDP to Council by 31 May 2019 to ensure compliance with legislation	IDP submitted to Council	All	1

3.29.5 Safe, Clean and Green

Ref	Pre-determined Objectives	KPI	Unit of Measurement	Wards	Annual Target
TL27	To provide integrated waste management services for the entire municipal area	Appoint consultant to design and call for Environmental Impact Assessment (EIA) for the construction of a refuse transfer station in Uniondale by 30 June 2019	Consultant appointed by 30 June 2019	25	1
TL28	To provide integrated waste management services for the entire municipal area	Appoint consulting engineer and call for tenders for the upgrading of the solid waste transfer station in George by 30 June 2019	Consulting Engineer appointed by 30 June 2019	23	1
TL29	To provide integrated waste management services for the entire municipal area	Spend 95% of the approved project budget for the rehabilitation of the George landfill site by 30 June 2019	% of budget spend	23	95%
TL30	To ensure infrastructure planning and development keeps pace with growing City needs by aligning all strategic documents and efforts	Appoint Consulting Engineer and call for tenders for the composting plant in George by 30 June 2019	Consulting Engineer appointed by 30 June 2019	23	1
TL32	To provide an effective and efficient law enforcement and emergency services to all the communities of George in our quest to protect and promote the fundamental rights of life	Draft an Integrated Safety Plan and submit to the Portfolio Committee by 30 June 2019	Integrated Safety Plan drafted and submitted to the Portfolio Committee by 30 June 2019	All	1
TL33	To provide an effective and efficient law enforcement and emergency services to all the communities of George in our quest to protect and promote the fundamental rights of life	Draft a By-Law Strategy and submit to the Portfolio Committee by 30 June 2019	By-Law Strategy drafted and submitted to the Portfolio Committee by 30 June 2019	All	1
TL34	To implement an Integrated Public Transport Network that will serve the communities of George	Report to the GIPTN Committee on the implementation of the Roll-Out Programme of Phase 4 A&B of the GIPTN	Number of reports submitted to the GIPTN Committee	All	4



CHAPTER 4

ORGANISATIONAL DEVELOPMENT
PERFORMANCE (PERFORMANCE REPORT PART II)

NATIONAL KEY PERFORMANCE INDICATORS: MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

The table below indicates the key performance indicators linked to the National Key Performance Area: Municipal Transformation and Organisational Development.

Indicator	2016/2017	2017/2018
The number of people from employment equity target groups employed in the three highest levels of management in compliance with a Municipality's approved employment equity plan	1	4
The percentage of a Municipality's budget spent on implementing its workplace skills plan	15%	0.51%

COMPONENT A:

INTRODUCTION TO THE MUNICIPAL PERSONNEL

4.1 EMPLOYEE TOTAL, TURNOVER AND VACANCIES

The George Municipality currently employs 1 253 officials, who individually and collectively contribute towards 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.

4.1.1 Employment Equity Targets and Actual

Section 15 (1) of the Employment Equity Act (1998) 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, which levels the workforce of a designated employer.

Black			Coloured			Indian			White		
Target June	Actual June	% of Target reach	Target June	Actual June	% of Target reach	Target June	Actual June	% of Target reach	Target June	Actual June	% of Target reach
490	375	77%	694	748	107%	28	2	10%	231	128	55%

Male			Female		
Target June	Actual June	% of Target reach	Target June	Actual June	% of Target reach
705	773	109%	738	480	65%

4.1.2 Occupational Categories: Race

Below is a table that indicates the number of employees by race within the specific occupational categories:

Posts filled									
Occupational	Male				Female				Total
Categories	A	C	I	W	A	C	I	W	
Legislators, senior officials and managers	6	21	0	13	10	5	0	4	59
Professionals	0	0	0	3	0	0	0	1	4
Technicians and associate professionals	3	28	1	16	1	10	1	10	70
Clerks	22	67	0	21	15	48	0	17	190
Service and sales workers	31	47	0	19	17	33	0	11	158
Craft and related trade workers	0	0	0	0	0	0	0	0	0
Plant and machine operators and assemblers	166	243	0	16	69	164	0	12	670
Elementary occupations	28	61	0	0	30	36	0	0	155
Total	256	467	1	88	142	296	1	55	1 306
Councillors included									

4.1.3 Occupational Levels: Race

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

Occupational Levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top Management	0	5	0	1	0	0	0	0	6
Senior management	0	0	0	3	0	0	0	1	4
Professionally qualified and experienced specialists and mid-management	3	28	0	16	1	10	0	10	68
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	50	117	1	35	28	84	1	34	350
Semi-skilled and discretionary decision making	166	243	0	16	69	163	1	12	670
Unskilled and defined decision making	28	61	0	0	30	36	0	0	155
Total permanent	247	454	1	71	128	294	2	57	1 253
Non- permanent employees	34	29	0	1	15	23	1	1	104
Grand total	281	483	1	72	143	317	3	58	1 358

4.1.4 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	3	3	0	3	0	11	0	5	25
Financial Services	9	33	0	10	12	42	0	21	127
Human Settlements	13	19	0	1	2	12	0	1	48
Planning and Development	2	14	0	5	6	14	0	6	47
Corporate Services	17	34	0	1	27	51	0	3	133
Community Services	64	77	0	8	24	46	0	3	222
Protection Services	22	64	0	12	24	57	1	11	191
Electro Technical Services	27	48	1	21	16	16	1	4	134
Civil Engineering Services	90	162	0	10	17	44	0	3	326
Total permanent	247	454	1	71	128	293	2	57	1 253
Non- permanent	34	29	0	1	15	23	1	1	104
Grand total	281	483	1	72	143	317	3	58	1 358

4.1.5 Vacancy Rate

The approved organogram for the Municipality had 2 757 posts for the 2017/2018 financial year. The actual positions filled are indicated in the tables below by post level and by functional level. 1 504 Posts were vacant at the end of 2017/2018, resulting in a vacancy rate of 55%

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

Post level	Per Post Level Filled	Vacant
Top Management	6	3
Senior Management	4	3
Middle management	68	66
Skilled	350	355
Semi-Skilled	670	821
Unskilled	155	256
Total	1 253	1 504
Functional area	Per Functional Level Filled	Vacant
Office of the Municipal Manager	25	54
Financial Services	127	71
Corporate Services	133	41
Human Settlements	48	139
Planning and Development	47	79
Community Services	222	361
Protection Services	191	289
Electro-Technical Services	134	147
Civil Engineering Services	326	323
Total	1 253	1 504

4.1.6 Turn-over Rate

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

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

Financial year	Total no. of appointments at the end of each Financial Year	New appointments	No. of Terminations during the year	Turn-over Rate
2016/17	986	46	42	4.26%
2017/18	1 253	282	50	4.47%

COMPONENT B:

MANAGING THE MUNICIPAL WORKFORCE

4.2 MANAGING THE MUNICIPAL WORKFORCE

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

4.2.1 Human Resources Policies and Plans

Policies and plans provide guidance for fair and equitable staff treatment and a consistent approach to staff management.

Approved policies	
Name of policy	Date approved/ revised
Acting Policy, Latest provisions of Conditions of Service incorporated into new draft and sent to management for further instruction (June 2017)	29 November 2017
Overtime Policy (Last changes made Feb 2017 but during workshop held on 23 April 2018 more changes requested.)	28 November 2012
Placement Policy	28 November 2012
Succession and Career Path Policy	28 November 2012
Training and Development Policy	27 September 2017
Scarce Skills and Staff Retention Policy (Latest amendments sent for comments on 18 April 2016)	March 2008
Organisational Performance Management Framework	12 February 2018
Experiential Training Policy	28 November 2012
Personal Protective Equipment Policy	28 November 2012
Recruitment and Selection Policy (Latest changes to be added by R&S section for workshop with Council)	2014
Bursary policy (Income threshold increased)	31 January 2018
Private Work Policy	19 June 2013
Smoking Policy	19 September 2007
Disability and Gender Policy	23 September 2008
HIV/AIDS Policy (Last drafted October 2016)	2008
EAP Policy (Last drafted September 2015)	2008
Fleet Management Policy	Policy currently resorts under Electro-Technical Services but last amended by HR in 2012
Occupational Health and Safety Policy (Last draft was sent to OHS section for further input in December 2016)	05 July 2007
Travel and Subsistence Policy (Last approved policy drafted by Department Finances)	Policy resorts under Finances
Relocation Policy (New policy: Drafted 14 February 2017)	Not submitted for approval
Bouquet Policy (New policy: Drafted March 2016)	Changes to be made to policy suggested to author
Leave Policy	(New policy: in process)
Policy on the payment of professional licenses (Draft finalized on 14 July 2017: sent to management for input)	Item requested by Council on the financial implication of approval of policy: item submitted 29 May 2018 to serve on HR Committee
TASK Job Evaluation Policy	29 November 2017

The Human Resources Department submits policies to the Local Labour Forum, for review purposes.

4.2.2 Injuries

An occupational injury is a personal injury, which can also include a 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 impact financial and productivity performance.

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

Directorates	2016/2017	2017/2018
Office of the Municipal Manager	2	7
Financial Services	7	4
Corporate Services	16	21
Human Settlements	19	12
Planning & Development		1
Community Services	76	82
Protection Services		26
Electro-Technical Services	9	19
Civil Engineering Services	86	55
Total	215	227

4.2.3 Sick Leave

The number of sick leave days taken by employees' affects service delivery and has cost implications. The monitoring of sick leave identifies certain patterns or trends. Once these patterns are identified, corrective action can be taken.

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

Department	2016/2017	2017/2018
Office of the Municipal Manager	184	407
Financial Services	1 378	1 227
Corporate Services	705	1 435
Human Settlements	817	123
Planning and Development	-	178
Community Services	2 635	2 173
Protection Services	-	607
Electro-Technical Services	1 294	986
Civil Engineering Services	2 179	2 638
Total	9 192	9774

COMPONENT C:

CAPACITATING THE MUNICIPAL WORKFORCE

4.3 CAPACITATING THE MUNICIPAL WORKFORCE

Section 68(1) of the MSA, states that the 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).

4.3.1 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	Number of employees that received training
Legislators	Female	19	18
	Male	34	33
MM and Directors	Female	0	0
	Male	0	0
Professionals	Female	11	17
	Male	10	16
Technicians	Female	2	0
	Male	3	4
Community and personal service workers	Female	29	24
	Male	31	38
Clerical and administrative workers	Female	72	55
	Male	27	12
Machine operators and drivers	Female	4	0
	Male	30	9
Labourers	Female	14	1
	Male	27	6
Sub total	Female	151	115
	Male	162	113
Total		313	233

The following training was provided for employees:

Exit Qualifications

- Occupationally Directed Education Training & Development Programme NQF5
- Occupationally Directed Education Training & Development Programme NQF6
- Disaster Management NQF4
- Municipal Governance NQF4
- Local Government Accounting Certificate NQF3
- Diploma Traffic Officer
- Examiner of Vehicles
- ECDL Testing Officer
- Artisan Certificate Electrician
- Fire Fighter 2
- Hazmat Operations
- Construction Road Works

Skills Programmes

- Forensic Investigation
- Regulation 21 Compliance
- Report writing for Social Workers
- Good Governance for HRD in Local Government
- Gender mainstreaming in Government
- Ignite Eunomia

4.3.2 Skills Development and Training

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

Occupational categories	Gender	Number of employees as at the beginning of the financial year	Training provided within the reporting period						
			Learnerships		Skills programmes & other short courses		Total		
			Actual	Target	Actual	Target	Actual	Target	% achieved
Legislators	Female	19	0	0	18	19	18	19	95%
	Male	34	0	0	33	34	33	34	97%
MM and S57	Female						0	0	0%
	Male	8		0			0	0	0%
Professionals	Female	41	17	11	3		17	11	155%
	Male	45	16	10	0	0	16	10	160%
Technicians	Female	15	0	2			0	2	0%
	Male	16	4	3			4	3	133%
Community and Service workers	Female	105	14	14	10	15	24	29	83%
	Male	234	20	15	18	16	38	31	123%
Clerical and Administrative Workers	Female	158	12	25	40	47	52	72	72%
	Male	56	10	15	2	12	12	27	44%
Machine operators and drivers	Female	17		0	15	4	0	4	0%
	Male	119	4	30	5	0	9	30	30%
Labourers	Female	108	3		1	14	4	14	29%
	Male	241	2		6	27	6	27	22%
Sub total	Female	463	46	52	87	99	115	151	76%
	Male	753	56	73	64	89	118	162	73%
Total		1216	102	125	151	188	233	313	74%

4.3.3 Skills Development: Budget Allocation

The table below indicates a total amount of R2 218 620 that was allocated to the Workplace Skills Plan and 92.65 % expenditure in the 2017/2018 financial year:

Financial year	Total personnel budget	Total Allocated R	Total Spend	% Spent
2016/17	419 114 804	1 995 969	1 751 129,79	87.73%
2017/18	480 286 215	2 218 680	2 055 502	92.65%

4.3.4 Municipal Finance Management Act (MFMA) Competencies

In terms of Section 83 (1) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003), 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 for 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 179 of 14 March 2014 and again as per Government Gazette 40593 of 3 February 2017), employ a person as a financial official if that person does not meet the competency levels prescribed for the relevant position in terms of these Regulations". The table below provides details of the financial competency development progress as required by the regulation:

Description	Total number of officials employed by Municipality (Regulation 14(4)(a) and (c))	Competency assessments completed (Regulation 14(4)(b) and (d))	Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
Financial Officials				
Accounting Officer	1		1	1
Chief Financial Officer	1		1	1
Senior Managers	4		3	3
Any other financial officials	30		27	27
Supply Chain Management Officials				
Heads of supply chain management units	1		1	1
Supply chain management senior managers	4		4	4
Sub Total	41		37	37
Other officials for the purpose of acting and succession planning				
Other Officials	6			6
Total	47			45

COMPONENT D:

MANAGING THE WORKFORCE EXPENDITURE

4.4 MANAGING THE WORKFORCE EXPENDITURE

Section 66 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) states that the Accounting Officer of a Municipality must report to the Council on all expenditure incurred by the Municipality on staff salaries, wages, allowances and benefits. This is in line with the requirements of the Public Service Regulations, (2002), as well as National Treasury Budget and Reporting Regulations SA22 and SA23.

4.4.1 Personnel Expenditure

The percentage personnel expenditure is essential in the budgeting process, as it reflects on current and future efficiency. The table below indicates the percentage of the municipal budget that was spent on salaries and allowances for the two financial years, confirming the Municipality is well within the national norm of between 35 to 40%:

Financial Year	Total Expenditure salary and allowance	Total Operating Expenditure	Percentage %
2016/17	407 027 726	1 365 113 609	29,82%
2017/18	468 427 935	1 500 659 064	31,21%

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

Financial year	2016/2017	2017/2018		
Description	Actual	Original Budget	Adjusted Budget	Actual
Councillors (Political Office Bearers Plus Other)				
All-inclusive package	18 800 756	22 269 339	22 269 339	21 519 464
Sub Total	18 800 756	22 269 339	22 269 339	21 519 464
% Increase/ (decrease)	-			14,46%
Senior Managers of the Municipality				
Basic Salaries	10 423 223,37	13 773 750,00	9 617 644,00	6 190 765,80
Pension Contributions	1 004 853,60	0,00	192 000,00	580 512,65
Medical Aid Contributions	128 577,40	55 410,00	150 910,00	81 608,39
Motor vehicle allowance	710 830,00	640 140,00	736 140,00	296 221,00
Cell phone allowance	0,00	100 800,00	100 800,00	56 400,00
Housing allowance	0,00	0,00	0,00	0,00
Performance Bonus	0,00	0,00	0,00	173 168,91
Other benefits or allowances	157 213,00	160 460,00	330 965,00	474 498,19
In-kind benefits	0,00	0,00	0,00	0,00
Sub Total - Senior Managers of Municipality	12 424 697	14 730 560	11 128 459	7 853 175
% Increase/ (decrease)				-36,79%

Other Municipal Staff				
Basic salaries and wages	254 472 721,63	281 946 986	288 441 396	308 852 351
Pension contributions	32 193 649,40	40 736 490	41 280 920	40 953 618,44
Medical Aid contributions	16 279 767,60	23 318 740	23 255 750	18 385 374
Motor vehicle allowance	31 259 315,00	13 573 310	14 132 610	14 788 935
Cell phone allowance		870980	914300	993 633,75
Housing allowance	1 704 242,00	3 697 600	3 601 700	1 934 438
Overtime	34 562 150	16 298 750	33 722 931	36 523 289
Other benefits or allowances	24 130 182	60 921 156	63 969 351	38 303 745
Sub Total - Other Municipal Staff	394 602 028	441 364 012	469 318 958	460 735 383
% Increase/ (decrease)				16,76%
Total Municipality	407 026 725	456 094 572	480 447 417	468 588 558
% Increase/ (decrease)				15,12%



CHAPTER 5

FINANCIAL PERFORMANCE

COMPONENT A:

STATEMENTS OF FINANCIAL PERFORMANCE

5.1 FINANCIAL SUMMARY

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

5.1.1 Financial Performance

The table below highlights the summary of the financial performance for the 2017/2018 financial year:

Description	2016/2017	2017/2018					
	Actual (Audited Outcome)	Original Budget	Final Budget	Actual Outcome	Variance between Actual and Final Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
Financial Performance							
Revenue by source							
Property rates	211 432 567	231 124 108	233 904 108	235 053 761	1 149 653	100%	102%
Service charges electricity revenue	565 449 873	603 777 516	606 182 516	603 331 974	-2 850 542	100%	100%
Service charges water revenue	121 171 738	124 258 090	124 258 090	117 656 763	-6 601 327	95%	95%
Service charges sanitation revenue	81 869 035	79 591 700	82 391 700	87 951 733	5 560 033	107%	111%
Service charges refuse revenue	61 813 769	66 456 810	67 656 810	69 777 667	2 120 857	103%	105%
Service charges other	18 439	0	0	0	0	0%	0%
Rental of facilities and equipment	3 756 369	4 937 210	5 279 210	3 271 235	-2 007 975	62%	66%
Interest earned external investments	37 303 968	31 242 700	36 644 785	50 165 612	13 520 827	137%	161%
Interest earned - outstanding debtors	4 156 105	5 233 050	5 233 050	4 676 862	-556 188	89%	89%
Dividends received	0	0	0	0	0	0%	0%
Fines, penalties and forfeits	48 384 291	68 460 870	69 939 830	81 503 236	11 563 406	117%	119%
Licenses and permits	2 125 807	3 155 830	3 155 830	2 741 849	-413 981	87%	87%
Agency services	9 442 990	7 949 770	7 949 770	11 257 883	3 308 113	142%	142%

Description	2016/2017	2017/2018					
	Actual (Audited Outcome)	Original Budget	Final Budget	Actual Outcome	Variance between Actual and Final Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
Transfers and subsidies - operational	310 241 313	419 819 986	429 796 691	402 554 545	-27 242 146	94%	96%
Other revenue	55 493 844	103 307 769	79 000 141	89 872 010	10 871 869	114%	87%
Gains on disposal of PPE	292 672	0	0	0	0	0%	0%
Total Revenue (excluding capital transfers and contributions)	1 512 952 778	1 749 315 409	1 751 392 531	1 759 815 131	8 422 600	100%	101%
Expenditure By Type							
Employee related costs	407 026 725	456 094 572	480 447 417	468 427 937	-12 019 480	97%	103%
Remuneration of Councillors	18 800 755	22 269 339	22 269 339	21 519 464	-749 875	97%	97%
Debt impairment	89 347 357	64 138 560	64 138 560	111 775 999	47 637 439	174%	174%
Depreciation & asset impairment	155 475 216	156 878 423	156 509 393	167 813 657	11 304 264	107%	107%
Finance charges	44 109 261	38 103 660	38 109 822	44 140 410	6 030 588	116%	116%
Bulk purchases	395 856 931	408 100 060	409 242 060	397 810 247	-11 431 813	97%	97%
Other materials	41 966 356	36 038 130	35 267 270	38 834 978	3 567 708	110%	108%
Contracted services	381 210 261	520 203 148	491 494 422	448 955 634	-42 538 788	91%	86%
Transfers and grants	121 750	200 000	1 200 000	73 355	-1 126 645	6%	0%
Other expenditure	84 517 989	106 261 686	98 789 942	88 463 375	-10 326 567	90%	83%
Loss on disposal of PPE		600 000	600 000	121 803	-478 197	20%	20%
Total Expenditure	1 618 432 601	1 808 887 578	1 798 068 225	1 787 936 853	-10 131 372	99%	99%
Surplus/(Deficit)	-105 479 823	-59 572 169	-46 675 694	-28 121 723	18 553 971		
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	149 590 522	200 913 362	250 648 711	202 852 847	-47 795 864	81%	101%

Description	2016/2017	2017/2018					
	Actual (Audited Outcome)	Original Budget	Final Budget	Actual Outcome	Variance between Actual and Final Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	20 763 695	0	0	0	0	-	-
Transfers and subsidies - capital	0	0	0	0	0	-	-
Surplus/(Deficit) after capital transfers & contributions	64 874 395	141 341 193	203 973 017	174 731 124	-29 241 893	86%	124%
Capital expenditure & funds sources							
Capital expenditure							
Transfers recognised - capital	145 307 497	230 314 992	238 223 777	196 287 730	-41 936 047	82%	85%
Public contributions & donations	504 253	0	0	0	0	-	-
Borrowing	18 492 539	19 900 000	23 118 700	19 525 259	-3 593 441	84%	98%
Internally generated funds	49 233 103	90 716 880	89 342 799	53 318 375	-36 024 424	60%	59%
Total sources of capital funds	213 537 392	340 931 872	350 685 276	269 131 364	-81 553 912	77%	79%
Financial Position							
Total current assets	823 003 653	0	0	903 807 882	0	-	-
Total non-current assets	2 922 171 715	0	0	3 024 937 399	0	-	-
Total current liabilities	422 944 743	0	0	437 447 655	0	-	-
Total non-current liabilities	537 993 517	0	0	532 329 391	0	-	-
Community wealth/equity	2 784 237 108	0	0	2 958 968 235	0		

Description	2016/2017	2017/2018					
	Actual (Audited Outcome)	Original Budget	Final Budget	Actual Outcome	Variance between Actual and Final Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
Cash Flows							
Net cash from (used) operating	377 206 209	345 186 709	345 186 709	402 561 136	57 374 427	117%	117%
Net cash from (used) investing	-211 024 886	-295 339 736	-311 828 136	-265 636 474	46 191 662	85%	90%
Net cash from (used) financing	-26 063 635	-19 771 742	-19 771 742	-24 580 968	-4 809 226	124%	124%
Cash/cash equivalents at the year end	505 440 767	535 516 007	519 027 607	617 784 461	98 756 863	-	-

5.1.2 Revenue Collection by Vote

The table below indicates the Revenue collection performance by vote:

Description	2016/2017	2017/2018					
	Actual (Audited Outcome)	Original Budget	Final Budget	Actual Outcome	Variance between Actual and Final Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
REVENUE COLLECTION BY VOTE							
Executive and council	1 163 199	400 850	400 850	185 448	(215)	46%	-54%
Finance and administration	273 208 390	289 250 678	301 573 005	312 740 405	11 167	104%	4%
Community and social services	15 527 773	14 077 434	15 410 856	15 386 093	(25)	100%	0%
Sport and recreation	4 588 847	6 781 590	6 822 272	-3 083 665	(9 906)	-45%	-146%
Public safety	1 180 908	2 010 304	2 010 304	1 723 324	(287)	86%	-14%
Housing	18 914 158	44 296 786	46 811 644	41 369 009	(5 443)	88%	-12%
Health	2 391 165	72 290	72 290	60 645	(12)	84%	-16%
Planning and development	8 071 115	6 965 620	8 621 834	9 558 668	937	111%	13%
Road transport	361 162 560	460 745 680	481 481 623	456 934 013	(24 548)	95%	-5%

Description	2016/2017	2017/2018					
	Actual (Audited Outcome)	Original Budget	Final Budget	Actual Outcome	Variance between Actual and Final Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
Environmental protection	0	1 470	1 470	818	(1)	56%	-44%
Energy sources	588 021 382	651 359 440	654 808 440	645 577 158	(9231)	99%	-1%
Water management	175 489 231	181 014 305	181 684 305	172 946 076	(8738)	95%	-5%
Wastewater management	143 176 150	191 733 338	199 503 220	203 315 158	3 812	102%	2%
Waste management	90 392 187	101 007 806	102 207 806	105 354 444	3 147	103%	3%
Other	19 930	511 180	631 323	600 354	(31)	95%	-6%
Total Revenue - Functional	1 683 306 996	1 950 228 771	2 002 041 242	1 962 667 977	(39 373)	98%	-2%

5.1.3 Functional Services Performance

The table below indicates the functional services for the 2017/2018 financial year:

Description	2016/2017	2017/2018					
	Actual (Audited Outcome)	Original Budget	Final Budget	Actual Outcome	Variance between Actual and Final Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
Expenditure - Functional							
Executive and council	45 840 780	63 301 569	63 518 442	58 092 930	(5 426)	91%	-9%
Finance and administration	168 989 268	220 755 355	218 279 996	224 228 871	5 949	103%	3%
Internal audit	7 972 676	10 568 180	10 848 180	8 273 704	(2 574)	76%	-24%
Community and social services	25 495 770	43 035 596	44 106 609	47 255 841	3 149	107%	7%
Sport and recreation	24 475 872	24 202 755	25 479 365	25 341 533	(138)	99%	-1%
Public safety	22 507 378	20 304 854	20 347 774	20 015 761	(332)	98%	-2%
Housing	45 743 682	81 313 852	82 509 050	67 903 886	(14 605)	82%	-18%
Health	12 490 724	11 677 150	3 607 775	3 137 522	(470)	87%	-4%
Planning and development	22 987 044	21 969 369	22 234 261	21 547 739	(687)	97%	-3%
Road transport	425 447 799	412 815 897	399 502 446	403 820 544	(4 318)	101%	1%

Description	2016/2017	2017/2018					
	Actual (Audited Outcome)	Original Budget	Final Budget	Actual Outcome	Variance between Actual and Final Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
Expenditure - Functional							
Environmental protection	0	1 762 454	1 762 454	1 762 316	(0)	100%	0%
Energy sources	511 661 451	520 580 960	523 030 440	505 423 058	(17 607)	97%	-3%
Water management	130 730 103	108 980 151	110 477 384	120 100 841	9 623	109%	9%
Wastewater management	97 294 901	188 562 015	184 639 343	182 160 942	(2 478)	99%	-1%
Waste management	73 451 305	71 386 558	78 596 404	89 165 187	10 569	113%	15%
Other	3 343 848	7 670 863	9 128 302	9 706 177	578	106%	8%
Total Expenditure	1 618 432 601	1 808 887 578	1 798 068 225	1 787 936 853	(10 131)	99%	-1%

5.2 FINANCIAL PERFORMANCE PER MUNICIPAL FUNCTION

5.2.1 Water Services

Financial Performance 2017/2018: Water Services					
Description	2016/2017	2017/2018			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	175 489 231	181 014 305	181 684 305	172 946 076	-5%
Expenditure:					
Employees	29 696 616	29 500 750	32 792 010	31 233 636	-5%
Repairs and Maintenance	9 420 841	11 240 008	9 940 808	11 748 388	15%
Other	91 612 646	68 239 393	67 744 566	77 118 816	12%
Total Operational Expenditure	130 730 103	108 980 151	110 477 384	120 100 841	8%
Net Operational Expenditure	-44 759 128	-72 034 154	-71 206 921	-52 845 236	-35%

5.2.2 Electricity Services

Financial Performance 2017/2018: Electricity Services					
Description	2016/2017	2017/2018			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	588 021 382	651 359 440	654 808 440	645 577 158	-1%
Expenditure:					
Employees	52 534 763	43 376 960	45 288 440	41 552 530	-9%
Repairs and Maintenance	7 094 279	7 485 000	7 285 000	7 107 286	-3%
Other	452 032 410	469 719 000	470 457 000	456 763 242	-3%
Total Operational Expenditure	511 661 451	520 580 960	523 030 440	505 423 058	-3%
Net Operational Expenditure	-76 359 931	-130 778 480	-131 778 000	-140 154 100	6%

5.2.3 Waste Management Services

Financial Performance 2017/2018: Waste Management Services					
Description	2016/2017	2017/2018			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	90 392 187	101 007 806	102 207 806	105 354 444	3%
Expenditure:					
Employees	26 957 188	22 381 530	29 171 376	37 680 052	23%
Repairs and Maintenance	4 141 665	4 298 000	7 193 000	6 747 215	-7%
Other	42 352 453	44 707 028	42 232 028	44 737 921	6%
Total Operational Expenditure	73 451 305	71 386 558	78 596 404	89 165 187	12%
Net Operational Expenditure	-16 940 881	-29 621 248	-23 611 402	-16 189 257	-46%

5.2.4 Housing

Financial Performance 2017/2018: Housing					
Description	2016/2017	2017/2018			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	18 914 158	44 296 786	46 811 644	41 369 009	-13%
Expenditure:					
Employees	15 299 452	19 287 590	18 221 930	15 633 714	-17%
Repairs and Maintenance	1 203 743	1 822 700	2 190 700	1 490 150	-47%
Other	29 240 487	60 203 562	62 096 420	50 780 022	-22%
Total Operational Expenditure	45 743 682	81 313 852	82 509 050	67 903 886	-22%
Net Operational Expenditure	26 829 523	37 017 066	35 697 406	26 534 877	-35%

5.2.5 Wastewater Management Services

Financial Performance 2017/2018: Waste Water Management Services					
Description	2016/2017	2017/2018			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	143 176 150	191 733 338	199 503 220	203 315 158	2%
Expenditure:					
Employees	29 888 780	48 778 560	56 019 415	54 242 557	-3%
Repairs and Maintenance	23 152 355	46 288 500	31 577 050	30 022 439	-5%
Other	44 253 765	93 494 955	97 042 878	97 895 945	1%
Total Operational Expenditure	97 294 901	188 562 015	184 639 343	182 160 942	-1%
Net Operational Expenditure	-45 881 249	-3 171 323	-14 863 877	-21 154 217	30%

5.2.6 Roads Transport

Financial Performance 2017/2018: Roads Transport					
Description	2016/2017	2017/2018			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	361 162 560	460 745 680	481 481 623	456 934 013	-5%
Expenditure:					
Employees	28 741 688	35 768 225	37 990 225	38 608 606	2%
Repairs and Maintenance	38 369 056	47 341 992	49 321 579	61 655 389	20%
Other	358 337 056	329 705 680	312 190 642	303 556 549	-3%
Total Operational Expenditure	425 447 799	412 815 897	399 502 446	403 820 544	1%
Net Operational Expenditure	64 285 239	-47 929 783	-81 979 177	-53 113 469	-54%

5.2.7 Planning

Financial Performance 2017/2018: Planning					
Description	2016/2017	2017/2018			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	8 071 115	6 965 620	8 621 834	9 558 668	10%
Expenditure:					
Employees	19 146 736	18 056 120	18 555 020	18 607 789	0%
Repairs and Maintenance	126 420	126 000	126 000	70 764	-78%
Other	3 713 888	3 787 249	3 553 241	2 869 186	-24%
Total Operational Expenditure	22 987 044	21 969 369	22 234 261	21 547 739	-3%
Net Operational Expenditure	14 915 928	15 003 749	13 612 427	11 989 071	-14%

5.2.8 Health

Financial Performance 2017/2018: Health					
Description	2016/2017	2017/2018			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	2 391 165	72 290	72 290	60 645	-19%
Expenditure:					
Employees	7 903 095	2 413 380	2 533 080	2 301 933	-10%
Repairs and Maintenance	122 448	207 400	187 695	122 823	-53%
Other	4 465 181	9 056 370	887 000	712 766	-24%
Total Operational Expenditure	12 490 724	11 677 150	3 607 775	3 137 522	-15%
Net Operational Expenditure	10 099 559	11 604 860	3 535 485	3 076 877	-15%

5.2.9 Community Development

Financial Performance 2017/2018: Community Development					
Description	2016/2017	2017/2018			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	15 527 773	14 077 434	15 410 856	15 386 093	0%
Expenditure:					
Employees	17 282 319	29 328 064	29 082 977	32 929 877	12%
Repairs and Maintenance	1 908 502	2 159 600	1 909 200	1 643 753	-16%
Other	6 304 949	11 547 932	13 114 432	12 682 211	-3%
Total Operational Expenditure	25 495 770	43 035 596	44 106 609	47 255 841	7%
Net Operational Expenditure	9 967 997	28 958 162	28 695 753	31 869 748	10%

5.2.10 Environmental Protection

Financial Performance 2017/2018: Environmental Protection					
Description	2016/2017	2017/2018			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	0	1 470	1 470	818	-80%
Expenditure:					
Employees	1 072 330	1 390 530	1 398 830	1 486 849	6%
Repairs and Maintenance	15 691	22 500	32 500	14 623	-122%
Other	-1 088 021	349 424	331 124	260 845	-27%
Total Operational Expenditure		1 762 454	1 762 454	1 762 316	0%
Net Operational Expenditure	0	1 760 984	1 760 984	1 761 498	0%

5.2.11 Public Safety

Financial Performance 2017/2018: Public Safety					
Description	2016/2017	2017/2018			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	1 180 908	2 010 304	2 010 304	1 723 324	-17%
Expenditure:					
Employees	51 206 577	15 529 890	16 001 810	15 680 729	-2%
Repairs and Maintenance	2 704 779	0	0	0	0%
Other	-31 403 977	4 774 964	4 345 964	4 335 032	0%
Total Operational Expenditure	22 507 378	20 304 854	20 347 774	20 015 761	-2%
Net Operational Expenditure	21 326 470	18 294 550	18 337 470	18 292 437	0%

5.2.12 Finance and Administration

Financial Performance 2017/2018: Finance and Administration					
Description	2016/2017	2017/2018			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	273 208 390	289 250 678	301 573 005	312 740 405	4%
Expenditure:					
Employees	63 062 437	141 118 842	142 887 304	136 958 464	-4%
Repairs and Maintenance	2 924 788	6 582 700	5 734 200	5 076 818	-13%
Other	103 002 043	73 053 813	69 658 492	82 193 589	15%
Total Operational Expenditure	168 989 268	220 755 355	218 279 996	224 228 871	3%
Net Operational Expenditure	-104 219 123	-68 495 323	-83 293 009	-88 511 533	6%

5.2.13 Executive and Council

Financial Performance 2017/2018: Executive and Council					
Description	2016/2017	2017/2018			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	1 163 199	400 850	400 850	185 448	-116%
Expenditure:					
Employees	56 170 087	29 895 621	29 485 494	25 229 126	-17%
Repairs and Maintenance	307 673	87 000	167 000	156 692	-7%
Other	-10 636 980	33 318 948	33 865 948	32 707 112	-4%
Total Operational Expenditure	45 840 780	63 301 569	63 518 442	58 092 930	-9%
Net Operational Expenditure	44 677 581	62 900 719	63 117 592	57 907 482	-9%

5.2.14 Other

Financial Performance 2017/2018: Other					
Description	2016/2017	2017/2018			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	4 608 777	7 292 770	7 453 595	-2 483 282	-200%
Expenditure:					
Employees	8 882 387	19 268 510	21 019 506	16 282 074	-29%
Repairs and Maintenance	6 542 674	5 377 000	5 817 500	5 247 295	-11%
Other	4 608 777	17 796 288	18 618 841	21 792 045	15%
Total Operational Expenditure	35 792 396	42 441 798	45 455 847	43 321 414	-5%
Net Operational Expenditure	31 183 619	35 149 028	38 002 252	45 804 696	17%

5.3 GRANTS

5.3.1 Grant Performance

The Municipality had a total amount of R600 769 490m for operational and capital expenditure available that was received in the form of grants from National and Provincial Governments during the 2017/2018 financial year. The performance in the spending of these grants is summarized as follows:

Description	2016/2017	Budget Year 2017/2018			2017/18 Variance	
	Audited Outcome	Original Budget	Adjusted Budget	Year TD actual	Original Budget variance	Adjusted Budget variance
Operating Transfers and Grants						
National Government:	183 232 000	270 350 081	278 740 205	293 079 839	8%	5%
Local Government Equitable Share	100 693 000	122 613 000	122 613 000	122 613 000	0%	0%
Finance Management	1 450 000	1 550 000	1 550 000	1 550 000	0%	0%
Municipal Systems Improvement	930 000	0	0	0	0%	0%
EPWP Incentive	1 864 000	4 001 000	4 001 000	4 001 000	0%	0%
Infrastructure Skills Development Grant	2 678 000	3 416 000	4 372 000	4 392 999	22%	0%
Municipal Infrastructure Grant - PMU	1 940 000	2 038 200	1 309 512	2 038 200	0%	36%
Public Transport Network Operating Grant	73 677 000	136 731 881	144 894 693	158 484 640	14%	9%
Provincial Government:	113 967 000	149 324 400	149 514 258	150 273 233	1%	1%
Housing	15 568 000	42 759 400	43 524 258	44 252 104	3%	2%
Proclaimed Roads	355 000	441 000	441 000	441 000	0%	0%
Local Government Master Planning Grant	600 000	600 000	600 000	600 000	0%	0%

Description	2016/2017	Budget Year 2017/2018			2017/18 Variance	
	Audited Outcome	Original Budget	Adjusted Budget	Year TD actual	Original Budget variance	Adjusted Budget variance
Library Grant	7 473 000	8 635 000	8 635 000	8 635 000	0%	0%
Community Development Workers Operating Grant	90 000	93 000	93 000	93 000	0%	0%
Integrated Public Transport Grant	89 231 000	95 544 000	95 544 000	95 545 129	0%	0%
Financial Management Capacity Building Grant	50 000	240 000	240 000	240 000	0%	0%
Financial Management Support Grant	100 000	0	225 000	255 000	100%	12%
Thusong Services Centres Grant		212 000	212 000	212 000	0%	0%
Municipal Infrastructure Support Grant: Electrical Master Plans	500 000	0	0		0%	0%
Fire Service Capacity Building Grant		800 000	0		0%	0%
Other grant providers:	3 019 000	500 000	500 000	810 684	0%	0%
LG SETA		500 000	500 000	810 684	0%	0%
Sanral N2 York Street bridge widening	3 019 000			0	0%	0%
Total Operating Transfers and Grants	300 218 000	420 174 481	428 754 463	444 163 755	5%	3%
Capital Transfers and Grants						
National Government:	86 862 000	138 087 919	130 197 795	115 858 161	-19%	-12%
Municipal Infrastructure Grant (MIG)	36 892 000	38 725 800	39 454 488	38 725 800	0%	-2%
Regional Bulk Infrastructure	0			0	-	-
Integrated National Electrification Programme	7 000 000	18 048 000	18 048 000	18 048 000	0%	0%
Energy Efficiency and Demand Management	0	7 000 000	7 000 000	7 000 000	0%	0%
Infrastructure Skills Development	322 000	684 000	228 000	207 001	-230%	-10%
Public Transport Infrastructure Grant	42 648 000	73 630 119	65 467 307	51 877 360	-42%	-26%
Provincial Government:	56 095 000	58 249 243	62 279 243	40 747 574	-43%	-53%
Housing	14 033 000	58 249 243	58 479 243	36 948 703	-58%	-58%
Library Grant	2 063 000				-	-
George Integrated Public Transport Network	39 999 000	0	3 000 000	2 998 871	100%	0%
Fire Service Capacity Building Grant			800 000	800 000	100%	0%
Total Capital Transfers and Grants	142 957 000	196 337 162	192 477 038	156 605 735	-25%	-23%
TOTAL RECEIPTS OF TRANSFERS & GRANTS	443 175 000	616 511 643	621 231 501	600 769 490	-3%	-3%

No grants have been held back over the financial year. All unspent grants after roll-over approval will be included in programs for the 2018/2019 financial year.

5.3.2 Level of Reliance on Grants

Financial Year	Basis of Calculation	2016/2017	2017/2018
Level of reliance on grants	Total grants and subsidies received. Total operating revenue	27.32%	30.85%

Grant Dependency

Financial Year	Basis of Calculation	2016/2017	2017/2018
Own funded Capital Expenditure (Internally generated funds + borrowings) to Total Capital Expenditure	Own funded Capital Expenditure (Internally generated funds + borrowings) / Total Capital Expenditure x 100	31.71%	51.49%

The Municipality's operational budget is 30.85% grant funded while 51.49% of the capital budget is funded from internally generated funds and borrowings.

5.4 ASSET MANAGEMENT

5.4.1 Introduction to Asset Management

George Municipality has an Asset Unit in place, which handles all matters regarding the financial classification and accounting of/for assets, as required by Section 63 of the MFMA. The Asset Unit falls under the Finance Directorate with the responsibility to ensure all municipal assets are accounted for in accordance with relevant legislation.

All Departments remain the custodians of the assets under their control and should take the required steps to safeguard, as well as effectively manage and maintain their assets.

George Municipality has an Asset Management and Accounting Policy (reviewed annually) which outlines amongst other things the following:

- Roles and responsibilities of various role players – i.e. Directors, CFO, Municipal Manager, Budget Office, Asset Unit, etc.
- Acquisitions & disposal of assets
- Verification process relating to assets
- Financial classification of assets
- The fixed asset register – required fields, information and layout
- The useful lives allocated per asset type
- All operating procedures relating to Asset Unit functions

The Asset Unit currently consists of four people:

1. Senior Accountant
2. Senior Controllers (x2)
3. Senior Clerk

Keeping abreast with required information, and ensuring the Fixed Asset Register remains updated is difficult due to the lack of capacity within the Asset Unit. The absence of specified asset managers to assist with the management of assets within the various Departments are challenging.

5.4.2 Repairs and Maintenance Expenditure: 2017/2018

Description	2016/2017	2017/2018	
	Actual (Audited Outcome)	Actual	% Increase
Repairs and Maintenance Expenditure	98 034 913.58	131 103 636.12	25%

5.5 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

5.5.1 Liquidity Ratio

This ratio indicates the Municipality's ability to pay its debts due, within a year, out of the current assets. The ratio of 1.5 - 2 is considered to be acceptable.

Description	Basis of Calculation	Norm	2016/2017	2017/2018
Current Ratio	Current Assets/ Current Liabilities	1:5 - 2:1	1.95	2.07
Current Ratio Adjusted for aged debtors	Current Assets less debtors > 90 days/ Current Liabilities		1.63	1.76
Liquidity Ratio	Monetary Assets/ Current Liabilities		1.14	1.41

5.5.2 IDP Regulation Financial Viability Indicators

Description	Basis of Calculation	Norm	2016/2017 Audited outcome	2017/2018 Pre-audit outcome
Cost Coverage	(Available cash + Investments Unspent Grants)/monthly fixed operational expenditure	1-3 months	3.52 months	4.34 months
The norm is 1-3 months. This ratio gives an indication of the Municipality's ability to meet at least its monthly fixed operating commitments from cash and short-term investment without collecting any additional revenue during that month. It will take 4 months for George Municipality to cover expenditure out of available cash and liquid assets.				
Total Outstanding Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services		10.11%	9.56%
Measures how much money is still owed by the community for water, electricity, waste removal and sanitation compared to how much money has been paid for these services. A lower score is better in 2017/2018.				
Debt coverage	(Overdraft + Finance Lease Obligation + Borrowings) / (Total Operating Revenue - Conditional Grants) x 100		29,46%	24,90%
The number of times debt payments can be accommodated within Operating revenue (excluding grants). This in turn represents the ease with which debt payments can be accommodated by the Municipality.				

5.5.3 Borrowing Management

Description	Basis of Calculation	Norm	2016/2017	2017/2018
Capital Charges to Operating Expenditure	Interest and Principal Debt Paid/ Operating Expenditure	6% - 8%	6,05%	5.07%
Capital Charges to Operating Expenditure ratio is calculated by dividing the sum of capital interest and principle paid by the total operating expenditure.				

5.5.4 Employee Costs

Description	Basis of Calculation	2016/2017	2017/2018
Employee Costs	Employee Costs/ (Total Revenue - Capital Revenue)	33,27%	34,51%
Measures what portion of the revenue was spent on paying employee costs. It is calculated by dividing the total employee cost by the difference between total revenue and capital revenue.			

COMPONENT B:

SPENDING AGAINST CAPITAL BUDGET

5.6 SOURCES OF FINANCE

5.6.1 Capital Expenditure – Funding Sources 2016/2017 to 2017/2018

The table below indicates the capital expenditure by funding source for the 2017/2018 financial year:

Description	2016/2017	2017/2018				
	Actual (Audited Outcome)	Original Budget	Final Budget	Actual Outcome	Adjustment to Original Budget Variance	Actual to Original Budget Variance
Capital expenditure & funds sources						
Source of finance						
Sources of capital funds						
Transfers recognised - capital	145 307 497	230 314 992	238 223 777	196 287 730	-17%	-21%
Public contributions & donations	504 253	0	0	0	0%	0%
Borrowing	18 492 539	19 900 000	23 118 700	19 525 259	-2%	-18%
Internally generated funds	49 233 103	90 716 880	89 342 799	53 318 375	-70%	-68%
Total sources of capital funds	213 537 392	340 931 872	350 685 276	269 131 364	-27%	-30%
Percentage of Finance						
Transfers recognised - capital	68%	68%	68%	73%		
Public contributions & donations	0%	0%	0%	0%		
Borrowing	9%	6%	7%	7%		
Internally generated funds	23%	27%	25%	20%		
Total sources of capital funds	1	1	1	1		
Capital expenditure						
Water and Sanitation	71 818 827	121 176 780	117 576 680	86 933 982	-39%	-35%
Electricity	14 538 159	72 299 630	44 005 630	31 873 286	-127%	-38%
Road Transport	107 622 974	115 043 662	152 236 043	128 694 914	11%	-18%
Other	23 557 432	32 411 800	36 866 923	21 629 182	-50%	-70%
Total sources of capital funds	217 537 392	340 931 872	350 685 276	269 131 364	-27%	-30%
Percentage of Finance						
Water and Sanitation	33%	36%	34%	32%		
Electricity	7%	21%	13%	12%		
Road Transport	49%	34%	43%	48%		
Other	11%	10%	11%	8%		
Total sources of capital funds	1	1	1	1		

5.7 BASIC SERVICE AND INFRASTRUCTURE BACKLOGS – OVERVIEW

5.7.1 Introduction to Basic Services and Infrastructure Backlogs

We are currently experiencing a rise in people living together as one family unit, due to the unavailability of affordable housing for many families. There has been a drastic increase in backyard dwellers, mainly due to the influx of people from other provinces creating a social and economic problem. Children live in the backyard of their parents placing additional pressure on available resources.

Infrastructure is over utilized and cannot carry the higher demand with the increasing numbers. Pipes and other infrastructure tend to break more easily. The need for suitable housing and the eradication of backlogs in proper housing facilities is of great importance. Our Municipality is in the process of facilitating various housing projects to supply proper housing facilities. The Indigent Policy was reviewed and adjusted enabling backyard dwellers to apply for the subsidy, in order to receive the 70Kwh electricity units and 6kl of water free of charge. This will aid the poor communities making housing and basic services more affordable.

5.7.2 Municipal Infrastructure Grant Expenditure

Details	Budget	Adjustment Budget	Actual	Variance	
				Budget	Adjustment Budget
	R			%	
Infrastructure Water					
Water Purification	21 660 000	21 660 000	21 383 172	-1,29	-1,29
Infrastructure Sanitation					
Sewerage Networks	4 416 930	6 840 000	6 541 117	32,47	-4,57
Sewerage Purification	6 840 000	5 145 618	5 093 318	-34,29	-1,03
Other Specify: Recreational Facilities					
Outdoor Sport Facilities	5 808 870	5 808 870	5 708 194	-1,76	-1,76
Project Management Unit					
Project Management Unit	2 038 200	1 309 512	2 038 200	0,00	35,75
Total	40 764 000	40 764 000	40 764 000	0,00	0,00

COMPONENT C:

CASH FLOW MANAGEMENT AND INVESTMENTS

5.8 CASH FLOW

5.8.1 Cash Flow Outcomes

Description	2017/2018			
	Original Budget	Final Budget	Actual Outcome	Variance
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Sale of goods and services	1 061 235 815	1 061 235 815	889 113 034	-172 122 781
Other revenue	116 914 828	116 914 828	299 805 317	182 890 489
Grants	581 303 000	581 303 000	600 769 491	19 466 491
Interest	36 266 428	36 266 428	50 165 725	13 899 297
Payments				
Suppliers and employees	-1 412 279 702	-1 412 279 702	-1 396 226 533	16 053 169
Finance charges	-38 103 660	-38 103 660	-43 153 884	-5 050 224
Transfers and Grants	-150 000	-150 000		150 000
NET CASH FROM/(USED) OPERATING ACTIVITIES	345 186 709	345 186 709	402 561 136	57 374 427
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of PPE	11 569 060	11 569 060	2 284 522	-9 284 538
Decrease (Increase) in non-current debtors	0	0		0
Decrease (increase) other non-current receivables	-70 111	-70 111	54 718	124 829
Decrease (increase) in non-current investments	0	0		0
Payments				
Capital assets	-306 838 685	-323 327 085	-267 337 114	55 989 971
Intangible assets			-638 570	
NET CASH FROM/(USED) INVESTING ACTIVITIES	-295 339 736	-311 828 136	-265 636 444	46 191 692
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Short term loans	0	0		0
Borrowing long term/refinancing	19 900 000	19 900 000		-19 900 000
Increase (decrease) in consumer deposits	1 354 231	1 354 231		-1 354 231
Payments				
Repayment of borrowing	-41 025 973	-41 025 973	-24 580 968	16 445 005
NET CASH FROM/(USED) FINANCING ACTIVITIES	-19 771 742	-19 771 742	-24 580 968	-4 809 226
NET INCREASE/ (DECREASE) IN CASH HELD	30 075 231	13 586 831	112 343 694	98 756 863
Cash/cash equivalents at the year begin:	505 440 776	505 440 776	505 440 776	0
Cash/cash equivalents at the year-end:	535 516 007	519 027 607	617 784 470	98 756 863

5.9 GROSS OUTSTANDING DEBTORS PER SERVICES

Financial year	Rates	Trading ser- vices	Economic services	Housing rentals	Other	Total
		(Electricity and Water)	(Sanitation and Refuse)			
	R					
2016/2017	32 154 332.76	138 546 835.66	52 912 127.58	948 258.94	8 378 376.00	232 939 930.94
2017/2018	33 259 056.89	154 526 467.00	49 233 765.00	657 821.00	9 842 857.00	247 519 966.89
Difference	1 104 724.13	15 979 631.34	-3 678 362.58	-290 437.94	1 464 481.00	14 580 035.95
% Growth year on year	3.44%	11.53%	-6.95%	-30.63%	17.48%	6.26%

5.10 TOTAL DEBTORS AGE ANALYSIS

Financial year	0-30	31-60	61-90	91-120	121-365	Total
	R					
2016/2017	82 480 206.40	11 734 043.99	7 907 868.18	5 994 315.54	124 823 496.67	232 939 930.78
2017/2018	102 292 740.24	11 568 283.50	6 131 827.47	5 247 643.62	122 279 472.73	247 519 967.56
Difference	19 812 533.84	-165 760.49	-1 776 040.71	-746 671.92	-2 544 023.94	14 580 036.78

5.11 BORROWING

Instrument	2016/2017 Actual	2017/2018 Actual	2017/2018 Budget
Long-Term Loans (annuity/reducing balance)	348 827 630	329 842 195	364 795 551
Financial Leases	11 603 495	8 153 105	13 555 456
Total	360 431 125	337 995 300	378 151 008



CHAPTER 6

AUDITOR-GENERAL AUDIT FINDINGS

COMPONENT A:

The Constitution S188 (1) (b) states that the functions of the Auditor-General includes the auditing and reporting on the accounts, financial statements and financial management of all municipalities. MSA Section 45 states that the results of performance measurement must be audited annually by the Auditor-General.

AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS YEAR 2016/17

6.1 AUDITOR GENERAL REPORTS YEAR -2016/17 (PREVIOUS YEAR)

Report of the Auditor-General to Western Cape Provincial Legislature and the Council on George Municipality

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the George Municipality set out on pages 1 to 123, which comprise the statement of financial position as at 30 June 2017, the statement of financial performance, statement of changes in net assets, cash flow statement and the 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, the financial statements present fairly, in all material respects, the financial position of the George Municipality as at 30 June 2017, 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 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, 2016 (Act No. 3 of 2016) (DoRA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) together with 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.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

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

Restatement of corresponding figures

7. As disclosed in note 45 to the financial statements, the corresponding figures for 30 June 2016 have been restated at, and for the year ended, 30 June 2017 as a result of a reclassification of certain income and expenditure items to conform with the mSCOA chart of accounts.

Material impairment

8. As disclosed in note 31 to the financial statements, material losses to the amount of R72 million (2015-2016: R88 million) were incurred as a result of a write-off of irrecoverable trade debtors.

Material losses - water

9. As disclosed in note 50 to the financial statements, material water losses of 3,9 million kilolitres (2015-2016: 3,0 million kilolitres) was incurred which represents 29.71% (2015/2016: 24.59%) of total water purchased and purified.

Material underspending of the conditional grant

10. As disclosed in the Statement of Comparison of Budget and Actual Amounts, the municipality has materially underspent the budget on road transport to the amount of R68 million.

Other matters

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

Unaudited disclosure notes

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

Unaudited supplementary schedules

13. The supplementary information set out on pages 12 to 15 and 122 to 123 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

Responsibilities of the accounting officer

14. 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 the 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.
15. 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 accounting officer 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

16. 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 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
17. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

Introduction and scope

18. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected strategic objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
19. 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.
20. 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 2017:

Strategic objective	Pages in the annual performance report
Strategic objective 1 — affordable quality services	8 – 13

21. 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.
22. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following strategic objective:
- Strategic objective 1 — affordable quality services

Other matters

23. I draw attention to the matters below.

Achievement of planned targets

24. Refer to the annual performance report on pages 8 to 13 for information on the achievement of planned targets for the year and explanations provided for the under/ over achievement targets.

Adjustment of material misstatements

25. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Strategic objective 1—affordable quality services. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

REPORT ON AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and scope

26. 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.

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

Other information

28. 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 thereon and those selected strategic objectives presented in the annual performance report that have been specifically reported on in the auditor's report.

29. 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.

30. 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.

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

Internal control deficiencies

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

Auditor-General
Cape Town

30 November 2017



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 strategic 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 the 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 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 George 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 the auditor's report. However, future events or conditions may cause a municipality to cease to continue 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.

COMPONENT B:

AUDITOR-GENERAL OPINION YEAR 2017/2018 (CURRENT YEAR)

6.2 AUDITOR GENERAL REPORT YEAR 2017/2018

Report of the auditor-general to the Western Cape Provincial Parliament and the council on the George Municipality

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the George Municipality set out on pages 211 to 331, which comprise the appropriation statement, 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 information with actual information 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 possible effects of the matters described in the basis for qualified opinion section of the auditor's report, the financial statements present fairly, in all material respects, the financial position of the George 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

Irregular expenditure

3. I was unable to obtain sufficient appropriate audit evidence that irregular expenditure for the current and previous years' disclosure is complete, due to irregular expenditure identified during the audit process as a result of the contravention of section 117 of the MFMA. I could not confirm whether all the irregular expenditure had been recorded by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to irregular expenditure stated at R1 846 408 in note 48 to the financial statements.

Context for the opinion

4. 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.
5. 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.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of matters

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

Restatement of corresponding figures

8. As disclosed in note 45 to the financial statements, the corresponding figures for 30 June 2017 were restated as a result of reclassification and an error in the financial statements of the municipality at, and for the year ended, 30 June 2017.

Material losses/impairments — trade debtors

9. As disclosed in note 32 to the financial statements, material losses of R112 million (2016-17: R89 million) were incurred as a result of a write-off of irrecoverable trade debtors.

Other matters

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

Unaudited supplementary schedules

11. The supplementary information set out on pages 332 to 337 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion on them.

Unaudited disclosure notes

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

Responsibilities of the accounting officer for the financial statements

13. 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.
14. In preparing the financial statements, the accounting officer is responsible for assessing the George 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

15. 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.
16. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

17. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

18. 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.
19. 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 objective presented in the annual performance report of the municipality for the year ended 30 June 2018:

Objective	Pages in the annual performance report
Strategic objective 3 - affordable quality services	78 – 83

20. 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.

21. The material findings in respect of the usefulness and reliability of the selected objective are as follows:

Strategic objective 3 — affordable quality services

TL43 — provide free basic electricity to indigent households

22. The measures taken to improve performance against the target of 19 500 were not included in the annual performance report.

Various indicators

23. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of the indicators listed in the table below relating to this strategic objective. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements in the annual performance report of the indicators listed below:

Indicator number	Indicator description	Number of indicators
TL42	Provide free basic water to indigent households	1
TL43	Provide free basic electricity to indigent households	1
TL44	Provide free basic sanitation to indigent households	1
TL45	Provide free basic refuse removal to indigent households	1

Other matter

24. I draw attention to the matter below.

Achievement of planned targets

25. Refer to the annual performance report on pages 78 to 90 for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 21 to 22 of this report.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and scope

26. 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.
27. The material findings on compliance with specific matters in key legislation are as follows:

Asset management

28. All investments were not made in accordance with the requirements of the investment policy, as required by the Municipal Investment Regulations, 2005, regulation 3(3).
29. Funds were invested in financial institution in contravention of the Municipal Investment Regulations, 2005, regulation 6.

Procurement and contract management

30. Sufficient appropriate audit evidence could not be obtained that all contracts were awarded in accordance with the legislative requirements, as bidding documentation could not be provided for audit purposes.
31. Goods and services with a transaction value below R200 000 were procured without obtaining the required price quotations, in contravention of Municipal Supply Chain Management Regulations, 2005, regulations 17(a) and (c).

Consequence management

32. Irregular expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.
33. Fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

Conditional grants

34. Performance in respect of programmes funded by the municipal infrastructure grant was not evaluated, as required by section 12(5) of Dora.

Other information

35. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report, which includes the municipal manager's overview and the audit committee's recommendations. The other information does not include the financial statements, the auditor's report and the selected objective presented in the annual performance report that has been specifically reported in this auditor's report.
36. 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.
37. 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 objective presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
38. The complete draft annual report was received for review and no material inconsistencies with the financial statements exist.

Internal control deficiencies

39. 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 qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.
40. Significant lapses occurred in the leadership's oversight responsibility over financial reporting, pre-determined objectives, compliance as well as related internal controls, resulting in material misstatements of predetermined objectives in the annual performance report and material non-compliance with laws and regulations.
41. Preventative measures embedded in legislation was not sufficiently implemented to prevent non-compliance with supply chain management laws and regulations resulting in irregular expenditure that could not be quantified.
42. Management did not implement adequate processes to ensure that a annual performance report was prepared in compliance with the reporting framework, as the internal review procedures were inadequate to identify and correct material misstatements in the annual performance report and the underlying records.
43. Adequate compliance monitoring processes were also not implemented, resulting in material non-compliance being reported — mainly in the area of supply chain management. Management did not ensure that appropriate audit evidence existed to support the actual achievements reported.

Auditor-General
Cape Town

14 December 2018



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 the selected objective 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 George 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.

GLOSSARY

Accessibility indicators	Explore whether the intended beneficiaries are able to access services or outputs.
Accountability documents	Documents used by executive authorities to give "full and regular" reports on the matters under their control to Parliament and provincial legislatures as prescribed by the Constitution. This includes plans, budgets, in-year and Annual Reports.
Activities	The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe "what we do".
Adequacy indicators	The quantity of input or output relative to the need or demand.
Annual Report	A report to be prepared and submitted annually based on the regulations set out in Section 121 of the Municipal Finance Management Act. Such a report must include annual financial statements as submitted to and approved by the Auditor-General.
Approved Budget	The annual financial statements of a Municipality as audited by the Auditor General and approved by council or a provincial or national executive.
Baseline	Current level of performance that a Municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period.
Basic municipal service	A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided it may endanger the public health and safety or the environment.
Budget year	The financial year for which an annual budget is to be approved – means a year ending on 30 June.
Cost indicators	The overall cost or expenditure of producing a specified quantity of outputs.
Distribution indicators	The distribution of capacity to deliver services.
Financial Statements	Includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other statements that may be prescribed.
General Key performance indicators	After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.
Impact	The results of achieving specific outcomes, such as reducing poverty and creating jobs.
Inputs	All the resources that contribute to the production and delivery of outputs. Inputs are "what we use to do the work". They include finances, personnel, equipment and buildings.
Integrated Development Plan (IDP)	Set out municipal goals and development plans.
National Key performance areas	<ul style="list-style-type: none"> • Service delivery & infrastructure • Economic development • Municipal transformation and institutional development • Financial viability and management • Good governance and community participation

Outcomes	The medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are "what we wish to achieve".
Outputs	The final products, or goods and services produced for delivery. Outputs may be defined as "what we produce or deliver". An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunization, or a service such as processing an application) that contributes to the achievement of a Key Result Area.
Performance Indicator	Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of performance measurement used to gauge the extent to which an output has been achieved (policy developed, presentation delivered, service rendered)
Performance Information	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.
Performance Standards:	The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the outputs and related activities of a job by describing what the required result should be. In this EPMDS performance standards are divided into indicators and the time factor.
Performance Targets:	The level of performance that municipalities and its employees strive to achieve. Performance Targets relate to current baselines and express a specific level of performance that a Municipality aims to achieve within a given time period.
Service Delivery Budget Implementation Plan	Detailed plan approved by the mayor for implementing the Municipality's delivery of services, including projections of the revenue collected with operational and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included.
Vote:	<p>The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area. Section 1 of the MFMA defines a "vote" as:</p> <ul style="list-style-type: none"> a) One of the main segments into which a budget of a Municipality is divided for the appropriation of money for the different departments or functional areas of the Municipality; and b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned



ANNUAL FINANCIAL STATEMENTS

George Local Municipality

Annual Financial Statements for the year ended 30 June 2018

General Information

Mayoral committee

Executive Mayor

MG Naik

Deputy Executive Mayor

C Clarke (Appointed February 2018)

Speaker

G Pretorius (Appointed February 2018)

Councillors

Ward

1	J Säfers
2	DL Cronje
3	EP De Villiers
4	M Barnardt
5	P Louw
6	HH Ingo
7	S Rooiland
8	AD Willemse
9	S Dlikilile
10	BH Mooi
11	CI Lesele
12	B Plata
13	L Langa
14	E Bussack
15	NF Mdaka
16	CH Noble
17	V Muller
18	J van der Westhuizen (Appointed May 2018) GC Niehaus (Resigned January 2018)
19	S Snyman
20	M Draghoender
21	NR James
22	G Pretorius
23	GJ Stander
24	M Daniels
25	JD Esau
26	J von Brandis
27	BM Cornelius

GENERAL INFORMATION

Proportionally elected councillors

L Arries
N Bungane
JP Buys
CM Clarke
J du Toit
RS Figland
J Fry
V Gericke
WT Harris
N Jantjies
A Kiwit
IC Kritzinger
H Loff
MG Naik
J Ncamazana
PP Nosana
MM Nyakathi
B Petrus
I Stemela
EH Stroebe
T Teyisi
PJ van der Hoven
GJ van Niekerk
LD van Wyk
DJ Wessels
CT Williams

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

GENERAL INFORMATION

Auditor	The Auditor General of South Africa
Bankers	ABSA Bank Limited
Registered office	Civic Centre York Street 77 George 6530
Postal address	PO Box 19 George 6530
Accounting Officer	T Botha
Chief Finance Officer (CFO)	K Jordaan
Website	www.george.org.za
E-mail	post@george.org.za

George Local Municipality

Annual Financial Statements for the year ended 30 June 2018

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CIGFARO	The Chartered Institute of Government Finance Audit and Risk Officers
DBSA	Development Bank of Southern Africa
GIPTN	George Integrated Public Transport Network
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
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)
MLTF	Municipal Land Transport Fund

George Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Officer's Approval of the Financial Statements

The Accounting Officer is responsible for the preparation and fair presentation of the annual financial statements of the municipality for the year ending 30 June 2018, comprising of the Statement of Financial Position as at 30 June 2018, the Statement of Financial Performance as at 30 June 2018, the Statement of Changes in Net Assets and the Cash Flow Statement, for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

The Accounting Officer's responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Accounting Officer's responsibility also includes maintaining adequate accounting records and an effective system of risk management as well as preparation of the supplementary schedules included in these financial statements.

The Accounting Officer has made an assessment of the municipality's ability to continue as a going concern and has no reason to believe that the municipality will not be a going concern in the year ahead.

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.

I am responsible for the preparation of these Financial Statements in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the municipality.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act. Refer to note 30 for the disclosure of Councillor remuneration.


T. BOTHA
ACCOUNTING OFFICER

31 August 2018

George Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017
Assets			
Current Assets			
Inventories	2	142,330,942	152,202,953
Receivables from exchange transactions	3	88,880,663	88,750,817
Receivables from non-exchange transactions	4	38,268,554	62,770,904
Prepayments	5	13,071,612	13,667,836
VAT receivable	6	3,310,259	-
Loans and receivables	7	161,391	170,376
Cash and cash equivalents	8	617,784,461	505,440,767
		903,807,882	823,003,653
Non-Current Assets			
Property, plant and equipment	9	2,866,512,968	2,763,898,796
Intangible assets	10	1,355,437	1,433,212
Heritage assets	11	4,236,000	4,236,000
Investment property	12	152,151,814	152,088,405
Loans and receivables	7	681,180	515,302
		3,024,937,399	2,922,171,715
Total Assets		3,928,745,281	3,745,175,368
Current Liabilities			
Loans and borrowings	13	39,621,253	38,885,435
Finance lease obligation	14	4,717,554	4,533,126
Payables from exchange transactions	15	233,235,909	193,839,011
VAT payable	6	-	345,563
Consumer deposits	16	27,168,038	22,822,167
Employee benefit obligation	17	55,172,826	48,829,779
Provisions	18	2,388,295	8,880,025
Unspent conditional grants and receipts	19	75,143,780	104,809,637
		437,447,655	422,944,743
Non-Current Liabilities			
Loans and borrowings	13	290,220,942	309,942,195
Finance lease obligation	14	3,435,551	7,070,369
Employee benefit obligation	17	145,423,283	139,581,720
Provisions	18	90,453,253	75,939,972
Payables from exchange transactions	15	2,796,362	5,459,261
		532,329,391	537,993,517
Total Liabilities		969,777,046	960,938,260
Net Assets		2,958,968,235	2,784,237,108
Net Assets			
Housing development fund	20	62,941,145	63,214,982
Accumulated surplus		2,896,027,090	2,721,022,126
Total Net Assets		2,958,968,235	2,784,237,108

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

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017
Revenue			
Revenue from exchange transactions			
Service charges - Electricity	21	603,331,974	565,449,873
Service charges - Water	21	117,656,763	121,171,738
Service charges - Sewerage and sanitation charges	21	87,951,733	81,869,035
Service charges - Refuse removal	21	69,777,667	61,813,769
Rental revenue		3,271,235	3,756,370
Income from agency services	22	11,257,883	9,442,990
Licences and permits		2,741,849	2,125,807
Sale of erven		9,041,869	9,380,586
GIPTN Fare Revenue	23	39,419,283	37,301,627
Other income	24	41,410,859	29,593,762
Interest received - Outstanding Debtors	25	4,676,862	4,156,105
Interest received - External Investments	25	50,165,612	37,303,968
Gain on disposal of assets and liabilities	37	-	292,672
Total revenue from exchange transactions		1,040,703,589	963,658,302
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	235,053,760	211,432,567
Transfer revenue			
Government grants & subsidies - Operating	27	402,554,545	310,241,313
Government grants & subsidies - Capital	27	202,852,847	149,590,523
Fines, penalties and forfeits	28	81,503,236	48,384,291
Total revenue from non-exchange transactions		921,964,388	719,648,694
Total revenue		1,962,667,977	1,683,306,996
Expenditure			
Employee related costs	29	468,427,935	407,026,726
Remuneration of Councillors	30	21,519,465	18,800,756
Depreciation and amortisation	31	165,172,834	155,475,216
Impairment loss	32	111,775,999	89,347,357
Finance costs	33	44,140,410	44,109,261
Bulk purchases	34	397,810,247	395,856,932
Contracted services	35	448,955,634	381,210,261
Grants and subsidies paid	36	73,355	121,750
Cost of housing sold		7,566,330	8,496,419
Loss on disposal of assets and liabilities	37	2,762,626	-
Other materials / Inventory	38	31,268,648	33,469,934
General Expenses	39	88,463,370	84,517,989
Total expenditure		1,787,936,853	1,618,432,601
Surplus for the year		174,731,124	64,874,395

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

Statement of Changes in Net Assets

Figures in Rand	Housing Development Fund	Accumulated surplus	Total net assets
Opening balance as previously reported	64,940,105	2,648,697,842	2,713,637,947
Adjustments:			
Prior year adjustments (Refer to Note 45)	-	5,724,766	5,724,766
Balance at 01 July 2016 as restated	64,940,105	2,654,422,608	2,719,362,713
Changes in net assets:			
Surplus for the year	-	64,874,395	64,874,395
Transfer to / (from) the Housing Development Fund	(1,725,123)	1,725,123	-
Total changes	(1,725,123)	66,599,518	64,874,395
Balance at 01 July 2017	63,214,982	2,721,022,129	2,784,237,111
Changes in net assets:			
Surplus for the year	-	174,731,124	174,731,124
Transfer to / (from) the Housing Development Fund	(273,837)	273,837	-
Total changes	(273,837)	175,004,961	174,731,124
Balance at 30 June 2018	62,941,145	2,896,027,090	2,958,968,235
Note(s)	20		

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

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017
Cash flows from operating activities			
Receipts			
Taxation		244,205,691	221,296,320
Sale of goods and services		889,113,034	847,773,214
Grants		600,769,491	550,790,720
Interest income		50,165,612	37,303,968
Other receipts		57,687,725	43,689,265
		<u>1,841,941,553</u>	<u>1,700,853,487</u>
Payments			
Employee costs		(477,762,791)	(422,508,982)
Suppliers		(918,463,742)	(858,327,318)
Finance costs		(43,153,884)	(42,810,558)
		<u>(1,439,380,417)</u>	<u>(1,323,646,858)</u>
Net cash flows from operating activities	40	<u>402,561,136</u>	<u>377,206,629</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(267,337,144)	(211,220,724)
Proceeds on disposal of property, plant and equipment	9	2,284,522	953,008
Purchase of intangible assets	10	(638,570)	(943,072)
Proceeds from loans and receivables		54,718	185,902
Net cash flows from investing activities		<u>(265,636,474)</u>	<u>(211,024,886)</u>
Cash flows from financing activities			
Repayment of loans and borrowings	13	(18,985,435)	(20,566,458)
Repayment of finance lease liabilities		(5,595,533)	(5,497,177)
Net cash flows from financing activities		<u>(24,580,968)</u>	<u>(26,063,635)</u>
Net increase/(decrease) in cash and cash equivalents		112,343,694	140,118,108
Cash and cash equivalents at the beginning of the year		505,440,767	365,322,659
Cash and cash equivalents at the end of the year	8	<u>617,784,461</u>	<u>505,440,767</u>

George Local Municipality

Annual Financial Statements for the year ended 30 June 2018

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
Figures in Rand						
Financial Performance						
Revenue						
Revenue by source						
Property rates	231,124,108	2,780,000	233,904,108	235,053,760	1,149,652	Difference less than 10%
Service charges	874,084,116	6,405,000	880,489,116	878,718,137	(1,770,979)	Difference less than 10%
Investment revenue	36,475,750	5,402,085	41,877,835	54,842,474	12,964,639	55.1
Transfers recognised - operational	419,819,986	9,976,705	429,796,691	402,554,545	(27,242,146)	Difference less than 10%
Other own revenue	187,811,449	(22,486,668)	165,324,781	188,646,214	23,321,433	55.17
Total Revenue (excluding capital transfers and contributions)	1,749,315,409	2,077,122	1,751,392,531	1,759,815,130	8,422,599	
Expenditure by type						
Employee costs	456,094,572	24,352,845	480,447,417	468,427,935	(12,019,482)	Difference less than 10%
Remuneration of Councillors	22,269,339	-	22,269,339	21,519,465	(749,874)	Difference less than 10%
Debt impairment	64,138,560	-	64,138,560	111,775,999	47,637,439	55.2
Depreciation and asset impairment	156,878,423	(369,030)	156,509,393	165,172,834	8,663,441	Difference less than 10%
Finance charges	38,103,660	6,162	38,109,822	44,140,410	6,030,588	55.3
Materials and bulk purchases	444,138,190	371,140	444,509,330	436,645,226	(7,864,104)	Difference less than 10%
Transfers and grants	200,000	1,000,000	1,200,000	73,355	(1,126,645)	55.4
Other expenditure	627,064,834	(36,180,470)	590,884,364	540,181,629	(50,702,735)	Difference less than 10%
Total expenditure	1,808,887,578	(10,819,353)	1,798,068,225	1,787,936,853	(10,131,372)	
Surplus / (Deficit)	(59,572,169)	12,896,475	(46,675,694)	(28,121,723)	18,553,971	
Transfers recognised - capital	200,913,362	49,735,349	250,648,711	202,852,847	(47,795,864)	55.5
Surplus for the year	141,341,193	62,631,824	203,973,017	174,731,124	(29,241,893)	

George Local Municipality

Annual Financial Statements for the year ended 30 June 2018

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
Figures in Rand						
Capital expenditure						
Assets						
Capital expenditure by vote						
Executive and Council	11,258,500	(129,200)	11,129,300	629,614	(10,499,686)	55.16
Finance and administration	7,635,400	(1,242,750)	6,392,650	5,173,501	(1,219,149)	55.6
Community and social services	4,352,400	1,064,575	5,416,975	3,451,700	(1,965,275)	55.7
Sport and recreation	6,788,000	2,669,300	9,457,300	8,846,738	(610,562)	Difference less than 10%
Public safety	1,340,000	1,046,690	2,386,690	1,608,361	(778,329)	55.8
Housing	260,000	1,286,423	1,546,423	1,503,650	(42,773)	Difference less than 10%
Planning and development	611,500	(239,915)	371,585	330,243	(41,342)	55.9
Road transport	115,043,662	37,192,381	152,236,043	128,694,914	(23,541,129)	55.10
Electricity	72,299,630	(28,294,000)	44,005,630	31,873,286	(12,132,344)	55.11
Water	47,863,680	(6,384,000)	41,479,680	29,167,856	(12,311,824)	55.12
Waste water management	61,663,100	1,119,900	62,783,000	49,123,741	(13,659,259)	55.13
Waste management	11,650,000	1,664,000	13,314,000	8,642,385	(4,671,615)	55.14
Other	166,000	-	166,000	85,376	(80,624)	55.15
	340,931,872	9,753,404	350,685,276	269,131,365	(81,553,911)	
Sources of Capital Funds						
Transfers recognised - capital	230,314,992	7,908,785	238,223,777	196,287,730	(41,936,047)	
Borrowings	19,900,000	3,218,700	23,118,700	19,525,259	(3,593,441)	
Internally generated funds	90,716,880	(1,374,081)	89,342,799	53,318,376	(36,024,423)	
	340,931,872	9,753,404	350,685,276	269,131,365	(81,553,911)	
Capitalisation consist of the following:						
Property, plant and equipment additions				268,497,795		9
Intangible assets				638,570		10
				269,136,365		

George Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.f.o. s28 and budget s31 of the MFMA)	Final adjustments	Shifting of funds (i.f.o. s31 of the MFMA)	Virement (i.f.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Categories of financial instruments carried at amortised cost											
Financial Performance											
Property rates	231,124,108	2,780,000	233,904,108	-	-	233,904,108	235,053,760		1,149,652	100 %	102 %
Service charges	874,084,116	6,405,000	880,489,116	-	-	880,489,116	878,718,137		(1,770,979)	100 %	101 %
Investment revenue	36,475,750	5,402,085	41,877,835	-	-	41,877,835	54,842,474		12,964,639	131 %	150 %
Transfers recognised - operational	419,819,986	9,976,705	429,796,691	-	-	429,796,691	402,554,545		(27,242,146)	94 %	96 %
Other own revenue	187,811,449	(22,486,668)	165,324,781	-	-	165,324,781	188,646,214		23,321,433	114 %	100 %
Total revenue (excluding capital transfers and contributions)	1,749,315,409	2,077,122	1,751,392,531	-	-	1,751,392,531	1,759,815,130		8,422,599	100 %	101 %
Employee costs	456,094,572	15,751,088	471,845,660	-	8,601,757	480,447,417	468,427,935	-	(12,019,482)	97 %	103 %
Remuneration of Councilors	22,269,339	-	22,269,339	-	-	22,269,339	21,519,465	-	(749,874)	97 %	97 %
Debt impairment	64,138,560	-	64,138,560			64,138,560	111,775,999	47,637,439	47,637,439	174 %	174 %
Depreciation and asset impairment	156,878,423	(369,030)	156,509,393			156,509,393	165,172,834	8,663,441	8,663,441	106 %	105 %
Finance charges	38,103,660	6,162	38,109,822	-	-	38,109,822	44,140,410	6,030,588	6,030,588	116 %	116 %
Materials and bulk purchases	444,138,109	1,004,640	445,142,749	-	(633,500)	444,509,249	436,645,226	-	(7,864,023)	98 %	98 %
Transfers and grants	200,000	1,000,000	1,200,000	-	-	1,200,000	73,355	-	(1,126,645)	6 %	37 %
Other expenditure	627,064,834	(28,212,213)	598,852,621	-	(7,968,257)	590,884,364	540,181,629	-	(50,702,735)	91 %	86 %
Total expenditure	1,808,887,497	(10,819,353)	1,798,068,144	-	-	1,798,068,144	1,787,936,853	62,331,468	(10,131,291)	99 %	99 %
Surplus/(Deficit)	(59,572,088)	12,896,475	(46,675,613)	-	-	(46,675,613)	(28,121,723)		18,553,890	60 %	47 %

George Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	200,913,362	49,735,349	250,648,711	-	-	250,648,711	202,852,847		(47,795,864)	81 %	101 %
Surplus/(Deficit) for the year	141,341,274	62,631,824	203,973,098	-	-	203,973,098	174,731,124		(29,241,974)	86 %	124 %
Capital expenditure and funds sources											
Total capital expenditure	340,931,872	9,753,404	350,685,276	-	-	350,685,276	269,131,364		(81,553,912)	77 %	79 %
Sources of capital funds											
Transfers recognised - capital	230,314,992	7,908,785	238,223,777	-	-	238,223,777	196,287,730		(41,936,047)	82 %	85 %
Borrowing	19,900,000	3,218,700	23,118,700	-	-	23,118,700	19,525,259		(3,593,441)	84 %	98 %
Internally generated funds	90,716,880	(1,374,081)	89,342,799	-	-	89,342,799	53,318,375		(36,024,424)	60 %	59 %
Total sources of capital funds	340,931,872	9,753,404	350,685,276	-	-	350,685,276	269,131,364		(81,553,912)	77 %	79 %

George Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	345,186,709	-	345,186,709	-	-	345,186,709	402,561,136		57,374,427	117 %	117 %
Net cash from (used) investing	(295,339,736)	(16,488,400)	(311,828,136)	-	-	(311,828,136)	(265,636,474)		46,191,662	85 %	90 %
Net cash from (used) financing	(19,771,742)	-	(19,771,742)	-	-	(19,771,742)	(24,580,968)		(4,809,226)	124 %	124 %
Net increase/(decrease) in cash and cash equivalents	30,075,231	(16,488,400)	13,586,831	-	-	13,586,831	112,343,694		98,756,863	827 %	374 %
Cash and cash equivalents at the beginning of the year	505,440,767	-	505,440,767	-	-	505,440,767	505,440,767		-	100 %	100 %
Cash and cash equivalents at year end	535,515,998	(16,488,400)	519,027,598	-	-	519,027,598	617,784,461		(98,756,863)	119 %	115 %

George Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
2017				
Financial Performance				
Property rates				211,432,567
Service charges				830,304,415
Investment revenue				41,460,073
Transfers recognised - operational				310,241,313
Other own revenue				119,514,410
Total revenue (excluding capital transfers and contributions)				1,512,952,778
Employee costs	-	-	-	(407,026,726)
Remuneration of councillors	-	-	-	(18,800,756)
Debt impairment	25,529,614	25,529,614	-	(89,347,357)
Depreciation and asset impairment	-	-	-	(155,475,216)
Finance charges	4,788,936	4,788,936	-	(44,109,261)
Bulk purchases	-	-	-	(395,856,932)
Other materials	5,801,824	5,801,824	-	(41,966,353)
Transfers and grants	-	-	-	(121,750)
Other expenditure	97,823	97,823	-	(465,728,250)
Total expenditure	36,218,197	36,218,197	-	(1,618,432,601)
Surplus/(Deficit)				(105,479,823)
Transfers recognised - capital				149,590,522
Contributions recognised - capital and contributed assets				20,763,696
Surplus (Deficit) after capital transfers and contributions				64,874,395
Surplus/(Deficit) for the year				64,874,395
Capital expenditure and funds sources				
Total capital expenditure				213,537,393
Sources of capital funds				
Transfers recognised - capital				145,307,498
Public contributions and donations				504,253
Borrowing				18,492,539
Internally generated funds				49,233,103
Total sources of capital funds				213,537,393
Cash flows				
Net cash from (used) operating				377,206,629
Net cash from (used) investing				(211,024,886)
Net cash from (used) financing				(26,063,635)
Net increase/(decrease) in cash and cash equivalents				140,118,108
Cash and cash equivalents at the beginning of the year				365,322,659
Cash and cash equivalents at year end				505,440,767

Accounting Policies

George Municipality is a local government institution in George, Western Cape. The addresses of its registered office and principal place of business are disclosed under General Information. Refer to page 3.

The accounting policies for the municipality are:

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives 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.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3.

Assets, liabilities, revenues and expenses were not offset, except where 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 unless explicitly stated otherwise. The details of changes in accounting policies are explained in the relevant notes to the financial statements.

The municipality resolved to formulate an accounting policy based on the following GRAP standards which have been issued but are not yet effective:

Standard	Description	Effective Date (Year starting on)
GRAP 20	Related Party Disclosure	1 April 2019

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

Standard	Description	Effective Date (Year starting on)
GRAP 18	Segment Reporting Presentation of the financial statements will be affected by this standard.	1 April 2020
GRAP 32	Service Concession Arrangements : Grantor No significant impact is expected.	1 April 2019
GRAP 34	Separate Financial Statements No significant impact is expected.	Unknown
GRAP 35	Consolidated Financial Statements No significant impact is expected.	Unknown
GRAP 36	Investments in Associates and Joint Ventures No significant impact is expected.	Unknown
GRAP 37	Joint Arrangements No significant impact is expected.	Unknown

Accounting Policies

Standard	Description	Effective Date (Year starting on)
GRAP 38	Disclosure of interest in Other Entities No significant impact is expected.	Unknown
GRAP 108	Statutory Receivables Disclosure of information in the notes to the financial statements will be affected.	1 April 2019
GRAP 109	Accounting by Principals and Agents Disclosure of information in the notes to the financial statements will be affected.	1 April 2019
GRAP 110	Living and non-living resources No significant impact is expected.	1 April 2020
IGRAP 17	Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset No significant impact is expected.	1 April 2019
IGRAP 18	Recognition and derecognition of land No significant impact is expected.	1 April 2019
IGRAP 19	Liabilities to pay levies No significant impact is expected.	1 April 2019
Guideline	Accounting for Arrangements Undertaken in terms of the National Housing Program No significant impact is expected.	Unknown

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

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

1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. In general, materiality is determined as 1% of total expenditure. This indicator is from management's perspective and does not necessarily correlate with the auditors' materiality.

1.4 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements in conformity with GRAP, management is required to make estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may vary from these estimates.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

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

Significant judgements include:

Property, plant and equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Intangible assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Investment property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material. Additional disclosures of these estimates of provisions are included in notes 18 and 43.

Post retirement medical obligations, long service awards and ex gratia gratuities

The cost of post retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 17.

Impairment of receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Accounting Policies

1.5 Property, plant and equipment

Recognition and measurement

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.

Items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, where applicable.

Property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, and other directly attributable costs incurred in the acquisition, establishment and installation of such assets so as to bring them to a working condition for their intended use.

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Trade discounts and rebates are deducted in arriving at the cost.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an 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 assets acquired are initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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

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

The cost of day-to-day servicing of property, plant and equipment is recognised in surplus or deficit as incurred.

Leased assets

Leases in terms of which the municipality assumes substantially all the risks and rewards of ownership are classified as finance leases. Vehicles and office equipment acquired by way of finance leases are measured upon initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

Leased assets are depreciated over the lesser of the useful life or lease term.

Subsequent costs

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the asset are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally best estimate of the expected useful life of the asset, then it is regarded as repairs and maintenance and is expensed.

Depreciation

Depreciation is recognised in surplus or deficit on a straight-line basis over the estimated useful life of each item of property, plant and equipment.

Accounting Policies

1.5 Property, plant and equipment (continued)

Depreciation begins when an asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management, and ceases when the asset is derecognised. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The depreciation rates are initially based on the following originally estimated useful lives and thereafter on the estimated remaining useful lives as at year-end. 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.

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

Item	Average useful life in years
Infrastructure	
• Electricity	20 - 30
• Roads and paving	10 - 30
• Water	15 - 20
• Gas	20
• Sewerage	3 - 30
• Security measures	3 - 15
Community	
• Buildings	3 - 30
• Recreational facilities	20
Other	
• Office equipment	5 - 10
• Furniture and fittings	7 - 10
• Bins and containers	5 - 10
• Emergency equipment	5 - 15
• Motor vehicles	5 - 20
• Watercraft	15
• Plant and equipment	5 - 15
Other - GIPTN buses	
• Buses	6 - 12
Land and buildings	
• Buildings	30
• Land	Indefinite

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

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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.

Accounting Policies

1.5 Property, plant and equipment (continued)

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the municipality.

Property, plant and equipment are not used as security unless stated otherwise in the notes.

1.6 Investment property

Initial Recognition

Investment property shall be recognised as an asset when, and only 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 includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use is also classified as investment property.

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Investment property is measured at cost less accumulated depreciation and accumulated impairment losses. Investment property acquired at no or nominal consideration is initially recognised at fair value and subsequently carried at the initially determined fair value less accumulated depreciation and accumulated impairment losses.

Subsequent Measurement

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Depreciation

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. 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.

Investment Property	Years
Buildings	30
Land	Indefinite

Accounting Policies

1.6 Investment property (continued)

Derecognition

Investment property is derecognised when it is disposed or when there are no further economic benefits or service potential expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Investment property is not used as security unless stated otherwise in the notes.

1.7 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.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in a municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Heritage assets are not used as security unless stated otherwise in the notes.

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 less any accumulated impairment loss.

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 assess at each reporting date whether there is an indication that the heritage assets 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 a 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 determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

Accounting Policies

1.8 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiable criteria in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

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

Intangible assets are initially recognised at cost.

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

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

Intangible assets are not used as security unless stated otherwise in the notes.

Subsequent measurement

After the initial measurement of intangible assets, subsequent expenditure is only capitalised if future economic benefits or service potential over the total life of the intangible assets, in excess of the most recently assessed standard of performance of the existing intangible assets, will flow to the municipality.

Intangible assets consist of computer software and amortisation is charged on a straight-line basis over their useful lives, which is estimated to be between 5 to 10 years. (2017: 5 to 10 years). Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised. 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.

Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. The impairment loss is the difference between the carrying amount and the recoverable amount or recoverable service amount.

Amortisation methods and useful lives are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

Derecognition

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

Accounting Policies

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset in 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.

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, the municipality 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, 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 municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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 of financial assets or financial liabilities with another entity under conditions that are potentially favourable to the municipality.

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

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

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

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

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 municipality had not acquired, issued or disposed of the financial instrument.

Classification

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Class

Trade receivables from exchange transactions
Trade and other receivables from non-exchange transactions
Loans and receivables
Cash and cash equivalents

Category

Financial asset measured at amortised cost
Financial asset measured at amortised cost

Financial asset measured at amortised cost
Financial asset measured at amortised cost

Accounting Policies

1.9 Financial instruments (continued)

The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Class	Category
Loans and borrowings	Financial liability measured at amortised cost
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	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 municipality 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 in the case of a financial asset or financial liability not subsequently measured at fair value.

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 amortised cost.

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

Gains and losses

For financial assets and financial liabilities measured at amortised 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.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

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 through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

Accounting Policies

1.9 Financial instruments (continued)

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 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.

Derecognition

Financial assets

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 municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, 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 municipality:
 - derecognises the asset; and
 - recognises separately any rights and obligations created or retained in 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).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability are recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the Statement of Financial Position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the municipality does not offset the transferred asset and the associated liability.

Financial instruments are not used as security unless stated otherwise in the notes.

Accounting Policies

1.10 Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

1.11 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

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

The Municipality as Lessor

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease installments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Payments received under operating leases are recognised in surplus or deficit on a straight-line basis over the term of the lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset.

The Municipality as Lessee

Under a finance lease, property, plant and equipment or intangible assets, except intangible assets such as licensing agreements, 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 as determined at the inception of the lease. The corresponding liabilities are initially recognised at the inception of the lease and are measured at the lower of the asset's fair value or 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.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables.

Payments made under operating leases are recognised in surplus or deficit on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Accounting Policies

1.12 Inventories

Inventories, consisting of consumable stores, raw materials and properties held for sale are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Water inventory is being measured by multiplying the cost per kilo-litre of purified water by the amount of water in storage.

Unsold properties held for sale are valued at the lower of cost and net realisable value. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs. The net realisable value for this class of inventory is assessed each year by comparing the current book value to recent sales of properties in each area.

Cost of inventory comprises all costs of purchase, cost of conversion and other cost incurred in bringing the inventory to its present location and condition.

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

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

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.

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

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.

Even used for housing developments are properties that were part of the commonage when the municipality was established and the municipality received these properties at no or nominal consideration. The value of these properties is deemed to be equal to their fair value on the date of acquisition.

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.

Inventory is not used as security unless stated otherwise in the notes.

1.13 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Carrying amount is the amount at which an asset is recognised in the Statement of Financial Position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

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

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 asset with an indefinite useful life or a cash-generating asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed annually. If an asset was initially recognised during the current reporting period, that asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

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.

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 the Statement of Financial Performance.

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

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.

Accounting Policies

1.13 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 municipality 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 the Statement of Financial Performance.

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.

1.14 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Accounting Policies

1.14 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.

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 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 the Statement of Financial Performance.

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.

Accounting Policies

1.14 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.

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.

1.15 Employee benefits

Employee benefits are all forms of consideration given by a municipality in exchange for services rendered by employees.

Short-term employee benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay and bonuses, are recognised during the period in which the employee renders the related service. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

Long-service award

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation is valued by independent qualified actuaries at year-end and the corresponding liability is raised. Payments set-off against the liability, including notional interest, resulting from the valuation by the actuaries, are charged against the Statement of Financial Performance.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance in the period that it occurs.

Accrued leave pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Accounting Policies

1.15 Employee benefits (continued)

Staff Bonuses

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonuses accrued at year end for each employee.

Post-employment benefits

Post-employment benefits are benefits paid for current employees to provide for their retirement.

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

The Municipality provides post retirement benefits for its employees. Council pays 70% as contributions and the remaining 30% are paid by the members.

These obligations are valued periodically by independent qualified actuaries.

Multi-employer Defined Benefit and Defined Contribution Plans

The municipality classifies a multi-employer plan 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 it in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the municipality accounts 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.

The municipality contributes to various National- and Provincial-administered plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 17 of the Financial Statements for details)

Post-employment benefits: Defined contribution plans

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

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Accounting Policies

1.15 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans. It defines an amount of benefit that an employee will receive on retirement. The municipality's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value. Any unrecognised past service cost and the fair value of any plan assets are deducted.

Actuarial gains and losses comprise of 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 recognises 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 entity (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 municipality recognises 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 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 municipality accounts 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;

Accounting Policies

1.15 Employee benefits (continued)

- 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 are recognised in surplus or deficit.

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).

Accounting Policies

1.15 Employee benefits (continued)

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 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.

Other post retirement obligations

The municipality provides certain post-retirement medical benefits by funding the medical aid contributions of certain 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), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The Municipality provides post-retirement medical benefits by subsidising the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined on an annual basis (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, are charged or credited to the Statement of Financial Performance in the period that they occur. These obligations are valued periodically by independent qualified actuaries.

1.16 Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of the expenditure required to settle the present obligation. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be reversed.

Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

Provisions shall be reviewed at each reporting date and adjusted to reflect the current best estimate.

Accounting Policies

1.16 Provisions, contingent liabilities and contingent assets (continued)

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

1.17 Unspent conditional government grants and receipts

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

A liability for unspent conditional grants is recognised only to the extent that the conditions attached to the grant have not been satisfied and are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be asset-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met is transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the operating account of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.18 Conditional government grants and subsidies receivables

Conditional government grants and subsidies receivable are assets in terms of GRAP that are separately reflected on the Statement of Financial Position. The asset is recognised when the municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provision is set for the creation and utilisation of the grants as receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.19 Grant-in-aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time in accordance with Section 67 of the MFMA. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

Accounting Policies

1.20 Revenue

Revenue includes rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be reliably measured, except when specifically stated otherwise.

Revenue from the sale of goods in the ordinary course of the municipality's activities is measured at the fair value of the consideration received or receivable, net of value-added tax, estimated returns, rebates and discounts. Revenue from the rendering of services is recognised in surplus or deficit in proportion to the stage of completion of the transaction at the reporting date.

Revenue from Exchange Transactions

Service Charges

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

Pre-paid electricity

Revenue from the sale of electricity prepaid units is recognised when the risks and rewards of ownership has passed to the buyer. At year-end the recognition is based on an estimate of the prepaid electricity consumed as at the reporting date. The consumption of pre-paid electricity is measured by using a trend analysis and other historical data about electricity usage.

Interest earned and rentals received

Interest income is recognised in the Statement of Financial Performance as it accrues, using the effective interest rate method. Rental income is recognised on a straight-line basis over the lease term. Interest may be transferred from the Accumulated Surplus to the Housing Development Fund.

Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the service is rendered by applying the relevant approved tariff. This includes the issuing of licences and permits.

Accounting Policies

1.20 Revenue (continued)

Agency commission

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

Housing rental and instalments

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised as it accrues in surplus or deficit using the effective interest method.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of the goods can be estimated reliably, there is no continuing managerial involvement with the goods, and the amount of revenue can be measured reliably.

GIPTN Fare Revenue

Bus tickets are sold as single journey tickets or multi journey tickets. Single journey tickets buy the ticket holder a one hour passage on any of the buses from the time the ticket is cancelled by the bus driver. A multi journey ticket is a ticket with ten hourly passages. Tickets are recognised as fare revenue when sold.

Revenue from non-exchange transactions

Rates and taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised using the effective interest method. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Fines

Fine revenue constitutes both spot fines and summonses. Fine revenue is recognised on the date which the offense occurred. In cases where fines and summonses are issued by another government institution, revenue will only be recognised when monies are received, as the municipality does not have any control over fines issued by other government institution/departments.

Donations and Contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, at the fair value of the property, plant and equipment received or receivable. Contributed property, plant and equipment are recognised when the risks and rewards of ownership have transferred to the municipality.

Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible Councillors or officials is virtually certain.

Unconditional grant

An unconditional grant is recognised in the Statement of Financial Performance when the grant is receivable.

Accounting Policies

1.20 Revenue (continued)

Conditional grants and receipts

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

Grants that compensate the municipality for expenses incurred are recognised in the Statement of Financial Performance on a systematic basis in the same periods in which the expenses are recognised.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the grantor it is recorded as part of the liability and if not it is recognised as interest earned in the Statement of Financial Performance.

1.21 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.

1.22 Value Added Tax

Revenue, expenses and assets are recognised net of the amounts of Value Added Tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

The municipality accounts for Value Added Tax on the payment basis. The municipality is liable to account for Value Added Tax at the standard rate (14% up to 31 March 2018 and 15% from 1 April 2018) in terms of section 7(1) of the VAT Act, in respect of the supply of goods or services except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 or are out of scope for VAT purposes. The timing of payments to or from the South African Revenue Service is the last day of each of the twelve months of the financial year.

1.23 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.

Accounting Policies

1.24 Municipal Land Transport Fund

The municipality, jointly with the Provincial Government of the Western Cape via its Department of Transport and Public Works, has implemented the George Integrated Public Transport Network for the delivery of public transport services in the George municipal area.

The National Land Transport Act, (Act No. 5 of 2009) requires that a municipality establishing an integrated public transport network must establish a Municipal Land Transport Fund in terms of Section 27 of the Act. Money appropriated by the Minister and / or MEC for the Fund, user charges collected and interest on invested cash balances belonging to the Fund, should be paid into the fund. The fund is utilised to defray the costs of the functions in terms of its integrated transport plan.

The Municipal Land Transport Fund was established on 8 December 2014, which is the date the transport service commenced.

The Municipal Land Transport Fund is treated as a ring fenced cost centre within the municipality. Refer to note 54 for more detail.

1.25 Capital commitments

Capital commitments disclosed in the financial statements represent the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.26 Events after reporting date

Events after the reporting date that are classified as adjusting events are accounted for in the financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date are disclosed in the notes to the financial statements.

1.27 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

- All directors or members of the governing body of the entity, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

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 members of management in their dealings with the municipality

All transactions with related parties are disclosed.

Accounting Policies

1.28 Budget information

The Municipality is subject to budgetary limits in the form of a Council approved budget, which is given effect through authorising legislation.

General purpose financial reporting by the municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis. The approved budget covers the fiscal period from 2017/07/01 to 2018/06/30.

The annual financial statements and the budget are on the same basis of accounting except for certain accounting entries (e.g. movement in legal provisions) therefore a reconciliation between the Statement of Financial Performance and the budget has been included in the annual financial statements. Refer to the Statement of Comparison of Budget and Actual Amounts.

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements. Material differences are being defined by Management as 10% of a specific line-item or amounts greater than R250,000. Explanations for material differences between the final budget amounts and actual amounts are included in the Notes to the Financial Statements - Refer to note 55.

1.29 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance in the year that the expense was incurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. Unauthorised expenditure is submitted to Council after year end for authorisation.

1.30 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.31 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.32 Comparative information

Prior year comparatives

When the presentation or classification of items in the financial statements is amended, comparative amounts are restated or reclassified except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the amendment. The nature and reason for the restatement or reclassification is disclosed in note 45.

Accounting Policies

1.33 Change in accounting policies, estimates and errors

Changes in accounting policies that are effected by management are applied retrospectively except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively. Details of changes in estimates are disclosed in the notes to the financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 45 of the financial statements for details of corrections of errors recorded during the period under review.

George Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
2. Inventories		
Consumable stores - at cost	5,825,317	8,269,275
Maintenance materials, chemicals and water reserve - at cost	7,045,176	9,168,494
Purified water	381,735	367,569
Property Developments - at cost	141,633	141,633
Unsold Properties Held for Resale - at net realisable value	128,937,081	134,255,981
	142,330,942	152,202,953
<p>The cost of inventories recognised as an expense in the Statement of Financial Performance for stock issues were R19,630,111 (2017: R18,604,357) and RNil (2017: RNil) in respect of inventory written down to net realisable value.</p> <p>Even used for housing developments are measured as per accounting policy 1.12.</p>		
3. Trade receivables from exchange transactions		
Service debtors	84,030,719	83,958,994
Other exchange receivables	4,849,944	4,791,823
Prepaid electricity	3,948,348	4,352,449
Rental debtors	582,006	232,994
GIPTN fare revenue	319,590	206,380
	88,880,663	88,750,817
Gross balances		
Electricity	66,461,649	51,968,855
Water	88,028,362	86,577,980
Sewerage	27,214,558	29,549,207
Refuse	22,019,207	23,362,920
Housing loan instalments	532,119	534,980
Housing rental	125,702	413,278
Other consumer debtors	9,842,857	8,378,378
	214,224,454	200,785,598
Less: Allowance for impairment		
Electricity	7,841,490	4,898,562
Water	78,501,700	72,276,943
Sewerage	19,451,156	21,057,171
Refuse	15,235,911	16,659,163
Housing loan instalments	464,208	492,393
Housing rental	81,012	356,895
Other consumer debtors	8,618,258	1,085,477
	130,193,735	116,826,604

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

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
3. Trade receivables from exchange transactions (continued)		
Net balance		
Electricity	58,620,159	47,070,293
Water	9,526,662	14,301,037
Sewerage	7,763,402	8,492,036
Refuse	6,783,296	6,703,757
Housing loan instalments	67,911	42,587
Housing rental	44,690	56,383
Other consumer debtors	1,224,599	7,292,901
	84,030,719	83,958,994
 The ageing of trade receivables from exchange transactions consist of the following:		
Electricity		
Current (0 -30 days)	54,456,897	36,653,761
31 - 60 days	2,782,782	3,049,875
61 - 90 days	811,367	1,743,191
91 - 120 days	564,310	936,098
121 - 365 days	7,846,293	9,585,930
Less: Allowance for impairment	(7,841,490)	(4,898,562)
	58,620,159	47,070,293
 Water		
Current (0 -30 days)	15,284,256	17,486,566
31 - 60 days	2,365,063	3,345,392
61 - 90 days	1,757,145	2,623,319
91 - 120 days	2,083,927	2,464,855
121 - 365 days	66,537,971	60,657,848
Less: Allowance for impairment	(78,501,700)	(72,276,943)
	9,526,662	14,301,037
 Sewerage		
Current (0 -30 days)	8,691,957	7,509,485
31 - 60 days	1,599,180	1,632,869
61 - 90 days	968,133	1,053,862
91 - 120 days	739,859	838,242
121 - 365 days	15,215,429	18,514,749
Less: Allowance for impairment	(19,451,156)	(21,057,171)
	7,763,402	8,492,036
 Refuse		
Current (0 -30 days)	7,497,938	6,371,917
31 - 60 days	1,394,624	1,360,631
61 - 90 days	882,848	926,986
91 - 120 days	671,517	706,026
121 - 365 days	11,572,280	13,997,360
Less: Allowance for impairment	(15,235,911)	(16,659,163)
	6,783,296	6,703,757

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

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
3. Trade receivables from exchange transactions (continued)		
Housing loans instalments		
Current (0 -30 days)	31,854	49,111
31 - 60 days	7,470	10,921
61 - 90 days	6,465	8,983
91 - 120 days	5,781	9,219
121 - 365 days	480,549	456,746
Less: Allowance for impairment	(464,208)	(492,393)
	67,911	42,587
Housing rental		
Current (0 -30 days)	41,945	44,659
31 - 60 days	15,754	13,309
61 - 90 days	11,278	9,710
91 - 120 days	10,369	7,132
121 - 365 days	46,356	338,468
Less: Allowance for impairment	(81,012)	(356,895)
	44,690	56,383
Other consumer debtors		
Current (0 -30 days)	1,106,093	782,473
31 - 60 days	689,269	25,827
61 - 90 days	330,608	293,790
91 - 120 days	251,273	227,534
121 - 365 days	7,465,614	7,048,754
Less: Allowance for impairment	(8,618,258)	(1,085,477)
	1,224,599	7,292,901
Summary of debtors by customer classification		
Residential		
Current (0 -30 days)	35,252,281	34,288,247
31 - 60 days	6,995,454	7,101,622
61 - 90 days	3,968,960	5,683,630
91 - 120 days	3,693,845	4,230,014
121 - 365 days	101,064,350	101,877,003
Less: Allowance for impairment	(122,347,439)	(110,945,740)
	28,627,451	42,234,776
Industrial/ commercial		
Current (0 -30 days)	48,543,474	31,325,482
31 - 60 days	1,296,852	1,186,544
61 - 90 days	427,515	472,298
91 - 120 days	275,901	619,177
121 - 365 days	7,251,830	8,499,118
Less: Allowance for impairment	(7,846,296)	(5,880,865)
	49,949,276	36,221,754

George Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
3. Trade receivables from exchange transactions (continued)		
National and provincial government		
Current (0 -30 days)	3,315,187	3,284,239
31 - 60 days	561,837	1,150,659
61 - 90 days	371,368	503,913
91 - 120 days	357,289	339,914
121 - 365 days	848,311	223,738
	5,453,992	5,502,463
Total		
Current (0 -30 days)	87,110,942	68,897,969
31 - 60 days	8,854,143	9,438,825
61 - 90 days	4,767,843	6,659,841
91 - 120 days	4,327,035	5,189,105
121 - 365 days	109,164,491	110,599,859
	214,224,454	200,785,599
Less: Allowance for impairment	(130,193,735)	(116,826,605)
	84,030,719	83,958,994

Reconciliation of allowance for impairment for receivables from exchange transactions

2018	Balance at the beginning of the year	Impairment losses recognised	Amounts written off as uncollectible	Balance at the end of the year
Electricity	4,898,562	3,096,820	(153,892)	7,841,490
Water	72,276,943	21,364,592	(15,139,835)	78,501,700
Sewerage	21,057,171	6,523,987	(8,130,002)	19,451,156
Refuse	16,659,163	5,623,265	(7,046,517)	15,235,911
Housing loan instalments	492,394	(28,186)	-	464,208
Housing rentals	356,895	(275,883)	-	81,012
Other consumer debtors	1,085,477	7,586,805	(54,024)	8,618,258
	116,826,605	43,891,400	(30,524,270)	130,193,735

2017	Balance at the beginning of the year	Impairment losses recognised	Amounts written off as uncollectible	Balance at the end of the year
Electricity	5,876,019	(939,070)	(38,387)	4,898,562
Water	50,772,525	30,188,275	(8,683,856)	72,276,944
Sewerage	16,768,705	9,309,065	(5,020,599)	21,057,171
Refuse	12,636,117	8,046,261	(4,023,215)	16,659,163
Housing loan instalments	378,709	113,684	-	492,393
Housing rentals	383,666	(26,771)	-	356,895
Other consumer debtors	1,088,060	24,118	(26,701)	1,085,477
	87,903,801	46,715,562	(17,792,758)	116,826,605

Total debtors past due but not impaired	2018	2017
31 - 60 days	5,713,532	2,221,213
61 - 90 days	2,113,685	2,068,231
91 - 120 days	1,675,502	1,182,224
121 - 365 days	7,997,057	12,808,900
	17,499,776	18,280,568

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
3. Trade receivables from exchange transactions (continued)		
Credit quality of consumer debtors		
Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.		
Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.		
4. Receivables from non-exchange transactions		
Taxation receivables		
Net Rates	18,278,162	20,586,069
Gross rates	33,259,057	32,154,333
Allowance for impairment on rates	(14,980,895)	(11,568,264)
Transfer receivables		
Net Fines	11,200,392	9,135,978
Fines	114,369,809	85,588,735
Allowance for impairment on fines	(103,169,417)	(76,452,757)
Conditional government grants and subsidies receivable (Refer note 19)	4,196,365	29,224,324
Other receivables		
Sundry receivables	4,593,635	3,824,533
Allowance for impairment on sundry receivables	4,685,783	3,488,846
	(792,583)	(802,713)
Non-cash portion of Housing Development Fund	588,291	1,012,475
Operating lease receivables	112,144	125,925
	38,268,554	62,770,904
The ageing of trade receivables from non-exchange transactions		
Rates		
Current (0 -30 days)	15,145,343	13,582,238
31 - 60 days	2,714,141	2,295,219
61 - 90 days	1,363,984	1,248,023
91 - 120 days	920,608	805,210
121 - 365 days	13,114,981	14,223,643
Less: Allowance for impairment	(14,980,895)	(11,568,264)
	18,278,162	20,586,069

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

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
4. Receivables from non-exchange transactions (continued)		
Summary of Rates by customer classification		
Residential consumers		
Current (0 -30 days)	12,802,387	11,432,975
31 - 60 days	2,272,672	2,078,253
61 - 90 days	1,250,176	1,140,370
91 - 120 days	843,605	756,911
121 - 365 days	11,352,907	12,532,453
Less: Allowance for impairment	(13,314,417)	(10,556,254)
	15,207,330	17,384,708
Industrial / commercial		
Current (0 -30 days)	2,166,537	1,961,880
31 - 60 days	385,515	216,263
61 - 90 days	106,077	107,638
91 - 120 days	69,208	48,300
121 - 365 days	1,628,092	1,524,557
Less: Allowance for impairment	(1,666,477)	(1,012,010)
	2,688,952	2,846,628
National and provincial government and other		
Current (0 -30 days)	176,420	187,384
31 - 60 days	55,954	703
61 - 90 days	7,731	20
91 - 120 days	7,794	-
121 - 365 days	133,981	166,626
Less: Allowance for impairment	-	-
	381,880	354,733
Total of rates by customer classification	18,278,162	20,586,069
Fines		
The ageing of fines is as follows:		
Current (0 - 30 days)	5,278,650	3,813,250
31 - 60 days	6,310,350	3,533,450
61 - 90 days	6,307,820	2,202,500
91 - 120 days	5,859,354	1,545,350
121 - 365 days	90,613,635	74,494,185
	114,369,809	85,588,735
Less: Allowance for impairment	(103,169,417)	(76,452,757)
	11,200,392	9,135,978

George Local Municipality
Annual Financial Statements for the year ended 30 June 2018
Notes to the Annual Financial Statements

Figures in Rand			2018	2017
4. Receivables from non-exchange transactions (continued)				
Reconciliation of provision for impairment of receivables from non-exchange transactions				
2018	Balance at the beginning of the year	Impairment losses recognised / (reversed)	Amounts written off as uncollectible	Balance at the end of the year
Taxation receivables (Gross Rates)	11,568,264	7,016,969	(3,604,338)	14,980,895
Transfer receivables (Fines)	76,452,758	65,577,830	(38,861,171)	103,169,417
Other receivables	802,713	-	(10,130)	792,583
	88,823,735	72,594,799	(42,475,639)	118,942,895
2017	Balance at the beginning of the year	Impairment losses recognised / (reversed)	Amounts written off as uncollectible	Balance at the end of the year
Taxation receivables (Gross Rates)	8,795,044	3,958,222	(1,185,002)	11,568,264
Transfer receivables (Fines)	78,938,580	42,600,278	(45,086,101)	76,452,757
Other receivables	802,713	-	-	802,713
	88,536,337	46,558,500	(46,271,103)	88,823,734

The impairment allowance was calculated after grouping all the financial assets of similar nature and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios would be similar to the historical payment ratios. The impairment allowance on Taxation Receivables and Other Receivables exists predominantly due to the possibility that these debts will not be recovered. Taxation Receivables and Other Receivables were assessed individually and grouped together as financial assets with similar credit risk characteristics and collectively assessed for impairment. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.

Credit quality of trade receivables from non-exchange transactions

Taxation debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.

Concentrations of credit risk with respect to taxation debtors are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
4. Receivables from non-exchange transactions (continued)		
Operating lease asset		
Opening balance	125,925	94,124
Straight lining adjustment in the Statement of Financial Performance	(13,781)	31,801
	112,144	125,925
Operating leases - as lessor (income)		
Minimum lease payments receivable		
- within one year	614,631	524,200
- in second to fifth year inclusive	2,086,511	1,489,674
- later than five years	331,677	55,768
	3,032,819	2,069,642

Operating leases relate to property owned by the municipality with lease terms of between 5 and 20 years, with an option to extend for a further 10 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

The municipality has operating lease agreements for the following classes of assets, which are only significant collectively:

- Municipal buildings
- Vacant land

No restrictions have been imposed on the municipality in terms of the operating lease agreements.

5. Prepayments

Prepayments consist of the following:

SALGA	4,504,678	3,923,844
Stadler & Swart Attorneys	-	1,700,000
Mercedes-Benz South Africa Ltd for maintenance of buses	8,566,934	8,043,992
	13,071,612	13,667,836

SALGA

SALGA membership fees for the 2018/2019 financial year were paid in May 2018 and the municipality received a 5% discount for early settlement.

Stadler & Swart Attorneys

The municipality procured Portion 4 of the Farm 197, Thembaletu during a previous financial year. The property was registered in the name of the municipality during the year and forms part of property, plant and equipment.

Mercedes-Benz South Africa Ltd

The municipality entered into a five year maintenance plan for the GIPTN buses which is paid in annual installments. A portion of the maintenance payment falls within the 2018/2019 year and this portion is treated as a prepayment.

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

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
6. VAT receivable / (payable)		
VAT receivable from SARS	3,488,728	2,126,641
VAT input provision	9,910,471	7,882,325
VAT output provision	(10,088,940)	(10,354,529)
	3,310,259	(345,563)

VAT is payable to SARS on the payment basis. Only once payment is received from customers, VAT is paid over to SARS. No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are effected before the due date.

7. Loans and receivables

As at 30 June 2018	Gross balance	Impairment allowance	Net balance	Transferred to current assets	Non-current
Housing scheme loans	535,156	(39,326)	495,831	(80,574)	415,257
Sale of erven loans	96,402	-	96,402	(5,715)	90,687
Loans to other organisations	-	-	-	-	-
Actaris meter debt	250,338	-	250,338	(75,102)	175,236
	881,896	(39,326)	842,571	(161,391)	681,180

As at 30 June 2017	Gross balance	Impairment allowance	Net balance	Transferred to current assets	Non-current
Housing scheme loans	692,781	(334,687)	358,094	(82,285)	275,809
Sale of erven loans	95,334	-	95,334	(7,557)	87,777
Loans to other organisations	12,888	-	12,888	(6,191)	6,697
Actaris meter debt	219,362	-	219,362	(74,343)	145,019
	1,020,365	(334,687)	685,678	(170,376)	515,302

Loans and receivables are not secured.

Housing scheme loans

No housing loans may be granted to officials and the public. The outstanding amount is in respect of loans granted before 1 July 2005 and will be recovered over the remaining period of the loan agreements. The interest rate applicable to the loans is 13.5%.

Sale of erven loans

As from 1 July 2006 no loan agreements are entered into for the sale of erven. The outstanding loans will be recovered over the remaining period of the individual loan agreements entered into. The interest rates applicable to the loans varies between 11.0% and 14.5%.

Loans to other organisations

The outstanding amount is in respect of loans granted to sports organisations (Section 185 (a) Ord.20 of 1974) before 1 July 2005 and will be recovered over the remaining period of the loan agreements. The loan consists of a loan to Outeniqua Bowling Club at 8.0%.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
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7. Loans and receivables (continued)

Actaris meter costs

Arrear amounts on services are capitalised on completion of a formal agreement. These arrear amounts are then paid to the municipality in monthly instalments over a period not exceeding 60 months. No interest is charged on these amounts where the stipulations of the agreement are adhered to.

The management of the municipality is of the opinion that the carrying value of loans and receivables recorded at amortised cost in the Financial Statements approximate their fair values.

The fair value of loans and receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's loans and receivables.

The provision for doubtful debts on loans and receivables exists due to the possibility that not all these debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Reconciliation of impairment allowance

2018	Balance at beginning of year	Impairment losses reversed	Amounts written off as uncollectible	Balance at end of the year
Housing scheme loans	334,687	(295,360)	-	39,327
2017	Balance at beginning of the year	Impairment losses	Amounts written off as uncollectible	Balance at end of the year
Housing scheme loans	468,377	260,003	(393,693)	334,687

Impairment losses and amounts written off as uncollectible in the previous year was restated. Refer to note 45 for more detail.

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

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
8. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	22,900	23,050
Bank balances	167,761,561	405,417,717
Short-term deposits	450,000,000	100,000,000
	617,784,461	505,440,767

Cash and cash equivalents pledged as collateral

No cash and cash equivalents were pledged as security for financial liabilities.

The balance of unspent conditional grants as per note 19 can only be used for the purpose as set out in the different grant conditions and is not available to the municipality to use in its normal business operations. The same applies to the cash portion of the Housing Development Fund as per note 20. This balance can only be used for the purpose of the Housing Development Fund.

The municipality had the following bank accounts:

	Cash book balances	
	30 June 2018	30 June 2017
ABSA BANK - Cheque Account - 102 222 0981	167,761,561	405,417,717
Nedbank Fixed Deposit	200,000,000	100,000,000
Standard Bank Fixed Deposit	250,000,000	-
Cash on hand	22,900	23,050
Total	617,784,461	505,440,767

The bank balances at year end were:

	Bank balances	
	30 June 2018	30 June 2017
ABSA BANK - Cheque Account - 102 222 0981	213,605,128	403,166,928
ABSA - George Charitable Relief Fund -914 955 4208	1,000	1,000
Nedbank Fixed Deposit	200,000,000	100,000,000
Standard Bank Fixed Deposit	250,000,000	-
	663,606,128	503,167,928

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings.

The credit rating was obtained from Moody's Investor Services Inc. Moody's rating methodology has been revised, and the bank financial strength ratings have been withdrawn. This has been replaced with the Baseline Credit Assessment.

Credit rating of financial institutions

Baa3	663,606,128	503,167,928
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George Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment

	2018			2017		
	Cost	Accumulated depreciation and impairment	Carrying value	Cost	Accumulated depreciation and impairment	Carrying value
Land	921,528,421	-	921,528,421	923,505,583	-	923,505,583
Infrastructure	2,533,933,318	(1,045,669,958)	1,488,263,360	2,319,596,560	(922,170,912)	1,397,425,648
Community	205,324,821	(80,756,090)	124,568,731	177,487,505	(59,736,854)	117,750,651
Other	215,305,938	(100,208,595)	115,097,343	174,717,811	(87,147,917)	87,569,894
Other - Buildings	97,082,196	(40,203,808)	56,878,388	112,675,644	(49,778,939)	62,896,705
Other - GIPTN Buses	206,260,523	(46,083,798)	160,176,725	206,260,523	(31,510,208)	174,750,315
Total	4,179,435,217	(1,312,922,249)	2,866,512,968	3,914,243,626	(1,150,344,830)	2,763,898,796

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment reversal	Total
Land	923,505,583	2,863,966	(4,841,128)	-	-	-	921,528,421
Infrastructure	1,397,425,648	214,336,758	-	-	(125,120,905)	1,621,859	1,488,263,360
Community	117,750,651	9,282,774	-	6,386,208	(8,850,902)	-	124,568,731
Other	87,569,894	40,748,200	(67,429)	-	(13,153,322)	-	115,097,343
Other - Buildings	62,896,705	2,961,095	-	(6,386,208)	(2,593,204)	-	56,878,388
Other - GIPTN Buses	174,750,315	-	-	-	(14,573,590)	-	160,176,725
Total	2,763,898,796	270,192,793	(4,908,557)	-	(164,291,923)	1,621,859	2,866,512,968

George Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	923,728,683	-	(223,100)	-	-	-	923,505,583
Infrastructure	1,339,426,313	164,903,894	(12,142)	13,185,535	(117,956,424)	(2,121,528)	1,397,425,648
Community	120,690,576	7,140,250	-	(3,369,707)	(6,710,468)	-	117,750,651
Other	81,517,924	27,272,807	(379,271)	(9,815,828)	(11,025,738)	-	87,569,894
Other - Buildings	54,178,342	13,277,370	-	-	(4,559,007)	-	62,896,705
Other - GIPTN Buses	189,324,051	-	-	-	(14,573,736)	-	174,750,315
	2,708,865,889	212,594,321	(614,513)	-	(154,825,373)	(2,121,528)	2,763,898,796

A detailed breakdown of property, plant and equipment by asset class can be found in the appendix to the financial statements. Refer to page 122.

The municipality received public donated assets of RNil (2017: R504,253) which forms part of the asset additions for the year. Refer to note 51.

Pledged as security

Property, plant and equipment was not pledged as security for financial liabilities.

Assets subject to finance lease (Net carrying amount)

	2018	2017
Vehicles	16,654,171	17,078,705

Refer to note 14 for details of finance leases.

George Local Municipality
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Notes to the Annual Financial Statements

Figures in Rand	2018	2017
9. Property, plant and equipment (continued)		
Property, plant and equipment in the process of being constructed or developed		
Land	32,900	-
Infrastructure	338,985,478	176,713,864
Community	12,352,433	7,261,567
Other	11,076,180	2,268,307
Other - buildings	7,373,120	11,448,050
	369,820,111	197,691,788

Details of work in progress per asset class can be found in the appendix to the financial statements on page 122.

The carrying value of work in progress which is taking longer than expected to complete or have been delayed can be classified as follows:

Reason for delay	
Tender related delays	26,644,146
Other	48,119,034
	74,763,180

Expenditure incurred to repair and maintain property, plant and equipment

Repairs and maintenance expenditure for the year was R124,493,030 (2017: R91,566,512).

10. Intangible assets

	2018			2017		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2,642,718	(1,287,281)	1,355,437	2,004,147	(570,935)	1,433,212

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software	1,433,212	638,570	(716,345)	1,355,437

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	1,007,717	943,072	-	(517,577)	1,433,212

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11. Heritage assets

	2018			2017		
	Cost	Accumulated impairment losses	Carrying value	Cost	Accumulated impairment losses	Carrying value
Historical monuments and open areas	4,236,000	-	4,236,000	4,236,000	-	4,236,000

Reconciliation of heritage assets - 2018

	Opening balance	Additions	Impairment losses recognised	Total
Historical monuments and open areas	4,236,000	-	-	4,236,000

Reconciliation of heritage assets - 2017

	Opening balance	Additions	Impairment losses recognised	Total
Historical monuments and open areas	4,236,000	-	-	4,236,000

Details of heritage assets

Wilderness Commonage	4,050,000	4,050,000
Old Uniondale Fort	186,000	186,000
	4,236,000	4,236,000

Wilderness Commonage: This piece of land has a cultural and historical value due to being a stopover or resting place for ox-wagons travelling to Cape Town.

Old Uniondale Fort: During the Anglo Boer War, Uniondale was protected by six British forts of which one has been restored to its original state.

Expenditure incurred to repair and maintain heritage assets

No costs were incurred to repair and maintain heritage assets during the year.

George Local Municipality
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Figures in Rand	2018	2017
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12. Investment property

	2018			2017		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	149,777,700	-	149,777,700	149,777,700	-	149,777,700
Buildings	5,206,973	(2,832,859)	2,374,114	4,981,973	(2,671,268)	2,310,705
Total	154,984,673	(2,832,859)	152,151,814	154,759,673	(2,671,268)	152,088,405

Reconciliation of investment property - 2018

	Opening balance	Additions	Depreciation	Total
Land	149,777,700	-	-	149,777,700
Buildings	2,310,705	225,000	(161,590)	2,374,115
	152,088,405	225,000	(161,590)	152,151,815

Reconciliation of investment property - 2017

	Opening balance	Additions	Depreciation	Total
Land	149,777,700	-	-	149,777,700
Buildings	2,472,277	-	(161,572)	2,310,705
	152,249,977	-	(161,572)	152,088,405

The municipality received public donated assets of R225,000 (2017: RNil) which forms part of the asset additions for the year. Refer to note 51.

Investment property was not pledged as security for financial liabilities.

Other disclosure

Included in the surplus for the year are the following:

Total rental income from investment property	706,622	1,533,642
Repairs and maintenance of investment property	176,353	119,502

Repairs and maintenance incurred during the year was for the Thusong Centre and for the Skatelab Building.

George Local Municipality
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Figures in Rand	2018	2017
13. Loans and borrowings		
At amortised cost		
Annuity loans	329,480,507	348,285,098
Other loans	361,688	542,532
	329,842,195	348,827,630
Non-current liabilities		
Annuity loans	290,040,098	309,580,507
Other loans	180,844	361,688
	290,220,942	309,942,195
Current liabilities		
Annuity loans	39,440,409	38,704,591
Other loans	180,844	180,844
	39,621,253	38,885,435

Annuity loans

Annuity loans are repaid over periods varying from 1 years to 11 years (2017: 2 years to 12 years) and at interest rates varying from 6.75% to 12,665% (2017: 6.75% to 12,665%) per annum. Annuity loans are not secured.

Other loans

Other loans were used for the phased electrification of dwellings in the greater George area not yet electrified. Other loans are repaid over periods varying from 1 year to 2 years (2017: 1 year to 3 years) and at interest rates varying from 7,835% to 12% (2017: 7,835% and 12%) per annum. Other loans are not secured.

14. Finance lease obligation

Minimum lease payments due		
- within one year	5,349,633	5,476,552
- in second to fifth year inclusive	3,833,223	7,812,565
	9,182,856	13,289,117
less: future finance charges	(1,029,751)	(1,685,622)
Present value of minimum lease payments	8,153,105	11,603,495
Present value of minimum lease payments due		
- within one year	4,717,554	4,533,126
- in second to fifth year inclusive	3,435,551	7,070,369
	8,153,105	11,603,495
Non-current liabilities	3,435,551	7,070,369
Current liabilities	4,717,554	4,533,126
	8,153,105	11,603,495

The municipality entered into hire purchase agreements for vehicle acquisitions. The average lease term is 5 years and the average effective borrowing rate is 8.84% (2017: 8.84%). Interest rates are fixed at the contract date and all leases have fixed repayment terms.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 9 for more detail.

George Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2018	2017
15. Payables from exchange transactions		
Current liabilities		
Trade payables	152,917,114	118,510,305
Payments received in advance	16,376,677	18,674,074
Retentions	26,483,599	19,013,090
GIPTN compensation liability	3,615,887	3,434,542
Other payables	19,393,918	22,147,545
Sundry Deposits	9,166,218	8,397,317
Unidentified deposits	5,282,496	3,662,138
	233,235,909	193,839,011
Non-current liabilities		
GIPTN compensation liability	2,796,362	5,459,261
Total	236,032,271	199,298,272

The prior period balances were restated for a prior year error. Refer to note 45.2 for more detail.

The average credit period on purchases is 30 days from the receipt of the statement, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the statement. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within credit timeframe.

The management of the municipality is of the opinion that the carrying value of trade and other payables approximate their fair values. The fair value of trade and other payables was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

George Integrated Public Transport Network (GIPTN) compensation liability

The public transport bus services commenced during the 2015 financial year. Taxi operators who signed buy-in agreements started receiving their monthly buy-in payments with the relinquishment of the taxi operator licences. The accrual was transferred from Provisions and is split between current and non-current based on the expected payments to be made as determined in the signed contracts. Refer to note 18 for more detail.

Balance at beginning of the year	8,893,803	11,358,461
Transferred from Provisions	595,468	249,411
Increase in liability	629,475	665,589
Paid during the year	(3,706,497)	(3,379,658)
	6,412,249	8,893,803
Non-current liabilities	2,796,362	5,459,261
Current liabilities	3,615,887	3,434,542
	6,412,249	8,893,803

George Local Municipality

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Figures in Rand	2018	2017
16. Consumer deposits		
Electricity and water	27,168,038	22,822,167
Guarantees held in lieu of electricity and water deposits	18,433,832	17,264,484

Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding accounts.

Guarantees are given by business consumers on application for new water and electricity connections instead of deposits. In cases where consumers default on their accounts, the municipality can request the guarantee amounts from the consumers' bank as payment for the outstanding accounts.

17. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Non-current liabilities

Post-Retirement Medical Aid benefits liability	124,210,257	118,609,320
Ex-gratia pension benefits liability	1,415,860	2,018,897
Long service awards	19,797,166	18,953,503
	145,423,283	139,581,720

Current liabilities

Post-Retirement Medical Aid benefits liability	5,367,866	4,977,326
Ex-gratia pension benefits liability	248,958	276,714
Long service awards	3,573,533	2,381,136
Staff leave	35,681,280	30,914,992
Staff annual bonus	10,301,189	10,279,611
	55,172,826	48,829,779

Total liabilities

Post-Retirement Medical Aid benefits liability	129,578,123	123,586,646
Ex-gratia pension benefits liability	1,664,818	2,295,611
Long service awards	23,370,699	21,334,639
Staff leave	35,681,280	30,914,992
Staff annual bonus	10,301,189	10,279,611
	200,596,109	188,411,499

Post-retirement medical aid benefit liability

The municipality provides certain post-retirement medical 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 continuation 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.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2018. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

George Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
17. Employee benefit obligations (continued)		
In-service (Employees) members	554	501
In-service (Employees) non-members	691	487
Continuation members (Retirees, widowers and orphans)	128	126
	1,373	1,114
In-service members	65,392,181	61,892,614
Continuation members	64,185,942	61,694,032
	129,578,123	123,586,646

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Bonitas
- LA Health
- Hosmed
- Key Health
- Samwumed

The Current-service cost for the year ending 30 June 2019 is estimated to be R4,925,534 (2018: R4,541,531) whereas the interest cost for the same year is estimated to be R12,124,239 (2018: R11,625,744).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

i) Rate of interest		
Discount rate	9.55 %	9.60 %
Health care cost inflation rate	7.36 %	7.89 %
Net effective discount rate	2.04 %	1.58 %
Expected retirement age - females	62	62
Expected retirement age - males	62	62

Discount rate: GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve. Consequently, a discount rate of 9.55% per annum has been used. The corresponding index-linked yield at this term is 3.01%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 29 June 2018.

ii) Mortality rates

Pre-retirement

SA 85 - 90 mortality table
Post-retirement

PA (90 - 1) ultimate mortality table

iii) Normal retirement age

George Local Municipality
Annual Financial Statements for the year ended 30 June 2018
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Figures in Rand	2018	2017
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17. Employee benefit obligations (continued)

The normal retirement age for employees of the municipality was assumed to be 62 years where data was unavailable.

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

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
17. Employee benefit obligations (continued)		
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	129,578,123	123,586,646
Fair value plan assets	-	-
	129,578,123	123,586,646

Amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	4,541,531	4,624,356
Interest cost	11,625,744	11,590,218
Recognised actuarial losses / (gains)	(5,198,472)	(14,336,935)
Total included in employee related cost - refer to note 29	10,968,803	1,877,639

The movement in the defined benefit obligation over the year is as follows:

Balance at the beginning of the year	123,586,646	126,255,843
- Current service cost	4,541,531	4,624,356
- Interest cost	11,625,744	11,590,218
- Actuarial losses (gains)	(5,198,472)	(14,336,935)
- Benefits paid	(4,977,326)	(4,546,836)
Balance at the end of the year	129,578,123	123,586,646

The table below summarises the accrued liabilities and the plan assets for the current period and the previous four periods (R millions).

Liability History	30 June 2014	30 June 2015	30 June 2016	30 June 2017	30 June 2018
Accrued liability	117.768	134.044	126.256	123.587	129.578
Fair value of plan asset	-	-	-	-	-
Surplus / (Deficit)	(117.768)	(134.044)	(126.256)	(123.587)	(129.578)

The table below summarises the experience adjustments for the current period and the previous four periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred (R millions).

Experience adjustments	30 June 2014	30 June 2015	30 June 2016	30 June 2017	30 June 2018
Liabilities: (Gain) / Loss	1.743	5.507	(4.381)	(1.791)	2.128
Assets: Gain / (Loss)	-	-	-	-	-
	1.743	5.507	(4.381)	(1.791)	2.128

George Local Municipality

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Figures in Rand	2018	2017
17. Employee benefit obligations (continued)		
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:		
Increase		
Effect on the current service cost and interest cost	745,300	890,600
Effect on the defined benefit obligation	5,685,000	5,073,000
Decrease		
Effect on the current service cost and interest cost	(1,125,500)	(1,315,600)
Effect on the defined benefit obligation	(8,230,000)	(7,478,000)

Ex-gratia pension liability

The Ex-gratia pension benefit plan is a defined benefit plan. As at 30 June 2018 2 employees and 14 pensioners were eligible for payments in terms of this plan.

The Municipality provides pension benefits to all employees that are not members of the Pension or Provident Funds who have completed at least 10 years of service at the Council and have reached the age of 60. The benefit is calculated according to the average annual salary earned during the last year of service multiplied by number of years of service, divided by 60.

The Current-service cost for the year ending 30 June 2019 is estimated to be Rnil (2018: Rnil) whereas the interest cost for the same year is estimated to be R126,354 (2018: R176,034).

Pensioners	14	15
Eligible employees	2	2
	16	17

The principal assumptions used for the purposes of the actuarial valuations were as follows:

i) Rate of interest		
Discount rate	8.19 %	8.15 %
Pension increase rate	2.19 %	2.48 %
Net effective discount rate	5.57 %	5.53 %

Discount Rate: GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the employee benefit liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve. Consequently, a discount rate of 8.19% per annum has been used. The corresponding index-linked yield at this term is 2.59%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 29 June 2018.

Expected retirement age	62	62
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iii) Mortality rates

George Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
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17. Employee benefit obligations (continued)

Pre-retirement

SA 85 - 90 mortality table
Post-retirement

PA (90 - 1) ultimate mortality table

iii) Normal retirement age

The normal retirement age for employees of the municipality was assumed to be 62 years where data was unavailable.

George Local Municipality
Annual Financial Statements for the year ended 30 June 2018
Notes to the Annual Financial Statements

Figures in Rand	2018	2017
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17. Employee benefit obligations (continued)

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	1,664,818	2,295,611
Fair value of plan assets	-	-
	1,664,818	2,295,611

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

Interest cost	176,034	198,816
Recognised actuarial losses / (gains)	(530,113)	45,195
Total included in employee related cost - refer to note 29	(354,079)	244,011

The movement in the defined benefit obligation over the year is as follows:

Balance at the beginning of the year	2,295,611	2,679,172
- Interest cost	176,034	198,816
- Actuarial losses (gains)	(530,113)	45,195
- Benefits paid	(276,714)	(627,572)
	1,664,818	2,295,611

The table below summarises the accrued liabilities and the plan assets for the current period and the previous four periods:

Liability History	30 June 2014	30 June 2015	30 June 2016	30 June 2017	30 June 2018
Accrued liability	3,057,369	2,681,298	2,679,172	2,295,611	1,664,818
Fair value of plan assets	-	-	-	-	-
Surplus / (Deficit)	(3,057,369)	(2,681,298)	(2,679,172)	(2,295,611)	(1,664,818)

The table below summarises the experience adjustments for the current period and the previous periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred.

Experience adjustment	30 June 2014	30 June 2015	30 June 2016	30 June 2017	30 June 2018
Liabilities: (Gain) / Loss	31,653	85,984	416,614	95,982	(526,983)
Assets: Gain / (Loss)	-	-	-	-	-
	31,653	85,984	416,614	95,982	(526,983)

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
17. Employee benefit obligations (continued)		
The effect of a 1% movement in the assumed pension increase rate is as follows:		
Increase		
Effect on interest cost	13,421	14,318
Effect on defined benefit obligation	104,240	164,680
Decrease		
Effect on interest cost	(12,084)	(12,871)
Effect on defined benefit obligation	(94,659)	(148,271)

Long service awards

The municipality's obligation for Long Service Awards is a defined benefit plan. This plan is wholly unfunded as no contributions are made by the municipality into funds that are legally separate from the municipality and from which the employee benefits are paid (each subsequent financial year's expected payments of long service bonuses are budgeted for).

The municipality, in substance, underwrites the actuarial and investment risks associated with the plan. Consequently, the expense recognised for the defined benefit plan is the full additional liability accrued due to additional benefit entitlement. The municipality's net obligation in respect of the defined benefit long service allowances is the present value of the defined benefit obligation less the fair value of any plan assets, together with adjustments for unrecognised actuarial gains or losses and past service cost. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows of the benefits that will be paid to employees and using suitable interest rates.

The calculation is performed by registered actuaries using the projected unit credit method. The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2018.

At year end, 1 245 (2017: 988) employees were eligible for Long-services Awards. The future service cost for the ensuing year is estimated to be R1,743,927 (2018: R1,536,659), whereas the interest cost for the ensuing year is estimated to be R1,846,394 (2018: R1,701,781).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

i) Rate of interest		
Discount rate	8.54 %	8.44 %
Benefit inflation rate	6.15 %	6.26 %
Net effective discount rate	2.25 %	2.05 %
Expected retirement age	62	62

Discount Rate: GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the employee benefit liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve. Consequently, a discount rate of 8.54% per annum has been used. The first step in the derivation of this yield is to calculate the liability-weighted average of the yields corresponding to the actual terms until payment of long service awards, for each employee. The 8.54% is then derived as the liability-weighted average of the yields derived in the first step. The corresponding liability-weighted index-linked yield is 2.75%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the JSE after the market close on 29 June 2018.

ii) Mortality rates

George Local Municipality
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Figures in Rand	2018	2017
17. Employee benefit obligations (continued)		
Pre-retirement		
SA 85 - 90 mortality table		
Post-retirement		
PA (90 - 1) ultimate mortality table		
iii) Normal retirement age		
The normal retirement age for employees of the municipality was assumed to be 62 years where data was unavailable.		
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of projected fund obligations	23,370,699	21,334,639
Plan assets	-	-
	23,370,699	21,334,639
Amounts recognised in the Statement of Financial Performance are as follows:		
Net current service cost and actuarial losses (gains) included in the long service awards expense	2,715,415	1,154,110
Interest cost	1,701,781	1,680,413
Total included in employee related cost - refer to note 29	4,417,196	2,834,523
The movement in the defined benefit obligation over the year is as follows:		
Balance at the beginning of the year	21,334,639	20,800,828
- Net current service cost and actuarial losses (gains) included in the long service awards expense	2,715,415	1,154,110
- Interest cost	1,701,781	1,680,413
- Benefits paid	(2,381,136)	(2,300,712)
	23,370,699	21,334,639

The table below summarises the accrued liabilities and the plan assets for the current period and the previous four periods:

George Local Municipality

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Figures in Rand				2018	2017
17. Employee benefit obligations (continued)					
Liability History	30 June 2014	30 June 2015	30 June 2016	30 June 2017	30 June 2018
Accrued Liability	17,981,565	19,674,941	20,800,828	21,334,639	23,370,699
Fair value of plan assets	-	-	-	-	-
Surplus / (Deficit)	(17,981,565)	(19,674,941)	(20,800,828)	(21,334,639)	(23,370,699)

The table below summarises the experience adjustments for the current and previous four periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred:

Experience adjustment	30 June 2014	30 June 2015	30 June 2016	30 June 2017	30 June 2018
Liabilities: (Gain) / Loss	1,276,184	908,105	852,348	729,329	1,486,754
Assets: Gain / (Loss)	-	-	-	-	-
	1,276,184	908,105	852,348	729,329	1,486,754

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
17. Employee benefit obligations (continued)		
The effect of a 1% movement in the assumed salary inflation rate is as follows:		
Increase		
Effect on the current service cost and interest cost	242,500	254,700
Effect on the defined benefit obligation	1,485,000	1,377,000
Decrease		
Effect on the current service cost and interest cost	(217,500)	(227,300)
Effect on the defined benefit obligation	(1,342,000)	(1,245,000)

Multi-employer retirement benefit information

Employees belong to a variety of approved Pension and Provident Funds as described below. These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

SALA Pension Fund and the South African Municipal Workers Union Pension Fund are defined benefit plans, whereas the LA Retirement Fund and the Municipal Councillors Pension Fund are defined contribution plans. All of these afore-mentioned funds are multi-employer plans. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds due to the following reasons:

- The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers
- One set of financial statements is compiled for each fund and financial statements are not drafted for each participating employer.
- The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where Councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R41,534,131 for employees and R651,800 for Councillors represents contributions payable to these plans by the municipality at rates specified in the rules of the plans.

LA Retirement Fund

The LA Retirement Fund's contribution rate payable is 9% by the members and 18% by Council. The valuation of 30 June 2017 showed that the funding level is 100%.

SALA Pension Fund

The contribution rate paid by the members 8.60% and Council 19.18% is sufficient to fund the benefits accruing from the fund in the future.

At the valuation date of 1 July 2015 the SALA Pension Fund was 100% funded and revealed that the fund was certified to be in a sound financial position.

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17. Employee benefit obligations (continued)

Municipal Councillors Pension Fund

The fund was placed under curatorship on 19 December 2017. The appointed curators was given full legal powers and responsibilities to implement necessary mechanisms and remedial actions which will ensure the recoverability and where possible long-run sustainability of the fund for the benefit of its members. The appointed curators reports their progress to The Registrar of Pension Funds on a continuous basis.

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13,75%) and Council (15%) is sufficient to fund the benefits accruing from the fund in the future.

South African Municipal Workers Union Pension Fund

The financial statements of the fund on 30 June 2017 contains a report by the actuarial valuator stating that the last actuarial valuation was performed on 30 June 2014 and fund was in sound financial position of that date.

The contribution rate paid by the members of 9% and Council of 18% is sufficient to fund the benefits accruing from the fund in the future.

Staff leave

The movement on the leave accrual consists of the following:

Opening balance	30,914,992	25,754,564
Payments	(5,140,217)	(2,176,411)
Additional provision	9,906,505	7,336,839
	35,681,280	30,914,992

Staff annual bonus

The movement on the annual bonus accrual consist of the following:

Opening balance	10,279,611	9,602,594
Payments	(10,279,611)	(9,602,594)
Additional bonus accrual recognised during the year	10,301,189	10,279,611
	10,301,189	10,279,611

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18. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Additions / Reversed	Utilised during the year	Change in discount factor	Transferred to Trade and Other payables	Total
Rehabilitation of landfill site	21,653,095	5,517,206	(1,811,621)	-	-	25,358,680
Compensation Liability GIPTN	63,166,902	5,263,264	-	(351,830)	(595,468)	67,482,868
	84,819,997	10,780,470	(1,811,621)	(351,830)	(595,468)	92,841,548

Reconciliation of provisions - 2017

	Opening Balance	Additions / Reversed	Utilised during the year	Change in discount factor	Transferred to Trade and Other payables	Total
Rehabilitation of landfill site	23,201,876	(2,236,261)	(1,098,673)	1,786,153	-	21,653,095
Compensation Liability GIPTN	64,874,836	828,078	-	(2,286,600)	(249,412)	63,166,902
	88,076,712	(1,408,183)	(1,098,673)	(500,447)	(249,412)	84,819,997

Current liabilities consist of
Rehabilitation of landfill site
Compensation Liability GIPTN

2018	2017
2,228,709	2,115,896
159,586	6,764,129
2,388,295	8,880,025

Non-current liabilities
Current liabilities

90,453,253	75,939,972
2,388,295	8,880,025
92,841,548	84,819,997

The comparative values for provisions was restated. Refer to note 45 for more information.

Rehabilitation of landfill site

The consulting engineers, Aurecon South Africa (Pty) Ltd, used a predominantly desktop-based methodology in estimating the airspace consumed in the 2017/2018 financial year as a percentage of the total airspace, was based on assumption on waste generation, waste disposal site size and final design height (at closure).

Rehabilitation cost was estimated using criteria for closure detailed in the Minimum Requirement for Waste Disposal by Landfill, together with a visual inspection of the site during 2012. The rate of escalation was based on the Contract Price Adjustments rate for Civil Works. The 2017 cost was increased by 5.913% to determine the rehabilitation cost as at 30 June 2018.

Provision is made in terms of the municipality's licensing stipulations on the landfill waste sites. The landfill sites have reached full capacity and the municipality obtained closure licences during the 2015 financial year for both the George and Uniondale landfill sites. The closure licences requires that the rehabilitation commence within five years after of the date of issue of the licence and the rehabilitation should be completed within five years after the rehabilitation commencement date.

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18. Provisions (continued)

The cost as at 30 June 2018 has been escalated annually with the Contract Price Adjustments rate for Civil Works until the estimated time of closure and discounted to present value using the three year South African Government Bond rate (7.820%).

The movement on each of the landfill site's provisions is:

	Opening balance	Additions / Reversal	Utilised during the year	Unwinding of discount	Total
George	18,881,781	2,699,209	(1,811,621)	1,455,124	21,224,493
Uniondale	2,771,314	1,150,314	-	212,560	4,134,188
	21,653,095	3,849,523	(1,811,621)	1,667,684	25,358,681

Compensation Liability: George Integrated Public Transport Network

The George Integrated Public Transport Network (GIPTN) has been developed by the municipality and the Provincial Government of the Western Cape to transform the road-based public transport sector through the establishment of a high quality, flexible and integrated public transport network.

An operating company was established and the current taxi owners form part of the operating company and operate the buses in the network. According to the signed operator's agreement, the taxi owners have to relinquish their existing taxi operators' licences to receive the compensation.

The bus services started operating during December 2014 and are rolled out in phases.

The provision for the compensation is based on the signed agreements with each of the taxi operators. Based on these agreements, 229 (2017: 229) licences were subject to the buy-in option, while 278 (2017: 278) licences were subject to the election of the buy-out option. The buy-in provision for operators who started receiving their monthly buy-in amounts was transferred to Trade and other payables. Refer to note 15.

The undiscounted provision for compensation before any payouts over the five years covered by the compensation agreement is R80,606,087 (2017: R75,392,814). A discount rate of 7.820% (2017: 7.670%) (3 year Government Bond rate) was used to discount the provision. During the year, a decision was made that buy-out compensation should also be adjusted annually with inflation until the buy-outs are paid. This resulted in an additional provision being raised.

The municipality expects to pay the buy-out options between July 2019 and April 2020 as the next phases are rolled out and the buy-in options within 5 years from the roll out dates.

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19. Conditional government grants and subsidies		
Unspent conditional government grants and subsidies	75,143,780	104,809,639
National Government Grants	27,448,316	57,923,505
Provincial Government Grants	39,991,437	39,182,107
Other	7,704,027	7,704,027
Less: Conditional government grants and subsidies receivable - Note 4	(4,196,365)	(29,224,324)
National Government Grants	(262,147)	(25,290,106)
Provincial Government Grants	(1,360,820)	-
Other	(2,573,398)	(3,934,218)
	70,947,415	75,585,315

The amount of unspent conditional grants and receipts is held in the operating bank account of the municipality until utilised.

The total grants recognised in the Statement of Financial Performance are (Refer to note 27):

Unconditional Grants		
Grants	122,613,000	105,336,000
Conditional Grants		
Grants and Donations	604,596,708	352,769,527
Subsidies	810,684	1,726,309
Total Government Grants and Subsidies	605,407,392	459,831,836
Government grants & subsidies - Operating	402,554,545	310,241,313
Government grants & subsidies - Capital	202,852,847	149,590,523
	605,407,392	459,831,836

Details of the different grants are set out below.

Unconditional Grants

19.1 Equitable share

Grants received	122,613,000	105,336,000
Conditions met - Operating	(122,613,000)	(105,336,000)
Conditions met - Capital	-	-
Conditions still to be met/(Grant expenditure to be recovered)	-	-

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 the National Treasury.

Conditional Grants

19.2 National: Finance Management Grant (FMG)

Opening balance	-	-
Grants received	1,550,000	1,475,000
Conditions met - Operating	(1,550,000)	(1,475,000)
Conditions still to be met/(Grant expenditure to be recovered)	-	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Program (i.e. salary costs of the Financial Management Interns).

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19. Conditional government grants and subsidies (continued)		
19.3 National: Infrastructure Skills Development		
Opening balance	-	-
Grants received	4,600,000	3,700,000
Conditions met - Operating	(4,392,999)	(2,959,231)
Conditions met - Capital	(207,001)	(740,769)
Conditions still to be met/(Grant expenditure to be recovered)	-	-

The Infrastructure Skills Development Grant is given to strengthen the capacity of local government to effectively and efficiently deliver quality infrastructure, by increasing the pool of skills available and to facilitate lifelong learning and the transfer of knowledge to municipalities.

19.4 National: Energy Efficiency and Demand Side Management Grant

Opening balance	-	-
Grants received	7,000,000	-
Conditions met - Capital	(5,845,178)	-
Conditions still to be met/(Grant expenditure to be recovered)	1,154,822	-

The Energy Efficiency and Demand Side Management Grant is given to municipalities to implement energy efficiency and demand side management (EEDSM) initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.

19.5 National: Municipal Infrastructure Grant (MIG)

Opening balance	-	-
Grants received	40,764,000	38,283,000
Conditions met - Operating	(2,038,200)	(1,914,150)
Conditions met - Capital	(38,725,800)	(36,368,850)
Conditions still to be met/(Grant expenditure to be recovered)	-	-

The grant was utilised to construct water and sewerage infrastructure and also to upgrade sport facilities, with the main focus on the historically disadvantaged areas.

19.6 National: Regional Bulk Infrastructure Grant (RBIG)

Opening balance	10,659,331	11,304,317
Grants received	-	-
Conditions met - Capital	(851,715)	(644,987)
Conditions still to be met/(Grant expenditure to be recovered)	9,807,616	10,659,330

The grant was allocated to the municipality to construct bulk infrastructure for water and waste water. The remainder of this grant is specifically for raising the dam wall of the Garden Route dam. The licence was issued by the Department of Water Affairs.

19.7 National: Integrated National Electrification Grant

Opening balance	(3,017,189)	(12,517,189)
Grants received	18,048,000	9,500,000
Conditions met - Capital	(10,254,086)	-
Conditions still to be met/(Grant expenditure to be recovered)	4,776,725	(3,017,189)

The National Electrification Grant was used to upgrade the sub-station and electrification network.

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Figures in Rand	2018	2017
19. Conditional government grants and subsidies (continued)		
19.8 National: Expanded Public Works Program Grant (EPWP)		
Opening balance	-	-
Grants received	4,001,000	4,014,000
Conditions met - Operating	(4,001,000)	(4,014,000)
Conditions still to be met/(Grant expenditure to be recovered)	-	-

The Expanded Public Works Program Grant was used to increase labour employment through infrastructure programs that increase job creation and skills development.

19.9 National: Lawaaiikamp Sports Grounds (Lotto)		
Opening balance	(262,147)	(262,147)
Grants received	-	-
Conditions met - Capital	-	-
Conditions still to be met/(Grant expenditure to be recovered)	(262,147)	(262,147)

The National Lottery has given this grant to the municipality specifically for the upgrading of the Lawaaiikamp Sports Grounds.

19.10 National: Public Transport Grant		
Opening balance	25,253,405	(22,010,770)
Grants received	210,362,000	156,444,000
Conditions met - Operating	(124,764,718)	(72,998,000)
Conditions met - Capital	(99,141,534)	(36,181,826)
Conditions still to be met/(Grant expenditure to be recovered)	11,709,153	25,253,404

This grant's purpose is to provide supplementary operational funding to municipalities operating approved Integrated Public Transport Network services and to provide improved public transport network services that are formal, scheduled and well managed, as well as to provide funding for accelerated planning, construction and improvement of public and non-motorised transport infrastructure. This grants was disclosed in the 30 June 2017 financial statements as two separate grants.

This grants was disclosed in the 30 June 2017 financial statements as two separate grants (operating and infrastructure grants) but was combined since the grant gazetted by National Treasury is one grant.

19.12 Provincial: Western Cape Financial Management Support Grant

Opening balance	-	-
Grants received	255,000	220,000
Conditions met - Operating	(255,000)	(220,000)
Conditions still to be met/(Grant expenditure to be recovered)	-	-

The Financial Management Support Grant is given by the Western Cape Provincial Treasury to provide financial assistance to municipalities to improve overall financial governance within municipalities inclusive of optimising and administration of revenue, improving credibility and responsiveness of municipal budgets, improving of municipal audit outcomes and addressing institutional challenges.

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19. Conditional government grants and subsidies (continued)		
19.13 Provincial: Western Cape Financial Management Capacity Building Grant		
Opening balance	-	-
Grants received	240,000	120,000
Conditions met - Operating	(160,000)	(120,000)
Conditions still to be met/(Grant expenditure to be recovered)	80,000	-

This grant is given to develop financial human capacity within municipal areas to enable a sustainable local financial skills pipeline that is responsive to municipalities' requirements to enable sound and sustainable financial management and good financial governance.

19.14 Provincial: Integrated Public Transport Network Grant

Opening balance	-	(10,391,933)
Grants received	98,544,000	150,544,000
Conditions met - Operating	(95,545,129)	(91,134,776)
Conditions met - Capital	(2,998,871)	(49,017,291)
Conditions still to be met/(Grant expenditure to be recovered)	-	-

The Integrated Public Transport Network Operations grant is given to the municipality to implement a public transport service as contemplated in the George Integrated Public Transport Network (GIPTN). This grant will fund the shortfall in operational cost and provide for the additional operational support to underwrite the consequences of significantly impaired operating conditions and magnified transformation obligations. This grant will also enhance infrastructure for public transport services provided by the municipality

This grants was disclosed in the 30 June 2017 financial statements as two separate grants (operating and infrastructure grants) but was combined since the grant gazetted by Provincial Treasury is one grant.

19.15 Provincial: Fire Services Capacity Building Grant

Opening balance	-	-
Grants received	800,000	-
Conditions met - Capital	(611,471)	-
Conditions still to be met/(Grant expenditure to be recovered)	188,529	-

This grant is given to the municipality to provide financial assistance to ensure functional emergency communication, mobilisation systems and fire services.

19.16 Provincial: Integrated Transport Planning Grant

Opening balance	-	-
Grants received	600,000	-
Conditions still to be met/(Grant expenditure to be recovered)	600,000	-

This grant is given for the review and update municipal Integrated Transport Plans in terms of the National Land Transport Act, 2009 (Act No. 5 of 2009).

19.17 Provincial: Human Settlements Operating Grants

Opening balance	29,594,131	(748,652)
Grants received	44,252,104	44,415,933
Conditions met - Operating	(36,762,141)	(14,073,150)
Conditions still to be met/(Grant expenditure to be recovered)	37,084,094	29,594,131

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19. Conditional government grants and subsidies (continued)		
This grant is given to provide funding for the creation of sustainable human settlements. The outcome of this grant is to provide top structures and basic social and economic amenities that contributes to the establishment of sustainable human settlements.		
19.18 Provincial: Human Settlements Capital Grant		
Opening balance	8,468,250	10,000,000
Grants received	36,948,703	20,863,478
Conditions met - Capital	(43,475,768)	(22,395,228)
Conditions still to be met/(Grant expenditure to be recovered)	1,941,185	8,468,250
This grant is given to provide funding for the creation of sustainable human settlements. The outcome of this grant is to provide basic infrastructure that contribute to the establishment of sustainable human settlements.		
19.19 Provincial: Sport / Recreational Facilities		
Opening balance	54,000	-
Grants received	-	54,000
Conditions met - Operating	(54,000)	-
Conditions still to be met/(Grant expenditure to be recovered)	-	54,000
This grant is given by Provincial Treasury to initiate and support socially cohesive sport and recreation structures and/or activities.		
19.20 Provincial: Proclaimed Roads		
Opening balance	-	-
Grants received	441,000	5,734,000
Conditions met - Operating	(441,000)	(5,734,000)
Conditions still to be met/(Grant expenditure to be recovered)	-	-
This grant is given by Provincial Treasury to financially assist municipalities with the maintenance/construction of proclaimed municipal main roads, where the municipality is the Road Authority (Section 50 of Ordinance 19 of 1976).		
19.21 Provincial: Thembaletu & Pacaltsdorp sport fields (YDVS)		
Opening balance	(1,360,820)	(1,360,820)
Grants received	-	-
Conditions still to be met/(Grant expenditure to be recovered)	(1,360,820)	(1,360,820)
This grant was utilised to upgrade the Thembaletu and Pacaltsdorp sport fields.		
19.22 Provincial: Electricity Master Plan Operations		
Opening balance	230,000	500,000
Grants received	-	230,000
Conditions met - Operating	(230,000)	(500,000)
Conditions still to be met/(Grant expenditure to be recovered)	-	230,000
This grant was given by Provincial Treasury to the municipality to provide financial assistance to ensure effective functioning of municipal electrical infrastructure and to maximise the provision of basic electricity to citizens.		

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19. Conditional government grants and subsidies (continued)		
19.23 Provincial: Library Services		
Opening balance	741,423	4,982,994
Grants received	8,635,000	7,996,000
Conditions met - Operating	(8,635,000)	(7,996,000)
Conditions met - Capital	(741,423)	(4,241,572)
Conditions still to be met/(Grant expenditure to be recovered)	-	741,422

This grant is to be used for the transformation of urban and rural community library infrastructure, facilities and services (primarily targeting previously disadvantaged communities) through a recapitalised program at provincial level in support of local government and national initiatives.

19.24 Provincial: Community Development Workers' Operational Grant

Opening balance	34,303	-
Grants received	93,000	75,000
Conditions met - Operating	(74,674)	(40,697)
Conditions still to be met/(Grant expenditure to be recovered)	52,629	34,303

This grant is for financial assistance to Municipalities to cover the operational expenses i.r.o the functions of the community development workers including the supervisors and regional organisers.

19.25 Provincial: Thembaletu Thusong Service Centre

Opening balance	-	-
Grants received	212,000	-
Conditions met - Operating	(212,000)	-
Conditions still to be met/(Grant expenditure to be recovered)	-	-

This grant is given to provide financial assistance to Municipalities, ensuring the financial sustainability of the Thusong Service Centres.

19.26 Provincial: Local Government Graduate Internship Grant

Opening balance	60,000	-
Grants received	-	60,000
Conditions met - Operating	(15,000)	-
Conditions still to be met/(Grant expenditure to be recovered)	45,000	60,000

The Local Government Graduate Internship Grant is given to the municipality to provide financial assistance to the municipality in support of capacity building for the future by means of a graduate internship programme.

19.26 Other: Eden District Municipality Electrification Grant

Opening balance	200,000	200,000
Grants received	-	-
Conditions met - Capital	-	-
Conditions still to be met/(Grant expenditure to be recovered)	200,000	200,000

The Eden District Municipality grant was given for electrification of certain areas.

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19. Conditional government grants and subsidies (continued)		
19.27 Other: Eden District Municipality Emergency Relief Funds		
Opening balance	(2,573,398)	(2,573,398)
Grants received	-	-
Conditions met - Capital	-	-
Conditions still to be met/(Grant expenditure to be recovered)	(2,573,398)	(2,573,398)
This grant was given to reimburse municipalities for flood damage incurred by the municipality.		
19.28 Other: SANRAL N2 /York Bridge		
Opening balance	7,504,027	7,504,027
Grants received	-	-
Conditions met - Capital	-	-
Conditions still to be met/(Grant expenditure to be recovered)	7,504,027	7,504,027
This grant was utilised to widen the N2/York Street bridge and to add a pedestrian crossing to the bridge.		
19.29 Other: LG Seta		
Opening balance	-	-
Grants received	810,684	1,726,309
Conditions met - Operating	(810,684)	(1,726,309)
Conditions still to be met/(Grant expenditure to be recovered)	-	-
These amounts were received from LG Seta based on the municipality's workplace skills plan.		
Total Grants		
Opening balance	75,585,316	(15,373,570)
Grants received	600,769,491	550,790,721
Conditions met - Operating	(402,554,545)	(310,241,313)
Conditions met - Capital	(202,852,847)	(149,590,523)
Conditions still to be met/(Grant expenditure to be recovered)	70,947,415	75,585,315

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20. Housing development fund		
Unappropriated surplus	9,557,902	9,831,739
Loans extinguished by Government on 1 April 1998	53,383,243	53,383,243
	62,941,145	63,214,982

The housing development fund is represented by the following assets and liabilities

Housing selling scheme loans	535,157	692,782
Inventory	141,633	141,633
Trade and other receivables from exchange transactions	657,716	948,259
Trade and other receivables from non-exchange transactions	588,291	1,012,475
Government Grants in debit	-	3,017,189
Bank and cash	61,606,639	58,415,119
Trade and other payables from exchange transactions	(588,291)	(1,012,475)

Total Housing Development Fund Assets and Liabilities	62,941,145	63,214,982
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21. Service charges

Electricity	603,331,974	565,449,873
Water	117,656,763	121,171,738
Sewerage and sanitation charges	87,951,733	81,869,035
Refuse removal	69,777,667	61,813,769
	878,718,137	830,304,415

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 the approved tariffs.

22. Income from agency services

Provincial vehicle registrations	11,257,883	9,442,990
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23. GIPTN Fare Revenue

GIPTN Fare Revenue	39,419,283	37,301,627
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Fare revenue is recognised in accordance with accounting policy 1.20.

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24. Other income		
Building plan fees and related income	7,479,252	6,167,805
Camping fees	830,580	744,162
Cemetery fees	1,302,138	1,166,597
Collection charges	4,115,013	4,411,056
Development charges (previously Contributions received for capital projects)	23,426,428	11,382,719
Insurance claims received	826,047	1,134,257
Land usage fees (previously Public donations received)	612,707	862,902
Public contributions for donated asset additions	225,000	504,253
Rates clearance certificates for property transfers	760,123	743,684
Sundry income	1,833,571	2,476,327
	41,410,859	29,593,762

The amounts disclosed above for Other Income are in respect of services rendered, other than described in notes 21, 26 and 28 which are billed to or paid for by the users of the services as required according to approved tariffs.

Refer to note 51 for details of the public contributions for donated asset additions.

The prior year balances was restated. Refer to note 45 for more detail.

25. Interest received

Outstanding Debtors

Trade receivables	4,607,646	4,066,867
Art. 185(a) arrangements	516	1,515
Land sales	3,068	2,926
Selling schemes	65,632	84,533
Victoria Bay loans	-	264
	4,676,862	4,156,105

External Investments

Bank accounts	14,445,220	19,851,843
Short term investments	35,720,392	17,452,125
	50,165,612	37,303,968
	54,842,474	41,460,073

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26. Property rates		
Rates received		
Agriculture	3,487,250	3,171,669
Commercial	56,066,392	50,220,919
Industrial	13,922,937	12,613,814
Other	55,347	59,308
Public benefit organisations	276,723	1,260,035
Residential	172,761,136	152,632,523
State-owned	10,117,437	9,218,153
Vacant land	17,935,333	18,785,289
Less: Income forgone	(32,234,615)	(29,830,737)
Less: Impermissible rates	(7,334,180)	(6,698,406)
	235,053,760	211,432,567
Valuations		
Agriculture	1,946,902,000	1,910,333,400
Churches & parks	356,254,300	361,040,700
Commercial	5,771,653,390	5,674,555,290
Industrial	1,515,837,600	1,513,915,200
Municipal (non-taxable valuations)	1,065,362,050	1,085,749,650
Other	27,729,200	27,024,200
Public benefit organisations	145,069,800	150,069,500
Residential	23,757,737,810	23,012,463,800
State-owned	1,300,859,000	1,322,437,800
Vacant land	1,963,212,200	2,167,122,459
	37,850,617,350	37,224,711,999

Assessment rates are levied on the total value of property of which the valuation must be performed every four years in terms of the Municipal Property Rates Act. Interim valuations are processed on an annual basis to take into account changes in individual property value due to alterations, consolidations and subdivisions.

Uniform rates of 0,7264 (2017: 0,6664) cents in the Rand on total valuations were applied to determine assessment rates. Business tariffs are levied at 0,9170 (2017: 0,8413) for Commercial, Industrial and Business erven, and this was applicable for all Areas.

A rebate of 15% (2017: 15%) was allowed on residential properties, whilst rebates of 20% - 40% (2017: 20% - 40%) were applied to pensioners, based on the annual income of the ratepayer. A rebate of 40% (2017: 40%) was allowed on residential properties for rural areas. A discount of 20% was granted to the State.

Rates are levied monthly on property owners and are payable by the 15th of each month. Owners are allowed to pay the 12 monthly instalments annually by 30 September each year. Interest is levied at the prime rate plus 1% on outstanding rates amounts.

The current General Valuation came into effect on 1 July 2012. The municipality was granted an extension of one year by the Minister of Local Government, Environmental Affairs and Development Planning. The new General Valuation comes in effect on 1 July 2018.

George Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2018	2017
27. Government grants and subsidies		
Operating grants		
National: Equitable Share	122,613,000	105,336,000
National: Financial Management Grant (FMG)	1,550,000	1,475,000
National: Infrastructure Skills Development	4,392,999	2,959,231
National: Municipal Infrastructure Grant (MIG)	2,038,200	1,914,150
National: Expanded Public Works Program Grant	4,001,000	4,014,000
National: Public Transport Grant	124,764,718	72,998,000
Provincial: Western Cape Financial Management Support Grant	255,000	220,000
Provincial: Western Cape Financial Management Capacity Building Grant	160,000	120,000
Provincial: Integrated Public Transport Network Grant	95,545,129	91,134,776
Provincial: Human Settlements Operating Grant	36,762,141	14,073,150
Provincial: Proclaimed Roads	441,000	5,734,000
Provincial: Electricity Master Plan Operations Grant	230,000	500,000
Provincial: Library Services Grant	8,635,000	7,996,000
Provincial: Community Development Workers Grant	74,674	40,697
Provincial: Thusong Centre Grant	212,000	-
Provincial: Sport / Recreational Facilities Grant	54,000	-
Provincial: Local Government Graduate Internship Grant	15,000	-
Other: LG Seta	810,684	1,726,309
	402,554,545	310,241,313
Capital grants		
National: Infrastructure Skills Development	207,001	740,769
National: Electricity Demand Side Management Grant	5,845,178	-
National: Municipal Infrastructure Grant (MIG)	38,725,800	36,368,850
National: Regional Bulk Infrastructure Grant (RBIG)	851,715	644,987
National: Integrated National Electrification Grant	10,254,086	-
National: Public Transport Grant	99,141,534	36,181,826
Provincial: Integrated Public Transport Network Grant	2,998,871	49,017,291
Provincial: Human Settlements Capital Grant	43,475,768	22,395,228
Provincial: Library Services Grant	741,423	4,241,572
Provincial: Fire Services Capacity Building Grant	611,471	-
	202,852,847	149,590,523
	605,407,392	459,831,836
Revenue recognised per vote as required by Section 123 (c) of the MFMA		
Civil Engineering Services	157,080,221	365,861,589
Community Services	43,536,724	52,641,092
Corporate Services	1,431,049	4,403,175
Electro-technical Services	35,665,063	17,683,462
Financial Services	3,276,253	3,082,970
Human Settlements	37,218,964	-
Human Settlements, Land Affairs & Planning	-	14,642,999
Office of the Municipal Manager	1,959,962	1,516,549
Planning and Development	1,015,789	-
Protection Services	324,223,367	-
	605,407,392	459,831,836

George Local Municipality

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Figures in Rand	2018	2017
28. Fines, penalties and forfeits		
Property rates penalties	1,314,207	540,102
GIPTN Bus operator penalties	1,882,793	397,265
Other fines	646,402	243,550
Traffic fines	77,659,834	47,203,374
	81,503,236	48,384,291

The contract for the traffic fines lapsed in November 2016 and was only renewed in May 2017. Camera fines was not issued during this period.

The prior year balances was restated. Refer to note 45 for more detail.

29. Employee related costs

Basic	308,852,351	264,895,945
Housing benefits and allowances	1,934,438	1,704,242
Long-service awards	2,386,268	910,665
Medical aid - company contributions	18,385,374	16,408,345
Other payroll levies	3,945,105	3,395,146
Overtime payments	36,523,289	34,562,150
Employee benefit obligations	12,329,888	3,780,160
- Current service cost	4,554,914	4,602,453
- Interest cost	13,503,559	13,469,447
- Actuarial (gains) / losses recognised	(5,728,585)	(14,291,740)
Travel, motor car, accommodation, subsistence and other allowances	29,581,018	31,970,145
UIF	3,057,739	2,557,300
Pension	40,953,618	33,198,503
Subsistence and Travelling Allowance	2,786,295	1,219,427
	460,735,383	394,602,028

Employee related cost consist out of the following:

Salaried staff	460,735,383	394,602,028
Section 56 and 57 employees (detail is below)	7,692,552	12,424,698
	468,427,935	407,026,726

The organisational structure of the municipality was reviewed and Council adopted the new structure in August 2017. The municipality has eight directorates in the current financial year compared to six directorates during the previous financial year. The remuneration disclosed below in the current year is for eight directorates compared to six directorates in the previous year.

Remuneration of Municipal Manager

Annual Remuneration	1,589,002	1,729,149
Contributions to UIF, Medical and Pension Funds	24,771	22,414
Performance bonus	50,208	-
	1,663,981	1,751,563

The remuneration of the Municipal Manager was restated in the prior year to include his UIF and bargaining council levy contributions.

George Local Municipality
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Notes to the Annual Financial Statements

Figures in Rand	2018	2017
29. Employee related costs (continued)		
Remuneration of Director Financial Services		
Annual Remuneration	1,105,432	1,395,233
Car Allowance	60,000	60,000
Contributions to UIF, Medical and Pension Funds	239,936	303,036
Acting expenses	3,500	47,118
	1,408,868	1,805,387
Remuneration of Director Corporate Services		
Annual Remuneration	17,348	1,248,680
Severance package	-	361,482
Car Allowance	-	172,830
Contributions to UIF, Medical and Pension Funds	-	291,656
Acting expenses	71,169	-
	88,517	2,074,648
Remuneration of Director Human Settlement, Land Affairs & Planning		
Annual Remuneration	378,843	1,258,421
Car Allowance	16,000	96,000
Contributions to UIF, Medical and Pension Funds	49,286	286,402
Acting expenses	4,961	51,074
	449,090	1,691,897
Remuneration of Director Human Settlements		
Annual Remuneration	740,909	-
Contributions to UIF, Medical and Pension Funds	28,893	-
	769,802	-
Remuneration of Director Civil Engineering Services		
Annual Remuneration	875,744	1,360,816
Car Allowance	-	121,000
Severance package	-	410,206
Contributions to UIF, Medical and Pension Funds	1,668	23,964
Acting expenses	88,857	14,700
	966,269	1,930,686
Remuneration of Director Electro- Technical Services		
Annual Remuneration	16,545	1,337,279
Car Allowance	-	132,000
Severance package	-	400,130
Contributions to UIF, Medical and Pension Funds	-	46,578
Acting expenses	96,203	8,621
	112,748	1,924,608

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Figures in Rand	2018	2017
29. Employee related costs (continued)		
Remuneration Director Community Services		
Annual Remuneration	1,053,811	990,828
Car Allowance	60,000	60,000
Contributions to UIF, Medical and Pension Funds	207,717	195,081
Acting expenses	2,927	-
Performance bonus	122,961	-
	1,447,416	1,245,909
Remuneration of Director Protection Services		
Annual Remuneration	566,875	-
Car Allowance	56,000	-
Contributions to UIF, Medical and Pension Funds	146,928	-
Acting expenses	16,058	-
	785,861	-

George Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2018	2017
30. Remuneration of Councillors		
Basic Salaries		
Executive Mayor	561,851	506,527
Deputy Executive Mayor	508,632	498,626
Speaker	558,835	504,149
Chief Whip	462,273	418,044
Mayoral Committee Members	4,927,521	4,114,474
Councillors	6,879,211	6,927,585
Allowances and contributions		
Car allowance	4,565,904	4,090,346
Cellphone allowance	2,152,770	1,194,395
Contributions to medical aid	250,668	145,100
Contributions to pension fund	651,800	401,510
	21,519,465	18,800,756

The remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act. Refer to page 5 for the certification by the Accounting Officer.

Remuneration for the Executive Mayor, Deputy Executive Mayor, Speaker and Chief Whip are:

Executive Mayor		
Basic salary	561,851	506,527
Car allowance	206,604	187,773
Cellphone allowance	40,800	26,823
Contributions to medical aid and pension fund	57,960	59,640
	867,215	780,763
Deputy Executive Mayor		
Basic salary	508,632	498,626
Car allowance	124,552	95,378
Cellphone allowance	40,800	26,823
Contributions to medical aid and pension fund	24,825	7,311
	698,809	628,138
Speaker		
Basic salary	558,835	504,149
Car allowance	99,169	95,378
Cellphone allowance	40,800	26,823
Contributions to medical aid and pension fund	-	1,789
	698,804	628,139
Chief Whip		
Basic salary	462,344	418,044
Car allowance	154,953	140,830
Cellphone allowance	40,800	21,597
Contributions to medical aid and pension fund	-	4,812
	658,097	585,283



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30. Remuneration of Councillors (continued)		
In-kind benefits		
The Councillors occupying the positions of Executive Mayor, Deputy Executive Mayor, Speaker, Chief Whip and Executive Mayoral Committee Members of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.		
The Executive Mayor and Deputy Executive Mayor have use of a Council owned vehicle for official duties.		
Remuneration per councillor:		
L Arries	642,428	352,721
C Bob	-	30,519
N Bungane	302,329	241,019
E Bussack	660,611	527,328
JP Buys	302,329	241,019
CM Clarke	455,837	241,019
BM Cornelius	523,797	555,834
DL Cronje	660,611	527,328
M Daniels	302,329	241,019
PH De Swart	-	59,150
EP De Villiers	660,611	584,465
NNE Dlephu	-	30,519
S Dlikile	302,329	241,019
M Draghoender	520,640	586,506
M Du Preez	-	39,521
J Du Toit	302,328	274,336
JD Esau	302,329	112,302
LBC Esau	-	30,519
RS Figland	391,899	241,019
J Fry	302,329	241,019
V Gericke	302,329	294,237
MD Gingcana	-	30,519
FS Guga	-	30,519
WT Harris	302,329	235,817
LS Hayward	-	30,519
HH Ingo	302,329	269,525
NR James	302,329	241,019
N Jantjies	302,329	269,525
HJ Jones	-	(17,765)
NF Kamte	-	30,322
A Kiwit	302,329	241,019
MEF Kleynhans	-	59,150
NV Kom	-	30,519
PB Komani	-	30,519
IC Kritzinger	682,944	629,900
L Langa	302,329	241,019
PS Lehlo	-	30,519
CI Lesele	302,329	112,302
H Loff	302,329	241,019
R Lombaard	-	30,519
P Louw	302,329	241,019
G Macclune	-	50,289
D Maritz	-	62,430
VE Mashini	-	29,229
NF Mdaka	302,329	241,345

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Figures in Rand	2018	2017
30. Remuneration of Councillors (continued)		
BH Mooi	302,329	241,020
ZM Moyi	-	58,651
V Muller	302,329	241,019
MG Naik	867,214	775,078
J Ncamazana	302,329	241,019
C Neetling	-	30,519
GC Niehaus	382,963	555,834
CH Noble	660,611	527,328
PP Nosana	302,329	241,019
FZ Ntozini	-	30,519
MM Nyakathi	658,026	570,026
B Petrus	302,329	241,019
B Plata	302,329	266,103
G Pretorius	698,804	584,631
LN Quepe	-	30,519
C Remas	-	30,519
S Rooiland	302,329	241,019
J Safers	302,329	241,019
B Salmani	-	30,519
GM Sihoyiya	-	30,519
S Snyman	440,416	241,019
GJ Stander	520,153	584,465
C Standers	-	67,327
I Stemela	302,329	298,156
EH Stroebe	302,329	241,217
T Teyisi	302,329	269,525
JS Thanda	-	30,519
PJ Van der Hoven	302,329	269,525
J Van der Westhuizen	55,309	-
GJ Van Niekerk	302,329	241,019
LD Van Wyk	302,329	283,329
AJ Van Zyl	-	30,519
M Barnard (Viljoen)	658,026	555,834
J Von Brandis	438,770	241,019
DJ Wessels	302,329	241,019
AM Wildeman	-	30,519
AD Wilemse	660,611	542,156
CT Williams	302,329	269,524
W Witbooi	-	30,519
G Xesi	-	42,432
	21,519,466	18,800,756



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Notes to the Annual Financial Statements

Figures in Rand	2018	2017
31. Depreciation and amortisation		
Property, plant and equipment	164,294,919	154,796,242
Intangible assets	716,345	517,402
Investment property	161,570	161,572
	165,172,834	155,475,216
32. Impairment of assets		
Impairments		
Trade receivables from exchange transactions	39,392,811	42,528,854
Trade and other receivables from non-exchange transactions	72,594,799	46,558,500
Loans and receivables	(211,611)	260,003
	111,775,999	89,347,357
The prior year figures was restated. Refer to note 45 for more detail.		
33. Finance costs		
Loans and borrowings	36,065,224	39,801,491
Finance leases	986,526	1,298,703
Provision for rehabilitation of landfill site	1,667,683	1,786,153
Provision for Compensation Liability GIPTN	5,420,977	1,222,914
	44,140,410	44,109,261
Refer to note 18 for detail on the discounting of the provisions for the rehabilitation of the landfill site and the GIPTN Compensation Liability.		
34. Bulk purchases		
Electricity	396,388,765	395,745,838
Water	1,421,482	111,094
	397,810,247	395,856,932

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. Water was purchased from Haarlem Irrigation Board during the year.

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Figures in Rand	2018	2017
35. Contracted services		
Cemeteries	3,083,180	3,522,135
Credit Control	5,297,427	4,545,581
Dumping Site Contractors	6,846,708	5,998,536
Electricity Distribution	27,279,543	25,767,306
Financial Services	2,008,344	1,977,874
Fire Services	1,268,588	1,178,961
General & additional valuations	3,292,080	761,644
Housing projects	44,748,393	22,163,381
Human Resources Contractors	2,766,173	2,196,791
IT Services Mainframe	1,897,005	1,013,353
Integrated Transport Services	211,881,658	160,175,799
Internal Auditors	3,359,617	3,283,676
Legal fees	3,938,349	3,738,655
Other Contractors	17,042,462	17,920,218
Parks and Gardens Contractors	4,869,123	6,423,860
Proclaimed Roads	18,032,593	25,725,543
Refuse Removal	16,837,961	10,658,118
SPCA - Small Animal Pound	2,211,184	1,756,128
Security	17,174,699	13,106,870
Sewerage	12,451,606	23,136,912
Sport Maintenance	1,603,405	2,132,459
Street Cleansing	1,310,544	2,301,036
Streets and Stormwater	18,794,301	21,630,173
Town Planning	509,854	483,502
Traffic Contractors	3,456,649	2,293,326
Water Contamination	4,679,528	6,178,762
Water Distribution	12,314,660	11,139,662
	448,955,634	381,210,261

The prior year figures was restated. Refer to note 45 for more detail.

36. Grants and subsidies paid

Other subsidies

Bursary Grants	67,855	120,000
Merit Grants and Donations	5,500	1,750
	73,355	121,750

The Bursary grants are in respect of providing bursaries for further tertiary education.

Merit Grants and Donations are given to schools and non-profit organisations in the community.

37. Loss on disposal of assets and liabilities

Property, plant and equipment	(2,624,035)	338,495
Inventory	(138,591)	(45,823)
	(2,762,626)	292,672

The prior year figures was restated. Refer to note 45 for more detail.

George Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2018	2017
38. Other materials / Inventory		
Fuel	10,500,851	9,726,301
Chemicals	15,870,720	21,172,680
Other	4,897,077	2,570,953
	31,268,648	33,469,934
39. General expenses		
Advertising, publicity and marketing	2,815,228	2,510,736
Auditors remuneration	4,284,907	3,632,565
Bank charges	2,363,698	2,700,210
Bargaining Council	4,519,903	4,024,748
Commission Third Party Vendors	2,626,036	1,563,260
External computer services	7,461,087	10,351,784
Insurance	6,099,561	6,836,609
Learnerships and interns	1,150,334	3,403,531
Lease rentals on operating leases	14,110,086	13,800,659
Other general expenses	5,422,474	4,457,409
Postage	1,713,271	1,793,531
Printing and publications	3,101,267	3,066,716
Refuse	5,435,006	6,371,449
Skills Development Levy	4,611,975	4,043,307
Telephone and fax	2,276,945	2,673,073
Travel - local	3,754,705	2,359,956
Uniforms	2,113,107	1,836,030
Vehicle Tracking	12,369,194	7,090,639
Workmen's Compensation Fund	2,234,586	2,001,777
	88,463,370	84,517,989

The prior year figures was restated. Refer to note 45 for more detail.

George Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2018	2017
40. Cash generated from operations		
Surplus	174,731,124	64,874,395
Adjustments for:		
Depreciation and amortisation	165,172,834	155,475,216
Loss on sale of assets and liabilities	2,762,626	(292,672)
Donated asset receipts included in other income	(225,000)	(504,253)
Finance costs - Finance leases	986,526	1,298,703
Impairment of assets	111,775,999	89,347,357
Movements in bonus provision	21,578	677,017
Movements in provisions	8,211,313	(36,514)
Provisions utilised during the year	(1,811,621)	(1,098,673)
Movement in Employee benefit asset and liabilities - Medical Aid, Pension and Long Service Awards	15,031,920	4,328,601
Movement in Employee benefit asset and liabilities - Staff leave	4,766,287	5,160,428
Benefits paid in terms of employee benefits obligations	(7,635,176)	(6,847,548)
Unspent conditional grants received	600,769,491	550,790,720
Payments from unspent conditional grants	(605,407,392)	(459,831,835)
Changes in working capital:		
(Increase) / Decrease in Inventories	9,733,418	8,963,425
Receivables from exchange transactions	(39,522,657)	(27,935,720)
Other receivables from non-exchange transactions	(73,120,409)	(39,245,949)
(Increase) / Decrease in Prepayments	(1,103,776)	(1,846,902)
Increase / (Decrease) in Trade and other payables from exchange transactions	36,734,002	29,858,972
(Increase) / Decrease in VAT	(3,655,822)	1,009,240
Increase / (Decrease) in Consumer deposits	4,345,871	3,062,621
	402,561,136	377,206,629

George Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2018	2017
41. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Infrastructure	58,897,169	110,582,044
• Community	-	2,336,814
• Intangible assets	-	11,184,860
	58,897,169	124,103,718
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	975,661	1,452,304
- in second to fifth year inclusive	47,339	1,023,000
	1,023,000	2,475,304

Operating leases relate to property, plant and equipment with lease terms not longer than 5 years with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

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Notes to the Annual Financial Statements

Figures in Rand	2018	2017
42. Financial instruments disclosure		
Categories of financial instruments		
Categories of financial instruments carried at amortised cost		
Financial assets		
Loans and receivables		
Housing Scheme Loans	495,831	358,094
Sale of Erven Loans	96,402	95,334
Loans to other organisations	-	12,888
Actaris Meter Debt	250,338	219,362
Trade and other receivables from exchange transactions		
Service debtors	84,030,719	83,958,994
Other debtors	4,849,944	4,791,823
Other receivables from non-exchange transactions		
Other debtors	3,893,200	2,686,133
Cash and cash equivalents		
Cash and cash equivalents	617,784,461	505,440,767
	711,400,895	597,563,395
Financial liabilities		
Loans and borrowings		
Annuity loans	329,480,507	348,285,098
Other loans	361,688	542,532
Finance lease obligation		
Finance lease obligation	8,153,105	11,603,495
Consumer deposits		
Electricity and water deposits	27,168,038	22,822,167
Payables		
Trade payables	214,373,098	176,962,060
	579,536,436	560,215,352
43. Contingencies		
Compensation for damages		
Magnolia Ridge Properties 77 (Pty) Ltd	700,000	-
Mr Reigate	2,000,000	-
Mr Greyling	752,000	-
Southern Cape Brick	1,000,000	-
Acme Tool Hire	1,963,793	-
Coastal Armature Winders and Supplies	500,000	-
J Barnard	-	465,000
Expropriation of Portion 4 of the Farm Sandkraal No. 197	-	1,835,000
N Landu	2,307,000	2,307,000
	9,222,793	4,607,000

Magnolia Ridge Properties 77 (Pty) Ltd: Claimant brought a review application against the George Municipality regarding a decision made to claimant's application for and uses of erven 25538 and 25541. There was also an appeal against a decision on request for rectification of an alleged error on zoning scheme map of erf 25541, Kraaibosch. The possible future amounts payable on these two cases amounts to R700,000.

George Local Municipality

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Figures in Rand

2018

2017

43. Contingencies (continued)

Mr Reigate: The municipality is in an arbitration process relating to this person's service agreement. Possible legal costs payable by the municipality could be R1,500,000 if the arbitration award is given in favour of Mr Reigate.

Mr Greyling: The individual is claiming R752,000 as a result of injuries sustained when he fell at a Go George bus stop. His claim is against the bus operator, George Link, but George Link claims that they are not liable since the municipality is responsible for third party claims as per the Operator Agreement. This matter was referred to the municipality's insurance company.

Southern Cape Brick: The municipality instituted a claim against Southern Cape Brick for illegal mining activities in Thembaletu. Possible legal costs payable by the municipality could be R1,000,000 if the claim is not successful.

Acme Tool Hire: A summons amounting to R1,963,793 was issued against the municipality for lost equipment. This matter was referred to Goussard Attorneys.

Coastal Armature Winders and Supplies: The applicant took the municipality to court for the setting aside of a tender award. In the current application, the municipality only faces a possible court order for cost, which depending on how the other parties involved conduct the matter, might easily amount to as much as R500 000.

J Barnard: The individual was injured in a motor vehicle accident in Blanco when her vehicle crashed into grounded overhead electricity cables which were caused by another vehicle. She issued summons against the municipality of R465,000 for her alleged injuries. The municipality's insurance paid this amount during the year.

Expropriation of Portion 4 of the Farm Sandkraal No. 197: Council is in the process of expropriating Portion 4 of the Farm Sandkraal No. 197, George for low cost housing purposes. Council is willing to compensate the owner in the amount of R1,613 000 which was not accepted. The owner wanted R10,000,000. The matter was subjected to arbitration. The arbitrator suggested that a final valuation be obtained to establish the current market value of the property. A valuation of R1,835,000 was obtained and the arbitrator decided that the market value and legal costs should be paid by the municipality.

N Landu: Acting on behalf of a minor, S Landu, he instituted a claim for damages of R2,307,000 against the municipality as a result of an incident when the minor's hand was injured when the rear loading mechanism of one of the municipality's refuse compactors allegedly closed on the minor's left hand. This matter was referred to the Municipality's insurers.

George Local Municipality

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44. Related parties

Relationships

Councillor

Ward

1	J Säfers
2	DL Cronje
3	EP De Villiers
4	M Barnardt
5	P Louw
6	HH Ingo
7	S Rooiland
8	AD Willemse
9	S Dlikilile
10	BH Mooi
11	CI Lesele
12	B Plata
13	L Langa
14	E Bussack
15	NF Mdaka
16	CH Noble
17	V Muller
18	J van der Westhuizen (Appointed May 2018)
	GC Niehaus (Resigned January 2018)
19	S Snyman
20	M Draghoender
21	NR James
22	G Pretorius
23	GJ Stander
24	M Daniels
25	JD Esau
26	J von Brandis
27	BM Cornelius
Proportional	L Arries
Proportional	N Bungane
Proportional	JP Buys
Proportional	CM Clarke
Proportional	J du Toit
Proportional	RS Figland
Proportional	J Fry
Proportional	V Gericke
Proportional	WT Harris
Proportional	N Jantjies
Proportional	A Kiwit
Proportional	IC Kritzing
Proportional	H Loff
Proportional	MG Naik
Proportional	J Ncamazana
Proportional	PP Nosana
Proportional	MM Nyakathi
Proportional	B Petrus
Proportional	I Stemela
Proportional	EH Stroebe

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44. Related parties (continued)

Councillor

Proportional
Proportional
Proportional
Proportional
Proportional
Proportional

T Teyisi
PJ van der Hoven
GJ van Niekerk
LD van Wyk
DJ Wessels
CT Williams

Directors

Directorate Financial Services
Directorate Corporate Services
Directorate Human Settlements
Directorate Planning and Development
Directorate Civil Engineering Services
Directorate Electro Technical Services
Directorate Community Services
Directorate Protection Services
Municipal Manager

K Jordaan
S James - Acting
C Lubbe
C Lubbe - Acting
R Wesso
P Gerber - Acting
W Hendricks
S Erasmus
T Botha

Related party transactions

The services rendered to related parties are charged at approved tariffs that were advertised to the public. No bad debts were written off or recognised in respect of amounts owed by related parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer deposits were received from Councillors, the municipal manager and Section 57 personnel. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Loans granted to related parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. The balance of the loans granted to employees amounts to R15,910 and forms part of Sundry Receivables as set out in note 4.

Compensation of related parties

Compensation of Key Management Personnel and Councillors is set out in notes 29 and 30 to the Annual Financial Statements.

GIPTN Compensation Liability

I Stemela will be receiving another compensation payment of R200,000 with the roll out of the next phases of the George Integrated Public Transport Network. Refer to note 18 for more detail on the provision.

Payments made to related parties

Refer to note 52 for details of payments made to related parties during the year.

George Local Municipality
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Notes to the Annual Financial Statements

Figures in Rand			2018	2017
45. Prior period errors and reclassifications				
STATEMENT OF FINANCIAL POSITION	2017 previously reported	Reclassification	Prior year error	2017 restated
Assets				
Current Assets				
Inventories	152,202,953	-	-	152,202,953
Trade receivables from exchange transactions	88,750,817	-	-	88,750,817
Trade and other receivables from non-exchange transactions	59,783,789	-	2,987,115	62,770,904
Prepayments	13,667,836	-	-	13,667,836
Loans and receivables	170,376	-	-	170,376
Cash and cash equivalents	505,440,767	-	-	505,440,767
	820,016,538	-	2,987,115	823,003,653
Non-current Assets				
Property, plant and equipment	2,763,889,796	-	-	2,763,889,796
Intangible assets	1,433,212	-	-	1,433,212
Heritage assets	4,236,000	-	-	4,236,000
Investment property	152,088,405	-	-	152,088,405
Loans and receivables	515,302	-	-	515,302
	2,922,162,715	-	-	2,922,162,715
Total Assets	3,742,179,253	-	2,987,115	3,745,166,368
Liabilities				
Current Liabilities				
Loans and borrowings	38,885,435	-	-	38,885,435
Finance lease obligation	4,533,126	-	-	4,533,126
Trade and other payables from exchange transactions	196,188,412	-	(2,349,401)	193,839,011
VAT payable	345,563	-	-	345,563
Consumer deposits	22,822,167	-	-	22,822,167
Employee benefits	48,829,779	-	-	48,829,779
Provisions	11,083,765	-	(2,203,740)	8,880,025
Unspent conditional grants and receipts	104,809,637	-	-	104,809,637
	427,497,884	-	(4,553,141)	422,944,743
Non-Current Liabilities				
Loans and borrowings	309,942,195	-	-	309,942,195
Finance lease obligation	7,070,369	-	-	7,070,369
Employee benefits	139,581,720	-	-	139,581,720
Provisions	75,939,972	-	-	75,939,972
Trade and other payables from exchange transactions	5,459,261	-	-	5,459,261
	537,993,517	-	-	537,993,517
Total Liabilities	965,491,401	-	(4,553,141)	960,938,260
Total Net Assets	2,776,687,852	-	7,540,256	2,784,228,108

George Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand			2018	2017
45. Prior period errors and reclassifications (continued)				
Net Assets				
Housing development fund	63,214,982	-	-	63,214,982
Accumulated surplus	2,713,481,871	-	7,540,255	2,721,022,126
	2,776,696,853	-	7,540,255	2,784,237,108

STATEMENT OF FINANCIAL PERFORMANCE

	2017 previously reported	Reclassifi- cation	Prior year error	2017 restated
Revenue from exchange transactions	958,954,574	4,411,056	-	963,365,630
Service charges - Electricity	565,449,873	-	-	565,449,873
Service charges - Water	121,171,738	-	-	121,171,738
Service charges - Sewerage and sanitation charges	81,869,035	-	-	81,869,035
Service charges - Refuse removal	61,813,769	-	-	61,813,769
Service charges - Other	18,439	(18,439)	-	-
Rental revenue	3,756,370	-	-	3,756,370
Income from agency services	9,445,287	(2,297)	-	9,442,990
Licences and permits	2,125,807	-	-	2,125,807
Sale of erven	9,380,586	-	-	9,380,586
GIPTN Fare Revenue	37,301,627	-	-	37,301,627
Other income	25,161,970	4,431,792	-	29,593,762
Interest received - External	37,303,968	-	-	37,303,968
Investments				
Interest received - Outstanding debtors	4,156,105	-	-	4,156,105
Revenue from non-exchange transactions	705,564,046	(4,411,056)	18,495,704	719,648,694
Property rates	211,432,567	-	-	211,432,567
Government grants and subsidies - Operating	310,241,313	-	-	310,241,313
Government grants and subsidies - Capital	149,590,523	-	-	149,590,523
Fines, penalties and forfeits	34,299,643	(4,411,056)	18,495,704	48,384,291
	1,664,518,620	-	18,495,704	1,683,014,324

George Local Municipality
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Notes to the Annual Financial Statements

Figures in Rand			2018	2017
45. Prior period errors and reclassifications (continued)				
	2017 previously reported	Reclassifi- cation	Prior year error	2017 restated
Expenditure				
Employee related cost	407,026,726	-	-	407,026,726
Remuneration of councillors	18,800,756	-	-	18,800,756
Depreciation and amortisation	155,475,216	-	-	155,475,216
Impairment losses	72,145,388	-	17,201,969	89,347,357
Finance cost	44,109,261	-	-	44,109,261
Repairs and maintenance	91,716,014	(91,587,954)	(128,060)	-
Bulk purchases	395,856,932	-	-	395,856,932
Contracted services	287,682,748	93,527,514	-	381,210,262
Grants and subsidies paid	121,750	-	-	121,750
Cost of even sold	8,496,419	-	-	8,496,419
Loss on disposal of assets	101,022	-	(393,694)	(292,672)
Other materials / Inventory	33,469,934	-	-	33,469,934
General Expenses	86,457,549	(1,939,560)	-	84,517,989
	1,601,459,715	-	16,680,215	1,618,139,930
Surplus / (Deficit) for the year	63,058,905	-	1,815,489	64,874,394
CASH FLOW STATEMENT	2017 previously reported	Reclassifi- cation	Prior year error	2017 restated
Net cash from operating activities	377,252,452	-	(45,825)	377,206,627
Net cash from investing activities	(211,070,709)	-	45,825	(211,024,884)
Net cash from financing activities	(26,063,635)	-	-	(26,063,635)
Total cash movement for the year	140,118,108	-	-	140,118,108
Cash and cash equivalents at the beginning of the year	365,322,659	-	-	365,322,659
	505,440,767	-	-	505,440,767

Certain comparative figures have been reclassified due to incorrect allocations in the prior period. These reclassifications do not have any effect on the accumulated surplus except where indicated.

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Figures in Rand	2018	2017
45. Prior period errors and reclassifications (continued)		
45.1 Prior year error: Clearing of alien vegetation		
The provision for the clearing of alien vegetation is an ongoing maintenance activity rather than an obligating event on any particular year and the provision is therefore reversed.		
The effect of this correction is as follows:		
(Increase) / Decrease in Contracted Services		128,060
Increase / (Decrease) in Provisions		(2,203,740)
Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2016		2,075,680
Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2017		2,203,740

45.2 Prior year error: Traffic fines

The municipality did not account for all spot fines issued by the municipality and by the provincial traffic department. The effect of these spot fines and the impairment of thereof is as follows:

(Increase) / Decrease in Receivables from non-exchange transactions	(2,987,115)
Decrease / (Increase) in Payables from exchange transactions	2,349,401
Increase / (Decrease) in Fines, penalties and forfeits	18,495,704
(Increase) / Decrease in Impairment loss	(16,808,275)
Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2016	3,649,086
Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2017	5,336,515

45.3 Reclassification of income and expenses to conform with the Standard Chart of Accounts for Local Government

National Treasury issued a Standard Chart of Accounts for Local Government (mSCOA) and the municipality adopted the chart of accounts on 1 July 2016.

National Treasury have to report on consolidated local government information for incorporation in national accounts and national policy and must obtain financial information from individual municipalities. Currently, each municipality manages and reports on its financial affairs in accordance with its own organisational structure and unique chart of accounts. The result is a disjuncture amongst municipalities and the other spheres of government as to how they classify revenue and expenditure and consequently report thereon.

With mSCOA, National Treasury has specified norms and standards for recording and collecting local government budget, financial and non-financial information. This will result in a seamless alignment of information between budgeted information and the actual achievements in financial statements.

During the previous financial year, all balances were reclassified to conform with the mSCOA chart of accounts. This balance was reclassified in the current year as follows:

Notes to the Annual Financial Statements

Figures in Rand		2018	2017
45. Prior period errors and reclassifications (continued)			
Revenue	2017	mSCOA reclassification	2017 reclassified
Service charges - Other	18,439	(18,439)	-
Income from agency services	9,445,287	(2,297)	9,442,990
Other income	25,161,970	4,431,792	29,593,762
	34,625,696	4,411,056	39,036,752
Expenditure	2017	mSCOA reclassification	2017 reclassified
Repairs and maintenance	91,716,014	(91,716,014)	-
Contracted services	287,682,748	93,655,574	381,338,322
General expenses	86,457,549	(1,939,560)	84,517,989
	465,856,311	-	465,856,311

45.4 Impairment of loans and borrowings incorrectly classified as loss on disposal of assets and liabilities

The accounts for the impairment and write off of the loans and receivables was incorrectly classified as loss on disposal of assets and liabilities. This incorrect allocation was corrected as follows:

(Increase) / Decrease in Loss on disposal of assets and liabilities	393,694
(Increase) / Decrease in Impairment loss	(393,694)
Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2017	-

46. 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.

The municipality's Treasury function provides services to the business, co-ordinates access to domestic markets, monitors and manages the financial risks relating to the operations of the municipality through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including interest rate risk and price risk), credit risk and liquidity risk.

The municipality seeks to minimise the effects of these risks in accordance with its policies approved by the Council. The policies provide written principles on interest rate risk, credit risk and in the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the Director Financial Services on a continuous basis. The municipality does not enter into or trade in financial instruments, including derivative financial instruments, for speculative purposes.

The Treasury function reports periodically to the municipality's finance committee, that monitors risks and policies implemented to mitigate risk exposures.

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46. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities.

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timely basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

The table below analyses the municipality's 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	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Loans and borrowings	73,490,648	63,187,807	170,544,003	184,524,442
Consumer deposits	27,168,038	-	-	-
Trade and other payables	192,399,658	2,584,831	645,144	-
At 30 June 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Loans and borrowings	74,900,183	68,375,632	163,388,514	255,453,395
Consumer deposits	22,822,167	-	-	-
Trade and other payables	162,766,463	3,365,468	2,093,792	-

Interest rate risk

The municipality is exposed to interest rate risk due to the movements in long-term and short term interest rates.

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

The municipality's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer-term borrowings and finance leases are therefore usually at fixed rates.

This risk is managed on an ongoing basis.

Credit risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur financial loss.

Potential concentrations of credit rate risk consist mainly of investments, loans and receivables, trade receivables, other receivables, short-term investment deposits and cash and cash equivalents.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction/ exposure limits, which are included in the municipality's Investment Policy.

George Local Municipality

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46. Risk management (continued)

Trade receivables comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these customers. Trade receivables are presented net of an allowance for impairment and where appropriate, credit limits are adjusted.

Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply.

In the case of customers whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Non-current Receivables and Other Receivables are collectively evaluated annually at reporting date for impairment or discounting. A report on the various categories of customers is drafted to substantiate such evaluation and subsequent impairment / discount, where applicable.

The municipality only deposits with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents is considered to be low, the maximum exposure is disclosed below.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Financial instruments	2018	2017
Loans and receivables	842,571	685,678
Receivables from exchange transactions	88,880,663	88,750,817
Receivables from non-exchange transactions	38,268,554	62,770,904
Cash and cash equivalents	617,784,461	505,440,767
	745,776,249	657,648,166

The method for determining the credit quality of the different financial instruments is disclosed in their individual notes.

Price risk

The effect of any price risk in the foreseeable future is regarded as minimal given the fact that amounts receivable from the municipality's customers are levied in terms of the relevant statutes. It is not anticipated that given the nature of the municipality's business that changes in market prices will have a material impact on the trading results of the municipality.

There has been no change, since the previous financial year, to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

47. Unauthorised expenditure

Depreciation

Opening balance	-	-
Unauthorised expenditure current year	8,663,441	-
Approved by Council	-	-
	8,663,441	-

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Figures in Rand	2018	2017
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47. Unauthorised expenditure (continued)

Unauthorised expenditure for the year ending 30 June 2018 will be presented to the Council after year end to be condoned.

Impairment losses

Reconciliation of unauthorised expenditure

Opening balance	51,865,079	26,335,465
Unauthorised expenditure current year	47,637,439	25,529,614
Approved by Council	(35,056,804)	-
	64,445,714	51,865,079

Unauthorised expenditure consist out of in increase in the debt impairment provision of traffic fines and consumer debtors being more than budgeted.

Unauthorised expenditure for the year ending 30 June 2018 will be presented to the Council after year end to be condoned.

The balance of the prior year unauthorised expenditure was increased from R8,721,339 to R25,529,614 as a result of a prior year error on traffic fines. Refer to note 45.2. The increased amount will be presented to Council after year end to be condoned.

Finance charges

Reconciliation of unauthorised expenditure

Opening balance	9,399,471	4,610,535
Unauthorised expenditure current year	6,030,588	4,788,936
Approved by Council	(9,399,471)	-
	6,030,588	9,399,471

The unauthorised expenditure relates to the interest charge on the provision for the rehabilitation of the landfill sites and the provision for the GIPTN Compensation Liability not being budgeted for. Refer to note 18 for more detail.

Unauthorised expenditure for the year ending 30 June 2018 will be presented to the Council after year for approval.

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Figures in Rand	2018	2017
47. Unauthorised expenditure (continued)		
Other materials / Inventory		
Reconciliation of unauthorised expenditure		
Opening balance	5,801,824	-
Unauthorised expenditure current year	-	5,801,824
Approved by Council	(5,801,824)	-
	<u>-</u>	<u>5,801,824</u>
Loss on disposal of PPE		
Reconciliation of unauthorised expenditure		
Opening balance	97,823	-
Unauthorised expenditure current year	-	97,823
Approved by Council	(97,823)	-
	<u>-</u>	<u>97,823</u>
Capital expenditure		
Reconciliation of unauthorised expenditure		
Opening balance	2,350,696	2,350,696
Unauthorised expenditure current year	-	-
Approved by Council	(2,350,696)	-
	<u>-</u>	<u>2,350,696</u>

George Local Municipality

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Figures in Rand	2018	2017
48. Irregular expenditure		
Opening balance	124,830	137,071
Add: Irregular Expenditure - current year	11,721,578	-
Less: Amounts condoned	-	(12,241)
	11,846,408	124,830

The irregular expenditure above as well as the items below is being referred to a Section 32 committee for a recommendation to Council.

Details of irregular expenditure

Current year irregular expenditure:

3 quotations not obtained	595,608
PPFA Points System	795,687
Deviations not valid	4,464,284
Declaration of interest (MBD4) not obtained	509,607
Unfair awarding of points to the winning bidder during functionality	5,356,392
	11,721,578

Section 44 of the MSA outlines the functions and powers of the executive committee. None of these powers and functions include a role in individual procurement transactions. Section 56 of the MSA outlines the powers and functions of the executive mayor. None of these powers and functions include a role in individual procurement transactions. MFMA Section 117 states that: "Councillors barred from serving on municipal tender committees. No councillor of any municipality may be a member of a municipal bid committee or any other committee evaluating or approving tenders, quotations, contracts or other bids, nor attend any such meeting as an observer." A section 80 committee operates as per mandate from the executive mayor or executive committee – and such mandate shall not include involvement in tender processes as this is not within the scope of the powers and functions of the executive committee or executive mayor. Instance whereby the section 80 committee were involved in the tender process was identified. The municipality has not been able to quantify the impact of the above.

Prior year irregular expenditure:

Procurement of goods and services in the upgrading of various sport facilities: The case reported in the 30 June 2015 financial statements for the procurement of goods and services in the upgrading of various sport facilities has been investigated but is not finalised yet. To date the irregular expenditure amounts to R78,760. This matter still has to appear before a Section 32 committee for consideration and should be concluded in the following financial year. A debtor was raised for this amount.

Overpayment of telephone allowance and petrol advance for the previous mayor: The previous mayor received an overpayment of this telephone allowance and petrol advance during the period 25 June 2011 to 25 January 2014. This expenditure incurred by the municipality is not in accordance with the requirement of the Public Office-Bearers Act. The overpayment was charged to the previous mayor's services account with the municipality.

Alleged Irregular Expenditure under investigation

The municipality was, in terms of Section 32 of the Municipal Finance Management Act (No. 56 of 2003) or is in the process of conducting two investigations regarding alleged irregular expenditure committed by municipal officials.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
48. Irregular expenditure (continued)		
An incident of alleged irregular expenditure committed by municipal officials in the procurement of sewer network, pumpstations and switchgear maintenance for pumpstations was reported to Council during the previous financial year. This incident is still under investigation and the quantum cannot be determined yet. This will be possible once the processes are concluded and the matter referred to the Section 32 committee and subsequently resolved by Council.		
-		
49. Fruitless and wasteful expenditure		
Opening balance	687,271	168,368
GO George bus tickets: Cost price of old bus tickets destroyed after bus tariff increase	-	518,903
	687,271	687,271
Fruitless and wasteful expenditure consist out of the following:		
Interest paid on incorrect submission of the Value Added Tax return at SARS	22,193	22,193
Procurement of goods and services in the upgrading of various sport facilities	103,063	103,063
Misuse of a 3G data card	43,112	43,112
GO George bus tickets: Cost price of old bus tickets destroyed after bus tariff increase	518,903	518,903
	687,271	687,271
Procurement of goods and services in the upgrading of various sport facilities: The case reported in the 30 June 2015 financial statements as alleged irregular expenditure for the procurement of goods and services in the upgrading of various sport facilities has been investigated but is not finalised yet. To date the fruitless and wasteful expenditure amounts to R103,063. A debtor was raised for this amount during the previous financial year.		
The fruitless and wasteful expenditure of 30 June 2018 is being referred to a Section 32 committee for a recommendation to Council.		
50. Material losses		
Electricity distribution		
Units purchased (KWh)	470,867,215	471,388,798
Units lost during distribution	35,741,355	36,047,703
Percentage lost during distribution	7.59	7.65
Water distribution		
Kilolitres purified	11,187,913	13,157,011
Kilolitres lost during distribution	3,025,560	3,908,501
Percentage lost during distribution	27.04	29.71

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51. In-kind donations and assistance		
The following assets have been donated to the municipality and form part of the Investment property additions for the year:		
Property, plant and equipment		
Vehicles for the law enforcement department	-	410,650
Electronic equipment for the housing department	-	14,647
Computer equipment for the branch libraries	-	78,956
Investment property		
Skatelab building	225,000	-
	225,000	504,253
52. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Opening balance	(3,923,844)	(3,245,749)
Current year subscription / fee	3,923,844	3,725,739
Amount paid - current year	(4,504,678)	(4,403,834)
Prepayment - Refer to note 5	(4,504,678)	(3,923,844)
The municipality pays the SALGA membership fees annually in May for the following financial year in order to receive a 5% discount. Refer to note 5 for more detail.		
Audit fees		
Current year subscription / fee	4,284,907	3,465,843
Amount paid - current year	(4,284,907)	(3,465,843)
	-	-
PAYE and UIF		
Current year subscription / fee	66,952,257	59,292,452
Amount paid - current year	(66,952,257)	(59,292,452)
	-	-
Pension and Medical Aid Deductions		
Current year subscription / fee	93,269,333	78,109,994
Amount paid - current year	(93,269,333)	(78,109,994)
	-	-
VAT		
VAT receivable / (payable)	3,310,259	(345,563)

VAT output payables and VAT input receivables are shown in note 6.

All VAT returns have been submitted by the due date throughout the year.

George Local Municipality

Annual Financial Statements for the year ended 30 June 2018

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52. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at any point in time during the year ended 30 June 2018:

30 June 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
	-	-	-
30 June 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
HH Ingo	3,841	21,248	25,089

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 by the Accounting Officer and noted by Council. Deviations from the Supply Chain Management processes were identified for the following categories and have been approved by the Accounting Officer and reported to Council.

2018

	Less than R30,000	Between R30,001 and R200,000	Between R200,001 and R2,000,000	More than R2,000,000
Office of the Municipal Manager	554,395	1,907,705	805,392	-
Civil Engineering Services	510,326	6,363,727	13,009,524	-
Community Services	802,881	1,923,357	4,849,325	-
Corporate Services	155,466	294,670	1,343,989	2,223,989
Electro-technical Services	491,256	919,751	1,056,743	2,300,000
Financial Services	72,913	955,003	2,037,918	-
Human Settlement	18,608	94,034	-	-
Planning and Development	190,556	200,084	500,000	-
Protection Services	185,783	796,793	387,780	-
	2,982,184	13,455,124	23,990,671	4,523,989

2017

	Less than R30,000	Between R30,001 and R200,000	Between R200,001 and R2,000,000	More than R2,000,000
Office of the Municipal Manager	775,041	1,595,647	727,991	-
Corporate Services	187,072	339,342	504,108	2,971,828
Civil Engineering Services	497,983	2,387,493	-	9,195,661
Electro-technical Services	483,508	1,005,065	1,901,791	-
Human Settlement, Land Affairs & Planning	46,398	281,550	319,369	-
Community Services	863,744	1,603,970	1,287,704	-
Financial Services	109,134	272,354	486,000	-
	2,962,880	7,485,421	5,226,963	12,167,489

Notes to the Annual Financial Statements

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52. Additional disclosure in terms of Municipal Finance Management Act (continued)

The major deviations were as follows:

2018

Awarded	Amount	Reason / Explanation
Metsi Chem iKapa	7,192,317	Impossible to follow the official procurement process. Sole supplier in the Western Cape. Received direct quotes from three suppliers. Tender is in the final stage.
Chlorcape	5,772,686	Impossible to follow the official procurement process. Sole supplier in the Western Cape. Received direct quotes from three suppliers. Tender is in the final stage.
Microsoft	4,245,097	Sole supplier - Software licenses, Enterprise agreement & Azure Commit.
Numecento	3,525,379	Impossible to follow the official procurement process. Service providers on year tender did not have the equipment available for the War on Waste project: Hiring of TLB's and Trucks.
Powerrec TRF	2,300,000	Emergency . Rewinding of bonar long transformer
Mr Noodles	1,206,576	Impossible to follow the official procurement process. Emergency Service providers on year tender did not have the equipment available. War on Waste project and bulldozer for refuse site: Hiring of trucks and bulldozers.
Ultra Water	782,952	Impossible to follow the official procurement process. Sole supplier in the Western Cape. Received direct quotes from three suppliers. Tender is in the final stage.
Almex Transport Solutions	772,188	Sole supplier for the fare collection and ticket validation systems.
ESRI SA	620,206	Exceptional case and impractical to follow the official procurement process. ESRI is the current supplier of the enterprise wide GIS solution - GIS development and maintenance
A Bruinders	500,000	Acquisition of repair workers to historical building - Repairs and restoration of the heritage building in Pacaltsdorp
Adenco Construction	435,784	Impossible to follow the official procurement process. Contractor on site need to repair work on 66Kv line
Elements Consulting Engineers	362,296	Impossible to follow the official procurement process. Elements were appointed for the design of phase 2 in the construction monitoring of Ballots Bay to Glenwood 66Kv line.
First Technology	294,670	Impossible to follow the official procurement process. First Technology was appointed by Microsoft as their solutions partner for Business Support
Reinhausen SA	258,662	Emergency. Repairs to OLTC situated at Protea sub station.
Outeniqua Plastics	234,749	Impossible to follow the official procurement process. Tender is in the final stage of evaluation. Direct negotiations with suppliers for black refuse bags.
Eden FAM	220,833	Sole supplier of radio talk slots and adverts
Business Engineering	220,000	Sole supplier of the Collaborator system support service
RAW Projects	216,602	Impossible to follow the official procurement process. Formal process were followed without any success - Specialised trailers.
Huber Technology	216,545	Sole supplier of Huber equipment
JPCE (Pty) Ltd	215,346	Emergency. Waste diversion feasibility study
Brasika Consulting	200,151	Impossible to follow the official process. Adv Venter has previously provided professional services to the municipality including governance arrangements relating to the IGA and FA - Legal advice: Review of existing contracts with DTPW in relation to GIPTN

29,793,039

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

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52. Additional disclosure in terms of Municipal Finance Management Act (continued)

2017

Awarded	Amount	Reason / Explanation
Entsha Henra	9,195,661	Impossible to follow the official procurement process. Urgently needed to construct bulk sewer to connect to areas 8A, B, C and 3.
Microsoft	2,971,828	Sole supplier
BDE Electrical & Adenco Construction	1,424,899	Emergency: Vandalism of line
Almex Transport Solutions	512,544	Sole supplier
Canon	504,108	Impractical to follow the official procurement process due to the compatibility of the hardware
NMS Management Solutions	486,000	Exceptional case and impossible to follow the official procurement process
Numocento (Pty) Ltd	484,842	Impossible to follow the official procurement process. Service providers on the tender didn't have the equipment available.
ABB South Africa	476,892	Emergency. Power supply to Eden Meander
Mr Noodles	388,512	Impossible to follow the official procurement process. Service providers on the tender didn't have the equipment available.
Must Build	319,369	Emergency. Relocated 19 families in Golden Valley
Eden FM	215,447	Sole supplier of specific community radio station. Utilization of radio airtime
TCS	212,000	Impossible to follow the official procurement process. Sole supplier of specific product.
Electrical Pro	202,350	Impossible to follow the official procurement process. Direct negotiations with suppliers.
OTI Petrosmart	200,000	Impossible to follow the official procurement process. Sole supplier of specific product.
	17,594,452	

George Local Municipality

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52. Additional disclosure in terms of Municipal Finance Management Act (continued)

Purchases from persons in service of the state

The municipality made the following payments to companies / persons in service of the state:

Company name	Related person	Company capacity	Capacity at State / Municipality	Relationship		
Willvest Twenty Three (Pty) Ltd t/a Urhwebo E-Transand	Various	Various	Various	Various	18,591,438	20,398,836
Aurecon SA (Pty) Ltd	Various	Various	Various	Various	8,242,802	7,221,025
	ZB Ebrahim	Non-executive director	Social Housing Regulatory			
SMEC South Africa (Pty) Ltd	M Phosa	Member	Finance - Mpumalanga Provincial Government	Spouse	6,012,271	7,123,439
ABSA Bank	M Ramos	CEO	SA Politician	Spouse	5,725,430	5,898,205
	LL Von Zeuner	Director	Department of Health	Brother		
Moreki Distributors	MD Moreki	Director	Palm Springs Magistrates Courts	Spouse	4,439,775	10,809,397
Royal Haskoning DHV	JD van Eeden	Member	Councillor Langeberg	Brother	4,147,731	16,101,754
			Department of Water Affairs	Nephew		
iKapa Reticulation and Flow CC	SFA Davids	Director	Western Cape Education Department - Teacher	Spouse	2,518,219	1,569,713
Minolta SA:George	KR Mthimunye	Non-executive director	Mintek		1,997,473	1,898,741
ISHS	CM Willemse	Director	Teacher	Parent	1,339,416	1,056,837
Delacom	VV Zwane	Director	Social Worker	Spouse	1,299,040	-
Trentyre	MP Mona	Member	SA Forestry Company		1,266,357	84,122
	A Sing	Non-executive director	DBSA			
Raubenheimer's Incorporated	WM Luttig	Director	Teacher	Spouse	1,115,135	1,915,599
DWMN Contractors	D Williams	Owner	Official at George Municipality		-	13,100
Conlog	L Moodley	Commercial director	Provincial Health Department of KZN	Spouse	904,366	840,533
	L Gaxeni	Quality Manager	Eskom KZN: Deductor Manager	Spouse		
Adenco Construction	V Machimana	Director	Department of Health	Parent	687,847	360,267
	DCC Jackson	Director	Teacher	Parent		
SMS ICT Choice (Pty) Ltd	SS Maqula	Director	Eastern Cape Department of Human Settlements (Director)	Spouse	390,467	339,976
Elster Kent Metering	NY Nkabinde	Director	Competition Commissioner		351,507	129,082

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52. Additional disclosure in terms of Municipal Finance Management Act (continued)

Company name	Related person	Company capacity	Capacity at State / Municipality	Relationship		
Servelec (Pty) Ltd	W Louw	Proposals Manager	SARS Port Elizabeth - Debtors Clerk	Spouse	318,606	2,852,044
2 Brothers Enterprise	J Booysen	Director	Official at George Municipality	Sister in law	309,500	49,367
Total Client Service	V Zitumane	Member	EC Parks & Tourism		258,638	241,652
	BKD Mafu	Non-executive director	EC Liquor Board			
Bearing Warehouse	FC Zeelie	Member	Department of Agriculture	Spouse	232,569	195,920
Wolfe Pack Race	K Langeveldt	Director	Councillor at George Municipality	Spouse	207,543	131,699
			Councillor at George Municipality	Brother		
PNB Civils	P Barnardo	Director	Was employed at Mossel Bay Municipality		205,991	-
DNF Construction	DF Noemdoe	Owner	Official at George Municipality	Sister	203,397	-
Gibb (Pty) Ltd	Various	Various	Various	Various	199,500	-
Tuiniqua Consulting Engineers	E Huistra	Member	Department of Education	Spouse	160,338	243,143
Zuksem projects 01 (Pty) Ltd	BM Bokwe	Owner	Official at George Municipality	Business Partner	133,990	-
Montidox CC	N Beja	Director	Department of Health	Spouse	129,978	336,030
INCA Portfolio Managers	M Mokoene	Non-executive director	Gautrain Management Agency		93,720	75,240
Seebosrand Catering	ME Classen	Owner	Official at George Municipality	Daughter	79,304	99,777
Avela General Service and Construction	N Nongogo	Owner	Department of Health: Ambulance Assistant	Son	46,203	54,953
	P Nongogo	Owner	Department of Health: Admin Clerk	Daughter		
CMS Consulting Service	CAJ Vancoillie		WC Provincial Government: Chief Town & Regional Planner	Son	43,958	-
Omnisolar	JE Albert	Member	Not Indicated	Spouse	14,884	11,041
A Louw t/a Goossen, Clough & Louw	A Louw	Director	Western Cape Education Department	Spouse	14,854	91,666
Jaji Bee Relocation and Honey Farming	QJ Jaji	Owner	Official at George Municipality	Daughter	13,800	29,600
Nikwe Enterprise (Pty) Ltd	M Olivier	Owner	Admin Officer Housing	Wife	2,800	-

George Local Municipality
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Notes to the Annual Financial Statements

Figures in Rand		2018		2017		
52. Additional disclosure in terms of Municipal Finance Management Act (continued)						
Company name	Related person	Company capacity	Capacity at State / Municipality	Relationship		
Old Mutual Investments	S Cronje		Councillor at George Municipality	Son	Investments	
MVD Consulting Engineers	CV Swart	Director	Teacher	Spouse	-	2,485,464
Noble Enterprise	J Noble	Director	Councillor at George Municipality	Spouse	-	172,963
NB Trading and Garage Doors	JJ Frans	Owner	Official at George Municipality	Spouse	-	131,589
Leap Quantity Survey	AN Grobler	Director	Department of Justice	Spouse	-	70,538
Huriqua (Pty) Ltd	C Lamberts	Director	Deputy Director WC Agriculture		-	22,170
					61,698,847	83,033,312

53. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	329,842,195	348,827,630
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Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date. Refer to note 13 for detail of long-term liabilities.

54. Municipal Land Transport Fund

Included in the Accumulated surplus is the Municipal Land Transport Fund for the George Integrated Public Transport Network as required by the National Land Transport Act, (Act No. 5 of 2009). Refer to accounting policy 1.24 for more information on the fund.

The transactions for the year were:

Opening balance	10,054,101	351
National grants	124,764,718	72,998,000
Provincial grants	95,545,129	91,134,776
Fare revenue	39,419,283	37,301,627
Other income	1,883,825	1,171,947
Interest received	348,600	2,609,325
Less: Expenses	(252,381,748)	(195,161,925)
	19,633,908	10,054,101

55. Budget differences

55.1 Investment revenue

The variance of 20% between the actual and budget amounts received relates to the bank interest received being more than anticipated.

55.2 Debt impairment

The difference between the final adjustments budget and the actual amounts is 54%. The differences consist of an increase in the provision of consumer debtors handed over for collection.

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Figures in Rand	2018	2017
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55. Budget differences (continued)

55.3 Finance charges

The difference between the final adjustments budget and the actual amounts is 16%. The differences consist the interest on the provisions for the rehabilitation of the landfill site and GIPTN compensation provision. Refer to note 18 for detail.

55.4 Transfers and grants

The difference between the final adjustments budget and the actual amounts is 94%. There was R1,000,000 budgeted in this category and was spent but was accounted for as part of contracted services.

55.5 Transfers recognised - capital

The variance of 19% between the actual amount spent and the amount budgeted is due to the under spending on the Nelson Mandela Boulevard capital project.

55.6 Capital - Finance and Administration

The difference between the final adjustments budget and the actual amounts is 19% and consist of the fire detection system and extension of the reception area at Community Services which was not completed and rolled over to the 2019 financial year.

55.7 Capital - Community Services

The difference between the final adjustments budget and the actual amounts is 36% and consist of vehicles that was not purchased during the financial year. The budget for the Super Sucker was less than the tender amount and the department decided to cancel the process.

55.8 Capital - Public safety

The difference between the final adjustments budget and the actual amounts is 33% and consist of a saving on the procurement of a bakkie at Fire Services which is funded by a Provincial Grant. A request for roll over to the 2019 financial year was submitted.

55.9 Capital - Planning and development

The difference between the final adjustments budget and the actual amounts is 11% and consist of the savings on smaller projects.

55.10 Capital - Road transport

The difference between the final adjustments budget and the actual amounts is 15% and consist out of work that was done on proclaimed roads (Courtney Street) and this expenditure was moved to the operational expenditure as this asset is not an asset of the Municipality.

Notes to the Annual Financial Statements

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55. Budget differences (continued)

55.11 Capital - Electricity

The difference between the final adjustments budget and the actual amounts is 28%. There was delays in the awarding of the tender for the Thembalethu / Glenwood 66kv overhead line projector funded from INEP. A request to roll over the grant to the 2019 financial year was submitted.

55.12 Capital - Water

The difference between the final adjustments budget and the actual amounts is 30% and consist mainly out of underspending on the raising of the Garden Route Damwall project. A letter of appointment was sent to a successfully contractor in January but the contractor withdrew his tender. The project will be rolled over to the 2019 financial year.

55.13 Capital - Waste Water Management

The difference between the final adjustments budget and the actual amounts is 22% and consist mainly out of the delay in the upgrading of the Outeniqua waste water treatment works which will be rolled over to the 2019 financial year.

55.14 Capital - Waste management

The difference between the final adjustments budget and the actual amounts is 35% and consist mainly out of the building and compost plan which could not be completed because the estimated cost was more than the budget. Extension of the transfer station project could also not be completed because the PPPFA conditions needed to be reworked.

55.15 Capital - Other

The difference between the final adjustments budget and the actual amounts is 49% and consist of work done on the website which was transferred to the operating budget.

55.16 Capital expenditure: Executive and council

The difference between the final adjustments budget and the actual amounts is 94%. The municipality budgeted to buy a building but instead a three year rental agreement was entered into to lease additional office space in the old ABSA building.

55.17 Other own revenue

The difference between the final adjustments budget and the actual amounts is 14% and consist mainly out of of traffic fines. The actual amounts received from traffic fines was budgeted for and not the traffic fines issued.

56. Events after the reporting date

On Friday 26 October 2018 a veld fire occurred in the George municipal area and the fire continued for a few days. To date the financial impact of the fire is unknown

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GEORGE LOCAL MUNICIPALITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018
Appendix to the Financial Statements

Type	Cost				Work in progress				Accumulated Depreciation				Carrying Value		
	Build Cost	Address	Completed Contributions	Expenditures	Transfer	Build WIP	Charged Cost	Build WIP	Charged Deprec.	Address	Impairment / Impairment reversed	Reversals	Transfer	Charged Deprec.	Carrying Value
DRILL - CONCRETE	30,528	-	-	-	-	-	41,657	-	-	(1,500)	-	-	-	(11,654)	20,382
CONCRETE/PAVEMENT - CLINCH	3,345	-	-	-	-	-	2,628	-	-	(8,465)	-	-	-	(1,647)	8,113
CONCRETE/PAVEMENT - CLINCH	1,326,198	86,412	-	-	-	-	2,424,252	-	-	(152,276)	-	-	-	(7,203,452)	1,344,117
ELECTRICAL EQUIPMENT	9,815,531	370,249	-	(1,488)	-	-	30,172,351	540,770	10,960,792	(1,053,536)	-	-	3,379	(7,203,452)	32,037,254
ELECTRICAL EQUIPMENT	1,450,000	1,450,000	-	-	-	-	1,450,000	-	-	(1,450,000)	-	-	-	(1,450,000)	1,450,000
RADIO EQUIPMENT	8,242,428	2,585,122	-	(24,463)	-	-	3,113,845	-	-	(127,204)	-	-	-	(3,085,941)	8,004,487
TELECOMMUNICATION EQUIPMENT	1,856,661	1,245,122	-	-	-	-	4,227,546	-	-	(12,746,147)	-	-	-	(1,291,487)	4,479,329
PIPE EQUIPMENT	1,800,813	-	-	-	-	-	1,800,813	-	-	(102,846)	-	-	-	(674,591)	3,305,428
PIPE EQUIPMENT	4,200,000	-	-	-	-	-	3,307,429	-	-	(343,107)	-	-	-	(1,053,111)	3,307,429
PIPE EQUIPMENT	4,200,000	-	-	-	-	-	10,315,357	-	-	(1,042,846)	-	-	-	(8,262,751)	4,200,000
PIPE EQUIPMENT	17,405,479	11,429	-	-	-	-	37,453,875	978,129	-	(1,331,589)	-	-	-	(1,777,371)	35,726,506
PIPE EQUIPMENT	1,074,000	-	-	-	-	-	4,344	-	-	(881)	-	-	-	(946)	3,391
PIPE EQUIPMENT	300,497	-	-	-	-	-	444,364	-	-	(392,838)	-	-	-	(620,632)	300,497
PIPE EQUIPMENT	1,800,000	-	-	-	-	-	1,800,000	-	-	(1,800,000)	-	-	-	(1,800,000)	1,800,000
PIPE EQUIPMENT	1,800,000	-	-	-	-	-	2,114,288	-	-	(1,708,475)	-	-	-	(1,708,475)	1,800,000
PIPE EQUIPMENT	55,042	-	-	-	-	-	110,564	-	-	(128,892)	-	-	-	(14,947)	45,137
PIPE EQUIPMENT	42,748	-	-	-	-	-	104,787	-	-	(14,487)	-	-	-	(9,134)	94,641
PIPE EQUIPMENT	7,644	-	-	-	-	-	1,715,612	-	-	(1,715,612)	-	-	-	(1,715,612)	7,644
PIPE EQUIPMENT	6,314,674	2,022,508	-	-	-	-	8,646,451	-	-	(10,805,190)	-	-	-	(8,646,451)	6,314,674
PIPE EQUIPMENT	3,719,023	1,614,414	-	-	-	-	8,727,238	-	-	(220,938)	-	-	-	(2,000,000)	3,719,023
PIPE EQUIPMENT	7,338	93,800	-	-	-	-	3,403,451	-	-	(220,938)	-	-	-	(2,000,000)	7,338
PIPE EQUIPMENT	2,074,000	443,000	-	-	-	-	122,236	-	-	(7,008)	-	-	-	(11,614)	114,123
PIPE EQUIPMENT	1,400,000	1,400,000	-	-	-	-	2,405,432	-	-	(1,729,611)	-	-	-	(1,729,611)	3,403,451
PIPE EQUIPMENT	1,400,000	1,400,000	-	-	-	-	3,403,451	-	-	(1,729,611)	-	-	-	(1,729,611)	3,403,451
PIPE EQUIPMENT	3,311,498	279,872	-	-	-	-	3,546,271	-	-	(220,938)	-	-	-	(2,000,000)	3,311,498
PIPE EQUIPMENT	199,460	308,872	-	-	-	-	918,363	-	-	(342,182)	-	-	-	(1,091,548)	199,460
PIPE EQUIPMENT	78,320	463,259	-	-	-	-	156,140	-	-	(2,714)	-	-	-	(89,116)	78,320
PIPE EQUIPMENT	3,403,451	463,259	-	-	-	-	1,207,286	-	-	(3,403,451)	-	-	-	(3,403,451)	3,403,451
PIPE EQUIPMENT	2,414,254	47,247	-	-	-	-	154,075	-	-	(12,719)	-	-	-	(64,754)	2,414,254
PIPE EQUIPMENT	1,137,744	-	-	-	-	-	3	-	-	(1,137,743)	-	-	-	(1,021,301)	3,837,048
PIPE EQUIPMENT	3,837,048	-	-	-	-	-	14,339,371	-	-	(8,954,465)	-	-	-	(7,545,948)	31,178,491
PIPE EQUIPMENT	14,339,371	-	-	-	-	-	26,718,423	-	-	(91)	-	-	-	(6)	26,718,417
PIPE EQUIPMENT	26,718,423	-	-	-	-	-	432,319	-	-	(138,391)	-	-	-	(112,717)	269,463
PIPE EQUIPMENT	200,148	-	-	-	-	-	371,151	-	-	(174,827)	-	-	-	(179,722)	192,369
PIPE EQUIPMENT	180,511	-	-	-	-	-	13,167,547	-	-	(1,429,452)	-	-	-	(1,429,452)	22,444,547
PIPE EQUIPMENT	2,296,226	-	-	-	-	-	1,114,497	-	-	(1,448,402)	-	-	-	(1,448,402)	12,011,759
PIPE EQUIPMENT	506,131	-	-	-	-	-	8,480,619	-	-	(289,281)	-	-	-	(1,448,402)	8,201,438
PIPE EQUIPMENT	6,842,854	-	-	-	-	-	13,480,619	-	-	(1,397,952)	-	-	-	(1,448,402)	12,011,759
PIPE EQUIPMENT	4,817	-	-	-	-	-	8,187	-	-	(8,180)	-	-	-	(8,122)	4,238
PIPE EQUIPMENT	2,667,284	2,667,284	-	-	-	-	9,497,028	-	-	(1,368,157)	-	-	-	(1,368,157)	7,931,848
PIPE EQUIPMENT	31,155,799	-	-	-	-	-	1,535,799	-	-	(251,238)	-	-	-	(251,238)	30,904,561
PIPE EQUIPMENT	1,535,799	-	-	-	-	-	2,511,578	-	-	(956,142)	-	-	-	(956,142)	1,529,154
PIPE EQUIPMENT	2,511,578	-	-	-	-	-	829,688	-	-	(263,266)	-	-	-	(263,266)	829,688
PIPE EQUIPMENT	2,511,578	-	-	-	-	-	92,913,455	-	-	(18,468,154)	-	-	-	(18,468,154)	73,305,299
PIPE EQUIPMENT	36,993,452	-	-	-	-	-	1,819,000	-	-	(1,819,000)	-	-	-	(1,819,000)	35,174,452
PIPE EQUIPMENT	1,819,000	-	-	-	-	-	17,790	-	-	(15,342)	-	-	-	(17,125)	30,644
PIPE EQUIPMENT	8,805	-	-	-	-	-	8,805	-	-	(15,342)	-	-	-	(17,125)	30,644
PIPE EQUIPMENT	172,446,523	31,225,225	717,125	(148,923)	514,429	3,246,323	492,413,373	-	11,074,180	(87,417,714)	(13,153,325)	92,443	-	(885,206,144)	335,343,158
PIPE EQUIPMENT	3,246,323	-	-	-	-	-	4,154,971	-	-	(379,740)	-	-	-	(389,191)	4,124,442
PIPE EQUIPMENT	1,330,399	497,429	44,360	-	-	-	2,827,149	-	-	(29,832)	-	-	-	(29,832)	1,300,567
PIPE EQUIPMENT	1,330,399	-	-	-	-	-	1,330,399	-	-	(71,839)	-	-	-	(71,839)	2,644,879
PIPE EQUIPMENT	7,491,624	349,413	4,341,879	-	-	-	14,702,044	44,360	-	(14,360)	-	-	-	(8,911,100)	7,483,013
PIPE EQUIPMENT	4,771,671	1,494,043	-	-	-	-	7,803,034	-	-	(3,906,746)	-	-	-	(3,825)	13,874,293
PIPE EQUIPMENT	1,494,043	-	-	-	-	-	1,410,180	-	-	(1,410,180)	-	-	-	(1,410,180)	1,494,043
PIPE EQUIPMENT	8,926,009	189,429	-	-	-	-	9,475,429	-	-	(9,475,429)	-	-	-	(9,475,429)	8,926,009
PIPE EQUIPMENT	7,445,723	-	-	-	-	-	7,445,723	-	-	(14,861,504)	-	-	-	(14,861,504)	7,445,723
PIPE EQUIPMENT	44,229	-	-	-	-	-	845,792	-	-	(2,154)	-	-	-	(19,423)	839,319
PIPE EQUIPMENT	44,229	-	-	-	-	-	1,829,414	-	-	(1,829,414)	-	-	-	(1,829,414)	44,229
PIPE EQUIPMENT	181,227,474	2,369,493	4,261,932	-	-	11,483,020	222,171,811	-	7,374,120	(49,738,497)	(2,571,200)	-	12,168,355	(48,207,644)	207,707,634
PIPE EQUIPMENT	2,369,493	-	-	-	-	-	24,823,156	-	-	(14,447,186)	-	-	-	(14,447,186)	24,823,156
PIPE EQUIPMENT	24,823,156	-	-	-	-	-	24,823,156	-	-	(24,823,156)	-	-	-	(24,823,156)	24,823,156
PIPE EQUIPMENT	24,823,156	-	-	-	-	-	24,823,156	-	-	(24,823,156)	-	-	-	(24,823,156)	24,823,156
PIPE EQUIPMENT	24,823,156	-	-	-	-	-	24,823,156	-	-	(24,823,156)	-	-	-	(24,823,156)	24,823,156
PIPE EQUIPMENT	24,823,156	-	-	-	-	-	24,823,156	-	-	(24,823,156)	-	-	-	(24,823,156)	24,823,156
PIPE EQUIPMENT	24,823,156	-	-	-	-	-	24,823,156	-	-	(24,823,156)	-	-	-	(24,823,156)	24,823,156
PIPE EQUIPMENT	24,823,156	-	-	-	-	-	24,823,156	-	-	(24,823,156)	-	-	-	(24,823,156)	24,823,156
PIPE EQUIPMENT	24,823,156	-	-	-	-	-	24,823,156	-	-	(24,823,156)	-	-	-	(24,823,156)	24,823,156
PIPE EQUIPMENT	24,823,156	-	-	-	-	-	24,823,156	-	-	(24,823,156)	-	-	-	(24,823,156)	24,823,156
PIPE EQUIPMENT	24,823,156	-	-	-	-	-	24,823,156	-	-	(24,823,156)	-	-	-	(24,823,156)	24,823,156
PIPE EQUIPMENT	24,823,156	-	-	-	-	-	24,823,156	-	-	(24,823,156)	-	-	-	(24,823,156)	24,823,156
PIPE EQUIPMENT	24,823,156	-	-	-	-	-	24,823,156	-	-	(24,823,156)	-	-	-	(24,823,156)	24,823,156
PIPE EQUIPMENT	24,823,156	-	-	-	-	-	24,823,156	-	-	(24,823,156)	-	-	-	(24,823,156)	24,823,156
PIPE EQUIPMENT	24,823,156	-	-	-	-	-	24,823,156	-	-	(24,823,156)	-	-	-	(24,823,156)	24,823,156
PIPE EQUIPMENT	24,823,156	-	-	-	-	-	24,823,156	-	-	(24,823,156)	-	-	-	(24,823,156)	24,823,156
PIPE EQUIPMENT	24,823,156	-	-	-	-	-	24,823,156	-	-	(24,823,156)	-	-	-	(24,823,156)	24,823,156
PIPE EQUIPMENT	24,823,156	-	-	-	-	-	24,823,156	-	-	(24,823,156)	-	-	-	(24,823,156)	24,823,156
PIPE EQUIPMENT	24,823,156	-	-	-	-	-	24,823,156	-	-	(24,823,156)	-	-	-	(24,823,156)	24,823,156
PIPE EQUIPMENT	24,823,156	-	-	-	-	-	24,823,156	-	-	(24,823,156)	-	-	-	(24,823,156)	24,823,156
PIPE EQUIPMENT	24,823,156	-	-	-	-	-	24,823,156	-	-	(24,823,156)	-	-	-	(24,823,156)	24,823,156
PIPE EQUIPMENT	24,823,156	-	-	-	-	-	24,823,156	-	-	(24,823,156)	-	-	-	(24,823,156)	24,823,156
PIPE EQUIPMENT	24,823,156	-	-	-	-	-	24,823,156	-	-	(24,823,156)	-	-	-	(24,823,156)	24,823,156
PIPE EQUIPMENT	24,823,156	-	-	-	-	-	24,823,156	-	-	(24,823,156)	-	-	-	(24,823,156)	24,823,156
PIPE EQUIPMENT	24,823,156	-	-	-	-	-	24,823,156	-	-	(24,823,156)	-	-	-	(24,823,156)	24,823,156
PIPE EQUIPMENT	24,823,156	-	-	-	-	-	24,823,156	-	-	(24,823,156)	-	-	-	(24,823,156)	24,823,156
PIPE EQUIPMENT	24,823,156	-	-	-	-	-	24,823,156	-	-	(24,823,156)	-	-	-	(24,823,156)	24,823,156
PIPE EQUIPMENT	24,823,156	-	-	-	-	-	24,823,156	-	-	(24,823,156)	-	-	-	(24,823,156)	24,823,156
PIPE EQUIPMENT	24,823,156	-	-	-	-	-	24,823,156	-	-	(24,823,156)	-	-	-	(24,823,156)	24,823,156
PIPE EQUIPMENT	24,823,156	-	-	-	-	-</									

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GEORGE I. LOCAL MUNICIPALITY

Property, plant and equipment - detailed analysis

George Local Municipality

Annual Financial Statements for the year ended 30 June 2018

APPENDIX: GEORGE INTEGRATED PUBLIC TRANSPORT NETWORK

A bus service was introduced to provide a quality public transport service that is reliable, affordable, safe, convenient, and accessible, and contributes to a better quality of life for all.

The George Integrated Public Transport Network (GIPTN) has been developed by the municipality and the Provincial Government of the Western Cape to transform the road-based public transport sector through the establishment of a high quality, flexible and integrated public transport network.

The GO GEORGE bus service will be operated by the public transport operator "George Link" within the entire George area. The first phase was launched on 8 December 2014; a phased approach is used for service route roll out.

At the heart of the project is an empowerment model where public transport operators were operating minibus taxi or bus services in George forming a company to deliver the new scheduled bus service in terms of an operating contract. The municipality is responsible for the service, ensuring that safety, quality and customer service standards are maintained.

The George Municipality, with the support of the Western Cape Government, has negotiated a 12-year contract with this new company, in line with national policy. Part of the agreement is that other public transport services cease to operate on the GO GEORGE routes.

Establishment of a Municipal Land Transport Fund (MLTF)

The Municipal Land Transport Fund was established on 8 December 2014, which is the date the transport service commenced.

The National Land Transport Act, (Act No. 5 of 2009) requires that a municipality establishing an integrated public transport network must establish a Municipal Land Transport Fund (MLTF) in terms of Section 27 of the Act. Money appropriated by the Minister and / or MEC for the Fund, user charges collected and interest on invested cash balances belonging to the Fund, should be paid into the fund. The funds are utilised to defray the costs of the functions in terms of its integrated transport plan.

The transactions for the transport department during the year consist of the following:

STATEMENT OF FINANCIAL PERFORMANCE

	MLTF	NON-MLTF	Total
Revenue			
Fare revenue	39,419,283	-	39,419,283
Government Grants and subsidies	220,309,847	102,140,405	322,450,252
Other income	1,883,825	-	1,883,825
Interest received	348,600	-	348,600
Total revenue	261,961,555	102,140,405	364,101,960
Expenditure			
Employee related cost	1,621,207	1,142,702	2,763,909
Depreciation	-	33,144,759	33,144,759
Finance cost	893,895	5,420,977	6,314,872
Contracted services	229,314,611	1,839,333	231,153,944
Inventory / Other materials	157,956	-	157,956
General expenses	20,394,079	-	20,394,079
Total expenditure	252,381,748	41,547,771	293,929,519
Surplus for the year	9,579,807	60,592,634	70,172,441

George Local Municipality

Annual Financial Statements for the year ended 30 June 2018

APPENDIX: GEORGE INTEGRATED PUBLIC TRANSPORT NETWORK

Items in the Statement of Financial Position consisted of the following on year end:

Custom Schedule

Assets

Property, plant and equipment	Cost price	Accumulated depreciation	Book value
Standard 12m & Midi 10.5m bus (69 buses)	179,437,265	(36,278,702)	143,158,563
Sprinter / Mini bus (35 buses)	26,823,258	(9,805,096)	17,018,162
	206,260,523	(46,083,798)	160,176,725

Receivables from exchange and non-exchange transactions

GIPTN Fare Revenue	Note 3	2018 319,590
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Prepayments

Mercedes-Benz South Africa Ltd - maintenance contracts for buses	5	8,566,934
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Cash and cash equivalents

Cash and cash equivalents	8	85,327,656
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Liabilities

Provisions

Compensation liability GIPTN	18	(67,482,867)
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Unspent conditional grants

National: Public Transport Grant	19	(11,709,152)
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Trade and other payables from exchange transactions

GIPTN Compensation Accrual		(6,412,249)
George Link (Pty) Ltd		(25,133,741)
Department of Transport		(21,903,380)
George Link (Pty) Ltd retentions (including interest)		(9,390,627)
		(62,839,997)